

Backlog Maintenance

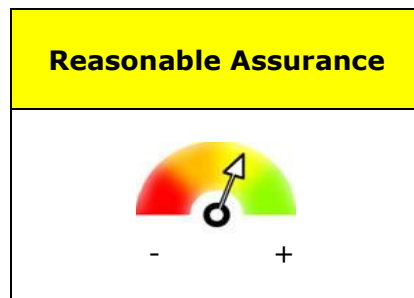
Final Audit Report

2020/21

Hywel Dda University Health Board

NHS Wales Shared Services Partnership

Audit and Assurance Services



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| Review reference: | SSU HDU 2021 08 |
| Report status: | Final |
| Fieldwork commencement: | 21 st September 2020 |
| Fieldwork completion: | 16 th October 2020 |
| Draft report issued: | 23 rd October 2020 |
| Draft Report meeting: | 2 nd November 2020 |
| Proposed Final report issued: | 11 th November 2020 |
| Management response | 27 th November 2020 |
| Final report issued: | 30 th November 2020 |
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ACKNOWLEDGEMENT

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

Please note:

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1. Introduction and Background

The audit forms a part of the approved 2020/21 internal audit plan.

The latest backlog figures available for Hywel Dda UHB (for March 2020) showed an estimated backlog maintenance figure of £62m, of which, £42m posed "*significant*" risk. As the core estate within Hywel Dda continues to age, it is pertinent to review the ongoing mitigation and management of backlog issues.

This places it as one of the Health Boards / Trusts in Wales with the most significant amount of backlog, as shown by the most recent all Wales figures published for 2018/19:

| | Risk Adjusted Cost* |
|------------------------------------|----------------------------|
| | (£) |
| Cardiff & Vale UHB | 99,533,086 |
| Betsi Cadwaladr UHB | 57,197,163 |
| Hywel Dda UHB | 41,603,871 |
| Aneurin Bevan UHB | 27,284,221 |
| Powys Teaching LHB | 26,872,720 |
| Abertawe Bro Morgannwg UHB | 12,584,388 |
| Welsh Ambulance Services NHS Trust | 9,498,966 |
| Cwm Taf UHB | 5,704,531 |
| Velindre University NHS Trust | 874,658 |

Note – Cwm Taf UHB and Abertawe Bro Morgannwg UHB have since been superseded by new UHB's.

* Definition of Risk Adjusted Cost provided at Appendix C.

Management were developing business cases to deliver the longer term service strategy (i.e. "*A Healthier Mid and West Wales: Our Future Generations living well*" published in November 2018), notably:

- "*Transforming our Hospitals*" – with the new West Wales Hospital as a key component;
- "*Transforming our Communities*" – for the non-acute sector;
- and
- "*Transforming Mental Health and Learning Disabilities*".

These business cases will include re-purposing two of the current acute sites.

Noting that these are longer term strategies, a "*Business Continuity/Major Infrastructure - Programme Business Case*" (PBC) had been prepared to address the backlog in the acute hospitals requiring £246.5m of investment across 20 years (i.e. accounting for natural deterioration/repair over a 20 year period and any associated works arising during refurbishment).

Other ad-hoc investment was also being sought to reduce backlog e.g. Statutory Fire Notices have been issued in respect of Withybush Hospital and a £12m business case was being compiled to address this immediate need. An assessment of fire related backlog at other sites was ongoing with further business cases to be developed.

This audit has considered the inter-relationship between these business cases, their potential delay in approval, and with particular focus on the interim and contingency positions.

Noting the impact of Covid-19, the delivery of this assignment has involved an increased element of remote working. Any limitations to the audit fieldwork as a consequence of the Covid-19 restrictions are clearly outlined at the report.

2. Scope and Objectives

The review was undertaken to determine the adequacy of, and operational compliance with, the UHB's systems and procedures, taking account of relevant NHS and other supporting regulatory and procedural requirements, as appropriate.

The audit evaluated the systems and controls in place within the UHB with a view to delivering assurance to the Audit Committee that risks material to the objectives of the areas covered were appropriately managed.

Accordingly, the scope and remit of the audit was directed to the following areas:

- **Governance**
 - Assurance that robust governance arrangements have been applied to ensure that the organisation stays abreast of backlog maintenance matters.

- **Management and delivery of the backlog maintenance plan.**

Assurance that:

 - any strategy to postpone or reduce investment has been risk appraised and approved within the defined governance arrangements;
 - sufficient arrangements were in place to support the planning, management and delivery of the maintenance plan;
 - the maintenance plan was appropriately costed (e.g. professionally, internally), at appropriate intervals, and figures appropriately re-based; and
 - where appropriate, business cases were prepared targeting capital funding from the Health Board's discretionary capital funding or All-Wales capital funding to address backlog maintenance issues.

