Your Care, Your Future

Finance Panel Report

28 September 2016

Attendees

The expert panel consisted of representatives from both Herts Valleys Clinical Commissioning Group (HVCCG) and West Hertfordshire Hospitals NHS Trust (WHHT) as well as patient representatives. A full list of attendees is provided at Appendix A.

Summary of discussions

Welcome, introduction and overview of session

David Evans, Programme Director Your Care, Your Future for HVCCG welcomed attendees to the event, provided a brief introduction to Your Care, Your Future and the outcomes of the previous panels which resulted in the eight options being short-listed for detailed financial analysis.

Helen Brown, Director of Strategy and Corporate Services for WHHT explained that this panel was not a scoring panel like previous panels but a 'check and challenge' on the assumptions used in the economic and financial analysis of the options.

The purpose of the panel was to:

- **Explain** the process used in order to conduct the economic and financial evaluation of the shortlisted options.
- **Present** the outputs of the economic and financial evaluation for the future configuration of acute hospital services in West Hertfordshire.

Economic and financial analysis approach

Don Richards, WHHT Chief Financial Officer, and Chris Nightingale, from PA Consulting, presented the detailed financial briefing pack that sets out the approach being taken to activity and finance modelling, the key assumptions built into the modelling and the initial outputs from this modelling.

Don Richards outlined the Five Case Model used for business cases as prescribed by HM Treasury, which includes Strategic, Economic, Commercial, Financial and Management Cases. Don then explained that the purpose of the Financial Model was to assess Value for Money (VfM) using Net Present Value (NPV) (economic analysis) and to evaluate the affordability of each option (financial analysis).

This is still work in progress and will continue to be refined over the coming week and as the SOC is finalised. There was a detailed discussion of a wide range of issues and assumptions within the modelling and clarification given on issues such as the treatment of inflation within the model.

The key points of discussion and agreed actions are summarised in the attached table.

Key modelling assumption	Stakeholder comments & questions	YCYF programme team response	Follow up actions agreed
Demand and capacity forecast	• Need to ensure we don't underestimate future capacity requirements. • How have we factored in population growth and demographic change? • What are we assuming re reduction in delayed transfers of care? (and is this the right assumption?) • Careful planning and lots of engagement with clinicians can significantly reduce m^2 requirements. • Assumption re number of outpatient rooms looks too high.	• Ongoing process to test and refine all assumptions as we finalise the SOC and throughout OBC and FBC stages. • Affects all options equally in terms of demand. • Have used national NHS assumptions on population growth and change (demographic demand) as well as national figures that estimate the extent to which demand growth has historically exceeded growth that can be attributed to population change. • Current modelling assumes that we will solve the issue of delayed transfers of care – we are planning for 10 to 20 years ahead and need to resolve this issue. • Agree opportunities to maximise efficiency of design are greater through new build than refurbishment options and modelling takes this in to account and that there is still significant further work to do to agree the detail – this happens at OBC stage. • Need to design for flexibility and contingency (e.g. modular designs, options to expand footprint in future if required). • OP room numbers include procedure rooms etc. Agreed to review and provide further detail of how calculated.	• YCYF team to provide more detail of how capacity assumptions arrived at, including breakdown of outpatient consulting room requirements.
Capital costs	• Difference in capital costs between new build on Greenfield site and new build at Watford were	• Key difference in abnormal costs between Greenfield and Watford options relate to cost of providing appropriate utilities to the	• YCYF team to provide detailed breakdown of abnormals and

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	considered to be over-estimated by some participants. • Specifically some stakeholders expressed the view that the difference in 'abnormals' between options are too high. • Difference in equipment costs between options was also challenged. • How are land values and land sale receipts factored in? • Costs of 'do minimum' look too low • Why are costs for options 3&5 higher than for options 1&6? (i.e. separate planned care). • Potential for charitable donations to contribute to cost of redevelopment.	Greenfield site and allowance for road network infrastructure investment. • Differences in equipment costs between options will be reviewed between options. • Land values and sales are factored into capital costs. • Agree that do minimum costs are underestimated – not like for like currently as do not allow for growth. • The difference in capital costs between co-located and not co-located planned care relate to potential reduction in total space requirements when services are co-located. May be overestimated – to review. • WHHT has recruited a professional fundraiser and is developing an ambitious fundraising strategy.	review. • Equipment costs to be reviewed. • Detail of land value assumptions to be shared. • Do minimum costs to be reviewed and updated to take account of growth. • Review space assumptions and costs for planned care – co-located vs separate site. • WHHT fundraiser to meet stakeholders to discuss fundraising strategy.
Efficiency assumptions	• Our efficiency assumptions linked to new build options are not ambitious enough. • A stakeholder representative suggested as much as 15% efficiency possible through new buildings • It was noted that Northumbria model has generated significant savings	• The Trust's long term financial model assumes 4% efficiency improvements over the next five years. This is a fairly standard assumption for NHS providers regardless of infrastructure investment. • We have been reviewing to what extent achieving this efficiency improvement is dependent on investment in our buildings / what additional efficiency might be delivered from new or substantially redeveloped buildings. • We will need to have a credible explanation	• YCYF to review efficiency assumptions in detail across the options and confirm final assumptions. • YCYF to benchmark against similar schemes and take advice from NHS I and NHS E on their expectations and experience. • Gordon Yearwood to

Key modelling assumption	Stakeholder comments & questions	YCYF programme team response	Follow up actions agreed
		for any efficiency assumptions that are built in to the model. • Currently all options show a negative net present value – i.e. from a financial point of view savings generated through the investment are lower than the total cost of the investment. • HB noted that Northumbria model savings are largely generated by workforce savings delivered from bringing three ED departments together and that it is difficult to isolate out the extent to which buildings on their own contribute. • HB shared experience from working on the development of the Heart Centre at Barts – this assumed c10% savings from bringing the two services together into the new Barts Hospital – but again this was largely related to workforce benefits from merging two services and benefits from the new facilities were not isolated out from service change. • There are savings from more efficient design (time and motion related!) but there are also costs – e.g. smaller bays and more single rooms more expensive to staff than larger bays with fewer side rooms.	provide any supporting evidence he has on efficiency gain from new build in similar schemes.

Summary and next steps

After the discussion, David Evans closed the session thanking everyone for their time and outlined the next steps, including the stakeholder workshop on Tuesday 4th October 2016. Careful consideration will be given to all the points raised in this panel as the financial analysis is completed.

It was agreed that the Programme Team would provide further information in response to the questions raised as soon as it was available.

Appendix A: Deliverability Panel Attendees

Name	Organisation
David Evans	Herts Valley CCG
Juliet Rogers	Herts Valley CCG
Helen Brown	West Herts Hospitals Trusts
Don Richards	West Herts Hospitals Trusts
Tim Duggleby	West Herts Hospitals Trusts
Chris Nightingale	PA Consulting
Ant Wilson	PA Consulting
Kyle McClelland	Turner & Townsend
Sally Adams	Herts Valleys CCG
Tad Woroniecki	Herts Valleys CCG
Sylvette Wood	West Herts Hospitals Trusts
John Wigley	Patient Representative
Gordon Yearwood	Patient Representative
Jo Manning	Patient Representative
Colin Barry	Patient Representative
Ron Glatter	Patient Representative