NHS
Airedale
NHS Foundation Trust

Airedale NHS Foundation Trust Wholly Owned Subsidiary

Full Business Case for a wholly owned subsidiary delivering Estates, Facilities and Procurement Services

CONTENTS

1.0 Executive Summary

The business case details the reasons for proposing the creation of a Wholly Owned Subsidiary for the delivery estates, facilities and procurement services. This is aligned to the Trusts drive for continual improvement in the quality of services provided to the local population and a reflection of the need to change our approach to continue to thrive and be sustainable going forward.

It reflects the national picture across the NHS, driven by the financial challenge, where organisations are coming together to work in different ways to ensure delivery of the population health, quality of care and better use of resources.

It is considered that the establishment of a wholly owned subsidiary company for Estates, Facilities and Procurement services, as described in this Business Case, will:-

- Enable the Trust and its subsidiary company to have greater focus on the specific core functions of these services and also enable the subsidiary to develop an increased commercial focus. This will enhance the opportunity to improve the quality of the services provided to Airedale NHS Foundation Trust and give greater potential to realise additional income which will be necessary to keep pace with the investments needed to ensure services can be sustained.

- Provide an improved focus and transparency of performance against standards as part a continued drive for improvement and efficiencies needed to respond to the rising demand for services the Trust provides.

- Provide a model which gives the subsidiary company greater flexibility to recruit and retain key staff, helping to address workforce pressures now and in the future.

- Gives an excellent opportunity to discharge our role in the wider community in respect of providing additional employment for local people at competitive rates of pay, the subsidiary will look to develop and train these people and provide opportunities to have a long and prosperous career. This will support the local authority's ambition of making Bradford a great place to live given the links between good employment and the health and wellbeing of the local population.

- Look to take up the opportunity of reviewing the potential of increasing the opportunities for local Small and Medium Enterprise (SME) to do business with the Subsidiary. The current SFI rules use the NHS criteria for doing business with SME's which are extremely strict and in most cases it makes it challenging for SME's to tender for business. This gives an opportunity to provide a huge boost to the local economy as well as providing potential growth in employment for other local businesses.

- Provide a significant contribution to the Trust's financial sustainability plan, quickly and with more certainty than other options.

- Provide a governance system which reserves control on key issues to the Trust, as the parent organisation, whilst also providing the company with delegated freedoms and flexibility to develop its services and its staff.

- Provide a service model which is more in accord with Trust values than other possible options, including valuing the Trust staff concerned and recognising their contribution. The governance arrangements would also require the subsidiary company to carry out its activities in accordance with the vision and values of the Trust.

- Research undertaken with other NHS Trusts who have progressed with this model has been positive in respect of improvements they are able to demonstrate with service and quality metrics, staff satisfaction, efficiencies delivered and growth.

- There is a significant risk that the Trade Unions will trigger formal dispute procedures with the Trust if this business case is supported.

The majority of the Trust's assets will be transferred to the subsidiary, this will include buildings, infrastructure, fixtures and fittings and consumables. These will constitute the managed service provided by the subsidiary as an Operated Healthcare Facility (OHF).

The Board should note that if this business case is approved it will not trigger a significant transaction in respect of the Foundation Trust Licence. However, NHS Improvement has requested that the business case is sent to them following Board consideration, at which stage they will confirm their agreement to proceed. NHSI have dealt with the creation of similar arrangements in other FTs, and has signalled that it does not regard this proposal as contentious.

It is acknowledged that this is a significant change for the Trust and for a large number of Trust staff and there are a number of risks associated with the proposal. These risks are summarised at section 6.2, and the Risk Log included as an appendix to this business case. However, as the case details it will deliver substantial benefits and it is therefore recommended that the proposal is considered and approved by the Board.

2.0 Background and alignment to Trust Strategy

The Trust focus over the previous few years has been setting out our Right Care ambition for our population; putting the patient and their care at the centre of everything that we do. The Right Care programme has had a relentless focus on improving the patient experience and maintaining high quality care, working in partnership across health and social care. The Trust's strong financial position in recent years has supported delivery of the strategy, and allowed capital investment in the estate including the new emergency department, new endoscopy suite, upgrade to the outpatients department, a number of ward refurbishments, and the keenly awaited AAU which will open in Spring 2018.

The NHS is facing increasing financial challenges linked to a number of factors - an ageing population giving rise to increased demand for the Trust's services, increased drug costs, rising public expectation, increasing regulatory requirements and workforce shortages that are creating competing demands for scarce financial resources.

In our local patch, the demographic challenge is complicated by the diversity of the communities we serve, significant areas of deprivation, and the rurality of our catchment area.

The Trust has through its positive financial position been able to manage local financial pressures but now recognises the need to do things differently to ensure that the organisation has a sustainable future. Externally, this involves working with partners across health and social care locally and regionally, in order to address the triple aim set out in the Five Year Forward View, i.e. population health, quality of care, and cost control. Internally, this has led to the recognition that the way the Trust runs its support functions needs to change to enable innovative solutions, to become more fleet of foot, to be able to work differently with our local community, and to create both savings and an income stream that will be available to support the Trust's financial position.

The creation of the SPV with its focus on delivering a high quality service managed through stretching contracts and KPIs, and its commercial freedoms to grow its business and develop innovative solutions and services will provide a better support for the Trust than maintaining the status quo.

In line with the overall focus on productivity across the NHS, the SPV will be required to deliver on operational efficiencies through standardisation and rationalisation of products. This will be achieved through establishing a managed equipment and consumables service which will enable a more collaborative approach between the estates and facilities and procurement services.

It is the Trust's genuinely held belief that this proposal provides our existing staff with greater protection and support when compared with other possible consolidation options that are being considered at a regional level, and it enables them to continue to work closely with the Trust, and be part of the Trust's delivery of the Right Care strategy to our population.

2.1 NHSI Position

If the Board approve proceeding with the SPV then NHSI approval will also be required. NHSI have requested that the Board paper is sent to them following Board consideration, at which stage they will confirm their agreement to proceed. At this stage they have not signalled that this will be contentious.

2.2 Significant Transaction

The Trust's FT Constitution includes a section to the effect that *'in considering any significant transaction, the directors shall have regard to the views of the Council of Governors'.* The term 'significant transaction' is defined as meaning a transaction meeting any one of the tests shown below:

- The fixed asset test; or
- The turnover test; or
- The gross capital test.
- The fixed asset test is met if the assets which are the subject of the transaction exceed 25% of the fixed assets of the Trust.
- The turnover test is met if, following completion of the transaction, the gross income of the Trust will increase, or decrease by more than 25%.
- The gross capital test is met if the gross capital of the company or business being acquired or divested represents more than 25% of the capital of the Trust following completion.

For the purpose of this section, a 'transaction' is any agreement entered in to by the Trust in respect of the acquisition of a business or services or the disposal of a business or service.

The Board is assured that the arrangements for transferring estates, facilities and procurement services to the wholly owned subsidiary will not trigger a significant transaction.

2.3 Trust reasons for proposing an SPV model

As set out in the Executive Summary the Trust's strategy is centred on providing high quality, accessible care for the local population in a context where there are significant financial constraints and increasing demand .The Trust will not be able to meet these challenges and sustain services without implementing new models of care and new models for delivering the business. The Trust believe that creating a subsidiary for estates, facilities and procurement will enable those services to be sustained at a high quality and prevent the need to cut costs that impact upon the quality of the services provided and or the wellbeing of the staff .

The reasons can be summarised as follows:

- **People: -** A subsidiary will deliver the benefits of having private sector freedoms with public sector values, including greater flexibility to allow staff incentives and rewards for excellent performance. This will ensure that staff and experience can be retained at the organisation and more specialist staff can be attracted to the organisation. The culture of the new organisation can be become more focused on performance, excellent customer service and be more agile and innovative. The subsidiary will target growth in the local community by providing local employment and continuous improvement.

- **Financial: -** The subsidiary will be managed as a separate financial unit which will be closely linked to performance metrics and patient focused objectives. NHS SFIs are rigid and restrict the opportunity to work creatively and flexibly with SMEs in the local community. Working through an SPV removes these issues and will enable the SPV to participate in and win more tenders/contracts for new business. The subsidiary will benefit from greater flexibility and more efficient processes, obtaining commercial regulatory advantages. Upon expansion there will be further advantage from the economies of scale that will be created through new contracts that the subsidiary wins. In the longer term it will be able to access funding, grants and other external investment. These benefits will ultimately be reflected in the Trust financial position.

- **Management: -** In forming a subsidiary the Trust will be able to maintain a level of control, rather than outsourcing and ensure a strong governance framework through the management of service level agreements. The trust will be able to focus on delivering its core services and risks.

- **Service: -** The subsidiary will ensure the delivery of improved services for the Trust which will improve patient care and patient experience.

- **Growth:** - The subsidiary will develop a separate identity and brand to enable it to bid for other work to increase in size and diversify its services into areas not available to the NHS.

In June 2017, the Board of Directors gave approval to proceed with the early stages of work to progress the proposal to set up a subsidiary company to provide estates, facilities and procurement services so that a detailed proposal could be considered

A Project Board and a Project Team were set up to take this forward, including the appointment of QE Facilities (Gateshead) to provide advisory services. An Interim Managing Director and Interim Finance Director have been appointed. This has enabled work to progress to further develop the proposal, as described in this Full Business Case.

Further detail is available in the outline business case, submitted to June board and the supplementary paper on quality benefits for the Trust, the benefits for staff, the vision and the non-financial benefits the subsidiary which was submitted to the board in September.

2.4 Scope of the Proposal

The support services being considered in this business case are shown in the table below. This business case relates only to the services identified; this does not preclude future consideration of this model for other non-clinical services at a future stage.

In scope	
1.	Procurement
2.	Stores (inc.receipt and distribution and the BDCFT service)
3.	Estate management
4.	Capital developments
5.	Domestic services
6.	Catering (via contract)
7.	Portering (including Radiology, pharmacy, ED and theatres)
8.	In hospital patient transfer
9.	Ward Hostessing
10.	Housekeeping
11.	Security (via contract) & Fire
12.	Car parking
13.	Linen services
14.	Estates and facilities admin
15.	Property management
16.	Medical Engineering
17	Gardening
18.	Other contract management
19	Health and Safety management
20.	Transport (via contract)
21.	Sterile Services Department
22.	Interpreting services
23.	Telecoms
24.	Volunteer Services management team **(this does not refer to volunteers per se)**

In establishing the company, there would need to be a transfer of assets to enable it to provide the Operated Healthcare Facility and enable the Trust to focus on its core activities of healthcare delivery. This would be facilitated using a non-cash transaction, although any loan repayments would be made by the subsidiary as cash payments over the agreed period. Any loan would need to be agreed through a Loan

Agreement and would be repaid by the subsidiary to the FT over an agreed period at an agreed commercial interest rate.

All of the Trust's assets will be transferred to the subsidiary, this will include buildings, infrastructure, fixtures and fittings and consumables. These will constitute the managed service provided by the subsidiary

3.0 Case for change and the benefits

The case for change can be summarised briefly as:

- Current staff surveys indicate that the people in Estates, Facilities and Procurement feel that they are a small part of a big organisation and a service function. The formation of the subsidiary will enable these people to be at the centre of their own organisation, therefore improving staff morale and culture. Evidence from more mature subsidiaries support that this is achievable.

- There is an opportunity to better use the expertise of staff in Estates, Facilities and Procurement to identify commercial opportunities.

- There is a strategic national direction through the Carter Report and STPs to review and transform how support services are provided;

- The quality of the support services being provided to the Trust could be further improved, as evidenced by the recent PLACE scores;

- There is a requirement for the Trust to make significant financial savings, part of which will need to be delivered by Estates, Facilities and Procurement services, so there is a case for considering how these services could be provided in different more cost effective ways, helping to enable the Trust to continue to provide sustainable and safe clinical services;

- Our staff are our greatest asset and without them we could not provide and sustain our excellent care to those who need it. We place importance on the Trust values relating to our staff and are committed to ensuring staff are recruited, retained, developed and engaged throughout their careers. Therefore, within the context of change already happening strategically in how support services are provided in the NHS, there is a case for considering how the Trust can best manage this for its services and support services staff;

- The Trust has also identified workforce pressures and risks in its People Plan and the need to consider flexibility in its workforce and reward systems to address these pressures, meet service needs and continue to deliver high quality services

3.1 Benefits of Change

Forming a subsidiary will enable a number of benefits to be realised for the Trust. These will include:

- Establishing a company to provide cost effective and quality support services, which focuses on this and this alone, enabling the Trust to focus on its core services.