- **Identification, Categorisation and risk prioritisation.**

Assurance that:

- identification of assets and associated backlog was maintained in an appropriate format to allow review and interrogation;
 - the Health Board had appropriate systems in place to categorise, prioritise and manage its maintenance programme according to risk and aligned with the organisation's priorities;
 - redundant estate was removed from the backlog maintenance record; and
 - records were adjusted to reflect completed maintenance.
- **Monitoring and reporting** - assurance that:
 - the position of statutory, other priority, and general backlog maintenance was separately identified against targets;
 - the financial performance of the delivery of the maintenance plan was monitored on an ongoing basis and reported to an appropriate forum;
 - reporting included effective trend and forecast information; and
 - safety, operational, and other risks were reported to an appropriate forum.
 - **Other**
 - Consideration of any other issues arising from the review relevant to the objectives of the audit.

3. Associated Risks

The potential risks considered in the review were as follows:

- The Board was unaware and/ or was not adequately informed to effectively assess and manage the risks associated with backlog maintenance (particularly statutory requirements).
- The status and value of backlog maintenance has not been defined and the probability and impact were not understood.
- Information was not interrogated to ensure focus is prioritised on the key risks.
- Performance in addressing identified priorities was not monitored potentially impacting organisational objectives.

OPINION AND KEY FINDINGS

4. Overall Assurance Opinion

We are required to provide an opinion as to the adequacy and effectiveness of the system of internal control under review. The opinion is based on the work performed as set out in the scope and objectives within this report. An overall assurance rating is provided describing the effectiveness of the system of internal control in place to manage the identified risks associated with the objectives covered in this review.

The most recently published data (*PBC 2018/19 table*), shows that 36% of the overall Hywel Dda (HDD) UHB estate was pre-1974 – a similar age to that of other health bodies (*as per the NHS Wales Estate Dashboard report 2018/19*).

As with other health bodies, backlog maintenance requirements are increasing due to the burden of an aging estate and insufficient annual funding available to address the same.

Recent increases in backlog at the UHB have largely arisen from changes in requirements from the Fire Authority, for which specific business cases were being developed (in accordance with Welsh Government guidance).

In managing this backlog position, arrangements currently benefit from:

- robust governance arrangements;
- embedded data collection arrangements, categorised by risk, and detailing investment need and expenditure by project;
- extensive reporting of the need for additional investment and associated risks;
- detailed and dynamic risk based mitigation plans, reacting to emerging backlog priorities;
- a detailed business case to provide approval and context for required investment in the estate over the next twenty years; and
- a new asset maintenance system, which will provide dynamic reporting capabilities.

While it is appreciated that the UHB are working within limited resources, the problem remains acute. Management have indicated that the Business Continuity/Major Infrastructure - Programme Business Case provides the only viable longer-term strategy to manage backlog issues. Management are clear that diverting additional discretionary capital would be insufficient to address the scale of emergent backlog issues, and would severely impact other investment programmes e.g. IT and medical equipment.


The Business Continuity/Major Infrastructure PBC was recently supported by the People, Planning & Performance Assurance Committee.

The UHB is also in the process of developing Acute, Non-Acute and Mental Health Programme Business Cases to reshape the service provision within the region. It has been recommended that each PBC should also detail the approach to managing backlog e.g. outlining realistic maintenance costs, and asset replacement programmes etc.

Further improvements have also recommended in relation to:

- current reporting, where there was need to better understand:
 - the relationship between "significant" risk values, and statutory requirements;
 - the causality of backlog; and
 - the annual out-turn position against planned backlog projects.
- associated data recording requirements to facilitate the reporting above; and
- improved methodology for risk assessing competing priorities.

In conclusion, it is recognised that the current backlog position was fully understood and has been well reported within the UHB. Arrangements were observed aimed at managing and reducing the backlog maintenance risks from discretionary funding, emergency funding or targeted All-Wales capital funding requests. However, management have identified the Business Continuity/Major Infrastructure PBC as the only viable longer term option to fully mitigate the risks. Whilst the situation remains acute, management arrangements were therefore being progressed address the issues. Accordingly a **reasonable assurance** is determined at the present time.

| RATING | INDICATOR | DEFINITION |
|-----------------------------|---|--|
| Reasonable Assurance |  | <p>The Board can take reasonable assurance that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Some matters require management attention in control design or compliance with low to moderate impact on residual risk exposure until resolved.</p> |

The overall level of assurance that can be assigned to a review is dependent on the severity of the findings as applied against the specific review objectives and should therefore be considered in that context.

5. Assurance Summary

The summary of assurance given against the individual objectives is described in the table below:

| Assurance Summary | | | | | |
|-------------------|---|--|--|---|--|
| 1 | Governance | | | ✓ | |
| 2 | Management of the backlog maintenance plan | | | ✓ | |
| 3 | Identification, categorisation, and risk prioritisation | | | ✓ | |
| 4 | Monitoring & Reporting | | | ✓ | |

*** The above ratings are not necessarily given equal weighting when generating the audit opinion.**

Design of Systems/Controls

The findings from the review have highlighted **three** issue that was classified as weaknesses in the system control/design for backlog maintenance.

Operation of System/Controls

The findings from the review have highlighted **seven** issues that were classified as weaknesses in the operation of the designed system/control for backlog maintenance.

6. Summary of Audit Findings

The key findings are reported within the Management Action Plan (**Appendix A**).

