SUMMARY OF REPORT:

The report contains an update on recent developments with the Transformation Fund. This month has an expanded section on the findings and recommendations from the assessment team in their evaluation of the proposals from Dementia United and the Manchester Single Hospital Service (SHS).

KEY MESSAGES:

This report reports on wider updates within the Transformation Fund and contains in detail the findings of the Transformation Fund Oversight Group (TFOG) on 29 March 2017 and the decisions of the Strategic Partnership Board Executive on 12 April 2017, where the Dementia United and Manchester SHS submissions were considered.

Dementia United is the 5 year GM-wide dementia strategy and support programme to enable the achievement of the GM Dementia Standards aiming to make GM ‘the best place to live in the UK’ for Dementia Care.

Manchester’s SHS submission is one of several complementary submissions to the Transformation Fund from the Manchester locality. The overall objective of the SHS programme is to bring together University Hospital South Manchester Foundation Trust (UHSM), Central Manchester Foundation Trust (CMFT) and North Manchester General Hospital (NMGH) into one coordinated set of services that can optimise hospital care and facilitate out of hospital care through the LCO.

TFOG recommended a substantive investment of £2.29m over three years for Dementia United, and a substantive investment of £27.2m (with a maximum envelope of £42.52m) over four years for the first and major phase of the Manchester SHS programme, covering the proposed merger of CMFT and UHSM. These funding recommendations were accompanied with material conditions for the funding. Funding for both schemes was approved by SPBE on 12 April 2017.
PURPOSE OF REPORT:

The purpose of the report is to obtain endorsement from the Strategic Partnership Board for the decision making of its Executive in agreeing funding for Dementia United and the Manchester Single Hospital. It is also to update the Board and other stakeholders on any other developments with the Transformation Fund.

RECOMMENDATIONS:

The Strategic Partnership Board is asked to:

- Note the progress update reported on the Transformation Fund:
- Note the Executive’s decision to:
  - Approve a substantive investment of £2.29m over three years for Dementia United
    - Noting that there are material conditions to funding, only to be released upon their satisfactory completion. These are set out at 2.3.3.
  - Approve a substantive investment of £27.2m (with a maximum envelope of £42.52m) over four years for the Manchester SHS:
    - Noting that there are material conditions to the investment, which are required to be completed prior to signing of an investment agreement and release of funds as set out at 3.3.2.

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1.0 INTRODUCTION

1.1. The GM Transformation Fund (TF) became operational in April 2016 following the successful delegation of transformation responsibilities to the GM Health & Social Care Partnership.

1.2. This paper is written to provide the Strategic Partnership Board (SPB) with an update on recent developments and key decisions on the Transformation Fund.

2.0 LOCALITY UPDATE: DEMENTIA UNITED

2.1. Background and Context

2.1.1. Dementia United’s submission to the Transformation Fund has been assessed by a team within the GMHSC Partnership and a Transformation Fund Oversight Group meeting was held on 29 March 2017 to make recommendations to the Strategic Partnership Board Executive.

2.1.2. Dementia United is the 5 year GM-wide dementia strategy and support programme to enable the achievement of the GM Dementia Standards aiming to make GM ‘the best place to live in the UK’ for Dementia Care.

2.1.3. The two key aims of the programme are to:

- Improve the lived experience of people with dementia and their carers
- Reduce pressure on the health and social care system

2.1.4. The programme comprises 4 work packages as outlined in a high level implementation plan:

- **Delivery system within the localities** – establishing local leadership, governance and implementation plans
- **Regional support architecture** – establishing GM level governance and improvement infrastructure including fellowship
- **Intelligence infrastructure** – developing the Dementia barometer and improvement dashboard
- **Innovation, research and evaluation** – working with partners to develop innovative solutions to providing dementia care

2.1.5. In line with the revised assessment approach as agreed at September SPBE, Dementia United’s proposal was assessed by a team from the GMHSC Partnership during February and March 2017.

2.1.6. Independent assurance is to be undertaken by BDO during April 2017 to provide assurance that a transparent process for application and assessment was followed
and the findings and recommendations fair, robust and reflective of criteria to access the fund.

