



PWYLLGOR ADNODDAU CYNALIADWY SUSTAINABLE RESOURCES COMMITTEE

DYDDIAD Y CYFARFOD: DATE OF MEETING:	10 November 2022
TEITL YR ADRODDIAD: TITLE OF REPORT:	Update on All-Wales Capital Programme 2022/23 Capital Resource Limit and Capital Financial Management
CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:	Huw Thomas, Director of Finance
SWYDDOG ADRODD: REPORTING OFFICER:	Huw Thomas, Director of Finance

**Pwrpas yr Adroddiad (dewiswch fel yn addas)
Purpose of the Report (select as appropriate)**

Er Gwybodaeth/For Information

ADRODDIAD SCAA SBAR REPORT

Sefyllfa / Situation

This update report is presented to the Sustainable Resources Committee to:

- Note the Capital Resource Limit (CRL) for 2022/23
- Note the project updates
- Note the risks being managed

Cefndir / Background

This report provides an update on the CRL for 2022/23.

Asesiad / Assessment

Capital Resource Limit 2022/23

The current CRL for 2022/23 has been issued with the following allocations:

Allocation	£m
All Wales Capital Programme (AWCP)	25.761
Discretionary Capital Programme (DCP)	5.290
Total	31.051

In addition, £0.273m of VAT recovery is available for use following completion of the review of the 2021/22 programme, and capital receipts of approximately £0.150m are expected from the sale of two CT scanners which are being replaced.

Since the previous report the following changes to the CRL have been made:

Capital Scheme	Net Change to CRL £m	Brief Scheme explanation
Glangwili Fire Enforcement Works Phase 2 (fees)	1.089	Fees to develop the Business Case for the second phase of the Glangwili Hospital Fire Enforcement works.
Reduction in Imaging Allocations	-1.060	Change in scope of one of the schemes has led to an overall underspend against the imaging allocations which has been returned to Welsh Government (WG).
Additional Imaging Schemes	0.215	Funding agreed by WG for a replacement item of equipment and some enabling works to the MRI in Glangwili.
Digital Priorities Investment Fund	0.008	Funding linked to the Digital Medicines Transformation Pre-implementation team .
Business Continuity (fees)	0.150	Fees to enable a resource schedule in line with Hywel Dda University Health Board's risk registers to commence delivery of the Business Justification Cases associated with the Major Infrastructure Programme.
Total	0.402	

Capital Expenditure Plan

The table below reflects the additional DCP contributions / payback required to the AWCP programme in 2022/23:

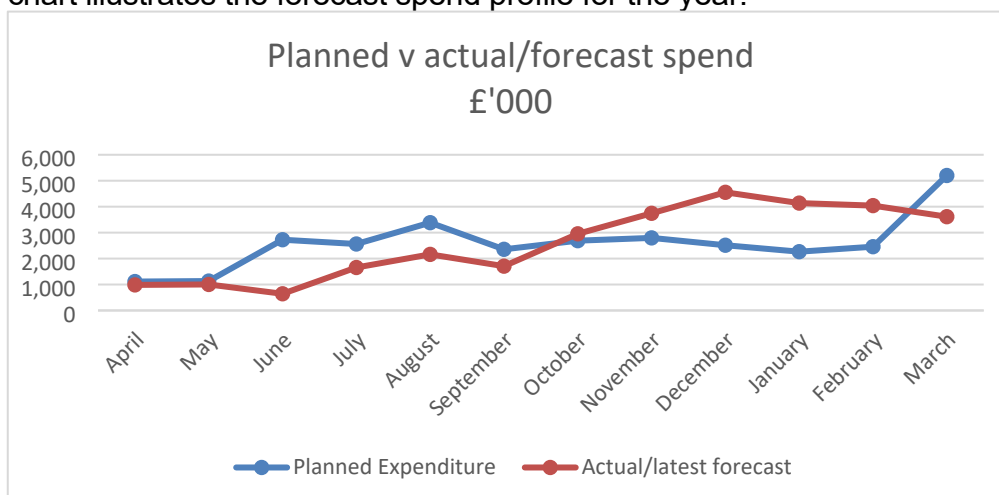
Scheme	Planned Spend 2022/23 £m	Cumulative Spend Apr - Sep £m	Spend Sep £m	Remaining balance £m
AWCP				
Glangwili - Fire Enforcement works - Phase 1	6.026	2.049	0.343	3.977
Withybush - Fire Enforcement works - Phase 1	6.960	2.742	0.369	4.218
Neonates - Phase II - main	1.067	0.332	0.046	0.735
I2S - Multi-site projects	0.322	0.000	0.000	0.322
PPH Demountable	1.899	0.628	0.017	1.271
Fire Enforcement Works - WGH Hospital- Decant Ward Fees	0.188	0.124	0.032	0.064
WGH - Fire Enforcement works fees - Phase 2	0.935	0.324	0.189	0.611
National Programme - Decarbonisation	0.654	0.027	0.014	0.627
National Programme - Fire	0.126	0.109	0.075	0.017
National Programme - Mental Health	0.420	0.044	-0.004	0.376
National Programme - Imaging	0.256	0.099	0.002	0.157