Governance



To obtain assurance that robust governance arrangements have been applied to ensure that the organisation stays abreast of backlog maintenance matters.

Robust governance arrangements were in place to the Executive via key committees. These were notably via:

- the *Capital Investment and Information Management and Technology Committee (CEIM&T)* (Chaired by the Executive Director of Planning, Performance and Commissioning);

- the *Capital Planning Group*, Chaired by the Assistant Director of Strategic Planning;
- the *Health and Safety Committee*, led by both Director of Nursing, Quality and Patient Experience, and the Director of Operations (the latter having executive responsibility for backlog); and
- *locality groups*, that review and update risks e.g. the *Capital Funding Prioritisation – Statutory H&S & Infrastructure (Carmarthen locality)*.

Direct responsibility for strategic oversight and estates planning was provided by the Head of Property Performance e.g. asset sales, surveys, analysis and proposals.

Operational management of backlog was provided by the Senior Estates Surveyor, via a database. This was regularly updated from changes in locality risk registers, backlog notifications and surveys.

While some improvement to the range of reporting has been recommended (see below), noting generally robust governance arrangements linking to the executive, a **reasonable assurance** is therefore determined.

Management of the backlog maintenance plan



To obtain assurance that sufficient arrangements are in place to manage the backlog maintenance plan.

The audit observed sound management arrangements in respect of the:

- appropriate risk assessment of backlog and development of mitigation plans;
- management of high risk issues and reaction to emergent risks;
- escalation of high risk issues with active re-prioritisation;
- risk appraised funding analysis; and
- associated reporting with dedicated papers on high risk areas e.g. fire.

Strategy

The Estates Strategy 2015-17 had targeted reduction of "significant" backlog to £7.3m over the three years to 2017. It has been well reported that subsequent availability of discretionary capital has been insufficient to drive down backlog.

Funding of backlog maintenance has been of the order of £1m - £1.5m p.a. for many years (from discretionary funds). Since the prior audit (published in May 2016), backlog has increased as follows:

| | High Risk £m | Significant Risk £m | Total High + Significant £m | Total backlog £m | Risk adjusted backlog (Appendix C) £m |
|-----------------------|-----------------|---------------------------|-----------------------------------|------------------------|--|
| March 2016 | £2.4 | £22.7 | £25.1 | £52.0 | £26.5 |
| March 2020 | £0.0 | £41.9 | £41.9 | £62.2 | £43.2 |
| | | | | | |
| Increase / decrease | -£2.4 | £19.2 | £16.8 | £10.2 | £16.7 |
| % increase / decrease | -100% | 85% | 67% | 20% | 63% |

i.e.

- "High risk" backlog has been eliminated;
- overall backlog has increased 20% in 4 years (c. 5% p.a.); and
- the data indicates risk potential of the backlog to impact clinical operations has significantly increased (**Appendix C**).

Delivery of the backlog plan was impacted particularly in 2020/21 by prioritisation of efforts to support the Covid-19 response. However, the availability of contingency funding has ensured continuation of essential services (e.g. temporary boilers).

The Deputy Director of Operations has undertaken an analysis of required investment and associated risk (of constrained investment) and reported to the CEIM&T Committee in June 2020. This analysis concluded that, alongside the investment to address the backlog, a significant increase in annual investment was required from £1m - £1.5m p.a. currently to circa £5m p.a. to maintain the estate in good condition.

A recent fire enforcement notice in respect of Withybush hospital resulted in the addition of significant fire related backlog (notably in relation to fire doors). Accordingly management have commenced equivalent review of other sites, and added £5m to the Glangwili backlog. Other sites remain under review. Fire safety backlog now constituting £19.7m of the total sum (a figure still increasing). These sums are subject to a separate funding application to Welsh Government, currently being progressed for submission (in accordance with Welsh Government guidance). The increases and current totals at the above backlog figures should therefore be seen in this context.

Programme Business Case

As noted at **section 1** of this report (*Introduction and Background*), the UHB has a long term service strategy that will require a refresh of both the acute and non-acute estate. For the interim period, the "*Business Continuity/Major Infrastructure - Programme Business Case (PBC)*" was supported by the People, Planning and Performance Assurance Committee, in November 2020 to request all-Wales capital funding of £246.5m over a 20 year period.

Aligned with the service strategies, it targets eliminating backlog in only two of their four acute hospitals across this period. The other two sites are planned to receive only essential investment for up to 10 years to maintain services (e.g. repair rather than replace).

Noting that the existing annual backlog funding provision is insufficient, the PBCs being developed for the acute, non-acute and mental health services should include funding strategies and plans to manage backlog over the life cycle of the new (and repurposed) assets (**recommendation 1**).

Given the current capacity of the estates department, each of the PBCs will need to give due consideration to in-house staffing requirements and how these will be met. The UHB will need to decide therefore how these PBCs will be resourced to ensure that they can deliver appropriately (**recommendations 2 & 5**).

