



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

DYDDIAD Y CYFARFOD: DATE OF MEETING:	29 October 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. The report also sets out the risks which are emerging in relation to capital pressures which may begin to challenge this position and the mitigations being explored.

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 27th August 2020, and report and discussion at the September 2020 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.
- Request to Welsh Government (WG) for additional capital to mitigate the pressure on the 2020/21 DCP.

The terms of the discretionary capital allocation letter from 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 CE&IM&T Sub Committee, and the position set out is consistent with that reported to the Finance Committee.

Asesiad / Assessment

Previous reports have noted there were no indications 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 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 and has now been funded by WG.

DCP 2020/21 – (total £8.046m)

The DCP is split as follows over the functional heading of the programme, as previously reported:

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. Glangwili General Hospital (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.

Additional emerging pressures were reported to the August 2020 PPPAC meeting and a COVID-19 related priority issue has emerged for the streaming of patients at emergency departments and for paediatrics. It has been agreed that pending the potential for WG funding, the works relating to the emergency front door streaming issues at Prince Phillip Hospital (PPH), Bronglais General Hospital (BGH) and Withybush General Hospital (WGH) will need to be progressed from DCP at a cost of £500k. This will impact on the existing allocations above as follows:

Scheme	Contribution from Allocation £000
Estates Infrastructure	100.0
Estates Statutory	50.0
Digital	100.0
C4C/HIW/Other COVID-19	250.0
Total	500.0

HDdUHB is awaiting information from WG as to whether our bid to fund the COVID-19 streaming scheme from All Wales Capital has been successful.

To mitigate other emerging pressures, 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 £500k of additional capital into the programme.
- As part of ongoing discussions during the monthly Capital Review Meetings, WG colleagues have indicated that they are prepared to consider a request by HDdUHB to retain the proceeds associated with the sale of Cardigan Hospital for high risk issues. A letter has been sent to WG seeking the retention of Cardigan Hospital sale proceeds to fund:
 - Credits 4 Cleaning/HIW £100k.
 - Medical Equipment £110k.
 - Fire detector heads £120k.
 - Early fire compliance works £120k.
- HDdUHB has in addition asked WG to consider:
 - The retention of £267k underspends related to BGH MRI (£44k) and Cardigan (£223k) schemes.
 - The retention of the sales proceeds associated with the sale of Cardigan Health Centre.
- The priority expenditure if this funding is agreed, will now primarily go towards the top priority COVID-19 related issues namely:
 - Intensive Care Unit (ICU) isolation measures.
 - Ears, Nose & Throat (ENT) equipment for additional capacity.
- Any excess funds will be subject to further prioritisation. This will include consideration of high priority issues such as backlog maintenance issues (roof repairs), pharmacy regulatory compliance, equipment and digital backlog, Research & Development space within GGH.
- If the additional funding from WG noted above is not forthcoming, the scenario is that the £500k top slice from DCP allocations for emergency department streaming will

remain in place. There will then be £500k VAT and accruals available to prioritise all other pressures listed including:

- Emergency Department streaming at GGH - c£250k.
- ICU isolation c£267k – COVID-19.
- ENT equipment c£300k – COVID-19.
- Pharmacy regulatory compliance - c£130k.
- R&D space GGH – c£270k.
- Other DCP backlog pressures.

Points to note:

- As reported to the previous 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 and also reflects the fact that elements of the backlog programme can only be managed at a larger scale and will require AWC funding. The estates major infrastructure programme business case has been drafted for Executive consideration in this regard and is to be presented to the October 2020 meeting of PPPAC. The updated medical devices backlog report has also been reported to the CE&IM&T Sub Committee and provides the evidence base for priority decisions for equipment funds. This will also be utilised in discussions regarding the assessment of relative risk across the DCP portfolio and the baseline understanding of need for 2021/22 and the development of a programme for future years.
- Previous reporting noted that other cost pressures continue to emerge as a result of COVID-19 management which it is anticipated will be met from central COVID-19 capital funding, however it seems unlikely that further COVID-19 related capital will be available.
- There remains an ambition to fund the Penlan refurbishment works and the closure of Pond Street Clinic through a bid to WG to fund schemes currently noted for DCP funding. This remains subject to WG discussions and awareness reporting to Executive colleagues and scheme design review for COVID-19 implications.
- The CE&IM&T Sub Committee will oversee work to ensure priority lists of expenditure are available should any year end capital become available from WG.
- An additional item has emerged as a pre-commitment for 2021/22 from DCP. This relates to the cost increase on the WGH MRI scheme estimated to be c£550k. Discussions will be undertaken with WG to seek additional funding to cover this shortfall.

Capital Governance: Capital Project Highlight Reports – Project Updates

As previously reported, estates capital schemes have reported a 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 and the WGH, advanced fire code works are still planned to be completed in 2020/21, and the 2 general X-Ray rooms and fluoroscopy room in GGH have been completed.

The schemes intended to complete in 2020/21 which are 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 a delay to All Wales capital schemes relating to those in business case development and those in construction. Indications from WG at this stage is 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.

