

PSHFT/HHCT Full Business Case – Background Paper

Presented for:	Approval
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Regulatory relevance:	Monitor: Enforcement Notice Monitor Licence: General Conditions (G6)
NHS Constitution delivery	Staff: All requirements Patients and Public: All requirements
Equality and Diversity	This report covers services and individuals equally and there are no specific equality and diversity issues for consideration
Freedom of Information Release	This report should be released under the Freedom of Information Act 2000 without consideration of redaction

Purpose

In May 2016, I produced a cover paper setting out the recent history of the Trust. The aim was to provide an update on work across the local health and care economy, to set out the next steps for the joint work with Hinchingbrooke Health Care Trust (HHCT), and finally to explain why I proposed that the Board approve the recommendation as set out in the Outline Business Case (OBC).

This paper provides continuity by recapping the background, gives a brief update on the local health economy work, and sets out the key developments since the OBC.

1. Introduction

Peterborough and Stamford Hospitals NHS Foundation Trust (PSHFT) was declared clinically and operationally sustainable but not financially sustainable by Monitor in 2013. This followed a Contingency Planning Team report they commissioned which looked at the causes of the financial deficit at the Trust following the move to the new Peterborough City Hospital in 2010.

There have been notable changes at Board level since 2010. The new Board has focused on stabilising and then starting to reduce the deficit. This has been achieved whilst the financial position across the NHS has deteriorated but a large deficit remains. The Board has put in place robust governance structures and processes to oversee and support the delivery of above average efficiency gains whilst delivering patient care improvements. The Board remains fully committed to the ongoing delivery of our cost improvement plans

whilst focused on ensuring we provide high quality services for our patients, delivered by excellent staff. The 2014/15 CQC reports, which rated both hospitals (Peterborough City Hospital and Stamford Hospital) as 'good' were testament to everyone's hard work. However, there are services that still need to be strengthened to ensure their sustainability into the future.

2. Background

In 2004, Peterborough and Stamford Hospitals NHS Foundation Trust was one of the first wave of Foundation Trusts and, from this time through to 2008, operated with a financial surplus. After many years spanning back to 1993, the business case for a new hospital on the Edith Cavell site led to the amalgamation of services onto the old 'city centre' site with those at the Edith Cavell site, which was approved by the Government.

In 2010, the new PFI-funded hospital opened and the Trust reported a £45m deficit for 2010/11. This serious financial problem led to a number of actions at a national level. These included:-

- A National Audit Office (NAO) report in November 2012
- A review by the Committee of Public Accounts Department in 2012/13
- A Contingency Planning Team (appointed by Monitor) report in 2013

The NAO set out three key reasons for the serious financial problems:-

- Under delivery of cost efficiencies
- A large increase in costs resulting from the new building
- Underfunded healthcare activity

The Public Accounts Committee, which looked at Peterborough and Stamford Hospitals NHS Foundation Trust as well as Hinchingsbrooke Healthcare Trust, made a number of comments and recommendations. A key comment was the following:-

"Neither hospital is financially sustainable in its current form and both will have to make unprecedented levels of savings to become viable. Events at both Trusts reflect poor financial management and the failure of the SHA to exercise strategic control over local healthcare provision and capacity planning. The poor oversight demonstrates that the Department has not established a robust system of healthcare planning. All bodies demonstrated an abject failure to accept responsibility for these decisions and their impact on the local health economy. But the local community will have to live with the consequences of these decisions for many years to come, as will the NHS and the taxpayer who will have to foot the bill."

The Contingency Planning Team report produced the following recommendations:-

- 1) Tackle the inefficiency of the Trust
- 2) Rapidly progress joined up working across the local health economy
- 3) Make better use of the underutilised estate
- 4) Seek support from the Department of Health (DH) or other national stakeholders to bridge any residual deficit

Following the CPT report, a further key decision by Monitor, backed by a statutory 'Enforcement Order', was that the Trust itself should run a procurement process to be

acquired by another NHS provider or franchised by another organisation. This was known as 'Project Orange' and in 2013, the preparation work started. After the designation of Cambridgeshire and Peterborough as a 'Challenged Healthcare System', and the agreement of all organisations to work together, Project Orange was paused.

In July 2015, Monitor closed the Project Orange enforcement in part due to the ongoing work across the local health system and the fact that the Trust had continued to deliver against its financial targets, underpinned by efficiency gains that were regularly twice those achieved across the NHS. As a result, it gave the Trust the responsibility and requirement to develop its own 5-year Strategic Sustainability Plan. Beyond the ongoing improvements in efficiency that all providers need to deliver, the plan emphasised the need for ongoing and deeper clinical collaboration between partners across health and social care; to sustain and improve the efficiency of clinical services, and that there were some notable financial savings across the back office.

