



## **Project Florence**

Teaser

November 2016

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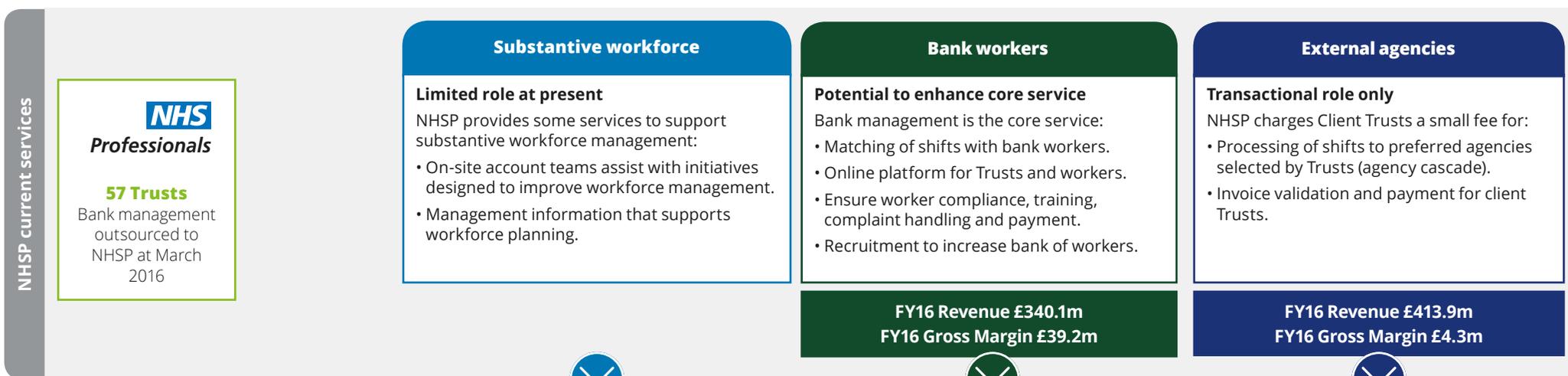
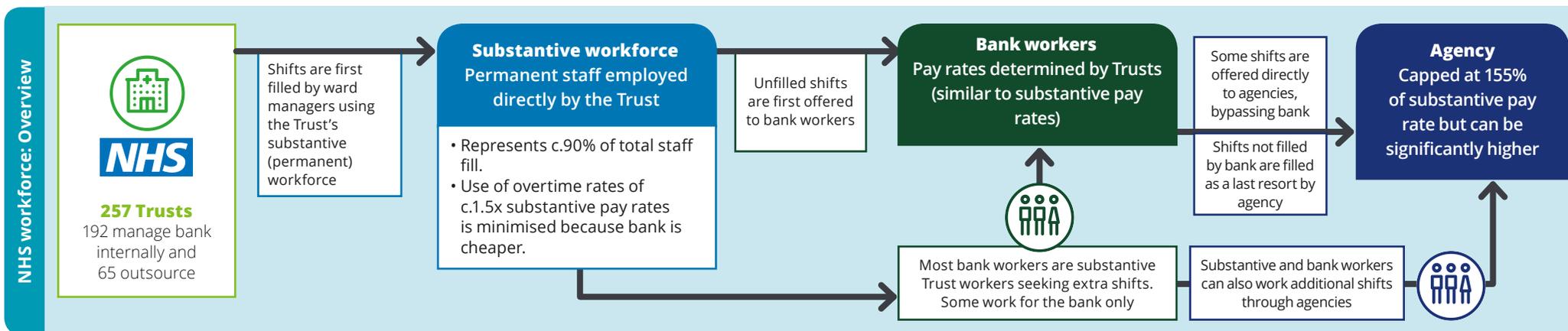
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## The NHS workforce landscape

NHS workforce: key statistics	Substantive workforce	Bank workers	External agencies
FY16 spend (NHS in England)	£43.8bn	£1.8bn	£3.2bn
Illustrative cost of a Band 5 nurse (pay & on-costs)	£16.70 – £21.70/hour	Broadly similar to substantive rates	55% premium (on framework)
Typical timing until shift required	1-6 weeks	1-3 weeks	<1 week



**There are significant opportunities to innovate NHSP's offering across this market**

Source: L.E.K. analysis, Management information, NHS UK Website August 2016



# Introduction

A unique opportunity to acquire a 74.9% stake in NHS Professionals, one of the most strategically important flexible staffing providers to the NHS

## The Business



- In FY16 NHSP filled 18 million flexible hours across its 57 client Trusts. A further 12 million hours were cascaded to external agencies.
- As at 31 March 2016 NHSP had a bank of 103,000 workers of which 88,000 were fully compliant and available to work and 56,000 worked a shift in the last 6 months of the year ("active workers").
- NHSP's bank management service includes matching vacant shifts requested from Trusts with flexible workers, providing a flexible workforce that is fully compliant with NHS and clinical requirements, business intelligence relating to workforce demands and utilisation and on-site support to reduce agency spend.
- Nursing and midwifery staff contribute c.80% of the company's gross margin; the balance of gross margin is contributed by locum doctors (a key growth area), allied health professionals and administrative and clerical workers.