Call-off business cases are likely to be required for subsequent specific funding approval across the 20-year period. Within these:

- it is inevitable that urgent backlog works will arise over time across the estate, and in areas unrelated to the particular application. A mechanism will therefore also be required to fund such unforeseen works at the various funding applications (**recommendation 3**).
- while areas are decanted and invasive works are underway, it is inevitable that additional issues may be discovered in that location (e.g. the need to address plumbing, wiring, or medical gas pipework). Indeed, the backlog plan may already contain need for other work in To minimise disruption and revisiting of areas, it is desirable that such works are co-ordinated. Consideration needs to be given as to how work can be coordinated, when funding may be time-bound by specific business case/ funding approvals (**recommendation 4**).

Recognising the pro-active proposals to manage backlog, a **reasonable assurance** has been determined in respect of management and delivery of the backlog maintenance plan.

Identification, categorisation, and risk prioritisation



To obtain assurance that identification and categorisation of assets and associated backlog is maintained in an appropriate format to allow review, interrogation and prioritisation.

Surveys

The four acute sites were fully surveyed in 2016 (in accordance with Welsh Government quinquennial requirements).

The UHB undertook interim update via desktop review, informed from a variety of sources, including surveys, users and maintenance feedback. These in turn have informed statutory compliance and operational risk registers. Following Fire Notices issued in respect of Withybush Hospital, other sites are being internally reviewed for similar issues. This has recently resulted in £5m additional fire related backlog being identified at Glangwili Hospital. These reviews are ongoing, and therefore significant sums are currently being added to the overall backlog figures.

Design consultants were also commissioned to assess values for the "*Business Continuity/Major Infrastructure - Programme Business Case (PBC)*". They undertook "*desktop review coupled with a brief site inspection at each of the four (acute) hospital sites*".

Categorisation and recording

Backlog has been categorised as "*high*", "*significant*", "*moderate*" and "*low*" risk, as defined by the Welsh Government (**Appendix D**). NWSSP:SES have confirmed that the UHB are correct in stating they have no "*high*" risk backlog – despite management's view that comparable estate at other UHBs do contain "*high*" risks. The UHB focus is therefore on allocating available funding between statutory works, backlog, and other urgent expenditure classified as "*significant*" risk.

As indicated previously, management consider that diverting additional discretionary capital would be insufficient to address the scale of emergent backlog, and would severely impact other key investment priorities such as IT, or medical equipment. Director level meetings have therefore been initiated to review existing risks to ensure that the clinical/ service risk has been adequately considered (given recent examples considered at CEIM&T subcommittee). A recommendation has been raised to continue and conclude this review to provide improved management information for decision making (**recommendation 6**).

Additions and removals were found to be appropriately updated at the database, and figures appropriately compiled.

Analysis of such matters is considered at the reporting section below, accordingly a **reasonable assurance** has therefore been determined for this area.



Monitoring and reporting

To obtain assurance that adequate monitoring and reporting is in place.

Monitoring

Backlog was reported annually to Welsh Government against its various categories (statutory etc.), in accordance with external reporting requirements. This was found to reconcile to internal data.

The UHB had recently invested in a maintenance system that includes packages to assist the management of planned preventative, reactive and backlog maintenance. The system is currently being populated for use. In the interim period, the UHB continues to use separate dedicated systems for routine maintenance work and recording backlog maintenance.

Reporting

The CEIM&T subcommittee regularly received information on the status of the backlog maintenance programme including:

- risk assessments and mitigation plans;
- risk appraised funding analysis;
- threshold funding required to reduced overall and significant risk backlog (concluding that current provisions are insufficient);
- backlog funding commitments (as part of wider discretionary capital programme reporting); and
- dedicated committee papers for each high risk area (such as fire).

While the information received by the CEIM&T subcommittee is therefore considered reasonable, it could be further enhanced by the following:

- Noting that backlog investment priorities can change in-year and that often year-end funding is made available for backlog projects, it has been recommended that annual reports are produced to include schemes planned versus schemes delivered (**recommendation 7**). This will assist management in their adjustment of backlog figures.
- Given that there is no "high" risk backlog (as per WG definitions), it has been recommended that the linkage between "significant" risk values and statutory requirements are explained (e.g. whether any of the fire backlog was categorised as lower risk / medium term priority, and how much related to enforcement notices by the Fire Authority) (**Recommendation 8**).

- While management advised that that there was local knowledge of causality of the backlog (e.g. changes in regulations, end of useful life, missed maintenance etc.), associated reporting of this was not evidenced. A key motivation for a new backlog system has been better, and more accessible information. Such additional information will better inform the origin and nature of the underlying issues (**recommendations 9 & 10**).

While there is potential to enhance existing reporting arrangements, **reasonable assurance** has been determined in this area, recognising the current communication of key issues and risks, together with the implementation of enhanced system capabilities.

7. Summary of Recommendations

The audit findings, recommendations are detailed in **Appendix A** together with the management action plan and implementation timetable.

