NHS
Trust Development Authority

Torbay and Southern Devon Health and Care NHS Trust

Acquisition and Divestment Project Board Report

South Devon Healthcare NHS Foundation Trust business case submission

Evaluation and recommendations

Part One

South Devon Healthcare NHS Foundation Trust

Business case in support of the acquisition of Torbay and Southern Devon Health and Care Trust

Summary to Project Board

1. Overview

1.1 The business case submitted by South Devon Healthcare NHS Foundation Trust (SDHFT), in support of its bid to become the acquisition partner of Torbay and Southern Devon Health and Care Trust (TSDHCT), describes the case for the acquisition, the benefits to the local community, the ways in which services will be delivered differently in the future, and integration plans in support of this strategic agenda.

1.2 This paper provides a brief summary of the main points of the SDHFT business case, to support the evaluation report to the Project Board.

1.3 The expected outcome of the proposed acquisition would be the creation of a new single Integrated Care Organisation (ICO) providing integrated community and acute services to cover the geographical areas currently covered by the two existing trusts involved.

1.4 It is envisaged that the acquisition would enable further development of TSDHCT's innovative service delivery model, creating opportunities for stronger strategic partnerships with Devon County Council and Torbay Council, and with local voluntary sector organisations, to deliver improved outcomes for people.

1.5 The value for money (VFM) elements of the acquisition business case has been considered as follows:

- maximise benefits arising from delivering integrated care at pace through organisational consolidation;
- optimise economies of scale benefits from management integration;
- offer better VFM through better contracting arrangements.

1.6 These approaches are summarised under benefits realisation.

2. Current situation

2.1 SDHFT is a medium sized district general hospital with a full range of secondary care services.

2.2 TSDHCT operates an integrated health and social care model in the Torbay area (providing and commissioning adult social care Torbay) and is responsible for providing community health services in Torbay and Southern Devon. The two organisations already work in close partnership, and with

other organisations within the health and social care community. Currently the two Trusts share several back office functions to include IT, HR and estates.

2.3 SDHFT cites two of its three options, given TSDHCT's decision to divest as follows:

- no acquisition or merger;
- creating an ICO.

2.4 SDHFT concluded creating an ICO was the preferred option to ensure the best possible provision of a full range of services to local people.

3. The New Integrated Care Organisation

3.1 The new ICO would be formed as a result of the acquisition, with a vision:

'to become the best provider of health and social care services, delivering excellence in all that we do'

3.2 The proposed strategic objectives based on an ethos of wellbeing, quality, partnership and value would be to:

- promote the health and wellbeing of individuals and communities;
- provide high quality health and social care, at the right time in the right place;
- work collaboratively through partnerships to develop and improve services;
- provide best value.

4. Key Milestones and timescales

4.1 The SDHFT acquisition business case has been evaluated to the agreed process, involving key stakeholder organisations, staff, and stakeholder representatives.

4.2 Subject to the support of Torbay Council, South Devon and Torbay Clinical Commissioning Group and Torbay and Southern Devon Health and Care Trust, the NHS Trust Development Authority can approve the status of preferred acquirer, on the basis of completion of a business transfer agreement and articulation of a compelling case for change, to be reviewed by the NHS TDA Board in September.

4.3 Further to this stage the business case can be reviewed by Monitor (the Independent Regulator for foundation trusts), with this process likely to take several months.

5. Benefits Realisation/ Key impact of the business case

Strategic Impact

5.1 The business case states one of the key reasons for this acquisition as the likeness of the two trusts' vision and strategic objectives, and the proposed ICO being consistent with national policy, to include the drive for 'seamless care' (The Clinical Cabinet).

5.2 The other key reason cited is building on existing and successful integrated services and management arrangements, to maintain the momentum of change at a pace and scale exceeding that of other partners.

5.3 It is proposed that the ICO will simplify contracting arrangements, allowing greater flexibility and effective use of resources, and support a stronger network of alliances with partner providers. This in turn will facilitate resilience and quality within other local providers, and create an environment in which more people are cared for closer to, or at, home, even as the complexity of their needs increases.

5.4 The ICO will continue to move away from a 'disease based model' of service delivery to a more holistic joined up model of health and social care, with a re-ablement/ restorative focus and a capacity-building approach. The key aim will be to develop and improve individuals independence and well supported self-care, whilst recognising there is a time when intensive medical intervention is the best course of action, to ensure people stay as active as possible for as long as possible and take responsibility for their own health and wellbeing.

Patient Impact

5.5 The single ICO would provide services for a combined population 675,000 covering Torbay, parts of Teignbridge, South Hams, West Devon, Kingsbridge and Tavistock.

5.6 With a population of 35% over the retirement age, age related conditions, including dementia will increasingly be more prevalent.

5.7 Additionally the population has specific pockets of deprivation (high teenage pregnancy; smoking; drinking; domestic abuse) and vulnerability (bereaved/ separated elderly), with a potential for Torbay to be one of the most affected areas by welfare reforms, leading to 37% of its population living on the edge of poverty.

