



Supporting all NHS Trusts to achieve NHS Foundation Trust status by April 2014

Tripartite Formal Agreement between:

- University Hospitals Coventry & Warwickshire NHS Trust
- NHS West Midlands
- Department of Health

Introduction

This tripartite formal agreement (TFA) confirms the commitments being made by the NHS Trust, their Strategic Health Authority (SHA) and the Department of Health (DH) that will enable achievement of NHS Foundation Trust (FT) status before April 2014.

Specifically the TFA confirms the date (Part 1 of the agreement) when the NHS Trust will submit their “FT ready” application to DH to begin their formal assessment towards achievement of FT status.

The organisations signing up to this agreement are confirming their commitment to the actions required by signing in part 2a. The signatories for each organisation are as follows:

NHS Trust – Andrew Hardy, Chief Executive Officer
SHA – Ian Cumming, Chief Executive Officer
DH – Ian Dalton, Managing Director of Provider Development

Prior to signing, NHS Trust CEOs should have discussed the proposed application date with their Board to confirm support.

In addition the lead commissioner for the Trust will sign to agree support of the process and timescales set out in the agreement.

The information provided in this agreement does not replace the SHA assurance processes that underpin the development of FT applicants. The agreed actions of all SHAs will be taken over by the National Health Service

Trust Development Authority (NTDA)¹ when they take on the SHA provider development functions.

The objective of the TFA is to identify the key strategic and operational issues facing each NHS Trust (Part 4) and the actions required at local, regional and national level to address these (Parts 5, 6 and 7).

Part 8 of the agreement covers the key milestones that will need to be achieved to enable the FT application to be submitted to the date set out in part 1 of the agreement.

Standards required to achieve FT status

The establishment of a TFA for each NHS Trust does not change, or reduce in any way, the requirements needed to achieve FT status.

That is, the same exacting standards around quality of services, governance and finance will continue to need to be met, at all stages of the process, to achieve FT status. The purpose of the TFA for each NHS Trust is to provide clarity and focus on the issues to be addressed to meet the standards required to achieve FT status. The TFA should align with the local QIPP agenda.

Alongside development activities being undertaken to take forward each NHS Trust to FT status by April 2014, the quality of services will be further strengthened. Achieving FT status and delivering quality services are mutually supportive. The Department of Health is improving its assessment of quality. Monitor has also been reviewing its measurement of quality in their assessment and governance risk ratings. To remove any focus from quality healthcare provision in this interim period would completely undermine the wider objectives of all NHS Trusts achieving FT status, to establish autonomous and sustainable providers best equipped and enabled to provide the best quality services for patients.

¹ NTDA previously known as the Provider Development Authority – the name change is proposed to better reflect their role with NHS Trusts only.

Part 1 - Date when NHS foundation trust application will be submitted to Department of Health

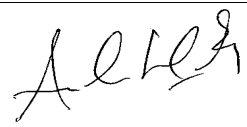
October 2011


Part 2a - Signatories to agreements


By signing this agreement the following signatories are formally confirming:

- their agreement with the issues identified;
- their agreement with the actions and milestones detailed to support achievement of the date identified in part 1;
- their agreement with the obligations they, and the other signatories, are committing to;

as covered in this agreement.


Andrew Hardy Chief Executive Officer University Hospitals Coventry and Warwickshire NHS Trust	Signature  Date: 25 May 2011
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Ian Cumming OBE Chief Executive NHS West Midlands	Signature  Date: 25 May 2011
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Name, Job Title (Ian Dalton)	Signature  Date: 8 July 2011
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Part 2b – Commissioner agreement

In signing, the lead commissioner for the Trust is agreeing to support the process and timescales set out in the agreement.

Stephen Jones Chief Executive of Arden Cluster	Signature  Date: 25 May 2011
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Part 3 – NHS Trust summary

Short summary of services provided, geographical/demographical information, main commissioners and organisation history.

