



AGENDA ITEM

5.1

CTM BOARD

nVCC FULL BUSINESS CASE (FBC) APPROVAL

Date of meeting	30 th March 2023
FOI Status	Open
If closed please indicate reason	Not a applicable public meeting
Prepared by	Elizabeth Beadle, Assistant Director of Transformation, Strategic and Operational Planning
Presented by	Linda Prosser, Executive Director of Strategy & Transformation
Approving Executive Sponsor	Linda Prosser, Executive Director of Strategy & Transformation
Report purpose	FOR APPROVAL

Engagement (internal/external) undertaken to date (including receipt/consideration at Committee/group)

Committee/Group/Individuals	Date	Outcome
Discussion at the Board Briefing Session	16.2.2023	NOTED
Extra-ordinary Meeting of the Planning & Performance Committee	22.3.2023	ENDORSED FOR BOARD APPROVAL

ACRONYMS

nVCC	New Velindre Cancer Centre
OBC	Outline Business Case
PA	Project Agreement
SP	Successful Participant
VAT	Value Added Tax
WG	Welsh Government

1. SITUATION/BACKGROUND

1.1 The nVCC Project, supported by the Treasury of the Welsh Government under their MIM Policy, continues to progress through the planning

permission and procurement phase. Following the Velindre University Health Board 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. The Acorn Consortium were confirmed as the Successful Participant (SP) and received an SP letter which set out a range of outstanding matters that needed to be resolved before Contractual and Financial Close (FC) could be achieved.

- 1.2 The nVCC Project Team have 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.
- 1.3 Velindre University NHS Trust can only progress to FC, and enter into a contract, once the FBC has been approved by the Trust, its commissioning Local Health Boards (LHB's) and by both Welsh Government Ministers (Treasury and Health).

2. SPECIFIC MATTERS FOR CONSIDERATION BY THIS MEETING (ASSESSMENT)

The Full Business Case (FBC)

- 2.1 The FBC consists of 5 cases (Strategic; Economic; Commercial; Management; and Financial) which are inter-connected and set out the case for investment. Of the 5 Cases, four (Strategic; Economic; Management; and Financial) are complete. It should be noted that at the time of this report, the Commercial Case is commercial in confidence and therefore not able to be released to Local Health Boards at this stage.
- 2.2 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.
- 2.3 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 WG policy.
- 2.4 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.
- 2.5 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 Acorn Consortium for the 25-year term of the PA - and the 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:-

- Velindre University NHS Trust: overall approval including PA (commercial aspects); capital costs, revenue costs, management arrangements and retained risk as the contracting party.
 - Velindre University NHS 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.
- 2.6 The Local 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 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.
- 2.7 The funding role of the ASP by the Welsh Government is, we believe, important to note, as it frames the approval required on the four Cases (Strategic; Economic; Management; and Financial) by commissioning Local Health Boards. The Local 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.
- 2.8 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 Local Health Boards in February 2023.
- Stage 2:** consideration and approval (or otherwise) of the Commercial Case by Velindre University NHS Trust as soon as possible and subsequently the Welsh Government. At this stage, Velindre University NHS Trust can provide the Local 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.
- 2.9 The two-stage approval process enables Velindre University NHS Trust to receive formal approval letters from its Commissioners, which will be required by the WG Scrutiny and approval process.
- 2.10 This process also facilitates the external assurance reviews required (Gateway 4 and a Commercial Approval Point (CAP) 5) prior to WG

approval.

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

2.11 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 Annexes 1 – 4. 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).

a) Strategic Case

2.12 The Strategic 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 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	Yes: equipment requirements are robust



	commissioning programme developed	
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; will be picked up in further discussions with WG/LHBs

2.13 The clinical operating model within the TCS PBC 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.

2.14 The Clinical Operating Model will see more care delivered within patients' homes; and locally through the development of a number of Velindre@ facilities on Local 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.

- 2.15 It is important to note that the Strategic Case has taken account of the Nuffield Trust Independent Advice Report December 2020, which the recommendations of were accepted by Local 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 VCC should be expanded to include SACT 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 new VCC 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.

- 2.16 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-

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:

- i) immediate: provision of non-surgical tertiary cancer services as required by LHB commissioners;
- ii) 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 LHBs;
- iii) 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;
- iv) 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; provision of significant step up in diagnostics services

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.

2.17 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 to expand its footprint to meet the increasing demand for its clinical services across a range of specialities / departments.

2.18 It is noted that the TCS Programme, that includes Local Health Boards and Velindre University NHS 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).

b) Economic Case

2.19 The purpose of the Economic Case at FBC is 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 Outline Business Case 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.

