

Internal Audit



Acute Site Masterplans

November 2018

Internal Audit Assurance assessment:

Objective One	Objective Two	Objective Three	Objective Four	Objective Five
Moderate Assurance	Significant Assurance	Significant Assurance	Significant Assurance	Significant Assurance

Timetable

Date closing meeting held: No meeting held, client responded directly to draft report

Date draft report issued: 7 November 2018

Date management comments received: 9 November 2018

Date Final report issued: 12 November 2018

Date presented to Audit and Risk Committee: 26 November 2018

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Contents

1. Introduction.....	1
2. Executive Summary	3
3. Management Action Plan	6
Appendix 1 - Definition of Ratings.....	12

1. Introduction

- 1.1 In addition to the various NHS Lothian strategic documents, masterplans have been commissioned for all major sites. The site masterplans were initially developed as in-house technical assessment of the physical site assets, looking at the condition of the buildings and infrastructure, supporting consideration of options for future development or re-provision of services and inform the Property and Asset Management Strategy and individual business cases for capital projects.
- 1.2 There are a number of underlying requirements which influence site masterplans, including:
- Financial constraints;
 - Political and governance;
 - Bed capacity;
 - Patient pathways;
 - eHealth strategy, and
 - Medical equipment.
- 1.3 In addition to the Board's Strategic Plan 'Our Health, Our Care, 'Our Future', acute site masterplans are informed by the Capital Plan and the Property & Asset Management Strategy, which are influenced and directed by the Board's Annual Operating Plan and SGHSC directions.
- 1.4 As part of the financial planning process, the capital plan implications of the masterplans are assessed in line with future programmes of investment to address backlog maintenance and anticipated service demands. As such the masterplans are seen as a longer term framework, within which individual service projects can be developed.
- 1.5 Site Masterplanning Groups are in place for St. John's Hospital, Western General Hospital and the Royal Infirmary of Edinburgh. The groups have been established to take forward the development, completion, consultation and adoption of the site masterplans.
- 1.6 Masterplanning at the Royal Edinburgh and Astley Ainsley hospitals is managed through the REH Campus Development Programme Board.
- 1.7 Masterplanning groups report their capital priorities through the NHS Lothian Capital Prioritisation Process. Prioritised lists are reported in the first instance to the Acute Senior Management Team and forwarded on to the Lothian Capital Investment Group. Acute priorities are then combined with those from REAS, the HSCPs and Corporate Infrastructure, and a single prioritised list agreed by the Corporate Management Team before being presented to the Finance & Resources Committee for review and approval.
- 1.8 Each capital priority should be accompanied by a Strategic Assessment, which is scored with input from relevant stakeholders.

Scope

1.9 The audit reviewed the design and operation of the controls in place related to Acute Site Master plans, to ensure they support the NHS Board's strategic objectives.

Acknowledgements

1.10 We would like to thank all staff consulted during this review for their assistance and cooperation.

2. Executive Summary

Conclusion

2.1 There are adequate controls in place for the strategic assessment and prioritisation of capital funded projects, supported by appropriate stakeholder involvement and Board committee oversight. The review has identified one finding related to the requirement to develop up-to-date masterplans and ensure that they are subject to review and update where necessary.

Summary of Findings

2.2 The table below summarises our assessment of the adequacy and effectiveness of the controls in place to meet each of the objectives agreed for this audit. Definitions of the ratings applied to each action are set out in Appendix 1.

No.	Control Objectives	Assurance Level	Number of Findings			
			Critical	High	Medium	Low
1	The Acute Site Masterplans are aligned with financial, capital and strategic plans.	Moderate Assurance	-	-	1	-
2	Stakeholder engagement has underpinned the development of acute site Masterplans.	Significant Assurance	-	-	-	-
3	Acute site Masterplans are subject to review and revision where appropriate.	Significant Assurance	-	-	-	-
4	Capital Priorities within the acute site Masterplans are supported by strategic assessment.	Significant Assurance	-	-	-	-
5	Capital priorities have been reviewed and approved by the appropriate governance groups.	Significant Assurance	-	-	-	-
TOTAL			-	-	1	-

