

TRUST BOARD

Date of Meeting: 10/5/2011		Enclosure: 7
		Agenda Item No: 8.3
Title of Report: Merger and Acquisition Update		
Aims:		
<p>This report informs and updates the Board on the development of the process for Merger and Acquisition and the next steps for Board confirmation of the plans.</p>		
Summary		
<p>This paper updates the Trust Board on the outcomes of the following;</p> <ul style="list-style-type: none"> • The Department of Health Review of the tripartite formal agreement (TFA) • The project management arrangements and project plan • The development of evaluation criteria and internal workshops involving Trust staff and clinicians • The SHA development of the external stakeholder reference group 		
Specific implications for consideration (Financial/Workforce/Risk/Legal/Race Equality etc):		
Financial	Financial implications relating to management resources and capacity and external advisors will be confirmed once negotiations on scope of work and fee rates have been agreed	
Other	Sets out the proposed timeframe and project management framework to progress with the M&A.	
Recommendations:		
<p>That the Board:</p> <ol style="list-style-type: none"> a) Approves the project management arrangements b) Approves the proposed process for developing the evaluation criteria and key role of our staff and clinicians c) Approves the key roles of the SHA Director of Provider Development, the 'neutral' third party to manage stakeholder relationships d) Notes the Department of Health requirements for additional detailed information in relation to the Tripartite Formal Agreement 		

Document previously approved by:

Report directly to the Trust Board.

Prepared by:

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Company Secretary

Presented by:

Carole Heatly
Chief Executive

**TRUST BOARD
MERGER AND ACQUISITION UPDATE
MAY 2011**

1. INTRODUCTION

At the April Trust Board, the Board received information on the timescales set out in the TFA for the merger and acquisition process, the proposed approach for selecting a preferred partner, the project management arrangements and governance framework for the process. Phase 1 of the process concludes with a detailed option appraisal and the selection of a preferred partner by the Board by October 2011. The Board discussed and approved the proposals which also included the Strategic Vision for the new organisational form as follows;

'We will deliver clinically sustainable and high quality acute services from two Hospitals in North Cumbria by becoming part of an existing Foundation Trust which delivers high quality safe patient care, and is financially strong. Together we will develop an organisational approach and critical mass which will enhance access to acute healthcare for all patients across our catchment areas (north Cumbria and other) by combining the synergies of our clinical services and teams, developing high quality innovate service models and new integrated patient pathways.'

The following key steps were agreed as follows;

- Finalise details of the project structure, governance framework and process.
- Establish the Board's role in terms of the overall governance of the overall merger and acquisition process.
- Define the strategic objectives and evaluation criteria with the involvement of staff and clinicians through internal stakeholder workshops scheduled for May.
- Briefing Dr Neil Goodwin on the Trust process and plan including the requirements for external stakeholder management.
- Stakeholder engagement in the process, including key stages of evaluation.
- Briefing Foundation Trusts interested in partnering with our organisation and the Chief Executive of NHS Cumbria on the overall process and external assurance provided by the SHA.
- The management of regular communications with the Chief Executives of all interested parties and the north Cumbria MPs by the Chief Executive.

This report updates the Trust Board on progress to date and emerging key issues which need to be managed from a risk perspective.

2. DH FEEDBACK ON THE TRIPARTITE FORMAL AGREEMENT (TFA)

The Trust received Department of Health feedback on the TFA on the 27 April 2011 via the Strategic Health Authority. Whilst the feedback is very high level at this stage it is clear that the Department of Health requires further detailed information in terms of the following aspects of the proposal;

- The service strategy reflecting the health economy development of an integrated clinical strategy
- Details of the PCT involvement and engagement in the process
- Details of the financial position and Trust plans for achieving financial balance

A more detailed feedback session has been arranged with NHS North West for 9 May and following this the Trust will revise the TFA. It is clear however that the information required for Department of Health approval of the TFA and timescales reflects the high level visibility and interest in this transaction. In the meantime the SHA has asked the Board to continue to develop the milestones within the merger and acquisition plan whilst the enhanced TFA is being developed.

