



**East of England**

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*Strategic leadership for your local NHS*

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## **Next Steps for Hinchingsbrooke: Towards a sustainable future**

**Dr Stephen Dunn  
Director of Strategy**

**NHS East of England**

**2<sup>nd</sup> September 2009**



## OUTLINE

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1) Trust's Financial Standing



2) 2007 Public Consultation



3) Hinchingsbrooke Next Steps (HNS)



4) Outline Business Case

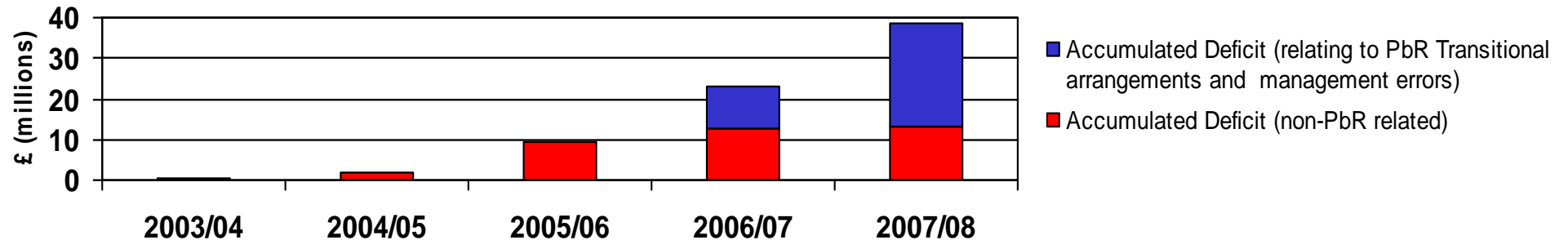


5) Consistency with National Guidance



6) Stakeholder Engagement

## HISTORICAL FINANCIAL PERFORMANCE



- As at March [2008] Hinchingsbrooke's cumulative historic deficit is [£38.7m]
- Approximately 66% of the historic deficit (£25.6m) relates to the combination of the PbR transitional funding adjustments, which were capped nationally, and management errors
- The deficit incurred in 2005/06 (£7.8m) was partly as a result of the lower than projected activity to the new Diagnostic Treatment Centre when it opened
- It is unfair for other NHS bodies and other patients to bail out poor financial management of Hinchingsbrooke – we must find a sustainable solution



## SWIFT RECOVERY ACTION

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- The debt first emerged as a problem in spring 2006. The SHA and the Trust Board acted immediately.
- A review was commissioned by KPMG and the Chief Executive and Finance Director lost their jobs and interim management was put in place to stabilize the position.
- After the position was stabilized the SHA put one of our best people – Mark Millar the current Chief Executive and former SHA Finance Director – into Hinchingsbrooke to run the organization on an interim basis while a solution to the debt was found

## PUBLIC INTEREST REPORT (PIR) – [March 2008]

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- Under the Audit Commission Act 1998, it is the duty of the statutory auditor to issue a report in the public interest where they consider that a matter is sufficiently important to be reported on in order for it to be considered by the body concerned or brought to the public's attention
- A Public Interest Report (PIR) was issued by Hinchingsbrooke's auditors in [March 2008] to highlight the Trust's financial standing
- The PIR noted that although Hinchingsbrooke's Board is working towards achieving in-year financial breakeven in 2008/09, the view of the auditor was that it will not be able, without external support, be able to achieve its statutory duty to breakeven on a cumulative basis by March 2009 because:
  - The extent of the projected accumulated deficit at 31 March 2008 (£38.7m)
  - The absence of a financial recovery plan to deliver this outcome
- A referral was also made to the Secretary of State



## 2007 PUBLIC CONSULTATION

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- In Spring 2007 Cambridgeshire PCT led a formal public consultation setting out proposals for the future of clinical services currently provided on the Hinchingsbrooke Hospital site
- Four options were considered for “the provision of appropriate services” with Option 2 being chosen after extensive consultation
- Option 2 supported providing broadly the same range of services at lower volumes through major redesign of services across the hospital and community setting
- The trust board proposed to step down to generate £1m savings, with another organisation taking on responsibility for the management of the clinical services on the Hinchingsbrooke Hospital site



