

**Business Case for merger of Somerset Partnership NHS
Foundation Trust and Taunton and Somerset NHS
Foundation Trust**

Executive Summary

September 2019

1. Executive summary

Introduction and background

- 1.1 This Business Case sets out the high level case for the merger of Somerset Partnership NHS Foundation Trust (SPFT) and Taunton and Somerset NHS Foundation Trust (TSFT). SPFT provides community and mental health services across the whole of Somerset while TSFT provides acute services in the north, west and centre of the county and beyond. The proposed merger would bring into one organisation almost all of Somerset's NHS community and mental health services, and a large proportion of the county's acute services.
- 1.2 Health and care services in Somerset are struggling to meet the increasing demands of an ageing population and a rising number of people with complex or long-term health conditions. The model of care in Somerset is out-dated, with resources focused on bed-based care, rather than community-based services that support early intervention. Some people currently experience poor mental or physical health because the service they need is not available when they need it. This causes a high number of patients to access services in a period of crisis, or to seek urgent care for matters which could have been managed more effectively sooner.
- 1.3 Both Trusts are facing workforce gaps which make it harder to deliver services that meet NHS constitutional standards. Significant nursing and medical staffing gaps have led to high spend on agency staff and the temporary closure of some community beds.
- 1.4 Overall, the Somerset health and care system is very financially challenged. Both Trusts have sought historically to manage their financial position through stretching Cost Improvement Plans (CIPs). However, it is now extremely difficult for either Trust to continue to deliver significant cost efficiencies without changing the way health services are delivered, and the prospects for the Somerset system becoming financially sustainable without transformational change are very slim.
- 1.5 This Business Case has been prepared following the approval of the Strategic Case which set out the high-level case for merger by both Trust Boards. The regulator NHS Improvement reviewed the Strategic Case and confirmed in November 2018 its support for the Trusts to proceed to Business Case stage. The purpose of this Business Case is to set out our vision for the merged organisation and how it will operate, the expected benefits, and how we will implement the merger.
- 1.6 We have worked closely with our system partners as we have developed our merger plans, and our partners have provided formal letters of support for our proposed merger.

Strategic rationale

- 1.7 In 2016, following creation of the Somerset Sustainability and Transformation Partnership (STP), system partners acknowledged the county's health and care services were not keeping pace with the changing needs of local people and that the Somerset system required radical transformation to ensure financial and clinical sustainability. Partners committed to work together for the benefit of the Somerset population to provide a place-based, joined-up system of health and social care.

- 1.8 The Somerset system subsequently developed *Fit for my Future: a Healthier Somerset* (FFMF), our local strategy for supporting the health and wellbeing of the people of Somerset by changing the way services are commissioned and delivered. Our merger is fully aligned with the FFMF strategy and forms part of its delivery.
- 1.9 In May 2017, SPFT and TSFT signed a Memorandum of Understanding (MOU) which formalised joint working already taking place between the two Trusts. As part of the MOU, the Trusts created an alliance and took the significant step of establishing a joint executive team consisting of Executive Directors from both organisations.
- 1.10 Following approval of our Strategic Case the joint executive team communicated to colleagues the desired direction of travel towards a single organisation, and this inspired greater integrated working. By removing barriers to working together and 'giving permission' to colleagues to put patients before organisational interest, the alliance has delivered benefits for patients and staff, generated savings and increased the two Trusts' resilience in terms of service delivery and responding to short term pressures. The alliance also allowed us to build colleague buy-in to our shared vision which has been important in getting us to the point we are now.
- 1.11 Nonetheless, the alliance was never intended to be a permanent position. Our single executive team currently reports to two separate Boards and two Councils of Governors, and this is not sustainable in the long term. Acting as one Trust, but legally being two separate organisations brings with it cost and time inefficiencies which are hard to justify, and there is a risk of a lack of clarity of accountability as we continue to integrate and blur organisational boundaries.
- 1.12 This Business Case presents many instances where teams have already come together to integrate their services for the benefit of patients; in that sense merger is not essential for integration of any one individual service. However, we now want to drive programmes of work to integrate services under the overarching framework of our new clinical model, and it is this integration at programme scale that we will struggle to deliver in the absence of merger.
- 1.13 As the NHS Long Term Plan notes, we need to accelerate the redesign of patient care to future-proof the NHS for the decade ahead¹. The two Trust Boards believe strongly that we now need to merge and move to a single Board, budget and governance structure in order to maintain transformation at the pace required. Without merger, the positive colleague commitment built up to date is likely to unwind, and momentum for further integration and its consequent benefits will be lost.

