

Wellbeing Hub at Park View

Final Internal Audit Report

2025/26

Cardiff & Vale University Health Board



Reasonable Assurance

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Review Reference

Fieldwork

Executive Sign Off

Audit Committee

Executive Lead

Audit Team

CVU-SSU-2425-34

July-September 2025 (report updated
November 2025 before issue to reflect Board
approval of the FBC)

1st May 2026

19th May 2026

Catherine Phillips, Executive Director of
Finance

Huw Richards, Deputy Director, SSu
Melanie Goodman, Audit Manager

Executive Summary

Purpose

This audit reviewed the delivery and management arrangements in place to progress the Wellbeing Hub @ Park View project during the Full Business Case (FBC) stage. The audit was commissioned in accordance with the agreed Integrated Audit Plan provided within the approved Outline Business Case (OBC) and was the first audit of the project. Further audits are planned within the updated Integrated Audit Plan provided to management for inclusion within the FBC.

Overview

We have concluded **reasonable assurance** at this audit.

The project has significantly increased in cost between the OBC and FBC stage and was nearly two years behind the delivery timeline established within the OBC at the time of audit fieldwork. The FBC revenue case initially failed to achieve internal approval, leading to a further 3-month delay, and delays had also been experienced in obtaining planning approvals, putting the project timeline further at risk. The report recognises however that the cost increases were largely due to external factors outside the control of the Health Board, and we have determined positive assurance ratings in each objective related to management controls.

The significant matters requiring management attention include:

- Noting insufficiencies in delivery of the 'project board' role to date, and recent changes in the governance structure, clarification is required as to how this key role will be fulfilled going forward;
- A review of contractual arrangements to ensure contract documents are appropriately executed in line with Standing Orders, and forms of contract applied for adviser appointments appropriately reflect the complexity and size of the instruction;
- Ensuring at future projects, the target cost report is received in a timely manner to facilitate internal scrutiny and approvals;
- Improved processes to ensure a clear audit trail of timely escalation of significant project cost increases, both internally and to WG;
- A review of the approach taken in obtaining support for and approval of the FBC revenue case, to learn how this can be improved at future projects to avoid last minute rejections which may have significant impact on the project's ability to progress.

Full details of matters arising are detailed within the Findings & Agreed Action Plan.

Scope & Assurance Summary

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

Related Findings

Assurance

	Objectives	Related Findings	Assurance
1	Project Performance: Consideration of performance against project objectives at the current stage (e.g. time, cost, benefits, critical success factors etc.).	-	Limited
2	Governance arrangements: Assurance that adequate governance arrangements exist including ownership, defined roles & responsibilities and clearly defined accountability & delegation arrangements. That appropriate governance structures have been developed, including effectiveness of workstreams.	1-4	Reasonable
3	Approvals: Assurance that appropriate internal / external approval mechanisms are applied as the project progresses through key junctures.	11	Reasonable
4	Financial: Adequate cost control and reporting systems are operated.	1	Reasonable
5	Contractual: To ensure that appropriate mechanisms have been applied at the appointment of contractors and advisers / design team members, ensuring compliance with local and national protocols. That appropriate controls are operating to manage fees. Assurance that the target cost has been robustly determined.	5-7	Reasonable
6	Planning: Assurance that planning approvals have been appropriately obtained, and conditions/requirements are complied with.	-	Reasonable
7	Design Development: A review of the arrangements to define and sign-off the client brief and the engagement processes thereafter with key stakeholders to develop the design. That affordability is appropriately monitored and controlled.	8-10	Reasonable

Management Actions

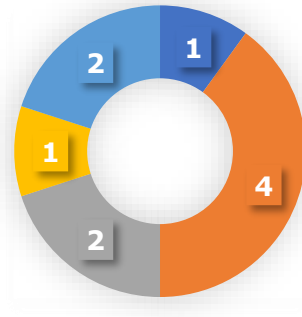


High Priority



Medium Priority

Themes



- Approvals
- Contractual
- Governance
- Planning, Delivery & Deadline
- Management Reporting

Risk Types

- Financial Loss
- Legal & Regulatory Non-Compliance
- Quality or Safety Issues
- Public Perception & Reputational Risk

Wellbeing Hub at Park View - At a Glance



The development of the Wellbeing Hub at Park View aims to provide fit for purpose primary care facilities to serve the residents of the South-West Cardiff Cluster, in support of the UHB's vision for primary care and community services outlined within the Shaping Our Future Wellbeing Strategy. The development is being progressed as one of the first tranche of projects described in the Shaping Our Future Wellbeing: In Our Community Strategy Programme Business Case and is being funded from the Welsh Government's Health & Social Care Integration and Rebalancing Capital Fund (IRCF).

