

## PWYLLGOR CYLLID FINANCE COMMITTEE

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|--|---|
| <b>DYDDIAD Y CYFARFOD:<br/>DATE OF MEETING:</b>  | 25 February 2021  |
| <b>TEITL YR ADRODDIAD:<br/>TITLE OF REPORT:</b>  | Update on All-Wales Capital Programme – 2020/21<br>Capital Resource Limit and Capital Financial<br>Management |
| <b>CYFARWYDDWR ARWEINIOL:<br/>LEAD DIRECTOR:</b> | Huw Thomas, Director of Finance   |
| <b>SWYDDOG ADRODD:<br/>REPORTING OFFICER:</b>    | Huw Thomas, Director of Finance   |

**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 further allocations available;
- Note the value of capital expenditure currently committed to deal with the COVID-19 pandemic for 2020/21 and funding released to date;
- Note the risks being managed;
- Note the update regarding the Women and Children Phase II Scheme (Glangwili General Hospital - GGH);
- Note the update regarding the Estates Funding Advisory Board;
- Note the donation of equipment by the Department of Health.

#### Cefndir / Background

Further to previous 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:

| Allocation   | £m            |
|--|---------------|
| All Wales Capital Programme (AWCP)                     | 10.069        |
| Discretionary Capital Programme (DCP)                  | 7.078         |
| Slippage due to COVID-19 from 2019/20                  | 1.090         |
| COVID-19 – Digital Devices & IT                        | 0.935         |
| COVID-19 – Equipment (Acute Sites and Field Hospitals) | 10.382        |
| <b>Total CRL</b>                                       | <b>29.554</b> |

| Further Allocation Available                     | £m            |
|--|---------------|
| Disposals of Cardigan Hospital and Health Centre | 0.790         |
| Year End Funding - January 2021                  | 1.980         |
| Utilisation of VAT reclaims                      | 0.185         |
| <b>Sub-total</b>                                 | <b>2.955</b>  |
| <b>Total Capital Allocation</b>                  | <b>32.509</b> |

Since the last report the CRL has increased by £0.869m:

- Withybush General Hospital Fire Enforcement Notices - Programme Business Case Fees £0.350m
- Digital Eye Care - £0.287m
- Energy and Decarbonisation - £0.255m

Other allocations that the Health Board (HB) is likely to receive over the next few weeks are for:

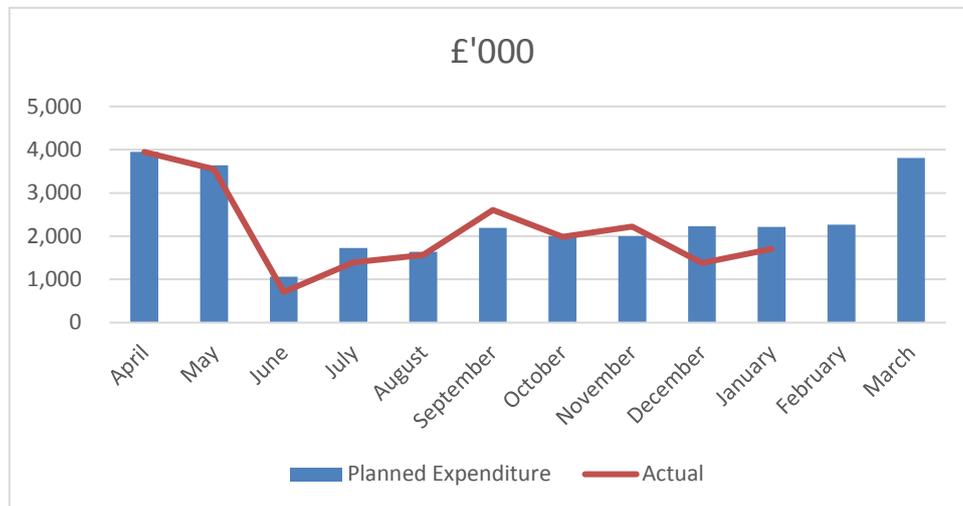
- Digital Eye Care Equipment - £1.182m
- Oxygen Infrastructure Works - £0.257m
- Community Nurses Devices - £0.370m

