



**PWYLLGOR CYNLLUNIO POBL A SICRWYDD PERFFORMIAD
PEOPLE PLANNING AND PERFORMANCE ASSURANCE COMMITTEE**

DYDDIAD Y CYFARFOD: DATE OF MEETING:	27 August 2020
TEITL YR ADRODDIAD: TITLE OF REPORT:	Report on the Discretionary Capital Programme (DCP) 2020/2021 & Capital Governance Update
CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:	Huw Thomas – Director of Finance
SWYDDOG ADRODD: REPORTING OFFICER:	Paul Williams – Assistant Director of Strategic Planning & Developments

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 report sets out the position with regard to the approved split of the available discretionary capital funding for the financial year 2020/21. This also sets out the risks which are emerging in relation to capital pressures which may begin to challenge this position and the mitigations available.

Cefndir / Background

The recommended allocation of the discretionary capital programme (DCP) for 2020/21 follows a report and discussion at the People, Planning and Performance Assurance Committee (PPAC) meeting on 30th June 2020 and subsequent report and discussion at the July 2020 meeting of the Capital Estates and IM&T(CE&IM&T) Sub Committee.

The allocation of the programme is set within the context of:

- Continuing risks associated with backlog pressures.
- Capital expenditure associated with the management of COVID-19.
- The pre commitments already agreed for this year's programme.

The terms of the discretionary capital allocation letter from Welsh Government (WG) state:

'Discretionary capital is that allocated directly to NHS organisations for the following priority obligations across all healthcare settings: Meeting statutory obligations, such as health and safety and firecode; maintaining the fabric of the estate; and, the timely replacement of equipment'.

The prioritisation process includes representation from Executive portfolios at the Capital Planning Group which reports to the CEIM&T Sub Committee and the position set out is consistent with that reported to the Finance Committee.

Asesiad / Assessment

Discretionary Capital Programme

The report to PPPAC noted there were no indications at present that discretionary capital allocations for 2020/21 would be impacted by COVID-19 related capital commitments and therefore Hywel Dda University Health Board (HDdUHB) would plan to prioritise and spend the full allocation. However, to manage the potential for more capital demands and risks associated with capital pressures, particularly on the All Wales Capital programme, the tactical decision was verbally reported to only commit 90% of allocated funds to provide a level of contingency should additional risks emerge.

The potential risk relating to the all Wales capital (AWC) funding of ventilator replacements in 2020/21 was also reported to PPPAC. This has been included in the COVID -19 related capital pressures which are now expected to be funded by WG.

DCP 2020/21 – (total £8.046m)

The programme reported and agreed at PPPAC included pre commitments as set out below:

Pre-Commitments	£m
All Wales Capital Payback	
Radiology	0.400
Crosshands	0.105
Women & Children Scheme (Inflation and risk)	0.400
Cardigan	0.021
DCP Schemes	
Sunderland Ward refurbishment	0.074
Pathology works Glangwili General Hospital (GGH) (total cost £0.568m)	0.381
Endoscopy washers Prince Phillip Hospital (PPH) (total cost £0.500m)	0.479
Dental	0.050
Block 8 St David's Park	0.010
Sub Total	1.920

The discretionary capital programme is now split as follows over the functional heading of the programme:

Scheme	WG Funding b/f from 2019/20	Pre-Commitments 2020/21	DCP Allocations 2020/21	DCP TOTAL 2020/21
	£000	£000	£000	£000
All Wales Capital Payback		926.0		926.0
Business Case Support			300.0	300.0
Capital Support (All Wales Critical Care System Contribution)			300.0	300.0

Digital	445.0	-	1000.0	1445.0
Estates Infrastructure	10.0	563.0	1030.0	1603.0
Residential Accommodation			200.0	200.0
Estates Developments (inc. GGH Pathology)	103.0	381.0		484.0
Estates Statutory (inc. Fire Compliance)			1120.0	1120.0
Credits for Cleaning(C4C)/Health Improvement Wales(HIW)/Other COVID-19			570.0	570.0
Equipment	172.0	50.0	500.0	722.0
Contingency	45.0		331.0	376.0
TOTAL	775.0	1920.0	4751.0	8046.0

The operational lead for each element of the programme has set out their priority expenditure in a risk based approach for the main estates, equipment and digital headings. In each of these areas, there has been challenge and the need to reassess priorities given the very fluid nature of the pressures, particularly regulatory compliance and COVID-19 related pressures.

