

Dear

FREEDOM OF INFORMATION – OUTSOURCED

I write in response to your request for information in relation to outsourced providers.

Question:

1. All datasets or summary spreadsheets held by NHS Lothian showing annual spending (actual and forecast) on private healthcare providers, outsourced clinical services, and non-clinical external contractors for financial years 2021/22, 2022/23, and 2023/24 (to the date of this request).

Answer:

Annual Spend on Outsourced / Private Provider Activity

Financial Year	Actual Spend (£)
2021/22	£4,412,893
2022/23	£6,198,546
2023/24	£10,124,940
2024/25	£1,745,051
2025/26 YTD	£1,266,449

Question:

2. Copies of current and recent (since 1 January 2022) contracts, procurement award documents, and tender specifications for:
 - a. Outsourced patient treatment (e.g., elective surgery, diagnostics)
 - b. Agency staff provision
 - c. Non-clinical outsourcing (such as facilities, cleaning, catering, or IT)

Answer:

a.	Please refer to NHS National Services Scotland, National Procurement who let and own this contract
b.	Please refer to NHS National Services Scotland, National Procurement who let and own



	this contract
c.	Procurement not aware of any outsourcing here, except pre existing PFI providers.

Question:

3. Internal reports, business cases, or options appraisals from 2022 onwards that consider or recommend outsourcing or partnership with private providers specifically as a method for managing budget constraints or waiting lists.
4. The minutes and briefing papers for any NHS Lothian Board or sub-committee meetings (including Finance, Procurement, or similar committees) since 1 January 2022 where outsourcing, private provider usage, or external contractor engagement in relation to budget pressures was discussed.
5. Correspondence (including emails, memos, and attachments) between NHS Lothian executive directors or board members and private providers, agency suppliers, or Scottish Government officials since 1 January 2022, concerning:
 - a. The procurement or continuation of outsourced contracts related to hospital, community, or public health services.
 - b. Service delivery changes involving private sector involvement as a response to budget pressures.

Answer:

Please see enclosed documents. Redactions have been added to remove detail not relevant to your request.

Question:

6. Any policy reviews, impact assessments, or risk assessments undertaken since 1 January 2022 concerning the use of private sector providers or outsourcing in NHS Lothian's services, particularly in response to financial constraints or transformation programmes.
7. Financial summaries or budget models presented to NHS Lothian's senior management or board that consider the costs, savings, or anticipated benefits of external contracting or private sector partnerships over the same period.

Answer:

I am advised that we do not hold information in relation to this. As per Section 17 of the Freedom of Information (Scotland) Act 2002 formally I must advise that we do not hold this information.

I hope the information provided helps with your request.



If you are unhappy with our response to your request, you do have the right to request us to review it. Your request should be made within 40 working days of receipt of this letter, and we will reply within 20 working days of receipt. If our decision is unchanged following a review and you remain dissatisfied with this, you then have the right to make a formal complaint to the Scottish Information Commissioner within 6 months of receipt of our review response. You can do this by using the Scottish Information Commissioner's Office online appeals service at www.itspublicknowledge.info/Appeal. If you remain dissatisfied with the Commissioner's response you then have the option to appeal to the Court of Session on a point of law.

If you require a review of our decision to be carried out, please write to the FOI Reviewer at the email address at the head of this letter. The review will be undertaken by a Reviewer who was not involved in the original decision-making process.

FOI responses (subject to redaction of personal information) may appear on NHS Lothian's Freedom of Information website at: <https://org.nhsllothian.scot/FOI/Pages/default.aspx>

Yours sincerely

ALISON MACDONALD
Executive Director, Nursing
Cc: Chief Executive

Meeting: Finance & Resources Committee
Meeting date: 21 August 2024
Title: Design, Build, Finance and Maintain Estate
Responsible Executive: Craig Marriott, Director of Finance
Report Author: Bruce Barron, Director of PPP

1 Purpose

The purpose of this report is to provide a summary of the NHS Lothian’s PFI/PPP/NPD/Hub estate with regard to provision, operation and handback together with recommendations for its future management.

This report is presented for:

Assurance	<input checked="" type="checkbox"/>	Decision	<input type="checkbox"/>
Discussion	<input type="checkbox"/>	Awareness	<input checked="" type="checkbox"/>

This report relates to:

Annual Delivery Plan	<input checked="" type="checkbox"/>	Local policy	<input type="checkbox"/>
Emerging issue	<input type="checkbox"/>	NHS / IJB Strategy or Direction	<input type="checkbox"/>
Government policy or directive	<input type="checkbox"/>	Performance / service delivery	<input type="checkbox"/>
Legal requirement	<input type="checkbox"/>	Other	<input type="checkbox"/>

This report relates to the following LSDF Strategic Pillars and/or Parameters:

Improving Population Health	<input type="checkbox"/>	Scheduled Care	<input type="checkbox"/>
Children & Young People	<input type="checkbox"/>	Finance (revenue or capital)	<input checked="" type="checkbox"/>
Mental Health, Illness & Wellbeing	<input type="checkbox"/>	Workforce (supply or wellbeing)	<input type="checkbox"/>
Primary Care	<input type="checkbox"/>	Digital	<input type="checkbox"/>
Unscheduled Care	<input type="checkbox"/>	Environmental Sustainability	<input type="checkbox"/>

This aligns to the following NHSScotland quality ambition(s):

Safe	<input type="checkbox"/>	Effective	<input checked="" type="checkbox"/>
Person-Centred	<input type="checkbox"/>		

Any member wishing additional information should contact the Responsible Executive (named above) in advance of the meeting.

