



## PWYLLGOR CYLLID FINANCE COMMITTEE

<b>DYDDIAD Y CYFARFOD: DATE OF MEETING:</b>	27 January 2020
<b>TEITL YR ADRODDIAD: TITLE OF REPORT:</b>	Update on All-Wales Capital Programme - 2019/20 Capital Resource Limit and Capital Financial Management
<b>CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:</b>	Huw Thomas, Executive Director of Finance
<b>SWYDDOG ADRODD: REPORTING OFFICER:</b>	Huw Thomas, Executive 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 the Finance Committee to note the Capital Resource Limit (CRL) for 2019/20 expenditure allocations and profile, and to note the work being undertaken to manage the financial risks identified.

#### Cefndir / Background

Further to previous update reports to Finance Committee and the Capital, Estates and Information Management & Technology Sub-Committee (CEIM&TSC), this report provides the latest update on CRL for 2019/20.

#### Asesiad / Assessment

##### **Capital Resource Limit 2019/20**

The CRL for 2019/20 has been issued with the following allocations:

<b>Expenditure</b>	<b>£m</b>
All Wales Capital Programme	29.943
Discretionary Programme	7.283
<b>Balance</b>	<b>37.226</b>

#### All Wales Capital Programme

The All Wales Capital Programme (AWCP) schemes being funded in 2019/20 are:

- Bronglais General Hospital Magnetic Resonance Imaging (MRI) Scanner
- Women and Children's Phase II Scheme, Glangwili General Hospital (GGH)
- Cardigan Integrated Care Centre
- Aberaeron Integrated Care Centre
- Wards 9 and 10 Refurbishment, Witybush General Hospital
- Fees for the development of the Cross Hands Integrated Care Centre Business Case

- Imaging Equipment
- Pharmacy Equipment
- Statutory Fire and Estates

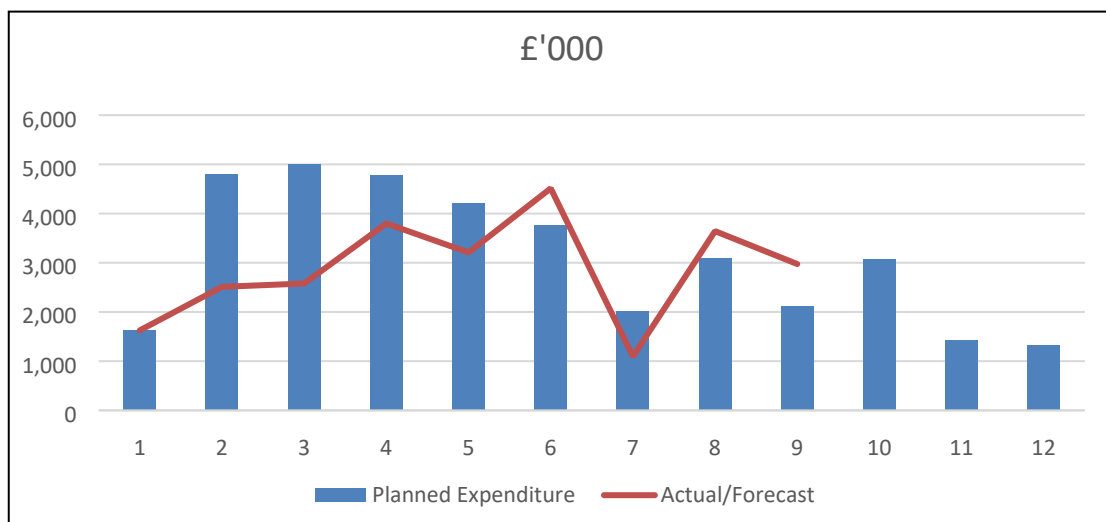
### Discretionary Capital Funding

An additional allocation of £0.012m has been provided in December 2019 for Public Health Wales Lighting as a transfer from Public Health Wales's capital allocation.

The discretionary programme is currently split as follows:

<b>Expenditure</b>	<b>£m</b>
Equipment	2.452
IM&T	1.324
Estates Infrastructure	0.959
Estates Statutory	0.879
Capital Support	0.174
Business Case Development	0.470
Contingency	0.339
Estates Development	1.175
<b>Total</b>	<b>7.772</b>
<b>Funded by:</b>	
DCP funding	7.283
Less: AWCP Payback	-0.220
VAT Recovery & Accruals	0.576
Disposal Proceeds (MRI Scanner and Aberaeron Hospital)	0.133
	<b>7.772</b>

The expenditure profile for 2019/20 is shown below:



The variance reported earlier in the financial year against the planned expenditure profile is mainly attributable to a lower level of expenditure than anticipated on the AWCP Schemes, both on the Cardigan Integrated Care Centre (ICC) Scheme and Women and Children's Phase II Scheme (GGH).

Hywel Dda University Health Board's (HDdUHB's) cost advisors have advised of a scheme underspend of £576k for Cardigan ICC. Welsh Government (WG) has agreed that this can be re-invested in the Health Board for Statutory Fire Works and Credits for Cleaning.

