MEMORANDUM OF UNDERSTANDING

DEVELOPING A FULL BUSINESS CASE FOR MERGER OF HINCHINGBROOKE HEALTHCARE NHS TRUST AND PETERBOROUGH AND STAMFORD HOSPITALS NHS FOUNDATION TRUST

BETWEEN THE "TRUSTS" LISTED BELOW:

HINCHINGBROOKE HEALTH CARE NHS TRUST (HHCT)

PETERBOROUGH AND STAMFORD HOSPITALS NHS FOUNDATION TRUST (PSHFT)

1. The project

1.1 The trusts agree to work together to develop a full business case, and implementation plan for merger of the two trusts to support the future delivery of sustainable services for the benefit of patients and taxpayers and reduce duplication of corporate and back office costs.

1.2 The project will continue until the merger is transacted, or until the respective boards decide not to proceed based on the full business case.

1.3 The full business case will consider the potential benefits and define an implementation plan to merger. The legal process to achieve this will be by acquisition of HHCT by PSHFT.

2. Timescales

2.1 The project will commence on 1 June 2016

2.2 The full business case will be presented for decision to each board in September 2016

2.3 If an FBC recommendation for merger is accepted by both Boards, the trusts will engage with the public to develop the implementation plan by November 2016.

2.4 If supported by the boards and regulators, the merger will be transacted on 1st April 2017

2.5 A timeline for development of the FBC through to implementation is provided in Appendix 1

3. Background

3.1 As part of the Cambridgeshire and Peterborough System Transformation Programme both trusts have approved an outline business case for merger.

3.2 In supporting the OBC, both Boards have agreed to work positively and in a committed way to jointly develop a Full Business Case (FBC) for merger to enable the future delivery of sustainable services for the benefit of patients and taxpayers and reduce duplication and cost.

3.3 The Boards and NHS Improvement identified areas for focus which will be addressed in the FBC approval process.

3.4 The FBC will include:

3.4.1 confirmation of the case for change;

3.4.2 confirmation of the economic assumptions in the outline business case, including the base case, potential savings opportunities, and implementation costs;

3.4.3 detailed back office integration plans;

3.4.4 in the context of the sustainability and transformation plan, develop detailed clinical integration plan for services which are currently unsustainable, including:

- clinical haematology,
- diagnostic imaging,
- stroke,
- cardiology,
- Emergency Department,
- respiratory;

and a high level plan for all other services with a shared clinical vision for the merged trust.

3.4.5 quality and clinical governance plan;

3.4.6 workforce/TUPE plan;

3.4.7 an organisational development plan to align culture in the new trust;

3.4.8 an assessment of the impact on competition;

3.4.9 financial management of the merged trust including reporting and accounting arrangements, and an assessment of the assets and liabilities to be transferred;

3.4.10 corporate governance of the merged organisation, including membership, board constitution, appointment of key board level posts, corporate governance arrangements and standing orders;

3.4.11 comms and engagement plan from 24 June; and

3.4.12 opportunities for the rationalisation of estates across sites in the merged trust to maximise clinical capacity and save costs

4. Purpose and Commitment

4.1 The trusts will assess in detail the opportunities to improve clinical sustainability across both trusts whilst reducing duplication in corporate and back office services. Subject to board agreement, they will develop an implementation plan to transact a merger by April 2017, and an implementation plan to deliver full integration after that date.

4.2 Although the project will proceed to the dates identified in section 2, where early opportunities are identified to strengthen clinical services for patients through clinical collaboration, or to improve back office services, these will be delivered at the earliest opportunity.

4.3 The trusts agree to provide management/project resource, and share relevant workforce, non-pay and other budget and relevant data connected with the services in scope and for this information to be shared between trusts.

5. Project arrangements

5.1 Both CEO's will support this project, and the CEO of HHCT will chair the transition board

5.2 The project will be supported and led by relevant expertise from within each trust, the Sustainability and Transformation Plan (STP) and external support from and through NHS Improvement.

6. General principles

6.1 This project will:

- above all, work to the timescales defined in section 2 above.
- remain compatible with other work streams in the system transformation programme, as far as they are known at the time.

