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Bwrdd Iechyd Prifysgol  
Caerdydd a'r Fro  
Cardiff and Vale  
University Health Board

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## Capital Management Procedure

### Introduction and Aim

This procedure has been developed to ensure that the University Health Board (the UHB) has appropriate management and governance arrangements in place around capital expenditure. These will determine how capital is planned, prioritised and managed in-year within the UHB's structures.

The UHB's [Standing Financial Instructions](#) (SFI's) and [Scheme of Delegation and Earned Autonomy Framework](#) are the key policy documents for this area. This provides detail of the operational arrangements which underpin this

Each year the UHB receives a capital resource allocation from the Welsh Government (WG). The UHB has an annual statutory financial duty to ensure that its capital expenditure does not exceed this resource allocation. The funding comprises two elements:

- **Discretionary Capital.** This is a one off annual allocation given to the UHB by WG. As the title implies, the UHB is free to prioritise the sum allocated as it best sees fit.
- **Capital funding issued by WG for a specific purpose.** WG has a number of capital budgets (the All Wales Capital Building Programme, the Health Technology Fund, Invest to Save Funding) which the UHB can bid against in order to obtain capital funding which often, as a result of the size of the projects involved, cannot be accommodated from within the discretionary programme. Section 3.3 of this procedure outlines the principles such bids should follow and the governance regime that applies to their submission.

In addition to the above the UHB can internally generate capital funding by means such as property disposals or encouraging charitable donations.

Alternative forms of capital finance may also be considered (such as via the Private Finance Initiative (PFI)); but the same governance principles would apply to these as projects going down a more conventional financing route. In the case of PFI any proposed arrangement would always need to be signed off by the Minister.

### Objectives

This procedure sets out the management arrangements around capital expenditure. Specifically it addresses the following:

- How the UHB identifies its capital needs as part of its long and short term

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- planning process.
- How the UHB prioritises its scarce capital resources against a background of multiple competing needs.
  - Outlines who is able to authorise capital expenditure in line with the UHB's Scheme of Delegation.
  - The process by which the UHB may make additional bids for capital from the Welsh Government and defines who is authorised to submit them on the UHB's behalf.
  - The management arrangements that are in place to ensure appropriate governance around individual capital schemes.
  - A description of the capital group structure which the UHB has established to support the People Performance and Delivery (PPD) Committee and help it discharge its duties in respect of capital governance and management.

**Scope**

This procedure applies to all of our staff in all locations including those with Honorary Contracts who are involved in either bidding for, or the use of capital funding.

In addition to the responsibilities detailed within the procedure staff also have a responsibility for making sure that they meet the requirements of their role profiles and any other responsibilities delegated to them.

<b>Equality Impact Assessment</b>	An Equality Impact Assessment has not been completed. The UHB will, however ensure that an Equality Impact Assessment is undertaken annually when it is prioritising its capital programme.
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<b>Documents to read alongside this Procedure</b>	<a href="#">Standing Financial Instructions</a> <a href="#">Scheme of Delegation and Earned Autonomy Framework</a>
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<b>Approved by</b>	Audit Committee
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<b>Accountable Executives or Clinical Board Director</b>	Director Of Finance/Director of Planning
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<b>Summary of reviews/amendments</b>			
<b>Version Number</b>	<b>Date of Review Approved</b>	<b>Date Published</b>	<b>Summary of Amendments</b>
1	12/08/2014	29/08/2014	This is a new procedure
2	21/12/2015	05/04/2016	Amendments made to Capital Governance Structure (section 4)

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## 1. What are the Annual and Long Term Planning development and approval processes?

The UHB has a 10 year capital plan which was submitted to WG in June 2014. This will be refreshed on an annual basis in conjunction with the production of the IMTP. This sets out the long-term capital requirements for refreshing the estate, equipment and Information Management and Technology (IM&T) both to keep it safe and also to provide support for service improvements.

The Board approves detailed three year and one year capital plan for each year in March, prior to the start of each financial year, as part of the Three Year Integrated Medium Term Plan (IMTP) and Annual Operational and Financial Plan.

