

Warwickshire Shadow Health and Wellbeing Board

19 January 2012

George Eliot Hospital NHS Trust – Securing a Sustainable Future

1.0 Executive Summary

- 1.1 George Eliot Hospital NHS Trust has concluded that it is not able to take forward an application to the Department of Health (DH) to become a stand-alone foundation trust. Consequently, it has entered into a Tri-partite Formal Agreement with the DH and the Strategic Health Authority (SHA), supported by the Arden Cluster (covering Warwickshire and Coventry PCTs) to identify a strategic partner that would enable it to become part of a foundation trust or to create some other organisational model.
- 1.2 A project has been established – Securing a Sustainable Future – to achieve this aim. The trust is leading this project which puts the retention of local services for local people, within an organisational model that is clinically and financially sustainable, at the forefront of its objectives. The Health & Wellbeing Board can be assured that this project will be conducted in an open and transparent way, subject to the restrictions of commercial confidentiality, and that the trust intends to engage local stakeholders and staff in the process.
- 1.3 At the present time, the project is running to its planned timetable. The Strategic Outline Case has been agreed by the trust board. The trust has communicated its plans throughout the NHS and to potential non-NHS partners. It has received expressions of interest from both NHS and non-NHS organisations. A plan is in place for producing the Outline Business Case involving dialogue with potential partners.

2.0 Contents of the Report

1. Summary of the Tri-partite Formal Agreement (full document at Appendix 1)
2. Summary of the Strategic Outline Case (full document at Appendix 2)
3. Developing the Outline Business Case

3.0 Summary of the Tri-partite Formal Agreement

- 3.1 All NHS trusts are required to achieve foundation trust status. All non-NHS trusts were required to agree a Tri-partite Formal Agreement (TFA) with the Department of Health by the end of September. This TFA confirms the commitments being made by the NHS Trust, its Strategic Health Authority and the Department of Health that will enable achievement of NHS Foundation Trust status before April 2014.
- 3.2 The trust relies on partnerships to provide high quality local care and this would be an essential component for future health service provision. The recent SHA-led review concluded that it was highly unlikely from a clinical sustainability, patient, quality and financial sustainability perspective that the trust could exist as a standalone foundation trust in its present form. This position was supported by the board.
- 3.3 However, the SHA also concluded that the future form and the shape of clinical services should be measured against the needs of patients and a programme to clearly set out a clinical strategy is being led by the Arden Cluster. The strategy will cover the whole of Coventry and Warwickshire clinical services. The Trust recognises that in conjunction with all providers it will need to consider proposals for future clinical model changes that will be developed in a framework where access, quality, safety and sustainability will take precedence over organisational considerations, which may have a substantial impact on the configuration of services across the cluster and on the range of services commissioned from all individual providers in the cluster.
- 3.4 In parallel with the work on the clinical strategy, the George Eliot board will lead a process to establish its future organisational form. The trust Chief Executive will be the Senior Responsible Officer and will lead the Project Board. The project will follow a process based on the Treasury 5 Case Model to establish a clear strategy and full business case for the preferred option. The business case will take account of the outcome of the Arden Cluster clinical strategy. This may lead on to a competitive procurement process being undertaken if there is no clear option based on partnership with an NHS organisation.
- 3.5 This project, while led by the GEH board, will operate within an overarching governance framework involving the SHA and the Arden Cluster. These three organisations will form a Project Assurance Board responsible for overseeing the project strategy and major milestones. Collectively, the Project Assurance Board is expected to agree any recommendations of the Project Board prior to proceeding to the next stage. The George Eliot board will remain responsible for leading each stage of the project unless following decision at the Project Assurance Board there has been agreement that subsequent stages will be led by the SHA.
- 3.6 In addition to the Project Board, there will be a Quality Assurance Group to ensure that key stakeholders including patients and staff can assure

themselves that proposals made as project outcomes will ensure that service quality and safety are maintained.