6.2 Both trusts will provide access to relevant information in the preparation of the FBC and implementation plan.

6.3 Both parties agree to ensure value for money during the preparation of the full business case and will limit strategic decision making and avoid

incurring short term costs which may need to be reversed depending on the outcome of the business case.

6.4 Both trusts agree to avoid entering any additional long term strategic or financial commitments without the prior approval of both CEO's including :

- Approval of new major capital projects
- Strategic partnerships
- Appointment of senior clinical posts

6.5 Before appointing to senior clinical posts both Medical Directors will discuss the potential to share posts, develop joint roles and ensure that job descriptions include the potential to work across the sites of both trusts.

6.6 Both trusts agree to not make any substantive appointments to any non-clinical post i.e. all corporate (including clinical corporate roles), administrative and / or managerial posts. Any exception to this approach has to be approved by the two Directors of Workforce.

7. Confidentiality

7.1 Any information already available in the public domain is not exempt from disclosure under the Freedom of Information Act (2000)

7.2 Sensitive information (including confidential and commercially sensitive information,) will be shared when it is necessary for the purposes of the merger, but access will be restricted to individuals who need to know the information for that purpose, such as advisers, the core programme team/programme board, proposed board, work stream leads and finance leads or members of their teams as appropriate.

7.3 Information will be transferred securely (NHS.net to NHS.net, secure FTP, or secure information sharing portal (Box.com))

7.4 Information transferred will be stored securely and safely, (e.g. on a restricted access backed up server)

7.5 Information will not be used for purposes other than the merger

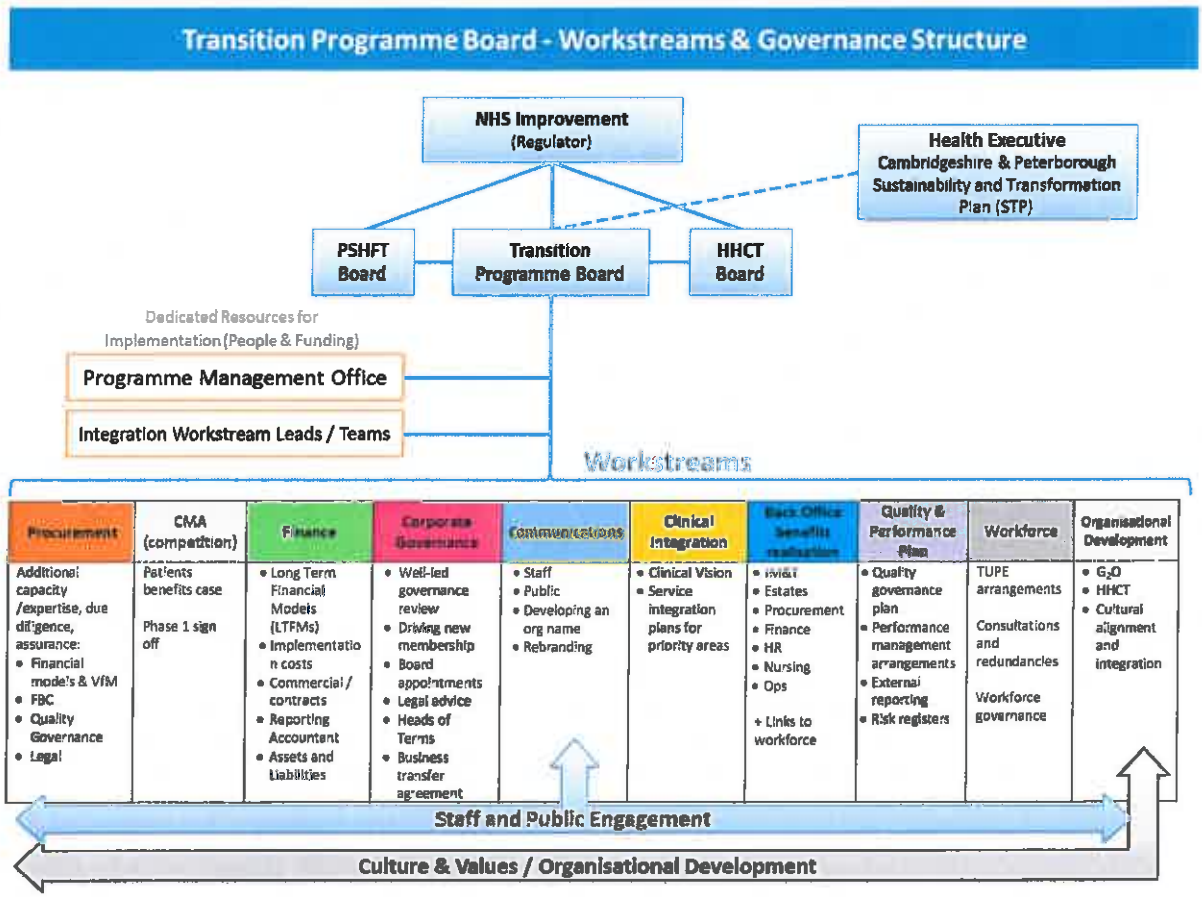
7.6 If the merger is abandoned, confidential or commercially sensitive information that has been shared for this purpose will be returned or destroyed