- Helping to improve quality through detailed service specifications and KPIs as part of the Operated Healthcare Facility Contract and Service Level Agreements. Examples of this are in appendices 2-3.

- Providing greater flexibility and freedoms for the Trust's subsidiary company, enabling it to build upon the expertise of its staff and systems and develop a more commercial focus, capitalising on working outside the restrictions on NHS SFIs, with the aim of being better able to seize opportunities to generate additional income, for the benefit of the Airedale NHS Foundation Trust.

- Enabling the company to change the culture and develop new ways of working more effectively (which would be more difficult to achieve within directly managed Trust departments) whilst the company would still share the Trust's values, ethics and aspirations.

- Transferring performance risks relating to these services from the Trust to the company, with clear accountability arrangements.

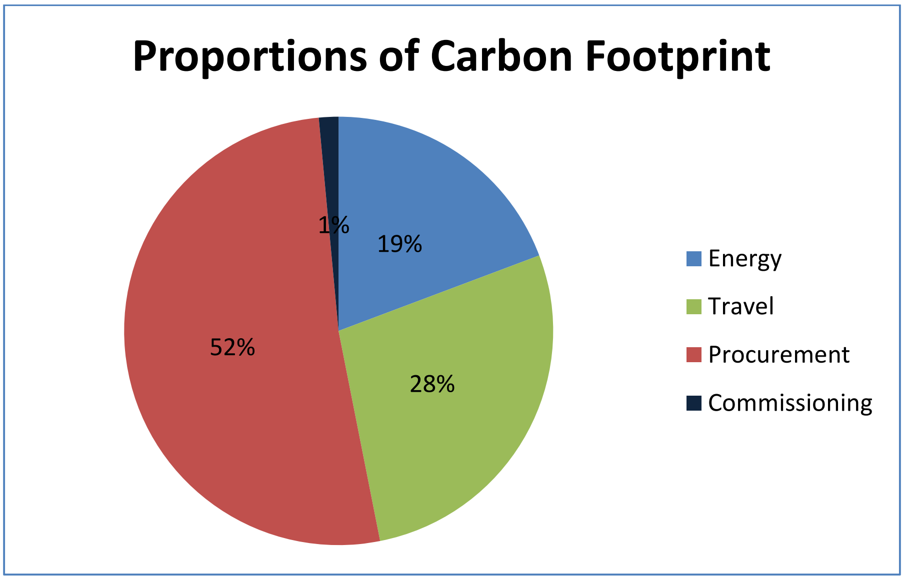
- Delivering a significant and tangible contribution to the Trust's financial delivery plan, supporting Airedale NHS Foundation Trust to continue to deliver sustainable, high quality and safe services.

- Allowing more flexibility to recruit and retain staff to provide these support services, addressing workforce pressures and risks.

- Offering more security to Airedale NHS Foundation Trust support services staff, compared to other possible options, as the Trust would retain specified reserved powers over the company.

- Providing an efficient, effective and quality managed equipment and consumables service which will deliver operational efficiencies from the standardisation and rationalisation of products, including a more joined up approach between estates and facilities and procurement services.

- Further improvements to sustainability, whilst the Trust has made a significant reduction in the energy consumed by the hospital (a reduction of 30% over the last 4 years), it can be seen in the graph below that energy use is only a small proportion of the Trust's Carbon footprint. A policy of more local procurement by the subsidiary and an improved use of electric vehicles will lead to a further reduction in Carbon emissions in the future.



3.2 Options Appraisal

This section describes the option appraisal, including the benefit criteria to be used in evaluating the options (derived from the objectives which the Trust wants to achieve); it identifies the possible options and the appraisal of these options to identify the preferred option.

The Board noted that the “do nothing” and outsourcing options had been excluded at an earlier stage by the management team. This happened at both an Airedale NHS Foundation Trust level and in a Case for Change Paper submitted to the West Yorkshire Association of Acute Trusts (WYAAT) Committee in Common in April 17. This is because a wholly owned subsidiary offered more significant benefits.

The Assistant Director of Estate and Facilities shared the options with the Executive Team via the Divisional Assurance Groups in spring 2017 and it was agreed at this level to seek support from the Board of Directors to pursue a Wholly Owned Subsidiary Company (WOS) for estates, facilities and procurement services.
The Board of Directors considered and received an Outline Proposal for a WOS at its meeting in June 2017 and supported the recommendation to develop a full business case for a WOS to consider in October 2017.

Whilst the Trust Board agreed the wholly owned subsidiary case in October 2017, for completeness the Board asked for a brief paper outlining this alongside 2 other options – **Do Nothing and Outsourcing**. The Board discussed these options as part of their deliberations and noted that the business case made reference to them and felt it would be useful to see them set out. The Board agree that this would not deter the decision to progress with a wholly owned subsidiary.

3.2.1 Case for Change and Benefit Criteria

The case for change for the proposal, set out in Section 3.0 has been used to derive the following benefit criteria to evaluate the options.

Quality of Support Services - the extent to which the options would improve the quality of Estate, Facilities and Procurement services provided to the Trust's clinical departments. This includes the potential for improvement through more transparent management and reporting against key performance indicators; and consideration of the nature of the working relationship between the Trust and the service provider e.g. the level of flexibility which the Trust would have in how services are delivered and responsiveness to requested contract changes from the Trust.

Staff Considerations - the extent to which the options would impact on staff, including staff security, recruitment, terms and conditions of service, and opportunities for existing Airedale staff. It takes into account consideration of the Trust's commitment to its staff in line with the People Strategy, including the Trust values relating to its staff.

Cost Savings – the extent to which the options would deliver a contribution to the Trust's financial delivery plan and financial stability and reduce the risk of cost cutting impacting upon the quality of services and or the staff experience.

Sustainability and Deliverability - how sustainable would each option be going forward and the impact on sustaining Trust services due to differing timescales involved in establishing each option and delivering financial savings and or opportunities. This would also include any benchmarking /research information available from other trusts that have either outsourced and or formed a wholly owned subsidiary.

Potential for Income Generation - the extent to which the considered options could generate additional income for the Trust through selling services to other organisations or diversification into new commercial activity.

Minimising disruption to services - this criterion has been added to those above, which were directly derived from the case for change for the proposal, recognising that any major change has a risk of causing disruption to services.

3.2.2 Identification of Options

The following options were agreed with the Board in October 2017 in order to compare the wholly owned subsidiary proposal with other possible ways of achieving the same objectives.

Do Nothing- This option would involve retaining direct management of the services as they currently exist. However this option would deliver no significant efficiency savings and place higher risks sustaining the quality and standard of services offered to the local population. This option also leaves a situation whereby the current workforce are highly likely to continue to report the impact of doing more with less negatively in respect of their staff experience and health and well- being .

Subsidiary Company- This option is the proposed solution that is agreed and detailed in the full business case. It would involve the transfer of all Estates, Facilities and Procurement staff and budgets to the subsidiary company and the transfer, where feasible, of Trust buildings to the company (through a 25 year lease); This would enable the subsidiary company to deliver a fully managed Operated Healthcare Facility service to those buildings that are leased to the company - this service would be provided through a detailed contract based on commercial terms. The Trust has also specified that approval from the NHS Pensions Scheme for access to their schemes for staff transferred to the subsidiary company would be necessary. The subsidiary would be part of Airedale NHS Foundation Trust group of companies, with the Trust reserving agreed powers.

Outsourcing-This option, commonly used in business and increasingly in recent years within central government and the public sector more widely, would involve the contracting out of the services in this business case to a private company outside of the NHS. It is a practice that is commonly used to reduce support services costs. Local examples include our own Trust outsourcing catering services to Sodexo or NHSPS outsourcing maintenance work for our community services buildings to Mitie (a national strategic outsourcing company).

3.2.3 Option Appraisal

Each of the shortlisted options above, were considered and appraised against the benefit criteria. This was undertaken by the Assistant Director of Estates and Facilities, the Head of Procurement, the Deputy Director of Finance, HR business partner with relevant departmental heads of service and agreed by the Chief Operating Officer.

The scoring methodology numerically assesses the various options to represent relative strength of each proposal against each benefit criteria in a range from -5 (detrimental effect) to 0 (neutral) to 5 (being the greatest possible benefit).

	Do Nothing	Subsidiary Company	Outsourcing
Quality of Support Services	0	4	2
Staff considerations	5	3	-5
Cost Savings	-4	5	3
Sustainability and delivery	-2	4	4
Potential for Income generation	1	4	1
Minimising disruption to services	5	3	3
Net score	**5**	**23**	**8**

Quality of Service. It was considered that a subsidiary company would be able to deliver an improved quality of service based upon both it and the Trust being able to

focus on their “core business”, with better performance management arrangements in place. It was felt that whilst this was also applicable to the outsourcing option, disadvantages would be the typically tighter management of contract changes and ad hoc jobs requested by the Trust, and less flexibility in how services are provided. It was also taken into account that the Trust’s clinical services would release their staff’s time with a subsidiary model, e.g. on removing management of some equipment and support service staff. The Trust Board would retain less control and influence over key decisions in respect of strategy and direction with outsourcing as compared to a wholly owned subsidiary.
The Do Nothing Option is not realistic given the current performance and quality metrics in the services being considered. It is clear that in estates and facilities there is not sufficient potential to reduce costs further without impacting upon the quality of the services offered. In respect of procurement whilst the team is high performing and benchmarks exceptionally well when compared to other Trusts as demonstrated in the Lord Carter reports, there are significant further opportunities associated with a wholly owned subsidiary.

Staff Considerations*.* In comparing the options, it was considered that the advantages of the do nothing and subsidiary company options score highly in relation to staff, given the added commitment by the Trust to protect Agenda for Change terms and conditions for the life of the contract. However, there are concerns about the future sustainability of the do nothing option relating to staffing considerations, this is reflected in the sustainability and deliverability criteria below. For the outsourcing option there would be additional factors relating to risks around longer term protection of NHS terms and conditions for transferred staff and on-going level of commitment to the values of Airedale NHS Foundation Trust. Recent examples whereby Airedale staff at Skipton transferred to OCS have raised concerns about how staff are treated in outsourced contracts.

Cost Savings*.* Significant cost savings are identified from establishing a subsidiary company as identified within the business case. It was considered that although an outsourcing company could realise similar operating savings, the typical outsourcing company profit margin, plus central overhead costs would reduce the savings passed back to the Trust, ultimately to a much lower point than could be achieved with a subsidiary. The outsourcing option was therefore marked lower. Further financial savings under the current model would be very limited; the Lord Carter dashboard indicates that the Trust is already operating at a very efficient level.

Sustainability and Deliverability*.* The subsidiary company option was assessed as being a more sustainable solution for future years than the “do nothing” option. The do nothing and outsourcing options were given lower values reflecting the need to make significant financial savings in the near future and the timescales involved in the outsourcing option delivering savings, as well as a longer period of uncertainty for the staff concerned.

Potential for Income Generation. The appraisal against this criterion was based upon the ability of a subsidiary company to be able to respond quickly and be able to develop commercial opportunities to generate income for the Trust, compared to the other options. An outsourcing company would retain any new income generated rather than consolidate it back to the Trust.

Minimising Disruption to Services. It was considered that all the options would involve greater disruption than the “do nothing” option. However it was assessed that the level of short term disruption to the Trust and its services around implementing the subsidiary company option, which essentially involves Airedale staff working together, would be less than the disruption in implementing the outsourcing option, involving developing a working relationship with a third party.

3.2.4 Identification of Preferred Option

The analysis above identifies the proposal to establish a subsidiary company as the best scoring option.

All options have risks and therefore it should also be considered whether this option presents any risks which are considered significant enough in comparison to the other options to prevent it being selected as the preferred option.
As the Board are aware the risks associated with establishing a wholly owned subsidiary were considered in detail in section 6.2 of the full business case.
On the basis of the subsidiary company proposal scoring best against the benefit criteria and after the consideration of relative risks, the wholly owned subsidiary company full business case is presented to the Board as the preferred option.

