

Estates Condition Final Internal Audit Report

October 2023

Swansea Bay 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

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Executive Summary

Purpose

The NHS in Wales faces unprecedented challenges balancing the management of the current estate condition against other competing priorities and within existing funding constraints – whilst also developing a deliverable estate strategy for the future.

The backlog maintenance figures for NHS Wales recently exceeded £1bn (the substantial element being High and Significant risks) and is likely to increase further due to the ageing estate in Wales.

The latest nationally reported data (2021/22) for the UHB confirmed a total backlog maintenance requirement of £102m – although the capital investment required to clear the backlog is likely to be materially higher.

The audit sought to evaluate the arrangements put in place by the UHB to identify and manage key risks associated with the existing estate and the implementation of resulting strategies to manage/mitigate the risk.

Overview

Key to understanding the challenge is the quality of the baseline data. The UHB commissioned a full 6-facet survey of its estate in 2022, which identified a total backlog maintenance requirement of £102m – double the figure previously reported. Notably, the profile of Significant risks also substantially changed, being more than treble that previously reported.

In the short to medium term, the UHB had utilised a combination of all Wales capital funding, targeted EFAB funding, planned/ reactive maintenance, and discretionary funding to address identified high-priority areas including:

- The UHB has successfully secured EFAB funding of £7.9m to date to tackle high/significant backlog priorities.
- Across NHS Wales, due to pre-commitments and other pressures on the discretionary capital funding, the allocation for backlog maintenance has historically been insufficient to effectively manage the position – with £350k earmarked at the UHB specifically for backlog in 2023/24 (over and above UHB contributions to EFAB funding).

Report Classification

Limited



More significant matters require management attention.

Moderate impact on residual risk exposure until resolved.

Assurance summary¹

Assurance objectives	Assurance
1 Governance	Reasonable
2 Baseline Information	Substantial
3 Estates Strategy	Reasonable
4 Funding Strategy	Limited
5 Monitoring & Reporting	Reasonable
6 Risk Management	Limited

¹The objectives and associated assurance ratings are not necessarily given equal weighting when formulating the overall audit opinion.

In the longer-term, the UHB has developed an Estates Strategy, which was approved by the Board in May 2023. The 10-year Strategy highlighted an indicative funding requirement of £812m to address high and significant risk items and achieve the UHB's healthcare vision for the future. Noting the scale of the investment required, there is a significant risk to the UHB that this strategy may not be deliverable. It has been recommended that the Board continue to receive regular updates on the delivery of the Estate Strategy and 10-year capital programme, particularly any risks / impact resulting from delay / non-delivery.

A corresponding revised long-term strategy is required for maintenance, as continued investment at historic levels is likely to result in the UHB's estate being in a further deteriorating position requiring significant capital investment in the future.

Whilst operational risks were well documented, reported and escalated, the Board should seek further assurance that the identified actions within the Board Assurance Framework are effective – noting their impact to date.

Limited assurance has therefore been determined due to the concerns that identified risks cannot be managed within existing funding. This assurance opinion is in line with that determined across NHS Wales, given the common challenges faced by each organisation.

It is envisaged that a summary audit report will be produced in due course, highlighting common themes, issues and risks identified at the respective Health Board/Trust audits.

Further matters arising concerning the areas for refinement and further development have also been noted (see **Appendix A**).

Whilst not a specific focus of this review, the recent nationally reported Reinforced Autoclaved Aerated Concrete (RAAC) issues have further increased the risk profile of the NHS Wales estate. The centrally commissioned surveys have identified only isolated instances of RAAC requiring urgent attention - at the time of reporting, the surveys identified no areas requiring urgent action within the UHB's estate.

Key Matters Arising		Assurance Objective	Control Design or Operation	Recommendation Priority
4.1	The Board or nominated Committee should receive regular updates on the delivery of the Estates Strategy, particularly any risks / impact resulting from delay / non-delivery.	4	Operation	High
5.1	The UHB should develop a long-term revenue model for the financial support needed to deliver the Estates Strategy.	4	Operation	High
5.2-5.4	To support 5.1 above, a full Estates workforce review should be undertaken, including benchmarking to other Health Boards, to identify any gaps in ability to maintain the current and future estate.	4	Operation	Medium
6.1	There should be a clearly defined process for monitoring and reporting performance of the Estates Strategy in delivering improvements to the backlog position.	5	Operation	Medium
7.1	Controls within the Board Assurance Framework (BAF) to reduce the risk associated with the estates condition should be reviewed.	6	Operation	High

1. Introduction

- 1.1 The audit forms part of the 2023/24 operational plan agreed with the University Health Board ('the UHB').
- 1.2 The effective and efficient management of the NHS Wales estate is essential for the delivery of quality health care services.
- 1.3 The audit was undertaken to evaluate the processes and procedures put in place by the UHB to support the management, condition and performance of the estate.
- 1.4 The potential risks considered in the review were as follows:
 - The Board may be unaware and/ or may not be adequately informed to effectively assess and manage the risks associated with backlog maintenance (particularly statutory requirements);
 - Appropriate funding may not be in place;
 - The status and value of backlog maintenance may not be adequately defined and the probability and impact may not be understood;
 - Information may not be interrogated to ensure focus is prioritised on the key risks;
 - Performance in addressing identified priorities may not be monitored potentially impacting organisational objectives.
- 1.5 The Estates and Facilities Performance Management System (EFPMS) enables the UHB to submit its annual declaration on key data to Welsh Government. The UHB's reported position over the last three years, against NHS Wales averages, was as follows:

