



## PWYLLGOR ADNODDAU CYNALIADWY SUSTAINABLE RESOURCES COMMITTEE

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| <b>DYDDIAD Y CYFARFOD:<br/>DATE OF MEETING:</b>  | 27 February 2024  |
| <b>TEITL YR ADRODDIAD:<br/>TITLE OF REPORT:</b>  | Update on All-Wales Capital Programme 2023/24<br>Capital Resource Limit and Capital Financial |
| <b>CYFARWYDDWR ARWEINIOL:<br/>LEAD DIRECTOR:</b> | Huw Thomas, Director of Finance   |
| <b>SWYDDOG ADRODD:<br/>REPORTING OFFICER:</b>    | Sarah Welsby, Senior Finance Business Partner<br>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 spend against the 2023/24 Capital Resource Limit (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

#### Capital Resource Limit 2023/24

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

| Allocation                                 | £'m           |
|--|---------------|
| All Wales Capital Programme (AWCP)         | 34.562        |
| Discretionary Programme (gross allocation) | 5.435         |
| IFRS 16 Leases                             | 1.184         |
| <b>Total</b>                               | <b>41.181</b> |

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

| Scheme   | £m    | Description   |
|--|-------|---|
| Withybush Hospital (WGH)<br>Fire Enforcement Phase 1 –<br>additional funding | 2.669 | Additional funding to cover expenditure in<br>November, December and January. |
| Withybush Decant Ward  | 0.144 | Utilisation of remaining contingency  |

|   |              |   |
|---|--------------|---|
| Glangwili Hospital (WGH) Fire Enforcement Phase 1 | 0.278        | Utilisation of Welsh Government (WG) held contingency |
| Diagnostic Equipment                              | 1.323        | Number of items of diagnostic medical equipment       |
| Emergency Department and MIU Improvements         | 0.397        | End of Year funding provided for improvements         |
| IFRS 16 leases                                    | 0.350        | Additional funding for new and renewed leases         |
| <b>Total</b>                                      | <b>5.161</b> |   |

In addition to the above WG has provided the Health Board with year-end slippage funding which is not yet reflected in the above CRL. The total value approved to date is £2.5m:

| <b>Scheme</b>                              | <b>£m</b>  |
|--|------------|
| Digital – Switch and Firewall replacements | 1.2        |
| Digital - Hardware                         | 0.6        |
| Replacement Medical Equipment              | 0.6        |
| Estates Minor Refurbishment                | 0.1        |
| <b>Total</b>                               | <b>2.5</b> |

There is also the potential of a further £2m of funding, the majority of which are for replacement imaging equipment.

The additional capital funding will address some of the significant backlog replacement liability which the Health Board has, however this late approval of funding does shorten the procurement timeline and makes the delivery of goods by 31 March 2024 more challenging.

The procurement team are working with Directorates and suppliers to ensure that firm delivery dates are received for all items.

Close monitoring will occur to ensure that if there are any risks identified, mitigating measures are put in place to ensure that capital spend is maximised.

### Current Forecast

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

|              | <b>Capital Scheme</b> | <b>Budget £'m</b> | <b>Forecast £'m</b> | <b>Variance £'m</b> | <b>Explanation</b>  |
|--------------|-----------------------|-------------------|---------------------|---------------------|---|
| AWCP         | WGH Fire Decant       | 7.143             | 7.523               | 0.380               | Overspend on the construction of the Decant ward at Withybush Hospital  |
|              | WGH Fire Phase 2      | 0.383             | 0.633               | 0.250               | Overspend against the allocation for the production of the business case for Withybush Fire Enforcement project phase 2 |
|              | Other Schemes         | 27,036            | 26.915              | (0.121)             | Planned contributions to AWCP schemes and paybacks to Discretionary Capital Projects (DCP).                             |
| DCP          | All Schemes           | 5.435             | 4.926               | (0.509)             | Contributions to and paybacks from the All-Wales Capital Programme (AWCP)   |
| IFRS 16      | All schemes           | 1.184             | 1.184               | 0.000               |   |
| <b>Total</b> |                       | <b>41.181</b>     | <b>41.181</b>       | <b>0.000</b>        |   |

