



Frimley Health
NHS Foundation Trust

Wholly Owned Subsidiary

The Case for Change

Version 1.0

August 2019

Committed To Excellence

Working Together

Facing The Future

BACKGROUND

WHO WE ARE

With close to 9,000 employees across three principal sites, Frimley Health NHS Foundation Trust (Frimley Health) provides hospital and community services for 900,000 people in Berkshire, Hampshire, Surrey and South Buckinghamshire.

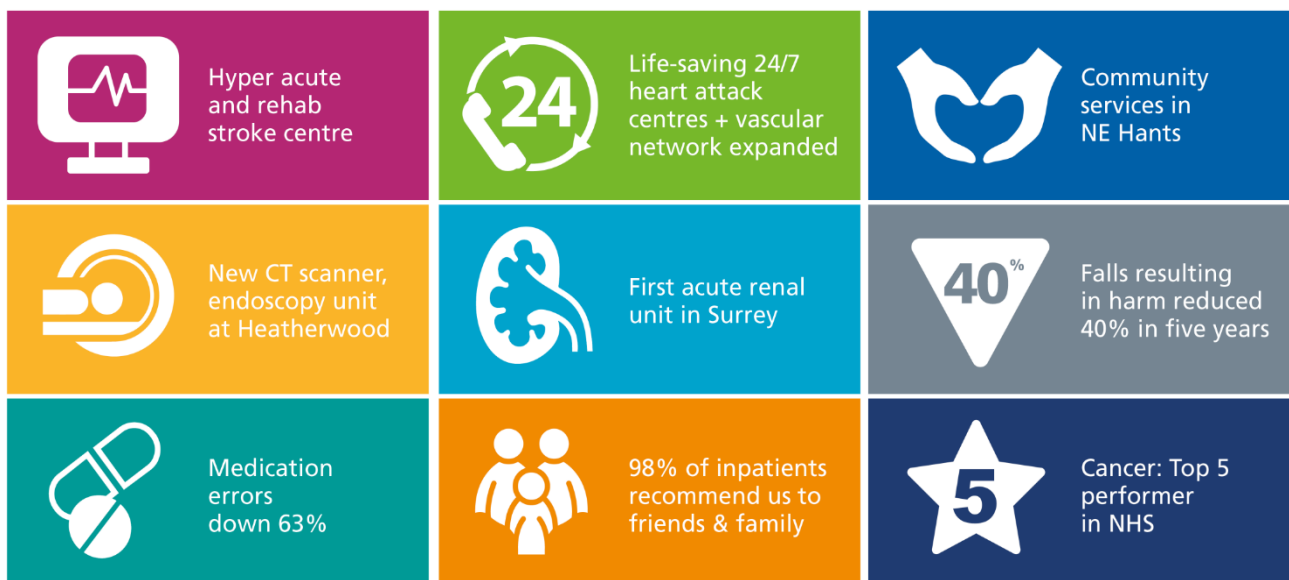
The Trust has a strong reputation on which to build. Both Wexham Park and Frimley Park Hospitals, were part of the first wave of Foundation Trusts achieving the highest star rating. Frimley Park Hospital was also the first Trust in the country to be rated outstanding by the CQC. We work tirelessly to build on our achievements to make Frimley Health a Trust that its people, patients and communities are proud of. With our continued improvements as well as our strong performance over the past few years, we benchmark really well amongst some of the best Trusts in the country.

Our strategy for Frimley Health for 2020-25, supports and mirrors the principles set out in the NHS Long Term Plan, as we adopt a greater emphasis on prevention, a focus on the reduction of health inequalities and the provision of effective mental health services, all contributing to the overall health and wellbeing of our people, patients and the communities we serve.

Together with our vision, our values guide everything we do and underpin the delivery of our ambitious long-term strategy helping us to shape a brighter future for our people, our patients and the communities we serve.

Our Journey

Over the past few years we have gone through a significant period of change that has expanded the service offerings of our Trust, transformed the way we have delivered care to our communities and improved our safety record.