<b>Managing £754m of flexible workforce spend for the NHS</b>		<b>Growth Opportunities</b>	
<b>Delivering savings of c.£70m to NHS clients</b>			
£44m gross margin £9.0m adjusted EBITDA	30 million flexible hours filled in FY16		Increase the number of client Trusts
88,000 available bank workers	1.9x growth in shift demand FY12-16		Improve bank effectiveness (fill rate)
572 WTE corporate staff	82% client satisfaction	Develop the locum doctors service	

## Partnership Opportunity



- The Department of Health (DH) is seeking a suitable partner to acquire a majority equity stake in NHSP.
- The successful partner will invest expertise and capital in the business to meet each NHS Trust's flexible staffing requirements whilst reducing costs to NHS Trusts.
- **This is an opportunity for a partner with a clear and ambitious vision to transform NHSP's service offering to deliver greater value to NHS Trusts.**
  - Introduce smarter technology and business intelligence to automate and streamline workforce management.
  - Continue to develop the company's range of services to eventually cover the full spectrum of flexible workforce management i.e. focusing on reducing workforce demand and increasing bank worker supply.
  - Deepen relationships with client Trusts by providing a more complete suite of workforce solutions.
  - Broaden the current relationship offering by expanding across staff groups, in particular to develop work that is underway with the company's locum doctors offering.
  - Manage flexible workers, pay rates and agency relationships.
  - Become the national centre of excellence for workforce management and become a strategic partner to the NHS.
  - Continue the innovation of services to address client needs and respond to market challenges.

## Value Proposition



NHSP seeks to provide high quality and cost effective flexible staffing (bank of workers) by:

- Maximising bank usage over agency through improved workforce planning and prioritising bank over agency.
- Better workforce engagement to increase the supply of suitable workers.
- Maintaining patient safety and the quality of the flexible workforce through robust worker credential and clinical governance checks.
- An ongoing focus on cost reduction for NHS Trusts.

Source: L.E.K. analysis, Management information, all numbers refer to FY16



# Investment highlights

NHSP is strategically positioned to help Trusts to reduce the £3.2bn annual spend on agency workers while exploring new, innovative ways of generating greater efficiencies and cost savings across the whole £48.8bn NHS workforce spend

## A platform of scale in a high profile, strategically important market

The leading provider of flexible workforce services to the NHS with 88,000 available bank workers across 57 NHS Trusts.



A reputation for providing fully compliant, high quality workers.



A leadership team with a renewed strategy, supported by senior NHSP management with extensive experience across the NHS workforce market.



Profitable business with high operational leverage and an opportunity to achieve significant operational efficiencies.

## An exclusive brand uniquely embedded within the NHS

A recognised and valued brand that shares NHS values and works in partnership with client Trusts.



With an on-site presence at 57 Trusts across England, NHSP is ideally positioned to become the national centre of excellence for workforce management.



Strong support from Trusts for NHSP to broaden its service offering with investment from the private sector.

## Favourable market dynamics and competitive position

Recently introduced agency spending rules and other policy measures have resulted in greater traction from Trusts towards the bank model over agencies.



Opportunity to reduce £3.2bn of agency spend across the NHS by improving workforce management through more intelligent processes and greater automation.



Significant growth opportunities including outsourcing by more of the 192 NHS Trusts that manage their bank internally and expansion into other staff groups including locum doctors.

As a private sector entity, NHSP will have the freedom and flexibility to invest in the systems the company needs.



# The opportunity for a partner

DH is seeking a partner to introduce investment, innovation and expertise to accelerate the transformation and growth of NHSP

## NHSP vision



"NHSP will be the competitively chosen partner for the majority of NHS Trusts, delivering profitable flexible staffing solutions which ensure cost savings for the NHS and provide quality improvements for both the clients and flexible workers".

### A genuine partnership



- NHSP will benefit from a collaborative partnership between the new partner, DH and client Trusts.
- The partner will be given full flexibility to pursue and develop the best strategies required to achieve the agreed objective of NHSP in a strategically significant market.

### Technology



- Technology will play a crucial role in transforming NHSP's service offering.
- The new partner will provide the investment, strategic vision and delivery capabilities to implement new technology solutions within the business.

### Client value proposition



- NHSP seeks to drive efficiencies and deliver significant savings for client Trusts.
- The partner will help to develop NHSP's client value proposition through innovation and commercialisation.
- An enhanced and more flexible set of value propositions will deliver savings for clients and significant growth for NHSP.

### Investment



- DH is seeking a partner with the resources to invest capital and expertise to affect significant change within the business over the near term.
- This would apply to new technology as well as other operational investments.
- The partner will ensure that the business remains well-invested over the longer term.

### Innovation



- The new partner will develop and implement a clear vision and strategy to develop more innovative services for client Trusts and ultimately lead the transformation of the wider market for the benefit of client Trusts.
- A partner will develop a more agile and market responsive approach to service development and delivery.

