



Council of Governors

Transaction Update

14th March 2019



Why is this Important?

- People with long- term physical health conditions are two to three times more likely to experience mental health problems, with depression and anxiety disorders being particularly common
- People with a learning disability are 38% likely to die from an avoidable cause, compared to 9% for the general population
- People with bi-polar disorder or schizophrenia have a life expectancy 15 – 20 years below that of the general population, largely as a result of cardiovascular disease or other physical health conditions

We want to do better.



Agenda

- Due diligence
- External Opinions
- Timeline for Stage 2
- Long Term Financial Model
 - Overview
 - Transition costs and Savings
- Transformation
 - Proof of concepts
 - Building a transforming organisation
- Downside planning and approach/ scenarios
- Significant Assumptions
- Overall financial case
- NHSI Risk Rating
- Structure and Process

Due Diligence

- Due diligence complete led by 2g internally, and Bevan Brittan for legal & workforce
- Process reviewed by Internal Auditors- PWC
- No major issues identified in due diligence or Internal Audit report
- Actions now reflected in transition planning
- Signed off as “sufficient at this time” by both Audit Committees 13th February
 - Clinical Governance
 - Medical
 - Engagement
 - Finance
 - Facilities
 - Workforce
 - Estates
 - Estates legal
 - Information Systems
 - IT
 - IT legal

External Opinions

- Financial Reporting Procedures Review
 - Grant Thornton appointed
 - Independent - external and internal auditors of either 2G or GCS unable carry out this work
 - Established procedures to reach proper judgement on financial position and prospects
- Quality Governance Assurance Review
 - In discussion with PWC
 - Led by John Trevains
 - Quality is maintained or improved as a result of the transaction
 - The post-transaction organisation's proposed quality governance arrangements, covering NHS Improvement's well-led framework's requirements for effective governance that safeguards quality
- Post transaction Integration Plan Review
 - In discussion with PWC
 - Led by Dave Smith
 - Robust and comprehensive PTIP has been developed
 - Benefits to be derived from the transaction including synergies, cost reductions, and increases in revenue
 - Feasibility of the proposed organisational structure and changes from the current state
 - Plans for achieving cultural integration
 - Detailed plans to address any current non-achievement of national targets or core standards as well as plans to ensure ongoing compliance with national targets and core standards.

Not required:

