



## PWYLLGOR CYLLID FINANCE COMMITTEE

<b>DYDDIAD Y CYFARFOD: DATE OF MEETING:</b>	29 September 2020
<b>TEITL YR ADRODDIAD: TITLE OF REPORT:</b>	Field Hospital Contracting Update
<b>CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:</b>	Huw Thomas, Executive Director of Finance
<b>SWYDDOG ADRODD: REPORTING OFFICER:</b>	Shaun Ayres, Assistant Director of Contracts

### Pwrpas yr Adroddiad (dewiswch fel yn addas)

#### Purpose of the Report (select as appropriate)

Ar Gyfer Trafodaeth/For Discussion

### ADRODDIAD SCAA

#### SBAR REPORT

##### Sefyllfa / Situation

This paper updates Finance Committee on progress made regarding the on-going contract (Licence to Occupy - LTO) negotiations which have arisen as a result of the original LTOs expiring in September 2020. The LTOs/ Leases which have been subject to negotiation and which are due to expire are:

- The Selwyn Samuel Centre - 18<sup>th</sup> September 2020
- Parc-Y-Scarlets: Juno Moneta Arena (Barn) and part of the Stadium - 21<sup>st</sup> September 2020
- Carmarthen Leisure Centre – partial termination from the 5<sup>th</sup> September 2020
- Llanelli Leisure Centre – partial termination from the 5<sup>th</sup> September 2020

There is an agreement to retain elements in both Carmarthen and Llanelli Leisure Centres, which is set out below. The retention of all the aforementioned sites will now result in rental charges to the Health Board (HB), which are derived from on-going occupation of the site(s), plus elements of consequential losses.

##### Cefndir / Background

In April 2020, the HB took occupation of Parc-Y-Scarlets (the Barn and part of the Stadium), Carmarthen Leisure Centre, Llanelli Leisure Centre and the Selwyn Samuel Centre. The occupation of Parc-Y-Scarlets commenced on the 22<sup>nd</sup> April and will terminate on the 21<sup>st</sup> September 2020. The LTO relating to the Selwyn Samuel Centre commenced on the 22<sup>nd</sup> April and expires on the 21<sup>st</sup> September 2020. Finally, partial termination has been served by Carmarthenshire County Council (CCC) on the HB in relation to both Llanelli and Carmarthen Leisure Centres.

As the LTOs are due to expire imminently, the Healthcare Contracting Team has commenced negotiations with the relevant parties.

##### Asesiad / Assessment

###### **The Barn**

CCC initiated negotiations with the Scarlets regarding the retention of the Barn. An email was sent to the HB dated 17<sup>th</sup> August 2020, setting out the provisional Terms and Conditions. The proposed

Heads of Terms seemed reasonable from a contractual perspective; however, the key element of the Terms was a rental surcharge of £100k per calendar month (PCM).

As part of ascertaining Value for Money (VFM), the initial response from the HB (on the 17<sup>th</sup> August 2020) was to request a breakdown of costs and surcharge quantification methodology, which was accordingly provided by CCC on the 18<sup>th</sup> August 2020 as follows:

- Direct loss of income from the hire/ usage of the indoor Barn facility that would normally be expected. Normal hire fee for the Barn and associated facilities would be circa £80 / hr. Calculated on the basis of 6 days per week usage for a potential period of 10 hours per day (10am - 8pm), for circa 26 weeks, this would equate to £124k).

The Council stated there would be a loss of revenue from the Scarlets' inability to rent the Barn for occasional corporate events. Based on the figures provided, £80 per hour would equate to £124k for 6 months, or £20,666 PCM. The figure of £100k was subsequently challenged by the HB, with the Council stating that this represents a commercial agreement. The Council was asked whether it had reviewed any financial statements to validate the £100k, such as Income Statements (Profit and Loss); no evidence has been provided that this exercise was undertaken.

