

Agenda – Public Accounts Committee

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| Meeting Venue: | For further information contact: |
| Video Conference via Zoom | Fay Bowen |
| Meeting date: 25 January 2021 | Committee Clerk |
| Meeting time: 08.30 | 0300 200 6565 |
| | SeneddPAC@senedd.wales |

(Private Pre-meeting)

(09.00 – 09.15)

In accordance with Standing Order 34.19, the Chair has determined that the public are excluded from the Committee's meeting in order to protect public health. This meeting will be broadcast live on www.senedd.tv

1 Introductions, apologies, substitutions and declarations of interest

(09.15)

2 Barriers to the successful Implementation of the Well-Being of Future Generations (Wales) Act 2015: Evidence Session 7

(09.15 – 10.30)

(Pages 1 – 5)

Research Briefing

National Library of Wales

Pedr ap Llwyd – Chief Executive & Librarian

David Michael – Deputy Chief Executive and Librarian (Corporate Resources)

National Museum of Wales

David Anderson – Director General

Nia Williams – Director of Learning and Public Programmes

Kath Davies – Director of Collections and Research

(Break)

(10.30 – 10.40)



3 Barriers to the successful Implementation of the Well-Being of Future Generations (Wales) Act 2015: Evidence Session 8

(10.40 – 12.10)

National Resources Wales

Clare Pillman – Chief Executive

Sian Williams – Head of North West Wales Operations

Pembrokeshire Coast National Park Authority

Tegryn Jones – Chief Executive

Mair Thomas – Performance and Compliance Co-ordinator

Public Health Wales

Tracey Cooper – Chief Executive

Professor Mark Bellis – Director of Policy and International Health & WHO

Collaborating Centre on Investment for Health & Well-being

Sumina Azam – Consultant in Public Health

4 Paper(s) to note

(12.10 – 12.15)

4a Asbestos Removal Programme at Ysbyty Glan Clwyd & Betsi Cadwaladr

University Health Board – Arrangements for interim senior staff

appointments: Letter from the Acting Chief Executive, BCUHB (16 December 2020)

(Pages 6 – 20)

5 Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business:

(12.15)

Item 6

6 Barriers to the successful Implementation of the Well-Being of Future Generations (Wales) Act 2015: Consideration of evidence received

(12.15 – 12.30)

Document is Restricted



Mr Nick Ramsay MS
Chair
Public Accounts Committee
Welsh Parliament
Cardiff Bay
Cardiff
CF99 1SN

Ein cyf / Our ref: GH/LJ/DL/2761

Eich cyf / Your ref:

☎: 01745 448788 ext 6364

Gofynnwch am / Ask for: Dawn Lees

E-bost / Email: Dawn.Lees@wales.nhs.uk

Dyddiad / Date: 16th December 2020

Dear Mr Ramsay

Re: Auditor General for Wales Reports: Arrangements for Interim Senior Staff Appointments and The Refurbishment of Ysbyty Glan Clwyd

Thank you for correspondence of 6th November 2020 regarding the above reports. Further to your request, I append the Health Board's response to the Committee's queries.

Please do not hesitate to contact me should you require further information,

Yours sincerely

Gill Harris
Prif Weithredwr Dros Dro
Acting Chief Executive

Enc

Response to issues raised by the Public Accounts Committee regarding the Auditor General for Wales Report:

Arrangements for Interim Staff Appointments-BCUHB

Q. What is the current position in terms of the Health Board’s reliance on the use of interim senior staff (overall numbers, the roles covered and the duration of these appointments) and has that reliance increased or decreased over the past 12 months?

We would also welcome your reflections on any particular challenges that you are still facing in recruiting senior staff and the impact that the transient nature of some senior roles has had on the Health Board’s ability to move forward.