2 Report Summary

2.1 Situation

2.1.1 There are 10 contracts managed by the Public Private Partnership (PPP) Programme Team. The status of these contracts is detailed in this paper, broken down into scope, operation and future end of contract arrangements.

2.2 Background

2.2.1 The Board's PPP health programme is the largest in Scotland and is a significant proportion of its entire estate – as indicated below.

NHSL Estate	Number of Contracts	Number of sites	Number of staffed beds	Unitary Charge Per Annum	Total Area GIFA
PFI Sites	10	12	1856 - 58% of estate beds	£106,780,328	232,251 sqm – 35% of total estate
Total Sites	NA	26	3176 beds	NA	660,122 sqm

2.2.2 The PPP programme is split into a range of contracts which can generally be grouped as follows.

Contract	Facility
PFI	Royal Infirmary of Edinburgh, Midlothian Community Hospital, Findlay House, Ellens Glen, Ferryfield and Tippethill
NPD	Royal Hospital for Children and Young People
Design Build Finance and Maintain (DBFM) – Hub South East	East Lothian Community Hospital, Lothian Health Bundle Projects, Royal Edinburgh Hospital

2.2.3 Within these groupings there is a significant variety of contract clauses across the PFI projects, but very limited differences between the NPD and DBFM schemes. In general, the PFI facilities remain with the PFI provider at the end of the contract period, proceed to a secondary period, or can transfer to NHSL at a cost. The NPD and DBFM projects become managed and owned by the board at contract end, with obligations on the PFI provider to ensure that the facilities are to a suitable condition when transferred.

2.3 Assessment Per Contract

2.3.1 Royal Infirmary of Edinburgh

Site	SPV	FM Provider	Hard FM scope	Soft FM scope	Start Date	End Date	No. Beds	Annual Unitary Charge	Area GIFA
Royal Infirmary of Edinburgh	Consort	Equans	All	Catering, security and car parking	2002	13 Dec 2027	989 (not including DCN beds)	£65,291,595	112,888 sqm

2.3.2 Background

- 2.3.2.1 The RIE hospital was sited on a mostly green field site at Little France under a Private Finance Initiative contract in 1998. The new hospital is physically linked to the Chancellor's Building which is the main teaching facility for the University of Edinburgh's Medical School.
- 2.3.2.2 The project agreement ("PA") for the RIE is between NHSL and Consort Healthcare ("Consort"). Consort are responsible for the provision of facilities management and lifecycle maintenance works until the end of the Primary Period in December 2027.
- 2.3.2.3 At the end of the Primary Period, the hospital will return to NHSL control with the responsibility for all lifecycle, maintenance and facilities service provision returns to NHSL.
- 2.3.2.4 There is a Secondary Period which begins automatically following the end of the Primary Period, should NHSL not exercise its right to break the sub lease. During the Secondary Period, NHSL is obligated to pay Consort an annual management fee (c.£1.5m p.a.), however Consort are not obliged to provide any services in exchange for this.

2.3.3 Operational Summary

- 2.3.3.1 To encourage an improvement of service provision by Consort, NHSL implemented Enhanced Contract Management. This has led to two dispute resolution processes ("DRPs") against Consort.
- 2.3.3.2 The DRP processes have brought substantial success in improving NHSL's commercial leverage, establishing that the level of performance has been below the contractual standard in areas such as hospital ventilation, lifts and fire protection. Both parties have now agreed that the threshold for a Serious Issue Event ("SIE") has been reached. This can lead to termination of the PA.
- 2.3.3.3 In September 2023 Consort proposed a "Joint Lifecycle Management", which assumes that the project agreement is allowed to run its course with Consort remaining as service provider until 2027, but Consort would allow for NHSL to direct the spend of a sum of monies which Consort would make available.

2.3.4 Handback

- 2.3.4.1 On the basis of Joint Lifecycle Management the requirements on Consort to handback the building in 2027 to a specific standard will be reduced due to the control of works by NHSL in the intervening period.

2.3.4.2 A condition of the Joint Lifecycle Management is also that there will be no secondary period and all payments to Consort will cease in December 2027.

2.4 Royal Hospital for Children and Young People

Site	SPV	FM Provider	Hard FM scope	Soft FM scope	Start Date	End Date	No. Beds	Annual Unitary Charge	Area GIFA
Royal Hospital for Children and Young People	IHSL	Equans	All other than internal décor	No	(Delayed from 2017) 2019	2 July 2042	248 (Including DCN – 64 beds)	£18,318,237	51,410 sqm

2.4.1 Background

2.4.1.1 The RHCYP site includes both the Royal Hospital for Children and Young People and the Department of Clinical Neurosciences (DCN).

2.4.1.2 NHS Lothian entered into an agreement for the design, build, finance and operation of the RHCYP in February 2015. The facility was originally scheduled to be complete by 5 July 2017. Due to various difficulties that date was postponed three times. The RHCYP eventually opened on 23 March 2021 although unitary charge payments commenced in 2019. The facility is owned by IHSL, built by Multiplex and maintained by Equans.