Table 1

Measure	2019/20	2020/21	2021/22
UHB Cost to eradicate High Risk Backlog (£)	12,056,000	1,561,000 ¹	9,057,000
UHB Cost to eradicate Significant Risk Backlog (£)	13,545,411	14,145,911	46,516,759
UHB Total Backlog Cost (£)	67,452,870	55,422,370 ¹	102,008,032
NHS Wales average: Total Backlog Cost (£)	78,098,898	97,385,329	113,007,158
UHB Risk Adjusted Backlog Cost (£)	27,298,012	29,306,309	56,464,069
UHB Total Building & Engineering Maintenance Cost per Occupied Floor Area (£/m ²)	24.08	25.47	29.74
NHS Wales average: Total Building & Engineering Maintenance Cost per Occupied Floor Area (£/m ²)	23.86	27.43	28.77

¹ *The High-Risk backlog cost reported for 2020/21 appears to be significantly understated in error, also affecting the Total Backlog Cost figure.*

- 1.6 EFPMS data for 2022/23 was not due to be submitted at the time of the current audit.
- 1.7 The Health Board's stated backlog costs increased significantly at the 2021/22 return, following the undertaking of a full 6-facet survey across the UHB's estate during the first half of 2022.
- 1.8 Additional NHS Wales estate performance data is presented at **Appendix B**, taken from the NHS Estate Dashboard Report for 2021/22 (published by NWSSP: Specialist Estates Services). We note that following inclusion of the 6-facet survey results within the Health Board's 2021/22 data, it now presents as one of the worst performing organisations within NHS Wales across the categories included within the report. However, the UHB is likely to be the best-informed organisation as to the condition of its estate following the completion of the 6-facet survey.
- 1.9 Our audit work was reliant on the above information. We have not sought to provide assurance over the accuracy of supplied information; however, we have commented within the body of this report around the consistency in approach with other NHS Wales Organisations.

2. Detailed Audit Findings

- 2.1 Our detailed audit findings are set out below. All matters arising and the related recommendations and management actions are detailed in **Appendix A**.

Governance: *Assurance that robust governance arrangements were applied to ensure the organisation stays abreast of matters and associated risks relating to the estates condition.*

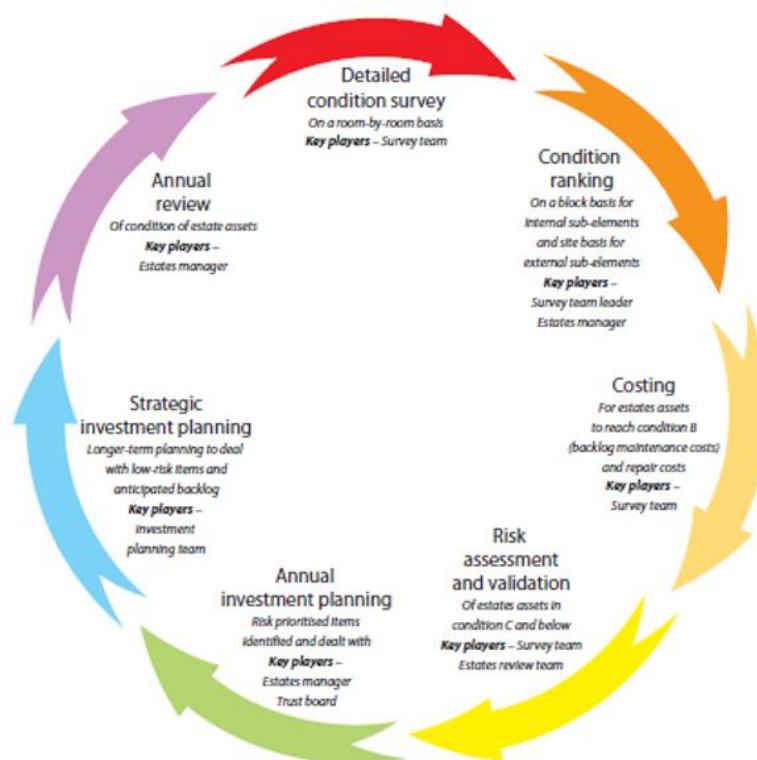
- 2.2 Welsh Government issued Welsh Health Circular (WHC/2021/002) in January 2021 that discontinued the role of the Board estates champion. However, since 2021 the profile of the NHS estate at both a local and national level has increased significantly. Good practice has been evidenced at other Health Boards within NHS Wales whereby an Independent Member with responsibility for both capital and estates has been appointed to the Board. This has highlighted increased Board oversight to the capital and estates provisions (**MA1**).
- 2.3 Appropriate executive leadership was provided by the Director of Finance (with responsibility for the key areas of both Capital Planning and Estates), and oversight from the Health & Safety Committee (until April 2023, when the Committee was stood down, with future reporting to be to the Performance & Finance Committee).
- 2.4 The development of the Estates Strategy (see **estates strategy** section) benefited from a dedicated task and finish group initiated by the Chief Executive, including scrutiny from Independent Members. Continued oversight of the Estates Strategy

following approval by the Board will be delivered by the Performance and Finance Committee.

- 2.5 Board assurance has been informed via inclusion of estate condition risks on the Corporate Risk Register (see **risk management** section), routine reporting to the Health & Safety Committee regarding the need for a 6-facet survey and Estates Strategy (see **monitoring & reporting**) and presentation of the Estates Strategy to the Board. The combined assurance position is captured within the Board Assurance Framework (BAF7: '*Delivering Care in Safe, Modern Environments*'). Several recommendations have been made throughout this report which are aimed at strengthening the level of assurance received by the Board in respect of the significant estate condition risks faced by the UHB (see **MA5, MA6, MA7, MA8**).
- 2.6 The Estates Department operates an Estates Board: a central forum for senior management to oversee the estates maintenance function and, with relevance to this audit, ensure effective management of resources to address backlog and maintenance. The forum has only met intermittently in the last year, and the content of meetings would benefit from refreshing to ensure appropriate focus (**MA2**).
- 2.7 Whilst no significant issues were identified with the specific governance arrangements in place, sound decision making is predicated upon the quality of management information and reporting. Accordingly, noting issues raised within subsequent sections of this report surrounding the management information, **reasonable assurance** has been determined in relation to the current estate governance arrangements.

