

This is the Schedule referred to in the foregoing Agreement between The Hairmyres and Stonehouse Hospitals National Health Service Trust and H DGH Limited

## SCHEDULE

### Part 1A: Primary Period Prices

#### 1 Interpretation

- 1.1 In this Part of the Schedule:
- 1.1.1 references to a Part are to this Part unless otherwise indicated
  - 1.1.2 references to a Paragraph are to paragraphs of this Part, unless otherwise indicated.
  - 1.1.3 references to Headings are to the Headings in Table 1
  - 1.1.4 references to Tables are to Tables of this Part unless otherwise stated
- 1.2 This Part shall have effect only for payments due between the Hospital Operations Date and the Primary Period Expiry Date.

#### 2 Unitary Charge

Subject to the terms of this Part the Unitary Charge payable in any calendar month shall be the amount set out against such month in Table 2 to this Part.

#### 3 General Explanation of Charge

Subject to the specific terms provided elsewhere in this Agreement the Unitary Charge is the sole payment to the SPC for the provision of the Services, and comprises:

- 3.1 the Capital Rental Heading which reflects the capital cost of the Facilities and which element escalates annually in arrears at a fixed 2% per annum
- 3.2 the Risk Overhead and Margin Heading which shall be adjusted annually in arrears by RPI minus 0.25%
- 3.3 an element reflecting the cost of providing the Services, which element comprises the Total Service Price, and will be adjusted annually in arrears by RPI - 0.25%
- 3.4 the Major Maintenance Charge Heading which shall be adjusted annually in arrears by RPI - 0.25%
- 3.5 an element reflecting any fluctuation in the volume of Services delivered (the Marginal Unit Price Adjustment) which is included within the Total Service Price and Unitary Charge at an assumed 80% occupancy, but which may vary within certain limits (and, as at the date of this Agreement 100% Bed Capacity is 424 Beds)
- 3.6 an element reflecting the charge for the linen service assuming that 84,000 pieces are processed in each Monthly Reporting Period
- 3.7 an element reflecting Utility Costs called Energy/Services in Table 1 which shall be adjusted to reflect the actual costs incurred by the SPC for gas, electricity, water, sewerage and trade effluent



- 3.8 an element reflecting telephone costs which shall be adjusted to reflect the actual costs incurred by the SPC for all telephone line rental and of calls made by Trust Staff in the Monthly Reporting Period
- 3.9 an element reflecting income receivable by the Trust for the letting of retail or other space which shall be adjusted annually in arrears by RPI -0.25% (or otherwise as provided by Clause 9)

all of which are represented in Table 1 to this Part for the Primary Period at the agreed values as at 1 April 1997 without inflation.

#### 4 Inflation Adjustments

- 4.1 All adjustments for inflation in respect of any Payment Year shall take effect from 1 April in that Payment Year ("the Adjustment Date").
- 4.2 The base date for which the elements of the Unitary Charge, which are to be adjusted in terms of Paragraph 3 is 1 April 1997.
- 4.2A At the start of each Payment Year all future instalments of the Risk Overhead and Margin and Maintenance Charge shall be adjusted by the percentage amount less 0.25% by which RPI has changed over the previous Payment Year.
- 4.3 At the start of each Payment Year, all future instalments of the Total Service Price element of the Unitary Charge shall be adjusted by the percentage amount, less 0.25%, by which RPI has changed over the previous Payment Year.
- 4.4 At the start of each Payment Year, the Marginal Unit Price shall be adjusted by the percentage amount, less 0.25%, by which RPI has changed over the previous Payment Year.
- 4.4A At the start of each Payment Year, the Laundry Unit Price shall be adjusted by the percentage amount less 0.25% by which RPI has changed over the previous Payment Year.
- 4.4B At the start of each Payment Year, the Concession Fee receivable for retail space (as set out in Table 1 to this Part) shall be adjusted by the percentage amount by which RPI, less 0.25%, has changed over the previous Payment Year.
- 4.5 Immediately after each Adjustment Date, or in the event Clause 8.10 applies then immediately after RPI is published for the Monthly Reporting Period in which the Adjustment Date occurs the SPC shall produce an indexed version of Table 1 and send it to the Trust. Where the Trust does not agree with the indexed version of Table 1, then the Trust and the SPC shall negotiate in good faith with a view to agreeing the indexed version of Table 1. If the Trust and the SPC are unable to agree on the indexed version either may refer the dispute to the Dispute Resolution Procedure. Once the indexed version of Table 1 is agreed, it shall then form Table 2 for invoicing for the Payment Year.