4.0 Current Service Provision

4.1 Staff Numbers

The staff numbers transferring to the proposed subsidiary are detailed below. Whilst, there are 230 WTE’s identified, the number of people transferring, including bank staff is between 380 and 390. These numbers include all staff currently in the Estates, Facilities and Procurement departments. In addition, the ward hostesses, radiology porters, 1.7 WTE pharmacy porters and 1 health and safety coordinator post will be transferring to the subsidiary.

***The Board should note that the 300 plus volunteers that currently support the Trust do not form part of this proposal. The volunteer management roles that work in support of the volunteers that will transfer into the subsidiary will ensure that the support for the volunteers is not disrupted at any point in this process**.

4.2 Interim appointments

As the board are aware the Trust have appointed a Managing Director and a part time Finance Director on an interim basis. This was required as it was necessary to establish a separate company in order to apply for the pensions order for the staff that will transfer into the subsidiary. The interim posts are being undertaken by existing staff from the Trust.

4.3 Proposed Management Structure

It is proposed that the subsidiary board will consist of the following posts:

- 1 x Managing Director
- Part-time Finance Director
- 1 x NED

HR support will be delivered through a reverse HR SLA. The professional support for this role will be provided by the Director of HR and Workforce Development for Trust through the HR SLA. It is recognised that there will be a high demand for HR support for the subsidiary in years 1 and 2 in respect of supporting TUPE processes as well OD and training for the teams as they are establishing themselves.

Further support is proposed in respect of the transfer of the senior management member from the procurement service into the subsidiary and 3 members of staff from the Trusts finance team who currently provide support to these services. All members of the management structure are existing staff employed by the Trust, thus limiting additional management costs in forming the subsidiary.

4.4 Service Performance

The national PLACE assessments provide a snapshot of how providers are performing against a range of non-clinical activities which impact on the patient experience of care, including cleanliness; the quality and availability of food and beverages and the environment The Trust is currently behind national averages in some areas.

Airedale Criteria	Airedale Results 2016	Airedale Results 2017	Airedale Difference from 2016	National Average (NA) Results 2016	Airedale Results 2017 vs National Average (NA) Results 2016
Cleanliness	95.59%	97.21%	+1.62%	98.06%	-0.85%
Condition, Appearance and Maintenance	87.70%	89.39%	+1.69%	93.37%	-3.98%
Privacy, Dignity and Wellbeing	74.07%	78.35%	+4.28%	84.16%	-5.81%
Food overall	87%	90.76%	+3.76%	88.24%	+2.52%
Organisational Food	88.26%	84.17%	-4.09%	87.01%	-2.83%
Ward Food	86.54%	92.31%	+5.77%	88.96%	+3.35%
Dementia	65.22%	74.91%	+9.69%	75.28%	-0.37%
Disability	68.63%	86.48%	+17.85%	78.84%	+7.64%

The subsidiary, through its service level agreements and key performance indicators will allow the Trust to increase its PLACE scores, and Carter metrics to national averages and therefore improve standards.

5.0 Staff and the People Strategy

This section describes the people strategy; the impact on staff; new terms and conditions for subsidiary staff and union engagement.

AGH Solutions People Strategy

Empowering individuals to create our future

When the Trust Board agreed to progress to a Full Business Case to consider whether or not to set up a subsidiary it was agreed that a key part of the considerations would relate to the subsidiaries culture and approach. This is not only the TUPE transfer of existing staff into the new company , but having a clear understanding of the approach to people management and development on an ongoing basis.
In response to this the Interim Directors and key management leads for the development of the business case were asked to detail this. The following information is

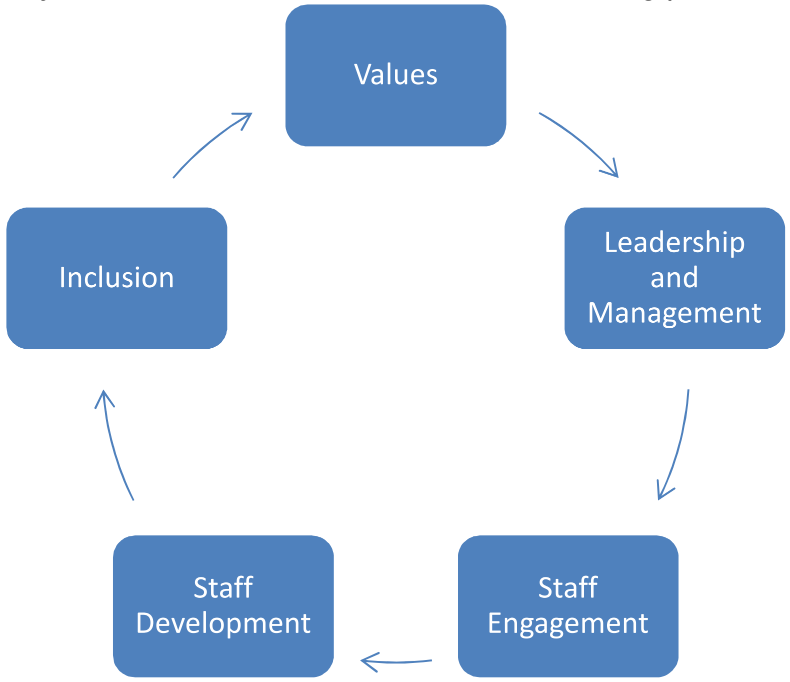
their initial response accepting that if the business case is approved the subsidiary board and management teams would want to develop this further with their staff.

5.1 AGH Solutions People Strategy

AGH Solutions will be a business in its infancy, our business is our people and without our hard working staff AGH Solutions would not exist. We will therefore aspire to be an employer of choice and through our people we will deliver a service that is efficient, effective, patient and customer focused. The People Strategy outlines our vision for how we will support, manage, lead and develop our workforce over the next 3-5 years. It recognises that the majority of staff that will be being TUPE transferred into the organisation are in departments that have had the highest levels of staff sickness absence, the lowest staff survey results and low staff morale. In contrast the Procurement Department is a department with one of the best staff survey results. This People Strategy sets out the vision for how we will transform the way we support our people to make AGH Solutions an employer of choice and a brand that our staff and the local community are proud of.

Our Ethos

AGH Solutions will deliver a staffing model which encourages hard work and good performance. We will reward staff for adhering to our values, displaying the behaviours we expect and for good performance. As a socially responsible employer we will offer employment opportunities for our local communities through recruiting apprentices which will give individuals opportunities to earn as they learn providing employment for our local communities where unemployment levels are higher than the national average. We will offer flexible working opportunities which will offer individuals opportunities to work where they may not be able to under conventional working patterns.



Our Vision

We will develop a vision that supports the Trust's Right Care Values and Behaviours, and focuses on delivering quality in a socially responsible and ethical manner. It will be important the values and behaviours that underpin the subsidiary's vision are aligned with the Trusts' values and behaviours, to support the staff from the subsidiary and the Trust as they work alongside each other to deliver services for our population. This work will be undertaken through a planned engagement process with the staff to ensure that the vision will be owned by everyone who works for AGH solutions, and staff will be able to articulate the core vision of the organisation and demonstrate the values and behaviours that underpin it.

We will reward individuals who display behaviours that represent our vision and those that work hard and perform well by offering incentives linked specifically to our vision and performance. We aspire to being an employer of choice.

Our Leaders and Managers

Our leaders will model our values. They will support our staff to be able to perform at their best and create a culture of openness and innovation. We will manage staff through fair performance and appraisal processes and provide support for our staff when they need it. Our leaders will reward performance with development and training so that our staff can develop to be able to perform to their best and progress their careers where they wish to. Our management of staff will be fair, consistent and even handed valuing individual and team contribution.

We will train our leaders and managers to ensure they are aware of their duties, know how to manage, lead and support staff and ensure they are aware of how performance management appraisals should be carried out. We will have policies and procedures in place which will provide structure and guidance in line with ACAS best practice guidance; this will provide a structure for our managers in managing and supporting our workforce. Strong line management support will be the key to our staff feeling valued, supported and engaged.

We will access the leadership and management training and development offer provided by the Trust through a Service Level Agreement. However, in order to enhance this offer and tailor development for both our staff and management a bespoke internal training and development offer will be devised to meet the needs of AGH Solutions.

Managers in areas with better staff engagement will work with their peers and share good practice.

Engagement and Staff Voice

This People Strategy aims to significantly improve staff experience in these areas with the belief that those carrying out work on the front line are the experts that should be encouraged and rewarded for making improvements in their work. We will increase staff engagement to create a culture of continuous improvement and an organisation that our staff are proud to be a part of.

We will establish a staff forum/voice which will be a mechanism for us to understand staff concerns, how we can support staff better and where we need to improve. This forum will also provide a mechanism for us to provide feedback to staff and determine how best to communicate with our staff, for example, 66% of staff in the Estates and Facilities Department did not feel they were given feedback about changes made in response to errors.

Staff will be encouraged to raise concerns. We will recruit a staff Freedom to Speak Up Guardian who will be our champion on the front line raising awareness and encouraging their colleagues to bring forward areas where we can improve. In turn we will offer incentives for individuals who take on this important role.

We will establish constructive and effective relations with our union colleagues with the joint aim of supporting our staff.

On recruitment every new starter will undertake an induction programme tailored specifically for AGH Solutions and focussed on the vision and values of the business.
We will seek staff feedback by having a regular staff survey and staff opinions will help us in improving how we lead, manage and support our staff. Our leaders will be visible, approachable and will communicate with our staff ensuring staff have opportunities to provide feedback. The staff survey results for 2016 tell us that in the Estates and Facilities Department 59% of staff did not feel they were involved in deciding changes that affected their work and 64% did not believe they could make improvements happen in their area. Our challenge In contrast, the Procurement Department had 73% of staff stating they were involved in deciding changes that affected their work and 91% reported that they were able to make improvements happen in their area.

Staff Development

AGH Solutions will identify talent within our workforce and support individuals to develop and enrich their roles. Individuals that wish to progress their career further and are high performing will be offered opportunities which will enhance their learning and development. A programme will be development which will offer opportunities for our best performers to have accelerated development which in turn will provide the organisation with a talent pool to support our succession planning.

We are committed to recruiting apprentices as a way of giving back to the community in an area where our nearest local authority has one of the lowest levels of academic attainment in the country. Our apprenticeship scheme will offer opportunities to individuals who may not otherwise be able to find a route into employment. We will utilise the training and development opportunities on offer by Airedale NHS Foundation Trust through a service level agreement to support those wanting to progress their careers. The apprenticeship scheme will help the organisation to develop a future workforce offering a true career path from Apprentice through to qualified skilled positions.

All senior managers will undertake a coaching course/qualification in order for the organisation to be able to work with our line managers to coach them towards having an open and consultative approach towards the management of their staff. All staff will have set training which will be mandatory. Job specific training will be provided where required to support staff.

We will support our staff develop within their roles and increase their knowledge base recognising that a successful business needs experienced staff who can be role models in sharing their knowledge. Our long serving staff will play a key role in the development of new staff.

AGH Solutions will develop an in house NVQ based assessment centre by skilling managers to become NVQ Assessors and establishing links with college and education providers, this will offer staff the opportunity to undertake qualifications in their field of work. Providing job enrichment and a more skilled workforce.

Inclusion

AGH Solutions will aim to be an organisation that truly reflects the makeup of our community and will aspire to achieve this by 2022. This will offer the organisation a rich mix of individuals with different experience to help us develop as an inclusive employer and service provider. Through recruitment we will aim to reflect the diversity of our community, with a particular emphasis on attracting and recruiting applicants from groups currently under represented in the workforce. We will do this through outreach and by utilising different approaches to recruitment. We will offer a range of work patterns that will attract individuals who are unable to work within the traditional working patterns offered. Our values will focus on respect and acceptance of our differences. We will develop and create an inclusion network that is focused on supporting the organisation to become a truly inclusive employer.

5.2 Staff – TUPE arrangements

The key points relating to staff in this proposal are:

- All staff employed in Estates, Facilities and Procurement and other staff identified at the date of the company becoming operational will be transferred to the company under the terms of the “Transfer of Undertakings (Protection of Employment) Regulations 2006” as amended by the “Collective Redundancies and Transfer of Undertakings (Protection of Employment) (Amendment) Regulations 2014”. These regulations are known as TUPE and apply to all organisations of all sizes and protect employees’ rights when the organisation or service they work for transfers to a new employer. In effect this means that staff would transfer with their current terms and conditions of service being retained. This covers for example basic pay, holidays, overtime rate, sick pay entitlements and enhancements such as for on-call, working weekends, bank holidays, unsociable hours etc.

