JOINT HEALTH SCRUTINY COMMITTEE – COLLABORATION OF HHCT & PSHFT

PETERBOROUGH CITY COUNCIL

Cambridgeshire County Council

Date:Monday, 27 February 2017

Democratic and Members' Services
Quentin Baker
LGSS Director: Lawand Governance

18:00hr

Shire Hall
Castle Hill
Cambridge
CB3 0AP

Bourges / Viersen Rooms, Town Hall, Peterborough

AGENDA

Open to Public and Press

1 Welcome, introductions and apologies

2 Declarations of Interest

Guidance for Councillors on declaring interests is available at http://tinyurl.com/ccc-dec-of-interests

3 Minutes of the meeting of 9th November 2016 **5 - 12**

4 Co-option to the Joint Committee

The Joint Committee is invited to co-opt Huntingdonshire District Councillor Jill Tavener as a non-voting member of the Joint Committee, following the resignation of Councillor Angie Dickinson from the Health Committee.

5 Scrutiny of the proposed merger of Hinchingbrooke Health Care NHS Trust and Peterborough and Stamford Hospitals NHS Foundation Trust

An overview of developments since the last meeting of the Joint Scrutiny Committee on 9th November 2016 from:

- Stephen Graves, Chief Executive, Peterborough and Stamford Hospitals NHS Foundation Trust [PSHFT] (Chief Executive Designate, North West Anglia NHS Foundation Trust)
- Lance McCarthy, Chief Executive Officer, Hinchingbrooke Health Care NHS Trust [HHCT]
- Caroline Walker, Deputy Chief Executive and Finance Director, PSHFT (Deputy Chief Executive and Finance Director Designate, North West Anglia NHS Foundation Trust)

6 Governance Arrangements for the new trust, the North West Anglia NHS Foundation Trust

Updates to be provided by Stephen Graves (Chief Executive Designate) on

- Governing body structure
- Executive Director Appointments

7 Mobilisation Phase

Updates to be provided by Stephen Graves (PSHFT) and Lance McCarthy (HHCT) on

- Staff consultations
- Organisational Structure Consultations
- Implementation timescales

8 Plans Post 1st April 2017

9 Final Report – Comments from Joint Health Scrutiny Committee

The Joint Health Scrutiny Committee – Collaboration of HHCT & PSHFT comprises the following members:

Councillor Sir Peter Brown Councillor Paul Clapp Councillor David Jenkins Councillor Tony Orgee and Councillor Paul Sales

Councillor Kim Aitken (Appointee) Councillor Marco Cereste (Appointee) Councillor James Lillis (Appointee) Councillor Brian Rush (Appointee) Councillor Ann Sylvester (Appointee)

For more information about this meeting, including access arrangements and facilities for people with disabilities, please contact

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Public speaking on the agenda items above is encouraged. Speakers must register their intention to speak by contacting the Democratic Services Officer no later than 12.00 noon three working days before the meeting. Full details of arrangements for public speaking are set out in Part 4, Part 4.4 of the Council's Constitution http://tinyurl.com/cambs-constitution.

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JOINT HEALTH SCRUTINY COMMITTEE – COLLABORATION OF HHCT & PSHFT: MINUTES

Date: Wednesday 9th November 2016

Time: 6.00pm to 7.30pm

Place: Kreis Viersen Room, Shire Hall, Cambridge

Present: Cambridgeshire County Councillors P Clapp, P Hudson (substituting for Cllr Orgee), D Jenkins (Co-Chairman)

Peterborough City Councillors K Aitken, M Cereste (Co-Chairman, in the Chair), B Rush

Co-opted District Councillor A Dickinson (Huntingdonshire District Council)

Apologies: Cambridgeshire County Councillors T Orgee, P Sales
Peterborough City Councillor A Sylvester

7. DECLARATIONS OF INTEREST

There were no declarations of interest.

8. MINUTES – 17 OCTOBER 2016

The minutes of the meeting held on 17 October 2016 were agreed as a correct record subject to the inclusion of Councillor Dickinson as present at the meeting. The minutes were signed by the Chairman.

