Kingston Hospital NHS Trust

Foundation Trust Update

Trust Board	**Item: 8.2**
22nd September 2011	**Enclosure: L**
Purpose of the Report / Paper: To update the Board on progress with the Trust's Foundation Trust application	
For Information ☒	**For Decision** ☐
Sponsor (Executive Lead):	Rachel Benton, Commercial Director
Author:	Rachel Benton, Commercial Director
Author Contact Details:	Rachel.benton@kingstonhospital.nhs.uk 020 8934 2880
Financial / Resource Implications:	
Quality Governance implications:	
Risk Implications - Link to Assurance Framework or Corporate Risk Register:	
Legal / Regulatory / Reputation Implications:	
Link to Relevant CQC Standard:	
Link to Relevant Corporate Objective:	To co-ordinate and drive the Trust's FT application through the process to ensure that the application is with Monitor by March 2012
Impact on Patients and Carers:	
Document Previously Considered By:	Executive Management Team 12th September 2011
Recommendations & Action required by the Trust Board: **The Board is asked to note the current position.**	

Kingston Hospital NHS Trust

Foundation Trust Update

Executive Summary

Context

1. This paper gives an update to the Board on progress with the development of our Foundation Trust application. In particular it focuses on the work we are doing to deliver against the next key milestones within the Tripartite Formal Agreement (TFA), including securing formal commissioner support for our application (October 2011), submitting the 2nd formal draft (v3.0) of our IBP and LTFM to NHS London (early November 2011) and completing Historical Due Diligence (HDD) Stage 2 (November- December 2011) with prior preparation for this building on HDD Stage 1. Although not a formal milestone within the TFA, we are also required to go through the SHA-led Quality Gateway Review process prior to commencement of HDD Stage 2. An update on this has therefore also been included as well as an update on our plans for Board development over the next few months.

Key Points

2. Key points from the paper are summarised below:

- A process has been identified to obtain formal support from the SW London Cluster and Surrey PCT for our FT application. This will include agreement by Clinical Commissioning Group (CCG) Boards in September (Elmbridge CCG) and October (all SWL CCGs), prior to Surrey PCT and SW London Joint Boards approval in early November. Whilst we have done everything that we can to enable commissioner support, including extensive GP involvement in the development of our plans and more recent engagement with them to ascertain and then deliver against their conditions for support where identified, given the fluidity of the commissioning environment there remains a degree of risk that insufficient support from CCGs in October could delay SW London Joint Boards approval and therefore our application. It should also be noted that final commissioner sign off cannot be achieved before early November due to the timing of commissioner Board meetings. This is marginally outside the end of October date identified in our Tripartite Formal Agreement. NHS London has confirmed that this should not present a problem.
- Recent guidance from NHS London requiring the use of more challenging assumptions around tariff deflation has added a £12.6m pressure to our financial position over the next 5 years. Following a refresh of other assumptions in the model, an increase in CIP requirements of £4.7m will be required in years 4 and 5 to maintain a 1% surplus and FRR of 3 across each year. V3.0 of the IBP and LTFM will therefore include a tighter but still viable financial plan.
- An action plan has been developed in response to the HDD Stage 1 Preliminary Review and Financial Reporting Procedures report received at the end of August. Delivery against this plan will need to be demonstrated at HDD Stage 2.
- The SHA-led Quality Gateway Review has commenced. This will inform NHS London's assessment and statement of support for our application. We are confident that we can provide sufficient evidence in relation to the issues raised.
- A session is being planned to strengthen further the effective functioning of the Board and it is also planned to undertake a mock Board to Board in the next month or two. A Board briefing and development forum on the FT application is being planned for October.

Recommendations & Actions Required by the Board

3. The Board is asked to note the current position.

Kingston Hospital NHS Trust

Foundation Trust Update

Introduction

1. This paper gives an update to the Board on progress with the development of our Foundation Trust application. In particular it focuses on the work we are doing to deliver against the next key milestones within the Tripartite Formal Agreement (TFA), including:

   - Securing formal commissioner support for our application in October 2011
   - Submitting the 2nd formal draft (v3.0) of our IBP and LTFM to NHS London at the beginning of November 2011
   - Completing Historical Due Diligence (HDD) Stage 2 in November and December 2011 and the preparation for this building on HDD Stage 1.

2. Although not a formal milestone within the TFA, we are also required to go through the SHA-led Quality Gateway Review process prior to commencement of HDD Stage 2. An update on this has therefore also been included as well as well as an update on our plans for Board development over the next few months.

3. The Board is asked to note the current position.

Securing Formal Commissioner Support

4. We have engaged extensively with clinical commissioners over the past nine months and have included representatives from Kingston, Richmond, Sutton & Merton and East Elmbridge Clinical Commissioning Groups (CCGs) as well as the SW London Cluster on our FT Steering Group, involving them in the development and sign off of our plans. At the time of preparing the TFA in March 2011 letters of support in principle for our FT application had been received from each of the CCGs represented on our Steering Group, covering a high proportion of our catchment.