2.2. Findings from the Assessment Team

2.2.1. The proposal asks for a £2.29m investment over 4 years. The overall cost base is estimated at £22.9m over four years to 2020/21, of which the Transformation Fund ask comprises 10.0%. The breakdown of funding requested can be seen below:

<table>
<thead>
<tr>
<th>Work Programme 1</th>
<th>Year 1 17/18</th>
<th>Year 2 18/19</th>
<th>Year 3 19/20</th>
<th>Year 4 20/21</th>
<th>Total</th>
<th>Detail</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£ -</td>
<td>£ 300,000</td>
<td>£ -</td>
<td>£ -</td>
<td>£ 300,000</td>
<td>Locally appoint provider to support improvement capability work with monies given through the allocation (£30,000 for each locality, one-off cost)</td>
</tr>
<tr>
<td>Work Programme 2</td>
<td>£ 340,312</td>
<td>£ 340,312</td>
<td>£ 204,187</td>
<td>£ 1,255,123</td>
<td>£ 37,5m</td>
<td>Covering core programme staffing, care advisors and contribution to running costs for the Fellowship programme</td>
</tr>
<tr>
<td>Work Programme 3</td>
<td>£ 103,920</td>
<td>£ 103,920</td>
<td>£ 78,920</td>
<td>£ 479,681</td>
<td>£ 12.7m</td>
<td>Analysts and improvement advisors; one-off payment for Barometer web platform and Quality Mark data collection</td>
</tr>
<tr>
<td>Work Programme 4</td>
<td>£ 29,037</td>
<td>£ 29,037</td>
<td>£ 29,037</td>
<td>£ 256,150</td>
<td>£ 4.1m</td>
<td>Evaluation Manager, Digital Innovation and Social Housing work</td>
</tr>
<tr>
<td>Total programme costs</td>
<td>£ 473,270</td>
<td>£ 677,270</td>
<td>£ 613,270</td>
<td>£ 337,145</td>
<td>£ 2,290,954</td>
<td></td>
</tr>
</tbody>
</table>

2.2.2. A modelled economic case was incorporated into the submission which assumed participation and investment in key elements of the local dementia support model. The modelled gross fiscal benefits by 2020/21 total £37.5m, with 81% anticipated to result from a reduction in the number of hospital bed days for people with dementia; a further 19% from delayed admission into residential/nursing care; and marginal other benefits as profiled in the main proposal documents. Estimated net gross savings at 2020/21 are £7.1m per year. This rises to an estimated recurrent gross saving of £12.7m per annum from 2021/22 onwards.

2.2.3. The overall view from the assessment team is summarised as follows:

- It is well-aligned to GM Strategy as a cross-cutting programme, supporting transformation in the localities as well as complimenting the ‘Age Well’ pillar of Theme 1 and the MH Strategy
- The implementation plan sets out a clear ambition for the next 5 years with a blend of adopting best practice learning and truly innovative ideas which makes for a compelling proposition; however a detailed delivery plan has yet to be developed
- There has been good engagement undertaken to identify target patient groups, in particular hard to reach groups/vulnerable patients
- The CBA and supporting financial information is robust, with detailed underpinning assumptions developed with clinical input and clearly stated benefits
- There is further clarity required as to how the Dementia United programme of work aligns to the work on-going in the localities and with other partners around
dementia to ensure the work is complimentary and the impact on the locality plans is understood.

- The governance arrangements for programme delivery are not in place with no single point accountability. The delivery vehicle is not fully established and as such it is unclear as to who will undertake the work, provide oversight and act as recipient(s) of funding.

- The outcomes and benefits are predicated on finance and resources being sourced from localities and other partners which have not been secured. This is a significant risk to delivery of the programme.

- On-going sustainability of the programme beyond year 5 has not been articulated; the expectation is that this will become business as usual, however further work is required to understand how this transition will be managed.

2.2.4. The key points from the discussion at TFOG were as follows:

- The development of the programme of work being “home grown” and the fact that it had been developed in GM was praised.

- It was commented, however, that the engagement with localities was less developed than was hoped and the lack of clarity on agreed locality financial and non-financial plans for the dementia care and support is a critical area that needs to be addressed.

- The working behind the reduction in bed days was queried. It was commented that the estimate was based on assumptions and there was a need to be cautious of double or even triple counting benefits with localities, which are also targeting reductions in bed days for patients with dementia. It was further suggested that the current coding of bed days for dementia meant that there may be difficulty measuring the impact of the proposal.

- The TFOG strong recommendation, therefore, was that that this programme should be re-cast as an enabling programme. The view was that the costs and benefits with respect to dementia care are likely to be significantly incorporated into locality plans and thus, new models of care programmes. The role of the Dementia United programme is to enhance that offer, which may or may not require additional local investment, and will generate a differential level of marginal benefit.

- The key condition is therefore for Dementia United to secure a tailored commitment from each locality to the programme menu, including additional investment (where required.) Once there is a critical mass of commitment, which probably means a majority of localities, the resources to support the enabling programme can be released.
2.3. **TFOG Recommendation**

2.3.1. Approve a substantive investment of £2.29m over three years for Dementia United, phased as follows:

- 2017/18: £473k
- 2018/19: £867k
- 2019/20: £613k
- 2020/21: £337k

2.3.2. Noting that there are material conditions to funding, only to be released upon their satisfactory completion. These are set out at 2.3.3.

