

BGH Chemotherapy Day Unit Final Briefing Paper

June 2024

Hywel Dda University Health Board

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Audit and Assurance Services conform with all Public Sector Internal Audit Standards as validated through the external quality assessment undertaken by the Chartered Institute of Public Finance & Accountancy in April 2023.

Acknowledgement:

NHS Wales Audit and Assurance Services would like to acknowledge the time and co-operation given by management and staff during the course of this review.

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1. Introduction & Background

- 1.1 The Health Board's Oncology Services Review (2015) highlighted that the physical environment of the Bronglais General Hospital (BGH) Chemotherapy Day Unit (CDU) is unsatisfactory for both patients and staff. A Project Group was established in 2017 to identify and agree a suitable site for the development of a new CDU, with the then Deputy Chief Executive as Senior Responsible Officer and Ceredigion County Director as Project Director.
- 1.2 In September 2019 a business case was presented to Board to request approval of the re-location of the CDU to Y Banwy Ward, based on a total estimated cost of £1,822,306 to be funded by discretionary capital (20%), existing charitable funds (47%) and a dedicated fundraising appeal for the remaining 33%.
- 1.3 Following successful use of Y Banwy as a COVID-19 ward, the decision was taken to retain this facility in the event of future pandemics. An alternative was identified – refurbishment of the existing Leri Day Building – approved by Executive Team, Charitable Funds Committee and Board in 2021. The provisional estimated costs for this were £2,197,717.
- 1.4 Subsequent iterations of the Development Approval Form (DAF) see the forecast project out-turn cost (incl VAT) increase to £2,532,925.58, reported to the Charitable Funds Committee in November 2023. The tender return (December 2023) was £4.05m, reduced to £3.63m following Bill of Reductions - representing a funding shortfall in excess of £1.1m.
- 1.5 A briefing note to advise on the post-tender position in respect of the BGH CDU was prepared on 22 January 2024 to inform the project team and subsequent decision-making. The Project Team explored alternative options to continue to deliver the project.
- 1.6 An update to the Charitable Funds Committee in March 2024 included a preferred (clinically approved) option with a reduced funding shortfall of £389,468. The Committee agreed to fund this from existing charitable funds.

2. Scope

- 2.1 This high-level advisory review was jointly commissioned by the Director of Finance and Director of Corporate Governance. It has focused specifically on the reason for the variation between the estimated costs and subsequent tender return relating to the redevelopment of the BGH CDU, and the process for escalating the funding shortfall, to identify any lessons for learning.
- 2.2 We have not reviewed or considered the appropriateness of cost estimates or tender returns. The review has focused solely on internal health board and charitable fund processes.

- 2.3 No formal recommendations have been made within this review and there is no assurance rating applied. Lessons for learning for future projects have been identified where appropriate within section 3 below.

3. Summary of Findings

Finding 1: Approval to Proceed to Tender

- 3.1 The *Certificate of Readiness to Proceed to Tender*, which includes a declaration that the Pre-Tender Estimate is within the approved budget, was signed by the Project Director on 25 October 2023 – over three weeks before the Pre-Tender Estimate (PTE) was received on 17 November 2023.

Future Learning: In future, the Certificate of Readiness to Proceed to Tender should be completed following receipt of the PTE.

- 3.2 The PTE was £1.176m more than the current Development Approval Cost Form (DAFv9), and the first indication that the project out-turn cost was likely to significantly exceed budget cost estimates and available funding. See Finding 5 re escalation.

- 3.3 We were unable to verify if and when the PTE was communicated to the Project Director and approval given to proceed to tender:

- A briefing note prepared for the Director of Operations (Senior Responsible Officer) in January 2024 stated that the PTE had been issued to and approved by the Project Director on 17 November 2023 (the same day it was received).
- Following our request for evidence, we were advised by the Capital Project Team that it was communicated and verbally approved via Teams meeting on 20 November 2023. The tender was issued the same day.
- The Project Director could not recall either event.

Future Learning: The decision/approval to proceed to tender should be based on (and therefore obtained following receipt of) the Pre-Tender Estimate.

Finding 2: Construction Framework

- 3.4 Hywel Dda and Swansea Bay UHBs established a construction framework which is capable of delivering construction projects up to £2m net construction works value. The final contract award (following value engineering to reduce the funding shortfall) was within this threshold.

- 3.5 However, at the point of obtaining a quotation via the framework, the PTE value was in excess of the £2m threshold and therefore it was not appropriate to use this framework based on the information available at the time.

Future Learning: Ensure the most appropriate procurement route is followed based on the expected contract value, seeking advice from NWSSP Procurement Services

and/or Specialist Estates Services if appropriate. Decisions to proceed to market where reliable evidence suggests the expected value will exceed the framework threshold should have prior approval from an appropriate Executive Director such as the Director of Operations (as SRO in this instance) and/or Director of Finance.

Finding 3: Engagement of Cost Advisors

- 3.6 We are advised that budget cost estimates (prior to engagement of cost advisors) per m² were in line with the latest Building Cost Information Service (BCIS) indices at that time.
- 3.7 The initial tender return was reasonably in line with the pre-tender estimate suggesting that the both the estimate and quotation are reflective of market conditions at that time.
- 3.8 Following receipt of the tender in December 2023, advice from NWSSP Specialist Estates Services was that there are no post COVID benchmark figures available for refurbishment work.