#### 5 Availability Deduction

- 5.1 In any Monthly Reporting Period the Availability Deduction shall equal the sum of all Band A Deductions, Band B Deductions, Band C Deductions, Band D Deductions and Band E Deductions for each of the Component Units.



- 5.2 All figures in Table 1 of Part 2 shall be adjusted with effect from 1 April in each Payment Year by that proportion by which the Unitary Charge is adjusted at such time.
- 5.3 All figures in Table 1 of Part 2 are based on the design of the Hospital at Financial Closing, but will be adjusted to comply with the development of the Design Documentation in accordance with Clause 14.1.2.

## 6 Performance Deduction

- 6.1 The Performance Deduction for any Monthly Reporting Period for each Managed Service shall be calculated in accordance with the following provisions of this Paragraph 6.
- 6.2 The Performance Deduction to apply in respect of each Managed Service shall equal the Performance Failure Points allocated for the relevant Monthly Reporting Period for that Managed Service multiplied by the Performance Failure Point Value for that Managed Service.
- 6.3 The Performance Deduction to be applied for the purpose of calculating the deduction from the Unitary Charge in any Monthly Reporting Period shall equal the sum of the Performance Deductions for each of the Managed Services.
- 6.4 For the purpose of calculating Performance Failure Points Value in Part 10, the Service Cost in Table 1 Part 2 shall be adjusted with effect from 1 April in each Payment Year by the percentage amount by which RPI less 0.25% had changed over the previous year.

## 7 Occupancy Variation

- 7.1 The Unitary Charge is based on the assumption that there will be 339 Beds occupied by the patients at the Hospital each day.
- 7.2 If in any Monthly Reporting Period the number of Occupied Bed Days is greater than 339 multiplied by the number of days in that Monthly Reporting Period then the Occupancy Variation shall be added to the Unitary Charge.
- 7.3 If in any Monthly Reporting Period the number of Occupied Beds Days is less than 339 multiplied by the number of days in that Monthly Reporting Period then the Occupancy Variation shall be deducted from the Unitary Charge.
- 7.4 In any Monthly Reporting Period the amount of the Occupancy Variation shall equal the Occupancy Variance determined in accordance with paragraph 7.5 below multiplied by the Marginal Unit Price.
- 7.5 The Occupancy Variance in any Monthly Reporting Period shall equal the difference between:
- (a) the number of days in that Monthly Reporting Period multiplied by 339
- and
- (b) the number of Occupied Bed Days occurring in that Monthly Reporting Period

subject to the following:



- (i) if the number of Occupied Bed Days in any Monthly Reporting Period is less than the number of days in the Monthly Reporting Period in question multiplied by 298 then the number of Occupied Bed Days for the Monthly Reporting Period in question shall be deemed to be 298 multiplied by the number of days in that Monthly Reporting Period
- (ii) if the number of Occupied Bed Days in any Monthly Reporting Period is greater than the number of days in the Monthly Reporting Period in question multiplied by 382 then the number of Occupied Bed Days for the month in question shall be deemed to be 382 multiplied by the number of days in that Monthly Reporting Period
- (iii) notwithstanding paragraph (ii) above if the number of Occupied Bed Days in any Monthly Reporting Period is greater than the number of days in the month in question multiplied by 424 then the number of Occupied Bed Days by which the number of actual Occupied Bed Days in that Monthly Reporting Period exceeds this figure shall be added to the deemed number of Occupied Bed Days as determined in Paragraph 7.5(ii) for that Monthly Reporting Period for the purpose of calculating the Occupancy Variation.

