



PWYLLGOR ADNODDAU CYNALIADWY SUSTAINABLE RESOURCES COMMITTEE

DYDDIAD Y CYFARFOD: DATE OF MEETING:	21 December 2021
TEITL YR ADRODDIAD: TITLE OF REPORT:	Update on All-Wales Capital Programme – 2021/22 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 Sustainable Resources Committee to:

- Note the Capital Resource Limit (CRL) for 2021/22
- Note the project updates.
- Note the risks being managed.

Cefndir / Background

This report provides an update on the CRL for 2021/22.

Asesiad / Assessment

Capital Resource Limit 2021/22

The current CRL for 2021/22 has been issued with the following allocations:

Allocation	£m
All Wales Capital Programme (AWCP)	25.512
Discretionary Capital Programme (DCP)	7.271
Sales receipts	0.389
Total	33.172

The Capital Expenditure Plan for 2021/22 is detailed in the table below.

This reflects the additional Discretionary Capital Programme (DCP) contributions / payback required to the All Wales Capital Programme (AWCP) programme in 2021/22

Scheme	Planned Spend 2021/22 £m	Cumulative Spend Apr - Nov £m	Spend Nov £m	Remaining balance £m
AWCP				
Women and Children Phase II	2.875	2.263	0.156	0.612
MRI Withybush General Hospital (WGH)	2.559	2.192	0.004	0.367
Cross Hands Primary Care Scheme	0.341	0.039	0.039	0.302
Fire Prevention Works Glangwili General Hospital (GGH)	0.787	0.482	0.260	0.305
WGH Fire Compliance Works	4.473	1.932	0.383	2.541
National Programmes – Estates Funding Advisory Board	4.984	0.470	0.191	4.514
National Programmes - Imaging	3.865	0.700	0.234	3.165
E-Prescribing System	0.195	0.000	0.000	0.195
GGH Fire Enforcement Works	1.053	0.301	0.052	0.752
WGH Fire Enforcement - Decant Ward Fees	0.460	0.000	0.000	0.460
COVID-19 Recovery 2021-22	5.013	1.242	1.239	3.771
Invest to Save Multi Site project	0.389	0.000	0.000	0.389
Eye Care	0.132	0.000	0.000	0.132
Sub-total AWCP	27.126	9.621	2.558	17.505
Discretionary/receipts				
Estates - Statutory	1.357	0.314	0.032	1.043
IT	1.179	0.408	0.003	0.771
Equipment	0.800	0.091	0.000	0.709
Estates Infrastructure	2.009	0.785	0.045	1.224
Other	0.701	0.104	0.000	0.597
Sub-total Discretionary	6.046	1.702	0.080	4.344
TOTAL	33.172	11.323	2.638	21.849

The above table includes £0.389m of expenditure funded from capital receipts.

Adjustments to the CRL

As in previous years, the Health Board has been required to confirm its anticipated year end Capital Resource Limit with Welsh Government (WG) at the end of October 2021. Following careful scrutiny of programmes on the AWCP schemes by the Health Board, External Project Managers and Cost Advisors a number of adjustments were made. Together with additional funding provided in November 2021, these changes are outlined below:

Capital Scheme	Adjustment £m	Explanation
CRL as reported in October	35.761	
Adjustments to CRL as part of fixing exercise:		
Women & Children Phase II	-0.806	Significant Scheme Slippage

Fire Enforcement Works (WGH)	-2.525	Difficulties associated with working in live hospital environment e.g., noise issues, impact of COVID-19. Prudent and realistic assessment of spend made based on contractor performance to date.
Computerised Tomography (CT) Schemes	-0.314	Two CT scanner schemes running sequentially. Programme delays in GGH due to material supply and noise issues have led to a delay.
Solar Farm at Hafan Derwen	-0.594	Concerns over global market shortage of glass, steel and electrical components. Impact of Brexit (goods being held up in European Ports).
National Programmes Infrastructure	-0.024	Small reduction due to underspend on scheme
Additions to the CRL in November:		
I2S Multi Site project	0.389	A number of small scale solar panel projects at a number of sites, generating revenue savings.
Fire Enforcement Works (GGH)	0.590	Funding to proceed with Phase 1 works following approval of the Business Case in November 2021.
Eye Care	0.132	Funding for roll out of the Eye Care Digitalisation project
National Programme Infrastructure	0.173	Additional allocation to expand the scope of current works (lighting)
Latest CRL	32.783	

