

# Private finance – public impact

Examining decision-making for the  
new Velindre Cancer Centre

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# Audit snapshot

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## What we looked at

- 1 In March 2024, after Welsh Government approval, Velindre University NHS Trust (the Trust) agreed a long-term contract with a private consortium, ACORN, to design, build, finance and maintain the new Velindre Cancer Centre (nVCC) in Whitchurch, Cardiff. We examined whether the Trust and the Welsh Government can demonstrate a sound basis for key decisions on the nVCC taken so far.
- 2 We focused on developments around and since Outline Business Case (OBC) approval in March 2021, including the procurement process, approval of the Full Business Case (FBC), and the agreed contract. We have not examined progress with construction, although we touch on related matters, the model of care delivery, or choice of location for the nVCC.

## Why this is important

- 3 The Trust's existing cancer centre in Cardiff, serving around 1.7 million people, is no longer deemed fit for purpose. Improving cancer services is a key priority for NHS Wales and the nVCC supports national and regional healthcare objectives. It is a central part of the Trust's wider Transforming Cancer Services programme for south-east Wales.
- 4 The nVCC will be funded, in part, by the Welsh Government's Mutual Investment Model (MIM). Through the MIM, ACORN will build and maintain the nVCC in return for an Annual Service Payment (ASP), payable for 25 years.
- 5 To date, the nVCC is the only NHS project to use the MIM. The project has already attracted a lot of public interest, including around its location, the model of cancer care, the use of the MIM, and the appointment of ACORN. The significant long-term costs make a sound basis for decisions even more important.

## What we have found

- 6 Cost estimates have evolved over time but delays in the latter stages of the nVCC project's development increased its exposure to price inflation. The most significant cost is the MIM contract with ACORN (the nVCC contract) which is projected at £885 million over 25 years. Within this, the contracted construction cost of £321 million appears reasonable given the Trust's benchmarking and other advice.
- 7 As well as the nVCC contract, there are other costs to bring the nVCC into operation and manage it. These costs are expected to be at least £765 million over 25 years.
- 8 However, we estimate that continuing to manage and maintain the existing centre would otherwise have cost at least £600 million over 25 years. This would also have been without any additional benefits the nVCC offers.
- 9 Overall, the governance arrangements supporting key decisions provide assurance that they were properly made. The Trust followed well-established business case and project management processes satisfactorily enough, and there has been appropriate scrutiny and expert and stakeholder input. The procurement process followed the regulations in place at the time, informed by extensive legal advice.
- 10 While we have identified areas for improvement in the parts of the process we examined, we do not consider that they undermine the overall integrity of the final decisions to proceed with the nVCC contract. For example:
  - Because the Welsh Government chose the MIM approach early on, other ways to fund the project were not fully explored at later stages. Aspects of the approach used to justify that the MIM offers value for money in this case are also open to challenge.
  - More generally, we think key documents could have provided greater assurance on the application of the sustainable development principle. However, we are satisfied that this has been a relevant consideration throughout the process.
- 11 Whether spending on the nVCC delivers value for money will depend on whether it delivers the expected benefits over time and in a changing environment for cancer services. It will also depend on whether provisions in the nVCC contract to protect the public purse stand strong.

## What we recommend

12 Our work has looked back over decisions made and the processes followed. However, we have made four forward looking recommendations. These include recommendations for:

- the Welsh Government – around improving business case guidance, and working with other public bodies to learn and share lessons from the nVCC project; and
- the Trust – around how it assures itself of value for money in the event of changes under the nVCC contract and demonstrating how outcomes from the nVCC project support its wider strategic objectives.

# Auditor General's view

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Decisions about the nVCC project have been for the bodies involved to make, mindful of the overall costs and the inherent risks of long-term private finance contracts. While I recognise there are those who remain opposed to the project, the processes followed by the Trust and the Welsh Government during the period we examined have, overall, provided a sound enough basis for those decisions.

Our findings do not, however, mean that the construction and operation of the nVCC will be problem-free. And it will be some years before a broader assessment of value for money can be made.

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**Adrian Crompton**  
Auditor General for Wales



# Key facts and figures

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## Timings



**15 years** – time since the Trust first submitted a formal proposal to the Welsh Government to replace the existing Velindre cancer centre.



**March 2021** – the Welsh Government approved the Trust's Outline Business Cases for the nVCC and enabling works.



**March 2024** – the Trust reached Financial Close on the nVCC contract with ACORN.



**April 2027** – the anticipated first patient treatment date and start of the 25-year operations phase for the nVCC contract.



**March 2052** – the end of the nVCC contract with ACORN.

## Costs and benefits



**£885 million** – the projected cost for design, construction, finance, and maintenance under the nVCC contract with ACORN. This is the sum of the expected Annual Service Payments (ASPs) due over 25 years.



**At least £765 million** – the estimated core costs outside of the nVCC contract to bring the nVCC into operation and manage it over 25 years post-construction.



**£321 million** – the contracted value, at Financial Close in March 2024, of the nVCC construction and development costs to be repaid as part of ASPs.



**3.2 Benefit Cost Ratio** – for every £1 spent on the nVCC and interdependent projects beyond the business-as-usual option, the Trust estimates it will generate £3.20 of additional benefits.



**11 community benefit key performance indicators** – agreed in the nVCC contract with ACORN, including around job creation, apprenticeships, and other outreach.



# Our findings

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13 We have structured our findings into four sections:

- Costs and timeframes – some of the history of the nVCC project since 2010 and how its costs have developed and now stand.<sup>1</sup>
- The use of MIM – the basis for using this form of finance for the nVCC and related issues.
- Procuring the contract – the procurement process for the nVCC and how the Trust responded to concerns relating to ACORN's appointment.
- Business case process and project management – the approach followed to develop and manage the nVCC project.

## Costs and timeframes

**The nVCC project had been over a decade in the making when the Trust appointed ACORN in 2022, with cost estimates changing as plans evolved**

14 The existing Velindre Cancer Centre houses the Trust's clinical services. Built in 1956, it has since been improved and extended. However, it is no longer deemed fit for purpose because:

- it lacks the facilities or space to meet future demand volumes or treatments;
- much of the accommodation is non-compliant with statutory requirements;
- the patient environment is sub-optimal and inefficient;<sup>2</sup> and
- maintenance costs are increasing and unsustainable.

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1 Throughout this report, we have adjusted historical cost estimates for inflation using HM Treasury's GDP deflator to apply a common price base. **Appendix 1** sets out further details on this approach. **Exhibit 8 in Appendix 3** sets out how estimates of the cost of the nVCC have varied since October 2010, including in relation to what is included in those estimates. It reflects adjusted and non-adjusted figures and includes some additional detail.

2 There are multiple crossover spaces that are used by patients, visitors and staff due to services being inappropriately located. This results in poor service flow and workforce inefficiencies. There are also issues around maintaining appropriate patient safety and confidentiality.

- 15 In October 2010, the Trust submitted the original proposal to the Welsh Government to replace the centre at an estimated capital construction cost of £327.4 million. The Welsh Government did not approve these proposals, we understand because there was not enough capital funding available. We understand this estimate did not include enabling works on the scale later included.
- 16 Following discussions, in December 2014 the Welsh Government approved the Trust's initial proposals for the Transforming Cancer Services programme. This included an estimated capital construction cost for the nVCC and enabling works of £276.0 million. This business case set out a long-list of options for financing the new centre, including private finance, although it did not appraise them in full.
- 17 There followed a series of engagement events through 2015, 2016 and 2017. In February 2017, the Welsh Government announced that the nVCC would be financed using the MIM (see also **paragraphs 52 to 56**). The Trust then approved its current Transforming Cancer Services programme in September 2017.
- 18 In March 2021, the Welsh Government approved separate OBCs for the nVCC and enabling works which, between them:
  - confirmed the nVCC would still be funded through the MIM and put the estimated capital construction cost at £204.0 million following changes to the assumed design and footprint since 2014, and contributing to an indicative ASP of £19.2 million;<sup>3</sup>
  - agreed the capital requirements for the enabling works, to be procured in advance of nVCC FBC approval, and allowing for a cost of £30.4 million which would not be recoverable if the nVCC project did not go ahead;
  - set out the rationale for the nVCC, including the clinical model, in the context of the wider Transforming Cancer Services programme;
  - recognised the financial implications of interdependent but separate projects;
  - allowed procurement processes to proceed; and
  - aimed to ensure that a 'shovel ready' site would be available to the chosen contractor at Financial Close – the point when financial, construction, and service agreements would be in place for the nVCC MIM project.

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3 **Appendix 2** sets out further details on the payment mechanism for the ASP in the final nVCC contract which includes repayment of ACORN's financing package for the construction, maintenance over 25 years, and certain other costs.

- 19 At the time of these approvals, completion of enabling works and Financial Close on the nVCC contract was projected to be 31 January 2023. Construction completion was to be March 2025, with the nVCC expected to open for patients in June 2025.
- 20 The Trust went out to tender for the nVCC contract in April 2021 and concluded its pre-qualification process for potential bidders in September 2021.<sup>4</sup> The Trust's updated estimates as of September 2021 put the construction cost at £226.7 million.
- 21 The Trust appointed ACORN as its 'successful participant' in July 2022. ACORN's final tender price submitted in June 2022 assumed a capital construction cost of £296.5 million.

## **Work to prepare the site began in 2022 but the nVCC contract could not proceed until planning and environmental consents were granted**

- 22 The nVCC site required enabling works, including for habitat management, utility connections, development of dedicated roads and bridges for main access, emergency vehicle access, and construction access.<sup>5</sup> In December 2017, Cardiff Council granted outline planning permission for the nVCC. In September 2020, the Council granted further applications related to access requirements.
- 23 The Welsh Government had approved the enabling works FBC in January 2022.<sup>6</sup> During 2022, enabling works began on site. However, delays to Financial Close on the nVCC contract arose due to the requirement to first obtain all necessary planning and environment consents which took longer than the Trust had anticipated.
- 24 The presence of dormice required European Protected Species Licences. To obtain these, the Trust needed to demonstrate to Natural Resources Wales that there would be appropriate mitigation to compensate for the loss of dormice habitat. Natural Resources Wales completed the licencing process in September 2023.

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4 Paragraphs 73 to 96 provide further details about the procurement process for the nVCC contract.

5 We have not reviewed the decision for the choice of site which was made in 2017 and was also relevant to rejected requests for judicial review in 2021 (see **Appendix 1**). In its initial Transforming Cancer Services programme proposal in 2014, the Trust had identified a preference for a brownfield site, although it had not identified a specific one.

