



PWYLLGOR ADNODDAU CYNALIADWY SUSTAINABLE RESOURCES COMMITTEE

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| DYDDIAD Y CYFARFOD: DATE OF MEETING: | 25 June 2024 |
| TEITL YR ADRODDIAD: TITLE OF REPORT: | Update on All-Wales Capital Programme 2024/25 Capital Resource Limit and Capital Financial Management |
| CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR: | Huw Thomas, Director of Finance |
| SWYDDOG ADRODD: REPORTING OFFICER: | Sarah Welsby, Senior Finance Business Partner Planning and Major Projects |

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| 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 2024/25 Capital Resource Limit (CRL)
- Note the risks being managed
- Note the project updates
- Note and scrutinise the potential revenue consequences of capital schemes

Cefndir / Background

This report provides an update on the CRL for 2024/25

Asesiad / Assessment

Capital Resource Limit 2024/25

The CRL for 2024/25 has been issued with the following allocations:

| Allocation | £'m |
|--|---------------|
| All Wales Capital Programme (AWCP) | 18.511 |
| Discretionary Programme (gross allocation) | 6.216 |
| Total | 24.727 |

Capital Expenditure Plan

The following table shows the capital expenditure plan for 2024/25 with expenditure incurred to date:

| Scheme | Planned Spend 2024/25 £m | Cumulative Spend Apr - May £m | Spend May £m | Remaining balance £m |
|--|--------------------------|-------------------------------|--------------|----------------------|
| AWCP | | | | |
| Estates Funding Advisory Board (EFAB) - Infrastructure | 2.772 | 0.068 | 0.038 | 2.704 |
| EFAB - Fire | 1.178 | 0.276 | 0.107 | 0.902 |
| EFAB - Decarbonisation | 0.049 | 0.000 | 0.000 | 0.049 |
| Withybush Hospital (WGH) – Reinforced Autoclaved Aerated Concrete (RAAC) Works | 5.953 | 0.263 | 0.146 | 5.690 |
| Glangwili Hospital (GGH) - Fire Enforcement Phase 1 | 7.967 | 1.561 | 0.678 | 6.406 |
| GGH - Fire Enforcement works - Phase 2 - Fees | 0.237 | 0.001 | 0.001 | 0.236 |
| Cross Hands Health and Wellbeing Centre | 0.065 | 0.031 | 0.023 | 0.034 |
| Bronglais Hospital (BGH) Digital Radiology X-Ray works | 0.290 | 0.000 | 0.000 | 0.290 |
| Sub-total AWCP | 18.511 | 2.200 | 0.993 | 16.311 |
| Discretionary | | | | |
| IT | 0.716 | 0.091 | 0.091 | 0.625 |
| Equipment | 1.439 | 0.162 | 0.144 | 1.277 |
| Estates - Statutory | 0.450 | 0.003 | 0.003 | 0.447 |
| Estates - Infrastructure | 3.212 | 0.056 | 0.047 | 3.156 |
| Other | 0.399 | 0.041 | 0.027 | 0.358 |
| Sub-total Discretionary | 6.216 | 0.353 | 0.312 | 5.863 |
| TOTAL | 24.727 | 2.553 | 1.305 | 22.174 |

Further details on the revenue consequences of these schemes are noted in Appendix 1.

FINANCIAL RISKS ASSOCIATED WITH CAPITAL SCHEMES IN 2024/25

GGH Fire Precaution Works

The previous report noted that the project was forecast to significantly overspend against the original allocation. The project team have undertaken significant work to review the programme, re-phasing work into Phase 2 where possible, and to provide assurance on control of programme and cost, with a completion date of November 2024 now agreed with the contractor. Following this an application for additional funding was made to Welsh Government (WG). WG have approved this application and additional funding of £4.84m has been added to the CRL, with a further £2.75m contingency held by WG. The project team is confident that costs can be contained within this additional funding.

