

To: Essex Health Overview and Scrutiny Committee

18th August 2010

Dear Cllr Butland

North East Essex Provider Services: becoming a Community Interest Company

I am writing to update you on plans to separate community health services in north east Essex from NHS North East Essex (NEE) into a community interest company. This development will not lead to any substantial changes to service delivery. This letter updates you on progress to date including public engagement activity.

1.0 Background

1.1 North East Essex Provider Services

NHS North East Essex Provider Services (NEEPS) is currently part of NHS NEE. It provides a range of community health services across North East Essex.

1.2 Reason for change

In response to the national Transforming Community Services agenda, NHS NEE has been working with staff and service users to design an effective new model for NEEPS to bring added value to the health and well-being of the communities it serves.

This move will result in the separation and subsequent externalisation of NEEPS.

The challenge for all PCTs has been to ensure that transformation and improvement is the key driver rather than organisational form and this is informed by staff and patients. In north east Essex this has been the deciding influence throughout this process towards its separation with community services.

1.3 Creating a community interest company

The NHS NEE Board has agreed Social Enterprise in the form of a Community Interest Company (CIC) as the preferred model for NEEPS. We are now working through an assurance process which includes a due diligence process and further testing of the integrated business plan before the PCT Board and SHA will be asked to provide formal approval for the establishment of the Social Enterprise which is aimed to be achieved by April 2011.

The move to social enterprise will not lead to any substantial changes to service delivery.

1.3.1 Social enterprises

Social enterprises are organisation run like businesses in that they compete to deliver goods and services. The difference is that a clear social purpose is at the very heart of what they do and profits are reinvested to enhance services further.

As an independent organisation, the benefits of becoming a social enterprise include more flexibility and freedom to develop services based on clinicians' professional judgement and service users' views.

Robust governance and legal structures will be in place to maintain strong levels of public accountability. One of the important characteristics of social enterprises is a stronger connection with their communities, service users and staff. This requirement will be built into NEEPS governance structures with the development of Governors Board and Stakeholder Forum.

1.4. Options appraisal

Working with the East of England Strategic Health Authority, neighbouring provider arms, the Local Authority and neighbouring NHS trusts the following options were considered during the decision making process:

- Becoming an NHS community foundation trust
- Integration with an acute hospital foundation trust
- Integration with North Essex Partnership NHS Foundation Trust
- Becoming a social enterprise
- Creating a commercial enterprise
- Becoming an integrated care organisation
- Remaining as an arms length trading organisation
- Integration/merger with other PCT Community Services (s) – e.g. Mid Essex.

Appendix A provides the outcome of this assessment. In summary, after considering all factors, becoming a social enterprise was selected because by its nature, it has a community focus and would have the freedom and flexibility to reinvest surpluses into community services. It supports the choice agenda and plurality of provision, would deliver the core services identified in partnership with commissioners and would be underpinned by local ownership and a focus on local priorities.

In February 2010, the social enterprise option was further tested. An assessment was undertaken in a workshop setting with representatives from Practice Based Commissioning, patients, Unison trade union, PCT clinical cabinet representatives, other PCTs and PCT staff. These were:-

- Setting up a social enterprise for north east Essex
- Joining the social enterprise proposed by South East and Mid Essex PCTs
- Merging with North East and West Essex PCTs provider arms and integrating with another NHS organisation
- Integrating the North East Essex Provider Arm with another NHS organisation

The setting up of a social enterprise for north east Essex was the selected option as this was highest weighted score against the benefits criteria.

Appendix B provides the outcome of this options appraisal.

2. Public and Patient Engagement

2.1 Department of Health requirements

The Department of Health's Transforming Community Services sets tests for stakeholder engagement. This ensures that a provider separation has the engagement and support of key stakeholder groups. It also looks at the extent of engagement, plans for workforce engagement, demonstration that the proposals are supported by primary care, social care and children's services plus plans for future engagement.

NHS NEE is working to the Department of Health's requirements for engagement.

2.2 Engagement Plan

Appendix C outlines public stakeholder engagement supporting NEEPS development to a Community Interest Company (CIC).

There is also separate Staff Engagement Plan that aims to follow the NHS East of England Transforming Community Services Board and Social Partnership Forum Board 'Best practice in employee consultation and engagement'.

2.2.1 Overall Objectives of the Stakeholder Engagement Plan

The overall objectives of the stakeholder engagement are to:

- Share with key local stakeholders the plan and background to create NEEPS as a stand-alone organisation in the form of CIC as a social enterprise
- Advise on the options considered and why social enterprise is the preferred model.
- Involve the local population in the shaping of local services and establishment of the social enterprise and particularly in the governance.
- Receive feedback in relation to the development of the social enterprise.
- Encourage future engagement and participation.

