TFA document

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

Tripartite Formal Agreement between:

- Royal Cornwall Hospitals NHS Trust
- NHS South West
- Department of Health

Introduction

This Tripartite Formal Agreement confirms the commitments being made by the NHS Trust, their Strategic Health Authority and the Department of Health that will enable achievement of NHS Foundation Trust status before 1 April 2014.

Tripartite Formal Agreements are made up of nine parts, each of which is introduced below.

Part 1

Part 1 confirms the date when the NHS Trust will submit its 'NHS Foundation Trust ready' application to the Department of Health to begin their formal assessment towards achievement of NHS Foundation Trust status.

Part 2

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 – Chief Executive;
- Strategic Health Authority – Chief Executive;
- Department of Health – Ian Dalton, Managing Director of Provider Development.

Prior to signing, NHS Trust Chief Executives should have discussed the proposed application date with their Board to confirm support. In addition the lead commissioner for the NHS Trust will sign in Part 2b 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) NTDA previously known as the Provider Development Authority – the name change is proposed to better reflect their role with NHS Trusts only when they take over the SHA provider development functions.

Part 3

Part 3 sets out the services provided by the NHS Trust, its commissioners, the financial context and key quality and performance issues.

Part 4

Part 4 sets out the key strategic and operational issues facing each NHS Trust.

Part 5

Part 5 sets out the key actions to be taken by the NHS Trust to address the key strategic and operational issues facing the NHS Trust.

Part 6

Part 6 sets out the key actions to be taken by the Strategic Health Authority to address the key strategic and operational issues facing the NHS Trust.

Part 7

Part 7 sets out the key actions to be taken by the Department of Health to address the key strategic and operational issues facing the NHS Trust.

Part 8

Part 8 of the agreement sets out the key milestones that will need to be achieved to enable the NHS Foundation Trust application to be submitted to the date in Part 1 of the agreement.

Part 9

Part 9 sets out the key risks to delivery of the NHS Foundation Trust application to the date set out in Part 1 of the agreement.

The guidance provided by the Department of Health for the preparation of Tripartite Formal Agreements is set out in Appendix 1.

Standards required to achieve NHS Foundation Trust status

The establishment of a Tripartite Formal Agreement for each NHS Trust does not change, or reduce in any way, the requirements needed to achieve NHS Foundation Trust 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 NHS Foundation Trust status. The purpose of the Tripartite Formal Agreement for each NHS Trust is to provide clarity and focus on the issues to be addressed to meet the standards required to achieve NHS Foundation Trust status. The Tripartite Formal Agreement should align with the local quality and productivity agenda.

Alongside development activities being undertaken to take forward each NHS Trust to NHS Foundation Trust status by 1 April 2014, the quality of services will be further strengthened. Achieving NHS Foundation Trust 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 NHS Foundation Trust status, to establish autonomous and sustainable providers best equipped and enabled to provide the best quality services for patients.

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

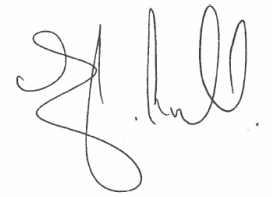
1 January 2012

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.

Lezli Boswell, Interim Chief Executive, Royal Cornwall Hospitals NHS Trust	Signature  Date: 30.09.2011
Sir Ian Carruthers OBE, Chief Executive, South West Strategic Health Authority	Signature  Date: 30 September 2011
Ian Dalton, Managing Director of Provider Development, Department of Health	Signature  Date: 30 September 2011

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.

Steve Moore, Chief Executive, NHS Cornwall and Isles of Scilly	Signature  Date: 30.09.2011

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):

RCHT is CQC Registered without conditions, however following an inspection of theatres (section below refers), the Trust has submitted action plans to address two minor concerns (Outcome 13, regulation 22 and Outcome 14 regulation 23).

