
**FUTURE ESTATES, FACILITIES AND PROCUREMENT OPERATIONAL MODEL
OUTLINE BUSINESS CASE**

JUNE 2018

Version 1.6

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Version Control

Version	Author	Distribution	Date
Draft 0.1	Jackie Hadwen –WYAAT Programme Manager	Lesley Hills SRO	04/05/18
Draft 1.1	Jackie Hadwen –WYAAT Programme Manager	Lesley Hills SRO	17/05/18
Draft 1.2	Jackie Hadwen –WYAAT Programme Manager	Lesley Hills SRO	24/05/18
Draft 1.3	Jackie Hadwen –WYAAT Programme Manager	Lesley Hills SRO	29/05/18
Draft 1.4	Jackie Hadwen –WYAAT Programme Manager	Lesley Hills SRO	31/05/18
Draft 1.5	Jackie Hadwen –WYAAT Programme Manager	Lesley Hills SRO	06/06/18

Glossary of Terms

TERM or ABBREVIATION	DESCRIPTION
CIP	Cost Improvement Programme
CHFT	Calderdale and Huddersfield NHS Foundation Trust
E&FM	Estates and Facilities Management
FAQ	Frequently asked question
FBC	Full Business Case
FM	Facilities Management
FT	Foundation Trust
JVV	Joint Venture Vehicle
LLP	Limited Liability Partnership
LTHT	Leeds Teaching Hospital NHS trust
MYHT	Mid Yorkshire Hospitals NHS Trust
MoU	Memorandum of Understanding
NHSI	NHS Improvement
NHS	National Health Service
OBC	Outline Business Case
PFI	Private finance initiative
TUPE	Transfer of Undertakings Regulations
VFM	Value for Money
Weighted Benefits	Criteria determined for the evaluation of options ranked in terms of importance
WOS	Wholly Owned Subsidiary
WEST YORKSHIRE ASSOCIATION OF ACUTE TRUSTS	West Yorkshire Association of Acute Trusts

1 EXECUTIVE SUMMARY

1.1 Introduction

1.1.1 The purpose of this Outline Business Case (OBC) is to set out the options for the future provision of Estates and Facilities Management Services considered on a West Yorkshire Association of Acute Trust basis, and outline progress on the development of the preferred option for Calderdale and Huddersfield NHS Foundation Trust which is the establishment of Wholly Owned Subsidiary for Estates, Facilities and Procurement.

1.1.2 Calderdale and Huddersfield NHS Foundation Trust (CHFT) as part of the West Yorkshire Association of Acute Trusts (WYAAT) explored the options for an alternative future service delivery model for estates and facilities. This culminated in a Case for Change which was approved in March 2017 and an Interim Business Case in December 2017. Both of these documents had a WYAAT focus and the Interim Business Case recommended that each Trust establish a Wholly Owned Subsidiary. This case was considered by the CHFT Board in December 2017 and the Board approved the establishment of a Wholly Owned Subsidiary for estates, facilities and procurement subject to further approvals on the detailed development of the operational and commercial model.

1.1.3 This OBC is focused on the development of the Wholly Owned Subsidiary for CHFT to date.

1.2 Strategic Case

1.2.1 The Financial Challenge

1.2.1.1 The financial position for Calderdale and Huddersfield NHS Foundation Trust in the financial year ending 2017/18 is a deficit of £48.6 million.

Income and Expenditure Summary	Plan £m	Actual £m	Variance £m
Income	374.7	360.4	(14.3)
Expenditure	(365.6)	(367.2)	(1.6)
EBITDA	9.1	(6.8)	(15.9)
Non-Operating Items	(38.9)	(41.8)	(2.9)
Surplus/(Deficit)	(29.8)	(48.6)	(18.8)

1.2.1.2 The position for 2018/19 is impacted by the underlying operational performance driving a greater adverse financial variance. The plan assumes successful delivery of an £18 million cost improvement plan (CIP) which when combined with the full year effects of 2017/18 represents

5.6% of operating costs. This represents an extremely challenging plan for the Trust in 2018/19.

CHFT Cost Improvement Requirements	17/18		18/19	
	Plan		Plan	
	£	m	£	m
<i>CIP Requirement</i>	20.0		18.0	
<i>CIP Requirement as a % of Turnover</i>	5.4%		5.6%	

1.2.1.3 In order to maintain high quality patient care it is necessary for the Trust to consider ways to operate as effectively and efficiently as possible. A number of acute Trusts have recently formed Wholly Owned Subsidiaries (WOS) from which to operate a range of support services, usually including estates, facilities and procurement. This work was initially taken forward as part of the estates and facilities programme supporting the West Yorkshire Association of Acute Trusts (WYAAT). In early 2017 a case for change was produced on a WYAAT basis encompassing the option appraisal for four acute Trusts including CHFT that recommended Wholly Owned Subsidiaries as a preferred option. Work then took place to start to develop this culminating in an interim business case in December 2017. Whereas the interim business case had a WYAAT focus this Outline Business Case addresses the detailed position for CHFT and the progress made to date.

1.2.2 Calderdale and Huddersfield NHS Foundation Trust Strategy 2016 -2021

1.2.2.1 In addition to financial challenge the Trust also faces significant pressures in relation to the condition of the estate, workforce recruitment and retention and the sustainability of clinical services. The Trusts 'Five Year Strategy' ¹ published in 2016 addresses the challenges. The proposal to reconfigure clinical services in Huddersfield and Calderdale which stems from the strategy is critical to the future sustainability of services. The Full Business Case relating to reconfiguration is available on the Trusts website².

1.3 Benefits Appraisal

1.3.1 In early 2017 the West Yorkshire Association of Acute Trusts Estates and Facilities Collaborative Group produced a Case for Change to consider the potential scope and benefits of establishing an estates and facilities Wholly Owned Subsidiary. The Case for Change approved in March 2017 outlined five options for consideration as follows: -

¹ <http://www.cht.nhs.uk/about-us/publications/five-year-strategic-plan/>

² <http://www.cht.nhs.uk/about-us/publications/full-business-case/>

Option	Title	Description
1	Do Nothing/ Minimum	Services continue on current basis with no or minimal change to working arrangements
2	Each Organisation creates an E&FM WOS	Each WYAAT Trust transfers its E&FM services into a separate WOS and no collaborative approach is followed
3	Lead Provider Model	WYAAT Trusts transfer their E&FM services to one of the current WYAAT organisations
4	Create an E&FM WOS	WYAAT Trusts create an WOS and work towards the transfer of relevant services into a specially designed not for profit WOS (Company) that remains part of the NHS
5	Out-source E&FM Services	WYAAT Trusts tender their E&FM services as a single package

1.3.2 At the longlist stage a high-level benefits appraisal was undertaken by leads at each Trust the criteria for which is at Appendix A and the following options were discounted: -

Option	Title	Main Reason for Discounting
2	Each Organisation creates an E&FM WOS	The lack of a collaborative approach in this option was felt to be contrary to the principles of WYAAT at this stage.
5	Out-source E&FM Services	WYAAT organisations have all had experience of out-sourced operations and felt that this option placed staff at unnecessary risk, adversely affecting staff morale. Also, that quality and cost control can be more difficult to maintain under this option.

1.3.3 The following short-list was taken forward for further appraisal.

Option	Title	Description
1	Do Nothing/Minimum	Services continue on current basis with no or minimal change to working arrangements
3	Lead Provider Model	WYAAT organisations transfer their E&FM services to one of the current WYAAT organisations
4	Create an E&FM WOS	WYAAT organisations create an WOS and work towards the transfer of relevant services into a specially designed not for profit WOS (Company) that remains part of the NHS

1.3.4 At a West Yorkshire Association of Acute Trusts workshop in September 2017 the following benefit criteria were agreed for appraising the short-listed options. A ranking and scoring exercise was carried out on the non-cash releasing benefits and the criteria and weightings assigned to criteria which is detailed in section 3, CHFT scored the benefits as follows: -

Benefit Ref	Weight %	Option 1 Do Nothing/Minimum		Option 3 Lead Provider Model		Option 4 Create an E&FM WOS	
		Score 0 lowest- 10 highest	Weighted Score*	Score 0 lowest- 10 highest	Weighted Score*	Score 0 lowest- 10 highest	Weighted Score*
NCRB07	16.0	0.00	0.00	7.00	111.72	10.00	159.61
NCRB03	15.2	0.00	0.00	10.00	151.63	10.00	151.63
NCRB05	14.4	0.00	0.00	10.00	144.05	10.00	144.05
NCRB02	13.0	0.00	0.00	6.00	77.78	10.00	129.64
NCRB06	11.7	3.00	35.00	5.00	58.34	10.00	116.68
NCRB09	10.5	4.00	42.00	7.00	73.51	10.00	105.01
NCRB04	7.4	0.00	0.00	10.00	73.51	10.00	73.51
NCRB01	5.1	0.00	0.00	0.00	0.00	10.00	51.45
NCRB08	3.6	0.00	0.00	5.00	18.01	10.00	36.02
NCRB10	3.2	0.00	0.00	10.00	32.42	10.00	32.42
	100.00						
	Weighted Score		77		741		1000
	Rank		3		2		1

1.3.5 This analysis indicates that Option 4, Create an E&FM Wholly Owned Subsidiary is the preferred option based on non-financial benefits.

1.4 Financial Appraisal

1.4.1 A high level- financial appraisal of the shortlisted options was also undertaken. This was done on a Trust as well as a WYAAT basis and the appraisal for CHFT is detailed here and in Appendix B. This appraisal was based on Estates and Facilities services and excluded procurement at that time. In addition the appraisal was undertaken without considering VAT to ensure that the proposal made financial sense regardless of tax treatment The financial appraisal for CHFT concludes that Option 4 Wholly Owned Subsidiary has the greatest financial benefit. For a more detailed review of the financials, including the VAT implications please refer to section 5.1.1 on page [37].

Shortlisted Option	Yr 0 £m	Yr 1 £m	Yr 2 £m	Yr 3 £m	Yr 4 £m	Yr 5 £m	Total Estimated Savings £m
Option 1 - Do Nothing/ Minimum	0.00	0.41	0.42	0.42	0.42	0.42	2.09
Option 3 - Lead Provider	-0.12	0.22	0.89	0.92	0.98	1.02	3.91
Option 4 - Wholly Owned Subsidiary	-0.12	0.24	1.31	1.38	1.47	1.55	5.83

1.5 Developing the Preferred Option

1.5.1 The preferred option recommendation for CHFT based on the benefits and financial appraisal is Option 4, create a Wholly Owned Subsidiary. In discussion with other West Yorkshire Association of Acute Trusts the preferred way to implement this is to do so in two distinct phases.

Phase 1 - CHFT WOS

- In common with the Trusts considering establishing a Wholly Owned Subsidiary (WOS) the pragmatic way to progress is for each Trust to establish a WOS. This enables the clearest and cleanest form of relationship between the WOS and its parent company and sole shareholder, the Trust, to be established. It also allows each Trust to progress at a pace that suits them and with a degree of variation where necessary relevant to their services.
- WYAAT will seek harmonisation of key aspects of the transaction across all Trusts but does recognise that this may not be possible in some cases.
- WYAAT will also provide programme management to ensure that costs such as legal costs are not incurred twice, Trusts are supported and that learning is shared.

Phase 2 - WEST YORKSHIRE ASSOCIATION OF ACUTE TRUSTS E&FM Collaborative

- The next phase is to consider how collaborative working that has commenced in E&FM across the WYAAT Trusts can continue to be strengthened. The idea is not to be in competition with one another but to ensure best practice across West Yorkshire.

1.5.2 In December 2017 the CHFT Board agreed in principle to the establishment of a Wholly Owned Subsidiary subject to further information which was provided in January and March 2018. In March 2018 the Board approved the establishment of Calderdale and Huddersfield Solutions Limited.

1.6 Calderdale and Huddersfield Solutions Limited

1.6.1 Calderdale and Huddersfield Solutions Limited was registered in March 2018 in order to allow the preparatory work to operate a Wholly Owned Subsidiary to progress to the next stage. Whilst it is not planned to transfer any services into the company until Autumn 2018 it does enable:

- A shadow Board to operate and oversee the mobilisation of the company.
- Appointments to the shadow Board.

- The company to apply for a range of permissions such as permission to use the NHS logo.
- The company to apply for an 'closed directions order' for transferring staff to continue to access the NHS pension.
- The company to open a bank account.

1.6.2 The company will not formally trade until later in the year and following further engagement with staff and Trade Unions.

