

# Review of Capital Investment Prioritisation – Hywel Dda University Health Board

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This document has been prepared as part of work performed in accordance with statutory functions.

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# Summary report

## Audit snapshot

### What we looked at

- 1 We looked at how Hywel Dda University Health Board (the Health Board) prioritises its capital spending and investment to allow it to deliver its strategic objectives. Specifically, we looked at capital assets which include land and property estate, and high-cost clinical and digital equipment. We did not assess any individual capital investment decisions. More information about our audit criteria and methods is set out in **Appendix 1 and 2**.

### Why is this important

- 2 NHS capital investment<sup>1</sup> is essential to keep services running efficiently and ensure buildings and equipment are safe for patients and staff. Assets depreciate, so not investing in or maintaining them in a timely manner will likely cost more in the future. However, capital monies at an all-Wales level are limited. Annual financial resources do not match the demand for capital monies and are largely absorbed by pre-existing capital projects which run over several years.
- 3 Within this resource constrained context, health bodies, including the Health Board, are having to manage multiple pressures such as escalating demand, delivering service transformation, equipment resilience, digital capacity and managing an escalating maintenance backlog. This means keeping infrastructure safe to continue delivering safe services without compromising quality is a risk.
- 4 The financial context for the Health Board also continues to be challenging. Since 2022, under the Welsh Government's escalation and intervention framework, the Health Board has been under targeted intervention<sup>2</sup> for finance, strategy and planning. The financial challenges are compounded by significant challenges related to the Health Board's existing infrastructure and available resources.

<sup>1</sup> Capital expenditure relates to investments in assets such as buildings and infrastructure. It can include building or buying assets, such as medical equipment, but also maintaining and improving them.

<sup>2</sup> Under the Joint Escalation and Intervention Arrangements, Welsh Government officials meet Audit Wales and Healthcare Inspectorate Wales at least twice a year to discuss the performance of each health body. There are five escalation levels: routine arrangements, area of concern, enhanced monitoring, targeted intervention, and special measures. In March 2025, the Welsh Government confirmed that the Health Board would remain in targeted intervention for finance, strategy and planning, performance and outcomes, and fragile services.

## What we concluded

- 5     **Overall, we found that the Health Board has an effective and improving approach to capital prioritisation and there are good oversight arrangements for its Board approved capital investment plan. However, the feasibility of the plan is uncertain due to the extent of the backlog costs and limited capital funding:**
- the Health Board has a well-developed Infrastructure Investment Plan, aligned to its strategic objectives. While the plan is costed for the short and longer term, capital resources are limited and do not meet the demand for the substantial backlog costs.
  - the Health Board has necessary staffing resources to support its current capital plans but recognises that resourcing may become an issue if more major projects are approved.
  - the Health Board has a clear and improving approach to identifying and prioritising its capital investments, with procedures clearly documented.
  - the Health Board has robust governance and oversight processes to support its capital decision making and an established approach to learning lessons from capital projects.

## What we recommended

- 6     We have made one recommendation for improvement. This relates to services and clinical care groups ensuring that all medical equipment is accurately recorded in the medical equipment inventory to avoid information gaps.

## Key facts and figures<sup>3</sup>

<b>£42.7m</b>	Health Board's capital resource limit for 2024–25
<b>36.9%</b>	Increase in discretionary capital allocation from £7.3 million in 2023-24 to £10 million in 2025-26
<b>£255.5m</b>	Estates backlog at April 2025
<b>£15 – £18m</b>	Digital backlog at April 2025
<b>£26.2m</b>	Medical device replacement backlog at April 2025

<sup>3</sup> Figures as reported in the [Capital Programme for 2024-25, 2025-26 and Capital Governance Update Report](#) received by the Strategy and Planning Committee in April 2025.

