

TRUST BOARD

Date of Meeting: 19/06/2012	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

This report describes progress since the selection of Northumbria Healthcare NHS Foundation Trust (Northumbria) as the preferred bidder including:

- The Heads of Terms and transaction timescales
- Due diligence process
- The governance framework required to deliver the acquisition
- Development of the transition plan
- Application for approving the transaction from the NHS Cooperation and Competition Panel (CCP)
- Foundation Trust membership recruitment for North Cumbria

The Heads of Agreement and Transaction Timescales

Further work has been successfully completed on the Heads of Agreement which were formally signed by both Trusts on 25 May 2012. The agreement sets out how the Trust and Northumbria will work together to deliver the transaction over the coming months (see following sections). The high-level timescales for the transaction are summarised below.

Acquisition Milestones	Timeline	Lead
Establish Transition Board-Workstreams	May	All
Agreement of Head of Terms	June	All
Commence Process for recruiting FT members and electing shadow and co-opted governors	June	Northumbria
Completion of Due Diligence	June/July	Northumbria
Submission of CCP application	June	Northumbria
TUPE consultation with staff to commence	June	Trust
Submit Initial business case to the DH	July	SHA
Monitor Assessment to Commence	September	Northumbria
Review interim management arrangements	August	Trust
Submit final business case to DH and Secretary of State for approval of the acquisition	October	SHA
Completion of the Business Transfer Agreement	November	All
Anticipated completion of the acquisition transaction	December	All

It should be noted that the above timescales will be dependent on a number of external, governmental regulatory assessment processes. These are wholly outside the control of both the Trust and Northumbria and consequently may impact on the expected completion date of December 2012.

Due Diligence Process

The majority of the Northumbria due diligence requirements have been satisfied prior to signing the Heads of Terms. due diligence work however is continuing in the following areas: finance and contractual; and estates and facilities

Whilst the majority of the due diligence work has been completed much of the continuous provision of Trust information continues to be a priority as this relates to the development of transition plans by various work streams.

Governance Framework for Delivering the Acquisition

The Governance Framework for delivering the acquisition has been agreed with Northumbria and the Transition Board and majority of work streams have now been established. The first meeting of the Transition Board was held on 22 May and the first meeting of the SHA led Acquisition Board will be held on 16 July. The final agreed structure for taking the acquisition forward is shown in appendix A.

Development of the Transition Programme

The Transition Board has agreed that the first draft of each work stream integration plan will be completed by the next Transition Board meeting on 12 June. The key milestones for producing the integration plan are:

- First drafts discussed at Transition Board on 12 June
- Draft post transaction integration plans submitted to Northumbria Board on 28 June
- Final draft signed off by 19 July
- Independent assessment completed by 17 August
- Submission to Monitor 31 August

The work streams plans will be structured across three 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 (months 12-36)	Service modernisation

One key area of work will be to reflect the Monitor Compliance Framework requirements in future monitoring systems for safety quality and performance including future Board Reports.

The draft transition plans for both clinical and non-clinical aspects of the acquisition will be presented to the North Cumbria Trust Board prior to approval by the Northumbria Board which is currently expected to take place in early July 2012. The project plan is shown in Appendix B.

Progress on the Application to the NHS Cooperation and Competition Panel (CCP)

Northumbria and the Trust submitted the initial application for CCP approval for the acquisition on 1 June 2012. The CCP acknowledged the initial request and requested further information on both Trusts and the transaction. The process has not therefore formally started and we anticipate that the CCP's overall timescale of 120 working days to commence from the formal start date, which reflects their full two stage process.

Membership Recruitment for North Cumbria

Membership recruitment and a road show will commence by 18 June. Media support for the campaign will focus on local accountability. Leaflets will be printed and distributed to support the

on street recruitment, mailings to GPs and displays across the hospitals in Whitehaven and Carlisle. In support of this activity there will be investment in supplements for the local newspapers.

All members of staff will be recruited as members and this will be publicised in the staff Team Brief. This is standard practice for staff recruitment and identical to Northumbria's arrangements.

FT Pipeline Monitoring and the Standard Operational Model (SOM)

The DH and SHA have issued guidance to standardise the approach nationally to monitoring the FT pipeline and compliance with Tripartite Formal Agreements (TFA). The process includes an escalation procedure which is based on three consecutive red ratings. The Trust already submits an FT pipeline monitoring report monthly which closely reflects the Board performance dashboard and report together with the acquisition milestones.