1.7 Service Provision and Associated Employment Model

1.7.1 The initial service offer is expected to encompass estates, facilities and procurement. The financial appraisal for the Trust has been undertaken on this basis. This would involve the following staff groups and numbers of staff: -

Staff Group	
Administration	17.73
Catering	27.93
Domestic Services	121.40
Estates Capital	3.00
Estates Maintenance	29.00
Estates Management	6.00
Fire Health & Safety	3.80
Laundry	5.80
Medical Physics	12.11
PFI Contract Management	4.13
Porters	34.80
Procurement	31.48
Telecommunications	1.00
Transport	19.95
Corporate	tbc
Total	318.21

1.7.2 CHFT propose to develop the preferred option on the basis that the following services transfer to the Wholly Owned Subsidiary.

Huddersfield Royal Infirmary

- Cleaning Services
- Porters
- Linen
- Transport (patient and staff)
- Telecommunications
- Catering

- Estates
- Capital (small and large schemes)
- Property Management
- Gardening
- Procurement- (buying, contracting and materials management HRI and CRH)
- Fire safety
- Waste Management
- Utilities Management
- Health and Safety
- PFI Contract Management and Performance
- Medical Devices
- General Offices (HRI and CRH)
- Car Park Management

1.7.3 It is expected that some corporate staff will transfer to support the management of the WOS (HR, Finance for example). The details are this of being worked through and will be confirmed at FBC. The following services are excluded at the current time.

- Community Equipment
- Emergency Planning
- Local Security Management
- .

1.7.4 It should be noted that the majority of estates and facilities service provision at Calderdale Royal Hospital is part of a Private Finance Initiative agreement and is therefore excluded from consideration as part of a Wholly Owned Subsidiary at the current time.

1.7.5 Using the WOS approach there is significant scope to develop an employment model to overcome perceived barriers within the existing model. Challenges highlighted include: -

- Difficulty in attracting the right talent in some areas of the business and a need to streamline the recruitment process to improve agility and hence our response to business development opportunities
- The need to maintain consistent performance management across all business areas and so deliver services to customers at appropriate standards and to ensure effective staff motivation and engagement
- The need to explore alternative methods of rewarding and attracting high performing staff, to support talent management and succession planning
- The need to provide a strong focus on learning and development for all staff, with everyone given the ability to develop to their maximum potential, to enhance business performance.

1.7.6 The WOS employment model would therefore seek to establish new ways to: -

- Motivate and reward staff appropriately, e.g. for improved productivity and efficiency allowing the leadership team and staff to be incentivised to create commercial value and grow revenues and profits.

- Respond quicker to market opportunities, through access to dedicated business development support within the collaborative WOS.
- Operate with greater autonomy and flexibility than is currently allowable as a pure directorate of the Trusts, to enable more commercially focused investment decisions.
- Consider options for the continued implementation of the Living Wage.
- Work with other organisations to develop an NHS exemplar approach to apprenticeships.
- Work with Staff side to develop options for greater productivity and consider staff incentives to achieve.
- Continue to innovate and create opportunities to support the Trust to deliver high quality care for patients.

1.7.7 There are 318 WTE (whole time equivalent) CHFT estates and facilities staff. The preferred option involves the TUPE transfer of these staff to Calderdale and Huddersfield Solutions Ltd. A breakdown by grade is included at Appendix C.

1.8 Indicative Programme and Next Steps

1.8.1 Subject to Board approval to progress to develop the commercial model for the preferred option the indicative programme is:-

Milestone	Date
Trust Board support and approval in principle to proceed with project development and establish WOS	December 2017
Trust Project Team established	January 2018
E&FM Joint Consultative Committee Established	February 2018
Calderdale and Huddersfield Solutions Ltd Established	March 2018
Trust Board due diligence re SLA's, leases, legal documents and WOS operational policies	April- 18 – August 2018
Formal staff consultation period	May - August- 18
Full Business Case Approval FBC (operational details and contract)	August 18
Contracts signed	August 18
Staff transfer and WOS operational	August-18

1.8.2 The full programme is at Appendix D. The key next steps are:

- Continued engagement with staff and Trade Unions
- Development and sign off of Service Level Agreements
- Development and sign off of the commercial model including the payment mechanism.
- Development and sign off of a business transition plan
- Development and approval of the Full Business Case in accordance with the programme.

1.9 Outline Business Case Conclusion

1.9.1 The establishment of a Wholly Owned Subsidiary, Calderdale and Huddersfield Solutions Limited in March 2018 is based on over 18 months of work exploring different options culminating in the Interim Business Case, December 2017 and supplemented by local analysis and information in order to develop the preferred option.

1.9.2 This OBC confirms the preferred option for CHFT and summarises progress to date. This includes some of the initial work on the critical components of the new service model including, workforce, terms and conditions and commercial model. However, it is recognised that there remains a significant amount of work to do to continue to develop the service model in association with staff and Trade Unions. CHFT is engaged in a comprehensive engagement programme about the new service model in order to ensure the benefits of the model can be fully realised.

2 STRATEGIC CASE

2.1 Calderdale and Huddersfield NHS foundation Trust

2.1.1 Calderdale and Huddersfield NHS Foundation Trust (CHFT) delivers compassionate care from two main hospitals, Calderdale Royal Hospital and Huddersfield Royal Infirmary as well as in community sites, health centres and in patients' homes. The Trust serves a population of circa 643,000 people. The population is forecast to increase by 12% in Calderdale and 13% in Kirklees by 2037. This is consistent with England's expected population growth of 14% during the same period.

2.1.2 With more than 6,000 staff and an income in excess of £360 million CHFT delivers services by working in partnership with two local authorities, two clinical commissioning groups, and a wide range of other providers including voluntary organisations and the private sector, as well as service users, their carers and the public. The graphic below illustrates some of CHFTs annual metrics from 2016/17.



Over 151,000 A&E
Attendances

Over 120,000
patients admitted



310,376 people
benefiting from
community nursing

266,209 people
using community
therapy services



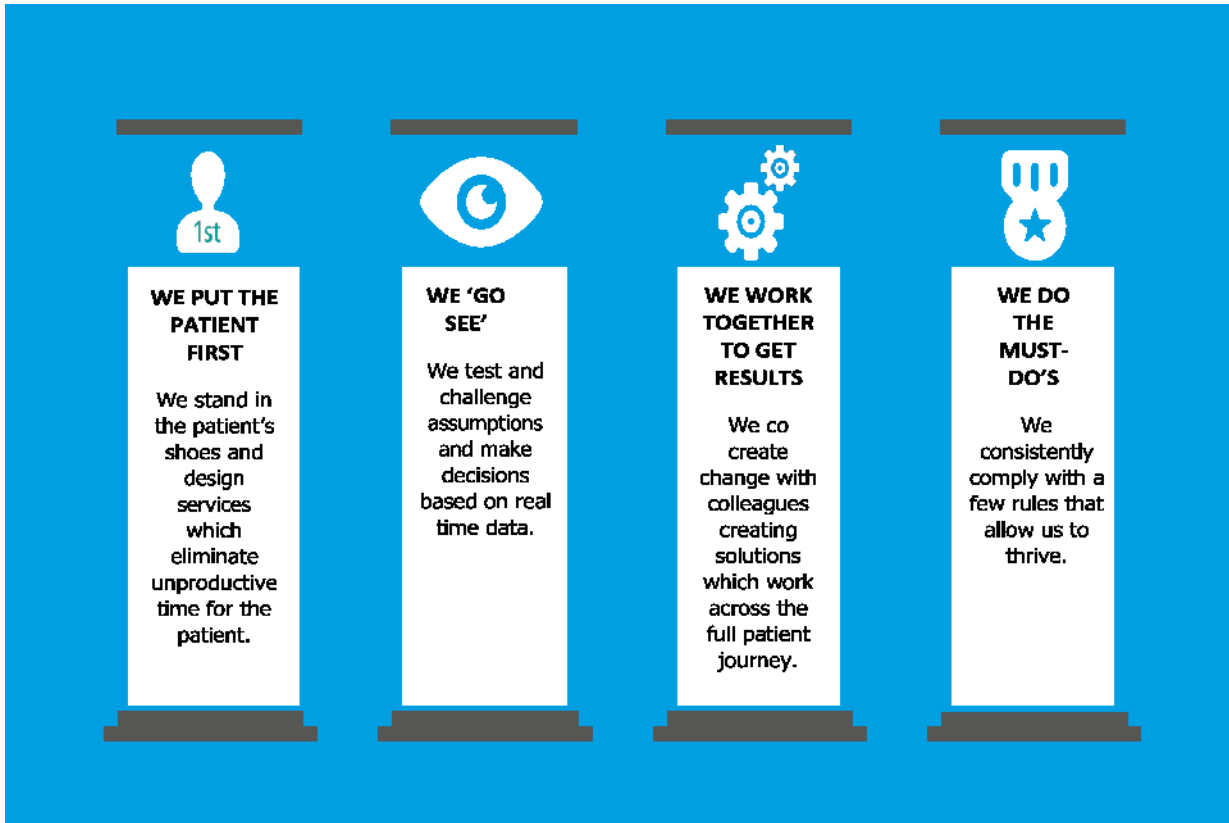
Over 459,000 Out-
patient
Attendances

2.1.3 In common with the rest of the NHS, the Trust faces many challenges due to a combination of the difficult NHS financial climate, ageing population, rising public expectations, medical cost inflation, regulatory requirements and the competing demands for a specialist workforce.

2.1.4 Calderdale and Huddersfield NHS Foundation Trust vision is : -

Together we will deliver outstanding compassionate care to the communities we serve.

2. 1. 5 There are four pillars of behaviour that underpin the vision and these are the values that all employees are expected to adopt.



2.2 Current Challenges

2.2.1 In line with the national trend, the demands on the Trust have increased in terms of the number of people presenting at hospitals. This is allied to the increasing challenges faced by the Trusts local partners across Calderdale and Huddersfield in social and primary care. Whilst these challenges are not exclusive to CHFT, the Trust does face some specific challenges which have made it more difficult to keep expenditure within income levels.

2.2.2 The financial position for Calderdale and Huddersfield NHS Foundation Trust in the financial year ending 2017/18 is a deficit of £48.6 million.

Income and Expenditure Summary	Plan £m	Actual £m	Variance £m
Income	374.7	360.4	(14.3)
Expenditure	(365.6)	(367.2)	(1.6)
EBITDA	9.1	(6.8)	(15.9)
Non-Operating Items	(38.9)	(41.8)	(2.9)
Surplus/(Deficit)	(29.8)	(48.6)	(18.8)

2.2.3 The position for 2018/19 is impacted by the underlying operational performance driving a greater adverse financial variance. The plan assumes successful delivery of an £18 million cost improvement plan (CIP) which when combined with the full year effects of 2017/18 represents 5.6% of operating costs. This represents an extremely challenging plan for the Trust in 2018/19.

CHFT Cost Improvement Requirements	17/18	18/19
	Plan £ m	Plan £ m
<i>CIP Requirement</i>	20.0	18.0
<i>CIP Requirement as a % of Turnover</i>	5.4%	5.6%

2.2.4 In addition to the financial challenge the Trust also faces significant pressures in relation to the condition of the estate, workforce recruitment and retention and the sustainability of clinical services. The Trusts 'Five Year Strategy' published in 2016 addresses the challenges. The proposal to reconfigure clinical services in Huddersfield and Calderdale which stems from the strategy is critical to the future sustainability of services. The Full Business Case relating to reconfiguration is available on the Trusts website³.

2.2.5 The NHS is facing an unprecedented challenge with the economic outlook placing significant financial constraints on both commissioners and providers alike in health and social care. CHFT is working to mitigate the pressure by: -

- working hard to develop processes internally to improve efficiency and patient flow.
- working closely with partners to analyse service delivery and to design and develop new models of care based on greater integration and services 'out of hospital'.
- continually monitoring performance against national standards to ensure that all services remain responsive and can demonstrate improvement.
- remaining focused on high quality compassionate care and patient safety.

