

<b>Meeting Date</b>	<b>28 January 2025</b>	<b>Agenda Item</b>	<b>2.3</b>
<b>Report Title</b>	<b>Draft Capital Resource Plan 2025-26</b>		
<b>Report Author</b>	Ian MacDonald, Assistant Director of Finance (Strategy & Planning)		
<b>Report Sponsor</b>	Darren Griffiths, Executive Director of Finance & Performance		
<b>Presented by</b>	Ian MacDonald, Assistant Director of Finance (Strategy & Planning)		
<b>Freedom of Information</b>	Open		
<b>Purpose of the Report</b>	To present an updated draft 2025-26 Capital Resource Plan for discussion. To provide an update on the outcome of the national Capital Prioritisation exercise.		
<b>Key Issues</b>	<p>A draft Capital Resource Plan for 2025-26 based on the latest allocations has been developed for discussion. Options are presented to achieve a balanced 2025-26 position, with further work required on plans from the Service Delivery Units and implementation of the new national Waste strategy from April 2026.</p> <p>The plan includes the outcome of the national prioritisation exercise which impacts the 10-year major capital business case portfolio.</p>		
<b>Specific Action Required</b> <i>(please choose one only)</i>	<b>Information</b>	<b>Discussion</b>	<b>Assurance</b>
	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>Recommendations</b>	<p>Members are asked to:</p> <ul style="list-style-type: none"> <li>• <b>NOTE</b> the updated draft 2025-26 Capital Resource Plan with options to balance and further work required on plans from the Delivery Units.</li> <li>• <b>NOTE</b> the outcome of the national capital prioritisation exercise with discussions required to progress business cases and agree service options for cases on hold.</li> </ul>		

## DRAFT 2025-26 CAPITAL RESOURCE PLAN

### 1. INTRODUCTION

To provide an updated draft 2025-26 Capital Resource Plan for discussion, including an update on the latest position of the national prioritisation exercise for major capital business cases funded through the AWCP (All Wales Capital Programme).

### 2. BACKGROUND

An initial draft of the 2025-26 Capital Resource Plan, along with indicative allocations for 2026-27 and 2027-28 is included here for discussion. The plan has been developed from the usual sources of information, including contractual commitments, bids through the Capital Prioritisation Group (CPG), and major equipment replacement work programmes including digital and estates. A detailed slide pack is included in Annex A.

A ten-year prioritised capital programme was submitted to WG in March 2024 as part of the Health Board's annual plan submission. The estimated capital funding requirement of £821m included some business cases that were already in production but which due to the unavailability of WG business case fee funding were placed on hold. Several business cases have been completed and submitted to WG for approval where business case fee funding was already in place. The main sections are summarised below, and more detail is provided in Annex B.

#### **Financial context:**

- We are aiming for breakeven in 2024-25. Recent in-year allocations of £9.1m from WG for medical equipment, digital replacements and estates infrastructure have significantly eased the in-year pressure on emerging service and infrastructure risks and will allow the 2025-26 plan to start from a more stable base.
- The 2025-26 discretionary plan reflects initial WG advice on the NHS All Wales Capital Prioritisation and initial core funding allocations received on 3/12/24 (Phase 1 Annex B).
- Our prioritised 10-year forecast for the All-Wales Capital Programme (AWCP) remains in place, with work continuing on those cases where design fee funding is available. Others have remained on-hold pending the outcome of the national prioritisation work. Advice received on 9/1/25 on the outcome of the National Capital Prioritisation work (Phase 2 Scheme Specific – see Annex B) provides clarity on those business cases which can be developed for consideration and other proposals which fall outside of the scope of the national capital plan at this stage.

## Key financial challenges and opportunities

- Significant national capital funding constraints remain. The level of discretionary funding has continued to be eroded against inflation and continued growth in the fixed asset base in medical equipment and digital devices, with no national uplift to discretionary allocations since 2010. Following the 2022/23 national reduction in core capital funding 24%/£100m, the local reduction of £2.7m was fully reinstated in 2024/25 (following a 50% reinstatement in 2023/24).
- Phase 1 of the national Capital Prioritisation work has provided core uplifts across several areas for 2025/26 (WG 3/12/25 Annex B).
  - A 19.3% national uplift to discretionary allocations from £83.7m to £100m. The impact for SBUHB is an uplift of 24%/£2.7m to £13.875m.
  - National funding allocations are also to be made for a) TEF (Targeted Estates Fund) £40m, b) Diagnostic Equipment Replacement Programme £15m and c) Digital Replacement Programme £10m, with these allocations for both 2025/26 and 2026/27. Work has already commenced locally to bid against these national allocations.
- NPT PFI fixed contractual element for lifecycle replacement £1.389m [note: commencement of gradual reduction in contractual commitment for lifecycle which ends in 2027/28 in advance of hand back in May 2030].

