



Bwrdd Iechyd Prifysgol
Bae Abertawe
Swansea Bay University
Health Board



Meeting Date	25 October 2022	Agenda Item	2.2
Report Title	Progress Update on the Capital Resource Plan		
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Report Sponsor	Darren Griffiths, Director of Finance & Performance		
Presented by	Darren Griffiths, Director of Finance & Performance		
Freedom of Information	Open		
Purpose of the Report	<p>To provide an update to the Performance and Finance Committee on the Quarter 2 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.</p> <p>This report has been through Management Board on Wednesday 19th October 2022 and was noted.</p>		
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 6 shows an overspend position of £2.227m. Additional income from Welsh Government (WG) and the City Deal is anticipated to provide a balanced position.</p> <p>The impact of the WG reductions to the discretionary capital funding this year continue to impact on the programme. The remaining contingency in the programme has now been virtually exhausted, as requests for additional capital funding are continuing to emerge from the service. The risk of the plan shifting from balance to imbalance is slightly less than month 3 as funding constraints in WG have started to loosen.</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 6 reported position of the capital plan • NOTE the emerging funding risks and the risk of the plan shifting from balance to imbalance • NOTE the mitigating actions that will require further exploration. • NOTE the contingency sum to maintain the balanced plan has now reduced to £0.020m 		

PROGRESS UPDATE ON THE CAPITAL RESOURCE PLAN

1. INTRODUCTION

To provide an update on the Quarter 2 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.

The forecast outturn position reported at month 6 shows an overspend position of £2.227m. Although allocations as shown below are anticipated to provide a balanced position, the impact of the reductions to the discretionary capital funding this year continue to emerge. The pressure to retain a balanced capital position remains fragile. There is very little remaining flexibility in the programme to manage emerging service and infrastructure risks. With limited ability to cease spending on schemes due to most already being contractually committed or for high service risks, the risk of the plan shifting from balance to imbalance remains material.

Table 1:- Month 6 Forecast Outturn Position 2022/23

Income	
CRL Funding Issued by WG	(28,774)
Assumed Disposal Income	(1,998)
Total Income	(30,772)
Less Planned Expenditure	32,999
Forecast Outturn (Under)/Over Commitment	2,227
Assumed Income	
Approved Business Case - Awaiting Funding	(400)
National Digital Income	(88)
Business Case Awaiting WG Approval	(59)
Business Case Submission	(475)
City Deal Income	(969)
Approved Business Case - Resource Schedule Submission	(237)
Sub Total	(2,227)
Forecast Outturn (Under)/Over Commitment	0

Risks

The approved plan contained assessments of additional income to offset spend for business case fees incurred in both prior-years and in-year. An update on the probability of receipt and mitigating actions are described and shown below in table 2.

Table 2 Anticipated Income 2022/23

CATEGORY	DESCRIPTION	PROBABILITY OF RECEIPT		
		High	Medium	Grand Total
	New HQ Overseas Nurses	-59		-59
	Phlebotomy - NPT Resource Cent	-165		-165
	Phlebotomy Relocation - Gorseinon	-176		-176
Approved Business Case - Awaiting Funding		-400		-400
	Open Eyes Ophthalmology System	-61		-61
	WICIS	-27		-27
National Digital Income		-88		-88
	Environmental Infrastructure Modernisation Phase2.2	-59		-59
Business Case Awaiting WG Approval		-59		-59
	Catheter Lab A Morriston replacement		-75	-75
	Refurbishment of current ICU and Burns ICU		-400	-400
Business Case Submission			-475	-475
	City Deal: Management Centre, Morriston		-9	-9
	City Deal: Morriston Access Road - Design		-960	-960
City Deal Income			-969	-969
	Adult Acute Mental Health Unit		-161	-161
	Hybrid Theatre Morriston		-22	-22
	Thoracic, Morriston		-53	-53
Approved Business Case - Resource Schedule Submission			-237	-237
Grand Total		-546	-1,681	-2,227

The £546k classed as a high probability of receipt has been reduced since the closure of the month 6 position, with the receipt of £400k for the establishment of the new phlebotomy hubs.

The £1.681m medium probability is linked to three main areas: -

- **Business Case Submissions £475k.** Whilst two business cases are planned for submission in Q4, it's unlikely they will receive approval from WG in time to receive funding before year-end.