³ <http://www.cht.nhs.uk/about-us/publications/full-business-case/>

2.3 West Yorkshire Association of Acute Trusts

2.3.1 The West Yorkshire Association of Acute Trusts (WYAAT) have progressed the work to consider Wholly Owned Subsidiaries for estates and facilities. Of the six Trusts in the association, two, Airedale District Hospitals NHS Foundation Trust and Harrogate and District NHS Foundation Trust have set up their own wholly owned subsidiaries for estates and facilities services which have been operational since March 2018. The remaining four Trusts have worked together to scope and evaluate the options in order to try and minimise costs. In early 2017 a case for change was produced on a WYAAT basis encompassing an initial option appraisal for four acute Trusts including CHFT that recommended Wholly Owned Subsidiaries as a preferred option. Work then took place to review and develop this culminating in a further business case in December 2017. The Trusts associated with the project are:

- Bradford Teaching Hospitals NHS Foundation Trust
- Calderdale and Huddersfield NHS Foundation Trust
- Leeds Teaching Hospitals NHS Trust
- Mid Yorkshire Hospitals NHS Trust

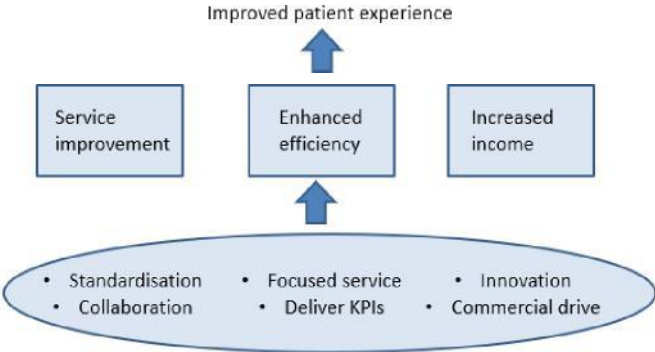
2.3.2 Subsequent to the December 2017 business case review process, each Trust is at a different stage in the approval process, with each further developing its case for change before taking a decision on its final business case.

2.4 National and Local Drivers for Change

2.4.1 The Sustainability and Transformation Planning (STP) process includes the requirement to review support services and functions and develop plans for shared clinical and non-clinical service arrangements. The West Yorkshire and Harrogate Draft STP, published in November 2016, shares a vision for high quality and efficient services and it states that it will:

“share our staff and buildings where it makes sense to do so; to make the best use of the resources we have between us and to help further service investment”.

2.4.2 There are significant national and local drivers supporting the establishment of a WOS and this approach.



2.4.3 Nationally there are drivers to reduce the costs of support services. The Carter Report⁴ recommendations included:

- Improvements in procurement services to deliver a reduction of at least 10% in non-pay costs across the NHS by April 2018
- That all trusts' corporate and administration functions should rationalise to ensure their costs do not exceed 7% of their income by April 2018 and 6% of their income by 2020 (or have plans in place for shared service consolidation with, or outsourcing to, other providers by January 2017), so that resources are used in a cost-effective manner.

2.4.4 Currently E&FM and Procurement services are managed separately in each of the four Trusts. The key drivers for change are:

- The opportunity to consolidate services based on the WYAAT footprint and take a more regional focussed approach
- Potential cost benefits associated with working at scale
- Quality, particularly the incidence of unwarranted variation and to be driven by standards
- Ability to be more flexible
- Workforce development and resilience
- Ability to release clinical time
- Ability to develop a commercial approach and hence resilience – seeking a model whereby there is greater flexibility and opportunity to respond and adapt to changes in the market.

2.4.5 All trusts reference financial challenges around E&FM in their local strategic and operational reports. Programmes of work are in place to address various aspects of this function and these figures in the local CIP plans. Procurement faces its own challenges and a collaborative approach can reduce the cost of existing services by procuring on a collaborative basis. This will allow the development of an efficient, effective and quality managed equipment and consumables service.

2.4.6 Given the scale of the financial and operational challenges that CHFT faces, in order to maintain high quality patient care and deliver its clinical strategy it is necessary for the Trust to consider ways to operate as effectively and efficiently as possible. A number of acute Trusts have recently formed Wholly Owned Subsidiaries (WOS) from which to operate a range of support services, usually including estates, facilities and procurement. This work was initially taken forward as part of the estates and facilities programme supporting the West Yorkshire Association of Acute Trusts. This Business Case addresses the detailed position for the Calderdale and Huddersfield NHS Foundation Trust.

2.5 Potential Benefits for Patients and Service Users

2.5.1 Focusing on the efficiency and effectiveness of 'back office' services is common sense for improving overall service sustainability. However, there are some specific benefits that CHFT

⁴ *Operational Productivity and Performance in English NHS hospitals: Unwarranted Variations, Lord Carter of Coles, February 2016*

would seek to realise relating to patient care in the delivery of a Wholly Owned Subsidiary as follows: -

- Ensuring that any CHFT estates and facilities WOS supports clinical services effectively. This could be achieved through a number of means: -
 - Specifying the improvements in processes that CHFT expects to see and prioritising for development.
 - Reinvesting WOS profits either directly for patient benefit or indirectly through improvements in processes.
 - Specifying key performance indicators for estates and facilities services that may mean faster and/or more defined response times.
 - Ensuring that 'best practice' is adopted based on the WYAAT collaborative work.
 - Ensuring the WOS values are the Trusts values and that there is an absolute focus on enabling clinical teams to provide the best possible safe and compassionate service for patients.

3 ECONOMIC CASE

3.1 Introduction

3.1.1 The economic case summarises the process followed in the development and appraisal of the shortlisted options for alternative models for estates and facilities management provision. This section provides detail relating to: -

- An overview of the options appraised, together with the selection of the preferred option
- Economic analysis of the shortlisted options.

3.2 Option Appraisal

3.2.1 The option appraisal consisted of both qualitative assessment of the options via a benefits appraisal and a financial appraisal. Critical success factors for the project formed the basis for developing the benefit criteria that would enable the options to be ranked via both qualitative and financial appraisal.



3.2.2 The Case for Change approved in March 2017 outlined five options for consideration as follows: -

Option	Title	Description
1	Do Nothing/ Minimum	Services continue on current basis with no or minimal change to working arrangements
2	Each Organisation creates an E&FM WOS	Each WYAAT organisation transfers its E&FM services into a separate WOS and no collaborative approach is followed
3	Lead Provider Model	WYAAT organisations transfer their E&FM services to one of the current WYAAT organisations
4	Create an E&FM WOS	WYAAT organisations create an WOS and work towards the transfer of relevant services into a specially designed not for profit WOS (Company) that remains part of the NHS
5	Out-source E&FM Services	WYAAT organisations tender their E&FM services as a single package

3.2.3 At the longlist stage a high-level benefits appraisal was undertaken by leads at each Trust the criteria for which is at Appendix A and the following options were discounted: -

Option	Title	Main Reason for Discounting
2	Each Organisation creates an E&FM WOS	The lack of a collaborative approach in this option was felt to be contrary to the principles of WYAAT.
5	Out-source E&FM Services	WYAAT organisations have all had experience of out-sourced operations and felt that this option placed staff at unnecessary risk, adversely affecting staff morale. Also, that quality and cost control can be more difficult to maintain under this option.

3.2.4 The following short-list was taken forward for further appraisal.

Option	Title	Description
1	Do Nothing/Minimum	Services continue on current basis with no or minimal change to working arrangements
3	Lead Provider Model	WYAAT organisations transfer their E&FM services to one of the current WYAAT organisations
4	Create an E&FM WOS	WYAAT organisations create an WOS and work towards the transfer of relevant services into a specially designed not for profit WOS (Company) that remains part of the NHS

3.3 Benefits Appraisal

3.3.1 At a WYAAT workshop in September 2017 the following benefit criteria were agreed for appraising the short-listed options. A ranking and scoring exercise was carried out on the non-cash releasing benefits and the criteria and weightings assigned to criteria are detailed below:

Benefit Ref	Benefit Description	Weight %
NCRB07	Creating greater workforce resilience and bringing more opportunities for individuals creating better job satisfaction	16.0
NCRB03	Enables the adoption of a single set of KPI's for performance management	15.2
NCRB05	Providing an efficient, effective and quality managed equipment and consumables service	14.4
NCRB02	Creating greater commercial resilience by implementing a model whereby there is greater flexibility and opportunity	13.0
NCRB06	Reducing the incidence of unwarranted variation in line with objectives of the Model Hospital	11.7

NCRB09	Developing a Sustainability Plan which can deliver reductions in carbon across West Yorkshire	10.5
NCRB04	Supports E&FM service achieve the Carter benchmark of lower and mid quartile in terms of ERIC data	7.4
NCRB01	Increases the ability to realise savings through capital development and disposals by providing access to capital	5.1
NCRB08	Facilitates investment in different areas of the business such as investment in technology and / or infrastructure	3.6
NCRB10	Providing services across the Trust at the level of the Highest Quality Provider	3.2

3.3.2 CHFT scored the benefits as follows:-

Benefit Ref	Weight %	Option 1 Do Nothing/Minimum		Option 3 Lead Provider Model		Option 4 Create an E&FM WOS	
		Score 0 lowest- 10 highest	Weighted Score*	Score 0 lowest- 10 highest	Weighted Score*	Score 0 lowest- 10 highest	Weighted Score*
NCRB07	16.0	0.00	0.00	7.00	111.72	10.00	159.61
NCRB03	15.2	0.00	0.00	10.00	151.63	10.00	151.63
NCRB05	14.4	0.00	0.00	10.00	144.05	10.00	144.05
NCRB02	13.0	0.00	0.00	6.00	77.78	10.00	129.64
NCRB06	11.7	3.00	35.00	5.00	58.34	10.00	116.68
NCRB09	10.5	4.00	42.00	7.00	73.51	10.00	105.01
NCRB04	7.4	0.00	0.00	10.00	73.51	10.00	73.51
NCRB01	5.1	0.00	0.00	0.00	0.00	10.00	51.45
NCRB08	3.6	0.00	0.00	5.00	18.01	10.00	36.02
NCRB10	3.2	0.00	0.00	10.00	32.42	10.00	32.42
	100.00						
Weighted Score			77		741		1000
Rank			3		2		1

3.3.3 This analysis illustrates that Option 4, Create an E&FM Wholly Owned Subsidiary is the preferred option based on the non-financial benefits.

3.4 Financial Appraisal

3.4.1 A high level- financial appraisal of the shortlisted options was also undertaken. This was done on a Trust as well as a WYAAT basis and the appraisal for CHFT is detailed below and at Appendix B. In order to inform the financial appraisal, the source of potential savings was

identified and calculated using Trust budget figures, Eric data and staffing information as follows:-

Type of Savings Identified	Method
E&FM Efficiencies (CIP)	2% CIP assumed against budget (adjusted were appropriate for PFI). Whilst actual CIP may be higher than 2%, this is assumed to relate to process or productivity improvement. Staffing efficiencies are considered separately.
Collaborative Savings	A review of Eric Data identifying where best practice model would deliver benefit. This was based on 15/16 data, the 16/17 data is due to be published imminently and will enable this to be updated.
Staff Efficiencies	Based on calculation of 25% turnover of staff after 3 years and 10% reduction in budget costs. Whilst the current estimate is not unreasonable at the next stage this will be based on actuals for MTHT.
Income Generation	Benchmark based on experience of other WOS
Procurement Efficiencies	Review of E&FM contract portfolio

3.4.2 For the do nothing/minimum option (Option 1) the achievement of savings associated with achieving a 2% cost improvement on the estates and facilities budget was assumed. No changes to savings associated with collaborative working, staffing efficiency and estates and facilities procurement were anticipated with this option. This demonstrated potential savings of £420k per annum for CHFT. The option appraisal tables are detailed in full at Appendix B.

3.4.3 The Lead Provider Model (Option 3) assumes that a 2% cost improvement on the estates and facilities budget will be achieved as per Option 1 but also that some collaborative savings would be achieved, some staff efficiencies and income generation also. The appraisal for Option 3 assumes: -

- The same level of E&FM efficiency (CIP) as both Option 1 and 4.
- The same level of collaborative efficiency as Option 4.
- A 30% lower level of staff efficiency than Option 4 due to reduced flexibility relating to terms and conditions in comparison with Option 4.
- A 50% lower level of income generation than Option 4 due to an inability to trade on the same basis as Option 4.
- A 30% lower level of procurement efficiencies due to lower perceived level of commercial incentive in comparison with Option 4.

3.4.4 The Wholly Owned Subsidiary option (Option 4) assumes that a 2% cost improvement on the estates and facilities budget and will be achieved as per Option 1 and 3, the same collaborative savings will be achieved as Option 3 but that greater staff efficiencies, income generation and procurement efficiencies would be achievable.

Shortlisted Option	Yr 0	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Total Estimated Savings £m
	£m	£m	£m	£m	£m	£m	
Option 1 - Do Nothing/ Minimum	0.00	0.41	0.42	0.42	0.42	0.42	2.09
Option 3 - Lead Provider	-0.12	0.22	0.89	0.92	0.98	1.02	3.91
Option 4 - Wholly Owned Subsidiary	-0.12	0.24	1.31	1.38	1.47	1.55	5.83

3.4.5 The appraisal summarised above was undertaken without considering VAT to ensure that the proposal made financial sense regardless of tax treatment The financial appraisal for CHFT concludes that Option 4 Wholly Owned Subsidiary has the greatest financial benefit.