The revenue implications of new allocations are summarised in the table below:

Scheme	2021/22	2022/23	2023/24
I2S Multi Site projects	0	TBC	TBC
Eye Care	0	0	0
National Programme Infrastructure	0	0	0
Total	0	TBC	TBC

In addition to the allocations above, WG has confirmed that funding of £19.937m will be allocated to this year's CRL for the purchase and installation of a Demountable Theatre at Prince Philip Hospital (PPH), and allocation of end of year funds of £3.2m is also expected which will fund various equipment and IT items.

Financial Assessment of Risk

Whilst consideration has been made of the various risk factors inherent in these capital schemes prior to confirming the year end forecast out-turn, there remains a number of

elements of risk to managing the Capital Resource Limit, some of which fall largely out of the control of the Health Board.

These include:

- Global shortage of key component materials including steel and glass
- Labour shortage – this is due to unavailability of external workforce due to, for example, self isolation as a consequence of COVID-19
- Supply issues at ports due to Brexit
- Impact of COVID-19 on programmes of work in live hospital environment e.g. restrictions on access
- Local supply issues of building supplies such as concrete
- Greater lead times in the supply of digital and medical equipment
- Uncertainty over delivery times until firm commitments have been made with suppliers

In addition to this, the Health Board has secured capital funding of £19.937m to undertake a modular theatre solution to facilitate and support the recovery of elective services. The funding has been provided on the condition that it will all be spent by the 31st March 2022.

Given the scale of spend required before the end of March 2022, any slippage in programme would likely be a significant financial value. Longer lead times for medical and digital equipment delivery means that opportunities to re-prioritise 2022/23 replacement programmes as capital scheme slippages are identified are reduced.

In order to proactively manage the risks associated with Quarter 4 delivery, the following capital scheme governance will be established including:

- A weekly mobilisation meeting chaired by the Executive Lead
- Certification of designated Senior Risk Officer (SRO) and Project Director
- Robust project and risk management aligned to the weekly mobilisation meeting
- NHS Wales Shared Services Partnership (NWSSP) - Audit and Assurance Services will be invited to join the Project Group and will be commissioned to advise on the establishment of the governance arrangements to manage the scheme risks
- NWSSP - Specialist Estates Services will also be invited to be members of the Project Group
- Weekly highlight reports and actions to firmly mitigate any and all risks should they materialise
- Robust and proactive contract management of the Vanguard contract
- The project will report progress to Executive Team and into the Board committee structure

A risk has been included on the Corporate Risk Register to reflect the growing uncertainty with regards to being able to meet Hywel Dda University Health Board (HDdUHB's) statutory duty to breakeven against the Capital Resource Limit.

It is difficult to quantify the potential risk at this point however an assessment has been made based on the main schemes statuses as at the end of November 2021.

Capital Scheme	Risk £m	Explanation
Imaging	0.2	Assessment made if current programme were to be further delayed.
Fire Enforcement Works at WGH	0.45	Due to complexity of programme assumption made that 10% of current forecast is at risk.
Solar Farm Hafan Derwen	0.2	Current assessed risk due to potential supply chain issues.
Mental Health (points of ligature)	0.1	Programme of works phased to January – March 2022. Potential slippage to account for programme delays.
	0.95	