A. The current position in relation to interim senior staff is set out in the table below.

| Overall Role | Numbers | Duration | Notes |
|--|---------|-----------------------|---|
| COVID-19 Pandemic Programme Support including TTP/vaccination/outbreak | 8 | 12 months 6 months | Programme expertise has been critical to the delivery of key streams as part of the COVID-19 Pandemic response. |
| Planned Care Improvement | 2 | 12 months | Recruitment plan for substantive appointment in place |
| Operational leadership/governance | 4 | 6 months | Recruitment plan for substantive appointment in place |

Whilst the reliance upon interim senior staff has reduced for core senior operational roles following a number of key appointments e.g. Site Acute Care Directors, there has been a continued requirement for programme management support as part of the management of the COVID-19 Pandemic.

In addition, a small number of interim appointments have been made pending substantive appointment to new roles e.g. Director of Governance.

Substantive appointments have been made to a number of the roles previously covered on an interim basis, most notably senior leadership of acute hospital sites. However, recruitment and retention at executive and senior management levels continues to be a challenge. The commencement of a new Chief Executive, together with the steps taken to recognise the work undertaken by the Health Board and to support a greater focus on strategic improvement aligned to delivery of *A Healthier*

Wales will enable us to articulate a compelling vision for the future. There is no doubt that this will support not only attraction and retention of high calibre leaders, but also the development of talent across the organisation as part of essential succession planning and resilience.

Q. Why was the advice of the procurement team not sought on a timely basis, notably in the case of the interim recovery director, and what action has the Health Board taken to review and strengthen its processes where relevant, to follow up on any remedial actions or to check the issues identified in these cases are not symptomatic of wider process failings.

A. The Health Board had a process in place for appointment of interim agency workers and this process was followed. The process had been developed with the benefit of procurement advice.

The revised process includes requiring agreement from Executive Directors of Finance and Workforce prior to communication to agencies under the Framework. This provides an opportunity for any exceptional circumstances requiring additional procurement expertise to be flagged and actioned.

Q. Given the wider financial pressures on the Health Board, how was it planning to cover the £350,000 that it received from the Welsh Government towards the cost of the Interim Recovery Director had this not been approved and what impact might that have had on other areas of activity?

A. The Health Board considered the financial implication of the cost of the Recovery Director and had the funding not been approved by Welsh Government (WG), it would have been factored into the savings programme as a cost of delivery and the savings target for the year would have been increased to offset the additional cost so that it did not impact on clinical services.

Q. Does the Health Board still believe that the daily rate and overall costs for the Interim Recovery Director represented good value for money for the Welsh taxpayer?

The due diligence conducted by the Health Board at the time of the appointment showed that the rate paid was in line with the market rate and the Recovery Director provided the Health Board with an experienced senior expert in financial recovery, which supported the delivery of the savings programme in 2019/20.

Q. Can the Health Board point to any specific examples of financial or performance returns that can be attributed to the work of the Interim Recovery Director.

A. The Recovery Director instigated a robust governance and accountability regime with additional management controls to enable the identification and delivery of

savings across the Health Board. Supported by an enhanced Programme Management Office, this approach drove significant action both within Divisions and in work streams led by Executive Directors, resulting in the identification and delivery of additional savings.

This additional challenge and focus led to significant additional savings being generated in areas such as workforce, prescribing, continuing healthcare, repatriation of patients and care packages, procurement and budgetary control.

During the period from the 1st of July to the end of March 2020 the programme reported an increasing portfolio of identified schemes, totalling £49m at its maximum. At the end of the year £35.5m of savings were delivered, with 70% of these savings recorded as recurrent.

Q. What changes have been made, whether to capacity or governance arrangements, to ensure that any momentum brought about by the Interim Recovery Director has been sustained since their departure?

A. The COVID 19 pandemic began to impact on the Health Board in March 2019/20 and the savings programme and the related resources and governance framework has been stood down. This has significantly reduced the savings delivered or forecast to deliver during 2020/21.

The Health Board has commenced the planning process for 2021/22 and best practice from the lessons of the recovery programme will be incorporated into the refreshed savings programme; the recovery programme provided additional grip, control and challenge to the organisation's expenditure and drove a rigorous savings programme. This was supplemented by a programme of financial improvement, with stronger governance, reporting and accountability being implemented.

