


Agenda Item 6

		THE HEALTH SCRUTINY COMMITTEE FOR LINCOLNSHIRE	
Boston Borough Council	East Lindsey District Council	City of Lincoln Council	Lincolnshire County Council
North Kesteven District Council	South Holland District Council	South Kesteven District Council	West Lindsey District Council

Open Report on behalf of Stephen Graves, Chief Executive, Peterborough and Stamford Hospitals NHS Foundation Trust

Report to	Health Scrutiny Committee for Lincolnshire
Date:	20 July 2016
Subject:	Proposed Merger of Peterborough and Stamford Hospitals NHS Foundation Trust with Hinchingsbrooke Health Care NHS Trust

Summary:

This report provides an update to the Health Scrutiny Committee for Lincolnshire on the proposed merger of Peterborough and Stamford Hospitals NHS Foundation Trust with Hinchingsbrooke Health Care NHS Trust.

This report covers the engagement phase of the proposed merger programme and also provides an update on the redevelopment work at Stamford and Rutland Hospital.

Actions Required:

- (1) The Health Scrutiny Committee for Lincolnshire is requested to consider this report, in particular focusing on the following points:
 - any impact of the merger of Peterborough and Stamford Hospitals NHS Foundation Trust with Hinchingsbrooke Health Care NHS Trust on services to patients from Lincolnshire; and
 - the latest position with regard to developments at Stamford and Rutland Hospital.
- (2) The Health Scrutiny Committee for Lincolnshire is requested to consider if it wishes to respond formally to the merger proposals, either at this stage or subsequently at the Full Business Case stage.

1. Background

Development of the Case for Merger

In October 2015 Monitor developed a strategic outline case, which suggested savings of approximately £10 million might arise from closer collaboration between Peterborough and Stamford Hospitals NHS Foundation Trust and Hinchingsbrooke Health Care NHS Trust. In November 2015 Peterborough and Stamford Hospitals NHS Foundation Trust and Hinchingsbrooke Health Care NHS Trust boards agreed to explore four levels of collaboration:

- | | |
|----------|---|
| Option 1 | Do nothing for now |
| Option 2 | Shared back office function - leading an integrated back office |
| Option 3 | As per option 2, plus two boards, one executive team and one operational organisation |
| Option 4 | Merger into one organisation |

A project management board was established and there was engagement between the two trust boards, leading to the development of an Outline Business Case.

Decision to Proceed with Merger

In May 2016, the boards of Peterborough and Stamford Hospitals NHS Foundation Trust and Hinchingsbrooke Health Care NHS Trust considered an Outline Business Case that recommended the merger of the two Trusts. The Outline Business Case is available at the following link:

<https://www.peterboroughandstamford.nhs.uk/about-us/working-with-hinchingsbrooke/>

The Executive Summary of the Outline Business Case is attached at Appendix A to this report. The presentation given to the two Boards in May 2016 is attached at Appendix B.

The boards agreed to the recommendations made in the Outline Business Case that in order to sustain and improve clinical services for patients and value for money for the taxpayer in Huntingdonshire, Greater Peterborough and South Lincolnshire, both Trusts would benefit from working as one organisation in the future.

Development of Full Business Case for Merger

The two Trusts have agreed to work together on a Full Business Case in readiness for a merger on 1 April 2017. This work commenced in June 2016 and the boards will consider the Full Business Case in September 2016, with final approval planned for November 2016.

Both hospital trusts are passionate about providing quality services that are better, safer and local and that can be easily accessible to the local population. However there are real challenges. Hinchingsbrooke Health Care Trust is not sustainable in its current form either clinically or financially. Peterborough and Stamford Hospitals NHS Foundation Trust was

declared clinically and operationally sustainable but not financially sustainable by Monitor in 2013.

Having considered a range of options including doing nothing and joint working, merging the two organisations into one came out clearly as the preferred option to deliver clinically sustainable services and also reduce costs to the taxpayer.

While there will be a cost to merging, we have identified at least £9 million of savings to be made per annum, primarily in back office services, which will help improve the deficit position of both organisations in the future.

Engagement with Staff and Members of the Public on Outline Business Case

Both Trusts are fully committed to engaging with staff and members of the public, having started this process in board meetings which were held in public in May.

This engagement will continue through July, August and September as part of a dedicated engagement plan which will be used to help inform the Full Business Case. Residents, GPs, commissioners and service providers in South Lincolnshire fulfil a key stakeholder position in our engagement plan. The importance of retaining local views in a wider merged organisation is recognised, and one of the early considerations is the need to develop constituencies and governors that will separately represent, and therefore provide views from the three areas surrounding Stamford, Peterborough and Hinchingsbrooke hospitals. This contrasts with the current approach at Peterborough and Stamford Hospitals NHS Foundation Trust, where there is a single public constituency. This development will be included in the engagement plan.