9. SCRUTINY OF THE PROPOSED MERGER

The Committee considered proposals for the merger of Hinchingbrooke Health Care Trust (HHCT) with Peterborough and Stamford NHS Foundation Trust (PSHFT). In attendance to respond to questions and comments were:

- Stephen Graves, Chief Executive (CE), PSHFT
- Lance McCarthy, Chief Executive Officer (CEO), HHCT
- Caroline Walker, Director of Finance/Deputy Chief Executive, PSHFT
- Jessica Bawden, Director of Communications and Engagement, Cambridgeshire and Peterborough Clinical Commissioning Group (CCG)
- Richard Mills, Healthcare Advisory Director KPMG
- Neil Bain, Managing Director, Libretti Health
- John Damman, CEO, Libretti Health

Public Question

Jane Howell of Hands Off Hinchingbrooke asked a question (advance text attached as Appendix A). Members of the Committee sought further information on a number of points she had raised:

- Was Hands Off Hinchingbrooke concerned that Hinchingbrooke would be closed, or services taken from Hinchingbrooke to Peterborough, concerned that the finances of the proposal did not add up, or concerned at a lack of consultation?

  Ms Howell said that, as a former worker in market research, she felt that the questionnaire had not been well designed. The history of Hinchingbrooke being at one stage taken over by Circle had also led to scepticism amongst patients, and to some extent amongst staff. She found it difficult to identify the exact cause of unease, but she had moved from being open-minded about the proposed merger to a view that the case for the merger was diminishing; she feared that the merger would go ahead just for the reason that the merger had been proposed.

- Did the campaign group believe that Hinchingbrooke could function independently without the merger?

  Ms Howell replied that, given the hospital's land assets, and the way that the health economy was changing from day to day, there was a feeling that left on its own, the hospital could keep going.

Ms Howell sought an answer to questions raised at the Committee's previous meeting, in particular her question 9 [asking why there could not be a Service Level Agreement to share resources of staff without a merger, and suggesting that the reason was that a Plan B existed for the systematic reduction of funding to Hinchingbrooke to make it unsustainable, leading to its closure, and the resulting savings being used to reduce Peterborough's PFI {private finance initiative} debt].

Mr McCarthy, Hinchingbrooke CEO, replied that, because hospitals were funded on a payment by results basis, the funding to Hinchingbrooke would only be reduced if there were to be a reduction in the number of patients coming into the hospital; there was no master plan deliberately to reduce Hinchingbrooke's funding. The hospital had been clinically and financially unsustainable for at least ten years. Plan A had been to maintain the hospital on its own, with Circle as effectively Plan B at the time, but Circle had been unable to ensure Hinchingbrooke's financial sustainability. In considering further options for the hospital, ('Plan C') a large number of different organisational forms had been examined as part of the early work on the Sustainability and Transformation Plan (STP); this work had led to the identification of collaboration with Peterborough as the preferred organisational form. Different forms of collaboration had then been considered, and merger of the two trusts had been evaluated as by far the best option. No other option was now being considered, because all options had already been examined.

Asked by a member of the Committee whether he could agree that there was still a need for the hospital and its services in Huntingdon, the CEO said that the STP had concluded that, because of the increasing number and age of the local population, and the increased demand for healthcare, 24/7 urgent care needed to stay on the Hinchingbrooke site. Hinchingbrooke was one of the smallest hospitals in the country; its size was in part a cause of the hospital's problems, and the local demand was the reason for sustaining the hospital's services. It was clear in the Full Business Case (FBC) that no services would move from the Hinchingbrooke site as a direct result of the merger. Asked to draw these points out from the FBC in an accessible form, the CEO said that a plain English summary of the FBC from a Hinchingbrooke perspective had already been prepared, and could be included as an appendix to the FBC.

Invited to add anything further, Ms Howell said that various things contributed to the public suspicion about the merger. It seemed odd to solve the problems being experienced by both hospitals, Hinchingbrooke and Peterborough, by putting them together. Peterborough had had trading difficulties following its move into the new hospital buildings, and merging the two hospitals would be a major undertaking. There was a concern that Hinchingbrooke would not have a balanced budget in future. Ms Howell pointed out that there was a great deal of local affection for Hinchingbrooke.

The Chairman said that thought had already been given to the cost of the merger. He thanked the questioner for her contribution to the meeting.