As a result, we entered in to a formal agreement in December 2015 to work with Hinchingsbrooke Health Care NHS Trust (HHCT) to determine any potential financial and clinical sustainability benefits from closer collaboration including a merger.

3. Quality and Clinical Sustainability

In March 2014, the Trust was visited by the CQC. Six of the eight clinical streams at Peterborough City Hospital were rated 'good' and Stamford was rated 'good' throughout. However, a rating of 'requires improvement' was given to the Trusts. The Trust responded to this proactively by setting up a CEO led group to take forward CQC recommendations. The CEO was supported by the Chief Nurse, Medical Director, lead NEDs, and clinicians across the hospital.

This approach engendered excellent staff engagement and leadership and was key to the hospital achieving a 'good' rating overall following a further visit in May 2015.

The CQC rating of 'good' supports Monitor's finding that the Trust is operationally and clinically sustainable. Like all healthcare organisations, there continues to be an ongoing need to improve the quality of care that we provide to our patients, and to be open and honest about where we have frailty in our services either now or in the future. We can then honestly evaluate how we can meet those current or future challenges in order to deliver the best clinical services we can in the most cost effective way.

4. Collaboration

Since the OBC, further detailed work has taken place focused on in-depth discussion regarding six specialties:-

- Clinical haematology
- Emergency and urgent care
- Diagnostic imaging
- Stroke
- Cardiology
- Radiology

The project teams have met with all other services provided by both Trusts. This has enabled a good understanding of the current position and an outline plan leading up to and

after the potential merger. This work has also identified a number of services that have been, or will be, closed to new referrals over the last six months due to another provider withdrawing or the actual (or pending) retirement of a single-handed consultant. This further emphasises the benefit of being in a larger team where such an event would have a greater chance of being mitigated, and hence meaning patients would not need to travel.

Whilst clinical services have been the key focus, all non-clinical services, have been reviewed, in a process led by the Executive Directors jointly and supported by their senior teams and the project team. This was essential as it gives a future organisation the best chance of success through building upon a clear and agreed plan, which sets out known opportunities and issues supported by a much greater understanding of each individual organisation's plans and their organisational culture.

5. The Cambridgeshire and Peterborough Sustainability and Transformation Plan

In the OBC, the latest planning position across the local area was set out. Since then, there has been a further update in the form of 'Fit for the Future: Working Together to Keep People Well'. The document again sets out the current financial challenge of £150m (out of a budget of £1.7bn) and potential deficit of £250m in five years, if nothing changes. It then outlines how services will change following discussions with patients, carers and partners and staff. In particular, four key areas for change have been identified into 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

If all these changes are made, there will be a notable improvement in both the services we provide and the financial position. A key decision of the Sustainability and Transformation Plan (STP) that affects both Peterborough and Stamford Hospital NHS Foundation Trust (PSHFT) and Hinchingsbrooke Healthcare NHS Trust (HHCT) was the future of emergency care, consultant-led obstetric care and paediatric services. Following an in-depth clinician-led review of national guidance, evidence, and local needs; it was agreed that these services should continue at all three acute hospital sites across the STP area. This position is defined in the STP, which has been endorsed by the PSHFT Board.

6. Next Steps

The Full Business Case (FBC) sets out a compelling clinical and financial case which benefits patients, the public, staff and the taxpayer.

If both Boards approve the FBC at the September 2016 meetings, a further period of public and staff engagement will continue. The clinical case will be reviewed by the East of England Clinical Senate. Any comments from the public, staff, and the Clinical Senate will be considered at the November Board meetings of both Trusts. Subject to these

comments, the Board will ratify its September approval. The future organisation will start on 1 April 2017.

An important message from public meetings held to date has been in ensuring membership from across the whole geography and that the Governors should reflect the different population centres of South Lincolnshire, Huntingdonshire and Peterborough. The emerging plans to ensure this is embedded in the future governance of the future organisation are featured in the FBC.

7. Conclusion

The FBC demonstrates in more detail, and greater breadth, the clinical and financial benefits of the merger for patients, staff and taxpayers. Indeed, it also shows that it is untenable for the organisations to continue as they are at present.

I therefore recommend that the Board of Directors approves the resolution as set out in section 1.9 of the Full Business Case:

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 Senates review of the proposed way forward for the integration of clinical services (as set out in the Clinical Senate Terms of reference (Appendix 8))
- 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 decision, the FBC will be submitted to NHS Improvement.

Stephen Graves
Chief Executive
19 September 2016