2.20 The nVCC project is utilising the Welsh 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.

c) Management Case

2.21 The Management Case sets out how Velindre University NHS 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

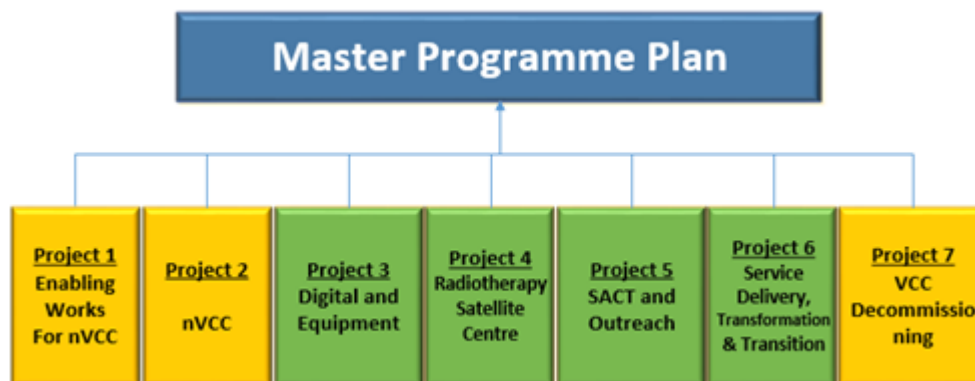
Management Case has been reviewed and updated from the Outline Business Case approval in October 2018. The key issues and levels of assurance are set out below in Table 4:

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

2.22 The Transforming Cancer Services Programme sets out the scope, aim and spending objectives for the programme and consists of 7 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.

2.23 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.

2.24 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

- 2.25 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.
- 2.26 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
- 2.27 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.
- 2.28 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.
- 2.29 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,



		<p>with reduced length of stay; reduced admissions; improved utilisation; less value of reinvestment in capacity to meet demand</p> <ul style="list-style-type: none"> • 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
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d) Financial Case

2.30 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 WG and the Trusts 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 Local Health Boards have identified a revenue funding position.	Yes: at this juncture



Affordability and Funding

- 2.31 The funding requirements for Velindre University NHS Trust, Local Health Boards and Welsh Government are set out below.

Costs and Funding

2.32 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

Recurring Revenue Costs

- 2.33 In October 2018, the Commissioners (LHBs) approved the OBC that set out the funding requirements of **c£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	

2.34 In developing the FBC, Velindre University NHS 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

2.35 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
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	

2.36 In summary 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

2.37 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, DHCW and Local 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

2.38 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 IMTP 2023-2026. Whilst LHBs 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.

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



Table 13 – Digital Costs

Cost Category	Net Costs £000	VAT £000	Gross costs £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, Velindre University NHS 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 LHBs. Given the proposed arrangements above, LHBs are only being requested to fund the nVCC infrastructure requirements (Day 1) at this stage in the process. Should the DPIF or other WG digital funding be non-recurrent, further discussions would be necessary to consider ongoing funding for these costs.

- 2.40 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 £000	OBC Inflated £000	Movement £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.



- 2.41 The movement in the recurring revenue costs that will be funded by Commissioners using the agreed Commissioner Shares is **c£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

- 2.42 The recurring revenue costs that will be **funded** by Commissioners using the agreed Commissioner Shares is **c£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.

- 2.43 However, in respect of the increase in funding from Commissioners that is in addition to the baseline, which is already funded, the increase is **c£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

- 2.44 The additional funding required from Commissioners is set out below in Table 18. For Cwm Taf Morgannwg University Health Board, this represents £1.449m.

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

- 2.45 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.



Non-Recurring Revenue Funding

- 2.46 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.

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

Table 20 - Profile of Non-Recurring Revenue Requirement

Cost category	2023-24 £000	2024-25 £000	2025-26 £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

3 KEY RISKS/MATTERS FOR ESCALATION TO BOARD/COMMITTEE

- 3.1 As outlined in section 2, the additional funding required from the Health Board compared to when the OBC was previously approved is £1.449m.
- 3.2 The Strategic Case and Management Case are attached as appendices to this report. Due to the commercial sensitivities relating to the Economic and Financial Cases these have been considered in the Private Session of the Board and the Private Session of the Planning, Performance & Finance Committee on the 22nd March 2023.
- 3.3 To further support members consideration of the FBC the Commissioners Q&A Document and Governance Guidance from the Director of Corporate Governance in Velindre University NHS Trust has been uploaded to the document section in Admincontrol for reference.



4. IMPACT ASSESSMENT

Quality/Safety/Patient Experience implications	Yes (Please see detail below)
	The Clinical Service Model has been approved by commissioners and assured by Nuffield Trust.
Related Health and Care standard(s)	Safe Care
	If more than one Healthcare Standard applies please list below:
Equality Impact Assessment (EIA) completed - Please note EIAs are required for <u>all</u> new, changed or withdrawn policies and services.	No (Include further detail below) If no, please provide reasons why an EIA was not considered to be required in the box below.
	Completed at Programme Level.
Legal implications / impact	Yes
	The nVCC Project is part of the WG Mutual Investment Model (MIM).
Resource (Capital/Revenue £/Workforce) implications / Impact	Yes
	Please see the financial sections outlined in Section 2 of the report. Funding is required from Welsh Government and Local Health Boards as the Commissioners.
Link to Strategic Goals	Improving Care

5. RECOMMENDATION

5.1 The Board is requested to:

- **NOTE** 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 recurrent revenue funding, from the uplifted OBC approved sum, for the Health Board this is £301,000. Please note that this figure is annual commitment set at 2022-23 price base.
- **APPROVE** the additional investment requested of £1.449m from the Health Board by Velindre University NHS Trust as set out. Please note that this figure is annual commitment set at 2022-23 price base.
- **APPROVE** the Full Business Case, excluding the Commercial Case. This approval would be subject to the finalisation of the Commercial Case which is a matter of consideration between Velindre University NHS Trust and Welsh Government, not the Health Board. However, if there are any changes in 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.