5.8 The tangible benefits of an ICO as described in the business case are the further lowering of hospital death rates and non-elective lengths of acute stay. The ICO will achieve this by focusing on delivering care in the most

appropriate setting, with the removal of organisational barriers between community healthcare, social care and acute care.

5.9 The ICO's care strategy is stated as fundamentally reviewing the system around the person and redesigns it to meet their needs, as well as providing the service at lower cost and improved quality.

Quality & safety impact

5.10 The aim of ICO will be to strengthen quality by focusing on removing variation in care and improving the continuity and consistency of care, particularly as people move between services. Quality would be measured and improved across the entire system, adding real value and seamless governance.

5.11 The new ICO will develop innovative ways of reducing inequalities in access to services as well as a focus on the most vulnerable groups within the populations (people with dementia; learning disabilities; children/adults at risk).

Service delivery impact

5.12 The ICO care strategy will see a fundamental shift in focus and resources to support people as close to home as possible, these include:

- re-ablement and shifting care from acute to community settings;
- medical support to care homes;
- caring for orthopaedic patients in community hospital settings;
- improved care and reduced acute admissions for heart failure;
- integrated dementia care to include early diagnosis/ intervention and support in or near home;
- enhancing intermediate care to manage cases of increased complexity and severity in community settings;
- fracture liaison service to support reduced incidence/ admissions for falls;
- better co-ordination/ multi-disciplinary working when caring for troubled families to ensure interventions are not in isolation
- flexible staffing to support patients in the right place at the right time.

5.13 This care strategy will be supported in its delivery by five key enablers:

- partnership working with a provider network;

- estate development to provide services in local communities in the future;

- IT development to facilitate data sharing between primary, secondary, community and social care;

- workforce – in terms of creation and fostering of a new organisational culture;

- financing - as an FT new ICO would be in a position to secure an additional £12m of capital funding over the five year period.

Workforce Impacts

5.14 The new ICO will have a workforce model of joined up professional practice with further integration of health and care teams and closer working relationships with primary care. This will require a flexible workforce to deliver care in the right place/ time and will reflected in a shift of resources from acute to community settings and a reduction in workforce numbers, while also extending the hours during which some services are available.

5.15 Workforce efficiencies from the ICO will comprise of 'back office' functions that do not currently a shared service arrangement, as well as wider management structure review to remove duplication.

5.16 The workforce of the ICO will have a total reduction of 2.31% (116.56 WTE) by 2017/18 and comprises of a net reduction of 4.59% administrative and clerical; 2.1% registered nurses; 3.78% non registered nursing/support staff. The registered and non-registered nursing staff reduction directly relates to a reduction of 56 acute beds.

5.17 Reductions in numbers of staff in clerical roles will be managed by vacancies and redeployment, whilst clinical staff will be incrementally reduced over a four year timescale.

Value for money

5.18 This is summarised in three areas as follows:

- Service activity – represented by a reduction in capacity of two acute wards, and a release in capacity in community hospitals. This would equate to a projected total of 30,835 bed day savings by 2017/18 (21432 acute and 9403 community bed days);

- workforce – as described in points 5.14 – 5.17, financial savings will be achieved from further integration of back-office staff and a shift in staff towards community based services;

- financial impact of integration which encompasses the workforce element above is said to equate to £35.7m, (£22m net as offsets transaction and transitional costs), over the first five years of the plan and also includes estate rationalisation and a simplified contracting model.

Key drivers

5.19 TSDHCT is a key care partner of SDHFT so divestment of TSDHCT other than via an acquisition by SDHFT would lead to variable sustainability of service delivery for SDHFT

5.20 The demographics of an aging population increases demand for health and social care which an ICO would be better placed to deliver

5.21 Acquisition of TSDHCT by SDHFT is forecast to deliver economies of scale regarding budget pressures through efficiencies so avoiding duplication and fragmentation to create economical and efficient care systems

6. Financial Implications of the business case

6.1 There are three main income streams for the two trusts:

	Source of Income	**Income in £**
	NHS Commissioning (Acute)	£205m
	NHS Commissioning (Community)	£82.6m
	Torbay Council (Social Services partnership agreement)	£43.3m
Total Income	£330.9m	

6.2 The business case presents a model of vertical integration, and is said to afford opportunity for significant savings through pathway redesign. The model describes a £1.5m surplus in 2014/15 (post non recurrent costs), rising to £12.9m in 2018/19. The increased surplus is associated with improved profitability of the Pharmacy Manufacturing Unit (PMU) subject to its planned expansion.

6.3 The assumptions behind the financial model are as follows:

- income from Local Authority commissioners at a reduced 3% per annum;

- income from health commissioners at 0.6% rise per annum in 2015/16 then 2.3% thereafter, which has been agreed with South Devon and Torbay CCG (commissioner). The CCG has also agreed to the allocation of non-recurring headroom funding of circa £4m for each year of the plan;

- a rise in pay costs for both NHS staff and adult social care staff has been assumed of 3% per annum, (2% pay award/ 1% incremental cost).