### Workforce management



- An opportunity exists for an experienced partner to develop NHSP's services into a broader workforce management proposition.
- The partner will provide appropriate strategic insight for NHSP to deliver improved workforce management practices for clients facing significant staffing pressures.

### Cultural change



- The right partner will effectively manage change, fostering positive working values and attitudes within NHSP as it transitions into the private sector.
- Any transformation to turn NHSP into a more commercial organisation should reinforce the positive values of NHSP and the NHS brand.

### Business development



- The new partner will use its expertise to support NHSP to be more competitive during client procurement tenders and new contracts.
- Improved business development practices should improve market share across the 192 Trusts that currently operate an in-house bank.

Source: Management information



# The market opportunity for NHSP

External agencies have exploited the increased demand for flexible workers to drive up costs, but a consequence of recent policy measures is a market alignment towards the more cost-effective bank model

## Recent flexible workforce trends

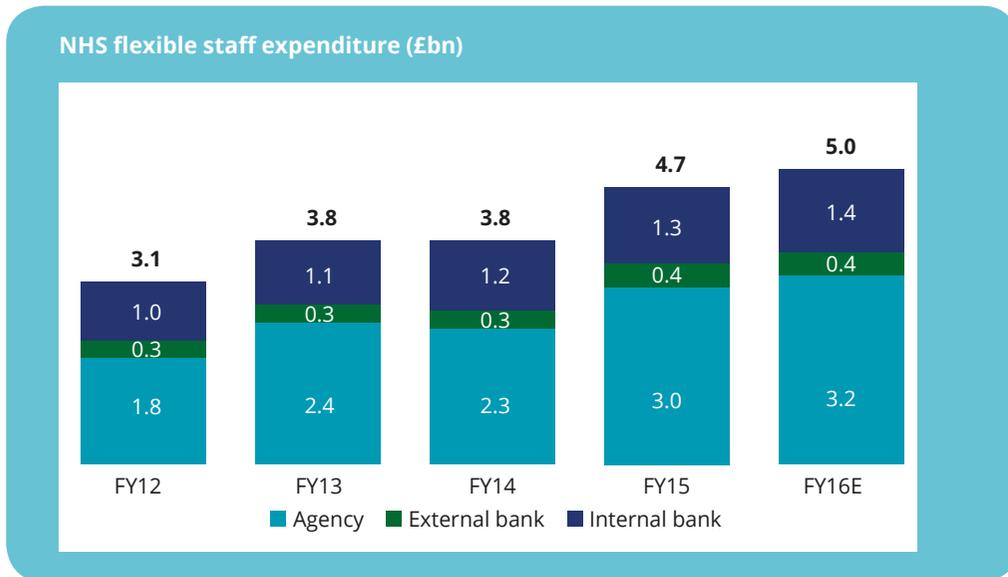
- The total flexible staffing market for NHS Trusts in England was c.£5.0bn in FY16, comprising in-house bank (c.£1.4bn), outsourced bank (c.£0.4bn) and external agencies (c.£3.2bn).
- Since FY12, total flexible staffing expenditure has grown c.1.6x, principally driven by increased external agency spend.
- The significant increase in spending has been driven by:
  - The impact of the Francis Review (February 2013) on safe staffing guidelines.
  - A nationwide shortage of c.22,000 nursing staff.
  - Poor staff planning by Trusts who are often distracted by other priorities.
  - Agencies recruiting staff at higher pay rates to take advantage of these market conditions.

## Agency controls reinforce staff banks as the preferred solution

- NHS Improvement introduced agency controls on pay rates and margins from November 2015. This is the central pillar of DH policy controls to reduce agency spend.
- These controls do not currently apply to bank staff as bank rates are controlled by Trusts. The controls are helping to improve the bank proposition for flexible workers.

## Framework arrangements to drive greater levels of outsourcing

- Trusts normally award contracts through a framework arrangement or after a market testing procurement exercise. Framework arrangements are intended to reduce the need for NHS Trusts to conduct separate market testing or conduct a full procurement exercise.
- The current CCS Framework arrangement was launched in 2015 and is now getting traction with Trusts.
- NHSP recently joined the NHS CPP: National Clinical Staffing Framework to provide medical staff through its new locums offering. NHSP have also been awarded two lots under the Health Trust Europe (HTE) Framework.



Source: L.E.K. analysis





# Why do Trusts and flexible workers use NHSP?

The successful partner will be expected to develop NHSP's service offering to build stronger relationships with Trusts and better workforce engagement



## Trusts

### Why are staff banks important to Trusts?

- **Significant savings in flexible staff costs:** compared to bank workers, agency staff command an average premium of c.55%.
- **Stability of workforce:** a bank comprises largely substantive workers seeking extra shifts in their own Trust.