# Detailed report

## Capital investment planning

- 7 We considered whether the Health Board has a clearly defined strategic approach which supports the delivery of its prioritised capital programme. We were specifically looking at whether it has:
- a well-developed capital investment plan to manage investment in its estate and high-value equipment; and
  - necessary staffing resources to support development and delivery of its capital investment plan.
- 8 We found that **the Health Board has a well-developed Infrastructure Investment Plan, aligned to its strategic objectives. While the plan is costed for the short and longer term, capital resources are limited and do not meet the demand for the Health Board's substantial backlog costs. The Health Board has sufficient resources to manage its current capital plans but recognises that resourcing may become an issue if more major projects are approved.**
- 9 The Health Board has a well-developed Infrastructure Investment Plan (the Plan), which outlines its short, medium and long-term capital investment priorities. The 2024-27 Plan, ratified by the Board in March 2024, includes investment projects for estates, digital and equipment. The Plan appropriately reflects the ambitions set out in the Health Board's long-term strategy, A Healthier Mid and West Wales<sup>4</sup>, and is reviewed annually to ensure proposed capital investment supports delivery of the Health Board's Annual Plan. The 2024-27 Infrastructure Investment Plan primarily supports delivery of the annual planning objective<sup>5</sup> related to the estates plan, but also supports delivery of the digital strategic plan, clinical services plan, and population health initiatives.
- 10 The Plan's development is informed by comprehensive information, such as reports on asset conditions, risk registers, internal surveys, and backlog data. This ensures the Health Board has good information to help assess capital investment requirements and needs. Furthermore, the Health Board maintains a fixed asset register for all assets purchased through capital funds<sup>6</sup>. The Health Board's up-to-date capital investment procedure clearly states that each directorate or department should maintain an up-to-date asset register and sets out how to add assets to the fixed asset register. The clinical engineering team at the Health Board also maintains an inventory of medical equipment for maintenance purposes. However, the Health Board reported that at times services may purchase equipment, for example, if it receives additional funding, which is not always

<sup>4</sup> The Health Board is reviewing its long-term strategy during 2025.

<sup>5</sup> Planning objectives 6, 8, 9 and 10 which relate to the clinical service plan, estates plan, digital strategic plan and population health respectively.

<sup>6</sup> Only assets with a purchase price of £5,000 or more will be classified as capital and recorded in the fixed asset register.

reflected in the medical equipment inventory. It is important that all equipment is maintained for statutory and safety reasons as well as for business continuity (**Recommendation 1**).

- 11 The Health Board's up-to-date capital investment procedure clearly states that each directorate or department should maintain an up-to-date asset register and sets out how to add assets to the fixed asset register. However, the Health Board reported that at times services may purchase equipment, for example, if it receives additional funding, which is not always reflected in the medical and non-medical asset register, managed by the clinical engineering team. It is important that all equipment is maintained for safety and the Health Board understands the totality of its assets. The Health Board should ensure all clinical care groups are aware of the procedure for purchasing medical and non-medical equipment, ensuring they engage with the clinical engineering team, so the medical and non-medical asset register is kept up to date to prevent information gaps (**Recommendation 1**).
- 12 To make effective use of resources, where possible, the Health Board works with regional partners. For example, the Health Board is a key partner of the West Wales Regional Partnership Board, and plays a role in supporting the West Wales 10-year Capital Strategy. Schemes include establishing community hubs, and extra care and supported housing within the region. It also has close working relationships with other health boards, for example, work to develop a regional pathology service with Swansea Bay University Health Board. The Health Board reported that when making capital decisions, they consider the impact on partners when working on a regional footing.
- 13 While the Health Board has a well-developed Infrastructure Investment Plan, capital resource allocations do not meet demand. The Health Board has an estimated total backlog of nearly £300 million<sup>7</sup>, but its 2024-25 capital resource limit was £42.7 million. The limited capital funding is a significant constraint to addressing backlog costs. Although the Infrastructure Investment Plan covers short and longer-term plans, capital funding is allocated annually. In the short term, the Health Board manages this challenge by having a clear process for prioritising its capital resource allocation (**see paragraph 16**).
- 14 However, long-term funding for capital projects remains uncertain. In 2022, the Health Board submitted a programme business case to the Welsh Government, which supports proposals to build a new urgent and planned care hospital in line with its long-term strategy, but a decision remains pending. The Health Board has developed a comprehensive 10-year plan (**see paragraph 22**) outlining the capital expenditure profile for major programmes. It aims to provide a clear roadmap for capital investments, aligning with the Health Board's strategic objectives and ensuring that resources are allocated efficiently and effectively.
- 15 Roles and responsibilities for developing and delivering the Infrastructure Investment Plan are clear and well understood. The Executive Director of Strategy and Planning is supported by a capital planning team who are responsible for