As part of the Annual Financial Plan, the Director of Finance will submit to the Board for approval a report showing the total allocations received for capital expenditure (Capital Resource Limit), assumed in-year adjustments and the proposed capital expenditure for the year including any expenditure to be held as a contingency.

The proposed capital expenditure for the year will be identified through the IMTP planning process each year with Clinical Boards and Corporate Departments identifying the need for capital.

Bids will then be brought together and prioritised by the UHB's Capital Management Group (CMG) according to the criteria outlined in section 2 below. The prioritisation process will include a risk assessment of all schemes under consideration. The proposed programme will then be considered at the Executive Directors Management Group prior to formal Board approval.

## 2. What are the criteria for prioritising capital?

Capital will be prioritised on pre agreed criteria which are set out below:

Priority	Capital programme	Definition
1	<b>Statutory compliance</b>	Capital required to ensure compliance with the UHB's statutory responsibilities eg legislation relating to fire, asbestos, legionella
2	<b>Critical service continuity – backlog maintenance</b>	Capital required to bring the physical condition of estate assets to condition B as defined by NHS Estatecode i.e. acceptable and to keep services functioning. Key priorities include general maintenance, UHW bathroom replacement and health centre maintenance.
	<b>Critical service continuity – IT replacement</b>	Capital required to replace existing IT infrastructure (ie servers and systems) on a rolling basis over 10 years – on a risk assessed basis and in line with the expectations of the NHS Wales Informatics Service (NWIS). Without this, core IT services will not be sustained, jeopardizing service delivery.

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	<b>Critical service continuity – equipment replacement</b>	Estimation of capital required to replace existing equipment infrastructure on a rolling basis over 10 years. Again, without this the UHB would not be able to maintain core services.
<b>3</b>	<b>Tier 1 targets</b>	Capital required to deliver those Tier 1 targets which the UHB is set each year by WG, e.g. development of day of surgery assessment unit, changes to emergency unit to support flows.
<b>4</b>	<b>Achieve statutory duty of financial sustainability</b>	Capital required to deliver the IMTP savings plans. For example in 2014/15 the focus is on service transformation through reductions in length of stay to reduce beds and on implementing outpatient booking and scheduling to support reductions in administrative staff with enhanced service. For future years benefits are expected to focus around maximising the use of technology to streamline processes and drive savings through elimination of waste.
<b>5</b>	<b>Strategic imperative</b>	Capital required to deliver strategic imperative such as the enabling infrastructure to deliver the South Wales Programme, completing the Cardiff Royal Infirmary redevelopment programme
<b>6</b>	<b>Patient environment</b>	Capital required to update our poorest areas of care including those which the Community Health Council have highlighted repeatedly as unacceptable.
<b>7</b>	<b>Service development</b>	Capital required to develop services in line with commissioning requirements to support appropriate care/local delivery plans considered desirable e.g. paediatric single point of access to services.
<b>8</b>	<b>Functional suitability and modernisation</b>	Estimation of capital required to modernise UHB infrastructure, particularly at UHW which is now 43 Years old. This would involve include layout, location, flexibility, environment, servicing, user perception and energy performance.

### 3. How is the Capital Process managed?

#### 3.1 What are the Authorisation Limits?

As per the UHB's [Scheme of Delegation and Earned Autonomy Framework](#), the Assistant Director of Planning (Capital, Estates and Facilities) is the delegated budget holder responsible for ensuring that the UHB stays within its Capital Resource Limit on an annual basis.

While the Assistant Director of Planning (Capital, Estates and Facilities) will be the delegated budget holder for the capital programme as a whole, the Director of Planning and Director of Finance will delegate responsibility for individual capital schemes (including those funded directly by WG) to nominated Budget Holders

This delegation will be in writing and be accompanied by a clear definition of:

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- a) The amount of the budget;
- b) The purpose(s) of each budget heading;
- c) Individual or committee responsibilities;
- d) Arrangements during periods of absence;
- e) Authority to exercise virement;
- f) Timescales for scheme delivery
- g) The provision of regular progress reports.

A lead Executive Director will be nominated to each scheme with an approved spend greater than £0.2m.