### Why do Trusts outsource their staff banks to NHSP?

- **Cost savings through outsourcing:** dedicated bank management expertise provided by a centralised team on a shared service operating model.
- **Cost savings through lower cost bank workers:** NHSP's bank employment model is a daily engagement model. NHSP only employs a bank worker for the duration of each shift worked and not the period in between. This employment structure incurs lower on-costs than substantive and in-house bank workers.
- **Bank fill optimisation:** focused recruitment of flexible workers by NHSP and sharing of regional banks increases the supply of high quality flexible workers.
- **Access to fully qualified, high calibre workers:** high standards of clinical governance around validation of qualifications, training and other regulations support a fully compliant flexible workforce.
- **Brand affiliation:** NHSP is seen as "part of the NHS family" which resonates with NHS clients.
- **Reduced agency spend:** improved visibility of workforce spend through better management information, consultancy services and on-site expertise.



## Flexible workers

### Why do bank workers choose to work through NHSP?

- **First priority on shifts:** NHSP workers are given priority over agency staff when shifts become available.
- **Shift flexibility:** having first choice on available shifts allows NHSP bank workers to better accommodate their lifestyles and commitments.
- **Ease of booking:** NHSP bank workers can book shifts on the online portal (available online and on mobile) and can select to view shifts that suit the times and dates they want.
- **Training:** NHSP provides free training to its bank workers to meet statutory and mandatory requirements of the NHS and associated clinical bodies.
- **NHSP brand:** workers have an affinity with the NHSP brand which is aligned with NHS culture and values.

### Why do workers choose to work through agencies instead of NHSP?

Flexible workers choose to work through agencies for many of the same reasons that they engage via NHSP (e.g. flexibility). Additional reasons workers choose agency over bank:

- **Higher pay rates** of >1.5x substantive pay rates which are currently reducing as agency caps and pay rate management take effect.
- **Quicker payroll** for shifts worked i.e. some agencies offer next day payment.
- **User-friendly** systems with a more efficient and personal service to workers.
- Ability to work through **personal service companies** which is not permitted through bank (with some exceptions for doctors and certain specialisms).



# Overview of NHSP's core services

NHSP's most valued services are focused on the provision of outsourced bank services

Feature	All services are designed with the client in mind	Benefits to Clients
<b>National bank of workers</b>	<ul style="list-style-type: none"> <li>NHSP manages a bank of 88,000 available workers on behalf of 57 Trusts.</li> <li>Recruitment and other initiatives to grow the bank and improve bank fill rate.</li> </ul>	<ul style="list-style-type: none"> <li>Increased bank fill rates.</li> <li>Lower on-costs compared to in-house staff.</li> </ul>
<b>100% Compliant Workforce</b>	<ul style="list-style-type: none"> <li>Ensures that all bank staff are fully compliant with the required NHS employment standards.</li> <li>All mandatory training, right to work and other requirements are up to date.</li> </ul>	<ul style="list-style-type: none"> <li>Outsourced administrative functions.</li> <li>Increased patient safety.</li> </ul>
<b>Full Purpose IT Platform</b>	<ul style="list-style-type: none"> <li>Trusts are provided with an online portal to book flexible workers.</li> <li>Fully mobile interface for flexible workers to book shifts.</li> </ul>	<ul style="list-style-type: none"> <li>The IT platform can be integrated with NHS e-rostering systems.</li> <li>No IT investment or upgrade costs.</li> </ul>
<b>Business Intelligence</b>	<ul style="list-style-type: none"> <li>NHSP provides clients with relevant management information from operational business systems.</li> <li>Reviewed monthly by the Relationship Manager and Trust Lead.</li> </ul>	<ul style="list-style-type: none"> <li>Pro-active management of staffing trends.</li> <li>National and regional benchmarking.</li> </ul>
<b>Agency Controls and Support</b>	<ul style="list-style-type: none"> <li>NHSP manages the distribution of unfilled bank shifts to agency providers chosen by the Trust. Pay rates are agreed between the Trust and the agency.</li> <li>Validation of agency invoices and payments on behalf of clients.</li> </ul>	<ul style="list-style-type: none"> <li>Reduction in agency spend and overcharging.</li> <li>Compliance with agency controls.</li> </ul>
<b>Relationship Support</b>	<ul style="list-style-type: none"> <li>A dedicated on-site Client Relations Team supports the day-to-day relationship.</li> <li>Account plans to address workforce objectives are reviewed quarterly at director level.</li> </ul>	<ul style="list-style-type: none"> <li>A personal relationship with 24/7 support, 365 days of the year.</li> <li>An experienced team driving workforce efficiency.</li> </ul>

Source: Management information



# Experienced management team

The existing management team has delivered significant growth and brings a wealth of experience and board level NHS relationships



**Nick Kirkbride**  
Interim CEO

- Responsible for the execution of the company's 5 year plan.
- 30+ years experience in strategy consulting and executive roles. Previously worked at McKinsey & Company and was a partner at Eden McCallum.



**Colin McCready**  
CFO

- Supporting the execution of the 5 year plan and managing finance focused initiatives.
- 16 years experience in finance and management accounting in both private and FTSE listed companies. Previously FD with Serco Europe and Control Risks.



**Anne Challinor**  
Director of Client Relations

- Responsible for delivering new client service implementations and managing front line client relations teams.
- 20+ years experience in temporary staffing operational delivery, with roles as operations manager for the MATCH Group and nurse bank manager at an NHS Trust.