6.4 In the long term the business case envisages the new ICO would plan to target general efficiency savings at around 3% per annum. This is acknowledged in the business case as below NHS and local authority norms but is felt to be more realistic for the proposed new organisation and is in addition to the specific savings from the merger synergies (£22m net over the 5 years).

6.5 The business case states that this targets savings at a higher level than is required to deliver the surplus position set out in the business case financial model, which enables creation of development reserves of around £9m per annum after five years. This is viewed in the business case as creating flexibility to invest in the future and having a pool of funding to effect change and continually adapt services to meet future needs. This includes investing in partnership with health and social care commissioners in jointly agreed schemes to improve health and well being in the medium term and reducing reliance on bed based care in the longer term.

6.6 The finance plans for the ICO have been developed on a flexible 'total funds available' approach supported by joint contracting arrangements with the main health and social care commissioners. Allowances will be sought for local tariffs to match the service delivery model spanning health and social care, that as a minimum cover cost plus a reasonable margin from the provider perspective, which commissioners have accepted in principle.

7. Conclusion/ Summary

7.1 It is stated in the business case that both trusts' visions and strategic objectives reflect a clear commitment to integrated working, which the acquisition would facilitate in terms on a new ICO.

7.2 The business case forecasts financial saving from the acquisition and establishment on a new single organisation, whilst enhancing patient quality and care and continued value for money.

7.3 Additionally the business case indicates that without acquiring TSDHCT that SDHFT with have issues with sustainability of some services due to their interdependency with TSDHCT.

7.4 Finally integrated care delivery is the core business of TSDHCT, and is fully supported by the SDHCT business case and the development of an ICO.

Part Two

Project Board evaluation report and recommendations

1 Introduction

1.1 Torbay and Southern Devon Health and Care NHS Trust (TSDHCT or the Trust) is a community provider serving a population across Torbay and South and West Devon. It provides integrated health and social care specifically for the Torbay population. In May 2012 the TSDHCT Board decided to discontinue its foundation trust application and, in agreement with its commissioners and the South of England Strategic Health Authority (NHSSE), to seek a suitable NHS Foundation Trust to acquire the business by way of statutory transfer.

1.2 Until 31 March 2013 NHSSE was the Authority for purposes of this Divestment, after which time the responsibility moved to the NHS Trust Development Authority (NHSTDA).

1.3 In July 2012 a TSDHCT Acquisition and Divestment Project Board was established, comprising senior representatives from NHSSE, TSDHCT, and its main commissioners. The Senior Responsible Officer for the TSDHCT Acquisition and Divestment Project is Lisa Manson, previously Director of Performance West for NHSSE, now Portfolio Director (South) for the NHSTDA. The Project Manager for the TSDHCT Acquisition and Divestment Project is Pauline McCluskey, who has a dual role with the divesting Trust and the TDA. Table 1 gives the core membership, which has been supplemented by other stakeholder organisation representatives as required.

Table 1: TSDHCT Divestment Project Board – core membership

Name	Job Title	Organisation Representing
Lisa Manson	Portfolio Director (South)	NHS TDA
Pauline McCluskey	Project Manager	NHS TDA/TSDHCT
Sam Barrell	Accountable Officer	South Devon and Torbay CCG
Caroline Taylor	Chief Operating Officer and Director of Adult Social Care	Torbay Council
Jennie Stephens	Strategic Director People	Devon County Council
Pam Smith (until 31 March 2013)	Director of Transition	PCT Cluster of Plymouth, Devon and Torbay
Anthony Farnsworth, and subsequently, from November 2012, Mandy Seymour	Chief Executive	Torbay and Southern Devon Health and Care Trust

Carole Self, and subsequently, from July 2013, Helen Thorn	Company Secretary	Torbay and Southern Devon Health and Care Trust

1.4 The Project Board approved a phased competitive selection process, with applications invited from existing foundation trusts only. Only one bidder, South Devon Healthcare NHS Foundation Trust (SDHFT), submitted a completed Pre-Qualification Questionnaire, which was successfully shortlisted.

1.5 Agreement was initially reached via NHSSE and the NHSTDA that SDHFT would move to submission of a full business case, by 31 March 2013. This submission date was subsequently extended to 31 May 2013. The intention was that the full business case could be produced with the involvement of senior members of the TSDHCT team, who would work alongside SDHFT colleagues on each of the work streams, giving the SDHFT team the opportunity to draw on the experience and knowledge of staff familiar with a community based organisation, delivering integrated health and social care. This approach was agreed on the understanding that a separate rigorous assessment process was planned and implemented, such that the bid would be evaluated as if still in a competitive process. It was also agreed that those TSDHCT team members involved in the detailed development of the business case could not therefore be involved in the evaluation process.

