



## PWYLLGOR ADNODDAU CYNALIADWY SUSTAINABLE RESOURCES COMMITTEE

<b>DYDDIAD Y CYFARFOD: DATE OF MEETING:</b>	25 April 2023
<b>TEITL YR ADRODDIAD: TITLE OF REPORT:</b>	Update on All-Wales Capital Programme 2022/23 Capital Resource Limit and Capital Financial Management
<b>CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:</b>	Huw Thomas, Director of Finance
<b>SWYDDOG ADRODD: REPORTING OFFICER:</b>	Sarah Welsby, Senior Finance Business Partner Planning and Major Projects

**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 final CRL for 2022/23 has been issued with the following allocations:

Allocation	£m
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>

In addition, £0.350m of value added tax (VAT) recovery is available for use following completion of the review of the 2021/22 programme.

Capital receipts of £0.195m have been received; the majority being for the Prince Philip Hospital (PPH) and Bronglais General Hospital (BGH) computerised tomography (CT) scanners.

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

Capital Scheme	Net Change to CRL £m	Brief Scheme Description
Ambulance Shoreline Connections	0.002	Ambulance power connection points outside our Emergency Departments.
IFRS 16 Leases (Quarters 3 and 4)	0.486	As of 1 <sup>st</sup> April 2022, leases which meet certain criteria have to be capitalised as right of use assets. This represents funding received for lease car and photocopier renewals.
<b>TOTAL</b>	<b>0.488</b>	

The Health Board has also received six ultrasound machines, which were transferred from Swansea Bay University Health Board (SBUHB) at the end of January 2023 (which were surplus to their requirements). A transfer of asset form (S1 form) has been completed between SBUHB and Hywel Dda University Health Board (HDdUHB). There is no adjustment required to the CRL as it is a transfer between NHS Wales Health Boards.

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.

Allocation	£m
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.

The un-audited Capital expenditure position for 2022/23 is detailed in the table below.

Scheme	Un-audited Spend 2022/23 £m
<b>AWCP</b>	
Glangwili - Fire Enforcement works - Phase 1	5.966
Withybush - Fire Enforcement works - Phase 1	7.353
Fire Enforcement Works - Withybush Hospital- Decant Ward Fees	0.898
Withybush - Fire Enforcement works fees - Phase 2	0.552
Glangwili – Fire Enforcement works fees – Phase 2	0.593
Fire Safety Works, Prince Philip Hospital	0.270
National Programme - Fire	0.125
I2S - Multi-site projects	0.307
National Programme - Decarbonisation	0.519
PPH Demountable	1.354
Energy Saving Schemes	0.250
National Programme - Mental Health	0.055
National Programme - Imaging	0.104
National Programme - Imaging - CT Scanner PPH	1.233
National Programme - Imaging - CT Scanner BGH	0.787
National Programme - Imaging - DR Rooms	1.755
National Programme - Imaging - Fluoroscopy Rooms	1.446
Additional Imaging	0.181
Mammography Equipment, Prince Philip Hospital.	0.786
Cross Hands Primary Care scheme	0.493
Neonates - Phase II - main	0.969
Business Continuity Programme - Fees	0.121
DPIF - Digital Medicines Transformation Pre-implementation team	0.006
Emergency Department Waiting Area Improvements	0.414
Year end funding	0.697
Sanctuary Provision for Children and Young people	0.389
Eye Care Funding	0.065
Ambulance Shoreline Connections	0.002
End of Year Equipment	0.200
<b>Sub-total AWCP</b>	<b>27.890</b>
<b>Discretionary</b>	
IT	0.429
Equipment	2.491
Estates – Statutory	0.612
Estates Infrastructure	1.692
Other	0.081
<b>Sub-total Discretionary</b>	<b>5.305</b>
<b>IFRS 16</b>	
New leases	0.585
<b>Sub-total IFRS 16</b>	<b>0.585</b>
<b>Donated and Granted Purchases</b>	<b>0.476</b>
<b>TOTAL</b>	<b>34.256</b>

The revenue implications of this spend is detailed in Appendix 1.