<sup>7</sup> Estimated total backlog includes estates, digital and medical devices replacement.



developing the Infrastructure Investment Plan. The team is also responsible for supporting delivery of the Plan, for example, by providing project management and business case development support. The Health Board reported that the capital planning team currently has sufficient capacity but recognises that resourcing may become an issue if more major projects are approved. Other teams, such as those responsible for estates, digital and equipment play a part in identifying, prioritising, and costing schemes that are included in the Infrastructure Investment Plan. The finance team provides oversight to ensure costings are robust and accurate, ensuring that the financial projections are realistic over the long term.

## Capital prioritisation process

- 16 We considered whether the Health Board's approach to identifying, and prioritising capital investment is clearly defined and understood. We were looking specifically at whether the Health Board has:
  - a clear process for identifying potential capital schemes;
  - a clear approach to prioritising capital investment, with clear criteria to support prioritisation decisions;
  - a capital prioritisation approach which is sufficiently agile to respond to unforeseen in-year issues; and
  - clear rules around business case requirements for capital projects.
- 17 We found that **the Health Board has a clear and improving approach to identifying and prioritising its capital investments, with procedures clearly documented.**
- 18 The capital resource limit, which is the amount the Health Board has to invest in capital, is made up of two main elements: discretionary capital and the All-Wales Capital Programme. Other funding for capital may also be available, for example, through the Health and Social Care Regional Integration Fund overseen by the Regional Partnership Board. Given the limited availability of capital funds, it is important that the Board has clear processes for identifying and prioritising its capital resources.
- 19 Discretionary capital is allocated annually, specifically to meet statutory obligations such as health and safety and fire code requirements, estates maintenance, and timely replacement for equipment. The discretionary planning cycle is aligned to the Health Board's cycle for developing its annual plan/three-year Integrated Medium Term Plan (IMTP). The Health Board's process of prioritising its discretionary capital is clearly articulated in its capital investment procedure. It uses a series of exercises to prioritise schemes to potentially include in its discretionary capital programme. Capital schemes are initially identified and prioritised within individual services, before submitting bids to the Capital Planning Group. Before the Capital Planning Group consider the bids, they are prioritised by the teams responsible for estates, digital and equipment.
- 20 To aid the final prioritisation exercise, the Health Board has developed a prioritisation matrix. The matrix considers three key criteria and weighting:

- whether not investing would be detrimental to business continuity (25%);
  - risk safety for patients, staff or public (50%); and
  - impact and reputation (25%).
- 21 While the Health Board reported that the prioritisation matrix is still evolving, the criteria are well aligned to the purpose of discretionary funding. Currently, the process is not used to fully distribute all of the funds, as the first 10% is top sliced for backlog maintenance. The remainder is proportioned between estates for statutory works, digital and for equipment. The Health Board reported that it is working towards a system that allows equal weighting between bids for estates, digital and equipment, but given the level of backlog maintenance costs this is not yet possible.
- 22 Despite the Health Board's effort to develop a process to prioritise capital schemes funded by discretionary capital, the available capital is limited. In 2024-25, 40% of the discretionary capital allocation was reserved for already committed projects, and 20% was reserved as contingency, meaning only £2.9 million remained for new projects. This means that there is little leeway if there are unforeseen issues in-year. While the Health Board has learnt lessons from previous years and increased its contingency reserves from 10% to 20% in 2024-25, it still needs to use alternative approaches to mitigate risks. For example, the Health Board had to close wards and make changes to service delivery when it discovered reinforced autoclaved aerated concrete at Withybush Hospital. It also tries to mitigate risk by seeking regional support, finding alternative funding, and making better use of technology where possible. The Health Board may also approach the Welsh Government to help support emerging challenges.
- 23 The All-Wales Capital Programme is allocated by the Welsh Government based on business cases submitted by health bodies. These are generally for larger investments. In November 2023, the Welsh Government introduced a new prioritisation process, with the purpose of having a consistent framework to make investment decisions. As part of this process, the Welsh Government asked all health bodies to complete a prioritisation exercise, to help identify schemes needing support from the All-Wales Capital Programme over the next 10 years. Using six weighted investment criteria<sup>8</sup> set by the Welsh Government, the Health Board held two internal workshops to form a shortlist of 26 prioritised schemes. These are listed in its 2024-27 Infrastructure Investment Plan. On completing the mandated prioritisation exercise, the Health Board submitted forms, with the rank of each project, to the Welsh Government for consideration. The Health Board reported that where bids to the All-Wales Capital Programme are not approved or deemed not affordable, they hold discussions with the Welsh Government to discuss alternative options. This is the case for the regional pathology service the Health Board is developing with Swansea Bay University Health Board.