Further Period of Engagement After Approval of Full Business Case

There will be a further period of engagement following a review of the Full Business Case by both Trust boards in September, before the final approval in November 2016.

Both trusts are working with doctors and clinicians across the local health and social care economy, as part of the Cambridgeshire and Peterborough Sustainability and Transformation Plan, to provide sustainable and responsive urgent and emergency care and maternity/paediatric services. These areas are not under review as part of our merger plans, but they are being looked at by the wider health economy transformation programme.

Key Facts About the Two Trusts

The Outline Business Case includes the following key facts about the two Trusts:

	Hinchingsbrooke Healthcare NHS Trust	Peterborough and Stamford Hospitals NHS Foundation Trust
Populations served	193,000	507,000
Main commissioners	Cambridgeshire and Peterborough Clinical Commissioning Group	Cambridgeshire and Peterborough Clinical Commissioning Group: 57% South Lincolnshire Clinical Commissioning Group: 22% NHS England: 10%

	Hinchingbrooke Healthcare NHS Trust	Peterborough and Stamford Hospitals NHS Foundation Trust
		Others: 11%
Forecast Turnover FY16	£112.6m	£260.8m
Forecast surplus/deficit FY16	£17.1m	£37.1m
Surplus as % of turnover	-15.1%	-14.2%
Number of sites	1	2
Number of beds	235 + 21 day case in Treatment Centre	611 + 22 intermediate care at Stamford
Staff (Whole Time Equivalent)	1,553	4,019
CQC overall rating	Requires Improvement	Good
National performance standards (Year to Date)	Failing ED 4 hour wait	Failing ED 4 hour wait

Peterborough and Stamford Hospitals NHS Foundation Trust and Hinchingbrooke Health Care NHS Trust provide services to a combined population of around 700,000 people living predominantly in Cambridgeshire, Peterborough and South Lincolnshire. Their FY16 combined income was £372 million with a combined forecast deficit of £54.8 million. Between them, they employ 5,572 whole time equivalent employees.

The main commissioner of services for both trusts is Cambridgeshire and Peterborough Clinical Commissioning Group although nearly a quarter of the Peterborough and Stamford Hospitals NHS Foundation Trust activity is commissioned by South Lincolnshire Clinical Commissioning Group.

Care Quality Commission Ratings

As detailed in the Outline Business Case, the two trusts have different Care Quality Commission (CQC) ratings. As overall headline scores, Hinchingbrooke Health Care NHS Trust is rated as 'Requires improvement' and is currently in special measures, whereas Peterborough and Stamford Hospitals NHS Foundation Trust has been rated 'Good'.

Peterborough and Stamford Hospitals NHS Foundation Trust had a CQC revisit in May 2015 to review identified areas following the main trust inspection in May 2014. The final report was received and published in July 2015 giving the trust an overall rating of 'Good'. A summary of their findings based on the initial inspection in 2014, with the updated scores for the areas they re-inspected in 2015 is shown in the table below.

There were areas of exemplary practice that the trust was commended for and some areas that were recommended for improvement particularly with regard to medical care in medical specialties. Stamford hospital was rated overall as 'Good' with all inspection domains rated 'Green'.

	Safe	Effective	Caring	Responsive	Well-led	Overall
Urgent and emergency services	Good	Good	Good	Good	Good	Good
Medical care	Requires improvement	Requires improvement	Good	Requires improvement	Requires improvement	Requires improvement
Surgery	Good	Good	Good	Good	Good	Good
Critical care	Good	Good	Good	Good	Good	Good
Maternity and gynaecology	Good	Good	Good	Good	Good	Good
Services for children and young people	Good	Good	Good	Good	Good	Good
End of life care	Good	Good	Good	Good	Good	Good
Outpatients and diagnostic imaging	Good	Good	Good	Good	Good	Good
Overall	Good	Good	Good	Good	Good	Good

Hinchingbrooke Health Care NHS Trust was revisited by the CQC in October 2015, following its earlier inspection in September 2014. On re-inspection, the overall rating was 'Requires Improvement'. Urgent and emergency care services are rated 'Inadequate'. The summary report is shown in the table below.

The CQC identified material improvements since their last inspection and reported that the leadership team was well placed to continue the improvements made recently. They recommended that the trust should remain in special measures, with a re-inspection undertaken in May 2016. The outcome of this re-inspection is not yet known.

