

The Skills Development Network

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‘Building value, upholding values’

Introduction to Business Cases

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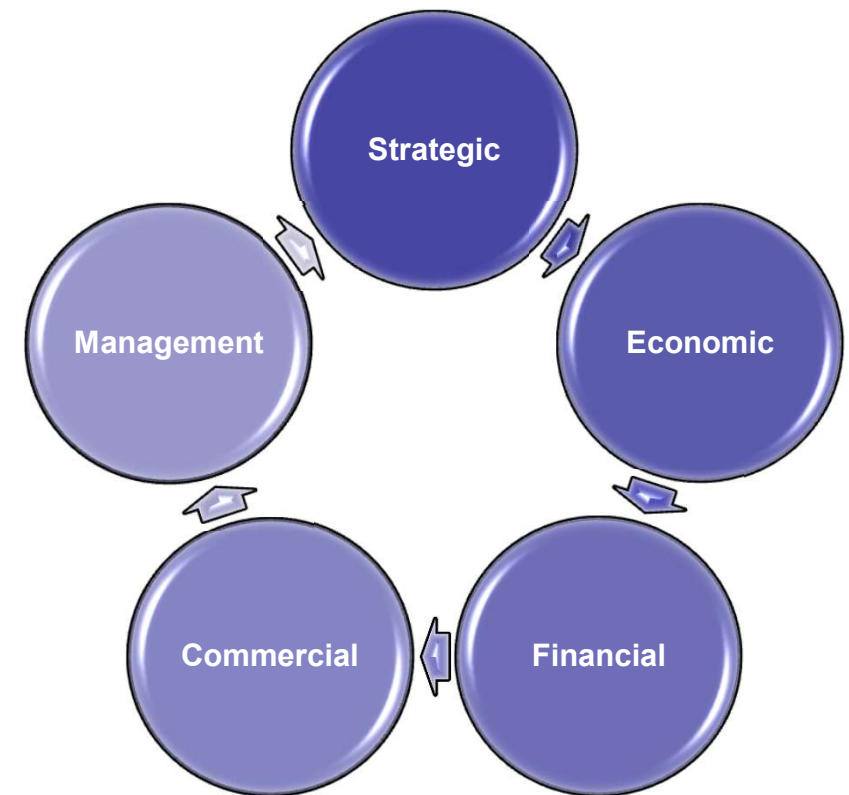
Introduction

- What is a NHS Business Case?
- Why are NHS Business Cases important?
- Types of NHS Business Cases
 - Small scale (under £1,000,000)
 - Outline
 - Full

Key components of an NHS Business Case

Five Case Model

- Strategic Case
- Economic Case
- Financial Case
- Commercial Case
- Management Case



Key Capital considerations

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Key Capital considerations

- **Purpose** - provide an overview of the capital elements in an NHS Business Case
- **Scope** - focus will be on a refurbishment project
- **Budget** - under £1,000,000
- **Capital Elements**
 - Infrastructure improvements
 - Energy efficiency measures (solar panels)
 - Vehicle lease considerations
 - Accounting and financial impact

	Q1	Q2	Q3	Q4	FY25 Total	FY26
	£'000	£'000	£'000	£'000	£'000	£'000
Asset			X		X	
VAT			X		X	
Total CAPEX			X		X	
Depreciation				X	X	X
Interest				X	X	X
Maintenance				X	X	
PDC Impact				X	X	
Total OPEX				X	X	

Solar Panels

- Brief overview of the proposal to install solar panels
- Key benefits
- Summary
- Key components
 - Strategic
 - Financial



IFRS 16 - Vehicle Lease, Right of Use (RoU) asset

- Overview of the project and why vehicle leasing is being considered
- Key benefits
- Summary
- Key components

- Strategic
- Financial

Options

- Do nothing
- Lease Vehicles Under IFRS 16
- Purchase Vehicles

Depreciation

Financial Case – Depreciation impact

- Capitalised refurbishment costs increase fixed assets
- Annual depreciation reduces asset value over time
- Depreciation over the asset's useful life
- Depreciation is a non-cash expense, reducing reported surplus/deficit but not affecting cashflow
- Affects budget planning and reporting