The Trust's current performance is *Amber/Green* predominately reflecting the FRR (*financial risk rating*) requirements and progress against the Trust cost improvement plan. The milestones in the TFA for the acquisition may need to be updated in the near future to reflect the delay in signing the Heads of Terms.

In the future, TFA and monthly RAG (*red, amber, green*) performance ratings will be published in the public domain. Furthermore, any escalation of the Trust's RAG rating will also be published (excluding personally identifiable and commercially sensitive information). Boards have been asked to discuss this approach and feedback comments to the SHA by 30 June. It should be noted that this Trust Board has been regularly updated on the FT pipeline RAG rating via the public agenda.

Conclusion

An important milestone has been completed in finalising the Heads of Terms between the Trust and Northumbria, which moves Northumbria's status from *'preferred bidder'* to *'acquiring FT'*. Northumbria's due diligence is almost complete and the acquisition has now moved into the transition planning phase. Furthermore, an important step has also been taken in initiating one of the external regulatory approval processes with the CCP.

The key priority now is to develop the post transaction integration plan incorporating all aspects of the work stream requirements to ensure there is a smooth integration of the two organisations.

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:

1. To note the above progress
2. To support the publication of 'RAG ratings and escalations' in the public domain

Prepared by: Caroline Griffiths Director of Acquisition and Strategic Planning	Presented by: Dr Neil Goodwin Interim Chief Executive
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TRANSACTION BOARD

Date of Meeting: 22/05/2012	Agenda Item No: 3	Enclosure: 1
Intended Outcome:		
For noting	For information	For decision ✓
Title of Report: Governance Framework for the Transaction		
Aims: The framework has been developed to support the delivery of the next stage of the acquisition through to the transfer of North Cumbria University Hospitals NHS Trust to Northumbria Healthcare NHS Foundation Trust.		
Executive Summary: The Governance Framework for delivering the acquisition has been developed by both organisations. It 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: <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 • Recruiting members and electing Governors <p>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.</p> <p>It requires the establishment of the following:</p> <ul style="list-style-type: none"> • 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. <p>The two Trusts need to ensure they are working together across a wide range of</p>		

workstreams to achieve the deadline of 1 December. The key tasks are complex involving external regulators (CCP and Monitor) as well as the Department of Health. A detailed programme of work is required to integrate the clinical models and corporate and operational functions across the new organisational form. This governance framework is intended to ensure that we are well placed to deliver the mandatory and regulatory requirements as well as a robust transition plan during the next stage of the acquisition and through this give both Trust Boards assurance on the overall delivery of the transaction.

Specific implications and links to the NCUH 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:

The Transition Board is asked to approve the Governance Framework.

Prepared by:

Caroline Griffiths, Director of Acquisition and Strategic Planning, NCUH

Ann Farrar, Chief Operating Officer, NHCFT

Presented by:

Neil Goodwin, Interim Chief Executive, NCUH

Jim Mackey, Chief Executive, NHCFT

ACQUISITION OF NORTH CUMBRIA HOSPITALS NHS TRUST BY NORTHUMBRIA HEALTHCARE NHS FT

Governance framework for completing the transaction

1. Background

The Board of North Cumbria University Hospitals (NCUH) selected Northumbria Healthcare NHS Foundation Trust (NHFT) 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:

- Finalise the agreement of transitional financial support
- Agree Heads of Agreement for the Transaction
- Complete NCUH due diligence
- Feedback from the NCHT due diligence process and identification of any material issues
- Develop a planning framework and governance arrangements for undertaking the transition, including addressing and due diligence issues as required
- Development of detailed and shared communication strategy
- Recruiting members and establishing the Governors Body
- 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 1 December 2012 however, the timescales for some of the external processes cannot be confirmed as they are largely influenced by external regulators.