**Anne O'Brien**  
Director of Clinical Governance & Operations

- Responsible for the operational delivery of services and ensuring a high quality/flexible workforce available to client Trusts to promote patient safety.
- 28 years of healthcare experience in the NHS and DH covering clinical, managerial, governance and improvement areas.



**Stewart Buller**  
Director of Business Development, Marketing & Communications

- Managing the new client pipeline and positioning NHSP in the NHS workforce market.
- 20 years experience in marketing and business development within outsourced services companies, including senior positions at BT and Phoenix IT Group.



**Dean Field**  
Head of IT

- Responsible for developing the technology roadmap to support the updated 5 year business strategy.
- Over 20 years of IT experience across infrastructure support and technology service delivery with senior roles at Central Trust and Redmond Technology.



**Keith Nash**  
Director of HR

- Managing the corporate workforce and HR services to the outsourced managed bank.
- 30+ years experience in HR strategy and organisational change with previous Board level experience at FTSE 100 and FTSE 250 companies.



**Georgie Dwight**  
NHSP International

- Established the company's international recruitment service and responsible for its development.
- Entire career in healthcare, including 12 years in international recruitment with the role of DH Director of International Recruitment for England.



**Maria Nicholson**  
Workforce Insight

- Leads the Workforce Insight team responsible for workforce consultancy services.
- 25 years experience in clinical workforce management having previously established her own workforce consulting firm and is a longstanding committee member of the Royal College of Nursing.



**Stephen Thompson**  
Head of PMO

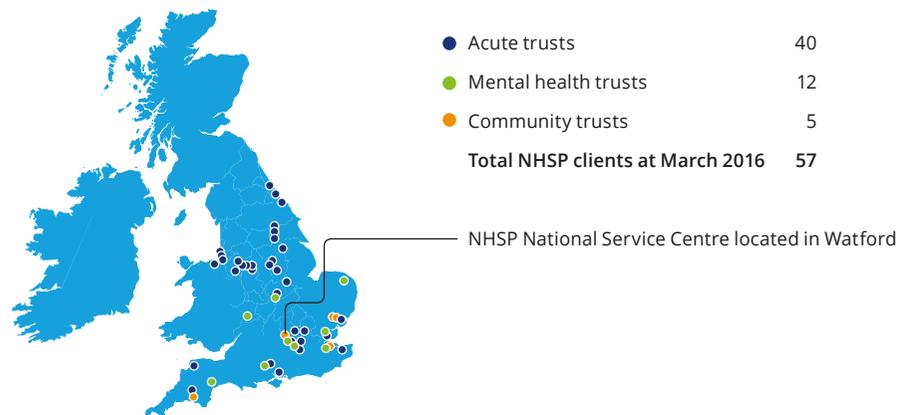
- Responsible for the Programme Management Office which manages the company's various initiatives.
- 20+ years experience of managing IT-enabled change programmes, having worked with a range of clients including AMEX and NHS Shared Business Services.



# A national client base across the NHS

NHSP's 57 client Trusts present a strong platform to broaden services and expand into new staff groups

## National platform with 57 NHS client Trusts



## Excellent client satisfaction levels based on feedback

- 82% of clients are satisfied or very satisfied with NHSP. The main reasons given were:
  - Bank staff are well known to Trusts.
  - The high quality of the bank staff.
- 83% of clients are satisfied with general nursing and midwifery staff supplied through NHSP's bank.
- 84% of clients would recommend NHSP services.
- Only 49% satisfaction for general nursing and midwifery staff supplied through agencies.

## A stable client base with strong retention rates and recurring margins

- The average length of NHSP client relationship is 8.3 years.
- 68% of clients have been with NHSP for over 8 years, contributing c.70% of gross margin in FY16.

### % of FY16 gross margin for 57 clients

	55%	15%	15%	15%
Tenure	10+ years	8-10 years	4-8 years	0.4 years
No. of clients	26	13	7	11
FY16 GM*	£23.6m	£6.4m	£6.3m	£6.3m

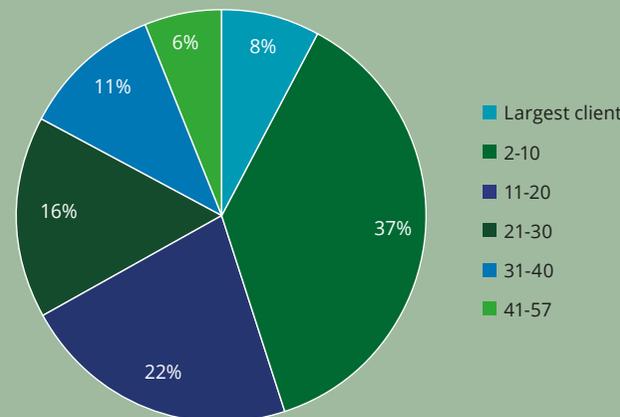
\* Does not reconcile to FY16 total gross margin as it is for the 57 client Trusts only and does not include disengaging Trusts. Includes interest income and miscellaneous income.

Source: Management information

## A diversified client base

- The Company's top 10 customers represented 45% of gross margin in FY16.
- NHSP's number one client has been a client since 2001.