- Working Capital Opinion

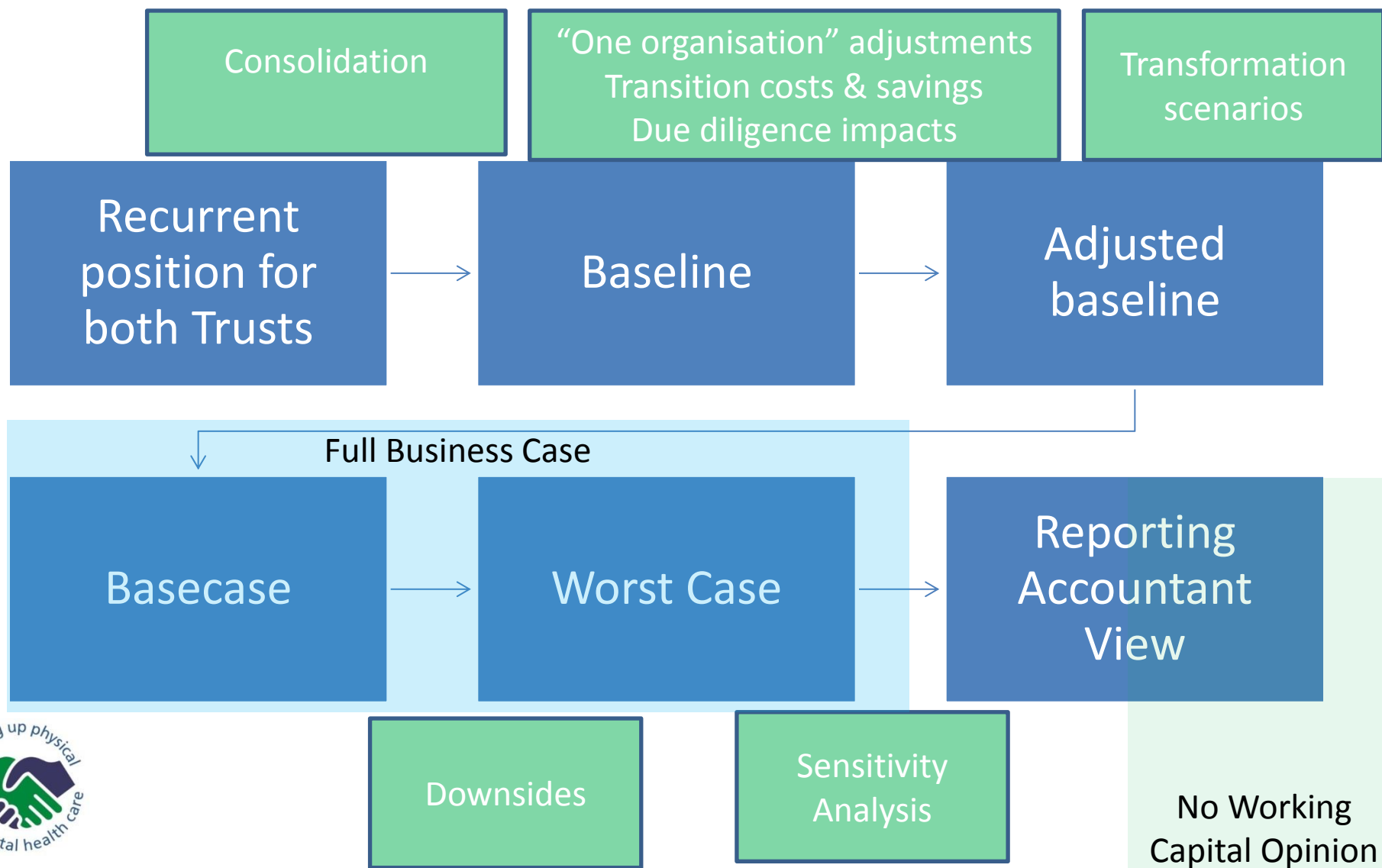


Stage 2 Overview

Event	Dates
Shadow Board consider draft FBC	14 Mar
Submit draft FBC to NHSI	End Mar
NHSI review and Trust further work	April
Boards approve FBC	2 May
Submission of final FBC & supporting documents to NHSI	Early May
NHSI Exec Interviews	Early Jun
Board to Shadow Board	Mid July
Post Board to Board mitigation/ actions	Late Jul & Aug
Final External Opinions to NHSI	Mid Aug
NHSI issue risk rating	Early Sept
Council of Governors consider application to merge	Mid Sept
Stage 3 Application including for Secretary of State's support	Late Sept
Formal Merger	1 Oct



Financial Modelling Overview



Transition Costs and Savings

Recurrent Savings	£'000s
• One Board	795
• Assumption re corporate	728
• One organisation savings	155
• Less additional posts	(286)
	1,392
Non Recurrent Costs	£'000s
• Board Transition	657
• Governance incl. systems	471
• Estates & Facilities	96
• HR, OD & Training	69
• Other Contract	40
• IT	332
• Communications	90
	1,755

Proof of Concept

- 5-6 projects
- Purpose-to demonstrate the how as well as what
- Vary as to stage in development at FBC
- Include some commissioned but delivered through merger joint working
- Each sponsored by a shadow exec to support
- Include:
 - Complex care at home
 - Dementia
 - High Intensity service users
 - IAPT Long term conditions/ Cardiac Rehab
 - CYPs LD/ Immunisations

IAPT Long Term Conditions Cardiac Rehab proof of concept project

Aim: To embed IAPT into the Cardiac Rehab 6 weeks course - 257 per annum

The project

- Higher prevalence of depression and anxiety disorders in those with a long term health condition
 - up to 70% of people with medically unexplained symptoms also have mental health comorbidities
- NHS Operational Planning Guidance 19/20 deliverables:
 - Nationally, 3,000 mental health therapists should be co-located in primary care by 2020/21 to support two thirds of the increase in access to be delivered through IAPT-Long Term Conditions services
 - By March 2020 IAPT services should be providing timely access to treatment for at least 22% of those who could benefit

Benefits

- Patients experience joined up care supporting mental wellbeing as well as physical needs
- Improved engagement in self-management of anxiety and depression;
 - increased likelihood of healthy behaviours, such as physical activity, diet, smoking and substance use; better health outcomes
 - Improved medication compliance
 - Reduced GP attendances
- Improved patient quality of life
- Reduced acute admissions
- Embedding quality Improvement approach and showing it works

Costs/Savings

- Early indication of cost for implementation across LTC as a whole: Initial start up £800k, full cost for 4% access £2.2m. Agreed to be funded by Commissioners
- 37 early implementer sites across the country have piloted integrated IAPT long term conditions services.

CYPS/ LD immunisation proof of concept project

Aim: to jointly understand and improve the uptake of immunisations for children with LD (55- 65%)

The project

1. Develop effective and ongoing methods of co-production with service users/ carers families and other stakeholders
2. Cross reference data held by GCS/ 2g to identify children with LD who have not been immunised.
3. To identify new pathways to support families leading to improved uptake and outcomes.
4. Implementation
5. Reanalyse data and refine pathway

Benefits

- Children with learning disabilities are considered an 'at risk' group for infections and complications - despite this there is a lower uptake of immunisations within this group
- Increased uptake will reduce risk of infection, help to reduce health inequalities and is a step towards closing the LD mortality gap
- Coordinated personalised care including improved support for families/ carers

Costs/Savings

- Initial costs suggest an investment of £20k; in the medium term activity part of business as usual
- Longer term reduction in the need for treatment of physical health complications arising from preventable diseases
- Reduction in double immunisation due to better coordination



Building a Transforming Organisation

To create the infrastructure that will facilitate an ambitious programme of transformation – focused on reducing inequalities in physical and mental health across our populations.