## 8 Change in Hospital Capacity

- 8.1 The Trust may, not earlier than the seventh anniversary of the Hospital Operations Date and upon giving the SPC not less than two years' written notice make a permanent reduction to the Bed Capacity of the New Build Hospital (a "Capacity Change") as set out below, provided always that:
  - 8.1.1 the conditions specified in Paragraph 8.2 below have been satisfied, and
  - 8.1.2 the surplus Bed Capacity in the New Build Hospital has been brought about as a result of:
    - 8.1.2.2 a general decrease in demand for medical services in the Lanarkshire Health Board population catchment area and/or
    - 8.1.2.3 cuts generally in NHS funding in Scotland, and
  - 8.1.3 the surplus Bed Capacity in the New Build Hospital has not been brought about as a result of poor clinical performance by the Trust, and
  - 8.1.4 the reduction in Bed Capacity shall not exceed 36 Beds.
- 8.2 Prior to giving the SPC notice of a Capacity Change, the Trust must have
  - 8.2.1 used all reasonable endeavours to establish whether such surplus capacity within the New Build Hospital may be used as a result of developments in the healthcare market particularly, but without limitation, in Glasgow or its environs, for the benefit of the health needs of the local population, and
  - 8.2.2 supplied reasonable evidence that no such demand or potential demand exists, and
  - 8.2.3 transferred each and all of the healthcare services currently being operated in the Existing Buildings and the LHC Building into the New Build Hospital as a Change in accordance with the Change Control Procedure.



- 8.3 Where a Capacity Change takes place the component area (which must be one contiguous area to which there is adequate access) of the New Build Hospital which becomes surplus to requirements as a result of the Capacity Change ("the Change Area") shall cease to be an area of the Hospital which may be used by the Trust and shall be removed from the Occupational Sublease and shall thereafter be treated as an area in respect of which the Trust has approved an Income Generation Scheme not in contravention of Clause 9.11 (Income Generation Scheme) and subject to the following:
- 8.3.1 the SPC will be free to use or dispose of the same for any purpose not materially detrimental to the Trust's business, and
  - 8.3.2 the Capital Rental Heading, the Major Maintenance Charge Heading and the Risk Overhead and Margin Heading of the Unitary Charge shown in Table 1 should each be reduced by that proportion which the Change Area bears to the total area of the New Build Hospital, and
  - 8.3.3 the Total Service Price shown in Table 1 shall be reduced by reference to the Change Area.
- 8.4 The rights of the Trust under this Paragraph 8 may be exercised once only.
- 8.5 Any dispute arising under this Paragraph 8 may be referred to the Dispute Resolution Procedure

## 9 Final 5 Years of the Primary Period

Where the Trust does not extend the Term beyond the Primary Period Expiry Date, the SPC and the Trust shall meet to review SPC's then current capital replacement projected expenditure budget (including life cycle maintenance) for the final five years of the Primary Period and the following provisions shall apply:

- 9.1 such budget shall be derived from the Financial Model updated with reference to the Planned Maintenance Program. The budget may include expenditure in the following five years in respect of omissions in capital expenditure or life cycle maintenance in previous years but only to the extent that a competent, suitably qualified mechanical and electrical engineer would not have considered such omissions imprudent to make (the "**Basis of Adjustment**"), but not otherwise
- 9.2 **Not Used**
- 9.3 any savings which may be made will be shared 90% by the Trust and 10% by the SPC, and such shared saved expenditure shall be reflected in an adjustment to Tables 1 and 2 and the Unitary Charge in accordance with the Change Control Procedure
- 9.4 where the Basis of Adjustment results in Availability Deductions or Performance Deductions in excess of £100,000 RPI Indexed being made in any Payment Year, the Trust and the SPC will meet to review whether any additional capital replacement projected expenditure budget (including life cycle maintenance) is required and to what extent it may be implemented through the Planned Maintenance Program (provided always that the SPC will be under no obligation to delay implementing such capital replacement where such delay would give rise to, or result in the continuation of, Availability Deductions or Performance Deductions)
- 9.5 the further review as set out in paragraph 9.4 will ascertain what additional budget is required to achieve the Basis of Adjustment, which additional budget shall be reflected



in a further adjustment to Tables 1 and 2 and the Unitary Charge pursuant to the Change Control Procedure

9.6 if, at the Primary Period Expiry Date, it is the case that such savings were greater or lesser than the savings assumed in the Basis of Adjustment, an adjusting payment shall be made either by the SPC or the Trust so as to restore the position of the parties to that which would have applied had the actual savings been used for the Basis of Adjustment

9.7 Either party may refer any dispute under this Paragraph to the Dispute Resolution Procedure.

#### 9A Hospital Cover Exclusion

In circumstances where Hospital Cover Exclusion applies, the Unitary Charge shall be reduced by 1%.