	Safe	Effective	Caring	Responsive	Well-led	Overall
Urgent and emergency services	Inadequate	Requires improvement	Good	Requires improvement	Inadequate	Inadequate
Medical care	Requires improvement	Requires improvement	Good	Requires improvement	Requires improvement	Requires improvement
Surgery	Requires improvement	Good	Good	Good	Requires improvement	Requires improvement
Critical care	Good	Good	Good	Good	Good	Good
Maternity and gynaecology	Good	Good	Good	Good	Good	Good
End of life care	Requires improvement	Requires improvement	Good	Requires improvement	Requires improvement	Requires improvement
Outpatients and diagnostic imaging	Good	Not rated	Good	Good	Good	Good
Overall	Requires improvement	Requires improvement	Good	Requires improvement	Requires improvement	Requires improvement

Clinical Benefits of Merger

The Outline Business Case details the clinical benefits of the merger, and includes the following summary:

"With larger combined clinical teams, there are greater opportunities to sustain services across both sites. For example, with the additional five ED [*Emergency Department*] consultants recruited at Peterborough and Stamford Hospitals NHS Foundation Trust there will be more opportunities to sustain urgent care services at Hinchingsbrooke Health Care NHS Trust. The additional radiology capacity recruited at Peterborough and Stamford Hospitals NHS Foundation Trust will make sustainable services, and seven day reporting more sustainable across the new enlarged organisation.

Activity forecasts show that activity demand will continue to rise (even after QIPP [*Quality, Innovation, Productivity and Prevention*]) over the coming years. Of the four options being considered, option 4 [*merger*] reduces or eliminates the most barriers to flexible management of elective capacity and therefore best supports delivery of the Sustainability and Transformation Plan.

As with other options, the strategy to provide a specialist 'frail medical specialist centre' by collocating acute medical care with primary care, therapy, step-down/intermediate care capacity, pharmacy and older peoples mental health is focussed on providing care for the growing elderly population. This strategy would be better supported by larger clinical teams offering recruitment and retention opportunities for community and acute geriatricians, a critical mass to support some sub-specialist clinical roles and varied training opportunities for all staff groups.

Financial Benefits and Costs of Merger

The Outline Business Case details the costs and benefits of the merger, summarising them as follows:

"The estimated savings under this option are £9m associated with reductions in Board costs and corporate pay and total elimination of the agency spend in back office areas.

The transition costs of £8m for this option are roughly equal to one full year of the anticipated level of savings. Costs include development of the full business case including legal, due diligence, CMA engagement costs of £4m, and redundancy costs of £2.5m plus £800k for project management and implementation costs."

The costs of transition are also set out in the following table, which formed part of the presentation to the Trust Boards in May 2016 (included as Appendix B to this report):

Category	Costs / £million				
	Year 1	Year 2	Year 3	Total	
				One-Off	Recurrent
Redundancy	(0.3)	(1.4)	(1.1)	(2.8)	
Project Transition Costs	(1.0)	(0.9)	0.0	(1.9)	
Legal and Due Diligence Costs	(1.8)	(1.5)	0.0	(3.3)	
IT Integration Costs	(1.0)	(1.5)	(1.5)	(4.0)	
CEO	0.0	1.9	0.0		1.9
Finance	0.3	0.3	0.3		1.0

Category	Costs / £million				
	Year 1	Year 2	Year 3	Total	
				One-Off	Recurrent
HR	0.0	0.5	0.5		0.9
Nursing	0.0	0.1	0.0		0.1
Facilities	0.5	0.5	0.0		1.0
IT/IS	0.0	0.0	0.8		0.8
Ops	0.0	0.5	0.0		0.5
Clinical Support	0.0	0.3	0.0		0.3
CEO site leadership	0.0	0.0	0.0		0.0
Additional 4%	0.0	0.0	0.8		0.8
Non-pay	0.0	0.0	1.8		1.8
TOTAL	(3.3)	(1.3)	1.6	(12.0)	9.1

Private Finance Initiative

The Health Scrutiny Committee for Lincolnshire has specifically requested information on the current position of the Private Finance Initiative (PFI) and its impact on finances. The Outline Business Case includes the following statement, which provides context for the PFI:

"Since the move to the new Peterborough City hospital site in FY11, Peterborough and Stamford Hospitals NHS Foundation Trust has been operating at a financial deficit of around £40 million. This is due to reliance on locum and agency staff, below tariff payments, penalties associated with the rise in emergency activity, and the national tariff not covering the premium cost of PFI buildings. Achievement of above average cost improvement has failed to deliver a surplus position over the past four years.