2.4.2 Operational Summary

2.4.2.1 Since the outset there have been ongoing issues with the building's construction in terms of defects. There was the initial ventilation and water related issues which delayed initial occupation, followed by re-tiling to the atrium, movement joints, damper fixings and the omission of cavity barriers at 10m centres to the external cladding.

2.4.2.2 Performance of the FM Service Provider has been consistent but they are failing to provide the full service the Board has requested and this has resulted in performance deductions of circa £4k per month.

2.4.3 Handback

2.4.3.1 Whilst contractual formal handback is not until 2044, NHSL have established formal contract administrative processes and procedures which are documenting and recording events which will be required for this procedure.

2.4.3.2 24 months prior to the expiry date there is to be a joint inspection, regarding the condition of the facilities measured against the contractual service level specification.

2.4.3.3 Following the inspection, IHSL shall provide the authority with proposals for handback works, handback programme and estimated cost of the handback amount. These costs will be met by IHSL.

2.4.3.4 If the works are not undertaken timeously the Board may withhold a percentage of the unitary charge (Up to 10%) until the works are completed, or step in and complete the works.

2.4.3.5 The facility will revert to NHSL's full control in 2042 at nil cost.

2.5 East Lothian Community Hospital

Site	SPV	FM Provider	Hard FM scope	Soft FM scope	Start Date	End Date	No. Beds	Annual Unitary Charge	Area GIFA
East Lothian Community Hospital	Hub South East	GTFM	All other than internal décor and floor covering	No	2019	30 Aug 2044	124	£6,441,634.97	23,134 sqm

2.5.1 Background

2.5.1.1 East Lothian Community Hospital provides a range of services including primary care, outpatient services, step-down care, mental health services and care of the elderly accommodation.

2.5.2 Operational Summary

2.5.2.1 Generally, the facility has operated with limited issues since opening in 2019. The FM provider, Galliford Try FM provide a very good service and their performance is excellent.

2.5.3 Handback

2.5.3.1 Handback is not until 2044. The handback procedure is very similar to RHCYP and transfer to NHSL at the end of the concession period is at zero cost.

2.6 Midlothian Community Hospital

Site	SPV	FM Provider	Hard FM scope	Soft FM scope	Start Date	End Date	No. Beds	Annual Unitary Charge	Area GIFA
Midlothian Community Hospital	Elgin Health	Robertson FM	All	Grounds maintenance and pest control	2015	10 Sept 2040	80 Staffed Beds	£2,757,205.19	7,005 sqm

2.6.1 Background

2.6.1.1 Midlothian Community Hospital contains clinical services currently managed by Mid Lothian Integrated Joint Board. The concession period is 30 years with and end to the current contract is 10th September 2040.

2.6.2 Operational Summary

2.6.2.1 This has been reasonably well provided facility by the contractor. Over the concession period thus far several variations have taken place to support the changes to clinical environment.

2.6.3 Handback

2.6.3.1 No immediate handback requirements; as the handback date is 2040 no immediate obligations are required for NHSL to comply with. At least 2 years prior to this date there is to be a joint inspection of the facility’s condition measured against the contractual service level specification.

2.6.3.2 Following this inspection, a set of handback works and a handback programme will be determined that will be completed prior to the expiry date. There will also be a handback amount, to reflect the estimated cost of undertaking such works.

2.6.3.3 The SPV is to provide a bond in favour of the Board equal to the value of the handback amount. In certain circumstances in lieu of providing a bond the SPV can elect to accept withholdings of up to 30% from the monthly unitary charge.

2.6.3.4 Final transfer to NHSL at the end of the concession period is at zero cost.

2.7 Findlay House

Site	SPV	FM Provider	Hard FM scope	Soft FM scope	Start Date	End Date	No. Beds	Annual Unitary Charge	Area GIFA
Finlay House	Elgin Health	Robertson FM	All	Grounds maintenance and pest control	2003	1 June 2033	60 staffed beds	£1,299,540	2,493 sqm

2.7.1 Background

2.7.1.1 Findlay House is a care home and contains clinical services currently managed by Edinburgh Integrated Joint Board. The concession period is 30 years with an end to the current contract at 1st June 2033.

2.7.2 Operational Summary

2.7.2.1 The facility has operated with minimal issues. A number of changes have been instructed over the years that need to be formally captured within the project agreement but due to the nature of the operator, this has not been a priority. The facility is currently

anticipated to form part of the alternative accommodation for Liberton Hospital. There may however be restrictions on the movement of patients in the event of a fire that will dictate additional works to the building before such a move may can be progressed. This is currently being investigated.

2.7.3 Handback

2.7.3.1 No immediate handback requirements as the handback date is 2033. Not later than 18 months prior to the expiry date the Board is to notify the SPV whether it proposes to vacate the Site.

2.7.3.2 If the Board does not propose vacating the Site, then the SPV is to deliver a valid title back to the Board and in exchange for vacant possession, the Board will pay the SPV the lower of £ 1M and the open market value for the property. of.

