

Bundle Finance Committee 29 September 2020

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Capital Financial Management

Presenter: Huw Thomas

2.3 Capital Financial Management Sept 20.docx

Capital Funding Risk.pptx



PWYLLGOR CYLLID FINANCE COMMITTEE

DYDDIAD Y CYFARFOD: DATE OF MEETING:	29 September 2020
TEITL YR ADRODDIAD: TITLE OF REPORT:	Update on All-Wales Capital Programme – 2020/21 Capital Resource Limit and Capital Financial Management
CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:	Huw Thomas, Director of Finance
SWYDDOG ADRODD: REPORTING OFFICER:	Eldeg Rosser, Senior Finance Business Partner

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 value of capital expenditure currently committed to deal with the COVID-19 pandemic (COVID-19) for 2020/21 and funding released to date;
- Note the financial risk associated with progressing COVID-19-related capital schemes at feasibility stage without confirmed funding;
- Note the updates on the Women and Children Phase II (Glangwili General Hospital - GGH) scheme.

Cefndir / Background

Further to previous update 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)	12.853
Discretionary Programme	7.271
Slippage due to COVID-19 from 2019/20	1.090
COVID-19 – Digital Devices & IT	1.158
COVID-19 – Equipment (Acute Sites and Field Hospitals)	6.361
Total	28.733

Two new AWCP allocations have been approved since the previous reporting period:

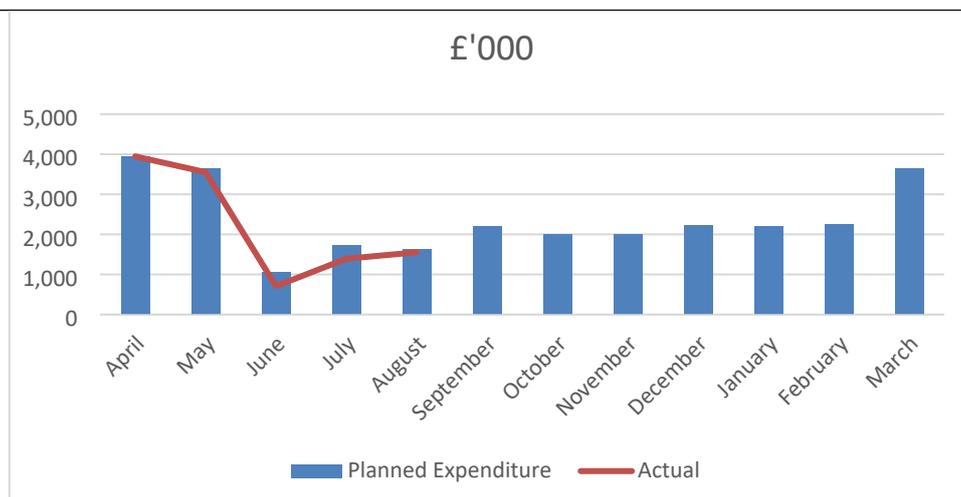
- Advance Fire Compliance Works at Withybush General Hospital (WGH): £0.350m
- COVID-19 – Digital Devices: £0.192m

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
AWCP			
Women and Children Phase II		10.001	10.001
MRI Withybush		2.700	2.700
Radiology Schemes		0.467	0.467
Advance Fire Works WGH		0.350	0.350
Other	0.315	0.260	0.575
COVID-19		7.328	7.328
COVID-19 – (Digital)		0.192	0.192
Sub-total AWCP	0.315	21.298	21.613
Discretionary			
Equipment	0.172	0.550	0.722
Estates Infrastructure	0.010	1.794	1.804
Estates Development	0.103	0.381	0.484
Estates Statutory		1.120	1.120
Digital	0.445	1.000	1.445
Contingency	0.045	0.330	0.375
Credits for Cleaning/ Healthcare Inspectorate Wales/ COVID-19		0.570	0.570
Business Case Development		0.300	0.300
Capital Support (Critical Care Information System)		0.300	0.300
Sub-total Discretionary	0.775	6.345	7.120
TOTAL	1.090	27.643	28.733

The annual review of additional VAT recovery and accruals held on schemes now completed has been undertaken, and has released £0.400m of additional capital into the programme. This has not yet been prioritised.