6 The Trust procured the enabling works contract with a separate contractor using a framework agreement. We have not examined the procurement process or contract management for the enabling works.

25 Cardiff Council granted full planning consent for the nVCC in March 2023. In March 2024, the Council agreed the Trust's application for a non-material change to this consent; a bridge – costing £2.6 million – for emergency vehicle access through a neighbouring estate was no longer required. Instead, emergency vehicles will use the construction vehicle route when it is no longer needed for that purpose.

26 **Exhibit 1** shows the location of the nVCC and the existing cancer centre. It also sets out arrangements for the transfer of land and buildings between the Trust and Cardiff and Vale University Health Board.

#### **Exhibit 1: the location of the nVCC and the existing cancer centre, and related land transfers**

The site for the nVCC, about 1 kilometre north-east of the existing cancer centre, has been in long-term NHS ownership. It is currently planned for the existing centre to be demolished. The Trust has listed the Whitchurch Hospital site for commercial sale.



Land transfers with Cardiff and Vale University Health Board:

- Land and buildings that the Health Board has transferred to the Trust at a cost of £7.8 million.
- Land and buildings required by the Health Board for 10 years with car parking, or until alternative accommodation/sites become available. The Trust has leased this back to the Health Board.

Land and buildings already in the Trust's ownership.

## The costs of the nVCC contract increased due to the delays in reaching Financial Close

- 27 The costs of building new infrastructure have risen ahead of inflation in recent years due to economic impacts from the COVID-19 pandemic and with a sharp rise in 2022-23 following the start of the war in Ukraine. The delays in reaching Financial Close increased the nVCC's exposure to this price risk. Under the procurement process, ACORN was permitted to uplift the construction cost using a recognised building cost price index for the period between 17 June 2022 (the final tender submission date) and Financial Close.
- 28 The Welsh Government asked the Trust to mitigate cost increases through value engineering. This involved the Trust, with their advisors, looking at design choices such as alternative materials. By Summer 2023, the Trust had identified £5.8 million of savings from the construction cost.
- 29 However, a technical review by NHS Wales Shared Services Partnership Specialist Estates Service in January 2024 led to additional design work, technical requirements, and costs totalling £2.5 million. The Welsh Government requested further value engineering, which identified £1.8 million of savings from the construction cost.
- 30 Notwithstanding these changes, the Trust has had in mind various wider sustainability issues when deciding on its approach to conserving and landscaping the site and in the choice of building materials. The Trust set out to achieve a BREEAM rating of 'Excellent' but now expects to achieve the highest rating of 'Outstanding'.<sup>7</sup>
- 31 Several factors determine the ASP (see **Appendix 2**) and we have not sought to isolate the impact of the identified construction cost savings on it. However, the Trust told us that at the final tender stage of the procurement, the financial model indicated that a 10% change in construction costs led to an 8% change to the ASP.

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<sup>7</sup> BREEAM – the Building Research Establishment Environmental Assessment Method – is a sustainability assessment. The BREEAM rating considers a range of criteria and provides a result of either unclassified, pass, good, very good, excellent, or outstanding.

## **The Welsh Government's decision to allow the Trust to progress to Financial Close without full FBC approval was reasonable on the balance of risk**

- 32 On 17 March 2024, the Welsh Government's Health Strategic Board approved three of the five parts of the FBC – the Strategic Case, the Economic Case, and the Commercial Case. Welsh Government officials also presented advice to Ministers requesting approval for the Trust to enter into a contract with ACORN.<sup>8</sup>
- 33 Ministers provided approval on 19 March 2024 subject to Welsh Government officials being satisfied on some matters of detail. We understand the Welsh Government's Health Strategic Board met on the 25 March 2024 and agreed to allow the Trust to proceed, although that meeting was not minuted. The Trust then reached Financial Close with ACORN on 28 March 2024.
- 34 To support its FBC, the Trust commissioned specialist advisers to compare the costs of the nVCC against similar industry and wider scheme benchmarks. The benchmarking noted that the nVCC fell within the range of the industry standard benchmark and below the wider scheme benchmark when inflation and lifecycle costs such as replacement and maintenance are factored in.
- 35 The Trust also commissioned a separate benchmarking exercise that reviewed the nVCC costs against six recent cancer care hospital projects across England and Scotland. Its adviser noted that the benchmark projects were not on the same scale as the nVCC nor were they procured via private finance schemes. They therefore made certain adjustments to provide a like for like comparison. The adviser concluded that the nVCC was within a reasonable confidence range when compared to the benchmark projects.

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8 The advice included a summary of the history of the nVCC project, including contentious issues around the choice of site and clinical model. Given changes in Ministerial responsibility over time, coverage of that history was important.

36 The FBC elements deemed less material to the decision to enter into the nVCC contract, and that remained unapproved in March 2024, were:

- The Management Case, pending results of an external review of the Trust's project management capacity for the construction phase (see also **paragraphs 119 to 121**).
- The Financial Case, due to remaining uncertainty around some non-construction aspects of the nVCC project; mainly equipment capital costs outside the nVCC contract, governance arrangements and, as noted above, the Trust's project management capacity.

37 Decision makers had sight of the latest versions of the Management and Financial cases when deciding to progress to Financial Close. Apart from updated coverage of the matters described above, the final versions of these documents did not change materially.

38 If the nVCC project had not reached Financial Close during March 2024, ACORN may have needed to renegotiate investment funds at extra cost. Welsh Government officials had advised Ministers that not achieving Financial Close by the end of March 2024 could cause project funders to lose interest, potentially preventing the project from proceeding. Their advice set out that this would lead to reputational damage, costs, and risks to future MIM schemes.

39 If the nVCC project had not gone ahead, capital costs of £75.8 million on enabling works and associated projects already incurred would not have been recoverable. ACORN may also have pursued the Trust for costs.

40 On the balance of risk, and while not ideal, we think the decision to proceed to Financial Close without approval of the Management and Financial cases was reasonable. With Financial Close achieved, construction work on the nVCC began in May 2024.

41 On 1 November 2024, the Welsh Government approved the final FBC elements which it had deferred from March 2024. It also approved more enabling works expenditure relating mainly to water mains diversion.

42 The current proposed timetable for the nVCC construction completion and opening for patients is now April 2027, unchanged from what was expected at Financial Close. At the end of the contract in March 2052, ACORN will hand over the maintenance of the nVCC to the Trust, with a requirement that it will be in a sound condition, meaning operationally safe and exhibiting only minor deterioration.

## As well as the nVCC contract there are significant wider costs to bring the centre into operation and manage it over 25 years

### The nVCC contract will cost a projected £885 million

43 At the point of Ministerial approval in March 2024, enabling works had cost £31.4 million. The nVCC capital construction cost had risen to £321.0 million, an increase of 8.2% from ACORN's final tender price and contributing to an assumed maximum ASP of £35.6 million.<sup>9</sup> However, the final agreed ASP reflected at Financial Close was £33.6 million, which in large part reflected the impact of changing interest rate assumptions around ACORN's financing.

44 Factoring in baseline inflation assumptions, ASPs from the Trust to ACORN over the 25-year post-construction period are projected to total £885.0 million. **Exhibit 5 in Appendix 2** sets out the contractual cash flows arising from the financial model. **Appendix 2** also provides further information about the ASP and how it will be calculated over time. Most of the ASP cost is fixed up front.

### Wider costs are expected to be at least £765 million

45 The nVCC and the enabling works projects are two component parts of the wider Transforming Cancer Services programme. Other elements central to bringing the nVCC into operation include the 'Integrated Radiotherapy Solution', which is part of a wider digital and equipment project.<sup>10</sup> This includes new radiotherapy treatment machines and digital solutions to deliver cancer care that the Trust will implement at the nVCC.

46 **Exhibit 2** sets out the core costs outside of the nVCC contract relevant to managing and maintaining the nVCC over 25 years through to March 2052. Together, those costs are estimated at £765.3 million, but with costs not yet incurred likely to increase with inflation.

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9 Between the final tender submission date in June 2022 and Financial Close the building cost price index that informed some of the changes in construction costs – see **paragraph 27** – rose by 11.7%. We have included £8.7 million of development costs incurred by ACORN within the £321.0 million capital construction cost.

10 The 'Integrated Radiotherapy Solution' is an investment into new radiotherapy clinical equipment and associated services such as maintenance, support and digital solutions that will support the delivery of cancer care.

**Exhibit 2: estimated core costs outside of the nVCC contract to bring the nVCC into operation and manage it over 25 years post-construction<sup>1,2</sup>**

<b>Explanation of cost</b>	<b>Cost (£ million)</b>
Revenue costs to operate the nVCC infrastructure and equipment over 25 years including depreciation.	557.8
Capital costs for the nVCC outside of the MIM contract including enabling works, land transfers, equipment, and project development.	154.8
One off revenue costs to transition into the nVCC, including the write-down of existing assets and to run two sites for an expected 22-week period.	42.0
Welsh Government contribution to the Development Bank of Wales to facilitate investment into the MIM.	8.2
Reimbursement of bid costs to an unsuccessful bidder.	1.3
Other Welsh Government costs since 2016, including consultancy and legal fees.	1.2
<b>Total</b>	<b>765.3</b>

Source: Audit Wales analysis of the financial model, full business case and Ministerial advice documentation

Notes:

<sup>1</sup> These figures include the nVCC itself, the enabling works, and the Integrated Radiotherapy Solution but they do not include other Transforming Cancer Services programme projects. Also, the figures do not factor in any capital costs for asset replacement of assets outside the nVCC contract or the costs of cancer services, for example staffing and medicines.

<sup>2</sup> The figures reflect a 2023-24 price base consistent with the FBC, so costs not yet incurred are likely to increase with inflation.

## We estimate it would have otherwise cost at least £600 million to manage the existing centre

47 If it did not proceed with the nVCC project, in the absence of any alternative the Trust would have needed to continue managing the existing centre and invest in works to address a maintenance backlog to bring clinical areas to the required standard. We have estimated that this would have otherwise cost at least £600 million over 25 years.<sup>11</sup> This would also have been without any additional benefits the nVCC offers.

48 The Welsh Government's Chief Economist had a role in assessing the nVCC project's Benefit Cost Ratio. At OBC stage, the ratio was just 0.16. When re-assessed at FBC stage, the ratio increased to 0.94.<sup>12</sup> The Chief Economist had noted that this remained relatively low but advised that this position is not uncommon for similar high value health projects.