Scrutiny questions have been received on the Aseptic services Strategic Outline Case. These will be returned to WG with a November 2020 target seeking 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 HDdUHB is addressing the comments for resubmission to WG aiming for the end of October 2020. The key outstanding issue relates to revenue implications. If the Programme Business Case is approved, HDdUHB will seek funding to progress individual business justification cases for the individual schemes.

The Regional Cellular Pathology strategic outline business case is scheduled to be reviewed at the WG Infrastructure Investment Board on 29th October 2020.

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	The underlying reason for the RAG status remains unchanged. A report was prepared by Mid Wales Housing Association (MWHHA) for the September 2020 Project Board regarding alternative options to provide assurance around the financial viability of the scheme. Further work is now underway between all parties on the preferred option. This could involve an element of scheme redesign.		

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 Association:

- 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.

Until these issues are resolved, the future viability of the scheme remains in the balance. Following a working group meeting held on 27th August 2020 involving all project partners, it was agreed that MWHHA would prepare a report for Project Board on 23rd September 2020 outlining what sort of scheme could be deliverable. Further work is now underway between all parties on the preferred option.

Whilst HDdUHB provides assurance as a principle project partner that it continues to provide support to CCC and MWHHA in order to resolve issues and risks to bring the project to a successful outcome, it should be noted that there could potentially be a need for HDdUHB to consider alternative options for the sustainability of health provision in Tregaron should these issues not be resolved in the near future.

Pond Street/Penlan	RAG Status	Risk Category		
		Funding	Timescales	Other
		R		

	Timescale for improved RAG rating	The underlying reason for the red rating is unchanged as the funding position is unresolved.		
<p>Risk Update: Given higher than anticipated tender costs of circa £250k and the subsequent impact on the DCP, the RAG status has increased to red. To mitigate the risk, WG has been approached for All Wales Capital support to enable this scheme to be funded from discretionary capital as intended. The scheme will also require a review to ensure service and design assumptions are unchanged.</p> <p>The CE&IM&T Sub Committee agreed that moving forward, a brief should be prepared for consideration by the Executive Team concerning the available options for Penlan and Pond Street Clinic.</p>				
Cross Hands Health Centre	RAG Status	Risk Category		
		Funding	Timescales	Other
		R	R	
	Timescale for improved RAG rating	The underlying reasons for the red rating for the scheme remain unchanged as the work continues on the option of the inclusion of Ophthalmology or the Carmarthenshire Family Centre prior to finalisation of the revenue position.		
<p>Risk Update: Scrutiny questions have been received from WG and have been the subject of review meetings. A key concern remaining is the need to reduce the revenue impact and a report will be produced for Executive Team agreement on this prior to re-submission of the Outline Business Case (OBC) to WG.</p> <p>All efforts are now being focussed on satisfactory responses to the WG scrutiny questions, which will allow the OBC to be resubmitted and approved.</p> <p>In particular is the need to reconfirm the inclusion of Ophthalmology and Family Centre services in the project scope. Confirmation is currently being sought from the service lead for Ophthalmology which will inform final capital and revenue impact for approval by the Executive Team and HDdUHB.</p>				
Women & Children's Phase 2	RAG Status	Risk Category		
		Funding	Timescales	Other
		R	R	
	Timescale for improved RAG rating	The underlying reasons for the red rating are unchanged from the previous report. Work is underway to resolve outstanding financial and time related risks. These are expected by the end of November 2020.		
<p>Risk Update The RAG status remains on red as there is a significant delay in the scheme completion, now reported as February 2022 with the C26 programme under review. The extent of the HDdUHB discretionary capital top up to scheme funding remains unchanged from the scheme commencement. The COVID-19 related scheme delays are assumed to be covered by WG funding. Work is underway to resolve financial responsibility for the disputed element of time delay and to provide assurance on the deliverability of the latest programme.</p> <p>The Women and Children's Phase 2 scheme is the subject of a separate report to PPPAC for the October 2020 meeting.</p>				
<p><u>Argymhelliad / Recommendation</u> PPPAC is asked to:</p>				

- Note the impact of £500k on the DCP of the need to fund the emergency departments COVID-19 streaming scheme and the bid to WG to fund this from All Wales Capital.
- Note the request to WG to allow the HDdUHB to retain the sale proceeds for Cardigan Hospital, Cardigan Health Centre and the underspends on schemes completed in 2019/20.
- Note that if the funding mentioned above is confirmed, the first call will be to support additional COVID-19 related schemes for ICU and ENT at c£600k.
- Note that very significant backlog pressures remain which will need to be prioritised for any balance of funding received from WG.
- Note the continued red rating schemes for which the underlying reasons for their status remains unchanged and will be the subject of further reporting to PPPAC.

Amcanion: (rhaid cwblhau)	
Objectives: (must be completed)	
Committee ToR Reference: Cyfeirnod Cylch Gorchwyl y Pwyllgor:	5.19 Consider proposals from the Capital, Estates and IM&T Sub Committee on the allocation of capital and agree recommendations to the Board.
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 Termiau: Glossary of Terms:	Included in the body of the report
Partïon / Pwyllgorau â ymgynhorwyd ymlaen llaw y Pwyllgor Cynllunio Pobl a Sicrwydd Perfformiad: Parties / Committees consulted prior to People Planning and Performance Assurance Committee:	CE&IM&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 to 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.