

**PWYLLGOR DATBLYGU STRATEGOL A CHYFLENWI GWEITHREDOL  
STRATEGIC DEVELOPMENT AND OPERATIONAL DELIVERY COMMITTEE**

<b>DYDDIAD Y CYFARFOD: DATE OF MEETING:</b>	26 June 2023
<b>TEITL YR ADRODDIAD: TITLE OF REPORT:</b>	Capital Programme 2022/23, 2023/24 and Capital Governance Update Report
<b>CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:</b>	Lee Davies –Director of Strategy and Planning / Cyfarwyddwr Strategaeth a Chynllunio
<b>SWYDDOG ADRODD: REPORTING OFFICER:</b>	Eldeg Rosser, Head of Capital Planning

**Pwrpas yr Adroddiad (dewiswch fel yn addas)**

**Purpose of the Report (select as appropriate)**

Er Sicrwydd/For Assurance

**ADRODDIAD SCAA**

**SBAR REPORT**

**Sefyllfa / Situation**

This report is presented to the Strategic Development and Operational Delivery Committee (SDODC) detailing:

- Update on the 2022/23 Capital Programme
- The allocation of the Discretionary Capital Programme (DCP) for 2023/24
- The pressures currently being placed on the contingency reserve
- The capital schemes governance update

**Cefndir / Background**

This report provides an unaudited outturn position on the 2022/23 Capital Programme, and an update on the 2023/24 Discretionary Capital Programme, it follows on from the report and discussion at the SDODC meeting held on 27<sup>th</sup> April 2023 and the Capital Sub-Committee (CSC) meeting held on 25 May 2023.

The available capital allocation for 2023/224 will provide Hywel Dda University Health Board (HDdUHB) with a significant challenge and risk in trying to address the historical backlog we have in:

- Medical and non-medical equipment
- Informatics and Digital infrastructure and equipment
- Estates, statutory and infrastructure

**Risk**

Our corporate risk 1196 states

“There is a risk the Health Board is not able to provide safe, sustainable, accessible and kind services. This is caused by insufficient investment to ensure we have appropriate facilities,

medical equipment and digital infrastructure of an appropriate standard. This could lead to an impact/effect on our ability to deliver our strategic objectives, service improvement/development, statutory compliance (i.e., fire, health and safety) and delivery of day-to-day patient care”

### **Discretionary Allocation Use**

The terms of the Discretionary Capital Allocation letter from WG state:

‘Discretionary capital is that allocated directly to NHS organisations for the following priority obligations across all healthcare settings: Meeting statutory obligations, such as health and safety and Firecode; maintaining the fabric of the estate; and the timely replacement of equipment’.

The prioritisation process for DCP includes representation from Executive portfolios at the Capital Planning Group (CPG) which reports to the CSC, and the position set out is consistent with that reported to the Sustainable Resources Committee (SRC).

### **Asesiad / Assessment**

#### **Capital Resource Limit and Capital Programme 2022/23**

The final CRL for 2022/23 was issued with the following allocations:

<b>Allocation</b>	<b>£m</b>
All Wales Capital Programme (AWCP)	27.778
Discretionary Programme (gross allocation)	5.290
Disposal Proceeds	0.195
International Financial Reporting Standards (IFRS) 16 leases	0.585
<b>Total</b>	<b>33.848</b>

Since the last Capital Sub Committee report one adjustment has been made to the CRL - £0.283m in respect of IFRS 16 Leases in quarter 4. The value of disposals proceeds available to the programme also increased by £0.045m as a result of several low value (less than £5k) equipment disposals.

In addition to the resource allocated through the CRL and the net book value of disposals, the Health Board is able to make capital purchases through donations. Total resource available in the year is shown in the table below:

<b>Allocation</b>	<b>£m</b>
All Wales Capital Programme (AWCP)	27.778
Discretionary Programme (gross allocation)	5.290
Disposal Proceeds	0.195
International Financial Reporting Standards (IFRS) 16 leases	0.585
<b>Donated and Granted Purchases</b>	<b>0.476</b>
<b>Total Resource Available</b>	<b>34.324</b>

Against this resource, the unaudited expenditure position for the year is an underspend of £0.068m.