49 The Trust had identified that when considered with interdependent projects of the Transforming Cancer Services Programme the ratio increases to 3.2. This demonstrates the importance of those projects to the overall success of the nVCC. The Trust also identified that there are several benefits that are not quantified as part of the ratio, such as increased access to clinical trials.

## Spending to date is currently over £85 million

50 **Exhibit 3** sets out actual expenditure reported by the Trust between April 2014 to March 2025 for the Transforming Cancer Services programme as a whole. This amounted to £85.7 million. Included within the nVCC specific figure is the £7.8 million relating to the acquisition of the land and buildings at the Whitchurch site (see also **Exhibit 1**). The different line items shown also include costs of £22.2 million for professional external advisers.

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11 We have calculated this figure building on figures from the Trust's FBC. We used the undiscounted cashflows for the first 25 years of the Trust's economic investment appraisal of the business-as-usual option to make a fair comparison.

12 The Benefit Cost Ratio is an appraisal method that considers whole of life costs and benefits for a project. The Trust appraised the project over a 61-year period. The calculated ratio means that for every £1 spent beyond the business-as-usual option, it is estimated that the nVCC would generate an additional 94p of benefits. When considered with the enabling works, radiotherapy satellite centre and Integrated Radiotherapy Solution projects the ratio increases to 3.2.

### **Exhibit 3: total expenditure of the Transforming Cancer Services programme relevant to the nVCC, April 2014 to March 2025**

<b>Project</b>	<b>Cost (£ million)</b>
nVCC	38.8
Enabling works	38.7
Other projects	5.7
Project management	2.5
<b>Total</b>	<b>85.7</b>

Source: Velindre University NHS Trust (unaudited)

51 Between April 2016 and March 2025, the Welsh Government has also directly incurred expenditure totalling £1.2 million.<sup>13</sup> Of this, £0.9 million relates to the cost of engaging an external agent acting on behalf of Welsh Government ensuring compliance with MIM policy and providing commercial guidance since 2016.

## **Use of the MIM**

### **The Welsh Government's earlier decision to use MIM meant that alternative options were not fully explored at OBC and FBC stage**

52 The Welsh Government launched the MIM in February 2017 and announced three pipeline schemes to take it forward, one of which was the nVCC. The nVCC would be the first, and to date only, NHS project to be financed using MIM.

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<sup>13</sup> Beyond funding the Welsh Government has provided to the Trust to support its expenditure.

53 The Welsh Government could not provide us with contemporaneous records setting out why or how it first decided that the nVCC project would be a MIM scheme. However, officials explained that the nVCC was suitable because it met the criteria of:

- a lower complexity construction project;
- no technical advancement or novel construction methods;
- a significant scale of around £200 million in capital expenditure; and
- currently unfunded / not prioritised.

54 One of the lessons identified in the National Audit Office's March 2025 report on Private finance for infrastructure is that project approvals and financing decisions should be based on commercial and operational objectives, and not to meet accounting classifications. The Welsh Government and the Trust explained to us that the limited availability of capital budgets, and the opportunity to instead support further capital investment with revenue funding, heavily influenced the rationale for using the MIM.

55 The Commercial Case should demonstrate that the preferred option will result in a viable procurement and a well-structured deal between the public sector and its service providers. The Commercial Cases presented by the Trust at OBC and FBC stage, and Welsh Government officials' advice to Ministers at those stages, explained why MIM was being used given constraints on capital funding. However, they did not set out a clear overall case for why the MIM was the optimal procurement route. That is, how it would deliver a well-structured and advantageous deal to the public sector.<sup>14</sup>

56 Ultimately, because the Welsh Government chose the MIM approach early on, other funding models were not fully explored at the OBC or FBC stages as there was deemed to be no other realistic alternative.<sup>15</sup> Had the Welsh Government chosen to prioritise this project for traditional capital expenditure it could have done so. However, this would have been at the expense of other capital projects, whether within the NHS or across other portfolios.

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14 For example, by setting out how it would address contractual issues such as costing of risks and remedies for non-performance.

15 Our May 2025 report on The Wales Infrastructure and Investment Strategy includes an overview of sources of funding available to the Welsh Government for infrastructure.

## **While decision-makers used a 'Public Sector Comparator' to justify the value for money of the MIM, aspects of that approach are open to challenge**

- 57 HM Treasury 'Green Book' guidance states that when a private finance approach is the preferred option, decision-makers should perform a Public Sector Comparator (PSC) analysis. The PSC serves as a fair counterfactual benchmark to assess the social value for money of the chosen approach.
- 58 The Trust commissioned a PSC analysis to support the FBC Economic Case which found the MIM to be favourable. It found that its net present cost was £55 million lower than the PSC. This was a marked improvement over the PSC at the OBC stage.<sup>16</sup>
- 59 In May 2024, the Welsh Government wrote to the Senedd Public Accounts and Public Administration Committee stating that the PSC comparison demonstrated that the nVCC MIM scheme remained value for money compared to traditional capital funding. Welsh Government officials and Trust representatives that we interviewed frequently referred to this analysis. The March 2024 Ministerial Advice that preceded Financial Close on the nVCC contract also reflected this analysis.
- 60 Notwithstanding the requirement for a PSC, the outcome should not be the sole basis for considering the merits of the MIM. The PSC also has limitations, as detailed in the National Audit Office's 2013 Review of the value for money assessment process for the Private Finance Initiative. These limitations include:
  - It does not evaluate the value for money of private finance compared to other sources of finance such as government borrowing.
  - The discount rate it uses is typically higher than the cost of public sector borrowing, with the impact of overstating the cost of conventional procurement.
  - Small changes in the inputs and approach can materially affect the outcome of the assessment.

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<sup>16</sup> The net present cost is calculated by applying a discount rate to cashflows throughout the project's life. The net present cost of the MIM was just £2.8 million lower than the PSC at OBC stage.

61 Although the assumptions used by the Trust in its assessment were not unreasonable, in our view it would have been helpful for the FBC to have recognised the PSC's limitations and/or presented some sensitivity analysis under different assumptions. Examples of contestable assumptions used by the Trust which affect the PSC calculation were:

- The discount rate used was higher than we had expected based on our understanding of Green Book guidance.<sup>17</sup> The rate used favoured the MIM due to the timing of cashflows; the MIM spreads construction and financing costs over the life of the contract whereas the PSC assumes construction costs are paid through the construction phase. In isolation, this would not have a material impact but in conjunction with other modelling choices may lead to a different outcome.
- The assessment modelled the expected cashflows arising from operational risks across the life of the project.<sup>18</sup> The Trust and their advisers estimated the likelihood and impact of certain risks occurring. However, these estimates relied largely on professional judgement and were not supported by a robust evidence base. Also, this estimation was initially conducted in 2017 and most recently updated in December 2022, around thirteen months before the final PSC.
- The cost plan provided by the Trust's cost advisers for the PSC analysis estimated that under a traditional design and build basis, the construction costs could have ended up being £375 million.<sup>19</sup> The Trust's PSC assessment uplifted the construction costs to the midpoint of the construction period to reflect the expected timing of expenditure. However, this approach is inconsistent with the cost plan, which assumes a fixed-price construction contract. This increased the cost inputs used within the assessment.

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17 The Trust consciously used a discount rate of 6.09% based on Welsh Government advice and to allow for comparability with the PSC at OBC stage, although that too was higher than the expected discount rate at the time. We had expected the discount rate to be 5.88% to reflect the removal of general inflation using the relevant factors published at the time of the PSC assessment by the Office for Budget Responsibility.

18 Operational risk cashflows are the expected additional costs after the construction phase when things do not go to plan such as when maintenance costs are greater than anticipated.

19 Of the £375 million estimated by the Trust's cost advisers, £49 million related to an allowance for risk.

62 To illustrate the point about sensitivity analysis, we carried out a PSC calculation where we changed these three underlying assumptions.<sup>20</sup> Although not intended to be a correction or restatement of the Trust's original assessment, we found that the net present cost for the PSC was £7 million lower than the MIM before the cost of operational risk. Therefore, under these different assumptions the MIM would offer value if the cost of operational risks for the PSC exceeded the MIM by £7 million or more.

63 Beyond the PSC, final decision-making documentation did not quantify the benefits of the MIM specifically. For example, Welsh Government and Trust officials cite significant risk transfer to the private sector as a key benefit.<sup>21</sup> At OBC stage, the Trust with their advisers calculated that the overall value of the risk transferred to the private sector was £32.8 million. The value of risk transfer was not re-calculated or presented to decision makers at the FBC stage.

64 During our work, various parties also stressed to us that the MIM encourages a collaborative approach between those who will use the building and the contractors who design, build, and maintain it. And they pointed to obligations in the nVCC contract for performance and community benefit outcomes.<sup>22</sup> However, such obligations are not exclusive to the MIM, and we would expect to see them considered for any contract of this scale. They are also relevant to the application of the sustainable development principle under the Well-being of Future Generations (Wales) Act 2015.<sup>23</sup>

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20 For the revised assumptions, we used the discount rate of 5.88% (see **footnote 18**). We removed all operational risk estimates due to the absence of reliable up to date data at the time of the PSC assessment. We also assumed a fixed-price construction contract using costs provided to the Trust by its cost adviser.

21 Risk transfer is the process of transferring risks such as delays and cost overruns to the private sector as part of a contract.

22 **Exhibit 6 in Appendix 2** describes key contractual protections. **Exhibit 7 in Appendix 2** sets out the key performance indicators relating to community benefits that we summarise in **paragraph 84**.

23 The nVCC contract requires that ACORN will assist and cooperate with the Trust to facilitate compliance with the Trust's obligations under the Act. The contract also sets out that ACORN shall comply with the Welsh Government's code of practice on ethical employment in supply chains, which was last updated in January 2025.

## **The nVCC contract recognises that changes may be needed over time, although the Trust will still need to ensure this contractual flexibility delivers value for money**

65 For long-term infrastructure projects such as this one, change is almost inevitable. Criticisms of long term private finance initiative contracts have found them to be complex, inflexible and expensive when dealing with change.<sup>24</sup> The MIM seeks to address these concerns by establishing the change protocol which features in the standard MIM templates the Trust used. The Trust also has a governance protocol which sets out how it will escalate issues under the change protocol.

66 The change protocol for the nVCC contract categorises low, medium, and high value changes.<sup>25</sup> Key provisions include:

- The Trust may undertake minor low value works if they are considered low risk and do not conflict with ACORN's planned works.
- The catalogue of small-works and services for other low value changes is to be revised every three years, and ACORN must communicate and justify any changes to the Trust.
- For medium and high value changes that the Trust requests, ACORN must provide an estimate for the Trust to consider and approve before implementing.