3.5 Value for Money

3.5.1 Value for money in this context would normally be tested by assigning values to non-financial benefits and factoring in the financial benefits and implementation costs. However, to do this would require a number of broad based assumptions about length of contract and operating model that have not been defined yet.

3.5.2 What it is possible to do is simply calculate the return on investment ratio (excluding tax impacts) of financial benefit to expected service and set up costs as follows:-

Option 1	Yr 0	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Total £m
Do Nothing/Minimum	£m	£m	£m	£m	£m	£m	
E&FM Spend	23.00	23.00	23.00	23.00	23.00	23.00	138.00
Project Costs £	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Monitoring £	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Costs £m	23.00	23.00	23.00	23.00	23.00	23.00	138.00
Financial benefit	0.00	0.41	0.42	0.42	0.42	0.42	2.09
Return on Investment Ratio	0.00	0.02	0.02	0.02	0.02	0.02	0.02

Option 3	Yr 0	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Total £m
Lead Provider Model	£m	£m	£m	£m	£m	£m	
E&FM Spend	23.00	23.00	23.00	23.00	23.00	23.00	138
Project Costs £	0.12	0.13	0.00	0.00	0.00	0.00	0.25
Monitoring £	0.00	0.10	0.10	0.10	0.10	0.10	0.50
Total Costs £m	23.12	23.23	23.10	23.10	23.10	23.10	138.75
Financial benefit	-0.12	0.22	0.89	0.92	0.98	1.02	3.91
Return on Investment Ratio	-0.01	0.01	0.04	0.04	0.04	0.04	0.03

Option 4	Yr 0	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Total £m
Wholly Owned Subsidiary	£m	£m	£m	£m	£m	£m	
E&FM Spend	23.00	23.00	23.00	23.00	23.00	23.00	138
Project Costs £	0.12	0.13	0.00	0.00	0.00	0.00	0.25
Monitoring £	0.00	0.10	0.10	0.10	0.10	0.10	0.50
Total Costs £m	23.12	23.23	23.10	23.10	23.10	23.10	138.75
Financial benefit	-0.12	0.24	1.31	1.38	1.47	1.55	5.83
Return on Investment Ratio	-0.01	0.01	0.06	0.06	0.06	0.07	0.04

3.5.3 This indicates a greater return on investment from Option 4 (excluding tax impacts) than either Option 1 or 3. However, based on the modelling to date it should be noted that the point at which Options 4 and 3 returns start to better those for Option 1 is in year 2.

3.6 The Preferred Option

3.6.1 The preferred option for Calderdale and Huddersfield NHS Foundation Trust based on the benefits and financial appraisal is Option 4, create a Wholly Owned Subsidiary (WOS). In discussion with other West Yorkshire Association of Acute Trusts the preferred way to implement this is to do so in two distinct phases.

Phase 1 - CHFT WOS

- In common with the Trusts considering establishing a Wholly Owned Subsidiary (WOS) the pragmatic way to progress is for each Trust to establish a WOS. This enables the clearest and cleanest form of relationship between the WOS and its parent company and sole shareholder, the Trust, to be established. It also allows each Trust to progress at a pace that suits them and with a degree of variation where necessary relevant to their services.
- West Yorkshire Association of Acute Trusts will seek to harmonise key aspects of the transaction across all Trusts but does recognise that this may not be possible in some cases.
- West Yorkshire Association of Acute Trusts will also provide programme management to ensure that costs such as legal costs are not incurred twice, that Trusts are supported and that learning is shared.

Phase 2 - WEST YORKSHIRE ASSOCIATION OF ACUTE TRUSTS E&FM COLLABORATIVE

- The next phase is to consider how collaborative working that has commenced in E&FM across the West Yorkshire Association of Acute Trusts can continue to be strengthened. The idea is not to be in competition with one another but to ensure best practice across West Yorkshire.

3.6.2 Phase 1 involves the transfer of Estates and Facilities staff under existing terms and conditions into an individual Trust WOS with a new delivery model, and contracts in place for services based on current contracts. A programme of collaborative options will be developed and overseen by a Joint Programme Board. Implementation of this phase 1 is planned to run from January 2018 to March 2019

3.6.3 Phase 2 involves the development of Service by Service Improvement plans to establish opportunities for wider collaboration including with other public-sector bodies. A review of the Operating Model will be undertaken to consider a more collaborative approach including the potential creation of Single WOS for service delivery of specialist services.

3.7 Key Principles for the Development of the Preferred Option 3.7.1

Some of the key principles for operating the Wholly Owned Subsidiary are:

- If the organisation makes a profit, all of it (after tax) will be given to CHFT for patient care
- CHFT will not sell on the WOS to any organisation outside of the NHS
- Unions will be recognised by the new organisation
- CHFT will own 100% of the shares
- The WOS will apply to the Department of Health to use the NHS logo
- There will be a plan to move to the living wage for new starters and those staff who are currently on a Band 1 grade (should they wish to move)
- Those staff who apply for a new position, and are successful, agenda for change terms and conditions will be protected. This will apply on any change of role in the organisation.
- There will be a move towards productivity and staff incentives
- The new organisation will become more commercial, and will have targets to achieve to increase turnover/ bring on board new contracts
- The company will provide a complete materials management service to CHFT
- There will only be improvements in quality (no reduction in quality of goods or services)
- There will be a plan to set up an apprenticeship academy using a small proportion of the savings

4 COMMERCIAL CASE

4.1 Commercial Case Introduction

4.1.1 The commercial case including commercial model will be fully developed for agreement by the Trust Board. There are however, a number of key considerations to be aware of at this stage and in this regard, Bevan Brittan were engaged to advise the Project regarding the legal aspects of establishing a subsidiary company.

4.2 Corporate Delivery Vehicle

4.2.1 The Bevan Brittan recommended delivery vehicle for the subsidiary company is a company limited by shares. A company limited by shares is an independent incorporated entity, registered at Companies House and formed pursuant to the Companies Act 2006 for the purpose of operating a business, usually where such business is intended to be profit-making. It is the most commonly used company structure.

4.2.3 The key characteristics of this independent legal entity are that the company can own assets of the business itself, employ staff, enter into contracts and sue and be sued in a court of law. The company is responsible for the debts and liabilities of the business. This means that the directors and shareholders of the company benefit from limited liability.

4.2.4 A company limited by shares has a share capital which is allocated (equally or unequally) between the shareholders. Each shareholder pays a certain amount to the company as equity funding, for its shares. The liability of each shareholder is limited to the amount unpaid on the shares that the shareholder holds, which would be payable in the event of the insolvency of the company. Shareholders and directors may be liable to pay further amounts on insolvency if they have acted dishonestly. Shares in a private company cannot be offered for sale to the general public.

4.2.5 A company limited by shares has a governing structure of shareholders and directors. Directors have the role of managing and running the day to day business of the company and have numerous duties under the Companies Act 2006 which they must comply with. Failure to comply with these duties can result in unlimited personal liability of the Directors, such as damages or criminal offences.

4.2.6 The shareholders own the company and have certain rights through the holding of their shares and under the Companies Act 2006, such as (amongst others) a right to appoint, remove and delegate to directors, vote at shareholder meetings and to receive a distribution of the profits of the company. Shareholders typically make the more fundamental decisions relating to the company. The relationship between the shareholders may be governed by a shareholder's agreement (which is a private document) which sets out terms governing the relationship between the shareholders including the issue and transfer of shares, directorships and so on.

4.2.7 A company limited by shares is governed by its memorandum and articles of association. The articles of association will set out the governance structure of the company and the provisions

governing conduct of meetings and decision making by both the directors and shareholders. The memorandum and articles of association are publicly available documents and therefore shareholders often enter into a private shareholders' agreement in which confidential governance arrangements are agreed between the shareholders.

4.3 Service Provision and Associated Employment Model

4.3.1 The initial service offer is expected to encompass estates, facilities and procurement. The financial appraisal for the Trust has been undertaken on this basis. This would involve the following staff groups and numbers of staff: -

Staff Group	WTE
Administration	17.73
Catering	27.93
Domestic Services	121.40
Estates Capital	3.00
Estates Maintenance	29.00
Estates Management	6.00
Fire Health & Safety	3.80
Laundry	5.80
Medical Physics	12.11
PFI Contract Management	4.13
Porters	34.80
Procurement	31.48
Telecommunications	1.00
Transport	19.95
Corporate	tbc
Total	318.21

4.3.2 CHFT propose to develop the preferred option on the basis that the following services transfer to the Wholly Owned Subsidiary.

Huddersfield Royal Infirmary

- Cleaning Services
- Porters
- Linen
- Transport (patient and staff)
- Telecommunications
- Catering
- Estates
- Capital (small and large schemes)

- Property Management
- Gardening
- Procurement- (buying, contracting and materials management HRI and CRH)
- Fire safety
- Waste Management
- Utilities Management
- Health and Safety
- PFI Contract Management and Performance
- Medical Devices
- General Offices (HRI and CRH)
- Car Park Management

4.3.3 It is expected that some corporate staff will transfer to support the management of the WOS (HR, Finance for example). The details are this of being worked through and will be confirmed at FBC. The following services are excluded at the current time.

- Community Equipment
- Emergency Planning
- Local Security Management

4.3.4 It should be noted that the majority of estates and facilities service provision at Calderdale Royal Hospital is part of a Private Finance Initiative agreement and is therefore excluded from consideration as part of a Wholly Owned Subsidiary at the current time. The provision of Procurement and Materials management cover will however continue to be provided at Calderdale Royal Hospital.

4.3.5 Using the WOS approach there is significant scope to develop an employment model to overcome perceived barriers within the existing structure. Challenges highlighted include: -

- Difficulty in attracting the right talent in some areas of the business and a need to streamline the recruitment process to improve agility and hence our response to business development opportunities
- The need to maintain consistent performance management across all business areas and so deliver services to customers at appropriate standards and to ensure effective staff motivation and engagement
- The need to explore alternative methods of rewarding and attracting high performing staff, to support talent management and succession planning.
- The need to provide a strong focus on learning and development for all staff, with everyone given the ability to develop to their maximum potential, to enhance business performance.

4.3.6 The WOS employment model would therefore seek to establish new ways to: -

- Motivate and reward staff appropriately, e.g. for improved productivity and efficiency allowing the leadership team and staff to be incentivised to create commercial value and grow revenues and profits.
- Respond quicker to market opportunities, through access to dedicated business development support within the collaborative WOS.

- Operate with greater autonomy and flexibility than is currently allowable as a pure directorate of the Trusts, to enable more commercially focused investment decisions.
- Consider options for the continued implementation of the Living Wage.
- Work with other organisations to develop an NHS exemplar approach to apprenticeships.
- Work with Staff side to develop options for greater productivity and consider staff incentives to achieve.
- Continue to innovate and create opportunities to support the Trust to deliver high quality care for patients.

4.3.7 There are 318 WTE (whole time equivalent) CHFT estates and facilities staff. The preferred option involves the TUPE transfer of these staff to the Wholly Owned Subsidiary. A breakdown by grade is included at Appendix C.

4.3.8 In considering the establishment of a Wholly Owned Subsidiary CHFT wishes to ensure that staff remain well informed and well treated. The same services would be provided by the same staff, there is no proposal to lose service functions or staff. TUPE transfer ensures that staff retain existing terms and conditions at the point of transfer.

4.3.9 CHFT wishes to ensure that these matters are resolved as quickly as possible. As the workforce model is directly linked to the commercial model, it will be necessary to run a range of workforce scenario's and consider how they impact the commercial model before engaging and consulting with staff on a preferred position. Developing and finalising the commercial model does require a significant investment of time, effort and resource.

4.3.10 The initial principles that CHFT have established in relation to terms and conditions for staff that would transfer to the Wholly Owned Subsidiary Include:

Living Wage (as determined by the Living Wage Foundation- currently £8.75/hr). There is an aspiration to move to the Living Wage, and the cost of this will be assessed for:

- Estates and Facilities staff on Band 1
- All Trust staff on Band 1

The Potential for New Terms and Conditions for New Staff

There will be a matrix produced to determine the costs and benefits.

Agenda for Change

New starters may have WOS terms and conditions not Agenda for Change (A4C). The development of new Terms and Conditions for this group to reflect the future requirements of the subsidiaries.