Baseline Information: *To obtain assurance that the UHB had detailed records on the condition of the estate based on a combination of robust condition surveys and risk assessments. The information is managed and retained within robust management systems that are subject to regular review.*

- 2.8 The key guidance in relation to assessing backlog: '*A risk-based methodology for establishing and managing backlog*' (updated March 2013), describes the steps involved in establishing and managing backlog, as follows:



2.9 In respect of the detailed condition survey, the guidance recommends that:

"NHS organisations carry out a detailed survey of their assets on a five-yearly basis."

- 2.10 In 2022 the UHB appointed an external company to undertake 6-facet surveys across the entire estate (including Primary Care premises), with the six facets reviewed being Condition, Functional Suitability, Space Utilisation, Quality Audit, Statutory Compliance and Environmental.
- 2.11 The surveys were undertaken in accordance with the above guidance and provided management with a detailed risk-assessed picture of the condition of the estate and compliance with statutory / mandatory requirements (e.g. fire safety), along with the associated costs in undertaking remedial works.
- 2.12 The UHB acknowledges that prior to the undertaking of these surveys, the backlog data held and reported (via EFPMS) was significantly out of date and unreliable. As presented in **table 1**, the new data (reported at the end of 2021/22) saw total backlog costs almost double from that previously reported, and significant risk backlog costs more than treble.

- 2.13 Now the UHB has established an accurate baseline, it is important this is kept up to date to enable effective monitoring, reporting and investment planning. The guidance recommends that:

"You should update the findings of your detailed survey on an annual basis. This will inform your investment planning process and ensure your assets are safe and fit for purpose."

- 2.14 The UHB have retained the services of the external Surveyor to undertake this annual review over the next five years. The updated position is to be based on 20% re-survey of highest risk areas each year, in addition to desktop analysis and updated costings applied to the remainder of the data.
- 2.15 Whilst noting this good practice, we have observed some inconsistencies in approaches taken across NHS Wales organisations in the annual updating of survey data. It has been recommended to all organisations that guidance be sought from NWSSP: Specialist Estates Services (SES) to ensure consistency in EFPMS reporting (**MA3**).
- 2.16 Noting the above, **substantial assurance** has been determined in respect of baseline information.

Estates Strategy: *To obtain assurance that a tailored estates strategy was in place including linkage to major investment, estates condition, statutory compliance, decarbonisation requirements, service needs etc. The strategy also reflected emerging risks.*

- 2.17 Welsh Health Building Note 00-08 'Estatecode' (2018) highlights that:

"Once a comprehensive analysis of the condition and performance of the existing estate has been completed, the organisation will have the baseline data used when developing an estate strategy.

An estate strategy should represent the vision for the future of the organisation's estate...in order to deliver and satisfy the current and perceived business plans, the expected operational service requirements, aligned with objectives of contributors to health and social care delivery.

The estate strategy should be reviewed annually using EFPMS data and the information from the five-facet survey. The clinical strategy should be the driver of the estate."

- 2.18 Following completion of the 6-facet surveys in 2022, the Chief Executive instigated a task and finish group to develop the Estates Strategy. The Group included two

Independent Members allowing for independent scrutiny and challenge as the Strategy developed.

- 2.19 The resulting Strategy is comprehensive: built on a robust data set (see **baseline information** above), aligned with the Clinical Services Plan, incorporating development control plans for the acute sites and presenting a ten-year capital investment programme to address the highest risk backlog (focused on risks to business continuity), and deliver the longer-term ambitions of the UHB. Consideration has been given to space utilisation and disposal opportunities within the Strategy. The programme identifies investment requirements of £812m over the ten-year period, and considers a range of funding mechanisms by which this can be supported.
- 2.20 We note however that in order to address the highest backlog risks (particularly at Morriston Hospital), a series of sizeable investments have been identified to provide sufficient decant facilities, and other enablers, before the backlog repair work itself can take place in a manner which provides for maximum compliance and improvements in service delivery. This strategy, whilst presented as a well-considered and logical progression of activities based on the practicalities of the existing estate, increases the risk of the UHB being unable to secure all the necessary funding to address the highest risk backlog.
- 2.21 The Strategy was initially presented to the Board in a development session in January 2023, and approved in the May 2023 session. A series of next steps were also supported to continue to develop an understanding of the requirements associated with delivering this ambitious strategy. The Board or nominated Committee should continue to receive regular updates on the delivery of the Strategy and 10-year capital programme, particularly any risks/impacts resulting from delay/non-delivery (**MA5**).
- 2.22 We recognise the comprehensive nature of the approved Strategy, and that the Board support the further work required to better understand its implications and how it can be delivered. There are however significant risks of not achieving the funding required to deliver the strategy and address the high-risk backlog issues, accordingly, **reasonable assurance** is determined in this section. Funding implications are further considered below.

Funding strategy: *To obtain assurance that there is a co-ordinated approach to the targeting of All-Wales, Estates Funding Advisory Board (EFAB) and Discretionary funding to implement the estates strategy.*

- 2.23 There has been historical under-investment across NHS Wales in this area, resulting in a deterioration of the NHS estate condition. The cost of the UHB's backlog maintenance was estimated as £102m in 2021/22 (see **table 1**).
- 2.24 The UHB's Estates Strategy identifies a significant £812m investment requirement over the next ten years, to address the highest risk backlog issues and to support the future healthcare needs of the UHB.

