

**Trust Board
29 September 2016**

**Collaborative working with Peterborough and Stamford Hospitals NHS Foundation Trust –
consideration of the Full Business Case (FBC)**

1. Purpose

The purpose of this paper is to update the Board on the progress with the collaborative working discussions with Peterborough and Stamford Hospitals NHS Trust (PSHFT) since the approval of the Outline Business Case in May 2016. It supports the Full Business Case (attached) that we have developed jointly, which outlines the clinical and financial benefits of the two organisations merging (technically an acquisition of Hinchingbrooke by PSHFT). It also proposes a resolution for consideration by the Board.

2. Sustainability of the hospital

As we have discussed a number of times as a Board, and as I outlined in my paper to the Board in May 2016, Hinchingbrooke Health Care NHS Trust (HHCT) is not sustainable in its current form, clinically or financially.

HHCT has a strong history of commitment to safe and accessible services for the population of Huntingdonshire. We provide good quality services, with low mortality rates, low infection rates and good patient experiences. We have also just been rated as 'good' by the CQC, with a 'good' rating in all 5 domains and in 6 of the 7 specialty lines, a fantastic achievement by all staff members given that we were rated as 'inadequate' just 19 months prior to the most recent CQC inspection. We also have significant and passionate community support from the local population.

As a Board our primary focus, which we are passionate about and committed to, is providing high quality care to our patients, with core acute services being available on the Hinchingbrooke site. However, HHCT is one of the smallest stand-alone acute Trusts in the country, and we face a number of sustainability issues as a result of its size.

2.1 Clinical sustainability

There is evidence that better outcomes are achieved through increased specialisation from clinical staff, focussing on performing fewer activities more frequently. Based on this there is a minimum threshold in the number of patients seen, or a minimum number of specific procedures performed regularly, which the size of the HHCT catchment area precludes in some specialties.

In addition, to develop the relevant skills and ensure the maximum safety of services, clinicians need to increasingly be part of larger teams in addition to working compliant rotas (senior and junior doctors). This is further exacerbated by the requirement to ensure increased provision of services across the whole week (7 days), ensuring consistency of service delivery throughout this period.

We also expect that future National Institute for Clinical Excellence (NICE) guidance will continue to require increased specialisation noting the resulting clinical outcome benefits that this is expected to achieve.

Despite the passion, commitment and hard work of our staff, there are some services that we are currently struggling to provide sustainably for the population of Huntingdonshire. These include clinical haematology, A&E / Emergency Department (ED), respiratory medicine, cardiology, stroke and imaging, primarily due to difficulties in recruiting to senior medical and nursing roles for these services.

HHCT is too small for the continued future provision of high quality sustainable modern healthcare, as currently provided, to the local population of Huntingdonshire. Alternative solutions are required for us to be able to continue to provide a number of services locally on the Hinchingsbrooke site.

2.2 Financial sustainability

In addition to the clinical sustainability solutions facing HHCT, we are also facing material financial sustainability issues.

We have one of the largest financial deficits in the country in terms of percentage of turnover and the recent national financial efficiency work led by Lord Carter, identified HHCT as being the 2nd most financially inefficient hospital in the country.

The 4 key driving factors affecting our financial position are:

- HHCT has relatively high overhead and infrastructure costs compared to other acute hospitals because of its size. It is relatively more expensive to service a small hospital compared with a larger hospital, as for example, we need a Trust Board and very similar governance structures to larger hospitals.
- We need a complete back office structure including, for example, Human Resources, Information Technology, Procurement and Finance staff, which when compared to larger hospitals these resources and therefore costs are comparatively higher per bed.
- Due to being small, we have greater exposure to variability in workforce pressures. For example, we have less flexibility to manage sickness, turnover, vacancies etc than larger hospitals do, resulting in greater locum and agency staff usage and the higher associated costs of these staff.
- As outlined in the clinical sustainability section above, as a result of having some relatively less appealing clinical roles due to the size or casemix of activity at HHCT and some of the resultant clinical sustainability concerns, we have a very high level of expensive medical and nursing locum and agency usage in some specialties.

