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

Tripartite Formal Agreement between:

- Shrewsbury and Telford Hospital 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 – Adam Cairns, Chief Executive Officer
SHA – Ian Cumming, Chief Executive Officer
DH – Ian Dalton, Managing Director of Provider Development, DH

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

March 2013

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.

Adam Cairns Chief Executive Shrewsbury and Telford Hospital NHS Trust	Signature  Date: 25 May 2011
Ian Cumming OBE Chief Executive NHS West Midlands	Signature  Date: 25 May 2011
Ian Dalton – Managing Director Provider Development, Department of Health	 Signature Date 27 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.

Eamonn Kelly Chief Executive, West Mercia Cluster	Signature  Date: 25 May 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): Unconditional registration.

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

	2009/10 £m	**2010/11**** £m
Total income	262.9	278.0
EBITDA	14.6	13.4
Retained surplus\deficit*	0.7	0.0
CIP target	10.7	6.8
CIP achieved recurrent	5.1	4.9
CIP achieved non-recurrent	1.6	0.5

* Retained surplus illustrated is shown before the adjustment for impairment and IFRIC 12.
** Based on draft accounts

The NHS Trust's main commissioners

- Shropshire County PCT
- NHS Telford & Wrekin
- Powys Local Health Board

Summary of PFI schemes (if material) N/A

Further information

The Shrewsbury and Telford Hospital NHS Trust was established in 2003 following the merger of The Princess Royal Hospital NHS Trust and the Royal Shrewsbury Hospitals NHS Trust. The Trust provides services to over half a million people from Shropshire, Telford and Wrekin and mid-Wales. The Trust's main locations are the Princess Royal Hospital (PRH) in Telford and the Royal Shrewsbury Hospital (RSH) in Shrewsbury, both with Accident & Emergency Departments and ITU/HDU facilities.

The Trust treats patients across the broad range of specialties and patient categories. During 2010/11 the Trust will undertake approximately 49,700 daycase treatments, see approximately 8,400 elective inpatients, admit approximately 40,700 people as emergencies and also see in the order of 6,750 obstetric cases. In excess of 315,000 patients will access consultant-led outpatient services and there will be more than 105,000 attendances at our A&E Departments.

The Trust was registered unconditionally with CQC in April 2010 and following a responsive review only minor concerns were identified. The new Executive Teams has identified reporting failures and is taking steps to reinforce and strengthen the reporting culture and bed this into operational processes.

There has been a recent service reconfiguration consultation which concluded 14 March and the decision to proceed to Outline Business Case was made 24 March 2011. This was approved by the Board on 25 August 2011

The Trust has historic financial problems and was formally designated as a 'turnaround' trust requiring special interventions in 2005/6 resulting in a £12.3m working capital loan. The Trust

repaid the final instalment of the £12.3m in 2009/10 but has received financial support from the SHA (c£5.5m during 2009/10 and £5.0m in 2010/11) in order to deliver a small surplus in 2010/11. The Trust plans to deliver a break-even position for 2011/12, which currently includes delivering 5% CIP. The underlying financial position has improved significantly and the Trust expects to be able to demonstrate it has reached recurring balance by the end of 2011/12.

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	√

The Trust has completed the consultation on the reconfiguration of some of its acute services. Whilst there is 100% assurance on the key reconfiguration acceptability tests, there has been considerable public and political opposition in the west of the county and Powys to the move of services from RSH. It is recognised that there will need to be considerable customer and stakeholder engagement in the next phase of this work to maintain momentum. The reconfiguration will require a £28m - £35m capital loan to re-provide the services at PRH.

