

PWYLLGOR ADNODDAU CYNALIADWY SUSTAINABLE RESOURCES COMMITTEE

DYDDIAD Y CYFARFOD: DATE OF MEETING:	23 February 2022
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 Sicrwydd/For Assurance

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)	52.624
Discretionary Capital Programme (DCP)	7.251
Sales receipts	0.449
Total	60.324

Adjustments to the CRL

The following adjustments have been made to the CRL since the last report:

Capital Scheme	Adjustment £m	Explanation
CRL as reported in December	33.172	
Additions to the CRL:		
Digital Priorities Investment Fund (DPIF) (Laboratory Information Network Cymru) LINC Digital funding	0.102	DPIF funding for LINC
Ultrasounds and Image intensifiers	1.398	Funding for the replacement of ultrasounds and image intensifiers
CT Scanner	1.015	Funding for the replacement of the CT Scanner at Bronglais
Additional End of Year Capital Funding	3.221	Additional funding for several items deliverable within a short time frame including patient monitors and anaesthetic machines
Modular Theatre Facility at Prince Philip Hospital	19.937	Provision of a modular theatre at Prince Philip Hospital to address planned care backlog
Same Day Emergency Care (SDEC) Funding	0.142	Funding for SDEC project
DPIF - additional capital	1.297	Additional capital for digital expenditure
Other adjustments:		
Disposal proceeds	0.060	Proceeds from the sale of the replaced CT at Glangwili
Technical adjustment	-0.020	For the refund of VAT recovery on a prior year scheme claimed via Swansea Bay University Health Board (SBUHB) (Renal Treatment Plant)
Latest CRL	60.324	

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 - Jan £m	Spend Jan £m	Remaining balance £m
AWCP				
Women and Children Phase II	2.875	2.223	0.145	0.652
MRI Withybush General Hospital	2.559	2.500	0.008	0.059
Cross Hands Primary Care Scheme	0.356	0.063	0.015	0.293
Fire Prevention Works Glangwili General Hospital (GGH)	0.787	0.605	-0.015	0.182
WGH Fire Compliance Works	4.473	2.910	0.503	1.563

National Programmes – Estates Funding Advisory Board	4.836	0.779	0.048	4.057
National Programmes - Imaging	3.865	2.029	1.234	1.836
E-Prescribing System	0.195	0.000	0.000	0.195
GGH Fire Enforcement Works	1.053	0.442	0.135	0.611
WGH Fire Enforcement - Decant Ward Fees	0.406	0.000	0.000	0.406
COVID-19 Recovery 2021-22	4.824	1.578	0.198	3.246
Invest to Save Multi Site project	0.389	0.000	0.000	0.389
Eye Care	0.132	0.046	0.006	0.086
DPIF LINC Digital funding	0.102	0.000	0.000	0.102
Ultrasounds and Image intensifiers	1.398	0.000	0.000	1.398
CT Scanner	1.015	0.000	0.000	1.015
Additional EOY Capital Funding	3.375	0.546	0.538	3.375
Modular Theatre Facility at Prince Philip Hospital	19.937	10.307	7.066	9.630
SDEC Funding	0.142	0.002	0.002	0.140
DPIF - additional capital	1.297	0.350	0.350	0.947
Sub-total AWCP	54.017	24.380	10.232	29.637
Discretionary/receipts				
Estates - Statutory	1.207	0.375	0.032	0.832
IT	1.129	0.649	0.054	0.358
Equipment	1.557	0.730	0.558	0.827
Estates Infrastructure	2.335	1.031	0.080	1.304
Other	0.078	0.000	0.000	0.078
Sub-total Discretionary	6.306	2.764	0.723	3.542
TOTAL	60.324	27.444	10.955	32.879

The above table shows a significant amount of spend remaining in February and March 2022 (£32.9m). A number of measures have been put in place to manage this risk as detailed in the next section.

The revenue implications of new allocations are provided in detail at Appendix 1.