A summary of these recommendations by priority is outlined below:

| Priority | H | M | L | Total |
|----------------------------------|---|---|---|-----------|
| Number of recommendations | 1 | 8 | 1 | 10 |

Governance

| Findings 1 and 2: Acute Resource | Risk |
|--|--|
| <p><u>Overall / acute strategy</u> In 2018, HDUHB published the strategy document “<i>A Healthier Mid and West Wales: Our Future Generations living well</i>” (AHMWW) and work was progressing to deliver an associated Programme Business Case in March 2021.</p> <p>However, it is envisaged that the full configuration of the current acute estate will be required for up to ten years, while the non-acute requirement has yet to be concluded. Business cases within this programme will include re-purposing two of the current acute sites, mental health and non-acute developments.</p> <p>Accordingly, a “<i>Business Continuity/Major Infrastructure - Programme Business Case (PBC)</i>” was subsequently prepared and supported by the People Planning And Performance Assurance Committee in November 2020.</p> <p>The backlog PBC assessed required backlog investment across the four acute hospital sites at £246.5m over 20 years.</p> <p>Management advised that, appropriate strategies for the longer term management of backlog will be included at the respective PBCs (e.g. increased revenue funding for routine maintenance, asset replacement programmes etc.).</p> <p>Also, given the current pressures on the estates department, each of the PBCs will need to give due consideration to in-house staffing requirements, or equivalent client side provision and how these will be met (e.g. for backlog projects, fire remediation, new acute hospital, repurposing acute sites, non-acute, mental health, and other capital projects e.g. MRI scanners).</p> | <p>There is no effective contingency plan for delay or rejection of business cases.</p> <p>There is a longer term strategy for managing backlog.</p> |

| Recommendations 1 & 2 | Priority level |
|---|---|
| <p>1. PBC's should include appropriate funding strategies and plans to manage maintenance and backlog maintenance which will arise over the life cycle of the new (or repurposed) assets. (O)</p> | <p style="text-align: center;">High</p> |
| <p>2. The PBCs and as they progress to Outline and Full business case stages will need to determine the in-house Estates staff requirements, and how these will be satisfied given current pressures. (O)</p> | <p style="text-align: center;">Medium</p> |
| Management Responses 1 & 2 | Responsible Officer/ Deadline |
| <p>1. Agreed.</p> | <p style="text-align: center;">Assistant Director of Strategic Planning</p> <p style="text-align: center;">Director of Estates, Facilities & Capital Management</p> <p style="text-align: center;">Timeline of programme businesses cases</p> |

| | |
|---|---|
| <p>2. Agreed.</p> <p>The Health Board will need to determine how the necessary Estate in-house staff resources is established in order to successfully deliver the AHMWW and Business Continuity/Major Infrastructure PBCs.</p> | <p>Assistant Director of Strategic Planning</p> <p>Director of Estates, Facilities & Capital Management</p> <p>Timeline of programme businesses cases & including a February 2021 review of Estates in-house resources.</p> |
|---|---|

| Findings 3 & 4: Contingency | Risk |
|---|--|
| <p>As noted at finding 1, a Programme Business Case (PBC) has been compiled to target the backlog maintenance position, with call-off business cases likely to be required for subsequent specific funding approval across the 20 year period.</p> <p>A planning contingency of 15% has been added at the PBC (to the combined works, non-works, and fees total). As a Programme Business Case, while works projects were listed, it is understood that this general allowance included cost allowance for both the listed works and additional backlog discovery (i.e. as invasive surveys, and works progress).</p> <p>While areas are decanted and invasive works are underway (removing walls, ceilings etc.), additional issues may be discovered in that location (e.g. the need to address plumbing, wiring, or medical gas pipework). Indeed, the backlog plan may already contain need for other work in the relevant area. To minimise disruption, and duplication (removing wall panels a second time etc.), it is desirable that such works are co-ordinated. However, as the fire works require urgent attention, there is need to consider how funding for the associated works can be prioritised within call-off business cases</p> <p>It is inevitable that backlog works will also arise over time across the estate, and in areas unrelated to the particular application. A mechanism will therefore also be required to fund such unforeseen works at the various funding applications.</p> | <p>Contingency is insufficiently assessed.</p> |
| Recommendations 3 & 4 | Priority level |

| | |
|---|--|
| <p><i>Future assurance</i></p> <p>Call-off business cases (from the "Business Continuity/Major Infrastructure - Programme Business Case") will be co-ordinated with and discretely provide for:</p> | |
| <p>3. Urgent but un-related works arising subsequently in the same time frame. (O)</p> | <p>Medium</p> |
| <p>4. Co-located issues (known, or discovered following invasive works). (O)</p> | <p>Low</p> |
| <p>Management Responses 3 & 4</p> | <p>Responsible Officer/ Deadline</p> |
| <p>3. Agreed. It is recognised that such works will arise and will additionally need funding in the same time horizon as the discretely funded works of each business case. This will be taken into account at detailed design stages of BJCs (Business Justification Cases) / OBCs (Outline Business Cases) which will follow the PBC.</p> <p>4. Agreed. As per note 3 above.</p> | <p>Director of Estates, Facilities & Capital Management</p> <p>Timeline of call-off business cases</p> |

