



GIG
CYMRU
NHS
WALES

Bwrdd Iechyd Prifysgol
Bae Abertawe
Swansea Bay University
Health Board



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| Meeting Date | 26 July 2022 | Agenda Item | 2.2 |
| Report Title | Quarter 1 Capital Update | | |
| 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 Management Board on the Quarter 1 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 3 shows an overspend position of £2.830m. Additional income from Welsh Government (WG) and the City Deal is anticipated to provide a balanced position.</p> <p>Funding constraints in WG have now increased the risk level on this income. The impact of the WG reductions to the discretionary capital funding this year are now starting to emerge. The remaining contingency in the programme has now been virtually exhausted, as requests for additional capital funding are starting to emerge from the service. The risk of the plan shifting from balance to imbalance is now material.</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 3 reported position of the capital plan • NOTE the emerging funding risks and the material risk of the plan shifting from balance to imbalance • NOTE the mitigating actions that will require further exploration. | | |

| | |
|--|--|
| | <ul style="list-style-type: none">• NOTE the contingency sum to maintain the balanced plan has now reduced to £0.013m |
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QUARTER 1 CAPITAL UPDATE

1. INTRODUCTION

To provide an update on the Quarter 1 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 3 shows an overspend position of £2.830m. Although allocations as shown below are anticipated to provide a balanced position, the impact of the reductions to the discretionary capital funding this year are now starting to emerge. The pressure to retain a balanced capital position is becoming fragile as there is very little remaining flexibility in the programme to manage emerging service and infrastructure risks.

Table 1 Month 3 Forecast Outturn Position 2022/23

| | |
|---|-----------------|
| Income | |
| CRL Funding Issued by WG | (29,674) |
| Assumed Disposal Income | (1,998) |
| Total Income | (31,672) |
| | |
| Less Planned Expenditure | 34,502 |
| | |
| Forecast Outturn (Under)/Over Commitment | 2,830 |
| | |
| Assumed Income | |
| Business Case Fees | (1,339) |
| Bay Field Hospital Decommissioning | (500) |
| Digital Projects | (27) |
| City Deal | (965) |
| Sub Total | (2,830) |
| | |
| Forecast Outturn (Under)/Over Commitment | 0 |

Risks

The approved plan contained assessments of additional income to offset planned in-year spend or the repayment of business case fees incurred in prior-years. An update

on the probability of receipt and some mitigating actions to reduce uncommitted planned spend on associated schemes is shown below in table 2.

The medium probability of £1.494m is mostly linked to business cases where expenditure has been committed but the Health Board is not yet able to submit business cases to WG, where timing will be key in relation to the cases being submitted and approved by WG during 2022/23. In addition, there is a timing issue linked to the receipt of funding from the City Deal Campuses business case.

Other than the general risk of WG not having sufficient funding, the £0.253m green schemes already have approved business cases and resource schedules for the draw-down of funding to include the repayment of previous incurred resources and are not deemed to be at risk.

Table 2 Anticipated Income 2022/23

| PROBABILITY OF RECEIPT £000 | Plan | Mitigate by Non-Committed Spend | Remaining Risk |
|-----------------------------|----------------|---------------------------------|----------------|
| High | (253) | 0 | (253) |
| Medium | (1,894) | 400 | (1,494) |
| Low | (683) | 550 | (133) |
| Total | (2,830) | 950 | (1,880) |

The remaining contingency in the programme has now been virtually exhausted. Requests for additional capital funding are starting to emerge from service delivery areas, for estates, medical equipment and digital. These will continue to be risk assessed through the Capital Prioritisation Group. However, given the current funding constraints with WG and 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 is now material.

In addition to the mitigating actions above in table 2, there are several others that will need to be explored further: -

- 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 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 £2.830m, which with mitigations could be reduced to £1.880m. There is now an increased risk associated with receiving £1.627m for those items classed as amber and red.

Disposal income of £1.998m is also required to balance the plan, which may be at increased risk given the reduction in available resources from WG.

The remaining contingency in the plan is £0.013m. 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. RECOMMENDATION

Members are asked to:

- **NOTE** the month 3 reported position of the capital plan
- **NOTE** the emerging funding risks and the material 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 £0.013m

| 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 £2.830m, which with mitigations could be reduced to £1.880m. There is now an increased risk associated with receiving £1.627m for those items classed as amber and red. Disposal income of £1.998m is also required to balance the plan, which may be at increased risk given the reduction in available resources from WG. The remaining contingency in the plan is £13k. 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 Management Board | |
| Appendices | None | |