2.2.2 Implementation

The implementation of these objectives is being achieved through:

- Proactive media relations
- Syndicated articles for community publications
- Newsletter for professionals
- Online information and feedback form
- Frequently asked questions information
- Presentations to key stakeholders groups (see appendix D)
- Information in NEEPS buildings
- Employee engagement
- Public leaflet (see appendix E)
- Attending public events

2.3 Outcomes of Engagement

The social enterprise will have inclusive governance arrangements that reflect our social mission for both our staff and service users. This will include consideration of how staff, the community, service users and social partners can be involved in the governance and direction of the organisation.

Feedback and the involvement of key stakeholders is essential to the development of the social enterprise.

During the option appraisal phase four public workshops identified the priorities for patients and carers with regard to the future shape of their services. This informed the analysis of the various options for separating NEEPS. It was clear that people wanted their services to continue maintaining the core values of the NSH and to have a structure that further supported their involvement. A social enterprise by its nature has a community focus and has to reinvest surpluses back into community services.

As NEEPS moves through the final stages to achieving social enterprise status, stakeholder engagement continues to be invaluable. Comments and the involvement of stakeholders is shaping the development of governance structures and models for future community engagement. This approach will be particularly helpful in setting up the Governors' Board and Stakeholder Forum.

We will record engagement outcomes and demonstrate response to feedback.

We are looking forward to taking our engagement with patients, the public and staff forwards as we develop our governance structures and plan for the future.

3. Conclusion

HOSC is asked to receive this update. My colleagues by Julie Young – Assistant Director of Transformation for NEEPS and Kerry Franklin – Acting Director of Corporate Development and Governance for NHS NEE will be attending the next

HOSC meeting on 1 September 2010 and will be able to provide additional information if required.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M. J. Bushell'.

pp Dr. Paul Watson

Chief Executive

- Enc. Appendix A – Option Appraisal
- Appendix B - Option Appraisal
- Appendix C - List of Stakeholders and Events/Activity Dates
- Appendix D - Powerpoint presentation
- Appendix E - Leaflet

Appendix A: Option appraisal

Initial phase

A number options considered were during the decision making process. The following (October 2008 – updated May 2009) provides the results of the outcome of the Provider Services Management team on the appraisal of the options against the appraisal criteria of:-

Business fit/strategic alignment; risk; viability; timelines; staff terms and conditions, patient and public perceived perception; staff perceived perception; flexibility.

Option	Rationale
1. Becoming an NHS community foundation trust	Whilst part of the NHS family, CFTs are still relatively untested and the pilot sites have encountered a number of difficulties. North East Essex would not be large enough in its current form and would be reliant on merger with at least one other provider organisation. Despite early enthusiasm, neither Mid nor West Essex Provider Arms have identified CFTs as their preferred option. There is no information currently available as to when or if further pilots will be agreed and this is likely to be a longer term solution.
2. Integration with an acute foundation trust	As an existing NHS Trust, integration would offer some security for staff who would be able to retain their existing terms and conditions. There is no clarity at the moment from Monitor whether they would support a merger/acquisition of this nature and the merger of two providers into one is counter to the current choice agenda. Maintaining a community and health improvement focus could be problematic, particularly in times of financial stress, and these services are unlikely to be viewed as a high priority when set against acute care. This would not be seen as a potential model for learning disability services and the Acute Trust have already indicated that an alternative host would need to be identified.
3. Integration with North Essex Partnership NHS Foundation Trust	Many of the issues identified about are the same, particularly in relation to staff terms and conditions, the view from Monitor and patient choice. This may be a better fit for Learning Disability services but not for the wider provider service. It is anticipated that there would be some resistance to this model from some staff and patient groups who would not wish to be aligned with mental health services.
4. Becoming a social enterprise	A Social Enterprise would, by its nature, have a community focus and would have the freedom and flexibility to reinvest surpluses into community services. The model described supports the choice agenda and plurality of provision, would deliver the core services identified in partnership with