| Finding 5: Non-acute Backlog | Risk |
|---|--|
| <p>The PBC targets achievement of “condition B” as required by Welsh Government (Appendix D), for two of the acute sites, while two would receive only essential (maintenance) investment for up to 10 years.</p> <p>However 12% of the current backlog relates to non-acute estate. To match investment in the fully maintained acute sites, this equates to c. £2.5m p.a. investment over 20 years (at external prices), or a minimum of c. £1m to £1.5m at in-house prices.</p> <p>This equates to the full backlog allocation of recent years, being levels at which the maintenance team resource is fully utilised.</p> <p>However, management have supplied plans for significant renewal of the non-acute estate, which would remove much of its backlog (reducing its 12% proportion of total backlog, and accordingly its resource need).</p> <p>Management have also advised that of the £7.4m of non-acute backlog, only £1.3m is significant risk, which will further reduce following disposals.</p> <p>However, there is a need to assess and confirm that there is sufficient resource to maintain the non-acute estate.</p> | <p>There is insufficient financial resource to effectively manage the non-acute backlog.</p> |
| Recommendation 5 | Priority level |
| <p>Management should provide assessment of the likely non-acute backlog requirements (financial and labour resource). (O)</p> | <p>Medium</p> |

| Management Response 5 | Responsible Officer/ Deadline |
|---|---|
| <p>Agreed.</p> <p>Noting of the value of the £7.4m of non-acute backlog, only £1.3m is significant risk, which will be picked up as normal via annual Discretionary Capital Plans, via the risk based approach.</p> | <p>Director of Estates, Facilities & Capital Management</p> <p>May 2021</p> |

Identification, categorisation, and risk prioritisation

| Finding 6: Risk Assessment of Competing Demands | Risk |
|---|---|
| <p>Available discretionary capital funding is balanced between statutory works, backlog, and other urgent expenditure.</p> <p>Director led forums have been convened to risk assess the competing demands to determine their true impact on service/ clinical delivery. This has been brought into particular focus with additional IT requirements to support Covid-19 remote working. Management were keen to emphasise that the multi-disciplinary risk scoring would change certain risk assessments, but that it was anticipated the overall impact would not be significant.</p> <p>This will also consider balancing larger scale investments against current priorities, e.g. where matters such as investment in roof (patch) repairs rather than larger scale replacement may represent wasted resource.</p> <p>The approach taken is endorsed and, when complete, will allow the CEIM&T subcommittee to be further informed in decision making. The outcome of this review would need to be reflected within Welsh Government returns, noting that there is currently no "high" priority backlog reported.</p> | <p>Funds are sub-optimally allocated.</p> |
| Recommendation 6 | Priority level |
| <p>Management will conclude the current exercise of reviewing the true clinical risk, and optimum funding allocation. (D)</p> | <p>Medium</p> |

| Management Response 6 | Responsible Officer/ Deadline |
|--|---|
| Agreed. This will be concluded to inform DCP allocations for 2021/22. | Assistant Director of Strategic Planning March 2021 |

Management and delivery of the backlog maintenance plan

| Finding 7: Accountability - variance reporting | Risk |
|--|--|
| <p>Monitoring of backlog expenditure included:</p> <ul style="list-style-type: none"> • a "Summary report of statutory expenditure" (published to the CEIM&T committee) detailing commitments and expenditure against allocations; and • monthly capital monitoring tables utilised by finance and estates (including backlog and statutory expenditures) detailing: <ul style="list-style-type: none"> ○ budgeted allocations of discretionary funds; and ○ out-turn costs. <p>However, at the monitoring tables, both overall budget, and schemes varied by month e.g. some schemes were re-appraised for funding by revenue expenditure, while others were added as additional funding became available. Reporting was at a detailed rather than summary level.</p> <p>While narrative relating to funding bids and subsequent changes was reported, there was scope for an annual summary to show:</p> <ul style="list-style-type: none"> ○ budgeted schemes (showing initial, added and removed schemes in the budget column for "major" and "other" schemes); and ○ the out-turn position. <p>It is recognised that some variance will arise as market quotations replace estimates. It is envisaged that this would be part of the variance analysis / commentary.</p> | <p>Management are not accountable.</p> |

| | |
|---|---|
| <p>Such reporting would be particularly relevant both for the CEIM&T committee for oversight of the backlog programme, and also for the Capital Monitoring Group in its oversight of discretionary capital monies.</p> <p>It was also noted that man hours are not currently a feature of the backlog database (which would facilitate variance analysis for in-house costs).</p> | |
| <p>Recommendation 7</p> | <p>Priority level</p> |
| <p>Variance reporting summaries should be provided to relevant committees, to include at minimum, an annual summary of schemes planned (funded) v schemes delivered. (O)</p> | <p>Medium</p> |
| <p>Management Response 7</p> | <p>Responsible Officer/ Deadline</p> |
| <p>Agreed.</p> <p>Noting these complexities, and monthly adjustments, it is agreed, that simple summaries of delivery against funding would facilitate presentation and scrutiny to committees.</p> | <p>Head of Property Performance</p> <p>May 2021</p> |