Peterborough and Stamford Hospitals NHS Foundation Trust is anticipating a reduction in its deficit largely through delivery of above average CIP [Cost Improvement Programme], and sustainability and transformation funding. This will reduce the forecast deficit to £17.2 million by FY21. Previous reports including the National Audit Office (2012) have identified that Peterborough and Stamford Hospitals NHS Foundation Trust also require an additional £15 million Department of Health permanent subsidy to meet the recognised gap between the tariff and the cost of the PFI. The benefit of this additional funding is not included in the financial plan. Including it would bring the deficit to £2 million. The benefits of merger would move the trust into a financial surplus position."

Stamford and Rutland Hospital

Peterborough and Stamford Hospitals NHS Foundation Trust remains committed to delivering services from our Stamford site in line with the strategy for the site as last updated to the Health Scrutiny Committee for Lincolnshire in February/March 2015. The Trust also maintains dialogue and engagement with the South Kesteven District Council and Stamford Town Council. Work began in June 2016 to improve the electrical infrastructure on the Stamford Hospital site and an application for planning

permission for a new, permanent, MRI scanner is due to be submitted mid-July. The business case to purchase the scanner and incorporate it on site is with NHS Improvement for approval. The work to refurbish the 'east' end of the site, which includes services such as outpatients, is awaiting the release of capital which is an issue across the whole of the NHS.

The Trust also continues to liaise with the Lakeside Healthcare, which runs the three GP practices in Stamford as well as practices in other areas, regarding their plans and developments with the aim to ensure coherent services for patients in South Lincolnshire, and will engage in the Lincolnshire Health and Care team following the release of their Case for Change Document on 29 June 2016.

Next Steps for the Merger

The next steps are outlined in the Executive Summary, attached at Appendix A. The key dates are as follows:

- September 2016 – Completion of a Full Business Case for decision by both Boards
- September – November 2016 (six weeks) - Further public engagement on Full Business
- November 2016 - If all the necessary approvals are received, implementation will commence
- 1 April 2017 - Subject to all necessary approvals being received, the merger would formally take place.

2. Conclusion

As part of this engagement plan, the Health Committee Scrutiny Committee for Lincolnshire can be assured that it will be kept up to date with developments on this proposal between now and November 2016. The Trust is also happy to gather members' views to inform the Full Business Case.

3. Consultation

The Health Scrutiny Committee for Lincolnshire is requested to consider whether it wishes to pass on any comments to Peterborough and Stamford Hospitals NHS Foundation Trust on the merger arrangements, set out in the Outline Business Case. Alternatively, the Committee may wish to respond to the engagement between September and November 2016 on the Full Business Case.

4. Appendices

These are listed below and attached at the back of the report	
Appendix A	Outline Business case: Merger of Hinchingsbrooke Health Care NHS Trust and Peterborough and Stamford Hospitals NHS Foundation Trust – Executive Summary
Appendix B	Public Board Presentation of Outline Business Case

5. Background Papers

The following background papers were used in the preparation of this report:

Outline Business Case: Merger of Hinchingsbrooke Health Care NHS Trust and Peterborough and Stamford Hospitals NHS Foundation Trust.

This report was written by Mandy Ward, Head of Communication at Peterborough and Stamford Hospitals NHS Foundation Trust, who can be contacted on 01733 678024 or Communications@pbh-tr.nhs.uk with assistance from the Health Scrutiny Officer

Merger of Hinchingsbrooke Health Care NHS Trust and Peterborough and Stamford Hospitals NHS Foundation Trust

Outline Business Case - Executive Summary

1. Executive summary

Peterborough and Stamford Hospitals NHS Foundation Trust (PSHFT) and Hinchingsbrooke Health Care NHS Trust (HHCT) both face significant sustainability challenges.

Sustainability challenge for PSHFT

In their assessment of PSHFT in 2013, the Contingency Planning Team appointed by Monitor found that while clinically and operationally sustainable, Peterborough and Stamford Hospitals NHS Foundation Trust is not financially sustainable in its current form.

PSHFT's financial position on 31 March 2016, i.e. the end of financial year FY16, is a deficit of £37.1m. Despite achieving above average cost improvements for the last few years, PSHFT will not be able to deliver a balanced budget for the foreseeable future without joint working with partners in the wider health economy.

The PSHFT recovery plan is based on three pillars: delivery of above average cost improvement; savings through collaboration with Hinchingsbrooke; and agreement with the Department of Health that the £15m additional cost of the PFI not met by tariff should be separately funded.

The trust has a track record of delivering above average cost improvement for each of the past four years. External reviews have identified further savings, including Lord Carter which identified further opportunities to reduce bank and agency costs.