- **City Deal Income £969k.** Most of this income is related to the proposed new Morriston Hospital Access Road. The approved plan assumed £560k of this income to pay back design fees from prior years and the remaining £400k to restart design works which have been placed on temporary hold over the last two years due to a lack of funding.
- **Approved Business Cases Resource Schedules £237k.** There are three projects which have received WG approval at SOC (Strategic Outline Case) stage. The next stage involves the appointment of a SCP (Supply Chain Partner), following which a resource schedule for the costs to take the projects to the next stage of business case development and costs incurred to SOC stage can be submitted to WG (Welsh Government). The appointment of the SCP from the NHS Wales Design for Life building framework is administered by NHS Wales SES (Specialist Estates Services). Due to the process and timescales involved, it's again unclear if these submissions due for submission to WG in Q4 will be completed in time to access the funding this year.

As the capital programme is virtually fully committed, with only a small contingency of £20k available, the non-receipt of the £1.681m this year would put at risk the delivery of a balanced CRL (Capital Resource Limit). Positive discussions have recently taken place with WG and the City Deal to mitigate these significant financial risks. Subject to further discussions over the next few weeks, it is hoped solutions to access additional funding can be put in place.

Disposal income of £1.998m is also required to achieve a balanced financial position. The current position is that 7 of the 20 ultrasounds purchased last year for NHS Wales have been contracted for disposal this year. Positive discussions have taken place with WG about them providing funding support to organisations who have submitted high-priority bids to WG for Ultrasounds. Given this position, the risk of not meeting this income target has reduced from the position at month 3.

Requests for additional capital investment continue to emerge from service delivery areas and corporate departments, for estates, medical equipment and digital. These will continue to be risk assessed through the CPG (Capital Prioritisation Group), which following a recent assessment was able to release £187k funding for the two highest risks.

Opportunities

Although the in-year funding constraints within WG have not totally lifted, there has been more positive news over the last few weeks regarding their position. It is hoped that as organisations review in-year spending plans for the normal fixing of their CRLs at the end of this month, WG may be able to release slippage funding to organisations. This would go some way to mitigating the impact of the 24%/£2.671m reduction in the discretionary capital allocation provided by WG. Organisations were recently asked to submit a high-level list of schemes that could be delivered this year should further capital funding become available. Whilst no indication has been given on the scale of any additional funding release, the Health Board submitted this initial list on 30th September for £11.827m. This list was built up from the risk assessed bids made through CPG, as well as bids from digital, estates and imaging.

Table 3 Funding Bids to WG

Type	Total £000	Approved £000	Remaining £000
Digital	3,942		3,942
Medical Equipment	3,591		3,591
Strategic	1,952	1452	500
Estates	829		829
Misc	699		699
COVID	400	400	-
Imaging	271		271
Spend to Save	143		143
Total	11,827	1,852	9,975

Since the submission and following closure of the month 6 financial position, approval has been received by WG for two of the urgent bids;

- COVID £400k, for the establishment of two new Phlebotomy hubs at Gorseinon and Port Talbot Resource Centre and works at HQ to enhance the new training area for overseas nurses.
- Strategic £1.452m, for the establishment of 10 ring-fenced orthopaedics beds at Clydach Ward in Morriston Hospital.

Business Cases

There are currently twelve business cases at various stages of production which will eventually require significant WG investment over the short to medium term.

The BJC (Business Justification Case) for the establishment of new Sub Station 6 at Morriston submitted in August has now cleared WG scrutiny. The case is now with the Minister for approval to provide a capital investment of £16.533m over the next two years.

Although the WG 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: -

- The use of Charitable funds.
- Slipping schemes.
- 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 CPG and raised up through the Management Board to Performance and Finance Committee.

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 £2.227m, which with mitigations is hoped could now be received.

Disposal income of £1.998m is also required to balance the plan, which is now deemed less of a risk given the more positive funding position of WG.

The remaining contingency in the plan is £0.020m. Without additional funding support from WG and/or additional internal mitigations, further requests for capital funding will not be affordable with the allocated resources.

5. RECOMMENDATIONS

Members are asked to: -

- **NOTE** the month 6 reported position of the capital plan
- **NOTE** the continuing funding risks and the material risk of the plan shifting from balance to imbalance without further WG funding.
- **NOTE** the mitigating actions that will require further exploration.
- **NOTE** the contingency sum to maintain the balanced plan is now £0.020m

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 £2.227m, which with mitigations could be reduced to a nil. Disposal income of £1.998m is also required to balance the plan, which is now at less risk. The remaining contingency in the plan is £20k. Without additional funding support from WG and/or additional internal mitigations, further requests for capital funding will not be affordable with the allocated resources		
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 Performance and Finance Committee	
Appendices	None	