7.7 Individuals with access to commercially sensitive will need to sign a non-disclosure agreement reflecting the conditions above. If either party suspects that this is breached, they will inform the other party as soon as is practically possible.

8. Governance

8.1 The project will be led by a transition programme board which will form part of the governance arrangements for the system wide transformation programme shown in diagram 1. The Programme Director is the PSHFT Deputy CEO.

Diagram 1



8.2 The transition programme board will report to the Health Executive Group.

8.3 The lead CEO will report every two weeks, updating system leaders, NHS Improvement and NHS England on progress, including any risks or issues requiring clarification or support from trusts.

8.4 Each CEO will report to their individual Boards and Governors as applicable.

8.5 The project will be established and operated on PRINCE principles.

8.6 Membership of the programme board will comprise both CEO's, the Programme Director, MD for HHCT, NED representaives,with individual work stream leads from within each trust and representation from NHS Improvement and the STP/CCG.

9. Business case structure

9.1 The full business case will be based on the Five Case Model template for business case development (HM Treasury 2007), described below.

Five case model FBC	Proposed HHCT/PSHFT FBC
1. Strategic case – to demonstrate that the proposals are supported by a robust case for change.	a. Confirm the case for change in the OBC and develop a further level of detail b. Competition impact assessment
2. Economic case – to demonstrate the options appraisal of potential benefits compared to costs, and that value for money has been optimised for society as a whole	a. Refresh the corporate and back office savings b. Confirm the OBC options c. Confirm implementation costs
3. Commercial case – to demonstrate that the proposals are commercially viable	Not included
4. Financial case – to demonstrate that the proposals are financially affordable	a. Confirm the financial base case for both trusts and the merged organisation b. Set out the sources of funding to implement the merger c. Due diligence d. Assets and liabilities to be transferred
5. Management case – to demonstrate that the proposals can be delivered successfully	a. Finalise project management arrangements and plans b. Clinical vision and detailed clinical integration plan for a small number of services which are currently unsustainable, and a high level plan for all other services c. Detailed back office and IT integration plans d. Quality governance plans e. Workforce/TUPE plan f. Organisational development plan g. Corporate governance of the merged organisation h. Comms and engagement plan i. Commissioner and regulator support j. Business transfer agreement k. Risk management arrangements l. Post project evaluation arrangements and plans m. Independent assurance of the FBC including independent assurance of the LTFM
6. Recommendations	a. Recommend whether or not to merge, implementation plan to transact and benefits realisation plan for 1-2 years

10. Resources

10.1 As far as possible, both organisations will utilise in-house resources with external support as required.

10.2 PSHFT resource will include:

- Deputy Chief Executive (Programme Director)
- Assistant Director of Strategy
- Assistant Director System Transformation and Stamford Redevelopment
- Deputy Director of Finance - Planning
- Deputy Director System Transformation
- Clinical expertise for specific areas of work

10.3 HHCT resource will include:

- Chief Operating Officer/Deputy CEO
- Senior Finance Managers
- Senior Quality Lead
- Board Secretary
- Clinical expertise for specific areas of work
- Senior Strategy Lead

10.4 Other resources to cover essential work in HR, OD, activity modelling, contract developments, information technology and services will be made available in both organisations for the specific areas of work, and may at times be supported by external expertise where required.