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

### Capital Expenditure Plan

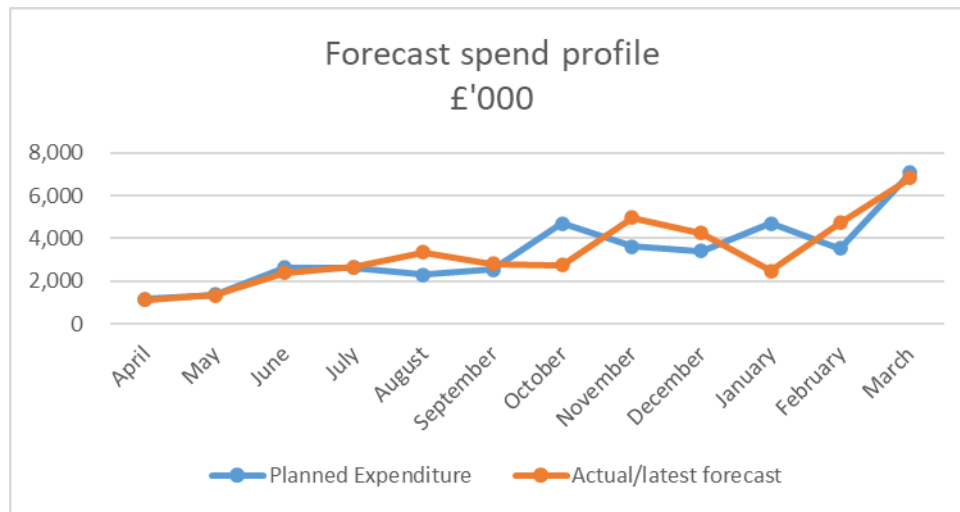
The table below reflects the current expenditure plan as reported to WG. Since funding for the WGH Fire Enforcement Phase 1 is being granted monthly in arrears, reported planned spend for the project is capped at that invoiced to the end of January.

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 - Jan £'m | Spend Jan £'m | Remaining balance £'m |
|--|---------------------------|--------------------------------|---------------|-----------------------|
| <b>AWCP</b>  |                           |                                |               |                       |
| WGH - Fire Enforcement Phase 1                         | 5.324                     | 5.324                          | 0.314         | 0.000                 |
| WGH - Fire Decant                                      | 7.523                     | 6.314                          | 0.385         | 1.209                 |
| WGH - Fire Enforcement Phase 2 Fees                    | 0.633                     | 0.606                          | 0.013         | 0.027                 |
| GGH - Fire Enforcement Phase 1                         | 6.327                     | 4.727                          | 0.501         | 1.600                 |
| GGH - Fire Enforcement works - Phase 2 - Fees          | 0.496                     | 0.189                          | 0.001         | 0.307                 |
| Cross Hands Health and Wellbeing Centre                | 0.986                     | 0.905                          | 0.023         | 0.081                 |
| Sanctuary Provision for Children and Young People      | 0.309                     | 0.263                          | 0.005         | 0.046                 |
| Estates Funding Advisory Board (EFAB) - Infrastructure | 2.261                     | 0.370                          | 0.034         | 1.891                 |
| EFAB - Fire  | 1.027                     | 0.383                          | 0.007         | 0.644                 |
| EFAB - Decarbonisation                                 | 0.828                     | 0.771                          | 0.001         | 0.057                 |
| National Programme – Decarbonisation                   | 0.063                     | 0.063                          | 0.000         | 0.000                 |
| Women and Children’s Phase 2                           | 0.728                     | 0.558                          | -0.082        | 0.170                 |
| Withybush - RAAC Fees and Works                        | 6.532                     | 4.771                          | 0.753         | 1.761                 |
| Diagnostic Equipment                                   | 1.323                     | 0.167                          | 0.167         | 1.156                 |
| Emergency Department and MIU Improvements              | 0.397                     | 0.009                          | 0.009         | 0.388                 |
| <b>Sub-total AWCP</b>                                  | <b>34.757</b>             | <b>25.420</b>                  | <b>2.131</b>  | <b>9.337</b>          |
| <b>Discretionary</b>                                   |                           |                                |               |                       |
| IT   | 1.573                     | 0.530                          | 0.012         | 1.043                 |
| Equipment  | 1.513                     | 1.226                          | 0.185         | 0.287                 |
| Estates – Statutory                                    | 0.386                     | 0.224                          | 0.034         | 0.162                 |
| Estates Infrastructure                                 | 0.946                     | 0.277                          | 0.042         | 0.669                 |
| Other  | 0.822                     | 0.454                          | 0.063         | 0.368                 |
| <b>Sub-total Discretionary</b>                         | <b>5.240</b>              | <b>2.711</b>                   | <b>0.336</b>  | <b>2.529</b>          |
| <b>IFRS 16 Leases</b>                                  | <b>1.184</b>              | <b>0.834</b>                   | <b>0.000</b>  | <b>0.350</b>          |
| <b>TOTAL</b>   | <b>41.181</b>             | <b>28.965</b>                  | <b>2.467</b>  | <b>12.216</b>         |

