



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

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| <b>DYDDIAD Y CYFARFOD:<br/>DATE OF MEETING:</b>  | 30 June 2020  |
| <b>TEITL YR ADRODDIAD:<br/>TITLE OF REPORT:</b>  | Report on the Discretionary Capital Programme (DCP) 2020/21 & Capital Governance Update |
| <b>CYFARWYDDWR ARWEINIOL:<br/>LEAD DIRECTOR:</b> | Karen Miles – Executive Director of Planning, Performance and Commissioning             |
| <b>SWYDDOG ADRODD:<br/>REPORTING OFFICER:</b>    | 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 two main areas:

- The recommended split of the available discretionary capital funding for the financial year 2020/21. This also sets out the context for allocation of the programme priority areas and a number of assumptions which impact on the management of the programme.
- The main governance issues relating to the Hywel Dda University Health Board's (HDdUHB)'s major capital schemes. This also sets out the delay assumptions relating to COVID-19 and those schemes now likely to complete in 2021/22 rather than this financial year as planned. It also notes that further programme is likely due to the availability of All Wales Capital to support currently unapproved schemes in 2020/21. In addition, summary positions are set out for red risk capital schemes and the management mitigations.

**Cefndir / Background**

The recommended allocation of the discretionary capital programme for 2020/21 follows a report and discussion at the Capital, Estates and IM&T Sub Committee (CEIM&TSC) meeting on 5<sup>th</sup> June 2020 and report and discussion at the Executive Team meeting on 17<sup>th</sup> June 2020. The programme is in 3 parts:

- The pre commitments from 2019/20
- The items brought forward associated with COVID delays now funded this year
- The allocation of the balance of the discretionary funding.

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

- Continuing risks associated with backlog pressures
- Year end 2019/20 funds for equipment and digital
- 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&TSC.

The CEIM&TSC also receives update reports on the development and progress of major capital schemes drawn from project highlight reports and focussing on key project risks and development milestones. This report includes a summary of the projects assessed to be red risk and provides a statement on the impact of COVID-19 on the capital portfolio.

## Asesiad / Assessment

### **Discretionary Capital Programme**

There are no indications at present that discretionary capital allocations for 2020/21 will be impacted by COVID-19 related capital commitments and therefore HDdUHB must plan to prioritise and spend the full allocation.

The capital expenditure related to COVID-19 has resulted in significant:

- Digital expenditure
- Equipment expenditure.

The digital expenditure has however increased the digital footprint and the number of devices in use, the backlog issues which would normally have to be covered by discretionary capital are undiminished and will grow in future years.

Equipment expenditure for COVID-19 has an impact on one particular area of equipment replacement risk which relates to ventilators. The Glangwili General Hospital (GGH) ventilators are out of service from December 2020. These are still expected to be replaced as part of the COVID-19 capital spend and therefore not assumed for funding from discretionary capital. This, combined with the beneficial year end equipment capital allocation from WG has enabled a lower than usual allocation to equipment recognising the need to address estates backlog. Any change to ventilator funding assumption would require a top up to the equipment allocation proposed.

Additional capital requirements are emerging such as Cardiology equipment and environmental changes to Intensive Care Unit (ICU) facilities. Funding for such items has yet to be confirmed and therefore it would seem sensible to retain a contingency in DCP should any essential capital requirements emerge which are not underwritten by WG.

### **DCP 2020/21 – (total £8.046m)**

The pre-commitment differs from the position reported to the Finance Committee as it assumes the £0.2m earmarked in support of the Bronglais Chemotherapy Day Unit development will be required as part of the 2021/22 contribution to that scheme rather than impact on in 2020/21. It assumes an additional £0.1m will be required in support of the Woman & Children's Phase 2 scheme.

Following these adjustments the pre-commitments total £1,920m as follows:

| <b>Pre-Commitments</b>                     | <b>£m</b>    |
|--|--------------|
| All Wales Capital Payback                  |              |
| Radiology                                  | 0.400        |
| Cross Hands                                | 0.105        |
| W&C Scheme (Inflation and risk)            | 0.400        |
| Cardigan                                   | 0.021        |
| DCP Schemes                                |              |
| Sunderland Ward refurb                     | 0.074        |
| Pathology works GGH (total cost £0.568m)   | 0.381        |
| Endoscopy washers PPH (total cost £0.500m) | 0.479        |
| Dental                                     | 0.050        |
| Block 8 St David's Park                    | 0.010        |
| <b>Sub Total</b>                           | <b>1.920</b> |

| <b>Recommended Allocations for remaining DCP</b>                              | <b>£m</b>    |
|---|--------------|
| • Business Case support   | 0.300        |
| • Capital Support   | 0.300        |
| • Digital   | 1.000        |
| • Estates Infrastructure  | 1.000        |
| • Estates Statutory   | 1.000        |
| • Equipment   | 0.500        |
| • Residential Accommodation   | 0.200        |
| • Fire compliance   | 0.120        |
| • C4C / HIW/other COVID-19 issues   | 0.600        |
| • Other Contingency   | 0.331        |
| <b>Sub Total</b>  | <b>5.351</b> |
| <b>2020 DCP Allocations for 2019/20 Expenditure Plans delayed by COVID-19</b> | <b>£m</b>    |
| • Equipment   | 0.217        |
| • Estates Infrastructure  | 0.113        |
| • Digital   | 0.445        |
| <b>Sub Total</b>  | <b>0.775</b> |
|   | <b>£m</b>    |
| <b>Total DCP 2020/21</b>  | <b>8.046</b> |

