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Bae Abertawe
Swansea Bay University
Health Board



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| Meeting Date | 30 March 2023 | Agenda Item | 3.4 |
| Report Title | New Velindre Cancer Centre (nVCC) – Endorsement of Full Business Case | | |
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| Report Sponsor | Siân Harrop-Griffiths, Director of Strategy Darren Griffiths, Director of Finance and Performance | | |
| Presented by | Siân Harrop-Griffiths, Director of Strategy Darren Griffiths, Director of Finance and Performance | | |
| Freedom of Information | Open | | |
| Purpose of the Report | <p>This report provides the content of a Cover Paper that was approved by the Board of Velindre University NHS Trust on 31st January 2023, to support the approval of the Full Business Case [FBC] to build the new Velindre Cancer Centre [nVCC].</p> <p>All Health Boards in Wales have been asked to take this Cover Paper to their Boards during March 2023.</p> <p>Attached at Appendix 1 is a summary of the financial elements of the business case content, relating to the required investment from Swansea Bay UHB.</p> <p>The purpose of the report is therefore to inform Boards of the details of the FBC and seek approval from individual Boards for their individual component contributions to the case.</p> | | |
| Key Issues | <p>The nVCC Project, supported by the Treasury of the Welsh Government under their Mutual Investment Model (MIM) Policy, continues to progress through the planning permission and procurement phase. Following the Trust Board approval of the outcome of the nVCC competitive dialogue on the 28th July 2022, two bidders were notified of the outcome and no challenge was received from the unsuccessful bidder.</p> <p>The Acorn Consortium was confirmed as the Successful Participant [SP] and received an SP letter which set out a range of outstanding matters that needed at be resolved</p> | | |

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| | <p>between before Contractual and Financial Close [FC] could be achieved.</p> <p>The nVCC Project Team has been working closely with Acorn to close down all outstanding matters in order to achieve FC in March 2023, or as soon as possible thereafter.</p> <p>The Trust can only progress to FC, and enter into a contract, once the FBC has been approved by the Trust, its commissioning Health Boards and by both Welsh Government Ministers (Treasury and Health).</p> <p>Prior to the Bridgend Boundary Change, the Abertawe Bro Morgannwg University Health Board had a flow of patients from the Bridgend locality to Velindre NHS Trust. Since the formation of Swansea Bay University Health Board, the commissioned share of the services provided by Velindre NHS Trust has fallen to just 1.40% of their total service provision.</p> <p>From a financial perspective the impact of the approval of this case would be an increased revenue contribution from £59k per annum to £131k per annum which reflects the significantly increased building size to meet building standards and to meet future service model needs.</p> <p>The funding for the MIM for the building will be provided by Welsh Government Treasury and any service changes that our Health Board wishes to commission in future years will be negotiated via the extant Long Term Agreement negotiation process at the time.</p> <p>The equipment within the new cancer centre will be funded through traditional All Wales capital routes.</p> <p>Given the commercially sensitive nature of the FBC, the economic and financial cases will be discussed in the private session of the Board and not disclosed into the public domain. Appendices to the management case have also been withheld due to the elements which are deemed to be commercially sensitive.</p> | | | |
| Specific Action Required <i>(please choose one only)</i> | Information <input type="checkbox"/> | Discussion <input type="checkbox"/> | Assurance <input type="checkbox"/> | Approval <input checked="" type="checkbox"/> |
| Recommendations | Approval is sought below, subject to the finalisation of the Commercial Case. If there are any changes to the Commercial Case which would have an impact on the | | | |

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| | <p>Approved status of the other four cases from a commissioners perspective, these cases would be brought back to the Board for consideration. Therefore, the Board of Swansea Bay University Health Board is requested to:</p> <ul style="list-style-type: none">• NOTE that the process to develop the FBC from the previously agreed Outline Business Case [OBC] has followed Treasury Green Book Guidance;• NOTE the updates made from OBC to FBC and the assurance provided by the Collective Commissioning Group (CCG);• NOTE the movement in recurring revenue funding, from the uplifted OBC approved sum• APPROVE the investment requested from the Health Board by Velindre University NHS Trust (Appendix 1)• APPROVE the Full Business Case, excluding the Commercial Case. |
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NEW VELINDRE CANCER CENTRE (NVCC) – ENDORSEMENT OF FULL BUSINESS CASE

1. The Full Business Case – detailed process

The FBC consists of five cases (Strategic; Economic; Commercial; Management; and Financial) which are inter-connected and set out the case for investment. Of the five Cases, four (Strategic; Economic; Management; and Financial) are complete. It should be noted that the Commercial Case is commercial in confidence and therefore not able to be released to other Health Boards at this stage.

Given the commercially sensitive nature of the FBC, the economic and financial cases will be discussed in the private session of the Board and not disclosed into the public domain. Appendices to the management case have also been withheld due to the elements which are deemed to be commercially sensitive.

The completion of the Commercial Case is the final element to conclude and will close when planning matters and the Project Agreement [PA] are finalised.

The aim of the Commercial Case is to set out the commercial arrangements i.e. the solution (the nVCC final design), together with the contract (Project Agreement). The nVCC Project is being procured using the Welsh Government Mutual Investment Model [MIM], under Welsh Government policy.

The Commercial Case is considered a matter for the Trust and Welsh Government. The Case requires commercial confidentiality of the arrangements which are at a sensitive stage of the procurement process.