National Programme - Imaging - CT Scanner PPH	1.217	0.297	0.258	0.920
National Programme - Imaging - CT Scanner BGH	0.942	0.057	-0.010	0.885
National Programme - Imaging - DR Rooms	1.869	0.201	0.102	1.668
National Programme - Imaging - Fluoroscopy Rooms	1.570	0.053	0.023	1.517
Cross Hands Primary Care scheme	0.075	0.063	0.008	0.012
Business Continuity Programme - Fees	0.150	0.000	0.000	0.150
Glangwili - Fire Enforcement works - Phase 1	1.089	0.000	0.000	1.089
DPIF - Digital Medicines Transformation Pre-implementation team	0.008	0.000	0.000	0.008
Additional Imaging	0.215	0.009	0.009	0.206
Sub-total AWCP	25.987	7.158	1.474	18.829
Discretionary				
IT	0.200	0.141	0.069	0.059
Equipment	2.398	0.411	0.010	1.987
Estates – Statutory	0.437	0.066	0.042	0.371
Estates Infrastructure	1.590	0.183	0.073	1.408
Other	0.438	0.197	0.040	0.241
Sub-total Discretionary	5.063	0.998	0.234	4.065
TOTAL	31.051	8.156	1.708	22.895

The revenue implications of these allocations are detailed at Appendix 1.

Expenditure Profile Forecast

The below chart illustrates the forecast spend profile for the year.



The above graph shows actual expenditure to date and update forecast in red against that forecast at the start of the year in blue. The forecast at the beginning of the year was primarily based on the expenditure profile for the prior year in the absence of other information. Consequently, high expenditure forecast is shown for March 2023. The forecast is being updated as more information is received from project managers.

Following some fairly significant differences between planned and actual spend at the start of the financial year, spend has been close to the original forecast for September 2022.

It is currently anticipated that there will not be a significant spike spend in March 2023 as there has been in previous financial years. This position could change if the Health Board receives additional funding allocations from WG.

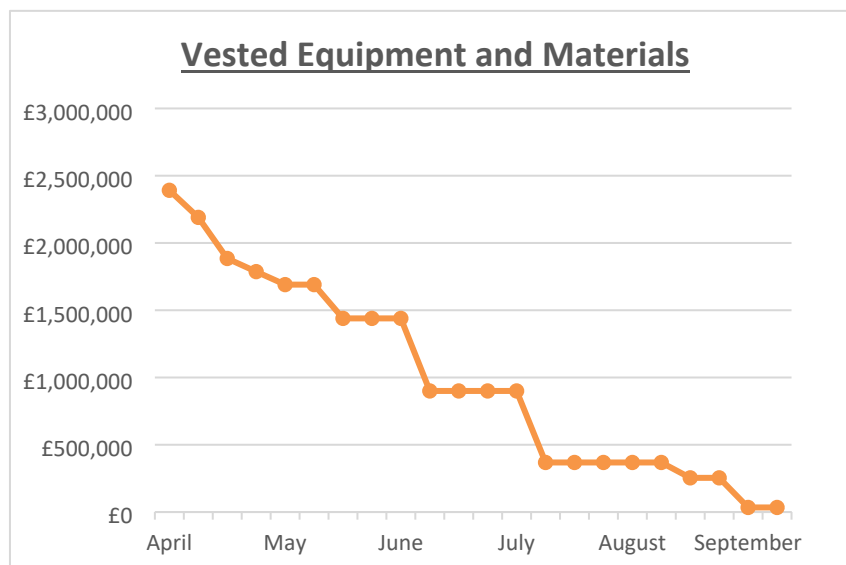
DCP year to date spend of £0.998m represents just under 20% of the full year allocation, which is in line with previous financial years with spend heavily weighted to the latter half of the year. Regular meetings are in place with relevant project managers to monitor expenditure plans and cashflow forecasts.

Update on Vested Equipment

The Health Board planned to have Imaging / Diagnostic Equipment and Pharmacy robots in bonded storage at the end of March 2022 to ensure Supply Chain availability and to assist in managing the Capital Resource Limit in 2021/22. This equipment will be delivered to the Health Board in line with planned construction programmes through the course of 2022/23.

In addition to these, there was a requirement to vest a significant number of additional equipment / materials due to delays at ports due to Brexit, construction delays and suppliers being unable to meet original delivery timelines.

