TFA Document

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

Tripartite Formal Agreement between:

- The North West London Hospitals NHS Trust
- NHS London
- 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 – Chief Executive Officer
SHA – 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 that takes over the SHA provider development functions on 1 October 2012.

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

1 December, 2014

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.

Fiona Wise / David Astley Chief Executive The North West London Hospitals NHS Trust	Signature Date: 31 August.2011

Dame Ruth Carnall, DBE Chief Executive NHS London	Signature Date: 31 August 2011

Ian Dalton Managing Director, Provider Development Department of Health	Signature Date:

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.

Dr Anne Rainsberry, CEO NWL	Signature Date: 31 August 2011

Part 3 – NHS Trust summary

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

Background

The North West London Hospitals NHS Trust (NWLH) is large acute trust comprising Northwick Park (NPH), St Mark's and Central Middlesex (CMH) hospitals. The Trust is currently registered with the CQC with no conditions.

NWLH serves a resident population of approximately 500,000 people primarily across Brent and Harrow. It provides a comprehensive range of acute hospital services for emergency and elective patients and has two accident and emergency departments on the NPH and CMH sites. The CMH site is a £63m PFI.

St Mark's Hospital (based on the Northwick Park site) provides specialist intestinal & colorectal services for SE England and beyond.

NWLH is a regional centre for head and neck, rehabilitation and genetics and a designated centre for hyper acute stroke services

The Trust employs 4,070 wte staff & its total annual income in 2009/10 was £360m.
The NHS Trust's main commissioners are NHS Brent and NHS Harrow.

The Trust's financial position is summarised in the table below:

Financial data

	2009/10 £000s	**2010/11* £000s**
Total income	348,818	370,018
EBITDA	14,514	22,569
Operating surplus\(deficit)**	(8,025)	258
CIP target	17,100	20,300
CIP achieved recurrent	15,600	10,482
CIP achieved non-recurrent	1,500	9,818

Source: DH FIMS
*Unaudited figures
**Excludes impairments/IFRS adjustments

The Trust has had financial issues for a number of years and has been addressing these issues with support from the NWL Challenged Trust Board (CTB). Following an external financial review by PwC in 2010 on behalf of the CTB, the Trust concluded that it was not financially viable as a standalone trust. Reconfiguration in outer NW London is therefore required to increase the volume of activity at NWLH. Reconfiguration also has the potential of supporting Ealing Hospital's clinical viability as discussed below.

Future vision

Following the establishment of a clinical collaboration board in October 2010 the Trust has been considering its organisational futures with Ealing Hospital NHS Trust. Following approval of a joint strategic outline case (SOC) in May 2011 both trusts are developing an outline business case (OBC) to assess the benefits of a potential merger of the two organisations including community services across Brent, Harrow and Ealing.

An independent chair and SRO have been appointed to lead the process.

This TFA explains the steps required in this process and includes a timetable for merger and subsequent FT authorisation. The timetable is demanding but imperative if the merged Trust

is i) to have critical clinical mass and ii) able to achieve Monitor's financial criteria.

The TFA explains that significant synergies would be required to meet FT downside criteria. There are significant opportunities for reconfiguration that support NWL's strategic plan. The changes will, however, require public consultation, transitional funding and potentially capital support. It is therefore critical that there is full SHA and DH support for the actions described in the TFA.

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	☒
PFI plans and affordability	☒
Other Capital Plans and Estate issues	☒
Loan Debt	☒
Working Capital and Liquidity	☒
Quality and Performance	
QIPP	☒
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 and site reconfigurations - If the option to merge is approved the new organisation would be of sufficient clinical scale in most specialties and subspecialties. It is anticipated that the merger will provide a number of service reconfiguration, rationalisation and integration opportunities.

Integration of community services – The OBC process is considering full merger with Ealing Hospital and Ealing, Brent and Harrow community services (Ealing ICO)

Not financially viable in current form / Local health economy sustainability issues – NWLH has above average activity in most acute services relative to other FTs and sufficient critical mass to ensure clinical viability and consultant-delivered rotas. NHS Harrow (one of the Trust's main commissioners) has a recurrent deficit and is currently in turnaround.