We do however, have a 5-year plan to get back in to financial balance. This is ambitious and requires a significant amount of work to be undertaken and delivered fully. The plan is grouped into 3 areas:

- Improvements in our own efficiency and financial management (£7.5m)
- Implementation of the Health Campus in full (£5m+)
- Merger with / acquisition by PSHFT to reduce back office costs further than we can do alone (£4m)

3. Collaboration with PSHFT

As a Board we are committed to providing high quality care, easily accessible on the Hinchingsbrooke site for the local population of Huntingdonshire. As a result of the clinical and financial issues outlined above, we are however unable to sustain all our services as they are.

We need some form of greater collaboration with other acute hospitals and other parts of the NHS so as to be able to fully address our sustainability concerns and maintain local provision where it is safe to do so.

The Outline Business Case (OBC) that I brought to the Board in May indicated there to be clear clinical and financial sustainability benefits for both organisations through merging (acquisition of HHCT by PSHFT). The Board approved the OBC and in doing so, agreed that we would work together with the PSHFT Board to deliver a Full Business Case (FBC) by today.

The Board indicated, at the May 2016 meeting, that an FBC needed to address the following issues, which it has attempted to do:

- Solutions for joint working for each department / specialty and how recruitment and retention would be improved as a result of a merger / acquisition
- More detail on the costs of a merger / acquisition and the expected savings
- Recognition of different organisational cultures and the need to create a new culture for a new organisation
- Safeguards for representation for staff at Hinchingsbrooke and patients in Huntingdonshire through membership and governors of a new organisation
- Service commitments from the acquiring Board with a clear vision for a new organisation's core services
- Clarity on the impact on patients, with patient stories
- Examples of joint working now and how they could be developed for the future

The FBC now requires discussion.

4. Collaboration across the C&P STP

In addition to the sustainability pressures HHCT is facing itself, the Cambridgeshire and Peterborough (C&P) health system is financially unsustainable in its current form. It is estimated that the financial deficit across the NHS providers and commissioners in the C&P system is as much as £250m per year by 2020/21 if we continue to provide services as we are currently. The system incurred a collective deficit of £150m in 2015/16 (out of a budget of £1.7b), one of the highest per person in the country.

In the OBC, the latest planning position across the C&P system was explained. Since then, further work has been undertaken, resulting in the 'Fit for the Future: Working Together to Keep People Well' document released in July 2016 by C&P CCG. It outlines how services will change following discussions with staff, patients, carers and partners and in particular highlights four priorities for change and a 10-point plan to deliver these priorities.

Fit for the Future Programme		
At home is best	1.	People powered health and wellbeing
	2.	Neighbourhood care hubs
Safe and effective hospital care, when needed	3.	Responsive, urgent and expert emergency care
	4.	Systematic and standardised care
	5.	Continued world-famous research and services
We are only sustainable together	6.	Partnership working
Supported delivery	7.	Culture of learning as a system
	8.	Workforce: growing our own
	9.	Using our land and buildings better
	10.	Using technology to modernise health

This forms the basis of the local C&P Sustainability and Transformation Plan (STP).

The most significant part of the STP conversations that directly affect HHCT to date, have been the future of emergency care, consultant-led obstetric care and paediatric services. Following in-depth

clinician-led reviews of national guidance, evidence, and local needs, it was agreed that these services should continue at all three acute hospital sites across C&P. This is clearly articulated in the STP and the 'Fit for the Future' document and supported by the HHCT Board.

Collaborative work continues across the whole C&P system, developing the STP for further submission of plans to NHS England and NHS Improvement at the end of October. Post submission and relevant approval by regulators, public consultation on any service reconfiguration will take place.

5. FBC summary

The Trust's sustainability concerns have been considered in detail by the Board and the Executive team in conjunction with colleagues at PSHFT. We believe that merger with (acquisition by) PSHFT will enable us to provide the quality and scope of services we wish to, locally for the residents of Huntingdonshire on the Hinchingsbrooke site.

The FBC has determined that merger / acquisition will not only support the ongoing provision of fragile services locally at Hinchingsbrooke, but will improve the care that both organisations provide and will also enable significant financial benefits to be achieved through the integration of back office functions. A merger / acquisition would also offer access to staff to increase training and education opportunities as well as making both organisations more attractive places to work for a number of the difficult to recruit to roles.