The following are the current pressures which have become clear since the last reported position for which funding or prioritisation decisions will be required:

Scheme	£000
Fire Detector Heads GGH	120.0
Design Fees – Fire Compliance Works Withybush General Hospital (WGH)	300.0
Additional Equipment Pressures – i.e. Anaesthetic Machines	TBC
Additional Social Distancing Screens PPH and WGH (Approved to proceed from DCP pending WG COVID-19 funding)	160.0
Pharmacy	185.0
Crosshands Fees	50.0
Total	815.0

In addition to the above, notification has been received requiring the replacement of defibrillators across HDdUHB commencing this year and phased to include the next 2 years. Given that the ventilators are now to be funded from AWC, the equipment allocation will now be utilised for the c£420k required in 2020/21 for this purpose.

To mitigate the identified pressures and others which may yet emerge, the following are either available or being explored:

- The annual review by the Finance Department of additional VAT recovery and accruals held on schemes now completed has been undertaken and has released £400k of additional capital into the programme.

- As part of ongoing discussions during the monthly Capital Review Meetings, WG colleagues have indicated that it is prepared to consider a request by the HDdUHB to retain the proceeds associated with the sale of Cardigan Hospital for high risk issues.
- As previously indicated, expenditure commitments are being held at ninety percent to retain an element of flexibility for the programme.
- Further analysis of capital commitments which may be more appropriately revenue charges.

Points to note:

- As reported to the last PPPAC, there remains far greater backlog pressure than the DCP is able to fund. This is in part a reflection of the year on year level of DCP funding but also reflects the fact that elements of the backlog programme can only be managed at a larger scale and will require AWC funding. An estates major infrastructure programme business case has been drafted for Executive consideration in this regard and is planned to be presented to the October 2020 meeting of PPPAC. The updated medical devices backlog report has also been reported to the CEIM&T Sub Committee and provides the evidence base for priority decisions for equipment funds.
- Previous reporting noted other cost pressures continue to emerge as a result of COVID-19 management which are hoped will be met from central COVID-19 capital funding, however this funding cannot yet be guaranteed.
- There remains an ambition to fund the Penlan refurbishment works and the closure of Pond Street through a bid to WG to fund schemes currently noted for DCP funding. This remains subject to WG discussions.
- The CEIM&T Sub Committee will oversee work to ensure priority lists of expenditure are available should any year end capital become available from WG.
- The CEIM&T Sub Committee has also agreed there will be a workshop to begin to consider the risk based prioritisation of competing pressures for the 2021/22 DCP.

Capital Governance: Capital Project Highlight Reports – Project Updates

As previously reported to PPPAC, estates capital schemes have reported delay due to the constraints from COVID-19 relating to in house capacity and construction work. Internally, estates managed schemes have a 3 month delay. The South Pembrokeshire Sunderland Ward refurbishment, GGH Fluoroscopy Room, and Withybush advanced fire code works, are all still planned to complete in 2020/21.

The schemes intended to complete in 2020/21, and now planned for completion in the first quarter of 2021/22 are: HSDU washer in PPH, MRI in WGH, and Pathology in GGH.

There is also delay to AWC schemes relating to those in business case development and those in construction. Indications from WG at this stage evidence that there is unlikely to be funding for schemes which have not already been approved for capital funding in 2020/21. This is subject to confirmation and will require further reporting to PPPAC as the year progresses.

The Aseptic services strategic outline case has been submitted to WG for scrutiny and sets out a preferred option to develop a new unit on the WGH site. This is subject to WG scrutiny and seeks permission for funding to proceed to Business Justification Case stage which includes confirmation of the preferred option and tendered costs.

The Transforming Mental Health Programme Business Case has been scrutinised by WG and the HDdUHB response has been delayed pending resolution of the revenue implications.

This is being finalised for resubmission to WG. If the Programme Business Case is approved, HDdUHB will seek funding to progress individual business justification cases for the individual schemes.

The Major Infrastructure Programme business case intended to address estate backlog risks at scale has been prepared, submitted to WG in draft pending Executive Team review and reporting to PPPAC as previously referenced.

The PPPAC is asked to note in particular the **red** RAG status for the projects listed below.

Cylch Caron	RAG Status	Risk Category		
		Funding	Timescales	Other
		R	R	
	Timescale for improved RAG rating	Meeting arranged between CEO's of partner organisations to agree the way forward has reiterated partners commitment to the scheme and to the work required to resolve current issues/risks.		

Risk Update:

There is currently heightened concern around the financial viability and delivery of the scheme due to the recent reporting of the following issues by Mid Wales Housing Authority (MWAH):

- Capital funding gap
- Potential of further capital increase resulting from COVID-19 and project delays
- The need for Carmarthenshire County Council (CCC) to provide a minimum income guarantee to mitigate against a predicted 45% rental void.

CEO's have confirmed their commitment to the scheme and the Project Board will now manage the process to review mitigations for the risks and issues.

HDdUHB provides assurance as a principle project partner that it continues to provide support to CCC and MWAH in order to resolve issues and risks to bring the project to a successful outcome.