The preferred option will provide a new Health Centre on the wider Park View site in Ely, adjoining the existing Ely and Caerau Community Hub, and will include:

- Wellbeing facilities and community rooms;
- The bringing together of currently dispersed services including diabetic eye screening services, podiatry clinics, community wound, stop smoking, AAA and continence clinics, learning disability services, district nurse treatments and community dental services;
- Access to an increased range of clinics for the locality, including dietetic, sexual health and child health, cardiology, antenatal and maternity, primary mental health, falls prevention, domestic abuse support, phlebotomy and dementia;
- Re-provision of Westway Surgery;
- Office and administration facilities.

At the time of audit fieldwork, the Full Business Case (FBC) had been prepared, and was progressing through internal governance and approval processes before being submitted to Welsh Government. Submission had been targeted for August 2025; however, this date was not achieved due to internal approval issues, and delays in obtaining Reserved Matters planning approval. Board approval was subsequently achieved in November 2025 following reduction of the recurring revenue costs.

Findings & Agreed Action Plan

Objective 1: Project Performance Limited

Overview / Summary of Observations

Time

The overarching project plan had slipped by nearly two years from that determined within the OBC to the FBC, as follows:

Milestone Activity	OBC Date	Draft FBC Date <i>(as at July 2025)</i>	FBC Date <i>(at time of submission to WG, December 2025)</i>
FBC submission to WG	December 2023	August 2025	December 2025
Commence construction	May 2024	January 2026	April 2026
Construction completion	September 2025	September 2027	December 2027
Facility operational	November 2025	October 2027	January 2028

Delays between OBC and FBC are attributed to an initial wait for Welsh Government approval of the OBC, and the additional time required for re-design to meet changing building regulations and Net Carbon Zero requirements.

The targets stated within the draft FBC as at July 2025 were at risk at the time of the audit fieldwork, due to delays in securing internal approvals for the FBC and Reserved Matters planning approval. Board approval was subsequently achieved on 27th November 2025, with a revised operational start date presented of January 2028.

Cost

The project cost envelope has increased from £18.25m at OBC to £36.801m at FBC, a 100% increase. This has been primarily attributed to cost increases within the construction industry, and additional requirements and design changes resulting from building regulation changes and the impact of the NHS Wales Net Zero Carbon Strategy. The reasons for the cost increases will be demonstrated to Welsh Government during the business case scrutiny and approval process.

The draft FBC initially included a recurring £0.624m revenue commitment, which at the time of the audit fieldwork had not been approved, with concerns expressed at Board level in relation to the financial sustainability of the model. It is recognised however that the revenue requirement had not increased from that approved within the OBC. Following the rejection of the revenue model, further work was done by the project team to reduce costs, with a revised additional annual cost of £0.334m approved by the Board in November 2025. The Board paper notes that *“given the UHB’s current deficit position, this “revenue tail” requires further mitigation and offset,”* and that this will be achieved through wider, planned workforce efficiencies and non-pay enabling savings within the Clinical Board.

There was a forecast overspend of £123,053 against the FBC budget of £2,474,121 (5%), due to inflationary increases in Designed for Life (building framework) rates. The overspend was being supported from discretionary capital funds, with the associated additional costs included within the FBC.



Quality

Performance of the Supply Chain Partner (SCP) and external advisers has been formally monitored via Key Performance Indicators, with no issues or concerns recorded. .

Conclusion

Recognising the significant time and cost challenges outlined above, Limited Assurance is determined in respect of project performance to date. The management and control of these issues are separately assessed at the relevant objectives below. We recognise that if the FBC achieves Welsh Government approval, the risks associated with costs and affordability are removed.

Overview / Summary of Observations

Governance arrangements had been defined within the Outline Business Case (OBC) and updated at the draft FBC. A detailed Project Execution Plan (PEP) was also in place. Whilst some details within the PEP were out of date, it is recognised this will be refreshed for the next stage.

Key roles had been appropriately assigned, including the Senior Responsible Officer (Director of Finance) and Project Director (Director of Capital and Estates). Both roles maintained strong linkage with the project via chairing of the Capital Management Group (SRO) and Project Team (Project Director). External consultants were appointed to provide Project Management and Cost Advisory services.