## PURPOSE OF PHASE 1 OF HINCHINGBROOKE NEXT STEPS PROJECT

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- EofE has co-ordinated a process to undertake the next stage review of Hinchingsbrooke to look at future governance models for the Trust:
  - As a primary aim, to ensure high quality, safe services for patients in line with the 2007 consultation
  - To ensure the ownership structure of the Trust is fit for purpose and good VFM
  - To ensure the best use of taxpayers' money by making the operation of Hinchingsbrooke financially sustainable and, in so doing and where possible, to maximise the early repayment of the financial support currently being provided
  - To develop health services following best practice whilst maintaining a robust local health economy
  - To ensure that the impact on staff is fully and properly considered and that all appropriate employment policies and protocols are followed



## PHASE 1 PROJECT BOARD AND PROJECT TEAM

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- Project Board established in October 2007
  - Monthly meetings led by SHA
  - Membership included senior Trust, PCT, SHA and DH representatives
- Project Team established in October 2007
  - Weekly meetings led by SHA
  - Membership includes Trust, PCT, SHA
  - DH providing commercial/financial and legal advice to the project
- The overall project objective is to provide a sustainable Hinchingsbrooke within a sustainable local health system in line with the 2007 consultation:
  - the provision of safe, high quality clinical services
  - in suitable facilities
  - in a way which is financially viable