Committee Questions to Hospital and Adviser Representatives

Members of the Joint Committee sought answers to questions covering various aspects of the merger.

Cost of the merger

The PSHFT Director of Finance confirmed that the cost of the merger had been quantified in the FBC as £13m. This was a one-off cost, and included the costs of redundancies and IT (information technology).

Sustainability of services

The Hinchingbrooke CEO said that haematology, respiratory, stroke and cardiology services at Hinchingbrooke would be unsustainable if the merger did not take place. The Peterborough CE added that recruitment was particularly difficult in stroke and cardiology, though Peterborough, being larger, experienced fewer problems. The result of a merger would only be a large medium-sized hospital, but at that size, it would be in a better position to recruit and retain than either of the hospitals separately. Asked to reassure the Committee that the services identified would be sustainable and meet the public's needs, the CE said that the answer was yes, provided recruitment was successful. The advisers were unable to comment because they had only examined the financial aspects of the merger proposal.

The Committee noted that renal services tended to be provided by larger teaching hospitals on a 'hub and spoke' model. Addenbrooke's provided renal services at Hinchingbrooke, and Leicester provided them to Peterborough. Peterborough had renal clinicians on site because the hospital had both inpatient and outpatient renal services; given the increased level of activity, it might be possible for the merged hospital to run renal services itself.

Redundancies

The PSHFT Director of Finance assured members that the reduction in numbers of office staff would not lead to clinicians being expected to do more administrative work. The Hinchingbrooke CEO said that efforts were being made to minimise the number of people affected by redundancy, with a deliberate pause in recruitment in some areas of work in recent months. There would be some economies of scale in the merged hospital trust, and some posts would be removed. Asked to bear in mind the difficulties for staff of not knowing what line management structures would be, the Peterborough CE said that in his experience, what was difficult was uncertainty once a decision had

been made; it was better to implement a decision early and have double running rather than delay. Proper process meant that decisions could not be implemented very quickly, but going too slowly once a decision had been made was not desirable.

The total number of posts identified for redundancy would be greater than the number of staff affected because of the vacancies caused by the deliberate recruitment pause. Consultation with staff would provide an opportunity for staff to give their views on whether the plans for future staffing appeared reasonable, or whether, for example, there should be a different distribution of staff. Management also had a duty to consider redeploying staff who were willing to change jobs as an alternative to redundancy.

Financial situation of the hospitals

In reply to their question about how much both trusts were losing on a weekly basis, members noted that Peterborough had an outturn deficit of £400,000 a week, over £20m a year, and Hinchingbrooke's planned deficit for the year was £9.3m.

Members noted that the whole NHS was funded on tariff; the challenge for the whole NHS was that the demands being made on it outstripped the funding supplied. The growth in activity was financially unsustainable; there was a shortage of funding in either or both of the provider sector and the commissioning sector.

The location of a merged hospital board

The Peterborough CE said that it would be for the new board to decide where it was based, but there would be a presence in all three hospitals. As Chief Executive of Peterborough and Stamford Hospitals, he had to visit both sites. The merged Board meetings were likely to take place at all three locations, and the Chief Executive and the Executive Team would spend time with staff at all three hospital sites. In response to the reported concern that the merged Board would remove itself to one site, Mr Graves said that currently PSHFT held more meetings in Peterborough than in Stamford because there were many more staff in Peterborough.

Information Technology systems

Asked whether the plan was to roll out an IT system that was already in place, the PSHFT Director of Finance said that Peterborough's existing IT system was already 20 years old, and in need of replacement even without the merger. Advice had been sought in relation to the many systems requiring replacement.

Asked whether it would be possible to install the IT system within budget, the CEO of Libretti Health said that Libretti had advised the use of a number of guiding principles, including:

1) there should be a common patient database across both trust, so that information was accessible throughout the combined trust

2) similar clinical departments should have similar systems, so that clinical staff would not be required to learn several systems when they were rotated between departments.