	commissioners and would be underpinned by local ownership and a focus on local priorities. The NHS pensions issue is still not resolved and the model as described, mitigates this by seconding staff in the immediate term. This could be achieved relatively quickly and demonstrates a bold and innovative solution to the current uncertainties. Work has progressed on this issue and we would now not be looking to pursue a secondment model.
5. Creating a commercial enterprise	The model has the least best fit in philosophy and as such is likely to be an unpopular choice with staff and the public alike. Services may be focussed more towards profit than community benefit and an organisation focussed on profit would be motivated to 'cherry pick' the most profitable services.
6. Becoming an integrated care organisation	As a newly developing model all of the implications are yet to emerge. The model would require the bringing together of two or more organisations with different philosophies and timescales. Local exploration of this model was not supported through to a pilot and there does not appear to be a great weight of support for this model at this time.
7. Remaining as an arms length trading organisation	Maintaining the status quo does not fit either the national or regional imperative for PCTs to divest themselves of their provider arms and focus on commissioning services in the future. For staff, security around current employment and terms and conditions is likely to be attractive although many have indicated a wish to move things forward from the current situation and develop an organisation which can offer flexibility and reinvest surpluses.
8. Merger with other PCT Provider Arms(s)	As a hosted Provider Service the hosting PCT would need to demonstrate that the direct management of these services would not be a significant distraction from World Class Commissioning. The bringing together of two or more Provider Arms would create a large service provider which would potentially limit the range of provider solutions available to commissioners. Community services have historically been merged and separated in many guises without fundamental service delivery issues being addressed – the significant question on the table must be 'what would be different?'

Appendix B: Option Appraisal

Development phase

These options were appraised against benefits criteria used by NEEPS and the PCT in previous options appraisals, and also criteria set out in recent guidance from the Department of Health and include:-

Whole system strategic fit; Business viability; Workforce; Stakeholder views; Clinical delivery and quality of care; Financial efficiencies; Deliverability; Governance

Option	Conclusions
1. Forming a social enterprise for NE Essex	This option recorded the highest weighted score. It scored the highest or joint highest against six out of the eight criteria.
2. Joining the social enterprise proposed by South East and Mid Essex PCTs	This option scored significantly lower than Option 1.
3. Merger of with North East and West Essex PCTs provider arms and integrating with another NHS organisation	This option scored significantly lower than Option 1.
4. Integrating the North East Essex Provider Arm with another NHS organisation	This is was the second highest weighted score.

Appendix C

Stakeholder engagement

This table outlines stakeholder engagement .

Engagement activity	Description	Date
Transforming Community Services Workshops	4 public consultation workshops designed to involve patients and carers in shaping the future of community services e.g. health and wellbeing, children and families, long term care etc	June 2009
NHS NEE board meetings held in public – recent meetings include	Transforming Community Services – strategic options	July 2009
	Right to Request and Integrated Business Plan	September 2009
	Outcome of second option appraisal and approval of expression of interest for Right to Request	March 2010
	Assurance process	May 2010
	Approval of Integrated Business Plan	July 2010
Patient Commissioning Forum – Tendring	Presentation to and discussion with patient and community representatives	25 August 2010
Patient Commissioning Forum - Colchester	Presentation to and discussion with patient and community representatives	31 August 2010
LINKs	Presentation to and discussion with patient and community representatives	14 September 2010
NHS North East Essex Clinical Cabinet,	Presentation to and discussion with clinicians	Date to be added
Local Strategic Partnership – Tendring	Presentation to and discussion with partner organisations	Date to be added
Local Strategic Partnership – Colchester 20:20	Presentation to and discussion with partner organisations	Date to be added
Local Strategic Partnership - Essex	Presentation to and discussion with partner organisations	Date to be added
Practice based Commissioning - GPs	Presentation to and discussion with clinicians	Date to be added
NHS North East Essex	Paper at board meeting held in public	28 Sept 2010

NHS North East Essex	Paper at board meeting held in public	30 Nov 2010
Crime and Disorder Community Partnership Day, Walton on the Naze	Display at community event	9 August 2010
Cornerstone (health information shop), Colchester	Information and staff available to talk to public	Aug – Sept 2010
Clacton Hospital	Display for patients and other hospital visitors	Aug – Sept 2010
Fryatt Hospital, Harwich	Display for patients and other hospital visitors	Aug – Sept 2010
Colchester Rugby Club Fun Day	Display at community event	12 th August 2010
Clacton market	Display at community event	17 th August 2010
Clacton Air Show	Display and leaflets at community event	26 August 2010
St Ann's Fun Day, Colchester.	Display and leaflets at community event	28 th August 2010
HOSC	Attendance at meeting	1 st September 2010

List of Key Stakeholders

<ul style="list-style-type: none"> • Colchester Borough Council • Community Voluntary Service Organisations • Consider top local employers • Essex County Council • Garrison • GP practices, dental, pharmacists, optom. • HOSC • Libraries and /or schools • Local Strategic Partnerships • MPs • NHS Direct 	<ul style="list-style-type: none"> • NHS East of England • NHS Trusts • North East Essex LINKs • Out of Hours Provider • PCFs/ patient groups • PCT sites • PCT staff, including Non Executive Directors • Residents Associations • Tendring District Council • Town & Parish Councils • Voluntary Groups
------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Appendix D – Powerpoint presentation


P:\Provider\NEEPS
SE.ppt

Appendix E – Leaflet


P:\Provider\Leaflet -
SE.doc