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# A New Partnership to Deliver Improved Healthcare Estates and Facilities Services

Trust Board paper A

## Executive Summary

### Context

The Trust Board is committed to providing the highest quality healthcare environment, facilities and services for our patients, visitors and staff. To achieve this aim the Trust recognises the need to invest in our buildings, environments and services including those provided primarily by our Estates and Facilities (E&F) team. This in turn will allow clinical colleagues to operate in the best possible environments and help to create an enhanced work environment for all staff, thereby improving clinical outcomes. The Trust is also committed to improving efficiency and productivity which includes the provision of goods and materials through our supply systems.

Over the past few months we have been considering options for the enhancement of our healthcare E&F and Procurement and Supplies (P&S) services.

Estates and facilities is predominantly a people and buildings service. Our most important asset is our staff and this proposal enables us to invest in recruitment, technology, training and development to underpin the continued professionalisation of the estates and facilities workforce including developing new roles and career paths.

After its staff, the Trust's healthcare estate is its largest asset. There is evidence to show that the built environment plays a critical role in the quality of clinical care being delivered and the experience patients have while being treated. Good buildings are energising for staff and recuperative for patients. Old and outdated buildings are inefficient and costly; they sap morale, impede recovery and reduce wellbeing. We know that our current estate can be more efficient, more attractive, better maintained and more effectively used to support clinical quality. This proposal enables us to invest in our estate and find creative ways to modernise our patient environment.

Additionally, Procurement and Supplies will be integral in the delivery of future benefits required by the Trust through the provision of new opportunities to procure differently.

As an integrated evolution of our Trust Commercial strategy this paper proposes the establishment of a Facilities Management Partnership (FMP) as a wholly NHS owned subsidiary of the Trust in the form of a Limited Liability Partnership (LLP) to provide our future healthcare estates and facilities and procurement and supplies services.

The paper identifies the principles related to its establishment with future updates to be provided over coming months up to the proposed go live date of 1 October 2018, mainly:

- Rationale for the establishing of the partnership;
- Additional investment and performance improvement;
- Employment Contracts – Pre-commitments;

- Board composition and Governance;
- Intention in respect of NHS ownership.

This report addresses the areas highlighted above and informs the position for future updates and preparation of the Full Business Case.

### **Questions**

This report seeks to clarify the position on the areas highlighted above. The recommendations for decision by the Trust Board as a consequence of this report are:

- Does the Trust Board agree to the establishment of the Leicester, Leicestershire and Rutland Healthcare Facilities Management Services LLP as a wholly NHS owned subsidiary of the Trust in the form of a Limited Liability Partnership?
- Does the Trust Board support the approach to identifying the additional investment requirements and the areas for performance improvement?
- Does the Trust Board support the proposals to offer an opportunity to those staff on below Agenda for Change Band 1 pay scale rates to transfer to the equivalent of Agenda for Change Band 1 pay scale rates with effect from the date of transfer (proposed as 1 October 2018)?
- Does the Board support the approach in respect of developing the offer for new terms and conditions to new employees, namely an offer which is exactly the same as Agenda for Change?
- Does the Trust Board support the proposals for Board Composition and Governance?
- Does the Trust Board agree the approach in respect of communicating the intention of the Trust to retain the subsidiary in NHS ownership?
- Does the Trust Board agree that the necessary action can be taken to register the Partnership by 31 March 2018?
- Is the Trust Board content to receive monthly update reports on this initiative in advance of 'go live' on 1 October 2018, including a Full Business Case at its August 2018 meeting?

### **Conclusion**

- The Trust Board is asked to support the establishment of the Facilities Management Partnership for the running of Estates and Facilities and Procurement and Supplies services.

For Reference

Edit as appropriate:

1. The following **objectives** were considered when preparing this report:

- Safe, high quality, patient centred healthcare [Yes]
- Effective, integrated emergency care [Not Applicable]
- Consistently meeting national access standards [Yes]
- Integrated care in partnership with others [Yes]
- Enhanced delivery in research, innovation & ed' [Not Applicable]
- A caring, professional, engaged workforce [Yes]
- Clinically sustainable services with excellent facilities [Yes]
- Financially sustainable NHS organisation [Yes]
- Enabled by excellent IM&T [Not Applicable]

2. This matter relates to the following **governance** initiatives:

- a. Organisational Risk Register [Not Applicable]
- b. Board Assurance Framework [Yes]

This part of BAF 5.5

1. Current (month-end) tracker – Place an X in the appropriate box below:

| 0           | 1         | 2        | 3         |
|-------------|-----------|----------|-----------|
| Not Started | Off Track | On Track | Delivered |
|             |           | X        |           |