Example

Refurbishment cost: £1,000,000

Expected useful life: 40 years

Annual depreciation: £25,000 straight-line

	Q1	Q2	Q3	Q4	FY25 Total	FY26	FY27
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Asset			X		X		
VAT			X		X		
Total CAPEX			X		X		
Depreciation				X	X	X	X
Interest				X	X	X	X
Maintenance				X	X		
PDC Impact				X	X		
Total OPEX				X	X	X	X

Public Dividend Capital (PDC) Impact

PDC is a key source of **Government funding** for NHS trusts and other public sector organisations

Key considerations

- PDC is calculated on average assets, not just the new investment
- Donated assets and government grant-funded assets are excluded from the calculation
- Increases in Capital assets (like refurbishments) will raise the PDC charge, so financial planning must consider the long-term impact on revenue budgets

	Q1	Q2	Q3	Q4	FY25 Total	FY26	FY27
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Asset			X		X		
VAT			X		X		
Total CAPEX			X		X		
Depreciation				X	X	X	X
Interest				X	X	X	X
Maintenance				X	X		
PDC Impact				X	X		
Total OPEX				X	X	X	X

VAT Treatment

- **Financial Impact of VAT in the Business Case**
 - VAT must be included in project cost estimates if it is not recoverable
- **VAT Recovery and Planning Strategies**
 - Separate maintenance from Capital projects
 - Consider energy efficiency VAT relief
 - Budget for irrecoverable VAT in Capital projects

Income and Expenditure Considerations

Stuart Shipp

Finance Business Partner - Norfolk Community Health and Care NHS Trust

Partnering with the Service

- **Process**
 - Invest time with the Service to understand what will be commissioned
 - Obtain the expected Medical, Nursing, Therapy or Admin staffing will be needed, banding, operating hours, patient acuity and other patient factors
- **Understand**
 - Consider if the Service is like another within the Trust or ICS that can be benchmarked against
 - Clarify any gaps in knowledge to avoid misunderstandings or assumptions
- **Challenge**
 - Respectfully and professionally
 - Consider the timing, the right language, i.e. Non-Finance, explain the basis for the challenge
 - LISTEN to the responses

Pay Modelling and Costing

- **Gross Pay cost**
 - Salary, Employers National Insurance, - Pension, On Call, Pay Protection or Clinical Excellence Awards
 - Consider banding and pay step points
- **Planned and unplanned absence**
 - Review with Service and HR for Trust rates of sickness, parental leave, line manager responsibilities and mandatory training (grade / role dependent)
- **Optimising where possible**
 - Review any part Whole Time Equivalent (WTE) and determine if practical to fill
- **Safer staffing requirements**
 - If patients are remaining overnight, consider staffing model for Safer staffing levels
 - Consider weekend and bank holiday shifts

Costing Direct Non-Pay

- **Clinical**
 - Drugs, are they new to the Trust, understand from Service the quantity required for patient cohort
 - Bandages, medical equipment, therapy, staff uniforms
- **Non-clinical**
 - Office equipment if new desks are needed
 - Office stationery and postage, unless digital solutions in place
 - Laundry of bedding, NHS supplied clothing and patient consumables
- **IT**
 - Hardware such as desktop or laptop, mobile phone and home working equipment
 - Licences to SystemOne, Microsoft, Secure Access and Smartcard
 - Monthly telephony costs or other bespoke system licences

Costing Indirect Costs

- **Clinical**
 - Specialist Consultant or GP sessions from another Trust(s)
 - If no Pharmacy, then cost of dispensing drugs from another Trust(s)
 - Pathology and microbiology testing
- **Engineering**
 - Loler inspections, training for new equipment, annual maintenance contracts
- **Other**
 - Cleaning of ward and shared spaces and site security (if patient cohort demands)
 - Social Workers from County Council
 - Capital consideration, depreciation and one-time costs, vehicle leases, maintenance and running costs