Consideration of options

- 1.14 Six months into the alliance, in December 2017, the two Boards considered options for the future of their collaboration. The main options considered were to formalise the alliance with a joint oversight Board, or pursue a statutory transaction between the Trusts. The Boards concluded that the first option offered only incremental change and was not viable as it was not sustainable in the long term. Statutory transaction was therefore the preferred option.
- 1.15 The Boards considered and discussed with Yeovil District Hospital NHS FT (YDH) a three-way merger, but this was rejected on the grounds that YDH was seeking to maintain organisational independence within the structure of an Integrated Care

¹ NHS Long Term Plan, page 6.

System. It was also considered undesirable because of the complexity and risk of three-way mergers, and potential competition issues.

- 1.16 There is an urgent need to drive transformational change in the Somerset health system to improve care for the local population and address issues of financial sustainability. This context together with the existing groundwork already done under the alliance (including colleague readiness for integration), and the two Boards' willingness to merge means now is the right time to take forward our merger.

Fit with NHS Long Term Plan

- 1.17 Since we completed our Strategic Case, the NHS Long Term Plan has reiterated the national strategic direction towards integrated care, and set out the objective of establishing Integrated Care Systems (ICSs) across England by April 2021.
- 1.18 Our merger plans are fully aligned with the NHS Long Term Plan, and share the following strategic objectives with national and local priorities:
- a focus on population health, further integration of primary and community services and reduced pressure on acute emergency services;
 - strengthening our contribution to preventing ill health, tackling health inequalities and continuing to address the biggest killers and disablers of the population;
 - improving the opportunities available to colleagues for career development, training and flexible working;
 - harnessing the potential of digital technologies to empower patients and their carers to manage health;
 - realising greater efficiencies as a merged organisation than as separate entities, to make best use of our funding; and
 - paving the way for the creation of an Integrated Care System in Somerset.
- 1.19 The merger will allow us to achieve these objectives more quickly and more efficiently than would be possible as separate organisations.
- 1.20 Alongside our system partners, the two Trust Boards believe that ever closer system working is the right long-term solution for the people of Somerset. Although this case does not propose formal merger with YDH, we continue to work very closely with YDH, and are currently working with them to develop a model for sharing acute services in Somerset.
- 1.21 The Boards believe that by bringing together acute, community and mental health services the proposed merger of SPFT and TSFT actively enhances closer working with YDH. Since the proposed merger of SPFT and TSFT removes a key set of organisational boundaries in the county, it would also enable the STP to move with greater pace towards the creation of an ICS.

Vision for the merged Trust

- 1.22 We have developed a vision and mission for the merged Trust which emphasises outstanding patient care, a commitment to continuous improvement, and partnership working. Our vision and mission are supported by shared values developed under the alliance.

1.23 We want to provide better health care to the people of Somerset, and to do this we believe we need to formally bring together our community, mental health and acute services. This will allow us to increase the pace and scale at which we can integrate our services, and will remove the barriers that currently add unnecessary cost and delay to providing care.

Clinical model

1.24 Under our new clinical model we will integrate services to support better patient care and experience, and improve colleague satisfaction and well-being. Working with partners we will streamline and standardise patient pathways to remove duplication and inefficiencies. Patients, their families and carers will only have to tell their story once, and clinical and administrative approaches will be consistent to support improved patient and carer experience.

1.25 We will improve our support to people living with long-term conditions, and offer genuine parity of esteem for mental health and physical health conditions regardless of the setting in which a patient first presents. We will work closely with commissioners to devote a greater proportion of the merged organisation's budget to community and mental health services in line with the national strategic focus on prevention and care at home, in preference to hospital-based care.