2. Year-end forecast tracker - Place an X in the appropriate box below:

| 0           | 1                       | 2        | 3         |
|-------------|-------------------------|----------|-----------|
| Not Started | At risk of non-delivery | On Track | Delivered |
|             |                         | X        |           |

3. Related **Patient and Public Involvement** actions taken, or to be taken: N/A

4. Results of any **Equality Impact Assessment**, relating to this matter: [To be incorporated as part of Management of Change process]

5. Scheduled date for the **next paper** on this topic: [12/04/2018]

6. Executive Summaries should not exceed **1 page**. [My paper does comply]

7. Papers should not exceed **7 pages**. [My paper does not comply]

## 1) Introduction

The University Hospitals of Leicester NHS Trust (UHL) is committed to providing ***Caring at its Best*** for patients. A central aspect of the delivery of high quality and safe patient care is the effective management and delivery of high quality healthcare estates and facilities services.

Currently, our healthcare estates and facilities services are provided across a variety of in house teams including an estates management and facilities services team and a procurement and supplies team. We are currently experiencing a variable quality of service, within the limitations of available resources, to UHL and our patients. There is a requirement to make additional investment and the Trust is keen to pursue commercial opportunities' as part of the wider NHS transformation change and in line with its own commercial strategy.

UHL requires a full range of estates, facilities, property management and procurement and supplies services that encompasses multiple disciplines to ensure functionality of the built environment by integrating people, place, process and technology consistent with the operations of a large acute teaching hospital. Estates, facilities and property management services are currently provided in house, after being transferred from Interserve (Facilities Management) Ltd (IFM) in May 2016. The current service is provided across the three UHL sites and in partnership to Leicestershire Partnership NHS Trust (LPT) and to NHS Property Services (NHSPS) across premises in Leicester, Leicestershire and Rutland (LLR).

When transferring the services from IFM, the Trust acknowledged both the historic underinvestment in E&F services and shortfalls in some key quality areas particularly cleaning and condition, appearance and maintenance of the estate. At that time there was an acknowledged need to invest in these areas. As a result of the financial pressures the Trust has been under this investment has not as yet been possible. This coupled with legacy issues following repatriation of services and the serious challenges around recruitment, retention and capacity of staff is now resulting in a detrimental impact on quality, performance and team morale. The national metrics relating to E&F services<sup>1</sup> demonstrate that the Trust is currently operating below national and peer averages with some services such as cleaning and maintenance costs being at or below the lowest quartile with subsequent quality indices<sup>2</sup> showing well below national averages. Therefore the continued application of no real investment and Cost Improvement Programmes (CIPs) seriously risks reducing quality standards further. Quite simply the continued provision of services through existing arrangements is not sustainable.

Within UHL the estates and facilities functions and procurement and supplies functions are not seen as peripheral or background operations, but core parts of the front line service to our patients directly affecting their clinical care, safety and experience. Also, the all-important first impressions of the hospital are critical to maintaining patients' confidence in the care they are given. It is for these reasons the Trust Board is committed to providing the highest quality healthcare environment, facilities and services for our patients, visitors and staff.

To achieve this aim the Trust recognises the need to invest in our buildings, environments and services including those provided primarily by our Estates and Facilities (E&F) team. This in turn will allow clinical colleagues to operate in the best possible environments and help to create an enhanced work environment for all staff, thereby improving clinical outcomes.

<sup>1</sup> *Carter Efficiency Programme dashboard and Model Hospital (NHS Improvement)*

<sup>2</sup> *PLACE results 2017*

The procurement and supplies team set its vision in 2015 *“To be the best Procurement and supplies team in the NHS”*. The team has made steady progress towards that vision, as evidenced by achieving Level 2 of the NHS Procurement & Commercial Standards (the first in the East Midlands) in November 2017.

Including Procurement and Supplies in a new partnership would provide the next step to build on the successes of the last 3 years. Not only would it ensure that there is greater shared working between the team and E&F it would offer the opportunity to improve the efficiency and productivity in the services provided to the Trust as a whole through unlocking further potential cost benefits. The partnership would allow P&S to work in a more commercial way whilst maintaining NHS ownership. It would help drive the P&S team further towards realising their vision.

It is believed that with the creation of a wholly NHS owned partnership, UHL can provide the right organisational structure to allow the financial and operational freedoms required to improve services for the benefit of patients and to access future commercial opportunities. There are expected benefits from effectively separating the non-clinical support functions of the hospital from the clinical functions, enabling the management of the healthcare estates and facilities services to work on a more flexible and responsive basis.

