

Report Title: The Externalisation of Derby City Provider Services to Derby Hospitals Foundation Trust

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1. Background and Context

Derby City Provider Services is a small community services organisation providing a range of services primarily to the population of Derby City and, for some services, to the population in south Derbyshire. A list of the services provided can be found at page 7 of the attached Provider Services business plan (see appendix 1).

Provider Services moved to an arms length arrangement in April 2008 when separate management structures were established and internal separation of governance arrangements took place. In line with the requirements of the NHS Operating Frameworks, the need for a clearer separation of commissioning functions from provider functions led to the development of a formal SLA between the parties and a schedule of Contract Delivery and Quality Management Groups. Provider Services moved headquarters to a building separate from the commissioning PCT at this time.

A standard NHS community services contract between Provider Services and the PCT as commissioners was agreed on 31st March 2009, running for a period of two years.

2. Proposed Hosting Arrangement

NHS Derby City proposes that Provider Services move into a Hosting Arrangement by Derby Hospitals NHS Foundation Trust for a period of 18 months from 1st October 2009, with a possible extension of 6 months. The PCT Board considers that the benefits of this arrangement are:

- The cost of establishing the Provider Services as a fully Autonomous Provider Organisation in the short term is avoided, providing better value for money for the patient and taxpayer. The PCT does not wish to retain Provider Services in the long term so if it did establish Provider Services as a fully Autonomous Provider Organisation this would be for a short period only. This would not provide value for money for the patient or taxpayer.
- The hosting of Provider Services will enable the PCT to carry out a commissioner evaluation of the most appropriate service models and procurement approach for the services for the benefit of patients. It will also enable the PCT to focus on development of core commissioning competencies as a World Class Commissioner without the challenges of also running the Provider Services.
- It will allow the PCT to meet business readiness requirements for Provider Services by 1st October 2009.
- The provision of services will be sustainable and robust during the period of the Hosting Arrangement in which the market strategy for Provider Services is developed and implemented by the PCT.
- Some savings can be accrued during the Hosting Arrangement in relation to Provider Services by agreement between the two parties by increasing efficiency and reducing overheads which will bring value for money for patients and tax payers.
- Close alignment with DHFT will enable closer working between DHFT and Provider Services in the short term to support delivery of current challenges in urgent care (including swine flu pandemic).
- The development of a Community Services Market Strategy and Commissioning Plan by the PCT during the Hosting Arrangement period will ensure that the PCT's obligations in respect of competition and choice in community services can be addressed in the long term following the end of the Hosting Arrangement. Further detail on the development of the Community Services Market Strategy and Commissioning Plan is set out in the last section of this report.
- The PCT believes that the Hosting Arrangement will not in itself reduce the scope for patient choice or competition between providers in the PCT's area in respect of individual services or the services as a whole. Apart from the loss of DHFT as a potential competitor for a short period, it will not reduce the number of providers that patients can choose from for community services and it will not reduce the number of bidders for community services contracts. There are currently a range of different providers of community services in the PCT's area so the loss of DHFT as a potential competitor to Provider Services for the duration of the Hosting Arrangement will not have a material effect on the extent of competition for patients or community services contracts.

The PCT is undergoing a series of procurement exercises at present which has shown that there is a competitive environment for community services locally. Procurement for psychological therapies has recently been completed and 15 organizations submitted PQQs. These organizations included NHS Trusts, consortia, voluntary and private companies. The alcohol services procurement process is currently underway. Following planned market stimulation including consultation with Providers and the Public and advertising in the media and at conferences, a total of 22 organizations have expressed an interest in alcohol services.

- The PCT believes that the Hosting Arrangement will not reduce patient choice or competition in community services along the care pathway through the referral of patients between Provider Services and DHFT. The provision of Provider Services by DHFT will be ring-fenced in a discrete directorate with referrals only permitted between Provider Services and DHFT in accordance with the Department of Health's standard community services contract.
- The PCT will aim to run procurement processes for all of the services, up to and from the end of the hosting arrangement, in order to meet its World Class Commissioning competency of stimulating the market. The PCT intends to use the period of the Hosting Arrangement to stimulate interest and encourage the entry into the market of new providers when the Provider Services are tendered. The PCT also anticipates that it will tender some of the Provider Services using a variety of competitive contracting vehicles e.g. PBC and Any Willing Provider model.
- Time will be available during the hosting period to engage stakeholders, patients and the public in the future models for community services during the commissioning process.
- New service improvement targets and interim changes to services can be agreed with DHFT to achieve early benefits.

For the reasons set out above the PCT considers that the Hosting Arrangement is in compliance with the PRCC and in particular with principles 9 and 10 of the PRCC.

The Hosting Arrangement was approved by NHS Derby City Board in May 2009. The decision making processes involved are outlined below.

3. Transforming Community Services organisational structure and decision-making processes to date

The Provider Services Project Management Group, a sub committee of the PCT Board, was established in October 2008 with the aim of reviewing options for Provider Services and reporting to the PCT Board and to East Midlands Strategic Health Authority (EMSHA).

This Project Management Group oversaw the Provider Services project which aimed to assess the current provision of services and recommend a 'direction of travel' to the PCT Board by October 2008. Phase 1 of this project involved key stakeholders in a series of workshops and a strategic option appraisal.

A PCT Board "time out" considered the strategic option appraisal in significant detail leading to an agreed direction of travel for each service group. This was formally approved by the PCT Board on 27th October 2008. (Appendix 2). A report was sent to EMSHA on progress to date and a possible way forward was proposed. A communications plan for staff and key stakeholders was also developed at this time. Engagement and consultation was held with the Overview and Scrutiny Committee (OSC) and this has continued at key stages throughout the project (appendix 3).