In this context, it can be highlighted that the Welsh Government (Central Treasury) is the funder for the Annual Service Payment [ASP], which is the annual revenue payment to the provider for the 25-year term of the PA; Welsh Government (Health) is the funder of the NHS capital equipping costs. This clarity is important in respect of the approvals sought from each of the stakeholders. The primary areas of decision-making/approvals for each stakeholder is:-

- Trust: overall approval including PA (commercial aspects); capital costs, revenue costs, management arrangements and retained risk as the contracting party.
- Trust/Local Health Boards: Identified revenue investment (recurring and non-recurring).
- Welsh Government: Treasury all matters relating to the Annual Service Payment and Health Department all matters relating to NHS Capital Equipping Costs.

The Health Boards have agreed the scope of, and approach to, investment in the nVCC (e.g., increased cleaning costs of a bigger floor area, and the costs of transition) within the Outline Business Case [OBC]. The OBC also set down what costs are outside the scope of investment (e.g., the commercial deal with the Acorn consortium which is being funded by the Welsh Government (via the ASP). In respect of the commercial matters within the Commercial Case, the funding position is clear with the Trust planning on investment by the Welsh Government for the ASP.

The funding role of the ASP by the Welsh Government is important to note, as it frames the approval required on the four Cases (Strategic; Economic; Management; and Financial) by commissioning Health Boards. The Health Boards are not an investment party to any ASP funding requirements that flow from the commercial arrangements with ACORN as set down in any Commercial Case.

A two-staged approach to FBC approval has been discussed with Welsh Government and the Local Health Boards:-

Stage 1: consideration and approval (or otherwise) of the four Cases (Strategic; Economic; Management; and Financial) by the Trust and Health Boards in February 2023.

Stage 2: consideration and approval (or otherwise) of the Commercial Case by the Trust as soon as possible and subsequently Welsh Government. At this stage, the Trust can provide the Health Boards with assurance that the commercial arrangements (and subsequent Commercial Case) will be robust and represent an acceptable commercial position. This assurance will also be demonstrated through the detailed governance arrangements that are in place with Welsh Government to secure approval.

The two-stage approval process enables the Trust to receive formal approval letters from its Commissioners, which will be required by the Welsh Government Scrutiny and approval process.

This process also facilitates the external assurance reviews required - Gateway 4 and a Commercial Approval Point [CAP] - prior to Welsh Government approval.

2. Developing the nVCC FBC: updates from OBC to FBC and assurance

The FBC has been developed following the Treasury Green Book and Better Business Case Guidance for Public Sector Projects. The four Cases (Strategic, Economic, Management and Financial) are set out in the attached documents. A summary of each of the cases is set out below, together with the key issues contained within them and the levels of assurance for each (using the Treasury Green Book checklist).

3. Strategic Case

The Strategic Case has been reviewed and updated from the OBC approval in October 2018. The key issues and levels of assurance are set out below in Table 1:

Table 1 – Strategic Case Updates / Assurance

| Update | Activity between OBC & FBC | Requirement of Treasury Green Book Achieved Yes / No |
|--|---|--|
| Strategic Alignment: is the nVCC project aligned to national/regional/Trust strategy and policy? | Case updated to reflect the changes to national/regional and Trust strategy and policy. | Yes: strategic alignment clear and robust |
| Existing Arrangements and Business needs | General updates to improve flow and backlog maintenance update. | Yes: case for change clear and robust |
| Clinical Operating Model | External Independent Advice provided by the Nuffield Trust and regional action plan agreed and being implemented. | Yes: Clinical Operating Model clear and robust action plan being implemented regionally |
| Forecast demand, activity and capacity | The forecast planning assumptions have been assured with actual activity (up to 2019/2020 pre-covid). This demonstrates that the projections were robust. Further work undertaken on forecast activity for Day 1 2025 and up to 2032 which demonstrate sufficient capacity on Day 1 of opening and thereafter within the Clinical Operating Model (e.g., home; local; specialist). The footprint/functional/capacity of the nVCC are sized appropriately and elements of the design are flexible. | Yes: Initial forecast assumptions robust. nVCC sized appropriately against planning assumptions/actual activity and Clinical Operating Model. |
| Equipment update | The proposed major clinical equipment in the nVCC has been updated for all equipment and a procurement strategy and commissioning programme developed | Yes: equipment requirements are robust |
| Environmental Sustainability | The ambition to deliver the Greenest Hospital in the UK has been developed and translated into the nVCC design; this includes options to remove embodied carbon and minimise the carbon once the nVCC becomes operational; and securing support/revenue funding from LHBs and Welsh Government to make the strategic shift from the current hybrid (gas/electric) solution to the electric solution. | Yes: design all electric and plans in place to support the reduction of embodied carbon. Risks remain about ability to fully realise reduction in embodied carbon and funding of strategic shift to electric solution; |

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| | | will be picked up in further discussions with Welsh Government & Health Boards |
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The clinical operating model within the Transforming Cancer Services [TCS] Programme describes how services will be delivered in the future. The founding principles were as follows:

- The service model seeks to promote a new set of relationships which work in partnership to improve the way we collectively design and deliver tertiary non-surgical cancer services around patients' needs and to achieve these improvements in a truly sustainable way.
- Patients are central to our plans with an integrated network of services organised around them. The organising principle seeks to 'pull' high quality care towards the patient that is accessible in their preferred location and supports them achieving their personal goals during treatment and subsequently as they live with the impact of cancer.
- Patient safety is paramount, and the highest standards will always be met.
- The relationship between patients / families / carers and clinicians / professionals will be an equal and reciprocal one.
- Patients will be provided with the support, information and skills to manage their own needs effectively at, or as close to, home as possible wherever appropriate.
- Optimising information technology, quality improvement systems, patient involvement, education and embracing innovative approaches to healthcare will all be essential to achieve high levels of service quality in a sustainable way.

