

**PWYLLGOR ARCHWILIO A SICRWYDD RISG
AUDIT AND RISK ASSURANCE COMMITTEE**

DYDDIAD Y CYFARFOD: DATE OF MEETING:	14 December 2021
TEITL YR ADRODDIAD: TITLE OF REPORT:	Cost Advisor Review of Establishment of Field Hospitals
CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:	Huw Thomas, Director of Finance
SWYDDOG ADRODD: REPORTING OFFICER:	Huw Thomas, Director of Finance

Pwrpas yr Adroddiad (dewiswch fel yn addas)

Purpose of the Report (select as appropriate)

Er Sicrwydd/For Assurance

**ADRODDIAD SCAA
SBAR REPORT**

Sefyllfa / Situation

Welsh Government (WG) commissioned a review of Field Hospitals' establishment in Hywel Dda University Health Board. The review was undertaken by KPMG on behalf of WG. Following receipt of the recommendations in the report from KPMG, the Health Board asked an independent Cost Advisor to review the process - undertaken on a partnership basis with Local Authorities leading on the build and design of the 9 Field Hospitals in Hywel Dda - to ensure that in the prevailing circumstances, costs were justifiable and reasonable.

A number of issues were flagged in the Cost Advisor's report which the Executive Team felt required further explanation from Local Authority partners. The issues raised and responses to those questions are summarised in this report.

The Audit and Risk Assurance Committee is asked to take assurance from the additional information supplied, that in the prevailing circumstances, costs were justifiable and reasonable.

Cefndir / Background

The review which was undertaken by KPMG for WG into the establishment of Field Hospitals recommended that the Health Board review the costs incurred. It also recommended that the restoration costs were reviewed as the Field Hospital sites were decommissioned.

The Health Board secured the services of an independent Cost Advisor, Gleeds Cost Management Limited, to undertake this review.

The Scope of the Work commissioned is as follows –

As a consequence of a review undertaken by KPMG for Welsh Government into the Field Hospital setup there is a recommendation that the Health Board review the costs incurred. The KPMG review also recommended that the restoration costs be reviewed as the Field Hospital sites are decommissioned. The review is being undertaken to provide assurance to Welsh Government that key recommendations from the report are being progressed in a timely manner.

Cost advisor services have been secured to review Field Hospital set up and restoration costs. Prepare a report for each scheme reviewed which will consider the costs incurred to date and prospective costs for reinstatement works where applicable. The review will consider compliance with the framework agreements in place for each Local Authority and undertake a sampling of costs to consider if costs were reasonable for the scope and timescales when the field hospitals were constructed. If the information permits, an indicative elemental analysis may be undertaken to benchmark costs.

The review does not specifically consider any ‘Value for Money’ evaluations, due to the fact that these projects were constructed in exceptional circumstances, with very challenging conditions and extremely short timescales. Rather, the review considers if, taking account of the prevailing circumstances, the works were procured in accordance with Council Governance requirements and that costs were fully supported and justified. The costs incurred in both providing and managing the works are considered.

Gleeds commenced work in early November 2020. A briefing meeting was held with representative members of each Council between late November and early December 2020, wherein the background to the review was explained and a Schedule of Information Required was provided. Each Council designated key personnel to liaise with Gleeds in the provision of information.

Each Council provided information from early December to mid-April 2021. No further information was sought from the end of April 2021, albeit some sites are still to be returned to their former use.

Asesiad / Assessment

The draft report from Gleeds was received in May 2021. The review provided a thorough examination of the Procurement processes and the costs incurred in the initial works, reinstatement, ongoing maintenance and the fees and charges incurred.

Letters were sent from the Chief Executive to each of the County Councils thanking them for their support in the establishment of the Field Hospitals and also asking for a response to the specific areas highlighted in the report from Gleeds so that assurance could be provided. The responses are summarised below. There are a few outstanding areas, highlighted in the table, but these are mainly due to final accounts being outstanding or of low value –

Carmarthenshire County Council

Observation / Query Raised	Response Received
Carmarthenshire County Council procured three contractors to develop five Field Hospital schemes on four sites. Whilst there is a lack of certainty over the agreement of the fee levels, overall, the procurement approach is considered robust.	The procurement procedure utilised, was based on the cumulative value of the schemes. There was also an urgency required to ensure works could commence immediately given the scale of challenges as set out above. The period available for construction was compressed resulting in a large amount of expenditure on site within a short duration of time. Following a review of the individual schemes and a better understanding of the scheme costs the Contractors’ fee percentages were considered within the appropriate lot as seen at the time.