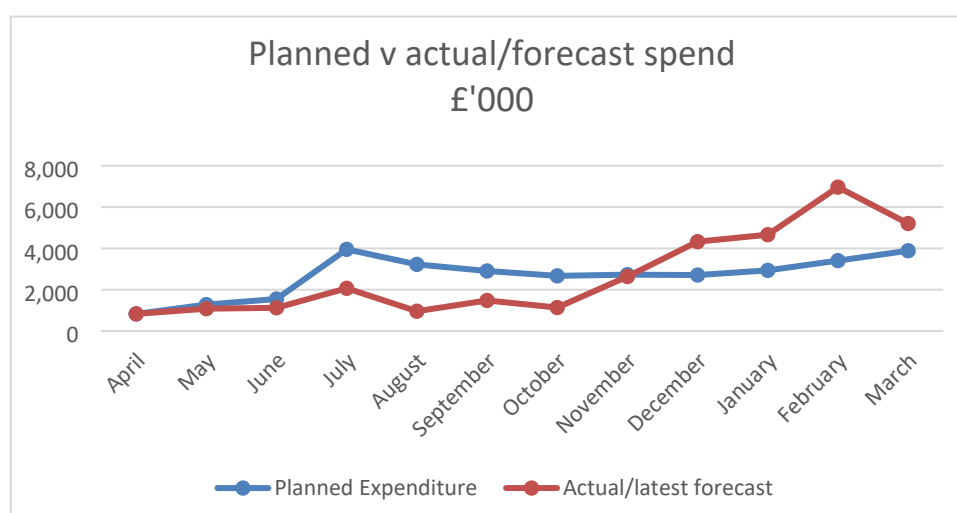
Risk Mitigation

The following measures will be utilised to manage this risk.

- Slight over-commitment of available DCP programme (circa £0.2 million)
- A list of capital schemes is being prioritised which addresses the backlog equipment / IT position and digital priorities and can be achieved before the 31st March 2022
- Options to bond / vest equipment to be explored when there is risk to physical delivery of equipment / materials by the 31st March 2022
- Enhanced monitoring and increased escalation processes will be put in place to ensure the earliest possible identification of slippage against capital schemes

Expenditure profile forecast

The below chart illustrates performance of actual / forecast versus original planned spend.



The above graph shows actual spend to month 8 and current forecast spend profile in red, against the original profile estimate from month 1. As in previous years, expenditure is weighted towards the end of the year, which increases the risks in delivering against the CRL.

To mitigate this risk, monthly meetings are being held between finance and principal project leaders and the Estates team, with the aim of identifying slippages at the earliest opportunity to facilitate corrective action and reprioritisation, and to improve general information exchange.

Capital Scheme Updates (Schemes greater than £1m)

Women & Children Phase II

The most recent programme submitted by the Supply Chain Partner (SCP), Tilbury Douglas, forecasts a completion date of March 2023. However, this has not been accepted by the Health Board's Project Manager on the basis that it does not allow for necessary decanting of wards; the Project Manager's estimated completion is June 2023. The Project Manager is working closely with the Supply Chain Partner to ensure that the revised programme is an accurate reflection of the required sequencing of works.

National Programmes

The project to deliver an additional CT scanner facility at GGH is on target to be installed and commissioned by January 2022 and a second CT scanner at WGH is programmed for March 2022. The project team are not reporting any risks to delivery, although completion of the installation of the CT at WGH has slipped to April 2022.

The Estates Advisory Board funding is for numerous smaller schemes which are at various stages within the programme, e.g. tenders agreed, contractors appointed, work in progress. Completion of the solar farm at Hafan Derwen was flagged as at risk of slipping when review work for the fixing of the CRL was undertaken, with delays due to planning approval and risks around delivery of components highlighted. WG agreed to re-provide 50% of the funding in 2022/23 and therefore the programme has been reprofiled to reflect this.

WGH Fire Compliance Work

Work for Phase 1 started 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, and together with the difficulty in working in a live hospital environment is expected to result in delay to the completion date. However, a revised programme has not yet been accepted by the Project Manager.

The Business Case for the next phase of works (Phase 2) is currently being prepared. The SCP has formally applied to the Health Board for an increased fee for this phase, on the basis that Phase 1 is requiring an increased level of management oversight than originally envisaged. The Health Board has applied to NWSSP Specialist Estates Services for approval of this increased fee, who have confirmed that they consider the increase reasonable and appropriate for the scheme and will recommend WG to approve funding on the basis of an increased fee.

GGH Fire Compliance Work

The business case for Phase 1 of the Fire Compliance Work at GGH was approved in November 2021. The SCP is the same as for WGH Fire Compliance Work and start on site is expected in January 2022.