Any budgeted discretionary funds not required for their designated purpose(s) revert to the UHB Capital Contingency Budget, subject to any authorised use of virement and subject to the Board's scheme of delegation

Any likely overspending or reduction of income that cannot be met by virement is not incurred without the prior consent of the Chief Executive subject to the Board's scheme of delegation

### **3.2 What are the arrangements for in year changes to budgets?**

In relation to in-year changes to budgets, the following are authorised to make changes to the overall value of discretionary schemes within the capital programme: Any changes to All Wales Capital Funded Schemes will require Welsh Government approval.

These only apply to adjustments within the overall approved budget; any overcommitment on budget requires Board approval (or Chief Executive in emergency)

- Amendments greater than £1.0m require UHB Board approval (WG will be informed via monthly capital monitoring arrangements)
- Amendments greater than £0.5m; but less than £1m require Chief Executive Approval (based on the recommendation of CMG)
- Amendments up to £0.5m may be authorised by the Director of Planning, Director of Finance & Chief Operating Officer via the Capital Management Group.
- Amendments within the scheme budget and in support of the original objectives may be made by the budgetholder. However if these increase the scope of the original scheme, they must be agreed with the Director of Planning as they might better be prioritised to other schemes.

Where a clinical board needs to make an emergency request for capital to address urgent medical equipment, estates maintenance or statutory compliance issue then a standard form designed for this purpose needs to be completed. The forms are

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available from the Head of Discretionary Capital. Once complete, for estates maintenance or statutory compliance issue the forms should be returned to the Head of Discretionary Capital. In the case of urgent medical equipment bids, the forms should initially be sent to the Assistant Director of Therapies, who will review the bid before forwarding on to the Head of Discretionary Capital. The Head of Discretionary Capital will advise the Assistant Director of Planning (Capital, Estates and Facilities) on the level of contingency funding available to support the request. The Assistant Director of Planning (Capital, Estates and Facilities) will then forward the details of the bid (including the level of funding available to support it) to the Director Of Finance, the Chief Operating Officer and the Director of Planning who will decide if the bid is to be supported or not.

A schedule of all changes to allocations made will be reviewed by the Capital Management Group on a monthly basis.

### **3.3 What is the process for making submissions of funding bids to Welsh Government?**

Where discretionary capital funding is not available to fund a specific UHB prioritised capital scheme, the UHB may bid for additional capital funding from the WG. The WG require that, for all such schemes a business case is prepared in line with the Welsh Ministers guidance and where appropriate in conjunction with the 5 case model as described in the HM Treasury Green Book.

Where a 5 case model approach is not required (e.g. regarding Invest to Save or Health Technology Funding) the preparation of a robust internal business case is required which would outline how they would impact on the areas contained within the UHB's 8 capital prioritisation criteria (as outlined in section 2 above) and also as a minimum should consider the impact on the following factors:

- (1) Improved efficiency in patient care
- (2) Capital Charges
- (3) Long term cost reduction
- (4) Income maximisation
- (5) Cost containment
- (6) Reduction in waiting Lists
- (7) Prevention of avoidable admissions
- (8) Alternatives to acute beds
- (9) Reductions in length of stay
- (10) Improving patient discharge process
- (11) Reduced Health & safety risk

**All submissions requiring funding of £1m or more will require UHB Board approval. Schemes requiring funding of less than £1m may be approved by the Chief Executive on the recommendation of the Management Executive.**

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It would be expected that the full implications of such business cases will be built into the annual business plan of the relevant clinical board who were seeking this capital Investment.

Often towards the end of the financial year, WG will ask the UHB to bid for additional capital funding which must be spent by the end of the financial year in question. In these instances bids will be drawn up from the prioritised list described in section two above. This process will be coordinated by the Assistant Director of Planning (Capital, Estates and Facilities) who will be responsible for identifying those schemes which are deliverable within the required timeframe. These schemes will then be reprioritised by the Director of Finance, the Chief Operating Officer and the Director of Planning before the finalised bid goes to the Chief Executive or UHB Board for approval.

### **3.4 Management of capital schemes funded by WG**

The same approach of effective management of capital schemes will apply to WG funded as to internally funded schemes.

As well as allocating a nominated budget holder in respect of such centrally funded projects it is recommended that the establishment of an appropriate project board is essential to ensure projects are completed both within budget & agreed timescales, as failure to complete work on time may have repercussions for patient care.

