Northern Devon Healthcare NHS Trust
Royal Devon and Exeter NHS Foundation Trust

Executive Summary of the Full Business Case for the integration of Northern Devon Healthcare NHS Trust and Royal Devon and Exeter NHS Foundation Trust (Abridged)

1. Introduction

The aim of the proposed merger is to improve the resilience and sustainability of acute and community care services across Northern and Eastern Devon.

The Devon health economy has long-standing challenges of sustainability related to an increasing elderly population and the diseconomies of scale inherent in rural healthcare delivery.

Within this context is North Devon District Hospital, the most remote mainland hospital in England, which has experienced significant workforce supply challenges resulting in a lack of resilience which has led to ad hoc service failures over many years.

NDHT and RD&E are neighbouring Trusts but 50 miles distant and have worked alongside each other delivering care to the North Devon population for decades. However, over recent years NDHT's workforce, leadership and sustainability challenges worsened, which threatened to destabilise North Devon's health services and by extension the wider Devon health system.

This merger proposal arose from a shared Board recognition that without proactive intervention these challenges would result in reduced access to local services for the North Devon population and an increase in unplanned demand for elective and emergency services at the RD&E.

The Collaborative Agreements between NHS Improvement and the RD&E and NDHT Boards (2018 to date) signalled a shared formal commitment to collaborative working to ensure the sustainability of acute and community services across North and East Devon.

The success of this approach has been the stabilisation of a number of services for the North Devon population through shared medical workforce and leadership.

These achievements have been welcomed by patients, staff and communities and have proved fundamental to laying the foundations for the future financial and clinical sustainability in the Devon system. Despite these strong foundations, this Full Business Case sets out the case that a full merger is essential to providing the required further influence and leverage to secure sustainable services.

2. The Case for Merger

History of partnership between NDHT and RD&E

RD&E has provided services to the population of Northern Devon for decades, in the areas of: cancer, renal: ear, nose and throat, orthodontics and maxillofacial services. These have been provided through service level agreements, requiring clinical teams to travel to North Devon sites to deliver outpatient and inpatient care. North Devon patients also travel to RD&E when their care requires access to specialist inpatient care, diagnostics or treatments (e.g. radiotherapy).

However, this approach has its limitations, as there has often been a sense of two teams working to different service models and outcomes. This indicates a contractual model of service delivery between two Trusts will not support joint working nor deliver sustainable healthcare services.

Historically, NDHT has also encountered difficulty in recruiting sufficient medical staff to provide high-quality (safe and clinically effective) acute services to its population due to remoteness and diseconomies of scale. This has led to an over-reliance on long term locums or middle grade staff, which impacts on the leadership and the quality and resilience of the service. The Collaborative Agreement has formalised the support offer that a stronger neighbouring Trust and specialist departments can provide. A merger will take this support offer to the next level through bringing teams together under a single leadership structure, a common digital platform and sharing jointly reported outcomes, so that the joint service can continuously innovate and improve its outcomes.

The Collaborative Agreement

The 2018 Collaborative Agreement was a major proactive intervention by RD&E, supported by Devon Clinical Commissioning Group and NHS Improvement, to provide leadership to NDHT to avoid a decline in a number of critical services essential for the health of the local population. The RD&E support to NDHT was essential to ensure the stability of services in Northern Devon to preserve access to acute healthcare for the local population and to also avoid any unplanned service change which would have had a destabilising effect on the RD&E, and the wider Devon system.

Through three years of formal collaboration the Trusts have achieved significant progress:

- Shared leadership at Executive level to which has provided stability to NDHT

- Alignment of corporate governance which enables a mechanism for proactively identifying emerging clinical and corporate risks across NDHT and RD&E
- Recruitment of a joint leadership team of directors and several joint senior managers
- Introduction of joint clinical leadership to stabilise services and develop future plans which encompass North and East Devon patient population
- Stabilisation of maternity, ENT, neurology and cardiology services through joint recruitment, workforce planning
- Emerging development of oncology, pathology, haematology, diabetes and healthcare for older people services

Due to this partnership approach, corporate and clinical teams have identified how the current organisational form is hindering development of more sustainable and productive models of delivery.

• Services that are combined and operate with a single leadership structure and shared patient outcomes typically innovate more quickly and reduce unwarranted variation.

• There are opportunities for sustained improvement in elective performance as a result of pooling clinical expertise and capacity.

• Services are currently hindered from deploying resources efficiently across the North and East catchment due to technological and governance barriers. Delivering care at a separate Trust is complex for clinicians: a shared corporate and clinical governance environment and common digital architecture will provide a foundation for remote, virtual and innovative care.