	There is reference to a framework levy not being applied. The framework levy was not charged to the contractors. This was at the County Council's discretion. This decision was determined at framework level with the objective of minimising the costs to the Health board. Any framework levy applied to the Contractor would have resulted in an increased cost to the overall scheme.
Overall, the construction costs are considered reasonable, although the Council should review the queries raised in this review to obtain further supporting information, where required, and correct for any inaccuracies relating to the Contractors. The council has advised these will be resolved in the next payment applications and/or final accounts.	Satisfactory supporting information has been provided by Carmarthenshire County Council.
The costs submitted by the Council are well supported, both for their own staff costs and for the direct contracts they placed with other suppliers and contractors. Overall, the Council costs appear reasonable.	No response required
Further information regarding the fee level paid to the main contractor for Parc Y Scarlets and the unsubstantiated amount referenced in the report of £267k is required.	Satisfactory supporting information has been provided by Carmarthenshire County Council.

Ceredigion County Council

Observation / Query Raised	Response Received
Ceredigion County Council was assessed as having adopted a pragmatic approach to the procurement of contractors to develop the three Field Hospitals at different sites, taking account of the value of the schemes, the availability of resources in the locality and that these trade contractors were familiar with the proposed sites.	No response required.
Overall, the construction costs are considered reasonable but there are a number of costs at two of the sites where the information is incomplete or inaccurate.	Final accounts have not yet been issued for two of the three field hospitals; therefore, Ceredigion Council have been unable to provide information for all costs, however it should be noted that any outstanding information is low value. OUTSTANDING

<p>The Council has provided a schedule of the hours worked for each staff member engaged on the project, with an hourly rate applied to these hours. The hourly rates appear reasonable for each grade of staff. Whilst the costs charged until completion of the initial facility appear reasonable the hours charged appear to be high.</p>	<p>Ceredigion CC adopted a different approach to delivering the hospitals compared to other authorities. Whereby other councils employed a “Principal Contractor” whose costs may have included for disciplines such as Project Management, Site Co-ordinator, Architect, M&E Consultants, Inspector / Clerk of Works etc Ceredigion fulfilled these roles themselves from within the existing in-house professional team.</p> <p>As a consequence of this, Ceredigion’s contractors’ costs would have been lower than neighbouring authorities, however the staff hours charges to the NHS will be greater as the aforementioned professional services are included in the Ceredigion CC staff hours.</p>
<p>Review the queries raised in this report to obtain further supporting information, where required, and correct for any inaccuracies.</p>	<p>There remain a few low-value queries which remain unresolved as final accounts have not yet been issued. OUTSTANDING</p>
<p>Provide further justification of the duties undertaken regarding the higher than expected hours charged by Council staff recognising the complexity of the projects in Ceredigion with two different teams being managed with three sites involved and the higher costs may be a reflection of that.</p>	<p>In response to concerns over the post construction internal fees Ceredigion Council note that they were “heavily involved in the Facilities Management (FM) aspect of the scheme and delivered post construction cleaning services prior to handover to the NHS.” Detailed cost schedules have been provided, however no description of what these FM services were have been provided and hourly rates appear high, unless more detailed supporting information can be provided. OUTSTANDING</p>

Pembrokeshire County Council

Observation / Query Raised	Response Received
<p>Pembrokeshire County Council procured one contractor to develop the Field Hospital scheme at Bluestone Resort. The Council followed procurement procedures in seeking an Exception to its required tendering procedures and chose not to select a contractor from the Regional South Wales Framework on the grounds of timescale, which is slightly surprising.</p>	<p>The response received included the following “This contractor had just been procured for Haverfordwest high – so we had good and contemporaneous evidence that the contractor was competitive. The contractor already had a design team involved – essential in terms of pace”. “ We chose an approach which was compliant and minimised overall risks”.</p>