Financial Assessment of Risk Managing the risk to achieving the in-year CRL

There remain a number of elements of risk to managing the CRL, as reported in the previous Sustainable Resource Committee report. 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

The following measures are being utilised to escalate the management of this risk:

- Weekly expenditure reports sent to key stakeholders highlighting any potential areas of slippage with explanations for key areas of concern required.
- Regular meetings held to monitor spend profiles with escalation measures put in place immediately, where required.
- Written confirmation is being sought from suppliers confirming delivery before 31st March 2022.
- The DCP programme is currently over-committed (circa £0.5m) to offset any potential scheme slippages.
- Delayed VAT recovery (circa £0.2m).
- Options to purchase software licences to be explored.
- Options to bond / vest equipment to be explored when there is risk to physical delivery of equipment / materials by 31st March 2022.

A RAG rated assessment has been made of the schemes where there is a potential for underspending based on information received from Project Managers.

Status	£m (spend remaining February and March 2022)
Red	0
Amber	7.3
Green	26.1
Total	33.4

A 10% underspend against the amber schemes would lead to an underspend position of £0.73m, which would be mitigated by the over-commitment and delayed VAT recovery.

Further slippages would need to be managed via alternative arrangements such as purchasing software licences.

Equipment to be Vested / bonded at year end

The Health Board is aware that there will be a requirement to complete the transfer of title documents for a number of significantly valued items of equipment due to:

- Expected delivery dates beyond 31st March 2022.
- Requirements to ensure Supply Chain availability for future year's capital schemes.

Managing slippage on other capital schemes. The total to date is:

Equipment	£m	Reason
CT Scanner Withybush General Hospital	1.0	Programme delay. Enabling works funding transferred to 2022/23.
CT Scanner Bronglais General Hospital	1.0	Ensure Supply Chain availability
CT Scanner Prince Phillip Hospital	1.0	2022/23 approved Capital Scheme. WG agreement received to purchase in advance to manage slippage on PPH Modular Theatre Scheme.
4 Digital Radiography rooms	1.1	2022/23 approved Capital Scheme. WG agreement received to purchase in advance to manage slippage on PPH Modular Theatre Scheme.
2 Pharmacy Robots (Bronglais and Withybush)	0.7	Expected Delivery Date beyond 31 st March 2022

Total	4.8	
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Financial Risks Associated with Capital Schemes

PPH Modular Build

Staged payments are being made to the contractor involved based on activity, whereby in traditional capital schemes, payment is made following the certification of work completed.

The following measures are in place to mitigate this potential increased risk:

- Financial vetting
- Retention on works
- Parent company guarantee
- Vesting of completed part of the modular build in the factory where it is being built
- Insurance arrangements are in place for in-construction / completed elements of the modular build as a part of the contract

The current 2021/22 forecast indicates that there will be a significant contingency, which remains unspent, and that the majority of equipment spend would not be incurred until 2022/23. The total impact of this has been estimated to be £2m. The Health Board has agreed with Welsh Government (WG) to utilise this slippage to bond / vest a CT scanner and equipment for four Digital Radiography rooms, which are approved WG funding allocations for 2022/23, and has provided a mitigation against this risk.

Women & Children Phase II (GGH)

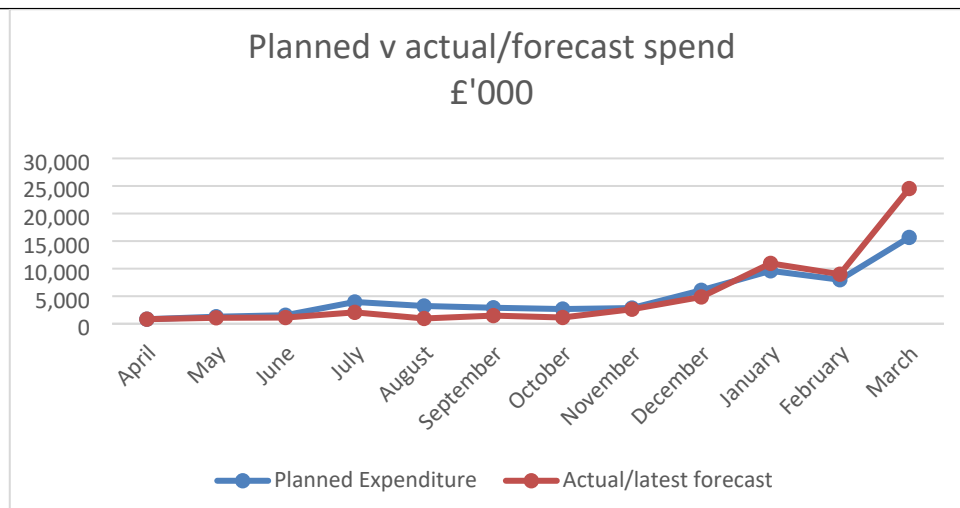
There is an estimated additional cost implication for the scheme of £1.526m as a result of the implementation of social distancing legislation as a consequence of COVID-19. These costs have not yet been agreed with the Supply Chain Partner. Following the review undertaken by NHS Wales Shared Services Partnership (NWSSP)-Estates on these costs, they have agreed that they are reasonable and have advised WG. WG has confirmed that their policy is to fund COVID-19 related costs.