### FY16 gross margin across 57 clients





# NHSP's bank of flexible workers

NHSP's flexible workers have first choice on available shifts, allowing them to work around their own schedule

## High levels of flexible worker satisfaction

- According to a 2015 survey of over 4,000 NHSP flexible workers:
  - 77% felt that NHSP had met or exceeded their expectations (FY13: 76%).
  - 61% were satisfied or very satisfied with NHSP, relatively unchanged from the last survey (FY13: 62%).

Boxclever: NHS Professionals bank worker survey 1st September 2015. 4,142 respondents

## Attractive benefits for flexible workers

NHSP bank membership offers flexible workers the following benefits:

- Competitive weekly pay benchmarked against the NHS Agenda for Change pay rates.
- Paid annual leave of up to 35 days per year including Bank Holidays.
- Statutory maternity/paternity leave (subject to qualifying criteria).
- Access to the NHS pension scheme for eligible workers.
- Access to NHSP's own pension scheme, with matched contributions from NHSP, up to 6% of pensionable pay, where not eligible for NHS pension scheme.
- Free compulsory training provided by NHSP for its bank only workers – training for multi-post holders is the responsibility of the Trust to which they are registered.

## Growth in the number of registered NHSP bank workers

- The NHS Professionals name is synonymous with quality, governance, value and integrity: this reputation helps NHSP to secure and retain the best talent.
- A total of 27,769 new bank staff were recruited by NHSP in FY16.
- The total available bank has grown from c.46k to c.88k since FY12.

### Available bank workers (1,000)

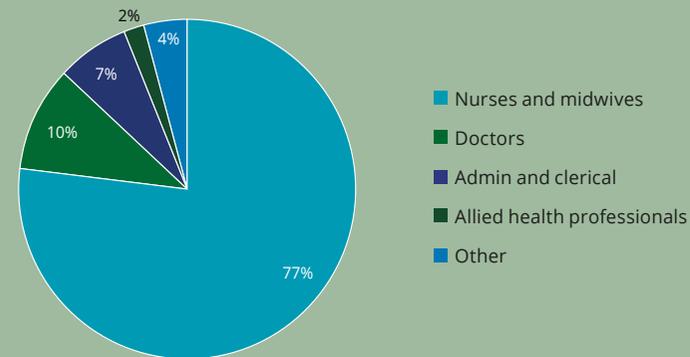


- **Multi-post holders** – substantive workers at a Trust that work bank shifts through NHSP for their employer Trust only. NHSP relies in part on the Trust's employment checks, and also confirms the worker's Right to Work, identification and professional registration. The registration process is quicker than for bank only workers (c.24 hours).
- **Bank only** – NHSP bank workers that are eligible to work across NHSP's 57 Trusts. Can also hold a substantive post with a Trust. NHSP undertakes a more rigorous registration process involving full employment checks (c.6 weeks).
- **Trust-employed** – the same as multi-post holders but employed directly by the Trust for bank shifts. 95% of these workers are doctors.

## NHSP's offering covers all staff groups with a particular strength in nursing

- Initiatives are underway to grow the doctors offering.

### Available bank workers March 2016



Source: Management information



# Technology overview

NHSP is implementing technologies that will transform how it interacts with its clients, bank workers and vendor agencies. Its core system StaffBank needs to be replaced to cater for these initiatives and other growth opportunities

## NHSP:Online Original interface



- Online portal being phased out for Trusts and workers to manage and book bank shifts, agency cascade, payslips and business intelligence.
- Being replaced by *My:Bank* and *Our:Bank*.
- Used by agencies to view and fulfil available demand and complete timesheets and self billing.



## Our:Bank New Trust interface



- Used by Trusts to set shift requests, confirm bookings, review timesheets etc.
- Can be accessed via the most popular operating platforms (IOS, Android, Desktop).



## My:Bank New worker interface



- Used by bank workers to view available shifts, book shifts, view timesheets etc.
- Can be accessed via any operating platform (IOS, Android, Desktop).



## Other interfaces



- Electronic Staff Records (ESR)
- E-rostering interface
- Trendcare patient acuity and workload management
- Business intelligence platforms (like click view)
- E-recruitment system
- Holiday bookings
- National Service Centre



## NHSP:Connect Locum doctors offering



- NHSP:Connect is a simple, intuitive web-based platform providing a centralised, fully automated end-to-end candidate sourcing and recruitment process. It enables client Trusts to communicate bookings to NHSP bank and then tiered agencies according to pre-set timescales.
- NHSP:Connect also has the ability to provide invoicing and accruals, reporting and worker assurance (compliance).
- The platform also provides a mechanism to offer variable pay rates based on agreed criteria (specialisms, location, timing, etc.).
- In April 2016 NHSP:Connect was launched in one client Trust with positive initial feedback. Further Trusts have since contracted to use NHSP:Connect.
- In time, this new software platform may be developed for other staff groups as an alternative to StaffBank.