2.8 **Lothian Health Bundle**

Site	SPV	FM Provider	Hard FM scope	Soft FM scope	Start Date	End Date	No. Beds	Annual Unitary Charge	Area GIFA
Lothian Bundle Projects	Hub South East	GTFM	All other than internal décor and floor covering	No	2017	23 Oct 2042	N/A	£2,573,157	Allernuir 2,400sqm
									Pennywell 4,370sqm
									Blackburn 3,040sqm

2.8.1 Background

2.8.1.1 The Lothian Health Bundle consists of 3 properties. Blackburn Partnership Centre, Pennywell All Care Centre and Allernuir Health centre. This project was developed with Hub South East and consists of:

2.8.1.2 Blackburn Partnership Centre includes:

- GP surgery for the Ashgrove Medical Practice
- General Dental Practice
- Clinical facilities for CHCP community services
- the provision of council community facilities including library and sports hall
- office accommodation

2.8.1.3 Allernuir Health Centre includes:

- the development of a new single surgery for the Craiglockhart Medical Group
- provision of new accommodation for the Firrhill Medical Practice
- the provision of new clinical facilities for podiatry, physiotherapy and child health
- office accommodation

2.8.1.4 Pennywell All Care Centre includes:

- the development of a new GP Practice
- the provision of new clinical facilities for CHCP community services
- office accommodation
- the provision of accommodation for council services consisting of Children and Families and Adult Social Care.

2.8.2 Operational Summary

2.8.2.1 The buildings have had many issues in terms of defects since opening in 2017. This has included drainage on all 3 sites which are on-going with Graham FM & Graham construction. There have also been roof leaks in 2 of the buildings (Allermuir & Pennywell) which are still on-going. Heating in the buildings has also been challenging due to its lack of adjustment (underfloor).

2.8.3 Handback

2.8.3.1 No immediate handback requirements; as the handback date is 23rd October 2042. Despite the initial availability of the sites being staggered, they all return together.

2.8.3.2 The handback procedure is very similar to RHCYP and transfer to NHSL at the end of the concession period is at zero cost.

2.9 **Royal Edinburgh Hospital**

Site	SPV	FM Provider	Hard FM scope	Soft FM scope	Start Date	End Date	No. Beds	Annual Unitary Charge	Area GIFA
Royal Edinburgh Hospital	Hub South East	GTfM	All other than internal décor and floor covering	No	2016	5 Dec 2041	185	£4,589,965.54	18,500 sqm

2.9.1 Background

2.9.1.1 Royal Edinburgh Building is an Acute Mental Health Hospital containing 11 wards and various departments including ECT & MHAS. There is an additional building for brain injury patients (Robert Fergusson Unit) which accommodates 16 bedrooms.

2.9.2 Operational Summary

2.9.2.1 Generally the facility has operated well since opening in 2016. The FM provider, Gallifordtry FM provide a good service and their performance is improving each year.

2.9.2.2 The building had a number of issues in terms of construction defects. There have been flooring faults throughout the facility which took some time to resolve, however this work is now fully complete.

- 2.9.2.3 There has also been ongoing issues with the fibreglass ensuite pods where some are not level causing water to run in the wrong direction. This is currently being investigated.
- 2.9.2.4 Shortfalls in damper fixings has also been highlighted with works now ongoing to remove and replace.
- 2.9.2.5 Ongoing discussions on lifecycle & maintenance work with NHSL Estates team has also led to some lifecycle works being brought forward at GTFMs expense to address some design/build issues.

2.9.3 Handback

- 2.9.3.1 No immediate handback requirements; as the handback date is December 2041.
- 2.9.3.2 The handback procedure is very similar to RHCYP and transfer to NHSL at the end of the concession period is at zero cost.

2.10 Ellens Glen

Site	SPV	FM Provider	Hard FM scope	Soft FM scope	Start Date	End Date	No. Beds	Annual Unitary Charge	Area GIFA
Ellens Glen	Walker Group	Sodexo	All	Catering, pest control, grounds maintenance	2004	29 Nov 2029	60 staffed beds	£2,183,531.64	2,317 sqm

2.10.1 Background

- 2.10.1.1 Ellens Glen is a care home and contains clinical services currently managed by Edinburgh Integrated Joint Board. The concession period is 30 years with an end to the current contract in November 2029.

2.10.2 Operational Summary

- 2.10.2.1 This has been relatively straightforward contract to manage with limited changes since commencement. There has been recent issues with the quality of food provided to patients which is currently being addressed. The SPV has been supportive of NHSL requirements and work through any issues amicably.
- 2.10.2.2 The facility is currently anticipated to form part of the alternative accommodation for Liberton Hospital. There are however restrictions on the movement of patients in the event of a fire that will dictate additional works to the building before such a move can be progressed. This is currently being investigated and may be a particular challenge for Ellens Glen as it is two storey.

2.10.3 Handback

- 2.10.3.1 Project structure is based on a sale and lease back by the Board: The project facility was built by the SPV on premises which were sold by the Board (acting through the Scottish Ministers) to the SPV and project facility was then leased back by the SPV to the Board (the “Lease”).
- 2.10.3.2 The Board has the option, exercisable by the Board giving written notice to the SPV not less than two years prior to the Expiry of the Term, to confirm that it wishes to negotiate an extension of not less than five (5) years of the Term. If the Board services such notice, the parties are then obliged in good faith to negotiate terms and conditions on which the Term may be extended.
- 2.10.3.3 If the parties have not unconditionally agreed terms for an extension by the date which is eighteen (18) months prior to the Expiry of the Term, then the Project Agreement shall expire at the end of the Term.
- 2.10.3.4 In this situation, the Board becomes obliged to notify the SPV whether or not the Board proposes to vacate the Site on Expiry of the Term. If it does, the Board is required to pay the SPV the market value for the site. Alternatively the Board can vacate the site.