<p>The Council elected to enter into negotiation with a contractor who is currently constructing a school and who had the resource availability to develop this larger scheme in the timescale. The contractor agreed a fee of 0% in these negotiations, which is exceptional and provides a sound justification of their selection.</p>	<p>No response required.</p>
<p>It is of note that the cost information was provided by the contractor and not the Council as the Council advised they did not have all the information available</p>	<p>Pembrokeshire County Council maintain that they did have the cost information, however at the time of requesting the information for the report, Gleeds were advised to contact the contractor directly.</p>
<p>Whilst the supporting information provided for the majority of the sub-contractors was good, there were two key packages of high value where insufficient information was provided. This does not imply that the values are incorrect, but that the costs were not fully evidenced, and it is unclear how payments could be paid without this information.</p>	<p>Pembrokeshire County Council accept that payments were made pending provision of full supporting information as there was a sufficient element of trust between the parties and due to the urgency of the works, and that the costs were subsequently supported. This is noted but is still not the basis of an actual cost contract payment mechanism.</p>
<p>Checks of quantities and measured rates were, with exceptions, also satisfactory. However, there are a number of packages where the rates charged by sub-contractors appear higher than would be expected.</p>	<p>Pembrokeshire County Council acknowledge that they were higher than normal rates, however, maintain that the pandemic led to higher than industry norm rates.</p>
<p>The Council has provided a detailed schedule of in house and other direct costs incurred. The fees charged for the Structural Engineer, Mechanical & Electrical and Quantity Surveyor appear reasonable taking account of the circumstances. However, the fees charged for the Architect (including other disciplines) and the Business Unit Internal Fees appear very high.</p>	<p>Pembrokeshire County Council have acknowledged that the level of in-house costs charged to the project are too high due to an error in the internal coding of costs to the project. They have agreed to rectify this. OUTSTANDING</p>
<p>Review the queries raised in regard of contractors in this report to obtain further supporting information, where required, and correct for any inaccuracies and confirm that the issues raised have been resolved as part of the final accounts.</p>	<p>A number of additional invoices have been provided to satisfactorily resolve the majority of the queries raised. There are however a few queries which remain outstanding, most notably a query over the total of £124,000 of materials for electrical installations of which supporting information has not yet been provided. Further efforts will be made to resolve this with Pembrokeshire County Council. OUTSTANDING</p>

Argymhelliad / Recommendation

The Audit and Risk Assurance Committee is asked to take assurance from the additional information supplied, that in the prevailing circumstances, costs to establish the Field Hospitals were justifiable and reasonable.

Amcanion: (rhaid cwblhau)

Objectives: (must be completed)

Committee ToR Reference Cyfeirnod Cylch Gorchwyl y Pwyllgor	3.23 The Audit and Risk Assurance Committee will also seek assurances where a significant activity is shared with another organisation and collaboratives, in particular the NHS Wales Shared Services Partnership, Welsh Health Specialised Services Committee, Emergency Ambulance Services Committee and other regional committees. The Audit and Risk Assurance Committee will expect to receive assurances from internal audit performed at these organisations that risks in the services provided to them are adequately managed and mitigated with appropriate controls.
Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:	Not applicable
Safon(au) Gofal ac Iechyd: Health and Care Standard(s):	Governance, Leadership and Accountability
Amcanion Strategol y BIP: UHB Strategic Objectives:	4. Improve the productivity and quality of our services using the principles of prudent health care and the opportunities to innovate and work with partners.
Amcanion Llesiant BIP: UHB Well-being Objectives: Hyperlink to HDdUHB Well-being Objectives Annual Report 2018- 2019	10. Not Applicable

Gwybodaeth Ychwanegol:

Further Information:

Ar sail tystiolaeth: Evidence Base:	Gleeds Cost Advisor Report
Rhestr Termiau: Glossary of Terms:	Included within main narrative of report
Partion / Pwyllgorau â ymgynhorwyd ymlaen llaw y Pwyllgor Archwilio a Sicrwydd Risg:	Executive Team

Parties / Committees consulted prior to Audit and Risk Assurance Committee:	
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Effaith: (rhaid cwblhau) Impact: (must be completed)	
Ariannol / Gwerth am Arian: Financial / Service:	The report was commissioned to demonstrate that costs were reasonable given the prevailing circumstances at the time the works were undertaken.
Ansawdd / Gofal Claf: Quality / Patient Care:	Not applicable
Gweithlu: Workforce:	Not applicable
Risg: Risk:	This is a review of work already completed. Lessons can be learnt for future projects.
Cyfreithiol: Legal:	Being transparent in use of resources demonstrates accountability.
Enw Da: Reputational:	Being transparent in use of resources demonstrates accountability.
Gyfrinachedd: Privacy:	Not applicable
Cydraddoldeb: Equality:	Not applicable