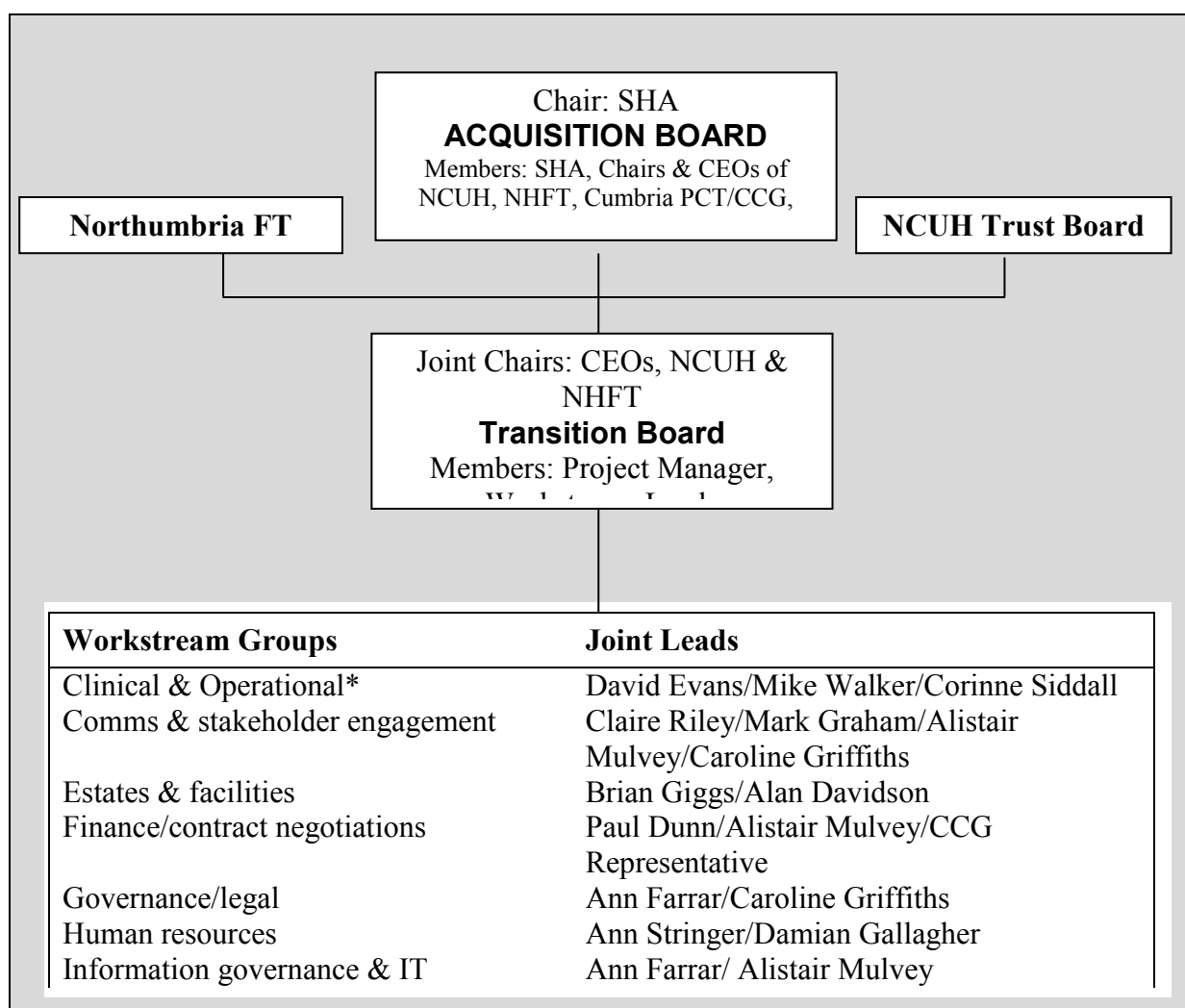
In addition to the key tasks outlined above there is a complex and detailed programme of work to integrate the systems, processes and clinical models across corporate and operational functions.

The two organisations therefore need to develop a governance framework together which is capable of delivering the mandatory and regulatory 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 responsible for developing and delivering individual plans which include all tasks required to achieve integration pre- and post-transaction



* indicates critical interdependency of these workstreams

The individual terms of reference for each of these three bodies is described below.

4. The Acquisition Board

Reports to:

Individual Trust Boards, SHA Board and the DH

Membership:

An SHA representation (Chair)

The Chairman and Chief Executive of NCUH

The Chairman and Chief Executive of NHFT

Representative of Cumbria PCT/CCG

Attendees:

Acquisition Project Director for NHCFT (Ann Farrar)

Acquisition Project Director for NCUH (Caroline Griffiths)

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 Joint 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, delivery and performance management of the Transition Plan to ensure there is an effective and timely transition of services.