Covid Recovery Funding

A submission was made to WG in August 2021 for capital COVID-19 recovery funding. The total submission was £8.9m of which £4.8m has been approved by WG. These comprise a number of Estates, Equipment and IT schemes valued individually at less than £1m.

Financial Risks

Women & Children Phase II (GGH)

The financial consequences of the most recent forecast delay to programme are limited in respect of payment to the SCP by the form of contract, as the maximum price payable under the contract is expected to be reached by March 2022. However, the increased delays are not without cost to the Health Board as additional fees will be incurred, for example fees payable to the Project Manager and Cost Adviser. Consequently, the most recent cost report issued forecasts additional costs not related to COVID-19 of £0.133m. Further funding from the DCP will therefore be required.

There is an estimated additional cost implication for the scheme of £1.526m because of the implementation of social distancing legislation as a consequence of COVID-19. This represents a reduction of £0.163m from the previous month's cost report. These costs have not yet been agreed with the SCP. Following the review undertaken by NWSSP-Estates on these costs, they have agreed that costs incurred to date are reasonable and have advised WG. WG have confirmed that their policy is to fund COVID-19 related costs.

WGH Fire Compliance Work

The form of contract for the project is a "Cost Plus" contract meaning that unlike most other construction projects there is no maximum specified price payable to the SCP (the "Target Price") and costs are payable to the SCP as they arise (after certification by the Health Board's advisers). Welsh Government have control of a significant contingency of £3.832m to reflect this and the Health Board will need to make an application for these funds, once the Health Board's allocation has been exhausted. During November 2021, the forecast costs of the project have increased significantly; the increases are within the contingencies available to the project. The Health Board is working closely with its Project Manager and Cost Adviser to ensure that costs forecasts are as robust as possible, and that all costs applied for by the SCP are properly supported with evidence.

Project Bank Accounts

The WGH Fire Precaution Works is the Health Board's first AWCP funded scheme for which payments to the SCP are required to be made through a Project Bank Account (PBA). The Health Board has been liaising with WG on the proposed account offered by the SCP's banker as to whether it satisfies the requirements of a PBA.

Implementation of IFRS 16

The accounting requirements regarding leases and contracts containing leases is changing for NHS bodies on 1 April 2022 with the majority of leases being recognised on the balance sheet after this date, due to the implementation of accounting standard IFRS 16. The Health Board's preparations are progressing well, with a lease accounting system having been procured to record relevant leases and automate the production of accounting entries.

Implementation of the standard may impact on how WG allocates funding for leases in the future. Updates will be provided as further information becomes available from Welsh Government.

Argymhelliad / Recommendation

The Sustainable Resources Committee is requested to:

- Note the Capital Resource Limit for 2021/22
- Note the project updates.
- Note the risks being managed

Amcanion: (rhaid cwblhau)

Objectives: (must be completed)

<p>Committee ToR Reference: Cyfeirnod Cylch Gorchwyl y Pwyllgor:</p>	<p>3.1 Undertake detailed scrutiny of the organisation's overall:</p> <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. <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>
<p>Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:</p>	<p>Risk 624 (score 20) – Risk to the ability to maintain and address backlog maintenance and develop infrastructure to support long term strategic objectives Risk 1307 (score 12) – Risk to breaking even against the Capital Resource Limit for 2021/22.</p>
<p>Safon(au) Gofal ac Iechyd: Health and Care Standard(s):</p>	<p>All Health & Care Standards Apply</p>
<p>Amcanion Strategol y BIP: UHB Strategic Objectives:</p>	<p>4. Improve the productivity and quality of our services using the principles of prudent health care and the opportunities to innovate and work with partners. 5. Deliver, as a minimum requirement, outcome and delivery framework work targets and specifically eliminate the need for unnecessary travel & waiting times, as well as return the organisation to a sound financial footing over the lifetime of this plan</p>
<p>Amcanion Llesiant BIP: UHB Well-being Objectives: Hyperlink to HDdUHB Well-being Objectives Annual Report 2018-2019</p>	<p>9. All HDdUHB Well-being Objectives apply</p>

**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, Estates and IM&T 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