Estimated Costs: £2,412k

- Co-production and partnership £1,556k
- Evidence and knowledge management £224k
- Quality Improvement £66k
- Place – costs not yet scoped TBC
- Workforce Development £413k
- Organisational Development £152k

Existing Resource: £2,256k

New Resource: £156k

- Further work on structures will help with ensuring cost neutral, may overlap with savings assumption



Purpose and approach to downside

Purpose:

- To demonstrate that we have:
 - Identified the transaction's key risks
 - Effectively mitigated the impact of them
 - Articulated plans to address them
 - Demonstrated the capability to deliver these plans

Approach:

- Identified key risks
- Assessed likelihood and impact
- Modelled Highest risks as scenarios
- Detailed action plans to mitigate

Downside Risk Scenarios

Transition costs increase	The cost of transition may have been underestimated resulting in unbudgeted cost pressures being identified mid transition. A 20% increase in the non recurrent costs (£1,755k) would equate to £351k of extra cost
Discontinuation of Herefordshire Mental Health Services	If the Trust does not continue with Herefordshire Mental Health services as consistent with ICS systems working approach, there is a significant likelihood that material corporate savings will need to be identified to ensure that a balanced position is returned. A 20% under delivery of the recovery of the £1,000k efficiencies being sought before discontinuation would equate to £200k
Financial Efficiencies driven by the merger are not as expected	If the efficiencies have overestimated by 20%, this would result in £278k resulting of reduced financial benefits
CIP Programme Delivery	If the merger causes distraction it may result in an impact on the delivery of 2019-20 CIP Programme which could mean the Trusts will not meet their financial control total A 20% under delivery of the 2019-20 CIP programmes equates to £1,540k
Transformation benefits are not as great as anticipated	There is a risk that the Transformation programme will not deliver quality benefits resulting in adverse reputational damage and loss of credibility given that the predominant reason for merger in the strategic outline case is to integrate and improve physical and mental health outcomes for the populations. When benefits are quantified, downside will be modelled by a 25% increase in service user satisfaction.



Significant assumptions

- 16/17 and 17/18 data as audited accounts
- 18/19 data as M9 forecast outturn
- 19/20 Base Data for Trusts as 9/20 Operational plans
- Mental Health Investment standard reflected by known developments
- Community Services investment, assumed little beyond 19/20
- Forward planning assumptions based on national guidance
 - 3.8% for inflation and -1.1% for efficiency
- Corporate Services assumption based on corporate budgets
- 19/20 funded through Non recurrent savings
 - (Non recurrent transition costs & approx. ½ recurrent benefits)

Overall Financial Case

	£'000s
• One Organisation	155
• Transition Savings	1,237
• Transformative Org	156
• Proof of Concept	20
• Net recurrent Savings	1,216
• Merger Costs	1,300
• Transition Costs	1,755
• Total Non Recurrent Costs	3,055

Estimated payback period 2.5 years



NHSI Risk Rating

Amber Some significant issues have arisen from NHS Improvement's detailed review that the trust will need to address and that may require ongoing regulatory monitoring. However, no issue is serious enough to stop or delay the transaction.



Services provided by:
Together NHS Foundation Trust
Gloucestershire Care Services NHS Trust



Our timeline



Transformation

*All timings are approximate. If there are significant changes to this timeline, we will provide further updates.



New organisational arrangements – key phases

Phase 1: appointment of shadow board

Phase 2: design of corporate directorate structures and appointment of “direct reports” to directors (including the COO)

Phase 3: appointment to all other posts within corporate directorates and senior operational team

**October 2019 : default date
for taking-up new posts**

Dec 2018

Apr-Jun
2019

Following P2
appointments

June
2019

Our Objectives

- To **support delivery** of our vision, values and strategic aims
- To support, retain and develop **talent** within our organisations
- To support and deliver a “**high quality, well led**” organisation
- To ensure **safety, stability and continuity** from day one - whilst creating an environment where **transformation, improvement, diversity and innovation can flourish**
- To **co-produce** a structure which is **clear and understandable** but sufficiently reflects the **inherent complexities** such as: place and localism, integration, specialisation, economy and system partnership
- A process which is **engaging, consistent, fair and transparent**
- To test and validate the **financial assumptions** within the business case
- To reduce uncertainty by **progressing swiftly** and to timescales
- **Clinical/Service delivery arrangements will not change as a result of this process** in Phase 1, 2 or 3