The Managing Director added that Libretti had helped put together the budget required. Putting together the multiple systems involved was a complex mosaic which would require time to assemble; this work would not be instantly achieved on 1 April. However, it was possible to be fairly certain about some of the costs involved, because figures had already been obtained from suppliers for 72% of the work. For the remainder, it would be necessary to go out to reprocurement. For example, the two trusts were currently using two incompatible pharmacy systems. Once the reprocurement was complete, there would be greater certainty about the figures involved. Budget figures and a sensitivity analysis had been compiled for the areas of lesser financial certainty, with a road map and contingency funding. Members noted that the work could cost more or less than estimated, but it would anyway have been necessary to spend money on replacing IT systems over the next two years.

In response to concerns raised about the risks of IT projects going over budget, members were advised that Libretti had recognised that this was a very ambitious project, with great potential for disruption to services. The importance of providing sufficient implementation funding had been stressed, and the need not to divert implementation staff on to other work. In Libretti's experience, the best people to do the implementation work were the system suppliers themselves. The PSHFT Director of Finance said that the implementation would be an executive project carried out by a combination of advisers, suppliers, and the Trust's own in-house team. The Peterborough CE pointed out that the staff who would be using the new systems were the most important people; for example, Peterborough had recently put in a new maternity system, with the involvement of the clinical leadership, who had sorted out the bugs in how to use it because it was their system, of which they were the users.

Replying to questions about current arrangements for IT support, the PSHFT Director of Finance said that both organisations had in-house and external support systems. The cost of running one combined helpdesk would be greater than the cost of either of the present support systems alone, but rather less than the cost of the two taken together; this was one element of the anticipated £9m savings. More bandwidth capacity for the sites to communicate with each other would be needed; it had been priced and ordered, and was expected to be installed between January and March. An interim solution for secure communication between sites had also been established.

The role and work of the consultants

In answer to a question on what the role of the consultants had been, Richard Mills of KPMG said that they had been commissioned by both organisations to undertake work on the long-term financial model for the two hospitals, both as standalone organisations, and as a merged organisation. They had looked at the alignment of assumptions across both organisations, and at how that was being reflected in the modelling for the merged Trust. They had also examined the synergies of back office mergers, and sense-checked the proposals against other organisations' experience.

KPMG's work had gone beyond checking the arithmetic of the merger. The consultants had checked that the financial information was a fair and true representation; all financial forecasts were based on assumptions, which varied depending on circumstances and events. Subject to their report's recommendations, KPMG considered the Long Term Financial Model (LTFM) to be robust.

One of the recommendations had been that the LTFM needed to be refreshed for more current information, but KPMG had not checked this work because it was outside the scope of their brief. The PSHFT Director of Finance advised members that this work was being done. The numbers were being updated, and some recommendations had been identified where Peterborough and Hinchingbrooke had aligned things differently; these were being worked on, and the hospital Boards would continue looking at updated figures, with the final version of the Full Business Case being considered in late November.

Mr Mills added that the Trust would then have additional diligence from their report accountant, who would report on cash flow projections, integration plans, the quality governance arrangements of the merged trust, and financial reporting procedures. This work would be undertaken in December 2016 and January 2017. Financial projections had been based on the evidence presented by the two Boards. KPMG had drawn attention to risks and additional areas of uncertainty that the Boards should be considering, including such matters as the delivery of the Strategic Estates Partnership.

A member recalled that there had been a financial issue in Cambridgeshire recently where the advisers had not been as robust as expected. Expressing concern that huge projects could acquire a life of their own, he asked whether the whole merger could be abandoned if iterations of the LTFM produced worsening figures. The PSHFT Director of Finance said that financial problems were being experienced by the whole NHS; the belief remained that working together could save £9m. The financial position would remain a problem if the figures were to get worse, but it would be a problem that could be better solved by working together.

The hospitals' estate assets

The PSHFT Director of Finance said that the brief to KPMG had not included looking at assets and disposals. Further work needed to be done to gain approval for the merger, and a legal opinion on the assets was being obtained. This was being done in the context of the Hinchingbrooke Strategic Estates Partnership (SEP). The Hinchingbrooke estate might prove a source of income, which was not being included in the estimated £9m saving; the SEP did not relate directly to the merger, but to Hinchingbrooke Health Care Trust as a standalone organisation.

