

Date of Meeting: 17/4/2012	Agenda Item No: 6.1	Enclosure: 3
Intended Outcome:		
For noting ✓	For information ✓	For decision
Title of Report: Acquisition of North Cumbria University Hospitals NHS Trust		
Aims: To Provide the Trust Board with a Progress Report on the Acquisition Process.		
Executive Summary		
<p>This report describes progress since the selection of Northumbria Healthcare NHS Foundation Trust (Northumbria) as the preferred bidder including:</p> <ul style="list-style-type: none"> • Development of the Heads of Agreement • The Governance Framework and draft terms of reference for key groups required to deliver the acquisition • Immediate next steps for developing the transition programme • Progress on developing the application for approval of the transaction from the Cooperation and Competition Panel (CCP) <p>The acquisition process continues to be monitored against the Tripartite Formal Agreement (TFA) by the Strategic Health Authority through monthly FT Pipeline Reports. The current DH RAG status of the acquisition is amber/green.</p>		
Development of the Heads of Agreement		
<p>The Trust has agreed the draft content of the Heads of Agreement with Northumbria. This agreement sets out how the Trust and Northumbria will work together to deliver key aspects of the transaction over the next few months. The finalisation of the Heads of Agreement is subject to SHA confirmation of the arrangements for the transitional financial support and confirmation from commissioners on the details of future service reviews. Discussions between Northumbria and the SHA are progressing well and this Trust is facilitating discussions between Northumbria and our commissioners</p>		
The Governance Framework for Delivering the Acquisition		
<p>The Trust has developed a Governance Framework for delivering the acquisition with Northumbria in draft format. This framework is designed to ensure the key tasks are undertaken for the next stage of the acquisition in line with the Tripartite Formal Agreement (TFA) and regulatory requirements including:</p> <ul style="list-style-type: none"> • Agreement of the Heads of Agreement for the Transaction • Completion of Northumbria due diligence • Interim management arrangements for the Trust • Finalising the agreement of transitional financial support with the SHA and commissioners • Developing a planning framework and governance arrangements for undertaking the transition 		

- Submitting a proposal for CCP consideration
- Undertaking Monitor assessment
- Submitting a proposal and the Business Case for approval by the Secretary of State

The overall architecture for taking the acquisition forward is designed to fulfil external governance requirements as well as those for each Board of the organisations involved in the transaction. It requires the establishment of the following:

- A small high level Acquisition Board accountable for completion of the transaction in line with the TFA
- A Transition Board which is responsible for ensuring there is a robust work programme for the transition which is delivered pre and post transaction
- Workstream Groups which are responsible for developing and delivering individual plans which include all tasks required to achieve integration pre and post transaction

The draft structure of the framework and terms of reference for each group is outlined in Appendix A. The Trust is awaiting feedback from Northumbria on the draft and is expecting to finalise arrangements in the very near future.

Immediate Next Steps for Developing the Transition Programme

A co-ordinated and detailed plan for the next steps will be developed with Northumbria this month. The immediate next steps to develop the plan and initiate the regulatory processes are outlined below:

Immediate Tasks	Lead	Original Timescale	Progress to date
Complete Heads of Agreement	Legal advisers & Chief Executives	16 March	expected by mid April
Mapping out transition and integration tasks	Project Directors for North Cumbria and Northumbria	16 March	expected by end of April
Setting up transaction Board	SHA and Chief Executives	1 April	expected by end of April
External Stakeholder Meeting	Project Director & Head of Corporate Services	Early April	25 April 2012
Cross organisational attendance at key meetings	Project Director & Head of Corporate Services	1 March	Commenced in March
Set up familiarisation meetings	Project Director & Head of Corporate Services	asap	To follow clinical due diligence meetings
Initiate CCP process	Chief Executive	18 April	On track
Complete financial agreement	SHA/PCT	Early May	Early May
NHCT Due Diligence	Chief Executive Northumbria	Mid March to end April	End May

The Heads of Agreement will set out the critical path for the majority of tasks required to complete the transaction. The overall timescales have slipped for some of these tasks reflecting the current status of the Heads of Agreement. The Trust however is continuing to support the Northumbria due diligence process including undertaking clinical due diligence meetings in anticipation of finalising the Heads of Agreement in the near future. Furthermore stakeholder and CCP related actions are continuing as originally planned.

Progress on the Application for Cooperation and Competition Panel (CCP) Approval for the Transaction

Trust representatives together with Northumbria, SHA and clinical commissioning representatives will be meeting the CCP on 18 April for an informal briefing on the proposed transaction and the CCP approval process. This meeting will help confirm key information which will be included in the application and in particular evidence relating to patient choice and benefits. It is hoped that the meeting will also help both Trusts understand the potential timescales and whether there is likely to be a single or two stage process for approving this particular transaction.