The project structure included:

- Executive-level oversight at the Capital Management Group (CMG);
- Delivery of the 'project board' role initially via the Shaping our Future Wellbeing (SOFW): In Our Communities (IOC) Programme Board. This forum had recently been replaced by the newly formed Regional Partnership Board (RPB) Capital Coordination Group;
- A Project Team reflecting the multiple stakeholders at the project, chaired by the Project Director; and
- Clearly defined and well-represented workstreams to support the Project Team in delivering operational-level activities.

Whilst the project structure was generally operating effectively, most notably through a strong Project Team and sound reporting mechanisms to CMG for high level oversight, we have queried whether the 'project board' role was effectively delivered by the SOFW IOC Programme Board. The newly formed Regional Partnership Board Capital Coordination Group, being external to the Health Board, has a further reduced role in project oversight, with the terms of reference specifically stating "*there is an expectation that each scheme has a Project Board to manage the scheme and provide assurance*". The UHB does not operate an associated Project Board (and no longer has a programme board with a remit incorporating this project).

Objective 4 also applies in respect of financial oversight.

We have raised findings to ensure the governance processes are improved where necessary for the next stage.

Key Findings	Risk & Impact	Agreed Management Action
<p>1 Project Board Role</p> <p>In reviewing the function of the SOFW IOC Programme Board in delivering the defined "project board" role agreed within its terms of reference, issues were noted in the quality and consistency of reported project information. This reduced the information available to support the Programme Board in fulfilling its responsibilities of project oversight and control.</p> <p>The Programme Board was replaced by the Regional Partnership Board Capital Coordination Group in May 2025. The new forum</p>	<p>The project does not receive an appropriate level of oversight and scrutiny.</p> <p>Deviation from the arrangements set out in the approved business case.</p>	<p>Agreed Action:</p> <p>The roles of the Project Board and Project Team, and their agreed function is included within the C&V Capital Procedures Manual. As this document is still currently in draft format the C&V project team will continue to report to the Capital Management Group, this high level group will provide the level of assurance required by the RPB CCG until the updated Capital Manual is approved and changes are implemented.</p>

	<p>does not assume the same “project board” role but instead seeks high-level assurance from individual Project Boards.</p> <p>As the UHB now lacks an internal forum acting as Project Board for the Park View project, clarification is required as to how this requirement will be fulfilled, along with the wider “project board” responsibilities previously defined within the SOFW IOC terms of reference.</p> <p>At previous audits we have raised the issue of the roles of the Project Board and Project Team, and potential duplication in function etc. There is now an increased need to define clarity of arrangements noting the new involvement of the Regional Partnership Board Capital Coordination Group, and the “<i>expectation that each scheme has a Project Board to manage the scheme and provide assurance.</i>”</p>	<p>Non-compliance with the expectations of the Regional Partnership Board Capital Coordination Group.</p>	<p>Expected Evidence of Implementation:</p> <p>Continued reporting to CMG and RPB. Updated Capital Manual approved and issued.</p>
	<p>Theme: Governance</p>	<p>Medium Priority</p> <p>Control Design</p>	<p>Officer: Interim Head of Capital Planning Target Implementation Date: July 2026</p>
<p>2</p>	<p>Project Team Monitoring</p> <p>Whilst the Project Team terms of reference required monitoring against a Management Control Plan, this was not evidenced in practice.</p> <p>Whilst the Flash reports included dates of key activities, for both “planned” and “revised” completion dates, the planned dates were not the original dates and so did not give a sense of overall progress and slippage. In totality the reporting received by the Project Team did not present a sufficiently clear picture of project delivery, or of individual workstream delivery against agreed actions (see also Key Finding 4).</p> <p>Whilst acknowledging management’s assurance that original dates are included within wider progress reporting, for improved clarity they could be incorporated into the Flash reports.</p>	<p>Delays associated with risks cannot be sufficiently monitored and controlled.</p>	<p>Agreed Action:</p> <p>Health Board Highlight reports updated post-audit fieldwork and now addresses these findings.</p> <p>Expected Evidence of Implementation:</p> <p>Continued reporting utilising the updated template.</p> <p>Officer: Interim Head of Capital Planning Target Implementation Date: N/A Actioned Since Audit Fieldwork</p>
<p>3</p>	<p>Frequency of Meetings</p> <p>Across all project forums (workstream up to Programme Board), meetings have not been held as frequently as defined within the terms of reference during the period reviewed (prior 12</p>	<p>The project does not receive an appropriate level of</p>	<p>Agreed Action:</p> <p>The reduced frequency of meetings during the period highlighted was due to reduced activity whilst the SCP undertook market testing.</p>