1.26 We will play a key role alongside STP partners in developing the 12 planned Somerset neighbourhoods and 13 Primary Care Networks and align our community-based work and inpatient care with them. We will provide increased support and advice to primary care, improved community-based diagnostics, and work with partners to support prevention, self-management and early intervention to prevent escalation of health need.

1.27 Our clinical model for the merged Trust has four aims, set out below. We have already begun working up the detailed clinical integration projects through which we will deliver these aims:

- **Aim 1:** Provide safe, effective, high quality, person-centred care in the most appropriate setting.
- **Aim 2:** Deliver care closer to home in neighbourhood areas with an emphasis on self-management and prevention.
- **Aim 3:** Give equal priority to physical and mental health, and value all people alike.
- **Aim 4:** Improve outcomes for people with complex conditions through personalised, co-ordinated care.

1.28 Successful integration of patient pathways will require close collaborative working between all providers, including primary and social care, neighbouring Trusts and the voluntary sector. We have worked closely with partners to develop our initial plans and will continue to do so as we develop further detailed plans.

Enabling services

1.29 Significant transformation will be required to realise our vision for the merged organisation. We have developed a joint People strategy focused on recruiting, engaging and developing the diverse workforce needed to support implementation of the new clinical model. We recognise the need for a comprehensive approach to cultural harmonisation and change management, and have launched a shared set of

value and behaviours. We have also rolled out a joint leadership development programme aimed at harmonising culture, and supporting leadership and a culture of feedback at every level.

- 1.30 IT and Estates are key enablers to our clinical model. We are developing a programme of work to take forward integration of our IT systems in a way that allows our STP partners to link in to our systems. TSFT is a Global Digital Exemplar, and both Trusts continue to work with local partners on development of the Somerset Integrated Digital Electronic Record. We have also developed a joint Estates strategy for the merged entity to support delivery of the new clinical model, and a single governance framework to support clear accountabilities for the provision of safe, effective care.

Expected benefits

- 1.31 Our clinical model will deliver better health outcomes through, for example, earlier intervention for healthcare need, quicker progress through care pathways, and better support to patients to self-manage. Improved patient and carer experience will result from care provided closer to home, patient pathways that are easier to navigate, and greater emphasis on care provided in accordance with patients' wishes.
- 1.32 Merger will help us manage rising demand for services through fewer emergency attendances and admissions, and fewer outpatient appointments. We expect to secure these benefits as a result of increasing the care provided at neighbourhood level, integrating and streamlining patient pathways that span the two Trusts, and increasing advice and support to primary care. These changes will also drive improvements in our performance against constitutional standards.
- 1.33 We expect the merger to improve the wellbeing and motivation of colleagues through working in improved services, broader career opportunities, an enhanced training offer and a richer research environment. Since the creation of the alliance we have seen a reduction in our spend on agency nurses as a result of improved recruitment. However, we need to put our joint working on a permanent footing if we are to sustain early gains in the long term.
- 1.34 We expect our planned changes to benefit our system partners by reducing pressure on primary care, reducing social care costs and leading to fewer ambulance conveyances.
- 1.35 We are applying our proven Benefits Realisation Management approach to all our integration projects to help ensure we achieve the expected benefits.

Financial case

- 1.36 If SPFT and TSFT continue as separate organisations the financial performance for both Trusts is forecast to deteriorate, with SPFT moving to a deficit position in 2020/21. We forecast that by 2024/25, SPFT's deficit will be £3.2 million, and TSFT's deficit will be £15.4 million.
- 1.37 Merger of the two organisations creates opportunities to streamline patient pathways so they are more efficient and generate savings compared to the 'as is'. Reductions in emergency attendances and admissions, and outpatient appointments (compared to the levels we would expect without merger) will help us accommodate forecast growth

within existing resources. Savings will also be made from the consolidation of support services.