2.3.3. There are a number of material conditions attached to the recommendation which should be satisfied prior to signing an investment agreement:

- Confirm imminently the financial and non-financial commitment from the 10 localities (and other contributing partners) to delivering the implementation plan to ensure its viability.
- Establish a robust governance framework for Dementia United, clarifying ownership and the responsibilities of partner organisations.
- Confirm the delivery vehicle for implementation and leadership thereof; further define the programme management infrastructure such as delivery plan, resources and risk management framework.
- Clarify the position of Dementia United in the context of existing work being undertaken across the system around Dementia.

2.3.4. Additionally, the following needs to be undertaken with support of the GMHSC Partnership to enable an investment agreement to be put in place:

- Develop and agree an approach to benefits realisation at a GM or locality level
- Agree a timetable for confirming the requirement for programme sustainability beyond year 5 and establishing the options for funding and delivery

3.0 **LOCALITY UPDATE: MANCHESTER SINGLE HOSPITAL SERVICE (SHS)**

3.1. **Background and Context**

3.1.1. Manchester’s SHS submission to the Transformation Fund has been assessed by a team within the GMHSC Partnership and a Transformation Fund Oversight Group meeting was held on 29 March 2017 to make recommendations to the Strategic Partnership Board Executive.
3.1.2. This is one of several complementary submissions to the Transformation Fund from the Manchester locality, and this one covers the Single Hospital Service (SHS) only. The previous submission, focussing on the Local Care Organisation (LCO) and Single Commissioning Function (SCF), was reported on at SPBE and SPB in January 2017.

3.1.3. Manchester’s SHS proposal is a central part of their Locality Plan and is a highly complex, large scale initiative to deliver a step change in the quality of hospital services provided to people in Manchester and throughout the city region.

3.1.4. The overall objective of the programme is to bring together University Hospital South Manchester Foundation Trust (UHSM), Central Manchester Foundation Trust (CMFT) and North Manchester General Hospital (NMGH) into one coordinated set of services that can optimise hospital care and facilitate development of out of hospital care through the LCO. The programme will:

- Establish the single hospital service through the creation of a new NHS Foundation Trust
- Develop and implement new clinical service models
- Review and rationalise clinical support functions and back office functions In line with the revised assessment approach as agreed at September SPBE

3.1.5. Manchester’s proposal was assessed by a team from the GMHSC Partnership through January to March 2017.

3.1.6. Independent assurance is to be undertaken by BDO during April 2017 to provide assurance that a transparent process for application and assessment was followed and the findings and recommendations fair, robust and reflective of criteria to access the fund.

3.2. Findings from the Assessment Team

3.2.1. The proposal asks for a £56m investment over 5 years which will deliver estimated cumulative gross fiscal benefits/efficiency savings of £105m between 2017/18 - 2020/21 period. These are principally from efficiency savings relating to activity, acute savings realised through the LCO, workforce, back office and estates savings. Estimated annual net gross fiscal savings at 2020/21 are £42.6m.
3.2.2. The breakdown of funding requested can be seen below:

<table>
<thead>
<tr>
<th>Summary</th>
<th>STAGE 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transformation Team Costs</td>
<td></td>
</tr>
<tr>
<td>Due diligence</td>
<td>£3,276,000</td>
</tr>
<tr>
<td>PMO</td>
<td>£706,296</td>
</tr>
<tr>
<td>Clinical staff</td>
<td>£305,500</td>
</tr>
<tr>
<td>Non-pay</td>
<td>£30,000</td>
</tr>
<tr>
<td>Clinical Service Strategy</td>
<td></td>
</tr>
<tr>
<td>PMO</td>
<td>£746,775</td>
</tr>
<tr>
<td>Clinical staff</td>
<td>£60,000</td>
</tr>
<tr>
<td>Service Redesign &amp; Restructure</td>
<td></td>
</tr>
<tr>
<td>Signage and Orientation</td>
<td>£1,100,000</td>
</tr>
<tr>
<td>Contract Changes</td>
<td>£11,380,000</td>
</tr>
<tr>
<td>Implementation team</td>
<td>£2,500,000</td>
</tr>
<tr>
<td>Total</td>
<td>£4,377,796</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Summary</th>
<th>STAGE 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transformation Team Costs</td>
<td></td>
</tr>
<tr>
<td>Due diligence</td>
<td>£3,389,000</td>
</tr>
<tr>
<td>PMO costs</td>
<td>£752,606</td>
</tr>
<tr>
<td>Clinical Staff</td>
<td>£418,027</td>
</tr>
<tr>
<td>Clinical Service Strategy</td>
<td>£0</td>
</tr>
<tr>
<td>Service Redesign &amp; Restructure</td>
<td>£0</td>
</tr>
<tr>
<td>Total</td>
<td>£4,559,633</td>
</tr>
<tr>
<td>TOTAL Stage 1 and Stage 2</td>
<td></td>
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</table>

