

**Wye Valley NHS Trust
Strategic Outline Case
March 2013**

DOCUMENT CONTROL

DOCUMENT LOCATION

The source of the document will be found on the Programme Team shared drive.
Subsequent versions of this document will be found in the same folder.

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APPROVALS

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1 EXECUTIVE SUMMARY

1.1 PURPOSE OF THE STRATEGIC OUTLINE CASE

1.1.1 The purpose of the Strategic Outline Case (SOC) is to set the context and provide an overview of Wye Valley NHS Trust (WVT) and the work it has undertaken to further define and assess options for the best model and approach to a strategic partnership that will provide the sustainability required to achieve foundation trust status.

1.2 OBJECTIVES OF THE STRATEGIC OUTLINE CASE

1.2.1 The objectives of this SOC are to:

- Identify the case for change;
- Justify the need for the Project;
- Identify and assess options available for the delivery of this Project;
- Demonstrate a robust and transparent process that meets the key requirements of the project
- Demonstrate that key stakeholder, including service users, GP commissioners and Trust clinicians, practitioners and staff have been involved in the Project.

1.2.2 This SOC has been commissioned by the Wye Valley NHS Trust Board and will require Board approval before moving onto the next, more detailed stage, of the project; the Outline Business Case (OBC)

1.3 SUMMARY OF THE STRATEGIC OUTLINE CASE

1.3.1 The SOC sets out the context and provides an overview of WVT – its size, patient profile, the people it serves and wider partner agencies. Early work has been undertaken to further define and assess options for the best model/approach to provide the sustainability required to both deliver Foundation Trust status.

1.3.2 The SOC also describes the critical success factors that have been established through the WVT Futures Project:

- Quality of Care
- Clinically Sound
- Financial Stability
- Acceptability
- Right care, right place, right time
- Service Integration

1.3.3 The list of options defined within the SOC are summarised below:

- **Disaggregation** – the breaking up of the organisation into its constituent parts to go through a competitive process (either FT acquisition or operational franchise)
- **FT Acquisition** - the outright acquisition of WVT by a trust that has already reached foundation status following a competitive process
- **Operational franchise** – where the franchisee takes full operational control of WVT and accepts all risks. Care would remain free at the point of delivery and all staff and assets would remain in the NHS
- **Vertical Integration** – creates a single organisation across the health economy, including primary and secondary care
- **Expand and Grow** – creating critical mass through the expansion of services beyond WVT's current boundaries and borders

1.3.4 The SOC demonstrates that WVT is unlikely to reach FT status as a stand-alone entity and must look at other options. It confirms that there are a number of potential options and that further work is required to review the suitability of these options. This will be completed as part of the OBC.

1.4 NEXT STEPS

- 1.4.1 The final draft Strategic Outline Case will be submitted to the WVT Trust Board on the 28th March 2013 for approval and sign off to proceed to the next stage of this project.
- 1.4.2 Following sign off, and subject to approval to proceed, work will begin on developing the OBC, exploring in more detail the list of options that have been agreed. The completed OBC will be submitted for approval by the WVT Trust Board by the end of June 2013.

2 INTRODUCTION

2.1 BACKGROUND

- 2.1.1 Wye Valley NHS Trust (WVT) is seeking to meet the requirements for FT status and intends to undertake a process to secure a long term future for the provision of high quality healthcare services to the people of Herefordshire and surrounding areas.
- 2.1.2 Government policy states that every NHS Trust in England will become a foundation trust, or form part of one, by April 2014.
- 2.1.3 WVT is leading the process to establish the future form of the organisation under the auspices of the WVT Futures Project as it is not expected to achieve FT status alone. A number of possible options based on a strategic partnership are emerging.
- 2.1.4 WVT intends to complete an options appraisal by June 2013. Should this process not reach a conclusion in favour of a single public sector model, WVT will commence a follow on process for competitive tendering;
- 2.1.5 Therefore, a process is required to test the options and to identify the preferred way forward. Then, having fully assessed this option, to obtain approvals and manage transitional process to completion.
- 2.1.6 This Strategic Outline Case forms the first step in identifying the way forward and the potential options open to WVT.

2.2 OBJECTIVES

- 2.2.1 The objective of the WVT Futures Project is to ensure that an open process of identifying and confirming the preferred future for Wye Valley NHS Trust that safely delivers financial stability and improvements in service quality and value for money (VFM) for patients, the public and the taxpayer; in order to achieve this objective WVT must ensure:
- That the result of the programme satisfies the requirements of WVT's Tripartite Formal Agreement (TFA) with the SHA and commissioner and secures a clinically and financially viable future for the organisation's services
 - That the process is focused on delivering improved quality of service (patient safety, clinical effectiveness and patient experience) for patients, the public and staff;
 - That if a competitive process is pursued, it is in accordance with the Transaction Manual and Principles of Rules of Cooperation and Competition and EU procurement rules and regulations;
 - That safe, effective and high quality acute, community and adult social care services continue to be provided to patients, service users, public and staff, and appropriate arrangements are made for managerial transition;

- That public engagement and resultant commitment to WVT's future is integral to the process and that accountability to local populations and key strategic partners is increased;
- That local and national health care policy requirements are integrated into the ultimate project outcomes.