## Draft Capital Resource Plan

This initial draft plan provides an outline to achieve an opening balanced plan. Further detail is provided in Annex A.

Allocation	Opening Plan	Less Funding Provided 2024/25	Less Service Change Choice	Less Approved National Funding	Less Charitable Funds Available	Less Potential National Funding	Updated Plan	Option 1	Option 2	Option 3	Final Draft Proposed Plan	Draft Years 2 & 3		
								Less Potential Adjustments (Risk Score 16 & below)	Less Revenue Funding Option available via lease (IFRS 16) / Short-Term Lease	Less Temporary On-Hold		Indicative Year 2 Plan 2026/27	Indicative Year 3 Plan 2027/28	
£000														
A Discretionary Allocation	-13,875	0	0	0	0	0	-13,875	0	0	0	-13,875	-13,875	-13,875	
B Income Adjustments	-125	0	0	0	0	-609	-734	0	0	0	-734	0	0	
C Commitments	19,705	0	0	-15,169	0	0	4,536	0	0	0	4,536	2,911	3,136	
D Refresh & Other Allocations	23,855	0	0	0	0	-8,748	15,106	-5,451	0	-738	8,917	9,624	10,739	
E IMTP Choices	3,095	0	0	0	0	0	3,095	-600	0	-1,340	1,155	1,340	0	
<b>Total -Under / Over Commitment</b>	<b>32,655</b>	<b>0</b>	<b>0</b>	<b>-15,169</b>	<b>0</b>	<b>-9,357</b>	<b>8,129</b>	<b>-6,051</b>	<b>0</b>	<b>-2,078</b>	<b>-0</b>	<b>-0</b>	<b>-0</b>	

- **Section A.** Discretionary allocation uplifted by £2.77m/24% to £13.875. This is the first uplift to discretionary capital baseline allocations since 2010, to recognise age and risks across the estate. Overall national uplift 19.3%.
- **Section B.** Income adjustments, include Board approved disposals. No account taken for recovery of expended business case fees from the AWCP, expect for those cases which have received WG approval to proceed for business case development.
- **Section C.** Commitments including AWCP schemes (spend & income), City Deal and NPT PFI contract £1.4m.

- **Section D.** Refresh allocations for the existing fixed asset base include risk assessed bids provided by the services units and corporate departments with oversight provided by the Capital Prioritisation Group. Includes replacement programmes for digital services (infrastructure & devices), estates backlog maintenance and medical equipment. Potential adjustments £6.2m include £2.9m medical equipment risks scored at 16.
- **Section E.** IMTP choices. Includes £1.1m allocations for design work linked to future estates infrastructure issues – may allow access to future TEF funding bids.

The combination of significant backlog maintenance (estates, equipment and digital) means investment from the discretionary allocation for service change/recovery projects is likely to be limited and difficult choices will be required to achieve a balanced opening 2025/26 capital resource plan.

Further work is required to be undertaken during the next month before bringing a final plan for approval to assess,

- a) Service Group priorities following the recent Executive Team reviews.
- b) Implementation of new national waste regulations from April 2026.

### **NHS – All Wales Capital Prioritisation (Scheme Specific)**

Our prioritised 10-year forecast for the All-Wales Capital Programme (AWCP) remains in place following submission with the annual plan in March 2024. Design work has continued on those cases where design fee funding was made available by WG. Others have remained on-hold pending the outcome of the national prioritisation work. Advice received on 9/1/25 on the outcome of the National Capital Prioritisation work (Phase 2 Scheme Specific - see Annex B) provides clarity on those business cases which can be developed for consideration and other proposals which fall outside of the scope of the national capital plan at this stage. In summary with further detail provided in Annex B

#### **Business Cases Already Approved for Construction Phase**

- 2<sup>nd</sup> CT-SIM, SWWCC, Singleton £2.630m
- Permanent PET-CT, SWWCC, Singleton £13.931m

#### **Business Cases that can be developed for consideration by WG**

- ED Improvements, Morriston. Business Case Scoping meeting to be held with WG.
- Urology OR1 Theatres, NPT £4.285m. Submitted Sept 2024. Awaiting WG scrutiny comments.
- Hybrid Vascular Theatre, Morriston £10.135m. Submitted May 2024. WG scrutiny comments received. Further work required on revenue increase and cash releasing benefits.