Typically this involves:

- (1) An Investment Decision Maker (The Board of Directors)
- (2) The Chief Executive will have ownership of the project
- (3) A Project Board (Chair nominated by the Director of Planning)
- (4) A Project Director (Appointed by the chair of the project board).
- (5) A Project Manager (Appointed by the project director).

It will be necessary in some years to make emergency bids for funding to WG to tackle urgent emerging issues which if not tackled would adversely affect patient care. It is recommended that such bids may be made directly to WG by the Chief Executive on the advice of the capital management group. Where necessary retrospective Board approval will be sought for these bids:

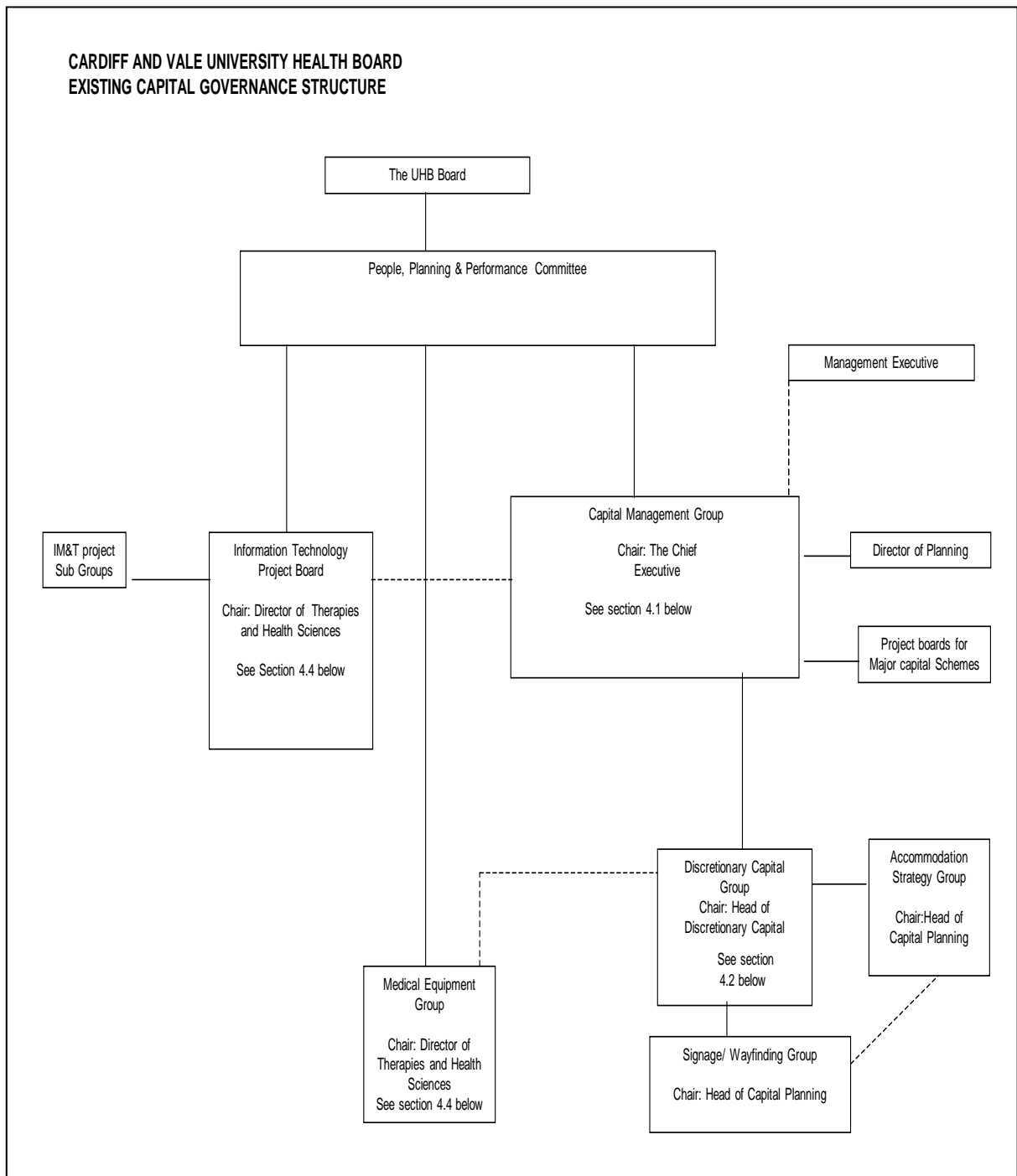
The Director of Finance will regularly update the Board on significant changes to the initial allocation and the application of such funds