| Findings 8 & 9: Reporting | Risk |
|--|---|
| <p>Risk prioritisation of backlog against available funding was well reported in accordance with that defined by the Welsh Government i.e. <i>"high"</i> <i>"significant"</i> <i>"moderate"</i> and <i>"low"</i> risk.</p> <p>Having previously clarified with NWSSP:SES that they are correct to report there are no <i>"high"</i> risk backlog issues, the UHB focus is therefore on the <i>"significant"</i> risks.</p> <p>Reporting summaries did not show the relation between those <i>"significant"</i> risk values, and statutory requirements. For example, whether any of the fire backlog was categorised as lower risk / medium term priority, and how much related to enforcement notices by the Fire Authority e.g. management advised that:</p> <ul style="list-style-type: none">• total fire backlog now stands at £19.7m; but• of this, only £8.3m was <i>"significant"</i> risk. <p>Of the £7.4m backlog related to non-acute estate, management advised that, subject to the disposal of certain sites, the remaining estate will contain only £1.3m of significant risk. Similarly, these figures were not presented within current reports.</p> <p>Management could also additionally be informed of the causality and drivers of backlog e.g. backlog may variously be added from:</p> | <p>Management are not appropriately informed.</p> |

| | |
|--|--|
| <ul style="list-style-type: none"> • surveys; • discovery; • asset failures / breakdowns, non-availability of parts; • user request / clinical need (new cupboard / shelving etc.); • new compliance standards; • external compliance inspections; and • may also be upgraded by re-classification. <p>It may be concluded therefore that management should review an appropriate range of reporting to better understand the causality of backlog.</p> | |
| <p>Recommendations 8 & 9</p> | <p>Priority level</p> |
| <p>8. Management should report the relation between urgent statutory works, and risk profiled backlog. (D)</p> | <p>Medium</p> |
| <p>9. Management should confirm an appropriate range of reporting, notably in relation to causality and drivers of backlog. (D)</p> | <p>Medium</p> |
| <p>Management Responses 8 & 9</p> | <p>Responsible Officer/ Deadline</p> |
| <p>8. Agreed.</p> | <p>Head of Property Performance May 2021</p> |
| <p>9. Agreed.</p> <p>We will review an appropriate range of reporting, including appropriate analysis of causality and drivers of backlog.</p> | <p>Head of Property Performance October 2021</p> |

| Finding 10: System | Risk |
|---|--|
| <p>In February 2020 management purchased a Computer Aided Facility Management System (CAFM) in view of licence expiry of the existing system.</p> <p>It is currently intended that this system be utilised progressively from January 2021. To date, this has not been adversely affected by Covid-19.</p> <p>This system will offer an integrated maintenance and backlog system, with whole life maintenance asset history and dynamic reporting facilities. Reliance is currently placed on separate manual systems.</p> <p>Noting the need for causality and year-end reporting recommendations above, there is need to consider coding of data loaded to the new system to ensure the ability to produce required reports.</p> | <p>Backlog data does not facilitate control.</p> |
| Recommendation 10 | Priority level |
| <p>Management should consider the type and coding of data loaded to the CAFM system to ensure the ability to produce required reports e.g. labour resource, and backlog origin. (O)</p> | <p>Medium</p> |
| Management Response 10 | Responsible Officer/ Deadline |

Agreed. This will be re-reviewed in light of the review of reporting requirements (as recommended above).

Head of Property Performance
in liaison with the
Assistant Head of Operational
Facilities Management

December 2020

Audit Assurance Ratings



Substantial assurance - The Board can take **substantial assurance** that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Few matters require attention and are compliance or advisory in nature with **low impact on residual risk** exposure.



Reasonable assurance - The Board can take **reasonable assurance** that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Some matters require management attention in control design or compliance with **low to moderate impact on residual risk** exposure until resolved.



Limited assurance - The Board can take **limited assurance** that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. More significant matters require management attention with **moderate impact on residual risk** exposure until resolved.



No Assurance - The Board has **no assurance** that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Action is required to address the whole control framework in this area with **high impact on residual risk** exposure until resolved.

Prioritisation of Recommendations

In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows.

| Priority Level | Explanation | Management action |
|----------------|---|----------------------|
| High | Poor key control design OR widespread non-compliance with key controls. PLUS Significant risk to achievement of a system objective OR evidence present of material loss, error or misstatement. | Immediate* |
| Medium | Minor weakness in control design OR limited non-compliance with established controls. PLUS Some risk to achievement of a system objective. | Within One Month* |
| Low | Potential to enhance system design to improve efficiency or effectiveness of controls. These are generally issues of good practice for management consideration. | Within Three Months* |

* Unless a more appropriate timescale is identified/agreed at the assignment.

Appendix C

NHS Estates guidance note – Risk Adjusted backlog

* Note – Risk Adjusted backlog = $\frac{\text{Non-critical backlog}}{\text{Years remaining life of asset life}} + \text{Safety critical backlog}$

i.e. = $\frac{\text{Low to moderate risk value}}{\text{Years remaining life of asset life}} + \text{High \& Significant risk backlog value}$

The risk-adjusted backlog formula is based on the premise that the eradication of safety-critical backlog will have a greater impact on the risk adjusted figure than non-critical backlog (and hence will focus attention on reducing high- and significant-risk sub-elements). Similarly, the higher the remaining life of each building/block, the longer the period in which the lower-risk sub-elements can be addressed and therefore the lower the risk adjusted backlog figure.