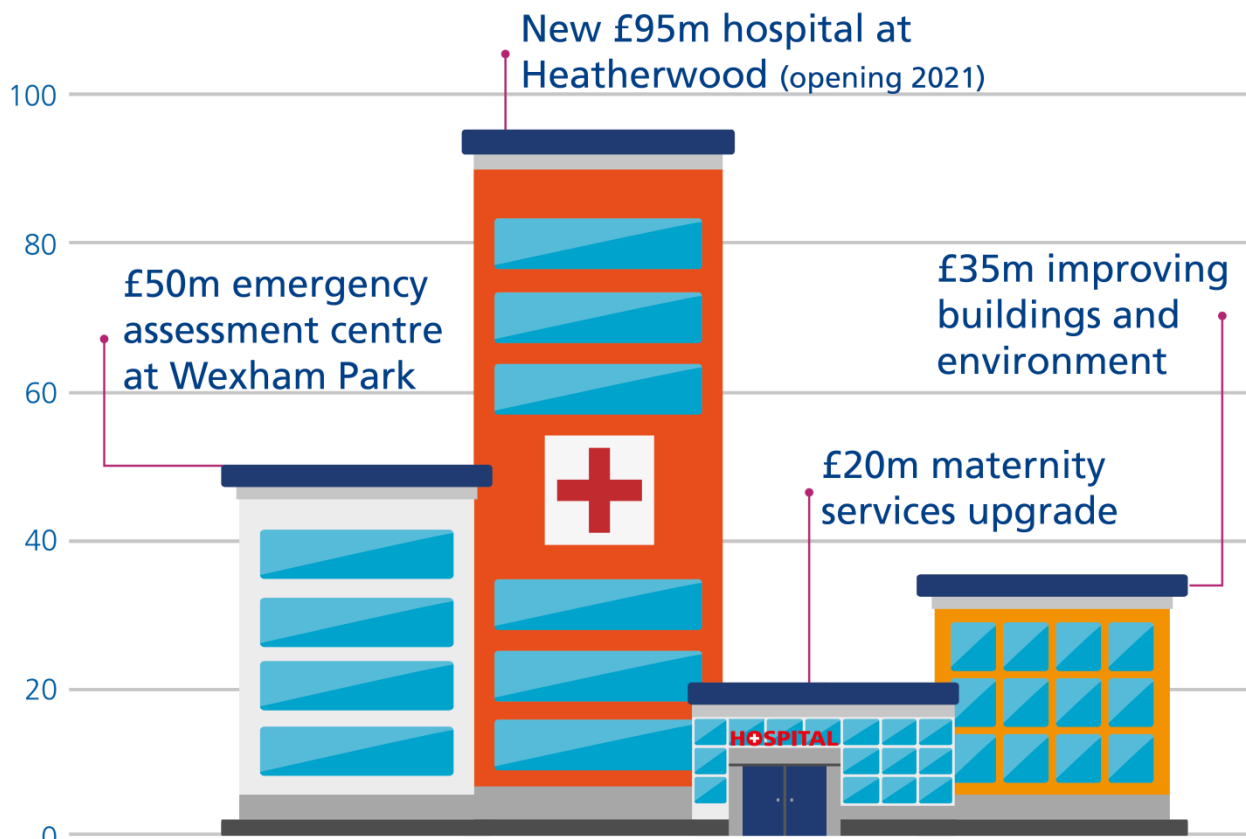
Our People

Our people are, and always will be, our greatest asset. It is through our people that we deliver our vision and values and, importantly, it is our people who deliver outstanding care to our local population. The evidence is very clear – teams who feel valued and recognised, are able to make changes, and people who are supported to develop themselves also deliver the best care and outcomes for patients, therefore supporting our people to do so is a key FHFT ambition.

We have some of the best staff engagement scores in the annual NHS National Staff Survey and have regularly been acknowledged for the work we have done on staff health and wellbeing. We have also made significant investment in our people over the past few years and continue to treat this as a key priority, as shown by our Investors in People status increasing from bronze to silver in Summer 2019.