## **2) Establishment of a wholly NHS owned partnership**

Given UHL’s financial position it has been unable to divert much needed funds from frontline patient services into E&F services but this innovative approach means that UHL can address historic under-investment in these services by adopting a proven model which is expected to deliver financial gains as well as operational flexibility.

It is proposed that some of those financial gains will be directly invested within the new FMP, investing in people, in key patient facing services such as cleaning and maintenance, investing in our buildings and creating a strengthened team which can respond better to the needs of both patients and clinical colleagues by improving facilities and modernising our estate.

The establishment of a wholly NHS owned partnership of the Trust, coupled with clearly defined continuous investment in the healthcare estates and facilities and procurement and supplies services, is about:

- Owned by the Trust – remaining within the control of the NHS team;
- Investing in estates & facilities and procurement and supplies;
- Strengthening the financial position of E&F and the Trust, reinvesting in the service and therefore patient care;
- Transferring all existing staff into the FMP on existing terms and conditions but offering our staff currently paid below Agenda for Change (AfC) the opportunity to move onto AfC Band 1 upon operationalization of the FMP;
- Offering new terms and conditions for new employees that are exactly the same as AfC;
- Applying to the NHS Business Services Authority for the FMP to be a NHS Pension Scheme Independent Provider Employing Authority;
- Building a better E&F service which we are all proud of and supports recruitment and retention;
- Creating a responsive team, better-placed to drive improvement;

- Delivering an enhanced environment which contributes to better outcomes for patients;
- Adopting a proven model which will deliver financial gains.

### 3) Performance Improvement and Investment Requirement

The following table shows some areas where investment would take place and impact of that additional investment. The estimated level of investment is in the region of £5Million and this will be developed in more detail for the Full Business Case which, subject to Trust Board approval, will be submitted to the August 2018 meeting of the Trust Board.

| Service Area   | Investment In   | Outputs   |
|--|---|---|
| Cleaning   | <p>Front line domestic staff:</p> <ul style="list-style-type: none"> <li>• Additional hours cleaning in areas identified as deficient.</li> <li>• Cover provision (currently not budgeted for) to ensure rotas always staffed with annual leave, sickness and training absence (through additional permanent staff and 'bank staff budget').</li> </ul> <p>Domestic Supervisory/Management:</p> <ul style="list-style-type: none"> <li>• Additional resource to improve support to front line staff through working levels of supervisor/staff ratios, optimise productivity, implement service improvement.</li> </ul> <p>Investment in equipment.</p> | <p>A visibly and measurably cleaner hospital:</p> <ul style="list-style-type: none"> <li>• Meeting National Cleaning Specification targets (in terms of performance level and consistency) in all risk category areas.</li> <li>• Improved appearance in high footfall communal areas.</li> <li>• Improved flexibility and responsiveness in reactive cleaning service.</li> <li>• Improved productivity overall per £ invested.</li> <li>• Better equipment to do the job more efficiently.</li> </ul> |
| Maintenance  | <p>Front line technical staff:</p> <ul style="list-style-type: none"> <li>• Additional front line technical staff to provide a better reactive and planned maintenance service.</li> <li>• Opportunities to compete at market rates to fill long standing vacancies.</li> <li>• Additional resource to optimise productivity, undertake service development and improvement projects.</li> </ul> <p>Infrastructure Stability:</p> <ul style="list-style-type: none"> <li>• Replacement and upgrade of plant and equipment</li> </ul>  | <p>Improved reliability in infrastructure to minimise the risk of failure on clinical services:</p> <ul style="list-style-type: none"> <li>• Improved responsiveness and flexibility of reactive maintenance service with improved customer satisfaction</li> <li>• More robust planned maintenance services to ensure monthly schedules are delivered to standard and targets.</li> <li>• Delivery on identifying and resolving service process and system inefficiencies.</li> </ul>                  |
| Other Facilities Services                            | <p>Front line staff:</p> <ul style="list-style-type: none"> <li>• Additional Security Cover</li> <li>• Extended reception service in key areas out of hours.</li> <li>• Additional logistics staff as required.</li> </ul>  | <p>Improved patient/visitor/staff safety and convenience:</p> <ul style="list-style-type: none"> <li>• Improved flexibility and responsiveness of security service.</li> <li>• Improved customer service out of hours.</li> </ul>   |
| Business and Commercial and Procurement and Supplies | <p>Business Development and Improvement resource:</p> <ul style="list-style-type: none"> <li>• Identify and pursue commercial opportunities to gain additional income to the Trust.</li> <li>• Improve the management of supply and service contracts to the Trust to manage cost and identify savings opportunities.</li> <li>• Identify and implement opportunities to utilise new and improved information technology in the delivery of services.</li> </ul>  | <p>Improved efficiency, effectiveness and profitability</p> <ul style="list-style-type: none"> <li>• Increased income to the Trust</li> <li>• Reduced operational costs through the active management of contracts</li> <li>• More efficient service delivery in the deployment of new technology</li> </ul>  |