1.6 A set of evaluation criteria was developed, against which the SDHFT bid would be assessed. Early work on the criteria had been completed at the PQQ stage, such that themes were outlined in the document. The criteria were published in the Invitation to Submit a Full Business Case, and are contained in this document in Section 4.

1.7 Following the South Devon Healthcare NHS Foundation Trust (SDHFT) submission of its full business case on 31 May 2013, an evaluation process was conducted as outlined in Section 2. A summary of the business case itself

2 Evaluation process

2.1 Further to receipt of the SDHFT business case, via the NHS TDA, and the necessary checks in regard to essential information and sign off by SDHFT officials (legal and regulatory requirements, and declaration), the document was distributed to evaluation panel members.

2.2 Panels were configured to evaluate each criteria heading. In some instances, where there was obvious synergy between headings, these were combined, though each element was still scored separately. As far as possible, each panel had membership from Torbay Council, South Devon and Torbay CCG, TSDHCT and the NHSTDA. The detailed composition of each panel is described in Section 3. During the panel meetings each member was given the opportunity to comment on their individual evaluation of the relevant sections of the business case, after which time the chair of the panel obtained consensus on a panel score for each element.

2.3 A clarification meeting was held in regard to some elements of the finance submission. This was a normal part of the process, and essential to ensure that SDHFT could achieve convergence with the commissioning organisations financial plans. This was achieved.

2.4 As part of the assessment process, senior members of the SDHFT team attended three meetings, at which they gave a presentation of the bid, and responded to questions. These meetings were with Torbay Council cross-party working party, a joint meeting of the Project Board and TSDHCT Board, and a staff and stakeholder representative group. Attendees at these meetings conducted a scored assessment, as part of the overall evaluation process. The staff and stakeholder evaluation concentrated on two headings, workforce and leadership, and benefits to service users, carers and relatives.

2.6 Subsequent to the individual meetings a consolidation meeting was held, again with representation from each organisation, and each individual panel. This afforded an opportunity to ensure consistency of approach, and clarification of any outstanding issues.

2.7 The individual evaluation panel assessments and presentations followed a scoring and weighting system as described in Table 2 overleaf:

Table 2: Scoring and weighting

Section	Heading	Maximum score	Section weighting
A	Organisational values and aspirations	80	11%
B	Quality and safety	60	11%
C	Service delivery and framework	70	11%
D	Leadership and workforce	70	11%
E	Integration plans (i.e. bringing the two organisations together)	50	11%
F	Partnership and engagement	70	11%
G	Benefits to service users, carers and relatives	60	11%
H	Finance, productivity and value for money	60	11% (Plus pass/fail elements)
I	Legal and regulatory	n/a	Pass/fail
J	Declaration	n/a	Pass/fail
n/a	Bidder presentation to Torbay Council elected members	80	4%
n/a	Bidder presentation to general stakeholder group (staff, voluntary sector, carers)	120	4%
n/a	Board to Board	80	4%

3 Panel configuration

3.1 Panels were convened with representation from the NHS TDA, the Trust, Torbay Council and South Devon and Torbay CCG, with the intention of achieving a balance between local knowledge of the health and social care system with objectivity and experience of previous assessment processes. A TSDHCT Non-Executive Director (NED) was involved at each panel, for the purposes of Trust Board assurance.

3.2 Where there were obvious links between criteria headings, panels were configured to bring the evaluations together. This was the case with organisational values and aspirations/service delivery and framework and workforce and leadership/integration plans.

3.3 Quality and safety

Name	Job title	Organisation
Lisa Manson	Portfolio Director	NHSTDA
Debbie Stark	Director of Public Health	Torbay Council
Elaine Hobson	Associate NED	TSDHCT
Sarah Hughes	Head of Quality (South)	NHSTDA
Sue Ball	Assistant Director of Professional Practice	TSDHCT
Elaine Hobson (in attendance)	Associate Non-Executive Director	TSDHCT
Adam Morris (in attendance)	GP representative	CCG

3.4 Leadership and workforce/Integration plans

Name	Job title	Organisation
Andrew Cooper	Non-Executive Director	TSDHCT
Louise Hardy		CCG
Pat McDonagh	Assistant Director for Southern Community Hospitals	TSDHCT
Mandy Seymour (Chair)	Chief Executive	TSDHCT
Julie Blumgart	Clinical Quality Director (South)	NHSTDA
Jo Roberts	Clinical Lead for Innovation, Communication and Engagement, Medicines Optimisation	CCG

3.5 Organisational values and aspirations/Service delivery and framework

Name	Job title	Organisation
Jon Andrewes (Chair)	Chair	TSDHCT
Phil Heywood	Assistant Director – Strategic Development	TSDHCT
Anne-Marie Bond	Executive Head of Commercial Services	TC
Simon Tapley	Director of Commissioning	CCG
Mandy Seymour	Chief Executive	TSDHCT
Pauline McCluskey	Project Lead	NHSTDA/TSDHCT
Jo Roberts	Clinical Lead for Innovation, Communication and Engagement, Medicines Optimisation	CCG