The Clinical Operating Model will see more care delivered within patients' homes; and locally through the development of a number of Velindre facilities on Health Board sites across South-East Wales, providing chemotherapy, outpatient, and support services; a Radiotherapy Satellite Centre [RSC] in Nevill Hall Hospital, Abergavenny; and the redevelopment of the Velindre Cancer Centre on a new site in Whitchurch, Cardiff.

It is important to note that the Strategic Case has taken account of the Nuffield Trust Independent Advice Report December 2020; the recommendations were accepted by Health Boards, Velindre University NHS Trust and the South-East Wales Cancer Collaborative Leadership Group. Given the dynamic nature of cancer care and the evolving regional clinical operating model of cancer, it is important to highlight a number of important areas which have strategic importance for the region and its health partners. There were a number of recommendations which point to the need for the nVCC to support future strategic developments (see Table 2).

Table 2 – Nuffield Trust Independent Advice

| Nuffield Trust Independent Advice Recommendation Number | Recommendation |
|---|--|
| 6 | The ambulatory care offer at the nVCC should be expanded to include Systemic Anti Cancer Therapy and other ambulatory services for haemato-oncology patients and more multidisciplinary joint clinics. Consideration should be given to expanding a range of other diagnostics, including endoscopy, to create a major diagnostic resource for South-East Wales that will be able to operate without the risk of services being disrupted by emergencies and which would also protect these services in the case of further pandemics. |
| 10 | Flexibility in design is going to be important both for the nVCC and for whatever is developed at the new UHW due to the rapid change in the nature of treatment and research. |
| 11 | There are future strategic development opportunities provided by the development of a new VCC and a proposed UHW2. Working together over the 15- to 20-year window, the health system should look to exploit these development opportunities in light of future service needs. |

These recommendations are important as they are intended to ensure that the nVCC can support the current and future clinical operating models across South-East Wales over its planned life-span (40 – 60 years). Each of these recommendations has been considered in both the design of the clinical operating model and the design of the nVCC as set out below:

3.1 Utilisation of nVCC as a regional asset

It is imperative that the nVCC is considered and utilised as a regional asset which is part of a range of service/infrastructure that delivers improved quality of care and better population outcomes. The nVCC design supports this in a number of ways:

- a) immediate: provision of non-surgical tertiary cancer services as required by Health Board commissioners;
- b) development of a regional clinical operating model which supports the regional clinical needs. This is illustrated in the provision of enhanced assessment/ambulatory care services and additional capacity at nVCC which seeks to reduce the number of patients who unnecessarily attend unscheduled care/emergency services at Health Boards;
- c) the possibility of using the capacity regionally rather than organisationally. Initial work has identified that clinical pathways can be remodelled which would see a planned shift in patient flows / what care is provided where. An example

of this is haematology where there is likely to be range of patients who currently receive treatments in LHB settings who could be treated at nVCC. The V@LHB model therefore can also be seen as Cardiff@nVCC; Aneurin Bevan@nVCC; CTM@nVCC. Initial work has been undertaken to explore this and could be accelerated as the overall demand/capacity and clinical model is developed;

- d) diagnostics: the development of the nVCC has taken account of the potential strategic opportunity with regard to diagnostics across South-East Wales. The nVCC has designed in capacity to address immediate to medium terms needs (CT; MRI etc.) and also flexibility to successfully support potential strategic developments e.g. provision of PET-CT scanners; provision of significant step up in diagnostics services

3.2 Flexible Design

The nVCC has been designed to provide maximum flexibility to cope with the changing nature of cancer care and regional strategic developments. The design has a number of aspects which provide future flexibility:

- 1) Template design allows for design development and any required changes due to service developments.
- 2) Orientation of the building: the nVCC has been designed to allow maximum flexibility which is achievable with the minimum of disruption/cost. The design consists of two areas of service contained in separate elements of the building.
 - a) Service Area 1:
 - i) Radiotherapy: the radiotherapy area has been built to future proof future flexibility. The bunkers have been designed to allow different types of manufacturer/machines to be installed as technology advances and the potential for service development;
 - ii) Imaging/diagnostics block: the major diagnostics and imaging kit is here with additional capacity and development control plans in place to support any strategic requirements to increase capacity/provision;
 - b) Service Area 2:
 - i) Assessment/ambulatory/inpatient block: this area of the nVCC provides optimum adjacencies for current service provision together with a template approach to the design. This allows the split of assessment/ambulatory/inpatient capacity to be changed very easily with no building works required for the majority of changes required;
- 3) Future strategic developments: the nVCC project will also include a strategic service continuity plan which will set out 10 – 15 likely regional cancer system service and non-surgical tertiary service developments that Acorn will be required to develop plans for which will set out how the nVCC building will be able to adapt/be reconfigured/support any additional construction to implement it.

The benefits of the nVCC are set out below:

- The patient environment at the nVCC will be optimal and promotes patient dignity, recovery and well-being;
- The nVCC will have sufficient patient and family car parking;
- The nVCC accommodation will be compliant with statutory requirements and that will enable high levels of patient safety to be met; and,
- The nVCC will have expansion space that will enable the Trust's to expand its footprint to meet the increasing demand for its clinical services across a range of specialities / departments.