Required information

Current CQC registration (and any conditions): Registered without conditions

Financial data (figures for 2010/11 should to be based on latest forecast)

	2009/10 £m	2010/11** £m
Total income	465.2	472.0
EBITDA	55.9	49.8
Operating surplus\deficit*	10.2	3.3
CIP target	14.9	25.0
CIP achieved recurrent	12.9	22.9
CIP achieved non-recurrent	0	0

*Breakeven performance adjusted for impairments and IFRIC 12

**Based on draft accounts

The NHS Trust's main commissioners

See below:

NHS Coventry
NHS Warwickshire
West Midlands Specialised Commissioning Group

Summary of PFI schemes (if material)

At the end of December 2002 we signed a PFI contract to finance and build the new University Hospital in Coventry and also provide certain equipment, hard facilities management and soft facilities management services to both the University Hospital and the existing Hospital of St Cross. We took possession of the new hospital in July 2006 and are proud to provide such a top quality facility for our community.

The primary PFI contractor is Coventry and Rugby Hospital Company (CRHC or often known as Project Co.) which owns the building and subcontracts the provision of non-clinical support services to:

- ISS Mediclean Limited – (Soft Facilities Management)
- Skanska Facilities Services – (Hard Facilities Management).
- Skanska Construction – (Construction)
- GE Medical Systems – (Equipment provider).

The primary term of the contract is 37 years; in December 2042 the ownership of the hospital will be transferred in full to UHCW.

The unitary payment is an expenditure charge of approximately £69 million per annum, payable quarterly in advance.

Further information

UHCW is located in the West Midlands and is one of the largest teaching hospitals in England housing one of the UK's largest PFI hospitals. It provides both general acute hospital services to approximately 500,000 people from Coventry and Rugby and tertiary/specialist hospital services to over one million people from Coventry, Warwickshire and beyond (mainly West Midlands but also including Leicestershire and Northamptonshire). The University Hospital in Coventry is one of the most modern healthcare facilities in Western Europe, whilst the Hospital of St Cross in Rugby is important in sustaining a local service to local people.

In 2009/10 the Trust employed 5,942 staff (WTE), managed 1,362 beds (1,077 inpatient beds and 142 day case beds at University Hospital and 143 beds at the Hospital of St Cross) and 32 operating theatres. It had a turnover of £465 million and a retained surplus of £158,000 (after impairments). Approximately 94% of referrals originated from within Coventry and Warwickshire with c.59% of referrals from NHS Coventry.

For 2010/11 NHS Coventry hold the contract for themselves and Associates, which include all other remaining West Midlands PCTs plus Northamptonshire PCT, Leicestershire County and Rutland PCT and Leicester City PCT. NHS Warwickshire holds a separate contract. The West Midlands Specialised Commissioning Group is our coordinating commissioner for specialised services, co-ordinating the contract on behalf of all the West Midlands PCTs and the four West Midlands LCCBs. The other main Associate to this contract is the East Midlands Specialised Commissioning Group. In total, the value of our healthcare contracts in 2010/11 is £369 million with Coventry and Warwickshire acute and specialised services commissioners being responsible for 88% of our contract income.

The Trust has had a programme/project management approach to its FT application for two years, with an established FT Office and a Foundation Trust Project Director, supported by a dedicated FT Finance Manager and Membership Manager, alongside administrative support. An FT Steering Committee, chaired by the Chief Executive Officer and that includes all Trust Executive Directors, the Trust's Solicitor, Trust Board Secretary and SHA representation has been in operation and will continue, overseeing all aspects of the Trust's FT application work. A project team, populated by appropriate business work stream leads and clinical leads for Medical, Nursing and other Healthcare professions has been in place similarly. The Trust's Chief Executive Officer is the Executive Lead for the FT Project.

All usual programme management tools (timelines, programme and project plans with appropriate dependencies and milestones identified, risk & issue logs, appropriate action plans, communications and engagement plans & logs etc. etc.) have been and will continue to be utilised. There is monthly reporting to the public session of the Trust Board and updated, RAG rated action plans, with mitigation actions where necessary, go to all Board members on a fortnightly basis.