WGH Fire Precaution Works

The form of contract for this scheme 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 the forecasting of costs will be challenging as the scheme progresses, and will require close working between the Health Board’s cost adviser and project manager.

Expenditure profile forecast

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



The graph above shows actual spend to Month 10 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

Following significant delays, the handover of phase 2 of the project was successfully completed in December 2021. The most recent programme for the remainder of the project (phases 3 and 4) submitted by the Supply Chain Partner, Tilbury Douglas, forecasts a completion date of July 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

A replacement CT scanner was installed at GGH in January 2022 and a second CT scanner at WGH is programmed for March 2022. The project team are not reporting any risks to delivery, however completion of the installation of the CT scanner 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 continues to progress since commencing on site in June 2021. The extent of work required regarding over-boarding is expected to be greater than envisaged in the original programme and, together with the challenges in working in a live hospital environment, is expected to result in a delay to the completion date. However, a revised programme has not yet been accepted by the Project Manager.

The Business Case for Phase 2 is currently being prepared. The Supply Chain Partner 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 has confirmed that they consider the increase reasonable and appropriate for the scheme and will recommend to 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, with work having commenced on site in January 2022.

COVID-19 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.

Additional End of Year Capital Funding

A submission was made to WG in November 2021 for funding for items that could be delivered by the end of the financial year. £3.221m has been provided by WG to cover equipment and IT expenditure.

Ultrasounds and Image intensifiers

£1.398m has been provided to fund the replacement of ultrasounds and image intensifiers, which will be procured via frameworks and be received by 31st March 2022.

CT Scanner

Funding for replacement of the CT scanner at BGH has been received. The scanner will need to be taken into a bonded warehouse by 31st March 2022 with installation in the following financial year.

DPIF - additional capital

The additional funding covers digital expenditure with items individually less than £1m. The items funded will be received by 31st March 2022 with no risks to delivery identified.

Project Bank Accounts

The WGH Fire Precaution Works is the Health Board's first AWCP funded scheme for which payments to the Supply Chain Partner 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 Supply Chain Partner's banker to ensure 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 1st 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. How allocations will be affected in 2022/23 is yet to be confirmed.

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)	
Committee ToR Reference: Cyfeirnod Cylch Gorchwyl y Pwyllgor:	<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>
Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:	<p>Risk 624 (score 20) – Risk to the ability to maintain and address backlog maintenance and develop infrastructure to support long term strategic objectives</p> <p>Risk 1307 (score 12) – Risk to breaking even against the Capital Resource Limit for 2021/22.</p>
Safon(au) Gofal ac Iechyd: Health and Care Standard(s):	All Health & Care Standards Apply
Amcanion Strategol y BIP: UHB Strategic Objectives:	<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.</p> <p>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>
Amcanion Llesiant BIP: UHB Well-being Objectives: Hyperlink to HDdUHB 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 Termau: 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, Estates and Information Management & Technology 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 revenue consequences of new capital approvals since the last report are shown in the table below (all figure £m):

Scheme	2021/22			2022/23			2023/24		
	Pay	Non-pay	Total	Pay	Non-pay	Total	Pay	Non-pay	Total
Modular Theatre Facility at Prince Philip Hospital	0	0	0	Costs being developed as a part of Health board's IMTP					
DPIF LINC Digital funding	0	0	0	0	0	0	0	0	0
Ultrasounds and Image intensifiers (replacements)	0	0	0	0	0	0	0	0	0
CT Scanner (Replacement)	0	0	0	0	0	0	0	0	0
Additional EOY Capital Funding (Replacement Medical Devices)	0	0	0	0	0	0	0	0	0
SDEC Funding	0	0	0	0	0	0	0	0	0
DPIF - additional capital	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	0	0