

# NHS Foundation Trusts Survey

## “Big business or everyone’s business?”

### Executive Summary

#### Introduction

Since the inception of NHS Foundation Trusts (NHSFTs), the RCN has adopted the view that each application for FT status should be considered on its merits. To support our members in that decision making process, the RCN produced the FT Scorecard which clearly identified the key features of a successful FT application – clear nurse leadership at all levels, local focus on service planning, robust governance and so on<sup>1</sup>.

Following up on previous work with members and staff in FTs, the RCN Policy Unit carried out a survey on the progress of NHS Foundation Trusts (NHSFTs) between June and July of 2007. The survey had two distinct parts

- Firstly a questionnaire on a range of issues related to the development and operation of NHSFTs was made available to RCN activists and members through the RCN website.
- Secondly, semi structured interviews with RCN activists and staff were conducted based on the issues raised within the questionnaire. In combination, this approach gathered evidence from 46 of the 54 NHS Foundation Trusts that were authorised when the survey commenced.

Based upon this evidence the RCN is able to identify some key trends and issues which we believe should be considered and addressed as part of the future development of these crucial NHS provider organisations.

This report on the experiences of RCN activists and staff provides an invaluable insight into the lived experience of working in and with NHSFTs and presents the results under four key themes that emerged;

- **Governance and Engagement** – this section reviews how representatives from staff side organisations and RCN members generally perceive their place in NHSFT governance structures. There also some comment on the relationships between managements, staff side organisations and how NHSFTs relate to commissioners, providers and the wider health economy.
- **Effects of Prioritising Financial Performance** – here the effect of the emphasis on financial performance within NHSFT authorisation process and day to day function is reviewed from the perspective of the impact on nurse’s employment. Views were also sought on the emerging prospect of further

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<sup>1</sup> See [www.rcn.org.uk/policy](http://www.rcn.org.uk/policy)

merger and acquisition amongst NHSFTs and other Trusts as the market matures.

- **Payment by Results and the Drive for Increasing Efficiency** – this section offers a brief comment on the perceived impact and knowledge of PbR. This is an important section because NHSFTs were the first to apply PbR and HRGs to their activity.
- **Developing New Services** – this section highlights the impact of NHSFT status on the development of clinical services and how RCN activists, members and staff encountered the service development process.

The report concludes with a summary of the main themes emerging with some suggestions for how policy might evolve in NHSFTs to address the concerns raised.

The key findings are

- RCN members view local control of an NHSFT, with the full engagement of community and staff constituencies in their governance, as one of the greatest benefits of FT status. Many (but not all) NHSFTs have made significant improvements in membership engagement.
- However there is also a strongly expressed concern that too much emphasis on a ‘big business ethos’ could squeeze out patient, public and professional engagement. Some suggest that NHS values are being squeezed in a similar manner.
- As NHS FTs reach critical mass, discreet policy interventions are required to strengthen governance arrangements, promote best practice public patient involvement and encourage partnership working.
- SHAs and Local Authority Oversight and Scrutiny Committees may need a much clearer role and authority if they are to have constructive relationships with NHSFTs in which essential information is shared openly and local agreements on priority services are developed in partnership
- RCN and other staff side organisations have a role to play in encouraging more members to get involved as Governors. That would ensure stronger relationships between Governors and staff side organisation representatives. As NHSFTs grow and the market matures RCN believes that there will be an increasing need to ensure the integrity of democratic representation within these organisations and within the wider NHS.
- NHSFTs with their early exposure to PbR and a more rigorous financial framework have led to more consistent financial information and a better balance of income/expenditure. This has brought an increasing awareness of the costs activity although there is concern that the full contribution of nursing remains largely invisible.

- Many respondents saw benefits from adopting a more business like approach to organisational development and service management. But where NHSFTs were disproportionately focused on costs, this had a detrimental impact on staff morale and clinical engagement.
- The emerging potential for successful NHSFTs to merge with and takeover failing NHS Trusts holds the prospect for creating provider organisations whose size and revenue will far exceed anything that we have previously seen in the NHS.
- This raises the question about how FTs are positioned to move to the next stage of reforms as outlined by the Next Stages (Darzi) Review. How will essentially market driven organisations be persuaded to disinvest from providing services within hospital settings to move services closer to the patient's home? Respondents were forceful in stating concerns that, at least externally, NHSFTs are viewed as “big beasts” that may become difficult to control in a rapidly changing service landscape.
- The RCN remains concerned that competition between providers and the emergence of FT systems within community services will present opportunities to dispose of and re-provide services in a manner which prioritises short term income above the sustainability and quality of services.