It is noted that the TCS Programme, that includes Health Boards and the Trust, have achieved significant investment in cancer services for South-East Wales. This relates to the following:

- **Integrated Radiotherapy Solution:** some of the key benefits are reduced risk of service failure due to more up to date machines; reduced risk of obsolescence with improved functionality due to more up to date machines; increased flexibility with better continuity due to the flexibility provided by matched machines; better patient outcomes and safety due to the improved functionality and better compliance with good practice; benefits of increased automation and use of integrated systems resulting in reduced clinical time required for patient scheduling and reduced appointment times; improved patient and carer experience with improved resilience will reduce risk of cancelled appointment resulting in a better experience for patients and carers; improved staff experience due to more up to date machines; increased R&D opportunities as a result of newer equipment and collaboration with a single vendor.
- **Velindre Radiotherapy Satellite Centre:** The Radiotherapy Satellite Centre (RSC) at Nevill Hall has recently had its Full Business Case approved. The centre once implemented will provide radiotherapy treatment for approximately 20% of our patients (provided by two new Radiotherapy treatment machines and one CT Simulator). The benefits of the RSC investment include better access and reduced travel for patients and less use of transport services. This will mean that fewer patients need to travel to the VCC for their radiotherapy.
- **nVCC Enabling Works:** The FBC approved all enabling works needed to provide primary and secondary access to the new Velindre Cancer Centre Site (including the provision of utilities).

4. Economic Case

The purpose of the Economic Case at FBC is to confirm the preferred option from the OBC is still valid and to reappraise the costs, benefits and risks associated with the proposed investment. The Economic Case does not include VAT, or inflation as it aims to compare the options at today's prices to determine the most economically advantageous option. The Economic Case has been reviewed and updated from the OBC approval in October 2018. The key issues and levels of assurance are set out below in Table 3:

Table 3 – Economic Case Updates / Assurance

| Update | Activity | Achieved Yes / No |
|---|---|--|
| Comprehensive Investment Assessment (CIA): was the process robust and in accordance with Treasury Green Book requirements | An external advisor has supported the Trust in developing the CIA. This has required a range of financial inputs that have been modelled. These inputs have been signed off by respective leads and the Assistant Project Director | Yes: professional external advice and all requirements followed |
| Delivery of a Preferred Option: does the preferred option at OBC still offer the best value at FBC | The CIA (based on current prices) has evaluated the options in the FBC and concluded that the preferred option is the implementation of a new Velindre Cancer Centre, this is aligned to the preceding Outline Business Case (OBC). | Yes: the do minimum plus option still remains the Preferred option as per OBC. |

The nVCC project is utilising the Welsh Mutual Investment Model [MIM] Policy, which is a Public Private Partnership [PPP] approach. The OBC undertook a Public Sector Comparator [PSC] which compares the public sector (traditional capital scheme) with the PPP scheme to determine which offers the best value-for-money. The MIM scheme offered the best value-for-money at OBC stage and the MIM procurement route was chosen.

5. Management Case

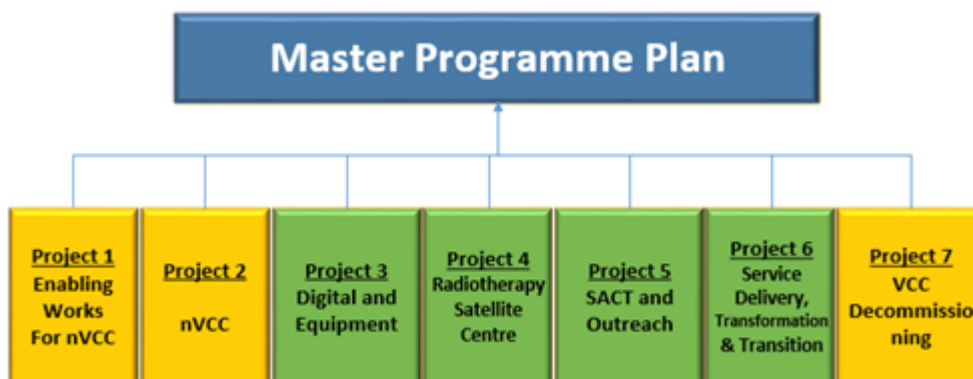
The Management Case sets out how the Trust will manage the implementation of the nVCC through its construction and in life phases. It also sets out the expected benefits to be realised; the risks to successful delivery and how they will be managed. The Management Case has been reviewed and updated from the Outline Business Case approval in October 2018. The key issues and levels of assurance are set out below in Table 4:

Table 4 – Management Case Updates / Assurance

| Update | Activity | Achieved Yes / No |
|---|--|-------------------|
| Governance Arrangements: | The Governance Structure has been reviewed and reflects the Trusts new arrangement | Yes |
| Leadership: Roles and Responsibilities | Roles and responsibilities have been updated from those submitted in the OBC | Yes |
| Benefits Register: are all of the benefits captured | The benefits register has been updated to reflect the CIA | Yes |

The Transforming Cancer Services Programme sets out the scope, aim and spending objectives for the programme and consists of seven projects as set out in Fig. 1.

Fig 1 – TCS Programme Projects



The description of the Projects are outlined in Table 5.

Table 5 – TCS Programme Projects Descriptions

| Project Number / Name | | Description |
|-----------------------|--|--|
| 1 | Enabling Works | All Enabling works needed to provide Primary and secondary access to the new Velindre Cancer Centre Site (includes the provision of utilities). |
| 2 | New Velindre Cancer Centre | The re-provisioning of a new Velindre Cancer Centre in the Whitchurch area of Cardiff. |
| 3 | Digital and Equipment | The provision of integrated Digital Information and Equipment Services across the TCS Programme. This Project oversees the IRS Project. |
| 4 | Radiotherapy Satellite Centre | Provision of a Radiotherapy Satellite Centre at Nevill Hall Hospital. |
| 5 | SACT and Outreach | The Provision of SACT and Outpatient services embedded in Local Health Boards. |
| 6 | Service Delivery Transition and Transformation | This project is responsible for establishing and transforming all service delivery functions across the clinical model. It is also responsible for planning and implementing the transition between the old and new cancer centre. |
| 7 | Site Decommissioning | The decommissioning of the old Velindre Cancer Centre brownfield Site. |

With regards to benefits, the Programme and Project benefits are outlined in the FBC. The Programme Business Case sets out the range of benefits that are expected to be realised through the delivery of the programme; who is the expected beneficiary; when it is expected to be realised. The 7 projects within the programme are the primary vehicle to deliver the programme benefits and are subject to business cases (OBC/FBC); each of which set out the benefits that are expected to be realised from

the specific project. It is important to note each project must clearly scope benefits that can be realised but the project; can only claim the benefit set out within its scope and can only realise a benefit once. This is vital in ensuring the programme/project economic cases are robust and some avoids over-emphasising the benefits and the potential for double counting.

