

**TRUST BOARD**

<b>Date of Meeting:</b> 04/10/2011	<b>Agenda Item No:</b> 5.1	<b>Enclosure:</b> 3
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**Intended Outcome:**

<b>For noting</b> ✓	<b>For information</b> ✓	<b>For decision</b>
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**Title of Report:** Progress Report for the Acquisition of North Cumbria University Hospitals

**Aims:** To inform and update the Trust Board on the acquisition process for Phase One (option appraisal) and the development of Phase Two (formal invitation to tender).

**Executive Summary**

- The Phase 1 milestones have been met.
- The draft Deloitte report will be considered by the Board in October.
- The Trust has introduced a Bidder Compliance Protocol in order to ensure all activities are consistent with the principles of fair competition.
- FT interest in the acquisition continues however there are concerns about the Phase 2 timescales. The Trust has responded by developing a condensed programme and timescales.
- Arrangements for the Stakeholder Event on 12 October are complete and the External Stakeholder Group has agreed the briefing document for FTs and delegates.
- Stakeholder views will be submitted to the Trust and will be summarised in a briefing for the Board in preparation for the November Trust Board.
- The Trust Board will meet all FTs on 1 November and will make a decision on the FT(s) proceeding to Phase 2 at the Trust Board Meeting on 8 November

**Project Plan and Timescales**

The project plan for Phase 1 was revised following the July External Stakeholder Group meeting as follows:

<b>PHASE 1 TASKS</b>	<b>TIMESCALE</b>
Evaluation requirements and questions to ask FT bidders	Complete
FTs Providing Information (financial & non-financial)	Complete
Evaluation of FT responses	Complete
Clarification	Complete
Moderation and finalised analysis	Complete
FTs Meeting with External Stakeholder Group	12 October
Trust and PCT/GP Commissioner meeting with Board representatives	20 October
Trust Board meeting with FTs	1 November
Trust Board Decision	8 November

The process was extended by one month from October to November to allow for a Stakeholder Event in October where all FTs will present their proposal/submission to a wide range of internal and external stakeholders

The NCUH process is essentially divided into two phases, which are similar to a PQQ phase followed by an ITT phase. Phase 1 will culminate in November with the Trust Board's decision on which bidder(s) will go forward to Phase 2 (ITT) stage.

The expected timescales for Phase 2 shown below take into consideration concerns expressed by all 'bidders' about the timescales for Phase 2 of the process should they be selected in November. Some concerns relate to the timing of the process over the winter period when most organisations are managing additional winter pressures. The Trust has therefore developed a condensed timescale and accelerated process for Phase 2.

<b>Task</b>	<b>Start Date</b>	<b>Completion Date</b>
Collate Trust Due Diligence Information	September	Early November
Develop tender documentation (ITT)	September	October
ITT issued and bidder briefing	15 November	18 November
Bidder visits to NCUH and meetings	21 November	2 December
Bidders develop ITT responses	16 November	16 December
ITT responses received	Mid 16 December	16 December
Bidder interviews	W/C 2 January	
Finalise evaluation and publish evaluation report	19 December	13 January 2012
Recommendations to Trust Board on preferred acquirer	7 February 2012	7 February 2012
Inform bidders of outcome	Early February 2012	Early February 2012
Deliver bidder feedback	Mid February 2012	Mid February 2012
Agreement of transitional financials followed by recommended bidder appointment	6 March 2012	20 March 2012

The bidder appointment will be followed by Monitor and CCP assessment, which usually takes some months. In the meantime the successful FT would be offered a management contract to run the Trust, accountable to the current board, which would remain in place pending final approval for the acquisition from Monitor, CCP and Secretary of State.

If in November the Trust Board selects one bidder, then the timescale can be truncated, but an ITT-type process would still be required to secure more bidder detail in order for the Trust Board to make a recommendation to the SHA.

## **Bidder Compliance Protocol**

The Trust communications team has been tracking media activity during the acquisition process. Significant media attention has been dedicated to various aspects of the process and has caused confusion externally about the process. Whilst the Trust has responded to media enquiries the level of information which can be provided is restricted due to the confidential nature of the information provided by 'bidders' in their response to the financial and non-financial information requests.

The Trust has therefore asked all FTs to agree to a Bid Compliance Protocol which ensures all bidders work with the Trust in an equitable way which recognises the confidential aspects of the process and reflects the open, fair, competitive process established by the Trust. This protocol is central to ensuring the process is conducted in line with best practice for transactions of this nature.

## **Tripartite Formal Agreement (TFA) Appendix A**

The DH has formally agreed the Tripartite Formal Agreement (TFA) for the Trust's trajectory for the acquisition. The milestones and requirements set out in this document are monitored monthly by the SHA and DH as described below.

## **FT Pipeline Monitoring by Department of Health (August)**

The Trust is required to submit a monthly performance report to the SHA linked to the Tripartite Agreement includes achievement of key milestones for the acquisition, Monitor's Compliance Framework, a financial risk rating and a range of covenant tests relating to the redevelopment of West Cumberland Hospital and financial turnaround.

The Trust was assessed as Amber/Red by the DH in July however this has improved to Amber/Green in August. Delivery of the internal Turnaround Programme is the key requirement for maintaining or improving the risk rating.

## **Next stages and key Issues for the Board to consider**

Detailed planning is in progress for the following key events:

- Stakeholder Event 12 October 2011 for FTs.
- Clinical commissioner representatives meeting with representatives of the Trust Board on 20 October.
- Trust Board meeting with FTs 1 November 2011.

Details of the Stakeholder Event arranged for 12 October were discussed by the September External Stakeholder Group (19 September) and following this a briefing document will be issued to all participants (Stakeholder representatives and FTs).

As the Trust Board will be meeting with FTs on 1 November, the final deadline for any Stakeholder feedback therefore will be 19 October 2011.

<b>Specific implications and links to the Trust's Strategic Aims:</b>	
Ensure we provide high quality, safe and effective care for all our patients including meeting essential standards of safety and quality as set out by the CQC	
Develop a viable integrated clinical strategy for secondary care services which is sustainable and affordable	
Develop a new healthcare facility in West Cumbria that is fit for the 21st century	
Achieve sustainable financial balance through the delivery of the Trust's internal Cost Improvement Programme, securing a viable contract income from our GP commissioners and contributing to the system wide cost reductions	
To develop and implement a successful merger or acquisition plan that enables the Trust to become part of an existing NHS Foundation Trust	✓
<b>Recommendations:</b>	
That the Trust Board:	
a) Notes the key milestones in Phase 1 and Phase 2	
b) Notes the continued market response for Phase 1	
c) Notes the development of the Bid Compliance Protocol for FTs	
d) Notes the preparation for the Stakeholder Event on 12 October 2011	
e) Notes the deadline for Stakeholder feedback which is 19 October 2011	
f) Notes the Trust Board meeting with FTs on 1 November 2011	
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