The Department of Health will need to commit to giving the trust long-term financial support at a level that provides stability for the trust. The National Audit Office (2012), the Contingency Planning Team (2013) and PriceWaterhouseCooper (2015) all identified the need for £25m additional ongoing tariff subsidy to meet the additional costs of the PFI. The trust currently receives £10m support in the form of a subsidy, and an additional £15m is required in future.

Monitor (2015) identified £10m potential joint savings from PSHFT working collaboratively with Hinchingsbrooke through reducing back office and corporate costs.

A combination of all three will return the trust back to a position of financial surplus.

There are also clinical sustainability challenges for some services which could be mitigated through collaboration with Hinchingsbrooke. Examples include gastroenterology and diagnostic imaging.

Sustainability challenge for HHCT

Hinchingsbrooke Health Care NHS Trust (HHCT) is not sustainable in its current form, clinically or financially.

Despite the passion, commitment and hard work of the hospital staff, there are services that HHCT is currently struggling to provide sustainably for its local population. Amongst those most affected are clinical haematology (blood disorders), the Emergency Department (ED) and stroke services, primarily because it has not been possible to recruit to all of the permanent consultant posts for these services.

As a result of Hinchingsbrooke's size and case mix, it is likely to face further clinical service sustainability issues in the near future. HHCT's emergency department is the third smallest in the country and relies significantly on locum doctors to provide a safe service. This is not a sustainable option in the long term.

Other services such as orthogeriatrics, neurology, cardiology and end of life care services are also significantly challenged due to the size of the teams delivering the services.

In the current configuration, HHCT is too small for the continued future provision of high quality sustainable modern healthcare to its local population. The HHCT Board recognises that alternative solutions are required to ensure that all the existing services continue to be provided locally on the Hinchingsbrooke site in the future.

The financial challenge at HHCT is also significant.

- At 15.2%, it has one of the largest financial deficits as a proportion of turnover in the country; a FY16 deficit of £17.1m on £112m turnover
- The recent national financial efficiency work led by Lord Carter, identified HHCT as being the second most financially inefficient hospital in the country.
- HHCT annual reference costs are 14% greater than the average costs across the country of providing the same volume and case mix of activity.

There is a financial plan to recover this deficit over the next five years which relies on ambitious cost reduction, significant additional revenue from a proposed Health Campus, and collaboration with other organisations to reduce back office costs. However, even if fully delivered, the clinical sustainability issues remain.

The Local Health Economy

The Cambridgeshire and Peterborough CCG total population is forecast to grow by 10% between 2016 and 2021, with Peterborough growing by 11% and Huntingdon over 65 age group growing by 17%. As people age, they are progressively more likely to live with multiple illnesses, disability and frailty, and therefore we can expect increased pressure and demand for services and care at HHCT and PSHFT in the future.

The latest projections across Cambridgeshire and Peterborough show that the financial deficit across the NHS providers and commissioners is likely to be £250m by FY21 if things continue as they have done in the recent past. The system has incurred a collective deficit of £150m in FY16, which is one of the highest per person in the country.

Meeting the future demands on services, while maintaining and improving clinical sustainability for patients within the tight financial envelope, means there is a growing need for providers to work together and differently in the NHS.

Sustainability and transformation plan

Across the country, local commissioners are leading their health and social care organisations in working together to identify how these clinical and financial challenges can be met by developing Sustainability and Transformation Plans (STP) by June 2016.

Lincolnshire Clinical Commissioning Groups are doing this to cover the south Lincolnshire patients although it mainly focusses on the acute providers within Lincolnshire. PSHFT and HHCT are directly involved with the STP that is being led by Cambridgeshire and Peterborough Clinical Commissioning Group and focusses upon:

1. End to end pathway redesign including primary and secondary care
 - Sustainable General Practice
 - Proactive care and prevention
 - Urgent and Emergency Care (CPCCG is a national Vanguard site)
 - Elective care design
 - Maternity and neonatal services
 - Children and Young People
2. Greater collaboration between HHCT and PSHFT
3. Financial incentives alignment
4. Utilisation of estate across Cambridgeshire and Peterborough
5. Increasing the effective use of staff skills and experience

Collaboration between HHCT and PSHFT

The STP work includes collaborative working between HHCT and PSHFT.

Material changes to how these services are designed and delivered may happen as a result of other commissioner led work streams, but this is **not** an area which will be decided by the outcome of this Outline Business Case, or Full Business case approval decisions. If as part of the wider STP work, significant changes to these pathways are proposed by the CCG, they would be subject to public consultation before implementation.

