TFA document

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

Tripartite Formal Agreement between:

- Wye Valley 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 – Martin Woodford, 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 that takes over 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 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.

Martin Woodford Chief Executive Officer Wye Valley NHS Trust	Signature  Date: 25/05/11
Ian Cumming OBE Chief Executive NHS West Midlands	Signature  Date: 25/05/2011
Ian Dalton, Managing Director of Provider Development	 Signature Date: 23/09/2011

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.

Eamonn Kelly Chief Executive, West Mercia Cluster	Signature 

	Date: 25/05/2011

Part 3 – NHS Trust summary

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

Current CQC registration (and any conditions): Both Hereford Hospitals and PCT provider services are registered with the CQC. The CQC is currently processing the registration of the Wye Valley NHS Trust.

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

	2009/10 £m	**2010/11**** £m
Total income	116.8	121.5
EBITDA	3.1	8.5
Operating surplus\ deficit*	1.2	0.0
CIP target	4.5	5.1
CIP achieved recurrent	3.2	2.3
CIP achieved non-recurrent	0.5	0

*Breakeven performance adjusted for impairments and IFRIC 12
**Based on draft accounts

Notes:
The forecast performance in 2009/10 includes income of £2,400k from the Strategic Change Reserve (£1,400k from NHS Herefordshire and £1,000k from West Midlands SHA).

The Trust's main commissioners: Herefordshire PCT.

Summary of PFI schemes (if material) Secondary/acute services are provided from the County Hospital in Hereford. The County Hospital is a small traditional DGH providing a full range of services either on a stand alone basis or via networks. It was funded via PFI. The unitary payment is less than 10% of turnover. Annual unitary payment: £16.2M (split £5.3M 'mortgage' and the remainder relate to FM services)
The loan facility for the new hospital was £67.8M – current value is £43.9M

Further information
The Wye Valley NHS Trust came into existence on April 1st 2011.

The rationale for its creation was the provision of a more effective set of management arrangements to support the integrated delivery of secondary/acute, community and adult social care services aimed at maximising health, well being and independence in a community/domiciliary setting and minimising the use of expensive and potentially unnecessary specialist institutional care in Herefordshire.

The Wye Valley NHS Trust is the successor organisation to Hereford Hospitals NHS Trust (which provides the legal vehicle for the new organisation) and the provider arm of Herefordshire PCT. It provides secondary/acute care to Herefordshire and mid Wales (catchment population 220k) and community and adult social care services (the latter via a Section 75 agreement with Herefordshire Council) to Herefordshire (catchment population 180k). Catchment populations are characterised by rurality and a high percentage of older people.

Community services include three community hospitals.

Total income for 2011/12 is projected to be £165m. Headcount totals c.2,500 WTE.

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

The Trust was established in order to ensure the clinical and financial viability of local NHS services. That viability is ensured through the implementation of a new and different community based model of care.

The Trust's business plan for 2011/12 assumes a surplus of £0.5m. Efficiency/QIPP gains as a percentage of turnover over the next three years are in line with NHS norms. However, delivery is in large part dependent on the rapid integration of acute/secondary, community and social care services and the implementation of the new model of care.

The County Hospital was funded via PFI. The unitary payment is less than 10% of turnover. However, 25% of the unitary payment is paid for in advance each quarter. In addition, the hospital is currently valued at a materially lower figure than build cost. These two factors have combined to put pressure on the Trust's working capital position and liquidity ratios.

A Monitor compliant Board structure which nevertheless recognises the unique nature of the Trust is being implemented. Two Executive Director posts and one Non Executive Director posts are currently vacant. The posts of Director of Nursing and Transformation and of Director of Delivery will be recruited to by the end of Q1 2011/12. The vacant NED post will also be recruited to by the end of Q1 2011/12. The Appointments Commission has recently confirmed the appointment of a new NED with a financial background who will chair the Audit Committee.

Early priorities for the Trust are

- improvements in the delivery of stroke services in line with *Vital Signs* indicators
- the development and roll out of an Organisational Development (OD) programme (which will include a specific focus on staff engagement).

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

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

In summary, this involves roll out of a Board approved Quality Strategy which includes:

- review of KPIs on a monthly basis
- receipt of a 'patient story' on a monthly basis
- 'deep dive' exploration of the patient experience, quality/safety and effectiveness on a quarterly basis
- 'Safety walkabouts' on a weekly basis.

The KPIs required by an integrated care organisation are currently being reviewed and will also in the future be amended in the light of the health and social care outcomes frameworks.

The structure of the new organisation will also include a Quality Committee – terms of reference are in preparation.

Integration of community services/QIPP

A programme management team led by a Director on a full time basis and supported by a private sector change/project management specialist has been created to drive the service integration and QIPP programmes. This is in recognition of the integral part service integration plays in the delivery of QIP savings. The Director concerned will also lead the FT application process.
Lead: Mike Coupe, Director of Business Development
Timelines:
Service integration/QIPP – per project plan
FT – per this TFA

Board development

Vacant ED posts: are currently being recruited to (deadline: end of Q1)

Vacant NED post: is currently being recruited to (deadline: end of Q1)
Institute of Directors Board Development Programme (deadline: end of Q1)
Lead: Mark Curtis, Chairman/ Martin Woodford, Chief Executive
Timelines: as above

Working capital/ liquidity

Actions proposed/ under review include

- improved debt management
- exploration of scope for amending PFI unitary payment profile
- transfer of all community (PCT) assets and facilities to the Trust
- application of transitional funds to support change process by commissioners in addition to those approved through contract

Lead: Howard Oddy, Director of Finance
Timelines: dependant on outcome of discussions with commissioners and PFI partners and on confirmation of national policy

(Note: the Trust understands that 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. Thus, 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).

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.	

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:

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. Whilst it is not expected that the result of the review will highlight the PFI as being an impediment to approval for FT status, the milestone dates may be revised subject to the outcome of the review.

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

Date	Milestone
October 2011	Draft IBP and LTFM
September 2011	FT readiness/ diagnostic
December 2011	SHA review of final draft IBP and LTFM
March 2012	HDD stage 1
April 2012	Consultation completed
May 2012	IBP and LTFM finalised and signed off by SHA
June 2012	FT quality and safety assessment
August 2012	HDD stage 2
September 2012	2nd Board to Board (NTDA) and sign off
October 2012	Submission to DoH

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
Delivery of quantum of change required at the pace required exceeds capacity/ capability	Robust project management Lead: Mike Coupe, Director of Business Development
Failure to deliver QIP savings required	Robust project management Alignment of QIPP with core organisational agenda Application of transitional support from commissioners Leads: Martin Woodford, Chief Executive Officer/ Howard Oddy, Director of Finance
Key players in roll out of new service model (eg GPs) fail to deliver	Close liaison with key players in wider health and social care system Lead: Martin Woodford, Chief Executive Officer
Any Willing Provider policy introduces instability into the local market place resulting in reduced income levels	Close liaison with key players in wider health and social care system *and* Review of Trust service portfolio Lead: Martin Woodford, Chief Executive Officer
Delay in/ failure of GP consortium to manage commissioning agenda	Close liaison with GP consortium Lead: Martin Woodford, Chief Executive Officer