Appendix D - Welsh Government - Backlog Methodology

Extract from NHS Estates:

"A risk based methodology for establishing and managing backlog"

Ranking for physical condition

3.3 Each sub-element of the 16 building and engineering elements should be ranked according to the definitions in Table 3.1. [Appendix 2](#) provides a list of indicators to help you assign the correct rankings.

TABLE 3.1: RANKINGS FOR PHYSICAL CONDITION

| | |
|---|--|
| The physical condition of each sub-element should be categorised as follows: | |
| A | as new and can be expected to perform adequately to its full normal life |
| B | sound, operationally safe and exhibits only minor deterioration |
| B(C)† | currently as B but will fall below B within five years |
| C | operational but major repair* or replacement is currently needed to bring up to condition B |
| D | operationally unsound and in imminent danger of breakdown** |
| X | supplementary rating added to C or D to indicate that it is impossible to improve without replacement |
| <p>* Expenditure for major repair would be expected to exceed one-third of the sub-element's replacement cost. This will usually be funded from capital although it could come from revenue as part of routine maintenance, depending on the investment solution adopted.</p> <p>** Expenditure required to bring a condition D sub-element up to condition B would be expected to exceed 50% of its replacement cost. This will also usually be funded from capital.</p> <p>† Sub-elements classified as B(C) should not be considered as backlog until such time as the condition of the sub-element has fallen to below condition B. Such sub-elements would be expected to be sustained in condition B by ensuring the required investment is made in sufficient time to prevent the sub-element falling below condition B.</p> | |

Appendix D - Welsh Government - Backlog Methodology

| SCORE RANGE | RISK RANKING |
|-------------|--------------|
| 1-6 | LOW |
| 7-10 | MODERATE |
| 11-16 | SIGNIFICANT |
| 17-25 | HIGH |

| Rating | PROBABILITY OF FAILURE | | | | |
|---------------------|---|--|---|---|---|
| | 1 | 2 | 3 | 4 | 5 |
| Failure descriptors | RARE | UNLIKELY | POSSIBLE | LIKELY | CERTAIN |
| | None or minimal remedial action required and/or new/recent upgrade. Estimated time to failure may be circa > 10 yrs | Normal wear and tear. Sound, operationally safe and exhibits only minor deterioration. Estimated time to failure may be circa < 10 yrs | Reasonable physical damage/deterioration. Reassignment of life may be acceptable based on technical tests or residual robustness. Estimated time to failure may be circa < five yrs | Major physical damage/deterioration. Failure apparent/assessed as imminent or unacceptable built environment. Not appropriate to reassign life. Estimated time to failure may be circa < one yr | Failure occurred. Unacceptable built environment. Not appropriate to reassign life. Estimated time to failure may be circa < six months |

| | SEVERITY | | Health & safety | Environment | Business | Operational/ building/ engineering element | Fire/statutory Complies with mandatory fire safety requirements and statutory safety legislation. | Fire/statutory Complies with mandatory fire safety requirements and statutory safety legislation with minor deviations of a non-serious nature | Fire/statutory Known contravention of one or more requirements – which falls short of "B". | Fire/statutory Dangerously below "B" | Fire/statutory Dangerously below "B" |
|-------------------------------|----------|---------------|--|--|--|---|--|---|---|---|---|
| | Rating | Descriptor | | | | | | | | | |
| POTENTIAL CONSEQUENCES | 1 | INSIGNIFICANT | No injury/breach of guidance/procedures | No or minimal impact breach of guidance/procedures. | Unlikely cause of complaint. Litigation remote. Minimal reputation loss/limited awareness within organisation. | Minimal or no impact. Minimal or no disruption. | 1 | 2 | 3 | 4 | 5 |
| | 2 | MINOR | Minor injury/ill health (first aid or self-treatment). Breach of legal requirement. | Breach of legal requirement. | Possible complaint. Litigation unlikely. Loss of reputation (widespread internal awareness). | Localised impact. Disruption to normal services. | 2 | 4 | 6 | 8 | 10 |
| | 3 | MODERATE | Moderate injury/ill health statutory obligations. Improvement notice issued. | Single breach of legal requirement. Improvement notice issued. | Possible complaint. Possible litigation. Loss of reputation. National paper reporting. | Moderate impact. Moderate disruption to normal services. | 3 | 6 | 9 | 12 | 15 |
| | 4 | MAJOR | Major/significant injury or long-term incapacity/disablement. Prohibition notice issued. | Multiple breach of legal requirement. Prohibition notice issued. | Litigation expected. Loss of reputation. National reporting. | Major/significant impact. Severe disruption to normal services. | 4 | 8 | 12 | 16 | 20 |
| | 5 | CATASTROPHIC | Fatality and/or permanent incapacity/disablement. Prosecution. | Multiple breach of legal requirement. Prosecution. | Litigation certain. National adverse publicity. | Critical impact. Service closure. | 5 | 10 | 15 | 20 | 25 |