2.11 Ferryfield

Site	SPV	FM Provider	Hard FM scope	Soft FM scope	Start Date	End Date	No. Beds	Annual Unitary Charge	Area GIFA
Ferryfield	Walker Group	Sodexo	All	Catering, pest control, grounds maintenance	2002	28 Oct 2027	60 staffed beds	£2,165,459.04	2,463 sqm

2.11.1 Background

- 2.11.1.1 Ferryfield is a care home and contains clinical services currently managed by Edinburgh Integrated Joint Board. The concession period has ended but was extended by mutual consent until 28th October 2027.

2.11.2 Operational Summary

- 2.11.2.1 Generally the facility has operated with limited issues although there has been some concerns of late with regard to the quality and quantity of food provided at this site and Ellens Glen. An improvement plan has been put in place and this is currently being monitored.
- 2.11.2.2 The facility is currently anticipated to form part of the alternative accommodation for Liberton Hospital. There are however restrictions on the movement of patients in the event of a fire that will dictate additional works to the building before such a move can be progressed.

2.11.3 Handback

- 2.11.3.1 Project structure is based on a sale and lease back by the Board: The project facility was built by the SPV on premises which were sold by the Board (acting through the Scottish Ministers) to the SPV and project facility was then leased back by the SPV to the Board (the “Lease”). Currently the contract is due to come to an end in 2027.
- 2.11.3.2 Upon termination of the Project Agreement the Board is required to vacate the premises, remove all its equipment, possessions and signage and leave the building in good and substantial repair, in accordance with the obligations under the Lease.
- 2.11.3.3 The facility is expected however to form part of the decant strategy for Liberton Hospital and is likely to require a negotiated extension to the current arrangement of up to 5 years. This is currently being discussed with the Walker Group.

2.12 Tippethill

Site	SPV	FM Provider	Hard FM scope	Soft FM scope	Start Date	End Date	No. Beds	Annual Unitary Charge	Area GIFA
Tippet Hill	Care Uk	Care UK	All	Catering, pest control, grounds maintenance	2001	2 Sept 2025	50 staffed beds	£1,160,003	2,231 sqm

2.12.1 Background

- 2.12.1.1 Tippethill is a PFI care home and contains clinical services currently managed by West Lothian Integrated Joint Board. The PFI concession period is 25 years with the end of the current contract on 2nd September 2025. The facility is run by Care UK on behalf of NHS Lothian. It hosts two wards: Baillie Wing, a 24-bed ward for frail elderly including intermediate care, palliative care and frailty HBCCC; and Rosebery, an 8-bed ward for women with advanced dementia – although the area could accommodate up to 26 patients.

2.12.2 Operational Summary

- 2.12.2.1 Tippethill has been a well run facility, the contract presents no issues and there have been no disputes during the term of the contract.
- 2.12.2.2 Due to the layout of the building there has been drainage problems and options were looked at to increase the water pressure but all were at the risk of potentially damaging the existing pipe work resulting in availability concerns.

2.12.3 Handback

- 2.12.3.1 Project structure is based on a lease and sub-lease back by the Board: The project facility was built by the SPV on premises which were leased by the Board (acting through the Scottish Ministers) to the SPV (the “Lease”) and the project facility was then sub-leased back by the SPV to the Board (the “Sub-Lease”). The Lease has a term of 99 years. The Sub-Lease has a term which is based on the period of the Project Agreement.
- 2.12.3.2 The Project Agreement provides for four options for the Board with regard to expiry of the original Term of the Project Agreement. These options are:
- 2.12.3.3 Option 1: terminate the Project Agreement with effect from the Expiry Date;
Option 2: negotiate an extension of the Project Agreement;
Option 3: remain on site and require a re-tender of the FM Services; or
Option 4: purchase the SPV’s interest in the buildings and equipment comprised within the Facility.
- 2.12.3.4 The Board was required to confirm by written notice served no later than two (2) years before the Expiry Date (i.e. before 2 September 2023) which option it wishes to exercise. The Board confirmed to Care UK that it wished to extend the arrangement for a period to allow a replacement facility to be provided at Craigshill.
- 2.12.3.5 Upon expiry the Board would be required to vacate the Facility and the SPV would be entitled to use the site for the remainder of the 99-year Lease term in exchange for paying open market rent to the Board.

2.13 Quality / Patient Care

- 2.13.1 No direct impact.

2.14 Workforce

- 2.14.1 As the contracts come to an end the workforce will require adjustment to manage the activities – hard and soft FM – currently undertaken by the DBFM providers. There will also be TUPE implications for the current providers of these services.

2.15 Financial

- 2.15.1 As the DBFM estate contracts, so will the current unitary charge payments. This will however be in part offset by the maintenance and management obligations that will revert to NHSL.

