

Acquisition of North Cumbria University Hospitals NHS Trust

Details of the Evaluation and the Successful Bid

1. Introduction

On 31 January the Trust Board of North Cumbria University Hospitals NHS Trust made the most significant decision in the lifetime of this Trust. The Board recommended Northumbria Healthcare NHS Foundation Trust as the preferred bidder following a detailed and comprehensive evaluation of proposals submitted by two bidders: the Alliance (Cumbria Partnership NHS Foundation Trust and Newcastle upon Tyne Hospitals NHS Foundation Trust) and Northumbria Healthcare NHS Foundation Trust.

The objective of the acquisition has been to find the best sustainable solution for people living in north Cumbria and identify the Foundation Trust that could best secure the provision of high quality acute services for a diverse and rural population.

The competitive process to identify the preferred bidder started in June 2011 with a comprehensive evaluation of financial and non-financial criteria. This was followed by a review of the level of transitional financial support required by each bidder to complete the transaction, which was undertaken between November 2011 and January 2012.

As financial negotiations between the SHA, PCT and clinical commissioners have commenced with Northumbria Healthcare we are able to release a brief summary of the bids considered by the Trust Board as well as our stakeholders' views on the acquisition.

2. The results of the bid evaluation

In the first stage of the evaluation Northumbria Healthcare was ranked no.1 with the highest overall score for the financial and non-financial evaluation. The unsuccessful bid was ranked third overall (behind the bid from University Hospitals of Morecambe Bay bid which was withdrawn in October 2011).

Bidder	Financial Evaluation	Non-Financial Evaluation	Overall Evaluation
The Alliance	25.3 (Rank 2)	28 (Rank 3)	53.3 (Rank 3)
Northumbria Healthcare	29.7 (Rank 1)	41 (Rank 1)	70.7 (Rank 1)

The Northumbria bid scored the highest points for the non-financial criteria (based on access, quality and clinical sustainability) because it identifies more opportunities for service development including development of integrated services based on Northumbria's current models for providing acute services to a rural population in Northumberland.

It also achieved the highest points in the financial criteria as it demonstrates that it is more able to manage the challenge of becoming a viable combined Foundation Trust due to its financial strength and size.

The successful bidder's current performance and track record for providing high quality services was evident throughout the bid and the bidder described many opportunities for strengthening services using education and training and a wide range of innovative approaches.

These include:

- Significant experience and knowledge in providing care to dispersed rural communities
- Greater understanding of managing healthcare from multi-sites and sustainability issues that poses
- Track record in managing complex work patterns to ensure sustainability of healthcare services in rural communities
- Ways of working that place patients central to decision making
- A comprehensive approach to patient experience enabling continuing service improvements to frontline care
- Track record in building confidence in what the Trust does with staff, patients, carers and the public through effective communication and engagement
- Experience as an integrated service provider in developing new pathways and keeping services for patients close to their homes
- Excellent clinical relationships across primary (GPs) and secondary (hospitals) care
- Nationally recognised for leadership and one of the best in England
- Some of the best staff satisfaction results in England

In contrast the Alliance bid had a lower score in both the non-financial and financial categories. The Alliance bid was based on the plan that the Cumbria Partnership would acquire the acute services. This meant that the financial challenge was much greater due to the size of the financial gap going forward and the relative degree of improvement which would be required for the bid to be viable. Furthermore, the proposal did not fully demonstrate the potential advantages of single integrated pathways from primary to tertiary care. There was also a lack of clarity particularly in relation to the future contribution of Newcastle Hospitals and as a result of this the experience in delivering high quality acute care was less evident than the successful bid.

The assessment of the bidder's submissions to the final aspect of the evaluation (the required level of transitional financial support for the acquisition) was consistent with the earlier financial and non-financial evaluation.

The Alliance bid required almost £30m more financial support over the first five years compared to the Northumbria bid and after this period the Alliance additionally required over £13m a year with no time limit identified in order to break even.

Comparison of bids – Transitional Financial Support Requirements

Northumbria Submission								
Category	12/13	13/14	14/15	15/16	16/17	17/18	Total	Beyond 17/18
	£m	£m	£m	£m	£m	£m	£m	
Revenue Support	30.0	10.0	0.0	0.0	0.0	0.0	40.0	No additional support required beyond 13/14
Public Dividend Capital (PDC)	37.7	0.0	0.0	0.0	0.0	0.0	37.7	
Total	67.7	10.0	0.0	0.0	0.0	0.0	77.7	
Alliance Submission								
Category	12/13	13/14	14/15	15/16	16/17	17/18	Total	Beyond 17/18
	£m	£m	£m	£m	£m	£m	£m	
Revenue Support	27.6	26.6	12.0	11.9	13.1	13.6	104.8	Support of £13.6m required
No PDC requested	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Total	27.6	26.6	12.0	11.9	13.1	13.6	104.8	

The Trust Board considered that the Northumbria bid is better value for money and only requires support over the next two years. It is able to withstand future risks to a much greater extent. Financial stability is very important going forward and whilst the synergies in the Northumbria bid need to be delivered in a relatively short period of time there is a contingency included in the bid against non-achievement of savings or any other issues.