67 The change protocol seeks to ensure value for money by setting limitations for any changes made under it. For example, low and medium value changes use schedules of rates which are linked with building cost indices. High value changes are also required to meet a target cost set by the Trust. The protocol does not, however, cover how the Trust will market test or benchmark the cost of any changes. The Trust has since said that it will carry out financial due diligence on the cost of changes using cost advisers.

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24 As demonstrated for example by lessons identified by the National Audit Office in its work on private finance initiatives, summarised in its PFI and PF2 report in January 2018.

25 Low value changes are pre-determined within a catalogue of small-works and services which were assessed by the Trust's advisors. A high value change is one that exceeds £350,000 or an increase in Annual Service Payment by 2%. A medium value change is neither a high nor low value change.

68 The Trust explained to us that the hospital's design allows for flexibility without necessarily triggering changes under the contract. While primarily intended as a treatment centre, the Trust may need this flexibility if future developments shift the balance between outpatient hospital care and care at home; and if the emphasis changes between treatment and prevention. The design has considered:

- potential internal and external expansion zones;
- adaptive and modular spaces for changes in clinical function; and
- standardising room types so areas can be used for multiple purposes.

## **The Development Bank of Wales enabled the Welsh Government's investment into the nVCC, although it did so largely in isolation from the Welsh Government and the Trust**

69 The Development Bank of Wales played a limited role in the project, focusing solely on deciding whether to invest based on the project's ability to generate enough returns to repay the Welsh Government's capital investment.<sup>26</sup> In our view, it could also offer investment banking-style advice, helping to ensure that future MIM projects' risk levels align with the expected rate of return and offer value for money.

70 As part of its investment, the Development Bank recommended a non-executive director to be appointed on ACORN's board. The recommended director was subsequently appointed by ACORN. The Trust and the Welsh Government were not involved in recommending or appointing the non-executive director.

71 We put to the Trust and the Welsh Government that this may have been a missed opportunity for them to have jointly agreed to the recommended appointment. In response, they explained that this was an intentional decision to avoid potential conflicts of interest. For example, if the Trust were to consider terminating the nVCC contract, the director would be bound under the Companies Act 2006 to act in the best interests of the company, ACORN.

72 The Development Bank prepared due diligence reports and an equity investment appraisal shortly before Financial Close. To our knowledge, these were not shared with either the Welsh Government or the Trust and neither the FBC nor supporting Ministerial Advice referred to them. In our view, the Welsh Government and the Trust could have used these reports to inform their rationale for using the MIM more generally.

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<sup>26</sup> In **Appendix 2**, we set out the cashflows arising from the contract which details how the Welsh Government receives its return on investment.

## Procuring the nVCC contract

### **The Trust used a competitive dialogue procurement process but had to offer to pay certain bid costs to maintain competitive tension**

- 73 The procurement regulations in force at the time of the nVCC procurement were the Public Contracts Regulations 2015. Those regulations have since been revoked. The Trust applied a competitive dialogue process; the approach expected under Welsh Government MIM policy.<sup>27</sup> The Trust was able to justify its use of this approach against the conditions set out in the 2015 regulations.
- 74 Following initial market engagement over the previous four months, the Trust advertised the full contract notice for the nVCC on 22 April 2021. Three potential contractors submitted a Pre-Qualification Questionnaire (PQQ), confirming their interest in participating in competitive dialogue.
- 75 The Trust evaluated the PQQ returns using the criteria it had outlined alongside the contract notice and in areas such as exclusion grounds, economic and financial standing, and experience.<sup>28</sup> The evaluation approach considered whether the potential contractors had provided enough evidence in line with expectations. The process involved six teams looking at distinct aspects of the returns. All bar one of these teams included external advisers.
- 76 Before concluding pre-qualification, and following Ministerial approval, the Trust had issued an updated contract notice on 8 September 2021. This followed feedback from participants expressing concern about bidding costs, with two of the three interested parties indicating that they might withdraw.
- 77 The updated notice made clear that the Trust would reimburse costs for unsuccessful bidders if they submitted a valid, compliant, and genuine final tender. The Trust included the right to use and copy intellectual property from bids as a condition of any payment.

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27 The competitive dialogue process is where, following an initial assessment of suitability, contracting authorities engage in discussions with bidders to develop solutions that best meet the authority's needs, especially for complex or innovative projects.

28 The Trust's external advisers provided further updates on economic and financial standing leading up to a final assessment for ACORN in February 2024 before Financial Close.

- 78 Such reimbursement in UK public procurement is not standard practice and should only be considered in exceptional circumstances. The rationale was that it would support value for money and quality by encouraging more bidders and maintaining competitive tension.
- 79 Welsh Government officials' advice to Ministers emphasised the project's unique position, and that the reimbursement of bid costs should not be considered the new norm for MIM policy. The advice also provided an example of where bid costs have been reimbursed elsewhere in the UK.
- 80 On 14 September 2021, the Trust completed its PQQ evaluation, and all three potential contractors passed through to the next stage. However, one bidder withdrew before the competitive dialogue began. The Trust received draft tenders on 14 March 2022 and began competitive dialogue with the remaining two bidders two weeks later. On 27 May 2022, the Trust issued an Invitation to Submit Final Tenders.<sup>29</sup>
- 81 In April 2024, the Trust made a payment of £1.3 million to the unsuccessful bidder. It has also since refused payment to the bidder that withdrew before competitive dialogue began.

## **The Trust decided that ACORN had submitted the best tender based mainly on its price competitiveness**

- 82 The Trust received final tenders on 17 June 2022 and approved the appointment of ACORN on 20 July 2022. A 'successful participant letter' governed the relationship between the Trust and ACORN before the final nVCC contract. The Trust had identified ACORN as having submitted the most economically advantageous tender, scored against seven award criteria (see **Exhibit 4**).

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29 Throughout the process post PQQ, the Trust expected participants to notify any change in circumstances and retained the right to exclude them.

#### Exhibit 4: award criteria and weighting for the nVCC procurement

Award criteria	Weighting (%)
The hospital – including technical details about design and construction	42
Price	30
Legal – including areas such as having appropriate heads of terms for sub-contractors	7
Community benefits – including how they would be delivered	6
Facilities management – covering maintenance and hand-back protocols	6
Commercial – including details about the structure of a bidder's financing deal and financial model	6
Strategy, quality, and management – such as key personnel, quality assurance and programme management	3

Source: the Trust's procurement documents

83 ACORN's price was significantly lower than its competitor. As well as price, ACORN scored better on facilities management and community benefits. ACORN's competitor scored marginally better across the other four criteria.

84 The Trust identified early on in the procurement process that community benefits requirements arising from the contract would contribute to Wales's national well-being goals. The final nVCC contract has set out the following target areas:

- Job creation and apprenticeships
- School engagement
- Community initiatives
- Community engagement

85 The Trust has agreed key performance indicators with ACORN for both the construction and operational phases in each community benefit target area (see **Exhibit 7 in Appendix 2**). The Trust has also agreed financial penalties for not meeting them.

### **The Trust followed legal advice and took appropriate steps in response to concerns about anti-competitive practices that emerged after ACORN's appointment**

86 Concerns regarding members of ACORN have come under media scrutiny since the Trust announced ACORN as the successful contractor. Specifically, two companies associated with ACORN have been involved in ongoing legal proceedings outside the UK. The two companies are commonly referred to as Kajima and Sacyr. They have each been found guilty of anti-competitive behaviour, but these rulings remain subject to appeal.

- In the case of Kajima, there are criminal and administrative proceedings in Japan against Kajima Corporation which is not a member of ACORN.<sup>30</sup> Two of its subsidiaries are members of ACORN but are not party to the legal proceedings.
- The proceedings against Sacyr relate to a Spanish regulatory decision on 7 July 2022 which found Sacyr Construcción S.A had colluded on public infrastructure tenders. Sacyr Construcción S.A is the financial support provider of Sacyr UK Limited which makes it a member of ACORN.

87 These issues have already featured as part of scrutiny by the Senedd's Public Accounts and Public Administration Committee.<sup>31</sup> We have also looked at how and when the Trust identified and responded to these concerns.

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<sup>30</sup> The initial judgments against Kajima Corporation for the administrative and criminal proceedings were in December 2020 and March 2021 respectively.

<sup>31</sup> The Committee held an oral evidence session with senior officials from the Trust at its meeting on 21 November 2024.

- 88 The exact date the Trust initially became aware of anti-competitive concerns remains unclear. However, the Trust states that it became aware of the concerns relating to Sacyr after the public announcement of the contract award to ACORN in July 2022, at which time the Trust had not yet formalised the contract award. The Trust stated it became aware of the anti-competitive concerns relating to Kajima in February 2023. In both cases, the Trust has confirmed that it became aware via the media and not directly from ACORN or through other due diligence work.
- 89 The Trust received legal advice on the Sacyr concerns originally in September 2022 and then formalised the contract award. The Trust had asked for background information and advice regarding whether any exclusion grounds applied and what steps it needed to take more generally. The Trust sought further, and similar, advice in February 2023 after it became aware of the proceedings against Kajima. It received that advice in April 2023.
- 90 The Trust also obtained further legal advice in June 2023. It had sought assurance on the risk of a successful legal challenge on the procurement outcome and whether the evidence of 'self-cleaning measures' obtained from ACORN was enough to demonstrate compliance with the Public Contracts Regulations 2015. Under the regulations, self-cleaning measures require a contractor to prove it has:
  - paid or undertaken to pay compensation in respect of any damage caused by the criminal offence or misconduct;
  - clarified the facts and circumstances in a comprehensive manner by actively collaborating with the investigating authorities; and
  - taken concrete technical, organisational and personnel measures that are appropriate to prevent further criminal offences or misconduct.
- 91 The Trust's legal advice set out that the evidence obtained provided an appropriate level of compliance. This was despite there having been no obligation for the Trust to have requested evidence at that stage.
- 92 The legal advice concluded that there was a low risk of a successful challenge to the nVCC procurement outcome. The advice also set out that the PQQ evaluation approach was consistent with the requirements of the 2015 regulations and that ACORN's PQQ responses were appropriate – with there being no obligation for the relevant members of ACORN to have disclosed details about the ongoing legal cases described above – given that there have been no final binding judgements.