#### 10 Availability Report

10.1 The Availability Report shall set out the impact on the Unitary Charge of Availability Deductions for the Monthly Reporting Period preceding the Monthly Reporting Period in respect of which the invoice has been issued. All periods of non-Availability giving rise to an Availability Deduction shall be recorded on a schedule in a form approved by the Trust and forming Table 3b. Each incident giving rise to a period of non-Availability will have a non-Availability report reference number and be referred to the relevant Component Units.

10.2 Periods of non-Availability in each Monthly Reporting Period will be recorded and the number of days for which each Component Unit is available in accordance with this agreement will be recorded as set out in this Paragraph. The number of days of non-Availability in respect of each Component Unit will be recorded under the "Number of Days" column in respect of each Band ("Number of Days") as having occurred in Band A, Band B, Band C, Band D, or Band E as appropriate. A separate entry will be required for each occasion on which the non-Availability of a Component Unit moves from one Band to another. In respect of each period of non-Availability in respect of a Component Unit, the cost per day of the relevant Band will be entered into a column showing the Costs per Day on the schedule in which it is being recorded and the Availability Deduction in respect of that Component Unit will be calculated by multiplying the Number of Days by the Costs per Day. The total Availability Deduction will then appear in the appropriate part of the Availability Report forming Table 3b.

#### 11 Performance Report

The Performance Report sets out the Performance Failure Points and the impact on the monthly Unitary Charge of Performance Deductions during the Monthly Reporting Period in respect of the Performance Failure Point at which the invoice is raised. These schedules shall calculate the total Performance Deduction for each Managed Service and the calculations for each Managed Service shall be shown on a separate schedule forming Tables 3c and 3d. All Managed Service failures which result in a Performance Deduction will be recorded on the schedule for that particular Managed Service and given a reference number. In addition, a description of the failure will also be entered on the schedule. The failure will be referenced to the relevant output specification standard (specific standard reference). The category of importance of the standards:

11.1 Category 1 - least important (1 point)

11.2 Category 2 - intermediate importance (2 points)



11.3 Category 3 - most important (3 points)

and the number of Performance Failure Points relating to the Category will be entered on the schedule for that particular Managed Service. The total value of all Performance Deductions will be transferred to a separate schedule which will accompany each invoice issued in terms of this Paragraph 11 summarising the Performance Deductions. The total brought out by this schedule will be the overall total of Performance Deductions for that Monthly Reporting Period and the total will be inserted in the appropriate part of the schedule in the form of Table 2 for that Monthly Reporting Period.

12 **Occupancy Report**

The Occupancy Report in the form of Table 3a shall set out the following information:

- 12.1 80% of Beds multiplied by the number of days in the Monthly Reporting Period
- 12.2 the actual number of Beds occupied multiplied by the number of days in the Monthly Reporting Period
- 12.3 the Marginal Unit Price
- 12.4 the Occupancy Variation

13 **Linen Item Report**

The linen item report (Table 3a) shall show the actual number of linen items processed during the Monthly Reporting Period and the price of such processing per item reconciled against the assumed number of 84,000 in Table 2.

14 **Utility Cost Report**

Table 1 shows the notional cost of gas, electricity, water, sewerage and trade effluent charges (shown as Energy/Services). If the actual cost in any Monthly Reporting Period is greater or less than the disclosed notional cost for that Monthly Reporting Period (set out in Table 3a), the Trust shall pay the excess to the SPC and if the actual cost is less than the disclosed notional cost, the Trust shall be allowed the shortfall as a credit against the Unitary Charge for that Monthly Reporting Period.

16 **Telephone Cost Report**

The telephone cost report (set out in Table 3a) shall provide the actual cost of line rental and Trust Staff calls during the Monthly Reporting Period against the assumed cost shown in Table 2.

