

## TRUST BOARD

<b>Date of Meeting:</b> 15/05/2012	<b>Agenda Item No:</b> 5.1	<b>Enclosure:</b> 3
<b>Intended Outcome:</b>		
<b>For noting</b> ✓	<b>For information</b>	<b>For decision</b>
<b>Title of Report:</b> Acquisition of North Cumbria University Hospitals NHS Trust		
<b>Aims:</b> To Provide the Trust Board with a Progress Report on the Acquisition Process.		
<b>Executive Summary</b> This report describes progress since the selection of Northumbria Healthcare NHS Foundation Trust (Northumbria) as the preferred bidder including: <ul style="list-style-type: none"> <li>• Feedback from the External Stakeholder Reference Group</li> <li>• Conclusion of the SHA and Commissioners discussions on the apportionment of the transitional financial support for the acquisition</li> <li>• Development of the Heads of Agreement</li> <li>• Due diligence process</li> <li>• The Governance Framework required to deliver the acquisition</li> <li>• Development of the transition programme</li> <li>• Progress on developing the application for approval of the transaction from the Cooperation and Competition Panel (CCP)</li> <li>• Expected timescales for completing the acquisition</li> </ul>		
<b>Feedback from the External Stakeholder Reference Group</b> A meeting of the External Stakeholder reference Group was held on 25 April 2011. The group discussed the competitive process run by the Trust and the Trust Board selection of Northumbria as the preferred bidder. The group fully supported the process and the Trust Board decision. Representatives from the Northumbria Trust Board also attended the meeting to describe the overall vision for developing future services and engaging local stakeholders through the Foundation Trust constitutional model for members and Governors.		
<b>Transitional Financial Support</b> Last month it was reported that the finalisation of the Heads of Agreement was subject to SHA confirmation of the arrangements for the transitional financial support and confirmation from commissioners on the details of future service reviews. SHA Directors and the Cumbria Cluster/Clinical Commissioning group have concluded the discussions on the apportionment of the transitional financial support required by Northumbria. Written confirmation of the financial arrangements will be confirmed to Northumbria including future arrangements for the support for the PFI revenue costs of the Cumberland Infirmary which has yet to be confirmed by the Department of Health.		
<b>Development of the Heads of Agreement</b> Following agreement of the financial arrangements outlined above, the Trust has agreed a further draft 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.		

### Due Diligence Process

In advance of signing the Heads of Agreement, the Trust is supporting all requests for due diligence information from Northumbria to avoid any unnecessary delays in the process. All information is validated by the appropriate Director and is uploaded into the virtual Data Room.

Key areas of due diligence which are in progress are:

- Legal and Governance
- Workforce
- Clinical
- IM&T
- Finance and contractual

In particular the clinical due diligence process is required for the development of a transition plan which will inform the CCP review of benefits and the Monitor assessment of the transaction from a Risk Evaluation of the Investment Decision (REID) perspective.

### The Governance Framework for Delivering the Acquisition

The Governance Framework for delivering the acquisition has been agreed with Northumbria and the Transition Board and Workstreams are being established with immediate effect. 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 Tripartite Formal Agreement (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

### Developing the Transition Programme

The Transition Board and workstreams described above will undertake important work on developing the transition programme for the acquisition. Informed by the due diligence work the plan must be developed in preparation for the CCP and Monitor processes for reviewing the transaction. Workstream plans will be structured across 3 distinct phases:

Phase	Focus
<b>Phase 1</b> Pre- acquisition	Delivery of all pre-acquisition transaction requirements Delivery of safe day 1 requirements.
<b>Phase 2</b> Safe 100 days	System development, merging both organisations into one legal entity
<b>Phase 3</b> Transformation Months 12-36)	Service modernisation

Work on developing the transition plan is expected to be completed by the end of May following a series of joint clinical meetings between the North Cumbria Associate Medical Directors and clinical Business Units Directors in Northumbria. 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.

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

Trust representatives together with Northumbria, SHA and clinical commissioning representatives met the CCP on 18 April for an informal briefing on the proposed transaction and the CCP approval process. The meeting was very positive and helped confirm the CCP approach to reviewing the transaction focusing on the relative balance between the 'cost' of the transaction versus 'benefits' in terms of patient choice and competition. The CCP will expect to see a robust benefits case which is specific to the transaction looking at patient flows and sustaining competitive drivers for quality improvement across all five hospital sites in the new organisation.

The CCP confirmed the potential timescales for which is likely to be a two stage process for approving this particular transaction (120 working days in total).

Specialist advisers have been commissioned by Northumbria to help with the development of the application and submission of key documentation. The initial letter of application to initiate the process will be submitted in May 2012.

### Timescales for Completing the Transaction

The Heads of Agreement sets 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.

Key steps in taking forward the acquisition to completion are outlined below:

Key Milestones	Timeline	Lead
Establish Transition Board-Workstreams	May	All
Agreement of Head of Terms	June	All
Completion of Due Diligence	June	Northumbria
Submission of CCP application	June/July	Trusts
Monitor assessment	August	Northumbria
TUPE consultation to commence	September	Northumbria
Submit the Business Case for DH and Secretary of State approval	July & October	SHA
Completion of the Business Transfer Agreement	November	All
Anticipated completion of the transaction	December	All

It should be noted that the timescales outlined above will be dependent on a number of external regulatory processes which may impact on the expected completion date of December 2012.

### Conclusion

There have been slight delays in finalising the Heads of Agreement between the Trust and Northumbria as a result of steps required to conclude the transitional financial arrangements between the SHA and commissioners. Due diligence has proceeded and the arrangements for the Transition Board and developing the transition plan have been agreed with Northumbria. The Trust is 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 in collaboration with Northumbria where this is possible including developing the application for CCP approval.	
<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:	
<ol style="list-style-type: none"> <li>1. Notes the progress in developing the Heads of Agreement with Northumbria</li> <li>2. Notes the current support for the process including due diligence</li> <li>3. Notes the development of the transition plan through joint clinical meetings and presentation to the Trust Board</li> <li>4. Notes the CCP approval process is expected to be 2 stage taking a minimum of 120 working days</li> <li>5. Notes the overall expected timescale for concluding the transaction (subject to external regulatory approval processes).</li> </ol>	
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