Part 4 – Key issues to be addressed by NHS trust

Key issues affecting NHS Trust achieving FT	
Strategic and local health economy issues	
Service reconfigurations	<input checked="" type="checkbox"/>
Site reconfigurations and closures	<input type="checkbox"/>
Integration of community services	<input type="checkbox"/>
Not clinically or financially viable in current form	<input type="checkbox"/>
Local health economy sustainability issues	<input checked="" type="checkbox"/>
Contracting arrangements	<input checked="" type="checkbox"/>
Financial	
Current financial Position	<input type="checkbox"/>
Level of efficiencies / QIPP	<input checked="" type="checkbox"/>
PFI plans and affordability	<input checked="" type="checkbox"/>
Other Capital Plans and Estate issues	<input checked="" type="checkbox"/>
Loan Debt	<input checked="" type="checkbox"/>
Working Capital and Liquidity	<input checked="" type="checkbox"/>
Quality and Performance	
Quality and clinical governance issues	<input type="checkbox"/>
Service performance issues	<input type="checkbox"/>
Governance and Leadership	
Board capacity and capability, and non-executive support	<input type="checkbox"/>

Please provide any further relevant local information in relation to the key issues to be addressed by the NHS Trust:

Service reconfigurations

The management of paediatric services at GEH is in the process of being transferred to the UHCW Trust during early 2011/12 but this is only a short-term solution. NHS clinicians in Coventry and Warwickshire are looking at new longer-term service models to provide a high quality, sustainable, accessible women's and children's service for Coventry and Warwickshire, which offers patient choice.

The Trust needs to make sure any additional risks to UHCW arising as a result are minimised and any issues identified by due diligence exercises are addressed.

Commissioning Strategy/intentions

Local commissioners are developing a new clinical service strategy, the implications of which will need to be taken into account. The SLA between the PCT and Trust is nearing agreement. In the event that an agreement is not achieved then this will impact on the FT timeline.

Level of efficiencies/QIPP

The Trust has a CIP requirement of £28m for 2011/12 which it is currently working to define. This is significantly larger than the 4% defined in the operating framework for a number of reasons. This represents a significant challenge for 2011/12.

PFI Plans and Affordability

Our liquidity is currently susceptible to movements in PFI balance sheet charges, specifically the short term PFI finance lease creditor, that are out of the Trust's control. These movements occur as a direct consequence of adopting IFRS. This is likely to require a solution specific to all Trusts with PFIs that will need national co-ordination. The adoption of IFRS meant increased depreciation and PDC charges for the Trust. The relatively fixed nature of the Unitary Payment means that the Trust has a reduced cost base to target for efficiency meaning finding further CIPs is challenging.

Our PFI Unitary Payment is due quarterly in advance which causes a high cash requirement at these times.

Other Capital Plans and Estate issues

There are currently a number of pre-commitments on the Trust's internally generated funds:

- Working Capital and Capital Investment Loan repayments
- PFI finance lease principal repayments
- PFI life-cycling costs

This means there are reduced internally generated funds to spend on other capital projects.

Loan Debt

The Trust currently has two outstanding loans that have helped to maintain liquidity in prior years :

- **Working Capital Loan**
- £4m outstanding as at 31st March 2011
- Loan fully paid as at 31st March 2013
- **Capital Investment Loan**
- £12.75m outstanding as at 31st March 2011
- Loan fully paid as at 31st March 2020

Working Capital and Liquidity

Liquidity is currently forecast to improve in 2011/12 due to asset sales and balance sheet movements.

Part 5 – NHS Trust actions required

Key actions to be taken by NHS Trust to support delivery of date in part 1 of agreement	
Strategic and local health economy issues	
Integration of community services	<input type="checkbox"/>
Financial	
Current financial position	<input type="checkbox"/>
CIPs	<input checked="" type="checkbox"/>
Other capital and estate Plans	<input type="checkbox"/>
Quality and Performance	
Local / regional QIPP	<input checked="" type="checkbox"/>
Service Performance	<input type="checkbox"/>
Quality and clinical governance	<input type="checkbox"/>
Governance and Leadership	
Board Development	<input type="checkbox"/>
Other key actions to be taken (please provide detail below)	<input checked="" type="checkbox"/>

Describe what actions the Board is taking to assure themselves that they are maintaining and improving quality of care for patients.