## StaffBank

### NHSP needs investment in an up to date and state of the art technology platform to replace StaffBank

- StaffBank is a legacy, "off the shelf" shift-matching and worker management software platform.
- Shift requests are "pushed" to StaffBank from clients, which in turn are matched to bank workers and ultimately cascaded to agencies if they remain unfilled.
- StaffBank was originally designed for use by a single Trust to manage its bank of flexible workers. NHSP currently operates a single version of the platform to manage all 57 contracts.
- StaffBank is approximately 15 years old and is used by NHSP under a licence and maintenance contract from Allocate Software.
- The current platform is not flexible to meet the increasing needs of current clients and a growing business. For example, StaffBank is unable to support dynamic/negotiated pay rate offering and automated fulfilment of shifts; there is also a capacity constraint with the system. It is anticipated that StaffBank will need to be replaced however no decision has been reached on the likely solution.

Source: Management information



# Technology roadmap

Several technology initiatives are underway that will significantly improve systems performance, reduce operational costs and improve client and bank worker experiences

## Finance transformation

- NHSP currently outsources its bank and agency payment processing to NHS Shared Business Services. The contract for this service, which costs c.£4.1m annually, will expire in December 2016. Advanced projects are underway to bring the accounting services back in-house whilst continuing to outsource payroll, and are on track to be ready for December 2016. These initiatives are expected to reduce cost, improve payment services to workers and agencies, and positively impact working capital requirements.
- Agency self billing is another initiative that will be introduced, to enable NHSP to self-bill agencies from authorised timesheets. This will reduce NHSP's working capital requirements for agency cascade pass-through.

## CRM System

- A new CRM system is being selected to manage relationships with client Trusts and bank workers, by providing a single platform for full client lifecycle visibility, better communication of vacant shifts to suitable workers and automated bank worker recruitment and on-boarding.
- Improved CRM functionality will include a capability to capture feedback on individual assignments and an ability to automatically register all client Trust-employed clinical staff on NHSP's bank.

## Business intelligence

- Management Information/ Business Intelligence is becoming an ever more important aspect of workforce planning.
- NHSP is in the process of developing a data warehouse and improved tools to support its internal planning and provide clients with enhanced data analytics, information visualisation and decision-making capability. This information will be accessed via a branded dashboard, which can be accessed remotely via a single portal.

## StaffBank

- While the company is rolling out these initiatives, a new technology platform will eventually be required to replace StaffBank to support future growth.
- To reduce implementation risk and ensure business continuity, the company is planning a modular approach to decommissioning StaffBank. The new system – a “Rules Engine” yet to be chosen – will support the shift matching and placement of workers as well as improved agency cascade services.

Source: Management information



# A profitable track record

NHSP has reported strong growth since FY12, with opportunities to achieve greater operational efficiencies

## Financial summary

- NHSP's topline growth since FY12 has been driven by increased shift demand from its core base of client Trusts.
- The key driver of gross margin is the number of bank hours supplied. The number of bank hours has increased 34% since FY12, although the bank fill rate has reduced from 72% to 48%. Improving these metrics presents the greatest opportunity to the company.
- Operating costs in FY16 are comprised of 56% pay costs (relating to NHSP's 572 WTE staff) and 40% non-pay costs. Project costs represent the remaining 4%.

## Gross margin is derived from four primary sources

- Managed service fee:** a fixed annual bank management fee.
- Transaction fee:** a fixed fee charged per bank shift filled.
- Payroll costs:** a margin for on-costs and holiday pay charged on top of the rolled-up wage rates agreed with Trusts for bank workers.
- Agency transaction fee:** c.1.0% to cover the cost of agency booking and invoice validation service.

Financial summary (£m)	FY12	FY13	FY14	FY15	FY16
<b>Revenue</b>	<b>311.0</b>	<b>369.5</b>	<b>501.0</b>	<b>657.5</b>	<b>754.2</b>
<b>Gross margin</b>	<b>29.1</b>	<b>33.6</b>	<b>39.4</b>	<b>45.1</b>	<b>43.7</b>
% of revenue	9.4%	9.1%	7.9%	6.9%	5.8%
Operating expenditure	(23.9)	(26.7)	(30.2)	(34.7)	(37.4)
Underlying adjustments	--	(0.0)	0.0	(0.2)	2.7
<b>Adjusted EBITDA</b>	<b>5.2</b>	<b>6.9</b>	<b>9.2</b>	<b>10.2</b>	<b>9.0</b>
% of gross margin	17.7%	20.6%	23.3%	23.0%	20.2%
Bank revenue	233.3	262.2	307.0	333.1	340.1
Bank gross margin	27.9	31.9	37.0	40.8	39.2
% margin	12.0%	12.2%	12.0%	12.3%	11.5%
Bank hours (millions)	13.4	14.4	16.9	17.8	17.9
Bank fill % (shifts)	71.8%	65.4%	60.0%	50.6%	47.9%
Agency revenue	77.5	107.1	193.7	324.1	413.9
Agency gross margin	1.0	1.5	2.2	4.0	4.3
% margin	1.3%	1.4%	1.1%	1.2%	1.0%
Agency hours (millions)	2.9	3.9	6.6	11.1	11.5
Agency fill % (shifts)	14.9%	16.1%	21.3%	28.3%	30.5%