Merger / acquisition does not resolve all the clinical and sustainability concerns that we currently face but the FBC shows that it would support the following at HHCT:

- Maintain or improve the sustainability of clinical services at HHCT (and PSHFT)
- Enable the provision of more services / sub-specialty services at HHCT, and the loss of none
- Generate £9m of recurrent revenue savings on an annual basis (across a new organisation)
- Support the recruitment and retention of high quality specialists and reduce the use of agency staff
- Improve the infrastructure underpinning the clinical services (eg: IT solutions including for example, order communications)
- Increase direct local community engagement in the hospital through the Council of Governors representation for Huntingdonshire public governors and Hinchingsbrooke staff governors

Since the OBC decision, there has also been a large amount of staff and public engagement in Huntingdonshire, Peterborough and South Lincolnshire with regard to the collaborative work. Myself and my counterpart at PSHFT (Stephen Graves) have met with >400 members of the public and have also attended all the district, county and city council relevant scrutiny committees to keep the local councillors and public informed of our plans. We have also regularly discussed issues with local MPs.

These meetings have been a fantastic opportunity to update the staff and the public with our plans and to listen to their concerns. There have been many issues raised through these discussions which we have attempted to address in the FBC. The 5 key issues, grouped together are outlined below. Should both Boards approve the resolution in section 7 in their September Board meetings, there are specific questions related to these issues that are planned to be asked in the consultation with the staff and the public through October and early November. Key issues:

- Loss of a local Board at Hinchingsbrooke
- Concern about the potential movement of services and patients between sites
- The financial position of a new organisation and any impact from the PSHFT PFI on the future viability of services at any of the sites as a result

- Concerns from the workforce about jobs and process
- Engagement with the public

6. Next Steps

The next steps in relation to the collaboration potential with PSHFT is for both the Boards of HHCT and PSHFT to make a decision on the resolution outlined in section 7, that is whether the FBC, as it is, should be approved in principle.

Should both Boards agree this at their September 2016 Board meetings, the agreed timeline to complete the FBC for review by both Boards for ratification of the decision would be November 2016.

Between the September and November Board meetings there will be a further 6-week period of consultation (this is not a statutory public consultation) with the staff and the public and an opportunity to add to the case, before the final approval by both Boards in November 2016. The outstanding due diligence, including a review of the clinical case by the East of England Clinical Senate, a post-merger implementation plan and progress on the recommendations of the currently received due diligence will also be actioned and addressed.

Should this be completed and our regulator, NHS Improvement, approve it post their detailed review, it would be expected that a transaction to create a new organisation would then happen on 1 April 2017. In legal terms this would be an acquisition of HHCT by PSHFT, however this would only relate to the transaction and transfer of assets and liabilities, with both Boards agreeing the need to maximise the potential for success of any future organisation through the merger of the best of both.

Both Boards have also discussed and agreed the need to maintain safe services locally in Huntingdon, Peterborough and Stamford and the need to ensure that the Governors and Board members of any future organisation would reflect the local populations, both of which are clearly articulated in the FBC and form the basis of all ongoing discussions and developments.

7. Conclusion

Through the development of the FBC we have identified that many of our clinical and financial sustainability concerns can be addressed through merger with / acquisition by PSHFT, ensuring the ongoing provision of high quality care on the Hinchingsbrooke site that we would struggle to maintain in isolation.

There remain some outstanding items of information to complete and enhance the FBC, including the output of some of the external due diligence (clinical in particular) and the response to the consultation with the staff and the public.

I therefore recommend that the Trust Board approves the resolution which is set out at the end of the Executive Summary of the Full Business Case (shown below), and reviews the FBC for a final decision at its November Board meeting once the FBC is complete.

Board resolution:

The Boards are asked to approve the FBC for merger implementation on 1 April 2017. Approval is subject to the consideration of:

- The output of the further staff and public engagement in October and early November 2016
- The output of the independent Clinical Senate review of the proposed way forward for the integration of clinical services (as set out in the Clinical Senate terms of reference)

At their November 2016 Board meetings, both Boards expect to ratify the decision to merge having reviewed the above additional inputs.

Following the September Board decisions, the FBC will be submitted to NHS Improvement.

Lance McCarthy, Chief Executive
September 2016