Points to note:

- The above recommendations are as a result of discussions at the Capital Planning Group.
- Given that both digital and equipment have been the beneficiaries of both year end and COVID-19 allocations, the greatest backlog pressure is now with the estate infrastructure. A Programme Business Case (PBC) has been prepared for WG consideration to address this from All Wales Capital. This PBC has been shared with WG in draft and is subject to Executive Team consideration before reporting status at the next meeting of the PPPAC.
- Other cost pressures continue to emerge as a result of COVID-19 management, such as Cardiology equipment and Intensive therapy Unit (ITU) accommodation

refurbishments which are hoped will be met from central COVID-19 capital funding, however this 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 confirmation.
- There may be additional capital to be allocated from buildings disposals in 2020/2, again, subject to WG approval.
- It has also been agreed that the HDdUHB will seek to support the national Critical Care Information System with £0.3m capital support. The above DCP programme will be assessed to determine what of the costs which were planned to be charged to capital could be charged to revenue. The intention is that the UHB would receive a balancing £0.3m revenue allocation.

### Capital Governance: Capital Project Highlight Reports – Project Updates

As anticipated, 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. South Pembrokeshire Sunderland Ward refurbishment, GGH Fluoroscopy Room, Withybush General Hospital (WGH) advanced fire code works, are all still planned to complete in 2020/21.

The schemes intended to complete in 2020/21 but now planned for completion in the first quarter of 2021/22 are: Hospital Sterilisation & Disinfectant Unit (HSDU) washer in Prince Phillip Hospital (PPH), MRI in WGH, and Pathology in GGH.

There is also delay to All Wales capital schemes relating to those in business case development and those in construction. Indications from WG, at this stage, are 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. This is available on request and set 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 is being finalised by HDdUHB for resubmission to WG. If the PBC is approved, HDdUHB will seek funding to progress individual business justification cases for the individual schemes.

The Major Infrastructure PBC intended to address estate backlog risks at scale has been prepared and submitted to WG in draft form, pending Executive Team review.

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

|  |  |   |                   |              |
|--|--|---|-------------------|--------------|
| <b>Cylch Caron</b>   | <b>RAG Status</b>                        | <b>Risk Category</b>                                |                   |              |
|  |  | <b>Funding</b>                                      | <b>Timescales</b> | <b>Other</b> |
|  |  | ⌘   | ⌘                 |              |
|  | <b>Timescale for improved RAG rating</b> | To be reassessed following July 2020 Project Board. |                   |              |
| <b>Risk Update:</b>  |  |   |                   |              |
| Capital costs have increased and over the next 2 weeks, HDdUHB will be assessing our space apportionments provided by Mid Wales Housing and relooking at running costs and |  |   |                   |              |

will feed outcomes into a financial workshop with all partners in July 2020 with a view to reporting into the July 2020 Project Board and seeking agreement regarding the way forward.

Planning application submitted to Ceredigion County Council approved under delegated authority on 1 May 2020.

The project Senior Responsible Owner (SRO) position has been accepted by Peter Skitt, County Director, Ceredigion following the retirement of the previous project SRO, Sue Darnbrook, Corporate Director, Ceredigion County Council.

|                           |  |  |                   |              |
|---------------------------|--|--|-------------------|--------------|
| <b>Pond Street/Penlan</b> | <b>RAG Status</b>                        | <b>Risk Category</b>                   |                   |              |
|                           |  | <b>Funding</b>                         | <b>Timescales</b> | <b>Other</b> |
|                           |  | R                                      |                   |              |
|                           | <b>Timescale for improved RAG rating</b> | When confirmation funding is received. |                   |              |

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

|                                  |  |   |                   |              |
|----------------------------------|--|---|-------------------|--------------|
| <b>Cross Hands Health Centre</b> | <b>RAG Status</b>                        | <b>Risk Category</b>  |                   |              |
|                                  |  | <b>Funding</b>  | <b>Timescales</b> | <b>Other</b> |
|                                  |  | R   | R                 |              |
|                                  | <b>Timescale for improved RAG rating</b> | Capital costs subject to WG approval of Outline Business Case (OBC) with revenue impact to be significantly reduced for OBC approval in September 2020.<br>Council to formally agree land acquisition arrangements with joint venture (JV) partner and commence purchase process. |                   |              |