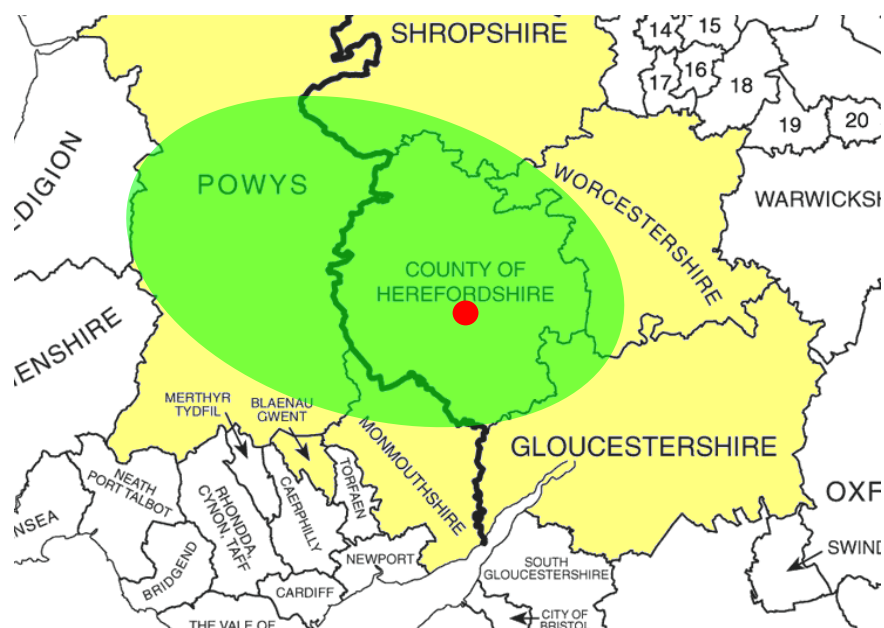
3 STRATEGIC CASE

3.1 PURPOSE OF THE STRATEGIC CASE

- 3.1.1 The purpose of the Strategic Case is to set the context and provide an overview of WVT and the work it has undertaken to further define and assess options for the best model and approach to a strategic partnership that will provide the sustainability required to achieve foundation trust status.

3.2 ORGANISATIONAL OVERVIEW / BACKGROUND TO WYE VALLEY NHS TRUST

- 3.2.1 WVT was established on 1st April 2011 following an externally supported strategic review and extensive system wide stakeholder engagement leading up to its formation. The Trust was England's first integrated provider of acute, community and adult social care services bringing together Hereford Hospitals NHS Trust, NHS Herefordshire's Provider Services (excluding Mental Health) and Herefordshire Council's Adult Social Care services (under a Section 75 arrangement).
- 3.2.2 The Trust provides community care, hospital care (acute and community) and adult social care to a population of just over 180,000 people in Herefordshire and is also the provider of urgent and elective care to a population of over 40,000 people in mid-Powys, Wales. The Trust's catchment area is characterised by its rural nature and remoteness, with over 80% of its catchment living more than five miles from Hereford city or a market town.
- 3.2.3 Herefordshire's population is substantially older than the national average (22% of people aged 65+ compared to 17% nationally) and numbers of older people are expected to increase disproportionately to the total population. In particular, the number of people aged 85+ will more than double to 12,700 by 2031
- 3.2.4 The map below sets Herefordshire in its geographical context and illustrates the maximum extent of Wye Valley NHS Trust's catchment area for health services:



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3.3 DEMOGRAPHY AND PATIENT PROFILE

3.3.1 The table below compares total catchment population, total catchment area and population density for Herefordshire and Powys set against England and Wales.

	Herefordshire	Powys	England	Wales
Population (2011 census)	183,477	132,976	53,012,456	3,063,456
Area (km ²)	2,180	5,196	130,395	20,779
Population Density (People per km ²)	84	26	406	147

3.3.2 The Trust's catchment area is characterised by its rural nature and remoteness, with these factors increasing in significance as the focus shifts westwards. The density of population in Herefordshire and Powys is significantly lower than the England and Wales average. Powys is the most sparsely populated county in either country and is also marked by its rural nature and small communities with varying healthcare needs.

3.3.3 The document 'Understanding Herefordshire 2012: An Integrated Needs Assessment' produced by NHS Herefordshire and Herefordshire Council drew the following conclusions:

- Overall, people in Herefordshire are healthy, live longer compared with national life expectancy
- Women live on average to 83, a year longer than in England as a whole; men to 79, which is slightly longer than nationally
- People born in Herefordshire are expected to live a greater proportion of their lives in good health and without a limiting long-term illness than nationally - healthy life expectancy at birth is over 71 for men and 75 for women
- Herefordshire's mortality rates are consistently lower than nationally and in comparator PCTs. The three disease groups of circulatory diseases, neoplasms (cancers) and respiratory diseases account for almost 80% of all mortality in the county
- Herefordshire's premature mortality rate (mortality aged under 75 years) is consistently lower (246 deaths per 100,000 population in 2010) than the average rate for England and Wales and generally lower than comparator PCTs. Circulatory diseases, cancers and external causes such as suicide and accidents account for almost 80% of all premature mortality
- Hospital admissions amongst Herefordshire residents are significantly lower than PCT comparators for both elective and emergency admissions, but continue to rise in line with national trends
- Dementia presents a significant and urgent challenge to Herefordshire. The number of people living with dementia is estimated to be 3,000 but approximately two-thirds of these are undiagnosed. The prevalence is predicted to increase to nearly 3,900 by 2015 and 5,500 by 2030
- Educational attainment across the key stages has improved, however the overall rate of improvement is slower than that of comparable authorities and attainment levels remain lower than national figures
- Unemployment is low (2.8%) compared with the West Midlands (5.0%) and England (4.0%), but still as high as during the recession
- Herefordshire has the worst housing affordability ratio (house prices are 8.6 times annual earnings) within the West Midlands region