• Recruitment to NDHT continues to be challenging due to uncertainty and branding- a newly merged organisation will have the attractiveness of scale and access to research and specialist interests.

• Corporate and strategic objectives require enabling strategies in workforce, digital, communications and finance. Aligning objectives and enabling strategies through merging the Trusts will achieve the greatest progress in innovation and sustainability.

Enablers to the merger

The Strategic Case identified three strategic enablers to a successful merger. The first two of which have been achieved and the third has seen a further Strategic Outline Case submitted for national approval.

1. Ongoing system support for a rural subsidy to compensate for the diseconomies of scale present in NDHT with NDDH as the most remote mainland hospital in England.

2. National approval of a digital business case to ensure a common electronic patient record as a fundamental to achieve clinical integration.

3. National approval of NDDH's business case within the New Hospital Programme

Stakeholder support

A wide engagement strategy has been undertaken with a range of stakeholders around the proposal of a merger and there are indications there is support from both the RD&E and NDHT constituencies. The Collaborative Agreement has provided the opportunity for the RD&E to demonstrate to NDHT's stakeholders its intent in stabilising and improving local services. As a result, there is now strong support from the NDHT staff, statutory bodies and wider community for the partnership to be taken to the next stage.

3. Expected benefits of Integration

The Boards are confident of achieving the following benefits to patients, staff, communities and system from this merger:

• Consistent and improved quality of and access to care, as a result of more resilient services

• Reduced complexity of access, particularly for stratified pathways, and increased equity and speed of access.

• Digital-first services which will feel more personalised, and will mitigate the risks around rurality and improve patient safety

• Greater partnership working enabling consideration of wider determinants of health

• Increased research capability meaning more research relevant to the Devon population and its demography

• Expanding the Foundation Trust model of governor and member representation to develop more accountability to a wider population

• Confidence to the Northern Devon community for the future of NDHT and particularly local access to acute and urgent care services.

• Economies of scale for corporate support services, ensuring greater efficiency and releasing resources for reinvestment in clinical services.

Through the process of developing the business case an additional benefit of 'workforce resilience' was identified, and is described in chapter 3.

4. Finance

The Devon ICS has longstanding financial challenges and is currently placed in the fourth System Oversight Framework (SOF) segment due to its underlying financial performance. Both NDHT and RD&E have underlying deficits that contribute to this wider Devon position and are active partners in shaping the Devon Long Term Plan that sets out a route to clinical and financial sustainability. The development of the Long-Term Financial Model (LTFM) underpinning the merger business case has been challenged by the high degree of uncertainty as a result of the Covid-19 pandemic and is therefore based on a number of reasonable assumptions.

Whilst the drivers behind the merger are not financial, there are clearly financial benefits that can be delivered through the stabilisation and innovation of the joint clinical models and through the integration of corporate services.

In addition, the counter-factual financial position sets out how the position would deteriorate should the merger not go ahead, through additional corporate and clinical costs as well as efficiencies foregone. The merged financial position shows an improvement of £10.8m by 2026/27 from the counterfactual position.

The financial case concludes that merging will realise a benefit from greater economies of scale, shared leadership and expertise which will enable the delivery of an aggregate 3% per annum productivity and efficiency benefit which both Trusts have been struggling to reach over a number of years. The financial outlook is stronger as a combined Trust as opposed to standalone organisations.

5. The counterfactual

Were the merger not to progress, the positive momentum and impact of the Collaborative Agreement would undoubtedly cease as there would be uncertainty around the strategic direction of NDHT and continued organisational barriers to clinical teams owning the shared clinical service sustainability challenges.

The counterfactual scenario envisages that RD&E would not wish to continue in a sub-optimal relationship and would withdraw its leadership team from NDHT once a whole new Board and leadership team had been recruited to NDHT. NDHT would then have to return to its fully independent statutory organisational form in the absence of the additional formal support from its larger neighbour but still required to address the issues of unsustainable services and diseconomies of scale.

NDHT’s financial position would also immediately worsen, partly as a result of the required Board appointments, but also due to the requirement to recruit additional locums to backfill key clinical roles. The latter impact would also lead to a further deterioration and unreliability of the quality of care offered to the population of

Northern Devon as well as the risk of collapse and transfer of key services to other providers.

6. Conclusion

A statutory merger by acquisition of NDHT by RD&E is therefore the next natural step from the Collaborative Agreement. The track record of significant improvements achieved in many services at NDHT over this period, the level of stakeholder support and the strategic opportunities identified for further improvements in quality and efficiency support this proposition.

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