## 4) Workforce

All staff transferring into the new FMP will be subject to TUPE. TUPE refers to 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. The TUPE rules apply to organisations of all sizes and protect employees' rights when the organisation or service they work for transfers to a new employer. Under TUPE, Terms and Conditions of service are protected and any staff transferring into the new FMP will retain their existing terms and conditions of employment.

On transferring from Interserve Facilities Management back to UHL in May 2016, there were 14 different sets of terms and conditions of employment in place. This included just over 500 staff on pay and conditions below the bottom scale of Agenda for Change (AfC), the majority being on defined 'Blue Collar' contracts. At the time of transfer the cost to harmonise these staff onto AfC was deemed unaffordable given other cost pressures across UHL. In the last 22 months this has reduced by attrition to around 240 staff.

The establishment of the new structure provides the financial 'opportunity' to review these issues in a way that provides a pay increase for some of our lowest paid staff. These blue collar staff on below AfC rates will be offered the opportunity to transfer onto terms and conditions exactly the same as AfC band 1 pay scale rates upon transferring into the FMP.

Additionally, to avoid allegations of a possible 'race to the bottom' for terms and conditions of employment it is proposed to offer exactly the same AfC Terms and Conditions of service for all new staff appointed by the FMP with effect from the date of transfer.

### Further considerations

We need to remember that a major driver behind the introduction of AfC was the risk of equal pay claims and it is important that any new arrangements do not expose the organisation to the same risk. We intend FMP will also continue to use AfC job evaluation as the mechanism for grading posts and operate within its principles whilst recognising the need to address an ever increasingly competitive labour market.

### Pension

Further work is required in relation to access to the NHS Pension scheme, particularly for new recruits. As a minimum the Trust is committed to matching the level of employer contribution for any pension scheme option. Guidance in respect of Independent Providers providing services to the NHS suggests that current and new employees for the new FMP should be able to access the NHS Pension Scheme. An application will be made through the NHS Business Services Authority which seeks to obtain the necessary approvals to be able to offer the NHS Pension Scheme for both existing and new staff through an 'open' directions order.

Further details will be made available once these are confirmed.

## 5) Board Composition and Governance

The corporate form of the FMP is a Limited Liability Partnership (LLP) and it will be a partnership formed between UHL (as the majority owner) with Trust Group Holdings Limited, UHL's pharmacy subsidiary company (as a minority owner).

The proposed name of the FMP is the:

Leicester, Leicestershire & Rutland Healthcare Facilities Management Services LLP

Creating the FMP will require compliance with the Companies Act 2006, the requirements of Companies House and the requirements of HMRC. Upon its creation, it is proposed that the board structure of FMP is three Executive Directors and four Non-Executive Directors one of whom will be the chair.

The FMP will be governed by an LLP agreement and will deliver its services in accordance with FM Services Supply Agreements that will allow for enough commercial freedom to enable the partnership to be a success and to operate as a business whilst being under the ownership of the NHS. The LLP agreement will specify certain key matters which require the consent of UHL Trust Board.

The FMP will produce an annual operating plan that will define its priorities, opportunities and its ambitions.

## **6) Commitment to NHS Ownership**

This decision represents a long-term commitment and we intend that these services will remain owned and controlled by the NHS. We want to make the contract renewable and as long-lasting as possible, but discussions about the best way to achieve this are continuing.

## **7) Summary**

The new FMP will be wholly NHS-owned and will offer an improvement in pay, terms and conditions for many of Leicester's Hospitals' lowest paid staff. The partnership would allow Leicester's Hospitals to provide long-term investment in key services such as cleaning and maintenance, which will improve the environment for patients, staff and visitors.

The new FMP which would be called the Leicester, Leicestershire and Rutland Healthcare Facilities Management Services LLP is proposed to be up and running by October 2018, before which there will be extensive engagement with staff and other stakeholders.

The Trust Board is asked to support the establishment of the Facilities Management Partnership for the running of Estates and Facilities and Procurement and Supplies services.