Q. Beyond the role of the Interim Recovery Director, is the Health Board able to quantify the wider additional costs that it has incurred over recent years in an effort to turnaround in its overall financial position and/or its performance?

A. The Health Board commissioned an independent financial review in 2019/20 which was conducted by PwC, with a contract value of £485,755. There have also been some external projects commissioned to review performance improvement opportunities, mainly in Secondary Care.

Q. When can we expect to see a clear financial strategy which will deliver financially sustainable health services in North Wales and what is the Health Board's 2020-21 in-year and forecast year-end position now looking like considering the impact of COVID-19?

A. The Health Board is developing a financial strategy for the next three years which will factor in the strategic financial support announced by the Minister for Health and Social Services on 3 November 2020, and will be completed by 31 March 2021.

The in-year and year end forecast financial position are reporting a balanced position, mainly due to the additional Welsh Government funding for COVID-19 and strategic support for the baseline deficit.

Q. Recognising that it is presenting its own challenges, are there any key lessons that the Health Board is already identifying from the way it has had to respond to COVID-19 that might help to strengthen its governance and support turnaround in future.

A. The Health Board is proud of the dedication and commitment shown by staff during the pandemic, and their continued resilience and compassion as the second wave continues.

The Health Board has been able to quickly redesign services and the estate in order to better accommodate and care for COVID-19 patients. There has been an adoption of technology and innovation which the Health Board now needs to further develop in order to improve the quality and effectiveness of the wider clinical care provided to the population of North Wales.

The Health Board has established improved governance and accountability in the third quarter of the year and will continue to review and improve governance across the organisation. With the incoming Chief Executive joining in January 2021, the Board will work together with key partners towards developing a financially sustainable health system.

Response to issues raised by the Public Accounts Committee regarding the Auditor General for Wales Report: *The Refurbishment of Ysbyty Glan Clwyd*

Post project evaluation

Q. There have been several reports from internal auditors and independent consultants about various aspects of the project over the last six years and, responding to the recommendations raised in these reports, the Health Board has put in place new governance arrangements, structures and processes. Now that the project is complete, we would welcome an overview of what 'post-project evaluation' work has taken place and how you have gone about reflecting on how the project went overall. As part of this it would be helpful to understand:

- Who has been involved in this reflection process, and how have you involved key parties, such as the Supply Chain Partner, External Cost Advisor and NHS Wales Shared Services?*
- How you might be sharing any lessons learnt from the project across NHS Wales?*

A. A formal Post Project Evaluation had been scheduled to be undertaken in March 2020, 12 months after the completion of the project. Due to the pandemic this has had to be postponed and will now be undertaken during 2021. The evaluation will be facilitated by NHS Wales Shared Services and will include BCU staff and patient representatives together with the external project manager, cost advisor and supply chain partner.

In the interim, a "lessons learnt" report was shared with Welsh Government and NHS Wales in October 2018, identifying potential lessons for client organisations following the independent review of external support provided to the project. A copy of the report is included at Appendix 1.

Value for money

Q. Given that the project cost £60 million more than the original approved budget, does the Health Board believe that the £171 million spent on the project represents good value for money for the Welsh taxpayer? As part of this it would be helpful if you could indicate:

- How the project has performed more generally against its wider objectives?*
- Whether you consider that, had the full costs been appreciated at the outset, this might have led to a different decision around the refurbishment work, such as building a completely new hospital on another site?*

A. The project's objectives, as defined within the Full Business Case, were:

- 1 To mitigate the risk of asbestos exposure to patients
- 2 To achieve statutory compliance with Firecode

3 To provide modernised, cost effective and statutory compliant facilities and infrastructure

4 To facilitate the provision of a healthcare model that enables the delivery of safe and sustainable care

5 To redesign the hospital to facilitate the improvement of clinical efficiencies.

The project was completed over 7 years and resulted in the removal of over 300,000 tonnes of contaminated waste, and comprised some 420 re-locations (ranging from individual rooms to whole departments). This was completed successfully, only 4 months later than planned, without any serious safety incidents. The project met all of the Health and Safety Executive's improvement notices and has ensured the hospital meets all statutory compliance requirements including Firecode.