The HB then commenced direct negotiations with the Scarlets on the 21<sup>st</sup> August 2020. As an attempt to offer a fair and competitive rate for the on-going rental of the Barn, the HB made an opening offer based on:

- £200k for an alternative training facility for the Scarlets (built into the PCM);
- £95 P/H (increased from £80 following discussion with the Scarlets) for normal training costs; £6,650 P/W = £172,900 over 26 weeks;
- The entire package over the 26-week period totalled £372,900, which equated to £62,150 PCM.

As part of this package, the HB offered a sliding scale payment up to a maximum of £100k PCM, if the Scarlets could demonstrate that through further easing of restrictions they were losing revenue (profit). The HB proposed to base payment upon the percentage of fans returning against the loss of revenue, less expenses against the total profit lost through the HB's occupation of the Barn.

The Scarlets rejected this offer, stating that they lease the Barn for £3,500 per day for corporate events; however, the HB cannot validate this sum, as no evidence has been provided and, in any case, these events are one-off in nature, held only several times a year, and as such do not reflect economies of scale and cannot form the basis of a commercial tenancy in practice.

In conjunction with this negotiation, expert property advice was sought from NHS Wales Shared Services Partnership (NWSSP) Specialist Estates Services in relation to how much the Barn might achieve as a commercial rental property, based upon the assumption that the building's area is circa 5000m<sup>2</sup> (imperial equivalent 53,819.55 ft<sup>2</sup>). The advice obtained from NWSSP was that the rental value for this type of property is typically £3-5 per ft<sup>2</sup> per annum. Therefore the Barn is likely to yield (excluding losses) £161,459 to £269,095 per annum, which equates to £13,455 to £22,424 PCM.

The HB then submitted another proposal based upon the figure of £95 per hour quoted by the Scarlets, as follows:

- £95 P/H (the cost of the Barn Training Rate) x 24 hours x 7 = £15,960
- £15,960 x 26 weeks = £414,960
- This equates to £69,160 PCM

Unfortunately, this offer was also rejected; the Scarlets have reaffirmed the cost of £100k PCM and stated that there will be no negotiation with regard to this figure.

An escalation meeting was held between the HB, CCC and the Scarlets, whereby a compromise regarding the rent was agreed, based on the proposals stipulated above and the sum of £15k for the rent of the Barn, based on the market value. This resulted in an agreed monthly rental of **£85k** PCM. The residual £70k is classified as consequential loss, based on the loss of the Barn as a training facility which requires the Scarlets to acquire a replacement temporary training facility.

Should the HB no longer need the Barn, there is a break clause in the Heads of Agreement proposed as follows:

- **Termination** - on giving 6 weeks' notice. To ensure the minimum tenancy period above the notice period cannot commence until 19 November 2020.

This will be drafted into the revised LTO, meaning that the HB can relinquish occupancy of the Barn on the 31<sup>st</sup> December if necessary (subject to reinstatement). However, the LTO will run until the 31<sup>st</sup> March 2021, thus ensuring maximum flexibility.

#### Cost Per Bed

It is proposed that the Barn will have 212 beds after the installation of Perspex in mitigation of social distancing measures. Therefore, based on the agreed rental with the Scarlets of £85k PCM, the cost per bed per month will be £400.94. NB: this is for a vacant bed and does not include any overheads, utilities and/or staffing costs.

#### Issues Relating to the Barn

There are also a number of practical issues relating to the Barn. The list below is indicative and not exhaustive, but includes:

- Risk to patient safety/ harm to patients – high level of noise from solar PV inverters across the Barn.
- Risk to patient safety – the roof is leaking and this is a risk of slips/ falls to both staff and patients. There is some mitigation - buckets have been placed under the leaking areas but this measure would affect bed numbers unless leaks are properly remedied before operationalising the site, as some of the leaks would be directly above patient areas.

Decisions need to be taken as to who is responsible for commissioning and paying for the remedial work.

- Risks to patient safety – chains required on the walls to secure oxygen canisters present a ligature risk.
- Risk to patient safety/ harm – temporary toilets do not have easy access – there is a large lip on the toilet and shower doors which results in a potential trip or slip for patients.