	<p>months). It was noted that the frequency of Project Team meetings had increased in recent months.</p> <p>Whilst recognising there will be acceptable "down time" during certain periods e.g. awaiting FBC approval, some gaps appear unreasonable, e.g. the Project Team did not meet between October 2024 and March 2025.</p> <p>It would be beneficial to review commitment to meetings at each level, in readiness for the next phase.</p>	<p>oversight and scrutiny.</p>	<p>Noting the current status of the project, we will ensure monthly meetings are maintained from WG approval through to completion.</p> <p>Expected Evidence of Implementation:</p> <p>Regular meetings throughout project delivery in accordance with the terms of reference.</p>
	<p>Theme: Governance</p>	<p>Medium Priority</p> <p>Control Operation</p>	<p>Officer: Interim Head of Capital Planning</p> <p>Target Implementation Date: N/A</p>
<p>4</p>	<p>Workstream Activity</p> <p>Whilst each Workstream had action plans in place (variously termed Activity Plan / Work Plan / Action Plan), the Relocation & Operational Issues (ROI) and Wellbeing & Social Prescribing Ethos and Arts (WSPA) plans did not include target dates for completion of each activity. This reduces the ability to measure and report progress and highlight risks in slippage of key tasks (see also <i>Key Finding 2</i>).</p> <p>Key dates (e.g. aligned to the SCP's programme) were discussed and documented within the minutes and could be added to the action plans for clarity.</p>	<p>Progress against key targets cannot be monitored / reported.</p>	<p>Agreed Action:</p> <p>Workstream activities will be aligned to the wider project delivery programme with key dates clearly documented and monitored. The Chair of each group to ensure this activity is carried out.</p> <p>Expected Evidence of Implementation:</p> <p>Improved clarity of target dates on Workstream action plans.</p>
	<p>Theme: Planning, Delivery & Deadline Management</p>	<p>Medium Priority</p> <p>Control Operation</p>	<p>Officer: Interim Head of Capital Planning</p> <p>Target Implementation Date: April 2026</p>

Overview / Summary of Observations

The OBC was approved by Welsh Government in June 2023, awarding funding of £2,474m for development of the FBC. The Capital Management Group approved additional funding from discretionary capital noting a circa £123k overspend against this sum.

At the time of audit fieldwork, the draft FBC was progressing through a pre-defined governance and approvals route, in readiness for submission to Welsh Government. The Capital Management Group endorsed the capital case in June 2025; however, the revenue case was rejected by the Values and Benefits Group and then the Finance & Performance Committee in July 2025, citing concerns over the financial sustainability of the model. Board approval of the FBC was subsequently achieved on 27th November 2025.

Delayed approval is discussed further in the *Design Development* objective in relation to the revenue model, see *Key Finding 11*.

Overview / Summary of Observations

The project was operating robust internal cost monitoring processes for the FBC funding, with an external cost adviser also appointed.

Monthly cost reports were received from the cost adviser and reviewed within the Capital & Estates team, with key financial information incorporated into the monthly Capital Highlight Reports as shared with the Project Team. Key financial information was also presented to the Capital Management Group, at which the decision was taken to allocate discretionary capital funding to cover the forecast overspend in FBC funding. A bi-monthly return to WG (IRCF team) was submitted by the Health Board, summarising FBC costs against funding.

We did not, however, evidence reporting of the project's financial performance to the SOFW:IOC Programme Board, (where responsibilities included *"to ensure ..capital spend is in line with ... project budgets," "to review capital and revenue risks..."* and *"to ensure the scheme delivers value for money"*). This forum was replaced by the RPB Capital Coordination Group in May 2025, and whilst the terms of reference notes *"this Group does not replace the capital and revenue governance processes within each organisation"*, responsibilities do include *"to continuously assess progress of projects against the planned capital pipeline"* and to receive high level assurance on capital and revenue risks, value for money etc. *Key Finding 1* applies.

Matters relating to project affordability are considered at *Objective 7*.

Overview / Summary of Observations

The Supply Chain Partner (SCP) and Project Manager were appointed from the NHS Building for Wales framework, with the Cost Adviser appointed via mini competition from the SBS framework. NWSSP: Procurement Services were involved in each procurement exercise and had documented and approved the appointments to confirm compliance with relevant regulations.

