



MAKING PEOPLE COUNT

Decisions of Value

Case study: Northumbria Healthcare NHS Foundation Trust

Decision: To buy out an existing PFI deal on Hexham General Hospital in partnership with the local County Council.

Reason for decision: To achieve a reduction in ongoing costs, and greater control over the estate.

Size of decision: a buy-back cost of £114m, but achieving savings £3m per annum over the next 17 years for investment in better patient services.

Time frame: 2.5 years, concluded in September 2014.

Summary

In 2014 Northumbria Healthcare NHS Foundation Trust concluded a deal to buy back their PFI commitment on Hexham General Hospital, in partnership with Northumberland County Council. By doing so, the FT was able to gain greater control over their estate and make significant long term savings that can be invested in patient care. The story is reported in the Financial Times [here](#).

The process took 2.5 years and in this time the context of, and opportunities presented by, the decision changed. The role of external players in the decision was sometimes unclear and it took time to get the necessary clarity. During the project, interest rates changed on public loans which reduced the benefit originally planned. However, there remained a clear focus on the prize of better value, especially amongst the FT board and its finance and clinical teams; an unanticipated benefit at the start of the process was the subsequent agreement with the Council to co-locate a new fire station for the area on the site – which wouldn't have been possible previously.

The trust had a strong finance and legal team in place that kept a focus on key milestones. Because of the long-standing FT commitment to clinical ownership through their service line management approach and business unit structure, the case for change was made straightforwardly – clinical teams could see readily the impact the decision would have on their ability to manage high volume services with greater control, and how it released cash for better patient care.

Who did what, why, how and when?

Whose decision was it?

The decision maker on the buy-out was the Northumbria Healthcare NHS FT board, working in close partnership with Northumberland County Council, though it was felt unclear beyond that who would have a critical deciding role / veto.

Subsequently it was established the local clinical commissioning group had rights over offering security on the loan; the proposal became an investment decision on which Monitor took a view; and at a later stage, HM Treasury also took an interest, applying the "[Managing Public Money](#)" principles.

Achieving HM Treasury support, while not officially required, caused some delays to the process - but a face to face meeting with the Treasury team ultimately persuaded them of the public interest and value for money inherent in the proposal.

What was the role of the FT finance team and other stakeholders in the decision?

The finance team held the ring on the project, though the project team changed over the course of the decision being completed. The finance team:

- kept the project to its milestones
- were the central point dealing with queries and
- had a key role in negotiating with the local authority and CCG.

The estates team put the outline business case together to make the case to Monitor about plans to manage the estate after the transaction. Monitor carried out two reviews of the business case.

Applying the RAPID decision-making framework

The FFF programme has commissioned a decision-making framework to promote decisions of best possible value. Detail of the framework is available on the FFF website. In applying the RAPID aspect of the framework developed by Bain, we have attributed roles in this case study as follows:

Role	Carried out by
Recommend	Finance Director
Agree	County Council, Monitor, CCG
Perform	Finance, Legal and Estates teams
Input	HM Treasury, FT Clinical Policy Group
Decide	FT Board

Considering value in the decision-making process

Value was central to the outline business case and the question of whether value would be delivered was asked regularly. An external review of lifecycle costs was commissioned from an engineering firm, and a value analysis was carried out on the financial metrics.

“Value was central to the Outline Business Case”.

The decision was primarily rationalised through looking at financially based evidence sources, but this was in the context of releasing capital to invest in improved patient services and care. The Medical and Nursing Directors on the Board took it to the Clinical Policy Group which was supportive of the ambitions of the buy-out.

Tools used in the process of making the decision

- The FT carried out a formal options appraisal in line with the Capital Investment Manual.
- Estates costs were benchmarked for post-transaction to ensure delivery of the financial benefits and management of the asset to at least the same standard as under the PFI arrangement.

Outcome and lessons learned

Northumbria NHS Foundation Trust is pleased with the outcome of the decision. Key success factors included:

- a strong internal team who delivered the necessary control;
- the quality of the professional advice sought;
- keeping the County Council sufficiently and closely involved.

The Board felt it would have been helpful to have greater clarity on the roles of external bodies such as Monitor and HM Treasury in the process. If approaching the decision again they would have gone to the Treasury sooner – though as noted above, once a meeting was held then the decision proceeded quickly.

Learning to share with others

1. Remain focused on what you want to achieve
2. Don't be put off by obstacles that are put in your way, directly or indirectly
3. Maintain objectivity during what can be a draining time
4. Keep sight of the numbers and re-cast plans when the numbers move

5. Clinical engagement is critical, and is easier to achieve if it is embedded in the way you do things – Northumbria Healthcare NHS FT uses SLM and devolved business units co-managed by clinicians.

Thanks to Jim Mackey, Chief Executive; Paul Dunn, Finance Director; and David Evans, Medical Director of Northumbria Healthcare NHS Foundation Trust for their permission to use this example as a case study and for discussing the case with the FFF team.