An expenditure profile for 2020/21 is shown below:



Total capital expenditure as at Month 5 was £11.151m, of which £8.373m is related to COVID-19.

Financial Risks

The value of capital orders placed by the Health Board (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	5.846	2.802	3.044
Field Hospitals	3.846	3.536	0.310
Informatics	1.296	0.966	0.330
Women and Children Phase II (GGH)	0.024	0.024	0.000
Equipment purchased through Shared Services	0.235		0.235
Total	11.247	7.328	3.919

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, not 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 as a result 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 as a result of the implementation of social distancing legislation; the total estimated additional costs are £2.967m, of which £0.024m will impact in 2020/21 and £2.942m in 2021/22. The HB assumption is that WG funding will be available for this additional cost.

In addition to the cost committed to date, there are schemes to the value of **£12.229m** which have been proposed in response to COVID-19 and social distancing requirements, where feasibility work is being undertaken. It is proposed to take the following approach in relation to these schemes:

- Currently, WG has advised that there is no funding for these schemes. There is a risk that the HB will breach its CRL should any of these schemes be progressed without agreed funding.
- The position reported in the HB's M5 Monitoring Returns represents a potential over-commitment against the CRL of £16.148m in 2020/21 and £2.942m in 2021/22, based on the current pressures in the system, and assumes only the funding currently released for COVID-19.
- The Health Board is working with WG to review the mitigating opportunities available against this current reported financial risk position. Further discussion will be held at the monthly Capital Review Meeting with WG on 23rd September 2020, and a verbal update will be provided to the Committee.

	2020/21
Costs	£m
COVID-19 costs committed as per WG return	11.247
Feasibility work not yet committed	12.229
Total	23.476
Funding	
WG COVID-19 funding released to M5	(7.328)
Risk/ Funding Gap	16.148

In addition to the £0.400m released back to the programme, the HB is still awaiting a response from WG regarding the ability to keep the proceeds of the £0.450m from the sale of Cardigan Hospital.

Women & Children (GGH)

The current projected completion date for the scheme is now February 2022. This projection takes into account the impact of social distancing legislation and delays caused to date by COVID-19. This delay impacts upon the total resource required for the scheme, and the financial year in which allocations need to be drawn down from WG. The current estimated additional costs for the whole scheme due to COVID-19 amount to £2.967m, of which £0.024m is likely to be incurred in 2020/21. The HB assumption is that WG funding will be available for this additional cost.

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 current programme for the scheme indicates that there is circa £2.500m of slippage against the scheme allocation in 2020/21; this will be managed through the CRL between years by WG.

Argymhelliad / Recommendation

The Finance Committee is requested to:

- Note the Capital Resource Limit (CRL) for 2020/21;
- 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 financial risk associated with progressing capital schemes at feasibility stage

without confirmed funding;