<sup>8</sup> Fit with Priorities & Policy (25%), Clinical impact (20%), Value for money (16%), Statutory Compliance and Risk (13%), Equity & Community (13%) and Wider Benefits and Climate Change (13%).

- 24 The Health Board reported that they are compliant with the mandatory requirement to submit a form of business case for capital schemes for the All-Wales Capital Programme and all other scenarios when required. Capital projects and programmes will follow an iterative business case process using the [Better Business case](#) approach, ensuring best practices for planning, and making effective funding decisions. Business cases are presented at relevant groups or committees for scrutiny and approval.

## Governance and oversight

- 25 We considered whether the Health Board has effective arrangements for the scrutiny, reporting and monitoring of its capital decision making. We were specifically looking at whether the Health Board:
- effectively, scrutinises, monitors, and reports on its prioritised capital decisions; and
  - uses learning to improve the prioritisation of capital investment.
- 26 We found that **the Health Board has robust governance and oversight processes to support its capital decision making and an established approach to learning lessons from capital projects.**
- 27 The Health Board has clear governance arrangements to oversee, scrutinise and approve capital funding decisions. At a Board level, the Strategy and Planning Committee<sup>9</sup> is responsible for overseeing and receiving assurance on the delivery of the capital programmes and projects. This includes reviewing all capital business cases, scrutinising plans for use of the capital resource limit and discretionary capital programme prior to Board approval. The Capital Sub-Committee supports the committee and is chaired by the Executive Director of Strategy and Planning. It oversees planning and delivery of the all-Wales capital and discretionary capital programmes. The Head of Capital Planning chairs the Capital Planning Group, which reports to the sub-committee and is specifically responsible for developing and overseeing delivery of the prioritised discretionary capital programme.
- 28 At all governance levels, there is routine reporting on capital planning and delivery, which facilitates effective monitoring, oversight, and enables management of risks. At each meeting, the Strategy and Planning Committee receives a comprehensive Capital Programme and Capital Governance Update Report which includes an update on the capital resource limit, and project updates including any schemes at risk and mitigating actions. The committee also receives business cases to approve or endorse for Board approval as needed. On an annual basis, it scrutinises the revised Infrastructure Investment Plan. The committee also routinely receives updates from the Capital Sub-Committee, which receives a

<sup>9</sup> The Strategy and Delivery Committee was established in April 2025, prior to which the Strategic Development and Operational Delivery Committee was responsible for scrutinising capital investment and planning.

comprehensive suite of assurance reports and dashboards to help monitor capital spending. These include an update on the capital resource limit, capital financial management and capital programme, and a highlight report on the status of capital projects included in the Annual Plan. The highlight report provides a summary of key milestones, progress update on capital projects, including key risks and matters for the sub-committee's attention. Other reports include updates on the dashboard submitted to the Welsh Government on schemes funded through the All-Wales Capital Scheme and regional capital programme updates.