TUPE and protection of A4C for promotions

For staff that TUPE into the new company CHFT want to emphasise the strength of TUPE law to protect what staff have already got. Staff who TUPE and apply for a promotion and are successful will retain their existing terms and conditions

Recognition of Trade Unions

The WOS will recognise Trade Unions

Productivity and Staff Incentives

The WOS will work with Staff Side, and staff, to develop a reward mechanism to encourage productivity and quality improvements (including a reduction in sickness absence). This may form part of 1. “Living Wage” above.

The WOS will also work with staff to encourage a drive to becoming more commercially focussed. In the first instance this may be in Procurement to reward improvements in value.

Calderdale and Huddersfield NHS Foundation Trust Board Assurances for Staff

Addressing staff concerns the CHFT Board has given a number of assurances to staff as follows:

- If the organisation makes a profit, all of it (after tax) will be given to CHFT for patient care
- CHFT will not sell on the WOS to any organisation outside of the NHS
- Unions will be recognised by the new organisation
- CHFT will own 100% of the shares
- The WOS will apply to the Department of Health to use the NHS logo
- There will be a plan to move to the living wage for new starters and those staff who are currently on a Band 1 grade (should they wish to move)
- Those staff who change roles will remain on their existing terms and conditions
- There will be a move towards productivity and staff incentives
- The new organisation will become more commercial, and will have targets to achieve to increase turnover/ bring on board new contracts
- The company will provide a complete materials management service to CHFT
- There will only be improvements in quality (no reduction in quality of goods or services)
- There will be a plan to set up an apprenticeship academy using a small proportion of the savings

4.4 The Initial WOS Service Offer

4.4.1 The operation of a Wholly Owned Subsidiary offers an opportunity to secure new contracts from the NHS and non-NHS Bodies in West Yorkshire and could include: -

Advisory services – providing advisory and consultative support to clients, developing new infrastructure schemes from concept through to specification, business case development, and providing training and people development services

Managed services – supporting interventions to manage services for clients, contracting to support a client and its teams to improve existing infrastructure programmes and services

Service Operations – operating infrastructure services, including transferring staff into the WOS as part of the transfer of employment responsibilities.

4.4.2 Through this combined approach of developing service offerings and a new employment model the Trust will: -

- **Grow as a consequence of the market** within the NHS
- **Grow and nurture a workforce** drawn from our community at all levels of qualification and background
- **Generate income and profit** as a result of providing services and expertise to other NHS/non-NHS bodies in the surrounding areas and beyond. As a consequence, this will support the Trusts within the collaborative WOS and create an opportunity for employees of the new organisation to benefit from their own drive to improve efficiency, productivity and the quality of front line services; and in general, create a dynamic to produce an alternative to the public or private sector in the context of a changing world.

4.5 Phasing of the Project

4.5.1 The West Yorkshire Association of Acute Trusts (WYAAT) have worked together to look at the benefits and risks associated with establishing a Wholly Owned Subsidiary and developed a case for change which was approved in March 2017. Having continued to work together to appraise the short-listed options it became evident that there were a number of factors indicating that a single Wholly Owned Subsidiary operating across all four Trust's involved would be difficult to configure and agree initially due to: -

- The different statutory status of the Trusts.
- The different financial status of the Trusts.
- The different terms and conditions the Trusts have for staff that may transfer to a WOS.
- Different Trust policies.
- Different Trust values.

4.5.2 Having developed a business case on a WYAAT basis it has been concluded that initially each Trust will form their own company and transfer E&FM and possibly Procurement staff under existing terms and conditions individual Trust WOS's with a new delivery model, and contracts in place for services based on current contracts.

4.5.3 At the same time work will begin to look at the development of Service by Service Improvement plans to establish opportunities for wider collaboration including with other Public-sector bodies. This will include the potential creation of a Single WOS for service delivery of specialist services.

4.6 Implementation – Checklist

4.6.1 As well as establishing the limited company (or other vehicle), the Trust will need to agree and enter into the following: -

Item	Details
A Business Transfer Agreement	Which will be used to transfer assets, staff, equipment etc from the trust to a subsidiary
Managed Services Agreement	Detailing the estates services and any facilities the subsidiary will provide to the Trust
Licence to occupy	From a financial perspective, it is imperative for VAT, corporation tax and Stamp Duty Land Tax purposes that the Trust grant their subsidiary a nonexclusive right/license to enter any site/premises site and provide services, rather than an exclusive right of occupation via a lease
Any Building Contract documents	(If required)
Support/Service Level Agreement	Which will document the support services to be provided by an individual Trust to its subsidiary
Finance documents	These will cover any loans made by the Trust to the subsidiary and also any third-party funding from say charities etc
Novation Agreements	To enable current contracts to be transferred directly to the subsidiary. All contracts will need to be reviewed as part of this work
Risk Transfer	Review of risk transfer options
Lifecycle Payments	Agreement on Capital Investments required by the Trust to the WOS
Governance & Monitoring	Agreement on formal and informal Governance and Monitoring arrangements
Director Appointments	Appointment of Key Roles within the WOS

4.7 Risk Transfer/Allocation

4.7.1 The following is a list of potential areas where there needs to be agreement between the Trust and the WOS. This will be completed as part of the planning phase in conjunction with the development of the Contracts / SLA / Payment Mechanism.

No.	Potential Project Risk Areas	Trust Risk	WOS Risk	Shared Risk
1	Demand for healthcare services			

No.	Potential Project Risk Areas	Trust Risk	WOS Risk	Shared Risk
2	Clinical Cost			
3	Design-Design not complying with planning requirements			
4	Construction works risk			
5	Planning			
6	Change in law			
7	Damage			
8	Decant			
9	Underutilised estate and income from hire			
10	Repair and maintenance			
11	Grounds maintenance			
12	Industrial Action			
13	Availability of utilities and negotiation			
14	Availability of facilities			
15	Car park revenue			
16	Training, development, and recruitment of operational staff			
17	Lifecycle costs (subject to budget agreement)			
18	Vandalism			
19	Negotiate insurance			
20	Consequential effects of sub-contractor failure			
21	Statutory compliance			
22	Responsibility for the delivery of healthcare services and fulfilling regulatory requirements (Including monitor and CQC)			

4.8 Key Contractual Issues

4.8.1 The WOS will be incorporated with articles of association which form the basis for the governance framework, including provision for the Trust (on an ongoing basis) to establish certain restrictions on WOS as may be appropriate to its governance. This includes reserved

matters. The table below indicates some of the main documents that will needed to form the contract.

Title	Purpose
Loan Agreement/s	For capital funding
Shareholding	Equity investment
Project Agreement	To set out the specification for the services which must be provided, the payment method used to calculate the Unitary Charge and the performance regime used to monitor and incentivise WOS performance
Operational Sub-Contracts	Operational sub-contracts will be put in place between WOS and the facilities related sub-contractors (many will be novated from existing arrangements)

4.9 TUPE Transfer Implications

4.9.1 The framework for managing the transfer of existing employees needs to consider the following: -

4.9.2 **The provision of accurate information** – the Trust will need to provide all relevant staffing information and potentially warrant the accuracy of such information so that the WOS would be certain as to the resourcing position and the operating costs likely to be incurred in respect of staff going forwards. This information would enable the WOS to plan for ongoing service provision

4.9.3 **A reciprocal apportionment of liabilities** - such that all liabilities pre-transfer date would be the responsibility of the Trust and all liabilities post-transfer would be responsibility of the WOS (with the only exception being TUPE liabilities that arise because of either side failing to meet their specific TUPE obligations)

4.9.4 **Exit provisions** – a clear framework in place as to the obligations of any provider (such as the WOS) in the event of termination or expiry of the proposed arrangements to enable liabilities to be apportioned appropriately (similar to (b) above) and to enable any commissioner of such services to achieve a competitive procurement process going forwards. Equally, in the event that TUPE is not applicable, the parties may wish to consider how any potential redundancy liabilities should be apportioned.

4.9.5 **Pension protection provisions** – provisions in place to ensure all transferring staff eligible to participate in the NHS Pension Scheme (or other relevant public-sector pension scheme) retain such eligibility and access to the relevant pension scheme after any TUPE transfer (provided they continue to be engaged in the provision of the services originally transferred). It will be established whether or not all transferring employees are entitled to NHS Pension Scheme membership, and if so, their pensionable service will not be interrupted. The WOS will become an employer within the scheme. Any employees who do not have an entitlement, i.e. third-party contractors may be subject to TUPE but not to pension protection. There are pension consultation obligations that may apply in relation to the transfer of employees, although these can usually be dealt with as part of the wider TUPE consultation process.

4.10 Staff Engagement and Consultation

4.10.1 CHFT aims to work effectively with the Trade Unions to resolve any difficult or challenging terms and conditions issues arising from the TUPE transfer and to maximise the future employment security of staff. CHFT also wishes to ensure that:

- That the consultation engaged in is meaningful i.e. there is a clear and genuine opportunity for Trade Unions to fully consider and then feedback their views on relevant issues before final decisions are made.
- That CHFT as the sending organisation engages in regular and ongoing communication and consultation with staff and Trade Unions regarding the WOS TUPE.
- That the consultation at a minimum meets CHFT obligations under TUPE and other relevant employment legislation.

4.10.2 The consultation process should make full use of the forums proposed to be established to facilitate the consultation process (further information on this is provided below). A key aim is to develop and maintain meaningful partnership working with staff representatives throughout this process.

4.10.3 To date a significant amount of communication and engagement with staff and Trade Unions has taken place in relation to the WOS TUPE including regular briefing sessions and meetings as well as discussion having taken place at the Staff Management Partnership Forum. The project plan for the HR work stream aims to move the consultation onto a more formal basis following the Board Decision in December 2017 to establish a Wholly Owned Subsidiary. A milestone plan for staff engagement is detailed at Appendix E.

5 FINANCIAL CASE

5.1 Financial Benefits

5.1.1 This section summarises the financial benefits of the preferred option. The financial benefit appraisal excluded tax treatment but the following table shows the estimated savings net of project costs but including for tax to be circa £30 million over 5 years.

NET SAVINGS FOR HRI ONLY	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
	£m	£m	£m	£m	£m	£m
Project Costs						
Programme management	0.017	0.017	0.000	0.000	0.000	0.000
Trust Project Managers	0.033	0.033	0.000	0.000	0.000	0.000
Procurement support	0.003	0.000	0.000	0.000	0.000	0.000
Legal & Tax advice	0.033	0.000	0.000	0.000	0.000	0.000
Admin support & non-pay items	0.002	0.000	0.000	0.000	0.000	0.000
HR Project	0.005	0.025	0.000	0.000	0.000	0.000
Finance Project	0.013	0.033	0.000	0.000	0.000	0.000
Project Management	0.000	0.008	0.000	0.000	0.000	0.000
Contingency 10%	0.011	0.012	0.000	0.000	0.000	0.000
Total Project Costs	0.118	0.129	0.000	0.000	0.000	0.000
Cumulative Project Costs	0.118	0.246	0.246	0.246	0.246	0.246
Revenue Savings						
Service efficiencies - Model Hospital Related	0.000	-0.300	-0.300	-0.300	-0.300	-0.300
Staffing efficiencies	0.000	0.000	-0.180	-0.180	-0.180	-0.180
Income generation	0.000	0.000	-0.330	-0.330	-0.330	-0.330
Procurement efficiencies	0.000	-0.080	-0.080	-0.080	-0.080	-0.080
Total Revenue Savings	0.000	-0.380	-0.890	-0.890	-0.890	-0.890
Cumulative Revenue Savings	0.000	-0.380	-1.270	-2.160	-3.050	-3.940
Revenue Tax Savings (maximum)						
Estates Non PFI Tax Savings (HRI)	0.000	-0.580	-0.580	-0.580	-0.580	-0.580
Procurement Tax Savings (HRI)	0.000	-2.500	-2.500	-2.500	-2.500	-2.500
Total Tax Savings	0.000	-3.080	-3.080	-3.080	-3.080	-3.080
Cumulative Tax Savings	0.000	-3.080	-6.160	-9.240	-12.320	-15.400
Revenue Costs						
Monitoring costs	0.000	0.100	0.100	0.100	0.100	0.100
Additional insurance and audit costs	0.000	0.100	0.100	0.100	0.100	0.100
Total Revenue Costs	0.000	0.200	0.200	0.200	0.200	0.200
Cumulative Revenue	0.000	0.200	0.401	0.601	0.802	1.002
Capital Tax Savings						
Capital Goods Scheme (one off)	-2.100	0.000	0.000	0.000	0.000	0.000

Future Capital Spend of £12m pa	0.000	-2.400	-2.400	-2.400	-2.400	-2.400
Capital Savings (tax)	-2.100	-2.400	-2.400	-2.400	-2.400	-2.400
Cumulative Capital Savings (tax)	-2.100	-4.500	-6.900	-9.300	-11.700	-14.100

Tax on Profit

Tax on Profit - 95% to be gifted to Trust

NET SAVINGS EACH YEAR (HRI)

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CUMMULATIVE NET SAVINGS (HRI)

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Technical benefit due to depreciation and PDC	0.700	0.700	0.700	0.700	0.700	0.700
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	0.000	-0.240	-0.240	-0.240	-0.240	-0.240
	0.000	-0.012	-0.012	-0.012	-0.012	-0.012
	0.000	-0.012	-0.012	-0.012	-0.012	-0.012

5.1.2 The savings calculations will need to be further tested and agreed by the Trust in the development of the commercial model and as part of the FBC.