The reasons for the cost overruns from the original allocation are as follows: -

- The scope of the work increased significantly when areas were opened up and it was discovered that there were extensive engineering services which required modifications to allow fire stopping works to progress.
- The non-uniform building layout, age and condition of the site has added to the works delivery challenges with a significant amount of additional cost being incurred as a result.
- Changes in technical advice from product manufacturers necessitating fire stopping to be undertaken from both sides of partition walls.
- An increased number of doors resulting from a review of the site fire strategy with NHS Wales Shared Services Partnership (NWSSP) – Specialist Estates Services (NWSSP-SES). In addition to this, a significant number of door locations require additional works to re construct associated fire compartmentation above the now suspended ceiling voids. The cost of fire doors has also increased extensively due to construction inflation and demand/supply challenges in the industry.
- Additional cost associated with working in the underground duct system at GGH to comply with Health and Safety requirements such as duct safety rescue team, environmental considerations and conditions within the duct such as asbestos, heat, vermin and historic sewerage contamination/deposits.
- Noting all of the above and the increased activity and intensity of the work, the impact on clinical services meant far greater disruption to progress was experienced due to the needs of the service than expected at Business Justification Case stage with GGH being the busiest and most congested of the HB sites. This was further amplified by COVID restrictions during the earlier part of the project. This has impacted on the programme and therefore on the cost profile.

Impact of Inflation

The Health Board continues to experience the impact of inflation with tendered costs exceeding previous price estimates.

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.

For any schemes which are delivered via alternative funding sources such as the DCP additional contingency allowances are made to account for the uncertainty associated with inflation.

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)

GGH Fire Compliance Work

Work commenced on site in January 2022 and the current accepted programme forecasts a completion date of November 2024.

This compares with the original expected completion date of April 2023. As noted earlier the spend will exceed the original budget allocated and the request made to WG for additional funding has now been approved.

Cross Hands Health and Wellbeing Centre (HWBC)

Funding has been received via the Integrated Regional Care Fund to develop the Full Business Case. The current intention is to submit the Full Business Case to WG in August 2024 (subject to Board approval).

WGH 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. Works required to six of the affected wards have been completed by March 2024. The remaining works are due to complete during 2024/25. Costs of the work are currently forecast to be within allocation.

Bronglais Chemotherapy Day Unit

Work on a new Chemotherapy Day Unit at Bronglais Hospital commenced in May 2024. The scheme will remodel part of the existing floor area and repurpose accommodation to ensure the needs of staff and patients are met to deliver a modern and welcoming facility. The majority of the scheme has been funded via charitable funds with a £0.32m contribution from the Health Board's discretionary capital programme.

Revenue Consequences of Capital Schemes

There are a number of business cases for capital funding which have recently been approved / are being developed which have a revenue implication.

The below consolidates information which has previously been reported at different times to the Board, SDODC, Capital Sub Committee and the Executive Team.

The majority of the Health Board's existing Estate is in an extremely poor condition and these business cases are typically looking at the rationalisation of the Estate (by reducing our number of properties, improving the standard of accommodation for clinical and administrative services and co-locating integrated services within these developments).

Costs of occupying new / more modern buildings are usually different to the existing older and poor standard Estate. Some of the reasons for this are:-

- The rateable value of newer buildings being significantly higher leading to more costly rates bills
- They would typically utilise greener sources of energy which can be more expensive e.g. reliance on electricity as opposed to natural gas / oil. There could however be opportunities to reduce utilities costs if new buildings are fitted with decarbonisation tools such as Photovoltaics panels
- Space requirements being in line with modern healthcare building standards meaning a greater comparative building footprint is required for clinical areas

- Rented buildings from some landlords are subject to VAT which the Health Board is not able to recover
- Where proposed developments have insufficient car parking for staff this could lead to an increased cost (if the Health Board provides free parking to staff located within those buildings).