3. PROJECT MANAGEMENT STRUCTURE AND GOVERNANCE

Following discussion at the April Board and a review by the Executive Management Team the project structure was revised as shown in Appendix A. This structure clearly sets out the role of the Board as the decision making body to complete phase 1 of the project, including delivery of the following specific outcomes;

- Identification of potential partners
- Development of the Strategic Vision for the Merger and Acquisition Plan
- Development of independent transaction advice
- Development of assessment and evaluation criteria for the identification of potential partners
- Review of option appraisal and decision on preferred partner

The North West Strategic Health Authority will assist the Trust Board and provide external assurance on the overall process which is being followed in order to complete phase 1. The role of the SHA will be to ratify the process on behalf of the secretary of State and the decision will then be potentially subject to the processes of Monitor and scrutiny by the Co-operation and Competition panel.

Internal stakeholder management will be established through existing structures in the Trust including the Trust Management Committee, Medical Staff Committee and the Trust Partnership Forum. This will ensure that staff receive regular communication on the merger and acquisition plan and our progress in

identifying a preferred provider having been involved in key stages of the process e.g. workshops for the development of strategic objectives and evaluation criteria. We will also engage with the locality lead GP commissioners on the proposed clinical criteria for partner preference and selection.

The External Stakeholder Reference Group will be facilitated and chaired by NHS North West. The first external stakeholder meeting will be held on 9 May. The purpose of this meeting will be to agree the membership of the group and the terms of reference. It is essential that this group represents the interests of our patients and commissioning groups and cluster across the localities of Allerdale, Copeland, Carlisle and Eden as well as our key partners in other public sector organisations i.e. local authorities.

The role of the independent facilitator will be to liaise in a 'neutral' fashion with potential partners and facilitate their engagement in the evaluation/option appraisal process.

4. DEVELOPMENT OF OBJECTIVES AND EVALUATION CRITERIA

The selection process for identifying a preferred partner for merger and acquisition was described in the April report to the Trust Board. Substantial work has been undertaken on this aspect of the plan as this is a critical success factor to ensuring that there is;

- An open, transparent and fair process
- A clear alignment with the Trust's Strategic Vision and aims for the new organisational form
- Staff and clinical engagement and confidence in the process and finally
- A detailed and comprehensive option appraisal which will inform the Trust Board's selection of a preferred partner
- Alignment with commissioning intentions and the views of key stakeholders

The Strategic Objectives and criteria will be developed over the next 2 weeks. A series of internal stakeholder workshops have been organised for senior clinical staff. The outputs of these workshops will be used to finalise the Strategic Objectives, the questions to potential partners which will be in the form of a questionnaire and the evaluation criteria which will be used to assess responses. GP commissioners will be engaged with this process following the internal workshops.

Potential partners will be asked to respond to the questionnaire and complete an economic appraisal. Completion of both forms will be facilitated by Dr Neil Goodwin and a series of clarification meetings will be held as part of the review process.

The key drivers in terms of adding value through the transaction process will be assessed through the following Strategic Objectives:

- To identify a partner who can share their experiences and best practice in the development of services and clinical strategies to meet the acute healthcare needs of a rural population and overcoming the challenges to the provision of access to healthcare for these patients.
- To identify a partner who will maximise the clinical and financial benefits and sustainability of specialist services in the Trust's portfolio of services
- To merge with a Foundation Trust which will strengthen the Trust's response to future market conditions
- To form a collaborative approach both to the merger transaction and to the merged Trust going forward both in terms of clinical leadership and organisational design
- To identify a partner with a good cultural fit with shared or complementary approaches to patient care and staff engagement and a shared understanding of organisational values
- To identify a partner who through a merger, will strengthen the approach to training and education across clinical and non-clinical staff
- To merge with a Trust with excellent independent quality recognition through strong performance against external regulatory and statutory requirements
- To merge with a Trust with a base of strong quality standards - for example around 18 week waiting times, better care better value outcomes, MRSA and C-Diff rates etc.
- To merge with a Foundation Trust with a long track record of positive compliance with the Monitor regulatory framework

These objectives reflect the commitment of the Board and our clinicians to ensuring the future delivery of high quality, sustainable and financially viable acute healthcare for the population of North Cumbria. The outcome of the process must therefore be an organisational form which can make a commitment to the local population and our commissioners in terms of clinical quality and access to acute services. The combined strengths of the organisations entering into the transaction must be enhanced and demonstrate growth in terms of joint resources and capital.