Current financial position / QIPP / level of efficiencies - Financial viability going forward requires significant interventions including activity increase (in line with sector plans), reduced ALOS clinical reconfiguration to create capacity and achieve cost reduction measures. Following the recent SaFE analysis, the Trust has agreed a programme of activities to release productivity improvements (see part 5 below)

PFI plans and affordability – The CMH site is a PFI build and offers restricted potential for major cost reduction. The majority of premises at NPH is outdated and requires either replacement or modernisation as previously set out in a SOC in 2004 which assessed the cost of backlog maintenance as significant. Under these plans either a single phase or multi-phase redevelopment would be feasible. The recent PDC approval addresses a number of infrastructure renewal requirements but will not be sufficient for a major hospital redevelopment programme.

Other Capital Plans and Estate issues – Ealing and NLWH anticipate that a number of capital schemes would need to be approved to facilitate the reconfiguration programme (in addition to those included in the recent PDC scheme to renew the Trust's infrastructure). [Details of these will be developed as part of the FBC process

Loan Debt, Working Capital and Liquidity - The Trust needs to deliver a surplus of at least £10m over each of the next 3 years to reach required liquidity ratio in base case. In addition, outstanding loan debt (£30m) would need to be addressed by the NWL Challenged Trust Board. There is a process in place to address this.

Part 5 summarises the key actions that need to be taken to achieve FT licence.

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	☒
CIPs	☒
Other capital and estate Plans	☒
Quality and Performance Local / regional QIPP	☒
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.

- The Trust Board reviews a Safety Quality and Performance, report monthly which is scrutinised within its public meeting. The report includes indicators covering safety and quality, clinical effectiveness and patient experience together with target performance and workforce indicators.
- The Board reviews its Board Assurance Framework and Risk Register on a quarterly basis at its public meeting.
- Patients attend and present their own patient story to the whole Board at the start of most board meetings.
- Executive Directors undertake a weekly unannounced trustwide walkabout to review key safety and quality issues, for example cleanliness, listening to staff feedback and the observing the patient experience.
- The Trust benchmarks its performance against recommendations emerging from key external inquiries and investigations which are presented to the Trust Board e.g. Mid Staff's review.
- Brent and Harrow LINkS chairs have speaking rights at all board meetings.
- The Board receives a detailed report on patient complaints every quarter at its public meeting
- The Board receives a report and presentation from Matrons quarterly providing the Trust Board with feedback from front line staff

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:

The Trust submitted plan shows a deficit of £9.7m, after £9m of transition funding from NWL Cluster. The conditions around transition are being confirmed. The Trust's financial plan is based on expenditure savings of £19.55m, and capital investments following the approval of £23m PDC.

The underlying deficit (£20.7m) will continue until structural changes enable the position to be rectified. The full challenge for future years is expected to be approximately 11% of turnover – this is before the impact of future commissioning intentions and significant transitional

Funding will be required to bridge the gap between the current position and the point at which service rationalisation – see below - can bring the Trust into a balanced I&E position.

An assessment of financial challenges and productivity opportunities by provider, incorporating the impact of commissioner QIPP plans has been undertaken for London's acute NHS Trusts with the analysis provided to the trust to enable it to determine any potential implications for the FT pipeline, including confirmation of any additional, possible requirements for service changes.

Lead – Chief Executive

As described in part 4, NLWH may not be financially viable in its current organisational form. NWLH and Ealing Hospital NHS Trust (EHT) recently concluded an options appraisal (OA) to assess their organisational futures. Consensus was reached that the trusts should consider merger and the subsequent creation of a new NHS Trust capable of achieving Foundation Trust status.

The OA, recommended the development of an SOC, OBC and FBC (should approval to proceed be given at each of the above stages) to more fully assess the potential option to merge the two organisations including community services across Brent, Harrow and Ealing.

The OBC will demonstrate whether there is scope for achieving Monitor's financial criteria as a merged Trust. Significant synergies would be required to meet FT criteria in downside scenarios modeled representing total savings of up to 10% of total income of the merged entity. Measures are likely to be significant and may require public consultation. They could include:

- Acceleration of integration of care
- Cost savings through scale and shared rotas
- Consolidation of duplicated or below critical mass clinical services
- Reduction in duplication of clinical support and back office services

Lead: Chief Executive

NHS London SaFE Analysis: An assessment of financial challenges and productivity opportunities by provider, incorporating the impact of commissioner QIPP plans has been undertaken for London's acute NHS Trusts with analysis provided to the trust to enable it to secure productivity improvements.

