

ABM University Health Board	
29 th March 2018 Health Board Agenda item: 2vii	
Subject	<i>Transforming Cancer Services – New Velindre Cancer Centre Outline Business Case 2018</i>
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1.0 SITUATION

1.1 Strategic Context

The replacement of the Velindre Cancer Centre is a key commitment within the Welsh Government's 'Programme for Government'. The Project is one of three pathfinder projects for the Welsh Government's innovative Mutual Investment Model (MIM) Programme to support investment in capital infrastructure in Wales. The new Velindre Cancer Centre (nVCC) Project received planning permission on 13th December 2017, to build on land in Whitchurch, Cardiff.

Following the approval of the Strategic Outline Programme (SOP) in 2015; Velindre NHS Trust issued a draft Business Case (OBC) and a draft Programme Business Case (PBC) for contextual understanding on 7th October 2017. Comments were provided back to Velindre NHS Trust on these draft cases.

The PBC set the strategic context for the Transforming Cancer Services (TCS) Programme and laid out the case for investment in cancer services for the resident and visiting populations of South East Wales. A comprehensive case for a new model of care was developed, which in addition to the nVCC, includes more care at or closer to home, including satellite radiotherapy and consolidated outreach services. Significant revenue implications were identified, associated with increased demand delivered through this new clinical model. However, following feedback from Welsh Government and Health Boards, it was agreed that a revised approach be adopted that focussed solely on the development of the nVCC. In this context the increased service costs linked to increased demand and the new service model were acknowledged, but excluded from the OBC. This is an important point and is picked up later in this report.

The impact of the increase in demand will be addressed through an updated commissioning framework and the component parts of the new clinical model subject to discreet business cases. Commissioning Health Boards will be asked to review and approve further business cases as they are developed. The revised OBC focusing on the nVCC was submitted to Health Boards on 31st January 2018.

The Project Approval timeline, set by the Welsh Government, is shared below:

- Velindre Trust Board approval – 31st January 2018;
- Submission of Business Case to Health Boards and Welsh Government – 31st January 2018;
- Commissioning Health Board Approvals – 31st March 2018;
- Welsh Government Approval – 31st May 2018.

Should the OBC be approved, a process of competitive dialogue will commence leading to the following key dates:

- Financial Close - Summer 2020;
- Submission and approval of FBC – Autumn 2020;
- Commissioning of new Hospital – 2022/23.

The OBC was taken to the Health Board's Investment and Benefits Group on 28th February for further scrutiny and review and was approved for consideration by the Health Board. It has also been considered by the Cancer Service Improvement Board.

1.2 The key recommendations of this paper are:

- I. **Support** the nVCC OBC.
- II. **Approve** the preferred option, 'Do Minimum Plus', as detailed in the OBC.
- III. **Confirm support** for share of the additional revenue costs associated with the nVCC. This is currently estimated at £0.321m p.a. – preliminary estimates are that 90% of current Abertawe Bro Morgannwg University (ABMU) Health Board activity in Velindre originates from Bridgend.

** Note that any further revenue costs relating to the Health Board's increased service demand will be subject to separate agreement through the ongoing and well established Long Term Agreement (LTA) discussions between the Health Board (as a commissioner of services) and Velindre NHS Trust.*

2 BACKGROUND

2.1 Overview of the OBC

The Strategic Case clearly sets down the deficiencies of the current Velindre Cancer Centre infrastructure:

- There is no expansion space on current site which limits the Trust's ability to expand its capacity to meet growing demand for clinical services;
- The majority of the patient environment is not fit for purpose and does not support optimal recovery and well-being; and

- Parts of the current centre do not comply with statutory requirements and create challenges in maintaining the high level of patient safety.

Velindre NHS Trust has presented its models for expected growth in demand within the OBC, which would have increased financial implications under the established LTA process, even if the existing estate remained unchanged.

The OBC presents the case for the nVCC based on demand profiling to 2022, which means that it will not be able to meet the expected demand growth by the time the new build opens. The intention is for the physical infrastructure to be further enhanced to meet this increased demand through 2 additional Linaccs that will either be housed at Nevill Hall Hospital or Velindre Cancer Centre; there will be additional infrastructure costs expected as a result of these solutions to consume the future demand growth. Health Boards will be asked to consider this as the programme further develops.

The Economic Case has identified a Preferred Option which is a nVCC on land under the ownership of the Trust, with a plan to open in 2022/23. The preferred option comprises replacing the existing hospital on a like for like basis, but in compliance with modern statutory standards, and with three specific 'add-ons':

- Development Bunker
- Space to accommodate a PET Scanner
- Additional infrastructure for learning, education and innovation

2.2 Financial Case

The nVCC OBC 2018 has undergone rigorous scrutiny through the Collaborative Scrutiny Process led by Hayley Thomas, Director of Planning, and Eifion Williams, Director of Finance, of Powys Health Board. This work has professionally scrutinised and validated the OBC in both Planning and Financial terms and has supported the identification of the Preferred Option. In addition, financial scrutiny has been undertaken by a Financial Scrutiny Group (a task and finish group established by Directors and Deputy Directors of Finance in October 2017). This Group developed the financial approach to the OBC along with undertaking a detailed Scrutiny Process, collaboratively with the Commissioner's Finance leadership, to assure the validity and appropriateness of the revenue costs.