Whilst appropriate forms of contract were in place for the SCP and Project Manager (NEC ECC Option C and the NEC Professional Services Contract respectively), the Cost Adviser was appointed via Service Level Agreement. We have previously flagged at other project audits that this provides reduced control over adviser performance (particularly important at higher value or more complex appointments) and is mis-aligned with the other appointments at the project (being NEC contracts). The Health Board should continue to assess the benefits of the NEC Professional Services Contract at relevant adviser appointments in the future.

In reviewing the FBC-stage contracts for the above appointments, a number of issues have been noted in the execution of the documents – primarily in the signing of the SCP and PM contracts, which was not in compliance with SFIs. It is recognised this was also raised at the 2024/25 UHW Mortuary project audit, and the Park View contracts were executed in the same time period. The previous management response therefore applies.

The Target Cost report, provided to organisations by the Cost Adviser to communicate advice and recommendations in relation to the value for money provided by the SCP's target cost, was not provided in a sufficiently timely manner to inform the Health Board's scrutiny and approval process. It also lacked the level of clarity and detail we have observed in other reports.

Key Findings**Risk & Impact****Agreed Management Action****5 SCP Contract (Confirmation Notice No.1)**

The following issues were noted in reviewing SCP Confirmation Notice No.1:

- The contract was not dated;
- The contract was executed slightly after works commenced (circa 3 weeks);
- Whilst the contract refers to a Parent Company Guarantee, this does not appear to have been implemented. Parent Company Guarantees or Performance Bonds should be obtained at all relevant contracts to ensure the UHB is adequately protected.
- The contract was not executed in line with Standing Orders (which require Chair/Vice Chair and Chief Executive witnessing of the affixing of the seal). It is recognised this was also raised at the 2024/25 Mortuary audit report and this contract was executed in the same

The UHB is not adequately protected.
Non-compliance with Standing Orders.

Agreed Action:

The SCP contract was executed in 2023, this was prior to the Mortuary report being issued. Since the Mortuary project audit report the Health Board has worked closely with Shared Service procurement to ensure all contracts are in line with all procurement SFI's.

Expected Evidence of Implementation:

Continue to monitor all appointments with NWSSP Procurement Team to ensure all SFI's are followed.

<p>time period. The management response provided at the UHW Mortuary report therefore refers, which provided assurance that all contracts would be signed and sealed in line with relevant procedures (see MA5).</p>		
<p>Theme: Contractual</p>	<p>Medium Priority</p> <p>Control Operation</p>	<p>Officer: Interim Head of Capital Planning</p> <p>Target Implementation Date: N/A</p>
<p>6 Adviser Contracts</p> <p>The following issues were noted in reviewing the Adviser (Project Manager and Cost Adviser) contracts for the FBC stage:</p> <ol style="list-style-type: none"> 1. The Project Manager contract was not executed in line with Standing Orders (which require Chair/Vice Chair and Chief Executive witnessing the affixing of the seal) (see Mortuary report MA5 as above); 2. The Health Board’s capital procedures require either a Service Level Agreement (SLA) or NEC Professional Services Contract (PSC) to be used for adviser appointments. <p>The NEC form of contract provides clearly defined liabilities, warranty requirements, early warning processes, and structured change control arrangements, and fully aligns with the NEC construction contract and other adviser contracts.</p> <p>Whilst the NEC PSC was used for the Project Manager appointment in line with the Building for Wales Framework conditions, the Shared Business Services (SBS) Framework SLA was used for the Cost Adviser appointment.</p> <p>The Full Business Case states that the NEC PSC has been used for both the Project Manager and Cost Adviser for the FBC stage.</p> <p>In the event that the Cost Adviser’s appointment post-WG approval continues to utilise an SLA, formal Board waiver to the same will be required, noting the FBC as approved by the Board and submitted to Welsh Government does not accord with actual practice.</p>	<p>Non-compliance with Standing Orders.</p> <p>Reduced alignment with other contracts at the project.</p> <p>Reduced performance management and control.</p>	<p>Agreed Action:</p> <p>The Project Manager contract was executed in 2023, this was prior to the Mortuary report being issued. Since the Mortuary project audit report the Health Board has worked closely with Shared Service procurement to ensure all advisor contracts are in line with all procurement SFI’s.</p> <p>We will assess the potential benefits/costs of implementing the NEC Professional Services Contracts in conjunction with NWSSP Procurement to agree best practice going forward and enhanced guidance for projects will be included within the C&V Capital Project manual.</p> <p>Expected Evidence of Implementation:</p> <p>Improved clarity of guidance as to when NEC PSCs should be utilised in conjunction with NWSSP Procurement to be included within Capital Project Manual.</p>
<p>Theme: Contractual</p>	<p>Medium Priority</p> <p>Control Operation</p>	<p>Officer: Interim Head of Capital Planning</p> <p>Target Implementation Date: May 26</p>