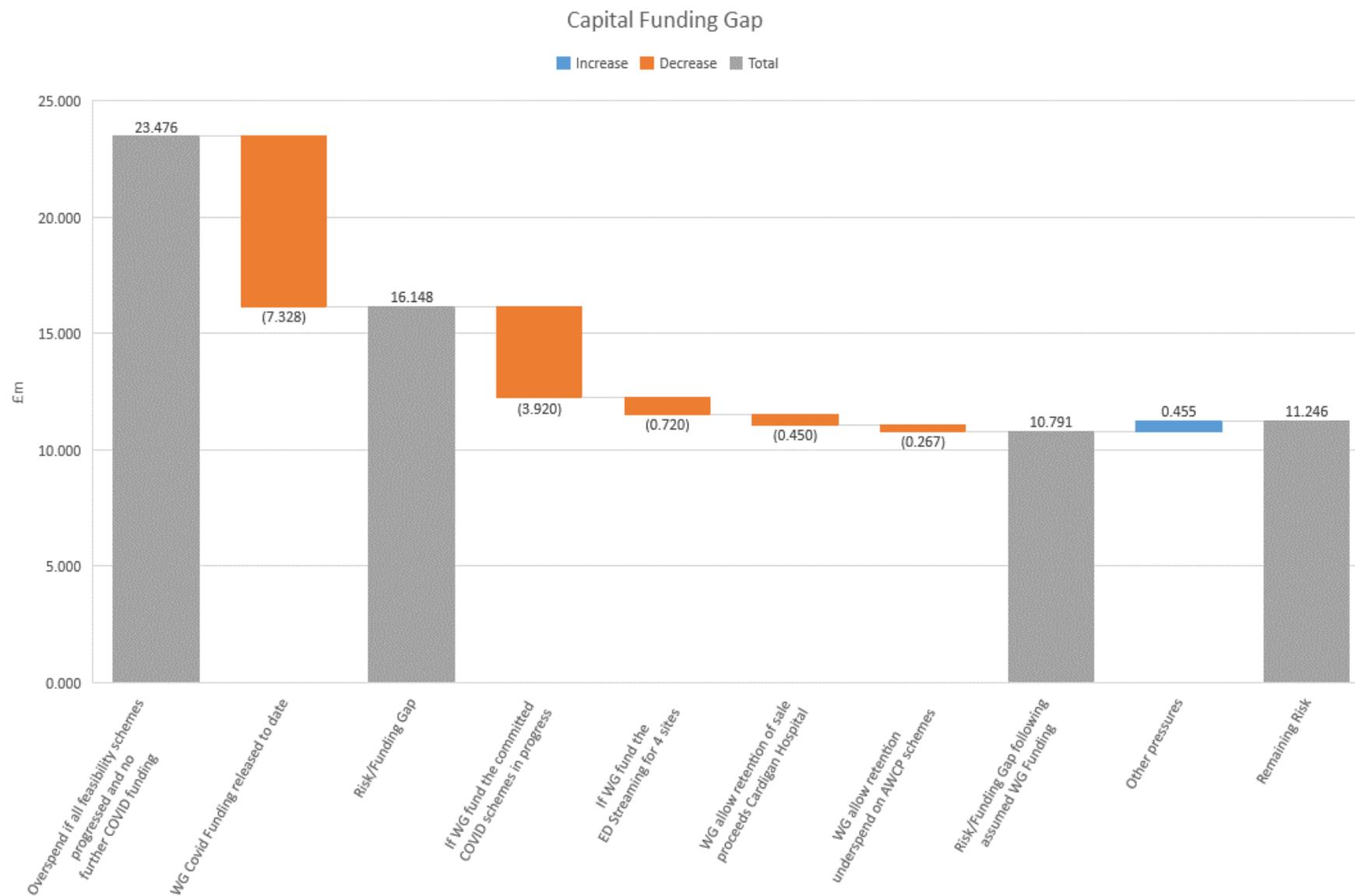
- Note the updates on the Women and Children Phase II (GGH) scheme.

Amcanion: (rhaid cwblhau) Objectives: (must be completed)	
Committee ToR Reference: Cyfeirnod Cylch Gorchwyl y Pwyllgor:	4.3 Conduct detailed scrutiny of all aspects of financial performance, the financial implications of major business cases, projects, and proposed investment decisions on behalf of the Board.
Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:	Risk 956 - Risk to delivery of the CRL for 2020/21
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: Hyperlink to HDdUHB Well-being Statement	Improve efficiency and quality of services through collaboration with people, communities and partners All business cases for capital investment require alignment to the UHB's Well-being Objectives where applicable

Gwybodaeth Ychwanegol: Further Information:	
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 in 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

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:	Included within individual business cases and Capital prioritisation process
Gweithlu: Workforce:	Included within individual business cases and Capital prioritisation process
Risg: Risk:	Risk assessment process is integral to the capital prioritisation process and the management of capital planning within HDdUHB
Cyfreithiol: Legal:	Included within individual business cases and Capital prioritisation process
Enw Da: Reputational:	Included within individual business cases and Capital prioritisation process
Gyfrinachedd: Privacy:	Included within individual business cases and Capital prioritisation process
Cydraddoldeb: Equality:	Equality assessments are included within individual business cases and Capital prioritisation process when required

Capital Funding Risk



Other pressures

Other pressures	£m
Digital - enable home and agile working	0.165
Fire detection GGH	0.120
Early Fire compliance GGH	0.120
Cross Hands Fees	0.050
	0.455

Above flavour of other pressures not an exhaustive list