- 2.25 The Strategy also identifies a number of potential funding sources, including “traditional” routes such as Welsh Government’s All Wales and Discretionary Capital funding, Estates Funding Advisory Board (EFAB) and alternative options including City Deal and the Mutual Investment Model. Commercial and disposal opportunities were also being explored.
- 2.26 Much of the ten-year plan does not yet have any agreed funding in place. Whilst early conversations have commenced with Welsh Government, there is currently no assurance that funding at this level would be available. There remains a material risk that the Estates Strategy and capital plan is unaffordable, particularly recognising the current financial climate and considering total funding requirements across NHS Wales. It is important the Board receives appropriate assurance on this risk and associated proposed mitigations (**MA4**).
- 2.27 The UHB has been successful in securing £7.9m investment through EFAB, which will allow a start in addressing some of the most urgent backlog maintenance issues.
- 2.28 Discretionary capital funding is also available to the UHB on an annual basis, with £9.020m awarded for 2023/24. However, support for major capital schemes, the PFI annual payment and clinical priorities has meant direct allocations for backlog work were low (with £350k ring-fenced for 2023/24).
- 2.29 The Estates and Facilities Performance Management System (EFPMS) categorises the ‘Total Building & Engineering Maintenance Cost per Occupied Floor Area’ over the last two years i.e.

Measure	2019/20	2020/21	2021/22
UHB Total Building & Engineering Maintenance Cost per Occupied Floor Area (£/m ²)	24.08	25.47	29.74
NHS Wales average: Total Building & Engineering Maintenance Cost per Occupied Floor Area (£/m ²)	23.86	27.43	28.77

- 2.30 The level of revenue investment outlined above has been insufficient to prevent a deterioration in the condition of the estate over time. The current level of investment would therefore also be insufficient to effectively manage the condition of any new estate requirements identified within the Estates Strategy. The UHB recognises the need to develop a long-term financial model for the revenue support needed to deliver the Estates Strategy. This requirement was presented to the Board alongside the Estates Strategy. This work should be supported by a detailed workforce analysis of existing and future capability and capacity requirements (**MA5**).
- 2.31 It was concluded therefore that whilst the UHB had identified and utilised a range of funding options available to date, there had been a historical under-investment in the estate and there was a significant gap between required and approved levels

of investment. Accordingly, **limited assurance** has been determined in relation to the funding strategy.

Monitoring and reporting: *To obtain assurance that appropriate management information was presented with regularity on key issues, including the estate condition and progress to implement the estates / funding strategy. Monitoring and reporting includes an assessment of the success of the combined strategies in improving estates condition (and reducing risk exposure), and confirmation that expenditure of funding is in line with agreed conditions.*

- 2.32 The Health & Safety Committee has received routine reports on the estate condition in recent years. Noting the historical unreliability of the backlog data, reports have focused on the need for the 6-facet survey and Estates Strategy, rather than a detailed presentation of trends or performance. The Board received a comprehensive overview when the Estates Strategy was presented in both January (at a Board Development Session) and in May 2023 (for approval).
- 2.33 Board-level visibility of estate's risks was evidenced via the corporate risk register and Board Assurance Framework (see **risk management** section).
- 2.34 Internal reporting following completion of the 6-facet surveys has aligned with the latest data submitted within the EFPMS.
- 2.35 Now the UHB has established an accurate baseline and developed its Estates Strategy, it is important that performance measures are developed, monitored and reported to provide assurance as to whether the Strategy is effective in reducing backlog (**MA6**).
- 2.36 Recognising the Estates Strategy has only recently been approved and reporting prior to this was appropriately focused on the risks associated with not understanding the baseline position, **reasonable assurance** has been determined in this area.

Risk management: *To obtain assurance that risks were appropriately logged and escalated through the corporate risk reporting arrangements. The risk exposure of the UHB in relation to estates condition is clearly reported.*

- 2.37 Risks associated with the estate condition were captured on Datix at an operational level, by both the Estates department and service users, and escalated via the corporate risk process to the corporate risk register where necessary.
- 2.38 As per **MA1**, we have recommended the strengthening of governance arrangements in respect of the Estates Board, as the central forum for operational review of estates risks.

- 2.39 The 6-facet survey results clearly communicated the risk profile of the estate condition across the UHB, and this has been used to inform the Estates Strategy and assessment of the corporate risk in relation to the estate (see below).
- 2.40 Risks captured on the corporate risk register in relation to estate condition at the time of the audit were as follows:
- HBR ref 13: Health & Safety Compliance – Environment of Premises. The risk relates to compliance in terms of appropriate accommodation in line with Health and Safety Regulations (Risk rating 16 – raised from 12 following completion of the 6-facet survey and Estates Strategy);
 - HBR ref 41: Fire Regulation Compliance. The uncertain position in regard to the appropriateness of the cladding applied to Singleton Hospital in particular (as a high-rise block) in respect of its compliance with fire safety regulations (risk rating 16); and
 - HBR ref 64: Insufficient resource and capacity of the health, safety and fire function within SBUHB to maintain legislative and regulatory compliance for the workforce and for the sites across SBUHB (risk rating 16).
- 2.41 The risks fell within the remit of the Health & Safety Committee to oversee, and routine reports were received at the forum.
- 2.42 The combined assurance position for the above risks was captured within the Board Assurance Framework (BAF7: *'Delivering Care in Safe, Modern Environments'*).
- 2.43 A high-level action plan was in place for the above. However, noting the effectiveness of these actions to reduce the risk to date, the continued deterioration of the estate condition in the same period, aligned with increasing pressures on available capital resource and funding, the above should be reviewed to provide assurance to the Board that the actions are progressively achieving the desired risk mitigation (**MA7**). Accordingly, **limited assurance** had been determined in relation to risk management.