Control Objective Ratings

Action Ratings	Definition
Red	Fundamental absence or failure of controls requiring immediate attention (60 points and above)
Amber	Control objective not achieved - controls in place are inadequate or ineffective (21 – 59 points)
Green	Control objective achieved – no major weaknesses in controls but may be scope for improvement (20 points or less)

Main findings

- 2.3 Terms of Reference for the RIE, SJH and WGH Site Masterplanning Groups were updated in March 2018 include the requirement ‘to take forward the development, completion, consultation on and adoption of a site masterplan as a framework of all future capital development’.
- 2.4 Membership of the Site Masterplanning Groups include staff from a number of clinical and non-clinical areas throughout NHS Lothian to ensure that representative stakeholders directly influence the development and delivery of a site masterplan, in addition to ensuring that site masterplans are able to adequately guide individual developments.
- 2.5 The formal prioritisation process agreed by the Finance & Resources Committee in September 2017 has been applied. Of the eight capital projects reviewed across the WGH, RIE and SJH sites, all had Strategic Assessments measuring the project against the five NHS Scotland Strategic Investment Criteria. Which are used to determine whether the proposal is person centred, safe, provides effective quality of care, contributes to the health of the population, and considers value and sustainability.
- 2.6 All had also been assessed against NHS Lothian’s additional strategic fit criteria.
- 2.7 Acute proposals prioritised locally were initially discussed by the Acute Senior Management Group (SMG) in April 2018, where Strategic Assessment and accompanying papers were presented. The SMG considered the strategic context for each proposal and produced a prioritised ranking for further discussion at the Acute Senior Management Team later that month, where the prioritised order was agreed.
- 2.8 In May 2018 the Finance & Resources Committee was informed of the progress and output of the capital prioritisation process carried out across all NHS Lothian services, including acute medicine. The Committee agreed to take significant assurance that a process has been designed, implemented and adopted to deliver Lothian-wide prioritisation of capital proposals.

2.9 However, we identified one medium finding during the review:

- There has been no formal exercise around the review and update of the acute site masterplans having taken place since 2015.

Further details of this point are set out in the Management Action Plan.

3. Management Action Plan

Finding 1	
<p>Control objective 1: The Acute Site Masterplans are aligned with financial, capital and strategic plans</p> <p>Associated risk of not achieving the control objective:</p>	Medium
<p><u>Background</u></p> <p>NHS Lothian’s existing clinical strategy, <i>Our Health, Our Care, Our Future (OHOCOF)</i> was agreed by the NHS Lothian Board in 2014 and covers all aspects of NHSL’s activities, including the key proposition that NHSL will move to centralise all of its acute activities onto its 4 acute sites.</p> <p>In December 2016 the Strategic Planning Committee approved the Lothian Hospitals Plan (LHP), which has been designed as a strategic plan to take forward the work identified at a strategic level in OHOCOF. The LHP is constructed around the plans for each of the four acute hospital sites and in the three broad themes of medical specialties, elective specialties and cancer services. Each site’s plan is summarised in a “strategic headline”, against which a number of projects and strategic priorities have been identified to support the strategic headlines of each site.</p> <p><u>Observation and Risk</u></p> <p>Currently, there are masterplan documents for the WGH and SJH sites. In June 2015 a masterplan for the WGH site was published on behalf of NHS Lothian and developed in tandem with the finalisation of NHS Lothian’s wider strategic plan. This records the strategic priorities identified in OHOCOF and the LHP</p> <p>An Initial Agreement was produced in the same year for SJH, which also outlines a series of investment proposals to enhance the functionality, condition and capacity of the site. The Initial Agreement proposed a programme of development options that would deliver a range of clinical accommodation solutions in order to meet the needs of OHOCOF. This initial agreement also records some of the strategic objectives that have been documented in the LHP.</p> <p>Site Masterplanning Groups have been established in recent years, with a remit to take forward the development, completion, consultation on and adoption of site masterplans</p> <p>However, with no formal exercise around the review and update of the acute site masterplans having taken place since then, there is a risk that some of the strategic priorities and capital requirements contained within the two documents for the SJH and WGH sites are no longer part of the Board’s overall strategic vision. Although it is noted that the RIE Site Masterplanning Group is currently undertaking a refreshed review of its capital requirements, which includes development of a site master plan for the next 10-20 years.</p> <p><u>Recommendation</u></p>	

Acute Site Masterplanning Groups should review current masterplan documents and update them in line with their Terms of Reference.