- On the 18 September 2017 an application was made to the NHS Business Services Authority, which administers the NHS Pensions Scheme, to request that all staff who transfer under TUPE regulations continue to be able to access their NHS Pension Scheme. Under new procedures, final approval is only received following the transfer of staff to the new company. The Trust is expecting a “letter of comfort” from the NHS Business Services Authority confirming that if HMT’s fair deal policy requirements are met, a direction order will be granted. Should approval not be received for the pension order, this would be considered a material change and the Board will be asked to reconsider their decision on whether to proceed with the subsidiary, based on the updated pension information.

- New pension arrangements for new staff joining the company will be established, as they would not be able to access the NHS Pension Scheme. This would be provided under “NEST”, the new workplace pension scheme set up by the Government.

- Any future changes to terms and conditions for staff under TUPE would be the subject of due consultation with those involved and their representatives. It is not the intention of the subsidiary company to make any such changes.

- Any changes in job descriptions e.g. to reflect future service developments, will be discussed with the individuals concerned, with formal consultation where required, in line with best practice.

- Staff will continue to work in their current departments but, as currently within the Trust, things could change with any future service developments. Any changes would be discussed with the individuals concerned and their representatives with formal consultation where required.

- The new company would establish its own terms and conditions of employment for new staff joining the company. These are outlined in section 5.3. These aims to enable the company to be an employer of choice and support the key aims of the proposed People Strategy, creating a flexible workforce that can deliver a high quality service and be responsive to commercial opportunities that may arise. The terms and conditions will also enable the company to attract staff in areas where there are recruitment difficulties by offering a more flexible, person centred reward package in line with local market conditions. It will be possible to bring services that are contracted out back to within the subsidiary.

- Staff in the new company would remain eligible for the relevant salary sacrifice schemes.

- The company will recognise and value Union colleagues and place great importance on partnership working throughout this change process and in the future. The new company will set up a forum to enable it to meaningfully involve, engage and inform its staff. Any negotiation or consultation on employment matters will follow similar arrangements to the Trust with staff side and Trade Unions, in a separate company forum.

- The Health and Wellbeing of the workforce moving into the subsidiary company is important. This has been taken into account throughout the process thus far and will continue into the operation of the subsidiary company. Support will be available for staff and managers to guide them through the transition.

- The subsidiary company would commit to training and education by continuing to educate and equip staff with the necessary knowledge and skills to do their jobs and develop their potential.

- The company will ensure that the Trust values are intrinsic in its operations and people management.

5.3 Terms and Conditions for New Staff

AGH Solutions proposes to set terms and conditions for new starters that are competitive with the local employment market and that will attract talented individuals to the organisation. Examples of what this might mean are set out below:

- A minimum starting salary of £8.00/hour. This is above the government's national living wage of £7.50/hour and higher than the Trust starting salary of £7.88/hour.
- The opportunity for staff to earn a £500 non-consolidated annual bonus subject to meeting performance standards.
- Standard rates of pay for 'in hours' and 'out of hours', with enhancements for work on bank holidays.
- Cost of living increases determined by the subsidiary on an annual basis related to company performance.
- Initial periods of absence being unpaid with increased sick pay entitlement being earned over the years. The company will ensure its approach does not result in staff attending work when they are unwell.

- Bereavement, compassionate and special leave.

- Holiday entitlement in line with the private sector, but with extra days as reward for achieving performance standards.

- Maternity and paternity provision above statutory requirements.

Equal Pay

It is recognised that over time through natural turnover and as AGH Solutions expands as a business, new staff will be recruited on new terms and conditions outside of Agenda for Change. This will mean that there will be two separate sets of terms and conditions for staff employed by AGH Solutions. Whilst this is not uncommon within the private sector it does present a risk in relation to future equal pay claims. The advice received from QEF which reflects what they have done is this is mitigated by role design and by TUPE being seen as a material defence. The company will take legal advice on how best to mitigate future risks as it determines the new terms and conditions to ensure the approach taken is robust.

The SPV will use an objective job evaluation tool for new job roles to ensure equal pay for work of equal value.

6.0 Governance Arrangements

6.1 Governance

AGH Solutions Limited was registered at Companies House on 1 September 2017. The sole shareholder is Airedale NHS Foundation Trust and the directors are David Moss and Amy Whitaker.

Model Articles of Association have been adopted. The Articles of Association will be reviewed and finalised as part of the legal work-stream work that will commence once approval for the transfer of estates, facilities and procurement to the subsidiary company has been given.

For the purpose of providing assurance to the Board, the review of the Articles of Association will consider further the following subject matters:

- Directors' - powers and responsibilities, decision-making, appointments*
- Shares and distributions e.g. dividends
- Decision-making by the shareholder
- Administrative arrangements
- Director's indemnity and insurance

*The Board of Directors have signalled that a Non-Executive Chair will be appointed at a later stage.

The Trust as sole shareholder will be required to approve any changes to the Articles of Association.

The Trust and the subsidiary will need to ensure that appropriate governance arrangements are put in place so that the Trust, as sole shareholder of the subsidiary, can set and oversee the strategic direction of the subsidiary whilst allowing the directors of the subsidiary discretion to carry out the operational managements effectively, efficiently and with clear targets and milestones. This will require a clear decision making framework to ensure the Trust as shareholder makes the appropriate decisions reserved for them and at the same time, give sufficient authority to the subsidiary directors to make decisions in relation to the day to day activities of the subsidiary.

Appendix 5a is provided as an illustration of how this could work in practice using the Key Performance Indicators in respect of people management and leadership as an example. This would work alongside the annual planning process whereby the Trust Board would publish its strategic direction and objectives for the year and agree the relevant specifics with the subsidiary.

Governance arrangements must ensure accountability whilst not hindering operational activity, however an agreement is required to regulate, amongst other matters how the subsidiary is to be governed. This will be a key document as it will capture how the Trust as sole shareholder will exercise its control over the subsidiary. This will be shared with the Trust Board when the work has been done and it is complete.

In creating the subsidiary the following obligations will be considered either through the Articles of Association or through a controlling governing document i.e. shareholders agreement or standing orders.

- Define how important decisions are to be made (decisions reserved for shareholder approval)
- Running the company – including process for appointing, removing and remuneration of directors; audit arrangements (internal and external), approval of strategy, budget/business plan and annual report and accounts, Insurance arrangements
- Reporting arrangements to the shareholder
- Financial controls including banking arrangements
- Role descriptions for key senior manager positions including the Trust's Nominated Representative
- Dispute resolutions procedures including exit strategy

The following schedule shows the main matters reserved for the subsidiary board and those matters requiring shareholder approval (the list is not exhaustive).

Matters reserved for Subsidiary Board	Shareholder approval?
1. Strategy and Management	
1.1 Responsibility for the overall leadership of the Company and setting the Company's values and standards.	
1.2 Approval of the Company's strategic aims and objectives.	YES
1.3 Approvals of the annual operating and capital expenditure budget.	YES
1.4 Material changes to annual operating expenditure budget.	YES Where business plan limits exceeded by £xx
1.5 Material changes to annual capital expenditure budget.	YES Where business plan limits exceeded by £x

1.6 Oversight of the subsidiary's operations ensuring: o competent and prudent management; o sound planning; o maintenance of sound management and internal control systems; o adequate accounting and other records; and o compliance with statutory and regulatory obligations.	
1.7 Review of performance in the light of the subsidiary's strategic aims, objectives, business plans and budgets and ensuring that any necessary corrective action is taken.	
1.6 Extension of the subsidiary's activities into new business or geographic areas.	YES
1.7 Any decision to cease to operate all or any material part of the subsidiary's business.	YES
2. Structure and capital	
2.1 Changes relating to the subsidiary's capital structure.	BOTH
2.3 Changes to the subsidiary's management and control structure.	BOTH
3. Financial reporting and controls	
3.1 Approval of the annual report and accounts.	YES
3.2 Approval of the dividend policy.	YES
3.3 Recommendation of the dividend.	
3.4 Approval of any significant changes in accounting policies or practices	BOTH
3.5 Approval of treasury policies.	BOTH
3.6 Approval of material unbudgeted capital expenditure (in excess of Business Plan limits).	YES where >£x
3.7 Approval of material unbudgeted operating expenditures (in excess of Business Plan limits).	BOTH where >£x
4. Internal controls	
4.1 Ensuring maintenance of a sound system of internal control and risk management including: o Approving the subsidiary's risk appetite statements; o Receiving reports on, and reviewing the effectiveness of, the subsidiary's risk and control processes to support its strategy and objectives; o Approving procedures for the detection of fraud and the prevention of bribery; o Undertaking an annual assessment of these processes; and o Approving an appropriate statement for inclusion in the annual report.	YES (assurance via AFT Audit Committee)
5. Contracts	
5.1 Approval of procurement strategy for award of new contract by subsidiary where contract value (over the life of the contract) expected to be in excess of £x.	YES Where value is >£x
5.2 Disposal of land or rights over land to a third party.	YES
5.3 Disposal of obsolete or surplus items of plant, vehicles or equipment where the consideration is expected to be in excess of £x.	YES
5.4 Purchase of land/buildings, including leases.	YES
6. Board membership	
6.1 Ensuring adequate succession planning for the board and senior management to maintain an appropriate balance of skills and experience within the subsidiary and on the board.	
6.2 Appointment, removal or replacement of executive	BOTH

directors of the subsidiary.	
6.3 Appointment, removal or replacement of subsidiary Board Chair.	BOTH
6.4 Appointment, removal or replacement of any independent directors of the subsidiary.	BOTH
6.5 Appointment of members of Board Committees (including appointment of the Committee Chair).	BOTH
7. Remuneration	
7.1 Agreeing the remuneration of all executive directors of the subsidiary (including the Chief Executive Officer) within the constraints of the Remuneration Policy.	
7.2 Approving remuneration policy applicable to executive directors of the subsidiary and senior management (including the subsidiary's forward-looking policy on remuneration).	YES
7.3 Approving the implementation of the Remuneration Policy including approving the total pay received by each director during the year, including any bonuses payable.	YES
7.4 Determining the remuneration of the non-executive directors, subject to the articles of association and shareholder approval as appropriate.	YES
8. Delegation of authority	
8.1 Agreeing the division of responsibilities between the Chairman, the Chief Operating Officer and other executive directors.	
8.2 Establishing board committees and approving their terms of reference, and approving material changes.	BOTH
8.3 Receiving reports from board committees on their activities.	
9. Corporate governance matters	
9.1 Undertaking a formal and rigorous annual review of its own performance, its committees and individual directors, and the division of responsibilities.	
9.2 Determining the independence of non-executive directors in light of their character, judgment and relationships.	
9.3 Reviewing the subsidiary's overall corporate governance arrangements.	
9.4 Authorising conflicts of interest where permitted by the subsidiary's articles of association.	
9.5 Approval of the appointment of the auditors for the subsidiary.	YES
9.6 Prosecution, commencement, defence or settlement of litigation, or an alternative dispute resolution mechanism involving claims above £x or being otherwise material to the interests of the subsidiary.	YES (where claim is >£x
9.7 Approval of the overall levels of insurance for the subsidiary and the group up including directors' & officers' liability insurance.	YES
9.8 Changes to the subsidiary standing orders, SFI's and scheme of delegation.	YES
9.9 Approval of draft and final business plan.	BOTH
9.10 Approval of changes to the Articles of Association	BOTH
10. Policies	
10.1 Approval of material policies, including: o Code of Conduct; o Bribery prevention policy; and o Whistleblowing and reporting concerns policy.	
10.2 Approval of the subsidiary's Health and Safety Policy.	BOTH

This is work in progress which the Trust Board will be kept appraised of if the business case is approved. The Interim Directors of the subsidiary will be asked to produce a more detailed implementation plan which will provide the Trust Board with further opportunity to detail how this will work in practice.

It is proposed that once the subsidiary commences trading, the Trust's Audit Committee will provide assurance to the Trust that the governance arrangements are being applied in accordance with the governing documents. The assurance process will be set out in the governing documents.

The Trust Board of Director's will receive a quarterly report from the subsidiary's managing director setting out the subsidiary's performance against pre-determined KPI's. The proposed reporting format is attached in Appendix 5b.