3.3.4 Overall Herefordshire has relatively low levels of multiple deprivation. However the gap between the most and least deprived areas is widening and several areas of South Hereford and Leominster have been amongst the most deprived in England for over 10 years. However, there remain a number of 'hidden' but significant issues relating to inequalities and deprivation:

- Some parts of the county have increasingly high proportions of people aged 60 and over living in households with low incomes

- There are higher mortality rates for conditions such as coronary heart disease and cancers in those from deprived areas, however this is not reflected in their hospital admission rates - suggesting there may be an issue with access to services from people living in those areas
- 54% of Herefordshire's population live in rural areas, and 43% live in the most rural locations (the highest proportion of any county-level authority area in England) and many face difficulty accessing some key services. This is a particular issue for vulnerable groups and children and young people.

3.3.5 The dental health of children is poor with two in every five having some experience of tooth decay by the age of 5 years.

3.3.6 Smoking remains the single most important cause of premature death and ill-health, but rates of alcohol-related hospital admissions are increasing. We also know that high proportions of young people, especially girls, smoke and drink alcohol and get drunk.

3.3.7 Obesity is emerging as a major contributing factor to poor health, disability and premature death. Herefordshire has a higher rate of obesity amongst adults than England generally and it is particularly concerning that a third of ten to eleven year-old children are overweight or obese.

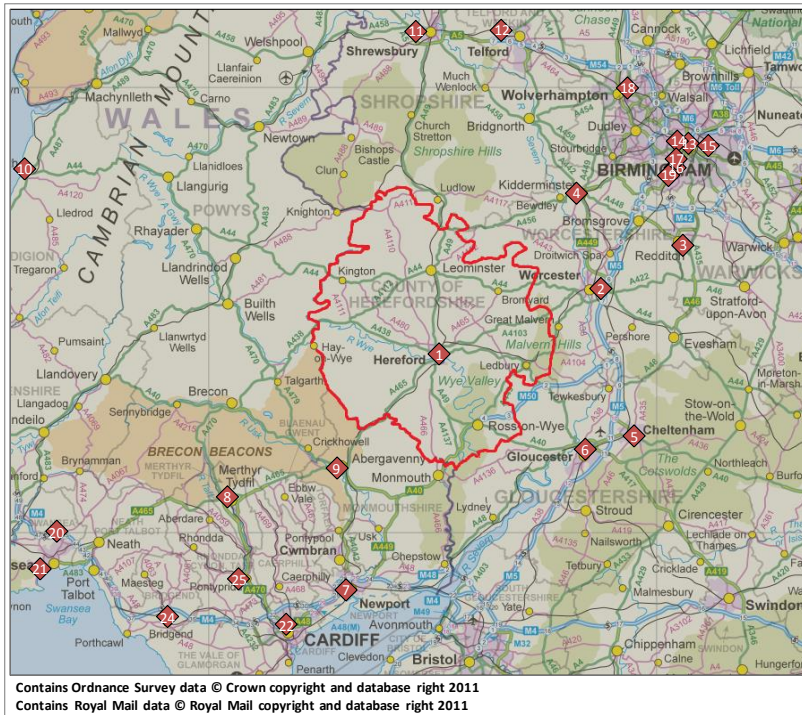
3.4 LOCAL NHS BODIES, RELATIONSHIPS & LOCAL COMMISSIONING PLANS

3.4.1 From the 1st April 2013 the responsibility of the SHA and PCT cluster will be superseded by a number of new organisations. The National Commissioning Board, its Area Team and locally, Herefordshire Clinical Commissioning Group (HCCG) will take on the responsibility for commissioning health services in Herefordshire. Some services will be commissioned by the local authority through its Public Health function.

3.4.2 As an NHS Trust, WVT will ultimately be responsible to the NHS Trust Development Authority (TDA). A director of the NHS TDA chairs the Project Oversight Board of the WVT Futures Project.

3.4.3 WVT is the only acute, community and adult social care provider within Herefordshire and provides acute care and some community services for mid-Powys. Mental health services in Herefordshire are provided by 2gether NHS Foundation Trust.

3.4.4 Within the immediate surrounding area as WVT there are a number of foundation trusts. The nearest acute foundation trust to WVT is Gloucestershire Hospitals NHS Foundation Trust. There are also NHS Trusts in Worcester and Shrewsbury. There is no acute hospital in Powys, the nearest to WVT being in Abergavenny. The map below shows the proximity of acute hospitals to WVT.



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1	Hereford County Hospital
2	Worcestershire Royal Hospital
3	Alexandra Hospital
4	Kidderminster Hospital
5	Cheltenham General Hospital
6	Gloucestershire Royal Hospital
7	Royal Gwent Hospital
8	Prince Charles Hospital
9	Nevill Hall Hospital
10	Bronglais District General Hospital
11	Royal Shrewsbury Hospital
12	The Princess Royal Hospital
13	Birmingham Children's Hospital
14	City Hospital
15	Heartlands Hospital
16	Selly Oak Hospital
17	Queen Elizabeth Hospital
18	New Cross Hospital
19	Royal Orthopaedic Hospital
20	Morrison Hospital
21	Singleton Hospital
22	University Hospital of Wales
23	West Wales General Hospital
24	Princess of Wales Hospital
25	Royal Glamorgan Hospital
26	Wrexham Maelor Hospital

3.4.5 There has been a great deal of stability in the Herefordshire and borders market over the past decade and there have been few changes in acute and community care services. The travel time (by car) to Gloucester and Worcester from Hereford city centre is around 50 minutes and to Shrewsbury it is over 90 minutes.