## **Expenditure Profile Forecast**

It is pleasing to note that the Supply Chain issues experienced at the end of the last financial year were not experienced in 2022/23 and there was no requirement for items of Medical or Digital equipment to be vested.

## **Financial Risks associated with Capital Schemes**

### ***Withybush General Hospital (WGH) and Glangwili General Hospital (GGH) Fire Precaution Works***

The form of contract for these schemes is a “cost-plus” contract, which together with the high degree of uncertainty involved in the works required to comply with fire regulations means that forecasting of costs is difficult as the schemes progress. Funding approval for both schemes included separate contingency pots retained by Welsh Government (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 it will overspend against the total scheme allocation (including the risk contingency).

Meetings will be held with Estates Shared Services and the WG Capital team in May 2023 to review the likely forecast and to inform WG of the additional funding requirement. The current assumption is that this will be funded as indicated by WG in January 2023.

### ***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 has been mitigated with unexpected cost increases being funded from contingency or other identified slippages.

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

## **Capital Scheme Updates (Schemes greater than £1m)**

### ***Women & Children Phase II***

Handover of the third phase of works occurred in February 2023. The current accepted programme indicates that all elements of work will be completed by the end of July 2023.

### ***WGH Fire Compliance Work***

Work for Phase 1 commenced 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. Alongside the difficulties in working in a live hospital environment, a delay to the completion date is expected, with the latest programme forecasting completion in July 2023.

The Business Case for phase two of the Fire Compliance works is currently being prepared.

**GGH Fire Compliance Work**

The Supply Chain Partner (SCP) is the same as for the WGH Fire Compliance Work and work commenced on site in January 2022. The current programme forecasts a completion date of December 2023.

**Cross Hands Health & Wellbeing Centre (HWBC)**

Funding has been received via the Integrated Regional Care Fund to develop the Full Business Case.

**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 an 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:	<p>3.1 Undertake detailed scrutiny of the organisation’s overall:</p> <ul style="list-style-type: none"> <li>• Monthly, quarterly and year-to-date financial performance;</li> <li>• Performance against the Savings Delivery and the Cost Improvement Programme providing assurance on performance against the Capital Resource Limit and cash flow forecasts.</li> </ul> <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:	Risk 624 (score 20) – Risk to the ability to maintain and address backlog maintenance and develop infrastructure to support long term strategic objectives

Datix Risk Register Reference and Score:	
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: <a href="#">Hyperlink to HDd UHB Well-being Objectives Annual Report 2018-2019</a>	9. All HDdUHB Well-being Objectives apply

<b>Gwybodaeth Ychwanegol: Further Information:</b>	
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

<b>Effaith: (rhaid cwblhau) Impact: (must be completed)</b>	
<b>Ariannol / Gwerth am Arian: Financial / Service:</b>	Capital values noted within the report. Included within individual business cases and Capital prioritisation process.
<b>Ansawdd / Gofal Claf: Quality / Patient Care:</b>	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

<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

## 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)
<b>AWCP</b>			
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	0.04	0.04	0.00
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
Emergency Department Waiting Area Improvements	0.00	0.00	0.00
Energy Saving Schemes	0.00	0.00	0.00
Fire Safety Works, Prince Phillip Hospital	0.00	0.00	0.00
Decant Wards Withybush Hospital	0.04	0.04	0.00
Year end funding	0.02	0.00	0.02
Sanctuary Provision Children and Young People	0.00	0.00	0.00
Digital Eye Care Equipment	0.00	0.00	0.00
<b>Sub-total AWCP</b>	<b>1.34</b>	<b>0.64</b>	<b>0.7</b>
<b>Discretionary/receipts</b>			
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
<b>Sub-total Discretionary</b>	<b>0.24</b>	<b>0.00</b>	<b>0.24</b>
<b>TOTAL</b>	<b>1.58</b>	<b>0.64</b>	<b>0.94</b>

The above table shows the total revenue costs as a consequence of capital expenditure in 2022/23 as £1.58m. Total additional costs are estimated at £0.64m and costs assumed to be included in current revenue budgets, as they are equipment replacements, totals £0.9m.

### **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.