We will also use overarching general questions to assess the drivers and benefits for each partner in undertaking this transaction with our organisation for example;

1. What benefits would there be to North Cumbria as a result of a merger with you?
2. What key risks do you anticipate encountering as a result of this merger that would need to be mitigated and how?
3. How will your organisation embrace the Trust's strategic vision for Merger or Acquisition as set out by the Board?

These objectives will ensure that the option appraisal is built on evidence based evaluation process giving all potential partners equal opportunity to demonstrate

how their proposal for merger of acquisition will meet the local requirements and our patient's needs. The objectives and evaluation criteria will be finalised following the internal workshops and shared, discussed and debated with our lead GP commissioners. They will also be used by Dr Goodwin during the engagement process for potential partners.

5. PROJECT MILESTONES

The key stages and milestones in the process for developing the merger and acquisition proposal for phase 1 are outlined below.

Task	Time Scale
Internal workshops	9 th , 10 th and 19 th May
Information request/questions despatched to participating FTs	20 th May
Responses required from FTs	10 th June (3 weeks)
Evaluation of responses	13 th -24 th June (2 weeks)
Clarification meetings with FTs	27 th June – 10 th July (2 weeks)
Moderation of evaluation outcomes	11 th – 17 th July
Final reporting	18 th – 31 st July (2 weeks)
Extraordinary Trust Board	2 nd August

Following Development of the evaluation criteria and the line by line review of submissions, Deloitte will produce a Feasibility Report that will present the conclusions from the external review process and stakeholder evaluation for consideration by the Trust Board. It is likely that this will identify the preferred merger partner for the Trust, based on the performance against the assessment criteria.

6. SHA DEVELOPMENT OF STAKEHOLDER ENGAGEMENT

NHS North West is in the process of establishing the External Stakeholder management plan including development of the External Stakeholder Reference Group. This group will be facilitated and chaired by NHS North West.

It will play an essential role in contributing to the merger and acquisition. We are therefore committed to ensuring this group is established and involved in our plan throughout phase 1 and 2. We are therefore concerned that whilst representation on the group is still in development the Trust would expect to see an appropriate membership reflecting the key localities served by our two hospitals (Allerdale, Copeland, Carlisle, Eden). This will be key to ensuring the group has the mandate to assist the Board in ensuring the views and interests of a wide range of key stakeholders are fully represented, and as such, supported by our Board and consultant body. Furthermore the Stakeholder Group must be

able to demonstrate a balance of interests and be able to function at arms length from any potential partners.

The Trust has submitted draft terms of reference and recommended membership to the SHA as an initial proposal for the External Reference Group (Appendix B). These draft TOR will be considered at the first meeting on 9 May.

7. GENERAL COMMUNICATION

I have continued to liaise on a regular basis with the SHA, NHS Cumbria and interested Foundation Trusts. In addition we have arranged a clinical meeting for each potential partner where our senior clinicians will be able to share views on the future priorities for developing acute services. I will also continue to keep the Members of Parliament for the relevant constituencies informed of the process and developments.

The immediate priority is to develop an internal and external communication plan for all key stakeholders using the format recommended by the SHA.

8. NEXT STAGES AND KEY PRIORITIES

The key steps in the process are as follows:

- Undertake the internal workshops for senior clinical staff.
- Finalise the strategic Objectives and evaluation criteria.
- Brief the Chief Executive of NHS Cumbria covering the overall process and external assurance provided by the SHA.
- Brief Dr Neil Goodwin on the project details and evaluation process.
- Agree the terms of reference and membership for the External Stakeholder Reference Group.
- The Chief Executive will continue to manage regular communications with the Chief Executives of all interested parties and the north Cumbria MPs.