5.2` Tax Advice

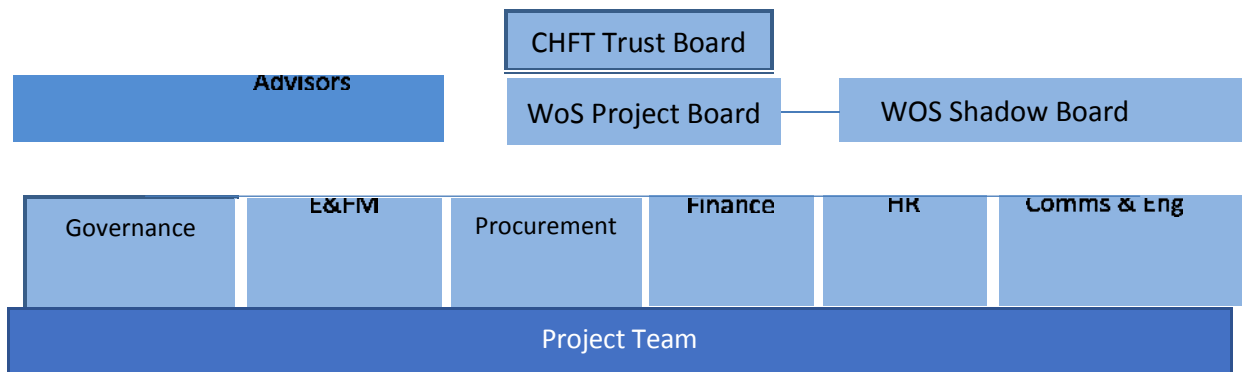
5.2.1 The opinion of the Trusts auditors Ernst and Young has been sought on the likely tax implications associated with the establishment of a Wholly Owned Subsidiary.

6 MANAGEMENT CASE

6.1 Programme and Project Management

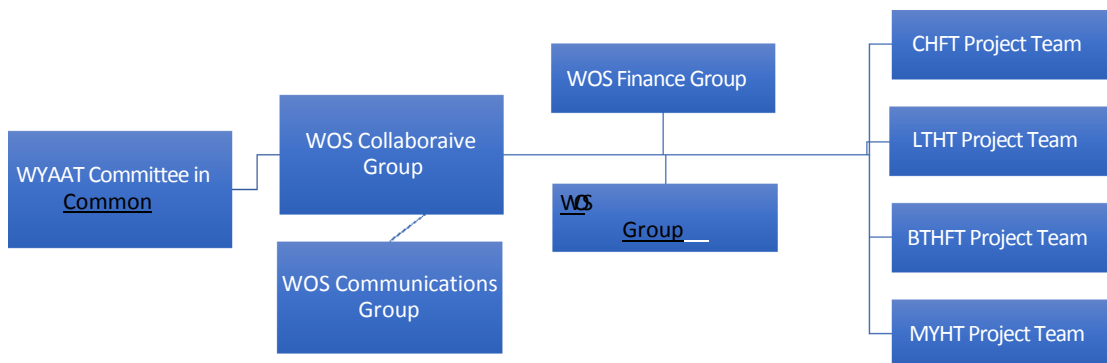
6.1.1 The project governance structure for the preparation stage consists of:

- Project Board
- Workstream Leads
- Workstreams for E&FM, Procurement, Finance as well as representatives from HR, IT, Communication and Engagement and Governance.



6.1.2 The Project Team currently meets weekly. A Project Board is also established and is formed with lead representatives from each organisation. A suite of project management tools is established including a risk register and issues log. The project is supported by a number of groups which cover Finance, Workforce & HR, Service Delivery & Implementation and Communications.

6.1.3 WYAAT support is provided at a programme level across the participating Trusts and consists of a monthly E&FM Collaborative meeting supported functional collaborative groups for communications and engagement, workforce and finance.



6.2 Project Milestones

6.2.1 There are two implementation phases for the Project and the overarching plan will be supported by the individual trust-based plans. The phasing is described below:-

6.2.2 **Phase 1 Creation of Individual WOS** involves the transfer of Estates and Facilities and Procurement staff under existing terms and conditions into individual Trust WOS's with a new delivery model, and contracts in place for services based on current contracts.

6.2.3 **Phase 2 Collaborative WOS** involves the development of Service by Service Improvement plans to establish opportunities for wider collaboration including with other Public-sector bodies. A review of the Operating Model will be undertaken to consider a more collaborative approach including the creation of Single WOS for service delivery of specialist services.

6.2.4 Subject to Board approval to progress throughout Phase1 of the project, milestones for CHFT are:-

Milestone	Date
Trust Board support and approval in principle to proceed with project development and establish WOS	December 2017
Trust Project Team established	January 2018
E&FM Joint Consultative Committee Established	February 2018
Calderdale and Huddersfield Solutions Ltd Established	March 2018
Trust Board due diligence re SLA's, leases, legal documents and WOS operational policies	April- 18 – August 2018
Formal staff consultation period	May – August 2018
Full Business Case Approval FBC (operational details and contract)	August 2018
Contracts signed	August 2018
Staff transfer and WOS operational	August-2018

6.2.2 A comprehensive Programme plan is included at Appendix D.

6.3 Board Due Diligence

6.3.1 Care has been taken in the drafting of the outline programme to ensure sufficient time for Board level due diligence. A series of workshops is recommended to confirm: -

- Service inclusion
- Terms and conditions
- Commercial model
- Business continuity
- Reserved matters and legal transfer

6.4 Benefits Realisation

6.4.1 This section is concerned with putting in place the management arrangements required to ensure that the benefits detailed in the Economic Case are delivered. A detailed benefits realisation plan will be developed as part of this programme. The high-level Benefits Realisation Strategy is to: -

- Identify the benefits and responsibility for their delivery
- Establish baseline measurement where possible
- Quantify benefits
- Assign responsibility for the actual realisation of benefits throughout the key phases of the programme
- Periodically assess realisation and initiate any actions required
- Record further expected benefits identified during the Project
- Measure outcomes.

6.5 Risk Management

6.5.1 A Trust based risk register for the project is established in order to identify, assess and control risks that emerge during a project lifecycle. Its purpose is to support better decision making through understanding the risks inherent in a programme of this size and their likely impact. This is included at Appendix F. Effective risk management helps the achievement of wider aims such as: -

- Effective change management
- Efficient use of resources
- Better project management
- Minimising waste and fraud
- Supporting innovation.

6.6 Post Project Evaluation Strategy

6.6.1 This section sets out how the various stages of the Project will be reviewed. Firstly, a Project Evaluation Review (PER) will be carried out to improve project appraisal at all stages of a project from preparation of the business case through to the design, management and implementation of the scheme.

6.6.2 Secondly, a Post Implementation Review (PIR) will be carried out to assess the implementation of the completed working solution. It usually takes place between 6 weeks and 6 months after the completion of deployment. The objectives of the review will be to: -

- Identify how well the project aims and objectives have been achieved
- Determine if the project timescales were met, both overall and for each key milestone, and what corrective actions, if any, were taken.

- Determine if the project costs were controlled and were within budget, both overall and for each of the parts of the project, and what corrective actions, if any, were taken
- Against the benefits realisation plan identify what benefits have been achieved (both cash releasing and non-cash releasing) and seek the realisation of any outstanding benefits, including the implementation of any procedural and process changes
- Assess the efficiency of the acquisition process and document the shortcomings for the benefit of future projects.

Appendix A – Case for Change Benefit Appraisal

1 Criterion and Weighting

Benefits	Criterion	Weighting
Workforce	Increased scale of service offer improving workforce retention	5
	Increased scale of service offer improving career development	5
	Retains NHS staff and expertise	7
	Improves workforce agility	3
	Improves workforce resilience via the pooling of specialist expertise	6
	Improves ability to recruit and retain high quality leadership and specialist expertise	5
	Flexibility of terms and conditions	3
	Workforce Total	34
Quality and Performance	Improves the focus on service quality by adopting and sharing best practice	4
	Enables a customer focus through a single point of contact helpdesk and single KPI tracking process	4
	Enables the adoption of a single set of KPI's for performance management	4
	Enables a consistent approach to the management of and accounting for property assets across partner organisations	4
	Ensures E&F service across WYATT achieve a minimum CQC rating of Good	4
	Ensures E&F service achieve the Carter benchmark of lower and mid quartile in terms of ERIC data	4
	Improves the responsiveness of E&F services to change	4
	Contribute savings to assist in closing the financial gap between current demand and budgets	5
	Quality and Performance Total	33
Commercial	Maximises the potential for securing third party income	5

Benefits	Criterion	Weighting
	Enables the bulk purchase of supplies and equipment	5
	Enables a consistent approach to contract management	4
	Enables a consistent approach to PFI contract management	4
	Enables a consistent approach to the management of and accounting for property assets across partner organisations	4
	Enables a reduction in the cost of energy through a managed service framework	5
	Increases the ability to realise savings through capital development and disposals	6
	Commercial Total	33

100

2 Benefit Appraisal

The lead representatives for each organisation on the delivery group were asked to score the criterion between 1 and 10 as follows:

1	2	3	4	5	6	7	8	9	10
Unlikely to realise any benefits in regard to this criterion		May realise some of the minor benefits in relation to this criterion			May realise some of the major benefits in relation to this criterion			Likely to deliver most of the benefits associated with this criterion	

All Trusts completed the scoring and this indicated that as well as the 'Do Nothing/Minimum Option' which will be taken forward as a comparator the highest scoring options indicating the most benefit based on the criterion were:

Option 3 – Lead Provider Model

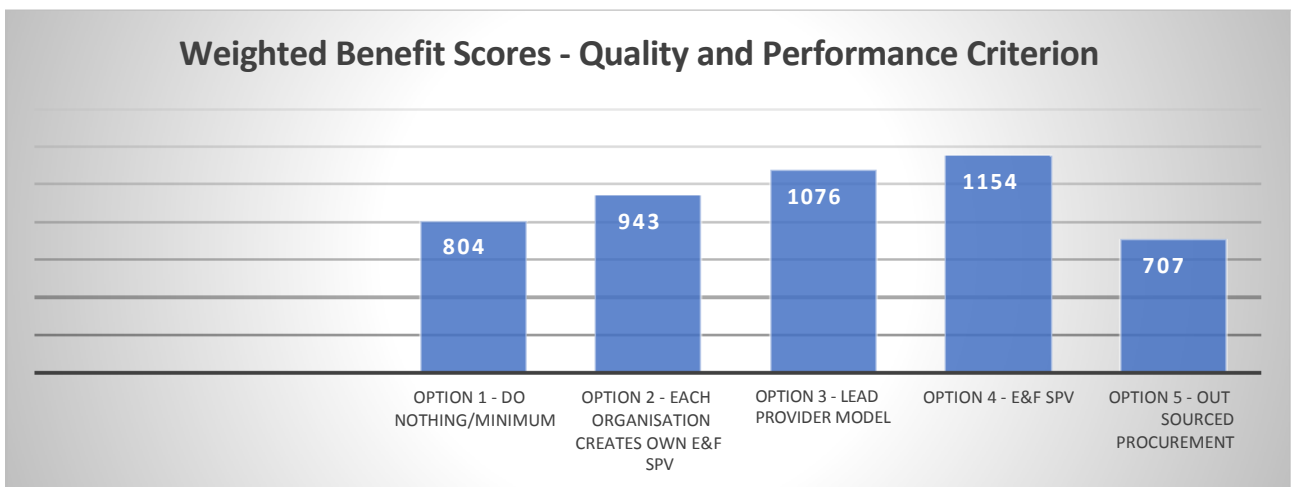
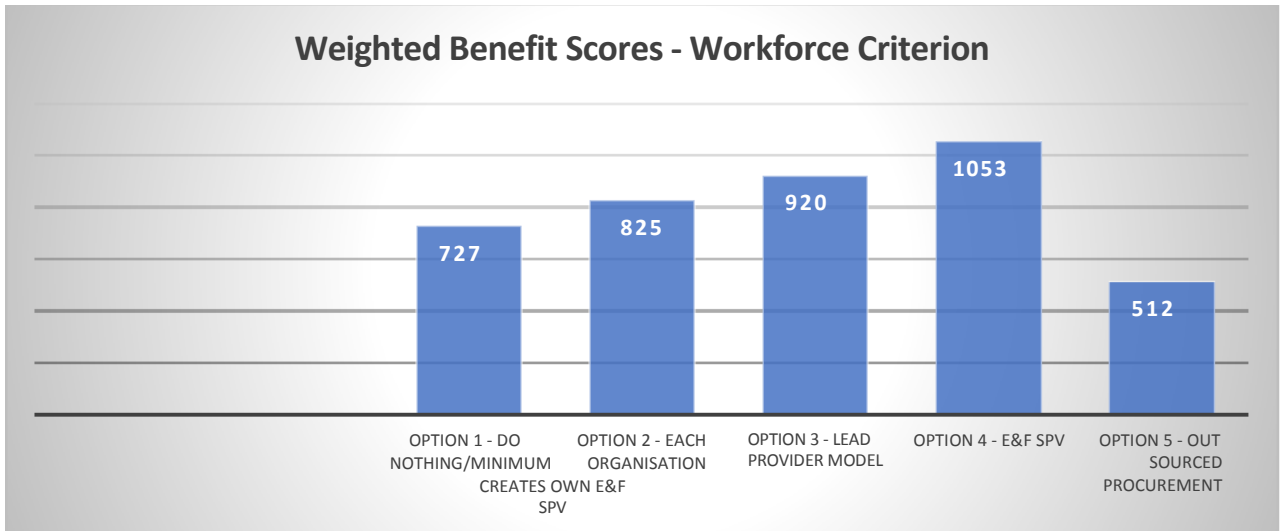
Option 4 – WOS Limited Company or Partnership Model