The Health Board's Capital costs and the Unitary Charge associated with the development of the nVCC will be funded centrally by Welsh Government. The additional revenue costs associated with the increased footprint of the new hospital will be recovered from commissioning Health Boards. The FSG agreed that the most equitable basis for apportioning liability was the current LTA share for each commissioner (net of any technical adjustments). Share is currently 10.73% (based on current Health Board configuration), amounting to £321,000 of recurring costs:

Commissioners	Split as at 2016-17 %	Recurring Revenue Costs £000
ABMU LHB	10.73%	321
Aneurin Bevan LHB	40.11%	1,201
Cardiff & Vale LHB	25.89%	775
Cwm Taf LHB	19.47%	583
Powys LHB	1.64%	49
Hywel Dda LHB	2.16%	65
WHSSC	0.00%	0
Total Recurring Revenue Costs	100.00%	2,994

If the outcome of the consultation of the proposed Bridgend boundary change is that the administrative boundary change should proceed then work will be undertaken to disaggregate the ABMU/Velindre funding flow. Preliminary work, however, suggests that around 90% of current ABMU activity in Velindre originates from Bridgend area. An appropriate share of ABMU's liability would be passed on to Cwm Taf Health Board to be agreed through the disaggregation process. This assumption will be made explicit in any agreement of the OBC.

In addition, there will be a period of dual running during the commissioning of the new hospital that will result in additional costs in 2022/23. The cost of dual running would be subject to a number of variables; the OBC includes a maximum figure of £1.721m that will be subject to future review. Based on this figure the Health Board's proportionate share of the double running costs is estimated to be around £0.185m in 2022/23.

2.2.1 Further Financial Risk

Although outside of the scope of this OBC the risk associated with the wider TCS programme needs to be acknowledged. Work is ongoing to develop a more sophisticated commissioning framework to consider the consequences of increases in demand and changes in the service model. There will therefore be financial consequences beyond the infrastructure costs identified above, which will need to be factored into future plans as they are developed. This situation is true, however, even if the existing estate remained unchanged, as the commissioning Health Boards would be responsible for commissioning additional services in line with increased demands for those services.

It should also be acknowledged that the same demand and delivery issues will impact on Cancer Services delivered to the South West Wales population. The financial risk for ABMU and Hywel Dda Health Boards will be quantified as plans are developed. The potential inequality in service provision between the residents of South East and South West Wales needs to be acknowledged through this process.

2.3 Non-Surgical Oncology Strategy – South West Wales

In addition to the proposed developments in relation to the nVCC, ABMU and Hywel Dda University Health Boards have also prepared a non-surgical oncology strategy for the residents of South West Wales.

The strategy was approved by both Health Boards in December 2017, and plans are being developed to implement the strategy which should help to minimise any inequity. However, there may also be financial consequences associated with this which Health Boards would need to consider as part of their planning process.

3.0 ASSESSMENT

The possible options for the delivery of the Project were identified using the Options Framework and were then evaluated and appraised. The outputs identified the preferred way forward for the Project, together with a shortlist of possible options against which the preferred way forward were appraised.

The Project determined a shortlist of four options, which are as follows:

- Status Quo;
- The Do Minimum option;
- The Do minimum plus option;
- The More Ambitious Option.

The appraisal, in financial and non-financial terms, of the shortlisted options is outlined in the Economic Case.

3.1 Preferred Option – Do Minimum Plus

The Preferred Option is the ‘Do Minimum’ option ‘plus’ additional elements consisting of a service development radiotherapy bunker, a Collaborative Centre for Learning, Education and Innovation and space for a PET CT scanner. The Do Minimum Plus option provides the opportunity to deliver a world-class Centre for cancer patients.

The proposed current ‘footprint’ of the Preferred Option has been sized in line with Health Building Notes, best practice guidance and statutory compliance requirements.

The development of the nVCC, whilst being presented as a standalone Business case is part of a wider programme for Transforming Cancer Services. There are financial and service risks associated with the ability to deliver other components of the programme (satellite and outreach services). The service risk is to some extent mitigated by the ability to accommodate demand forecast until 2022/23 within the OBC footprint, although this is predicated on a further 2 Linaccs which do not feature in the current infrastructure costs. Beyond this the site control plan includes provision for further expansion of facilities should satellite and outreach programmes not be taken forward.

4.0 RECOMMENDATIONS

The Case for a nVCC has been made within the OBC. The deficiencies of the current infrastructure to enable the standards of care required in the future have been clearly presented. The constraints of the current site to meet future demand and technological change have also been clearly set down.

A rigorous Economic Appraisal has been undertaken and clearly identified a Preferred Option. The Preferred Option has been endorsed by the Joint Planning

and FSG. The Financial Case has been developed in partnership with Commissioners, taking the advice of Welsh Government, and the Financial Framework adopted has delivered a robust assessment of the overall capital and revenue consequences of the Preferred Option. The Financial Case demonstrates the affordability of the Preferred Option and presents the distribution of cost shares between Commissioners. It is important to highlight that no additional revenue cost will be required from Commissioners until 2022/23.

The Preferred Option, and the delivery approach described by the draft OBC 2018, is recommended to Health Boards and Welsh Government for support and approval.

The Board is requested to:

- **SUPPORT** the nVCC OBC.
- **APPROVE** the preferred option, 'Do Minimum Plus', as detailed in the OBC.
- **CONFIRM SUPPORT** for the Health Board's share of the additional revenue costs associated with the nVCC. This is currently estimated at £0.321m p.a.