

TRUST BOARD

Date of Meeting: 11/09/2012	Agenda Item No: 6.1	Enclosure: 3
Intended Outcome:		
For noting ✓	For information	For decision
Title of Report: Progress Report on the Acquisition of North Cumbria University Hospitals NHS Trust		
Aims: To provide the Trust Board with a progress report on the acquisition process		
<p>1. <u>EXECUTIVE SUMMARY</u></p> <p>This paper provides the Trust Board with a comprehensive progress report on the acquisition process including:</p> <ul style="list-style-type: none"> • Business Transfer Agreement (BTA) or 'Transaction Agreement' and interim management arrangements • Acquirer Due Diligence process • Application for approving the transaction from the NHS Cooperation and Competition Panel (CCP) • Foundation Trust membership recruitment for North Cumbria • Introduction of the Single Operating Model (SOM) for the FT Pipeline • Next Steps <p>The anticipated timescales for concluding the acquisition process will be influenced by external regulatory approval processes (Cooperation and Competition Panel and Monitor) as well as the evolving Business Case requirements for the Department of Health. The likely date for completion of the acquisition process is now considered to be 31 March 2012 although if this date can be advanced it will be.</p> <p>2. <u>BUSINESS TRANSFER AGREEMENT (BTA) AND INTERIM MANAGEMENT ARRANGEMENTS (IMA)</u></p> <p>Significant progress has been made in finalising the Business Transfer Agreement. It has not however been signed by the Trust, Northumbria and SHA as discussions continue in relation to the treatment of some potential longer term liabilities and ongoing collaboration on the West Cumberland Hospital redevelopment project following HM Treasury approval of the capital the project.</p> <p>Both parties confirmed in July that the BTA should be agreed prior to the implementation of the interim management arrangements. Alternative assurances are being developed in order to progress the arrangements whilst work is ongoing on the BTA. The CCP have been consulted on this point which has confirm that the Interim Management</p>		

Arrangements will need to ensure that there are appropriate conditions to ensure against conflict of interest. Consideration is being given to reflect how the Interim Management Arrangements may be enacted in advance of the full agreement of the BTA to speed the transition process where at all possible.

3. DUE DILIGENCE

The final Due Diligence reports from DAC Beachcroft have been shared with the Trust. In line with the NHFT presentation to the June Trust Board. Progress has been made in terms of the overall risk rating which has reduced from 8 to 5.5.

Further improvements are expected in September in relation to safety and quality reporting to the Board and convergence of other aspects of governance with NHFT systems e.g. assurance framework. NHFT has also requested a clinical opinion on the Quality Governance Framework which will be undertaken in September by Professor Wilson, Medical Director, South Tees University Hospitals NHS Foundation Trust.

The extended due diligence undertaken by PWC on behalf of Northumbria has now concluded although the final report is yet to be made available to the Trust. The process has built on the Vendor Due Diligence undertaken as part of the initial stages of the acquisition process and as anticipated has not identified any material issues which were not highlighted within the initial undertaking. The due diligence has highlighted, as did the VDD, the risk associated with future equal value claims with this item forming part of the longer term liabilities discussion with the SHA. Moving forwards through the Monitor process critical aspects will include the further development of the LTFM with consistent assumptions to those applied by Northumbria, the more detailed development of CIP plans into the future and the reflection of the current year's performance within the overall model.

4. CCP REVIEW OF THE ACQUISITION

As reported to the July Board, the CCP review has commenced. The Trust has been asked to provide background information on any market reviews which have been undertaken. The original market analysis for the Trust's FT application (2010) and a recently commissioned market report from Dr Foster (June 2012) have been provided. The CCP may opt for a two stage review involving a detailed analysis of benefits. This second stage of the process may extend the approval timescales.

5. FOUNDATION TRUST MEMBERSHIP RECRUITMENT

A letter concerning staff membership to the Foundation Trust went out with August pay-slips. The letter gave staff more information about becoming a member and a staff governor. The communications team at NCUH has also requested that a new email address is set up for staff members who wish to opt out of becoming a member. The email address will be opt-out@ncuh.nhs.uk

The roadshows and events for recruiting public members are now concluded with over 2000 members recruited. Further targeted recruitment will be undertaken to ensure the

communities serviced by North Cumbria are appropriately represented in the constitution for the new organisation including membership and Governors Council.

6. SINGLE OPERATING MODEL (SOM) FOR THE FT PIPELINE

As reported to the June Board the national approach to provider development and the Foundation Trust Pipeline will be changing with a Single Operating Model for assessing Trust achievement of the timescales and covenants agreed in the Tripartite Formal Agreement (TFA).

A new process of self declaration has been introduced reflecting the Monitor Quality Risk Profile. The first self assessment has been submitted. The Trust has self certified itself as partially compliant due to two KPIs, ability to achieve level 2 standard for Information Governance, non compliance against CQC outcomes 11 and 14 and inability to achieve a FRR of 3. The Trust will be required to submit the self declaration monthly and the SHA will follow the national process for escalation if required.

7. SUMMARY

The acquisition process continues to proceed with both parties committed to progressing key work on the BTA and IMA. Integration workstream plans are progressing in line with expected milestones. Both parties will continue to support the CCP approval process.

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	
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Develop a viable integrated clinical strategy for secondary care services which is sustainable and affordable	
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Develop a new healthcare facility in West Cumbria that is fit for the 21st century	
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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	
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To develop and implement a successful merger or acquisition plan that enables the Trust to become part of an existing NHS Foundation Trust	✓
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Recommendations:

1. To note the acquisition progress and continuing work to conclude the BTA and IMA

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