The Trust Board has been refreshed in 2010 with a new Chairman in January, new CEO in July and a NED with extensive medical management experience in October. In 2011 a Chief Operating Officer, Director of Quality & Safety, Medical Director and Finance Director have been appointed. This is therefore a relatively new senior team needing some team development. There has also been significant clinical and management restructuring with the creation of Clinical Centres led by clinicians. The Trust has undertaken a review of its strategic planning framework, ensuring clinical buy-in to these approaches. This includes initiatives such as Leading in Improvements in Patient Safety (LIPS) and Listening into Action (LIA). The new team are focusing on issues identified in relation to capacity pressures that are being addressed, particularly in outpatients.

Overall activity continues to increase year-on-year. Consultant-led outpatient activity was 5% higher in 2010/11 when compared to 2009/10, and A&E attendances nearly 3% higher. Emergency admissions have seen a year-on-year growth of approximately 2.3% (more than 900 spells) and this has placed major operational demands on our hospitals and impacted on financial plans.

The Trust is focusing on delivering recurrent CIPs. Liquidity will be improved as the Trust stabilises the I&E position and starts to earn surpluses in future years. Further improvements are expected through the proposed sale of surplus land, using the income to improve the overall cash position.

The Trust is worked closely with the PCT to conclude QIPP proposals for 2011/12 which are based on a range of proposals to redesign care pathways releasing £6.9m of efficiencies if the schemes are successful. The Trust's current Monitor risk rating is 2 and recognises that in 2012 the focus will be on consolidating financial management and operational performance whilst starting the Foundation Trust pipeline in order to achieve a risk rating of 3.

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
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 Board have discussed the range of strategic, clinical and operational risks that it is facing and has constructed the Board Assurance Framework in light of the new organisational objectives and has reviewed operational risks with Centre Chiefs. The CEO chairs the newly constituted Risk Management Executive. The Board has also arranged for external and internal reviews of the reports and assurances it receives in relation to quality and performance to ensure robust systems are in place. An extensive board development programme is in place.

The Trust appointed a Director of Quality & Safety to particularly focus on improving patient experience and ensuring the highest standard of care is delivered to patients. A Quality and Safety Committee has been established leads the development of a Quality Improvement Strategy and will take approximately 9-12 months to develop with a full involvement process with staff, patients and the public. A diagnostic review has been undertaken with support from the SHA to provide advice and support to ensure the Trust can develop best practice/ management. The Medical Director is leading work on reviewing medical pathways and outcomes. Through the strengthened clinical leadership the Trust has already seen sustained improvement in some key quality/safety areas including VTE assessment, reduced HSMR, reduced falls and pressure sores and improved incident reporting processes.

The Trust is reviewing its operational performance and processes with a clear and comprehensive improvement action plan covering all key operational areas being drawn up with commissioners and support from the SHA, led by the newly appointed Chief Operating Officer but it is estimated these will not be resolved until December 2011 following full modelling of capacity and patient flows and a comprehensive review of workforce capacity and developing clinical pathways with commissioners. A number of service transformation initiatives are planned to support QIPP priority areas.

The final negotiated position for 2011/12 enabled SaTH to set a break-even budget for The Trust's balance sheet and liquidity position remain an issue and require SATH to deliver surpluses in future years to strengthen the cash position – this work is being led by the new Finance Director with a recurring rolling three year CIP position established by December 2011 and positive run rate by end of Q2. The Trust is also looking to improve its working capital through the sale of surplus land at the Royal Shrewsbury site during 2012.

The Trust has created a Programme Management Office to oversee all these strands of work to ensure delivery, working closely with PwC to ensure robust project management.

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)	☐

The Trust has an extensive journey to make to deliver the financial, performance and quality improvements needed to ensure the local communities receive the highest quality care in a cost-efficient organisation. These are also key requirements for its FT application and additional funding has been identified as being required over the next three years to deliver this agenda.

The Trust is currently negotiating with NHS Telford & Wrekin to agree the transfer of an area of land adjoining the PRH site that currently belongs to the PCT. This transfer would allow a more flexible approach to planning future services on the PRH site

The headline requirements are as follows. It is recognised that any support requested will need to be agreed with local commissioners.