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Target Cost Report

Whilst recognising the Cost Adviser appointment was not made via the national Building for Wales Framework (as these services were not available from the Framework at the time), the Cost Adviser Schedule of Services for the Framework (section 3.6.8) requires the Cost Adviser to prepare a report covering matters such as level of market testing, affordability, commercial issues and value for money, and to include a recommendation as to whether the bid should be accepted. NWSSP: Specialist Estates Services (SES) confirm that health boards were advised to utilise the Schedule when appointing advisers outside the Framework.

The Target Cost report was received from the Cost Adviser in July 2025, after the capital element of the draft FBC had already been endorsed at Capital Management Group. We understand the report was prepared on recommendation from NWSSP:SES, to ensure the cost changes from OBC to FBC were adequately explained.

The information contained within the report in relation to the value for money provided by the target cost was therefore received too late to inform the CMG's scrutiny and approval process. We did not evidence the sharing of this report with the Project Team, and as noted in *Objective 2*, the UHB no longer operates an internal project/programme board. Whilst we recognise that cost scrutiny was applied to the target cost, in conjunction with NWSSP: SES, at future projects this key report should be received in good time to be considered, scrutinised and challenged at appropriate forums e.g. Project Team / Project Board / CMG.

We also consider that the report lacked the clarity and detail typically seen at target cost reports observed at other projects, and also in respect of the specific purpose for generating the report (i.e. to ensure the cost changes between OBC and FBC were adequately explained). For example:

The UHB does not receive sufficient advice as to the value for money provided by the target cost.

The UHB does not sufficiently consider this information when scrutinising and approving business cases.

Agreed Action:

The Health Board will ensure Target Cost reports are received in advance of decisions made at future projects. We will refer to the Framework Cost Adviser Schedule of Services as best practice for major projects.

<ul style="list-style-type: none"> • The report was narrative-heavy rather than using tables to present data, and was therefore difficult to follow/reconcile in places; • It did not present a clear breakdown of the make-up of the target cost by measured works / prelims / risk etc.; • It did not contain a breakdown of the market tested position for each works package; • Whilst detailed narrative was included in relation to the cost increases between OBC and FBC, the report did not provide a numerical breakdown of each factor; and • It did not include any detail as to value for money provided by the Mechanical and Electrical packages. <p>The requirements for a robust and timely target cost report should be factored into the scope of cost adviser appointments at future projects.</p>		<p>Expected Evidence of Implementation:</p> <p>At future projects, target cost reports will be received ahead of scrutiny and decision making, to ensure decisions are appropriately informed.</p>
<p>Theme: Contractual</p>	<p>Medium Priority</p> <p>Control Operation</p>	<p>Officer: Interim Head of Capital Planning</p> <p>Target Implementation Date: May 2026</p>

Overview / Summary of Observations

The Health Board was awaiting Reserved Matters planning approval (from Cardiff City Council) at the time of the audit.

The submission of the Reserved Matters application had been delayed due to unforeseen complications in the Pre-Application process and associated requirements for additional soil and drainage surveys, and it is recognised these issues were outside the control of the Health Board, SCP or its advisers.

The requirement to submit Reserved Matters within three years of the Outline Planning approval (being September 2022) was achieved.

At the time of the audit, we were advised that whilst a decision on Reserved Matters had originally been expected in time for the targeted FBC submission date of August 2025, Cardiff Council had subsequently determined that the application would be heard in October 2025. Whilst this may normally have delayed the FBC process (noting WG would not grant FBC approval until planning approval was secured), the aforementioned issues with the FBC revenue case mean the planning delays may no longer be the sole factor impacting FBC approval.

We evidenced the robust documentation and tracking of planning-related conditions and decisions.

Whilst no Key Findings have been raised, the assurance in this area is reduced recognising the delays in the process and risk to the FBC timeline.

Overview / Summary of Observations

Our review of the Stage 3 and 4 design development process found robust stakeholder engagement, evidence of learning from other projects, tracking of issues and changes, and sign-off processes evidenced at each stage. Derogations had been appropriately approved and NWSSP:SES had been engaged at appropriate times to seek advice in the progression of the design in relation to Net Carbon Zero requirements.

