



**PWYLLGOR ADNODDAU CYNALIADWY
SUSTAINABLE RESOURCES COMMITTEE**

DYDDIAD Y CYFARFOD: DATE OF MEETING:	30 April 2024
TEITL YR ADRODDIAD: TITLE OF REPORT:	Update on All-Wales Capital Programme 2023/24 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

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 risks being managed
- 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 final CRL for 2023/24 has been issued with the following allocations:

Allocation	£'m
All Wales Capital Programme (AWCP)	39.539
Discretionary Programme (gross allocation)	5.435
Disposal Proceeds	0.060
International Financial Reporting Standards (IFRS) 16 Leases	1.945
Total	46.979

In addition, £0.491m of Value Added Tax (VAT) recovery is available for use following completion of the review of the 2022/23 programme.

Capital receipts of £0.06m have been received due to the disposal of a number of items of medical equipment through the year such as ultrasounds.

Since the previous report, the following changes to the CRL have been made:

Scheme	£m	Description
Withybush Hospital (WGH) Fire Enforcement Works Phase 1 (additional funding)	0.599	Additional funding to cover expenditure in March 2024.
Diagnostic Equipment	-0.050	Part of funding returned to Welsh Government (WG) as there was an error in the quantities of equipment which were being funded.
Year-end funding	0.782	Medical equipment replacement and some minor Estates works.
Digital Prioritisation Investment Funding (DPIF)	0.444	Funding towards national digital priorities.
Diagnostic Equipment (additional allocation)	1.171	Replacement Digital Radiography (DR) room at Bronglais Hospital (BGH), image intensifiers and MRI upgrades.
Digital Year-End Funding	2.031	Investment in replacement switches, firewalls, hardware and cyber security.
International Finance Reporting Standards (IFRS) 16	0.761	Additional funding for new and renewed leases.
Total	5.738	

In addition to the resource allocated through the CRL and the net book value of disposals, the Health Board is able to make capital purchases through donations.

Allocation	£m
All Wales Capital Programme (AWCP)	39.539
Discretionary Programme (gross allocation)	5.435
Disposal Proceeds	0.060
Donations	0.812
IFRS 16 leases	1.945
Total Resource Available	47.791

The un-audited Capital Expenditure position for 2023/24 is detailed in the table below:

Scheme	Un-audited Spend 2023/24 £m
AWCP	
WGH Fire Enforcement Works (Phase 1)	5.954
WGH Fire Decant Ward	7.135
WGH Fire Precaution Works (Phase 2)	0.746
Glangwili Hospital (GGH) Fire Enforcement Works (Phase 1)	6.233
GGH Fire Enforcement Works (Phase 2)	0.259

Cross Hands Primary Care Scheme	1.041
Sanctuary Provision (Bro Myrddin)	0.291
Estates Funding Advisory Board (EFAB) Infrastructure	2.254
EFAB Fire	1.142
EFAB Decarbonisation	0.801
National Programmes – Decarbonisation	0.063
Women’s and Childrens Phase 2 GGH	0.671
Reinforced Autoclaved Aerated Concrete (RAAC)	6.847
Diagnostic Equipment	1.270
Emergency Department and Minor Injury Unit Improvements	0.367
Year End Funding	0.767
DPIF	1.757
Diagnostic Equipment (additional allocation)	1.170
Digital Year End Funding	0.628
Sub-total AWCP	39.396
Discretionary	
IT	1.568
Equipment	2.258
Estates – Statutory	0.400
Estates – Infrastructure	0.900
Other	0.480
Sub-total Discretionary	5.606
Donated Assets	0.812
IFRS 16	
New and renewed leases	1.945
Sub-total IFRS 16	1.945
TOTAL	47.759

Against the resource available, the unaudited expenditure position for the year is an underspend of £0.032m

The revenue implications of this spend is detailed in Appendix 1.

Equipment Vested or Bonded at Year-End

There was a requirement to vest one item of equipment (the DR equipment at BGH). This was planned and funding will be received from WG in 2024/25 for the enabling works.

Financial Risks associated with Capital Schemes in 2024/25

GGH Fire Precaution Works

The latest cost reports indicate that the scheme will exceed its total funding allocation.