The project has resulted in a complete redevelopment of the hospital including state-of-the-art operating theatres and departments, a new emergency treatment quarter, new wards and refurbishment of existing hospital services, new pathology department, new critical care unit, refurbished x-ray and outpatient facilities, and new communal areas and catering department.

The necessity to strip back the building to its structural elements allowed a re-design of all departments and a review of their location to maximise the efficiencies of co-location. This resulted in the creation of a number of treatment "zones" eg emergency quadrant, theatres and procedures, and medical investigations. The re-design also allowed the introduction of additional single en-suite bedrooms, better gender segregation and enhanced infection protection measures. The new design supported new models of care, eg day of surgery arrivals areas and the transfer of services into community settings, eg therapies. It also allowed innovation and improvement in support services such as the introduction of re-generation kitchens that have improved the patient's experience and significantly reduced waste.

Despite the financial challenges, the Health Board successfully completed a complex project broadly to programme, that has significantly enhanced the facilities and will provide patients and staff with an improved environment and experience. The redevelopment of a working hospital was an ambitious and complex project which has since been viewed by other Health Boards and Trusts elsewhere in the UK as an exemplar of how to successfully make widespread improvements to a live hospital site.

Throughout the project the Health Board worked hard to minimise costs and deliver the redevelopment in as cost-effective way as possible. Whilst the project was significantly over the original budget, the Health Board is confident that value for money was achieved in what was delivered by the project:

- Each of the funding phases (CE1 to 5) were scrutinised and agreed with NHS Wales Shared Services Specialist Estates Services (NWSSP-SES) prior to approval by Welsh Government.
- A benchmarking exercise was undertaken by the Cost Advisors in 2015 in support of these funding submissions.
- The independent review undertaken by KPMG noted that confirmation that the value of the funding phases had been agreed with the supply chain partner,

coupled with the independent scrutiny of the estimates by Specialist Estates Services, provided assurance to the Project Board and Health Board that the estimates were an accurate estimate of the cost of the works.

- NHS Wales Shared Service Specialist Audit Services have undertaken a review of the pain/gain share and “open book” audit to verify the final out turn cost.

In 2007 the predecessor Conwy and Denbighshire NHS Trust estimated the cost of a new build hospital to be £250m. The recently completed Grange Hospital in South Wales has cost circa £350m. It is therefore reasonable to assume that to build a new hospital would have cost in the region of £300m+ representing a significant increase on the final out turn cost of £170.8m.

Scrutiny and approval of business cases

Q. What assurances can you give the Committee that business cases are now subject to effective internal review and scrutiny before they are approved and submitted to the Welsh Government?

• How, for example, have any process changes been applied on more recent business cases, such as the Wrexham Maelor infrastructure project and the Royal Alexandra hospital capital project in Rhyl?

A. In 2015, following the commissioning of an external review, the Health Board implemented revised governance and management structures and processes for all capital projects. This included a revised investment decision making process, levels of authority and reporting hierarchy and the process of development, scrutiny and approval of business cases.

All business cases with a value greater than £1m are subject to four levels of internal review:

1. Peer review – by senior managers not connected to the project (formerly the Executive Management and Estate Improvement Groups and now the Capital Investment Group).
2. Review and scrutiny by the full Executive Team.
3. Review and scrutiny by the Finance and Performance Committee comprising independent members.
4. Review by the full Health Board.

The Health Board can confirm that recent business cases, including the Wrexham Maelor infrastructure project and the redevelopment of the Royal Alexandra Hospital, have been subject to the above review process prior to their submission to WG.

Financial monitoring of projects

Q. What actions have been taken to improve financial monitoring and the reporting of capital projects within the Health Board and to avoid a repeat of the sorts of issues summarised at paragraphs 52/53 and 73 of the Auditor General’s report?