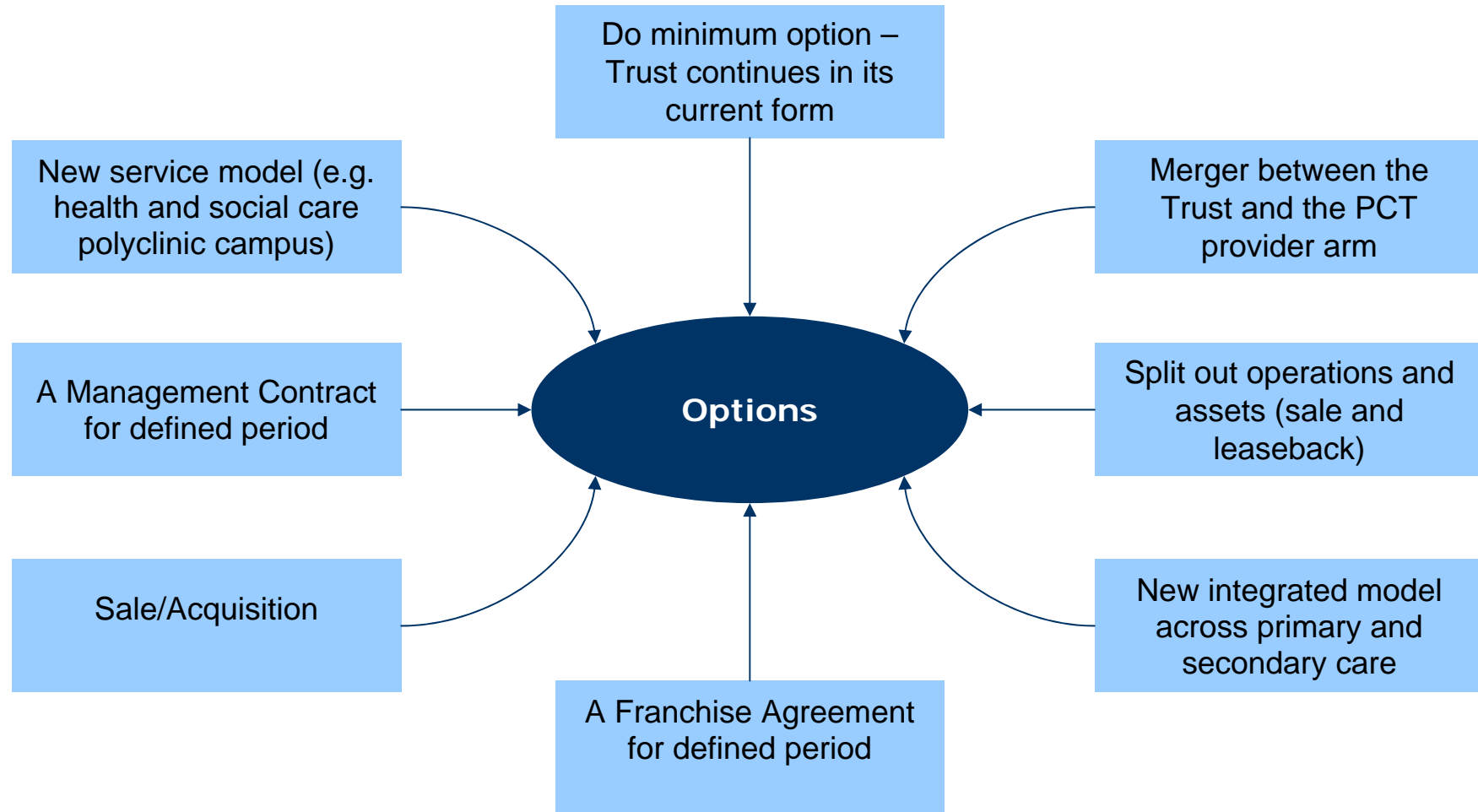


## POTENTIAL SOLUTIONS

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- EofE has the responsibility on behalf of the Secretary of State for Health to find a way to ensure the sustainability and safety of Hinchingsbrooke but also to ensure good financial management
- In order to deliver safe sustainable services to patients, the public and the taxpayer we need to ensure the widest possible competition get the best deal – otherwise we risk throwing good money after bad
- Given the Trust's financial position it was important that a wide range of options are explored to identify the solution most likely ensure that Hinchingsbrooke is safe and sustainable in the longer term as well as to repay the debt
- An Outline Business Case (OBC) was submitted to DH summarising the options analysis (both qualitative and quantitative) undertaken

# POTENTIAL FUTURE SOLUTIONS





## PREFERRED OPTION

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- The SHA board considered and approved the OBC in May 2008 private session so as not to give any organisation a possible advantage
- The approved option is to let an *Operating Franchise*, i.e. run an open *competitive process* to find a partner to manage Hinchingsbrooke.
- The SHA board is committed to ensuring that Hospital staff and assets remain with the NHS regardless of which option is selected
- The Hinchingsbrooke Board will continue in operation until an alternative solution is agreed and implemented
- The SHA Board submitted the OBC to DH and HMT, which agreed in July 2009 that we can start the process of finding a new partner to run Hinchingsbrooke Hospital