Appendix A: Management Action Plan

Matter Arising 1: Governance – Strategic Oversight (Operation)	Impact
<p>NHS Wales organisations utilise expert Independent Members as a key part of its governance arrangements and scrutiny.</p> <p>Welsh Health Circular (WHC/2021/002) issued in January 2021 (expiry/review date of March 2023), discontinued the role of the estates board champion. At the time of reporting, there had been no update issued in line with timescales.</p> <p>However, whilst noting the above, in the period since 2021 the profile of the NHS estate has increased significantly at a national level. Through our thematic reviews undertaken throughout NHS Wales, good practice has been evidenced within other University Health Boards, where Independent Members have been specifically allocated areas of representation associated with capital and estates.</p> <p>At SBUHB we recognise two Independent Members (the UHB Vice Chair and IM for Finance) sat on the Task & Finish Group initiated to oversee development of the Estates Strategy. To ensure consistency / linkage with relevant committees, these IMs also sit on the Finance & Performance Committee, to which Estates matters will be reported now the Health & Safety Committee has been stood down.</p> <p>Consideration of a dedicated Independent Member for estates may lead to an increased profile of capital and estates at a strategic level and allow for greater board assurance surrounding capital investment and estate condition.</p>	<p>Potential risk of:</p> <ul style="list-style-type: none"> The UHB may not fully understand the estate condition.
Recommendations	Priority
<p>1.1 The UHB should consider increasing its strategic focus on the estate by including capital and estates within the portfolio of an Independent Member.</p>	<p>Medium</p>

Agreed Management Action		Target Date	Responsible Officer
1.1	Agreed.	December 2023	Director of Finance to discuss with Director of Corporate Governance

Matter Arising 2: Governance – Estates Board (Operation)	Impact
<p>The Estates Department's governance structure includes the Estates Board, with its purpose defined as follows in the terms of reference:</p> <p><i>"To oversee the management of the Estates Maintenance function within the Health Board ensuring the department meets its statutory obligations and effectively manages the estate and its resources;"</i></p> <p>and with a specific function with relevance to this audit to:</p> <p><i>"Monitor the Department's risks both from backlog and operations maintenance, ensuring effective management of resources to address these issues."</i></p> <p>Whilst the Estates Board is supposed to meet monthly, meetings took place infrequently during 2022, and had only been held in March and May during 2023 to date. We did not evidence discussion of backlog or maintenance risks during these meetings, however we note the Estates Strategy was presented to the forum in May.</p> <p>We recognise discussions have continued between key parties in Capital and Estates whilst the 6-facet survey data was analysed and the Estates Strategy developed, and the survey data will continue to be the foundation for decision making going forward. The UHB also operates other forums, such as the Capital Management Group, at which prioritisation decisions are taken and discretionary funds allocated.</p> <p>The re-instatement of the Estates Board to its intended function would provide a useful additional mechanism for the central consideration of e.g. emerging backlog and maintenance risks, within the Estates Department.</p>	<p>Potential risk of:</p> <ul style="list-style-type: none"> The Estates Department does not have an appropriate forum for central discussion and decision-making in relation to backlog and maintenance priorities.
Recommendations	Priority
<p>2.1 The Estates Board should meet in accordance with its agreed terms of reference, providing a routine forum for discussion of backlog and maintenance issues and risks.</p>	<p>Low</p>

Agreed Management Action		Target Date	Responsible Officer
2.1	Agreed.	December 2023 onwards	Assistant Director of Estates

Matter Arising 3: Baseline Information – Annual Updates (Operation)	Impact
<p>The key guidance in assessing backlog: ‘A <i>risk-based methodology for establishing and managing backlog</i>’ (updated March 2013) states, in respect of ongoing updates following the 6-facet survey:</p> <p><i>"You should update the findings of your detailed survey on an annual basis. This will inform your investment planning process and ensure your assets are safe and fit for purpose."</i></p> <p>The UHB have retained the services of the external Surveyor to undertake this annual review over the next five years. The updated position is to be based on 20% re-surveys of highest risk areas, in addition to desktop analysis and updated costings applied to the remainder of the data. The tender specification for the appointment was taken directly from the key guidance ‘A <i>risk-based methodology for establishing and managing backlog</i>’, and we therefore recognise the strength of the approach taken by the UHB in this area.</p> <p>We have however observed some inconsistencies in approaches taken across NHS Wales organisations in the annual updating of survey data. To facilitate a consistent all-Wales approach, it has been recommended to all organisations that guidance be sought from NWSSP: Specialist Estates Services to ensure consistency in EFPMS reporting across Wales.</p>	<p>Potential risk of:</p> <ul style="list-style-type: none"> • EFPMS data is not calculated on a consistent basis across NHS Wales, reducing the usefulness of the data in areas such as benchmarking.
Recommendations	Priority
<p>3.1 The UHB should engage with NWSSP: Specialist Estates Services to ensure their approach to annual updates of backlog data is appropriate noting the need for a consistent all-Wales assessment of the estate.</p>	<p>Low</p>

Agreed Management Action		Target Date	Responsible Officer
3.1	Agreed.	December 2023	Assistant Director of Estates