If you wish to discuss these results further or want to know more about the work of the RCN Policy unit please contact us on 0207 647 3723 or e mail us at [policycontacts@rcn.org.uk](mailto:policycontacts@rcn.org.uk)

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## 1 Introduction and background

NHS Foundation Trusts have been one of the flagship developments within the government reforms of the NHS, following the publication of the NHS Plan (2000). Created as legal entities following the publication of the Health and Social Care (Standards and Regulations Act) 2003, NHS Foundation Trusts (NHSFT), have a number of advantages over traditional NHS Trusts. These include increased levels of autonomy, the right to retain financial surplus and the right to use commercial funding to finance service developments.

In order to become NHS Foundation Trusts, existing NHS Trusts must first gain the support of the Secretary of State for Health before commencing upon a stringent process of authorisation which is managed by the Independent Regulator of NHS Foundation Trusts, Monitor. Once they have become NHS Foundation Trusts they must maintain and further develop their services and achieve specific outcomes as part of their ongoing authorisation by Monitor<sup>2</sup>.

The RCN did not oppose the government's policy on the creation of NHS Foundation Trusts, although we had a number of concerns about the impacts their operation could have across the local and national health and social care economies. Instead, the RCN developed a "scorecard"<sup>3</sup> which identified key areas of concern and which enabled members and activists to decide their own level of support for an application to become an NHS Foundation Trust, at local level.

Since the first wave of NHS Foundation Trusts was established in 2004, the RCN Policy Unit have published a number of papers and reports on issues related to their development, including a review of the progress of the first 20 NHSFTs. This was published in May 2005 and identified areas of concern and best practice in the development of those organisations, from the perspective of RCN members<sup>4</sup>.

In August 2007 Monitor, the independent regulator of NHS Foundation Trusts published a report "*NHS Foundation Trusts; annual plans for 2007-08*". The foreword to that report said<sup>5</sup>;

"NHS foundation trusts' plans for 2007-08 paint a picture of further progress towards delivering the services patients need, underpinned by financial strength."

It was against this background of increasing influence and importance of NHSFTs, together with the Department of Health's commitment to achieving 100% NHSFT provision of secondary healthcare services by end of 2009, that the RCN Policy Unit conducted this survey.

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<sup>2</sup> Previous briefings on NHSFTs are available on the Policy Pages within the RCN website.  
[www.rcn.org.uk/aboutus/policy/briefings/commentary](http://www.rcn.org.uk/aboutus/policy/briefings/commentary)

<sup>3</sup> [www.rcn.org.uk/downloads/aboutus/policy\\_and\\_consultations/policy\\_unit/imported/foundations-reps.pdf](http://www.rcn.org.uk/downloads/aboutus/policy_and_consultations/policy_unit/imported/foundations-reps.pdf)

<sup>4</sup> [http://www.rcn.org.uk/aboutus/policy/projects/review\\_of\\_nhs\\_foundation\\_trusts](http://www.rcn.org.uk/aboutus/policy/projects/review_of_nhs_foundation_trusts)

<sup>5</sup> Monitor; *NHS Foundation Trusts: annual plans for 2007-08*, Foreword, page 1 (2007)

## Survey Methods

In June and July of 2007, the RCN Policy Unit carried out a survey on the progress of NHS Foundation Trusts (NHSFTs). The survey had two distinct parts

Firstly a questionnaire on a range of issues related to the development and operation of NHSFTs was made available to RCN activists and members through the RCN website.

Secondly, semi structured interviews with RCN activists and staff were conducted based on the issues raised within the questionnaire. In combination, this approach gathered evidence from 46 of the 54 NHS Foundation Trusts that were authorised when the survey commenced.

Based upon this evidence the RCN is able to identify some key trends and issues which we believe should be considered and addressed as part of the future development of these crucial NHS provider organisations. This report on the experiences of RCN activists and staff provides an invaluable insight into the lived experience of working in and with NHSFTs.

## Report Structure

This report on the survey presents the results under the four key themes that emerged;

- **Governance and Engagement** – this section includes views on how staff side organisations and RCN members generally perceive their place in NHSFT governance structures. There also some comment on the relationships between managements, staff side organisations and how NHSFTs relate to commissioners, providers and the wider health economy.
- **Effects of Prioritising Financial Performance** – here the emphasis on financial performance within NHSFT authorisation and function is reviewed from the perspective of the impact on nurse's employment and on the emerging prospect of further merger and acquisition.
- **Payment by Results and the Drive for Increasing Efficiency** – this section offers a brief comment on PbR, this is important because NHSFTs were the first to apply PbR and HRGs to their activity.
- **Developing New Services** – this section highlights the impact of NHSFT status on the development of clinical services and how RCN activists, members and staff encountered the service development process.