3.6 Finance

Name	Job title	Organisation
Tim Tamblyn	Non-Executive Director	TSDHCT
Louise Wellesley	Finance Manager	TDA
Kaye Bentley (Chair)	Head of Financial Planning	TDA
Nicky Mowatt	Senior Business Consultant	TDA
Simon Bell	Chief Finance Officer	CCG
Paul Looby	Executive Head – Finance	TC

3.7 Partnership and engagement

Name	Job title	Organisation
Elaine Hobson	Associate Non-Executive Director	TSDHCT
Anne-Marie Bond	Executive Head of Commercial Services	TC
Debbie Stark	Director of Public Health	TC
Lisa Manson (Chair)	Portfolio Director	TDA
Simon Tapley	Director of Commissioning	CCG
Sarah Hughes	Head of Quality (South)	TDA
Sam Barrell	Chief Clinical Officer	CCG

3.8 Benefits to service users, carers and relatives

Name	Job title	Organisation
Mark Procter	Director of Corporate Affairs	CCG
Julie Foster	Assistant Director	TSDHCT
Pat McDonagh	Assistant Director for Southern Community Hospitals	TSDHCT
Lisa Manson (Chair)	Portfolio Director	TDA
Sarah Hughes	Head of Quality (South)	TDA
Paul Mills	Associate Non-Executive Director	TSDHCT

Key to organisations

TSDHCT	Torbay and Southern Devon Health and Care Trust
TC	Torbay Council
CCG	South Devon and Torbay Clinical Commissioning Group
TDA	NHS Trust Development Authority

4 Criteria

4.1 During the early stages of the project a Stakeholder Engagement and Communications Strategy was approved by the Project Board. This strategy provided the framework within which the evaluation criteria were developed. A series of meetings was held with staff, and with stakeholder representatives, to develop the thinking, and an iterative process created a set of statements, under the headings below. (The general considerations in relation to finance were incorporated into other headings as appropriate, with the finance evaluation itself taking a standard structured form, to ensure compatibility with the Monitor (Independent Regulator for Foundation Trusts) process, to come at a later stage.) The work was reported regularly to the Stakeholder Engagement and Communications Subgroup, the Project Board, and the three key stakeholder organisations.

4.2 Section A - Organisational values and aspirations

- Existing values and aspirations that are compatible with those of TSDHCT.
- Organisational development plans to fully align the two organisations cultures, demonstrating understanding and recognition of TSDHCT strengths and achievements
- Plans demonstrating the intention to further develop the Torbay model of integrated health and social care, making best use of expertise and building on the existing reputation of the Trust as a leader in the field
- Plans demonstrating the continuation and development of current partnership arrangements (with Local Authorities, primary care, GPs,

the voluntary sector etc), to ensure consistency in service delivery during the transition and the capacity to work in whole system partnership to design models of care delivery to fit population needs well into the future
- Plans demonstrating the capacity and capability to modernise and innovate beyond current models of care.
- Integration plans that demonstrate a willingness to enter into a partnership with TSDHCT, recognising the benefits of acquisition for patients, users and carers, and for staff, beyond the typically quantitative measures.
- Integration and OD plans that facilitate the retention and development of Trust staff expertise
- Plans for a Board and senior management configuration that are properly representative of new organisation's profile

4.3 Section B - Quality and safety

- A strong track record on the full range of quality indicators for the secondary care sector, with evidence over several years of priority setting, initiatives and outcome measures that have brought about improvement, consistent with national and local priorities.
- An understanding of quality indicators as they apply to community and social care settings, and a demonstration of how these will be aligned with existing practice and adopted within the new organisation, taking account of best practice in community and social care settings (to complex care for example)
- A good understanding in regard to the statutory responsibilities for the delivery and commissioning of adult social care.
- Summary, with evidence from CQC and other inspection reports, Serious Incidents Requiring Investigations and safeguarding concerns, plus any other areas of recent concern or investigations, demonstrating the ability of the bidding organisation to deliver quality, keep people safe, and its responsiveness to serious lapses or incidents. Explain how any outstanding issues are being addressed, what learning will be taken forward.
- Describe how TSDHCT governance processes will be assimilated to ensure the merged organisation has an equitable distribution of resources and focus community and secondary care issues
- Demonstration of openness, transparency and patient/user focussed outcome measures in relation to safety and quality
- Provide evidence of early learning from the Francis Report 2013[1], and the ways in which the newly configured organisation will reflect the

[1] Report of the Mid Staffordshire NHS Foundation Trust Public Inquiry, Chaired by Robert Francis QC, February 2012

main recommendations of both Winterbourne View Report 2012[2] and the Francis Report in relation to communication, culture, quality and safety on a whole organisation basis.