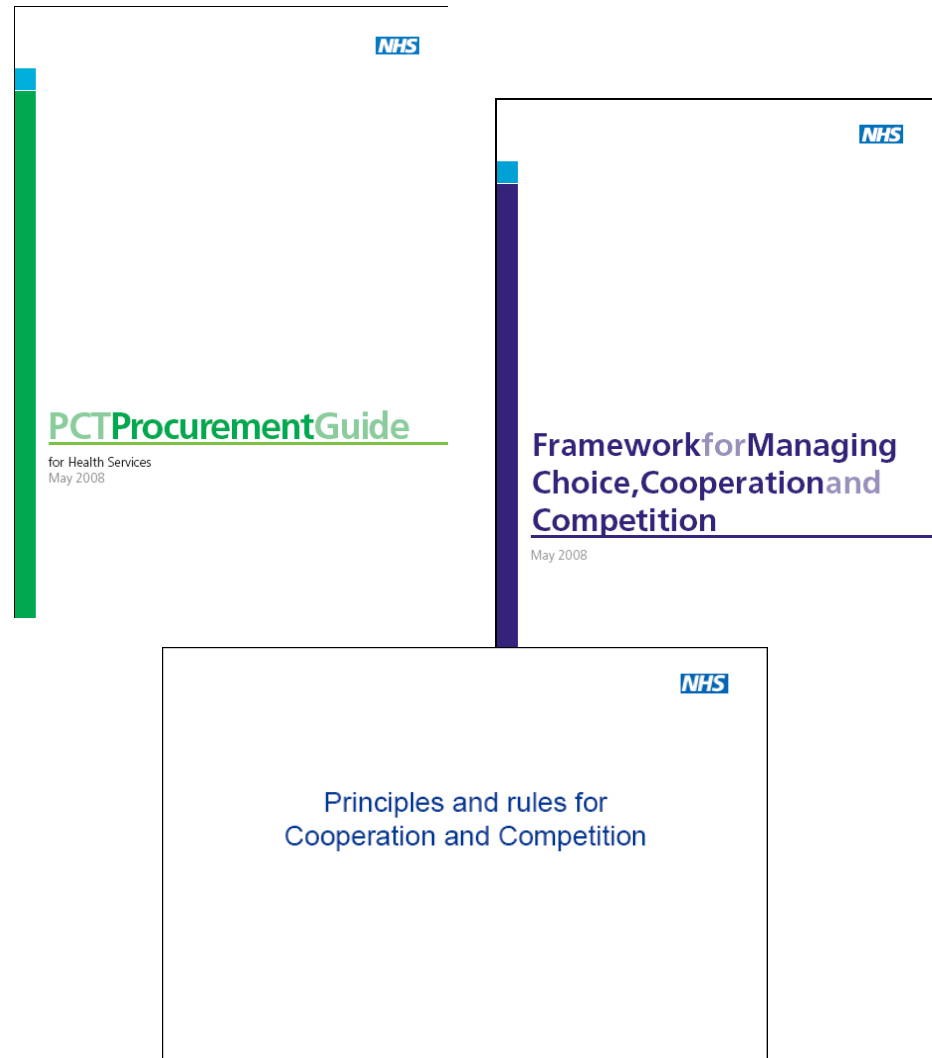
## KEY PARAMETERS

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- **Towards the Best Together** – as part of its clinical vision for the next ten years East of England committed to a bright future for Hinchingsbrooke
- **Required Services** –the Secretary of State needs to take certain actions to bring about a Franchise (under the 2006 NHS Act) and will require FBC
- **Proposed Contract Length** – the franchise contract will be awarded for a fixed term (7 years) and demand risk transferred to operating franchisee
- **Assets** – transfer of assets outside the NHS will not be permitted
- **Staff** – Key to the viability of the project is a secondment model where control of staff is passed to the third party
- **Procurement Strategy** – National Policy Guidance and EU procurement regulations will be followed
- **VFM** – Value For Money to the taxpayer will need to be demonstrated

## PREFERRED OPTION WILL FOLLOW DH GUIDANCE

- World Class Commissioning
- Principles & Rules of Cooperation & Competition
- Promotion Code
- Framework for Managing Choice, Cooperation and Competition
- Procurement Guide
- Developing the NHS Performance Regime
- Regime for Unstable NHS Providers
- Transaction Manual





## PHASE II OF HINCHINGBROOKE NEXT STEPS PROJECT

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The objectives of Phase II of Hinchingsbrooke Next Steps are to ensure:

- an open competition for an operating franchise is completed swiftly and safely delivering improvements in financial sustainability, quality and VFM
- the process delivers improved quality of service (Patient Safety, Clinical Effectiveness and Patient Experience) for patients, the public and staff
- that a competitive process is pursued in accordance with the draft Transaction Manual and Principles of Rules of Cooperation and Competition and EU procurement rules and regulations
- that safe, effective and high quality services continue to be provided to the patients and public of Huntingdonshire and arrangements are made for managerial transition
- the public consultation and resultant commitment to Hinchingsbrooke Hospital's future is delivered and that accountability to local populations and key partners is increased

## OPPORTUNITY TO MOVE FORWARD

# Franchise hope to end hospital's debt

HEALTH bosses believe a hospital should be run as a franchise by another NHS trust or a private company.

The East of England Strategic Health Authority (SHA) said its "emerging preferred option" for Hinchingsbrooke Hospital would be a first for the NHS.

The plans, unveiled at a meeting of the health scrutiny committee yesterday, would see buildings and staff remain under NHS control. But a "third party" would run Hinchingsbrooke on a fixed-term contract when the current board is dissolved in March 2009, as seems likely.

Addenbrooke's and Peterborough hospitals have been mooted

■ JOHN MORGAN  
Health correspondent

as potential candidates in the past, while private companies Interhealth Canada and Anglia Health Solutions have also shown an interest.

There will be public consultation first on a range of options for the hospital, which has historic debt of £38.7 million.

Councillor Lister Wilson, chairman of the committee, said there was nothing to fear from a franchise with another NHS trust or a private company.

He told the News: "The staff have no reason to worry at all. One of the conditions of any takeover would be job security.

But above all, the key will be clinical excellence."

Cllr Wilson, who said the committee would "represent the public interest" on any option, believed the arrangements could offer a way out of debt for Hinchingsbrooke.

He said: "As I see it, they would expect the operator to make a bigger surplus and repay the debt over a period of 10 years."

Dr Stephen Dunn, of the SHA, said there would be no question of Hinchingsbrooke losing its A&E and maternity units, which were und

sparked by a critical report from auditors PriceWaterhouseCoopers into the hospital's financial state.

Mark Millar, the hospital's chief executive, said the financial problems were caused by a change in the payment-by-results system which forced the hospital to hand back money to the Government.

He said those repayments had now ended, and that the hospital would have reached break-even point last year without them.