Exit Strategy - as the proposed company would be a wholly owned subsidiary of the Trust, the Trust would have the power to dissolve the company, taking the assets of the company back into its ownership. In such an event, the staff employed by the company would be covered by TUPE regulations and the protection of terms and conditions of service that apply.

6.2 Risk

Subsidiary Risks

The current risk register for the project is in appendix 1.

There will be other risks with the formation of a wholly owned subsidiary, which are highlighted below:

- **Strategic Risks:** These include managing the speed of growth to ensure that the focus on core services is not diluted. The possibility of business failure and the implementation of implementing the exit strategy.

- **Reputational risks:** The strength of the relationship between the trust and the subsidiary is important and the balance between control and freedom must be appropriate.

- **Operational risks:** The governance arrangements for a new organisation of significant size must be managed from the offset.

- **Legislative Risks:** A change to taxation or legislation could affect the subsidiary although the specialist tax advice received by tax specialists at QEF suggests the model would be protected for the length of the contract (25 years). Market changes may also impact business direction.

Trust Risks

Reputational Risks

- The decision whether to link the brand of the NHS to the subsidiary must yet be decided. Any diversification by the subsidiary must be in areas that would not bring the Trust into disrepute and any risk managed by doing this in line with NHSE guidance.

- The Trust is meeting fortnightly with unions via the Airedale Partnership Group to discuss the subsidiary and to keep them updated with progress and developments. The relationship is good; an honest and open approach is being pursued. Despite this they are opposed to the NHS setting up these new business models and argue it is privatisation of the NHS. This gives rise to a risk of the Trade Unions triggering a dispute which could lead to Industrial Action.

- **Operational risks –** there is a risk that the Trust having transferred existing personnel with the technical expertise in estates, facilities and procurement services into the new subsidiary will be challenged in respect of oversight of the contract with the subsidiary. This will be mitigated via the detailed SLAs and the appointment of a contract manager for the Trust who has relevant experience and expertise to discharge this function.

7.0 Operational Working

The key features of the day to day operational working arrangements would include:

- Services will be provided by the company to agreed standards as set out in Service Level Agreements (SLAs) with associated key performance indicators (KPIs). These will include pricing of the service with agreed tolerances relating to levels of service, based on commercial terms. A list of SLAs is provided overleaf and examples of the detail of x 2 Service Level Agreement are provided at Appendix 2-3. This illustrates an example of one of the SLA proposed between the SPV and the Trust i.e. Domestic services and a reverse SLA between the Trust and the SPV i.e. payroll.

  There will be flexibility within the SLA's to allow for reasonable variances in demand for services to ensure that the Trust can avoid unnecessary from the subsidiary. There would not be additional charges for normal operational issues that we manage today, for example an outbreak of D&V, which requires a deep clean. Initially the transfer of services from the Trust to the subsidiary will be on a "status quo" basis, whereby the existing service will be matched and re-provided. Any significant changes will be managed through a variation to contract and separately costed. Where there are any performance issues in service delivery there will be a performance monitoring procedure and KPI remedial procedure which could ultimately result in service penalties should performance not improve.

The Trust intends to appoint a Senior Contract Manager, who will oversee the contract management on behalf of the Trust. This is a key part of the arrangements the Trust will have in place in respect of ensuring the SLAs are effectively managed on behalf of the Board.

- For a small number of services there will be SLAs for services provided by the Trust to the company. These are for services which are more effectively and efficiently provided by the Trust, for reasons of economies of scale. The “reverse SLA’s” would cover HR, Finance, payroll, IT, IG, training, risk management, marketing and communications. The reverse SLA will work in much the same way as above in relation to performance issues but vice versa.

- There will be more regular and transparent reporting to the Trust of the performance of the services provided by the company. The Trust will ensure that it has the capability and capacity to monitor and review the company’s performance – the “informed client” role. An experienced professional will be employed by the Trust to undertake this role for estates, facilities & procurement services and a Trust officer identified to do likewise for transactional services. It is likely that this post will be a senior role reporting to the Head of Planning and Performance.

- The company will have the necessary statutory policies in place covering the grievance procedure, disciplinary procedure and health and safety. Other non-statutory polices will also have to be developed and will be introduced. Where a policy is not in place on 1 April, the existing Trust policy would be used until such time as it is replaced with a separate company policy.

Services from AGH Solutions Ltd to Airedale NHS Foundation Trust	
000	Estates General
001	Estates Maintenance
002	Help desk
003	Property specialist service
004	Capital projects
005	Energy and utilities management
006	Waste management
007	Ground and Gardens maintenance
008	Domestic Services
009	Portering services
010	Linen services
011	Catering services
012	Switchboard
013	CSSD
014	Procurement
015	Security and Car Park
016	Telecoms
017	Facilities managed service
018	Voluntary services
019	Interpreter services
020	Accommodation services
021	Ward housekeeping
022	Non-Patient Transport
023	Ward hostess
024	Mobility services
025	EBME Managed equipment service

Service to third parties

AGHS 3P 001	Telemedicine
AGHS 3P 002	Pathology JV (AGH to ISL)
AGHS 3P 003	Bradford Healthcare

Estates Management Services Agreement (EMSA)

AGHS EMSA 00	Procurement (not in Managed service) specification for retained non clinical areas

AGHS EMSA 01	Procurement (not in Managed service) specification for retained non clinical areas

SLA's Service provider to trust	
AGHS 01	General service specification
	Risk management
	Business Continuity
	Legal
	Marketing/Comms
AGHS 02	HR
	Training
AGHS 03	Finance
AGHS 04	Payroll
AGHS 05	IT
AGHS 06	IG

8.0 Finance

The finance work stream meets on a weekly basis and reports to the Project Board on a monthly basis. QEF join the finance work stream on a monthly basis and separate conference calls take place when necessary. Current progress on the key areas of work is highlighted below:

8.1 Leasehold/ Freehold

The finance and estates team have completed their analysis of the risks associated with the different lease options and ranked based on each risk, what the best option would be for the Group against each of the risks. The options available are:

- Freehold
- Leasehold > 21 years
- Leasehold < 21 years

QEF facilities provided a document to use as a guide to determine the most suitable option. Officers of the parent company should assure themselves that they are happy with the ranking in relation to the risks, financially, operationally and regulatory. The risk weightings are shown in Appendix 6, with 5 being very high, 3 being high, 2 medium and 1 low.

The final summary results are shown at Appendix 6. As can be seen from this analysis the order of preference was as follows:

Lease Arrangement	Score
Freehold	77

Leasehold > 21 years	122
Leasehold < 21 years	95

AGH Solutions will therefore be proceeding under a leasehold agreement of 25 years.

8.2 Asset Transfer

A full list of all Trust Assets and their values has been quantified, reconciled to the Trust asset register, and verified by the Head of Estates and Facilities. As part of this exercise assets needed to be individually considered to understand which items would remain with the Trust and which assets would be part of the leasehold agreement with AGH Solutions Ltd. It is agreed that IT assets should remain with the Trust and as such all items classified as IT have been reviewed with the IT team, Estates and Finance are to determine which are true Trust IT assets and which should transfer, e.g. Telecomms.

As well as capital assets an exercise has also been completed for non-capital equipment, e.g. furniture, beds, etc. Based on an audit of equipment in each area of the Trust, and utilising average price, an inventory of all of these assets has been identified for transfer to AGH Solutions Ltd. QEF are now reviewing all of the non-building assets to determine a transfer value. This transfer value will form part of the lease agreement for non-building assets.

Building and land assets will form part of the revaluation which is to take place over the next few weeks to provide a value as of the 28th February 2018. This value will be the value of the assets that will transfer to the SPV and will make up the lease payment charge for building assets. Following this valuation QEF will work on behalf of the Trust to understand whether there are any backdated capital gains that may be applicable for those assets.

There remain a number of outstanding queries around this exercise as follows:

- Car Parking – income will continue to be received by the Trust but the SPV will provide a managed service for supporting the infrastructure. Need clarity on who should therefore have the asset;

- Assets that may be sold in the future – the Trust will want to hold onto assets that could be sold in the future , therefore these need to be identified and removed from the asset transfer list;

- Community Assets – leases for the community building will transfer to the SPV, we therefore need to identify the equipment that the Trust owns that are in these building to include in the overall equipment inventory;

- Pathology JV assets – as the Pathology JV is a business in its own right and the SPV is not providing a managed service for it, it is not considered appropriate that the SPV owns the equipment. The Pathology JV has been contacted to ascertain whether these assets will remain with the Trust or be sold to the JV. It is suggested that the Trust and JV take their own advice on the options for these assets.

8.3 Leases

The finance team are working with our Auditors to establish whether the lease agreement will be considered finance or an operating lease. It is expected that it will be considered a finance lease but this has not been confirmed at this stage. Following this confirmation a calculation of the lease will take place for all buildings and equipment. This exercise is due to complete by 19th January 2018.

8.4 Asset valuation

The Trust is required to complete a full asset valuation based on Market Equivalent Asset (MEA) valuation. The Trust already performs this type of valuation, however there may be a change in value if the Trust wishes to review its asset lives as part of this exercise. The building valuation is required as at 28th February 2018 and needs to have been completed by 22nd December 2017. This valuation may have an impact on the Trusts future I&E position due to potential changes to the depreciation and PDC values.

The final asset valuation will be used to determine the building lease payment that the Trust will incur.

8.5 Costings & Unitary payments

Details of all costs related to the services that will be provided by AGH Solutions Ltd are being collated. The majority of these costs will be directly from Estates & Facilities and Procurement budgets; however there are also a number of other areas that require transfer. There are some posts in departmental budgets where an element of their role relates to jobs that will be delivered by the managed service. Due to this only being percentages of some roles this has not always enabled the transfer of staff and therefore has led to some duplication of costs.

Areas that are being included in the costs that are not in current Estates and Facilities or Procurement budgets are:

- The putting away of stock in departments that is not currently completed by Procurement staff;
- The transfer of patients by porters that are allocated to individual departments and are not part of the current porter pool;
- Health & Safety;
- Finance, including payroll;
- HR;
- IT;
- Legal;

- Non-pay that currently sits in department budgets for equipment, maintenance, consumables related to medical devices, calibration, cleaning/decontamination, replacement.

In order to prevent any duplication, where possible budget will be removed from the departments and pulled to a central budget to cover the cost of the unitary payment. However, there are some areas related to staff time where the saving will be efficiency rather than cost savings and therefore the centralisation of these budgets may not be possible. These costs are being built into the model and will have to be covered by the expected savings in the first instance.

The final unitary payment value and financial model will be completed by 5th February 2018. This model will show the expected service charges and costs for the following ten years and will have inflationary uplifts applied to the service charge based on the average RPI for the previous 10 years. This will be compared to the expected staffing costs to show future viability for the SPV.

Alongside the unitary payment, which is based on current service provision, the teams are calculating the value of each SLA that is being developed, both from the SPV to Trust and Trust to SPV. These SLAs will form the basis of the service that will be provided for the unitary payment. Any additional work will then need to be requested through a variation procedure for which there will be clear costs set out as part of the contract, or for ad hoc pieces of work will be calculated on application. There will be tolerances built into the contract before these prices will be applied. An example of the pricing schedule is included at Appendix 7.

On go-live the SPV will create mirrored budgets for the Trust in order that the Trust is able to continue to manage financial performance of the clinical areas and will be clear on potential variations to price due to increased activity within the Trust. These mirrored budgets will be able to be extracted from the SPV ledger and merged with the Trust budgets in order for the Trust to performance manage spend against the contract.

Each month the Trust will be required to provide a consolidated position to NHS Improvement (NHSI), therefore the financial position of the SPV will impact on the Trusts overall reported position.

8.6 Projected savings

The Trust has been presented with potential savings as part of the scoping report that was undertaken with QEF, as per the table below:

Revenue Savings	Year 1	Year 2	Year 3	Year 4	Year 5
Staffing Savings	110,000	177,000	272,000	362,000	447,000
Purchasing Savings (Assuming 3% annual increase)	880,000	906,400	933,592	961,600	990,448
Stock and Consumable Non Recurrent Saving (High Level Estimate)	300,000				
Capital Savings					
Capital Programme	1,011,340	247,280	318,000	357,170	351,860
Recent Investment Recovery	973,174				
Costs					
Implementation Costs	(409,822)				
Recurrent Running Costs (Assuming 3% annual increase)	(289,375)	(298,056)	(306,998)	(316,208)	(325,694)
Impact on Cash	**2,575,317**	**1,032,624**	**1,216,594**	**1,364,562**	**1,463,614**
Cumulative Impact	**2,575,317**	**3,607,941**	**4,824,535**	**6,189,097**	**7,652,710**

As the project develops and the commercial model is understood these costs continue to be refined.