3.4.6 A number of services provided by WVT are delivered through a service level agreement, such as Plastic Surgery and Neurology from University Hospitals Birmingham NHS Foundation Trust. Many others are provided through clinical network arrangements with local providers, such as the arrangement to provide cancer services with Gloucestershire Hospitals NHS Foundation Trust.

3.4.7 HCCG have set out a commissioning strategy for 2013-15 that will underpin its commissioning intentions. HCCG has identified a number of key themes within its strategy:

- Embed clinical leadership and integrated working across the health and social care system
- Commission best available care
- Improve quality and safety of care
- Empower stakeholders/clinicians to manage pathways
- Reduce variations in quality of primary care
- Care closer to home (focus on elderly)
- Improve sustainability of healthcare system
- Prevention at the core of the HCCG's work

3.4.8 These themes build upon the work that the health and social care community has developed in recent years and reflect new, emergent thinking from clinicians with respect to how

services can be shaped to drive quality improvement and release savings. More detailed plans are required though in order to understand the outcomes and their likely effect on WVT.

3.5 REACHING FT STATUS

- 3.5.1 WVT has faced a considerable structural challenge to achieve FT status as a standalone entity. The catchment population of the county and surrounding areas of approximately 230,000 is half of what is now nationally considered necessary to support a fully functioning general hospital. The geographical position of Herefordshire and distances to other cities mean that a local hospital with a broad range of specialities is needed in the county. Combined with this position, the rural nature of the county determines that strong locality and community based services are also required.
- 3.5.2 The Trust has required increasing levels of financial support in recent years in order to deliver a break even position. £6m financial support was required in 2011/12 and £9.5m in 2012/13.
- 3.5.3 The financial challenges are continuing. Whilst it has identified an £8.8m savings programme in 2013/14, financial support of £9.7m is still required to deliver a five-year break even position.
- 3.5.4 The health and social care economy is also under significant pressure in Herefordshire with both the HCCG and local authority under financial pressure and commissioners are planning for reductions in activity.
- 3.5.5 In 2012, the Trust self-declared as being in 'turnaround' in order to emphasise the urgency and scale of the financial challenges it faced. A turnaround director was appointed and a programme management office was set up with the assistance of PwC to drive forward the necessary changes required to deliver the savings programme. The Trust did this whilst following a strict regime of quality impact assessments of any proposed changes in order to ensure that changes were not made at the expense of quality and patient safety.
- 3.5.6 WVT's Board had approved a Tripartite Formal Agreement (TFA) with the SHA and Herefordshire PCT very shortly after the Trust's formation, in April 2011. This committed the Trust to a series of actions and deadlines leading to the formation of the Trust as an NHS Foundation Trust from April 2013.
- 3.5.7 The Trust began to develop an Integrated Business Plan which was submitted to the SHA in January 2012 along with a Long Term Financial Model (LTFM). However, it became clear that the Trust would be unlikely to achieve the necessary risk rating in future years mainly due to liquidity, and would be challenged to maintain a balanced income and expenditure position as well as achieve the required level of surplus.
- 3.5.8 The position agreed with the SHA and PCT Cluster was that the Trust's FT application would be deferred whilst alternative options were explored.

- 3.5.9 In light of the financial position presented by WVT within its Annual Plan for 2012/13 the Trust was required to submit a Case for Change document to the Provider Development function of the Midlands & East SHA in April 2012.
- 3.5.10 The Case for Change set out that in order to continue 'as is' WVT would continue to require non-recurrent cash injections and income support and that a revised operating model was required as a result.

3.6 WVT BUSINESS PLAN / CASE FOR CHANGE

- 3.6.1 The case for a change in the operating model is a financial one. The Trust's performance on quality and safety standards and operational performance has been good. Following the most recent Care Quality Commission reviews of essential quality and safety standards, no concerns have been expressed nor recommendations made.
- 3.6.2 Even with the delivery of cost saving opportunities in 2012/13 and 2013/14, the Case for Change document developed by WVT in April 2012 highlighted a residual gap which WVT cannot close through internal measures alone. This prevents WVT from becoming financially viable and sustainable, and impairs its ability to become an NHS Foundation Trust by April 2014.
- 3.6.3 In light of this, WVT explored the operating model options available to address the challenges it faces. Three approaches were considered within the Case for Change document:
- Explore the opportunity to further integrate services in Herefordshire
 - Change the scope of services provided by WVT
 - Establish strategic partnerships with other NHS and/or independent sector health and social care providers as a way of ensuring that certain services can continue to be provided.
- 3.6.4 A review of the opportunity presented by service integration was offered in a document presented subsequently to the SHA in June 2012. The outputs of the modelling of service integration showed that the model could take up to five years to deliver in its entirety and would require investment into joint health and social care neighbourhood teams.
- 3.6.5 The model demonstrated a realistic saving of £6m, much more could be achievable with full implementation. It was clear that service integration alone would not make the Trust financially viable in the short to medium term.
- 3.6.6 The model of care was designed as a whole-system approach and therefore cannot be delivered in isolation by the Trust. Primary care contacts would also need to significantly increase to deliver the model.