Geography and Services

Royal Cornwall Hospitals NHS Trust is a medium sized acute and specialist teaching hospital. It is located across three sites:

- Royal Cornwall Hospital in Truro, which comprises a range of acute and specialist services including an Emergency Department and critical care.
- West Cornwall Hospital in Penzance, which provides an acute service and a diagnostic and treatment centre for the West of the county.
- St Michael's Hospital in Hayle, which provides a treatment centre specialising in breast and orthopaedic surgery.

In addition, the Trust provides services from other sites across the county including maternity services from Penrice Hospital in St Austell and outpatient clinics and other services at community hospitals in the county.

Cornwall's resident population stands at approximately 550,000 people. The Trust primarily serves the western and central areas with a total resident population of around 425,000 people.

The NHS Trust's main commissioner is NHS Cornwall and Isles of Scilly, providing 89% income.

Financial Profile

The total annual income for the NHS Trust during 2010/11 was £310.5 million and a surplus of £7.5 million was delivered before impairments. However, this included £7.5m non recurrent income.

Item	2009/10 (£m)	2010/11 (£m)
Total income	303.4	310.5
EBITDA	26.9	25.2
Operating surplus\deficit	6.8	7.0
CIP target	12.5	19.7
CIP achieved recurrent	8.3	10.5
CIP achieved non-recurrent	4.4	4.8

The Trust is planning to deliver a surplus of £4.4 million in 2011/12 and deliver a savings plan of £19m.

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	☒
Site reconfigurations and closures	☐
Integration of community services	☒
Not clinically or financially viable in current form	☐
Local health economy sustainability issues	☐
Contracting arrangements	☒
Financial	
Current financial Position	☒
Level of efficiencies / QIPP	☒
PFI plans and affordability	☐
Other Capital Plans and Estate issues	☒
Loan Debt	☒
Working Capital and Liquidity	☒
Quality and Performance	
Quality and clinical governance issues	☒
Service performance issues	☒
Governance and Leadership Board capacity and capability, and non-executive support	☒

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

Service Reconfiguration , Integration of Community Services, Contracting

Whilst there are no substantial service reconfigurations, there is a transfer of Community services to the new Community Interest Company with effect from 1 October 2011. The Trust will work in partnership with the PCT and the CiC to effect service improvement across the organisations, but this will, necessarily, need to be within a more robust contracting framework.

Current Financial Position (M05)

The position is £716k behind plan at month 5 being the combined impact of a shortfall of income against NHS CIOS contract , excess operational costs relating to improved access and shortfall on CIPs . Actions are in place to address and mitigate the above, the Trust continues to forecast the achievement of £4.4m surplus.

Financial - Liquidity and Refinancing of historic debt

The Trust has been historically recognised as “financially challenged” and received a working capital loan from the Department of Health. At 31 March 2011 the residual balance is £25m which is due to be fully repaid in 2012/13. Substantial review of the options with DH and SHA have concluded that refinancing of the loan over 15 years, is critical to liquidity compliance and a successful FT application.

Financial - Level of Trust Efficiencies /QIPP

Commissioning changes under QIPP involving transfers to Community settings, are expected to lead to a net reduction in income of c £20m . However the total value of efficiency

savings will be determined by these changes combined with, tariff deflation, contractual risks, forecast cost pressures and investments to assure quality of services.

The scale of the challenge will mean that transformation of pathways is needed, supported by behavioural changes in all sectors, and particularly regarding the volume and flow of urgent /emergency referrals.

Financial – Capital and Estates

The Trust has made significant investment in capital equipment and its estate in recent years. The majority of the expenditure is in relation to the Clinical Site Development Plan and this will continue, albeit primarily funded by internally generated resources, over the next five years, subject to the use of funding to support the Trust's cash and liquidity plan.

Quality and Clinical Governance Issues

The Trust has completed a Governance review and has implemented changes in line with FT requirements. The HDD review has shown these to be appropriate changes, but which require time to embed and refine, as needed.

