NOVA SCOTIA

Policy:	***Allocation of* Capital Grant Funding Envelopes (Capital Medical Equipment, Capital Clinical Projects, Infrastructure Repair & Renewal**	
Original Approval Date:	**June 21, 2018**	***Effective Date:* April 1, 2018**
Approved by:		
	Randy Delorey ***Minister***	
Version:	**Replaces "Capital Grant Funding Envelopes" dated September 30, 2015**	

1. POLICY STATEMENT

1.1. The purpose of this policy is for the Department of Health & Wellness (DHW) to set the directives and requirements of the Nova Scotia Health Authority (NSHA) and the IWK Health Centre (IWK) for the allocation of funding of three Capital Grant Funding Envelopes.

1.2. The duties and powers for development and implementation of health policies and directives are legislated as the responsibility of the Minister of Health and Wellness under the *Health Authorities Act 2014*, the *Health Services and Insurance Act* and the *Hospitals Act*. Reporting and approval requirements are legislated under the *Finance Act*.

2. DEFINITIONS

In this policy:

2.1. **Capital Grant Funding** means funding for approved projects within the Department's capital plan and is comprised of two mutually exclusive categories: capital grant envelopes and major infrastructure projects.

2.2. **Major Infrastructure Projects** are not part of the Capital Grant Funding Envelope identified in 2.2 and are build projects that are new or within existing facilities which require in excess of $1,000,000 for project completion. These projects may also require new equipment and/or operational resources. These projects require approval of the Minister and/or Executive Council prior to proceeding.

2.3. **Capital Grant Envelopes** is for projects required to maintain or renew existing operations and are completed within the fiscal year they begin. Capital envelopes currently provided for DHW include Capital Medical Equipment (CME), Capital Clinical Projects (CCP) and Infrastructure Repair & Renewal (R&R).

2.4. **Capital Medical Equipment (CME)** refers to project types that replace existing equipment and/or automates existing manual processes that are used for the direct diagnosis and treatment for patients. These projects do not include equipment related to a yet approved new or expanded program, requiring additional operational funds and/or new policy implications. Costs related to renovations, installation, IT connectivity and taxes are included in the total project cost.

2.5. **Infrastructure Repair & Renewal (R&R)** are projects that are below $1,000,000.00 for the upgrade, repair and/or replacement, of existing deteriorating or failing basic building and property systems and structures that support the general operations, programs and functions within the health care facility.

2.6. **Capital Clinical Projects (CCP)** are projects that promote quality, safety and/or increased efficiencies through such aspects as enhanced layouts and operational modifications. This funding type is not intended to support new space or new programs but is available to enhance existing space and programs.

2.7. **Projects** – refers to CME, R&R, CCP.

2.8. **Regional** – means regional hospital and associated community hospitals.

2.9. **Contingency Fund** – Funding allotted in the CME Capital Grant Funding Envelope to address emergency and urgent requests.

2.10. **Contingency** – are related to emergency or urgent CME projects that have direct impact or safety concerns on patient care and is required to be repaired or replaced as soon as possible.

3. POLICY OBJECTIVES

3.1. To ensure funding is provided in accordance to the funding allocation of Capital Grant Funding Envelopes through an evidence informed and criteria-based process and to ensure that accountability measures are being followed.

4. POLICY DIRECTIVES

4.1. Funding will be determined based on the province of Nova Scotia annual capital plan.

4.2. The Minister has the right to reservice or direct funding to address specific capital investments.

4.3. Funding will be allocated based on the following agreed upon distribution between the three organizations (DHW, NSHA and IWK).

4.3.1. CME

(a) A 10% allocation to the regional areas, is applied to the total amount of funding available.
(b) 20% contingency fund will be calculated after the regional amount is allocated.
(c) The remaining funds will be allocated as follows:
- 84% NSHA
- 16% IWK
- Overall, 85.6% to NSHA and 14.4% to IWK

4.3.2. R&R

(a) 20% allocation to the regional areas, is applied to the total amount of funding available.
(b) There is no contingency fund as it would be challenging to complete a project within the year time frame if an emergency is identified late in the year.
(c) Emergency projects would be considered a top priority for the next fiscal year.
(d) The remaining funds will be allocated as follows:
- 89% NSHA
- 11% to IWK
- Overall, 91.2% to NSHA and 9.8% to IWK

4.3.3. CCP

A) Allocated based on 17/18 allocation
- 65% to NSHA
- 35% to IWK
- Allocation may change based on the needs identified by the HAs

4.3.4 The agreed upon funding allocation noted in 4.2 is subject to change based on provincial priorities as well as demands on the organizations.