3.2.3. The overall view from the assessment team is summarised as follows:

- It is strongly aligned to the GM Strategy, in particular themes 3 and 4 as well as a key enabler for theme 2 and delivery of Healthier Together.

- The new hospital service model will complement and support the OOH care provided by the LCO; delivery of acute savings associated with the LCO cannot be realised without the SHS.

- There are robust governance arrangements in place with representatives from Trafford and PAHT attending the Programme Board to facilitate collaborative working and consensus. A senior, capable programme management team has been up and running since Sept 2016.

- The proposal has been clinically led with significant multi-disciplinary clinical input to the design of services through various advisory and working groups. Engagement with the public has been led by senior clinicians.

- Whilst recognising the scale and pace of the transaction, the proposed PMO costs are significant (c.£10m) and the locality has requested 100% of these costs through the TF.
• The level of estimation is high across cost and benefit categories and there is an inherent risk of over/understating benefits. Any agreement to fund must be made in the context of incentives to reduce costs, maximise benefits adopting an ‘open book’ principle at all times.

• There are significant dependencies on IMT and Estates infrastructure to enable the efficiency savings to be made. Further work should be undertaken to understand the impact on the realisation of benefits.

• Clarity is required on the SHS contribution to the overall GM financial gap, by locality.

• Further work is required to align the clinical services strategy element of the SHS proposal with the Theme 3 strategy

• Further work is required to engage and align with on-going work in the North East Sector to understand the impact on Stage 2 transaction

3.2.4. The scale and nature of the financial ask and the findings outlined require a pragmatic approach to agreeing the quantum and source of funding to support both the transaction and the transformation costs to deliver the SHS programme. Discussions with the Manchester locality have explored key areas of concern around the finances

• North Manchester (Stage 2) costs – recognising the uncertainty around the timetable and the role the NE sector may play in this element of the transaction, it is proposed a proportion of these costs (£5.8m) are held as contingency to be considered at a later date by TFOG as required

• Implementation team costs – the locality recognises these costs (£5m total) are estimates with no clear breakdown over the 2 years. Our suggested approach is to remove £2.5m for FY19/20 from the overall ask (and hold with the contingency for North Manchester as above) and agree to review the requirement for the £2.5m in FY18/19 in Autumn 2017 following the completion of the Stage 1 transaction

• PMO costs and Theme 3 contribution – these have been clarified as the clinical resources that are supporting the clinical services transformation. These equate to £4.9m of which Manchester locality has committed a £1.115m contribution to this sum. Discussions have commenced to ascertain the support these PMO resources can provide to the delivery of the GM-led Theme 3 programme of work. It has been proposed that whilst the TF will contribute £3.7m to the PMO resources, this expertise will be made available to develop the clinical service strategy at a GM level and therefore act as a contribution to Theme 3 delivery

• Service restructuring costs – the submission contains estimated re-structuring (contract changes) costs of £23.8m. Our proposal is to create a funding pool through the TF and commissioners of CMFT and UHSM capped at £23.8m.
The TF would fund £11.69m with commissioners contributing a further £11.69m through the return of the 1% non-recurrent contingency set aside in FY16/17. Any spend below the cap will be shared equally between the SHS, TF and commissioners. Any overspend would be SHS responsibility.

- **Due diligence costs** – the due diligence costs associated with Stage 1 amount to £5.96m of which £3.6m is outstanding. It is proposed that NHSI should meet these costs and discussions are on-going.

- It should be noted that the £11.69m commissioner contribution to restructuring is dependent on securing access to the 1% set aside in 16/17. Discussions with NHS England on this issue are still ongoing therefore the TF will need to underwrite this cost.

3.2.5. The key points from the discussion at TFOG were as follows:

- It was requested that as audit trail that Manchester’s proposal form is updated retrospectively to reflect the current, revised ask.

- There was concern that the level of programme management and implementation team costs were high and especially when other parts of the GM system are looking to cut back on such spending.