Maintaining core acute services at Hinchingsbrooke Hospital

Both trusts are passionate about providing services which are better, safer and local. They are committed to providing high quality care that is easily accessible to the local population. There may be future changes, particularly as a result of the STP, but **there is a joint commitment from both trusts to ensure the ongoing provision of safe, sustainable core acute services from Hinchingsbrooke Hospital.**

Key findings of the Outline Business Case (OBC)

This document describes the drivers, options and potential benefits of greater collaboration between Hinchingsbrooke Health Care NHS Trust (HHCT) and Peterborough and Stamford Hospitals NHS Foundation Trust (PSHFT).

This business case shows that merger of HHCT and PSHFT will:

1. Support the ongoing provision of fragile clinical services locally on the HHCT site
2. Improve sustainability of some clinical services in PSHFT
3. Enable financial benefits of more than £9m to be achieved through the integration of back office functions
4. Improve staff experience with more realistic rotas, increased training and educational opportunities, and in so doing, improve retention and recruitment.
5. Offer more robust infrastructure for example through the single procurement and running of IT; greater flexibility of major equipment and more robust business continuity
6. Provide real engagement with the local community through the development of a membership strategy and body in Huntingdonshire. PSHFT has over 9,000 members with public and staff representation on the Council of Governors and the ability to appoint the Non-Executive Directors and hold the Board to account. This would be expanded to Huntingdonshire as a part of a merger.

Next steps

If the OBC recommendations are approved, a Full Business Case (FBC) for the merger of HHCT and PSHFT will be produced. Timelines agreed by both boards and the regulator for the next steps are:

Engagement with the public will start from the OBC decision, and formally after the European referendum at the end of June
by September 2016, complete a Full Business Case for decision by both Boards
Further public engagement post FBC decision for six weeks
from November 2016, if the FBC is approved by both Boards and the regulator, commence implementation

Subject to all necessary approvals, the formal merger would take place on 1 April 2017. The FBC will be the document upon which the final decision by the Boards will be made on the collaboration between the organisations. The FBC will then be sent to regulators for review and approval. This will include the main conclusions contained in the body of the OBC and a more detailed review of both organisations, the case for change and the opportunities and risks associated with any future transaction.

During the interim period, both trusts will work together to provide safe sustainable services, particularly in those areas already identified as being unsustainable.

To ensure these plans are considered and commented on both internally and externally, public engagement will be undertaken over a four month period.

These benefits, and others to be explored as a full business case is prepared, will be delivered through a merged organisation. This will be achieved by April 2017 with some benefits being realised from autumn 2016 and the full benefits being delivered over a four year timetable, i.e. autumn 2020.

Recommendation from Stephen Graves, CEO PSHFT and Lance McCarthy CEO HHCT

The Boards at both trusts are asked to approve this Outline Business Case which shows the clear clinical and financial benefits for both organisations.

In doing so the Boards agree to work together to deliver a Full Business Case (FBC) by the end of September 2016. The FBC will confirm the date (subject to approval) of a merged organisation. This is currently planned to be 1st April 2017.

PETERBOROUGH AND STAMFORD HOSPITALS NHS FOUNDATION TRUST
HINCHINGBROOKE HEALTH CARE NHS TRUST

POWERPOINT PRESENTATION GIVEN TO PUBLIC BOARD MEETINGS
MAY 2016



PSHFT and Hinchingsbrooke merger



THE JOURNEY SO FAR



Reminder: Our 'challenged' health system

'Cambridgeshire and Peterborough area is one of 11 challenged health economies in England'

- NHS England, Monitor and the Trust Development Authority

- The System-wide Sustainability and Transformation Programme, led by Cambs and Pboro CCG, began in 2014 to look at all NHS-funded, hospital-based, GP and community healthcare services – with the aim of developing services that are clinically, operationally and financially sustainable for the future
- Under this banner, in January 2016, Hinchingbrooke Health Care NHS Trust and Peterborough and Stamford Hospitals NHS FT announced they were working collaboratively to reduce duplication and costs, and support the future delivery of sustainable services for the benefit of patients, staff and taxpayers



Background

HHCT

- 1983 hospital opened
- 2005 new treatment centre opened
- 2005- Trust in financial deficit and clinically unsustainable
- 2005 SHA review of services
- 2009 EoE SHA announces HHCT franchise tender
- 2010 PSHFT joint bid with Serco to operate Hinchingbrooke hospital
- 2012 Circle awarded franchise and begin managing Hinchingbrooke
- 2015 CQC rates HHCT inadequate with lack of clinical sustainability
- 2015 Circle withdraw early from the contract citing unsustainable losses