The report concludes with a summary of the main themes emerging with some suggestions for how policy might evolve in NHSFTs to address the concerns raised.

## 2 Governance and Membership Engagement

When the government began the process of developing the legislation to introduce NHSFTs they faced stiff resistance from opposition parties and from Labour backbenchers who felt that Foundation Trusts would undermine the principles of the NHS and herald the introduction of privatisation.

RCN members shared many of these concerns and lobbied hard to ensure that these issues were addressed within the subsequent legislation. As a result, the government were required to make a number of concessions in order to get their legislation passed, especially in assuring the adherence to NHS principles and high levels of democracy and accountability within NHSFT management systems.

As their Bill passed through the various stages of Parliament, the government reinforced their belief that NHSFTs would increase opportunities for staff, patient and community participation in the design and delivery of NHS services. At the same time, through the legislation, they sought to ensure that the authorisation and application process for NHSFTs promoted inclusion and engagement through open systems of governance and membership.

However, it was not until September 2006 that Monitor published guidance on this issue in *The NHS Foundation Trust Code of Governance*<sup>6</sup>. Although failure to comply with governance requirements can lead to loss of authorisation, our NHSFT survey has highlighted a number of key issues which have concerned our members in the operation of governance and membership within NHSFTs.

### **Staff Side Organisations and RCN Members; Their Place in Trust Governance**

Monitor assesses three areas of NHSFT function as part of the ongoing authorisation process. Of these three areas, financial performance is externally assessed by Monitor and the level of risk for each organisation is valued against a risk rating scale.

For the other two areas of NHSFT function, Mandatory Goods and Services and Governance, Monitor uses a “self-certification” system to verify the achievement of risk management targets in these areas, with an associated traffic light system of risk warning.

In terms of governance, the RCN has expressed concern that self-certification does not provide a sufficiently robust and objective method of evaluating one of the most critical aspects of NHSFT function. The process of governance within NHSFTs includes the statutory obligation placed upon these organisations to meet, consult and negotiate with staff side organisations, as well as establish and develop the role and function of a Board of Governors.

Through their responses to our survey, RCN members reported a trend whereby the Board of Directors in NHSFTs were increasingly aware of the need to engage with

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<sup>6</sup> Monitor, *NHS Foundation Trust Code of Governance*, London (2006)

their Board of Governor colleagues on operational issues as part of the governance process. They did express concerns, however, about the need for more openness and transparency in strategic decision making and engagement with staff side organisations. The observations of respondents were that;

- Boards of Governors within NHSFTs are beginning to assert their views with an increasing degree of force
- Some NHSFTs exclude the public from a significant proportion of their Board of Director meetings and are increasingly shifting issues into closed session meetings. RCN members cannot accept that this is entirely due to commercial sensitivity of information and they consider that this compromises the NHSFTs requirement to promote open, transparent and inclusive decision-making as part of the system of governance
- Despite the terms of reference for NHSFT Boards that form part of their terms of authorisation, there is a need in some NHSFTs for more openness about the how those Boards conduct their business and promote engagement in their systems of operational governance

In most instances, NHSFTs are beginning to come to terms with the challenges of managing membership and service governance. It was felt by the majority of respondents that where NHSFTs make efforts to engage patient and carer constituency in the decision making process, especially at Board of Governor and operational levels, that this was a significant improvement upon previous ways of working in NHS Trusts

It was felt that RCN and other staff side organisations should encourage more members to get involved as Governors. That would ensure stronger relationships between Governors and staff side organisation representatives

### **Relationships between Management and Staff Side Organisations in NHSFTs**

RCN members who responded to the survey had serious concerns about the nature of relationships between NHSFT managers and staff side organisations. They identified the following issues which they felt need to be addressed;

- There is a significant difference in management culture between NHSFTs and NHS Trusts which was due to the increasing influence of “business” management attitudes. This requires NHSFTs and Trade Unions to invest in developing skills in staff side representatives so that they can make the fullest contribution to the trust whilst representing the interests of their members
- The impact of the business culture has resulted in a changed role for RCN representatives and other staff side organisations in employment relations activities including representation and negotiation in NHSFTs

Respondents identified significant differences between staff side and management expectations of employment relations mechanisms with managers in NHSFTs. There

is a growing tendency, they said, for managers to perceive their role and purpose as being simply to communicate information rather than engage in consultation or negotiation on organisational change issues

The following sentiments were expressed, summarising the relationship between staff side organisations and management in some NHSFTs;

*“While management are preaching partnership working, this very rarely happens in our FT”*

*“Lip service only is paid to the need to consult with and engage staff side organisations”*

### **NHSFT Relations with Commissioners, Providers and the Wider Health Economy**

One of the main concerns of the RCN regarding the establishment of NHSFTs has been their potentially detrimental effects across the wider health economy, given the levels of freedom they have.