- Board Assurance Framework in place
- Incident and risk management processes embedded in the organisation
- Board reporting programme includes Quality and Patient Safety reports and quality is on every agenda
- Board approve the Quality Account
- Board is carrying out the Quality Governance Framework Assessment
- Trust regularly participates in national audits and action from surveys
- Board members regularly take part in patient safety walk-arounds
- Patient stories told at Trust Board

Please provide any further relevant local information in relation to the key actions to be taken by the NHS Trust with an identified lead and delivery dates:

- Management transfer of GEH paediatric services

The management of the paediatric services at GEH is in the process of being transferred to the Trust during early 2011/12 and NHS Warwickshire will be going to public consultation during spring 2011 on the delivery of these services in the future. The aim of these changes is to provide a high quality, sustainable, accessible women's and children's service for Coventry and Warwickshire, which offers patient choice.

The Trust needs to make sure any additional risks to UHCW, from the management transfer and any subsequent changes are minimised and any issues identified by due diligence exercises are addressed.

Chief Executive Officer is identified lead.

Timescale is to be agreed with NHS Warwickshire post public consultation.

- Appointment and development of Chief Finance Officer

The recent selection and interview process for a Chief Finance Officer did not result in an appointment.

A key action for the Trust is to appoint into this post as soon as possible and then complete appropriate development for that individual.

Chief HR Officer is identified lead.

Timescale is CFO appointed by Q2 2011/12.

- PFI payments

The Trust needs to work to ensure the current arrangement with commissioners, that allows the Trust make these payments, continues with the advent of GP Consortia, in order to fulfil its Unitary payment obligations.

Further work may be required, with regards to this TFA when the result of the national review by DH is available to assess whether it has, and include if necessary, any impact on the milestones within it.

Chief Finance Officer is identified lead.

Timescale is ongoing and awaiting further clarification around Local Health Economy financial arrangements in the future

- **Level of Efficiencies/CIPs**
The Trust needs to put in place appropriate service transformation measures with robust performance management to ensure these efficiencies/CIPs are achieved.

The Trust is pursuing a two pronged approach to CIP delivery involving traditional cost improvements within clinical divisions and a number of cross-cutting organisation wide schemes. Progress against delivery will be reported to an Executive Group.
Chief Nursing & Operating Officer is identified lead.

Timescale is ongoing throughout the 2011/12 year to enable full and thorough system change and performance management.
- **Programme management**
The Trust will maintain and strengthen as appropriate its programme management approach in respect of actions associated with its FT application.

Chief Executive Officer is identified lead.

Timescale is ongoing through to achievement of FT status.

Part 6 – SHA actions required

Key actions to be taken by SHA to support delivery of date in part 1 of agreement	
Strategic and local health economy issues	
Local health economy sustainability issues (including reconfigurations)	<input checked="" type="checkbox"/>
Contracting arrangements	<input checked="" type="checkbox"/>
Transforming Community Services	<input type="checkbox"/>
Financial	
CIPs\efficiency	<input type="checkbox"/>
Quality and Performance	
Regional and local QIPP	<input type="checkbox"/>
Quality and clinical governance	<input type="checkbox"/>
Service Performance	<input type="checkbox"/>
Governance and Leadership	
Board development activities	<input type="checkbox"/>
Other key actions to be taken (please provide detail below)	<input type="checkbox"/>
<p>Please provide any further relevant local information in relation to the key actions to be taken by the SHA with an identified lead and delivery dates.</p> <ul style="list-style-type: none"> • The SHA is working closely with the Trust to ensure delivery of its FT trajectory within a challenging financial context within the Arden cluster. • The SHA is contributing to the national work on PFI and will work with the Trust in resolving the outstanding PFI issues as a result of the national financial review. 	