The weekly tracker below shows that significant progress has been made in reducing the number to be delivered to the Health Board.



The remaining balance of £34,000 is related to digital equipment.

End Of Year Capital Funding Bids

WG has made available a central allocation of £2m across Wales for enhancing the patient environment in Emergency Departments.

The Health Board has also been requested to collate a prioritised list of capital schemes, which would be deliverable within this financial year. Preparatory work has been undertaken in liaison with the Procurement team ensuring the feasibility of costs and delivery timelines.

Financial Risks associated with Capital Schemes

WGH and GGH Fire Precaution Works

The form of contract for this scheme is a “cost-plus” contract, which together with the high degree of uncertainty involved in the works required to comply with fire regulations mean that forecasting of costs will be difficult as the scheme progresses, requiring close working with the Health Board’s cost adviser and project manager.

Impact of Inflation

Prices of commodities and materials have increased significantly over the past few months due to the impact of inflation. The capital programme is beginning to see the impact of this with tendered costs exceeding previous price estimates. As an example, an item of medical equipment was subject to an 11% increase in cost between estimate and quotation. The risk of inflation affecting delivery against the current year CRL is largely mitigated due to the requirement to ensure a balanced budget with unexpected cost increases being funded from contingency or other identified slippages.

It is likely that inflation will impact on the cost of future schemes. Where bids are made for AWCP funding, discussions are held with WG with regards to the potential impact of inflation between pre and post tender contractual awards and the ways available to manage that risk such as an additional contingency held by WG. It is likely that, without an inflationary increase in the DCP, the total number of schemes which can be funded via the DCP will be reduced.

Confirmation of CRL by end of October 2022

The Health Board is required to confirm what the end of year capital scheme forecasts are by the end of October 2022 with WG. The CRL is then fixed for the financial year. Any changes to the CRL would only occur due to new approved funding allocations. The risk of over / under spending against the CRL materialises at this point. There are no specific risks highlighted at this stage with all AWCP capital schemes having agreed programmes of work and tendered costs. This will be monitored closely over the remaining months of the financial year with regular updates being provided to the Use of Resources Group if required. A risk mitigation strategy, which will include the acceleration of 2023/24 prioritised capital schemes, will be developed with the Capital Planning team.

It should be noted that there are significantly extended lead times on some items of medical equipment with items of equipment ordered in September 2022 having expected delivery dates of the end of March 2023. This may impact on the ability of the Health Board to respond to identified slippages in February / March 2022.

Capital Scheme Updates (Schemes greater than £1m)

Women & Children Phase II

Work has now started on Phase 3. The most recent programme for the remainder of the project (phases 3 and 4) submitted by the Supply Chain Partner (SCP), Tilbury Douglas, forecasts a completion date of July 2023.

Imaging Programmes

Enabling works on the installation of replacement CT scanners at Prince Philip Hospital (PPH) started in July 2022 and are scheduled to commence at Bronglais General Hospital (BGH) in September 2022. Additionally, the replacement of Digital Radiography (one for each main site) and the Fluoroscopy machine in BGH will be undertaken during the year.

Withybush General Hospital (WGH) Fire Compliance Work

Work for Phase 1 started on site in June 2021 and is currently progressing. The extent of work required regarding over-boarding is expected to be greater than envisaged in the original programme, and together with the difficulty in working in a live hospital environment is expected to result in delay to the completion date, with the latest programme forecasting completion in February 2023.

The Business Case for the next phase of works (Phase 2) is currently being prepared.

Glangwili General Hospital (GGH) Fire Compliance Work

The SCP is the same as for WGH Fire Compliance Work and work started on site in January 2022. The current accepted programme forecasts a completion date of April 2023.

PPH Modular Build

Progress against the planned programme has been delayed. The Modular Theatres are expected to be available for use from November 2022.

Cross Hands Health & Wellbeing Centre (CHWBC)

The Health Board has responded to scrutiny comments from WG with regards to the recent Outline Business Case submission. Approval to proceed to Full Business Case stage is awaited from WG.

WGH Fire Enforcement Decant Ward

In order to progress to Phase 2 of fire enforcement works at WGH, a decant ward is required and a Business Justification Case (BJC) will be submitted to WG for construction of a modular ward. The BJC highlights a slight increased revenue cost of circa £40,000 for the facility compared to current costs of wards being decanted. This is necessary in order to procure a “future proof” facility. Following completion of the fire prevention works, the ward will be hibernated, however it will be able to be reopened should future need arise.

Argymhelliad / Recommendation

The Sustainable Resources Committee is requested to:

- Note the CRL for 2022/23
- Note the risks being managed
- Note the project updates.