Northumbria has commissioned specialist advisers to help with the development of the application and submission of key documentation.

Conclusion

There have been slight delays in finalising the Heads of Agreement between the Trust and Northumbria. SHA support and input from commissioners is required to bring this important stage of the transaction to a conclusion. This delay is impacting on other aspects of the process, in particular establishment of the governance framework and transition plan. The Trust is therefore working with Northumbria to conclude the outstanding requirements for the Heads of Agreement as soon as possible to avoid any further delay.

In the meantime the Trust is progressing tasks where this is possible including supporting the Northumbria due diligence process and application for CCP approval.

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:

1. Notes the progress in developing the Heads of Agreement with Northumbria
2. Notes the proposed draft governance framework for the acquisition
3. Notes the immediate next steps for developing the transition programme
4. Notes the initial progress in developing the application for CCP approval

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Presented by:

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Governance Framework for Taking the Acquisition Forward & Completing the Transaction

1. Background

The Board of North Cumbria University Hospitals (NCUH) selected Northumbria Healthcare NHS Foundation Trust (NHCT) as the preferred bidder on 31 January following a competitive process.

The Trust Board was supported by a project team which delivered a number of workstreams linked to the development of evaluation criteria and detailed evaluation of bids. The overall process was overseen by an External Stakeholder Reference Group representing key stakeholders within the local health economy and Trust.

The Trust Board has received monthly reports on the process and has also reported progress monthly to the SHA in line with the TFA requirements. The current status of the FT Milestone plan is amber/green.

2. Next Stage of the Acquisition Process

The Trust and NCHT need to work closely together in order to ensure the next stages of the acquisition are completed in line with the milestones the Trust agreed with the SHA in the TFA. The key tasks in the next stage are:-

- Agree Heads of Agreement for the Transaction
- Complete NCUH due diligence
- Finalise the agreement of transitional financial support
- Develop a planning framework and governance arrangements for undertaking the transition
- Submit a proposal for CCP consideration
- Undertake Monitor assessment
- Submit proposal and the Business Case for approval by the Secretary of State

The Trusts are working together to achieve a deadline of October 2012, however, the timescales for some of the external processes cannot be confirmed as they are largely influenced by external regulators.

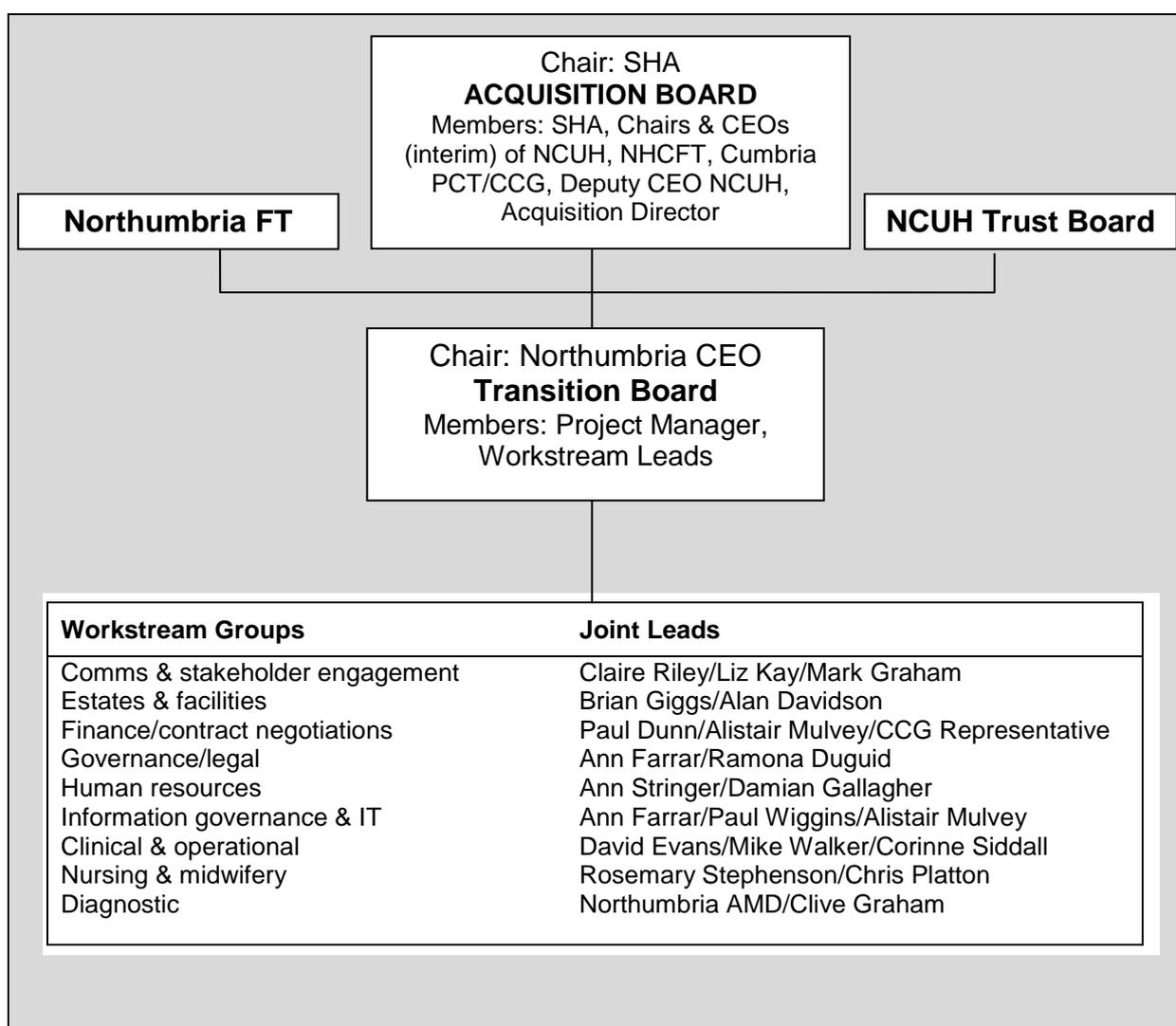
In addition to the key tasks outlined above there is a complex and detailed programme of work to integrate the systems, processes and clinical models across corporate and operational functions.