## **Capital Resource Limit 2023/24**

The CRL for 2023/24 has been issued with the following allocations

<b>Expenditure</b>	<b>£m</b>
All Wales Capital Programme	20.018
Discretionary Programme	5.435
<b>Total</b>	<b>25.453</b>

A detailed breakdown of the All-Wales Capital Programme (AWCP) is provided below:

<b>Allocation</b>	<b>£m</b>
Withybush Hospital (WGH) Fire Enforcement Works Phase 1	0.106
WGH Fire Decant	6.999
WGH Fire Enforcement Works Phase 2 Fees	0.383
Glangwili Hospital (GGH) Fire Enforcement Works Phase 1	6.049
GGH Fire Enforcement Works Phase 2 Fees	0.496
Cross Hands Health & Well Being Centre	1.512
Sanctuary Provision Children and Young People	0.309
Estates Funding Advisory Board (EFAB) – Infrastructure	2.461
EFAB – Fire Prevention	0.943
EFAB – Decarbonisation	0.684
National Programme – Decarbonisation	0.076
<b>Total</b>	<b>20.018</b>

A cash forecast for 2023/24 will be developed with Estates, IT, procurement and operational colleagues over the next few weeks.

## **Capital Programme 2023/24**

### **All Wales Capital Programme (AWCP)**

HDdUHB current All Wales Capital Allocations for 2023/24 is detailed in the table above 2023/24:

### **Discretionary Capital Allocation (DCP)**

On 30 March 2023 the Board approved the Discretionary Capital Programme for 2023/24

<b>Schemes</b>	<b>Allocation £m</b>	<b>Allocation £m</b>
<b>Pre-commitments</b>		2.323
Bronglais Hospital (BGH) Chemotherapy Day Unit	0.346	
GGH Women and Children	0.553	

Pharmacy Cytotoxic Isolators – (repayable from	0.098	
Primary Care Works	0.100	
30% EFAB Contribution*	1.226	
<b>Ring-fenced allocations</b>		<b>2.114</b>
Breakdown and contingency	1.014	
Development of business cases	0.400	
Capital support	0.200	
Dealing with issues in residential accommodation	0.200	
Dealing with issues arising from Healthcare Inspectorate Wales (HIW)/Credits for Cleaning audits	0.300	
<b>Specific Allocations</b>		
<b>Equipment Replacement</b>		<b>1.298</b>
Replacement Anaesthetic Machines	0.409	
Replacement morcellator & control box	0.049	
Antenatal Cardiotocography (CTG)	0.040	
Endoscopy equipment replacement	0.800	
<b>IT &amp; Digital</b>		<b>0.754</b>
Network Refresh WGH	0.226	
Paging Replacement GGH/ Prince Philip Hospital (PPH)	0.278	
General Replacement Programme	0.250	
<b>Estates</b>		<b>0.450</b>
Firecode and Safety Compliance	0.020	
Legionella Compliance	0.100	
Asbestos Compliance	0.080	
ISO14001	0.010	
Lift Compliance	0.040	
Medical Gas Compliance	0.040	
Fixed and PAT Testing Compliance	0.085	
Ductwork Cleaning and Damper Compliance	0.050	
F-Gas Compliance	0.020	
Radon Compliance	0.005	
<b>TOTAL DCP</b>	<b>6.939</b>	<b>6.939</b>

Since the preparation and approval of this programme several items that need immediate and urgent action to deal with them have materialised and despite the prudent increase in the contingency reserve which now sits at £1.014m there is significant pressure against this allocation.

The 2 key issues which have arisen over and above the normal breakdown and contingency type expenditure are

- the need to underwrite the overspend against the WGH Fire precaution work (Phase 1) scheme until a Welsh Government (WG) decision is taken on additional funding.
- the need to undertake survey work on the reinforced autoclaved aerated concrete (RAAC) planks in WGH and the requirement to immediately deal with any urgent remedial works flagged up by the survey work.

### **WGH Fire Precaution Works**

The most recent cost advisor report indicates that the Health Board will have fully utilised the original funding allocation and WG held contingency by the end of May 2023. Any costs incurred prior to WG funding of additional capital will need to be underwritten via the DCP.

Due to the scheme complexities and the fluctuations seen between forecasts and actual valuations in previous months it is difficult to accurately estimate the value for the potential underwriting. Based on the last valuation received for May 2023 the Finance Team are indicating that the potential underwriting will be at least £2.000m

The Health Board met with WG in May 2023 to discuss the shortfall in funding and the amount required from WG to fund the outstanding work. The ongoing uncertainty around the expected final outturn for the scheme was discussed and therefore a range of possible outcomes resulting in a sensitivity analysis of the forecast was presented to WG, with the upper end of the range presented as £6.4m over current funding.

WG has requested a report which outlines the funding position, steps taken to validate the expenditure from the contractor and an explanation of the increased scope of works. This report has been prepared by the Director of Estates and submitted to WG.

If WG do not approve any additional funding, then the Health Board would have to urgently explore available options which could include stopping works on site.