Within the TCS Programme the following FBC business cases have been approved and these are set out below in Table 6:

Table 6 – TCS Programme Projects Benefits

| Project | Title | Benefits include |
|----------------|--|--|
| 1 | Enabling works: infrastructure to access nVCC | <ul style="list-style-type: none"> • Reduced travel times for patients/families/staff • Reduced carbon emissions |
| 3 | Integrated Radiotherapy Solution | <ul style="list-style-type: none"> • Improved clinical care and treatment for patients • Increased levels of efficiency and productivity |
| 4 | Radiotherapy satellite centre: Nevill Hall | <ul style="list-style-type: none"> • Increased access to radiotherapy • Care close to home for patients • Reduced travel times for patients and families • Improved integration of cancer care |

With regard to the nVCC FBC, it is important to note that the primary need to for investment is the need to replace the existing Velindre Cancer Centre as it is the only building that provides specialist non-surgical tertiary oncology services in South-East Wales. The building is nearly 70 years old and not considered to be fit-for-purpose now or sustainable in the future (as set out in the Business Needs section of the Strategic Case). Whilst the provision of the nVCC has a clear strategic importance in the regional clinical model (now and in future years), at its simplest form the FBC sets out the need for investment to replace an old building with a new building.

Consequently, the FBC nVCC only sets out benefits that are within scope of the business case and does not seek to claim benefits which can only be realised by changes/actions elsewhere in the cancer system. For example, the provision of an nVCC will not directly improve detection of cancer in primary care; or directly assist in moving staging of cancers from 4 to 3 to 2; or improve 1 and 5 year survival rates of itself; these can only be achieved by actions across the whole system

However, the nVCC will directly contribute to the quality, safety, experience and sustainability of cancer care across SE Wales and 1 and 5 year survival through the tertiary services it provides as part of the pathway of care. There will also be a direct dis-benefit if the nVCC is not built i.e. the ability to meet required demand and quality

of care will reduce and this is likely to result in reduced quality of care and 1 and 5 year survival rates.

The nVCC will also indirectly contribute to the overall improvement of cancer care (e.g. diagnosis; staging; pathway transformation etc.) through collaborative working; the provision of data/insights etc. and multi-disciplinary working.

The nVCC FBC benefits are set out in Table 7.

Table 7 – TCS Programme Projects Benefits

| Project | Title | Benefits include |
|---------|-----------------------------------|---|
| 1 | New Velindre Cancer Centre | <ul style="list-style-type: none"> • Improved productivity, with improved adjacencies; more flexible facilities and greater ability to comply with standards • Improved recruitment and retention, with improved staff recruitment and retention resulting in reduced reliance on overtime, bank and agency • Centre for Learning and Innovation, with additional income from Centre for Learning and Innovation • Direct benefits of the new clinical model, with reduced length of stay; reduced admissions; improved utilisation; less value of reinvestment in capacity to meet demand • Improved survival rates, with economic benefit of survivors re-entering employment; economic benefit of survivors providing childcare • Improved energy efficiency, resulting in changes to carbon emissions and air quality |

6. Financial Case

The Financial Case sets out the costs relating to the preferred option and takes into account many different financial inputs. These include capital and revenue (recurring and non-recurring) costs. As funding is coming from various sources, the Financial Case sets out the funding requirement from Welsh Government and the Trust's Commissioners. It also states a range of financial treatments relating to VAT, CPI and Statistical Treatments. The Financial Case has been reviewed and updated from the Outline Business Case approval in October 2018. The key issues and levels of assurance are set out below in Table 8:

Table 8 – Finance Case Updates / Assurance

| Update | Activity | Achieved Yes / No |
|-----------------------|--|--|
| Update of Costs | All costs have been revisited, revised and input into the Comprehensive Investment Appraisal. A comparative exercise of costs to identify/understand/analyse any material changes in costs from OBC to FBC has been undertaken, validated and documented. | Yes: all costs updated, and changes understood and justified. Support/advice provided by professional advisors |
| Financial Assumptions | Financial assumptions relating to statistical treatment, VAT, Inflation have been reviewed and remain extant from those considered at OBC. | Yes: all assumptions updated with support of professional advisors |
| Affordability | The ASP remains within the agreed Welsh Government OBC approval (at this juncture) Revenue affordability: discussions within the Trust and with Health Boards have identified a revenue funding position. | Yes: at this juncture |

7. Affordability and Funding

The funding requirements for the Trust, Health Boards and Welsh Government are set out below.

7.1 Costs and Funding

Capital Costs

The capital costs are **c£52.6m** and are set out below in Table 9:

Table 9 – Capital Project Delivery Costs

| Cost category | Funding requirement £000 |
|--|-----------------------------|
| Project (nVCC) capital expenditure - Equipment | 38,209 |
| Other Capital Costs | 1,400 |
| Project 'Delivery Capital' costs | 10,478 |
| IRS Implementation Costs | 2,515 |
| Total Capital Funding incl. VAT | 52,602 |

Note: All costs are at 2022-23 prices

7.2 Recurring Revenue Costs

In October 2018, the Commissioners (LHBs) approved the OBC that set out the funding requirements of **£7.5m** (at 2016-17 prices) in Table 10.