PSHFT

- 2004 first wave Foundation Trust
- 2002-2008 In financial surplus
- 2010 move to PFI building, Trust reports a £45m deficit in 2010/11
- 2010 PSHFT joint bid with Serco to operate Hinchingbrooke hospital as a franchise
- 2012 Monitor appointed CPT finds PSHFT clinically and operationally sustainable but financially unsustainable
- 2012 NAO and CPT identify approximately £20-25m shortfall between PFI cost and tariff
- 2013 Project Orange to franchise PSHFT (Project Orange)
- 2015 CPCCG challenged health economy and Project Orange paused

- 2015 Strategic outline case recommends closer collaboration between HHCT and PSHFT
- 2016 HHCT and PSHFT commence business case





• **Summary**

- PSHFT is clinically and operationally sustainable, but with specific challenges BUT is not financially sustainable;
- HHCT is neither clinically or financially sustainable in its current form;
- Cambridgeshire and Peterborough is one of the most financially challenged systems in the Country.

'As the Accountable Officer I have a duty to look at the options to improve this Trust's and the whole health systems position, balancing the needs of patients, staff, the public and the taxpayer'

In doing so Lance and I have made the following statement:

'Both trusts are passionate about providing services which are better, safer and local. They are committed to providing high quality care that is easily accessible to the local population. There may be future changes, particularly as a result of the STP, but there is a commitment from both trusts to ensure the ongoing provision of safe sustainable core acute services from Hinchingbrooke Hospital



Outline business case

- October 2015 Monitor led strategic outline case suggests £10m savings from closer collaboration
- November 2015 HHCT and PSHFT boards agree to explore four levels of collaboration:
 - Option 1 - Do nothing for now
 - Option 2 - Shared back office function - leading an integrated back office
 - Option 3 - As per option 2, plus two boards, one executive team and one operational organisation
 - Option 4 - One organisation
- Project Management Board established
- Engagement between two Trust Boards
- OBC developed
- Option appraisal- option 4 preferred choice





Outline business case

- October 2015 Monitor led strategic outline case suggests £10m savings from closer collaboration
- November 2015 HHCT and PSHFT boards agree to explore four levels of collaboration:
 - Option 1 - Do nothing for now
 - Option 2 - Shared back office function - leading an integrated back office
 - Option 3 - As per option 2, plus two boards, one executive team and one operational organisation
 - Option 4 - One organisation
- Project Management Board established
- Engagement between two Trust Boards
- OBC developed
- Option appraisal- option 4 preferred choice
- **Recommendation: The Boards at both trusts are asked to approve this Outline Business Case which shows clear clinical and financial benefits for both organisations.**
- The Boards agree to work together to deliver a Full Business Case by end September 2016. The FBC will confirm the date (subject to approval) of a merged organisation. This is currently planned to be 1st April 2017

CLINICAL SERVICES - SUSTAINABILITY





Clinical Case for Change

- Some services in both organisations are clinically fragile now, with further services at risk in the medium-term
- Contributory factors:
 - Smaller teams compared to teaching trusts and larger DGH's can make recruitment difficult
 - Agency spending caps
 - 7-day working
 - Junior Doctors contract and provision of compensatory rest
- Meeting future challenges requires looking outside traditional organisational boundaries
- For both organisations, integrated collaboration largely resolves the clinical sustainability issues



Clinical Case for Change

Merger joins all clinical teams under a single operational management structure:

- larger teams
- medical staff working equitably across locations
- shared workload, rotas and out of hours cover.

Merger maximises opportunities for:

- Single governance arrangements, clinical policies, management arrangements and operational procedures
- Greater flexibility for staffing and service provision across sites
- Greater opportunities for training and sub-specialism
- Support staff recruitment and retention
- Reduce agency
- Senior decision-makers at key points in the patient pathway
- Clinical consistency with shared best practice protocols





Our Joint Vision

Delivering excellence in care in the most efficient way in hospitals where it is great to work

Our Joint Strategy

Clinical Excellence

Doing the very best for our patients

Financial Sustainability

Getting value for money for taxpayers for our services

Operational Sustainability

Making the most of our hospitals for the future

Underpinned by Our Values

Across the populations of South Lincolnshire, Peterborough and Huntingdonshire we will...