### **Contingency**

As highlighted in the May 2023 Capital Sub-Committee significant pressure is already being placed on the contingency of £1.014m due to the specialist survey work which has been commissioned on the WGH site to further investigate the condition of the RAAC planks. Currently there is no support centrally for these costs, but we will continue the dialogue with WG noting the pressure this expenditure will create on the limited DCP.

It is concerning to note that despite increasing our contingency reserve holding for the 2023/24 year the current commitment against the allocation in the contingency reserve only leaves us with £0.331m to deal with.

- remedial costs arising from the RAAC surveys being undertaken. At the time of preparing this paper the known costs associated with RAAC are:
  - Survey costs - £0.450m
  - Preparation of decant area in South Pembrokeshire Hospital - £0.090m
  - Remedial works pot wash area - £0.078m
- costs arising from other equipment and plant breakdowns – we are already aware of several of these where additional assessments are being undertaken but these could amount to @£0.200m
- any additional costs arising from the remedial works required on the BGH lift shaft
- potential costs associated with our managed practices
- underwriting of fire precautionary works in WGH (as described above)
- breakdowns occurring across the remainder of the year

During the discussion held in the Capital Sub Committee on 25 May it was agreed that the Capital Planning Group meeting on 26 May would discuss and develop a proposed solution that would

enable the UHB to underwrite the fire Precaution Work in WGH and free up £0.700m to top up the contingency reserve whilst also pursuing the potential for funding for the survey and remedial costs associated with RAAC. A paper has been prepared for the Executive Team to consider in their meeting on 21 June 2023 on the opportunities that were identified by the Capital Planning Group as a means to release funding in 2023/24.

The opportunities being considered are as follows:

For the 2 months of underwriting for the fire precaution schemes any planning and design work associated with the following scheme would continue but no orders for works would be placed until the outcome of the WG decision on funding is known.

Schemes	Allocation £m	Risk to delivery of capital programme and impact on service
Dealing with issues in residential accommodation	0.200	
Dealing with issues arising from HIW/Credits for Cleaning	0.250	
Placing of additional works orders against the EFAB allocation in line with current project timelines	1.550	
<b>Total</b>	<b>2.000</b>	

There is little risk to the delivery of the capital programme or service impact associated with these three proposals as expenditure would not be committed against these allocations until later in the financial year, so holding off to place orders until the end of July is not likely to prove problematic.

If no additional funding is forthcoming from WG then the UHB would have to reconsider the further progression of the WGH fire scheme in its entirety.

To free up a potential of £0.700m to top up the Contingency pot the following proposals were considered:

Schemes	Allocation £m	Risk to delivery of capital programme and impact on service
Move the BGH clinical decisions unit (CDU) precommitment	0.346	
Recoverable VAT	0.250	
Delay the start of GGH/PPH Paging replacement until later in the year or delay until 2024/25	0.253	
Delay the replacement morcellator until 2024/25	0.049	
Slowing down the rate of business case developments including community schemes	0.200	
<b>Total</b>	<b>1.098</b>	

There is little risk associated to the delivery of the capital programme or service impact with the first 2 proposals. The timing of this contribution for BGH CDU can be made at any point during the scheme construction and as the construction is not due to start until January 2024 and runs into 2024/25 this can be moved into the next financial year. However, this does become a pre-commitment on the 2024/25 DCP.

The risk associated with the VAT is that the final recovery value may differ from the planning assumptions made.

The risk associated with delaying the paging replacement is medium (Amber). The UHB has already committed to the readiness work which will continue over the next 2-3 months; however, we will be looking to go out to the market to procure a solution September / October 2023. The current paging solution is 13 years old and has become end of life. Having a robust paging solution is an essential communication tool for the Health Board. The paging solution is used to alert staff to emergency situations, such as cardiac arrest and fire. The risk associated with delay is that the UHB will have to tolerate this risk for a longer period of time.

The risk associated with delaying the purchase of the morcellator is considered low to moderate given the theatre service affected have been tolerant of this outstanding replacement for a couple of years already. However, deferment cannot go on indefinitely and would need to be prioritised for replacement in 2024/25.

The risk associated with reducing the business case development allocation is that it will slow down the progress that can be made on the community infrastructure business cases associated with the implementation of A Healthier Mid & West Wales (AHMWW) strategy and the need to develop the community infrastructure in advance of the opening of the new urgent and planned care hospital. The slower our progress the longer it will take to secure funding for these developments. There is also a risk that the potential need to top up the WG allocation to develop the BJC for Phase 2 Fire in 2023/2024 could delay the completion of this business case, the additional costs are not currently known but are associated with the need to revisit some design works as a consequence of the reduction in the scope of these works. Directorate risk 340 has been updated to reflect this position.