The Hinchingbrooke CEO added that the land in question was the site of the current top car park. The Trust had been looking at the potential for selling it for some years, and the SEP was now including this in its plans to expand by buying land to the south of the site in order to provide improved integrated primary, secondary and social care facilities. In response to a request to consult neighbours on these plans, members were advised that the land was in police ownership.

In answer to a question about PSHFT's land assets, the Peterborough CE said that there was land in Stamford that the Trust would not need in future, though a smaller area than that being considered for disposal in Huntingdon. The GP practices in the town had come together into the Lakeside Partnership, and would utilise spare land on the Stamford Hospital site; no land had yet been put on the market until it was clear what surplus land would remain. A further factor was that the land in question, had been given by the Burghley Estate, and had covenants on it restricting its use.

10. RECOMMENDATIONS

The Committee went on to consider whether, in the light of the information received, it wished to support the merger proposals, and whether its support should be qualified by drawing attention to various points.

The general view was that the Committee did support the proposed merger of Hinchingbrooke Healthcare NHS Trust and Peterborough and Stamford NHS Foundation Trust, subject to the following:

- the Committee stressed that it was important that local concerns be taken into account at all stages of the process

- the Committee recommended that not only the Council of Governors of the merged Foundation Trust include members from Huntingdonshire, as set out in the Full Business Case, but that the merged Trust Board also include Non-Executive Directors appointed from the former Hinchingbrooke catchment area

- the Committee would continue its scrutiny into the implementation phase of the project, as the work of the next six months would be vital to the success of the merged trust

- the Committee endorsed the following commitment outlined in the *Memorandum of Understanding: Cambridgeshire & Peterborough Health and Care system – a Partnership for implementing the Sustainability & Transformation Plan*:

  > People first: solutions that best meet the needs of today and tomorrow's local residents and heathcare users must be the guiding principle on which decisions are made. This principle must over-ride individual or organisational self-interest. Embedding the voice and views of service users in service improvement will be key to ensuring this principle is not forgotten.

It was resolved unanimously

- to authorise the Cambridgeshire Health Committee Programme Lead to approve the Joint Committee's response to the engagement exercise in consultation with the Co-Chairmen of the Joint Committee and in accordance with the views of those members.

Co-Chairman

Appendix A

Public Speaker:

For the Attention of :- Joint Health Scrutiny Committee –
Collaboration of HHCT & PSHFT 9th November 2016
Cambridgeshire County Council,
Shire Hall,
Cambridge.

Questions from the Hands off Hinchingbrooke Community Campaign Group.

Public Engagement
Attending many of the presentations given by the CEO's of both hospitals it became apparent that the public found the follow up questionnaire daunting. That the questionnaire was not designed with the public in mind was evident by the three main open ended questions posed for the respondents to make a constructive comment. Following 30 minutes of a strongly presented rationale for merger:
They were asked "Please write your comments or questions here" and….
"A merged organisation would be a Foundation Trust, where members can have their say in how their hospitals are run. We are considering developing separate public constituencies where members can maintain their local voice and vote in their own governors. We need to identify these areas. Tell us what you think they should be" and finally "A new trust would need a name. What do you think it should be called?" The question referring to governance certainly requires more knowledge than that supplied. Apart from handing the questionnaire in or posting it, it was suggested scanning the form and emailing it. In effect, disenfranchising anyone who did not have a computer.

Question: Bearing in mind that we are evaluating public engagement not public consultation, did the Scrutiny Committee feel confident in their deliberations that sufficient members of the public had been informed, communicated with satisfactorily and indeed 'engaged', so that they felt their opinions would make a difference?

Risks – Food for thought.
At the first Joint Health Scrutiny Committee, two reasons were given regarding why a merger was a necessity; financial and clinical. Since then the management consultants have continued to progress work on the Full Business Case and the stated reason now is clinical, financial considerations are not mentioned. It is possible that in reworking the estimated figures, the financial case for merger no longer makes sense but we haven't seen the latest figures. It is also quite possible that the assumption that the larger hospital will be more attractive to consultants, is just wishful thinking. The vacancies for consultants are a national problem. The key question is:- Could the proposed takeover slotted in at the same time as the STP next April cause problems for healthcare throughout the Cambridgeshire & Peterborough area, particularly if the merger fails?

Jane Howell 3/11/16