As stated above there are other on-going issues relating to the practicality of the Barn as a Field Hospital. Whilst, these can be remedied, it is important to note that the Barn is not currently fit for purpose. As a result of the agreement regarding the rental remuneration, this issue is now being worked through between the HB, NWSSP (Specialist Estates Services) and the Scarlets legal team, with the main point of negotiation being the repair of the leaking roof. The other issues set out above will be remedied internally through the HB Estates Team.

#### Selwyn Samuel

As with Parc-y-Scarlets the initial negotiation for the on-going use and rental of Selwyn Samuel Centre was initiated between CCC and Llanelli Town Council (LTC). The initial proposal and

negotiated position was for a fixed 6-month tenancy to the sum of £25k PCM. This proposal was then sent to the HB for consideration and ratification on the 18<sup>th</sup> August 2020.

Upon review of the sum of £25k PCM, the HB raised concerns with CCC regarding the methodology supporting the calculation of this figure. There were only two costs provided by LTC – i.e. loss of income from Indoor Bowls (£25k) and from the Concessionaire (£7k) for a 6-month period. This equated to £5,166.66 PCM, with the residual £19,333.34 subsequently termed 'compensation'.

The HB consequently initiated a fresh negotiation with LTC for the rent of the Selwyn Samuel Centre, and undertook a level of due diligence regarding the likely costs and losses the Selwyn Samuel Centre was liable to incur, to include loss of the management costs and loss of income from Indoor Bowls. The initial offer was formulated on this basis:

- £1,166.66 Concessionaire
- £5,000 Bowling Loss of Income (£4,000) plus a 25% commercial/growth premium (£1,000)
- £1,000 for any losses of future revenue (aggregated and accumulated in the monthly payment/ quantum)

Total PCM = £7,166.66

This offer was rejected by LTC, as it was significantly lower than the £25k PCM negotiated with CCC. Further negotiation resulted in agreement from the HB that there may be some additional residual losses relating to Indoor Bowls through the winter period, and further expenses relating to flooring being incurred by LTC, which was quantified at circa £1,800 per month. A reasonable counter offer was made by the HB of £9k PCM, which represented a reduction of £16k (177%), as compared to the original proposal.

#### Cost Per Bed

It is proposed that Selwyn Samuel Centre will have 64 beds. Therefore based on the proposed cost of £9k PCM, the cost per bed per month would equate to £140.63. NB: this cost is for a vacant bed only and does not include any overheads, utilities and/ or staffing costs.

#### **Carmarthen Leisure Centre**

The on-going occupation of parts of Carmarthen Leisure Centre (CLC) will be subject to a monthly rental payment. Although CCC served notice on the HB in relation to the CLC site on the 5<sup>th</sup> September. the HB needs to retain capacity within the site should the need present. It was agreed that the HB would retain:

- The Judo Hall
- Storage Containers

Whilst CCC were amenable to the HB retaining the aforementioned area and areas for storage containers, it has requested compensation, based on the premise that HDdUHB's on-going occupation will have a detrimental impact on the leisure business and result in subsequent Loss of Income.

CCC stated that *"When considering charges to be levied, the business interruption is simply one factor. It does not consider the 24/7 nature of the proposed use of this space and the associated securities of tenure, albeit they may be temporary and limited to the duration of any agreement."*

The HB has worked with CCC on establishing and validating a fair and realistic assessment of costs as a result of on-going occupancy, as follows:

- Establishment of a formal contract to occupy the spaces through License or form of tenancy;

- Rental charges for the Judo space to offset lost income at £18,985 per annum (£10,767 from 6<sup>th</sup> Sept to 31<sup>st</sup> March 2021);
- The proportion of rates for the Judo space to be charged at £2,711 per annum (£1,537 from 6<sup>th</sup> Sept to 31<sup>st</sup> March 2021);
- Fees for the storage containers to be waived until the 31<sup>st</sup> March 2021 and charges of £100 per week per container to be charged from 1<sup>st</sup> April 2021;
- Acknowledgement of the retention of varied fixtures and fittings across the Leisure Centre that are surplus to the centre's needs but required for hospital remobilisation.