When developing their masterplans, Acute Site Masterplanning Groups should consider any interdependencies between the three acute sites and include these in the masterplans where necessary.

Opportunities for joint working and the sharing of practices between the Groups should also be identified and acted on to ensure that they operate effectively.

Once done, the masterplans should be signed off by the Lothian Capital Investment Group and a schedule agreed for the review of the masterplans, in line with the development of the Board's Capital Plan.

Management Response:

Management accept the recommendation, though it should be noted that the Strategic Planning Committee was advised of progress against the Masterplans in December 2017.

Masterplanning is overseen by a dedicated member of Strategic Planning with oversight of all Masterplans which ensures that interdependencies with other sites are being considered.

The RIE, SJH and WGH site Masterplans continue to be developed, with input from key members of Strategic and Capital Planning and the Business Partner for the sites.

Management Action:

Staff will continue to develop all site Masterplans, ensuring that they are relevant, up-to-date and, where necessary, clearly linked with each other.

Going forward, Acute site Masterplans will be formally reviewed, updated where necessary and arrangements made to update the Strategic Planning Committee annually.

Responsibility:

Director of Strategic Planning

Target date:

31 December 2019

Control Objective 2: Stakeholder engagement has underpinned the development of acute site masterplans

We identified no significant weaknesses in relation to the control objective.

In March 2018, the site Masterplanning Groups for the RIE, SJH and WGH acute sites had their Terms of References included 'to take forward the development, completion, consultation on and adoption of a site masterplan as a framework of all future capital development'.

The purpose of the groups are twofold:

1. To ensure representative stakeholders directly influence the development and delivery of a site masterplan.
2. To ensure that the site masterplan influences and guides individual developments.

Membership of the groups include representatives from a number of clinical and non-clinical areas throughout NHS Lothian, including

- Finance.
- Acute Medicine (e.g. oncology, urology, general medicine, radiology, occupational therapy, MOE).
- Strategic Planning.
- Masterplanning (Strategic Programme Manager - Masterplanning).
- Partnership.
- Facilities.
- Capital Planning.
- Capital Finance.
- Finance (inc. Director of Finance).
- Clinical representatives (inc. Medical Directors, Clinical Directors and Clinical Service Managers).

Other individuals will be co-opted as required.

Control Objective 3: Acute site masterplans are subject to review and revision where appropriate

We identified no significant weaknesses in relation to the control objective.

The Terms of Reference for the Site Masterplanning Groups has listed a number of expected roles, including:

- To meet, consider information and proposals arising from the development of the masterplan and recommend an agreed approach.
- To meet to consider information and proposals arising from service need/change and recommend an agreed approach to inform the site masterplan.
- To review, approve and support the prioritisation of projects on the sites within the context of the site masterplan with specific consideration of realising best value from investment.
- To ensure the masterplan is reviewed every 5 years within the context of the 5 year capital plan and refreshed as and when a new project progresses or is developed.
- To continue to inform the masterplan with specific consideration on service planning, regional and national planning agenda and to explore the consequences of these plan in relation to acute services.

While Finding 1 of this report has identified the requirement for each acute site to develop up-to-date masterplans. The role of Site Masterplanning Groups has been clearly documented to ensure that once done there are appropriate controls to ensure the ongoing review and update of the plans.

Control Objective 4: Capital Priorities within the acute site masterplans are supported by strategic assessment

We identified no significant control weaknesses in relation to this control objective.

The formal prioritisation process agreed by the Finance & Resources Committee in September 2017 has been applied.

Of the eight capital projects reviewed across the WGH, RIE and SJH sites, all had Strategic Assessments measuring the project against the five NHS Scotland Strategic Investment Criteria. Which are used to determine whether the proposal is person centred, safe, provides effective quality of care, contributes to the health of the population, and considers value and sustainability.