These options being considered will lead to a potential range of additional pre-commitments against our 2024/25 DCP:

	Pre-Commitments Range	
	2024/25	
	£m	
BGH CDU	0.346	0.346
GGH/PPH Paging	0.000	0.253
Replacement morcellator	0.049	0.049
<b>Total</b>	<b>0.395</b>	<b>0.648</b>

Following consideration of the paper by the Executive Team the paper discussed will be shared with the Capital Team at WG to highlight the significant pressure on the UHB's DCP in 2023/24.

### **Capital Governance – Project Updates**

At the May 2023 meeting of the Capital Sub-Committee, updates were considered from all HDdUHB' s capital projects. The following projects are complete:

- PPH Modular Theatres (COVID-19 recovery scheme)
- CT Scanner Replacement PPH
- DR Replacement PPH
- DR Replacement GGH
- DR Replacement WGH
- CT Scanner Replacement BGH
- Fluoroscopy Replacement BGH
- DR Replacement BGH
- Mammography Replacement PPH

The following are in progress/construction:

- Women and Children Phase II
- Fire Enforcement Work Phase 1, WGH
- Fire Enforcement Work Phase 1, GGH


The following projects are currently in the design and development stage:

- Cross Hands Health Centre
- Carmarthen Hwb – Partnership Project led by Carmarthenshire County Council (CCC), levelling up funding approved by UK Government on 27<sup>th</sup> October 2021.
- Regional Cellular Pathology and Immunology Services
- Chemotherapy Day Unit, BGH
- Aseptic Services, WGH
- Sexual Assault and Referral Centre, Aberystwyth

Several projects are now progressing into scoping stages and will require resourcing from a Capital Planning, Estates and Digital perspective:


- Aberystwyth Integrated Care Centre.
- Aberystwyth Integrated Education and Research Centre.
- Fishguard Integrated Health and Wellbeing Centre.
- Fire Improvements BGH.
- Llandovery Health and Wellbeing Centre
- Cylch Caron

Projects with a red RAG status reported to the CSC were as follows:


Project	Overall RAG	Matters for Sub Committee attention
Women & Children Phase 2	Current RAG	The hand over of Theatre 2 has now been completed. Scheme completion is still expected in July 2023.
	Trend 	

Project	Overall RAG	Matters for Sub Committee attention
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<b>Fire Enforcement Work WGH</b>	<b>Current RAG</b>	The Phase 1 programme continues to be under pressure due to impact of pest infestations in areas on the on the critical path of the delivery programme. This has resulted in a request for a further two-month extension of time. The Financial position remains challenging. The latest information received highlights that the outturn cost of the scheme will exceed the scheme funding allocation (including the risk contingencies) as already reported above. The Health Board is working closely with the Project Manager, Cost Advisor and Supply Chain Partner to verify this and to explore potential mitigations. WG remain supportive and have requested the Health Board make a formal request for additional funding in the new financial year in order that approval may be sought from the minister for this. This request has been formally submitted to WG.
	<b>Trend</b> 	

**Project led by other organisations**

<b>Project</b>	<b>Overall RAG</b>	<b>Matters for Sub Committee attention</b>
<b>Carmarthen Hwb</b>	<b>Current RAG</b> <b>Trend</b> 	The project remains approximately 16 weeks behind original programme - Start on site remains at July 23 and value engineering exercises continue, emerging capital and revenue costs are expected to be considerably higher. Capital cost certainty is now expected 07/07/2023. The Welsh Government Integration and Rebalancing Capital Fund (IRCF) funding application process is ongoing with a Business Justification Case for additional capital being developed.

**Key updates on other Projects**

**Cross Hands OBC:** The Health Board has received confirmation of funding to progress with the development of the Full Business Case through the IRCF. We have re-engaged with the supply chain and are working with them to update the timeline. Payment of the deposit for the land was made at the end of March 2023. The current timeline for the Full Business Case completion is January 2024.

**Sexual Assault Referral Centre (SARC), Aberystwyth**

The solution to provide SARC services which comply with the ISO standards is being developed and a Business Justification Case (BJC) is being developed and will be presented to Board in July.

**Aseptic Services, WGH**

The BJC was presented and approved by Board at its January 2032 meeting. The scheme will provide the interim service solution pending the implementation of the national TRAMS programme. The BJC has been submitted to WG consider the scheme in principle and scrutiny comments have been received. The UHB has submitted its responses to the scrutiny comments to WG.