Recovery of Trust Overheads

- **Support Services**
 - Human Resources and Payroll
 - Clinical Governance
 - Finance and Procurement
 - Commercial
 - IT
- **Management**
 - Senior Management
- **Fixed**
 - Building and Assets
 - Corporate Overheads

Summary

- Invest time to work with the Service
- Prepare, review and challenge the financial inputs
- Be conscious of any assumptions
- Consider the impact on the wider organisation
- Review with the Service

Business Cases to ICB

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Introduction to Integrated Care Boards (ICB's)

- **What is an ICB?**
 - NHS organisations responsible for planning health services for their local population. They manage the NHS budget and work with local providers of NHS services, such as hospitals and GP practices, to agree a joint five-year plan which says how the NHS will contribute to the Integrated Care Strategy
- **Purpose of an ICB?**
 - To improve health outcomes by coordinating services across different sectors
 - To promote person-centred care, focusing on the individual's health journey across multiple providers
 - To ensure the efficient use of resources and reduce duplication in service delivery

Key factors when developing ICB Business Cases

- **Clinical and Operational Outcomes**
 - Impact on health outcomes and patient care quality
 - Effectiveness of integrated services in reducing care gaps
- **Financial Impact**
 - Cost savings from reduced duplication and better resource management
 - Value for Money (VfM) from improved efficiency and better healthcare
- **Collaborative Partnerships**
 - Strengthening partnerships across healthcare, social care, and community sectors
 - Creating a shared vision for improving population health

Key aspects of ICB interaction with Business Cases

- **Strategic Alignment**
 - ICB's ensure that business cases are aligned with the local healthcare strategy, considering the needs of the population and prioritising projects that address significant health concerns
- **Financial Scrutiny**
 - They meticulously examine the financial aspects of a business case, including cost projections, potential savings, and funding sources, to ensure the project is financially viable
- **Impact Assessment**
 - ICB's assess the potential impact of a proposed project on the wider healthcare system, looking at how it might affect patient outcomes, service delivery, and resource allocation

Key aspects of ICB interaction with Business Cases

- **Collaboration and Consultation**
 - ICB's facilitate collaboration between different healthcare providers and stakeholders involved in a business case, ensuring all perspectives are considered during the review process
- **Quality Improvement Focus**
 - ICB's prioritize business cases that demonstrate a commitment to quality improvement, patient experience, and effective use of resources
- **Local Priorities**
 - ICB's tailor their review process based on the specific needs and priorities of their local healthcare system

Key challenges in reviewing Business Cases

- **Data Integration and Interoperability**
 - Lack of standardised data across providers may hinder the success of integrated care
- **Workforce Challenges**
 - Ensuring that staff have the training and support they need to work within an integrated care model
- **Financial Sustainability**
 - Balancing upfront investments with the long-term savings and health benefits
- **Measuring Non-financial Outcomes**
 - Difficulties in quantifying improvements in patient experience and health outcomes

Example - Reducing Emergency admissions

- **Problem**
 - Rising numbers of emergency hospital admissions due to preventable conditions
- **Solution**
 - Implement integrated care pathways focusing on proactive community health management
 - Collaborative care between primary care, social services, and the voluntary sector
- **ICB analysis**
 - Costs of setting up prevention programs vs. potential savings from reduced emergency admissions
 - Enhanced patient outcomes, lower healthcare costs

Example - Tackling Health inequalities

- **Problem**
 - Disparities in health outcomes between different socio-economic groups
- **Solution**
 - Integration of services that target at-risk populations
 - Community-based interventions, early diagnosis, and personalised care
- **ICB analysis**
 - Initial investment in outreach programs and social care support vs. long-term health improvements and reduced healthcare costs

Example - Digital Transformation

- **Problem**
 - Outdated systems, data silos, and inefficient communication across care providers
- **Solution**
 - Investment in digital health technologies such as electronic patient records (PAS), telemedicine, and SystemOne
- **ICB Analysis**
 - Upfront costs for infrastructure and training vs. long-term efficiency gains and improved patient outcomes
 - Enhanced communication leads to better coordinated care, fewer errors, and greater satisfaction