The small discrepancy between total gross margin and total revenue and the sum of their respective constituents is due to a small amount of "other revenue"

Source: Management accounts

## Further opportunities for operational efficiency

- Further development of a fully scalable model** – limited further overhead investment is required to deliver greater volumes of the more profitable bank shifts.
- Finance transformation** – NHSP currently outsources most back office finance and payroll functions to NHS Shared Business Service. The Finance Transformation Project – designed to take the back office finance services in-house. Payroll will remain outsourced – is expected to complete by December 2016 when the SBS contract expires. This is expected to achieve significant cost savings beyond FY17.
- Working capital efficiencies** – potential to reduce working capital requirements for the agency cascade service by introducing agency self-billing. This technology has been developed and introduced to client Trusts and agencies since June 2016.

Source: Management information



# Significant growth potential

NHSP is focusing on three growth areas in the flexible workforce market. This growth plan can be accelerated with added investment and expertise from a partner, free from the constraints of government control

	1. Increase the number of client Trusts	2. Improve bank effectiveness (fill rate)	3. Develop the locum doctors service
<b>Market opportunity</b> 	<ul style="list-style-type: none"> <li>Only 65 of the 257 Trusts currently outsource bank management, and NHSP contracts with 57 of these.</li> <li>c.£5.0bn spent on bank and agency staff by Trusts in FY16.</li> <li>Servicing a greater number of the 192 Trusts which do not currently outsource bank management increases economies of scale and increases the bank of available workers.</li> </ul>	<ul style="list-style-type: none"> <li>Total agency spend across the NHS has doubled in the last 4 years to £3.2bn, driven by increased demand for flexible staff.</li> <li>In FY16 NHSP cascaded £413.9m of shifts to external agencies as a result of not being able to fill from the bank due to market supply constraints with nurses.</li> <li>Improved bank fill rates reduce the average cost of flexible workers for clients and generates higher margin business for NHSP.</li> </ul>	<ul style="list-style-type: none"> <li>Locum doctors account for c.£1.3bn or 40% of the total NHS spend on agency staff but only c.4% of NHSP's service (by gross margin).</li> <li>Opportunity to reduce rates paid to agency doctors – an average of 3.0x over regular pay.</li> <li>Agency controls (agency caps and frameworks) are being extended to doctors (the new junior doctors contract restricts locum work), and this will assist agency to bank migration.</li> </ul>
<b>Current NHSP offering</b> 	<ul style="list-style-type: none"> <li>NHSP actively tracks and targets every Trust in England.</li> <li>Opportunities arise predominantly through the company's senior management team and its Board level relationships.</li> <li>NHSP is on the CCS Framework and National Clinical Staffing Framework, and expects to join more frameworks as they are announced.</li> </ul>	<ul style="list-style-type: none"> <li>A dedicated on-site Client Relations Team to support workforce planning.</li> <li>Account plans focus on recruitment to bank and other initiatives.</li> <li>Business intelligence supports workforce planning within Trusts.</li> </ul>	<ul style="list-style-type: none"> <li>NHSP launched NHSP:Connect in April 2016. This is a platform technology offering direct engagement between locum doctors and client Trusts as well as other services.</li> <li>Results for April and May indicate a reduction of direct booking of agency locums by the Trusts.</li> <li>Following this success, further client Trusts have contracted to use NHSP:Connect.</li> </ul>
<b>NHSP growth plan</b> 	<ul style="list-style-type: none"> <li>NHSP's business plan anticipates growing its client base.</li> <li>Business development success will be enhanced through evidencing:             <ul style="list-style-type: none"> <li>Lower cost engagement model.</li> <li>Improved bank fill rates.</li> <li>Reduced flexible workforce demand by working with clients to manage demand.</li> <li>Lower agency workforce spend.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Bank fill is currently projected to improve from 47.9% in FY16. Coupled with growth in the number of client Trusts, this is projected to increase bank revenue significantly.</li> <li>Significant opportunity to increase bank worker supply through international recruitment.</li> <li>The company is seeking to commission a new CRM platform to improve its engagement with Trusts and bank workers.</li> </ul>	<ul style="list-style-type: none"> <li>The locum doctors offering is projected to grow over the next 5 years.</li> <li>NHSP:Connect may be extended to other staffing groups which are similarly CV-driven.</li> </ul>



**The successful partner will also develop other growth opportunities across the £48.8 billion NHS workforce market**

Source: L.E.K. analysis, Management information



# Glossary

**CCS** Crown Commercial Service

**CPP** Collaborative Procurement Partnership

**CRM** Customer relationship management

**DH** Department of Health

**ESR** Electronic Staff Records

**FD** Finance Director

**FTSE** Financial Times Stock Exchange

**FY** Financial year to 31st March

**GM** Gross margin

**HR** Human resources

**HTE** Health Trust Europe

**IT** Information technology

**L.E.K.** L.E.K. Consulting

**NHS** National Health Service

**NHSP** NHS Professionals Limited

**PMO** Project Management Office

**SBS** Shared Business Services

**WTE** Whole time equivalent



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