Table 10 – OBC Recurring Revenue Costs

| Cost category | VCC Baseline £000 | nVCC £000 | Funding source |
|----------------------------|----------------------|--------------|--------------------------|
| Soft FM | 1,504 | 2,126 | Commissioners |
| Hard FM | 481 | 813 | Commissioners |
| Utilities | 572 | 1,032 | Commissioners |
| Rates | 192 | 1,027 | Commissioners |
| Equipment Maintenance | 1,300 | 1,900 | Commissioners |
| IM&T Maintenance | 300 | 445 | Commissioners |
| Insurance | 0 | 200 | Welsh Govt/Commissioners |
| Total revenue costs | 4,349 | 7,543 | |

In developing the FBC, the Trust has considered the necessary updates to the OBC costs which is outlined as follows:

- Reduction in OBC requirements due to the IRS maintenance costs being funded in the IRS business case;
- Inflation on adjusted OBC figures;
- Additional 'new' investment:
- Cost of move to an all-electric cancer centre;
- Digital

The updated FBC costs are set out below in Table 11.

Table 11 – FBC Recurring Revenue Costs

| Cost Category | Original OBC | Reduction OBC | Adjusted OBC | OBC Inflated | New Investment | Other | TOTAL | Funding Source |
|-----------------------|--------------|---------------|--------------|--------------|----------------|-------|--------------|----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | |
| Soft FM | 2,126 | 0 | 2,126 | 558 | 0 | 221 | 2,905 | Commissioners |
| Hard FM | 813 | 0 | 813 | 213 | 0 | -125 | 901 | Commissioners |
| Utilities | 1,032 | 0 | 1,032 | 271 | 961 | 577 | 2,841 | Commissioners |
| Rates | 1,027 | 0 | 1,027 | 269 | 0 | -253 | 1,043 | Commissioners |
| Equipment Maintenance | 1,900 | -1,006 | 894 | 235 | 0 | 472 | 1,601 | Commissioners |

| Cost Category | Original OBC | Reduction OBC | Adjusted OBC | OBC Inflated | New Investment | Other | TOTAL | Funding Source |
|--------------------------------|--------------|---------------|--------------|--------------|----------------|------------|---------------|----------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | |
| IM&T Maintenance | 445 | 0 | 445 | 117 | 0 | -312 | 250 | Commissioners |
| Digital | 0 | 0 | 0 | 0 | 753 | 0 | 753 | Commissioners |
| Insurance | 200 | 0 | 200 | 52 | 0 | 198 | 450 | Welsh Govt / Commissioners |
| Recurring Revenue Costs | 7,543 | -1,006 | 6,537 | 1,715 | 1,714 | 778 | 10,744 | |

The report issued by Velindre NHS Trust summarises the investment requirement is as follows:

- Original nVCC OBC c£7.5m
- Removal of IRS equipment mtce (c£1.0m)
- Adjusted OBC costs c£6.5m
- Inflation on the OBC costs c£1.7m
- Additional investment c£1.7m
- Other (movements) c£0.8m

TOTAL c£10.7m

Therefore, the recurring revenue costs of nVCC are **c£10.7m** and the funding strategy is set out below in Table 12 together with the Welsh Government, Digital Health & Care Wales and Health Board funding requirements:

Table 12 – FBC Recurring Revenue Funding

| Cost Category | Preferred Option | DHCW (DPIF) | Welsh Government | LHBs |
|--------------------------------|------------------|-------------|------------------|--------------|
| | £000 | £000 | £000 | £000 |
| Soft FM | 2,905 | 0 | 0 | 2,905 |
| Hard FM | 901 | 0 | 0 | 901 |
| Utilities | 2,841 | 0 | -961 | 1,880 |
| Rates | 1,043 | 0 | 0 | 1,043 |
| Equipment Maintenance | 1,601 | 0 | 0 | 1,601 |
| IM&T Maintenance | 251 | 0 | 0 | 251 |
| Digital | 753 | -456 | 0 | 297 |
| Insurance | 450 | 0 | 0 | 450 |
| Recurring Revenue Costs | 10,744 | -456 | -961 | 9,327 |

Note: All costs are at 2022-23 prices

The Utility Costs have been agreed with the Collective Commissioners Group as fair and reasonable and reflects the current position. Commissioners have advised that the costs arising from the decision to procure a hospital designed with an electric only

energy solution, which is a Welsh Government policy cost, should seek alternative funding sources. This is due to the current financial deficit of each of the four main Commissioning Health Boards, which are anticipated to worsen over the next three-year Integrated Mid Term Plan 2023-2026. Whilst Health Boards recognise the benefit of an early contribution to meeting the Welsh Government decarbonisation target, that the procurement of an electric only energy solution will help deliver, they note that their own estate also requires significant investment to address the 'green' agenda, which they cannot currently prioritise given the pressures on service funding. These issues have been understood and acknowledged by Velindre Trust. It has, therefore, been agreed that an element (£0.961m current prices) of this cost category, namely the switch to an all-electric solution, should seek an alternative funding source through transitional funding arrangements. It is proposed that the cost of an all-electric advance design to meet Government decarbonisation policy be mitigated by transitional funding relief as an element of the Welsh Government MIM financing support. At this time, based on the above, it has been agreed that Commissioners would not be requested to fund the all-electric solution element of £0.961m in advance of those transitional funding discussions with Welsh Government.

