



PWYLLGOR ADNODDAU CYNALIADWY SUSTAINABLE RESOURCES COMMITTEE

DYDDIAD Y CYFARFOD: DATE OF MEETING:	20 December 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)	24.881
Discretionary Programme (gross allocation)	5.290
Disposal Proceeds	0.150
Total	30.321

In addition, £0.273m of VAT recovery is available for use following completion of the review of the 2021/22 programme. A capital receipt of £0.150m has been received the majority being for the Prince Philip Hospital (PPH) and Bronglais General Hospital (BGH) computerised tomography (CT) scanners.

Since the last report, the following changes to the CRL have been made:

Capital Scheme	Net Change to CRL £m	Brief Scheme Description
<u>Slippage into 2023/24 (Confirmed at end October deadline)</u>		
Glangwili - Fire Enforcement works - Phase 1	(0.597)	
Withybush - Fire Enforcement works - Phase 2	(0.054)	
Withybush - Fire Enforcement works - Phase 1	(0.400)	
Glangwili Fire Enforcement works – Phase 2	(0.635)	
Sub-total	(1.686)	
<u>Underspend returned to Welsh Government (WG) (Confirmed at end October deadline)</u>		
PPH Demountable	(0.540)	
National Programme – Mental Health	(0.270)	
Radiology Schemes	(0.120)	
Sub-total	(0.930)	
<u>Additional Funding allocations approved</u>		
Emergency Department (ED) Waiting Area Improvements	0.457	Funding allocated for improvements at ED / Minor Injuries Unit areas at the four acute sites.
Building Energy Management Systems (BEMS) Upgrades at 12 community sites	0.262	Decarbonisation focused scheme which is likely to lead to financial saving benefits.
Mammography Equipment, Prince Philip Hospital.	0.747	Funding approved as a part of Imaging equipment replacement programme. There will be an additional £0.029m revenue maintenance costs from year two.
Fire Safety Works, Prince Philip Hospital (PPH)	0.270	To undertake works to comply with fire safety notices at PPH.
Sub-total	1.736	
Total	(0.880)	

The Health Board has also received confirmation that six ultrasounds will be transferred from Swansea Bay University Health Board (SBUHB), which were surplus to their requirements. The value of these is not yet known.

Capital Expenditure Plan

The table below reflects the additional Discretionary Capital Programme (DCP) contributions / payback required to the AWCP programme in 2022/23:

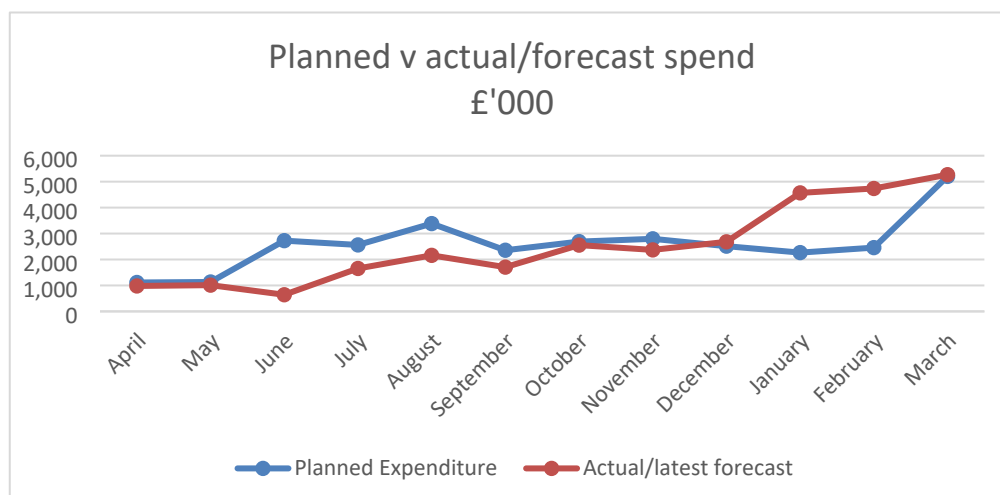
Scheme	Planned Spend 2022/23 £m	Cumulative Spend Apr - Nov £m	Spend Nov £m	Remaining balance £m
AWCP				
Glangwili - Fire Enforcement works - Phase 1	5.430	3.215	0.487	2.215
Withybush - Fire Enforcement works - Phase 1	6.560	4.098	0.704	2.462
Neonates - Phase II - main	0.967	0.603	0.208	0.364
I2S - Multi-site projects	0.322	0.000	0.000	0.322
PPH Demountable	1.361	0.685	(0.012)	0.676
Fire Enforcement Works - WGH Hospital- Decant Ward Fees	0.188	0.127	(0.028)	0.061
WGH - Fire Enforcement works fees - Phase 2	0.882	0.521	0.074	0.361
National Programme - Decarbonisation	0.653	0.110	0.073	0.543
National Programme - Fire	0.126	0.109	0.000	0.017
National Programme - Mental Health	0.150	0.031	(0.013)	0.119
National Programme - Imaging	0.136	0.070	0.000	0.066
National Programme - Imaging - CT Scanner PPH	1.217	0.997	0.199	0.220
National Programme - Imaging - CT Scanner BGH	0.942	0.069	0.016	0.873
National Programme - Imaging - DR Rooms	1.869	0.747	0.316	1.122
National Programme - Imaging - Fluoroscopy Rooms	1.570	0.060	0.005	1.510
Cross Hands Primary Care scheme	0.075	0.073	0.005	0.002
Business Continuity Programme - Fees	0.150	0.000	0.000	0.150
Glangwili - Fire Enforcement works - Phase 1	0.454	0.060	0.034	0.394
DPIF - Digital Medicines Transformation Pre-implementation team	0.008	0.007	0.001	0.001
Additional Imaging	0.215	0.000	0.000	0.215
Emergency Department Waiting Area Improvements	0.456	0.090	0.082	0.366
Energy Saving Schemes	0.262	0.000	0.000	0.262
Mammography Equipment, Prince Philip Hospital.	0.747	0.000	0.000	0.747
Fire Safety Works, Prince Philip Hospital	0.270	0.000	0.000	0.270
Sub-total AWCP	25.010	11.672	2.151	13.336

