North West London Collaboration of
Clinical Commissioning Groups

North West London

Implementation Business Case briefing

North West London Joint Health Overview and Scrutiny Committee

14 October 2015

Purpose

The purpose of this Shaping a Healthier Future (SaHF) briefing is to a provide additional background on the Implementation Business Case (ImBC) including current status, an overview of the approvals process and a summary of specific capital schemes.

Please note that work continues on the ImBC so the information contained is likely to be subject to further revision and changes over the coming months.

Implementation Business Case - What it is and current status

The 2013 Joint Committee of Primary Care Trust's (JCPCT) SaHF decision was based on a Decision Making Business Case (DMBC) which contained a comprehensive financial model sufficient to make a judgement and was assured by the then London Strategic Health Authority in line with normal reconfiguration practice. The financial model was agreed between commissioners and providers. However it was not required to detail capital expenditure to the level required by a full conventional strategic outline case (SOC).

The Secretary of State's decision in October 2013, following the Independent Review Panel review, updated the JCPCT decision.

The standard development process for a capital case is firstly that a SOC is produced, followed by an Outline Business Case (OBC) and then a Full Business Case (FBC).

Approval for the DMBC allowed the development of the ImBC, incorporating the agreed clinical model and identifying the level of capital investment required for implementation of the site –based service changes agreed in the DMBC. The ImBC therefore goes beyond the level of a conventional SOC but is not strictly an OBC in the conventional sense.

For assurance purposes, the ImBC is a 'SOC plus'. Because NWL NHS Trusts have worked on and agreed the specifics of the site-based service changes and costs in the ImBC, there is no requirement for trusts to produce a SOC of their own. The NHS Trust Development Authority (NTDA) has agreed to treat the ImBC as an 'umbrella' SOC for trusts and will be agreeing the ImBC through its governance process, as will NHS England. Individual scheme OBCs will then be developed from the ImBC and they will identify the best procurement route. At this point, high level financial estimates will exist for the preferred approach, but considerably more detailed than for a SOC.

HMT provides guidance on public sector capital cases. It is normal to include a contingency, and/or 'optimism bias'. Optimism bias reflects the fact that costs will normally increase in the FBC as more detail is developed. Normally a figure of 25% is included as optimism bias for OBCs. However, where relevant circumstances apply, this can be varied. The programme agreed to include a figure of 25% optimism bias in the ImBC plus an additional 15% contingency owing to the scale and complexity of the ImBC.

The consequent funding envelope required for SaHF has been included in estimate submissions to inform the current comprehensive spending review process (CSR).

The FBC, developed from the OBC, should be sufficiently detailed to support a procurement decision and commit actual funding, as well as providing the basis for the necessary project management, monitoring, evaluation and benefits realisation.

There are two Foundation Trusts in NWL – Chelsea and Westminster and the Hillingdon. Monitor does not approve or agree Foundation Trust OBCs, as this is effectively a commercial and value-based decision for the Trust Board. However, Monitor will need to agree the FBCs within the terms of the FT licence.

Classing the ImBC as an 'umbrella' SOC, allows trusts to submit their OBCs for approval as soon as the ImBC is approved. This should significantly speed up the process of producing the business cases - which has a direct impact on the timings for actual development works to commence. It will also allow Commissioners to submit their OBCs for the Primary Care and Out of Hospital (OoH) developments included in the ImBC rapidly and in sequence.

•The following trust OBCs and CCG OBCs will be an output from the ImBC:

- 19 CCG Commissioner out-of-hospital 'hub' business cases. In total there expected to be 27 hubs, four of which are already operational. The remaining four are sited within NHS Trusts and are included in the relevant Trust OBCs. The 27 'hubs' are the cornerstone of the NWL CCG out of hospital clinical service model.
- a number of relatively smaller CCG Commissioner primary care estate scheme business cases.
- two Local Hospital business cases (Ealing and Charing Cross) – Acute Trusts
- one Elective Hospital business case (Central Middlesex Hospital) – Acute Trusts
- five Major Hospital business cases (St Mary's, Northwick Park, West Middlesex, Hillingdon and Chelsea and Westminster) - Acute Trusts.
- one Specialist Hospital business case (Hammersmith Hospital) – Acute Trust.

The programme is currently finalising the complex sequence of approvals which ensures, as far as possible, that business cases transit rapidly through their governance stages and that the 'slower' business cases do not hold up the 'fastest' or most able to rapidly deploy. Given the complex interrelationships and inter-dependencies of the various service movements, the programme is taking care to fully work this up.

The ImBC Approval Process

The ImBC will go through the NHS approval processes after approval by NWL CCG and Trust boards. Assuming approval from NHSE, the ImBC will go to DH and HMT. The NTDA has agreed to accept the ImBC as an umbrella SOC and it will also go to the NTDA approvals process.

The DH scheme of delegation sets out that NHS Trust and CCG business cases above £50m require approval by the Department of Health and Treasury. NHSE will be engaging both to discuss assurance and capital availability.

The NHSE scheme of delegation sets out that business cases with a financial value up to £15m will require Chair, Chief Executive Officer or Chief Financial Officer approval; between £15m - £35m will require investment committee approval and above £35m require Board approval.