A. In 2014, following the identification of the issues identified within the Auditor General's report, the Health Board reviewed the financial monitoring and management controls with respect to all capital projects. Processes were strengthened to ensure that financial monitoring was undertaken independently by the Finance Department and regular reports were provided to the Health Board Finance and Performance (F&P) Committee.

In response to the recommendations of internal auditors and independent reviewers, the Health Board has introduced revised cost reporting requirements and arrangements.

Cost and progress reports are prepared independently by the external Cost Advisor and Project Manager respectively and reported on a monthly basis to the Project Board. The Cost Advisor, Project Manager and Supply Chain Partners are all members of the Project Board and their independent reports are also appended to the Health Board's monthly progress reports to WG.

Clear decision making processes and delegated limits of authority have been introduced. Changes are required to be reported to the Project Board, the Finance Director and the Health Board in accordance with the scheme of delegated authority.

With respect to financial management, the following table summarises the outcome of all major capital build projects (>£1m) completed to date since 2014.

| Date Completed | Project | Original Budget (£m) | Out turn (£m) | Comment |
|-----------------------|---|-----------------------------|----------------------|---|
| 2015 | Llangollen Primary Care Resource Centre | 5.200 | 4.840 | |
| | Llandudno Hospital Minor Injuries Unit | 1.951 | 2.061 | F&P approved discretionary support to upgrade site wide electrical supply |
| 2016 | Tywyn Hospital | 5.063 | 5.354 | League of Friends funded additional work requested to existing entrance (not within project scope) F&P approved discretionary support to upgrade electrical infrastructure |
| 2017 | "Healthy Prestatyn" Community Health Centre | 1.520 | 1.461 | |
| | Blaenau Ffestiniog Primary Care Resource Centre | 3.994 | 4.204 | WG supported additional funding for change in statutory regulations and |

| | | | | |
|------|--|--------|--------|---|
| | | | | Welsh Health Building Note Guidance |
| 2018 | Flint Primary Care resource Centre | 5.036 | 4.768 | |
| | Anti-ligature works to Mental Health & Learning Disability (MHL) inpatient units | 8.157 | 8.220 | Small increase reported to F&P and managed within overall programme |
| | Wrexham Maelor Hospital (WMH) Modular Theatres | 4.655 | 5.199 | During implementation the project highlighted the fragility of the engineering services at WMH. F&P approved discretionary support to provide electrical, gas and water supply to the modular theatres and for additional infection prevention measures |
| | Sub-Regional Neonatal Intensive Care Centre | 17.919 | 17.745 | |
| 2019 | "The Elms" Substance misuse unit | 2.178 | 2.015 | |
| | Ysbyty Glan Clwyd (YGC) Hybrid Theatre | 2.500 | 2.160 | |
| | Ysbyty Gwynedd Emergency Department | 13.893 | 13.923 | Small increase reported to F&P and managed within overall programme |

Governance and management of projects

Q. Over and above any specific issues covered above, what other key lessons has the Health Board learnt and how is that learning being applied to project management and governance arrangements for other significant capital projects?

A. As indicated previously, following the commissioning of an external review, the Health Board implemented revised governance and management structures and processes for all capital projects. This included the introduction of a *Procedure Manual for Managing Capital Projects* as approved by the Finance & Performance Committee. The manual is mandated for the management of capital expenditure associated with all types of project. The manual defines the investment decision making process, levels of authority and reporting hierarchy. It describes the process of development, scrutiny and approval of business cases and identifies the required capital project

processes, by stage. It provides a suite of standard procedural documents ensuring a common template for management and control. The manual aligns with, and is required to be read in conjunction with, the Health Board's Standing Orders and Standing Financial Instructions and the Welsh Government's NHS Wales Infrastructure Investment Guidance.