## Expenditure Profile Forecast

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



Expenditure was lower than forecast in January with expenditure lower than expected for: -

- EFAB schemes (£1.2m) which is predominantly due to delays in receiving invoices from contractors as opposed to any delays in programme,
- the Decant ward (£0.3m) which was due to a delay of the power connection to the new unit,
- RAAC schemes (£0.2m) due to higher-than-expected expenditure in December which contributed to a lower-than-expected figure for January in some areas.

Expenditure is expected to increase over February and March to compensate for slippages.

## Other Risks associated with Capital Schemes

### ***Equipment to be vested / bonded at year-end***

All suppliers have provided assurances to the Procurement team that any orders made can be fulfilled in full by the end of March, however given the high value of unexpected WG funding received in early February there is a risk that transfer of title documents may need to be completed if suppliers experience issues in delivering before the 31 March.

This position will be monitored and reported to relevant committee's as and when required.

### ***Glangwili Hospital (GGH) Fire Precaution Works***

The latest cost reports for the GGH Fire precaution works indicate that this scheme may exceed its total funding allocation. Two meetings have been held with NHS Wales Shared Services Partnership (NWSSP) – Specialist Estates Services to discuss arrangements for claiming funding for the overspend and it is anticipated that this will follow a similar process as for the Withybush Phase 1 overspend, which is claimed monthly in arrears.

The Health Board intends to submit a paper to WG in February requesting additional funding for the current expected overspend. With at least nine months of the programme remaining, we

will also highlight the significant risk in estimating the forecast so far in advance given the complexities and uncertainties associated with the Fire Scheme works.

### ***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.

We would be able to typically mitigate against this risk by utilising the contingency allocation or other identified slippages however this is not currently the case due to forecast overspends noted earlier within the report.

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)**

#### ***Withybush Hospital (WGH) Fire Compliance Work***

Work for Phase 1 commenced on site in June 2021 and achieved completion in December 2023. The Supply Chain Partner (SCP) is currently preparing its final account, with the current expectation being that final expenditure will be within the agreed level of additional funding provided by WG. There remains a risk of overspend however as the final account cannot be agreed until all subcontractors have submitted their final costs to the SCP.

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. There is a risk that this timescale will slip further, however.

#### ***Cross Hands Health & Wellbeing Centre***

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. Construction started in March 2023 and completion is expected in February 2024.

### **WGH Reinforced Autoclaved Aerated Concrete (RAAC) Works**

Extensive work is underway at Withybush to make safe the roof following surveys assessing the extent of RAAC used in its original construction. £12.8m has been awarded by WG to undertake the works, which are progressing at pace, with work to make safe the six affected wards programmed to complete by March 24. Following robust review of the programme and cashflow forecasting, funding for the current year has been agreed with WG at £6.5m, with the remainder phased into 2024/25 to undertake work in other areas of the hospital.