Future Learning: In light of market volatility post-covid, it would be prudent to consider earlier engagement of cost advisors to strengthen budget cost estimates, ensure early identification of funding gaps and ample time for any necessary project amendments before proceeding to tender.

Finding 4: Delegation of Project Director Duties

- 3.9 The Project Director was unavoidably absent at short notice for a period of approx. 6 weeks in November/December and the role was not delegated. Notably, the tender was issued and returned during this period of absence. This has contributed to the delay in escalating the tender return and result funding gap (see finding 5 below).

Future Learning: Absence of a key project officer (such as the Project Director) requires timely identification and delegation of critical tasks and decision making, with ultimate responsibility resting with the Senior Responsible Officer.

Finding 5: Escalating the Funding Gap

- 3.10 The PTE on the 17 November 2023 was the first indication of a funding gap, subsequently confirmed by the tender return on 14 December 2023.
- 3.11 Email correspondence provided to us indicates that the Project Director became aware of the issue on 16 January 2024. The Chair of the Charitable Funds Committee was notified on 17 January 2024 by the Head of Charities, and the Director of Operations (Senior Responsible Officer) was not notified until the 18 January 2024 by the Project Director.
- 3.12 The PTE (and resultant funding gap) was not reported to the Project Delivery Group until 18 January 2024 as the November meeting was prior to receipt of the PTE

and the December 2023 meeting was cancelled in the absence of the Project Director.

- 3.13 As a result, the Head of Charities was not aware of the funding gap when they provided a project update to the Charitable Funds Committee on 28 November 2023 reporting a positive net funding balance of £74k based on DAFv9.

Future Learning: Timely escalation of key information to the Senior Responsible Officer and Project Delivery Group. Linked to Finding 4 – delegation of Project Director duties.

Chronology

This section summarises the key events pertinent to this review in chronological order:

Date	Event				
August 2023	<p>DAF v9</p> <table border="1"> <tr> <td>Works Cost</td> <td>£1,432,244.78 excl VAT</td> </tr> <tr> <td>Forecast Project Out-Turn Cost</td> <td>£2,532,925.58 incl VAT</td> </tr> </table> <p>Based on £1888.42m². BCIS indices give a range of £1500-£2700m²</p>	Works Cost	£1,432,244.78 excl VAT	Forecast Project Out-Turn Cost	£2,532,925.58 incl VAT
Works Cost	£1,432,244.78 excl VAT				
Forecast Project Out-Turn Cost	£2,532,925.58 incl VAT				
25 October 2023	Certificate of Readiness to Proceed to Tender signed by Project Director				
November / December	Project Director on leave for approx. 6 weeks (specific dates unknown)				
17 November 2023	<p>Pre-Tender Estimate received</p> <table border="1"> <tr> <td>Works Cost</td> <td>£2,272,480.00 excl VAT</td> </tr> <tr> <td>Forecast Project Out-Turn Cost</td> <td>£3,709,821.63 incl VAT</td> </tr> </table>	Works Cost	£2,272,480.00 excl VAT	Forecast Project Out-Turn Cost	£3,709,821.63 incl VAT
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17 / 20 November 2023	Project Director approval to proceed to tender (no evidence of this)				
20 November 2023	Tender issued: Framework CAP-OJEU-91888				
28 November 2023	Charitable Funds Committee – Head of Charities reports positive funding balance of £73,298.51 based on costs in DAF v9				
14 December 2023	<p>Tender return</p> <table border="1"> <tr> <td>Works Cost</td> <td>£2,557,704.70 excl VAT</td> </tr> <tr> <td>Forecast Project Out-Turn Cost</td> <td>£4,052,091.27 incl VAT</td> </tr> </table>	Works Cost	£2,557,704.70 excl VAT	Forecast Project Out-Turn Cost	£4,052,091.27 incl VAT
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January 2024	<p>Bill of reductions</p> <table border="1"> <tr> <td>Works Cost</td> <td>£2,357,704.00 excl VAT</td> </tr> <tr> <td>Forecast Project Out-Turn Cost</td> <td>£3,838,010.43 incl VAT</td> </tr> </table> <p>Equates to £4096.17m².</p>	Works Cost	£2,357,704.00 excl VAT	Forecast Project Out-Turn Cost	£3,838,010.43 incl VAT
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16 January 2024	Project Director informed Head of Charities of funding shortfall, who escalated to Director of Nursing and Chair of the Charitable Funds Committee				
18 January 2024	Project Director informed Director of Operations funding shortfall				
18 January 2024	Project Delivery Group - reported £1.3m shortfall on project (£3.9m gross cost bill of reductions v £2.6m total funding)				
22 January 2024	Briefing note provided to inform Project Team				
January – March 2024	Value engineering exercise to revise project specification to reduce funding gap				
12 March 2024	Charitable Funds Committee – SBAR presented with revised plan to deliver the BGH CDU. Revised forecast project out-turn cost £3,073,861.00 – funding shortfall reduced to £389,468.91. CFC approved to fund.				
28 March 2024	Same SBAR presented to Corporate Trustees (minutes not yet available)				
10 April 2024	<p>Certificate of Readiness to Award Contract signed by Project Director, Director of Strategy & Planning, Director of Finance and Interim Chief Executive.</p> <p>Works costs (contract value) £1,788,706.94 excl. VAT.</p>				



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