Both bidders made a commitment to delivering the redevelopment of West Cumberland Hospital and whilst the press has suggested there were other large scale investments in specific services in the unsuccessful bid this was not supported by any evidence.

Northumbria will improve the financial position through a wide range of back office efficiencies, commercial opportunities and improving service performance. The proposal

also provides the opportunity for patients who are currently travelling out of county to be treated locally by improving local access.

3. Listening to our Stakeholders

The Trust arranged a large stakeholder event in October 2011 where both bidders presented their proposals and responded to a wide range of stakeholder questions. Our stakeholders included staff, patients, healthcare groups, Cumbria LINK, local authorities and the Overview and Scrutiny Committee, GPs and hospital clinicians. The Trust invited feedback from everyone who attended the event. We received 18 submissions of feedback covering a range of stakeholder interests. Twelve submissions expressed a preference for a bidder of which nine preferred Northumbria, two thought both bidders should proceed to a further evaluation on an equal footing and one suggested an alternative option.

The following themes were identified:

- The majority of stakeholders expressed a preference for Northumbria based on the content of the presentation, response to questions and overall leadership and cohesiveness of the team.
- Stakeholders had concerns about the lack of clarity in relation to the alliance between Cumbria Partnership and Newcastle.

What the Save our Services Group said . . .

The SOS group discussed the documents presented by both Foundation Trusts at the stakeholder event.

They said: Our view is that the Northumbria expression of interest appears to offer more to the future of West Cumberland Hospital. Our reasons for deciding this are:

- 1) Its experience of dealing with providing secondary health care in rural settings.
- 2) A clear expression of willingness to consult and work with stakeholders.

Local GP comment . . .

I share the view of many specialist colleagues that the bid Northumbria is the most realistic and favourable to the future of the NHS in North Cumbria.

Consultant comments . . .

1. The interests of the Trust long term and the patients locally are best served by Northumbria.
2. Northumbria Healthcare will bring and maintain a good health care district general hospital system in the Cumberland Infirmary Carlisle and West Cumberland Hospital.
3. Northumbria has experience in running a similar trust, acute and rural, and has stated that they will keep services local and not centralise them, providing a significantly better service to our patients in this remote and rural setting.

Other stakeholders . . .

Northumbria leaders were open, honest and engaging. The team were very 'together' and able to evidence collaborative change.

The Patient Panel . . .

Northumbria presented a strong case and was clear about the benefits their Trust could bring for north Cumbrian residents.

They already have experience of providing acute care in both rural communities and across several hospitals. The West Cumbrian representative agreed that the rural areas served by the Northumbria Trust were similar to those of West Cumbria.

Staff side representatives and unions representing all staff . . .

On behalf of the staff side I would like to put forward our particular choice for the acquisition of our Trust. - Northumbria Healthcare Trust.

Their team presentation and responses were dictated by the eagerness to answer all the questions. It was also obvious that they were a forward thinking organisation with a rare quality of enthusiasm, seldom seen in NHS organisations.

Their Chief Executive had a pride in his team, shown at times by letting them take the lead and having confidence in their responses to a variance of questions.

If they can expand that enthusiasm into staff then our Trust will become an integral part of health care in the future. It will also sustain a viable health service for Cumbria in the future developing services alongside of staff.

The Consultants' ballot

Our Consultants held a ballot after the Stakeholder event and 96% supported the Northumbria proposal.

4. Board interviews

The Trust Board met with each of the bidders, following which the Board drew a number of conclusions about the bids:

- The Alliance proposal represented a good strategic solution for the acquisition and the health economy (transformational approach) but lacked sufficient detail on how this would be implemented.
- The Northumbria proposal was much stronger managerially (transactional approach), demonstrating successful solutions to similar challenges facing north Cumbria as well as operational 'know how' in terms of implementation.
- Northumbria has a strong track record in providing integrated care and working across organisational boundaries with significant levels of patient and public engagement.

- As the acquiring organisation in the Alliance the Cumbria Partnership did not demonstrate relevant experience of delivering acute hospital services and the proposal was therefore dependent on inputs from Newcastle which were not defined in any detail.
- The Alliance response to questions about the financial challenge demonstrated a limited understanding of the issues and how they would need to be addressed.
- The Alliance indicated that details of the relationship will be defined further following selection as a preferred bidder and as such the governance arrangements between the two Trusts remains unclear despite various requests for clarification.