The RCN has always been concerned of the potential for NHSFTs to establish cartels, for instance, and excessively influence the market for healthcare services in any community. There are also concerns that Strategic Health Authorities (SHAs), who are expected to retain the integrity of the wider health economy, have too little power with which to influence and control the activities of NHSFTs.

As the regulator of NHS Foundation Trusts, Monitor place their greatest emphasis upon the financial viability of these organisations and give lesser priority and importance to patient services and systems of governance, as demonstrated in their risk management system. Given the additional freedoms that are granted to NHSFTs and the added incentives that now accompany the status of “success” as an NHSFT (including opportunities for takeovers and mergers) the RCN has continued to express concerns regarding their power and influence.

NHSFTs can exert influence over other providers and commissioning bodies across the health and social care economy at local, regional and national levels, depending upon the scale, scope and speciality of their services. These concerns are reflected in the content of the RCN Foundation Trust Scorecard.

Throughout the survey, RCN members reported continuing concerns that the issues raised within that scorecard are not being addressed by organisations, especially once they have become NHSFTs. The points raised included;

- RCN members are especially concerned that profit and politics are becoming more important than services to patients in existing NHSFTs and that as a result, commercial sensitivity is becoming more important than the need to be open and transparent with information

- Monitor have established a rigorous system of financial risk management which determines the “success” of the organisation. Therefore, NHSFTs may become too focussed upon their own need to meet regulatory and authorisation targets to consider the financial effects of their operation across the wider health economy
- Although the original plans for establishing NHSFTs committed them to upholding NHS Principles, in practice, they give too low a priority to NHS Principles and have rarely developed any means for measuring adherence to them. There was view amongst respondents that NHSFTs should be more actively held to account for maintaining NHS Principles through the Monitor risk assessment system
- RCN members are especially concerned that the relationships between NHSFTs and SHAs can become confrontational because SHAs have too little opportunity to be assertive, due to their lack of power and influence over NHSFTs

SHAs need more power and authority if they are to compel NHSFTs to contribute essential information and abide by local agreements on priority services across the local, regional and national health economy

The nature of respondent concerns about relationships between NHSFTs and other organisations within the health economy is summarised by one person who said;

*“From my experience as an SHA employee I see many (but not all) NHSFTs completely side stepping the SHA. They refuse to engage on things which are optional and then provide information late, or incomplete. They are, however, terrified of Monitor.”*

In terms of the need for NHSFTs to uphold NHS principles one respondent said that;

*“One of the core NHS values that Alan Milburn said would be upheld by Foundation Trusts, was to support and value its staff. How can they be doing that when they downgrade us, make nurse consultants redundant, fail to recruit newly qualified students and do away with post-registration courses? We expected better from Foundation Trusts; after all, they are supposed to be independent from Whitehall but even when they had no deficit, they had to make cuts when the Secretary of State said so, just like every other NHS Trust! So much for upholding NHS principles.”*

### **Respondent Perceptions of Key Factors in the Development of NHSFTs and Variance with NHS Trusts**

The RCN has campaigned hard and consistently to ensure that nurses and nursing are represented at all levels of operational and strategic operation in NHSFTs. As a result, respondents reported an increasing opportunity for nurses to influence the direction of NHS Foundation Trusts when compared with NHS Trusts. They identified;

- More consistent nursing influence in clinical decision making at ward level as a result of having nurse leadership and involvement at board level

Respondents also highlighted a number of other organisational features which they identified as crucial to their perception of success in NHSFTs;

- Retaining financial surplus enables long term financial planning
- The positive motivational effects of not having to hand back surpluses
- The positive effects that retaining surplus in achieving cost benefits for patients and staff at ward level

One of the greatest and most consistently identified benefits of NHSFTs, from the perspective of RCN members has been the sense of identity which NHSFTs can bring to the members of that organisation.

RCN members are clearly of the view that local control of an NHSFT, with the full engagement of community and staff constituencies in their governance, is one of the greatest benefits of achieving FT status. RCN members perceive NHSFT status, with its additional freedoms, as a means to by which to overcome excessive centralised control from Whitehall.