Business Cases (where design work had commenced with previous WG support)  
now On-Hold as Outside Scope of National Capital Plan

- Thoracic Morriston, OBC
- Regional Pathology, Morriston, OBC
- Adult Acute Mental Health, Cefn Coed, OBC
- Swansea Wellness Centre, OBC

Business Case in Production – with other funding streams

- Imaging Replacement Programme, CT1 Morriston (National Imaging)
- Morriston Access Route, Hybrid Planning Application (City Deal)
- Seclusion Suite, Medium Secure Unit, Glanrhyd (tbc)
- Dan y Deri Learning Disabilities (HCF)
- Croeserw Health and Wellbeing Centre (IRCF).

Further discussions will be required on alternative options for those cases that have been advised by WG to be outside the scope of the capital plan at this point. Annex B provides detail on the internal business case status and outcome from this recent feedback on the national prioritisation. These options could include alternative service solutions, service mitigations and alternative sources of funding. Although the unaffordability of the on-hold schemes is disappointing, there are many positive messages given that the top 11 priorities are either approved to move to construction, endorsed to progress with developing a business case or can be considered as part of national core replacement programme funding (estates, digital, diagnostic).

### **3. GOVERNANCE AND RISK ISSUES**

The combination of significant backlog maintenance (estates, equipment and digital) means investment from the discretionary allocation for service change/recovery projects is likely to be limited and difficult choices will be required to achieve a balanced opening 2025/26 capital resource plan. There is an increased possibility that new service requests, including those with a high-risk score will be unable to be receive capital funding during 2025/26 within the capital resources made available to the Health Board. These risks will continue to be assessed through the Capital Prioritisation Group and raised up through the Management Board.

A risk register entry (Risk 93) has been included in the Health Board risk register and is currently assessed as a 20-score risk.

### **4. FINANCIAL IMPLICATIONS**

The combination of significant backlog maintenance (estates, equipment and digital) means investment from the discretionary allocation for service change/recovery projects is likely to be limited and difficult choices will be required to achieve a balanced opening 2025/26 capital resource plan.

Following recent feedback from WG on the national capital prioritisation exercise, further discussions will be required to clarify business case production and service change option and service mitigations, including alternative sources of funding.

## **5. RECOMMENDATIONS**

Members are asked to: -

- **NOTE** the updated draft 2025-26 Capital Resource Plan with options to balance and further work required on plans from the Delivery Units.
- **NOTE** the outcome of the national capital prioritisation exercise with discussions required to progress business cases and agree service options for cases on hold.

<b>Governance and Assurance</b>		
<b>Link to Enabling Objectives</b> <i>(please choose)</i>	<b>Supporting better health and wellbeing by actively promoting and empowering people to live well in resilient communities</b>	
	Partnerships for Improving Health and Wellbeing	<input type="checkbox"/>
	Co-Production and Health Literacy	<input type="checkbox"/>
	Digitally Enabled Health and Wellbeing	<input type="checkbox"/>
	<b>Deliver better care through excellent health and care services achieving the outcomes that matter most to people</b>	
	Best Value Outcomes and High Quality Care	<input checked="" type="checkbox"/>
	Partnerships for Care	<input type="checkbox"/>
	Excellent Staff	<input type="checkbox"/>
	Digitally Enabled Care	<input type="checkbox"/>
	Outstanding Research, Innovation, Education and Learning	<input type="checkbox"/>
<b>Health and Care Standards</b>		
<i>(please choose)</i>	Staying Healthy	<input type="checkbox"/>
	Safe Care	<input type="checkbox"/>
	Effective Care	<input type="checkbox"/>
	Dignified Care	<input type="checkbox"/>
	Timely Care	<input type="checkbox"/>
	Individual Care	<input type="checkbox"/>
	Staff and Resources	<input checked="" type="checkbox"/>
<b>Quality, Safety and Patient Experience</b>		
Without additional funding support from WG, further requests for capital funding will not be affordable within the allocated resources. This may impact on new service requests for additional capital funding for estates, medical equipping and digital services.		
<b>Financial Implications</b>		
The financial implications and funding risks are as detailed within the body of the report. The combination of significant backlog maintenance (estates, equipment and digital) means investment from the discretionary allocation for service change/recovery projects is likely to be limited and difficult choices will be required to achieve a balanced opening 2025/26 capital resource plan.		
<b>Legal Implications (including equality and diversity assessment)</b>		
None		
<b>Staffing Implications</b>		
None		
<b>Long Term Implications (including the impact of the Well-being of Future Generations (Wales) Act 2015)</b>		
n/a		
<b>Report History</b>	Draft Capital Resource Plan v1 PFC 17/12/2024 Approved Capital Plan Board March 2024	
<b>Appendices</b>	Annex A - Draft Capital Resource Plan 2025-26 Annex B – Major Capital Business Case Portfolio	