### **Revenue Consequences of Capital Schemes**

The below table summarises the revenue consequences of capital schemes of which funding has been or are expected to be received in 2023-24:

| <b>Scheme</b>  | <b>Total<br/>£'m</b>   | <b>Additio<br/>nal<br/>£'m</b> | <b>Costs included in<br/>current budgets<br/>(replacement)<br/>£'m</b> |
|--|--|--------------------------------|--|
| <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 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                             |                                |  |
| <b>Sub-total AWCP</b>                                  | <b>0.57</b>  | <b>0.57</b>                    | <b>0.00</b>  |
| <b>Discretionary/receipts</b>                          |  |                                |  |
| 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   |
| <b>Sub-total Discretionary</b>                         | <b>0.14</b>  | <b>0.00</b>                    | <b>0.14</b>  |
| <b>TOTAL</b>   | <b>0.71</b>  | <b>0.57</b>                    | <b>0.14</b>  |

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.

The following assumptions were 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.

### 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)**

|   |  |
|---|--|
| <p>Committee ToR Reference:<br/>Cyfeirnod Cylch Gorchwyl y Pwyllgor:</p>  | <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> </ul> <p>Performance against the Savings Delivery and the Cost Improvement Programme providing assurance on performance against the Capital Resource Limit and cash flow forecasts.</p> |
| <p>Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol:<br/>Datix Risk Register Reference and Score:</p>                  | <p>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</p>   |
| <p>Galluogwyr Ansawdd:<br/>Enablers of Quality:<br/><a href="#">Quality and Engagement Act (sharepoint.com)</a></p> | <p>6. All Apply</p>  |
| <p>Parthau Ansawdd:<br/>Domains of Quality<br/><a href="#">Quality and Engagement Act (sharepoint.com)</a></p>      | <p>7. All apply</p>  |

|   |  |
|---|--|
| Amcanion Strategol y BIP:<br>UHB Strategic Objectives:  | 3. Striving to deliver and develop excellent services<br>6. Sustainable use of resources |
| Amcanion Cynllunio<br>Planning Objectives   | 5a Estates Strategies<br>5c Digital Strategy<br>8a Decarbonisation & Sustainability      |
| Amcanion Llesiant BIP:<br>UHB Well-being Objectives:<br><a href="#">Hyperlink to HDdUHB Well-being Objectives Annual Report 2021-2022</a> | 9. All HDdUHB Well-being Objectives apply  |

| <b>Gwybodaeth Ychwanegol:<br/>Further Information:</b>   |  |
|--|--|
| Ar sail tystiolaeth:<br>Evidence Base:   | Capital Allocation and prioritisation process. Capital Investment procedure and all relevant Welsh Government guidance.  |
| Rhestr Termiau:<br>Glossary of Terms:  | Explanation of terms is included in the main body of the report.   |
| Partïon / Pwyllgorau â ymgynhorwyd<br>ymlaen llaw y Pwyllgor Adnoddau<br>Cynaliadwy:<br>Parties / Committees consulted prior<br>to Sustainable Resources<br>Committee: | Capital Monitoring Forum<br>Capital Planning Group<br>Individual Project Boards of Capital Schemes<br>Welsh Government Capital Review Meeting<br>Capital Sub-Committee |

| <b>Effaith: (rhaid cwblhau)<br/>Impact: (must be completed)</b> |  |
|---|--|
| <b>Ariannol / Gwerth am Arian:<br/>Financial / Service:</b>     | Capital values noted within the report. Included within individual business cases and Capital prioritisation process.          |
| <b>Ansawdd / Gofal Claf:<br/>Quality / Patient Care:</b>        | Included within individual business cases and Capital prioritisation process   |
| <b>Gweithlu:<br/>Workforce:</b>                                 | Included within individual business cases and Capital prioritisation process   |
| <b>Risg:<br/>Risk:</b>  | Risk assessment process is integral to the capital prioritisation process and the management of capital planning within HDdUHB |

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| <b>Cyfreithiol:</b><br><b>Legal:</b>     | Included within individual business cases and Capital prioritisation process |
| <b>Enw Da:</b><br><b>Reputational:</b>   | Included within individual business cases and Capital prioritisation process |
| <b>Gyfrinachedd:</b><br><b>Privacy:</b>  | Included within individual business cases and Capital prioritisation process |
| <b>Cydraddoldeb:</b><br><b>Equality:</b> | Included within individual business cases and Capital prioritisation process |