Phase 2 of the project involved more detailed analysis of each of the service lines, their budgets, purposes and target populations (see appendix 4).

In the light of emerging policy guidance, the Provider Services Project Management Group was expanded in April 2009 to encompass the wider implementation of the Transforming Community Services policy and the name of the sub committee was changed to Transforming Community Services Programme Board.

Following these stages of the project a summary of the direction of travel for each of the services was produced giving an initial blue print of the market strategy for Provider Services (see appendix 5). Following a market assessment and Board approval, a number of services were recommended for vertical integration with DHFT and a number for horizontal integration with other organisations. The reasons for the vertical integrations were:

- These services are relatively small and do not have a high level of interdependency with other services.
- Their main clinical links are to DHFT.
- Some services are provided from DHFT sites e.g. outpatient clinics
- The market analysis has shown that a management transfer can comply with the NHS Principles and Rules for Competition and Cooperation.
- DHFT has expressed an interest in the management of these services.
- DHFT has in place appropriate clinical/professional leadership, clinical governance mechanisms and clinical expertise to ensure the safe delivery of these services.

Seven services were recommended to undergo procurement exercises. At this stage the market strategy was yet to be determined for the remaining services.

The Business Readiness standards were issued with the Operating Framework 2009/10 in December 2008. The Transforming Community Services Programme Board commissioned a piece of work to assess the position of the PCT in relation to these standards and the costs that would be incurred to reach the standards as an autonomous organisation. The assessment against the Business Readiness standards concluded that Provider Services were 'largely but not fully compliant' with DH separation guidelines and noted that it would be costly to achieve internal separation criteria in full. This was reported to the confidential session of the PCT Trust Board in March 2009 and to the public Trust Board in April 2009.

In March 2009 the Trust Board agreed to investigate an interim hosting arrangement as a means of achieving business readiness standards whilst undertaking a market assessment and developing a commissioning strategy for community services in line with the requirements of TCS.

NHS Derby City Board considered the risks and benefits of the hosting position, taking into account the interests of the taxpayer and patient and concluded that the transfer of Provider Services to DHFT for a period of 18 months (with a possible 6 month extension) was the most appropriate way forward. This was approved at the PCT Board meeting in May 2009.

The Project Scope for the Hosting Arrangement is attached at appendix 6. Also attached is a copy of the draft Heads of Agreement to be entered into with DHFT. These are largely in agreed form.

At this stage, no further legal documents have been produced for the Hosting Arrangement. It is expected that there will be a business transfer agreement to ensure that DHFT is able to use assets relevant to the Provider Services business and that DHFT will be awarded a services contract in the form of the Department of Health's standard form community health services contract.

4. Community Services Market Strategy and Commissioning Plan

The Transforming Community Services Programme Board is overseeing the work of the market analysis workstream (see appendix 7). Phase 1 of the project will form the basis of the commissioning intentions which will give a high level overview of the community services markets for the next 5 years. At the end of this phase a number of services will have been prioritised for market testing or intervention.

In phase 2, the prioritised services from Phase 1 will require a detailed market analysis, including a risk assessment, intervention proposal and service specification. This work will form the basis of the commissioning strategy. As a minimum 5 prioritised services out of a total of 45 will have fully developed commissioning strategy by October 2009 and the remaining services will be completed by March 2010.

Not all services will move into the hosted position and it is planned that some will stay in this position for less than 18 months as the procurement is completed. A number of interventions have already started including a number of specialist nursing roles which will be vertically integrating and Conditions Management and Healthy Schools which will horizontally integrate. Procurement processes are under way or complete for psychological therapies, alcohol services, interpreter services, phlebotomy and homeless nursing.

NHS Derby City are taking the opportunities presented by Transforming Community Services to innovate and improve services so that they are more effective and appropriate for patients and offer better value for the tax payer. Wherever possible services will be commissioned on the basis of a care pathway and work is well underway to develop this approach for End of Life services, stroke services and diabetes care. The focus is on improving services for the patient, including by increased personalisation of services, enhancing existing partnership working arrangements with other agencies, achieving value for money for the taxpayer and delivering out of hospital care whenever possible.

NHS Derby City does not underestimate the scale of the task to transform community services. The proposed Hosting Arrangement will allow the PCT as a commissioning organisation to concentrate on its role as a World Class Commissioner and develop a strategy to modernise and improve services to patients. Whilst this work is underway, the Hosting Arrangement gives stability for staff prior to a managed dispersal of services and gives value for money for the taxpayer in avoiding the unnecessary expense of achieving business readiness standards for an Autonomous Provider Organisation for a short period only.

5. List of Supporting Documents

Document no	Group of Documents	Document
1	Appendix 1	Business plan for Provider Services
2	Appendix 2	Phase 1 Outcomes
3	Appendix 3	Presentation to OSC
4	Appendix 4	Phase 2 Analysis
5	Appendix 5	Phase 2 Market Direction
6	Appendix 6	Project Scope agreed with DHFT
7	Appendix 7	Market analysis Workstream
	Provider Services PMG	Project Governance
8		Minutes – Dec 08
9		Minutes – Jan 09
10		Minutes – Feb 09
11		Minutes – Mar 09
	TCS Programme Board	Revised Governance Structure
12		Minutes - Apr 09
13		Minutes – May 09
14		Minutes – June 09
15	Exerts from NHS Derby City confidential Trust Board meetings + FAQs on Externalisation	
	NHS Derby City public Board papers	
16		Feb 09 – Part 1
17		Feb 09 – Part 2
		Mar 09 – Verbal (no document)
18		April 09 (Appendix attached)
19		May 09
20		June 09
22		July 09
22	Draft Heads of Agreement	
23	Community Services provided by DHFT	To follow