Our Infrastructure

We have extended our infrastructure and made significant investment in our estates and in the latest technological advancements but have ambitions to do even more to meet the growing needs of our population.



THE NHS TODAY

Healthcare is changing. Demand is increasing and becoming more complex. Our patients and communities would like healthcare that is responsive, with easy access to emergency care at the time they need it most. Similarly, patients with long-term conditions would like healthcare to be delivered in a way that allows them to live independently for longer.

As society develops with advances in technology, medicines and healthcare provision, traditional health and care demands are changing and ever-growing, putting a significant strain on an already pressurised system.

In spite of these extensive demands, we know that challenges will be even greater in the future as we care for a growing population, often with greater and more complex physical and mental health, as well as social care, needs, with even more of this care required outside of hospitals. Add to this the advances in medicine and technology that is required and the staffing challenges we have that is linked to national shortages – all of this will mean that more investment will be needed to meet the needs of the people we serve.

OUR AMBITIONS

Frimley Health needs to adapt, to be innovative, to navigate intelligently through this challenging landscape and move forward to ensure, that in 5-10 years' time, we will be able to provide effective and sustainable services to meet the needs of the communities we serve and to maintain our proud legacy of excellence.

THE CHALLENGE

In addition to the changing healthcare landscape mentioned above Frimley Health faces several other significant challenges that are specific to our hospitals and regions.

Population

A steadily growing, ageing population is putting increasing pressure on our services, with increasing prominence of complex management of long-term conditions, and the need for a robust frailty management system. Some of the key demographic challenges are:

Life expectancy for both men and women is significantly higher than the national average.

Despite the higher life expectancy within the FHFT region, there are significant variations across the geographical area with a 12 year variation to be seen between the highest and lowest for both men and women.

159,073 people in the FHFT geographical area have 2 or more chronic conditions.

89,774 people in the FHFT geographical area have 3 or more chronic conditions.

56,519 people in the FHFT geographical area report having both mental and physical ill health.

Workforce

There are significant challenges around staffing as we seek to reduce our vacancy and turnover rates to match the aims of the NHS Long Term Plan, which is to have a vacancy rate of 5% by 2028. This is going to be very difficult as nationally there are over 110,000 vacancies currently and this is predicted to grow to over 250,000 in the next few years.

Quality

In terms of quality we need to meet the needs of our patients and improve safety and outcomes in a system that is under increasing pressure with growing demand and complexity of demand. To provide the highest quality of care in the future, we will also need to make significant investments in medical advancements, equipment and technology.

Financial

FHFT faces a very difficult future financially with an underlying deficit of £24.3m; a cost improvement requirement of £30m for 2019/20; payment by results funding is coming to an end; as well as further pressures and the need to invest in our people, systems and infrastructure to meet the challenges associated with changing healthcare needs and technologies. We will also see a shift of funding from hospitals to mental health and primary care, as we move to a more integrated system with shared financial resources. This will only put further pressure on the money Frimley Health has to invest in the future.

AIMS AND OBJECTIVES

Our future strategy provides a roadmap to navigate the challenges we will face over the next 5-10 years. It also describes what we are going to be doing differently in order to meet the demands of the future.

Our strategy is stretching and ambitious but realistic and sets an exciting vision built on our existing values, setting a dynamic but bold vision for the future. Our strategy provides us cause for optimism; it equips us with the tools and plans to steer through the challenges we will face over the next 5-10 years and allows our people the capability to continue to deliver the outstanding services and outcomes for our patients and communities.



WHY A WHOLLY OWNED SUBSIDIARY

We are considering the development of a wholly owned subsidiary (the Subsidiary) as a key enabler for Frimley Health to provide more focus and support for some of our non-clinical services and staff, creating greater scope for the generation of surpluses and income to invest in patient care. In addition, we see it as a way of providing job security and parity of esteem for some of the most pressurised, and occasionally undervalued, members of staff.