4.3.5 Contingency Fund

(a) The CME contingency fund will be managed by DHW.
(b) Contingency Fund applies only to CME as with R&R and CCP it would be challenging to have a late start and complete by year end.
(c) Request for contingency funding requires the attached appendix A business case to be completed in its entirety and submitted to DHW financial advisor.
(d) Contingency funding request will be reviewed by DHW and if justification is supported the funding will be approved based on a first come first serve bases, within a two-week period.
(e) If there are many contingency requests submitted at the same time the HAs are required to identify the priorities of the requests. In the event the funding is limited to fund all requests, the funding will be allocated based on a review of the submission and the priority of the health system.
(f) If the contingency funding is fully allotted and no funding is available for emergencies, the Minister reserves the right to direct the HAs to use their operating budget to address the emergency.
(g) In October if there is funding remaining in the contingency fund the remaining funding will be allocated to the HAs based on the allocations noted in 4.3.1.

Below is an example of the funding distribution based on the funding criteria noted in 4.3.

Organization	*CME*	*R&R*	*CCP*	*Total*
Funding	***15,000,000***	***13,000,000***	***1,000,000***	***29,000,000***
Regional 10%, 20%	***1,500,000***	***2,600,000***		***4,100,000***
Subtotal	13,500,000	10,400,000	1,000,000	24,900,000
CME Contingency 20% *	2,700,000			2,700,000
Subtotal	10,800,000	10,400,000	1,000,000	22,200,000
NSHA 84%, 89%	**9,072,000**	**9,256,000**	**650,000**	**18,978,000**
IWK 16%, 11%	**1,728,000**	**1,144,000**	**350,000**	**3,222,000**
Total	***10,800,000***	***10,400,000***	***1,000,000***	***22,200,000***

5. CAPITAL PLAN

5.1 Upon the announcement of Government's Capital Plan, DHW will notify the HAs on the level of funding available, and the allocation to each organization.

5.2 The HAs are required to submit for the Minister's approval, their full prioritized capital grants funding envelope list (appendix B) to DHW by no later than February 28th, for the following fiscal year. There is an expectation that the foundations would have been engaged prior to this point to discuss potential capital investments.

5.3 The capital envelopes funding is defined by the Province of Nova Scotia (PNS) capital plan – there is no reallocation of funding between the envelopes, without prior written approval from the DHW Minister.

5.4 Prior written approval is required by the Minister to reallocate operating dollars to support capital investment.

6. MINISTER'S APPROVAL

6.1 The role of the Minister and legislative requirements for capital spending is outlined in the following legislation:

(a) Sections 32, 33 of the *Health Authorities Act, 2014*
(b) Sections 15 and 16 of the *Health Services and Insurance Act*
(c) Section 3 of the *Hospitals Regulations* under the *Hospitals Act*
(d) Sections 77 & 78 of the *Finance Act*, 2010

6.2 Upon review and the implementation plan of the of the HAs capital grants plan, a recommendation will be made to the Minister, given there are no concerns, to support the organizations capital plan.

6.3 <u>100% Capital Investment outside of the provincial envelopes.</u>

6.3.1 The Minister's approval will be based on the submitted prioritized list, approval will be subject to no financial impact on operations. Approvals will be outlined in the Minister's approval letter.

6.3.2 Minister will provide blanket approval for capital items under $250K to the Health Authorities, subject to change in future fiscal years. Approval will be subject to no financial impact on operations and conditional upon items proposed being taken from the priority CME listing.

6.3.3 Items outside of the approved prioritize list identify in 6.3.1, but over $250K and under $1M requires Minister's approval, a short business case (appendix C) is required to be submitted in writing to the Department of Health's Director of Finance, Health Authorities and Capital Planning at least a month prior to the required approval date.

6.3.4 Projects over $1M will require a full business case that follow the Tangible Capital Asset (TCA) guideline and requires TCA Committee and Treasury and Policy Board (TPB) Approval. These types of projects should be submitted at least six months prior to the required approval date.

6.4 Turnaround Time

6.4.1 All efforts will be made by DHW to ensure a timely turnaround of a 4-5 weeks for the annual approval of the prioritized capital funding envelopes and 2 weeks for contingency requests if submitted:

(a) Business case is completed in its entirety with valuable information to support the request.
(b) Requests are under $1M.
(c) Project of $1M and over will follow the TCA and TPB timelines.

7 REPORTING REQUIRMENTS

7.1 NSHA and IWK through the monthly operating forecast will submit a capital envelope forecast, that will include: (Appendix D example of reporting)

(a) List of prioritized items that was approved for acquisition/repair/renovation.
(b) Budget.
(c) Forecast – broken down by province of NS (PNS) funding and foundations financial commitment.
(d) Total forecast by foundation and PNS.
(e) A summary page that illustrates the funding allocated to each zone for each envelope.

7.2 Upon completion of the HAs yearend DHW will require a final list of capital investments from all parties which illustrates:

(a) reporting on yearend actuals.
(b) actuals vs. forecast variance analysis.
(c) total financial investment from all parties.
(d) provide a reconciliation of actual spending to the audited financial statements.

Embedded Appendices

Appendix A
Contingency Fundir

Appendix B IWK
Capital Grants Envel

Appendix B NSHA
Capital Grants Envel

Appendix C
Foundation Funded

Appendix D Capital
Funding Envelop Fc