- 93 The Trust's legal advice sets out there were no grounds for exclusion. This means that if the Trust had identified the anti-competitive concerns earlier through additional due diligence, ACORN could still have participated in the procurement. The Trust could also have faced legal challenge from ACORN had it sought to exclude it from the process without just cause.
- 94 The nVCC contract includes additional information sharing requirements in respect of the Sacyr proceedings. Despite the earlier action taken by the Trust to seek assurances from Kajima, the contract does not include provisions relating to information sharing on the Kajima case. This is on the basis that the proceedings relate to Kajima Corporation that is not directly involved with the project.
- 95 The Trust's legal advisers played a significant role throughout the procurement process, providing various documented legal reports and assessments including advice on the anti-competitive concerns. We found that there was a clear audit trail around how the Trust responded to these issues once identified.
- 96 We understand why there could be public concern about the appointment of a contractor with an association to anti-competitive practices, even if these events have occurred outside the UK. In February 2025, the Procurement Act 2023 came into force. This new legislation widens the definitions for mandatory exclusions and extends these exclusions to include connected persons and offences that do not require a conviction. We cannot comment on whether the Trust's approach and legal advice would have been any different under this new regime.

## Business case process and project management

### The Trust followed established business case processes satisfactorily enough, although key documents could have provided greater assurance around the sustainable development principle

97 HM Treasury and Welsh Government Better Business Cases guidance, first published in July 2018, sets out how departments should plan programmes and projects. It builds on generic UK wide HM Treasury guidance set out in the Green Book and its five case model.<sup>32</sup>

98 The framework is designed to support sound and defensible decision-making. Although use of the Green Book is mandatory, it is to be used proportionately with consideration to the cost, benefits, and risks of the proposal.

99 We have already noted how the Welsh Government approved distinct parts of the FBC at separate times to enable Financial Close on the nVCC contract (see **paragraphs 32 to 42**). And we have pointed to some gaps in coverage of the business cases regarding consideration of options other than MIM, and limitations in some of the analysis supporting the MIM option (see **paragraphs 52 to 64**).

100 We identified some other areas of the FBC which, while not affecting the final decisions, could have been addressed better in our view. These included setting out more clearly:

- the level of involvement of external specialists throughout the business case development;
- how project objectives would be monitored in a way that aligns with the Trust's wider strategic objectives; and
- the project's impact on the Trust's financial statements, along with its impact on the financial statements of other public bodies.<sup>33</sup>

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32 As touched on in earlier sections of this report, the five case model covers the Strategic, Economic, Commercial, Financial and Management cases.

33 These include commissioning health boards across Wales that will contribute towards the increased revenue costs of operating the nVCC. The FBC includes confirmation of their support and approvals around their financial contributions.

- 101 Despite this, we consider that the Trust can demonstrate that it has applied the established five case model approach satisfactorily enough through the OBC and FBC stages. Business case development was regularly scrutinised by the Welsh Government's Health Strategic Board. In February 2024, the Trust also obtained additional external assurance from a healthcare infrastructure consultant on its application of the methodology.
- 102 In our May 2025 report on The Wales Infrastructure Investment Strategy we described how the Welsh Government's framework had not been updated to reflect that Strategy. The Strategy itself had set out 16 intended strategic outcomes linked to the national well-being goals under the Well-being of Future Generations (Wales) Act 2015. The Welsh Government developed the Strategy with the intention of making the Act a key driver of its approach to infrastructure investment.
- 103 Overall, we think the Trust can demonstrate how it has had its obligations under the Act in mind as it has developed the nVCC project, with some clear examples of how the sustainable development principle and the associated five ways of working have been / will be applied to it.<sup>34</sup> Many of these considerations are implicit within the business case commentary and the work that has gone around establishing the nVCC contract.<sup>35</sup>
- 104 Nevertheless, the existing business case guidance and templates do not direct bodies to address the sustainable development principle explicitly. Similarly, Ministerial advice supporting key decisions has not made a feature of this. By way of example, we think:
  - key documents could have made stronger links between the nVCC project and the wider well-being objectives of both the Trust and the Welsh Government, beyond health policy objectives; and
  - that benefits set out in the FBC Economic Case could have been categorised into short-term, medium-term, and long-term.

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34 The five ways of working being long-term, prevention, integration, collaboration, and involvement.

35 For example, a long-term view is inherent in the MIM finance model and the consideration that has been given to building in flexibility to respond to possible changes in demand and treatments that cannot be foreseen now.

105 In response to recommendations in our report on the Wales Infrastructure Investment Strategy, the Welsh Government aims to review the business case guidance working with HM Treasury. As part of this review, we think there is an opportunity to consider how the guidance and templates can better address the application of the sustainable development principle and its relevance to value for money. Meanwhile, issues around the coverage of Ministerial Advice are relevant to themes in the Welsh Government's Well-being of Future Generations Continuous learning and improvement plan for 2023 to 2025.<sup>36</sup>

## **There has been appropriate governance, scrutiny, and expert and stakeholder input throughout the stages of the nVCC project that we examined**

106 Developing a project on the scale of the nVCC, arranging MIM finance, and procuring a contractor under the MIM model has been challenging. It has also gone well beyond the Trust's usual areas of focus.

107 The Trust established a dedicated Project Management Office to support the development and delivery of the project. For over a decade it has built capacity and capability, appointing managers with relevant experience. However, the project has still required significant input from external advisers, and at a considerable overall cost (see **paragraph 50**). In our view, there is scope for the Welsh Government to look at opportunities for greater knowledge transfer to reduce the reliance on external advice in future MIM projects if this approach remains in use over time.<sup>37</sup>

108 The Trust has sought to apply recognised good practice in project management, with appropriate controls and independent gateway assurance reviews organised by the Welsh Government. There have also been various internal audit reviews at the Trust and at the Welsh Government.

109 In addition, arrangements under the Welsh Government's MIM process included Commercial Approval Point reviews. Those reviews involved independent experts who examined the commercial aspects of the scheme – including affordability, deliverability, and value for money – at five specified points before Financial Close.

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36 This plan represented the Welsh Government's response to the Future Generations Commissioner's December 2022 review into the Welsh Government's implementation of the Act.

37 We would recognise that the use of external consultants is likely to be necessary and appropriate to some degree in any large capital infrastructure project.

110 Generally, these various review processes have not identified issues of fundamental concern. Where they set out recommended actions, we found that these had largely been acted on and with their implementation followed up as part of wider governance and scrutiny processes.

111 Various parts of the Welsh Government and NHS Wales have worked together to provide advice and scrutiny through the nVCC project. Overall governance has involved three levels:

- Level one – Trust operational: various workstreams that have evolved over time and an nVCC project board.
- Level two – Trust corporate: including its Board and nVCC project scrutiny committee.<sup>38</sup>
- Level three – Welsh Government strategy and policy, including its Health Strategic and Health Infrastructure Investment boards, and input from its MIM Programme Office.<sup>39</sup>

112 These structures and related processes appear to have functioned reasonably overall. However, based on feedback that we received during our work, the nVCC project could have benefitted from setting out the respective roles and responsibilities of the key public sector parties involved more clearly. For example, we think a memorandum of understanding with key public sector parties (see **Appendix 4**) could have been agreed earlier in the decision-making process to address this.

113 We have also observed that before the Welsh Government approved the FBC, the Welsh Government's Health Strategic Board approved the MIM elements of the business case whereas its Health Infrastructure Investment Board approved the traditional capital bid elements, including project team costs. In our view, a one-stop approval mechanism may have streamlined the approvals process.

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38 The Trust's Board approved the OBC and FBC before these documents went to the Welsh Government for its final decisions. The nVCC project scrutiny sub-committee has replaced the Transforming Cancer Services Programme scrutiny sub-committee from May 2025. The Trust's Audit Committee has also considered the nVCC project where issues fall within its remit.

39 The MIM Programme Office provided technical and legal expertise to the Trust. The MIM Programme Office has set the commercial policy and ensures that policy is complied with. HM Treasury and the National Audit Office have previously identified six key functions in a report on Managing complex capital investment programmes utilising private finance in 2010. That guidance recommended that all six functions are undertaken by a single unit. The MIM Programme Office largely addresses these functions. It does not, however, have capacity to run individual projects MIM projects itself, and therefore adopts an oversight role.

- 114 The regional clinical model for the nVCC within the Transforming Cancer Services programme is a matter of some debate and some clinicians believe the Trust's cancer services should be co-located at an acute hospital. However, the existing centre already operates within a regional network and co-location was deemed as an unachievable option within the timeframe in which the existing centre requires replacement.
- 115 The Trust had commissioned an independent review of the regional network by the Nuffield Trust which reported in 2020. The 'Nuffield Advice' made recommendations for improving the existing and proposed network to address patient safety concerns. The Strategic Cases in the OBC and FBC refer to this context. The recommendations affect the regional network including plans for the nVCC, dependent projects within the Transforming Cancer Services programme, and district general hospitals within the region.
- 116 The Trust had also been providing reports to the south-east Wales Collaborative Cancer Leadership Group. Among other things, this Group, established in 2019, provided regional leadership to the Transforming Cancer Services programme. The Group had also agreed to take forward recommendations from the Nuffield Advice.
- 117 The Group was reformed in 2023 to create a single regional cancer programme board as part of wider regional NHS planning arrangements. Actions flowing from the Nuffield Advice recommendations are part of the regional board's work programme.
- 118 The Trust established a specific nVCC Communication and Engagement Strategy in October 2023 which sets out the various key stakeholders and communication methods to improve involvement. We recognise that the Trust took a range of action to engage with stakeholders at earlier points in the nVCC project, although the FBC did not rehearse this in any detail.

## **The Trust has changed how it is managing and overseeing the nVCC project for the construction phase in response to an external report**

- 119 We have not considered progress with and oversight of construction as part of the audit work that informs this report. However, in February 2024, one of the Commercial Approval Point reviews (see **paragraph 109**) raised concerns about the Trust's management capacity for the construction phase. Following this, the Trust commissioned a further external review focused on governance and capabilities.