The Trust obtained unconditional registration with the Care Quality Commission in 2009/10, but this was temporarily impacted in June 2011, due to a CQC Warning notice relating to inconsistent compliance with the WHO check list in Theatres, (triggered by 5 Never Events.) . The required actions were implemented promptly, and following a further compliance review on 14th July, the CQC have confirmed the Trust is meeting Essential standards for Outcomes 4, 11, 13, 14 and 16. They have however recommended some minor improvements to maintain compliance with 13 and 14. Actions have been submitted to provide this assurance.

Service Performance Issues

The Trust is addressing operational performance issues, the most important being waiting times delivery and C Difficile trajectory. Recovery plans have been developed and are being performance managed by the Trust's Chief Operating Officer. These performance issues will be addressed and the Trust expected to be amber green in Q3 and Q4, moving to Green in 2012/13.

Governance and Leadership

Due to the departure of the Chief Executive on the 31 August 2011, an Interim Chief Executive (Lezli Boswell) is in post (1st September 2011) and recruitment to the permanent post will commence in September 2011.

There is a NED vacancy at present. The Chair is looking to appoint a new Non Executive Director with substantial clinical experience, and will commence the process in September 2011.

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	☒
Financial Current financial position	☒
Local / regional QIPP	☒
Other capital and estate Plans	☒
Quality and Performance Service Performance	☒
Quality and clinical governance	☒
Governance and Leadership Board Development	☒
Other key actions to be taken (please provide detail below)	☐

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

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:

Integration of Community services
Trust/PCT/CiC to share underlying assumptions for system wide plan, and develop RCHT plans compatible with these
Lead: Interim RCHT Chief Executive, Chief Executive of NHS Cornwall and Isles of Scilly
Delivery date: October 2011

Finance - Liquidity
Comply with cash and liquidity requirements by 31 December 2011,

Lead: RCHT Chief Executive / Chief Executive of NHS Cornwall and Isles of Scilly/ Director of Finance RCHT / Director of Finance, C&IOS PCT / Chief Executive of the South West SHA

Delivery date: December 2011

Finance – QIPP
Accelerate QIPP planning, including downside testing, through joint work with PCT, and the CiC. This will entail joint funding of additional capacity and expertise and partnership working to fully engage GP commissioners, RCHT clinicians in system wide change.

RCHT Chief Executive / Chief Executive of C&IOS PCT/ Director of Finance, C&IOS PCT / RCHT Chief Operating Officer / Director of Commissioning, C&IOS PCT
Delivery date: End October 2011

Capital and Estates
Building on QIPP, further develop Estates strategy to meet future RCHT and PCT vision. Ensure that the delivery of schemes funded through exceptional PDC can be delivered with minimal operational impact.
Lead: RCHT Director of Finance.
Delivery date: October 2011

Operational Performance Recovery

Deliver agreed trajectory for RTT, achieving 90% by October 2011and amber/green FT rating overall

Meet C Difficile target by Q4 2011/12

Continue to develop performance framework, tracking Monitor compliance as well as DH performing status

Lead: RCHT Chief Operating Officer
Delivery date: October 2011

Quality and clinical governance:

Embed the refreshed Governance and Quality arrangements as documented in the Integrated Governance Strategy, and highlighted in the HDD report

Lead Trust Board Secretary, RCHT and Director of Nursing & AHPs, RCHT
Delivery date: October 2011

Progress SHA quality assessment , leading to Governance review on 29th September 2011

Address CQC minor improvement actions, and embed Never Events assurance process

Lead: Director of Nursing & AHPs, RCHT / Medical Director, RCHT
Delivery date: October 2011

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)	☐
Contracting arrangements	☐
Transforming Community Services	☐
Financial CIPs\efficiency	☐
Quality and Performance Regional and local QIPP	☐
Quality and clinical governance	☐
Service Performance	☐
Governance and Leadership Board development activities	☒
Other key actions to be taken (please provide detail below)	☒

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.