Amcanion: (rhaid cwblhau)

Objectives: (must be completed)

Committee ToR Reference:
Cyfeirnod Cylch Gorchwyl y Pwyllgor:

3.1 Undertake detailed scrutiny of the organisation's overall:

- Monthly, quarterly and year-to-date financial performance;

	<ul style="list-style-type: none"> Performance against the Savings Delivery and the Cost Improvement Programme providing assurance on performance against the Capital Resource Limit and cash flow forecasts. <p>3.6 Receive assurances in respect of Directorate performance against annual budgets, capital plans and the Cost Improvement Programme and innovation and productivity plans.</p>
Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:	Risk 624 (score 20) – Risk to the ability to maintain and address backlog maintenance and develop infrastructure to support long term strategic objectives
Safon(au) Gofal ac Iechyd: Health and Care Standard(s):	All Health & Care Standards Apply
Amcanion Strategol y BIP: UHB Strategic Objectives:	3. Striving to deliver and develop excellent services 6. Sustainable use of resources
Amcanion Cynllunio Planning Objectives	4S Improvement in Population Health 5C_22 Business Cases for A Healthier Mid and West Wales 6G_22 Decarbonisation and green initiatives plan 6K_22 workforce, clinical service and financial sustainability
Amcanion Llesiant BIP: UHB Well-being Objectives: Hyperlink to HDd UHB Well-being Objectives Annual Report 2018-2019	9. All HDdUHB Well-being Objectives apply

Gwybodaeth Ychwanegol:

Further Information:

Ar sail tystiolaeth: Evidence Base:	Capital Allocation and prioritisation process. Capital Investment procedure and all relevant Welsh Government guidance.
Rhestr Termiau: Glossary of Terms:	Explanation of terms is included in the main body of the report.
Partïon / Pwyllgorau â ymgynhorwyd ymlaen llaw y Pwyllgor Adnoddau Cynaliadwy: Parties / Committees consulted prior to Sustainable Resources Committee:	Capital Monitoring Forum Capital Planning Group Individual Project Boards of Capital Schemes Welsh Government Capital Review Meeting Capital Sub-Committee

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

Appendix 1 – revenue consequences of capital schemes

The below table summarises the revenue consequences of capital schemes of which funding has been / expected to be received in 2022/23 (all figures £m):

Scheme	Total	Additional	Costs included in current budgets (replacement)
AWCP			
Glangwili Fire Enforcement works – Phase 1	Business Case assumed no additional costs		
Withybush Fire Enforcement works – Phase 1	Business Case assumed no additional costs		
Women and Childrens Phase 2	0.53	0.53	0.00
I2S – Multi-site projects	0.00	0.00	0.00
PPH Demountable	Costs developed as a part of Health Board's recovery plans		
Withybush Fire Enforcement - Decant Ward Fees	Revenue Costs to level of current costs will be capitalised, additionality will be revenue expensed. Future use will be subject to a separate business case		
National Programme – Decarbonisation	0.00	0.00	0.00
National Programme – Fire	0.00	0.00	0.00
National Programme – Mental Health	0.00	0.00	0.00
National Programme – Imaging	0.22	0.00	0.22
National Programme – Imaging – CT Scanner PPH	0.11	0.00	0.11
National Programme – Imaging – CT Scanner BGH	0.11	0.00	0.11
National Programme – Imaging – DR Rooms	0.12	0.00	0.12
National Programme – Imaging – Fluoroscopy Rooms	0.06	0.00	0.06
Withybush Fire Fees Phase 2	Business case not yet developed (revenue impact not yet known)		
Glangwili Fire Fees Phase 2	Business case not yet developed (revenue impact not yet known)		
Business Continuity Programme Fees	Business case not yet developed (revenue impact not yet known)		
Additional Imaging Equipment	0.02	0.00	0.02
Sub-total AWCP	1.17	0.53	0.64
Discretionary/receipts			
Estates – Statutory	0.00	0.00	0.00
IT	0.00	0.00	0.00
Equipment	0.24	0.00	0.24
Estates Infrastructure	0.00	0.00	0.00
Other	0.00	0.00	0.00
Sub-total Discretionary	0.24	0.00	0.24
TOTAL	1.41	0.53	0.88

The above table shows the total revenue costs as a consequence of capital expenditure in 2022/23 as £1.41m. Total additional costs are estimated at £0.53m and costs assumed to be included in current revenue budgets as they are equipment replacements totals £0.88m

Assumptions made

- Medical Equipment replacement assumed at 10% of capital cost.
- Any Estates work to existing buildings are assumed to be revenue neutral unless the building footprint increases or changes significantly.
- Some capital investments will lead to longer term revenue savings (such as decarbonisation initiatives and digital investment) however it has been assumed that these will be included as a part of directorate savings plans.