**Fishguard Health and Wellbeing Centre**

Business case writers have been appointed to work with the UHB on to develop a Strategic Outline Case (SOC)/Outline Business Case (OBC). An application for IRFC funding to progress with the development of a SOC/OBC has been approved by the West Wales Regional Partnership Board for submission to WG.

**Aberystwyth Integrated Care Centre:** Business case writers have been appointed to work with the UHB on to develop a Strategic Outline Case (SOC)/Outline Business Case (OBC).

### **Llandovery**

A project launch event was held in Llandovery on 5 December 2022. Stakeholders from the wider community, service providers and other UHB staff were invited to participate. Business case writers have been appointed to work with the UHB to develop the case.

### **Projects led by other organisations**

**Carmarthen Hwb:** The Local Authority(LA) have appointed a Principle Contractor and a Project Manager. The UHB has provided detailed feedback on the Stage 2 design. The LA has submitted a planning application for the development. Work is also being undertaken by the Council and UHB to develop a bid for IRCF funding for the capital costs not included within the original Levelling up funding bid. This is being considered via the West Wales Care Partnership.

**Pentre Awel:** Building work has commenced on site. Internal meeting with service users have recently been held. Further detailed work is now required to confirm the clinical service model on site.

**Regional Pathology:** Work is underway on a regional basis across all laboratory disciplines to explore transformation opportunities. Work on the development of the OBC has currently commenced.

### **Cylch Caron**

Work is currently being undertaken by the Project Group and Ceredigion County Council Legal Team to update the documentation required to enable the issue of tender documentation for the project. It is currently anticipated that tenders will be issued to determine the market interest for design, build and/or management of this scheme in July 2023.

### **Argymhelliad / Recommendation**

The Strategic Development and Operational Delivery Committee is asked to RECEIVE ASSURANCE in respect of:

- The unaudited position on the CRL for 2022/23
- The update on the Capital Programme for 2023/24
- The submission of the Executive Team paper to WG
- The updates on the Health Board Capital schemes

### **Amcanion: (rhaid cwblhau)**

### **Objectives: (must be completed)**

Committee ToR Reference:  
Cyfeirnod Cylch Gorchwyl y  
Pwyllgor:

3.11 Consider proposals from the Capital Sub Committee on the allocation of capital and agree recommendations to the Board.

Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:	Corporate Risk 1196 - not be able to provide safe, sustainable, accessible and kind services. This is caused by insufficient investment to ensure we have appropriate facilities, medical equipment and digital infrastructure of an appropriate standard. Score 16
Safon(au) Gofal ac Iechyd: Health and Care Standard(s):	Governance, Leadership and Accountability
Amcanion Strategol y BIP: UHB Strategic Objectives:	4. Improve the productivity and quality of our services using the principles of prudent health care and the opportunities to innovate and work with partners.
Amcanion Llesiant BIP: UHB Well-being Objectives: Hyperlink to HDdUHB Well-being Objectives Annual Report	8. Transform our communities through collaboration with people, communities and partners

#### Gwybodaeth Ychwanegol:

#### Further Information:

Ar sail tystiolaeth: Evidence Base:	Included within the report
Rhestr Termiau: Glossary of Terms:	Not Applicable
Partïon / Pwyllgorau â ymgynhorwyd ymlaen llaw y Pwyllgor Datblygu Strategol a Chyflenwi Gweithredol: Parties / Committees consulted prior to Strategic Development and Operational Delivery Committee:	CSC Sustainable Resources Committee Capital Planning Group

#### Effaith: (rhaid cwblhau)

#### Impact: (must be completed)

Ariannol / Gwerth am Arian: Financial / Service:	Capital values noted within the report. Included within individual business cases and Capital prioritisation process.
Ansawdd / Gofal Claf: Quality / Patient Care:	Included within individual business cases and Capital prioritisation process.

<b>Gweithlu: Workforce:</b>	Included within individual business cases and Capital prioritisation process.
<b>Risg: Risk:</b>	Risk assessment process is integral to the capital prioritisation process and the management of capital planning within HDdUHB also included within individual business cases and Capital prioritisation process.
<b>Cyfreithiol: Legal:</b>	Included within individual business cases and Capital prioritisation process.
<b>Enw Da: Reputational:</b>	Included within individual business cases and Capital prioritisation process.
<b>Gyfrinachedd: Privacy:</b>	Included within individual business cases and Capital prioritisation process.
<b>Cydraddoldeb: Equality:</b>	Equality assessments are included within individual business cases and Capital prioritisation process when required.