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Bwrdd Iechyd Prifysgol
Bae Abertawe
Swansea Bay University
Health Board



Meeting Date	24th January 2023	Agenda Item	3.2
Report Title	Progress Update on the Capital Resource Plan Q3		
Report Author	Ian MacDonald, Assistant Director of Finance (Strategy & Planning)		
Report Sponsor	Darren Griffiths, Director of Finance & Performance		
Presented by	Darren Griffiths, Director of Finance & Performance		
Freedom of Information	Open		
Purpose of the Report	To provide an update to the Performance & Finance Committee on the Quarter 3 financial performance of the Health Board's capital programme and the impact of emerging risks and opportunities on the projected outturn position for 2022/23.		
Key Issues	<p>The Health Board approved a balanced capital financial plan for 2022/23 as part of the approved Recovery and Sustainability Plan.</p> <p>The forecast outturn position reported at Month 9 shows an overspend position of £1.018m. Additional income from Welsh Government (WG) is anticipated to provide a balanced position.</p> <p>The impact of the reductions to the discretionary capital funding this year continue to emerge. There has however been some slippage against the estimated spend profile this month on two of the WG funded schemes (Imaging and Sub Station 6). The impact of this will result in additional funding being available this year to fund some of the emerging service pressures within the discretionary programme. There is however no overall financial benefit, as the funding will need to be repaid to those schemes from the discretionary capital programme next year.</p>		
Specific Action Required (please choose one only)	Information	Discussion	Assurance
	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Recommendations	<p>Members are asked to:</p> <ul style="list-style-type: none"> • NOTE the month 9 reported position of the capital plan • NOTE the continuing funding risks. 		

	<ul style="list-style-type: none"> • NOTE the contingency sum available to maintain the balanced plan is now £932k
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PROGRESS UPDATE ON THE CAPITAL RESOURCE PLAN

1. INTRODUCTION

To provide an update on the Quarter 3 financial performance of the Health Board's capital programme.

2. BACKGROUND

The Health Board approved a balanced capital financial plan for 2022/23 as part of the Recovery and Sustainability Plan submitted to Welsh Government (WG) in March 2022. The plan included the impact of a 24%/£2.671m reduction in the discretionary capital allocation provided by WG, which followed a £100m reduction in the core capital budget allocated to the Health and Social Care department within WG. It also included income assumptions on the payback of business case fees from WG and disposals proceeds. Large carry forward commitments were also included on several COVID recovery commitments, including Neath Port Talbot (NPT) orthopaedics, Day Surgery Unit (DSU) Ophthalmology Theatres, fracture Orthopaedic Unit (FOU) relocation back to Morriston Hospital and completion of Enfys in Morriston Hospital to support the Acute Medical Services Redesign (AMSR) programme.

Month 9 Financial Position

The forecast outturn position reported at month 9 shows an overspend position of £1.018m. Allocations as shown below are expected to provide a balanced position.

Table 1:- Month 9 Forecast Outturn Position 2022/23

INCOME	£000
CRL	-36,896
Disposal Income	0
Assumed Income	
Regional Pathology - Business Case Fees	-900
Open Eyes Ophthalmology System	-61
Sapphire Suite - Regional	-30
Welsh Intensive Care Information System (WICIS)	-27
Sub Total Assumed Income	-1,018
Total Income	-37,914
EXPENDITURE	
Less Forecast Expenditure	37,914
Forecast Outturn (Under)/Over Commitment	-0

The impact of the 24% reduction to the discretionary capital funding this year continues to emerge, with continuing service pressure for replacement of the existing fixed asset base being well in excess of the sums available to address these.

This is illustrated with the additional capital funding bids described further on in the paper submitted to Welsh Government in Q2. There has however been some slippage against the estimated spend profile this month on two of the WG funded schemes, National Imaging Replacement and Sub Station 6. The impact of this will result in additional funding now being available this year to fund some of the emerging service

pressures within the discretionary programme. There is however no overall financial benefit to the Health Board, as the funding will need to be repaid to those schemes from the discretionary capital programme next year. In reflecting these changes, there is now a contingency of £932k to allocate this year. It should however be noted that further discussions scheduled with the main contractor on the imaging schemes may reduce this value. The assessment of funding to be released against the risk-based priorities will be undertaken as usual by the Capital Prioritisation Group, which will need to balance these risks against the ability to receive delivery of items this year.

Risks

The Q2 report contained a risk assessment of £2m income deemed as high & medium risk of not being received. Further work with Welsh Government has mitigated these risks and the remaining £1.018m is now at a low risk of receipt. The main item of assumed income is £900k for the Regional Pathology outline business case design fees. This allocation has been agreed with Welsh Government officials and will be drawn down shortly as part of the fee allocation which will include fees for next year on both the Regional Pathology project and a WG contribution to the Murrison access road design fees.

The access road design has a mixed funding stream, with £960k being made available as one of the projects from the City Deal Campuses business case. The Campuses business case has been approved by both the UK and Welsh governments and work is progressing between Swansea University and Swansea Council to finalise their primary funding agreements. Following this, the Health Board expects to be able to sign the secondary funding agreement with Swansea University during quarter 4, which will allow the £960k capital income to be available from 2023-24, alongside the WG contribution.

