



PWYLLGOR ADNODDAU CYNALIADWY SUSTAINABLE RESOURCES COMMITTEE

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| DYDDIAD Y CYFARFOD: DATE OF MEETING: | 27 June 2023 |
| TEITL YR ADRODDIAD: TITLE OF REPORT: | Update on All-Wales Capital Programme 2023/24 Capital Resource Limit and Capital Financial |
| CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR: | Huw Thomas, Director of Finance |
| SWYDDOG ADRODD: REPORTING OFFICER: | 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 2023/24
- Note the project updates
- Note the risks being managed

Cefndir / Background

This report provides an update on the CRL for 2023/24.

Asesiad / Assessment

Capital Resource Limit 2023/24

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

| Allocation | £m |
|--|---------------|
| All Wales Capital Programme (AWCP) | 20.018 |
| Discretionary Programme (gross allocation) | 5.435 |
| Total | 25.453 |

Capital Expenditure Plan

From the gross Discretionary allocation above, the following amounts have been reallocated to or from AWCP schemes:

- £1.5m reserved from the expenditure plan to cover forthcoming payments on the WGH Fire Enforcement Phase 1 scheme which has exceeded its AWCP funding

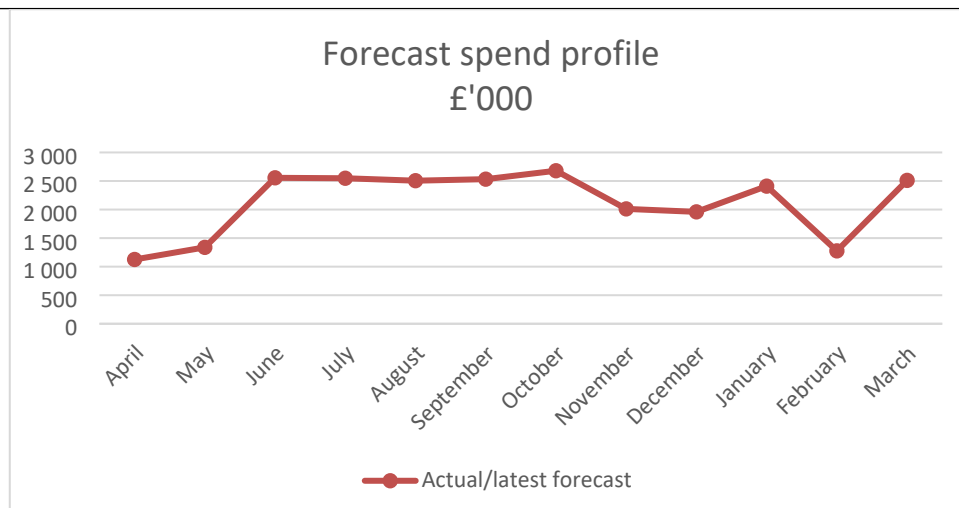
- £0.663m Discretionary contribution to forecast overspend on the Women & Children's Phase 2 scheme
- £0.406m payback from AWCP to Discretionary from the Cross Hands Health and Wellbeing Centre scheme for an overspend in 2022/23

The table below reflects the additional Discretionary contributions / payback required to the AWCP programme in 2023/24:

| Scheme | Planned Spend 2023/24 £m | Cumulative Spend Apr - May £m | Spend May £m | Remaining balance £m |
|--|--------------------------|-------------------------------|--------------|----------------------|
| AWCP | | | | |
| WGH - Fire Enforcement Phase 1 | 2.135 | 0.635 | 0.217 | 1.500 |
| WGH - Fire Decant | 6.999 | 0.865 | 0.668 | 6.134 |
| WGH - Fire Enforcement Phase 2 Fees | 0.383 | 0.022 | 0.022 | 0.361 |
| GGH - Fire Enforcement Phase 1 | 6.049 | 0.410 | 0.035 | 5.639 |
| GGH - Fire Enforcement works - Phase 2 - Fees | 0.496 | 0.196 | 0.112 | 0.300 |
| Cross Hands Health and Wellbeing Centre | 1.106 | 0.094 | 0.094 | 1.012 |
| Sanctuary Provision for Children and Young People | 0.309 | 0.059 | 0.020 | 0.250 |
| Estates Funding Advisory Board (EFAB) - Infrastructure | 2.038 | 0.016 | 0.016 | 2.022 |
| EFAB - Fire | 0.943 | 0.000 | 0.000 | 0.943 |
| EFAB - Decarbonisation | 0.577 | 0.000 | 0.000 | 0.577 |
| National Programme – Decarbonisation | 0.076 | 0.000 | 0.000 | 0.076 |
| Women and Children's Phase 2 | 0.663 | 0.080 | 0.073 | 0.583 |
| Sub-total AWCP | 21.774 | 2.377 | 1.257 | 19.397 |
| Discretionary | | | | |
| IT | 0.501 | 0.063 | 0.058 | 0.438 |
| Equipment | 1.431 | 0.000 | 0.000 | 1.431 |
| Estates – Statutory | 0.450 | 0.008 | 0.008 | 0.443 |
| Estates Infrastructure | 1.049 | 0.009 | 0.009 | 1.040 |
| Other | 0.247 | 0.007 | 0.007 | 0.240 |
| Sub-total Discretionary | 3.679 | 0.086 | 0.081 | 3.592 |
| TOTAL | 25.453 | 2.464 | 1.338 | 22.989 |

Expenditure Profile Forecast

The below chart illustrates the forecast spend profile for the year. Actual expenditure will be monitored and reported against this profile in future months.