As a result of the analysis the Trust has agreed a number of workstreams to support both the QIPP and OBC processes. The specific actions in respect of these areas are outlined below:

i) Medical Pay (lead Medical Director)

- Consolidating vulnerable, hard to staff services
- Consolidating and closing rotas
- Shifting reliance from external to internal staff
- Ensuring all of our junior doctors are on "bank"
- Reviewing clinical and research fellow nos.

ii) Nursing Pay (lead Nursing Director)

- Continue proactive recruitment
- Ensure all nursing staff are on the staff "bank"
- Progress development of 'unqualified' nursing workforce
- Optimise opportunities through the collaborative working with Ealing ICO
- Understand benchmark costs in more detail:-
    - *High value areas such as ITU, maternity*

- *Specialist nurses*
- *Community staff*
- *Employment of staff on behalf of other organisations*

iii) Length of stay (LOS) – (Director of Operations)

- By reducing LOS by one third of a day per patient the Trust would mitigate the need for the extra beds we are opening this winter (as a minimum)
- We are using the winter plan to drive a re-design of our emergency pathway aligning A&E, AAU and speciality in-reach, creating more assessment beds and reducing the number of speciality beds

iv) Scientific, therapeutic & technical (ST&T) staff (Director of Finance)

- Pathology tendering
- Efficiency of non-spell based activity eg bowel screening hub.
- Reviewing on call arrangements
- Capital investment on modernising theatres.
- Impact of hosted services regional pharmacy.
- Private sector outpatient pharmacy

v) Clinical supplies and variable costs (Director of Finance)

- G4S contract extension to include savings

vi) Non clinical pay (Director of HR)

- Shared services provision ahead of structural change, with Ealing.

The Trust has already established a Programme Management Office (PMO) which will employ best practice program management techniques in respect of establishing key milestones for leveraging productivity gains, which will be monitored via the existing weekly QIPP Cabinet chaired by the CEO,

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.

The option to merge NWLH and EHT reflects NWL's Integrated Plan 2011/12 to improve care and release savings in acute settings and is supported by NWL. NWLH will require the SHA to undertake the following actions to support the TFA:

- **Transitional support -** this is required to accelerate the timetable for achieving a viable FT, during a period of service reconfiguration. Lead: NWL Cluster Chief Executive, December 2011
- **Consolidating NPH as a major acute hospital -** Timely and effective support for the Trust's repatriation efforts and local reconfiguration. Lead: NWL Cluster Chief Executive
- **Legacy debt -** Ensuring that NWL Challenged Trust Board release funding for Trust's legacy debt as per agreement: Lead: SHA Director of Finance, December 2011
- **Capability and capacity to undertake potentially complex public consultation and other statutory requirements such as CCP –** The timeline to merger could easily be delayed by consultation and other issues. The Trusts will look to the SHA for guidance and practical support to minimise these risks. Lead: SHA Directors of Strategy & Communications, Ongoing
- **Capital costs** – Radical service reconfiguration in a short period of time may need capital projects to develop appropriate facilities. The Trust would look to NHSL for guidance on how to address capital needs over the reconfiguration period. Lead: SHA Director of Finance, December 2011

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:

Capital – Major service reconfiguration in a short period of time may need capital projects (in addition to those included in the PDC) to develop appropriate facilities. The Trust would look to the DH along with NHSL for guidance on how to address capital needs over the reconfiguration period.

Transitional Funding – Transitional funding of at least 15 months is required to expedite the FT process, in parallel to changes in services, DH and NHSL to advice on the mechanism to put this in place.

