

PWYLLGOR ADNODDAU CYNALIADWY SUSTAINABLE RESOURCES COMMITTEE

DYDDIAD Y CYFARFOD: DATE OF MEETING:	28 February 2023
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)	27.776
Discretionary Programme (gross allocation)	5.290
Disposal Proceeds	0.150
International Financial Reporting Standards (IFRS) 16 leases (Quarter 1 and Quarter 2)	0.099
Total	33.315

In addition, £0.273m of value added tax (VAT) recovery is available for use following completion of the review of the 2021/22 programme. Capital receipts of £0.150m 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
Cross Hands	0.290	Fees received to develop the Full Business Case for the Cross Hands Integrated Care Centre.
Sanctuary Provision for Children and Young People	0.391	Provide facilities as part of Welsh Government's (WG) alternative to admissions approach for young people in crisis. Capital funding provided towards refurbishment and Digital Infrastructure costs at Bro Myrddin building, Carmarthen.
Decant Ward at Wthybush General Hospital (WGH)	1.469	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.
WG End of Year Funding	0.680	Funding provided for Digital IT Equipment refresh (£0.4m), Digital Welsh Nursing Care record (£0.125m) and Medical device replacement (£0.155m).
Digital Eye Care Funding	0.065	Funding allocated to support Health Board cost of implementing the Digital Eye Care system.
IFRS 16 Leases (Quarter 1 and Quarter 2)	0.099	As of 1 st 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.
TOTAL	2.994	

The Health Board has also received confirmation that six ultrasounds have transferred from Swansea Bay University Health Board (which were surplus to their requirements). A transfer of asset form (S1 form) will be completed between Swansea Bay University health Board and Hywel Dda University Health Board.

Capital Expenditure Plan

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

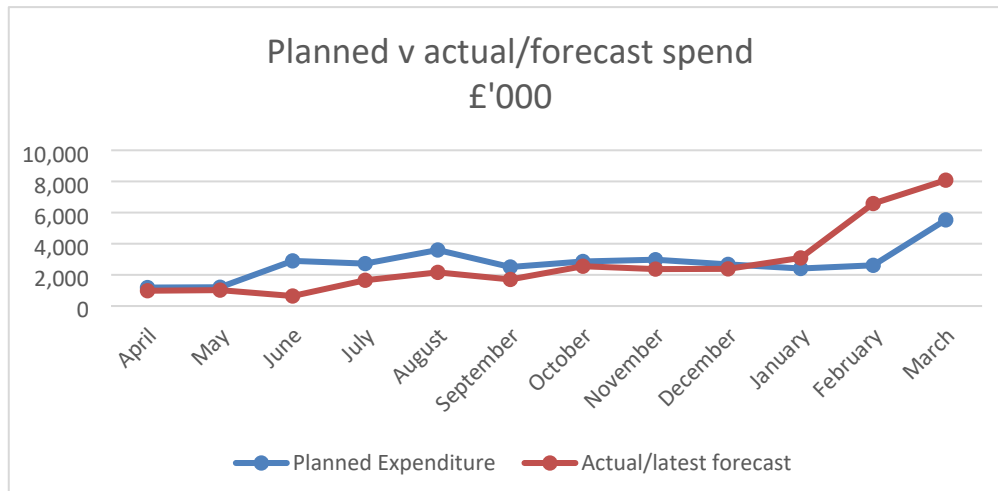
Scheme	Planned Spend 2022/23 £m	Cumulative Spend Apr - Jan £m	Spend Jan £m	Remaining balance £m
AWCP				
Glangwili - Fire Enforcement works - Phase 1	5.884	4.649	0.818	1.235
Withybush - Fire Enforcement works - Phase 1	6.559	5.530	0.756	1.029
Fire Enforcement Works - Withybush Hospital- Decant Ward Fees	1.657	0.137	0.008	1.520
Withybush - Fire Enforcement works fees - Phase 2	0.881	0.832	0.149	0.049
Fire Safety Works, Prince Philip Hospital	0.605	0.016	0.000	0.589
National Programme - Fire	0.126	0.109	0.000	0.017
I2S - Multi-site projects	0.322	0.000	0.000	0.322
National Programme - Decarbonisation	0.654	0.232	0.105	0.422
PPH Demountable	1.360	0.782	0.069	0.578
Energy Saving Schemes	0.262	0.000	0.000	0.262
National Programme - Mental Health	0.150	0.011	0.000	0.139
National Programme - Imaging	0.136	0.070	0.000	0.066
National Programme - Imaging - CT Scanner PPH	1.217	0.998	0.004	0.219
National Programme - Imaging - CT Scanner BGH	0.942	0.548	0.303	0.394
National Programme - Imaging - DR Rooms	1.867	1.132	0.078	0.735
National Programme - Imaging - Fluoroscopy Rooms	1.569	0.203	0.066	1.366
Additional Imaging	0.216	0.131	0.041	0.085
Mammography Equipment, Prince Philip Hospital.	0.747	0.007	0.000	0.740
Cross Hands Primary Care scheme	0.365	0.083	0.005	0.282
Neonates - Phase II - main	0.967	0.714	0.040	0.253
Business Continuity Programme - Fees	0.150	0.098	-0.003	0.052
DPIF - Digital Medicines Transformation Pre-implementation team	0.008	0.000	0.000	0.008
Emergency Department Waiting Area Improvements	0.458	0.001	0.001	0.457
Year end funding	0.680	0.188	0.188	0.492
Sanctuary Provision for Children and Young people	0.391	0.000	0.000	0.391
Eye Care Funding	0.065	0.000	0.000	0.065
Sub-total AWCP	28.238	16.471	2.628	11.767
Discretionary				
IT	0.200	0.202	0.000	-0.002
Equipment	2.462	0.702	0.217	1.760
Estates – Statutory	0.447	0.184	0.036	0.263
Estates Infrastructure	1.316	0.683	0.173	0.633
Other	0.553	0.315	0.035	0.238
Sub-total Discretionary	4.978	2.086	0.461	2.892
IFRS 16				
New leases Quarter 1 and Quarter 2	0.099	0.099	0.000	0.000
Sub-total IFRS 16	0.099	0.099	0.000	0.000

