Health Overview and Scrutiny Committee

19th January 2009

Acute Trust Merger – Worthing and Southlands Hospitals NHS Trust and Royal West Sussex NHS Trust

Report by Director of Policy and Performance and Acting Head of Democratic Services

Recommendations

The Committee is invited to:

1. Note the briefing paper (Appendix B) by the Royal West Sussex NHS Trust and Worthing and Southlands Hospitals NHS Trust;
2. Remind the Trusts that they have a duty to consult with the HOSC on any substantial development or change to services resulting from the planned merger; and
3. Request that the West Sussex Primary Care Trust keeps the Joint Health Overview and Scrutiny Committee informed of its timetable for the consideration of the suspension of Fit for the Future and reasons for any decisions taken so that the Joint Health Overview and Scrutiny Committee can act appropriately in the discharge of its duties.

1. Background

1.1 At its meeting on 20th October 2008, the Health Overview and Scrutiny Committee received a presentation on the proposed merger between Royal West Sussex and Worthing and Southlands Hospitals NHS Trusts. This explained that the merger was a structural reorganisation and not a service change, and the Trusts assured the Committee that no service changes were planned at this stage. As such, the NHS Trusts are not required to consult with the HOSC on the merger, as Department of Health guidance states that NHS Trusts’ requirement to consult with HOSCs “does not apply with respect to any proposal to establish or dissolve a NHS trust or primary care trust unless that establishment or dissolution represents a substantial variation or development”. However, the Committee welcomed the proposed merger and the opportunity to respond to the Trusts’ stakeholder engagement process.

1.2 The HOSC submission to the stakeholder engagement process is attached at Appendix A.

1.3 At the meeting on 20th October, the HOSC also considered a report from the West Sussex Primary Care Trust (PCT) on the implications of the Trust merger on Fit for the Future. John Wilderspin, PCT Chief Executive, explained that the PCT had suspended the Fit for the Future decisions to enable it to properly consider the implications of a new Trust which will be serving almost 500,000 people. The PCT Board will take stock of the position at its meeting on January 29th 2009.
1.4 The Boards of the Royal West Sussex NHS Trust and Worthing and Southlands Hospitals NHS Trust at separate meetings on 15th December 2008 voted unanimously to merge to establish a single acute NHS Trust, managing St Richards, Worthing and Southlands Hospitals. Representatives of the Trusts have been invited to attend the HOSC meeting on 19th January to update the Committee on the merger plans and timetable. They have provided a briefing note, attached at Appendix B.

1.5 West Sussex PCT has also been invited to attend the meeting on 19th January, to provide any update on how the merger plans relate to Fit for the Future. However, Members are reminded that West Sussex HOSC delegated its power of scrutiny of Fit for the Future to the Joint Health Overview and Scrutiny Committee.

1.6 Letters of support from the West Sussex PCT to the South East Coast Strategic Health Authority and the two Trusts are set out at Appendix C.

2. **Issues to consider**

1.7 Issues the Committee may wish to consider include:

   a) When do the Trusts anticipate that they will be able to identify whether any substantial developments or changes to services are likely to result from the merger? (N.B. Members are reminded that NHS Trusts have a duty to consult with the HOSC on any substantial development or change to services).
   b) What assurance can the Trusts provide that services will not be affected during the transition process?
   c) Whether the Trusts can provide any further detail on the merger timetable, and particularly the development of plans for specific services.
   d) When will the Trusts be able to provide clarity on the future of services at each site?
   e) At what stage does the PCT anticipate lifting the suspension of Fit for the Future?

3. **Quality of Life / Resource and Value for Money / Risk Management / Crime and Disorder Act / Human Rights Act Implications**

   None arising directly from this report.

**Appendices**

(a) Letter from Andrew Barrett-Miles, HOSC Chairman, to Sue Hines, Head of Communications, Royal West Sussex NHS Trust (28th November 2008)
(b) Report to HOSC by Stephen Cass, Chief Executive, Worthing and Southlands Hospitals NHS Trust and Marianne Griffiths, Interim Chief Executive, Royal West Sussex NHS Trust
(c) Letters of support for Candy Morris, Chief Executive, South East Coast Strategic Health Authority and Stephen Cass, Chief Executive, Worthing and
Background Papers

(i) Statutory Instrument 2002 No. 3048 - The Local Authority (Overview and Scrutiny Committees Health Scrutiny Functions) Regulations 2002.

