



PWYLLGOR ADNODDAU CYNALIADWY SUSTAINABLE RESOURCES COMMITTEE

DYDDIAD Y CYFARFOD: DATE OF MEETING:	24 October 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 reduced risk of overspend against the Capital Resource Limit (CRL) for 2023/24.
- Note spend against the 2023/24 CRL.
- Note the additional capital risks.
- Note the project updates.

Cefndir / Background

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

Asesiad / Assessment

Risk of overspend against the CRL

Significant risks to the Health Board with achieving its CRL were highlighted in the last report due to forecast significant overspend on the Wylabush (WGH) Fire Enforcement Phase 1 scheme and the significant level of expenditure related to Reinforced Autoclaved Aerated Concrete (RAAC) funded from the Discretionary Capital Programme (DCP).

These risks have been mitigated by confirmation of All Wales Capital Programme (AWCP) funding for the WGH Fire Enforcement Phase 1 overspend and for RAAC expenditure. An additional £6.4m has been approved to cover expenditure in year above the original allocation for WGH Fire Enforcement Phase 1, and £12.8m has been approved for RAAC expenditure over the next two years.

The risk of overspend previously reported for the WGH Decant Ward project and WGH Fire Enforcement Phase 2 Business Case project remain, but due to their magnitude (£0.35m and £0.25m respectively), it is anticipated that these can be mitigated via the DCP without overspending against the CRL.

Capital Resource Limit 2023/24

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

Allocation	£'m
All Wales Capital Programme (AWCP)	30.254
Discretionary Programme (gross allocation)	5.435
IFRS 16 Leases	0.834
Total	36.523

Since the last report the following additions have been made to the CRL:

Scheme	£m	Description
Withybush – RAAC Fees and Works	7.693	To fund remedial work required owing to the presence of RAAC at the hospital (estimated current year expenditure).
Withybush Fire Enforcement Phase 1 – additional funding	1.878	Funding for confirmed costs to the end of August 2023 in relation to overspend against the original allocation. Further funding to be approved monthly in arrears to cover actual costs.
IFRS 16 allocations	0.834	Lease funding for new and renewed leases to the end of July.
Total	10.405	

Current Forecast

The following table illustrates the budget versus forecast of capital schemes with an explanation of the key reasons for any variances.

	Capital Scheme	Budget £'m	Forecast £'m	Variance £'m	Explanation
AWCP	WGH Fire Decant	6.999	7.349	0.350	Overspend as articulated earlier within the report, to be funded by DCP
	WGH Fire Phase 2	0.383	0.633	0.250	Overspend as articulated earlier within the report, to be funded by DCP
	Other Schemes	22.872	23.199	0.327	Planned contributions to AWCP schemes and paybacks to DCP
DCP	All Schemes	5.435	4.508	(0.927)	Contributions to and paybacks from AWCP
IFRS 16	All Schemes	0.834	0.834	0.000	
Total		36.523	36.523	0.000	

This will be updated as the year progresses, and any mitigating actions required to offset variances will be highlighted.

Capital Expenditure Plan

The table below reflects the current expenditure plan as reported to Welsh Government (WG). Since funding for the WGH Fire Enforcement Phase 1 is being granted monthly in arrears, reported planned spend for the project is capped at invoiced position to the end of September.

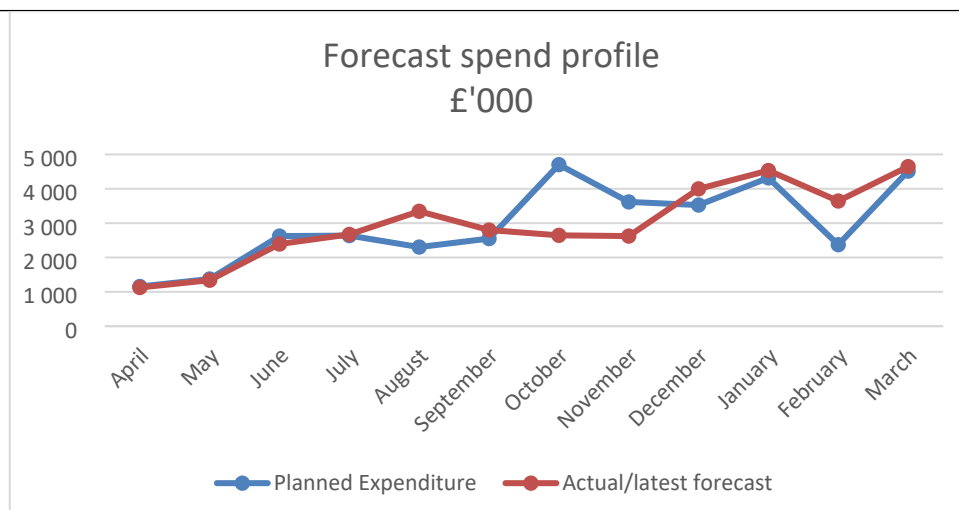
It should be noted that the planned spend reflects any DCP contributions towards AWCP schemes and the payback required between the DCP and AWCP in 2023/24:

Scheme	Planned Spend 2023/24 £'m	Cumulative Spend Apr - Sept £'m	Spend Sept £'m	Remaining balance £'m
AWCP				
WGH - Fire Enforcement Phase 1	2.654	2.654	(0.005)	0.000
WGH - Fire Decant	6.999	4.165	0.826	2.834
WGH - Fire Enforcement Phase 2 Fees	0.383	0.283	0.114	0.100
GGH - Fire Enforcement Phase 1	6.049	2.555	0.584	3.494
GGH - Fire Enforcement works - Phase 2 - Fees	0.496	0.184	(0.055)	0.312
Cross Hands Health and Wellbeing Centre	1.106	0.743	0.155	0.363
Sanctuary Provision for Children and Young People	0.309	0.256	0.157	0.053
Estates Funding Advisory Board (EFAB) - Infrastructure	2.316	0.208	0.117	2.108
EFAB - Fire	0.943	0.186	0.109	0.757
EFAB - Decarbonisation	0.828	0.625	0.031	0.203
National Programme – Decarbonisation	0.076	0.063	0.000	0.013
Women and Children's Phase 2	1.328	0.503	0.158	0.825
Withybush - RAAC Fees and Works	7.693	0.595	0.450	7.098
Sub-total AWCP	31.181	13.021	2.641	18.160
Discretionary				
IT	0.753	0.146	0.034	0.607
Equipment	1.382	0.050	0.005	1.332
Estates – Statutory	0.450	0.129	0.052	0.321
Estates Infrastructure	1.421	0.139	0.100	1.282
Other	0.502	0.185	0.033	0.317
Sub-total Discretionary	4.508	0.649	0.225	3.859
IFRS 16 Leases	0.834	0.386	0.386	0.448
TOTAL	36.523	14.056	3.252	22.467

Details of the additional revenue costs associated with these schemes are included in Appendix A.

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.



Expenditure was higher than forecast in August due to expenditure on the Fire Prevention schemes. Forecasting for these schemes has been challenging owing to a lack of information on cashflow from the supply chain partner.

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. The forecast will be updated as further information is received.

Confirmation of CRL by end of October

The Health Board are required to confirm what their end of year capital scheme forecasts are by the end of October to 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. This will be monitored closely over the remaining months of the financial year.

Other Risks associated with Capital Schemes

Glangwili General Hospital (GGH) Fire Precaution Works

The latest cost reports for the GGH Fire precaution works indicate that this scheme may also exceed its total funding allocation.

The assessment of the Project Team however is that there is no significant risk of exceeding funding this financial year.

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.

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 final phase of works happened in September 2023, however there are some issues which have yet to be resolved therefore practical completion has not yet taken place.

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 has occurred, 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 accepted programme forecasts a completion date of May 2024. This compares with the original expected completion date of April 2023.

Cross Hands Health & Wellbeing Centre (HWBC)

Funding has been received via the Integration and Rebalancing Capital 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. Construction started in March 2023 and completion is expected in December 2023.

Argymhelliad / Recommendation

The Sustainable Resources Committee is requested to: -

- Note the reduced risk of overspend for 2023/24
- 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
Amcanion Llesiant BIP: UHB Well-being Objectives: Hyperlink to HDdUHB Well-being Objectives Annual Report 2021-2022	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:	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
Withybush - RAAC Fees and Works	Future ongoing costs not yet known		
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.