- 3.6.7 In response to the Case for Change document, high level alternative clinical models were developed to ascertain whether changing the scope of services at WVT fundamentally affected the financial and clinical viability of the Trust. A number of models were explored:
- Minimal Acute Model - retaining an acute hospital with the minimum possible services to support it
 - Radically Reduced Model - not an acute hospital model; outpatients, diagnostics and inpatient step-down beds
 - Combined Benefits Model - Ending non profit-making services and improving efficiency
- 3.6.8 None of the high level clinical models listed above were financially viable as they worsened the financial position of the Trust. The combined benefits model did improve the financial position but was neither clinically viable nor delivered a big enough benefit to make the changes worthwhile. WVT concluded that major internal reconfiguration of the Trust did not improve the overall position.
- 3.6.9 As the results of the clinical modelling and review of the benefits of integration did not assure financial viability, the Board agreed to develop a process to establish a future form of the organisation that met the requirements for FT status and secure a long-term future for health and social care services for the people of Herefordshire.
- 3.6.10 The WVT Futures Project was established in January 2013 with funding from the West Mercia PCT Cluster. A Project Board, Oversight Board and Stakeholder Reference Group have been put into place and a plan has been agreed of which this Strategic Outline Case forms part. The future arrangements for the adult social care services provided by WVT will be determined through a separate project led by the Council as the Section 75 arrangement ends in September 2013.

3.7 CRITICAL SUCCESS FACTORS

- 3.7.1 The following critical success factors (CSFs) were developed as the agreed necessary elements for a successful project as defined by key stakeholders at an initial workshop in February 2013.

Critical Success Factors	
Quality of Care	Maintains or improves service quality Maintains the confidence of stakeholders
Clinically Sound	Retains a range of services that together are clinically viable Maintains the confidence of staff, patients and service users
Financial Stability	Assures the financial viability of the organisation Provides value for money
Acceptability	Meets the requirements of the public, patients, service users and commissioners Meets the requirements of staff
Right care, right place, right time	Supports the service model being developed in Herefordshire of 'care closer to home'
Service Integration	Retains the local focus on integrated health and social care Develops strong service partnerships

3.7.2 The CSFs have been used to rationalise the long list of options and evaluate the short list of options that were considered by a wider stakeholder group at the second workshop.

3.8 OPTIONS APPRAISAL

3.8.1 A number of options were originally identified for exploration at the first workshop with core stakeholders. The attendance and outputs of this workshop are attached to this document as Appendix A.

3.8.2 A further workshop undertook an evaluation of the short list of options that will form the basis of in-depth research to identify a best-fit model capable of delivering the desired objectives. This short list of options is as follows:

- FT Acquisition
- Independent Sector Partnership
- Disaggregation
- Vertical Integration
- Expand and Grow

3.8.3 The three options considered not to be viable at the short-listing stage (Social Enterprise, Chambers and PFI & Tariff Plus) were removed as they were not consistent with the objectives of the project – 'securing long-term clinical and financial sustainability'. The social enterprise option, a co-operative not for profit organisation, changed the governance of the organisation but left a single entity with the same underlying financial problem. The chambers approach, where clinicians hire the hospital facility in the style of legal 'chambers', created too many challenges in terms of clinical contracts, clinical governance issues and risk management and again retained a single organisation with underlying financial problems. PFI and tariff plus (increased financial support) are not viable as a single option as they are not consistent with national health care policy.

- 3.8.4 Although not viable, the ‘do nothing’ option will continue to be used throughout the process as the public sector comparator to demonstrate VFM of the final preferred option. The remaining long list of options, those not listed above, will be discounted and not considered further.
- 3.8.5 The scoring mechanism used was based in part on the options appraisal methodology devised by the George Eliot Hospital NHS Acute Trust in their Strategic Outline Case. The scoring methodology is depicted in the grid below.

Score	Contribution to Critical Success Factor %	Rational
0	0%	Does not contribute to subject area
1	25%	Minimal contribution, unsatisfactory
2	50%	Some contribution to Critical Success Factors, marginal pass
3	75%	Good contribution to Critical Success Factors, significant pass
4	100%	Strong contribution to Critical Success Factors, fully meets criteria
X	NA	Insufficient data to reach a conclusion at this point

- 3.8.6 At a wider stakeholder event held on the 26th February 2013 each option was scored by attendees using the methodology above. The outputs of this stakeholder event and the results are discussed in greater detail below.
- 3.8.7 The table below shows the overall findings of the wider stakeholder event. The average of the CSF scores for each option added and ranked. More detail on the scores from the wider stakeholder event can be found at Appendix B.

Option	Score	Rank
Disaggregation	8.8	5
FT Acquisition	13.6	2
Operational franchise	9.7	4
Vertical Integration	17.5	1
Expand and Grow	13.1	3

- 3.8.8 **Disaggregation** – the breaking up of the organisation into its constituent parts to go through a competitive process (either FT acquisition or operational franchise). This option will break up the integrated care organisation and result in acute, community and social care services potentially being delivered separately, albeit probably with partnership agreements in place. This option was not perceived as positive at the stakeholder events; the work towards integration is valued and seen to be working well, particularly for the elderly population in Herefordshire. Concern was expressed that disaggregation could facilitate the ‘cherry picking’ of lucrative services resulting in silo working, inflexibility and patient safety failures. Further clarity was required on whether this option would result in financial stability.