However, respondents did identify that realising the NHS principles upon which the spirit of an NHSFT is founded depends upon the leadership and management culture within the trust.

Whilst respondents did think that the freedoms of a FT allowed greater opportunity for service development, there was concern that future service developments recognised the need for more inclusive and engaging systems of management. Respondents recognised that personalities and politics could continue to exercise excessive influence over decision making processes, especially at Board of Director level.

This final point was reinforced by one response;

*“A great deal will depend on whether a bean counter or a clinician is the most vocal figure on the board”*

### 3 Effects of Prioritising Financial Performance

Like all other organisations, NHSFTs have been affected by the short-term financial recovery plans developed by the Department of Health's to overcome NHS financial deficits. At the same time, the risk management systems created by Monitor and the need to generate operating surplus have led NHSFTs to prioritise financial performance within strategic and operational planning.

#### FT Financial Performance and Implications for Nurse's Employment

In October 2006 the Secretary of State for Health, Patricia Hewitt, announced that she was committed to achieving financial balance across the NHS by April 2007. NHS organisations were exposed to external scrutiny by financial "turnaround teams" and had to establish financial recovery plans. At that time, only 4 of the total of 38 NHSFTs had a financial deficit, and these deficits had been agreed in accordance with the terms of their authorisation by Monitor. Like all NHS organisations, FTs needed to address the collective requirement to "break even" by the end of the financial year 2006-07. The negative effects of the financial recovery plans were drastic to the nursing workforce across the NHS. The RCN demonstrated that in excess of 21,000 posts were lost across the service as a result of NHS deficits. The RCN's evidence to the Health Select Committee on the management of NHS Deficits<sup>7</sup> indicated a number of serious concerns;

In their response to our survey, RCN members, activists and staff reported a rapidly changing and heavily impacted labour economy in NHSFTs. Their comments appear to indicate that;

- Although there was variation between NHS Regions, financial recovery plans arising from NHS deficits mean many NHSFTs have lost posts, undergone recruitment freezes or regrading exercises
- The impacts of the financial recovery plans were still being felt across the workforce within NHSFTs in contrast to NHS Trusts. There was a growing sense that NHSFTs were beginning to expand
- New job opportunities appear to be arising for nurses as Service Development Plans begin to impact at clinical levels in NHSFTs but not at the higher grades created by Agenda for Change
- Even where NHSFTs had sought to avoid redundancies by downgrading and redeployment, there had been a severely negative impact on the morale of nurses and other staff members

This situation and these issues are reflected in the following statements;

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<sup>7</sup>[www.rcn.org.uk/newsevents/government/briefings/response\\_to\\_health\\_select\\_committee\\_inquiry\\_into\\_deficits](http://www.rcn.org.uk/newsevents/government/briefings/response_to_health_select_committee_inquiry_into_deficits)

*“Redundancies have been avoided through a process including recruitment freezes, redeployment and long term placement on the redeployment register. This has led to disillusionment and resignation of staff members, psychometric testing as part of competitive interviewing and unofficial/unprovable but noticeable ‘targeting’ of specific individuals in order to encourage their resignations”*

*“We have had jobs freezes and newly qualified nurses & ODPs are not getting jobs”*

It was the overall impression of RCN members that FTs had not been as adversely affected as their NHS Trust partners due to increased levels of freedom and the investment prior to the Department of Health’s campaign to balance the NHS books. This is reflected in the statement that;

*“After all that chaos, nursing posts in our NHSFT are being unfrozen and attempts made to recruit staff in a bid to improve services. But where are experienced nurses going to come from?”*

### **Financial Performance as the Basis for Takeovers/ Mergers**

The Department of Health have given a strong commitment to achieving 100% provision of secondary NHS services through Foundation Trusts by 2009. By October 2007, only 30% of the NHS Trusts eligible to become NHSFTs had done so. At the same time, 10% of applications had failed across England but in some areas that figure is higher. For example, in the West Midlands SHA area 30 % of applications have “failed” and in the East Midlands SHA area 25% of applications have “failed”.<sup>8</sup>

Monitor have published guidance on “mergers” and “takeovers” of “failing” organisations by NHSFTs and the first mergers have already been authorised. In Birmingham, for instance, the Heart of England NHSFT took over the failing Good Hope Hospital in first merger to take place under the provisions of the Monitor guidelines in early 2007. The RCN has noted the growing potential for “takeovers” and “mergers” as a means of overcoming “failure” in NHS provider organisations.