- 29 The Health Board has good processes to capture key learning and benefit realisation from capital projects. Project closure reports are produced for each scheme, which cover post project evaluation and lessons learnt, whether business case objectives and benefits have been met and project performance such as time, scope, and cost. The document also captures audit recommendations and highlights any project risks which need to be transferred to operational teams. Where there have been particular delivery issues, the Health Board also conducts separate lesson learnt exercises in addition to the project closure report. At times, these exercises are requested by the Welsh Government. This was the case for the Prince Philip Hospital Day Surgery Unit, where the Health Board purchased a modular solution to facilitate the return of elective surgery after the COVID-19 pandemic. The Health Board fully embraced this opportunity and added value to the report by hosting a lesson learnt workshop to capture the perspective of all key stakeholders. A similar exercise was also conducted for the capital works to improve the Women and Children's Unit at Glangwili Hospital. The Health Board reported that the capital planning team keeps a lesson learnt log which feeds into future capital planning and delivery.

## Recommendations

- 30 We have set out a recommendation arising from this audit in **Exhibit 1**. The Health Board's response to our recommendation is summarised in **Appendix 3**.

### Exhibit 1: recommendations

#### Recommendation

##### Improve Asset Management System

- R1 The Health Board should ensure all clinical care groups are aware of the procedure for purchasing medical and non-medical equipment and ensuring that, when appropriate, they engage with the clinical engineering team, so the medical equipment inventory is kept up to date to prevent information gaps (see paragraph 10)

# Appendix 1

## Audit criteria

**Exhibit 2** sets out the audit criteria that we used to deliver the work.

### Exhibit 2: audit criteria

Audit questions	Audit criteria
<b>Are the Health Board's arrangements for prioritising its capital investments strengthening its ability to deliver its strategic objectives over the short, medium, and longer term?</b>	
<b>Does the Health Board have a clearly defined strategic approach which supports the delivery of its prioritised capital programme?</b>	
Does the Health Board have a well-developed, and adequately resourced, capital investment plan to manage investment in its estate and high-value equipment?	<ul style="list-style-type: none"><li>• The Health Board has an up-to-date and approved capital investment plan, which covers estates and high value equipment.</li><li>• The capital investment plan is funded over the short, medium, and long term.</li><li>• The capital investment plan is based on a clear understanding of estate and equipment condition, need, demand and technological innovation over the short, medium, and longer term.</li><li>• The capital investment plan is aligned to key corporate strategies and plans, strategically focused, forward looking and supports service transformation and is developed through appropriate stakeholder and citizen engagement.</li><li>• The Health Board has considered regional working/co-production with other NHS bodies when developing its capital investment plan.</li></ul>
Does the Health Board have the necessary arrangements in	<ul style="list-style-type: none"><li>• The plan is supported by robust asset management plans, providing a framework for delivering the capital programme.</li></ul>

Audit questions	Audit criteria
place to support the delivery of the capital investment plan?	<ul style="list-style-type: none"> <li>• Roles and responsibilities related to developing, delivering, and scrutinising the capital investment plan are clear and well understood.</li> <li>• The Health Board has the capacity and capability to develop and deliver its capital investment plan and, where there are gaps, there are well developed plans to address these.</li> </ul>
Is the Health Board's approach to identifying and prioritising capital investment clearly defined and understood?	<ul style="list-style-type: none"> <li>• There is a clear process for identifying potential capital schemes within the organisation, which is consistent across the organisation.</li> <li>• There is a clear approach to prioritising capital investment (discretionary funds and investment bids), with clear criteria to support prioritisation decisions.</li> <li>• In making decisions about capital investment, the organisation considers the impact on partner organisations and of investment or disinvestment in individual programmes and projects.</li> <li>• The capital prioritisation approach is sufficiently agile to respond to unforeseen in-year issues.</li> <li>• There are clear rules around business case requirements based on the value of proposed capital schemes.</li> </ul>
<b>Does the Health Board have effective arrangements for the scrutiny, reporting and monitoring of its capital decision making?</b>	
Does the Health Board effectively, scrutinise, monitor, and report on its prioritised capital decisions?	<ul style="list-style-type: none"> <li>• There are clear governance arrangements for oversight, scrutiny, and approval of capital funding, including at Executive Team and Board level.</li> <li>• There is robust routine reporting on capital decisions that facilitates effective monitoring, oversight and enables management to take early corrective actions.</li> <li>• There is robust evidence that underpins all capital decisions and facilitates effective scrutiny.</li> <li>• Success for capital decisions is determined by key performance metrics.</li> </ul>
Does the Health Board use learning to improve the prioritisation of its capital investments?	<ul style="list-style-type: none"> <li>• The Health Board responds proactively to recommendations from external regulators on its capital programme and the management of its assets.</li> <li>• The Health Board proactively uses external learning and best practice to help improve its approach to capital planning and management.</li> </ul>