The two organisations therefore need to develop a governance framework together which is capable of delivering the mandatory requirements as well as a robust transition plan.

3. Overall Governance Framework

The overall architecture for taking the acquisition forward is designed to fulfil external governance requirements as well as those for each Board of the organisations involved in the transaction. It requires the establishment of the following:-

- A small high level Acquisition Board accountable for completion of the transaction in line with the TFA
- A Transition Board which is responsible for ensuring there is a robust work programme for the transition which is delivered pre and post transaction
- Workstream Groups which are responsible for developing and delivering individual plans which include all tasks required to achieve integration pre and post transaction



NB Acquisition Director will be Dr Neil Goodwin following appointment of an interim CEO for NCUH.

The individual terms of reference for each of these three bodies is described in the following sections.

4. The Acquisition Board

Reports to:

Individual Trust Boards and the DH

Membership:

An SHA representation (Chair)

The Chairman and Chief Executive of NCUH Trust

The Chairman and Chief Executive of Northumbria Healthcare FT

Representative of Cumbria PCT/CCG

The Acquisition Director

Attendees:

Acquisition Project Managers for NCHT and NCUH

Terms of Reference:

The suggested ToR for the SHA-led Acquisition Board are:

1. To be corporately accountable for delivery of the acquisition within agreed timescales.
2. To support the SHA in securing DH support for final agreement to the acquisition including Heads of Agreement and transitional financial settlement.
3. To performance monitor the work of the Transition Board.
4. To resolve any acquisition issues or challenges that cannot be resolved by the Transition Board.

Frequency of Meeting:

As determined by acquisition business but not less than bi-monthly.

Quorum:

The Board is quorate when there is a representative from each Trust and the SHA.

Review:

These terms of reference will be reviewed after 3 months.

5. The Transition Board

The purpose of the Transition Board is to ensure there is a robust work programme for the transition which is delivered pre and post transaction. It will be responsible for the oversight, clarity and direction of the Transition Plan to ensure there is an effective and timely transition of services.

Reports to:

The Transition Board has delegated authority from the each Trust Board reporting to each Board and the Acquisition Board.

Membership:

Name	Designation
Northumbria Healthcare NHS Foundation Trust	
Jim Mackey	Chief Executive Officer (Chair)
Ann Farrar	Chief Operating Officer/Project Director
Paul Dunn	Executive Director of Finance
David Evans	Medical Director
Ann Stringer	Executive Director of HR and Organisational Development
Claire Riley	Director of Communications & Engagement
Maureen Harwood	Acquisition Project Manager
Rosemary Stephenson	Directory of Nursing
North Cumbria University Hospitals NHS Trust	
Neil Goodwin	Acquisition Director
TBC	Interim Chief Executive Officer
Corinne Siddall	Executive Director of Operations
Alistair Mulvey	Executive Director of Finance
Mike Walker	Medical Director
Damian Gallagher	Director of HR and Organisational Development
Caroline Griffiths	Director of Acquisition and Strategic Planning
Elizabeth Kay	Head of Communications & Reputation Management
Chris Platton	Acting Director of Nursing