This potential appears to be mainly focussed upon the activities and freedoms of NHSFTs and their capacity to drive the financial performance of the NHS. At the same time, as the numbers and rates of failure in NHSFT applications rise there will be an increasing potential for the DH to keep to their commitment to achieve a 100% NHSFT economy in secondary care by 2009 through mergers and takeovers. RCN Policy Unit forecast the probability of this scenario in a publication from January 2007<sup>9</sup>.

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<sup>8</sup> NHS North West, *Avoiding Failure in the Application Process*, September 2007

<sup>9</sup> [http://www.rcn.org.uk/\\_data/assets/pdf\\_file/0012/24024/mergers\\_markets\\_and\\_monitor.pdf](http://www.rcn.org.uk/_data/assets/pdf_file/0012/24024/mergers_markets_and_monitor.pdf)

It is the view of Monitor that financial performance in NHSFTs is strong in comparison with their equivalent NHS Trusts and that this is borne out by the results of the Healthcare Commission’s Annual Health Check ratings for 2007<sup>10</sup>.

The RCN believe that this is largely attributable to the process by which NHSFTs are selected and the investment in them in order to improve their financial management systems to meet the diagnostic requirements of Monitor.

RCN members who responded to our survey believed that this had led to a trend whereby there is an increasing and inevitable gap in financial performance between NHSFTs and NHS Trusts. Respondents suggested that the greater “freedoms” of these more modern organisations may have a detrimental effect upon traditional NHS Trusts who are at a disadvantage in an increasingly competitive provider market. The survey also portrayed a growing hierarchy within NHSFTs whilst those at the bottom end of the continuum are becoming increasingly pressured to raise their financial performance or face a worrying and uncertain future.

RCN members reported increasing concern across the secondary care sector at the prospect of wholesale mergers and takeovers by “high performing” NHSFTs. The feedback from respondents indicated that about 30% were aware or believed that NHSFTs were considering mergers and takeovers of other NHS Trusts and/or other NHSFTs.

***“Are local foundation trusts planning to ‘merge’ with or ‘takeover’ other trusts?”***

Yes	No	Not aware of any specific plans
30%	28%	42%

Whilst 42% of respondents said that they were unaware of future plans for merger or takeover, it was suggested by many that this was due to NHSFTs being unwilling or unable to share information on this aspect of their operation because of commercial sensitivities. The additional comments made by respondents indicated that even where they are not aware of specific plans for takeovers and mergers, the prospect of takeover and merger was palpable. The emerging issues and themes identified by respondents included;

- The majority of respondents believed that mergers and takeovers are now a high priority for existing foundation trusts, either as protagonists or as victims of takeovers and that this could cause Boards of Directors to give an ever increasing priority to financial performance.
- Balance sheets may become disproportionately more important than clinical services which RCN members believe are the operational and financial life blood of these organisations

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<sup>10</sup> Monitor briefing, *NHS foundation trusts perform best in Annual Health Check ratings*, October 17<sup>th</sup> 2007

- The capacity and authority to “takeover” or acquire through merger the services of an NHS Trust or NHSFT may become an unforeseen extension of the NHSFT powers. RCN members fear that this will, in turn, lead CEOs and Boards of Directors across the NHS to give excessive emphasis to enabling or preventing takeover of their organisation

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The tension created by the need to generate income whilst trying to prioritise essential services was a recurring issue for respondents and is illustrated by the following statement;

*“There have been cutbacks in services that have high costs and limited income under Pbr, like acute admissions, long stay medicine and care of the elderly. We have seen a loss of inpatient beds and an increasing focus upon day case and short stay surgery in order to meet waiting list targets. Staff are concerned that in the Accident and Emergency Department, health and safety issues may be compromised where we are not fully staffed and there is the need to meet waiting time targets.”*

The growing potential for takeovers and mergers is reflected in the following statements which were submitted to the survey;

*“There is a popular view, says our Acting CEO that in the future trusts that are not foundation trust are unlikely to survive, and are likely to merged. They are unlikely to survive in their current format.”*

*“In this area of London, if my trust fails its FT application then it is said that it will merge with the existing NHSFT at XXX. If we do and the YYY NHS Trust fails in its application, then either us (ZZZ) or XXX will take them over. As a trust we are currently bidding to take over and move on site all services from the specialist NHS Trust down the road.”*

## 4 Payment by Results and the Drive for Increasing Efficiency

Payment by results (PbR) is a casemix based activity payment system which rewards providers 'in year' for patient activity<sup>11</sup>. Foundation Trusts were the first providers to pilot the tariff system and the related Healthcare Resource Groups (HRGs) and were able to model the impact of this system on income and business stability although one of PbR's prime objectives was to act as a focus for improving the quality of care.