The individual Trust ranking of options based on the weighted benefit score does not indicate an absolute consensus and this is to be expected given the diversity of acute Trusts within the WYAAT partnership. What can be concluded from the benefits appraisal at this stage is that:

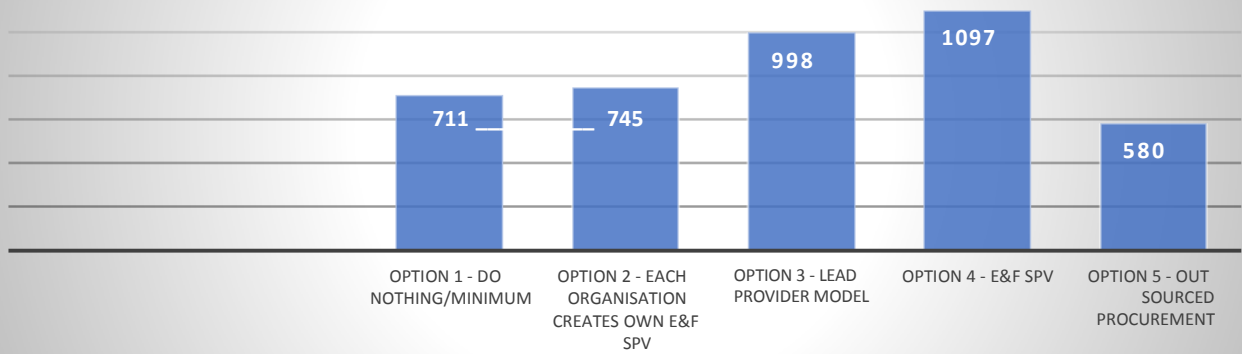
- There is limited appetite for outsourcing. Option 5 – out sourcing has received the lowest benefit score overall. This is due to the potential costs and risks associated with this option including concerns relating to quality and the potential negative impact on staff morale and workforce retention.

- Option 2 with each organisation forming its own WOS is seen as organisations working in isolation and potentially WYAAT Trust’s being in competition with one and other, although two Trusts have ranked this 2nd.
 - Option 4 has the highest benefit ranking across all Trusts but it was noted for Bradford Teaching Hospitals NHSFT that do nothing/minimum also scored highly.

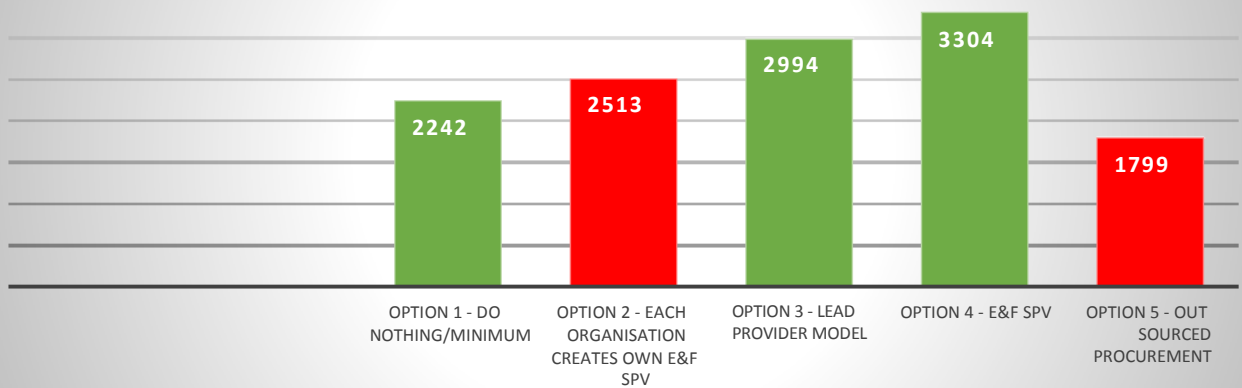
The weighted scores across each classification of the criterion were:



Weighted Benefit Scores - Commercial



Weighted Benefit Scores - Total



Based on the benefits appraisal at Stage 1 as well as Option 1 'do nothing/minimum' the shortlisted options for further review and comparison were:

- Option 3 – Development of Lead Provider delivery model.
- Option 4 – **Development of an Estates and Facilities Arm's Length WOS**

Appendix B – Financial Evaluation of Options

Note: Financial option appraisal excludes any tax implications for all options.

Option 1 - Do Nothing/Minimum	Yr 0	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
	£m	£m	£m	£m	£m	£m
Project Costs						
Programme management	0.00	0.00	0.00	0.00	0.00	0.00
Trust Project Managers	0.00	0.00	0.00	0.00	0.00	0.00
Procurement support	0.00	0.00	0.00	0.00	0.00	0.00
Legal & Tax advice	0.00	0.00	0.00	0.00	0.00	0.00
Admin support & non-pay items	0.00	0.00	0.00	0.00	0.00	0.00
HR Project	0.00	0.00	0.00	0.00	0.00	0.00
Finance Project	0.00	0.00	0.00	0.00	0.00	0.00
Project Management	0.00	0.00	0.00	0.00	0.00	0.00
Contingency 10%	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00	0.00	0.00
Cumulative Project Costs	0.00	0.00	0.00	0.00	0.00	0.00
Revenue Savings						
Service efficiencies - Carter related	0.00	-0.42	-0.42	-0.42	-0.42	-0.42
Service efficiencies - collaboration related	0.00	0.00	0.00	0.00	0.00	0.00
Staff efficiencies	0.00	0.00	0.00	0.00	0.00	0.00
Income generation	0.00	0.00	0.00	0.00	0.00	0.00
Procurement efficiencies	0.00	0.00	0.00	0.00	0.00	0.00
Total Revenue Savings	0.00	-0.42	-0.42	-0.42	-0.42	-0.42
Revenue Costs						
Monitoring costs	0.00	0.00	0.00	0.00	0.00	0.00
Total Revenue Savings	0.00	0.00	0.00	0.00	0.00	0.00
Annual Costs & Savings	0.00	-0.42	-0.42	-0.42	-0.42	-0.42
Cumulative Costs & Savings	0.00	-0.42	-0.84	-1.25	-1.67	-2.09
Tax on Profit	0.00	0.00	0.00	0.00	0.00	0.00
Corporation Tax	0.00	0.00	0.00	0.00	0.00	0.00
Taxes per annum	0.00	0.00	0.00	0.00	0.00	0.00
Cumulative Costs & Savings after tax	0.00	-0.42	-0.84	-1.25	-1.67	-2.09

Option 3 - Lead Provider	Yr 0	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
	£m	£m	£m	£m	£m	£m
Project Costs						
Programme management	0.02	0.02	0.00	0.00	0.00	0.00
Trust Project Managers	0.03	0.03	0.00	0.00	0.00	0.00
Procurement support	0.00	0.00	0.00	0.00	0.00	0.00
Legal & Tax advice	0.03	0.00	0.00	0.00	0.00	0.00
Admin support & non-pay items	0.00	0.00	0.00	0.00	0.00	0.00
HR Project	0.01	0.03	0.00	0.00	0.00	0.00
Finance Project	0.01	0.03	0.00	0.00	0.00	0.00
Project Management	0.00	0.01	0.00	0.00	0.00	0.00
Contingency 10%	0.01	0.01	0.00	0.00	0.00	0.00
Total Project Costs	0.12	0.13	0.00	0.00	0.00	0.00
Cumulative Project Costs	0.12	0.25	0.25	0.25	0.25	0.25
Revenue Savings						
Service efficiencies - Carter related	0.00	-0.42	-0.42	-0.42	-0.42	-0.42
Service efficiencies - collaboration related	0.00	-0.03	-0.03	-0.03	-0.03	-0.03
Staff efficiencies	0.00	0.00	-0.22	-0.23	-0.23	-0.24
Income generation	0.00	0.00	-0.31	-0.35	-0.39	-0.42
Procurement efficiencies	0.00	0.00	-0.01	-0.01	-0.01	-0.01
Total Revenue Savings	0.00	-0.45	-0.99	-1.03	-1.08	-1.12
Revenue Costs						
Monitoring costs	0.00	0.10	0.10	0.10	0.10	0.10
Total Revenue Savings	0.00	0.10	0.10	0.10	0.10	0.10
Annual Costs & Savings	0.12	-0.22	-0.89	-0.93	-0.98	-1.02
Cumulative Costs & Savings	0.12	-0.10	-0.99	-1.92	-2.89	-3.91
Tax on Profit	0.00	0.00	0.00	0.00	0.00	0.00
Corporation Tax	0.00	0.00	0.00	0.00	0.00	0.00
Taxes per annum	0.00	0.00	0.00	0.00	0.00	0.00
Cumulative Costs & Savings after tax	0.12	-0.10	-0.99	-1.91	-2.89	-3.91

Option 4 - WOS	Yr 0	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
	£m	£m	£m	£m	£m	£m
Project Costs						
Programme management	0.02	0.02	0.00	0.00	0.00	0.00
Trust Project Managers	0.03	0.03	0.00	0.00	0.00	0.00
Procurement support	0.00	0.00	0.00	0.00	0.00	0.00
Legal & Tax advice	0.03	0.00	0.00	0.00	0.00	0.00
Admin support & non-pay items	0.00	0.00	0.00	0.00	0.00	0.00
HR Project	0.01	0.03	0.00	0.00	0.00	0.00
Finance Project	0.01	0.03	0.00	0.00	0.00	0.00
Project Management	0.00	0.01	0.00	0.00	0.00	0.00
Contingency 10%	0.01	0.01	0.00	0.00	0.00	0.00
Total Project Costs	0.12	0.13	0.00	0.00	0.00	0.00
Cumulative Project Costs	0.12	0.25	0.25	0.25	0.25	0.25
Revenue Savings						
Service efficiencies - Carter related	0.00	-0.42	-0.42	-0.42	-0.42	-0.42
Service efficiencies - collaboration related	0.00	-0.03	-0.03	-0.03	-0.03	-0.03
Staff efficiencies	0.00	0.00	-0.32	-0.32	-0.33	-0.34
Income generation	0.00	0.00	-0.62	-0.69	-0.77	-0.85
Procurement efficiencies	0.00	-0.02	-0.02	-0.02	-0.02	-0.02
Total Revenue Savings	0.00	-0.47	-1.40	-1.48	-1.57	-1.65
Revenue Costs						
Monitoring costs	0.00	0.10	0.10	0.10	0.10	0.10
Total Revenue Savings	0.00	0.10	0.10	0.10	0.10	0.10
Annual Costs & Savings	0.12	-0.24	-1.30	-1.38	-1.47	-1.55
Cumulative Costs & Savings	0.12	-0.12	-1.43	-2.81	-4.28	-5.83
Tax on Profit	0.00	0.00	0.00	0.00	0.00	0.00
Corporation Tax	0.00	0.00	0.00	0.00	0.00	0.00
Taxes per annum	0.00	0.00	0.00	0.00	0.00	0.00
Costs and Savings after tax	0.12	-0.24	-1.30	-1.38	-1.47	-1.55
Cumulative Costs & Savings after tax	0.12	-0.12	-1.43	-2.81	-4.28	-5.83