Attendees:

Secretarial support (as agreed by both parties)

Workstream Group Leads as required

Terms of Reference:

1. To ensure there is a Transition Plan for the acquisition agenda and its constituent workstreams.
 2. To provide the workstream groups with leadership and guidance on the transition.
 3. To ensure the Transition Plan and acquisition is compliant with all statutory, legal, financial and regulatory reviews and assessments.
 4. To ensure the Transition Plan takes account of the guidance and best practice advice set out in Monitor's Compliance Framework, Transactions Manual and Risk Evaluation for Investment Decisions (REID).
 5. To ensure that the risks to completing the acquisition are identified within all workstreams and effective mitigations are incorporated in the plan.
 6. To ensure the Transition Plan is effectively performance managed and there is reporting on workstream group delivery against key milestones, supported by escalation processes for where projects are not delivered within requirements.
 7. To ensure the Board(s) of Directors are appropriately advised, assured, informed and involved in all aspects of the acquisition.
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8. To ensure effective and timely communications with the public, staff and other key stakeholders.
9. To ensure arrangements are in place to guarantee business continuity both before and after the acquisition.
10. Ensure that a robust post-integration plan is in place.

Frequency of Meeting:

Meet monthly in a mutually agreed location.

Agenda and papers will be circulated one week in advance of the meeting.

Minutes of meetings will be recorded and circulated together with action points.

Quorum:

The Board is quorate when six members are present, at least three from each Trust.

Review:

These terms of reference will be reviewed after 3 months.

6. Workstream Groups

Workstream Groups are responsible for developing and delivering individual plans which include all tasks required to achieve integration pre and post transaction. The Workstreams will be jointly led by a Director from each organisation.

Reports to:

The Transition Board (Progress against key milestones will be reported fortnightly)
Internal reporting requirements to be determined by each organisation.

Membership:

Workstream Group	Northumbria	North Cumbria
Communications & Engagement*	Claire Riley	Elizabeth Kay
Estates & Facilities	Brian Griggs	Alan Davidson
Finance/Contract Negotiations*	Paul Dunn	Alistair Mulvey
Governance/Legal	Ann Farrar	Ramona Duguid
Human Resources	Ann Stringer	Damian Gallagher
Information Governance & IT	Ann Farrar	Paul Wiggins & Alistair Mulvey
Clinical & Operational	David Evans	Mike Walker & Corinne Siddall
Nursing & Midwifery	Rosemary Stephenson	Chris Platton
Diagnostics	Tbc	Clive Graham

*PCT representation required in the Workstream Group

Attendees:

Given the nature and scope of this project decisions about membership of the working groups will be left to the discretion of the Director leading each particular work stream. As a minimum there must be at least one representative from North Cumbria hospitals on each group.

Terms of Reference:

1. To ensure there is a workstream plan and resources in place to deliver all aspects of the acquisition transaction relevant to each work stream.
2. To ensure the workstream plans are structured across 3 distinct phases:

Phase	Focus
Phase 1 Pre- acquisition	Delivery of all pre-acquisition transaction requirements Delivery of safe day 1 requirements.
Phase 2 Safe 100 days	System development, merging both organisations into one legal entity
Phase 3 Transformation	Service modernisation

Phase 1 will be completed at the point of acquisition.

Phase 2 will be completed within 100 days from the date of acquisition

Phase 3 will be delivered within 12 – 24 months

3. To ensure there is a single coordinated Due Diligence plan encompassing all required aspects for Finance, Governance and HR and ensure implementation of this plan.
 4. To ensure any information (including Due Diligence) required by both organisations to develop the workstream plan or undertake key tasks is provided in a timely manner.
 5. To ensure there are adequate resources across both organisations to deliver the workstream plan.
 6. To ensure any issues which may be material to the acquisition are identified and mitigations are incorporated in workstream plans.
 7. To ensure there is effective escalation of any exceptions in the delivery of workstream plans within individual organisations.
 8. To ensure each workstream group regularly reviews the issues log for their particular work stream, ensure it captures all material risks and issues and update as necessary.
 9. To ensure progress reports to the Transition Board are provided fortnightly for all workstreams (to the Acquisition Director).
 10. To ensure there is coordinated approach to staff engagement and communication through the relevant workstreams (Communication and Engagement and Human Resources).
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Quorum:

At least one representative from each provider organisation.

Review:

These terms of reference will be reviewed after 3 months.