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

Date	Milestone
Organisational merger (14 months)	
May, 2011	SOC completion and Board approval
7 October 2011	OBC completion
4 November 2011	Trust and Cluster Board approve OBC for merger assumed to deliver a merged organisation with balanced I&E from August 2014
November 2011	CCP 6 month review begins (and is assumed to be complete within 6 calendar months)
17 November 2011	NHSL Capital Investment Committee approves OBC
28 February, 2012	FBC completion including full implementation plan
March, 2012	Trust and Cluster Board approve FBC for merger
April, 2012	NHSL Capital Investment Committee approves FBC (subject to Mayoral purdah)
May 2012	DH Transaction Board Approval
1 July, 2012	Merger completed
Service change – consultation / approvals (18 months)	
December 2011	Cluster agrees pre-Consultation business case
End of February - June 2012	Launch public consultation (16 weeks)
September 2012	PCT decision on consultation outcome
November 2012	Referral to IRP
August 2013	SOS decision
Service change – implementation (12 months]	
August 2013 – March 2014	Infrastructure in place to deliver service change including capital development and further public and TUPE consultation if required at this point
August 2014	Implementation completed
September 2013 – August 2014	Period of transitional funding in place
From September 2014	Balanced I&E – double running costs eliminated
Foundation Trust application (21 months)	
December 2013	Begin to develop IBP/LTFM
July 2014	Historic Due Diligence (HDD) 1 (including assessment of a period when transitional funding was in place)
October 2014	Historic Due Diligence (HDD) 2
1 December 2014	**NHSL approval and FT submission to DH (Stage 1 completed)**
1 January 2015	SoS Submission and DH assessment process (FT application Stage 2)
March– July 2015	Monitor assessment process (FT application Stage 3)
1st September 2015	**Target FT Authorisation**

NOTE

This timeline assumes transitional funding to facilitate service change after Secretary of State approval for merger.

The timeline assumes that the Monitor assessment can begin before the Trust has had a year of trading without transitional funding, but that this will have been achieved before authorisation.

Risks are detailed in section 9. Timelines for public consultation are based on a scenario where service change is referred for IRP and then approved by the Secretary of State.

In addition to the above, there will be a Quarterly Review of finance, quality and performance, including achievement and trajectory on CIP / QIPP / Productivity targets.

NHS London's monthly performance monitoring process will highlight challenges to FT pipeline milestones with regard to quality, service performance & finance and address these in monthly performance improvement meetings with the trust (and include the Cluster). In addition, NHSL's Provider Development Directorate will link this to a NHSL TFA tracker and where a milestone not related to in year performance is likely to be missed, the Regional Director of Provider Development will hold a review meeting with the Trust Chief Executive. Where required, these meetings will include relevant SHA Directors and be chaired by the SHA Chief Executive. These meetings may also involve the SHA Chair, the Trust Chair or a Board to Board meeting. The outcome of the milestone review meeting will be a recovery plan with escalation to DH where necessary.

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 by April 2013)

Part 9 – Key risks to delivery

Risk	Mitigation including named lead	
Public & staff consultation re: merger (and potentially service redesign initiatives) subject to appeals and external scrutiny delaying the TFA trajectory	Ensure that consultation conducted in line with consultation law (NHS Act 2006 and NHS regulations for establishment and dissolution (1996) and TUPE guidance	SRO & CEO
Delivery of Trust's financial strategy including agreement to Transitional Funding support post-merger	Support for repatriation efforts and structural change is timely and effective. Dialogue with NHSNWL, NHSL and DH	NWL
NWL Challenged Trust Board do not release funding for Trust's legacy debt	Maintain regular dialogue between Trust and NWL sector CTB	NWL sector
Commissioners do not agree to providing transitional funding support	Maintain regular dialogue between Trust, NWL and local commissioners	NWLH & NWL with commissioners
The Trust's underlying deficit (£20.7m) will continue until structural changes enable the position to be rectified. The full challenge for future years is expected to be approximately 11% of turnover (ie before the impact of future commissioning intentions.	Maintain regular dialogue between Trust and NWL sector CTB	NWLH
Organisational capacity & capability to balance day to day operational pressures with major change programme	Close liaison between Trust and Programme Management Board	NLWH
Specific risks associated with the timelines described in part 8 including: - Timing of CCP review - Timing of OSC referral to SoS (following FBC completion) - Requirement for capital build to expand hospital capacity. - Unavailability of Transitional Funding	Close adherence to NHS guidance on consultation and rigorous engagement of stakeholders	Programme Management Board
The OBC/FBC is not approved by Boards and/or NHSL	Dialogue with NWL sector and NHSL about alternative options/pathways to FT	CEO
Clinical and stakeholder support and commitment for service change and the merger	Close adherence to NHS guidance on consultation and rigorous engagement of stakeholders	Programme Management Board
Monitor will not accept for assessment a period when the Trust was in receipt of transitional funding	Liaison with provider development at SHA	DoFs