Staffing savings based on the proposed terms and conditions included in this paper are summarised below:

Type of Saving	£	Assumption Used
Current Vacancy Saving	75,738	Based on vacancies as at September 2017. This figure will depend on actual vacancies as go-live. This is the difference between current costs and new costs. Cash saving would be dependent on whether vacancy is being covered.
Savings based on current annual turnover figures:		
Basic Pay	30,661	Assumes that all new staff do opt in to the pension due to reduced contributions. Assumes leavers at top of scale and calculated based on rates for the highest number of staff or lowest band if this was not clear
Bank holiday savings	842	Based on changing from enhancements to time and half/double time. Applying average turnover rates.
Enhancements	33,624	Based on total cost of enhancements in 1617 and applied currrent turnover rates
Maternity Leave	36,175	Based on total cost in 1617 and applying new terms
Sickness - need to know % short-term/long-term	38,432	Based on Sept 16 - August 17 data on sickness days lost. Saving made for days sickness not paid after average turnover rates have been applied. Used non pensionable costs to prevent saving being over estimated.
Less: Cost of Bonus	-67,410	Assumed all staff that are applicable receive the bonus therefore this is worst case
Total Potential Year One Staff Savings	**148,062**	
Potential Year on Year savings dependent on turnover rates and whether staff on old T&Cs or new T&Cs turnover	**72,324**	

These savings are based on current turnover rates, current sickness rates and the 16/17 costs related to enhancements and maternity leave. It is therefore important to recognise the savings as estimates.

Based on the current position, where a number of additional running costs remain estimates and a number of savings also require validation the below is a summary of estimated recurrent savings:

Type of Saving	£
Recurrent Savings related to Terms and Conditions	72,324
Increased Running Costs	(577,952)
Non-Pay Revenue Savings	1,191,622
Total Potential Gross Recurrent Savings	**685,994**
Corporation Tax	(130,339)
Total Potential Net Recurrent Savings	**555,655**

The application of 19% corporation tax to the savings assumes all savings lead to a final net profit therefore this is an illustrative figure only.

Using the QEF proposal numbers and adjusting for up-to-date figures where known the new forecast cash savings are as follows:

Revenue Savings	Year 1	Year 2	Year 3	Year 4	Year 5
Staffing Savings (assuming avg. 6% turnover on TUPE transfer staff)	148,062	220,385	288,370	352,015	411,320
Purchasing Savings (Assuming 3% annual increase)	1,191,622	1,227,370	1,264,192	1,302,117	1,341,181
Stock and Consumable Non Recurrent Saving (High Level Estimate)	300,000				
Capital Savings					
Capital Programme	1,011,340	247,280	318,000	357,170	351,860
Recent Investment Recovery	973,174				
Costs					
Implementation Costs	(409,822)				
Recurrent Running Costs (Assuming 3% annual increase)	(577,952)	(595,291)	(613,149)	(631,544)	(650,490)
Impact on Cash	**2,636,424**	**1,099,745**	**1,257,412**	**1,379,758**	**1,453,871**
Cumulative Impact	**2,636,424**	**3,736,169**	**4,993,581**	**6,373,339**	**7,827,210**
Of which is expected to be annual revenue savings	1,663,250	1,099,745	1,257,412	1,379,758	1,453,871

At this stage the figures for capital and stock savings, as well as implementation costs, remain at the same estimated levels that QEF provided. Further work is on-going with regards to validating these savings.

The Trust has received a letter from the Department of Health to reiterate its position on tax avoidance schemes as included at Appendix 8. The SPV project team has reviewed the letter because there are likely to be tax implications due to the creation of the SPV; however it still considers that there is no breach of guidance in this respect. The SPV is being created for the commercial reasons as set out in this paper and the efficiencies that will be enabled through operating as a commercial entity.

There remain a number of areas that still require working through to further validate the projected savings, which include:

- Insurance – the SPV will require its own insurance cover, as follows:
- Property Damage
- Combined Liability
- Motor Fleet
- Professional Indemnity
- Directors and Officers Liability

Quotes have not been received for all areas of Insurance, however current advice suggests this could be circa. £100k and therefore this value is included in the estimates above.

- Audit – an estimate has been made for Internal and External audit fees but these require further validation.

- Revaluation – depending on the revaluation figure the Trust may see further savings on depreciation and PDC which are not included in the savings presented.

8.7 Finance Ledger

One of the most significant risks on the finance work stream is the ability to have the finance systems in place for go-live. The Trust is currently updating all of its ledgers to the new NEP cloud system. At the same time a new ledger is required for the SPV. The service providers (NEP) have agreed to implement the new ledger at the same time as migrating the current ledgers, however delivery of the project overall relies on third party support (NEP) as well as internal delivery. The Trust has a project team set up purely on ledger migration to support this transition and set up and, if there are no issues, delivery should be complete by December. It is in NEPs interest to deliver as they are also ending their contract with their current service provider from April.

Although NEP has not signalled to the Trust that the go-live date could be delayed it is known that other providers have pulled out of the pilot due to reports not being ready within the system. NEP also contacted the most recent meeting with the Trust on implementation. The Trust has escalated their concerns to NEP and asked for further assurances around this. If this is not forthcoming Executive support may be required.

If this date slips and it impacts on the go-live date this could have serious cash flow implications related to the dates agreed with HMRC for payment of VAT, PAYE, etc. not correlating with the inwards cash flow from the Trust to the SPV.

8.8 SFIs, SOs and Scheme of Delegation

The Trust's SFIs, SOs and Scheme of Delegation will be reviewed and those areas pertaining to the formation of the wholly owned subsidiary will be amended to reflect the new governance arrangements. As described in section 6, a new set of SFI's and Scheme of Delegation will be required for the subsidiary. This work will be the responsibility of the legal work stream. . These changes will be recommended by the team working on the implementation of the SPV and then sent to the Trust for approval. Governance arrangements will need to be considered around the Audit Committee. Although there will be two separate Audit plans it may be considered sensible to continue with one Audit Committee through the parent company.

8.9 HMRC Registration

Systems required for HMRC, e.g. VAT, Corporation Tax returns, PAYE, CIS are all being set up and expected to be in place by end of October depending on certainty around the finance ledger being delivered within the agreed timetable.

8.10 Stock

The Procurement team run a materials management just in time system and are therefore aware of the levels of stock and the period of time that it lasts for each area (on average one week). Therefore, for all of these areas the team will stop purchasing stock for the Trust a week before (or whatever term is considered applicable) go-live of the SPV and start purchasing direct into the SPV at this time. This will enable transfer of the stock balance from the Trust to the SPV.

At the end of the first month trading this will be amended through the unitary payment and offset the reduced stock for the Trust. A full stock take as at 28 February 2018 will take place for ED, Theatres and Critical Care and the value of this stock be transferred based on that value.

9.0 Procurement

The Trust has obtained external legal advice to confirm that the process being undertaken to form a Subsidiary complies with EU Public Contracts Directive Regulations 2015.

The Subsidiary will look to take up the opportunity of reviewing the potential of increasing the opportunities for local Small and Medium Enterprise (SME) to do business with the Subsidiary. The current SFI rules use the NHS criteria for doing business with SME's which are extremely strict and in most cases it makes it impossible for SME's to tender for business.

Awarding competitive contracts to local SME's will provide a huge boost to the local health economy as well as providing potential growth in employment for the local business with our Health economy.

10.0 Appendices

10.1 Appendix 1 Risk Register

10.2 Appendix 2 Payroll Reverse Service Level Agreement

10.3 Appendix 3 – Domestics Service Level Agreement

10.4 Appendix 4 – Project Information Document (PID) .

1.5 Appendix 5a – Values Governance

Example of how the Board could detail the KPIs they want to retain input to and oversight of:

The Board of Directors will need to agree the key standards and performance indicators for the Estates and Facilities Subsidiary in line with Trust Strategy, Vision and Values. The Subsidiary will be responsible for putting in place people management strategies, approaches and plans to deliver these standards and KPIs.

The Board level KPIs will be monitored at the Trust Board of Directors meetings through scrutiny of the report presented by AGH Solutions Managing Director, which will include a people dashboard. The Board may delegate some of the lower level KPIs for people to an appropriate operational group.

Example standards and KPIs for People

Standard	Expectations	Key Performance Indicator
AGH People Strategy to be aligned to the NHS Constitution and Airedale NHS Foundation Trust's Right Care Values.	**Staff are able to explain how their work and management align with the NHS Constitution and Trust Values.**	**% of staff who say they understand the values of the organisation and how they relate to their work - Staff Survey**
People in AGH solutions are well led and managed	**AGH Solutions has a clear People Plan/ Strategy including arrangements to improve leadership and management across the service and develop inclusive, compassionate leadership.**	**Staff engagement index in comparison to parent trust; and best performing trusts.** **% of staff appraised in the last year (90%) and % improvement in quality of appraisals.** **% of staff satisfied with line management support – Staff Survey** **% of staff satisfied with communication between management and staff – Staff Survey.**
AGH Solutions invests in the development of its people	**AGH Solutions has an education and training plan to meet service needs and the needs of its workforce**	**% of staff accessing education and training** **% of staff saying that education and training**

Standard	Expectations	Key Performance Indicator
		helped them improve in their job
AGH solutions strives to be an inclusive employer of choice	AGH Solutions has recruitment and employee relations practices that reflect Trust values and are aligned to good employment practice (E.G ACAS Code)	Success rates of applicants at each stage of the recruitment process. BAME, disability, gender, age profile of workforce v wider Trust and local population Number of ER cases and ETs Number of Harassment and Bullying Cases. % of staff saying they have experienced harassment and bullying from colleagues or line managers.
AGH solutions takes care of the health and well-being of its employees	AGH Solutions has effective policies and practices to support the health and well- being of its employees and to manage attendance	Sickness rates – all service and by occupational group Number of stress related absences % of staff saying they have suffered with work related stress % of staff saying that have attended work when not well enough to do so.
AGH Solutions engages effectively with employee and their representatives	AGH Solutions has in place effective mechanisms for engaging with employees and their representatives.	Engagement index (year on year improvements) Number of industrial relations disputes and grievances

10.5 Appendix 5b – Example of the Subsidiary Quarterly Report

TEMPLATE FOR SUBSIDIARY MANAGING DIRECTOR'S REPORT

Section 1. Current Significant Issues - Overview

An overview of any significant current issues facing the company. These may continue on from the previous meeting of the Board or be a new issue. These current issues should not just be for information, but also to allow the Managing Director (MD) to obtain input and feedback from Directors.

Section 2. Matters for Approval

2.1 Any matters for which the MD is seeking the Board's approval and which are not covered elsewhere in the agenda.

2.2 There may also be some specific issues, often related to the MD, which may be better included at this point in the agenda.

Section 3. Update on Business Plan Implementation

3.1 Major reviews on progress on the business plan should be covered every quarter. The action oriented business plan should be included, with updates indicating progress since the last meeting.

3.2 In addition, it may be desirable to comment in greater detail on the performance of a particular business section at this point in the MD's report.

3.3 Either one or two business units or functions might be covered, with an update on initiatives and progress.

3.4 Over the course of the year each business or function should be addressed at least once.

Section 4. Major Key Performance Indicators

4.1 The business plan should have had a number of both financial and non-financial KPIs. Examples may be overall budgeted surplus/deficit, funding; various indicators of services provided; staffing numbers; client staff ratio etc.

4.2 The financial section of the performance report

Principle	**Good Practice**
Relevant	Focussed financial report. A good report will summarise the issues and highlight the overall position, making use of graphs and charts to replace lengthy tabular information where appropriate.
Integrated	Activity data linked to financial performance. Variances calculated and explained. The report should integrate non-financial and financial reporting.
In perspective	Abbreviated P&L account shows period and cumulative positions with highlighted variances against budget. Major variances adequately explained. Trend analysis included. Full-year projections updated.
Reliable	Every key issue identified with sufficient explanation
Comparable	Consistent style across reports. Performance indicators used to illustrate trends in liquidity, asset utilisation etc. Comparison with budget/previous year.
Clear	Appropriate use of graphs, colour-coding and clear chapter headings.