Part 7 – Supporting activities led by DH

Actions led by DH to support delivery of date in part 1 of agreement	
Strategic and local health economy issues	
Alternative organisational form options	<input type="checkbox"/>
Financial	
NHS Trusts with debt	<input type="checkbox"/>
Short/medium term liquidity issues	<input type="checkbox"/>
Current/future PFI schemes	<input checked="" type="checkbox"/>
National QIPP workstreams	<input type="checkbox"/>
Governance and Leadership	
Board development activities	<input type="checkbox"/>
Other key actions to be taken (please provide detail below)	<input type="checkbox"/>
<p>Please provide any further relevant local information in relation to the key actions to be taken by DH with an identified lead and delivery dates:</p> <p>A national financial review of Trusts with a PFI hospital is taking place to gain a common understanding of any issues that might be an obstacle to passing the financial elements of the FT assessment process. The dates contained within the TFA will be subject to the outcome of this review in enabling any issues outlined in this agreement to be resolved.</p>	

Part 8 – Key milestones to achieve actions identified in parts 5 and 6 to achieve date agreed in part 1

Date	Milestone
Completed	Consultation (no significant changes so no further consultation required)
May/June 2011	Model for new financial assumptions
June 2011	First draft of refreshed IBP and LTFM
June 2011	Final IBP and LTFM
June 2011	Incorporate results of DH PFI review and remodel as necessary
June 2011	Commissioners' letters – support for IBP
June/July 2011	SHA Approval review
Q2 2011	FT Quality & Safety Assessment
July/August 2011	Historical Due Diligence refresh (stage 1 & 2)
Q2 2011	Chief Finance Officer in post
September 2011	Board to Board, Recommendation to SHA Exec Board
October 2011	Submission to DH
<p>Provide detail of what the milestones will achieve/solve where this is not immediately obvious. For example, Resolves underlying financial problems – explain what the issue is, the proposed solution and persons/organisations responsible for delivery.</p> <ul style="list-style-type: none"> • Progress against plan and timeline is reviewed by the Trust's FT Steering Committee, chaired by the Trust CEO and where there is a senior SHA presence. • Reports of FT progress, along with an updated action plan, go the Trust Board monthly. <p>Describe what actions/sanctions the SHA will take where a milestone is likely to be, or has been missed.</p> <p>The SHA will follow its normal escalation process if an improvement is not achieved and there is a risk to delivery of the trajectory</p>	

Key Milestones will be reviewed every quarter, so ideally milestones may be timed to quarter ends, but not if that is going to cause new problems. The milestones agreed in the above table will be monitored by senior DH and SHA leaders until the NTDA takes over formal responsibility for this delivery. Progress against the milestones agreed will be monitored and managed at least quarterly, and more frequent where necessary as determined by the SHA (or NTDA subsequently). Where milestones are not achieved, the existing SHA escalation processes will be used to performance manage the agreement. (This responsibility will transfer to the NTDA once it is formally has the authority).

Part 9 – Key risks to delivery

Risk	Mitigation including named lead
PFI / legacy debt issue not addressed	Some local mitigation possible. Awaiting outcome of DH commissioned review. Chief Finance Officer is lead.
Chief Finance Officer not in post for 6 months prior to Monitor Assessment	Recruitment being progressed as a matter of urgency. Alternative candidates being approached. Chief HR Officer is lead.
Due diligence on Paediatric management transfer identifies significant risks	All parties involved (PCT, UHCW and GEH) work to reduce risk/s being transferred. Chief Operating Officer is lead.
Achievement of required levels of efficiencies	Appropriate service transformation measures with robust performance management. Chief Nursing & Operating Officer is lead.
Impact of Commissioning Strategy/intentions	<p>The preparation and agreement of the commissioning strategy will be clinically led through the Arden Cluster Clinical Senate. This will therefore involve UHCW as a key major stakeholder in its formulation and agreement. This strategy will require public consultation and the full support of stakeholders. UHCW's internal planning processes will proactively influence the agreement of the strategy and will then ensure UHCW's internal Annual Plan is updated to ensure continued compliance with quality standards and financial duties. This Arden Cluster strategic review is not a short term project and the earliest implementation date will be April 2013; giving time to prepare and implement revised UHCW plans. Chief Executive Officer is the lead.</p> <p>In the event that the current SLA is not agreed between the Trust and Commissioners this will impact on the FT timeline. Mitigation: Trust CEO to Commissioner CEO negotiations scheduled for 4/4/11. SHA arbitration if necessary.</p>