(ii) West Sussex HOSC, agenda items 6(a) and 6(b), 20th October 2008

Contact: Helen Kenny, Scrutiny Officer, tel: 01243 777454
Dear Mrs Hines,

The West Sussex Health Overview and Scrutiny Committee (HOSC) received a presentation on the proposed merger of the Royal West Sussex NHS Trust and Worthing and Southlands Hospitals NHS Trust from the Trust Chief Executives, Mr Liles and Mr Cass, at its meeting on 20th October. Members welcomed the proposed merger, based on the information available at that stage, and considered that aiming for Foundation Trust (FT) status was the way forward. Members commented that the merger proposal brought with it a lesson that change should be ‘bottom-up’ and patient-led as opposed to ‘top-down’.

The following major concerns were identified: -

• That the proposal brought some uncertainty about the ‘Fit for the Future’ decisions.
• That the proposed timetable for the merger and achievement of FT status was very short. It was recommended that very careful consideration should be given to this prior to the Trust Board decisions in December.
• That some specialties, currently available at Worthing Hospital, could transfer to St Richard’s Hospital in Chichester, and vice versa, leaving patients and relatives with longer travelling distances than currently.
• The effects of the plans on staff.

In addition Members sought clarity on the future of services at each site, including assurance that the downgrading of services at St Richard’s Hospital in Chichester, was less likely. The internationally recognised vascular service was specifically mentioned.

Other issues: -

• Would the merger allow some services to be repatriated?
• The financial impact of merger on the Trusts (e.g. short/long-term savings and debt and liquidity issues);
• The future of Southlands Hospital in Shoreham;
• Why emergency surgery and cardiology services, for example, needed to be tied up with ‘Fit for the Future’ if it is possible to find a solution for the provision of these services?
• The need to identify risks of the proposed merger.
HOSC will also want to be assured that services will not be affected during the transition process and I would ask the Project Team, managing the merger, to identify a method by which the HOSC can be given this assurance.

HOSC reminds the Acute Trusts that they have a duty to consult with the HOSC on any substantial development or change to services following the proposed merger.

Further scrutiny will be required following the Board decisions in December. For your information, the HOSC currently has updates on this issue pencilled in for its meetings on 19\textsuperscript{th} January and 16\textsuperscript{th} March 2009 (subject to further discussion).

Yours sincerely

Andrew Barrett-Miles  
Chairman  
West Sussex Health Overview and Scrutiny Committee

cc: Kathryn Upton, Head of Communications, Worthing and Southlands Hospitals NHS Trust
1.0 Introduction

1.1 Following their Board decisions in principle in October 2008, Royal West Sussex NHS Trust (RWS) and Worthing & Southlands Hospitals NHS Trust (WaSH) have continued working together on proposals for a merger in order to maximise the opportunities to improve services for local patients and provide the most effective route for achieving Foundation Trust status by 2010.

1.2 At separate meetings on 15th December 2008, the two Trust Boards reviewed the outcome of this further work and resolved to proceed with the merger. Approval for this transaction is now being sought from South East Coast Strategic Health Authority and the Department of Health.

1.3 As previously reported, the proposal for merger is not based on any specific plans for changes to patient services. It is expected to achieve benefits and efficiency gains by sharing expertise, centralising the management of appropriate services and enabling a more flexible response to opportunities for development and changing models of care over time.

2.0 The Case for Merger

2.1 In reaching their decisions to proceed with a merger, the two Trust Boards considered a range of evidence. This comprised the following:

2.2 Clinical Vision and Strategy

2.2.1 Senior clinical staff of the two Trusts have been involved in drawing up a vision for clinical services which would be provided by the new organisation. This process was facilitated by independent advisers and a summary statement was presented to the Trust Boards.

2.2.2 The report identified opportunities for development which may be pursued over both the short and longer term. These will be reviewed with West Sussex PCT as the merger proceeds to consider how they fit with the PCT’s commissioning intentions and to explore how and when any public consultations should be undertaken. Specific implications for the decisions made in the Fit for the Future process will also be considered.
2.2.3 A number of potential ‘beacon’ improvements have been identified which could deliver early benefits following a merger and a pooling of resources between the two Trusts. These are associated with services in:

- Cardiology
- Colorectal surgery
- Gynaecology
- Clinical Laboratories
- Maternity
- Ophthalmology
- Stroke Care
- Urology

2.2.4 A number of more general operational benefits are anticipated as a result of having greater flexibility in workforce planning, capacity management and links with community services. These will assist the new organisation in aligning services more appropriately with national and local priorities such as those described in the Next Stage Review and Healthier People, Excellent Care and to play its part in the future development of services across Sussex including support for primary care and the development of tertiary services in Brighton.