Matter Arising 4: Funding Strategy (Design)	Impact
<p>The Welsh Health Building Note 08 2018 Estatecode describes the key principles of an estate strategy e.g.:</p> <p><i>'An Estate Strategy should represent the vision for the future of the NHS organisations estate across all of its freehold and leasehold property...'</i></p> <p><i>'The purpose of an organisation's board approved estate strategy is to provide a strategic framework for the provision of an efficient, sustainable and fit-for-purpose estate that is both safe and secure....'</i></p> <p><i>'The estate strategy should be reviewed annually using EFPMS data...'</i></p> <p>Following completion of 6-facet surveys across the estate during 2022, the UHB has developed its Estates Strategy, in line with Estatecode guidance. The Strategy identifies the infrastructure requirements to support the future healthcare service needs of the UHB in line with the Clinical Services Plan and seeks to address the significant backlog maintenance requirements identified during the surveys.</p> <p>We note that, due to the location of the highest risk backlog issues (e.g. roof condition in Morriston Hospital), decant facilities are required to enable the roof to be replaced and the wards to be refurbished. The Strategy identifies a new theatre block, or the bringing forward of the proposed Emergency & Critical Care Unit, as options for providing decant facilities. The works would also be contingent on the building of the proposed new access road to the site. These "enabling" schemes have significant investment requirements, including £100m for a new ED, Critical Care and Theatre, £45m for ward decant enabling works and decant modular wards, and £48m, £40m and £20m for the ward refurbishment programmes themselves.</p> <p>The Strategy was developed via a dedicated Task and Finish Group instigated by the Chief Executive, which benefited from the scrutiny and challenge of two Independent Members, before being approved by the Board in May 2023.</p>	<p>Potential risk of:</p> <ul style="list-style-type: none"> • The Estates Strategy may be unaffordable, meaning identified estates condition risks will not be addressed; • The Board is not sufficiently appraised of the funding risks and does not fully understand the impact of the residual risks.

The Strategy includes a high-level ten-year capital investment programme and highlights the priority enabling projects required for the critical backlog maintenance estates issues identified from the 6-facet surveys. The programme estimates a significant total investment requirement of £812m over the ten-year period.

The UHB recognised, in its presentation to the Board in May 2023, that:

"The high-level capital investment requirement of £812m into the estate over the next 10-years is a significant undertaking that will require the support of Welsh Government. We have already been successful in securing £7.9m investment through the NHS Wales Estate Funding Advisory Board (EFAB), which will allow us to start to address some of the very urgent backlog maintenance issues.

Early discussions have commenced with Welsh Government on alternative sources of funding. A number of commercial and disposal opportunities are being explored, which could allow us to access additional funding. Some of this may come from the disposal of parts of our estate that are no longer required."

The Board requested, in the May 2023 approval session, that further work needs be done into alternative funding opportunities, and this was to be brought back to the Board in September 2023.

We recognise that Welsh Government has not communicated a central, all-Wales longer-term strategy for the NHS estate. However, the Strategy's reliance on investment in significant new schemes as enablers to address backlog issues increases the risks to the UHB of failing to achieve the required funding: particularly should Welsh Government apply a "do minimum" requirement to business cases, or a focus on identified "single points of failure" in prioritising available funding across Wales to address estates condition issues (noting the current financial climate and competing funding requirements across NHS Wales). Noting the UHB's ambitious vision, regular reporting of progress should be provided to the Board (or nominated Committee) outlining any limitations to in delivering the vision and how the resulting risks are being mitigated/managed (particularly those elements critical to business continuity).

The report should also highlight the impact of the revenue funding position and any material risks arising (see MA 5).			
Recommendations		Priority	
4.1	Recognising the recently approved Estates Strategy, the Board or nominated Committee should receive increased assurance on the risks associated with the absence of agreed funding to support the estates strategy, and the sufficiency of planned mitigating actions.	High	
Agreed Management Action		Target Date	Responsible Officer
4.1	Agreed. We will provide periodic reports to the Board/Committee outlining the key activities delivered within available funding (e.g. EFAB, discretionary capital, All-Wales Capital), and also highlight what could not be delivered, and the associated residual highest risks to the estate that may impact business continuity. The existing annual capital programme report to the Board could be an appropriate vehicle for this.	November 2023 and ongoing	Director of Finance

Matter Arising 5: Funding Strategy – Revenue Investment (Design)	Impact
<p>WHBN 00-08 2018 Estatecode highlights the importance of life cycle investment planning as key to managing the performance of the estate.</p> <p>Table 1 of this report presents the UHB and All-Wales comparators for maintenance expenditure on the estate: with the UHB spending slightly above the All-Wales average in 2021/22 (based on the latest reported EFPMS data).</p> <p>When this was correlated against an increasing estates backlog position (see Table 1), it indicated that the UHB was unlikely to see significant progress in reducing the backlog in the short to medium term. Also, any new or refurbished estate is likely to deteriorate in the future without a change in the level of investment. An inadequate maintenance resource can contribute to an increasing backlog position, i.e. reduced ability to address reactive and planned maintenance.</p> <p>The UHB has recognised its resourcing risk at the Corporate Risk Register (<i>"Health and Safety Infrastructure: Insufficient resource and capacity of the health, safety and fire function to maintain legislative and regulatory compliance for the workforce and for the sites across SBUHB"</i>), and has recently reviewed and strengthened its central management structure for Estates. However, we are advised a detailed resource analysis of existing and required maintenance staff has not been undertaken to assess whether a sufficient maintenance regime can be delivered to support the current estate, or support the ambitions of the Estates Strategy.</p> <p>This risk was also recognised in the presentation of the Estates Strategy to the Board, with the report highlighting:</p> <p><i>"There is also a need to develop a clear supportive Long Term Financial Model for the revenue support needed for the Clinical Service plan and the Estates Strategy. This would be a plan set out across the 10 years of the Strategy."</i></p>	<p>Potential risk of:</p> <ul style="list-style-type: none"> • The UHB may not invest sufficient resources in maintaining the estate. • The Estate condition does not improve / deteriorates.