In its recent consultation on the future of PbR, there was a heavy focus on the importance of clinical engagement for the future development of PbR. Clinical engagement is essential to ensure that the powerful incentives within PbR are focused on improving care pathways and not simply used as a means of reducing costs<sup>12</sup>.

### Payment by Results in NHSFTs

The survey asked a direct question of respondents. That question and the rate of responses were as follows;

***“Has PbR achieved a significant impact on services in your NHSFT?”***

Yes	No	Don't know
47.20%	8.30%	44.40%

Although almost half of respondents said “yes”, there was a mixed reaction in terms of their follow up comments. Some of the benefits were said to be;

- PbR has led to more consistent financial information and a better balance of income/expenditure
- PbR has led to an increasing awareness of the mean costs of patient attendances, practitioner interventions and clinical procedures

Conversely, although answering “yes” to this question, respondents also said;

- PbR has led to an increasing concern about the costs of patient services without an analysis of the economic benefits of specific interventions (e.g. nursing care)
- PbR has created increased pressure to discharge patients quicker to drive down the length of stay, increase throughput and raise income often without obvious consideration of clinical outcomes

There were a high proportion of respondents who said that they did not know what impact PbR was having upon their services. It is of great concern if such a high number of respondents did not understand PbR or its stated objectives, particularly given its important links to financially incentivising certain care pathways. Without clinical engagement in the collection of activity data; in the analysis of care costs; or

<sup>11</sup> RCN Policy Briefing (2005) *Glossary of terms*

<sup>12</sup> [http://www.rcn.org.uk/\\_\\_data/assets/pdf\\_file/0009/21213/pbr\\_update\\_and\\_discussion.pdf](http://www.rcn.org.uk/__data/assets/pdf_file/0009/21213/pbr_update_and_discussion.pdf)

in the development of a strategic response to Trust activity data, PbR becomes a focus for cost cutting rather than improving the patient experience and the quality of care.

Moreover, failure to engage clinicians can lead to poor data quality and inaccurate reporting of activity on the basis that it may be seen to be a finance driven agenda rather than an opportunity to innovate in care delivery.

Respondents cited several reasons for this lack of familiarity with PbR in their follow up comments, including;

- Their NHSFT was only recently authorised and had not been part of the PbR pilot scheme.
- There had been little or no communication from managers regarding PbR and national tariffs and their relevance to patient services.
- Financial information, including PbR issues was not readily shared with clinical teams, FT members or staff side organisations because of the sensitive nature of such information and the business interests of the NHSFT.

Respondents generally felt that none of these reasons offered an acceptable explanation of the lack of understanding that exists about PbR and the implications for the NHS. This was seen as a situation that needed to be remedied.

## 5 Developing New Services

Our survey showed that RCN members have serious concerns that too many NHSFTs do not effectively communicate their service plans to nurses, patients and FT members. Our members do, however, accept the need for FTs to generate financial surplus and to meet cost improvement targets.

### Service development planning

NHSFTs have exceeded expectations in terms of achieving cost reduction targets. National tariffs established under Payment by Results assumed a cost improvement saving of 2.5% per year, yet in 2006 the NHS Foundation Trusts had achieved a cost improvement saving of 3.0% of operating costs.<sup>13</sup> Achieving these efficiency targets is clearly crucial to NHSFTs and any NHS Trusts that aspire to Foundation status. Our survey showed that RCN members felt that planning to achieve these targets was an activity which took place at Board level, whereas the process of achieving cost efficiency savings depended almost entirely on the activity of nurses, managers and practitioners at clinical team level.

The overall impression amongst RCN members was that this fact was insufficiently appreciated at Board of Director level. As a result, although RCN members reported improvements in the sharing of operational planning and service development plans, they did not believe that most NHSFTs engaged sufficiently with stakeholders on issues relating to cost improvement plans (CIPs). Issues that were raised by respondents included;

- Service development plans are generally more transparent, accessible and more readily available than financial performance information within most NHSFTs.
- RCN members are concerned about lack of practitioner engagement in the development and planning process of CIPs and the organisational levels at which crucial decisions are being made in NHSFTs. This creates a potential for “top-down” management in achieving cost savings and efficiency targets with little or no ownership at clinical team level.
- Where CIPs generate increasing levels of financial surplus, RCN members believe that these monies should be invested in developing services and that NHSFTs have a responsibility to communicate their investment plans more clearly to their members.

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<sup>13</sup> Monitor; *NHS Foundation Trusts: annual plans for 2007-08*, page 3 (2007)

## **6 Conclusions**

What has emerged from the RCN survey is a very mixed picture but there are key themes emerging from the respondents.