The following provides a summary of the revenue impact of each of the main capital schemes which are linked to developing new or refurbished Estate and are material in value. It doesn't cover those which are of a compliance type nature such as the RAAC works at WGH.

| Capital Scheme | Net revenue impact £'000 |
|----------------------------|-----------------------------|
| Carmarthen Hw̄b | +403 |
| WG Picton Terrace Building | -183 |
| Pentre Awel | +681 |
| Cross Hands HWBC | +205 |
| Total | +1,106 |

Further detail on each of these schemes is shown below:

- **CARMARTHEN Hw̄B**

Scheme description: Carmarthen Hw̄b will be located within the old Debenhams building in Carmarthen town centre. It offers the opportunity to centralise a number of services which are based at different locations within the Carmarthen locality such as those within Pond Street and District Nursing Teams.

Carmarthenshire County Council will own the building and the Health Board will be occupying the building via a peppercorn rent arrangement and will be liable for service charges only. The Health Board is required to fund the fit-out costs and digital infrastructure of those areas which it will be occupying.

Approval Stage: Capital funding of £3.8m approved by WG.

Revenue Implication:

| Building | Rent | Rates | Service Charge | Utilities | Other Property Costs | Total |
|---------------------------------|-------|-------|----------------|-----------|----------------------|-------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Indicative Carmarthen Hwb Costs | 0 | 98 | 443 | 216 | 71 | 828 |
| <i>Less: existing costs</i> | | | | | | |
| Building 1 St David's Park | (28) | (8) | (8) | 0 | (3) | (47) |
| Building 2 St Davids Park | (21) | 0 | 0 | 0 | (3) | (24) |
| Dental (St Davids Park) | (29) | 0 | 0 | 0 | 0 | (29) |
| Glien House (training area) | (46) | (21) | (9) | (5) | 0 | (81) |

| | | | | | | |
|------------------------------|--------------|----------|------------|------------|----------|-------------|
| Penlan | 0 | (32) | 0 | (38) | (21) | (90) |
| Pond Street | 0 | (2) | 0 | (15) | (20) | (38) |
| St Annes | (16) | (12) | (9) | 0 | (2) | (39) |
| Ty Myddfai | (31) | (16) | 0 | (13) | (17) | (77) |
| Net Indicative Impact | (171) | 7 | 417 | 145 | 5 | 403 |

Notes

- Existing costs have been provided by the Estates department
- Some payments do not separate elements such as rates and service charges
- There will be double-running costs at the commencement of the Carmarthen Hwb lease due to the termination dates of existing leases
- The original business case for the occupation of Carmarthen Hwb assumed that services located within Penlan would transfer to Carmarthen Hwb. However, a decision has been made to relocate those services to another property but the savings associated with the vacation of Penlan will be utilised to offset Carmarthen Hwb revenue costs.
- The above analysis does not include the potential additional costs of staff car parking. Discussions ongoing with Carmarthen County Council.

Backlog Maintenance:

Backlog maintenance costs avoided through disposal of properties = **£524k**

• WG PICTON TERRACE BUILDING

Scheme Description: The Health Board is exploring the possibility of a new Corporate Headquarters within one of the currently vacant Welsh Government Buildings in Picton Terrace. Corporate departments located within Glangwili, Hafan Derwen and three leased properties will transfer to Picton Terrace.

Hywel Dda have requested capital funding of £2.7m from WG for refurbishment and fit-out costs. It is expected that the building will be subject to a peppercorn lease arrangement.