2.16 Risk Assessment / Management

- 2.16.1 The risks associated with fire at the RIE are recorded in the Board’s Corporate Risk Register.

2.16.2 This report links to RIE Facilities Risk # 5189 on NHSL's Risk Register.

2.17 Equality and Diversity, Including Health Inequalities

2.17.1 No impact has been carried out or deemed necessary.

2.18 Other Impacts

2.18.1 None

2.19 Communication, Involvement, Engagement and Consultation

2.19.1 The paper does not relate to a service change and therefore the duty to consult does not apply.

2.20 Route to the Meeting

2.20.1 This has been previously considered by the following groups as part of its development. The groups have either supported the content, or their feedback has informed the development of the content presented in this report.

- Lothian Capital Investment Group (LCIG) - 12 June 2024

2.21 Recommendation

2.21.1 It is recommended that:

2.21.2 An action plan with timeline is developed for sites that are due to return to NHSL or be vacated by NHSL in the next three years. The plan will review NHSL and private sector provider obligations with regard building condition, compliance, handover provisions together with staffing and how these are to be addressed.

2.21.3 All PFI properties are reviewed with regard to shortfalls from current standards re fire, ventilation and water. This information will be utilised when considering whether to extend any current PFI arrangements or re-provide elsewhere.

2.21.4 A report is produced annually and presented to the Finance and Resources Committee on progress of the above recommendations and provide a general update on the PFI/PPP/NPD/Hub estate.

3 List of appendices

The following appendices are included with this report:

- None

FINANCE AND RESOURCES COMMITTEE

Minutes of the meeting of the Finance and Resources Committee held at 9.30 on Wednesday 21 August 2024 via Microsoft Teams.

Present: Mr A. McCann, Non-Executive Board Member (chair); Cllr S. Akhtar, Non-Executive Board Member; Mr P. Allenby, Non-Executive Board Member; Mr M. Connor, Non-Executive Board Member; Mr A. Fleming, Non-Executive Board Member; Mr G. Gordon, Non-Executive Board Member.

In attendance: Ms M. Campbell, Director of Estates and Facilities; Ms D. Carmichael, Special Projects and Assurance Associate Director, Capital Planning; Mr J. Crombie, Deputy Chief Executive; Mr B. Barron, PPP Programme Director (item 11.3); Ms T. Gillies, Medical Director; Dr J. Hopton, Sustainability Programme Director, Facilities; Mr C. Marriott, Director of Finance; Mr A. McCreadie, Deputy Director of Finance; Ms B. Pillath, Committee Administrator (minutes); Mr C. Stirling, Hospital Director, Western General Hospital (item 11.2); Mr D. Thompson, Board Secretary.

Apologies: Ms M. Carr, Chief Officer, Acute Services; Prof. C. Hiscox, Chief Executive; Ms A. MacDonald, Nurse Director.

Chair's Welcome

The Chair welcomed members to the meeting.

Members were reminded that they should declare any financial or non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. No interests were declared.

10. Committee Business

10.1 Minutes and Actions from Previous Meeting (5 June 2024)

- 10.1.1 Members accepted the minutes from the meeting held on 5 June 2024 as a correct record.
- 10.1.2 The updated cumulative action note had been previously circulated. Updates discussed would be included in the action plan circulated before the next meeting.

11. Capital

11.1 Property and Asset Management Investment Programme

- 11.1.1 Ms Carmichael presented the previously circulated paper. At the previous meeting there had been discussion about asking for a pause of transfer of GP practice premises to NHS Lothian. With the example of the Liberton High School premises lease described in the paper, Members suggested that GP practices could be transferred to another organisation and then leased by NHS Lothian to free up capital. Mr Marriott advised that on the Liberton example had been arranged by

Public Health and that the Council had agreed to the lease of the premises as NHS Lothian could not afford to do buy it back, and NHS Lothian had secured good terms. The transfer of GP practice assets to NHS Lothian was slowing as the capital was not available for buy back.

- 11.1.2 The master planning described in the paper was designed to complement the implementation of the Lothian Strategic Development Framework.
- 11.1.3 In answer to a question about whether the retender of the Lauriston Pharmacy was still a priority in the current financial situation, Ms Carmichael advised that once surveys and backlog maintenance was completed in September there would be better knowledge of the value compared to the current cost.
- 11.1.4 Work had been done internally on business continuity priorities. The Scottish Government was asking for a submission on this but NHS Lothian did not have the capacity or resource to put a team in place to do this work again when it was not expected to result in any further capital funding; this had been communicated with the Scottish Government.
- 11.1.5 It was noted that there were a number of possibilities and opportunities regarding new GP practice buildings in new housing estates including shared premises with other Council facilities, and developer contributions through the Council, although these were a small proportion of the funding needed for the project.
- 11.1.6 The capital planning team was liaising with the Integration Joint Boards to update their priority lists and this would be included in the Lothian Strategic Development Framework.
- 11.1.7 The Liberton Hospital risk had been moved from low to medium. Work was ongoing with Edinburgh Integration Joint Board on the project plan which was due to be complete in March 2025.
- 11.1.8 Members accepted the recommendations laid out in the paper.
- 11.2 Regional Infectious Diseases Unit – Initial Agreement
 - 11.2.1 The chair welcomed Mr Stirling to the meeting and he presented the previously circulated paper. It was noted that due to the current state of the building and the roof it would cost more to remain in situ than to move the unit as planned. The top floor would move while the administration team would remain for the time being on the ground floor but the building needed to be emptied and decommissioned as soon as possible. This would split the clinical and administration teams. This had been trialed during the Covid restrictions and ways of managing team cohesion were being considered. Another case for the move of the administration team would be brought to the Committee once this had been developed.
 - 11.2.2 The Infectious Diseases provision would also be moving to a frailty model with less admission. This was in keeping with the strategic direction and had the support of the clinical teams.

