

STRONGER *together*

4 December 2013

Update for Harrow Health and Social Care Scrutiny Sub-Committee

This report provides an update on the merger of Ealing Hospital NHS Trust (EHT) and The North West London Hospitals NHS Trust (NWLH).

1. The merger of Ealing Hospital NHS Trust and The North West London Hospitals NHS Trust

1.1 Introduction

This report provides an update for the Committee on the merger of Ealing Hospital NHS Trust (EHT) and The North West London Hospitals NHS Trust (NWLHT) and the development of the revised business case for merger.

Specifically it provides information about:

- the revised business case for merger, which was approved by both Trusts' boards in November 2013 which has been submitted to the NHS Trust Development Authority (TDA) for approval in January 2014
- the new timeline
- progress with the financial, clinical and legal due diligence processes
- the outcomes of the Office of Government Commerce (OGC) review
- progress with the clinical integration programme
- recent stakeholder communication and engagement activities

1.2 Background

Following the delay in the merger programme when the final business case was deferred in September 2012 because of financial challenges and the need to align it more closely with the outcomes of the Shaping a Healthier Future programme, we have been working to a revised timeline and process agreed with the TDA.

There remains a strong commitment to the merger and in November our Trusts' Boards approved a new business case for merger (27th November at NWLH and 28th November at EHT).

This has now been submitted to the TDA for their approval in January 2014 (as part of TDA's gateway 3 process). The next step is for us to finalise a full business case to be approved by the TDA in May. If the formal go-ahead is given

by the Secretary of State for Health in April 2014, the merger is likely to take place in July 2014.

A more detailed timeline is provided below.

Key dates in the assurance process are as follows:

Gateway 3	
22 nd November 2013	Submission of business case to TDA
3 rd December 2013	Fourth joint Trust Clinical Strategy workshop
25 th November 2013	Financial due diligence commences
28 th November 2013	Trust Boards approve of Business Case
22 nd November 2013-January 2014	Gateway 3 assurance by TDA
24 th January 2014	Business case approval by TDA Board

Gateway 4	
November 2013-mid-March 2014	Full business case preparation
February 2014	OGC review
March 2014	Financial & clinical due diligence refresh
March 2014	Gateway 4 assurance by TDA
15 th May 2014	Full business case approval by TDA Board
May-June 2014	Secretary of State approval
June 2014	Laying of orders & Parliamentary approval
1 st July 2014	Merger date

2. The Business Case for merger

2.1 What is different about this Business Case?

This latest business case re-states the compelling arguments for the merger, if anything, more strongly. Much of the narrative remains and is consistent with our view that the two organisations will be ‘Stronger Together’. However, there are two main differences.

The first is that it is more closely aligned with the Shaping a Healthier Future (SaHF) programme for services across North West London. These have now been consulted on and approved by the Secretary of State for Health. We believe the merger of the Trusts puts us in a better position to manage safely the implementation of its recommendations than if we did it alone as two separate organisations.

The second big change is that we have spelt out more clearly what will happen if we don’t merge. This includes both Trusts facing huge financial challenges in delivering and sustaining high quality services for our communities.

The long term financial model shows that the new Trust will deliver recurrent surpluses without the need for further support from year four (2017/18). This compares to delivering deficits of £41.8m if the Trust did not merge.

The business case does four key things:

1. makes the case for merger; describing the context, rationale and key benefits for patients, staff and the organisations;
2. models the five year financial impact of merging the two organisations in the context of the service change aligned with Shaping a Healthier Future, which will form the base case for merger;
3. compares the financial impact of non-merger and the implications of this in terms of clinical and financial viability; and
4. describes the future structure and governance arrangements.

See attached stakeholder briefing which provides more information about the merger business case.

3. Assurance processes

The TDA process for approving mergers includes comprehensive due diligence of the clinical, financial and legal aspects of the proposed transaction.

3.1 Financial due diligence

A financial due diligence review carried out by independent professional advisors is required as part of the assurance process. The focus of the financial due diligence is on testing important elements of the business case for merger, including:

- 1) the assumptions underpinning the financial modelling and the modelling itself;
- 2) the assessment of value for money of merging relative to the alternative of no merger taking place; and
- 3) the implementation plans and the understanding of risks and issues and their mitigation.

An invitation to tender for independent advisors to carry out this work was placed through the Government Procurement Service in November. Bids were submitted by three leading accountancy firms and the contract was awarded to KPMG LLP who commenced on site on 2nd December 2013.