The revenue digital requirements cover four key areas at a cost of **£1.2m** and is out below in Table 13:

Table 13 – Digital Costs

| Cost Category | Net Costs | VAT | Gross costs |
|---|--------------|------------|--------------|
| | £000 | £000 | £000 |
| nVCC Infrastructure Requirements (Day 1) | 247 | 50 | 297 |
| Strategic Clinical & Operational Requirements | 380 | 76 | 456 |
| Digitisation of Health Records | 370 | 75 | 445 |
| Transitional Requirements | 38 | 8 | 46 |
| TOTAL | 1,035 | 209 | 1,244 |

Note: All costs are at 2022-23 prices

In managing the funding of these digital requirements, the Trust proposes that it takes responsibility for the costs of digitisation of health records and transitional costs through its baseline funding. In respect of the clinical and operational requirements, the Trust has had positive discussions with DHCW, where the structure of a collaborative funding arrangement has been agreed for the 'strategic clinical and operational' elements of the nVCC Project. As such, funding from the Digital Priorities Investment Fund (DPIF) or other Welsh Government digital funding sources is planned to be provided. This collaborative funding approach will continue to be shaped with Health Boards. Given the proposed arrangements above, Health Boards are only being requested to fund the nVCC infrastructure requirements (Day 1) at this stage in the process. Should the DPIF or other Welsh Government digital funding be non-recurrent, further discussions would be necessary to consider ongoing funding for these costs.

It is important to consider the overall movement in the recurring revenue funding required from Commissioners when compared to the agreed OBC funding inflated to 2022-23 prices. The movement is **£1.0m** and is set out below Table 14:

Table 14 - Movement in Recurring Revenue Costs for Commissioners

| Cost Category | FBC Costs | OBC Inflated | Movement |
|--------------------------------|--------------|--------------|--------------|
| | £000 | £000 | £000 |
| Soft FM | 2,905 | 2,684 | 222 |
| Hard FM | 901 | 1,026 | -125 |
| Utilities | 1,880 | 1,303 | 577 |
| Rates | 1,043 | 1,297 | -254 |
| Equipment Maintenance | 1,601 | 1,129 | 472 |
| IM&T Maintenance | 251 | 562 | -311 |
| Digital | 297 | 0 | 297 |
| Insurance | 450 | 252 | 198 |
| Recurring Revenue Costs | 9,327 | 8,252 | 1,075 |

Note: All costs are at 2022-23 price levels.

The movement in the recurring revenue costs that will be funded by Commissioners using the agreed Commissioner Shares is **£1.0m** as set out below in Table 15:

Table 15 - Movement in Recurring Revenue Costs for Commissioners

| Health Boards | Commissioner Split | TOTAL |
|---|--------------------|--------------|
| | % | £000 |
| Proposed funding from commissioners: | | |
| Aneurin Bevan | 36.52% | 391 |
| Cardiff & Vale | 30.90% | 331 |
| Cwm Taf Morgannwg | 28.11% | 301 |
| Swansea Bay | 1.40% | 15 |
| Hywel Dda | 1.49% | 16 |
| Powys | 1.59% | 17 |
| Total | 100% | 1,075 |

The recurring revenue costs that will be **funded** by Commissioners using the agreed Commissioner Shares is **£9.3m** as set out below in Table 16:

Table 16 - Summary of Funding Sources

| Health Boards | Commissioner Split | TOTAL |
|---|--------------------|--------------|
| | % | £000 |
| Proposed funding from commissioners: | | |
| Aneurin Bevan | 36.52% | 3,406 |
| Cardiff & Vale | 30.90% | 2,882 |
| Cwm Taf Morgannwg | 28.11% | 2,622 |
| Swansea Bay | 1.40% | 131 |
| Hywel Dda | 1.49% | 139 |
| Powys | 1.59% | 148 |
| Total | 100% | 9,327 |

Note: All costs are at 2022-23 price levels.

However, in respect of the increase in funding from Commissioners that is in addition to the baseline, which is already funded, the increase is **£5.1m** and is set out below in Table 17.

Table 17 - Summary of Additional Funding for Recurring Revenue Costs

| Cost Category | Baseline 2021-22 | Recurring Revenue | Additional Funding reqd from Commissioners |
|--------------------------------|---------------------|-------------------|--|
| | £000 | £000 | £000 |
| Soft FM | 1,846 | 2,905 | 1,059 |
| Hard FM | 454 | 901 | 447 |
| Utilities | 945 | 1,880 | 935 |
| Rates | 179 | 1,043 | 864 |
| Equipment Maintenance | 723 | 1,601 | 878 |
| IM&T Maintenance | 25 | 251 | 226 |
| Digital | 0 | 297 | 297 |
| Insurance | 0 | 450 | 450 |
| Recurring Revenue Costs | 4,172 | 9,327 | 5,155 |

Note: All costs are at 2022-23 price levels

The additional funding required from Commissioners is set out below in Table 18.

Table 18 - Summary of Additional Funding from Commissioners

| Health Boards | Commissioner Split | TOTAL |
|---|--------------------|--------------|
| | % | £000 |
| Proposed funding from commissioners: | | |
| Aneurin Bevan | 36.52% | 1,883 |
| Cardiff & Vale | 30.90% | 1,593 |
| Cwm Taf Morgannwg | 28.11% | 1,449 |
| Swansea Bay | 1.40% | 72 |
| Hywel Dda | 1.49% | 77 |
| Powys | 1.59% | 82 |
| Total | 100% | 5,155 |

Note: All costs are at 2022-23 price levels

It is planned that the Welsh Government will fund the Annual Service Payment and increased buildings and equipment depreciation. It should be noted that there is a recurring revenue requirement for Depreciation of **c£10.9m** (at 2022-23 prices). In respect of the Annual Service Payment for the Project, this will not be finalised until the day of Financial Close. Given commercial confidentiality, it has been deemed appropriate not to present an ASP.