The recommendations identified within all capital audit reports are tracked and monitored by the Audit Committee. The Health Board continues to review the governance and management of capital projects in accordance with audit recommendations and organisational needs. An annual capital audit programme has been introduced and 16 capital audits have been undertaken since 2014. It can be noted that following the establishment of the strengthened capital governance arrangements in 2015 there has been an improvement in performance as noted in the table below.

| 2014 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|--|--|---------|---|---------|--|---|
| YGC Redevelopment Project No assurance | YGC Follow up No opinion – due to limited period since initial report (however noted 12 out 40 actions outstanding) | | YGC further follow up Limited assurance | | | YGC – open book and pain/gain share (to verify final out turn) Reasonable assurance |
| | Capital Systems Limited assurance | | | | Capital systems Reasonable assurance | |
| | Tywyn Hospital Limited assurance | | | | | |
| | Llangollen Primary Care Resource Centre Limited assurance | | | | | |
| | North Denbighshire Community Hospital Limited assurance | | | | | North Denbighshire Community Hospital Reasonable assurance |

| | | | | | | |
|--|--|--|--|--|---|---|
| | | Sub Regional Neo-natal Intensive Care Centre Reasonable assurance | | Sub Regional Neo-natal Intensive Care Centre Reasonable assurance | | |
| | | | Blaenau Ffestiniog Primary Care Resource Centre Reasonable Assurance | | | |
| | | | Ysbyty Gwynedd Emergency Department Reasonable Assurance | | Ysbyty Gwynedd Emergency Department Reasonable Assurance | |
| | | | | | | Substance Misuse Action Fund Reasonable assurance |

APPENDIX 1

Potential lessons learnt for client organisations following the independent review of external support to a capital project in North Wales

Introduction

Following concerns with respect to the increasing cost of a capital development procured through the national framework, the Health Board commissioned an independent review of the advice received.

The report identified concerns in relation to the advice received and the Health Board has identified “lessons learnt” that may be applicable to all client organisations within Wales.

Lack of clarity in relation to detail and adjustments of supply chain partner (SCP) costs

Consideration to be given to whether the level of detail of cost information mandated in support of complex business cases should be increased, proportionate to the potential risk associated with the scheme.

Errors in risk register

The review identified areas of good practice but also noted that risk registers should ensure:

- Each risk has an owner by individual rather than organisation.
- Each risk has a specific review date.
- Consideration to be given to projects ability to treat, tolerate or transfer risks in order to allow a focus on the key project risks.

Concerns with respect to programme

Ensure programmes for major projects reflect the following best practice:

- Provides a headline summary of key milestones
- Provides clear logic links between activities clearly defining the critical path.
- Each programme revision should record the data dropline date.
- Each programme should demonstrate the required resource loading to determine whether it is realistic and deliverable within the context of the market environment.
- Programme “activity float” should fully reflect the project risk (as the risk register) and should be critically reviewed to take account of the impact of resourcing considerations.

Validity of written evidence (emails) in support of changes to terms and conditions

Those responsible for managing capital projects should ensure that any amendments to the terms and conditions of a contract must be enacted through a formal Deed of Variation and not to rely upon an exchange of written confirmation.

Concerns with respect to the adequacy and accuracy of cost reporting

There would be benefit in developing a common cost reporting template that ensured all cost reports:

- Provide an analysis of variances including a commentary to identify themes and trends and changes over time
- Provide a comparison of target and defined cost and assessment of potential gain share
- Ensure that all compensation events are reported and costed individually, not grouped, and identify justification and funding source
- Ensure that the value of the contingency reflects the risks to completion and is fully aligned to the risk register
- Provides a matrix of cost expended to date versus time elapsed

Consideration should also be given to the benefits of developing reporting to a second level of supply chain partner costs categorised by cost heading (element) for major capital projects, proportionate to the complexity and risk.

Other items arising from the review

- Best practice recommends that an individual should be named as Project Manager rather than a company.
- It is noted that the term “provisional sum” is not recognised within the New Engineering Contract (NEC) suite of contracts. Any allowances for works that cannot be fully scoped or specified at the outset of a project should be scheduled and identified as “Employers Risks” within the NEC works information.