As highlighted at *Objective 1*, project costs have escalated significantly from £18.25m at OBC to £36.801m at FBC. This sharp increase has been attributed to industry-wide inflation, updated Part L regulations, and additional work to meet Net Carbon Zero standards. Despite an allowance at OBC for decarbonisation, this proved to be underestimated, resulting in design adjustments at FBC that extended into the building’s structural elements.

Although the rationale for the changes was captured in design reports and the Target Cost report, escalation of the financial risk appears to have been slow. Both CMG and WG were not provided with cost information either indicative or firm until May 2025, when the SCP’s Best and Final Offer was received. This delay potentially restricted the opportunity for proper scrutiny, constrained decision-making on affordability, and risked avoidable expenditure on design fees and associated work.

Further concerns arose following CMG’s endorsement of the FBC capital case in June 2025. The revenue case was subsequently rejected by the Value and Benefits Group and then the Finance & Performance Committee in July 2025 over concerns it did not adequately demonstrate how the new facility would deliver operational efficiencies and did not achieve financial sustainability. While revenue costs had not increased since OBC approval in 2022, the deteriorating financial position of the UHB during this period may have influenced these decisions.

Key Findings	Risk & Impact	Agreed Management Action
<p>8 Analysis of cost increase between OBC and FBC</p> <p>NHS Wales Infrastructure Investment Guidance states:</p> <p><i>"A Project Allowance is set at OBC stages under NHS Building for Wales National and Regional frameworks. The Conceptual Proposal established during the Outline Business Case Stage will enable a Project Allowance to be set and agreed with Welsh Government. This will be the maximum amount of funding Welsh Government is prepared to allocate to the project or programme and becomes the approved funding ceiling".</i></p> <p>A number of changes have impacted the project cost between OBC and FBC. Of note, are the Net Carbon Zero changes, with the Cost Adviser narrating in his target cost report that:</p> <p><i>"A provisional allowance was provided by the SCP at OBC based on the Decarbonisation Strategy Report prepared by [design advisers] that captured the potential impacts of</i></p>	<p>Inaccurate project costing makes it harder for WG to plan and makes it more difficult for accurate scrutiny and approvals to take place internally.</p> <p>UHB may be open to increased scrutiny at FBC stage due to rising costs.</p> <p>Potential for non-approval of the project.</p>	<p>Agreed Action:</p> <p>The scheme passed through scrutiny without any issues being raised and has now been approved by WG.</p>

<p><i>complying with the Welsh Decarbonisation Standard at the time. However, it would appear the allowance made back in 2021 was not sufficient to reflect the subsequent impact the incorporation of such principles has had on not only the Building Services Strategy but also the direct knock-on effect to the Building Structure right through to the Foundations and Groundworks themselves".</i></p> <p>The Target Cost report does not specify how much of the overall cost increase relates to these requirements (see <i>Key Finding 7</i>).</p> <p>Whilst recognising the design requirements at OBC stage are for a RIBA stage 2/concept design, with detailed design to follow at FBC, designs should be sufficiently developed to demonstrate affordability and functional suitability, with appropriate risk allowances included where firm costs are not yet known. It is acknowledged that some of the required design changes were due to changes in required standards.</p> <p>The reasons for the escalation in project costs will need to be demonstrated as part of the Welsh Government scrutiny process. Consideration may be given to the impact of the:</p> <ul style="list-style-type: none"> • Net Carbon Zero requirements; • Part L Building Regulation changes; • Inflation; • Client design change requests; • Sufficiency of OBC design. 	<p>Medium Priority</p>	<p>Expected Evidence of Implementation: FBC scrutiny and Welsh Government approval.</p> <p>Officer: Interim Head of Capital Planning Target Implementation Date: April 26</p>
<p>Theme: Contractual</p>	<p>Control Design</p>	
<p>9 Reporting of increasing project costs</p> <p>WG Capital Guidance Note (September 2023) states <i>"there is an expectation that we will not see significant increases in costs or scope as we move from one stage to the next, particularly after scoping meetings and the SOC and PBC have been endorsed."</i></p> <p>The guidance therefore requires that, where a cost increase of +10% occurs, WG should be advised <u>immediately</u> to minimise further expenditure on fees and potentially abortive work.</p> <p>The project is also required to escalate risks to the internal Capital Management Group (CMG).</p> <p>The UHB received the SCP's RIBA Stage 3 report in June 2024, outlining the key changes impacting the project design following</p>	<p>Non-compliance with WG guidance.</p> <p>Scrutiny and decision making cannot be applied to increasing project costs in a timely manner.</p> <p>The project may be unaffordable.</p> <p>Abortive costs are incurred if the</p>	<p>Agreed Action:</p> <p>For future projects a clear written audit trail of communication will be documented with Welsh Government in respect of cost escalation between business case stages.</p> <p>Going forward we will ensure timely reporting of quantified information in relation to cost escalation to CMG and other relevant internal forums.</p>