The expected scheme slippage for Women & Children's Phase II in 2019/20, based on updated schedules of works provided by the Supply Chain Partner, and scrutinised by HDdUHB's cost advisors and signed off by the Project Group, is £3.0m. This re-profiling of expenditure between financial years is due to a delay in the completion of the first phase of works. Significant work has recently been undertaken by the Health Board's Project Manager, Cost Advisor and Supply Chain Partner to review sub-contractor forecasts of work packages to be delivered by 31<sup>st</sup> March 2020 in order to ensure that the expenditure profile is robust and realistic. This reduction in expenditure has been reported to WG and has been reflected in an in-year adjustment to the CRL.

The Discretionary Capital Profile (DCP) will continue to be reviewed with Estates, Information Management & Technology (IM&T), and the Deputy Director of Operations.

Expenditure against the £37.226m allocation as at the end of Month 9 was £25.946m. This equates to expenditure of 41.15% of the DCP allocation and 69.43% of the All Wales Capital Allocation.

### **Financial Risks and Issues**

During 2019/20, the quarterly reviews of resource usage profiles are being undertaken with the cost advisors on the AWCP schemes, and regular updates are being provided for WG and NHS Wales Shared Services Partnership (NWSSP) on scheme progress. This process has identified the financial re-profiling requirement for Women and Children's Phase II, as a result of the physical resequencing of works.

### **Interserve Update**

At the time of preparing this report, there have been no further Cabinet Office updates.

### **Project Updates**

#### **Ward 9/10 Withybush**

The most recent report from the Cost Advisor has flagged up an overspend of £0.250m in relation to additional works that have been instructed on the scheme. Work is currently being undertaken to review the opportunities to mitigate this overspend and identify additional funding. In addition the Director of Planning, Performance and Informatics has also instigated an audit review of the scheme to ensure that lessons learnt on this scheme are embedded into processes for future schemes.

#### **Women and Children Phase II**

Handover of Phase 1 of the scheme was delayed at the end of December and will now be handed over at the end of January. We are currently awaiting a revised timeline and cashflow for the scheme which reflects the impact of this delay in handover and the impact of any mitigating actions that can be taken. There may be slippage on this scheme which will have to be managed through the Health Board Discretionary Programme in the period to 31<sup>st</sup> March 2020.

## International Financial Reporting Standard 16 Update

International Financial Reporting Standard (IFRS) 16 Leases supersedes International Accounting Standards (IAS) 17 Leases, and is effective in the public sector from 1<sup>st</sup> April 2020. IFRS 16 provides a single lessee accounting model and requires a lessee to recognise right-of-use assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. Detailed work has been undertaken to identify all contracts which may contain leases and estimations have been made of the impact on the Balance Sheet as of 1<sup>st</sup> April 2020, along with the impact on depreciation charges.

Due to their complex nature, further work is being undertaken in conjunction with other Health Boards on the treatment and impact of the Picture Archiving Communication System (PACS) contract and General Practice Information Management & Technology (IM&T) contract. Valuations on peppercorn leases are expected from the District Valuer.

Further guidance is expected from WG with regards to the budgeting treatment of IFRS 16.

Further returns on the impact of IFRS 16 are due to be submitted to WG by 17<sup>th</sup> January 2020. A separate update paper will be prepared on the impact of IFRS 16 for the March 2020 Finance Committee meeting.

## Project Bank Accounts

A training session organised by WG on the impact of and management of schemes using Project Bank Accounts was attended before Christmas. A separate update on the set-up and management of these types of accounts will be prepared for the Committee once expected further guidance has been issued by WG.

## Argymhelliad / Recommendation

The Finance Committee is requested to:

- Note the CRL for 2019/20, together with expenditure allocations and profile;
- Note the work being undertaken to manage the financial risks identified.

## Amcanion: (rhaid cwblhau)

### Objectives: (must be completed)

Committee ToR Reference: Cyfeirnod Cylch Gorchwyl y Pwyllgor:	4.5 Provide assurance to the Board that robust arrangements are in place for financial planning, financial performance and financial forecasting. 5.13 Provide assurance to the Board that arrangements for Capital, Estates and IM&T are robust.
Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:	Capital priorities included within service risk registers. Risk 624 - Ability to maintain and address backlog maintenance and develop infrastructure to support long term strategic objectives – Current Risk Score 16
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: <a href="#">Hyperlink to HDdUHB Well-being Statement</a>	Improve efficiency and quality of services through collaboration with people, communities and partners  All business cases for capital investment require alignment to HDdUHB's Well-being Objectives where applicable

<b>Gwybodaeth Ychwanegol: Further Information:</b>	
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 within the 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

<b>Effaith: (rhaid cwblhau) Impact: (must be completed)</b>	
<b>Ariannol / Gwerth am Arian: Financial / Service:</b>	Capital values noted within the report. Included within individual business cases and Capital Prioritisation process.
<b>Ansawdd / Gofal Claf: Quality / Patient Care:</b>	Included within individual business cases and Capital Prioritisation process
<b>Gweithlu: Workforce:</b>	Included within individual business cases and Capital Prioritisation process
<b>Risg: Risk:</b>	Risk assessment process is integral to the capital prioritisation process and the management of capital planning within HDdUHB

<b>Cyfreithiol: Legal:</b>	Included within individual business cases and Capital Prioritisation process
<b>Enw Da: Reputational:</b>	Included within individual business cases and Capital Prioritisation process
<b>Gyfrinachedd: Privacy:</b>	Included within individual business cases and Capital Prioritisation process
<b>Cydraddoldeb: Equality:</b>	Equality assessments are included within individual business cases and Capital Prioritisation process when required