Other Key actions – Finance, Governance and Leadership

Given the challenging timescale, and the critical interdependency of the application and loan re financing, the Trust and SHA will need to gain assurance through an iterative process, leading to the final IBP being submitted by 30th November 2011.

Lead – Interim Chief Executive RCHT / Chairman of RCHT / Chief Executive NHS South West

The Trust and SHA will need to expedite work effectively to secure the appointments of CEO and NED within the immediate future - Action Chairman of RCHT / Director of Human Resources, RCHT / Chief Executive NHS South West

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	☐
Financial NHS Trusts with debt	☒
Short/medium term liquidity issues	☒
Current/future PFI schemes	☐
National QIPP workstreams	☐
Governance and Leadership Board development activities	☐
Other key actions to be taken (please provide detail below	☐
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:	

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

Date	Milestone
1 May 2011	First draft Integrated Business Plan and Long Term Financial Model completed and submitted to Strategic Health Authority
July 2011	Historical Due Diligence part one – completed 9 August 2011
August 2011	Second draft Integrated Business Plan and Long Term Financial Model – completed and submitted to Strategic Health Authority
1 September 2011	Commenced Public Consultation
October 2011	Historical Due Diligence part two
October 2011	Deliver Performance Improvements Q2
October 2011	Action HDD Governance recommendations
18 November 2011	Third draft Integrated Business Plan and Long Term Financial Model
November 2011 TBC	Executive Review Meeting
November 2011 TBC	Commissioner convergence letter
December 2011 TBC	Board to Board with SHA
20th December 2011	Final Integrated Business Plan and Long Term Financial Model
1 January 2012	Submission to DH and trigger for loan refinancing

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.

Refer to section 5

Describe what actions\sanctions the SHA will take where a milestone is likely to be, or has been missed.

The South West Strategic Health Authority will monitor progress and agree remedial action through monthly performance meetings.

Key milestones will be reviewed every quarter, so ideally milestones may be timed to quarter ends. The milestones agreed in the above table will be monitored by senior Department of Health and Strategic Health Authority leaders until the NHS Trust Development Authority 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 Strategic Health Authority (or NHS Trust Development Authority subsequently). Where milestones are not achieved, the existing Strategic Health Authority escalation processes will be used to performance manage the agreement. (This responsibility will transfer to the NHS Trust Development Authority once it formally has the authority).

Part 9 – Key risks to delivery

Risk	Mitigation including named lead
Historic debt / loan may compromise achievement of key FT financial ratios due to overriding rules	Lead: RCHT Director of Finance Work with SHA/DH to agree rescheduling of historic loan so RCHT can meet key financial ratios
Scale and pace of service changes may threaten the achievement of financial targets – e.g. due to reduced turnover; restructuring costs;	Lead: Interim Chief Executive, RCHT - Development of proactive workforce change plan; allied with comprehensive QIPP plan developed with PCT leadership - Potential SHA consideration of access to headroom for one-off restructuring costs - Effective cross-community engagement plan on service change
Creation of new consortia creates greater uncertainty on future service provision and increases difficulty of achieving Commissioner Convergence regarding underlying assumptions	Lead : Interim Chief Executive, RCHT / Medical Director, RCHT - Develop final draft IBP on basis of agreed assumptions with PCT - Engage with emerging GP consortia to identify specific commissioning intentions - Developing consultant / GP relationships through Primary and Secondary Care Medical Leaders Group
Excess demand and / or internal threats to capacity undermine delivery of operational performance	Lead: Chief Operating Officer, RCHT - Recovery plan developed to ensure improved operational performance. Delivery of plan is being performance managed at Executive and Board level - Effective cross-community approach to manage demand through QIPP.
Changing healthcare provider arrangements (Community Interest Company) may lead to increased operational pressure on RCHT	Lead: Interim Chief Executive, RCHT - PCT to share elements of Community Interest Company business case and continue to progress development of pathways - PCT, RCHT and Community Interest Company to develop robust contracts to support these pathways - Wider partnership working to progress through QIPP infrastructure