- 1.38 The merger is expected to deliver cumulative savings of £51.3 million over the five years to 2024/25. At least 60 per cent of these savings relates to future costs that we will avoid by accommodating forecast growth within our existing resources. From 2024/25, £19.3 million of these merger savings will be recurrent on an annual basis.
- 1.39 The proposed merger will create a financially sustainable organisation which is forecast to deliver a surplus from 2024/25, following a period of investment in the new models of care. Merging means TSFT's borrowing requirements will be £64.0 million lower over the five year period than in the 'no merger' scenario.
- 1.40 The estimated costs of the transaction are revenue: £1.7 million and capital: £1.0 million, which we will fund from our existing budgets. In addition, in the initial years post-merger we will reinvest some of the savings into the delivery of the new models of care.

Transaction execution

Legal route to merger

- 1.41 This is a merger of equals with the two Trusts coming together for the benefit of the people we serve. The Boards considered the options for effecting the merger (and took legal advice) and, for time and cost reasons, decided the preferred legal route is merger by acquisition, where SPFT acquires TSFT.

Board composition

- 1.42 The merged Trust will be called Somerset NHS Foundation Trust. We have developed a revised constitution which will come into effect at the point of transaction. The merged Trust's reconstituted Board will have Non-Executive Directors drawn from both SPFT and TSFT's legacy Boards. We have carried out a Board skills analysis to confirm we have the necessary skills to oversee the enlarged range of services provided by the merged Trust. The Trusts' existing joint executive team will transfer to the merged entity. We intend to hold elections to the Council of Governors of the merged Trust shortly after transaction date to ensure representation from the constituencies sets out in the revised constitution.

Plan to deliver transaction and integration

- 1.43 We have developed a detailed plan to deliver the transaction, which is owned by a named Executive Director and managed by a Programme Management Office. We have identified a wide range of projects focused on integrating individual clinical and support services across the two Trusts. TSFT has well-developed internal expertise in project management and benefits realisation which supports the identification and quantification of tangible and intangible benefits and ensures projects deliver the planned benefits. We are using this expertise to support individual integration projects as well as prepare for merger itself.
- 1.44 The joint executive team is overseeing the progress of the proposed transaction via an Integration Development Board. Key decisions relating to the proposed merger are

made by the two Trust Boards. The two Councils of Governors are sighted on progress via regular joint meetings. STP partners are kept informed through monthly Alliance Development Committee meetings, as well as other STP meetings. We have developed an integration risk register to identify and manage risks associated with integration of the two Trusts.

- 1.45 Subject to receiving the necessary approvals and support from our Boards, governors, regulator and local stakeholders, we plan to merge our Trusts in early 2020. Our timetable for merger aims to balance the need to move at pace for the benefit of local people, while also managing the risk of distraction from business as usual and potential deterioration in patient care.
- 1.46 As a result of alliance working, the two Trust Boards already have a good understanding of each other's work. At Executive level, this knowledge is detailed, since every member of the joint executive team has full access to the systems and records of both Trusts within their functional purview. For this reason, the Trusts undertook due diligence using internal resources, with the exception of Estates and Legal due diligence which were completed by external advisors.

Competition considerations

- 1.47 NHS Improvement has told the Trusts that the Competitions and Markets Authority does not intend to carry out a review of our proposed merger.

Conclusion

- 1.48 We are ambitious on behalf of the population we serve and want to transform the way we deliver services to improve the health of the population of Somerset. Together with our STP partners we want to better meet our patients' mental and physical health needs now and in the future. We will do this by providing integrated, holistic care, closer to patients' homes, with a focus on prevention and early intervention.
- 1.49 Although we have seen benefits from joint working under the alliance, merger enables us to take forward integration at a much greater scale and pace than is possible while we are two legal entities. The two Boards strongly believe that a merger of the two Trusts is an essential enabler to making these planned changes a reality within the timescale required.
- 1.50 The proposed merger of SPFT and TSFT will deliver substantial and lasting improvements to the health outcomes and experiences of the people we serve. The merger will also expand the professional opportunities available to colleagues, drawing on the strengths of both organisations and improving staff satisfaction. The merger will achieve these benefits while also saving money for the combined Trust and the wider system.
- 1.51 This Business Case and its supporting documents are the result of significant effort by a large number of colleagues and system partners. The Boards of both organisations would like to thank everyone who has contributed to the development of our merger plans.