WHAT IS IT

A wholly owned subsidiary is a company set up by NHS foundation trusts to manage part of their organisation. In setting up a subsidiary NHS trusts retain 100% of the shares in the company, ensuring that the organisation, staff and savings remain within the NHS family. They can protect valuable staff, skills and jobs, prevent outsourcing to the private sector – hence keeping public money in the NHS, whilst maximising quality and value for money.

National context

Subsidiaries are not a new concept in the NHS, the legislation enabling trusts to create wholly owned subsidiaries has been in place since 2006. Over 40 trusts across the UK have successfully established subsidiaries that are all functioning and delivering financial and operational efficiencies. It is important to note, that of those launched, none have failed to meet their original expectations and in fact, in some instances, the benefits achieved have been well over the original estimates

Our proposal

Frimley Health's Subsidiary will comprise of fixed property, equipment and the transfer of services, including: Estates, Facilities, Equipment Management and Procurement – providing fully managed end-to-end services to the Trust which will include:

- A service contract which is fully supported by detailed service level agreements and agreed performance metrics;
- The transfer of land and buildings as well as medical equipment to the Subsidiary to allow them to manage these.

In addition, the following will apply:

- Some members of the Frimley Health Board will serve on the Subsidiary Board.
- All major decisions, once they have passed through the Subsidiary Board, will have to be approved by the Trust Board.
- Because the Subsidiary's business will be concentrated on the delivery of non-clinical services, they will have greater visibility and management of these and therefore we can expect much improvement on quality and efficiencies.
- The potential for the provision of non-clinical services to other businesses will provide great opportunities – not just for the Subsidiary, but also for staff for their growth and development.

THE OPTIONS

Frimley Health explored several options in great depth to ensure our focus was directed towards the option that gave the Trust the greatest security for its staff whilst enabling it to deliver on its future ambitions.

Options

- **Do Nothing** – this option was rejected as it does not address any of the current and future issues: improving support to specific staff groups whilst meeting the financial challenge or the expected increase in demand.
- **Outsource** – this was rejected as given we would be outsourcing the services to a third party the savings would be significantly lower, the Trust would have less control and therefore this could provide a risk to the quality of service and ultimately this options would be less beneficial for staff and not compliment the Trust values or the principal of One Frimley Health.
- **Some Innovation** – this option was rejected as the savings would not be as great and the reality of this being implemented is low as it will require investment. Also, as has been shown in the past, focus in hospitals tends to be placed on clinical priorities, which is understandable, and this is unlikely to change.
- **Joint Venture** – this option was rejected as savings would be lower, as they would be shared with a partner, and there would be less control but much more complexity as well as less improvements for staff.
- **Wholly Owned Subsidiary** – the option was selected as the recommended option as there is excellent potential for cost reductions, savings, service quality, staff retention and partnership potential in the wider health economy. The Trust, being 100% owner, would also maintain overall control. The evidence from other Trusts that have set up a subsidiary supports this.

Scoring criteria

These options were scored against a robust set of benefits criteria to ensure the best overall value to the Trust – both in terms of financial and quality. These criteria asked how each option scored on:

- Income generation
- Cost reduction
- Speed of innovation
- Level of risk
- Contract flexibility
- Engagement with wider health economy
- Assurance re quality of service
- Improvements to patient care

BENEFITS

The Subsidiary is expected to provide a range of benefits, for the Trust and across the wider region. Although fully owned by Frimley Health, being an independent entity, the Subsidiary will have the freedom to innovate; be more flexible – less bureaucratic; to take best practice learnings from both the private and public sector; to seek new business and to create maximum opportunities for its future.

Staff

Non-clinical support staff are a vital part of the Frimley Health family and this relationship is expected to continue seamlessly given the close relationship between the two organisations – they will be working with the same colleagues as before and operating under the same shared values and on the same terms and conditions – including their NHS Pension, if they have one.