Pond Street/Penlan	RAG Status	Risk Category		
		Funding	Timescales	Other
		R		
	Timescale for improved RAG rating	When confirmation of funding is received.		

Risk Update: Given higher than anticipated tender costs and the subsequent impact on the DCP, the RAG status has increased to red. To mitigate the risk, WG have been approached for AWC support to enable this scheme to be funded from discretionary capital as intended.

Crosshands Health Centre	RAG Status	Risk Category		
		Funding	Timescales	Other
		R	R	
	Timescale for improved RAG rating	Resolution of concerns and issues to be addressed prior to resubmission of Outline Business Case (OBC) to WG. The earliest submission is December 2020 with approval in March 2021 is dependent on confirmation of funding source.		

Risk Update: Scrutiny questions have been received from WG and have been the subject of review meetings with the majority of responses completed for submission. A key concern remaining is the need to reduce the revenue impact. A report will be produced for Executive Team agreement on the revenue position following confirmation from service leads and the Project Director regarding the inclusion of Ophthalmology services and the Carmarthenshire Family Service.

Following deferred scrutiny process at WG and locally due to COVID-19 priorities, HDdUHB will refocus on a satisfactory response to WG, which will allow the OBC to be re submitted and approved.

The project will continue to report a red RAG status until OBC approval has been confirmed.

Women & Children's Phase 2	RAG Status	Risk Category		
		Funding	Timescales	Other
	Timescale for improved RAG rating	Timetable to be confirmed by the end of August 2020. WG support is required for the COVID-19 related cost pressures.		

Risk Update

The RAG status was reported red to PPPAC as there is a significant delay in the scheme; completion is now reported as 11th February 2022, due largely to COVID-19 social distancing assumptions. A detailed report on the issues impacting on the scheme timeline was presented to the last meeting of the CEIM&T Sub Committee and has been the subject of discussion with the scheme Senior Responsible Officer. This timeline is still subject to confirmation which is expected during August 2020. There remains a requirement, as there has been since the start of the scheme, to top up the funding from the HDdUHB discretionary programme which has been agreed and the scheme overrun due to COVID-19 related issues is being flagged to WG for AWC support.

Project Group Agendas

The Chair of the Capital Governance Forum (CGF) held discussions concerning standardising Project/Finance Group agendas for Capital Schemes to ensure a consistent and robust approach is maintained. The initial discussion took place on 5th August 2020 which will now be taken to the next meeting of the CGF and CEIM&T Sub-Committee.

Argymhelliad / Recommendation

PPPAC are asked to:

- Note the additional pressures on the discretionary capital programme.
- Note the potential mitigations available.
- Note that the capital situation remains fluid as the organisation continues to respond to COVID-19 related pressures and there remains a risk that some of these might impact on current discretionary capital programme priorities.
- Note the updated summary on the highest risk issues for HDdUHB capital schemes.

Amcanion: (rhaid cwblhau)

Objectives: (must be completed)

Committee ToR Reference:
Cyfeirnod Cylch Gorchwyl y
Pwyllgor:

CEIM&T Sub-Committee

Cyfeirnod Cofrestr Risg Datix a
Sgôr Cyfredol:
Datix Risk Register Reference and
Score:

Project Risk Registers

Safon(au) Gofal ac Iechyd: Health and Care Standard(s):	Governance, Leadership and Accountability
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.
Amcanion Llesiant BIP: UHB Well-being Objectives: Hyperlink to HDdUHB Well-being Objectives Annual Report 2019-19	8. Transform our communities through collaboration with people, communities and partners

Gwybodaeth Ychwanegol: Further Information:	
Ar sail tystiolaeth: Evidence Base:	Health need assessments and capital planning and project guidance
Rhestr Termau: Glossary of Terms:	Included in the body of the paper
Partion / Pwyllgorau â ymgynhorwyd ymlaen llaw y Pwyllgor Cynllunio Pobl a Sicrwydd Perfformiad: Parties / Committees consulted prior to People Planning and Performance Assurance Committee:	BPPAC CEIM&T SC Executive Team

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:	Project outcomes including improvements in patient care and environment included within individual business cases
Gweithlu: Workforce:	Included within individual business cases and Capital prioritisation process

Risg: Risk:	Risk registers are monitored by Project Boards and are included in individual business cases.
Cyfreithiol: Legal:	Legalities regarding accommodation leases, collaboration and development agreements with partner organisations are relevant top some capital schemes.
Enw Da: Reputational:	Communication with the public and key stakeholders is integral to the development of all capital projects.
Gyfrinachedd: Privacy:	Privacy Impact Assessments are required for all capital requirements.
Cydraddoldeb: Equality:	Equality Impact Assessments are required for all capital requirements.