### **Governance and Engagement**

Given their size and their potential influence the RCN believes that there is an increasing need to ensure the integrity of democratic representation within these organisations and within the wider NHS. In a very real way, RCN members view local control of an NHSFT, with the full engagement of community and staff constituencies in their governance, as one of the greatest benefits of FT status.

There is also a strongly expressed concern that too much emphasis on a 'big business ethos' could squeeze out patient, public and professional engagement. Some suggest that NHS values are being squeezed in a similar manner.

As NHS FTs reach critical mass, discreet policy interventions are required to strengthen governance arrangements, promote best practice public patient involvement and encourage partnership working.

SHAs and Local Authority Oversight and Scrutiny Committees may need a much clearer role and authority if they are to have constructive relationships with NHSFTs in which essential information is shared openly and local agreements on priority services are developed in partnership

RCN and other staff side organisations have a role to play in encouraging more members to get involved as Governors. That would ensure stronger relationships between Governors and staff side organisation representatives. As NHSFTs grow and the market matures RCN believes that there will be an increasing need to ensure the integrity of democratic representation within these organisations and within the wider NHS.

### **Effects of Prioritising Financial Performance**

NHSFTs with their early exposure to PbR and a more rigorous financial framework have led to more consistent financial information and a better balance of income/expenditure. This has brought an increasing awareness of the costs activity although there is concern that the full contribution of nursing remains largely invisible.

Many respondents saw benefits from adopting a more business like approach to organisational development and service management. But where NHSFTs were disproportionately focused on costs, this had a detrimental impact on staff morale and clinical engagement.

### **Developing New Services**

After only 3 years of operation, they are beginning to exercise considerable influence over the direction and shape of provider services in the NHS. That influence can only become stronger as the DH target of 100% FT coverage by 2009 draws closer and the

FT model is piloted in community as well as acute services. The emerging potential for successful NHSFTs to merge with and takeover failing NHS Trusts holds the prospect for creating provider organisations whose size and revenue will far exceed anything that we have previously seen in the NHS.

This raises the question about how FTs are positioned to move to the next stage of reforms as outlined by the Next Stages (Darzi) Review. How will essentially market driven organisations be persuaded to disinvest from providing services within hospital settings to move services closer to the patient's home? Respondents were forceful in stating concerns that, externally, NHSFTs are "big beasts" that may become difficult to control in a rapidly changing service landscape.

In the drive for ever greater efficiency, the RCN is concerned that NHSFTs may consider disposal of assets and services as a means of generating income or achieving savings. The present system being applied by Monitor for takeovers and mergers requires the newly formed organisation to apply for authorisation in its own right. This means that the newly merged organisation will have its own agreement with Monitor and this should ensure that the rules on "asset-lock" and levels of income from non-NHS activity are strictly applied.

However, the RCN remains concerned that competition between providers and the emergence of FT systems within community services will present opportunities to dispose of and re-provide services in a manner which prioritises short term income above the sustainability and quality of services.

In such circumstances, the RCN believes that the need for NHSFTs to consult fully on change management issues will become increasingly important and that the role of the SHA and Local Authority Oversight and Scrutiny Committees will need to be reinforced if they are to cope with the likely level of service redevelopment and reconfigurations that may follow mergers and takeovers.

Whilst supporting the need to reconfigure services to reflect best practice and best value, without rigorous analysis of the full benefits of the changes, there may be little evidence to support such a major reconfiguration of services. As one of the architects of the government's reform of the NHS, Sir Derek Wanless said in September 2007<sup>14</sup>

*"Given the potentially high costs of local service reconfigurations, detailed research should be carried out into new models of delivery before they are implemented to assess the impact on patients and their cost effectiveness. Rules about failure of institutions and services that prove unable to generate adequate income as services are reconfigured around them should be clarified before significant commitments are made by local commissioners and providers."*

The RCN is concerned that mergers and takeovers constitute a form of reconfiguration of services which has the potential to significantly improve or

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<sup>14</sup> Wanless D. *Our Future Services Secured*, Kings Fund, London, (2007) page xxix

compromise the effectiveness of the wider policies on redevelopment of health and social care

The RCN believes that, as one of the “flagship” features of government policy in healthcare provision, there is an urgent need to “benchmark” the existing achievements and effects of NHSFTs within a context which is wider than financial management

The RCN supports Sir Derek Wanless’ view that there is a need for research based evaluation of the implications of government policies on reform of the NHS and that this should inform our future thinking on the further development of NHSFTs