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

| Scheme  | Expenditure Plan (from 2019/20) £m | Expenditure Plan (2020/21) £m | Total Expenditure Plan £m |
|---|------------------------------------|-------------------------------|---------------------------|
| <b>AWCP</b>   |                                    |                               |                           |
| Women and Children Phase II                                   |                                    | 6.471                         | 6.471                     |
| MRI WGH   |                                    | 0.832                         | 0.832                     |
| Radiology Schemes   |                                    | 0.407                         | 0.407                     |
| Statutory Fire and Estates allocation                         |                                    | 0.202                         | 0.202                     |
| Advance Fire Works WGH  |                                    | 0.350                         | 0.350                     |
| SPH – Sunderland Ward ICF                                     |                                    | 0.202                         | 0.202                     |
| ED Streaming WGH/ PPH/ BGH/ GGH                               |                                    | 0.720                         | 0.720                     |
| WGH Fire PBC  |                                    | 0.220                         | 0.220                     |
| Digital Eye Care  |                                    | 0.264                         | 0.264                     |
| Other   | 0.315                              | 0.496                         | 0.811                     |
| Year End funding – Equipment and IT                           |                                    | 1.980                         | 1.980                     |
| COVID-19  |                                    | 10.382                        | 10.382                    |
| COVID-19 – (Digital)  |                                    | 0.935                         | 0.935                     |
| <b>Sub-total AWCP</b>   | <b>0.315</b>                       | <b>23.461</b>                 | <b>23.776</b>             |
| <b>Discretionary</b>  |                                    |                               |                           |
| Equipment   | 0.172                              | 1.867                         | 2.039                     |
| Estates Infrastructure  | 0.137                              | 1.725                         | 1.862                     |
| Estates Development   | 0.103                              | 0.754                         | 0.857                     |
| Estates Statutory   |                                    | 1.284                         | 1.284                     |
| Digital   | 0.445                              | 1.263                         | 1.708                     |
| Contingency   | 0.045                              | 0.153                         | 0.198                     |
| Credits for Cleaning/ Healthcare Inspectorate Wales/ COVID-19 |                                    | 0.241                         | 0.241                     |

|                                |              |               |               |
|--------------------------------|--------------|---------------|---------------|
| Business Case Development      |              | 0.439         | 0.439         |
| Capital Support                |              | 0.105         | 0.105         |
| <b>Sub-total Discretionary</b> | <b>0.902</b> | <b>7.831</b>  | <b>8.733</b>  |
| <b>TOTAL</b>                   | <b>1.217</b> | <b>31.271</b> | <b>32.509</b> |

An expenditure profile for 2020/21 is shown below:



Total capital expenditure as at Month 10 was £21.050m, of which £10.899m is related to COVID-19.

### Financial Risks

The disposal of Cardigan Health Centre did not take place by the end of January 2021, as originally anticipated. Assurance has been received from the buyer that exchange of contracts will take place and be completed by the 31<sup>st</sup> March 2021. The risk of not receiving the funding prior to the 31<sup>st</sup> March 2021 is being actively managed.

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

| Expenditure                                 | Costs Committed 2020/21 £m | Funding Released to Date £m | Current Funding Gap £m |
|---|----------------------------|-----------------------------|------------------------|
| Acute Sites                                 | 5.865                      | 5.635                       | 0.286                  |
| Field Hospitals                             | 3.642                      | 3.757                       | (0.115)                |
| Informatics                                 | 1.570                      | 1.469                       | 0.101                  |
| Women and Children Phase II (GGH)           | 0.024                      | 0.024                       | 0.000                  |
| Equipment purchased through Shared Services | 0.240                      | 0.240                       | 0.000                  |
| <b>Total</b>                                | <b>11.341</b>              | <b>11.125</b>               | <b>0.216</b>           |

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

There are additional costs for the Women and Children Phase II scheme due to the delay in handover of part of the scheme because 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 because of the implementation of social distancing legislation; the total estimated additional costs are £3.318m, of which £0.024m will apply in 2020/21 and £3.294m in 2021/22. The HB assumption is that WG funding will be available for this additional cost.

