

PWYLLGOR CYLLID FINANCE COMMITTEE

DYDDIAD Y CYFARFOD: DATE OF MEETING:	24 July 2020
TEITL YR ADRODDIAD: TITLE OF REPORT:	Update on All-Wales Capital Programme – Year End Out-Turn 2019/20 and 2020/21 Capital Resource Limit and Capital Financial Management
CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:	Huw Thomas, Executive Director of Finance
SWYDDOG ADRODD: REPORTING OFFICER:	Eldeg Rosser, Senior Finance Business Partner

Pwrpas yr Adroddiad (dewiswch fel yn addas)

Purpose of the Report (select as appropriate)

Ar Gyfer Trafodaeth/For Discussion

ADRODDIAD SCAA SBAR REPORT

Sefyllfa / Situation

This update report is presented to Finance Committee to:

- Note the Capital Resource Limit (CRL) for 2020/21;
- Note the value of capital expenditure currently committed to deal with the COVID-19 pandemic (COVID-19) for 2020/21 and funding released to date;
- Note the financial risk associated with progressing capital schemes at feasibility stage without confirmed funding;
- Note the updates on the Women and Children Phase II (GGH) and Cylch Caron schemes, Interserve and Project Bank Accounts.

Cefndir / Background

Further to previous update reports to Finance Committee, this report provides an update on the CRL position for 2020/21.

Asesiad / Assessment

Capital Resource Limit 2020/21

The current CRL for 2020/21 has been issued with the following allocations:

Expenditure	£m
All Wales Capital Programme (AWCP)	12.50
Discretionary Programme	7.271
Slippage due to COVID-19 from 2019/20	1.090
COVID-19 – Digital Devices	0.743
COVID 19 – Equipment (Acute Sites and Field Hospitals)	4.724
Total	26.33

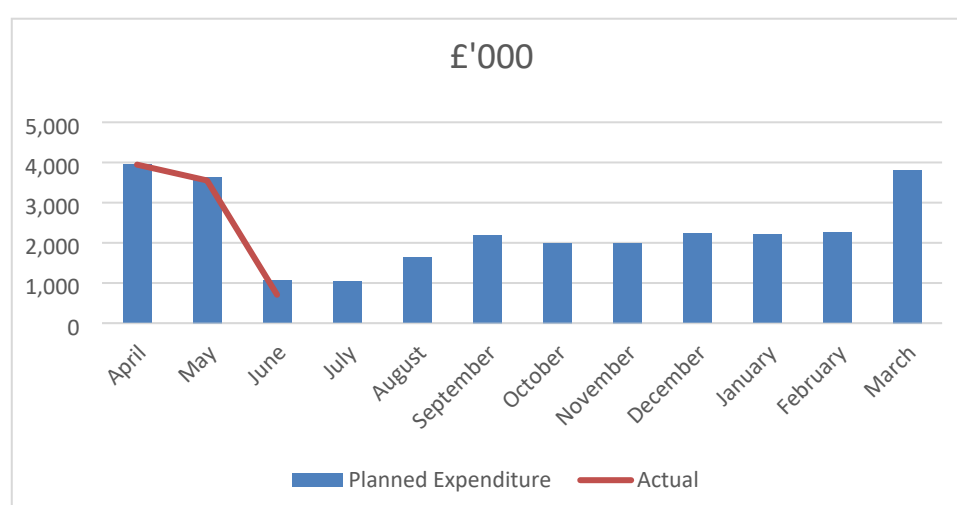
There is also an allocation pending of:

- Advance Fire Compliance Works at Withybush General Hospital (WGH): £0.350m

The Capital Expenditure Plan for 2020/21 is detailed below.

Scheme	Allocation (from 2019/20)	Allocation (2020/21)	Total Allocation £m
AWCP			
Women and Children Phase II		10.001	10.001
MRI Withybush		2.700	2.700
Radiology Schemes		0.467	0.467
Advance Fire Works WGH			
Other	0.315	0.261	0.576
COVID-19		5.467	5.467
Sub-total AWCP	0.315	18.896	19.211
Discretionary			
Equipment	0.172	0.550	0.722
Estates Infrastructure	0.010	1.794	1.804
Estates Development	0.103	0.381	0.484
Estates Statutory		1.120	1.120
Digital	0.445	1.000	1.445
Contingency	0.045	0.330	0.375
Credits for Cleaning / HIW / COVID-19		0.570	0.570
Business Case Development		0.300	0.300
Capital Support (Critical Care Information System)		0.300	0.300
Sub-total Discretionary	0.775	6.345	7.120
TOTAL	1.090	25.241	26.331

An expenditure profile for 2020/21 is shown below:



Total capital expenditure as at Month 3 was £8.206m, of which £6.814m is related to COVID-19.