Appendix C – Staffing by Grade

Pay Band	Joiners 01-Feb-17 - 31-Jan-18	Headcount 31-Jan-18	% Joiners by Pay Band
Apprentice	0	1	0%
Band 1	30	246	12%
Band 2	5	63	8%
Band 3	5	27	19%
Band 4	1	34	3%
Band 5	1	4	25%
Band 6	2	22	9%
Band 7	1	6	17%
Band 8a	0	0	0%
Non-AfC SM	2	10	20%
Ad Hoc	0	1	0%
Total	47	414	11.35%

Appendix D – Project Programme

Activity	Milestone	Start Date	End Date
Governance			
Trust Board approval in principle to establish WOS		4th December 2018	
Legal and financial /tax advisors in place		01/01/2018	05/02/2018
Establishment of Project Board and Project team	y	01/02/2018	05/02/2018
Establishment of company	y	15/03/2018	15/03/2018
Register for VAT		15/03/2018	30/04/2018
Agreement of lease for HRI and sign off by Board		15/03/2018	30/08/2018
Legal documentation in place -Articles of Association, leases/licences, Operated Health care facilities agreement, Business transfer agreement, Support agreement, Inter Trust co-operation agreement, Non property assets and contracts. Plan to go to Board in July	y	12/02/2018	30/07/2018
Appointment of Trust reps/Board for WOS/shadow Board	y	01/03/2018	01/03/2018
Directors insurance/limited liability insurance - tender against health care operating agreement		06/04/2018	30/06/2018
Development of a communication strategy for CHFT		19/02/2018	31/03/2018
Development of an IT strategy for WOS and agreed SLA		19/02/2018	14/06/2018
Agree services to be provided by Trsut to WOS and SLA development		06/04/2018	30/05/2018
SO/SFI's developed for WOS		01/05/2018	30/07/2018
SLA's completed in draft for all service areas		19/02/2018	15/05/2018
Novation of all contracts		19/02/2018	31/07/2018
Report to Council of Governors	y	04/04/2018	04/04/2018
final business case to Board	y	30/08/2018	30/08/2018
Go live with all documents executed	y	30/08/2018	30/08/2018
Post implementation review		30/08/2018	30/08/2018
Work force and consultation			
Prepare draft consultation plan and timeline.		05/02/2018	12/02/2018
Seek feedback from management and staff-side colleagues on this plan.		14/02/2018	23/02/2018
Clearly identify staff impacted upon by the creation of the Wholly Owned Subsidiary.		01/02/2018	23/02/2018

Activity	Milestone	Start Date	End Date
Formal discussion with SMPF on creation of WOS		20/02/2018	31/05/2018
Establish Estates and Facilities Divisional Joint Consultation Committee to facilitate detailed consultation on the WOS TUPE.	y	14/02/2018	28/02/2018
Establish 'shadow' partnership forum for the new organisation (WOS) and undertake joint staff-side / management meetings.	y	14/02/2018	02/05/2018
Provide overview information to Trade Unions and resolve any issues		14/02/2018	14/05/2018
Written confirmation to each individual member of staff regarding the implications of functions transfers to the WOS and the enactment of TUPE – should include CHFT measures.		01/03/2018	18/05/2018
Notify collective staff side and regional officers of the commencement of formal individual consultation period.	y	26/03/2018	18/05/2018
One to one meetings offered to those individual members of staff accompanied by their Trade Union representatives We may need to draw a distinction between those who are affected by measures and those (if any) who are not and consult individually and collectively accordingly.		01/05/2018	30/06/2018
Individuals transferring to the new WOS issued with formal notification of their transfer in writing – should include any adjustments to measures and in light of issues raised through consultation.	y	30/06/2018	31/07/2018
Policy and due diligence work		06/04/2018	31/07/2018
Prepare HR packs of policies and procedures for WOS employees		30/06/2018	31/07/2018
The latest date that the transferor (sender) is legally obliged to provide liability information as requested by TUPE Reg	y	01/06/2018	02/08/2018
Seek approval for and enact Pensions Directions to secure continued access to NHS Pension provisions for those staff with existing NHS Pensions and as per NHS Pensions Checklist		01/04/2018	30/04/2018
Ensure payroll and ESR systems and processes in place		01/04/2018	30/08/2018
Estates and facilities			
Development of SLA's E and F general office, Health and safety, Help desk and switchboard, car park management, PFI contract management		01/02/2018	30/04/2018
Development of SLA's Estate Maintenance, Property Management, Capital projects, Energy and utilities management, Waste, Maintenance grounds and gardens, fire safety, space utilisation, Medical engineering		01/02/2018	30/04/2018

Activity	Milestone	Start Date	End Date
Development of SLA's Domestics, Porterage, Linen, Catering, transport		01/02/2018	30/04/2018
Agreement of services provided by CHFT to WOS, Payroll, Finance, Risk, Training, Occ Health, IT		01/02/2018	30/05/2018
All SLA,s to be completed with KPIs and costed. Costing matrix to be populated	y	15/06/2018	30/06/2018
Procurement			
Development of SLA for all services		01/02/2018	14/04/2018
Novation of contracts		01/05/2018	30/05/2018
Development of standard operating procedures		01/04/2018	30/04/2018
Staffing requirements for change in service delivery model		14/04/2018	30/05/2018
Stock take		01/05/2018	30/05/2018
All SLA,s to be completed with KPIs and costed	y	15/06/2018	30/06/2018
Finance			
Systems - financial model, ledger and interfaces, budgets, unitary payment		01/02/2018	30/06/2018
VAT - compliance and liaison with HMRC		01/02/2018	30/05/2018
Company established, VAT registered with bank account	y	01/03/2018	30/04/2018
Corporation tax - implications		01/04/2018	30/05/2018
Transfer pricing - start up capital, debt, equity, SLA pricing		01/02/2018	30/05/2018
Bank account - set up, cash flow, signatories		01/02/2018	31/03/2018
Accounts rec/Accounts payable - process, notify suppliers, creditors, treasury management		01/04/2018	30/05/2018
Assets - market value, leases, accounting implications		01/04/2018	30/05/2018
Other - PLICs, management accounting,		01/04/2018	30/05/2018

Appendix E – Staff Engagement and Consultation Milestone Plan

ACTION:	START DATE:	END DATE:
Prepare draft consultation plan and timeline.	5/2/18	12/2/18
Seek feedback from management and staff-side colleagues on this plan.	14/2/18	23/2/18
Seek feedback from management side and staff-side on draft project plan (of which this consultation plan is a subset).	14/2/18	23/2/18
Clearly identify staff impacted upon by the creation of the Wholly Owned Subsidiary.	1/1/18	28/2/18
Formal discussion with SMPF on creation of WOS – attendance at meeting scheduled for 20/2/18.	20/2/18	Ongoing
Establish Estates and Facilities Divisional Joint Consultation Committee to facilitate detailed consultation on the WOS TUPE.	14/2/18	28/2/18
Establish 'shadow' partnership forum for the new organisation (WOS) and undertake joint staff-side / management meetings.	14/2/18	28/2/18
Provide overview information to Trade Unions on the following: Formal notification that transfer will take place Date / proposed date of transfer Reasons for transfer Measures / proposed measures Numbers of staff transferring and from which sending organisations Numbers of agency workers working temporarily for the organisation / location and role.	14/2/18	28/2/18
Resolve any outstanding issues / queries with Trade Unions on the overall proposed consultation approach.	14/2/18	28/2/18
Written confirmation to each individual member of staff regarding the implications of functions transfers to the WOS and the enactment of TUPE – should include CHFT measures.	1/3/18	31/3/18
Notify collective staff side and regional officers of the commencement of formal individual consultation period.	26/3/18	1/4/18
One to one meetings offered to those individual members of staff accompanied by their Trade Union representatives We may need to draw a distinction between those who are affected by measures and those (if any) who are not and consult individually and collectively accordingly.	1/4/18	31/5/18
Any outstanding issues (may relate to terms and condition, employment status) from the above issuing of future destination information to individual staff and one to one meetings resolved.	1/4/18	31/5/18
Confirm and cross check staff impacted upon by the creation of the Wholly Owned Subsidiary – update staff transfer lists.	21/5/18	25/5/18
Individuals transferring to the new WOS issued with formal notification of their transfer in writing – should include any adjustments to measures and in light of issues raised through consultation.	21/5/18	25/5/18
Confirm and finalise WOS approach on measures – agree in partnership with Trade Unions. Ensure this is communicated to staff.	1/4/18	31/5/18

Please note that in addition to the above there is a significant amount of further detail lying behind each of the milestones identified.

Appendix F – Project Risk Register

Ref	Risk	Hazards	Impact	Likelihood	Current risk rating	Mitigation	Lead	Completion date	Residual risk
P02	Ad hoc order request system	End users requiring non catalogue items need a method of requesting items as contract variation	4	3	12	Procurement to set up system to receive ad hoc orders	Procurement	On going	12
Fin01	Incorrect unitary charge and future costs not covering costs	Subsidiary financial deficit	4	3	12	Cost model to calculate unitary payment signed off by subsidiary board and monitored at all board meetings	Finance	On going	12
Fin02	Control of access to the Finance ledger	Users unable to access subsidiary ledger to raise initial orders in August 2018	4	3	12	Finance to set up ledger (Suppliers and catalogue) before order commencement date	Finance	Aug 13th	9
HR02	Payroll not set up in time for September pay date	New staff record to set up for over 300 staff, Pay date to be agreed	4	3	12	LTH Payroll to setup payroll in new environment	HR	Aug-18	9
HR01	Engagement with Unions leads to dispute	Risk to business performance	3	4	12	Union engagement strategy developed and on going staff communication	HR	Aug-18	9
P01	Suppliers do not want to be novated	Risk that business critical suppliers will not want to novate	3	3	9	Supplier segmentation to identify key suppliers. Assignment of contracts or revision of service agreements where appropriate	Procurement	Aug-18	9
Fin04	Finance resource to help build cost model and new ledger etc.	Unitary payment not calculated for contract signing	3	3	9	Finance resource review and additional support to be identified	Finance	Jun-18	9
L02	Future materials management model not compliant	Trust staff cannot access CHS ledger	4	3	12	EY to confirm requirements and if proposed model compliant		May-18	8
HR03	A two tier workforce, staff on different terms and conditions	low staff morale, higher turnover of staff	4	2	8	Staff engagement strategy to be developed	HR	May-18	8
T04	NHS pension scheme not available to	Application to NHS pensions underway	4	2	8	Project Board to monitor			8
E01	All existing facilities services not included in SLA	Some existing services received by the trust no longer part of subsidiary service agreement. Budget not transferred.	2	3	6	SLA's to be agreed with trust clinical lead	Facilities	Jul-18	6
FL01	All existing Estates services not included in SLA	Some existing services received by the trust no longer part of subsidiary service agreement. Budget not transferred.	2	3	6	SLA's to be agreed with trust estates lead	Estates	Jul-18	6
T01	NHSI do not give approval to Non FTs to be part of WOS	NHSI informed of progress and Trusts responded to information requests	4	2	8	Ongoing dialogue	Trust Board	On Going	6
T02	Quality of clinical services may be adversely impacted	Development of robust SLA's that are monitored appropriately	4	2	8	Ensure SLA's are documented and agreed with trust clinical	Trust Board	On Going	6
L01	Contract documents not ready for signature date	Draft documents not available to schedule	3	2	6	CHS Board to monitor	Legal	Aug-18	6
T03	Trust signatories not available for contract signing	Named signatories with delegated authority to be nominated	3	2	6	AGHS Board to monitor	Trust Board		6
HR04	Right to works checks not complete by TUPE timeline	4 weeks grace from establishment of subsidiary	4	1	4	CHS Board to monitor	HR	Sep-18	4
Fin03	Subsidiary goes over 20% of business not for trust	Hamburg ruling of subsidiary business exceeded	2	1	2	Annual board monitoring	Finance	On going	2
L03	Security not part of OHFA	Erosion of model	3	3	9	Confirm with EY what model requires	Legal	43252	6