Other risks currently being reviewed and managed include:

- Slippage on the MRI scheme in 2020/21 is being managed within the HB;
- A recent delay on the sectional completion of the current Woman & Children Phase II Scheme has resulted in additional slippage on this scheme. The HB is managing this risk through the DCP;
- Ongoing monitoring of the DCP for any identified slippage between now and year-end.

The HB is currently revisiting the expenditure priorities and available allocations on a weekly basis to ensure that its highest priorities are being addressed within the available capital resource, and to ensure that the CRL is not breached.

### **Women & Children Phase II (GGH)**

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. The HB has fixed its capital requirement for 2020/21 on the AWCP schemes at the end of October 2020. The revised programme for this scheme has moved the expected completion date to the financial year 2022/23.

### **Estates Funding Advisory Board**

WG has approved a targeted funding programme totalling £37m for financial year 2021/22. This is intended to assist NHS organisations in Wales in responding to the following drivers:

- a) An ongoing trend of escalating physical condition and statutory compliance backlog costs across the NHS estate (including Fire Safety in particular);
- b) An increasing need for investment in the upkeep and development of infrastructure engineering services across healthcare sites;
- c) Pressures on the Mental Health estate, manifesting through increased risks to health and safety;
- d) WG's commitment to achieve net-zero carbon targets by 2030.

Health organisations have been invited to bid for this funding by the 5<sup>th</sup> March 2021 and bids will be appraised against a number of key factors including:

- The impact on risk and/ or Estates and Facilities Performance Management System backlog value;
- The impact on the Fire Safety backlog total as reported through annual HB Fire Audit returns;
- Alignment with/ contribution to implementation of the draft Decarbonisation Strategic Delivery Plan (reduction in carbon);
- The impact on health & safety and wellbeing in Mental Health settings;
- The impact on future service delivery.

### **Donation of Equipment by Department of Health**

The Department of Health loaned equipment to Health Boards across Wales as part of the COVID-19 response. It is the Department's intention that all assets issued which are not

identified for return will be legally transferred by the 31<sup>st</sup> March 2021. Further information on the assets to be transferred will be provided at the next Finance Committee meeting on 23<sup>rd</sup> March 2021.

### Argymhelliad / Recommendation

The Finance Committee is requested to:

- Note the Capital Resource Limit (CRL) for 2020/21;
- Note the further allocations available;
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- Note the risks being managed;
- Note the update regarding the Women and Children Phase II Scheme (Glangwili General Hospital – GGH);
- Note the update on the Estates Funding Advisory Board;
- Note the Donation of Equipment by Department of Health.

| <b>Amcanion: (rhaid cwblhau)<br/>Objectives: (must be completed)</b>   |   |
|--|---|
| Committee ToR Reference:<br>Cyfeirnod Cylch Gorchwyl y Pwyllgor:   | 5.5.3 Reviewing the future annual revenue and capital budget.<br>5.5.5 Considering and keeping under review the organisation's medium term financial strategy in relation to both revenue and capital risks.  |
| Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol:<br>Datix Risk Register Reference and Score:                       | Risk 624 (score 20) – Risk to the ability to maintain and address backlog maintenance and develop infrastructure to support long term strategic objectives  |
| Safon(au) Gofal ac Iechyd:<br>Health and Care Standard(s):   | All Health & Care Standards Apply   |
| Amcanion Strategol y BIP:<br>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.<br>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:<br>UHB Well-being Objectives:<br><a href="#">Hyperlink to HDdUHB Well-being Statement</a> | Improve efficiency and quality of services through collaboration with people, communities and partners<br><br>All business cases for capital investment require alignment to the UHB's Well-being Objectives where applicable   |

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

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