This would provide clear terms and a legal footing for all parties and a preferred option in terms of letting the space for NHS storage. It recognises the business interruption to the Leisure Centre whilst offsetting the full potential level of charging possible for the period to March 2021.

Summary to 31<sup>st</sup> March 2021:

Rent of Judo Hall	£10,767
Rates payable	£1,537
Rent of Containers space	£0.00
Total	£12,304

This equates to monthly costs of circa £1,800 PCM, which results in a bed cost of £18.90 PCM based on having 93 beds available if required.

Furthermore, CCC have confirmed their rental expectation post 31<sup>st</sup> March 2021, based on their total consequential losses:

Monthly charge post 31<sup>st</sup> March 2021 (subject to general price and rates revaluations):

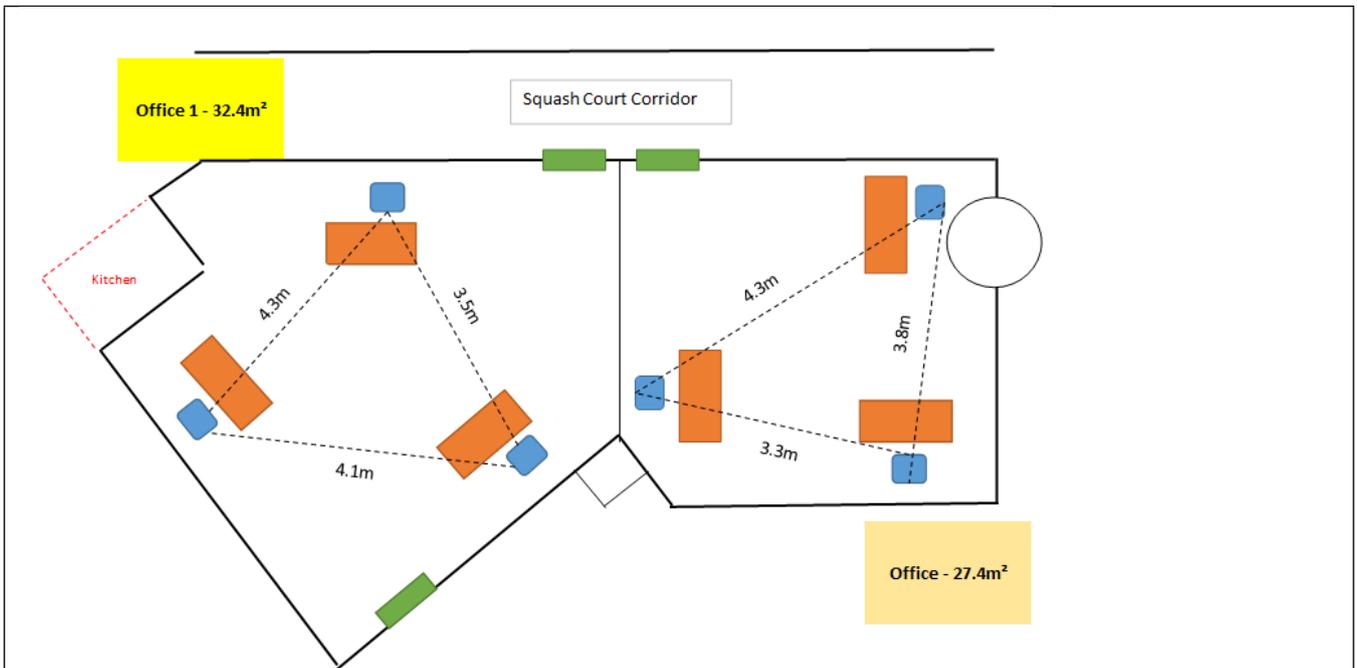
Judo Hall	£1,665.42
Judo Hall rates	£226
Containers Space	£866.00
Total	£2,747.42

Consequently, post 31<sup>st</sup> March 2021, the monthly LTO rent will increase by 56.25%. This results in a cost per bed increase of £10.64, which is £29.54 per bed, per month. NB: this cost is for a vacant bed only and does not include any overheads, utilities and/ or staffing costs.