3.2 Clinical due diligence

Clinical staff from across the two Trusts have been involved in a process called Clinical Due Diligence (CDD) as part of our planning for the merger. CDD is about making sure we capture what we are doing well and identify any key clinical risks. The report which will be developed from this process forms part of the formal handover to the new Trust Board, London North West Healthcare, to ensure we do not lose organisational memory. It is also part of TDA assurance process for the merger.

The review has been on-going since late September. Early drafts of the report findings are being shared regularly with both executive teams and preparations for a joint stakeholder assessment event are underway.

The next stage of the process will be to present the findings, conclusions and recommendations to the Trust Boards, external stakeholders (comprising NHS England, the TDA, Brent CCG, Harrow CCG and Ealing CCG, the CQC and local Healthwatch groups) for their scrutiny and agreement of the final CDD recommendations prior to formal Trust Board sign-off.

3.3 Legal due diligence

The tender process for the legal due diligence will start in early December following the finalisation of the scope of work with the TDA. This review will be completed as part of the Gateway 4 full business case submission and assurance process. This is to ensure that it reflects the most up-to-date baseline for the assessment of potential liabilities transferring into the new Trust on disestablishment of EHT and NWLH.

4. Office of Government Commerce review process.

As part of the new requirement of the TDA merger process, a review by the Office of Government Commerce to assess our readiness to merger took place from 22nd-24th October. A final report has been issued by the review team. Overall, the team assessed Delivery Confidence as Amber, stating that *'successful delivery appears feasible but issues require management attention...issues appear resolvable at this stage of the project if addressed promptly.'* Six recommendations were made together with suggested timings for the implementation of actions to address/mitigate these.

5. Update on clinical integration

The two Trusts have already embarked on a programme of reviewing clinical integration, joint working opportunities pre-merger and the development of a joint clinical strategy across key specialties ahead of the merger.

A series of workshops for clinicians and managers were held in May, July, October and December, exploring the potential and benefits of early integration.

The Boards initially gave the go ahead to set up six clinical teams across both organisations to continue to meet and develop their plans. These are:

- Emergency care
- Frail elderly care
- Vascular and diabetes services
- Orthopaedics
- Maternity; and
- Paediatrics

In addition, and in parallel, further work is being done to identify opportunities for a wider group of services to work more closely together or take forward early integration opportunities.

This work is being carried out under the supervision of the Clinical Integration Cabinet and its recommendations will be subject to check and challenge from the Clinical Reference Group. This will ensure that there has been adequate operational and clinical scrutiny of options and proposals before they are submitted to Boards.

6. Stakeholder communication and engagement update

The business case will be the main focus of communication and engagement activities in the run-up to the submission of the final business case to the TDA board. Future communications will aim to explain what is different, such as the new timeline and process, alignment with SaHF, clinical integration and the new financial model.

The Trusts will continue to use existing internal and external communication mechanisms set up to support the merger programme such as the regular Stronger Together newsletter, the dedicated website and merger email address.

A Stakeholder Reference Group (SRG) was set up in July 2013 to ensure continued user/public involvement in the merger programme. It meets monthly and members include the chairs of Heathwatch Brent, Healthwatch Harrow and Healthwatch Ealing. The Group has two key roles:

- The first is to keep Healthwatch updated on the merger programme and give them early sight of documents to ensure the patient view/user involvement is incorporated; and
- The second is an advisory role to help us to revive our engagement and ensure best practice.

In particular, the group will be looking at how we bring stakeholders into the clinical integration work to support integration and the development of a joint clinical strategy.

8. Conclusions

The Trusts would like to thank the Committee for their ongoing support and welcome the opportunity to discuss the merger and the business case.

As the Committee will be aware, it provided a formal response to the Trusts on its views regarding the merger. Given some time has now passed, the Trusts would welcome further comments and views from the Committee so that these can be included in the Final Business Case which will be submitted to the TDA in March. The Trusts would need any formal responses by the end of February 2014 and would be happy to provide any further information or attend meetings or events.

The Committee is asked to:

- Note the contents of this report
- Note the approval of the business case by the boards and the new timeline

**Simon Crawford, Senior Responsible Officer
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Footnote: NHS Trust Development Authority (NTDA): New NHS body established to take over responsibility (effective from 1 April 2013) the oversight and support of non-Foundation Trusts from Strategic Health Authorities.