TOTAL	33.315	18.656	3.089	14.659
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The revenue implications of these allocations are detailed at Appendix 1.

Expenditure Profile Forecast

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



The graph shows actual expenditure to date and updated forecast in red, against the 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 updated as more information becomes available from project managers.

January 2023 saw similar expenditure to December 2022 (at or around the planned expenditure). The cumulative position remains less than the cumulative forecast.

A total of £14.7m of expenditure is required before the end of March 2023. A significant amount of this is planned due to capital schemes finishing in March 2023 and some continuing into the next financial year. There is some risk emerging of underspending against the imaging schemes in particular. Mitigation measures are in place where underspends materialise, via a list of prioritised equipment and digital replacements with delivery timelines.

Increased monitoring has been implemented, allowing relevant project managers to monitor expenditure plans and cashflow forecasts.

Financial Risks associated with Capital Schemes

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 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.

A meeting was held in January 2023 with the WG Capital team and it was agreed that the Health Board would review the financial out-turn in April / May 2023 and inform WG of any requirement for additional 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 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

Confirmation of CRL by end of October 2022

The Health Board confirmed its end of year capital scheme forecasts by the end of October 2022 to WG. The CRL has been fixed for the financial year. Any changes to the CRL will 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 major risks highlighted at this stage with all AWCP capital schemes having agreed programmes of work and tendered costs. This will be monitored closely over February and March 2023, with 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, has been developed by the Capital Planning team.

Capital Scheme Updates (Schemes greater than £1m)

Women & Children Phase II

The handover of the third phase of the programme of works was delayed from the end of December 2022 due to several minor issues that needed to be rectified. Handover is expected on 13 February 2023. It is anticipated that the completion date will be extended due to this delay, however a revised programme has not yet been received from the Contractor to assess the impact of this delay on the overall programme.

Imaging Programmes

Progress against these schemes has gone well with the completed installation of replacement CT scanners at WGH, PPH, and digital radiography rooms at PPH, GGH and WGH. The installation of a replacement CT scanner, Fluoroscopy room and Digital Radiography room at BGH is due to be completed in March 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 the next phase of works (Phase 2) is currently being prepared.

GGH Fire Compliance Work

The Supply Chain Partner (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)

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 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
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
Mammography Equipment, Prince Phillip Hospital	0.07	0.03	0.04
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
Sub-total AWCP	1.37	0.63	0.74
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	1.61	0.63	0.98

The above table shows the total revenue costs as a consequence of capital expenditure in 2022/23 as £1.61m. Total additional costs are estimated at £0.63m and costs assumed to be included in current revenue budgets, as they are equipment replacements, totals £0.98m

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.