### **Llanelli Leisure Centre**

There is a need to retain office space at Llanelli Leisure Centre (LLC) in order to deliver Cardiology Outpatient Services.

The area of occupation is set out below:



During the initial inception of the Field Hospitals, the Facility Management Office was offered as a space to operate Cardiology services. Whilst there is no impact upon the public or upon income generation, this does require the sourcing of alternative office space by the centre's management team.

The monthly cost of occupying this space is £340 PCM (including both space and rates). Moreover, the total cost of this space including rates etc. is £2,370.32 until the 31<sup>st</sup> March 2021.

Should the HB wish to retain the space in LLC post 31<sup>st</sup> March 2021, the following costs become applicable:

Monthly charge post 31<sup>st</sup> March 2021 (subject to general price and rates revaluations):

Rent of Office Space	£290.63
Rates payable	£57.67
<b>Total</b>	<b>£348.30</b>

**Total Cost of All 4 Sites**

The total Rental costs for all 4 sites are set out below for the period covering September 2020 to March 2021:

Parc-Y-Scarlets	Monthly	Sep	Oct	Nov	Dec	Jan	Feb	March
	Cumulative	£85,000	£85,000	£85,000	£85,000	£85,000	£85,000	£85,000
Selwyn Samuel	Monthly	Sep	Oct	Nov	Dec	Jan	Feb	March
	Cumulative	£9,000	£9,000	£9,000	£9,000	£9,000	£9,000	£9,000
CLL	Monthly	Sep	Oct	Nov	Dec	Jan	Feb	March
	Cumulative	£1,800	£1,800	£1,800	£1,800	£1,800	£1,800	£1,800
LLC	Monthly	Sep	Oct	Nov	Dec	Jan	Feb	March
	Cumulative	£340	£340	£340	£340	£340	£340	£340
All Sites	Total Cost	£96,140	£192,280	£288,420	£384,560	£480,700	£576,840	£672,980

### Argymhelliad / Recommendation

Finance Committee are asked to discuss and note the progress made regarding the on-going contract negotiations and proposed committed expenditure in respect of Field Hospitals.

<b>Amcanion: (rhaid cwblhau)</b>	
<b>Objectives: (must be completed)</b>	
Committee ToR Reference: Cyfeirnod Cylch Gorchwyl y Pwyllgor:	5.5.9 Commissioning regular reviews of key contracts, suppliers and partners to ensure they continue to deliver value for money
Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:	Not Applicable
Safon(au) Gofal ac Iechyd: Health and Care Standard(s):	3.4 Information Governance and Communications Technology
Amcanion Strategol y BIP: UHB Strategic Objectives:	4. Improve the productivity and quality of our services using the principles of prudent health care and the opportunities to innovate and work with partners.
Amcanion Llesiant BIP: UHB Well-being Objectives: <a href="#">Hyperlink to HDdUHB Well-being Statement</a>	Not Applicable

<b>Gwybodaeth Ychwanegol: Further Information:</b>	
Ar sail tystiolaeth: Evidence Base:	Evidence included within the report
Rhestr Termau: Glossary of Terms:	Terms explained within the body of the report
Partïon / Pwyllgorau â ymgynhorwyd ymlaen llaw y pwyllgor cyllid: Parties / Committees consulted prior to Finance Committee:	N/A

<b>Effaith: (rhaid cwblhau) Impact: (must be completed)</b>	
<b>Ariannol / Gwerth am Arian: Financial / Service:</b>	Included within the report
<b>Ansawdd / Gofal Claf: Quality / Patient Care:</b>	Field Hospital provision to ensure HDdUHB can meet any surge in patient demand.
<b>Gweithlu: Workforce:</b>	N/A
<b>Risg: Risk:</b>	Included within the report
<b>Cyfreithiol: Legal:</b>	N/A
<b>Enw Da: Reputational:</b>	N/A
<b>Gyfrinachedd: Privacy:</b>	N/A
<b>Cydraddoldeb: Equality:</b>	EQIA not required