- 120 The Welsh Government delayed its approval of the FBC Management Case until after the governance and capabilities review reported in June 2024 (see also **paragraphs 32 to 42**). The review made eleven recommendations to strengthen capability and streamline governance arrangements, three of which would also improve collaboration between the Trust and the Welsh Government. Although the Trust had not actioned all the recommendations before it finalised the Management Case it committed to implementing them in full. The Trust has since decided not to take forward one specific action that it considers would not be cost-effective.
- 121 The Trust could not fill some specialist roles in its Project Management Office for the construction phase before Financial Close because the necessary funding was conditional on the nVCC project going ahead. The FBC identified these roles as vacant, but the Trust has since filled them.
- 122 The Commercial Approval Point review in February 2024 also recommended implementing a scheme of delegation to identify decisions the Trust could take during the construction phase without first having to refer them for Welsh Government approval. The external review of governance and capabilities found that a scheme of delegation was being developed and gave a high priority to its implementation. It has since been established.
- 123 There is some published information available on progress with construction through Trust papers, in particular from its nVCC project scrutiny sub-committee. Recent papers indicate that while the Trust is fulfilling its obligations, construction has encountered delays but with efforts to accelerate progress underway.
- 124 Financially, the Trust is reporting that the project remains on track and within budget. The Trust has given the project an overall amber status rating, which indicates that the Trust has identified risks but is managing them.<sup>40</sup>
- 125 The decommissioning and potential disposal of surplus land and buildings, including the existing cancer centre, is subject to its own business case. This has not yet been approved. While these developments may lead to a return for the public purse, this will be determined by the next steps that are yet to be worked through. The Trust has announced that it has currently listed the Whitchurch site for commercial sale.

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40 The Trust has adopted a red, amber, green rating approach to rate the status of the project.



# Recommendations

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## For the Welsh Government

**R1** In updating better business case guidance, the Welsh Government should set clear expectations about coverage of:

- how, when assessing the use of private finance, this assessment should include coverage of both benefits and drawbacks and recognise any limitations of the assessment method or the assumptions that inform it (see **paragraphs 52 to 64**);
- the level of involvement of external specialists throughout the business case development (see **paragraph 100**);
- a project's impact on financial statements, including for any public bodies that are contributing towards it (see **paragraph 100**); and
- how proposals will contribute to wider strategic objectives and how the sustainable development principle and its associated ways of working have been applied (see **paragraphs 100 to 105**).

**R2** The Welsh Government should work with the Trust and other public bodies involved to learn, and share more widely, lessons from the nVCC project that can be applied to future large-scale infrastructure projects. Among other things, issues for this exercise to reflect on include:

- opportunities to streamline processes, saving time and potentially cost, in the context of the long history of the nVCC project (see **paragraphs 14 to 42 and 113**);
- how the Development Bank of Wales might be more involved, and at an earlier stage, to provide advice over proposed private financing deals (see **paragraphs 69 to 72**);
- opportunities to encourage knowledge transfer and public sector capacity building to reduce the reliance on external advice (see **paragraph 107**); and
- how the roles and responsibilities of the key public bodies involved with projects, including those with planning responsibilities, can be set out clearly up-front (see **paragraph 22 to 25 and 112**).

## For the Trust

**R3** To provide ongoing assurance around value for money, the Trust should establish a clearly documented procedure to ensure that the advice that it plans to get to help assess changes made under the nVCC contract includes benchmarking and market testing (see **paragraph 67**).

**R4** The Trust should review and update its project objectives and key performance indicators for the nVCC project to make clear how they align with and contribute to its wider strategic objectives (see **paragraph 100**).



# Appendices

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- 1 About our work**
- 2 About the nVCC contract**
- 3 Cost estimates for the nVCC at different times**
- 4 Public sector parties featured in this report and other key terms**

# 1 About our work

## Scope of the audit

Our main audit objectives were to:

- Provide insight and assurance in relation to the Welsh Government's and the Trust's decision-making processes.
- Explain the status of the nVCC project and associated costs.
- Provide independent information in relation to matters that have been the subject of some public and political debate.
- Identify learning points in relation to public sector capital project management and financing.

We are aware that a body of clinicians and some in the local community have raised concerns about the nVCC project. We have emphasised from the outset of our work that decisions about the project and its contracting arrangements have been for the bodies involved to make. The Auditor General has no powers to intervene in the decision-making itself.

Where issues raised with us by other parties are relevant to the scope of our work, we have kept them in mind. However, we have formed our own view based on the evidence we have reviewed and taking account of wider laws and procedural guidance relevant to the decision-making process.

In 2021, an individual launched a legal challenge to the Welsh Government's approval of the Outline Business Case, requesting a judicial review of the decision. The challenge cited three main grounds, summarised as follows:

- That there had been a breach of the 'Tameside' duty<sup>41</sup>, in particular around enquiries on the feasibility of co-location as part of the future development of the University Hospital of Wales.
- That the decision did not comply with biodiversity requirements under the Environment (Wales) Act 2016.
- That the decision did not comply with duties under the Well-being of Future Generations (Wales) Act 2015.

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<sup>41</sup> The Tameside duty is commonly described as the duty for decision makers to make sufficient inquiry. Decision makers must take reasonable steps to acquaint themselves with the relevant information and to make sufficient enquiries.

The request for a review was rejected in September 2021. The same individual renewed their application for review, which was rejected in November 2021. A later March 2022 judgement on the assessment of costs summarises the earlier background.

Our focus was on developments around and since the approval of the Outline Business Case for the nVCC in March 2021, although we touch on certain earlier events.<sup>42</sup> And while the nVCC project is part of the Trust's wider Transforming Cancer Services in south-east Wales programme and we set out some of its wider costs, our focus has been on the nVCC project itself.

We have drawn on information from earlier documentation, for example around cost estimates, but we did not set out to examine the full history of the project. The many documents we have reviewed include specialist advice and reports that public bodies involved have commissioned from other organisations. We have not sought to second guess that analysis. However, we have considered how different assumptions would affect the results for the Public Sector Comparator for the MIM (see **Methods** below).

Also, we have not examined progress with the ongoing construction at this stage although we touch on certain related matters.

Separate to this review, we have identified the nVCC as a potential risk for material misstatement and therefore as an area of focus for our annual audit of the Trust's financial statements. To date, we have not identified any specific concerns impacting on our overall audit opinions.

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42 The Trust has also published a timeline of events relating to the nVCC project starting from 2010. The timeline includes redacted versions of certain key decision making documents.

## Audit questions and criteria

### Questions

Our audit addressed the following key questions:

- Does the business case process demonstrate that, in general terms HM Treasury guidance and accepted good practice has been followed?
- Does the detail of core documentation supporting decision making provide assurance that relevant factors have been considered properly in making the decision?
- Does decision making about, and the general management of, the project demonstrate that the sustainable development principle has been applied?
- Has the decision-making process included an appropriate level of assurance, scrutiny, and challenge?
- Can a transparent and competitive procurement process be demonstrated?
- Can the Welsh Government and the Trust demonstrate why the MIM is the most appropriate delivery mechanism for the project?

### Criteria

We based our audit criteria on resources including, but not limited to:

- HM Treasury's guidance on appraisal and evaluation in central government ('the Green Book) and associated guidance.
- NHS Wales Infrastructure Investment Guidance from the Welsh Government.
- National Audit Office good practice guides and published reports on the use of private finance for infrastructure.
- The better business cases: investment decision-making framework guidance published by HM Treasury and the Welsh Government.
- Audit Wales internal guidance, including our 'positive indicators' which are an illustrative set of characteristics that describe how bodies could apply the sustainable development principle effectively. We have used these indicators to inform previous sustainable development principle examinations under the Well-being of Future Generations (Wales) Act 2015. We developed the positive indicators through engagement with public bodies and informed by advice and guidance from the Future Generations Commissioner for Wales.

## Methods

### Document review

We reviewed a broad range of documentation relating to decision-making for the nVCC, including:

- meeting papers and minutes for the Welsh Government's Infrastructure Investment Board and Health Strategic Board;
- meeting papers and minutes of the Trust's Board and Transforming Cancer Services/nVCC Scrutiny Sub-Committee;
- meeting papers and minutes of the Development Bank of Wales Investment Committee and due diligence documentation from the Development Bank;
- Welsh Government Ministerial Advice briefings;
- the final approved business cases for the new Velindre cancer centre and earlier unapproved iterations;
- Welsh Government project review reports;
- Welsh Government and NHS Wales Shared Services Partnership internal audit reports – for the Welsh Government and the Trust respectively;
- procurement assessment and award reports; and
- other expert professional advice and reports commissioned by the Welsh Government, the Trust, and the Development Bank.

We have also considered oral and written evidence provided by the Welsh Government and the Trust to the Senedd Public Accounts and Public Administration Committee since May 2023.

### Semi-structured interviews

We interviewed a selection of Welsh Government officials from the Welsh Government's Treasury and NHS Capital, Estates and Facilities departments.

We also interviewed various senior staff and board members from the Trust.

## Site visit

While we have not examined progress with construction, we visited the construction site in March 2025 to better understand the context.

## Financial analysis

We undertook a high-level analysis of the financial models and financial analyses that the Welsh Government and the Trust used to inform decision making. More specifically we:

- Analysed costs incurred and expected costs over time, based on unaudited financial information provided by the Welsh Government and the Trust. We rebased historical cost estimates, such as from the OBC, to reflect prices as of 31 March 2024 for the purpose of comparison.<sup>43</sup>
- Recreated the Public Sector Comparator under different assumptions.

We reviewed unaudited financial information provided by the Welsh Government and the Trust.

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43 We have based our real terms calculations on HM Treasury's GDP deflator. We used the deflators issued in March 2025 to reflect prices as of 31 March 2024 to allow for a fair comparison with the final nVCC contract that the Trust entered into on the 28 March 2024. The GDP deflator can be viewed as a measure of general inflation in the domestic economy and may differ to construction price inflation. For example, we noted in our May 2025 [report on The Wales Infrastructure Investment Strategy](#) that the costs of building new infrastructure had risen ahead of inflation over the period 2020-21 to 2023-24 with a sharp rise in 2022-23.