Approval Stage: Capital funding not currently approved by WG

Revenue Implication:

| Building | Rent | Rates | Service Charge | Utilities | Other Property Costs | Total |
|--|-------|-------|----------------|-----------|----------------------|--------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Indicative Picton Terrace Building Costs | 0 | 0 | 320 | 0 | 0 | 320 |
| <i>Less: existing costs</i> | | | | | | |
| Building 14 St David's Park | (66) | (18) | (18) | (14) | (18) | (136) |
| Building 8 St Davids Park | (36) | 0 | (22) | 0 | (7) | (65) |
| Glien House (admin area) | (59) | (27) | (12) | (6) | | (104) |
| Hire of Boardroom for Board meetings | 0 | 0 | 0 | 0 | (15) | (15) |
| *Ystwyth | 0 | 0 | 0 | 0 | (67) | (67) |
| *Tudor House | 0 | 0 | 0 | 0 | (67) | (67) |

| | | | | | | |
|------------------------------|--------------|-------------|------------|-------------|--------------|--------------|
| *Block 4, Hafan Derwen | 0 | 0 | 0 | 0 | (11) | (11) |
| *St Brides | 0 | 0 | 0 | 0 | (33) | (33) |
| *GGH Seren Suite | 0 | 0 | 0 | 0 | (9) | (9) |
| Net Indicative Impact | (161) | (45) | 269 | (20) | (226) | (183) |

Notes

- Existing costs have been provided by the Estates Department
- Some payments do not separate elements such as rates and services charges
- There will be double-running costs at the commencement of the Carmarthen Hwb lease due to the termination dates of existing leases
- *Indicative costs provided based on NHS Wales benchmarking data for corporate type buildings
- The above analysis does not include the potential additional costs of staff car parking.

Backlog Maintenance

Backlog Maintenance costs on vacation of freehold properties = **£1.8m**

- **PENTRE AWEL**

Scheme Description: Pentre Awel is a development within the Delta Lakes area of Llanelli and is being delivered by Carmarthenshire County Council. The Health Board intends to have a Clinical Delivery Unit, research and development unit and a hydrotherapy pool.

The construction of the hydrotherapy pool has been funded via Hywel Dda Health Charities charitable funds.

Capital requirements for the fit-out of the Clinical Delivery and the Research and Delivery Unit are circa £1.3m and the Health Board will be requesting capital funding from WG towards this. The Clinical Delivery and the research and development unit will be leased to us on a commercial rent basis.

Approval Stage: Capital bid not yet submitted to WG

Revenue Implication

| Building | Rent | Rates | Service Charge | Utilities | Other Costs | Total |
|-------------------------------------|------------|-----------|----------------|-----------|-------------|------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Indicative Pentre Awel Costs | 185 | 112 | 233 | 0 | 27 | 557 |
| Additional Hydrotherapy Staff Costs | 0 | 0 | 0 | 0 | 199 | 199 |
| <i>Less: existing costs</i> | | | | | | |
| Dura Park Llanelli | (35) | (13) | (5) | 0 | 0 | (53) |
| Antioch Centre Llanelli | (15) | (4) | 0 | 0 | (3) | (22) |
| Net Indicative Impact | 135 | 95 | 228 | 0 | 223 | 681 |

Notes

- Existing costs have been provided by the Estates Department
- Some payments do not separate elements such as rates and services charges
- There will be double-running costs at the commencement of the Pentre Awel lease due to the termination dates of existing leases
- The majority of staff transferring to Pentre Awel are based within Prince Phillip Hospital and there are therefore very limited directly attributable revenue savings.
- The revenue costs associated with staffing the hydrotherapy pool were approved in January 2021.

Backlog Maintenance:

This scheme does not reduce any backlog maintenance.

- **CROSS HANDS INTEGRATED CARE CENTRE**

Scheme Description: A new Integrated Care Centre in Cross Hands which will include two GP practices, Police, library, pharmacy and Health Board staff such as district nurses and Health Visitors.

The Health Board is currently reviewing the capital costs for inclusion within the Full Business Case.