Reports to:

The Transition Board will report to each Board and the Acquisition Board.

Membership:

Name	Designation
Northumbria Healthcare NHS Foundation Trust	
Jim Mackey	Chief Executive Officer (Joint 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
Jeremy Rushmer	Clinical Business Unit Director
Claire Riley	Director of Communications & Engagement
Maureen Harwood	Acquisition Project Manager
Rosemary Stephenson	Directory of Nursing
Steven Bannister	Director of Estates
North Cumbria University Hospitals NHS Trust	
Neil Goodwin	Interim Chief Executive Officer (Joint Chair)
Corinne Siddall	Executive Director of Operations
Alistair Mulvey	Executive Director of Finance & Deputy CEO
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	Director of Nursing & Quality
Alan Davidson	Director of Estates

Attendees:

SHA representative will be invited to all meetings
 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 appropriate resources to undertake the transition planning are allocated across both organisations including the use of funds to support the process.
6. To ensure that the risks to completing the acquisition are identified within all workstreams and effective mitigations are incorporated in the plan.

7. 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.
8. To ensure the Board(s) of directors are appropriately advised, assured, informed and involved in all aspects of the acquisition.
9. To ensure effective and timely communications with the public, staff and other key stakeholders.
10. To ensure arrangements are in place to guarantee business continuity both before and after the acquisition.

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
Clinical & Operational	David Evans	Mike Walker & Corinne Siddall
Nursing & Midwifery	Rosemary Stephenson	Chris Platton
Comms & Engagement*	Claire Riley	Alistair Mulvey/Caroline Griffiths
Estates & Facilities	Steven Bannister	Alan Davidson
Finance/Contract Negotiations*	Paul Dunn	Alistair Mulvey
Governance/Legal	Ann Farrar	Caroline Griffiths

Human Resources	Ann Stringer	Damian Gallagher
Information Governance & IT	Ann Farrar	Alistair Mulvey

*PCT/CCG 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 NCUH 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 – 36 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.
10. To ensure there is coordinated approach to staff engagement and communication through the relevant workstreams (Communication and Engagement and Human Resources).

Quorum:

At least one representative from each provider organisation.

Review:

These terms of reference will be reviewed after 3 months.

High Level Project Plan - acquisition NCUH NHS Trust																																						
INDICATIVE TIMELINE	February			May			June			July			August			September			October			November			December													
	6	13	20	27	7	14	21	28	4	11	18	25	2	9	16	23	30	6	13	20	27	3	10	17	24	1st	8	15	22	29	5	12	19	26	3	10	17	24
TRANSITIONAL FINANCIALS																																						
HEADS OF TERMS																																						
WEST CUMBERLAND HOSPITAL REVIEW																																						
COMPLETION OF DUE DILIGENCE																																						
INDEPENDENT EXPERT ASSESSMENT																																						
POST INTEGRATION TRANSACTION PLAN																																						
CCP PROCESSES & INVOLVEMENT																																						
CCP PRELIMINARY SUBMISSION																																						
NOTICE OF ACCEPTANCE																																						
PHASE 1 ASSESSMENT (40 working days)																																						
PHASE 2 ASSESSMENT (80 working days)																																						
BOARD APPROVALS:																																						
SUBMISSION OF FINAL BUSINESS CASE																																						
SUBMISSION OF BOARD SELF CERTIFICATION																																						
SUBMISSION OF REVISED CONSTITUTION																																						
SUBMISSION OF POST TRANSACTION INTEGRATION PLAN																																						
SUBMISSION OF WORKING CAPITAL MEMORANDUM																																						
SUBMISSION OF TRANSACTION AGREEMENT																																						
SUBMISSION OF CCP NOTICE OF ACCEPTANCE																																						
MONITOR PROCESSES & INVOLVEMENT																																						
FINAL BOARD APPROVAL																																						
SHA SUBMISSION BUSINESS CASE TO DEPARTMENT OF HEALTH TRANSACTION BOARD																																						
SECRETARY OF STATE FINAL APPROVAL DISSOLUTION & TRANSFER ORDER																																						
MEMBER RECRUITMENT																																						
ESTABLISH GOVERNORS BODY																																						
ACQUISITION																																						
Version 07.06.2012																																						