	2011/12 £000s	**2012/13 £000s**	**2013/14 £000s**	**2014/15 £000s**
Service transformation/QIPP delivery	535	400	-	-
Clinical leadership/Workforce transformation	655	310	310	-
Programme Management Office/Director	380	230	230	-
FT application	230	480	330	-
Information review	160	-	-	
Clinical pathways	1,000	-	-	
Total	**2,960**	**1,420**	**870**	**0**

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The SHA will continue to support and oversee SaTH's quality and service improvements, working to an improved service performance and quality by April 2012.

At the end of 2011/12 the SHA will review the Trust's overall performance and FT preparedness moving forward.

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:

1) The Trust will need support to access circa £28-£35m capital loan in order to complete the service reconfiguration and move challenged services between sites to deliver safer service and operational efficiencies. This will be required from 2012 onwards

2) Agreement to the Trust using surplus land sale income (from Royal Shrewsbury Hospital site) to improve liquidity and cash flow.

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

Date	Milestone
Mar 2011	Approved reconfiguration of services proposal approved March Trust Board
End of Q 1 2011/12	CIP for 2011/12-2013/14 outline in place, detail being worked up Formal review of the Trust's financial position and CIP programme, with the cluster CE, at the end of Q1 2011/12.
June 2011	Draft OBC for reconfiguration of services produced –approved by Board August
Sep 2011	Agreed Board Development Plan – Approved June Trust Board
Sep 2011	Achieved monthly profile run rate
Dec 2011	3-5 year rolling recurrent CIP
Jan 2012	Improved Performance position
Mar 2012	Final Quality Improvement Strategy
Mar/April 2012	First draft IBP and LTFM
April 2012	1st Board to Board to review outcome of 2011/12 and improvement on quality & performance and FT preparedness
April 2012	FBC for reconfiguration of services
May/June 2012	Assess & challenge IBP/LTFM
June 2012	HDD Stage 1
June 2012	Surplus land sale
June 2012	FT consultation starts – subject to SHA/HOSC confirmation that consultation required
Sept 2012	Consultation ends (if required)
September 2012	Finalise IBP/LTFM
Oct 2012	NTDA approval review
Oct/Nov 2012	FT Quality & Safety assessment
Jan 2013	HDD Stage 2
Feb 2013	NTDA 2nd B2B
March 2013	Submission of papers to DH

Please provide additional detail on actions to take if a milestone is missed. For example, if a milestone is missed a Chair and CE review.

The Trust will be ensuring a regular reporting framework on FT progress to the Board to monitor progress.

A Programme Management Office has been established to co-ordinate all aspects of delivery of key programmes e.g. Reconfiguration, CIP

The SHA will follow the normal escalation process in the event of a key milestone being missed if there is no improvement.

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
Failure to deliver reconfiguration of services	Full public consultation and ongoing engagement with patients and clinicians and clear project management arrangements and plan in place – Director of Strategy
Failure to deliver service performance improvements	Full Improvement plan agreed with commissioners and monitored by Board and PMO – Chief Operating Officer
Failure to deliver improved financial position – including working capital and CIPs	SLR introduced aligned to new Centre structure with monitoring of performance and plans to sell surplus land to improve working capital. Robust measurable CIP programme – Finance Director. SHA/Cluster Q1 review in 2011/12 will further support the focus and solutions to deliver an improved financial position. - SHA FD/Cluster & Trust CEs.
Failure to deliver improvements to quality and safety	Quality Improvement Strategy being drawn up with clear action plan monitored through Quality & Safety Committee. Additional focus on improving patient safety and patient experience. Embedding LIPS across organisation.– Director of Quality & Safety. Review of medical pathways and clinical outcomes – Medical Director.
Capacity to manage the impact of consolidation of financial management and operational performance whilst starting the FT pipeline	Project approach with robust measurable programmes in place and creation of Programme Management Office to ensure deadlines are delivered – Chief Executive. Management & clinical restructure completed