Disaggregation received low scores throughout with no single criterion reaching the mid-point for agreed criteria. The scores were particularly low for the Service Integration criterion. However, a financial assessment of disaggregation might be more positive as it may bring about integration with another organisation and so it cannot be dismissed.

- 3.8.9 **FT Acquisition** - the outright acquisition of WVT by a trust that has already reached foundation status following a competitive process. This option would see acute and community integration remains intact. This option generated a debate about strengthening service synergy, reinforcing clinical input and the potential for improvement of services if the acquiring FT were on the border of Herefordshire. Concerns were raised about service centralisation, rationalisation and loss of local control, although it was felt that this was an inevitable outcome of financial efficiencies. Queries were raised about financial incentives being made available to the successful FT or conversely would the FT be expected to absorb the financial deficit of WVT?

FT Acquisition received an acceptable score overall with Quality of Care and Clinically Sound criteria scoring above the mid-range.

- 3.8.10 **Operational franchise** – is where a franchisee takes full operational control of WVT and accepts all risks. Care would remain free at the point of delivery and all staff and assets would remain in the NHS. The franchisee has to operate within NHS rules, and fees are derived from any income/expenditure surplus. Under an operating franchise, the franchisee has the remit and ability to effect the changes needed to enable it to achieve Foundation Trust status within an agreed timetable. At the stakeholder events, this option produced discussions on the merits of working with the private sector and the potential for investment. The only comparator currently is the Hinchingsbrooke Hospital deal with Circle Healthcare but it is too early in the life of that contract to fully assess its impact. It was felt by stakeholders that a financial incentive may still be needed to be offered to make services more attractive to potential partners.

Operational Franchise received mid to low scores throughout with 4 of the 6 criteria scoring below the mid-range. Service Integration and Acceptability scores were particularly negative.

- 3.8.11 **Vertical Integration** – creates a single organisation across the health economy, including primary and secondary care. This was a popular option incorporating primary care and potentially mental health into the WVT integrated model. It was felt that patient satisfaction, partnership working and pathway development would produce greater benefits than were currently being felt. GP reaction was mixed, they are currently self-employed, independent practitioners. It was suggested that their issues weren't insurmountable although independence for GPs was enshrined in the originating legislation for the NHS and is of great importance to them. Queries were raised as to whether this solution would enable the pooling of financial resource coming into Herefordshire.

Vertical Integration received strong / positive scores for Quality of Care, Clinically Sound, Right Care and Service Integration. The score for Financial Stability, however, was the lowest for this criterion. Acceptability to GPs however is likely to be low.

3.8.12 **Expand and Grow** – creating critical mass through the expansion of services beyond WVT’s current boundaries and borders. This option received limited responses. It was felt by those attending the stakeholder event that the cost of providing health and social care in a rural area were not acknowledged and that investment and time would be required for this option to succeed, neither of which is in good supply. This option is not viable on its own and would need to be incorporated into another solution as the Trust would need to generate a huge amount of new, profitable business to resolve its financial issues.

Expand and Grow received mid-range scores on 5 out of 6 across the criteria. Financial Stability dipped well below the average for this criterion.

3.8.13 It should be noted that in discussing the options above, many of those attending the stakeholder events felt that there would remain a requirement for transitional financial support.

3.8.14 Across the two stakeholder events, over 100 clinicians, practitioners, managers, patient and public representatives contributed to help define objectives and the list of options.

3.8.15 Each of the shortlisted options requires in-depth exploration prior to assessment within the outline business case, the next step in this project process.

3.9 RISK ASSESSMENT

3.9.1 Key risks identified that have a potential to impact on this project include the following:

- Delivery of financial viability
- Failure to maintain operational performance and quality – both during and after the process
- Failure to identify a suitable partner(s)
- Adverse public and staff reaction
- Impact of the project on quality and patient safety
- Entering into new contracts at a time when the future of the organisation is not clear.

3.9.2 Further constraints to meeting the desired objectives are outlined in the project Risk Log which has been created as part of the project initiation process. The risk log is a live document and will be updated as progress is made through the various steps of the project.

3.10 ENSURING FITNESS FOR PURPOSE

3.10.1 WVT will focus on the continuation of the existing business and be ready to enter into partnership or other transactions having secured the best possible clinical, operational and financial outcomes.

3.10.2 Consequently, WVT will be able to demonstrate to potential partners that it is in good shape and a good fit for partnering:

- It will have a range of services that are sustainable clinically and financially
- It will have the confidence of commissioners to place contracts on a repeat basis for these services
- It will have the potential to increase its range of services and/or increase existing services by partnering
- It will have been actively involved in the establishment of fully integrated pathways and fully engaged with other service providers
- It will have undertaken a systematic appraisal of its business model

3.11 DEVELOPING THE FINANCIAL CASE

3.11.1 The outline business case will develop the financial case of the preferred option, assessing the affordability and available funding.

3.12 PROJECT MANAGEMENT APPROACH

3.12.1 The project will be led by the WVT Futures Project Board, accountable to the WVT Trust Board. The project management approach aims to be open, transparent, fair and equitable and to explore the range of options available in the most efficient way possible without incurring undue cost for WVT and potential partners.

3.12.2 A Project Oversight Board has been formed to provide assurance for the project and is chaired by the NHS TDA. In addition, a Stakeholder Reference Group, chaired by an independent chair, has been put in place and includes representatives of patients and services users, staff, clinicians and other key stakeholders.