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#### 4. Capital Governance Group Structure

The below diagram shows the capital management group structure that sits below PPP committee and how they feed into this committee to help it discharge its duty in respect of capital governance and management.



The role of the main groups in respect of capital management will be as follows:

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#### **4.1 Capital Management Group (CMG)**

The CMG will report into and will assist the Director of Planning in all areas of the UHB's capital programme and other asset management issues. This will include ensuring robust financial management and governance arrangements are in place in respect of the capital programme. It will be charged with reviewing the benefits realisation of completed capital schemes and in determining how the use of capital funding can help shape better service delivery.

This will include:

- Compiling a draft capital programme each year for approval by the UHB Board
- Monitoring financial and operational progress against approved schemes within the programme.
- Helping to produce reports to the Board & PPD on areas of concern in relation to specific schemes.
- Considering whether in year bids either for additional external or internal capital funding should be supported or not.
- Implementation and review of recommendations arising from audit reports:
- To receive and consider reports from the following groups:

Discretionary Capital Management Group (DCMG)

Wayfinding /Signage Group

UHB Accommodation Group

Medical Equipment Group

Information Technology Project Board

The Project Boards of Major Capital Schemes

A copy of the Group's Terms of Reference and Membership is available from the Assistant Director of Planning (Capital, Estates and Facilities).

#### **4.2 Discretionary Capital Management Group (DCMG)**

The Role of the DCMG will include:

- Managing the annual bidding process and prepare a draft annual Discretionary Capital Programme (DCP) based on annual bids received from Directorates and Departments. The annual programme to be submitted to the Capital Management Group for consideration.

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- Monitor the performance of the DCP to ensure that allocation and expenditure balance at year end and the Cardiff & Vale UHB Capital Resource Limit (CRL) is achieved.
- Consider requests for new discretionary capital schemes (submitted via 'statement of need' form) as and when they arise during the year. If agreed submit to Capital Management Group for consideration and approval in line with the UHB's scheme of delegation.
- To prepare and sign off reports for submission to the Major Capital Group on progress with implementing the DCP.

A copy of the Group's Terms of Reference & Group Membership is available from the Head of Discretionary Capital.

### **4.3 The IT Programme Board (ITPB)**

The Role of the ITPB will include:

To liaise with the Capital Management group to flag up capital requirements in respect of:

- Key risks in terms of safety and security of the UHB IT Infrastructure
- Delivering agreed UHB Objectives
- The impact of any new Information requirements arising either as a result of WG directives or operational need and to advise on priorities and business benefit

A copy of the Group's Terms of Reference & Group Membership is available from the Head of Information Management and Technology.

### **4.4 The Medical Equipment Group (MEG)**

The Role of the MEG will include:

- To be the focal point for medical equipment, ensuring no capital purchase decisions are made without reference to this group. This includes medical equipment which forms part of a larger capital project.
- To produce for the Capital Management Group each year a prioritised list of clinical equipment items that require replacement.
- To advise the Discretionary Capital Group on the clinical need of equipment items not included on the MEG list; but which are submitted as ad-hoc bids against the discretionary capital allocation during the year:
- Evaluating, recording and managing risk issues arising from the use and condition of medical equipment.

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- The development and maintenance, in conjunction with the Finance Department, of a comprehensive inventory of capital and non capital medical equipment

A copy of the Group's Terms of Reference & Group Membership is available from the Assistant Director of Therapies and Health Science.

## **5. Conclusion.**

By implementing the above scheme of delegation and putting in place the extensive network of capital governance committees, the UHB should ensure it has a robust capital governance regime in line with its standing financial instructions, standing orders and the requirements of The Welsh Ministers Guidance.