Financial Risks

The value of capital orders placed by the Health Board (HB) to date for COVID-19-associated items which is expected to impact on the 2020/21 position is:

Expenditure	Costs Expected 2020/21 £m	Funding released to Date £m	Current Funding Gap £m
Acute Sites	5.241	1.401	4.020
Field Hospitals	3.846	3.298	0.548
Informatics	1.377	0.743	0.643
Women and Children Phase II (GGH)	0.544	0.024	0.520
Balance	10.969	5.467	5.731

The design, build and restoration costs for the Field Hospitals will not be classed as capital expenditure. Welsh Government (WG) are currently releasing the capital funding, based on information provided by the HB relating to actual cost incurred, not committed expenditure.

The additional costs for the Women and Children Phase II scheme are due to the delay in handover of part of the scheme as a result of COVID-19 capacity planning, and additional work required to allow the scheme to progress. There will also be an additional cost implication for the scheme as a result of the implementation of social distancing legislation, which will impact in 2021/22.

In addition to these pressures, there are schemes to the value of **£8.108m** which have been proposed in response to COVID-19 and social distancing requirements, where feasibility work is being undertaken. It is proposed to take the following approach in relation to these schemes:

- The Operational Team will prioritise the schedule of schemes through Bronze Acute Group;
- A paper will be submitted to Gold Command, seeking decisions as to whether or not to progress individual schemes, given that there is currently no guarantee that WG will fund any of them, and a risk that the HB will breach its CRL should these schemes be progressed with no funding forthcoming.
- The position reported in the HB's M3 Monitoring Returns represents a potential over-commitment against the CRL of £13.6m based on the current pressures in the system, and assumes only the funding currently released for COVID-19.

Women & Children (GGH)

The current projected completion date for the scheme is now February 2022. This projection takes into account the impact of social distancing legislation and delays caused to date by COVID-19. This delay impacts upon the total resource required for the scheme, and the financial year in which allocations need to be drawn down from WG. The current estimated additional costs for the whole scheme due to COVID-19 amount to £2.744m, of which £0.544m is likely to be incurred in 2020/21.

Ongoing profiling of resource usage is being undertaken with the cost advisors for the scheme, and regular progress updates are provided to WG and NHS Wales Shared Services Partnership.

Cylch Caron

Cylch Caron is a tripartite integrated care scheme, managed between the HB, Ceredigion County Council and Mid Wales Housing Association. The original Outline Business Case was approved by WG in July 2014. The Full Business Case for the scheme remains under development; however there are currently a number of financial issues requiring resolution which need to be brought to Finance Committee's attention before the Business Case can be finally completed.

The scheme has recently received planning permission and the scheme costs (pre COVID-19) have been finalised. There are 2 financial issues which now require resolution prior to sign-off of the Full Business Case:

- Mid and West Wales Housing Association has recently submitted a request for the Council to provide a minimum income guarantee to mitigate against the risk of voids on the scheme. However, it is unlikely that the Council will agree to this request in its current form, and it is proposed that this be discussed further at the next Project Board meeting to determine whether the issue can be resolved in order to avoid the risk that the scheme in its current form may not be able to proceed.
- The final capital costs shared with the Project Board show a gap in the capital funding of £0.400m *before* the impact of COVID-19 and social distancing measures is taken into account, both of which are likely to increase the funding gap.

If the first issue can be resolved, a discussion to agree an approach to dealing with the capital gap will be organised between the Senior Responsible Owner and the Executive Team.

Interserve Update

At the time of preparing this report, there have been no further Cabinet Office updates. The HB has been made aware that the Interserve Group Limited and Mitie PLC have signed a Sale and Purchase Agreement, which is planned to lead to the merging of Interserve's Facilities Management business with that of Mitie by the end of the current year. This does not impact upon Interserve Construction, which holds the contract for the HB's Women and Children Scheme, and is in line with previously announced improvements to the Group's operating structure.