4.4 Section C - Service delivery and framework

- Obvious links between vision, strategy and service delivery plans for the newly configured organisation
- Plans that evidence an organisational approach in which community provision has equal status with the bidder's existing service portfolio, at all levels in the organisation
- Service delivery plans that are organised and managed to ensure strong links with local communities, demonstrating a thorough understanding of a good whole system pathway for people with complex health and social care needs and what part the merged organisation would play in delivering this.
- Understanding of the distinct role and function of adult social care for each of the Torbay and South Devon catchment areas
- A model of service delivery that maximises the opportunities for care as close to home as possible and reduces the reliance on bed-based services, with examples of existing good practice and innovation.
- Plans that address the challenges of delivering services over a wide geographical area
- Description of priorities for improvements in service quality, productivity and value for money across the TSDHCT range of services, demonstrating a clear understanding of each service area, and alignment with national and local priorities

4.5 Section D - Leadership and workforce

- Review of bidding organisation's Board configuration (both executive and non-executive director) and senior management structure, demonstrating that the composition of both fully represents the constituent parts of the newly configured organisation post acquisition, and that TSDHCT expertise is retained at a senior level
- Integration plans that demonstrate an understanding of the TSDHCT management and workforce by team and function, and how the bidding organisation will align these with its existing structure.
- Integration plans that recognise the new service portfolio as a whole, with all elements contributing to the health and wellbeing of the population it serves
- A workforce strategy, linked to the service delivery model, that demonstrates the movement of staff resource from the acute to the community setting, to support the emphasis on care delivered closer to home

[2] Transforming care: A national response to Winterbourne View Hospital. Dept of Health Review: Final Report, December 2012

- Existing excellent track record as an employer of choice, responsive to staff, with a strong emphasis on organisational and individual development
- Organisational development strategy that supports the integration plans and demonstrates the key benefits of the acquisition to staff in both organisations, highlighting specific outcomes, timeframe, risks and mitigation
- Torbay Council will expect appropriate representation of elected members, with a description of how it will ensure involvement of Torbay elected members at the Board of Directors in the context of Monitor requirements, and the ways in which elected members will be engaged in the business of the new organisation to the extent that they receive sufficient assurance of well commissioned and delivered social care services, as the integration model continues to develop.

NOTE: Torbay Council may also wish to explore the potential for the formation of a Partnership Governance Board, with membership from the new organisation, to fully explore governance/assurance issues in relation to social care delivery, and the interdependency between social and health care delivery.

4.6 Section E - Integration plans

- A vision for how the merged organisation will look in three years' time, compared with the two current separate organisations, highlighting key activities by 100 days, one year, two years and three years, to achieve this change
- A plan that demonstrates involvement of TSDHCT staff, by service area, at all levels in the merged organisation, pre-and post-target acquisition date
- A thorough understanding of the roles of staff not traditionally linked to health care provision, and the practicalities of health and social care integration.
- A mobilisation plan covering the appointment as preferred bidder to transfer date (August 2013 to February 2014) covering proposed transitional governance arrangements, a detailed organisation chart describing key project roles, and description of the resources you will commit during the Mobilisation Period, a description of the principal risks associated with the statutory transfer and integration of services and the mechanisms for managing these risks (e.g. risk identification, evaluation, reporting, treating, monitoring etc.).
- Confirmation of the steps taken by the Bidder Trust Board to satisfy itself that Monitor's requirements (including as set out in the Compliance Framework) can be met in relation to the transfer.

4.7 Section F - Partnership and engagement

- Demonstration that the bidding organisation frames future business in the context of the health and wellbeing of the population it serves, with all elements being designed to ensure the best possible outcomes for users, recognising the distinction between the Torbay and Southern Devon areas, and the maintenance of relationships in each.
- Description of existing key partnerships for the bidding organisation, explaining how these have been developed, and how they have contributed to service development, ensuring strong governance and accountability is in place, and how they would be extended to contribute to a successful integration with TSDHCT
- Description of bidding organisations current approach to working with Clinical Commissioning Groups, and how this will be extended with the integration of TSDHCT services
- Description of bidding organisations current approach to working with Local Authorities, and how this will be extended with the integration of TSDHCT services
- Strategic directions and a business model that demonstrate a collaborative and outcome based approach with all partner organisations (LAs, voluntary sector, GPs etc), with an understanding of the potential to extend this partnership approach beyond the existing health and social care framework
- Detailed description of the current level of engagement and involvement of governors and members in the work of the organisation, with examples of ways in which they have influenced strategic development and service change respectively, and how this will be specifically extended to the TSDHCT demographic
- Fully worked up plans describing the changes to membership and make-up of the Council of Governors to properly represent the new demographic, linked to Patient and Public Involvement work, and encompassing the relevant membership recruitment, governor elections and communications approaches

4.8 Section G - Benefits to service users, carers and relatives

- Track record of service improvement and patient/user involvement (linked to Governor and member activity in Partnership and Engagement)
- Describe the key benefits the bidding organisation would expect the acquisition of TSDHCT to bring to TSDHCT's service users, carers and relatives, over and above those which would be achieved through existing health and social care community joint working. Provide an outline of the timeframe in which it is anticipated these benefits will be realised (short, medium or long term) and the rationale for this
- Describe the specific benefits that the proposed integration with TSDHCT will deliver for people with complex health and social care

needs. Outline the key risks to the benefits realisation plans and describe the arrangements to be put in place to mitigate them.