5. More about Northumbria Healthcare

Northumbria Healthcare NHS Foundation Trust is geographically one of the largest Trusts in the country. It provides hospital and community based healthcare to over half a million people across North Tyneside and Northumberland. It also provides adult social care to people in Northumberland.

The Trust is nationally recognised as one of the top performing Foundation Trusts in the country and is embarking on a £200m investment programme over the next 10 years. With a budget of over £500m the Trust provides services to hundreds of thousands of patients every year including accident and emergency care, maternity, and children's services, elective and emergency surgery (including specialist and keyhole surgery) and intensive care.

The Trust offers fast access to first-class diagnostic services in some of the newest and most modern hospitals in the north. Delivered across nine hospital sites the services have been rated by patients and staff as some of the best in the country.

Care Quality Commission results for annual healthchecks, up to 2009/10

Annual Healthchecks		
Year	Quality of Care	Finance
2009/10	Excellent	4 (Excellent)
2008/9	Excellent	4 (Excellent)
2007/8	Good	3 (Good)

NHSLA Risk Management Standards – Current Level – Level 3

In December 2009, Northumbria achieved level 3 in the NHSLA Risk Management Standards with a score of 50 out of 50. This placed the Trust as the best in England.

CNST Maternity Risk Management Standards – Current Level – Level 3

In November 2010 Northumbria's Maternity Services achieved Level 3 in the CNST Maternity Clinical Risk Management Standards with a score of 40 out of 50.

6. What to Expect from the Transition

Clinical models will move forward at a greater pace and represent best 'in class'

Now that the financial negotiations have commenced, clinical teams across both Trusts will eventually join together to lead future service improvements. The new approach will be based on patient and community involvement in clinically led developments.

Experience in delivering care in a rural environment

Northumbria has delivered acute care in rural areas since 1998 serving some of the most remote and rural populations in England - as well as disadvantaged urban communities. Nearly 20 per cent of its turnover relates to rural provision with developments that are key to ensure local access.

Local accountability to our local North Cumbria communities

In preparation for becoming a Foundation Trust there will be changes to the current constitution for Northumbria which reflect the North Cumbria population. We want to recruit as many local members as we can from across our stakeholders and local communities. Local people will be able to put themselves forward for elections to become a Governor of the new Trust and through this local people in north Cumbria will be actively involved in making decisions about services in the future.

Financial stability providing more career opportunities for staff and better patient care

Using Northumbria's experience in developing and implementing integrated care models, the new organisation will be able to recruit substantive staff in key clinical roles. This will enhance service quality and reduce the reliance on costly temporary medical locums which usually do not contribute to the longer term development of services.

Strong open and transparent culture

Using the nationally renowned leadership approach developed by Northumbria the new organisation will be able to deliver clinical and business excellence and innovation at every level of the organisation. Our combined experiences of developing leading edge approaches to patient experience will enable us to ensure we foster an open and transparent culture and that we continuously improve services to patients through a proactive partnership approach with the public.

7. What happens next?

Over the coming months, we will continue to communicate with our staff and the public of North Cumbria as we move forward on the acquisition of North Cumbria University Hospitals NHS Trust.

There are a number of external processes which now need to be undertaken before the acquisition is complete. These include:

- Completion of the Heads of Terms for the acquisition
- Review by the Cooperation and Competition Panel
- Establishing a joint Transaction Board which will oversee a work programme for the acquisition and integration of the two organisations
- Northumbria to produce an Integrated Business Plan for Monitor, the regulator for Foundation Trusts
- Submission of a Business case for approval to the Secretary of State for Health
- Transfer of the Trust assets and activities and subsequent dissolution of the Trust

We are hoping to undertake these processes as smoothly as possible however they do take time and some of this is outside the control of the Trust. We anticipate that the transfer of the Trust will take place between October and December depending on the regulatory authorities and the Department of Health.

8. Conclusion

We had keen market interest in acquiring our Trust and have selected an excellent bid – with relevant experience of rural healthcare across a large number of sites, a track record for providing high quality services and a robust financial outlook for the future. It's supported by our clinicians and stakeholders as a positive way forward for the future.

This acquisition will bring the long awaited stability required by north Cumbria services and provide scope for innovation. This approach for developing services will attract clinical professionals across all disciplines who will want to work in north Cumbria.

As one unified organisation, the Trust Board believes the new organisation will enhance access to healthcare for all patients within our collective catchment area. Building on our individual organisational strengths from the past we can develop a sustainable vision for our future and truly deliver the best options for the people of north Cumbria.