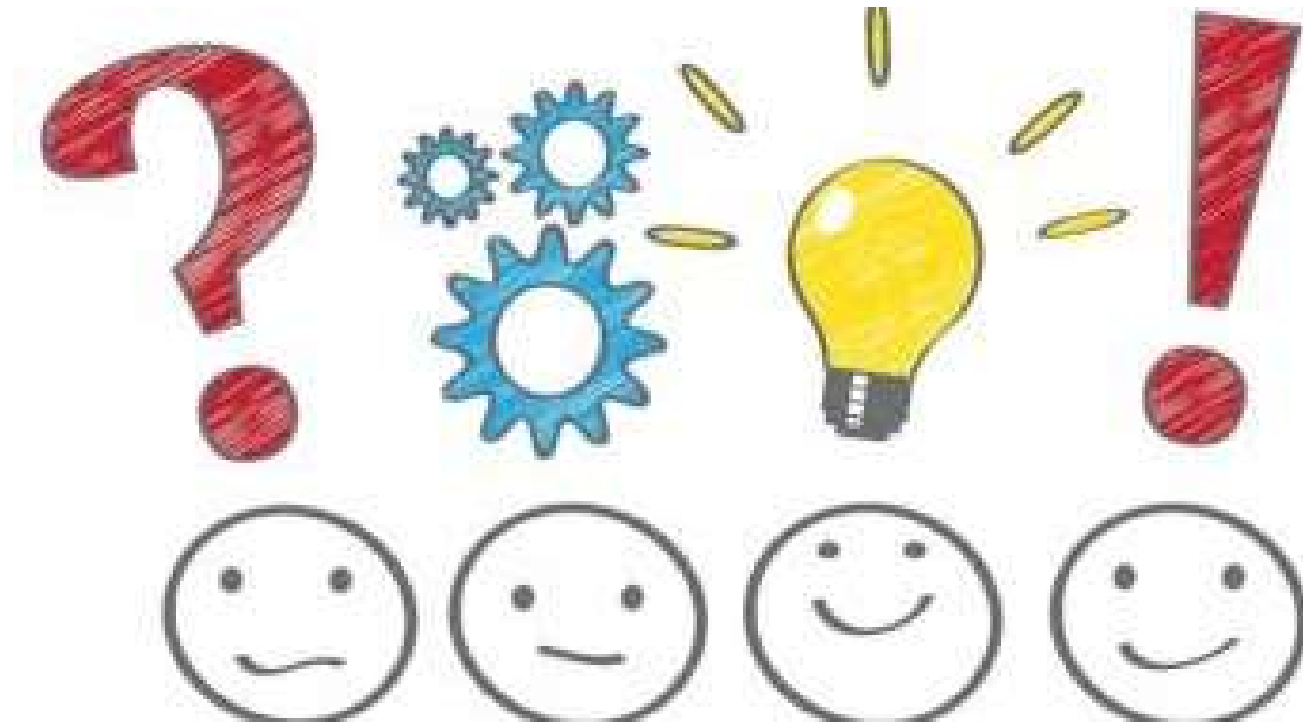
Example - Integrated Care Diabetes Management

- **Cost**
 - Initial investment in community health workers, training, and digital tools
 - Setting up care coordinated systems
- **Benefit**
 - Reduced hospital admissions for diabetes-related complications
 - Improved patient outcomes, fewer long-term care needs
 - Long-term savings from more proactive management of chronic conditions
- **ICB Outcome**
 - Total Costs: £1,000,000 (over 3 years)
 - Total Benefits (savings from reduced admissions): £3,000,000
 - Net Benefit: £2,000,000

Conclusion

- ICB's are essential for improving patient care, reducing inefficiencies, and tackling health inequalities
- A well-developed Business Case for ICB implementation will focus on long-term benefits, better collaboration and a focus on patient-centred outcomes
- Integrated Care is the future of the NHS
- Effective Business Cases ensure that this future is sustainable and impactful for both patients and the system

Questions?



**Thank you for your
attendance, interest and
time**



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