

STRONGER *together*

Monday 14 January 2013

Update for Brent Health Partnership Overview and Scrutiny Committee

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

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

1.1 Overview

As previously reported to the Committee in November both Trust boards remain committed to the merger and are continuing to work towards achieving formal approval for the merger business case and closer joint working between the two Trusts.

1.2 The Full Business Case (FBC)

As previously reported to the Committee, NHS London has requested further financial assurances in order for the merger business case to go to their public Board and, ultimately to the Department of Health for review.

Given the level of savings required over the five year financial plan, it has requested further evidence of the QIPP (quality, innovation, productivity and prevention) programme across the two organisations. PwC (PricewaterhouseCoopers) has been commissioned to support the Trusts' joint QIPP programme management office and on-going progress is being made with delivery for this year as well as planning for future years.

NHS London has also requested that further financial modelling is undertaken to assess the potential impact of Shaping a healthier future (SaHF) on the merger case. Discussions are continuing during January 2013 with NHS London, the National Trust Development Authority (NTDA) and our commissioners as to how this is best undertaken and the exact requirements that will ultimately influence the timetable for resubmission of the merger FBC.

Although still subject to final agreement with NHSL and the NTDA, it is our expectation that the revised date for a formal submission of the FBC will be July 2013 at the earliest with a likely planned go live date for the formal merger of 1st April

2014. While the Trusts will have to reflect the output of any agreed Commissioners plans as a result of the Shaping a Healthier Future consultation process, the FBC will also clearly need to reflect the existing configuration arrangements and Trusts' service plans. The revised FBC will therefore reflect the latest narrative on service plans and volumes and the financial assumptions that underpin these. All supporting strategies (i.e. IT, estates, workforce etc) will also need to be updated. As a consequence we will therefore re-engage with the three local borough scrutiny committees on the revised content of the FBC during April through to June 2013 before it is finalised.

1.3 Joint working

Both EHT and NWLH have been working closely together during the planning phase for merger looking at where benefit could be gained through joint working and appointments. As part of this process the Trusts have already developed single departments covering both Trusts for IT and Estates. This has brought clear advantages through improved efficiency and access to larger teams with a greater depth of expertise. During the next phase of work the Trusts may take similar decisions about sharing other 'back office' functions and indeed there are many examples of other organisations sharing non-clinical functions without merger.

Ahead of merger there may also be some joint clinical working arrangements, for example sharing on call expertise in some specialities, which will benefit both Trusts and are not merger-dependent. Any proposals for joint working in clinical services which would have a direct impact on patients and could be considered a significant variation to the way care is delivered would be discussed with Health Overview and Scrutiny in the usual way.

As the committee will be aware Julie Lowe is leaving EHT in January to take up the position of chief executive of North Middlesex University Hospital NHS Trust.

Given the fact that the Trusts' boards continue to be committed to merger it has been agreed that the chief executive for NWLH, David McVittie, will also take on the position of acting chief executive for Ealing Hospital NHS Trust.

The interim nursing director for EHT, Julie Halliday, left the Trust at the end of December 2012 and her role will be covered by Carole Flowers, director of nursing at NWLH, who will also become acting director of nursing for EHT.

The Trusts are conscious that shared appointments are potentially stretched thinly, and especially so until the merger actually takes place. An Ealing Integrated Care Organisation (ICO) Executive Group has therefore, been created to focus on EHT issues. This group will be led by Dr William Lynn, who has agreed to take on the role of acting deputy chief executive at Ealing. Recognising the need for local support and community experience, Deborah Kelly, EHT's deputy director of nursing, will be the senior (ICO) nurse

2. Finances

The Committee requested an update on progress made to achieve more than £70m of savings over two years as described within the draft Full Business Case.

As described in our report to the Committee in November, the draft FBC identified a requirement for £73.2m of savings over the two year period which is analysed as follows:

- 2012/13 savings of £30m
- 2013/14 savings of £43.3m (including £13.0m attributed to the merger)

In terms of this financial year (2012/13), the level of savings would have been required regardless of the merger and equate to £30m across both Trusts (c£16m NWLHT and £14m EHT). This is in-line with what was agreed as part of their financial plans back in March 2012 and is broadly consistent with the level of savings and efficiency that have been delivered in the past and as required by other NHS providers.

The level of savings described above, are based on the financial and contracting assumptions as known to the Trusts at the time of producing the FBC. The overall level of savings year-on-year will continue to be refined as part of the outcome from the normal contracting and business planning which takes place with commissioners each year.

Each Trust remains an individual statutory body responsible for meeting its own financial responsibilities and has specific saving targets. However there is a joint programme and both Trusts may adopt common processes and share best practice to achieve some of the savings. For example, agreeing to use a common supplier of prosthesis may result in £100,000 saving for NWLH.

To meet its operating plan target for 2012/13, NWLH has a QIPP target of £16.8m and is currently forecasting it will deliver £13.4m of the planned savings with the balance made up through other non-recurrent measures. The key areas of saving contributing to the £13.4m include:

- Premises and procurement savings - £8.6m,
- Corporate function savings - £1.2m
- Nursing and medical staffing costs reductions - £1m (with an emphasise on reducing use of bank and agency staff, vacancy rates and turnover)
- Reducing length of stay to enable some beds to be closed - £0.5m

Work continues in the organisation to ensure on-going progress is being made with delivery for this year as well as planning for the detailed QIPP schemes for future years.

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Footnote: National 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.