5. We are now nearing the stage in the application process where more formal commissioner support is required for us to progress further. Our TFA sets out a requirement for us to achieve this in October 2011. Formal letters of support will be required from the SW London Cluster and from Surrey PCT.

6. For SW London the process will involve a single paper going to each of the CCG Boards for sign off during October. Following this a paper will go to the SW London Joint Boards meeting on 3th November. If there is no consensus amongst the CCG Boards then the SWL Joint Boards will make the decision. In preparation for this we have been engaging with GPs to understand what they need from us to ensure their support. At a meeting involving GP representatives from our main commissioners a set of actions was identified to enable commissioner support. We have made good progress in delivering against the actions allocated to the Trust. In addition, we have worked with GPs to set out a draft Partnership Agreement to provide a framework for us to collectively articulate, agree and deliver a shared vision for health and healthcare for the local population. This has been designed to support the development of services which are responsive to the needs of the local population and provide value for money, supporting the ongoing viability of the local health economy at a time when funds are reducing. This should also strengthen working relationships and in the short term ensure continued support for and involvement in the Trust's FT application by local commissioners. The draft Partnership Agreement will be discussed by the Kingston Commissioning Committee in September.

7. With respect to Surrey we presented our latest plans to the East Elmbridge CCG Board during August 2011 and discussed the process for gaining commissioner support with them and Surrey PCT. The CCG Board will confirm their position at their meeting in September 2011. This will then go to Surrey PCT's Board meeting in early November 2011 for final sign off.

8. Neither SW London nor Surrey PCT will be holding public board meetings in October and it will therefore not be possible to secure their support formally before November. This was not known at the time of developing the TFA milestones as the SW London Joint Boards was just evolving and Surrey PCT public board meetings were monthly at this time. The current plan to secure formal support for our application in November rather than October as stated in the TFA has been discussed with NHS London who are comfortable with this position.

9. Whilst we have done everything we can to enable commissioner support for our application, given the fluidity of the commissioning environment there remains a potential risk that insufficient commissioner support in October could delay SW London Joint Boards approval and therefore our application.

IBP and LTFM Development

10. We are working on the development of the second formal submission (v3.0) of our IBP and LTFM which are due to be with NHS London by early November 2011.

11. The key assumptions underpinning the model have been refreshed. The most significant change is in response to recent guidance from NHS London which requires all aspirant Foundation Trusts to model a 1.5% compounding deflation of the tariff for each of the next 5 years. V2.0 of the IBP and LTFM assumed 1% deflation for years 1-3, a neutral position in year 4 and 1.5% inflation for year 5. The additional tariff deflation now required adds £2.7m of pressure to the inner three years and £7.4m of pressure to the outer two years. Other changes (£2.5m) mostly relate to restating the 2011/12 year from the original planned position to a forecast outturn position and taking a view on what savings and income within this position are non-recurrent. Together these factors come to £12.6m.

12. We have reviewed other factors within the five year modeling to meet these challenges and propose the following course of action. The original SW London Cluster QIPP savings to enable the Cluster to achieve it's financial targets up until 2014/15 were derived in January 2011. The Cluster has started to bring these calculations up to date, but has not yet completed the work. Early indications are that the pressure that commissioners are facing is reduced and so we have taken a slightly more positive view of the QIPP savings required of the Trust (£3.7m). In addition we are proposing that the CIP in the two outer years increases by £4.7m, bringing the total required to be achieved over the five years to £45.3m. The final adjustment has been to reduce the recurrent contingency to £1.5m (which is still higher than the minimum required by NHS London).

13. Taking the new pressures together with the above proposals allows the Trust to maintain a c. £2m surplus (1%) for each of the years and hence still deliver a solid FRR of 3 in each year. Nevertheless the implication is that the position in v3.0 of the LTFM will be tighter than before.

14. This was discussed in more detail at the September Finance and Investment Committee. A full analysis of the changes between v2.0 and v3.0 of the IBP and LTFM will be presented to Board members in October.

15. Work is ongoing to support the development of a more detailed productivity programme for future years and this will incorporate the revised targets emerging from the refresh of assumptions for v3.0 of the IBP and LTFM. A transformation workshop was held with the divisions and relevant corporate leads at the beginning of September with continued work supported by NHS Elect to develop the thinking from this workshop and learn from best practice

elsewhere. An update on detailed productivity plans for 2012/13 – 2013/14 and outline productivity plans for 2014/15 – 2015/16 will be presented to Board members in October.

16. Work has continued on the constitution including legal advice. The constitution will need to be submitted to NHS London with v3.0 of the IBP and LTFM and this is presented as a separate Board item for approval this month.