3.12.3 A robust communications and engagement strategy is in place to ensure that there is involvement with key stakeholders throughout the course of this project. A clear focus within this will be the need to ensure early and continuous engagement with patients, service users and staff in a bid to ensure that the project can achieve the best outcome and has their ownership.

3.12.4 The project will be the route for WVT to achieve FT status and will follow a process based on the HM Treasury Five Case Model to establish a clear strategy and full business case for the preferred option.

- 3.12.5 The business case will take into account the strategies of commissioners and the NHS TDA and may lead to a competitive procurement process being undertaken if there is no single clear option agreed with principle stakeholders.
- 3.12.6 The focus in undertaking the project will be to identify the ultimate preferred option in the most efficient way possible that reduces management costs for the NHS. This has been done initially by narrowing down the number of options available for consideration.
- 3.12.7 Project timescales are projected in the table below:

Milestone	Timescale/Status
Produce project documents – project initiation, establishment of Project Board, terms of reference and objectives for the project	Jan 2013 - Complete
Stakeholder engagement – Communications & Engagement Plan, stakeholder events	Jan – Mar 2013 - Complete
Strategic outline case	End Mar 2013 - Complete
Outline business case – evaluation of options and proposal for preferred option	Jun 2013
Procurement exercise (if required)	Jun 2013 – Feb 2014
Full business case – full development of the preferred option, testing assumptions, conformity with critical success factors	Feb 2014
Final Approval	Apr – Jun 2014
Implementation	Jun – Oct 2014

3.13 NEXT STEPS

- 3.13.1 The final draft Strategic Outline Case will be submitted to the WVT Trust Board on the 28th March 2013 for approval and sign off to proceed to the next stage of this project.
- 3.13.2 Following sign off, and subject to approval to proceed, work will begin on developing the outline business case, exploring in more detail the list of options that have been agreed. The completed outline business case will be submitted for approval by the WVT Trust Board by the end of June 2013.

4 CONCLUSION

4.1 SUMMARY

- 4.1.1 This strategic outline case has set out the case for change and summarised the actions taken so far under the auspices of the WVT Futures Project.

- 4.1.2 To date, a range of options have been explored and further work is expected to be undertaken under the Outline Business Case to rationalise the list of options further and arrive at an acceptable option for WVT.
- 4.1.3 Initial consideration has also been given to the commercial and finance cases however further work is required to provide an in-depth assessment of both cases.
- 4.1.4 The Board is asked to note the contents of this Strategic Outline Case and give its approval to proceed to the next stage of the project that will further develop the five options listed at 3.8.2 and recommend a preferred option through the Outline Business Case.

APPENDIX A – INTIAL OPTIONS & CRITERIA

Stakeholder Event 15th February 2013

This event was designed to raise awareness of WVT Futures with 30 senior stakeholders from across Herefordshire and to develop options for the future form of WVT. The attendance list for this event included:

- WVT Executives and Non Executives
- WVT Clinical Directors
- WVT Service Unit Managers and Directors
- NHS Trust Development Authority
- National Commissioning Board Area Team
- Herefordshire Clinical Commissioning Group Directors
- Herefordshire Council Senior Officers

Much of the event was spent in workshop format with 3 groups of 10 people discussing options for the future of WVT and collecting the criteria for success for each option. The 8 options produced on the day were:

FT Acquisition	Operational Franchise (Independent Sector Partnership)	
Disaggregation	Vertical Integration	Expand and Grow
Social Enterprise	Chambers	PFI & Tariff Plus

It was agreed at this event that the criteria for success should be aligned to the Health and Well Being Board's criteria:

Quality of Care	Financial Stability	Clinically Sound
Acceptability	Right care, right place, right time	Service Integration

These criteria were used to support the scoring mechanism for the following event on 26th February.

APPENDIX B – SCORING FROM WIDER STAKEHOLDER EVENT

Stakeholder Event 25th February 2013

This event was designed to create debate about the WVT Futures Project among a broad range of 70 stakeholders and to introduce a scoring mechanism for each option. The attendance list for this event included:

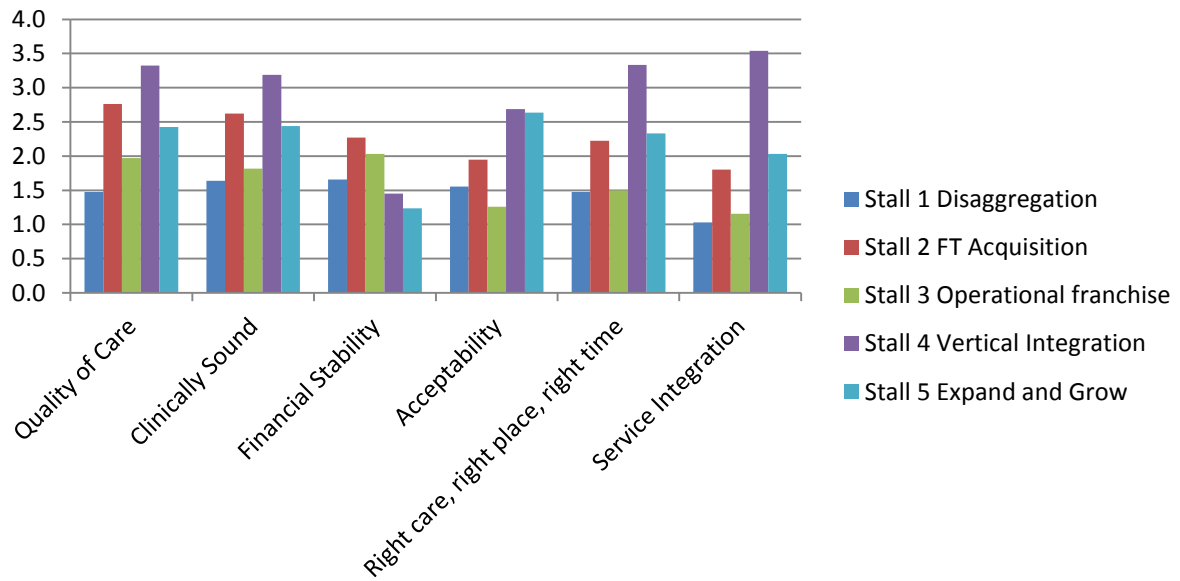
- WVT Executives and Non Executives
- WVT Clinical Directors
- WVT Service Unit Managers and Directors
- WVT Service Delivery Managers
- WVT Members
- WVT Stakeholder Reference Group
- WVT Staff Side and Union
- WVT Nursing and Allied Health Professionals
- NHS Trust Development Authority
- National Commissioning Board Area Team
- Herefordshire Clinical Commissioning Group Senior & Middle Managers
- Herefordshire Council Senior Officers and Councillors
- General Practitioners
- Herefordshire Voluntary Sector
- West Midlands Ambulance Service

This group were divided into 5 and rotated through stalls each manned by a WVT Executive. Attendees were asked to listen to a short presentation at each stall and debate the option. A score card was issued to everyone to complete throughout the event.

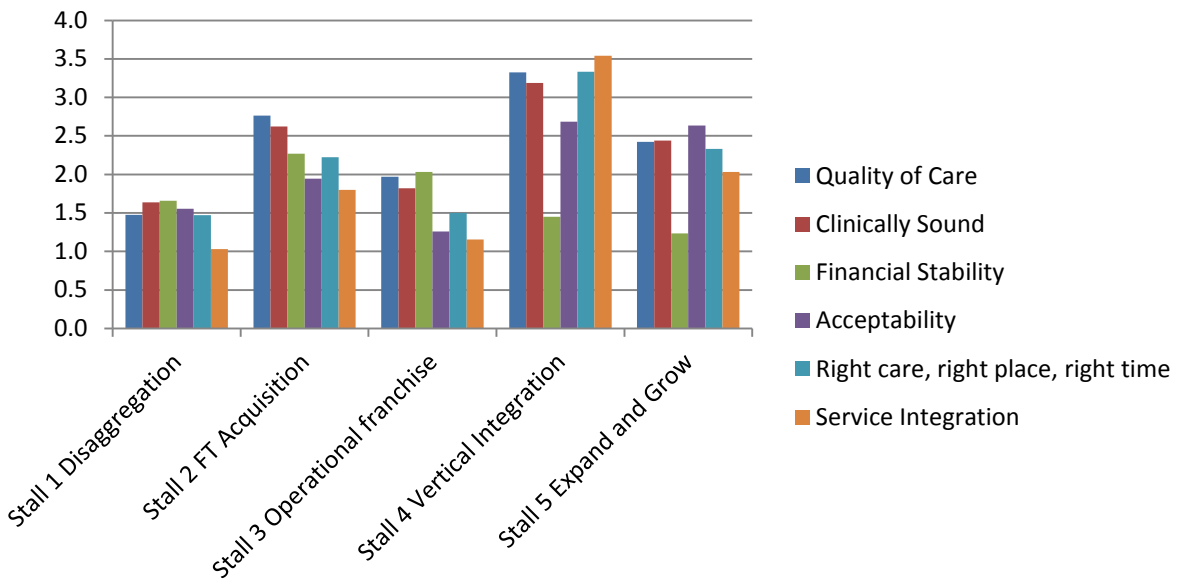
The table below shows the average scores from attendees at the event, the option's overall score and rank. The two charts are a graphical representation of the same data, by CSF and by option.

Stall	Quality of Care	Clinically Sound	Financial Stability	Acceptability	Right care, right place, right time	Service Integration	Overall Score	Rank
Stall 1 Disaggregation	1.5	1.6	1.7	1.6	1.5	1.0	8.8	5
Stall 2 FT Acquisition	2.8	2.6	2.3	1.9	2.2	1.8	13.6	2
Stall 3 Operational Franchise	2.0	1.8	2.0	1.3	1.5	1.2	9.7	4
Stall 4 Vertical Integration	3.3	3.2	1.5	2.7	3.3	3.5	17.5	1
Stall 5 Expand and Grow	2.4	2.4	1.2	2.6	2.3	2.0	13.1	3

Average Score by Critical Success Factor



Average Score by Option



APPENDIX C – GLOSSARY

Glossary of Terms

CSF	Critical Success Factor
FT	Foundation Trust
GP	General Practitioner
HCCG	Herefordshire Clinical Commissioning Group
LTFM	Long Term Financial Model
NCB	National Commissioning Board
NHS	National Health Service
OBC	Outline Business Case
PCT	Primary Care Trust
PwC	Pricewaterhouse Coopers
SHA	Strategic Health Authority
SOC	Strategic Outline Case
TFA	Tripartite Formal Agreement
TDA	Trust Development Authority
VFM	Value for money
WVT	Wye Valley NHS Trust