The reasons 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 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 for product manufactures 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– Specialist Estates Services (NWSSP-SES). In addition to this, a significant number of door locations require additional works to reconstruct 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 or deposits.
- Noting all of the above and the increased activity and intensity of the work, the impact on clinical services meant we experienced far greater disruption to progress due to the needs of the service than expected at Business Justification Case stage with GGH being the busiest and most congested of the Health Board 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.

Meetings have been held with WG and NWSSP-SES to discuss arrangements for claiming additional funding and it is anticipated that this will follow a similar process as for the WGH Phase 1 overspend, which is claimed monthly in arrears.

The Health Board has submitted a paper to WG in April 2024 requesting additional funding for the current expected overspend. Our external advisors have estimated that circa 25% of the programme is remaining and this has been utilised to estimate the forecast overspend. We have also included a 10% risk contingency due to the risk of programme prolongation and as yet unidentified works.

The total additional funding request is £7.6m.

WG has requested additional assurances with regards to the steps which the Health Board are taking to minimise spend and a formal response will be made over the next couple of weeks.

The 2024/25 allocation of £3m is likely to be expended by July/August 2024. Should a decision not be received from WG by that time, then options would include stopping or pausing works or funding from other sources such as the discretionary programme or Estates Funding Advisory Board (EFAB) funding.

A risk is currently being drafted to reflect this position.

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.

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)

WGH Fire Compliance Work

The Business Justification Case for Phase Two of the Fire Compliance works has been approved by the HDdUHB Board on the 28 March 2024 for submission to WG.

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 a request has been made to WG for additional funding.

Cross Hands Health & 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 June 2024 (following Board approval).

WGH Reinforced Autoclaved Aerated Concrete (RAAC) Works

Extensive work is underway at WGH 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.

Bronglais Chemotherapy Day Unit

Work on a new Chemotherapy Day Unit at BGH will commence 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 Boards discretionary Capital Programme.

Argymhelliad / Recommendation

The Sustainable Resources Committee is requested to:

- **NOTE** the draft year end outturn against the CRL for 2023/24
- **NOTE** the capital risks being managed into 2024/25
- **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; <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>
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
Parthau Ansawdd: Domains of Quality Quality and Engagement Act (sharepoint.com)	7. All apply
Galluogwyr Ansawdd: Enablers of Quality: Quality and Engagement Act (sharepoint.com)	6. 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	8 Estates plans 9 Digital plan
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 Termau: 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)	
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 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			
WGH Fire Enforcement works – Phase 1	Business Case assumed no additional costs		
WGH Fire Enforcement – Decant Ward Fees	0.04	0.04	0.00
WGH Fire Precaution works – Phase 2	Business Case assumed no additional costs		
GGH Fire Enforcement works – Phase 1	Business Case assumed no additional costs		
GGH Fire Enforcement works – Phase 2	Business Case currently in development		
Cross Hands Health and Wellbeing Centre	Business Case currently in development		
Sanctuary Provision Children and Young People	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
National Programmes – Decarbonisation			
Women and Children's Phase 2	0.53	0.53	0.00
WGH – RAAC Fees and Works	Future ongoing survey and other costs not yet known		
Diagnostic Equipment	0.13	0.00	0.13
Emergency Department and Minor Injury Improvements	0.00	0.00	0.00
Year End Funding	0.07	0.00	0.07
DPIF	0.00	0.00	0.00
Diagnostic Equipment (additional allocation)	0.09	0.00	0.09
Digital Year End Funding	0.00	0.00	0.00
Sub-total AWCP	0.86	0.57	0.29
Discretionary/receipts			
Estates – Statutory	0.00	0.00	0.00
IT	0.00	0.00	0.00
Equipment	0.20	0.00	0.20
Estates Infrastructure	0.00	0.00	0.00
Other	0.00	0.00	0.00
Sub-total Discretionary	0.20	0.00	0.20
TOTAL	1.06	0.57	0.49

The above table shows the total revenue costs as a consequence of capital expenditure in 2023/24 as £1.06m. Total additional costs are estimated at £0.57m and costs assumed to be included in current revenue budgets, as they are equipment replacements, totals £0.49m.

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.