3.7 The key milestones agreed in the TFA are:

Date	Milestone
Nov 11	Complete Strategic Outline Case
May 12	Complete Outline Business Case
June 12/Nov 12	Procurement/negotiation
Nov 12	Complete Full Business Case
Dec 12	Complete approvals
Jan 13/ March 13	Mobilisation/implementation
Apr 13	Project completion

3.8 The TFA is accessible on the trust's website at: <http://www.geh.nhs.uk/about-us/key-publications/tripartite-formal-agreement/>

4.0 Summary of the Strategic Outline Case

4.1 The purpose of the Strategic Outline Case (SOC) is to set out the case for change and outline why GEH is undertaking this project. The reason for undertaking the project is the need to source a strategic partner to enable it to achieve foundation trust status by March 2014 in accordance with its Tripartite Formal Agreement. Various options for a strategic partnership are considered within the SOC, and it also provides an introduction to the emerging themes falling out of early work undertaken to assess these options. The SOC reflects the HM Treasury 5-Case Model for business cases.

4.2 The strategic case demonstrates that GEH is unlikely to reach foundation trust (FT) status as a stand-alone entity and must find a strategic partner. A long list of possible options has been considered: Do nothing, merger with an equal-sized (NHS) organisation, merger with a specialist NHS organisation, merger with a larger NHS organisation, vertical integration, creation of an NHS super chain, chambers, breaking up and selling off parts of the organisation, a management contract, an NHS/Independent sector partnership, a social enterprise, an educational alliance or a GP clinical commissioning joint venture.

4.3 The economic case appraises the relative value of the long list of options that has been considered and describes the approach and methodology that the project has taken to arrive at the short list of options that will require further consideration at the OBC stage. The short list of options is:

- Equal merger
- Merger unequal
- Merger – specialist hospital

- Vertical integration
- Super chain
- NHS / Independent sector partnership

- 4.4 There is an additional option of 'do nothing'- whilst not feasible, this is included as part of the process to provide a public sector comparator and demonstrate value for money of the final preferred option.
- 4.5 The Independent sector option has been carried through because it was recognised that an independent sector merger would add value by virtue of the vast range of commercial options that could be proposed. However, at this stage this is an unknown entity and will not come to light until a dialogue commences with potential bidders.
- 4.6 At this stage it is apparent that a number of potential options could meet the objectives and needs of the Trust. Further work is required to refine the suitability of these options. This will be completed as part of the Outline Business Case, scheduled for completion in May 2012. An independent Gateway Review will take place in early January to ensure readiness for this stage of the project. During this stage there will be engagement with potential partners.
- 4.7 The SOC is published on the trust's website at: <http://www.geh.nhs.uk/files/media/SOC%20GEH%20v1%201a-clean-25-11-11x.pdf>

5.0 Developing the Outline Business Case

- 5.1 The Outline Business Case (OBC) will take forward the evaluation of the short-listed options from the SOC in order to determine the preferred option. It is not expected to determine the preferred partner.
- 5.2 This stage of the project will involve market engagement and dialogue with potential partners. Information from this work will be used to evaluate the options. The potential partners will also feedback on the economic and commercial viability of the options under consideration. There will be engagement with both patient/user representatives and staff as part of this process.
- 5.3 At the present time, a number of potential partners have expressed interest in the project. These include both NHS and non-NHS organisations. Introductory meetings have taken place, but formal dialogue has not yet commenced. The formal dialogue will take place following publication of a Memorandum of Information. This will ensure that potential partners have the necessary information about the trust to ensure successful dialogue and subsequent option evaluation.

- 5.4 The OBC stage of the project is scheduled to be completed by the end of May 2012. The course of events from that point will depend on the preferred option and the level of competition from potential partners in respect of that option.
- 5.5 Communication will be a key part of the project and there will be regular updates to staff and other stakeholders. The trust board will receive a monthly progress report on the project in its public meeting and that would also inform the Health & Wellbeing Board of progress.
- 5.6 We would be pleased to present the outcome of the Outline Business Case to the Health & Wellbeing Board in due course.