Recommendations		Priority	
5.1	The UHB's stated objective <i>"to develop a long-term financial model for the revenue support needed for the Estates Strategy"</i> is supported by Audit as a key priority for the UHB to provide assurance to the Board that the Estates Strategy can be supported. A clear timeline should be determined for undertaking this exercise, with progress monitored at a relevant forum.	High	
5.2	To support 5.1, a full review should be undertaken of the Estates workforce to analyse the current position in terms of capability and capacity.	Medium	
5.3	The UHB should liaise with other Health Boards, and with NWSSP: Specialist Estates Services, to identify opportunities for benchmarking.	Medium	
5.4	Any resource gap both in terms of ability to maintain the current estate and ability to support delivery of the Estates Strategy should be determined, and reported to an appropriate forum.	Medium	
Agreed Management Action		Target Date	Responsible Officer
5.1	Agreed. We have routinely reported the resourcing difficulties (e.g. recruitment and retention of suitably competent staff) in maintaining the existing estate, with a risk also on the Corporate Risk Register. Maintenance of any future changes to the estate present an additional challenge which needs to be understood by the UHB.	November 2023	Director of Finance

5.2	Agreed.	December 2023	Assistant Director of Estates
5.3	Agreed.	December 2023	Assistant Director of Estates
5.4	Agreed. Following the standing down of the Health & Safety Committee, we now report Estates matters to the Performance & Finance Committee. Following an initial report in August 2023, the Committee has requested the inclusion of more statistical data. This will include maintenance compliance data. The results of the above review into future requirements will also be taken to this Committee.	December 2023	Assistant Director of Estates

Matter Arising 6: Monitoring & Reporting (Operation)		Impact
<p>We have evidenced regular reporting to the Health & Safety Committee in recent years in respect of the estate condition, primarily in relation to the need to undertake a 6-facet survey and develop an Estates Strategy.</p> <p>The UHB acknowledges that its data in respect of the backlog position was unreliable prior to the 2022 surveys being completed (noting the length of time which had passed since the prior surveys), and therefore there was little benefit in monitoring or reporting trends in this historic data.</p> <p>Now an accurate baseline has been established and a Strategy approved, it is important the UHB develops performance measures for monitoring and reporting future trends in the backlog position, to provide assurance as to whether the investments made are positively impacting the backlog position as intended.</p>		<p>Potential risk of:</p> <ul style="list-style-type: none"> The Board / Committee does not receive timely and accurate assurance on the performance of the Estates Strategy in impacting the backlog position.
Recommendations		Priority
6.1	The UHB should clearly define a process for monitoring and reporting the estates condition on a periodic basis (minimum annually) including the backlog maintenance position.	Medium
Agreed Management Action		Target Date
6.1	Agreed. We are currently procuring this year's 20% re-survey via 6-facet survey, and the survey data will be the central focus for monitoring movement in backlog going forward. Reports will be taken to the Performance & Finance Committee.	November 2023
		Director of Finance

Matter Arising 7: Risk Management - Assurance (Operation)	Impact
<p>The UHB's risk management policy sets out a framework for consistent management of risk in the health board, directing the way in which risks are identified, evaluated and controlled. The policy was reviewed, refreshed and approved by the board in March 2023. The operation of the risk management framework is overseen by the Audit Committee, with individual executives and senior managers having specific delegated responsibilities.</p> <p>Capital and Estates risks are generally identified, assessed, and escalated in accordance with the UHB wide approach to risk management, and there were three risks currently included on the Corporate Risk Register in these areas, as follows:</p> <ul style="list-style-type: none"> • HBR ref 13: Health & Safety Compliance – Environment of Premises. The risk relates to compliance in terms of appropriate accommodation in line with Health and Safety Regulations (Risk rating 16 – raised from 12 following completion of the 6-facet survey and Estates Strategy); • HBR ref 41: Fire Regulation Compliance. The uncertain position in regard to the appropriateness of the cladding applied to Singleton Hospital in particular (as a high-rise block) in respect of its compliance with fire safety regulations (risk rating 16); and • HBR ref 64: Insufficient resource and capacity of the health, safety and fire function within SBUHB to maintain legislative and regulatory compliance for the workforce and for the sites across SBUHB (risk rating 16). <p>As part of the risk management framework, the Board has considered its main objectives and identified the risks most likely to prevent the achievement of these. These are captured within the Board Assurance Framework (BAF). The BAF provides information on the controls and assurances in place to manage /mitigate the significant risks which will impact upon the delivery of the UHB's main objectives, and identify any further actions which may be required.</p>	<p>Potential risk of:</p> <ul style="list-style-type: none"> • The Board may not be assured that risk are appropriately managed; • The Board may not understand which risks cannot be reduced and the associated implications.

The Capital and Estates risks included on the Corporate Risk Register were included within BAF7: *'Delivering Care in Safe, Modern Environments'*, which was assessed as providing Limited Assurance to the Board when last reported to the Audit Committee in July 2023. Noted key controls in this area included oversight by the H&S Committee and H&S Operational Group, Health & Safety policy and KPIs.

Noted actions taken to date in respect of the above include:

- HBR ref 41: The Singleton Cladding programme remains on target for completion by March 2024, with 75% already completed. Once completed, it is expected it will be possible to reduce the risk score to 12. Fire compartmentation surveys have also been undertaken, with action plans being developed to address issues identified. Management control plans are also in place for evacuation.
- HBR ref 64: Following integration of Capital and Estates under the Director of Finance, structures are being reviewed to identify key posts required to undertake PPMs and statutory compliance work.

However, actions recorded at the BAF aimed at improving assurance in these areas were more general, and included:

- Reporting to the Health & Safety Operation Group, including deep dives;
- Review and update of Estates KPIs and content of Estates reporting; and
- Development of an Estates Strategy (now completed).

Noting the effectiveness of actions to reduce the risks to date, the continued deterioration of the estate condition in the same period, aligned with increasing pressures on availability capital resource, the above should be reviewed to provide assurance to the Board as to whether the actions are progressively achieving the desired risk mitigation, or whether some risks have to be "tolerated" due to insufficient funding. Where this is the case, the risks to e.g. service continuity, should be fully understood.

