



PWYLLGOR ADNODDAU CYNALIADWY SUSTAINABLE RESOURCES COMMITTEE

DYDDIAD Y CYFARFOD: DATE OF MEETING:	29 August 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 (SRC) to:

- Highlight the 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

It is highly likely that Hywel Dda University Health Board (HDdUHB) will overspend against its CRL without additional WG capital funding towards the cost of the Withybush Hospital (WGH) Phase 1 Fire Compliance works and funding to cover the Reinforced Autoclave Aerated Concrete (RAAC) remedial works at WGH.

Capital schemes at risk of overspending in 2023/24

WGH Fire Precaution Works

It was reported to the June 2023 SRC that the WGH Phase 1 Fire Precaution Works scheme will exceed its current funding allocation.

Original estimates were that spend will exceed available funding by between £6 and £7m and a formal request was made to Welsh Government (WG) for £6.4m of additional funding.

WG have reported that they are supportive of the additional funding request and this risk will be mitigated if we receive the additional funding.

A 7.5% risk contingency has been included on the Supply Chain Partner's final account to cover any unforeseen costs.

WGH RAAC

Total costs identified to date, funded from the Discretionary Capital Programme (DCP) are £1.6m, just under 30% of the DCP.

The above spend has been met from the contingency budget and through the re-prioritisation of some of the 2023/24 DCP capital schemes into 2024/25.

No WG funding has been made available for these costs at this stage.

WG have requested an estimate of the likely cost of RAAC works in 2023/24 and it is possible that they will provide additional funding.

Future cost of RAAC remedial works is unknown, however they are likely to be significantly in excess of the current allowance.

WGH Decant Ward

The current scheme forecast shows an overspend of circa £0.4m over the funding allocation. HDdUHB has requested a reduction in outturn cost from the Supply Chain Partner via value engineering.

This position will continue to be monitored and mitigating actions taken where possible to reduce spend.

WGH Phase 2 Fire Precaution Works Fees

There is likely to be a shortfall of approximately £0.25m in the business case development fees currently received from WG. This is due to the additional work which has been required to redefine and cost the scope of works.

A request will be made to WG for reimbursement of these fees when the WGH Phase 2 Business Justification Case is submitted.

A risk has been included on the corporate risk register to highlight the risk of overspending against the 2023/24 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)	20.683
Discretionary Programme (gross allocation)	5.435
Total	26.118

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 Phase 1	0.106	2.135	2.029	- Overspend as articulated earlier within the report. Funding request made for additional WG funding
	EFAB	4.088	2.537	(1.551)	- Reduction in forecast to underwrite overspend on WGH Phase 1
	Other Schemes	16.489	16.747	0.258	- Scheme fees funded via AWCP
DCP	All Schemes	5.435	4.699	(0.736)	-Reduction in forecast to underwrite overspend on WGH Phase 1

					- AWCP scheme fees funded via DCP
Total		26.118	26.118	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 WG and currently assumes a balanced CRL.

The significant risk of overspend is being highlighted to WG, however we have not quantified at this stage.

Spend on the WGH Fire Enforcement Phase 1 has been capped at £2.1m to reflect the amount underwritten by Estates Funding Advisory Board (EFAB) / DCP, with a corresponding reduction in the EFAB and DCP planned spend.

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:

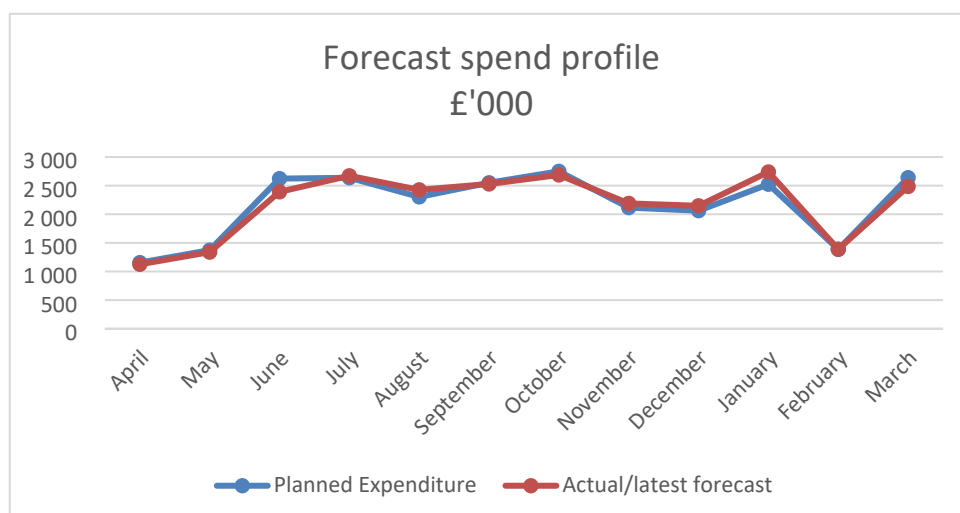
Scheme	Planned Spend 2023/24 £'m	Cumulative Spend Apr - Jul £'m	Spend Jul £'m	Remaining balance £'m
AWCP				
WGH - Fire Enforcement Phase 1	2.135	2.002	0.713	0.133
WGH - Fire Decant	6.999	1.971	0.645	5.028
WGH - Fire Enforcement Phase 2 Fees	0.383	0.126	0.000	0.257
GGH - Fire Enforcement Phase 1	6.049	1.578	0.764	4.471
GGH - Fire Enforcement works - Phase 2 - Fees	0.496	0.226	0.018	0.270
Cross Hands Health and Wellbeing Centre	1.106	0.518	0.164	0.588
Sanctuary Provision for Children and Young People	0.309	0.101	0.024	0.208
Estates Funding Advisory Board (EFAB) - Infrastructure	1.242	0.041	0.018	1.201
EFAB - Fire	0.445	0.064	0.064	0.381
EFAB - Decarbonisation	0.850	0.150	0.00	0.700
National Programme – Decarbonisation	0.076	0.063	0.000	0.013
Women and Children's Phase 2	1.328	0.185	0.037	1.143
Sub-total AWCP	21.418	7.025	2.447	14.393
Discretionary				
IT	0.501	0.112	0.034	0.389
Equipment	1.381	0.005	0.005	1.376
Estates – Statutory	0.450	0.070	0.052	0.380
Estates Infrastructure	0.357	0.103	0.036	0.254
RAAC (via re-prioritised DCP)	1.656	0.085	0.064	1.571
Other	0.355	0.127	0.033	0.228
Sub-total Discretionary	4.699	0.502	0.224	4.198
TOTAL	26.118	7.527	2.671	18.591

The DCP contingency has been allocated towards the cost of the RAAC remedial works. A balance of less than £50k is remaining until the end of the financial year.

Appendix 1 – summarises the revenue consequences of capital schemes for which funding has been / expected to be received in 2023/24.

Expenditure Profile Forecast

At this stage in the financial year, there are no variances to highlight. The below chart illustrates the forecast spend profile for the year. Actual expenditure will be monitored and reported against this profile in future months.



The above shows that for the first four months of the year, there has been little variation between actual spend and the original forecast.

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.

Other Risks associated with Capital Schemes

Glangwili 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.

There is a low level of certainty associated with any financial liability at this stage as the scheme is not expected to complete until next financial year.

This position will continue to be monitored and escalated once there is more certainty.

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)

Women & Children Phase II

Completion of all elements of work by the Supply Chain Partner is expected in August 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 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 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 December 2023.

Argymhelliad / Recommendation

The Sustainable Resources Committee is requested to:

- Note the risk of overspend for 2023/24 and the other risks being managed
- Note the CRL for 2023/24
- 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: <ul style="list-style-type: none"> Monthly, quarterly and year-to-date financial performance; Performance against the Savings Delivery and the Cost Improvement Programme providing assurance on performance against the Capital Resource Limit and cash flow forecasts.
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.

Partion / 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
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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
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.