For new staff, the Subsidiary will be able to offer new terms and conditions that support recruitment efforts and offer competitive market rates. This will enable the Subsidiary to create expert specialist teams in areas that are traditionally difficult to recruit talent to, such as estates, as the NHS pay scales are not competitive in the South East market.

In addition, there will be several additional key benefits, for both existing and new staff:

- Greater **opportunities** and good **job security** – with a 25-year contract between both organisations giving stability.
- New roles within the Subsidiary to **create seamless support teams** that are: highly skilled; mobile; and motivated, with the right skill mix and delivery tools to support their clinical colleagues.
- More flexible approach to **recruitment and retention** to address specific workforce pressures and risks in non-clinical support services.
- Able to attract a **wider pool of staff** with specialist skills.
- Non-clinical support services will be at the **heart of the new organisation** – currently some of the highest vacancy rates (40% porters and 14% overall) and lowest staff survey scores, with a management team dedicated to them and giving priority to clinical needs.
- Improved job satisfaction and morale.

Quality

At the heart of our organisation is outstanding patient care and the formation of the Subsidiary will help us in our development journey to improve our facilities, technologies and staff; ultimately resulting in improved patient outcomes and even greater quality standards:

- For **clinical and other trust staff** the Subsidiary will:
 - ✓ Save clinical time currently spent on non-clinical and admin activities to spend on patient care.
 - ✓ Provide high performing, high quality, non-clinical support to frontline services.

- For **patients** the Subsidiary will:
 - ✓ Increase focus on direct patient care.
 - ✓ Increase investment into equipment upgrades, allowing Frimley Health to deliver sustainable and safe clinical services.
 - ✓ Surplus from the Subsidiary will be reinvested into the NHS and improvements for continued high quality patient care.
- On the **operational** front, the Subsidiary will:
 - ✓ Provide the best end-to-end' supply chain as well as further commercial opportunities.
 - ✓ Develop non-clinical services and protect them from potential outsourcing.
 - ✓ Maximize new income, commercial and cost saving opportunities for the Trust and the wider healthcare economy.
 - ✓ Maintain or exceed current levels and enable service modernization.

Finance

Over a 5 year period the Subsidiary will contribute to Frimley Health's financial strategy with savings over the period of circa £45m – and this is conservative estimate which has been risk adjusted accordingly.

The Subsidiary will provide an environment and approach to support services to reduce overall operating cost to the organization, whilst still maintaining job security. No savings will be derived by cutting jobs, salaries or pensions but will be derived from operational efficiencies, clinical time saved as well as VAT and capital savings.

The savings will enable important projects such as the development of the new Electronic Patient Records system, advances in medicine and technology as well as continued improvements in our infrastructure such as the new diagnostic centre focusing on early detection of breast cancer; as well as helping the Trust to build new services and enable other developments and modernization.

WITHOUT IT

If Frimley Health are unable to take the step of forming a Wholly Owned Subsidiary we will not only struggle to achieve our financial targets, but more importantly we will not have the money to invest in our people, our systems, our infrastructure or develop new services. It will also mean that we would be unlikely, given our past performance, to progress plans to improve the engagement and support for these staff groups to the same extent as we could in a Subsidiary dedicated to these service areas.

As it stands, the only remaining option to enable the Trust to meet its financial target and have the money to invest will be to reduce costs significantly. Unfortunately, as our payroll represents over 60% of our costs, ultimately this might mean reducing the number people we have.

WITH IT

The positives for the development of a wholly owned subsidiary far outweigh any potential negatives; instead it will allow Frimley Health to go on to even greater heights in patient care.

Forming a wholly owned subsidiary, one which is 100% owned by Frimley Health, is about:

- Creating a great place to work for our support services – giving them the focus and attention they deserve.
- Supporting our clinical teams so that they can focus on what's important – our patients.
- Having the scope to grow and becoming a key partner in the local health economy.
- One Frimley – wholly owned by us means keeping our values and being a key enabler in helping us deliver our future ambitions.