2.3 Stakeholder Engagement and Staff Consultation

2.3.1 A stakeholder engagement and staff consultation programme was undertaken to inform decision making about the merger proposal. This used different communications methods to successfully reach a varied audience, but centred on a generic four-page information document which summarised the Trusts’ key messages about the proposed merger. This was made available for staff, stakeholders and the wider public.

2.3.2 In addition, 800 posters aimed at raising awareness of the proposed merger were produced and displayed. Posters were also displayed in all three hospitals and were sent to GP surgeries and stakeholder organisations with a request that they were displayed in public areas.

2.3.3 The Trusts received 70 comment cards or emails from stakeholders and 128 people attended four stakeholder briefings which were held during the six week programme. In addition the Trust posted and emailed more than 800 information documents to stakeholder organisations and individuals, and distributed more than 750 copies of the information document at six ‘drop-in’ public information stands. There were also more than 50 media articles in the local press within the six weeks, which were predominately balanced or positive about the proposed merger.

2.3.4 The feedback received demonstrated that members of the public who contributed are predominantly positive about the merger proposal. However, for many this was based on the presumption that a merger would best enable the retention of A & E, Consultant led maternity, in patient paediatrics and emergency surgery in both Trusts.
2.3.5 A comprehensive programme of briefings for other key stakeholders including healthcare partners, Members of Parliament and local authorities was carried out. Expressions of support for the merger were subsequently received from all of these key groups.

2.3.6 In total more than 900 staff across the two Trusts gave feedback as part of the staff consultation. The feedback received demonstrated that staff in both Trusts are predominantly balanced in their response to the merger proposal. Most perceive there are benefits for patients and the organisation as a whole but, there are concerns about individuals’ positions and specific services.

2.3.7 The results of the stakeholder engagement and staff consultation exercise were set out in full in a report to the two Boards in December.

2.4 Due Diligence Reports

The legal and financial implications of the proposed merger were reviewed by external advisers appointed in conjunction with South East Coast Strategic Health Authority. Their findings were reported to both Boards, and were judged not to have identified any material risks which would present a barrier to merger.

2.5 Full Business Case

2.5.1 A comprehensive analysis of the case for merger was prepared and was presented to both Boards for review. The case demonstrated a strategic case for merger which is driven by the increased financial strength of a merged organisation when compared with two stand alone organisations and the provision of a sustainable platform for acute services in West Sussex. Further benefits and efficiencies were identified which included:

- Opportunities for more efficient staffing rotas and pooling of resources to achieve streamlined care pathways for patients.
- A strengthened workforce, with improved flexibility, recruitment and retention
- Economies of scale in corporate services and facilities
- Opportunities for enhanced investment in new facilities and infrastructure

2.5.2 The case also presented an analysis of the plans and resources required for implementation of the proposed merger, the risks which could be anticipated, and the action necessary to manage these risks so as to ensure that service delivery would not be adversely affected. It concluded that, while the risks should not be underestimated, robust plans for management of the merger had been developed and recommended that it should proceed.
3.0 **Current Position**

3.1 The business case for merger has been shared with West Sussex PCT and a letter confirming their support for the proposal has been received. The PCT will expect to work with the new organisation as soon as possible to address the sustainability issues for key services raised during the Fit for the Future process.

3.2 The case has also been presented to South East Coast Strategic Health Authority and is currently being discussed with senior officers. Points of clarification are being addressed, particularly with regard to the financial projections for the new organisation and the impact of recently released proposals for changes to NHS funding tariffs. Once these have been dealt with, the case is expected to be recommended for approval to the SHA Board in February and then to the Department of Health’s Transactions Board.

3.3 The Trusts are continuing to develop and proceed with plans for implementing the proposed merger with effect from April 2009. Wherever possible these plans are being designed to facilitate an early application for Foundation Trust status by the new organisation in 2010.

4.0 **Next Steps**

4.1 Work is already in hand to make the key appointments necessary to form the Board of the new organisation once approved. It is proposed to appoint a Chair designate for the new Trust during January, followed by the Chief Executive and at least two non-executive directors in February and other executive directors in March. Further briefings on progress will be offered to key stakeholders as this process proceeds.

4.2 Service plans and contracts for 2009/10 will be prepared before the end of March 2009 by the existing trusts working together. Where possible these will take account of the early ‘beacon’ improvements identified in the clinical vision discussions described in 2.2.3 above. A process for preparing a more detailed clinical service development strategy will also be proposed in order to enable the new organisation to clarify its future plans and work more rapidly towards an application for FT status. Any further requirements for consultation on potential service changes will be clarified as part of this process.

