Department of Health

Richmond House
79 Whitehall
London SW1A 2NS

Penny Venables
Chief Executive
Worcestershire Acute Hospitals NHS Trust

30 March 2012

Dear Penny,

Tripartite Formal Agreement (TFA) Escalation meeting – Worcestershire Acute Hospitals NHS Trust (WAH)

Further to our useful escalation meeting on 16 March 2012, I am writing as agreed to record the main details we discussed. I have at annex A, provided an overview of the full conversation.

As you are aware, the Trust has been red rated for three consecutive months following your organisation being withdrawn from the Monitor Foundation Trust (FT) assessment process and, therefore, you are not on track to meet the plans as agreed in the TFA. This triggered the escalation meeting to discuss the issues that caused the TFA milestones to be missed and agree how to progress your organisation towards achievement of FT status.

Following your clear articulation of the issues your organisation has and is facing, I concluded the meeting as follows:

- the proposals you articulated in your presentation provide the outline of an achievable plan to move forward to FT status upon which the strategic impact of the joint services review will need to be reflected to ensure this is coherent;
- the plan will need to articulate on what basis the proposed new FT application submission date has been determined ;
- the plan articulated will require delivery against performance and FT requirements throughout 2012/13 and going forward;
- on this basis a new TFA will need to be prepared to reflect this new plan for your, the Strategic Health Authority (SHA) and our review and agreement;
- the new TFA will need to provide the necessary detail in relation to the key actions that will need to be taken, by whom and when; and

- the Trust will need to undertake the assessment against the Board Governance Assurance Framework (BGAF) as part of your FT application.

On this basis, and subject to the above being taken forward , I confirm that there is no requirement for any further escalation meetings at this stage.

The next step will be for the Department of Health to work with NHS Midlands and East and your organisation to agree the new TFA (Trust proposed date) and for this to be the new basis upon which you will go forward. This needs to be agreed with the SHA by 16 April 2012 and sent to the Department for final sign-off by the end of April 2012.

We discussed the potential organisational and/or personal consequences of not delivering the specific milestones and overall timeline agreed in your revised TFA and you stated that you, your Chair and the Board understand the implication very clearly.

Delivery of this new plan, your TFA milestones and evidence of the necessary progress being made towards your FT application will continue to be monitored and will determine whether any further interventions/escalation are necessary in the future.

I hope this accurately reflects our discussion and if you have any queries feel free to contact me.

With reference to Annex 1, please come back to Andrew Morgan (andrew.morgan@dh.gsi.gov.uk) or myself if you feel I have misrepresented or omitted anything material from our discussion.

Yours sincerely,

MATTHEW KERSHAW
DIRECTOR OF PROVIDER DELIVERY

CC:
Sir Neil McKay, NHS Midlands and East
Dale Bywater, NHS Midlands and East
David Flory, DH

ANNEX 1

Background

The Trust's TFA stated that the FT application was with Monitor, having been submitted to the Department in May 2009 and was currently deferred with Monitor. Reactivation of the application was planned for August 2012.

The application was then subsequently withdrawn from the Monitor process which triggered the red ratings through the TFA monitoring process and subsequently the escalation discussion.

The Trust is clear that a Worcestershire managed acute provider, i.e. a stand alone organisation, is the desired strategic future of the Trust and wider stakeholders. A number of issues need to be addressed to support this objective.

The Trust is currently managed as two District General Hospitals and a 'cold site'. The transport links between the sites are not optimal. The integration of the sites into behaving as one single organisation will be key to moving forward as a viable organisation.

The Trust has an income of £330million organisation with around £30million Private Finance Initiative (PFI) scheme with a 9 per cent annual payment. It was not deemed an organisation requiring national support re: PFI affordability and was a category 1. The Trust currently receives around 90 per cent income from one Primary Care Trust (PCT). The Trust has £18million of legacy debt effecting balance sheet issues which will need to be addressed to meet FT authorisation requirements. The Trust has identified £14million - £30million of productivity opportunities, requiring movement to upper quartile productivity levels and upper decile to meet the upper range of these.

The Joint Services Review (JSR) was launched in January 2012 and will be end in December 2012. The JSR was instigated by the Trust and fully involve commissioners, other providers in LHE and the council. There is therefore collective ownership and buy-in to this. The JSR, if implemented, will deliver clinical and other benefits from 2014/15 onwards so a robust FT application will require other measures to deliver an authorisable clinical and financial plan.

There have been a number of Board changes over the recent period and acceptance that judgements taken by the Board previously were not as robust as necessary. Lessons were being learnt from these including the Board being more self aware of decisions they are taking and not assuming they are a special case and require different treatment to other like providers.

Alongside the Board changes made there is a focus on ensuring continuity of corporate knowledge in particular in relation to the clinical leadership of the organisation, with the Medical and Nursing Directors long-standing appointments. Linked to this the Trust is undertaking governance improvements and reflecting these against the BGAF requirements.

On service performance, A&E remains a big challenge for the organisation. Changes are being made in relation to the Medical staffing of A&E services but there is some local resistance to some of these plans. Improvements have been made in relation to 62 day Cancer Waits.

In terms of the clinical strategy for the organisation, the Trust serves an ever ageing local population highlighted by significant increases of 80 years plus patients attending A&E and an increase in the treatment of patients with co-morbidities. The issues identified by the Care Quality Commission Dignity and Nutrition Inspection have taken time to turnaround some of the perceptions and which have received local press attention.

The Trust continues to work with the Deanery in relation to training posts and ensuring this remains a part of the organisations strategy.

In terms of the JSR the public engagement has begun already. This is being driven by the Trust with the PCT Cluster Chief Executive Officer being the Senior Responsible Officer. It includes the active engagement of 200 clinicians. The Trust is always undertaking a National Clinical Advisory Team review as part of the process.

On finance, the Trust carried forward a £6million deficit from 2010/11 into 2011/12. The Trust has delivered £12million of recurrent Cost Improvement Plans in 2011/12 (around 4 per cent of turnover). The Trust will break-even in 2011/12 with support from the PCT. The Trust has normalised position of around a £5million deficit. Despite all the work in year, there remains a very significant challenge for the Trust to deliver a balanced financial plan from the start of 2012/13.

Strategic changes to the delivery of financial control will be required with a more proactive philosophy underpinning this.

In agreeing the TFA the Trust needs to be clear where the effects of the JSR will sit with this and how and when the benefits will be realised, given its importance to the long term strategy for the Trust. The short and medium term issues need to be reflected alongside this in coherent picture.

More generally, the Trust Board need to be clear of their accountability for the delivery of the requirements of the new plan to achieve FT status and the milestones agreed in the revised TFA, to deliver this.