- 11.2.3 Mr Marriott noted that a previous business case had identified that £65 million would be needed for reprovision of the Infectious Diseases Unit. The resource to move the unit instead would have to be committed, but this would come from the formulary resource allocation which was also needed for other important risks, for instance fire safety, Hospital Sterilisation and Decontamination Unit, Eye Pavilion and Cancer Centre.
- 11.2.4 Mr Crombie advised that there has continuous interaction with the Scottish Government about the capital funding situation and the risks involved, including through the Finance Directors, the Board Chief Executive Group and the MSP Group. They were aware of the situation with the infectious diseases unit.
- 11.2.5 Members accepted the recommendations laid out in the paper and accepted the proposed move.
- 11.3 Design, Build, Finance and Maintain Estate Review
- 11.3.1 The chair welcomed Mr Barron to the meeting and he presented the previously circulated paper on the private provider estate.
- 11.3.2 It could be demonstrated that some PFI/PPP providers performed better than others by tracking achievement of maintenance jobs, but these could not be directly compared as there were differences in the contracts. The newer contracts were more refined and allowed for an easier relationship with the Board, but there could still be improvements around the hand back of the contract.
- 11.3.3 Members accepted the recommendations laid out in the paper.
- 11.4 Track and Trace Implementation
- 11.4.1 Dr Hopton presented the previously circulated paper. Members acknowledged the success of this project in using digital innovation to improve processes and meet challenges. The system improved compliance and efficiency of the service and had expected financial benefits by identifying equipment that was not being used. It was suggested that a similar approach could be useful in other areas.
- 11.4.2 Dr Hopton advised that tracking was in place in the Hospital Sterilisation and Decontamination Unit but not yet linked to theatre booking. This would be put in place once required staff training had been completed.
- 11.4.3 This project was not conceived as an invest to save innovation, but was a necessary replacement for an existing tracking system. Cost benefits were not yet being tracked but work would be done on this once the project was complete. There would also be consideration of how usage and benefits could be extended elsewhere in the Board.
- 11.4.4 Members accepted the recommendations laid out in the paper.
- 11.5 Hospital Sterilisation and Decontamination Unit Risk

- 11.5.1 Ms Campbell presented the previously circulated paper. She advised that since the paper had been submitted, the steam generators were no longer working and the temporary boiler was being used.
- 11.5.2 It was noted that there was only one private provider in Scotland for decontamination available in the event of lack of capacity in health boards. All Boards in Scotland had them as their contingency but there was not sufficient capacity there if more than one Board needed to use them. Use of the private provider also led to delays as surgical instruments had to be transported to Liverpool for processing with a three day turn around time. Until a national resolution for decontamination was identified, these problems would be likely to continue.
- 11.5.3 The temporary boiler now being used took 24 hours to get up and running which affected productivity by 50% but did not affect theatre lists as critical kit was immediately prioritised with close working with the theatre teams.
- 11.5.4 Members accepted the recommendations laid out in the paper and accepted limited assurance.
- 11.6 Royal Infirmary of Edinburgh Facilities Risk
- 11.6.1 Ms Campbell gave a verbal update. Work was currently in progress at the Royal Infirmary. The transition team was in post and working on investigating the details of all the critical systems, including fire. The next steps were to get prioritised work agreed with the PFI provider, and this would be aligned with the risk assessment process. There was no proposal to change the risk grading at this stage, but this could be reviewed once the investigation was complete.
- 11.6.2 Members requested a formal update once more information was available. **JC**

12. Revenue

12.1 Financial Position and Year End Forecast

- 12.1.1 Mr McCreadie presented the previously circulated paper. In response to a question about how assurance could be improved on how recurring and non recurring efficiency savings would be made, Mr McCreadie advised that the Lothian Strategic Development Framework set out the work being done and work was ongoing with the teams on the 3% and 4% savings plans. There needed to be consideration of how the non recurrent 4% savings plan could be made recurrent.
- 12.1.2 Mr Marriott advised that the savings could not be made without making radical changes to reduce the cost of providing services, including stopping services. Not all areas were within the health board's control, for instance staff pay and funded services. This had to be part of a Scotland wide reform agenda lead by the Scottish Government.
- 12.1.3 Mr Crombie advised that a £12 million saving in workforce reduction had been identified and further savings in back room processes, digitisation and energy technology were being analysed, but there was limited capital for invest to save projects.

12.1.4 It was agreed that incremental updates on efficiency projects being considered or in progress would be given at future Strategic Planning and Finance and Resources Committees. Mr Crombie also agreed to consider whether there could be another forum for discussing strategic questions with the Non Executive board members. It was noted that there was no comprehensive plan to deliver the deficit except what had been shared with Non Executive Board Members at the Board and Committees.