4.3 Key elements of the performance report

Principle	**Good Practice**
Executive summary	All key issues identified in an introductory summary with a synopsis of performance by key indicators. Supporting documentation and appendices clearly referenced.
Action plan	Corrective action specified with contingencies and sensitivity analysis showing best-case and worst-case scenarios.
Profit and loss	P&L account showing period and cumulative positions with highlighted variances against budget. Major variances highlighted and adequately explained. Trend analysis shown graphically. Full-year projections updated.
Projected outturn	Projected outturn recalculated on the basis of actual performance and action plans.
Cash flow	Profiled cash flow summarising actual and projected payments and balances on

	a regular basis to year end.
Capital Programme	Analysis of progress of capital schemes showing percentage completion, current and projected expenditure, completion cost and timescale.
Balance sheet	Indication of working capital position presented in tabular form or using performance indicators eg debtor and creditor days

4.4 Key elements of the clinical governance report

Principle	**Good Practice**
Executive summary	All key issues identified in an introductory summary with a synopsis of performance by key indicators. Supporting documentation and appendices clearly referenced.
Action plan	Corrective action specified with contingencies and sensitivity analysis showing best-case and worst-case scenarios.
Patient experience	Performance profiled against a number of relevant measures showing aggregate position, trend and variations. Analysis of major variances highlighted and adequately explained. Trend analysis shown graphically. Full-year projections updated. Examples of measures may include privacy and dignity, F&FT responses, food standards, complaints and compliments.
Patient safety	Performance profiled against a number of relevant measures showing aggregate position, trends and variations. Analysis of major variances highlighted and adequately explained. Trend analysis shown graphically. Full year projections updated. Examples of measures may include patient safety incidents, infection prevention.
Clinical effectiveness	Performance profiled against a number of relevant measures showing aggregate position, trends and variations. Measures chosen to demonstrate the safe, effective and efficient delivery of services for the purpose of improving the quality of care. Analysis of major variances highlighted and adequately explained. Trend analysis shown graphically. Full year projections updated. Examples of measures may include elements of the clinical audits, NICE compliance and other benchmarking data.

4.5 Key elements of the staff engagement and workforce development report

Principle	**Good Practice**
Executive summary	All key issues identified in an introductory summary with a synopsis of performance by key indicators. Supporting documentation and appendices clearly referenced.
Action plan	Corrective action specified with contingencies and sensitivity analysis showing best-case and worst-case scenarios.
Staff engagement	Performance profiled against a number of relevant measures showing aggregate position, trend and variations. Analysis of major variances highlighted and adequately explained. Trend analysis shown graphically. Full-year projections updated. Examples of measures may include sickness absence, freedom to speak up cases, staff survey results, annual appraisal rate.
Effective resourcing	Performance profiled against a number of relevant measures showing aggregate position, trends and variations. Analysis of major variances highlighted and adequately explained. Trend analysis shown graphically. Full year projections updated. Examples of measures may include turnover rate, vacancy rate, training compliance.

4.6 In this section, which should follow the same format from meeting to meeting, these KPIs will be reported, together with their target, possibly a “traffic light“ indicator to indicate whether performance is on or better than target (green); a little less than target, but not major concern (amber) or below target and of some concern (red).

4.7 A brief description of the reason and actions being taken for amber and red items should also be included. In this way the Board is constantly having its attention drawn to the outcomes expected under the strategic plan.

4.8 A good report will summarise the issues and highlight the overall position, making use of graphs and charts to replace lengthy tabular information where appropriate.

Section 5. Commercial Report

This section should describe ongoing and future potential commercial opportunities in the form of a tracker with percentage probability of success.

Section 6. Risk and Compliance Update

Depending on what actions management have taken between Board meetings this section may have two components:

6.1 Update on risk and compliance management

A brief update on any significant outcomes from the ongoing work on risk and compliance, including presentation of the corporate risk register.

6.2 Risk and Compliance Incidents

A brief outline of any incident or activity which has resulted in the occurrence of a risk or compliance event which is outside the agreed risk and compliance standards. Examples will include any health and safety incidents, any significant client or staff complaints, any environmental incidents, any legal action etc.

Section 7. Matters for noting/information

Any other issues which the MD wishes to bring to the Boards attention but which are unlikely to require discussion. This can include visitors to the organisation, significant meetings which have involved the MD and so on.

10.6 Appendix 6 – Lease/Freehold Assessment

10.7 Appendix 7 – Example of Pricing Service Level Agreements

10.8 Appendix 8 – Letter from DOH regarding Tax Avoidance

10.9 Appendix 9 – Frequently Asked Questions

Estates, facilities and procurement subsidiary - frequently asked questions July and August 2017

Jump to:

- Terms and conditions and pensions
- Structure
- Queen Elizabeth Facilities (QEF)
- How the new company will work
- Mythbusting

Terms and conditions

Q. What is TUPE?

A. TUPE stands for Transfer of Undertakings (Protection of Employment). In law, TUPE regulations mean that you transfer to the new organisation with your existing terms and conditions.

Q. How long are terms and conditions protected under TUPE?

A. TUPE is a complicated piece of employment law. Your terms and conditions are protected on transfer. Under the TUPE Regulations, existing terms and conditions transfer with staff to the new company and remain the same as they were with Airedale NHS Foundation Trust. Under TUPE, staff terms and conditions cannot be changed if the sole reason for the change is the transfer.

Changes to terms and conditions in future may be valid if the sole or main reason is an Economic, Technical or Organisational reason needing changes in the workforce and provided the subsidiary company and you agree the change.

Changes may also be valid if the terms of your contract would have allowed the subsidiary company to make the change anyway, or a new development arises. For example the subsidiary company wins an order from a new client and has to bring in change to meet the needs of the new client. However the subsidiary company should then consult and seek agreement about any changes.

Q. Does TUPE depend on how long you've worked for the Trust?

A. No, every employee is protected under TUPE.

Q. How long will TUPE protection of our terms and conditions last?

A. There's no time limit set out in law. Our trade unions have asked us whether employees could have a long period of protection and we are considering this.

Q. How will this affect agency staff?

A. It will be up to each service whether they retain the individual from the agency, but agency staff are not subject to TUPE.

Q. What happens to TUPE protected terms and conditions if I change my job within the new company? Will I still have the NHS pension?

A. This is to be confirmed. We are working with Unions and other staff side representatives on this.

Q. NHS employees get certain benefits and discounts. Would we continue to get the benefits if we're employed by the new company?

A. Benefits like these don't form part of the terms and conditions, so are not protected by TUPE. However, we expect that the new organisation would negotiate a similar range of benefits for its employees.

Q. I have a lease car via the NHS Fleet. Will I be able to keep it?

A. We don't know yet, this detail has got to be worked through. However if not, the company should be able to negotiate with NHS Fleet or another provider to get a similar scheme.

Q. What about other salary sacrifice benefits?

A. They are a benefit rather than terms and conditions, so this will be for the new company to negotiate.

Q. Where will we park if we're not NHS staff?

A. In the car park – we will organise a service level agreement between the Trust and the new company. The same goes for the nursery, for anyone who uses it.

Q. Will we still get the staff discount in the canteen?

A. Yes.

Q. Will we still have access to employee health services?

A. Yes you will.

Q. How will the new company set their own terms and conditions?

A. The new company will draft the terms and conditions and the Trust will have to be assured that they are appropriate and chime with our values.

Q. Do I have a choice about whether I transfer on my existing terms and conditions or can I move onto the terms and conditions of the new company?
A. You transfer under your existing terms and conditions but you can choose once you've transferred, in agreement with the new company.

Q. How this will affect recruitment? I imagine that the terms and conditions for new employees will be less favourable and would deter any potential candidates coming to work at Airedale.

A. We do not yet know what the terms and condition of any future employees will be as this will be determined by the new company. However from the experience of other Trusts that have done this there haven't been any recruitment difficulties and we are not envisaging that this will be a significant challenge.

Q. Will the managers be on better terms and conditions?

A. Any managers transferring from Airedale will be on the same terms and conditions as they are currently. Any managers joining the new company will be on new terms and conditions.

Q. Will new people be paid less than existing NHS employees?

A. The terms and conditions aren't set out yet, but it's unlikely there will be significant differences in pay. The main difference in terms and conditions is likely to be around the pension offer.

Q. Will the Trust change our terms and conditions before we move over?

A. No, there is no intention to do that.

Q. If you employ people on different terms and conditions, won't that lead to friction between staff?

A. It's possible, particularly if they are doing the same job. However we will follow QEF's example in transforming services, so there are likely to be new and different job roles.

Q. Are employees of the new company still counted as NHS employees?

A. No, you will be an employee of the new company. However, your parent company (i.e. Airedale NHS FT) is an NHS organisation, you will retain your NHS terms and conditions and pension (pension subject to ministerial approval) and you will still provide services to the NHS for the benefit of patient care.

Q. What happens if I don't want to transfer to the new organisation?

A. We will be providing you with an opportunity to have individual conversations, and if someone was very opposed we'd have to discuss options available. However, we hope people would generally support the move because we need your skills and capability to make a success of the new company.

Q. Will there be any redundancies?

A. There are no job losses planned.

Q. Could the new company consider redundancies after we've transferred?

A. They could, but they'd have to speak to the Trust as the parent company to explain why they felt they needed to take such a step.

Q. What happens if I fall pregnant between now and the date of transfer?

A. You'll be protected under the same terms and conditions, like everyone else.

Q. I'm about to go on maternity leave – will I be kept informed?

A. Yes, your line manager or service lead will keep you informed of developments, and we would encourage you to feedback your views and questions, as you would do if you were at work.

Q. Will the payment structure be the same in the new company – will we get our increments and pay rises?

A. Yes your increments are part of your terms and conditions. However, the strategy around discretionary annual pay rises will be up to the new company to decide.

Q. Who will decide the pay award for employees of the new company?

A. The directors of the new company will propose the pay award and share those proposals with the Airedale FT board.

Q. Who oversees remuneration for the directors of the new company?

A. Airedale FT board of directors will have oversight.

Q. Do we get the choice whether we can work to NHS policies or not?

A. The aspects of policies that form part of terms and conditions will transfer with you. Other more general aspects of policies will be for the new company to develop. This is a big piece of work that we will carry out and we will ensure we keep our staff side and union colleagues informed through our partnership working.

Q. Whose policy applies if an incident happens between a Trust employee and an employee of the new company?

A. Each employee will be managed in accordance with their organisation's policies.

Q. Where we have contracted staff who are employed by other companies, will they transfer over with us?

A. The staff fulfilling those contracts will still be employed by their original company but the contracts will novate (ie transfer), and the new company will manage them.

Q. I work for Sodexo – will I transfer to the new company?

A. No. The Sodexo contract will be novated (i.e. transferred) to the new company, who will then manage it, but people working for Sodexo will remain Sodexo employees.

Q. Will people still be doing their same job?

A. Yes when you transfer. However, teams and job roles change, much like they do now, so roles may change in the future.

Q. Could my job title change?

A. It won't change on transfer, and can't change subsequently without discussion/negotiation with you.

Q. What would have to happen for this to stop?

A. The full business case would have to not stack up so that the Board could not agree to it.

Q. What will happen if it isn't approved on 25 October?

A. Things will stay as they are.

Q. Will contracts change?

A. If you're a permanent employee your contract won't change as it's protected under TUPE. However, you will have a new employer named on your contract.

Q. Porters cover theatres and x-ray 7pm – 7am, how will this be agreed?

A. Like all other services, there will be a service level agreement in place for portering services.

Pensions

Q. Who will administer my NHS pension if I transfer under TUPE to the new company?

A. NHS pensions will be administered by the NHS pension scheme as they are now, not by Airedale NHSFT or by the new company. You will continue to pay your pension contributions and the new company will pay contributions on your behalf as Airedale NHS FT does now.

Q. Is there a time limit for getting the pensions direction order back from the Secretary of State?

A. No set time limit. However we will be making the application as soon as possible once the company is registered.

Q. How soon will we know whether we will be able to retain our NHS pensions?

A. The new company will apply for the pensions direction order as soon as possible and well in advance of 28 February 2018. To do this, we will need to set up a shadow management team who will be able to do this for us on behalf of the new company. It is very likely that the pension scheme will remain the same and the Trust is committed to ensuring that staff retain their current NHS pension scheme.