Audit questions	Audit criteria
	<ul style="list-style-type: none"> <li>• There are clear Health Board wide arrangements to share learning from capital programmes and processes.</li> <li>• The Health Board monitors and learns from past performance.</li> </ul>

# Appendix 2

## Audit methods

**Exhibit 3** sets out the methods we used to deliver this work. Our evidence is based on the information drawn from the methods below.

### Exhibit 3: audit methods

Element of audit methods	Description
Documents	<p>We reviewed a range of documents, including:</p> <ul style="list-style-type: none"><li>• Infrastructure Investment Plan</li><li>• Documents detailing the capital prioritisation process, including internal business case templates</li><li>• Papers on the capital prioritisation work undertaken by the Health Board in response to the Welsh Government's updated prioritisation programme</li><li>• Documents detailing the governance arrangements related to capital planning.</li><li>• Capital submission to the Welsh Government using the new prioritisation approach (March 2024) and any Welsh Government feedback</li><li>• Terms of Reference for the Capital Sub-Committee and other relevant capital planning groups</li><li>• Minutes and action plans from the Capital Planning Group</li><li>• Board and committee papers on Capital (Including Capital Sub-committee) – which includes the Capital Resource Limit and the Capital Financial Management/Discretionary Capital Programme for 2023-24 and 2024-25</li></ul>
Interviews	<p>We interviewed the following:</p> <ul style="list-style-type: none"><li>• Executive Director of Strategy and Planning</li><li>• Executive Director of Finance</li><li>• Director of Estates, Facilities and Capital Management</li><li>• Digital Director</li><li>• Assistant Director of Strategic Planning</li><li>• Deputy Director of Operations</li><li>• Head of Capital Planning</li><li>• Senior Finance Business Partner</li><li>• Head of Property Performance</li><li>• Independent Member on the Capital Sub-Committee</li></ul>



Element of audit methods	Description
	<ul style="list-style-type: none"> <li>• Chair of the Strategic Development and Operational Delivery Committee</li> <li>• Regional Lead for Capital</li> </ul>
Observations	<ul style="list-style-type: none"> <li>• Strategic Development and Operational Delivery Committee</li> <li>• Capital Sub-Committee</li> </ul>

# Appendix 3

## Management response

**Exhibit 4** below sets out the Health Board's response to our recommendations.

### Exhibit 4: the Health Board's response to our audit recommendations

Recommendation	Management response	Completion date	Responsible officer
R1 The Health Board should ensure all clinical care groups are aware of the procedure for purchasing medical and non-medical equipment and ensuring that, when appropriate, they engage with the clinical engineering team, so the medical equipment inventory is kept up to date to prevent information gaps ( <b>see paragraph 10</b> ).	The UHB will ensure that Senior Leadership at the Clinical Care Groups are all made aware of the procedure for purchasing medical and non-medical equipment and the need to engage with the clinical engineering team where appropriate. This will be done via a presentation to the Senior Operations Leadership Team and circulation of this and the procedure to the Senior Leadership of the Clinical Care Groups.	November 2025	Gareth Rees  Sarah Welsby  Eldeg Rosser





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We welcome correspondence and telephone calls in Welsh and English.  
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.