- It was clarified that Manchester would need to return with a new bid were the CMA to reject Manchester’s proposal for a merger between CMFT and UHSM. Manchester would not be able to simply restructure the funding if the merger were not to proceed without resubmitting to the Transformation Fund.

- There was concern that further details were still required in relation to a full benefits realisation plan, despite satisfaction with the logic of proposal.

3.3. **TFOG Recommendation**

3.3.1. A recommendation for a substantive investment of £27.2m (with a maximum envelope of £42.52m) over four years, with phasing to be set out in the Investment Agreement and paid quarterly in advance.

- Noting that there are material conditions to the investment that should be included as part of the Investment Agreement, set out at 3.3.2.

3.3.2. There are a number of material conditions attached to the recommendation which should be satisfied prior to signing an investment agreement and release of funding:

- Provide a detailed benefits realisation plan.

- Provide further detail on the post-merger implementation plan, incorporating lessons learned from Trafford.
• Confirm the financial contribution of the SHS to the overall GM financial gap, by locality

• Agree to have the SHS Clinical Service Strategy be made available to support the Theme 3 leadership in the development and delivery of the wider theme 3 strategy

• Commit to further engagement with the key partners in the NE Sector to align the work of the SHS with the future plans of the NE Sector

• The GMHSCP will undertake a review of the full business case as submitted to NHSI to ensure consistency with the findings and proposed recommendations of the assessment team

3.3.3. The following additional conditions will need to be incorporated into the investment agreement:

• Funding from Q3 2017 onwards will be predicated on a positive outcome from the CMA process and any relevant NHSI decision making

• A full review of PMO costs and future funding requirement will be undertaken in September 2017

• The monitoring approach will be carried out on an 'open book' basis with formal arrangements put in place for the gain-share agreement around the restructuring costs

3.4. LCO Update

3.4.1. The Transformation Fund Oversight Group’s (TFOG) recommendation was for a substantive investment of £12m over two years for the LCO and the single commissioning function, which was agreed by the Strategic Partnership Board Executive in February, subject to conditions.

3.4.2. Various meetings have been held with the Manchester locality since the TFOG in January 2017 to discuss the concerns and agree the actions to resolve in order to enable the release of funding and a decision on the remaining funding

• Significant progress has been made since January TFOG; specifically the locality has:

• Provided a new CBA which includes mental health and enabler costs

• Reduced costs in certain areas of the proposal

• Increased benefits to be realised

• Clarified the reinvestment of 50% cashable benefits as required for on-going provision of the new models of care
• Confirmed the recording of benefits in the financial modelling to ensure no double count between the SHS and LCO

• Demonstrated the plan to reduce the outstanding gap by 2020/21

3.4.3. As such the assessment team recommended the release of funding for 16/17 and 17/18 of a total of £12m

3.4.4. The new CBA represents a significant change from the original, hence a full evaluation by the assessment team is required to ensure consistency with the findings and recommendations considered by TFOG in January

3.4.5. This will be undertaken throughout April 2017 with a recommendation on the overall quantum of funding from 18/19 onwards to be considered by TFOG on 2 May.

4.0 DEVELOPMENT TRANSFORMATION FUNDING FOR LOCALITIES AND THEMES

4.1. A number of localities and themes have requested development transformation funding (‘seed’ funding) to support the development of investment cases and secure key early milestones.

4.2. The process to access this funding has been finalised, and guidance to apply for the development funding has been communicated to localities and themes. The only additional proposal received this month is detailed below:

4.3. DevelopmentFunding: IM&T

4.3.1. Development funding has been requested to provide interim funding to ensure continuity in the rollout of DataWell. The amount requested is £793,000.

4.3.2. A report on DataWell was brought to the Strategic Partnership Board Executive in March and support was given in principle to fund its continued roll out on a transitional basis, pending the national sign-off of the Integrated Digital Fund.

4.3.3. A formal submission will be reviewed by the GMHSC Partnership imminently with corresponding investment agreement paperwork completed.

5.0 RECOMMENDATIONS

5.1. The Strategic Partnership Board is asked to:

• Note the progress update reported on the Transformation Fund:

• Note the Executive’s decision to:

  o Approve a substantive investment of £2.29m over three years for Dementia United, phased as follows:
- 2017/18: £473k
- 2018/19: £867k
- 2019/20: £613k
- 2020/21: £337k
- Noting that there are material conditions to funding, only to be released upon their satisfactory completion. These are set out at 2.3.3.

  - Approve a substantive investment of £27.2m (with a maximum envelope of £42.52m) over four years for the Manchester SHS:
    - Noting that there are material conditions to the investment, which are required to be completed prior to signing of an investment agreement and release of funds as set out at 3.3.2.