Q. Would we delay transfer without the pension letter?

A. That would be a Board decision. We want to protect pensions, they are top of the priority list.

Q. What happens if you're already taking the NHS pension (ie on retire and return) – will it continue to be paid after the transfer?

A. Yes, just the same as now. The NHS Pensions are administered by the Pensions Agency and they are the ones who pay it to you.

Q. If I'm working for the new company and I leave to work for another part of the NHS, will my pension transfer with me?

A. Yes.

Q. Will my existing NHS be frozen?

A. No it will carry on as normal.

Structure

Q. Is another company taking us over?

A. No, Airedale NHS Foundation Trust is setting up this company and will own 100% of the new company. The new company will be a subsidiary and will still remain under the control of Airedale NHS Foundation Trust.

Q. What will the new company be called?

A. AGH Solutions Ltd. The AGH as many of you will know stands for Airedale General Hospital, so the name links us to our roots.

Q. Will the board of the new company be accountable to the ANHSFT Board?

A. Yes. The new company will be an arm's length organisation from ANHSFT but Airedale Foundation Trust will own the new company and therefore will still oversee the new company, and ensure that it is operating within our values.

Q. Who will manage the new company?

We have appointed two interim directors: David Moss, interim managing director and Amy Whitaker, interim finance director. If the Board decide to go ahead with the new company, a full recruitment process will take place to appoint the permanent managing director and finance director.

Q. What was the appointment process for the interim directors?

A. We took the decision that it would be an internal process. We tested the applicants through interview and appointed David and Amy.

Q. What will the appointment process be for the permanent directors?

A. It will go out to external advertisement and a full selection process will take place, with the Trust Board members involved. They have the final approval of the appointments.

Q. Will the permanent MD and FD have commercial experience?

A. We would hope to appoint someone with the right blend of skills to manage a commercial company that adheres to our values.

Q. Will the management of the new company be paid more?

A. We are clear that the management costs and the headcount of the new company cannot increase significantly.

Q. When will the management structure be published?

A. We hope to publish an outline structure of the company when the business case is completed.

Q. What would the new management team structure look like?

A. It's likely to at least consist of a managing director, and finance director, plus some commercial expertise. However, the company would also be able to access expertise from ANHSFT eg. IT, HR, finance, communications etc.

Q. Will the MD and FD recruit a commercial director?

A. We still haven't finalised what the structure will look like, so can't confirm whether there will be a commercial director or not at this stage. Any director posts will have to be proposed to and approved by the Trust Board.

Q. Is there likely to be a restructure?

A. That will be up to the new company, but we would hope that the first 12 months would be focused on bedding in the new arrangements and delivering services.

Q. Is the new company a limited company?

A. The legal entity for the new company has not yet been decided. However whatever legal entity is applied, the new company will be a wholly owned subsidiary of Airedale NHSFT.

Q. Is the list of services to transfer set in stone?

A. Not yet. We are working through this – we have a lot of analysis to do on job roles.

Q. How many staff are transferring?

A. We believe between 320 and 330, but it's not fixed yet as we are still working through the detail.

Q. When will there be clarity on which staff groups will be affected by the changes?

A. As the business case develops between now and October, it will become clear which groups will be included. These decisions will be communicated as we go along.

Queen Elizabeth Facilities (QEF)

QEF is the company formed out of Gateshead NHS Foundation Trust

Q. Are we able to talk to some of the QEF staff and find out how it felt for them?

A. We have been in discussion with them, and some members of our staff have met their counterparts at QEF. It will not be possible for our staff to meet with their staff in a large group as it disrupt day to day work, however, you can read testimonials from them on their website.

Q. Has QEF maintained the same levels of staff turnover since setting up the new company?

A. Staff turnover has remained about the same. Sickness absence rates are much better, and they haven't struggled to recruit to the new company.

Q. Did staff terms and conditions of employment change at QEF after year one for staff who transferred under TUPE?
A. No.
Q. Will we be working for QEF?

A. No, they're just helping us to understand how to set up the new company and helping us with the business case.

Q. Are we paying QEF as consultants?

A. Yes.

Q. Will you be taking advice from QEF about what will happen in individual departments?

A. No, we won't be looking at changing individual services significantly. QEF's advice is mainly around the set-up of the company.

Q. Apart from QEF, has anywhere else done this?

A. 11 Trusts across the country have done or are actively doing this. Our nearest is Bolton and Barnsley are also in the process of doing it. It's early days for some of the new companies, but all have been able to report success so far.

How the company will work

Q. Will the new company work to a contract?

A. Yes it will have a range of contracts or service level agreements with ANHSFT for the services it provides. It will also potentially have contracts for new business that it has won.

Q. How long will the contract with the new company be?

The length of the contract will be confirmed in the business case, but is likely to be in the range of 20-25 years.

Q. Will the new company automatically supply the hospital or would they have to bid for the work?

A. No, they won't have to bid. The contracting will be set up via service level agreements for the different services it will provide.

Q. Will the new company cut services?

A. The vision is to grow, not to cut services. The services transferring to the subsidiary are key services that enable the Trust to deliver good patient care so if they did decide to cut a service, they would have to bring it to the Trust to explain the rationale.

Q. Lots of hospitals contract these services out to private companies which can end up providing sub-standard services – how will this be any different?

A. We are not contracting our services out to a private company; instead we will wholly own it. This means that the standards the company provides will be within the Trust's control, and as a minimum the Trust will expect the level of service they currently receive.

Q. Why can't we get sufficient savings and efficiencies out of our services without moving them into a wholly owned subsidiary?

While we feel we are already efficient, we think that there are no more efficiencies and savings to come from the way we currently do things. We need to do things differently now in order to release further savings and to improve services further.

Q. Could other companies/new business decide to end their SLA with the new company?

A. Yes in theory, but they could do that to us now. This is why it's important to sustain the quality of the services you provide.

Q. What would happen if we failed?

A. We don't believe that will happen, but as part of the business case we have to work up an exit strategy.

Q. Will we have a set time frame in which we have to succeed?

A. Yes, but the length hasn't yet been decided. The new company will have regular performance reviews which should help it to stay on track.

Q. Could part of the exit strategy be to bring services back into Airedale?

A. Yes it's likely to be one of the options.

Q. If we are successful and make a profit, would the money have to go back into ANHSFT or could we use it to invest in our services?

A. It would be much the same as our various departments now. The overall budget for the Trust – including the arm's length company – would be reviewed and budgets allocated accordingly. So yes, it is likely, but the bulk would be invested in frontline services for our patients. One example is that Queen Elizabeth Facilities has set up a new transport service by reinvesting savings.

Q. What happens if some other company offers ANHSFT a better deal for providing our services in the future?

A. It's impossible to answer that at this stage, but it is not part of our current plan. If that did happen, the company taking over the services would have to take on the existing staff – ie you – under TUPE legislation.

Q. How will the new company be funded?

A. Budgets currently associated with the various lines of service to be transferred will be stepped down from the Airedale FT budget into the new company.

Q. Will private investors be involved?

A. No, the company would be wholly-owned by the NHS.

Q. Will there be shareholders?

A. Only one, and that is Airedale NHS Foundation Trust.

Q. Is there a business plan for the new company yet?

A. No. A business plan will follow from the fully worked up business case later in the year. We do have a view of business prospects for the new company based on experience from other NHS foundation trusts who are ahead of us in taking this action.

Q. Will the new company have its own HR department?

A. This is to be decided as part of the business case.

Q. Who will the new company's staff be paid by?

A. They will be paid by the new company via suitable payroll arrangements.

Q. Who will own assets such as equipment and buildings?

A. The trust currently operates a variety of arrangements for equipment, some managed contracts and some owned. The detail of assets to be transferred will form a part of the business case.

Q. Will there be a condition survey undertaken ahead of the transfer of assets?

A. This forms part of the work being done between now and October.

Q. Who decides which assets transfer?

A. The Trust Board oversees this.

Q. Could the new company borrow against its assets?

A. Yes in theory, but it would have to have agreement from the Trust Board.

Q. Will we be based in the same offices?

A. Yes, there are no plans to relocate services.

Q. Will the new company rent the offices from ANHSFT?

A. It depends on the financial model that is set up between the new company and ANHSFT – we're not at this stage yet.

Q. Will Airedale FT be putting all of its estate into the new company?

A. Yes, with provisions for repatriation if that became necessary.

Q. Will the new company have to charge more money to the Trust for its services to be able to make a profit?

A. The new company will charge a competitive rate for the services it provides. There will also be money made from procurement benefits ie being able to have more of a competitive edge on how we run procurement.

Q. Will the new company have a cost improvement programme?

A. Yes, it will be part of the Trust's agreement with the new company.

Q. How will the new company be more efficient if the same people are running it as now?

A. The new company will have more freedom outside of the NHS rules and regulations, so it will be able to bid for external work and grow the business in ways that the Trust currently can't.

Q. Will my department lose control of what I do?

A. No, because the Trust will set up a service level agreement (SLA) to set out what they want us to deliver.

Q. I'm worried that we will be treated differently by the wards.

A. It's a core part of our values and behaviours that we expect people to behave with respect towards each other. It would be extremely disappointing if Trust staff treated the new organisation's staff any differently – and vice versa – and anyone not treating people with respect would be dealt with in accordance with the policies of their respective organisation.

Q. Can you give any examples of the sort of growth planned or commercial work the company might bid for?

A. We have a number of ideas but they are commercial in confidence.

Q. How will we cope with growth? We're stretched now.

A. We will take on more people to service our new contracts.

Q. In procurement, we work to the Trust's Standing Financial Instructions (SFIs). Will the SFIs be changing in the new company?

A. They may – the new company's Board will make those decisions. But they won't be able to make significant change without speaking to the Trust first.

Q. If the company grows massively, could it move off site?
A. Possibly – it depends on the nature of the growth. e.g. if it expanded transport services and suddenly got loads of vehicles it may have to look for new premises. However there are no plans to move off site and the services provided to the Trust will have to remain in the Trust.

Q. Will badges and uniforms change?

A. Yes. This is all part of branding the new company.

Q. We will still use bank staff?

A. Yes it is likely that the new company will need to use bank staff in a similar way to how it is done now.

Q. What's to stop another company coming in and trying to take over the new company?

A. The contract with the Trust, and the fact that the organisation will be owned by the Trust.

Q. Just because it's worked at Gateshead doesn't mean it will work here.

A. We're not trying to completely copy what's done at Gateshead, it's not one size fits all. Our task is to make sure that whatever we set up will work for Airedale; that the culture and values will fit.

Q. In SSD, will there be reinvestment in new equipment? If you're going to grow the business you'll need machines to keep up with the extra work

A. Yes, we have a business case going to the capital board at the moment.

Q. Is this something we could do with Bradford Teaching Hospitals?

A. We originally looked at doing something like this across West Yorkshire. However the complexities of establishing a subsidiary meant it made more sense to do it at a local level.

Q. Will the new company stop weekend working?

A. No – your contract will transfer with you, so your job role will be the same as now. Weekend working/unsocial hours allowance will stay.

Mythbusting

Q. Is it true that only staff bands 1 – 4 will go into the new company?

A. No – all members of each service will transfer.

Q. I've heard QEF was a private company to begin with that changed its name?
A. No, they were formed by Gateshead NHS Trust around three years ago.

Q. I've heard that the new company will cut our holidays, is that true?

A. No it isn't. Your holiday entitlement is protected by TUPE, like all your terms and conditions.

Q. I have heard that in the new company we will be required to work 7 days a week but will only be paid for 5 days?

A. This is not true and will not be the case. You will transfer on the same terms and conditions as you have now and that includes your pay.

Q. This is just the same as Sodexo.

A. No, the catering contract went out to the open market, and Sodexo bid for it and won it. We don't own Sodexo, it is not a subsidiary of the Trust.

Q. I've heard that if you've worked here longer than 10 years, and you transfer, five years later you have to move onto new terms and conditions.

A. No, that is untrue.

Q. I've heard that the new company will be slashing sick pay.

A. New staff that join the company after Airedale staff have been transferred will be on different terms and conditions, which may include different sick pay arrangements. But existing staff will transfer with existing terms and conditions including current sick pay arrangements.

If you have any questions which are not covered here, please speak to your line manager or service lead, staffside representative or contact Faeem Lal in Human Resources on x4862 or Human.Resources@anhst.nhs.uk