Where information has been provided by project managers and other advisers on cashflow, this is incorporated into the above chart, otherwise the forecast is based on the prior year cashflow, and consequently shows highest monthly expenditure in March 2023. The forecast will be updated as further information is received.

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 have been 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. Following these meetings, a request was submitted to WG for additional funding of £6.4m. The current assumption is that this will be funded as indicated by WG in January 2023. However, until this is approved by WG, the ongoing costs of the project will need to be underwritten by the DCP. This was discussed at the May 2023 Capital Sub Committee and the Capital Planning Group met at the end May 2023 to agree the proposed amendments to the programme to enable this. Commitments will be paused for a couple of months on those schemes where spend was not expected to be incurred until the latter half of the financial year.

A report will be presented to the Executive Team outlining the proposal and seeking approval. This will be reported to the Strategic Development and Operational Delivery Committee.

Reinforced Autoclaved Aerated Concrete (RAAC) at WGH

Reinforced Autoclave Aerated Concrete Planks (RAAC) is a material that was used in construction in many buildings generally between the 1960s and 1990s. Its presence has been confirmed in a range of National Health Service (NHS) properties across the United Kingdom (UK) and includes several properties in Wales.

Research has shown that this material has a far less structural loading capacity than other generic reinforced concrete products. Due to this fact, there is a risk of structural collapse should the product fail. The condition of RAAC Planks has been shown to deteriorate if water is present due to roof leaks etc, which can compromise the reinforcement bars contained within the Planks.

HDdUHB has commissioned structural engineering specialists to undertake intensive surveys of the areas in question and to give a full report on each individual RAAC Plank and the extent of remedial work which may be required. The HDdUHB has not currently received any additional funding from WG to cover the cost of surveys or any remedial works, therefore this cost is currently being met via the contingency budget within the Discretionary Capital Programme. This position is being monitored via the Capital Planning Group.

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 mitigated where unexpected cost increases will be 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 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 current expectation of completion in October 2023. This compares with the original expected completion date of July 2022.

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

GGH Fire Compliance Work

The 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 January 2024.

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 2023/24
- Note the risks being managed
- Note the project updates.

| Amcanion: (rhaid cwblhau) Objectives: (must be completed) | |
|--|---|
| 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 |
| Galluogwyr Ansawdd: Enablers of Quality: Quality and Engagement Act (sharepoint.com) | 6. All Apply |
| Parthau Ansawdd: Domains of Quality Quality and Engagement Act (sharepoint.com) | 7. All 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 | 5a Estates Strategies 5c Digital Strategy 8a Decarbonisation & Sustainability |

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| Amcanion Llesiant BIP: UHB Well-being Objectives: Hyperlink to HDdUHB Well-being Objectives Annual Report 2021-2022 | 9. All HDdUHB Well-being Objectives apply |
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| Gwybodaeth Ychwanegol: Further Information: | |
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| 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) | |
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| 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: | Included within individual business cases and Capital prioritisation process |

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 2023/24 (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 Children’s Phase 2 | 0.53 | 0.53 | 0.00 |
| Withybush Fire Enforcement - Decant Ward Fees | 0.04 | 0.04 | 0.00 |
| Cross Hands Health and Wellbeing Centre | 0.00 | 0.00 | 0.00 |
| Estates Funding Advisory Board (EFAB) - Infrastructure | 0.00 | 0.00 | 0.00 |
| EFAB - Fire | 0.00 | 0.00 | 0.00 |
| EFAB - Decarbonisation | 0.00 | 0.00 | 0.00 |
| 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) | | |
| Sanctuary Provision Children and Young People | 0.00 | 0.00 | 0.00 |
| | | | |
| Sub-total AWCP | 0.57 | 0.57 | 0.00 |
| Discretionary/receipts | | | |
| Estates – Statutory | 0.00 | 0.00 | 0.00 |
| IT | 0.00 | 0.00 | 0.00 |
| Equipment | 0.14 | 0.00 | 0.14 |
| Estates Infrastructure | 0.00 | 0.00 | 0.00 |
| Other | 0.00 | 0.00 | 0.00 |
| Sub-total Discretionary | 0.14 | 0.00 | 0.14 |
| TOTAL | 0.71 | 0.57 | 0.14 |

The above table shows the total revenue costs as a consequence of capital expenditure in 2023/24 as £0.71m. Total additional costs are estimated at £0.57m and costs assumed to be included in current revenue budgets, as they are equipment replacements, totals £0.14m.

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.