<p>OBC / RIBA Stage 2. Whilst acknowledging this report did not contain associated costs, the full impact on the project of the required design changes was highlighted.</p> <p>Review of available minutes confirms that the UHB raised the potential for “significant” cost increases to both Welsh Government (via the Capital Resource Meetings) and the CMG in September 2024. Whilst a report was agreed to be taken to the October 2024 CMG, this did not materialise. The WG CRM and the CMG were next updated in May 2025, when the SCP’s best and final offer had been received and both forums were informed the cost was now £36m.</p> <p>We recognise that in addition to the above minuted communication, management confirm that WG have been kept informed throughout, with NWSSP: Specialist Estates Services also involved in e.g. discussions around Net Carbon Zero.</p> <p>Future projects should ensure enhanced reporting of cost escalation and demonstration of compliance with the WG guidance in this area.</p>	<p>project does not progress.</p>	<p>Expected Evidence of Implementation:</p> <p>Reporting / communication with WG.</p> <p>Reporting to CMG.</p>
<p>Theme: Reporting</p>	<p>Medium Priority</p> <p>Control Design</p>	<p>Officer: Interim Head of Capital Planning</p> <p>Target Implementation Date: April 26</p>
<p>10 Revenue Model</p> <p>The draft FBC initially included a recurring £0.624m additional annual revenue requirement, which compares with £0.676m approved within the OBC. The revenue requirement had in fact therefore slightly reduced.</p> <p>When the FBC revenue case was presented to the Value and Benefits Group and Finance & Performance Committee in July 2025, it was rejected over concerns it did not adequately demonstrate how the new facility would deliver operational efficiencies and did not achieve financial sustainability.</p> <p>The failure to achieve timely approval of the revenue model delayed the timeline for submitting the FBC to the Board and then WG. Board approval was subsequently achieved on 27th November 2025, following further work to reduce the additional annual revenue costs, which now stand at £334k per year.</p> <p>The UHB should reflect on the approach taken and consider how processes can be improved at future projects, to ensure better engagement at a suitably early point to ensure the Board’s</p>	<p>The FBC cannot be submitted for Board and WG approval as targeted.</p> <p>Delayed project progression.</p>	<p>Agreed Action:</p> <p>There will be a lessons learnt review applied to the project to identify any lessons for the benefit of future projects, in respect of understanding and communication of the revenue model expectations of the Board/Executives, between business case stages.</p> <p>Expected Evidence of Implementation:</p> <p>Improved communication/ engagement at future projects.</p> <p>Successful approvals of revenue models presented in future business cases.</p>

<p>expectations for a project's revenue implications are understood. This may be particularly relevant where there are lengthy periods between business case stages, and the UHB's financial priorities change in the interim.</p> <p>We also note in the FBC presentation to the Board the commitment to further reduce the £334k annual revenue cost through a combination of additional workforce efficiency savings and further medicines switching/price savings. There should be appropriate processes in place for the monitoring and reporting of ongoing activity in this area.</p>		<p>Timely reporting of any risks to the commitment to further reduce revenue costs at this project, before completion.</p>
<p>Theme: Approvals</p>	<p>Medium Priority</p> <p>Control Design</p>	<p>Officer: Interim Head of Capital Planning</p> <p>Target Implementation Date: Future Projects.</p>

Appendix A

Assurance Opinion

	Substantial	Few matters require attention and are compliance or advisory in nature. Low impact on residual risk exposure.
	Reasonable	Some matters require management attention in control design or compliance. Low to moderate impact on residual risk exposure until resolved.
	Limited	More significant matters require management attention. Moderate impact on residual risk exposure until resolved.
	Unsatisfactory	Action is required to address the whole control framework in this area. High impact on residual risk exposure until resolved.
	Advisory	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 Findings

Priority	Explanation
High	Significant risk to achievement of a system objective OR evidence present of material loss, error, or misstatement. Poor system design OR widespread non-compliance.
Medium	Some risk to achievement of a system objective. Minor weakness in system design OR limited non-compliance.

Website: [Audit & Assurance Services - NHS Wales Shared Services Partnership](#)

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