Recommendations		Priority	
7.1	The Board should be provided with assurances on the effectiveness of the identified actions to reduce the estates condition risks.	High	
Agreed Management Action		Target Date	Responsible Officer
7.1	Agreed. We recognise that it is unachievable to reduce all backlog risk, due to lack of funding, and the Board should be appropriately informed where this is the case and what the residual risks are to service continuity where risks have to be “tolerated”. We also understand the benefit of focusing Board assurance on the most critical risks, rather than considering a “blanket” backlog risk. We will review our board assurance processes accordingly.	November 2023 onwards	Director of Finance

Appendix B: NHS Estates Dashboard Report 2021/22

NHS ESTATE DASHBOARD REPORT 2021/2022

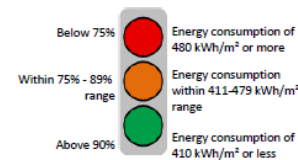
HEALTH BOARD / TRUST ESTATE PERFORMANCE BREAKDOWN 2021/2022



National Key Performance Indicators

Percentage of the estate which is of reasonable standard and therefore falls within Estatecode category 'B'/'F' or above:

	Physical Condition (%)	Statutory & safety compliance (%)	Fire safety compliance (%)	Functional suitability (%)	Space utilisation (%)
ANEURIN BEVAN UNIVERSITY HEALTH BOARD	94	93	85	98	91
BETSI CADWALADR UNIVERSITY HEALTH BOARD	62	74	64	74	93
CARDIFF & VALE UNIVERSITY HEALTH BOARD	78	86	87	66	81
CWM TAF UNIVERSITY HEALTH BOARD	96	89	95	100	97
HYWEL DDA UNIVERSITY HEALTH BOARD	88	89	65	91	99
POWYS TEACHING LHB	67	80	72	71	86
SWANSEA BAY UNIVERSITY HEALTH BOARD	51	47	47	55	97
VELINDRE UNIVERSITY NHS TRUST	65	95	95	88	99
WELSH AMBULANCE SERVICES NHS TRUST	48	90	90	36	99

Energy Performance and Carbon Dioxide (CO₂) Emissions

	Net Energy Consumption (kWh/m²)	CO ₂ Emissions* (kg/m²)
ANEURIN BEVAN UNIVERSITY HEALTH BOARD	341	70
BETSI CADWALADR UNIVERSITY HEALTH BOARD	460	95
CARDIFF & VALE UNIVERSITY HEALTH BOARD	373	81
CWM TAF UNIVERSITY HEALTH BOARD	419	85
HYWEL DDA UNIVERSITY HEALTH BOARD	485	106
POWYS TEACHING LHB	448	91
SWANSEA BAY UNIVERSITY HEALTH BOARD	407	83
VELINDRE UNIVERSITY NHS TRUST	411	90
WELSH AMBULANCE SERVICES NHS TRUST	246	57

*Target to be agreed

Backlog Maintenance Costs



	High Risks (£)	Significant Risks (£)	Moderate Risks (£)	Low Risks (£)	Risk Adjusted Cost (£)
ANEURIN BEVAN UNIVERSITY HEALTH BOARD	37,754,428	16,518,352	45,488,017	49,807,323	98,296,321
BETSI CADWALADR UNIVERSITY HEALTH BOARD	91,809,773	142,498,091	68,658,155	45,421,260	239,955,528
CARDIFF & VALE UNIVERSITY HEALTH BOARD	32,033,876	85,487,856	28,777,072	5,537,518	101,262,019
CWM TAF UNIVERSITY HEALTH BOARD	31,261,530	31,963,352	22,345,412	1,519,250	64,046,747
HYWEL DDA UNIVERSITY HEALTH BOARD	0	89,509,339	9,432,673	6,802,904	90,679,218
POWYS TEACHING LHB	5,075,437	23,998,187	12,931,568	10,039,954	30,117,985
SWANSEA BAY UNIVERSITY HEALTH BOARD	9,057,000	46,516,759	41,835,883	4,598,390	56,464,069
VELINDRE UNIVERSITY NHS TRUST	139,220	1,894,312	5,002,211	2,719,910	1,875,521
WELSH AMBULANCE SERVICES NHS TRUST	667,486	2,855,208	3,170,304	3,936,411	7,184,233

The complete dataset upon which this report is based is accessible from the NHS Wales Shared Services Partnership - Specialist Estates Services intranet and internet sites

Appendix C: Assurance Opinion and Action Plan Risk Rating

Audit Assurance Ratings

We define the following levels of assurance that governance, risk management and internal control within the area under review are suitable designed and applied effectively:

	Substantial assurance	Few matters require attention and are compliance or advisory in nature. Low impact on residual risk exposure.
	Reasonable assurance	Some matters require management attention in control design or compliance. Low to moderate impact on residual risk exposure until resolved.
	Limited assurance	More significant matters require management attention. Moderate impact on residual risk exposure until resolved.
	Unsatisfactory assurance	Action is required to address the whole control framework in this area. High impact on residual risk exposure until resolved.
	Assurance not applicable	Given to reviews and support provided to management which form part of the internal audit plan, to which the assurance definitions are not appropriate. These reviews are still relevant to the evidence base upon which the overall opinion is formed.

Prioritisation of Recommendations

We categorise our recommendations according to their level of priority as follows:

Priority level	Explanation	Management action
High	Poor system design OR widespread non-compliance. Significant risk to achievement of a system objective OR evidence present of material loss, error or misstatement.	Immediate*
Medium	Minor weakness in system design OR limited non-compliance. Some risk to achievement of a system objective.	Within one month*
Low	Potential to enhance system design to improve efficiency or effectiveness of controls. Generally issues of good practice for management consideration.	Within three months*

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



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