Approval Stage: Full Business Case to be submitted to WG

Revenue Implication

| Building | Rent | Rates | Service Charge | Utilities | Other Costs | Total |
|--|-------------|------------|----------------|-----------|-------------|------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Indicative Cross Hands Costs | 0 | 158 | 0 | 116 | 385 | 659 |
| <i>Less: Income from third parties</i> | | | | | | |
| Pharmacy | (40) | (7) | 0 | (4) | (12) | (63) |
| Police | 0 | (3) | 0 | (2) | (5) | (10) |
| Library | (2) | (1) | 0 | (1) | | (4) |
| GP Surgeries | 0 | 0 | 0 | (28) | (74) | (102) |
| Other third parties | (20) | 0 | 0 | 0 | 0 | (20) |
| GMS reimbursements | 0 | (32) | 0 | 0 | (4) | (36) |
| <i>Less: existing costs</i> | | | | | | |
| Desks at Eastgate | 0 | 0 | 0 | 0 | (50) | (50) |
| Ambulatory Clinics in Community Halls / GP Surgeries | 0 | 0 | 0 | 0 | (59) | (59) |
| Llwynhendy Health Centre | 0 | 0 | 0 | 0 | (52) | (52) |
| Existing Cross Hands Health Centre Property Costs | 0 | 0 | 0 | 0 | (58) | (58) |
| Net Indicative Impact | (62) | 115 | 0 | 81 | 38 | 205 |

Notes

- The police have made a capital contribution and will therefore have a rent free period equivalent to that amount.

- *This assumes a prudent position where capital funding is not provided for decarbonisation initiatives and therefore the opportunities for efficiencies against utility costs are limited.*

Backlog Maintenance:

Backlog maintenance costs avoided through disposal of Cross Hands Health Centre = **£278k**

The above has attempted to identify the direct financial cost of these capital schemes and the potential opportunities available to offset these costs. They have a number of benefits however these tend to be qualitative and non-cash releasing and are not expected to deliver cash releasing efficiencies in the short-term.

It should be noted that these numbers are not finalised and will change as the business case processes evolve and schemes enter the construction phase.

Work is on-going with all impacted teams within the Health Board to identify any further opportunities for efficiencies.

Periodic detailed updates on these capital developments and any future ones where there are material revenue impacts will be provided to this Committee.

Argymhelliad / Recommendation

The Sustainable Resources Committee is requested to:

- **NOTE** the CRL for 2024/25
- **NOTE** the capital risks being managed
- **NOTE** the project updates.
- **NOTE** and scrutinise the revenue consequences of the capital schemes

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; <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: 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>Corporate Risk 1745 - of not being able to deliver safe, effective and timely services across the HB estate, including acute, community and mental health facilities.</p> |

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| | This risk also impacts the HB's non clinical estate, educational facilities and managed practices. Risk Score 15 |
| 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:

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|--|--|
| 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)

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| Ariannol / Gwerth am Arian: Financial / Service: | Capital values noted within the report. Included within individual business cases and Capital prioritisation process. |
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| 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 received in 2023/24:

| Scheme | Total £'m | Additional £'m | Costs included in current budgets (replacement) £'m |
|--|---|-------------------|--|
| AWCP | | | |
| 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 - RAAC Fees and Works | Future ongoing survey and other costs not yet known | | |
| GGH Fire Enforcement Phase 1 | 0.00 | 0.00 | 0.00 |
| GGH Fire Enforcement works – Phase 2 - Fees | 0.00 | 0.00 | 0.00 |
| Cross Hands Health and Wellbeing Centre | See Revenue Consequences of Capital Schemes Section | | |
| BGH Digital Radiology X-Ray works | 0.00 | 0.00 | 0.00 |
| Sub-total AWCP | 0.00 | 0.00 | 0.00 |
| Discretionary/receipts | | | |
| IT | 0.00 | 0.00 | 0.00 |
| Equipment | 0.14 | 0.00 | 0.14 |
| Estates Statutory | 0.00 | 0.00 | 0.00 |
| 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 | 0.14 | 0.00 | 0.14 |

The above table shows the total revenue costs as a consequence of capital expenditure in 2023/24 as £0.14m. Total additional costs are estimated at £0.00m 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.