All had also been assessed against NHS Lothian's strategic fit criteria, which includes:

- Essential to key elements of clinical strategy OHOCOF and the LHP.
- Essential to Regional/National Strategy.
- Directly contributes to delivery of performance targets.
- Directly contributes to financial sustainability.
- Resolves a legislative or Government requirement.
- Addresses corporate risks.
- Essential to enable another priority?
- Can capital expenditure be phased?
- Is there an opportunity? i.e. funding source.

Control Objective 5: Capital priorities have been reviewed and approved by the appropriate governance groups

We identified no significant control weaknesses in relation to this control objective.

Acute proposals prioritised locally were initially discussed by the Acute Senior Management Group (SMG) in April 2018, where Strategic Assessment and accompanying papers were presented. The SMG considered the strategic context for each proposal and produced a prioritised ranking for further discussion at the Acute Senior Management Team later that month, where the prioritised order was agreed.

In May 2018 the Finance & Resources Committee was informed of the progress and output of the capital prioritisation process carried out across all NHS Lothian services, including acute medicine.

The Committee agreed to take significant assurance that a process has been designed, implemented and adopted to deliver Lothian-wide prioritisation of capital proposals. The Committee accepted the process followed to reach the agreed prioritised list and approved the Property and Asset Management Programme 2018/19 – 2022/23 based on the identified priorities. The F&R Committee also endorsed the ongoing implementation plan to embed the prioritisation process and ensure that priorities are refreshed to inform and reflect Subsequent Annual Operational Plans, the Lothian Hospitals Plan, IJB Strategic Plans and the NHS Lothian Financial Strategy.

Appendix 1 - Definition of Ratings

Findings and management actions ratings

Finding Ratings	Definition
Critical	A fundamental failure or absence in the design or operating effectiveness of controls, which requires immediate attention
High	A key control failure has been identified which could be either due to a failure in the design or operating effectiveness. There are no compensating controls in place, and management should aim to implement controls within a calendar month of the review.
Medium	A control failure has been identified which could be either due to a failure in the design or operating effectiveness. Other controls in place partially mitigate the risk to the organisation, however management should look to implement controls to fully cover the risk identified.
Low	Minor non-compliance has been identified with the operating effectiveness of a control, however the design of the control is effective

Report ratings and overall assurance provided

Report Ratings	Definition	When Internal Audit will award this level
No assurance	The Board cannot take any assurance from the audit findings. There remains a significant amount of residual risk.	The controls are not adequately designed and / or operating effectively and immediate management action is required as there remains a significant amount of residual risk (for instance one Critical finding or a number of High findings)
Limited assurance	The Board can take some assurance from the systems of control in place to achieve the control objective, but there remains a significant amount of residual risk which requires action to be taken.	<p>This may be used when:</p> <ul style="list-style-type: none"> • There are known material weaknesses in key control areas. • It is known that there will have to be changes that are relevant to the control objective (e.g. due to a change in the law) and the impact has not been assessed and planned for. <p>The controls are deficient in some aspects and require management action (for instance one 'high' finding and a number of other lower rated findings)</p>
Moderate assurance	The Board can take reasonable assurance that controls upon which the organisation relies to achieve the control objective are in the main suitably designed and effectively applied. There remains a moderate amount of residual risk.	<p>In most respects the "purpose" is being achieved. There are some areas where further action is required, and the residual risk is greater than "insignificant".</p> <p>The controls are largely effective and in most respects achieve their purpose with a limited number of findings which require management action (for instance a mix of 'medium' findings and 'low' findings)</p>
Significant assurance	<p>The Board can take reasonable assurance that the system(s) of control achieves or will achieve the control objective.</p> <p>There may be an insignificant amount of residual risk or none at all.</p>	<p>There is little evidence of system failure and the system appears to be robust and sustainable.</p> <p>The controls adequately mitigate the risk, or weaknesses are only minor (for instance a low number of findings which are all rated as 'low' or no findings)</p>