However, Mr Millar said it was "not realistic" for the hospital to meet its statutory duty to break-

"I am delighted that we can now begin a process which will end the continuing uncertainty. Throughout the process we will be looking for opportunities for staff and services which enhance high quality local services for local people" Mark Millar, Hinchingsbrooke Chief Executive

"It is good news that this process has now moved to the next stage. NHS Cambridgeshire will continue to work closely with all interested groups to ensure that there is a long-term sustainable future for Hinchingsbrooke." Maureen Donnelly, Chair of NHS Cambridgeshire

Source: Cambridge Evening News, 13<sup>th</sup> May 2008; HNS Press Release, 21 July 2009

## THE PROCESS MAY TAKE UP TO [2 YEARS]

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- Appoint Financial and Legal Advisors DONE
- Prepare Tender Documentation and Data Room 14 Weeks
- Prequalification Phase 10 Weeks
- Competitive Dialogue Phase 25 Weeks
- Tender Phase 6 Weeks
- Identification of Preferred Bidder 2 Weeks
- Final Business Case Preparation 22 Weeks
- FBC approval and Preferred Bidder Appointed 12 Weeks
- Contract Finalised 6 weeks
- Service Commencement [104 weeks in total]

*We will work with advisors and the stakeholder panel to see if we can shorten this process*



## ENSURING PROPER AND MEANINGFUL STAKEHOLDER ENGAGEMENT

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- The Cambridgeshire CC OSC on the 12<sup>th</sup> May and 4<sup>th</sup> July asked for proper and meaningful stakeholder engagement
  - An emphasis on the importance of involving as well as informing the public as early as possible
  - Involving local residents and stakeholders in the development of proposals is likely to result in a better outcome and make public consultation more meaningful;
  - A wish to explore how the public and stakeholders could help develop the tender specification.
  - A desire to strengthen the approach to public engagement as part of the brief and engage phase and giving the stakeholder panel a clear remit to advise on any future public consultation.



## STAKEHOLDER PANEL - OBJECTIVES

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- To utilise networks to maximise the opportunity for hearing the views of a wide cross section of the Huntingdonshire community to feed
- To ensure the background, objectives and progress of the Project are understood
- To identify and articulate the views of key stakeholders and ensure they are relayed to the Project Team and Project Board in a co-ordinated way
- To actively contribute to the shaping of the final bid criteria for consideration by the Project Team and Project Board
- To identify any key issues which may not have been addressed by the Project Team or Project Board
- To actively represent their community
- To produce a final report to be given to OSC & Project Board to consider



## STAKEHOLDER PANEL MEETINGS

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- 6 meetings held in public with provision in the agenda for members of the public to ask questions and lodge views
- First meeting following go ahead from the Department of Health;
- Members of the local Press/Media to be invited to each meeting;
- Meetings at several local locations to maximise public attendance;
- Sufficient notice of meetings to be given and dates and locations published to advertise the engagement period;
- Proceedings of meetings to be recorded in formal minutes – and these to be included in the Project Team and Project Board meeting papers



## PANEL WILL BE EXPECTED TO GIVE THEIR VIEWS

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- Any proposed additions/enhancements to the service model agreed as part of the Spring 2007 public consultation;
- The assessment of the preferred bidder's proposal against evaluation criteria;
- The timing and phasing of implementation;
- The proposed governance arrangements (including performance monitoring arrangements for the proposed new service provider);
- The degree of flexibility within the contract to cope with unforeseen circumstances - future proofing;
- The potential benefit of the Stakeholder Panel meeting one year after project implementation to carry out a post project evaluation; and
- Ongoing arrangements for involving local people



## ACTIVELY PROMOTING PUBLIC ENGAGEMENT

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- Active publicity about the Stakeholder Panel and advice on how the public can input to the Panel, via representatives from their area of interest or to Chair directly. This will include:
  - dedicated website pages with interactive feedback forms to go to Chair
  - dedicated email address & FREEPOST address for feedback to Chair
  - dedicated phone line for public queries
  - the publication of all minutes and agendas of the Stakeholder Panel
  - opportunities for the public to raise questions at the Stakeholder Panel
  - NHS Cambridgeshire Public Engagement team to act as secretariat
  - independent advisor to be commissioned to advise & observe process



## SUMMARY

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Phase 2 of the Hinchingsbrooke Next Steps Project will ensure:

- the public consultation and resultant commitment to Hinchingsbrooke's future is delivered
- improvements in safety, high quality and patient experience are delivered through a robust contractual framework
- that the widest possible competition is pursued – involving both the Independent Sector and NHS Foundation Trusts – which follows the PRCC, is consistent with the aspiration to deliver WCC, avoids accusations of state aid, and delivers VFM for the taxpayer
- staff and assets remain in the NHS avoiding allegations of privatisation – with secondment as the tried and tested model for reassuring staff
- good governance disciplines are introduced into the NHS and a robust set of consequences for failure is established