- Description, with supporting reasoning, of how completion of the divestment to the bidding organisation will retain patient choice. If completion of the divestment may lead to a loss of patient choice in some areas, describe the proposals for benefit realisation which could outweigh such a loss
- Plans for the allocation of resources, the exploitation of opportunities and development of relationships specific to the various localities that make up the area that TSDHCT currently serves. This will be particularly important in the context of the levels at which relationships with GPs are developed and managed.
- Demonstration of ways in which patient and user choice will be preserved within the newly configured organisation, (e.g. between teams, consultants, methods of treatment and intervention).

4.9 Section H - Finance productivity and value for money

Historic Financial Performance

1 Please submit your most recent Annual Plan (2013/14) and confirm that it remains the plan against which you are measuring performance and reporting to Monitor. If a revised plan has been agreed with Monitor, please submit this with an explanation of the revision. **(pass/fail)**

2 Please provide copies of your Q4 financial monitoring submissions to Monitor including commentary. If there are any material changes in the reported position since submission to Monitor please identify these and provide an explanation. Please also supply copies of any exception reports relating to finance submitted to Monitor during 2012/13. **(pass/fail)**

3 Please provide details of your Cost Improvement Plans (CIPs) and details of achievement of the CIPs for 2020/2011, 2011/12 and 2012/13 split by major type and give examples of where CIPs in your organisation have been delivered through:

a) productivity;
b) innovation; and
c) quality improvement.

For 2013/14 provide details of your CIP plans (and actual achievement to date). For all years these should identify separately recurrent and non-recurrent savings. Where actual recurrent savings are for part of the current year please show the forecast full year effect for 2013/14. Please distinguish between improvements that deliver cost reduction and improvements that that rely on increased income. Where there are variances between planned cost improvements and actual improvements delivered (whether positive or

adverse) these should be explained, again distinguishing variances in cost reduction and income generation.

Financial Forecasts

4 Please advise whether Monitor has been notified that your organisation is considering any other major investment as described in Monitor's Compliance Framework 2012/13 (or most recent version if this is superceded within the submission timetable). If a notification has been made please provide copies of the notification and any accompanying financial analysis. **(pass/fail)**

5 Please provide a Monitor LTFM for the merged organisation showing 2013/14 forecast outturn, part year impact of the transaction for 2013/14 plus 5 years post acquisition operations. As well as the new combined entity the LTFM should clearly identify separately the impact of the acquired services. **(pass/fail)**

6 Please provide the key assumptions used in the LTFM. These should distinguish between assumptions in respect of the Bidders' existing services and assumptions in respect of the acquired TSDHCT services where these are different. This should include the identification of any savings assumptions and CIPs made in order to achieve an acceptable financial risk rating (FRR). If savings are required to achieve an acceptable FRR please indicate whether you have identified areas where you consider such saving could be made, what those areas are, and any estimates of the savings that you have made. Where savings have been identified please provide a detailed analysis identifying your CIPs and the extent to which these relate to your existing services and to TSDHCT services.

Details of other key assumptions made within the LTFM should include:

a. NHS income inflation
b. other income inflation
c. income growth/reduction assumptions supported, where appropriate, by activity assumptions including details of the assumed impact of any 'demand management';
d. assumptions in relation to projected CQUIN income and any investment requirements;
e. pay costs inflation;
f. pay cost pressures (agenda for change, consultants, contract, EWTD);
g. service developments and other key drivers of projected trading performance.
h. any planned asset disposals;
i. any significant capital expenditure anticipated over the projected period;

j. key working capital balance assumptions (e.g. debtor days, creditor days etc.) and rationale for the assumptions made;
k. required CIP savings targets supported by plans for the delivery of required targets (including the identification of recurring and non-recurring savings);
l. acquisition and implementation costs and funding for these costs;
m. clinical supplies and consumables;
n. other material costs categories e.g. estates;
o. marginal cost assumptions;
p. QIPP assumed within projection period; and
q. details of any PFI/LIFT schemes and funding requirements (where applicable).

All assumptions should be consistent with responses provided in respect of other sections of the business case e.g. service delivery, workforce and support functions.

In constructing your LTFM for the merged entity you should assume that:

a. the business transfer will take place on 1 February 2014;
b. the TSDHCT forecast outturn for 2013/14 is a surplus of £765k with a turnover of £136m; Additional details can be found in the model LTFM which has been populated with 2013-2014 data, and via a Finance Directors briefing, to be arranged;
c. current NHS South of England /TSDHCT planning assumptions for 2013/14 and 2014/15 are set out below:
    i. Tariff inflation - 2.7.% applied to all services.
    ii. Tariff efficiency - 1.3% i.e. net tariff reduction of ..4.0%.
    iii. Pay awards – 1.0 % uplift for 2013/14, 1.0% uplift for 2014/15

If these assumptions are not used in respect of the TSDHCT services please provide an explanation and justification of any alternative assumptions used.