**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.

|                                       |  |   |                   |              |
|---------------------------------------|--|---|-------------------|--------------|
| <b>Women &amp; Children's Phase 2</b> | <b>RAG Status</b>                        | <b>Risk Category</b>  |                   |              |
|                                       |  | <b>Funding</b>  | <b>Timescales</b> | <b>Other</b> |
|                                       |  | R   | R                 |              |
|                                       | <b>Timescale for improved RAG rating</b> | Mitigation plan for the expenditure slippage in 2018/19 was achieved. However, the RAG status has escalated to red as there remains a requirement to top up the funding from the Health Board discretionary programme and further time delay identified. Revised project programme is expected in |                   |              |

|  |  |  |
|--|--|--|
|  |  | June 2020 to reflect the impact of COVID-19 on the scheme. |
|--|--|--|

**Risk Update:** The Special Care Baby Unit (SCBU) temporary move into the new delivery unit is now complete and as a result, the contractor was able to take possession of the remainder of Phase 2 on 1<sup>st</sup> June 2020.

In July 2018, PPPAC were informed that the re-market tested costs to deliver the Full Business case (FBC) for Women & Children Phase II was £26.446m, an additional £1.169m over and above the WG funding approval.

Whilst the Project Group had identified a mitigation strategy to deal with the additional costs it was also acknowledged that there were risks associated with this, which could involve a contribution of £1.169m from HDdUHB's discretionary programme. Over the last few months as the scheme has come to the conclusion of the first phase of works, time delays and the quantification of additional risks have resulted in the overall projected scheme outturn costs increasing. The additional costs on the scheme have arisen due to:

- Time delays associated with water ingress
- Time delays associated with fire alarm connectivity
- Time delays due to unforeseen obstructions in the ground
- Financial impact of risk reappraisal arising from risk register reviews.

The resulting impact is that a contribution of £1.143m in totality will be required from HDdUHB's discretionary programme to complete the scheme. The value of the contribution remains within the original risk quantum of £1.169m identified, however is effectively required for different reasons. This is being managed through DCP contributions spreading the impact over three years, which commenced in 2019/20.

At the time of preparing this report, the costs of an additional 6 week delay due to the requirement to assess the use of the phase 1 completed areas for COVID-19 contingency planning is not included in this assessment. The additional costs have been included in the COVID-19 returns being submitted to WG with a current assumption that these will be funded centrally. Further assessment of the impact on the programme of social distancing measures required during construction are also being included in this financial assessment for WG funding.

### **Argymhelliad / Recommendation**

PPPAC are asked to:

- Note the recommended allocation of discretionary capital funds following CEIM&TSC and Executive Team consideration.
- Note the context in which the recommended allocations are made in relation to pre commitments, additional year end allocations in 2019/20 for digital and equipment priorities.
- Note the assumption that GGH ventilator replacements in 2020/21 will be managed as part of the planned COVID-19 related expenditure plans.

- Note the intention to support the national critical care information system through a capital contribution of £0.3m based on the assumption of an equal revenue allocation to the UHB.
- Note the potential impact on schemes not yet approved by WG due to the likelihood of limited availability of further capital during 2020/21.
- Note the delays being experienced relating to COVID-19 for capital schemes and the schemes for which completion dates have now moved into 2021/22
- Note the submission of the Aseptic strategic outline case to WG for scrutiny.
- Note the updates provided on the red risk schemes and in particular the escalation of the Women & Children Phase 2 scheme to red status and the management actions being taken to mitigate the risks.

| <b>Amcanion: (rhaid cwblhau)</b>  |   |
|---|---|
| <b>Objectives: (must be completed)</b>  |   |
| Committee ToR Reference:<br>Cyfeirnod Cylch Gorchwyl y Pwyllgor:  | CEIM&T Sub-Committee  |
| Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol:<br>Datix Risk Register Reference and Score:  | Project Risk Registers  |
| Safon(au) Gofal ac Iechyd:<br>Health and Care Standard(s):  | Governance, Leadership and Accountability   |
| 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. |
| Amcanion Llesiant BIP:<br>UHB Well-being Objectives:<br><a href="#">Hyperlink to HDdUHB Well-being Objectives Annual Report 2019-19</a> | 8. Transform our communities through collaboration with people, communities and partners  |

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

| <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>        | Project outcomes including improvements in patient care and environment included within individual business cases                                    |
| <b>Gweithlu:<br/>Workforce:</b>                                 | Included within individual business cases and Capital prioritisation process   |
| <b>Risg:<br/>Risk:</b>  | Risk registers are monitored by Project Boards and are included in individual business cases.  |
| <b>Cyfreithiol:<br/>Legal:</b>                                  | Legalities regarding accommodation leases, collaboration and development agreements with partner organisations are relevant to some capital schemes. |
| <b>Enw Da:<br/>Reputational:</b>                                | Communication with the public and key stakeholders is integral to the development of all capital projects.   |
| <b>Gyfrinachedd:<br/>Privacy:</b>                               | Privacy Impact Assessments are required for all capital requirements.  |
| <b>Cydraddoldeb:<br/>Equality:</b>                              | Equality Impact Assessments are required for all capital requirements.   |