JC

12.1.5 Members suggested that there should be consideration of how the need for support for making difficult decisions about reducing services could be raised with the Scottish Government in as many forums of possible, including the Annual Review. Mr Marriott noted that some suggestions had been made to the Scottish Government which they were not willing to support, but this may change in the future.

12.1.6 The cost of the Agenda for Change staff pay reform was not yet known until this had been agreed. Costs were being seen on the reduction in hours of the working week. The Scottish Government had allocated some money for this but it was not clear at this stage whether this was enough.

12.1.7 The importance of the long term savings possible from invest to save sustainability projects was noted. It was agreed that means of improving non executive members' understanding of how this type of project could improve the situation and how they could be supported would be discussed at the Strategic Planning Committee and with the Board Chair.

AMcCa

12.1.8 Members accepted the recommendations laid out in the paper and accepted limited assurance. They noted that the Scottish Government policy and political context limited the health board's scope to make the required savings without further support.

13. Scottish Hospitals Inquiry

13.1 Scottish Hospitals Inquiry Update

13.1.1 Mr Marriott presented the previously circulated paper. The main work for NHS Lothian in contributing to the Inquiry was now complete. Mr Marriott agreed to share details of the legal and staff costs of the Inquiry that were not funded by the Scottish Government as part of the final report.

13.1.2 Members accepted the recommendations laid out in the paper.

14. Sustainability

14.1 Climate Emergency and Sustainability Update

14.1.1 Dr Hopton presented the previously circulated paper. It was noted that as Mr McCann's term as Board Member was ending, Mr Gordon would take on the role of sustainability champion for the Board.

- 14.1.2 It was noted that with the constant addition to requirements for the sustainability development framework it would be difficult to resource the work needed to implement these targets. Dr Hopton noted that it was time consuming and a heavy use of resources for her team to receive funding by making a business case for each project, rather than having the team funded as part of normal business. Mr Crombie advised that prioritisation was needed with regards to other projects but that the sustainability team had proven that funding could be attracted to NHS Lothian for projects that could make savings. It was noted that using NHS Lothian's own money to make savings would also be beneficial.
- 14.1.3 It was noted that better eHealth engagement in sustainability projects would be beneficial, as they were both a consumer of energy and a potential source for improving sustainability. Dr Hopton noted that digital innovation could also be lead by other departments.

15. Reflections on the meeting

- 15.1 It was agreed that the chair would raise the following items at the item for Committee Chairs' updates at the next Board meeting: The fragility of the Regional Infectious Diseases Unit and the Hospital and Sterilisation Decontamination Unit; the financial position and the need to have a forum to discuss strategic plans to reduce the deficit.
- 15.2 This was Mr McCann's last meeting before his term ended at the Board. Members thanked him for his chairmanship, considered questions and support to both non executive members of the Committee and executive directors.

16. Date of Next Meeting

- 16.1 The next meeting of the Finance and Resources Committee would take place at **9.30 on Wednesday 23 October 2024.**

17. Further Meeting Dates

- 17.1 Further meetings would take place on the following dates:
- 18 December 2024
 - 12 February 2025
 - 26 March 2025

FINANCE AND RESOURCES COMMITTEE

Minutes of the meeting of the Finance and Resources Committee held at 9.30 on Wednesday 21 August 2024 via Microsoft Teams.

Present: Mr A. McCann, Non-Executive Board Member (chair); Cllr S. Akhtar, Non-Executive Board Member; Mr P. Allenby, Non-Executive Board Member; Mr M. Connor, Non-Executive Board Member; Mr A. Fleming, Non-Executive Board Member; Mr G. Gordon, Non-Executive Board Member.

In attendance: Ms M. Campbell, Director of Estates and Facilities; Ms D. Carmichael, Special Projects and Assurance Associate Director, Capital Planning; Mr J. Crombie, Deputy Chief Executive; Mr B. Barron, PPP Programme Director (item 11.3); Ms T. Gillies, Medical Director; Dr J. Hopton, Sustainability Programme Director, Facilities; Mr C. Marriott, Director of Finance; Mr A. McCreadie, Deputy Director of Finance; Ms B. Pillath, Committee Administrator (minutes); Mr C. Stirling, Hospital Director, Western General Hospital (item 11.2); Mr D. Thompson, Board Secretary.

Apologies: Ms M. Carr, Chief Officer, Acute Services; Prof. C. Hiscox, Chief Executive; Ms A. MacDonald, Nurse Director.

Chair's Welcome

The Chair welcomed members to the meeting.

Members were reminded that they should declare any financial or non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. No interests were declared.

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[Redacted] Joint Board on the project plan which was due to be complete in March 2025.

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[Redacted] in keeping with the strategic direction and had the support of the clinical teams.

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11.3 Design, Build, Finance and Maintain Estate Review

11.3.1 The chair welcomed Mr Barron to the meeting and he presented the previously circulated paper on the private provider estate.

11.3.2 It could be demonstrated that some PFI/PPP providers performed better than others by tracking achievement of maintenance jobs, but these could not be directly compared as there were differences in the contracts. The newer contracts were more refined and allowed for an easier relationship with the Board, but there could still be improvements around the hand back of the contract.

11.3.3 Members accepted the recommendations laid out in the paper.

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