10.5 NHS Improvement will provide guidance and support to the project throughout FBC development and (FBC approval dependant) through transaction and implementation planning, via the Provider Support Team.

10.6 Specific support on the FBC outputs will be provided from NHS Improvement transaction review team, and on competition issues as related to the Competition and Markets Authority (CMA) via the Cooperation and Competition Department.

10.7 In agreement with NHSI, procure financial analytic and competition analysis support.

11. Work streams

11.1 The transition programme board will oversee ten work streams to develop the full business case. These are described in more detail in Appendix 2.

11.2 The full business case will be developed from the Outline Business Case.

11.3 Responsibility for writing the business case rests with both organisations with the lead author being the Programme Director.

11.4 The work streams to develop the FBC include:

- Clinical integration
- Back office benefits
- Workforce

- Organisational development
- Quality and performance
- Finance and due diligence
- Corporate governance
- Competition
- Communication and engagement
- External support (procurement)

12. Funding

12.1 Both trusts will work together to identify and secure the required funding to support the successful development of the FBC and, if a decision to proceed to merger is supported, to transact and implement full integration.

12.2 The trusts agree to work with NHS Improvement to finalise the funding requirements and then secure that funding.

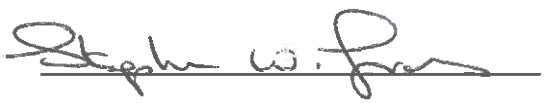
13. Agreement

Signed by:

HHCT Chief Executive:

(L.McCarthy)

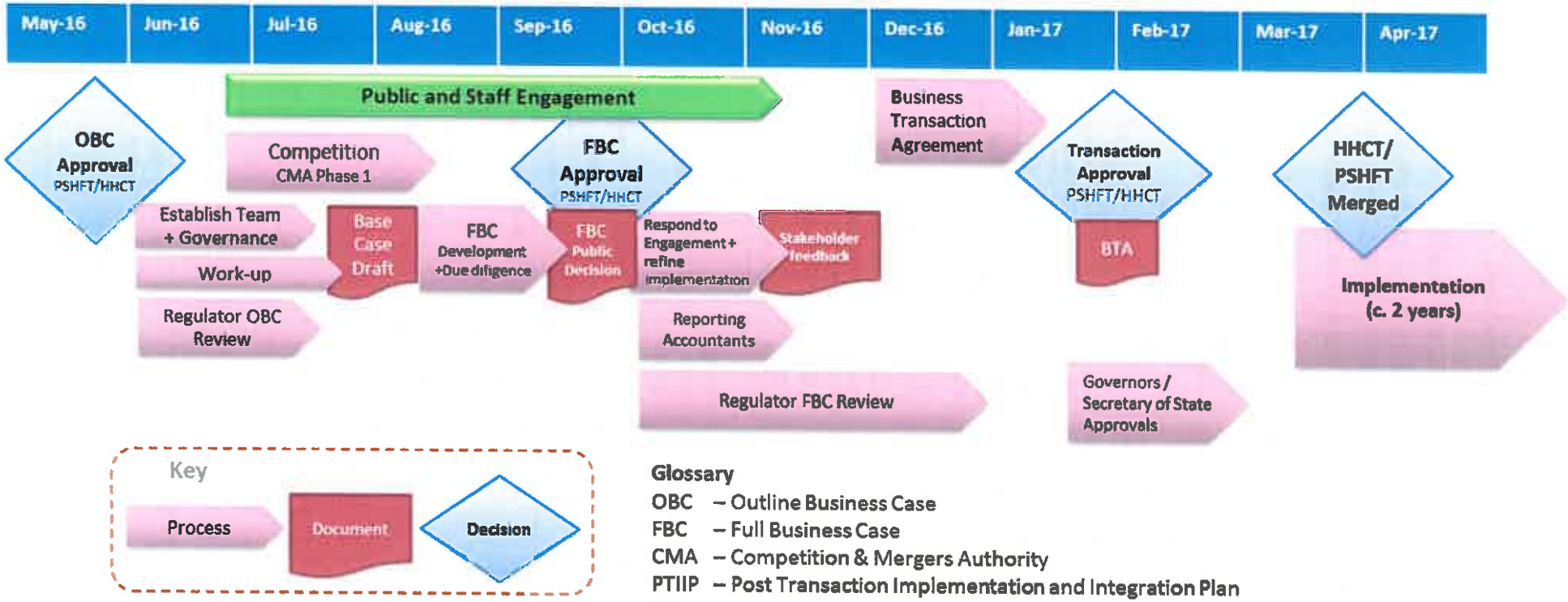
PSHFT Chief Executive:



(S.Graves)

July 2016

Appendix 1 –High level timeline for development of the full business case and implementation plan



Glossary

OBC – Outline Business Case
FBC – Full Business Case
CMA – Competition & Mergers Authority
PTIIP – Post Transaction Implementation and Integration Plan
BTA – Business Transaction Agreement

Appendix 2 Work streams to develop the full business case

The Transition Board will work to the timescales detailed below to develop the FBC by September. Tasks in **Bold** are dates when each chapter will be reviewed by the Transition Programme Board. Tasks in normal font require the Board to review information which will contribute to each chapter.

Key supporting tasks required to support delivery of the FBC are also identified in the table.

FBC Timeline for September FBC	Date	FBC chapter	Paper/**chapter** to Transition Board
Case for change review	Jun-16	3 – Strategic case	Jun-16
Regulator OBC review	Jul-16	3 – Strategic case	Jul-16
Competition review complete	Aug-16	3 – Strategic case	Aug-16
Commissioner and regulator support	Aug-16	**3 – Strategic case**	**Aug-16**
Independent assurance	Sep-16	3 – Strategic case	Sep-16
Refresh corporate and back office costs	Jun-16	4 – Economic case	Jun-16
Confirm options	Jul-16	4 - Economic case	Jul-16
Refresh implementation costs	Jul-16	**4 – Economic case**	**Jul-16**
Clinical vision, integration plan for five services, and a high level plan for all other services	Aug-16	**5 – Clinical case**	**Aug-16**
Detailed back office integration plan	Aug-16	**6 – Benefits**	**Aug-16**
LTFM prepared including - base case - merged trust pre-due diligence - merged trust – post due diligence	Jun-16 Jul-16 Sep-16	7 – Financial case	Jun-16 Aug-16 Sep-16
Sources of funding for transition and implementation	Jul-16	7 – Financial case	Jul-16
Assets and liabilities	Aug-16	7 – Financial case	Aug-16
Due diligence - Commercial - Estates - Finance (including LTFM) - Governance (non-clinical) - Governance (Clinical) - Governance (corporate) - IM&T - Legal - Workforce	 Sep-16 Sep-16 Jul-16 Aug-16 Aug-16 Aug-16 Aug-16 Sep-16 Aug-16	**7 – Financial case**	**Sep-16**
Workforce/TUPE	Jul-16	**8 – Workforce**	**Jul-16**
Organisational development plan	Jul-16	**8 – Workforce**	**Jul-16**
Engagement plan	Jun-16	**9 – Listening and valuing feedback**	**Jun-16**
Quality governance plan	Jul-16	10 – Governance	Jul-16
Corporate governance of merged trust	Aug-16	10 – Governance	Aug-16
Risk management arrangements			

FBC Timeline for September FBC	Date	FBC chapter	Paper/chapter to Transition Board
- In the merged trust	Jul-16	10 – Governance	Jul-16
- During integration	Jul-16	11 – Integration plan	Aug-16
Business transaction agreement (process)	Jul-16	12 – Transition plan	Jul-16
Post project benefits evaluation process	Aug-16	13 – Benefits realisation	Aug-16
Supporting key tasks			
Project governance and resource agreed	Jun-16		
External resource procured	Jul-16		