It is pleasing to report the earlier risk associated with the receipt of £2m income for the transfer of 20 ultrasounds to NHS Wales has now been removed and the funding received into the capital position.

Opportunities

In the Q2 report, the bids submitted to WG for additional in-year capital funding support of £11.4m were under consideration by WG. We'd already been successful with receiving £1.8m for two of our bids (Phlebotomy hubs and 10 ring-fenced orthopaedic beds). During November we also received an additional allocation of £2.5m, to bring the total additional in-year capital funding up to £4.3m, just under 40% of the submitted bids. Although the remaining unfunded £7m will continue to cause pressures both this year and next year, the receipt of this funding against the backdrop of a challenging national funding position is a major benefit for the Health Board.

Table 2 Funding Bids to WG

Type	Total Bid £000	Approved £000	Unapproved £000	Notes
Digital	4,069	1,813	2,256	HB Wide SAN (storage area network)
10 Ring-fenced beds Clydach, Morriston	1,452	1,452	0	Approved Q2
Phlebotomy Hubs	340	340	0	Approved Q2
Imaging	518	292	226	
Medical Equipment	3,780	202	3,578	
Estates	1,079	200	879	
HQ Nurse Training	60	60	0	Approved Q2
Spend to Save	143	0	143	
Total	11,441	4,359	7,082	

Business Cases

There are currently twelve major capital business cases at various stages of production which will eventually require significant WG investment over the short to medium term. During Q3 Ministerial approval was received for the business case to build the new Sub Station 6 at Morriston. This investment of £16.5m will be drawn down over this year and next year and also allows for the refurbishment of the AHUs (Air Handling Units) at Morriston HSDU. Both projects have now started on site.

Following a targeted request from the minister to improve patient waiting areas in emergency departments, we received £265k to carry out improvements this year in the emergency department at Morriston and minor injuries unit at NPT.

The Health Board recently received approval from the WG EFAB (Estates Funding Advisory Board) of £7.7m capital funding for 2023-24 and 2024-25. This total funding includes a 30% contribution from the Health Board's discretionary capital. The national funding round overseen by NHS Wales SES (Specialist Estates Services) will provide funding across three categories.

- Estates Infrastructure £4.4m
- Fire £2.3m
- Decarbonisation £1m

Although the national funding position this year seems to be more positive, it should be noted that the outlook for next year continues to look very challenging. Therefore, both for this year and future years, in addition to the mitigations described above, there are several others that continue to be explored: -

- use of Charitable funds.
- revenue solutions, in particular leases where value for money available. These would need the agreement of WG to provide technical capital funding, as all new leases are treated on-balance sheet following the introduction of IFRS 16 in the UK public sector from 1st April.

3. GOVERNANCE AND RISK ISSUES

There is an increased possibility that new service requests, including those with a high-risk score will be unable to be receive capital funding during 2022/23 within the capital resources made available to the Health Board. These risks will continue to be assessed through the Capital Prioritisation Group and raised up through the Management Board.

4. FINANCIAL IMPLICATIONS

The financial implications and funding risks are as detailed within the body of the report. In summary, the approved balanced capital plan is assuming additional funding of £1.018m, which is deemed as a low risk. The remaining contingency in the plan is £932m, which will be overseen by the Capital Prioritisation Group.

5. RECOMMENDATION

Members are asked to:

- **NOTE** the month 9 reported position of the capital plan
- **NOTE** the continuing funding risks.
- **NOTE** the contingency sum available to maintain the balanced plan is now £932k

Governance and Assurance		
Link to Enabling Objectives <i>(please choose)</i>	Supporting better health and wellbeing by actively promoting and empowering people to live well in resilient communities	
	Partnerships for Improving Health and Wellbeing	<input type="checkbox"/>
	Co-Production and Health Literacy	<input type="checkbox"/>
	Digitally Enabled Health and Wellbeing	<input type="checkbox"/>
	Deliver better care through excellent health and care services achieving the outcomes that matter most to people	
	Best Value Outcomes and High Quality Care	<input checked="" type="checkbox"/>
	Partnerships for Care	<input type="checkbox"/>
	Excellent Staff	<input type="checkbox"/>
	Digitally Enabled Care	<input type="checkbox"/>
	Outstanding Research, Innovation, Education and Learning	<input type="checkbox"/>
Health and Care Standards		
<i>(please choose)</i>	Staying Healthy	<input type="checkbox"/>
	Safe Care	<input type="checkbox"/>
	Effective Care	<input type="checkbox"/>
	Dignified Care	<input type="checkbox"/>
	Timely Care	<input type="checkbox"/>
	Individual Care	<input type="checkbox"/>
	Staff and Resources	<input checked="" type="checkbox"/>
Quality, Safety and Patient Experience		
Without additional funding support from WG, further requests for capital funding will not be affordable within the allocated resources. This may impact on new service requests for additional capital funding for estates, medical equipping and digital services.		
Financial Implications		
The financial implications and funding risks are as detailed within the body of the report. In summary, the approved balanced capital plan is assuming additional funding of £1.018m. The remaining contingency in the plan is £932k.		
Legal Implications (including equality and diversity assessment)		
None		
Staffing Implications		
None		
Long Term Implications (including the impact of the Well-being of Future Generations (Wales) Act 2015)		
n/a		
Report History	Routine quarterly report to Management Board	
Appendices	None	