## 2 About the nVCC contract

This Appendix sets out further information about the Trust's contract with ACORN for the nVCC. It includes information about:

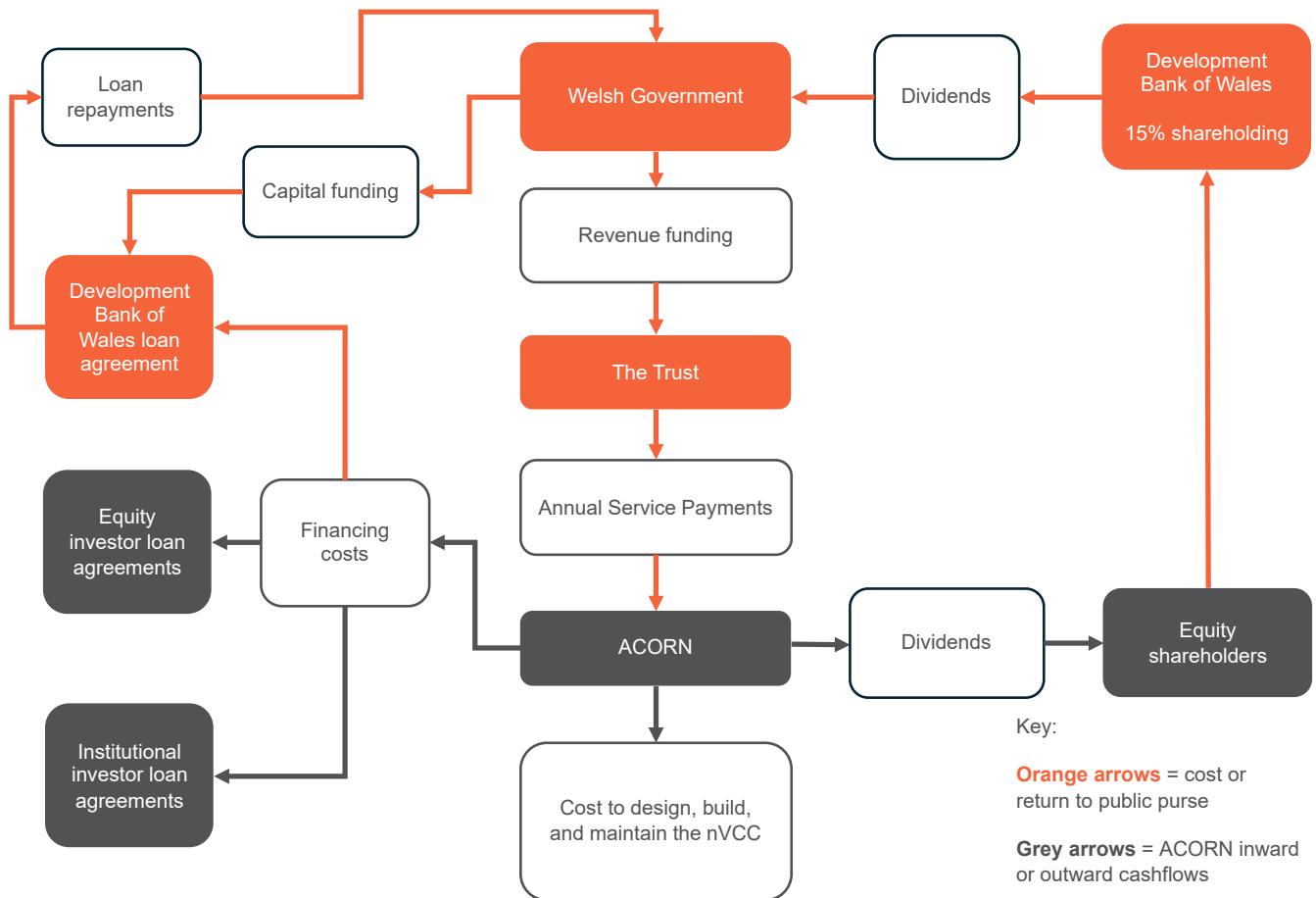
- cashflows arising from the contract;
- the Annual Service Payment;
- key contractual protections; and
- community benefit key performance indicators.

### Cashflows arising from the contract

**Exhibit 5** summarises the expected contractual cashflows and demonstrates how money is returned to the Welsh Government as part of its co-investment with ACORN into the nVCC project. The Welsh Government provided £8.2 million in repayable capital funding for the Development Bank of Wales to facilitate this investment on its behalf. The Welsh Government expects to receive its return by:

- repayment of a loan agreement between ACORN and the Development Bank of Wales; and
- a 15% share of any profits generated by ACORN as an equity shareholder.

### Exhibit 5: contractual cashflows arising from the nVCC contract



Source: Audit Wales analysis of the financial model and the Development Bank of Wales records

Note: This diagram covers the baseline position of the contract at Financial Close. ACORN are responsible for putting in place the financing arrangements of the scheme which included obtaining loans from institutional investors and equity shareholders which include the Development Bank of Wales.

## The Annual Service Payment to ACORN

### Overview

The final financial model agreed at Financial Close generates the ASP. At Financial Close, the ASP was calculated to be £33.6 million.

The ASP covers the following elements:

- Repayment of the financing package put in place by ACORN to fund its up-front costs:
  - Interest and principal repayments on debt finance; and
  - Shareholders return on equity.
- Maintenance costs for the nVCC.
- Running costs of the company set up by ACORN to manage the project.

The Trust will pay the ASP through a monthly service payment that becomes payable on a gradual basis as construction phases complete.

### Indexation of the ASP

A proportion of the ASP will inflate each year in line with movements with the Retail Prices Index All Items Excluding Mortgage Interest.

At Financial Close, the proportion of the ASP subject to indexation is 10.15%. This proportion reflects the underlying costs that are expected to increase with inflation that is operating and lifecycle costs.

Over 25 years, the projected total ASP cost is £885 million, which assumes inflation of 2.5% per annum. The final full year ASP – in 2052 – is expected to be around £37.0 million.

### Deductions and adjustments from the ASP

The Trust can make deductions from the monthly service payments if:

- ACORN does not meet the required performance, such as the required service standards.
- Areas of the cancer centre become unavailable.
- ACORN fails to meet community benefit KPIs.
- ACORN fails to meet energy and emissions targets.

Adjustments to the ASP may be necessary, for example if the Trust implements a major refurbishment or expansion.

## Costs outside the ASP

The monthly service payment will include other ‘pass-through costs’ incurred by ACORN and paid for by the Trust on an actual basis.

These costs are utilities, insurances, and rates.

The Trust may also be liable for additional costs if certain risks arise that count as compensation events under the contract. These limited circumstances reflect risk items that the Trust either cannot transfer to ACORN or cannot do so at a value for money price. For example, if there are delays with enabling works that impact ACORN.

## Key contractual protections

**Exhibit 6** summarises five key areas of protection for the Trust:

- Changes and approvals.
- Performance and maintenance.
- Information and transparency.
- Financial and legal.
- Governance and oversight.

### Exhibit 6: overview of key areas of protections in the nVCC contract

#### Performance and maintenance

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Contractual protection	Description
Snagging and defects	The Trust can rectify unaddressed defects and recover costs from ACORN.
Monitoring and deductions	The Trust will monitor performance and can apply deductions for failures.
Persistent breach	The Trust can terminate the contract for persistent breaches.
Authority step-in rights	The Trust can step-in and perform ACORN’s obligations in certain circumstances, such as when there are material service interruptions or health and safety risks.

## Changes and approvals

Contractual protection	Description
Change protocol	The Trust can request and make changes under the protocol. ACORN will respond to this with a cost and time for implementing the change. The Trust is not obliged to continue with the change.
Change in control	Any change in control of ACORN and its holding company requires prior written approval from the Trust.
Change in financing	The Trust must provide written consent for ACORN for any refinancing and is entitled to a share of any refinancing gains.

## Information and transparency

Contractual protection	Description
Record provisions	These outline the requirements for the creation, maintenance, access, and retention of records by ACORN.
Access to information	The Trust has rights to access documents and explanations for audits and regulatory compliance.

## Financial and legal

Contractual protection	Description
Availability deductions	The Trust can apply deductions from the ASP where certain areas of the facility are not available for use.
Termination rights	The Trust can terminate the contract for various defaults, including insolvency, health and safety breaches, and corruption.
Indemnities	ACORN indemnifies the Trust against losses from personal injury, property damage, and third-party claims.

## Financial and legal

Contractual protection	Description
Insurance requirements	ACORN must maintain adequate insurance.
Compensation events	The Trust is protected from paying compensation to ACORN unless specific conditions are met. Compensation events will typically occur when the Trust has not fulfilled its responsibilities.
Step-in rights	Rights are granted to the funders to intervene if ACORN defaults, before the Trust can terminate the contract. These give the funders a chance to rescue or restructure the project before it collapses.

## Governance and oversight

Contractual protection	Description
Liaison and reporting	Regular liaison procedures through a liaison committee and biennial reviews ensure ongoing oversight.
Independent Tester contract	The Independent Tester, contracted by the Trust, acts as a neutral third party to assess compliance with construction and delivery standards.

Source: Audit Wales summary based on the nVCC contract

## Community benefit key performance indicators

**Exhibit 7** sets out the community benefit key performance indicators within the nVCC contract. These sit alongside a range of other performance indicators, for example around energy consumption. The following definitions apply for the community benefit KPIs:

- Person weeks: means the employment of a person for five days (or 40 hours) in connection with the project.
- Not in education, employment, or training: means an individual who has not been in regular paid employment and has been out of full-time education or training for the previous six consecutive months or more.
- Disadvantaged worker: means someone who meets at least one of several criteria. Examples of these criteria include being between 15 and 24 years of age or being a single adult with one or more dependents.
- Pupil interactions: means an interaction with one school pupil for a minimum of one hour in a structured group environment for a lesson, assembly, or similar educational activity. For example, a lesson of one hour for 30 pupils equals 30 pupil interactions.
- School engagement – STEM: means science, technology, engineering, and mathematics career related engagement with school pupils. This includes, but is not limited to, attendance at career fairs or interviews and delivered in person or on a virtual basis, but excludes separately counted pupil interactions.
- Community engagement: means any ACORN communication or interaction with the community including – but not limited to – the circulation of newsletters, presentations, or meetings with community groups.
- Community initiatives: means an initiative leaving a lasting legacy within the community, including – but not limited to – regeneration, the Welsh language and culture, and community cohesion.

### Exhibit 7: community benefit key performance indicators for the nVCC contract

Target area	Construction phase	Operational term
<b>Jobs created (previously not in education, employment, or training or disadvantaged worker)</b>	12,923 person weeks	97 person weeks per annum
<b>Apprentices</b>	6,213 person weeks	47 person weeks per annum
<b>Pupil interactions</b>	7,455 hours	30 hours per annum
<b>School engagement – STEM</b>	2,485 hours	19 hours per annum
<b>Community initiatives</b>	20	4 per annum
<b>Community engagements</b>	12	Not required

Source: Audit Wales summary based on the nVCC contract

Note: For the jobs created key performance indicator, only up to 3,231 person weeks during the construction phase and 24 person weeks per annum during the operation phase can come from disadvantaged workers not otherwise counted as not in education, employment or training.

## 3 Cost estimates for the nVCC at different times

**Exhibit 8** sets out the estimated or agreed construction costs for the nVCC, and where applicable the indicative or agreed ASP, at specific points in time. Under the nVCC contract, the Trust pays for construction costs as part of the ASP.