NTDA's scheme of delegation sets out that business cases with a financial value up to £15m will require Director of Finance approval; between £15m - £35m will require investment committee approval and above £35m will require Board approval

CCG primary care and out-of-hospital business cases will be processed through the normal NHSE capital planning and approval processes.

The key stages of the approval process are outlined in the table below.

#	Description	Approval organisation(s)
1	The SaHF ImBC is expected to be finalised and signed off by NWL CCGs and Trusts in early 2016	NWL CCGs/Trusts Boards: ImBC approval
2	NHSE's Oversight Group for Strategic Change and Reconfigurations (OGSCR) will review the assurance of the SaHF ImBC before it progresses to NHSE's Investment Committee – currently planned for March 2016	NHSE: ImBC approval
3	Following NHSE/NTDA approval the ImBC will progress through to DH/HMT for consideration	NHSE/NTDA/DH/HMT: ImBC consideration and approval for funding required
4	Trust OBCs will be completed and submitted for approval following approval of the ImBC, currently planned for March 2016.	NTDA: Trust OBC approval
5	Each FBC will consider dependencies with other business cases and ensure that risks and consequences must be assessed and mitigated, e.g. additional transitional costs.	NTDA/Monitor: Trust FBC approval

A summary of the 'success criteria' to be applied to the ImBC by assuring organisations

The table below sets out the key criteria to be applied to the financial, economic and management cases of the ImBC

	#	Success Criteria
Financial and Economic Cases	1	Assurance and resilience of the Capital 'Ask' – the total capital requirement is assured by NHS/NTDA, phasing and sources are clearly laid out by year, will not materially change, and can be accommodated by DH
	2	The net present value – NPV – of the financial case shows an acceptable marginal benefit compared to the 'do nothing' case.
	3	The net present cost of the economic case shows an acceptable marginal benefit compared to the 'do nothing' case.
	4	The revenue costs of SaHF – including non-recurrent transition costs – are affordable to the LHE.
	5	The LHE is financially sustainable post-implementation.
	6	For each trust, the proportion of productivity savings with delivery underway or detailed plans in place is detailed for 2 years
	7	Demonstrate resilience to downside risk and ability to achieve stretch targets
	8	Audit trail from DMBC (capital, I&E, NPC etc.)
Management Case	9	The management case clearly demonstrates the deliverability of the proposed changes including demonstrating that strong leadership, with clear and agreed delivery architecture, will be in place to implement the SaHF programme as well as clarity on the governance model required to enact delivery

Indicative analysis: Estimated increased investment in NW London

The DMBC included capital for acute and out of hospital services totalling £386m. Two further papers presented at the Joint Committee of Primary Care Trusts (JCPCT) decision meeting outlined alternative and increased services for Ealing and Charing Cross Hospitals and contained outline capital estimates for these. The JCPCT asked the CCGs to develop these alternative options further. A similar estimate was produced at the time for Central Middlesex Hospital. These increased total planned capital requirement to £535million. Changes from the Pre-Consultation Business Case were explained in the published DMBC.

The ImBC is still being drafted and so the final capital requirement is not yet known. However the net capital expenditure within the ImBC is expected to be consistent with that contained with the DMBC and the other papers considered by the JCPCTs in February 2013, uplifted for inflation and other changes since then. These changes broadly fall into four categories, which are shown below with an indicative range of the likely financial implication. This is a programme wide high level analysis – the drivers at a Trust level will be a mix of these along with site specific issues. The detailed breakdown by Trust will be available when the ImBC is published. These ranges are indicative and reflect the estimated position as at 9 September 2015 but will be subject to change:

Driver	Explanation	£m
DMBC/JCPCT – Feb '13		**535**
Inflation	Increase in construction costs from Feb 13	75 – 150
Activity changes	Impact of increased activity on capacity	25 – 75
Local hospitals	Further development of service models	75 – 125
Contingency	Allowance for potential risks arising from extended programme development and delivery	75 – 100
Current estimate		**785 - 985**

The current plan is for the ImBC to be considered by Trust and CCG boards and then presented to NHS England's Finance Committee in early Spring 2016. Following this, the ImBC would be submitted to the Department of Health and then HM Treasury for consideration.

ImBC Capital Schemes

Organisation	Site	Nature of Scheme
NWL CCGs	various	Out of Hospital Hubs & Primary Care – New build/Refurbishment.
Imperial College Hospital NHS Trust	St Mary's	Increase capacity to absorb activity from Charing Cross and re-provision of facilities to tackle strategic estates issues
	Charing Cross	Transformation of site into Local Hospital with demolition of surplus buildings and sale of surplus land
	Hammersmith	Minor expansion to increase capacity to absorb transfer of activity from Charing Cross
Chelsea & Westminster Foundation Trust	Chelsea	Increase capacity to absorb activity from Charing Cross.
	West Middlesex	Increase capacity to absorb activity from Ealing.
London North West Healthcare NHS Trust	Northwick Park	Increase in in ITU capacity and infrastructure to absorb activity from Ealing
	Ealing	Transformation of site into Local Hospital with demolition of surplus buildings and sale of surplus land
	Central Middlesex	Transformation of site into Local Hospital
The Hillingdon Hospital Foundation Trust	Hillingdon	Increase in in ITU capacity and infrastructure to absorb activity from Ealing