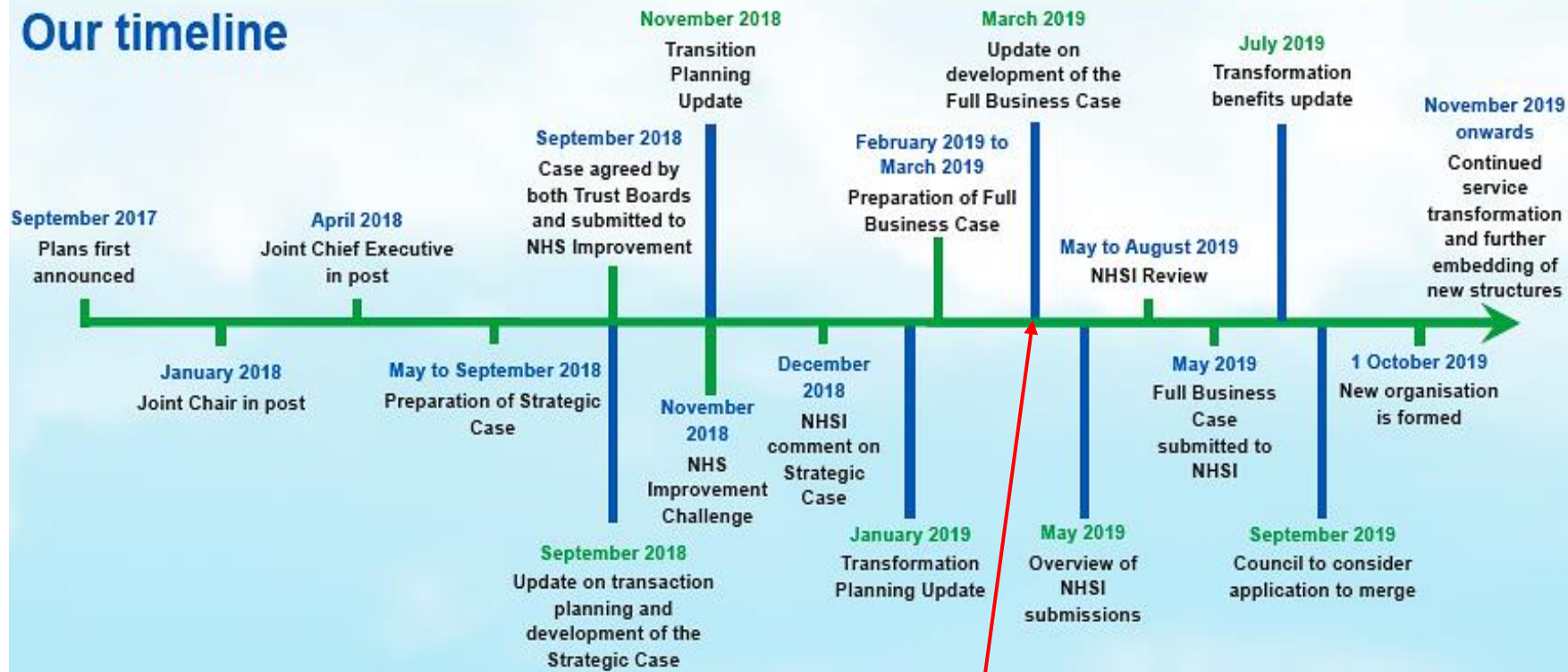
Process

- Informal discussion, **engagement and co-design** of structures led by the relevant Shadow Executive Director
- Timescales:
 - **“Initial Outline”** structures by 4th March, revised on 11th March, with further engagement through March
 - Final **Phase 2 proposed structures to be agreed by 31st March** (Shadow Board 14th March, progress report, report to both Trust Boards, 27th & 28th March)
 - **Consultation and Appointment process April – June**
 - Next level (Phase 3) starts when Phase 2 appointments are made
 - **Default enactment is October 2019** (or before where it makes sense)

Impact

- Moving at pace – are we going too quickly, or too slowly?
- Not all changes linked to merger – ‘Carter review’, ICS context
 - Support department efficiencies
 - ‘Shared service’ approach for IT, HR and Finance
- Unless there is specific agreement these appointments are only enacted on the 1st October if the merger is approved and completed.
- Reminder of ‘objectives’;
 - ‘To reduce uncertainty by **progressing swiftly** and to timescales’
- Pulse Test Results;
 - In the last 6 pulse tests, ‘**job security**’ or ‘**uncertainty around roles and individual futures**’ feature in the ‘**top 3**’ of concerns on 5 occasions

Our timeline



■ Governor engagement

*All timings are approximate. If there are significant changes to this timeline, we will provide further updates.