**Exhibit 8: estimated construction costs and indicative ASPs for the nVCC at significant points in time since 2010 (£ millions)<sup>1,2</sup>**

	October 2010 Original nVCC proposal	December 2014 Initial Transforming Cancer Services programme proposals	March 2021 OBC for the nVCC	September 2021 End of pre-qualification for the nVCC procurement	June 2022 End of the nVCC procurement	March 2024 Financial Close for the nVCC
<b>Construction cost</b>	240.0	210.0	180.0	200.0	280.0	321.0
<b>Adjusted construction cost [23/24 prices]</b>	327.4	276.0	204.0	226.7	296.5	321.0
<b>Indicative ASP</b>	-	-	16.9	22.5	25.7	33.6
<b>Adjusted indicative ASP [23/24 prices]</b>			19.2	25.5	27.2	33.6

Source: Audit Wales analysis of the Trust's documents

Notes:

<sup>1</sup> At the points shown before the Outline Business Case, the Welsh Government had not launched the MIM so there were no estimates for that financing model. Also, the construction cost quoted for the December 2014 estimate includes enabling works, such as roads and bridges to provide an access to the site, that we have not been able to separate out from the overall estimate. We have adjusted historical cost estimates for inflation using HM Treasury's GDP deflator to apply a common price base (see also **Appendix 1**).

<sup>2</sup> The construction costs represent the cost to design and build the nVCC and does not include capital equipment, project delivery costs, or contingencies.

## 4 Public sector parties featured in this report and other key terms

**Exhibit 9** sets out the role of the key public sector parties involved in decision-making for the nVCC that we mention in this report. Alongside their involvement, there has been a range of other expert professional advice from the private sector. **Exhibit 10** lists key terms used across multiple sections of this report. Where we have used other technical terms only in isolated sections of the report we have explained them at that point.

### Exhibit 9: key public sector parties involved in the nVCC decision-making process

Party	Responsibilities
<b>Cardiff and Vale University Health Board</b>	Original owner of the Whitchurch Hospital and nVCC site and agreed land transfers to the Trust.
<b>Cardiff Council</b>	The Local Planning Authority for the nVCC site and responsible for regulating development and deciding on planning applications.
<b>Commissioning health boards</b>	Assessing and agreeing to the financial affordability settlement in relation to the additional non-MIM revenue costs associated with operating the nVCC.
<b>Development Bank of Wales</b>	Investing into the MIM contract on behalf of the Welsh Government and undertaking due diligence on certain legal, financial, and technical aspects of the project as part of its investor role.
<b>Natural Resources Wales</b>	Granting European Protected Species Licences to the Trust.

<b>Party</b>	<b>Responsibilities</b>
<b>NHS South-east Wales Collaborative Cancer Leadership Group / now the Regional Cancer Programme Board</b>	Focuses on enhancing collaboration and leadership of cancer care in the region by designing, developing, and prioritising the future cancer programme which includes arrangements of the nVCC.
<b>NHS Wales Shared Services Partnership – Internal Audit</b>	Providing independent assurance to the Trust across a range of risk areas and at various stages, including around procurement and governance processes.
<b>NHS Wales Shared Services Partnership – Specialist Estates Services</b>	Providing advice and support to the Welsh Government and the Trust. This included advice on equipment and technical reviews during the design phase.
<b>Velindre University NHS Trust / the Trust</b>	The contracting authority for the nVCC. Delivering cancer services and managing the nVCC project, including ongoing contract management with ACORN.
	At an operational level, a Project Board manages the nVCC and other Transforming Cancer Services programme workstreams. The Project Board reports to a scrutiny sub-committee for scrutiny and challenge. The Project Board escalates decision making beyond its delegated authority to the Trust's Board.
<b>Welsh Government Chief Economist</b>	Provided scrutiny and challenge on the Trust's FBC, which was reflected in advice to Ministers.
<b>Welsh Government Health Strategic Board</b>	Making recommendations to Ministers regarding strategic decision making. Providing challenge and scrutiny throughout the decision-making process.

<b>Party</b>	<b>Responsibilities</b>
<b>Welsh Government Infrastructure Investment Board for Health and Social Services</b>	Making recommendations to Ministers for projects with capital funding requirements and ensuring projects comply with the five case model.
<b>Welsh Government Internal Audit Services</b>	Providing independent assurance to the Welsh Government across a range risk areas and at various stages, including around the MIM. Also provided advisory reports.
<b>Welsh Government Mutual Investment Model Programme Office</b>	Ensuring MIM schemes comply Office for National Statistics classifications and agreeing any derogations from standard MIM policy.
<b>Welsh Ministers</b>	The ultimate decision makers, providing approval for the Trust to enter into the MIM contract and agreeing budget allocations.

Source: Audit Wales summary

#### **Exhibit 10: key terms used across multiple sections of this report**

<b>Term</b>	<b>Description</b>
<b>ACORN Consortium / ACORN</b>	The nVCC MIM contractor trading under the special purpose vehicle company <u>Acorn Velindre Limited</u> . The consortium of companies brings together Kajima Partnerships Limited, Sacyr Infrastructure UK Ltd, Aberdeen European Infrastructure GP IV Limited, Sacyr UK Limited, Kier Facilities Ltd, Hydrock Consultants Limited, BAC Engineering Consultancy Group SL, Ingho Facility Management SL, and White Arkitekter AB.
<b>Advice to Ministers / Ministerial Advice</b>	The written advice that Welsh Government officials present to Ministers to enable them to make a lawful decision.

Term	Description
<b>Annual Service Payment / ASP</b>	The annual payment the Trust will pay to ACORN for the nVCC. The final financial model agreed at Financial Close generated the ASP. See also <b>Appendix 2</b> .
<b>Commercial Case</b>	Part of the five case model. Demonstrates that the preferred option will result in a viable procurement and a well-structured deal between the public sector and its service providers.
<b>Community benefits</b>	Also known as social value clauses. These are conditions of contract in public sector procurement to achieve positive social, economic, environmental, and cultural outcomes.
<b>Discount rate</b>	A percentage rate applied to a future value or cost to reflect the present value of money. HM Treasury Green Book guidance sets the discount rate.
<b>Economic Case</b>	Part of the five case model. Identifies that the proposal that delivers best public value to society, including consideration of wider social and environmental effects.
<b>Enabling works</b>	The range of infrastructure works including roads, bridges and access works to enable a shovel ready site for the construction of the nVCC.
<b>Financial Case</b>	Part of the five case model. Demonstrates the affordability and funding of the preferred option, including the support of stakeholders and customers, as required.
<b>Financial Close</b>	The process and point at which all financial, construction and service agreements were in place for the nVCC project to proceed. Formalised by the Trust entering into the nVCC contract with ACORN.

Term	Description
<b>Financial model</b>	The computer spreadsheet model for the nVCC project incorporating statements of ACORN's cashflows, including expenditure, revenues, financing, and taxation throughout the project term.
<b>Five case model</b>	A framework for the development and presentation of a business case, comprised of the strategic, economic, commercial, financial and management cases.
<b>Full Business Case / FBC</b>	Identifies the most economically advantageous option following procurement, confirms affordability, and puts in place the detailed arrangements for successful delivery.
<b>Management Case</b>	Part of the five case model. Demonstrates that robust arrangements are in place for the delivery, monitoring, and evaluation of the scheme, including feedback into the organisation's strategic planning cycle.
<b>Mutual Investment Model / MIM</b>	A Welsh Government initiative where private sector partners build and maintain public assets. Once operational, the relevant public body will pay a regular fee from their revenue budget to the private partner. The fee will cover the cost of construction, maintenance, and financing of the project.
<b>New Velindre Cancer Centre / nVCC</b>	The new facility in Whitchurch, Cardiff, which will replace the existing centre located nearby.
<b>Outline Business Case / OBC</b>	Identifies the option offering best public value, ascertains the procurement approach and funding requirements, and puts in place the arrangements for successful delivery before taking a procurement to the market.
<b>Private finance</b>	A government funding method which uses private sector funds to fund public sector projects. Examples of private finance include the MIM and Private Finance Initiative.

Term	Description
<b>Public Sector Comparator / PSC</b>	A way to compare the cost of funding a project directly by the public sector with the cost of doing it through private finance, such as the MIM. Assumes the same level of service and maintenance and includes adjustments for risk and tax to make the comparison fair but is also influenced by other assumptions.
<b>Strategic Case</b>	Part of the five case model. Makes the case for change and demonstrates how it provides strategic fit.
<b>Sustainable development principle</b>	Set out in the <u>Well-being of Future Generations (Wales) Act 2015</u> . Means acting ‘in a manner which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs’. To act in that manner, a public body must take account of five ways of working commonly referred to as long-term, integration, involvement, collaboration, and prevention.
<b>The nVCC contract</b>	The legal project agreement between the Trust and ACORN to design, build, maintain and finance the new Velindre cancer centre.
<b>Transforming Cancer Services programme</b>	The Trust’s Transforming Cancer Services in south-east Wales programme, which includes seven projects: <ul style="list-style-type: none"><li data-bbox="509 1518 965 1551">• Enabling works for the nVCC.</li><li data-bbox="509 1567 1097 1601">• Constructing and equipping the nVCC.</li><li data-bbox="509 1617 870 1650">• Digital and equipment.</li><li data-bbox="509 1666 1152 1745">• Radiotherapy satellite centre at Nevill Hall Hospital, Abergavenny.</li><li data-bbox="509 1760 1176 1839">• Outreach facilities delivering cancer services embedded in other health boards.</li><li data-bbox="509 1855 981 1888">• Service delivery and transition.</li><li data-bbox="509 1904 1113 1983">• Decommissioning of buildings no longer required following nVCC construction.</li></ul>

# About us

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The Auditor General for Wales is independent of the Welsh Government and the Senedd. The Auditor General's role is to examine and report on the accounts of the Welsh Government, the NHS in Wales and other related public bodies, together with those of councils and other local government bodies. The Auditor General also reports on these organisations' use of resources and suggests ways they can improve.

The Auditor General carries out his work with the help of staff and other resources from the Wales Audit Office, which is a body set up to support, advise and monitor the Auditor General's work.

Audit Wales is the umbrella term used for both the Auditor General for Wales and the Wales Audit Office. These are separate legal entities with the distinct roles outlined above. Audit Wales itself is not a legal entity.



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galwadau ffôn yn Gymraeg a Saesneg.