7.3 Non-Recurring Revenue Funding

Non-recurring revenue costs, including accelerated depreciation, dual running, and project support will be funded by the Welsh Government and Commissioners and are set out in Table 19.

Table 19 - Summary Non-Recurring Revenue Requirements

| Cost category | Funding Req'd £000 | Source of Funding |
|--|-----------------------|-------------------|
| Accelerated depreciation | 31,437 | Welsh Government |
| Dual Site Running Costs | 2,412 | Commissioners |
| Total Non-Recurring Revenue Costs | 33,849 | |

Note: All costs are at 2022-23 price levels.

Table 20 outlines the non-recurring revenue costs for financial years:

Table 20 - Profile of Non-Recurring Revenue Requirement

| Cost category | 2023-24 | 2024-25 | 2025-26 |
|--|---------------|---------------|---------------|
| | £000 | £000 | £000 |
| Accelerated depreciation | 10,479 | 10,479 | 10,479 |
| Dual Site Running Costs | 0 | 0 | 2,412 |
| Total Non-Recurring Revenue Costs | 10,479 | 10,479 | 12,891 |

Note: All costs are at 2022-23 price levels

8. Summary of funding requirement for Swansea Bay UHB

Attached at **Appendix 1** is a summary of the business case contents which shows the extent of the funding requirement in totality and for SBUHB, as well as the movement in cost between OBC and FBC stages (including the reasons why). It can be noted that the recommendations in the original Velindre NHST cover paper only requested funding for the recurrent revenue costs of £131k, but the content of the paper clearly also identifies a non-recurrent funding requirement for 2025/26 relating to dual-running costs; these costs have been added to the attached summary paper.

9. Impact Assessment

| | |
|---|--|
| QUALITY AND SAFETY IMPLICATIONS/IMPACT | Yes (Please see detail below) |
| | The Clinical Service Model has been approved by commissioners and assured by Nuffield Trust. |
| RELATED HEALTHCARE STANDARD | Safe Care |
| | As Above |
| EQUALITY IMPACT ASSESSMENT COMPLETED | Yes |
| | Completed at Programme Level |
| LEGAL IMPLICATIONS / IMPACT | Yes (Include further detail below) |

| | |
|--|--|
| | The nVCC Project is part of the Welsh Government Mutual Investment Model |
| FINANCIAL IMPLICATIONS / IMPACT | Yes (Include further detail below) |
| | Funding is required from Welsh Government and commissioners. |

10. GOVERNANCE AND RISK ISSUES

None at this stage

11. FINANCIAL IMPLICATIONS

The expected financial implications for the Health Board are noted in the attachment in tables 16 and 18

12. RECOMMENDATION

Approval is sought below, subject to the finalisation of the Commercial Case. If there are any changes to the Commercial Case which would have an impact on the Approved status of the other four cases from a commissioners perspective, these cases would be brought back to the Board for consideration. Therefore, the Board of Swansea Bay University Health Board is requested to:

- **NOTE** that the process to develop the FBC from the previously agreed OBC has followed Treasury Green Book Guidance;
- **NOTE** the updates made from OBC to FBC and the assurance provided by the Collective Commissioning Group (CCG);
- **NOTE** the movement in recurring revenue funding, from the uplifted OBC approved sum.
- **APPROVE** the investment requested from the Health Board by Velindre University NHS Trust (attached as Appendix 1)
- **APPROVE** the Full Business Case, excluding the Commercial Case.

| Governance and Assurance | | |
|---|--|-------------------------------------|
| Link to Enabling Objectives (please choose) | Supporting better health and wellbeing by actively promoting and empowering people to live well in resilient communities | |
| | Partnerships for Improving Health and Wellbeing | <input checked="" type="checkbox"/> |
| | Co-Production and Health Literacy | <input checked="" type="checkbox"/> |
| | Digitally Enabled Health and Wellbeing | <input checked="" type="checkbox"/> |
| | Deliver better care through excellent health and care services achieving the outcomes that matter most to people | |
| | Best Value Outcomes and High Quality Care | <input checked="" type="checkbox"/> |
| | Partnerships for Care | <input checked="" type="checkbox"/> |
| | Excellent Staff | <input checked="" type="checkbox"/> |
| | Digitally Enabled Care | <input checked="" type="checkbox"/> |
| | Outstanding Research, Innovation, Education and Learning | <input checked="" type="checkbox"/> |
| Health and Care Standards | | |
| (please choose) | Staying Healthy | <input checked="" type="checkbox"/> |
| | Safe Care | <input checked="" type="checkbox"/> |
| | Effective Care | <input checked="" type="checkbox"/> |
| | Dignified Care | <input checked="" type="checkbox"/> |
| | Timely Care | <input checked="" type="checkbox"/> |
| | Individual Care | <input checked="" type="checkbox"/> |
| | Staff and Resources | <input checked="" type="checkbox"/> |
| Quality, Safety and Patient Experience | | |
| | | |
| Financial Implications | | |
| As noted in Appendix 1 | | |
| Legal Implications (including equality and diversity assessment) | | |
| | | |
| Staffing Implications | | |
| | | |
| Long Term Implications (including the impact of the Well-being of Future Generations (Wales) Act 2015) | | |
| | | |
| Report History | | |
| Appendices | Appendix 1 – Summary of nVCC business case content – financial implications for SBUHB Appended Zipped files – full details of: <ul style="list-style-type: none"> • Management Case • Approval for Velindre Cancer Centre funding – Integrated Radiotherapy | |