5.0 **Conclusion**

5.1 Having considered detailed analysis of the proposal and the feedback received from key stakeholders and staff, the two Trust Boards have resolved to proceed with the merger and are now actively preparing to implement the proposal as from April 2009. Approval for this transaction is being sought from South East Coast Strategic Health Authority and the Department of Health and is expected in February.
5.2 An update on the latest position will be given in a presentation for HOSC members at the meeting on 19th January.

Stephen Cass
Chief Executive
WaSH

Marianne Griffiths
Interim Chief Executive
RWS

7th January 2009
Our Ref: JW/SC/KL 090106

Sent Electronically

Candy Morris
Chief Executive
South East Coast Strategic Health Authority
York House
18-20 Massetts Road
Horley
Surrey
RH6 7DE

6th January 2009

Dear Candy,

Re: Royal West Sussex NHS Trust and Worthing & Southlands Hospitals NHS Trusts Full Business Case (FBC) for statutory merger

West Sussex PCT is pleased to confirm its support for the proposals expressed in the statutory merger FBC. As the two Trusts’ main commissioner, we welcome the Trusts’ Boards’ agreement to the FBC which outlines the strategic case for merger and the preparations for Foundation Trust status.

Specifically the PCT is convinced of the benefits of the merger and is confident of the alignment with our Strategic Commissioning and Operating Plan intentions. We have, as far as is possible, undertaken a detailed review of the activity model included in the FBC and considered the assumptions applied. There are differences in the population growth forecasts applied and different demand management assumptions, the overall trajectories are, however, sound and we are happy to support the use of the model in the case.

The PCT has also considered the financial modelling and particularly the impact of HRG4 and MFF and again is confident that the PCT is not exposed to undue or exceptional risks as a result of the merger. The sensitivity analysis undertaken by the Trusts has identified how changes in assumptions in the financial model, particularly related to delivering cost improvement programmes have an impact on the financial position of the organisation. Economies of scale generated by the merger will assist in delivering an element of cost improvement requirement.

The PCT can also confirm its support for the high level clinical vision outlined in the FBC (referred to as Beacon Improvements) and welcomes the Trusts’ comments that “to refine and implement many of these beacon developments will require close collaboration with commissioners” and we will work closely with the new Trust to consider these opportunities. Clearly, there is an interface between the PCT’s Fit for the Future Commissioning Intentions
regarding consultant-led maternity services, inpatient paediatrics and emergency surgery service – and again, in line with the Secretary of State’s letter, we will work with the new organisation to review these plans. We will obviously ensure appropriate consultation is undertaken with JHOSC in the case of these particular services and with HOSC more generally.

The PCT has undertaken an overview of the risks we consider the merger could expose us to. This analysis has focused on unique risks as a direct result of the merger and we can confirm that in general terms we are confident that there are few exceptional risks and that we will be able to work with the new Trust to mitigate these. Specifically, we have considered the need for a full Equality Impact Assessment (EqIA) and have concluded that the merger will not materially impact on the PCT’s ability to deliver its strategic commissioning intentions and will indeed, be beneficial. In particular we do not consider that further inequity will result or that patient choice or competition will be adversely affected. Patients choose to access services from a number of acute providers and a significant proportion of acute services accessed by West Sussex residents are not provided by either of the two existing Trusts. In addition, the PCT believes that the benefits associated with flexible workforce planning and capacity management are clear.

Robust implementation planning is clearly vital to the success of the proposed statutory merger. We will welcome sight of these specific plans and the Trusts’ inclusion of the PCT on the Programme Board. The PCT will continue to maintain an active involvement in this process and will keep our assessment of risk under constant review. In addition to this we will be using the PCT’s existing comprehensive performance management processes to ensure compliance with contractual requirements. The SHA will be aware that this includes processes to ensure financial, activity and quality compliance. The PCT’s most significant concern regards business continuity through the period of transition and will work with the Trusts on transitional planning to ensure any issues are appropriately addressed. On a practical point, we can confirm that we will obviously replace existing contracts within the required timetable.

For your information West Sussex PCT will be sending a parallel letter to the Royal West Sussex NHS Trust and Worthing & Southlands Hospitals NHS Trust to confirm our position.

We trust this will give the SHA Board sufficient reassurance of the PCT’s support for the merger and our commitment to support the transitional arrangements and ongoing benefits realisation.

Yours sincerely,

[Signature]

John Wilderspin
Chief Executive
8th January 2009

Dear Stephen and Marianne,

Re: Royal West Sussex NHS Trust and Worthing & Southlands Hospitals NHS Trusts Full Business Case (FBC) for statutory merger

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We trust this will letter will provide you with assurance of the PCT’s support for the merger and our commitment to support the transitional arrangements and ongoing benefits realisation.

Yours sincerely,

John Wilderspin
Chief Executive