Historic Due Diligence (HDD)

17. The HDD Stage 1 Preliminary Review and Financial Reporting Procedures report was issued at the end of August 2011. This identified eight key issues. One of these, the challenging CIP requirement was identified as high risk. Six issues were identified as medium risk, including the potential impact of structural change in the commissioning of services and increased competition, potential shortfalls in payments from PCTs for over performance in 2011/12, risks from shifts of services to community settings, a need to improve some administrative processes, limited interface between the Strategic Risk committee and the sub committees and some issues for IM&T. The potential for further sharing across NHS Trusts in non-clinical and back-office areas was identified as a low risk issue.

18. A plan has been developed to address the issues and suggested actions raised by the report and this has been discussed with Alvarez and Marsal and NHS London. We will need to demonstrate delivery of the action plan for HDD Stage 2.

19. HDD Stage 2 is due to start towards the end of November with a report expected 3 weeks later. The HDD Stage 1 report will be updated to reflect any key changes at the Trust, the latest IBP and LTFM (v3.0) and the latest position in relation to key issues raised during HDD Stage 1. The report will also review the historical underlying income and surplus of the Trust, review current year to date financial performance to inform a view on the 2011/12 outturn and review the projected cash flows. It is expected that a similar approach will be adopted as for HDD Stage 1, involving Alvarez and Marsal on site for one day of interviews with agendas for meetings identifying follow up questions sent out in advance. Details of required interviewees and agendas have been requested. The briefing paper circulated to inform HDD Stage 1 interviewees will be updated to reflect the latest IBP and LTFM and circulated at least 2 weeks prior to the interviews. Executive leads will liaise with relevant NEDs once agendas are available to support interview preparation.

Quality Gateway Review

20. The FT Pipeline Safety and Quality Assurance process was introduced earlier this year as a method of gaining additional assurance about quality and safety and related governance to support preparation and decision making for FT applications. It is led by the SHA Medical Director and Chief Nurse and is intended to be supportive, enabling any issues of concern to be addressed in the SHA-led trust development phase of the FT application process. It will inform the NHS London's assessment and statement of support for our application.

21. The process commenced in early September and should conclude ahead of HDD Stage 2 in the latter part of November. The first step in the process is a Desktop Gateway Review. This involves a table top review by NHS London of existing information and intelligence available to them e.g performance against KPIs relevant to safety and quality, SIs and CQC reports.

22. This informed a recent telephone conference held between NHS London and the Trust in September which identified the areas where assurance is sought. These include:

    - Confirmation of the Trust's overall approach to embedding quality and safety across the organization and governance systems and processes

- Evidence for systematic review and action on issues and risks from the CQC Quality and Risk profile, for example emergency readmission rates, staff and patient surveys and three month vacancy rates
- Performance management arrangements for improving quality and performance, with particular relating to HSMR, VTE, *C difficile* and 18 weeks Referral to Treatment targets, although they have advised us that they already have sufficient assurance on the latter
- Action to improve quality and timeliness of SI investigations and to identify and apply learning, although the SHA have noted that the timeliness of our reporting has improved recently
- Maintenance of quality and safety standards for maternity, including learning and embedding lessons from SIs, delivery of 98 hours consultant presence on the labour ward and ensuring that quality and safety is not compromised by capacity pressures
- Evidence of systems and processes to seek, listen and act on the views of patients and carers
- Workforce transition planning to ensure quality of care and evidence of acting on outcomes from the staff survey
- Managing risk and safety in implementing cost improvement programmes
- Evidence across all of the above demonstrating Board oversight and assurance on these issues

23. We are preparing a navigation paper with supporting documents setting out how the Trust is addressing these issues and this will need to be submitted to NHS London by the end of September. We are confident that we can provide sufficient evidence in relation to the issues raised.

24. The navigation paper will inform the second phase of the process, the Full Gateway Review, which will involve a meeting early to mid November between NHS London, the Trust and commissioners, enabling a face to face discussion on quality and safety issues and a more in-depth consideration of issues identified in the first stage. The process could also involve site visits and/or an independent clinical review if considered appropriate.

25. A fuller briefing will be provided to the Board at the October Development Forum.

Board Development

26. The chairman and CEO met with IMD in August to review progress with the Board development programme. Over the last few months IMD have undertaken coaching with Executive and Non Executive Directors and this will continue, certainly for the Executive Directors and for those NEDs who would find it useful. The actions that we agreed include a session focusing on further strengthening the effective functioning of the Board and to undertake a mock Board to Board in the next month or two.

Conclusion

27. Good progress has been made on the FT application to date. However, it should be noted that 1) recent planning guidance from NHS London has led to a tighter but still viable financial plan and 2) although we have done everything that we can to enable commissioner support, given the fluidity of the commissioning environment there remains a degree of risk that insufficient support from CCGs in October could delay SW London Joint Boards approval and therefore our application.

Recommendations

28. The Board is asked to note the current position.