

TRUST BOARD

Date of Meeting: 06/09/2011	Agenda Item No: 5.3	Enclosure: 5
Intended Outcome:		
For noting ✓	For information	For decision
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).		
<p>Executive Summary</p> <p>This report updates the Trust Board on the current status and progress with the acquisition of the Trust.</p> <p>In June 2011 the Board agreed a strategic vision for the acquisition which is to <i>'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 by combining the synergies of our clinical services and teams, developing high quality innovate service models and new integrated patient pathways.'</i></p> <p>To progress with delivering this vision the Trust Board identified eight strategic aims which formed the basis of the request for non-financial information from each of the FTs (Appendix A).</p> <p>Non financial Evaluation Of FT Responses</p> <p>Since the last report to the Board all interested FTs (University Hospitals of Morecambe Bay NHS FT, Northumbria Healthcare NHS FT, Cumbria Partnership NHS FT and Newcastle upon Tyne Hospitals NHS FT) responded to the non-financial information request by 11 July. Two of the FTs (Cumbria Partnership and Newcastle upon Tyne Hospitals) submitted a joint response.</p> <p>The non-financial assessment was undertaken by a panel of nine senior Trust staff including clinical representatives. The panel members were selected to reflect a wide range of clinical operational functions as well as corporate departments. The evaluation process included the following key steps;</p> <ul style="list-style-type: none"> • Preparation of detailed Evaluation Panel guidelines/instructions, confidentiality agreement and numbered copies of the FT submissions and supplementary reference documents. • A detailed briefing meeting with panel members was undertaken by Deloitte and the Project Director, including discussion and confirmation of the scoring process and evaluation criteria. • Individual evaluation of FT submissions was undertaken by panel members (taking minimum of two days) with submission of completed evaluation scores and documentation to Deloitte for analysis. 		

- Collation of panel results by Deloitte and setting priorities for issues to be discussed in the moderation meeting.
- All panel members attended a comprehensive and lengthy moderation meeting. Scoring was reviewed and discussed in detail (including range of scores and rationale for individual FT scores) before final scores were agreed for all FTs.

Deloitte is preparing a report which combines the financial and non-financial assessment for consideration by the Trust Board.

Project Plan and Timescales

Market response from FTs remains positive however there are concerns about the difference in the process compared to the Transfer of Community Services as well as recent media activities in terms of the perceived impact these could have on the fair, transparent, competitive process being undertaken by the Trust. All FTs remain engaged in the process and are expressing an interest in progressing to Phase 2 at this stage.

The key change to the Phase 1 timescale is;

- Extension of the process from October to November following the discussion at the July External Stakeholder Group about strengthening stakeholder engagement.

This change in timescale allows for a Stakeholder Event in October where all FTs will present their proposal/submission to a wide range of internal and external stakeholders. The deadline for stakeholders to submit views on the acquisition following this event will be 19 October. Trust Board will meet FTs on 1 November prior to the November Trust Board meeting.

The timescale for identifying the preferred partner, which is scheduled to be April 2012 it not anticipated to change and remains on track. There are however some concerns about the Phase 2 timescales and the Trust is reviewing key stages with the aim of condensing the process where this can be realistically achieved (Appendix B).

The Trust communications team has been tracking media activity during the acquisition process from both internal and external to the Trust. An action plan for the wider communication strategy has been prepared by the Head of Communications and is being implemented by the Trust. The Trust has also issued a 'Bid Compliance Protocol' for all FTs which will ensure equitable and fair stakeholder engagement and communications that can be controlled by the Trust.

FT Pipeline Monitoring by Department of Health

The Trust is required to submit a monthly performance report to the SHA which is based on the Tripartite Agreement including 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/Green by the DH in June however this changed to Amber/Red in July due to the following reasons;

- Delay in signing the contract for services between NHS Cumbria and the Trust (this has now been settled and should result in a positive report in August rating).

- One month delay in the milestone to achieve the board selection of a preferred partner(s) following the External Stakeholder Group meeting in July.

On the second point, the SHA has clarified that this refers to the one month delay now placed in the process as a result of NHS Cumbria's interviews and scoring of prospective bidders which was outside the agreed legal process for the acquisition. In order to ensure that there were no adverse effects resulting from this activity greater time has been allocated to stakeholder engagement within the process.

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

Details of the Stakeholder Event arranged for 12 October will be 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).

- Trust Board meeting with FTs 1 November 2011

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

Specific implications and links to the Trust's Strategic Aims:

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	✓

Recommendations:

That the Trust Board;

- Notes the key milestones in Phase 1 and Phase 2 (Appendix B)
- Notes the continued market response for Phase 1
- Notes the development of the Bid Compliance Protocol for FTs
- Notes the preparation for the Stakeholder Event on 12 October 2011
- Notes the deadline for Stakeholder feedback which is 19 October 2011
- Notes the Trust Board meeting with FTs on 1 November 2011

Prepared by:

Caroline Griffiths, Director of Acquisition and Strategic Planning

Presented by:

Dr Neil Goodwin, Interim Chief Executive

TEMPLATE FOR NON-FINANCIAL INFORMATION REQUESTED FROM FTs

Trust aims in identifying FT acquirer		Questions asked of bidders
THREE OVERARCHING GENERAL QUESTIONS		A. Why do you want to undertake this transaction?
		B. What benefits would there be to North Cumbria as a result of an acquisition by your Foundation Trust?
		C. What key risks do you anticipate encountering as a result of this transaction and how would you expect them to be managed?
1	To identify an FT to share experiences and best practice in service and strategy development to meet acute healthcare needs of a rural population, overcoming challenges for healthcare access.	<p>1. What is your experience in providing acute healthcare services to rural populations and how will you improve access to these services? What clinical and staffing strategies have worked well? Please provide examples.</p> <p>2. What clinical synergies in service delivery do you believe are achievable through a merger with North Cumbria?</p>
2	To identify an FT who will maximise the clinical and financial benefits and sustainability of specialist services in the Trust's portfolio of services	<p>3. Which specialist services delivered by small clinical teams do you currently provide? What patient access and governance structures do you have in place to manage these services?</p> <p>4. How would you share critical mass benefits from the acquisition to improve access, governance and quality of the delivery of specialist acute services? Please provide specific ideas.</p> <p>5. How would you develop a strategy for greater efficiency for these services across the Trust's catchment populations?</p>
3	To form a collaborative approach both to the transaction and to the new organisation in terms of clinical leadership and organisational design	<p>6. What are your views on the shape of the leadership structure of the new entity?</p> <p>7. How will you approach organisational engagement during the transaction process?</p> <p>8. Please provide a headline project plan for how you would progress the acquisition.</p>
4	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	<p>9. How would you describe your organisation's culture? How do you drive organisational change and service improvement? Please provide an example of this through a significant transaction or acquisition you have performed.</p> <p>10. Provide the latest staff and patient satisfaction survey results and comment on what you perceive to be particular areas of strength and weakness in staff engagement and patient satisfaction and an indication of how weaknesses are to be addressed.</p>

APPENDIX A

5	To identify a partner who will strengthen the approach to training and education across clinical and non-clinical staff	11. Describe your Trust's approach to training and education giving examples of innovative practice.
		12. Please provide examples of where the Trust has applied innovative workforce structures and training programmes to deliver sustainable clinical rotas and access to services in the rural environment.
6	To be acquired by a Trust with excellent independent quality recognition through strong performance against external regulatory and statutory requirements	13. Please provide details as follows: - CQC results for the annual healthchecks up to 2008/09 - Current QRP, compliance assessments and inspection reports - NHSLA and CNST ratings for the past 3 years and details of objectives and Plan for the next assessment - Details of any improvement notices or reviews relating to safety or quality served by an external body during the past 3 years - Details of achievement against key performance metrics e.g. waiting times targets, cancer waits, 4 hour waits, MRSA and C-Difficile - A copy of the Trust performance report and clinical dashboard covering the 12 month period up to 31 March 2011
7	To be acquired by 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.	
8	To be acquired by a Trust with a long track record of positive compliance with the Monitor regulatory framework	14. When were you authorised as an FT?
		15. Please provide your Monitor risk ratings for the last 3 years (as available) and details of any interventions or concerns expressed by Monitor during the same period

Specific weighting was applied to each of the eight strategic aims and is summarised below:

Table 1: Weightings to be applied to the Non-Financial Evaluation Questions

Aims	Banding	Weighting
1. Rural Service Provision	45%	15%
2. Specialist Services		15%
3. Collaborative Approach		15%
4. Cultural Fit	55%	11%
5. Training and Education		11%
6. Quality		11%
7. Performance		11%
8. Track Record		11%

NCUHT MILESTONES		Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12
1	Governance													
1.1	Draft TFA produced for Provider Development Team		█	█										
1.2	Accountability framework agreed and sign off by Trust			█										
1.3	Trust Presentation delivered to National Provider Development Team				█									
1.4	TFA signed off by Department of Health				█									
2	Acquisition Process													
2.1	Acquisition process commences (restricted competition)		█											
2.2	FT response to Financial Questionnaire			█	█									
2.3	FT response to non-financial questionnaire				█	█								
2.4	Trust clarification with FTs				█	█								
2.5	Evaluation and moderation of FT information completed					█								
2.6	FT meeting with Stakeholders							█						
2.7	Trust and Cluster Board to Board								█					
2.8	Board selection of preferred partner(s)									█				
2.9	Commence Invitation to Tender and Vendor Due Diligence									█	█			
2.10	FT responses to ITT										█	█		
2.11	Evaluation of FT responses											█	█	
2.12	Recommendation and Trust Board Decision												█	█
2.13	Approval achieved (Monitor, CCP, DH) (estimated)													█
3	Engagement													
3.1	Stakeholder Group Established (monthly meetings)		█	█	█	█	█							
3.2	External Stakeholder meeting with FTs (ref 2.6)													
3.3	Internal Stakeholders input to clarification meetings and moderation						█	█						
3.4	Senior clinical workshops re process and strategic aims		█											

NCUHT DRAFT MILESTONES		Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12
3.5	GP workshop re process and strategic aims													
3.6	OSC Briefings													
3.7	Trust & Cluster Communication Plan developed													
3.8	CEO weekly staff bulletin													
3.9	CEO meetings with FT management teams													
3.10	CEO meetings with MPs													
3.11	Develop comms plan with FT													
3.12	Implement comms plan with FT													
4	Covenant Tests													
4.1	Monthly progress report on TFA requirements													
4.2	<u>MONTHLY MONITORING</u> Cost improvement savings delivered are to within 5% of plans and by recurrent means (Source: FIMS and Trust) Headcount within 5% of plan (source: ESR) Activity within 5% of plan (source: UNIFY 2)													
4.3	<u>QUARTERLY MONITORING</u> Run rate/underlying position is positive (source: FIMS) Register and maintain registration with CQC with "no conditions" Trust achieve CQUIN targets													
4.4	<u>ANNUALLY</u> Draft and audited accounts submitted on time (Source: Accounts) Accounts deliver in-year breakeven duty (Source: Accounts)													

KEY	
	Future milestone
X	Revised milestone
	Milestone achieved/completed
	Milestone achieved within tolerance
	Milestone not achieved and mitigation required