Project Bank Accounts

In January 2018, WG introduced a policy stipulating that Project Bank Accounts (PBAs) would be used, unless there is a compelling reason not to do so, for all infrastructure contracts and service contracts that are delivered by WG. This policy was implemented via Welsh Health Circular (2018) 043: *NHS Infrastructure Investment Guidance*. It has taken longer than expected to run the pilots due to the time taken for business cases to progress through the system. In the meantime, Ministers have emphasised the need for implementation of the policy across all relevant NHS infrastructure projects. As a result, all construction and infrastructure contracts valued at £2m or more (excluding VAT), which are funded by WG, must comply with PBA policy. PBAs will not be required for schemes such as equipment replacements, or where the associated works costs are below £2m.

PBAs represent best practice in ensuring fair and prompt payment in the supply chain. PBAs are ring-fenced bank accounts with Trust status that act solely as a receptacle for transferring funds from the client to the lead contractor and supply chain. Whereas payments normally made direct to the lead contractor are paid into the supply-chain at a later date, PBAs allow simultaneous payments within 3-5 days from the deposit of money into the PBA to the lead contractor and supply chain partners. This alleviates cash flow pressures, which can have a significant benefit for smaller companies which rely on cash flow to a greater extent than

companies above them in a supply chain. PBAs will only apply to schemes which are currently under business case development. A financial procedure for the operation of PBAs is currently being prepared and will be available for consideration at the September 2020 Finance Committee meeting.

Argymhelliad / Recommendation

The Finance Committee is requested to:

- Note the Capital Resource Limit (CRL) for 2020/21;
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Amcanion: (rhaid cwblhau) Objectives: (must be completed)	
Committee ToR Reference: Cyfeirnod Cylch Gorchwyl y Pwyllgor:	4.3 Conduct detailed scrutiny of all aspects of financial performance, the financial implications of major business cases, projects, and proposed investment decisions on behalf of the Board.
Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:	Risk 856 - Risk to delivery of the Financial Plan for 2020/21
Safon(au) Gofal ac Iechyd: Health and Care Standard(s):	All Health & Care Standards Apply
Amcanion Strategol y BIP: UHB Strategic Objectives:	4. Improve the productivity and quality of our services using the principles of prudent health care and the opportunities to innovate and work with partners. 5. Deliver, as a minimum requirement, outcome and delivery framework work targets and specifically eliminate the need for unnecessary travel & waiting times, as well as return the organisation to a sound financial footing over the lifetime of this plan
Amcanion Llesiant BIP: UHB Well-being Objectives: Hyperlink to HDdUHB Well-being Statement	Improve efficiency and quality of services through collaboration with people, communities and partners All business cases for capital investment require alignment to the UHB's Well-being Objectives where applicable

Gwybodaeth Ychwanegol: Further Information:	
Ar sail tystiolaeth: Evidence Base:	Capital Allocation and prioritisation process. Capital Investment procedure and all relevant Welsh Government guidance.
Rhestr Termau: Glossary of Terms:	Included in the main body of the report.
Partïon / Pwyllgorau â ymgynhorwyd ymlaen llaw y pwyllgor cyllid: Parties / Committees consulted prior to Finance Committee:	Capital Monitoring Forum Capital Planning Group Individual Project Boards of Capital Schemes Welsh Government Capital Review Meeting Capital, Estates and IM&T Sub-Committee

Effaith: (rhaid cwblhau) Impact: (must be completed)	
Ariannol / Gwerth am Arian: Financial / Service:	Capital values noted within the report. Included within individual business cases and Capital prioritisation process.
Ansawdd / Gofal Claf: Quality / Patient Care:	Included within individual business cases and Capital prioritisation process
Gweithlu: Workforce:	Included within individual business cases and Capital prioritisation process
Risg: Risk:	Risk assessment process is integral to the capital prioritisation process and the management of capital planning within HDdUHB
Cyfreithiol: Legal:	Included within individual business cases and Capital prioritisation process
Enw Da: Reputational:	Included within individual business cases and Capital prioritisation process
Gyfrinachedd: Privacy:	Included within individual business cases and Capital prioritisation process
Cydraddoldeb: Equality:	Equality assessments are included within individual business cases and Capital prioritisation process when required