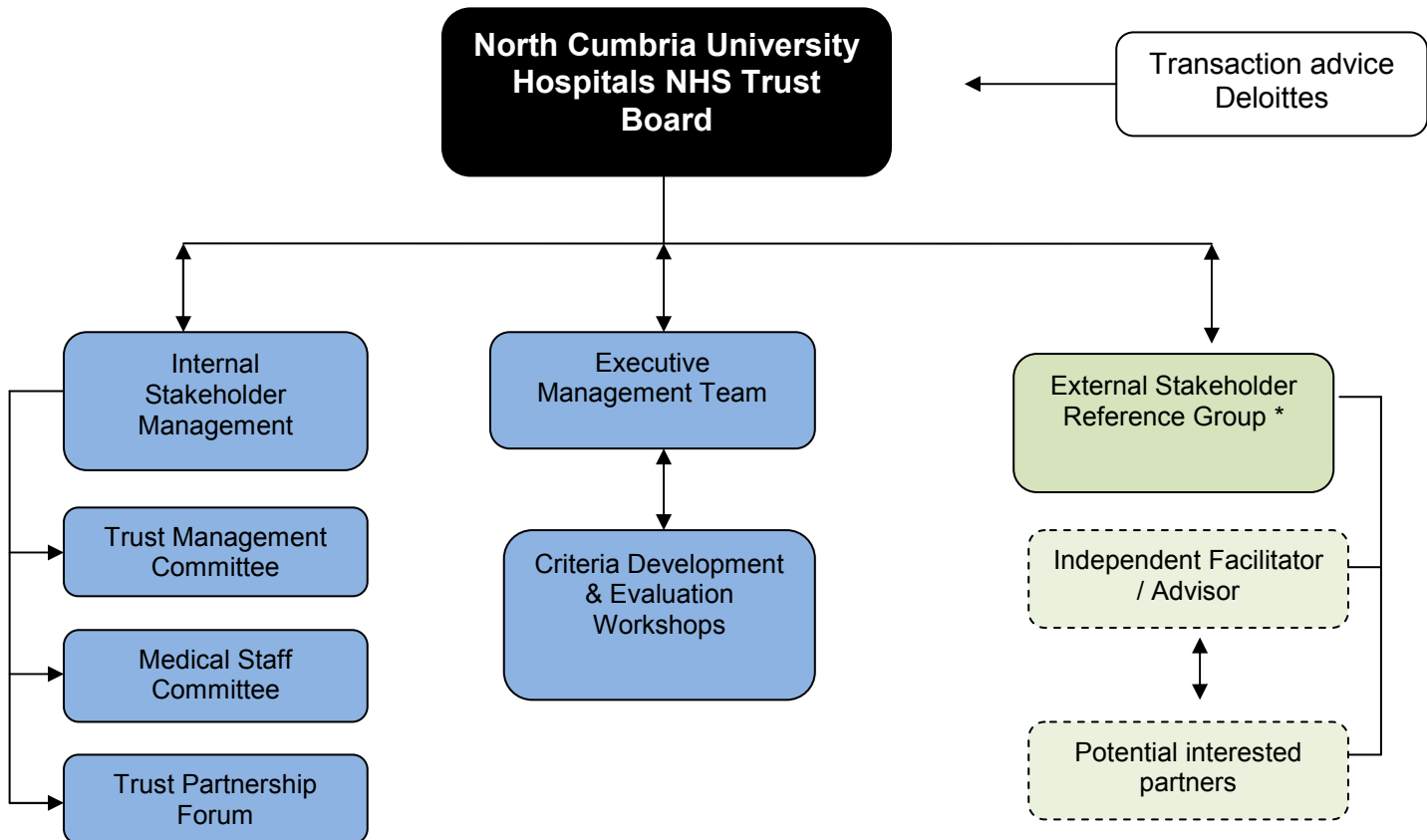
9. RECOMMENDATIONS

That the Board:

- a) Approves the project management arrangements
- b) Approves the proposed process for developing the evaluation criteria and key role of our staff and senior clinicians
- c) Approves the External Stakeholder Reference Group requirements and the role of the SHA in facilitating and chairing this group
- d) Notes the Department of Health requirements for additional detailed information in relation to the Tripartite Formal Agreement

Carole Heatly
CHIEF EXECUTIVE

PROJECT STRUCTURE FOR PHASE 1 (IDENTIFICATION OF A PARTNER)



The Trust Board will be the decision making body to complete phase 1 of the project, including delivery of the following specific outcomes:

- Identification of potential partners
- Development of strategic vision for the Merger and Acquisition plans
- Development of independent transaction advice
- Development of assessment and evaluation criteria for the identified potential partners
- Decision on preferred partner (by October 2011)

The North West Strategic Health Authority will assist the Trust Board and provide external assurance on the overall process which is being followed in order to complete phase 1.

EXTERNAL STAKEHOLDER GROUP DRAFT TERMS OF REFERENCE
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1. ACCOUNTABILITY

The decision to dissolve North Cumbria University Hospitals NHS Trust and transfer its assets and liabilities to another organisation, legally sits with the Trust Board as the statutory and accountable organisation for the running of services at the West Cumberland Hospital, Whitehaven and Cumberland Infirmary, Carlisle.

The External Stakeholder Group will be accountable to the Trust Board of North Cumbria University Hospitals NHS Trust. It does not have any governance relationship to Boards of other statutory or non-statutory organisations represented on the group.

The independent Chair of the Committee will also provide external assurance to NHS North West on the overall implementation of the merger and acquisition process in accordance with the framework set out by the Department of Health.

2. PURPOSE

The purpose of the external stakeholder group is to ensure that the Trust Board has in place a robust mechanism to engage with and seek the views of external stakeholders during the merger and acquisition process, to ensure we reflect the wider opportunities and implications of changing our organisation.

3. MEMBERSHIP

Chairman	Caroline Shaw, Director of Provider Development, North West Strategic Health Authority
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Management Lead	TBC
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NCUHT

Mike Little, Chairman
 Carole Heatly, Chief Executive
 Mike Walker, Medical Director
 Simon Raimes, Medical Director
 Neil Goodwin, Merger & Acquisition Facilitator

PCT

Mike Taylor, Chairman
Sue Page, Chief Executive
Mike Bewick, Medical Director

GP Commissioners

Dr Peter Weaving, Lead Commissioning GP, East Cumbria
Dr Dave Rodgers, Lead Commissioning GP, West Cumbria

Cumbria County Council

Jill Stannard, Chief Executive
Eddie Martin, Leader

Other key stakeholder and influencer groups

Cllr. Bill Wearing
Alan Alexander, Chairman Cumbria Local Involvement Network
Rev. John Bannister, Chairman, Save our Services Group

4. FREQUENCY OF MEETINGS

4.1 Meetings will be held monthly (see scheduled of dates)

5. DUTIES AND RESPONSIBILITIES

The Stakeholder group will:

- 5.1 Be the consultative body that influences, shapes and supports the Trust Board's strategic vision for the merger / acquisition.
- 5.2 Represent the views and interests of all stakeholders, to ensure transparency of the process being followed by the Trust in determining a suitable partner to merge with or be acquired by.
- 5.3 Ensure the process being followed allows the interests of patients and the public to be at the forefront of decisions taken by NCUHT and fully represented throughout this process.
- 5.4 Raise, discuss and resolve any external concerns during the development and phasing of schemes of work.
- 5.5 Inform the Trust Board of views on the proposals for the identification of a preferred partner.
- 5.6 Receive a regular progress report from NCUHT on the progress being

made on the identification and selection of a preferred partner.

5.7 Support the Trust Board on communication and dissemination of information to respective external stakeholder groups on the process and key streams of work in a consistent and timely manner.

6. OTHER MATTERS

6.1 These terms of reference will continue to be reviewed as the phasing of the work develops.

ISSUE DATE	N/A DRAFT VERSION MAY 2011
REVIEW DATE	To be determined as the project and phasing of work streams develop.