Provide safe and timely care for our patients

Ensure that our staff feel valued and have opportunities for development

Design our services to meet the changing needs of our patients



11



Clinical sustainability

Clinical Sustainability is defined as:

Provision of resilient, high quality, best value care locally both now and into the future in accordance with all relevant requirements



Clinical unsustainability is defined as one or more of

- Inability to recruit competent substantive staff
 - Inability to match provision to demand
- Inability to meet required service and quality standards



12



Clinical sustainability

Services are under significant pressure in both Trusts, but HHCT services are particularly challenged:

- No specialist consultant cover for some services
- High staff vacancies in a number of wards / areas
- High use of agency / locum staff at premium cost – ability to provide cover now compounded by agency caps
- Senior Nurse leadership capacity is challenged



Clinically unsustainable services at HHCT

- **A&E** unable to recruit medical staff
 - 40% vacancy rate for middle-grade doctors
 - 66% vacancy rate for consultants
 - Nursing recruitment and retention
- **Haematology** – no haematology consultants; service covered by locum haematologists and two substantive haematology specialist nurse.
- **Stroke rehabilitation** – No specialist stroke physicians, and insufficient therapy support

'Fragile':

- **Back Pain** – discontinuation of spinal orthopaedic service and wider impact on system chronic pain services





Services at risk of becoming unsustainable at HHCT & PSHFT

Future challenges associated with

- Agency spending cap
- 7-day working
- Junior Doctors contract – compensatory rest

Services identified in the OBC:

HHCT

Acute Medicine
 Cardiology
 Diagnostic Imaging
 Interventional Radiology
 Nephrology
 Neurology
 Ortho-Gerontology
 Palliative care

PSHFT

Diagnostic Imaging
 Interventional radiology
 Gastroenterology - 7 day bleed service
 Stroke
 Ortho-Gerontology



Conclusion

Compelling case for clinical collaboration to address service vulnerability, particularly for the population of Huntingdon who are currently disproportionately disadvantaged

Clinical collaboration will strengthen the provision of a number of services across both sites to ensure long term, sustainable, high quality health services for the populations of both Peterborough and Huntingdon



FINANCIAL REVIEW



17



PSHFT five year break even plan

- PSHFT forecast deficit for FY17 of £21.7m
- Deficit reduced by:
 - above average CIP for two years
 - NAO and PwC estimate additional £15m PFI subsidy on top of the existing £10m required from DH
 - £5m saving from collaboration with HHCT



18



OBC savings from merger

Departments	units	New baseline	Merger
CEO	£'m	3.7	1.8
Finance	£'m	5.9	4.9
HR	£'m	4.6	3.6
Nursing	£'m	4.8	4.7
Facilities	£'m	34.7	33.7
Ops	£'m	2.1	1.6
IT/IS	£'m	6.5	5.7
Clinical Support	£'m	63.8	63.5
CEO Challenge site leadership reductions	£'m	0.0	(0.02)
Additional 4% CIP reduction on pay in yr 2	£'m	0.0	(0.8)
Non-pay	£'m	0.0	(1.8)
TOTAL COSTS	£'m	126.0	117.0
Saving against baseline	£'m	0.0	9.1
WTE reduction	wte		-70



Process to agree savings and costs of al 4 options

- Overseen by collaboration PMB
- PMB updated on savings calculation and process at each meeting
- PMB approved key assumptions on certain category of potential savings
- Executive to Executive agreement by department
- CEO review and challenge
- CEO overall year 2 extra efficiency challenge and some grade reduction
- Option appraisal process considered impact of any variation of estimated savings on scoring and decision for option 4
- External consultancy have reviewed the calculations





OBC costs of transition

Category	Cost/£m				
	Yr1	Yr2	Yr3	One-off	Total Recurrent
Redundancy	(0.3)	(1.4)	(1.1)	(2.8)	
Project Transition Costs	(1.0)	(0.9)	0.0	(1.9)	
Legal and due diligence costs	(1.8)	(1.5)	0.0	(3.3)	
IT Integration Costs	(1.0)	(1.5)	(1.5)	(4.0)	
CEO	0.0	1.9	0.0		1.9
Finance	0.3	0.3	0.3		1.0
HR	0.0	0.5	0.5		0.9
Nursing	0.0	0.1	0.0		0.1
Facilities	0.5	0.5	0.0		1.0
IT/IS	0.0	0.0	0.8		0.8
Ops	0.0	0.5	0.0		0.5
Clinical Support	0.0	0.3	0.0		0.3
CEO site leadership	0.0	0.0	0.0		0.0
Additional 4%	0.0	0.0	0.8		0.8
Non-pay	0.0	0.0	1.8		1.8
Total	(3.3)	(1.3)	1.6	(12.0)	9.1



What happens next

- If boards agree to explore merger, commence a Full Business Case
- Prepared over the summer and presented in September 2016
- Engage with staff and the public
 - During FBC development (June to Sept)
 - After FBC presented to Boards (Sept to Nov)
- Build Governor and Membership base in Huntingdon
- Regulator approval from December 2016 to February 2017
- Work with fragile clinical services (June to Dec)
- Build clinical case and early collaboration commences (June to Dec)
- Commence organisational development programme
- Merge April 2017
- Implementation and benefits 2017-2020