Discretionary/receipts				
IT	0.200	0.183	0.005	0.017
Equipment	2.470	0.485	0.030	1.984
Estates - Statutory	0.447	0.107	0.017	0.340
Estates Infrastructure	1.628	0.375	0.142	1.254
Other/receipts	0.566	0.252	0.026	0.314
Sub-total Discretionary	5.311	1.402	0.221	3.909
TOTAL	30.321	13.074	2.371	17.245

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 updated 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. The forecast is updated as more information becomes available from project managers.

November saw similar expenditure to October, marginally below monthly forecast, following step-up expenditure on Radiology schemes in PPH in October. The cumulative position remains less than the cumulative forecast.

DCP year to date spend of £1.402m represents just under 27% 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

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 is difficult as the schemes progress. Funding approval for both schemes

included separate contingency pots retained by WG to be released should costs exceed the level in the original foreseen scope of works. The latest information received for the WGH scheme highlights that there is a potential risk that the spend could go over the total scheme allocation, including the risk contingency. The Health Board is working closely with the Cost Advisor, Project Manager and Supply Chain Partner to verify the legitimacy of these risk items. Options for potential mitigation are being explored, which include a request to WG to retain any VAT reclaim. WG are aware of this risk and a meeting will be scheduled in late January 2023 to discuss any potential shortfalls in funding.

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 in future years

Confirmation of CRL by end of October

The Health Board has confirmed what its end of year capital scheme forecasts are by the end of October to WG. The CRL has been 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 having expected delivery dates of the end of March. This may impact on the ability of the Health Board to respond to identified slippages in February / March 2023.

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 June 2023.

Imaging Programmes

Enabling works on the installation of replacement CT scanners at PPH have been completed and have commenced at 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 this financial 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 July 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 programme forecasts a completion date of December 2023.

PPH Modular Build

The construction works have completed and the theatres have been commissioned. The first patients were treated in early December 2022. The Health Board and its Cost Advisor are currently agreeing the final account and any claim for damages with Vanguard.

Cross Hands Health & Wellbeing Centre (HWBC)

The Health Board recently presented the Business Case to the Integrated Regional Care Fund scrutiny panel. 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. Approval has been received from WG to proceed with the construction of a modular ward. There is a slight increased revenue cost of circa £40k 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;
- Performance against the Savings Delivery and the Cost Improvement Programme providing assurance on performance against

	the Capital Resource Limit and cash flow forecasts. 3.6 Receive assurances in respect of Directorate performance against annual budgets, capital plans and the Cost Improvement Programme and innovation and productivity plans.
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.
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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
National Programme – Imaging – Mammography machine PPH	0.07	0.03	0.04
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	1.24	0.56	0.68
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	1.48	0.56	0.92

The above table shows the total revenue costs as a consequence of capital expenditure in 2022/23 as £1.48m. Total additional costs are estimated at £0.56m and costs assumed to be included in current revenue budgets as they are equipment replacements totals £0.92m

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.