Copies of any output from any independent due diligence commissioned/undertaken by you on the combined LTFM and on your 'Post Transaction Integration Plans', that may have already been undertaken at the time of the submission of your business case should be provided (where applicable).

7 Unless clearly demonstrated in the information supplied under 6 above please provide your latest forecast of the impact on your financial risk rating of acquiring the TSDHCT services and confirm, with supporting explanation, that your Board feels comfortable it will be able to complete the Acquisition following Monitor's processes as contained in its Compliance Framework. For each of the next five financial years (2014/15 to 2018/19) you should provide forecast risk ratings for:

a. EBITDA margin
b. EBITDA % achieved
c. ROA

d. I&E surplus margin
e. Liquid ratio;
f. Weighted average and
g. Overall rating.

In the event the overall rating has been adjusted by application of any of the overriding rules please identify this and provide an explanation. **(pass/fail)**

8 Details of your 'downside' case along with any mitigations identified to offset or manage the impact of the identified 'downside' scenario. **(pass/fail)**

9 Please describe the main areas where you consider that you will be able to achieve efficiencies and synergies as a result of the acquisition and the process you would use to identify and quantify these. You should include an estimate of the likely values and timescales for the delivery of any efficiencies and synergies. Please identify acquisition and implementation costs that you expect to be incurred in managing the acquisition and integration and how these will be funded.

10 Please describe your plans for extracting maximum value from TSDHCT's estates.

11 Please describe the application of service line management and reporting in your organisation, with particular reference to the apportionment and management of support service and overhead costs, and outline how you will apply the lessons learnt to the acquisition and integration with TSDHCT.

12 Please outline your approach to ensuring the organisation remains competitive on price and quality in the social care market.

5 Evaluation results

5.1 The scoring for individual elements of the bid was achieved by awarding points, 0 – 10, in multiples of two, for each element, as outlined in Table 3.

Table 3: Scoring matrix

Number of Points	Definition for scoring
0	Question not answered or attempted.
2	Question attempted but answer provides little or no relevance to meeting the competence of the question.
4	Question answered however some information missing to give assurance of compliance.
6	Question answered to an acceptable standard that would meet our requirements.
8	Question answered to a good standard that would meet our requirements.
10	Excellent standard answer meeting or potentially adding value to our requirements.

5.2 Guidance indicated a score of 0 or 10 was considered unusual, with the expectation that a detailed rationale would be provided for awarding such a score. Scoring was therefore anticipated to be in the middle range, 2 – 8.

5.3 Overall, taking all elements into account, the SDHFT business case achieved a pass, that is with a score falling in the middle of the anticipated range.

5.4 The Project Board considered several issues in relation to the evaluation

- The local health and care environment, the Torbay model of integration of health and social care, and the consistently high level of inter-organisation co-operation has been nationally recognised for several years. This approach has most recently been progressed under the guidance of the Joined Up Health and Care Cabinet, with representation from all stakeholder organisations. It is therefore more challenging to fully demonstrate benefits over and above those that are currently achieved, if the acquisition was completed and the creation of an Integrated Care Organisation was taken forward.

- Similarly, in the context of national policy and agenda, with the rapidly changing understanding of the importance of integration, it has been inevitable that there would be gaps in the business case, in relation to being able to clearly articulate the full range of possible benefits. This would have been the case with any bidder, had the process elicited a greater number of shortlisted organisations. This is because the full potential cannot genuinely be known until after the acquisition takes place, and all possible opportunities explored, once organisational barriers are removed, contracting and budgetary arrangements are reviewed, and different relationships developed.
- During the latter stages of the development of the business case, communities such as Torbay and Southern Devon were asked to submit a bid to become a pioneer site, as part of initiative fostered by Norman Lamb MP, Minister for Care and Support. The intention of this project is to create several pioneer areas to support delivery of integrated care at scale and pace, by encouraging local innovation and experimentation. Whereas it was not possible to reflect the aims described in the bid for pioneer status in the SDHFT business case, it is now well understood within the health and social care community that the community-wide strategic ambition is to achieve the aims and objectives of pioneer bid.
- If conferred, pioneer status will not only support the creation of an Integrated Care Organisation, but will provide a framework and outcome measures against which the early development of the ICO and the benefits to local people can be clearly articulated and measured.

6 Project Board recommendations

6.1 Having reviewed all elements of the evaluation process, and considered the context as described in 5.4, the Project Board has made the recommendation that the SDHFT bid to become the acquisition partner to TSDHCT can successfully move to the next stage in the evaluation and approval process.

6.2 The Project Board recommendation to Torbay Council, South Devon and Torbay Clinical Commissioning Group and Torbay and Southern Devon Health and Care Trust is therefore that each organisation now consider this evaluation report within their own organisation governance framework, and support the bid in its progress towards NHSTDA approval, as the next step in the process.