

TFA document



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

Tripartite Formal Agreement between:

- Royal National Orthopaedic Hospital 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.

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 September
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.

Rob Hurd Chief Executive RNOH NHS Trust	Signature  Date: 28 September 2011
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Dame Ruth Carnall Chief Executive NHS London	Signature  Date: 28 September 2011
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(Ian Dalton Director General, Provider Development	Signature  Date: 30 September 2011
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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.

Caroline Taylor Chief Executive	Signature
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NHS North Central London

Caroline Taylor

Date: 28 September 2011

Part 3 – NHS Trust summary

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

The Royal National Orthopaedic Hospital NHS Trust (RNOH) is a specialist hospital for the diagnosis and treatment of complex orthopaedic conditions. These range from acute spinal injuries, bone tumours and complex joint reconstruction to orthopaedic medicine and specialist rehabilitation for those with chronic back pain.

The RNOH is the largest of five Specialist Orthopaedic Hospitals in the UK with an annual income of £103m in 2010/11 and employs over 1,000 staff. Two of the specialist orthopaedic hospitals are already Foundation Trusts, one is part of a larger District General Hospital and one has agreed to merge with a large teaching hospital.

The Trust achieves high quality patient outcomes and low infection rates despite treating a complex case mix – for example zero MRSA, surgical site infection rates a fraction of the national average and the trust has the lowest length of stay in London for primary hip and knee replacement patients through the Enhanced Recovery Programme.

Required information

Current CQC registration (and any conditions):

The Royal National Orthopaedic Hospital NHS Trust has been licensed by the CQC to undertake patient care without any conditions.

Financial data

	2009/10 £000s	2010/11* £000s
Total income	94,370	102,469
EBITDA	4,900	4,000
Operating surplus/(deficit)**	1,026	(911)
CIP target	3,500	2,300
CIP achieved recurrent	3,600	3,100
CIP achieved non-recurrent	-	-

Source: DH FIMS

*Unaudited figures

**Excludes impairments/IFRS adjustments

The NHS Trust's main commissioners

The Trust is hosted by North Central London which represents 12% of patient flows. The hospital serves a national catchment area with 47% of patients from London, 20% from the South East and 33% from elsewhere in the UK. 80% of referrals are tertiary (or equivalent) relating to complex specialist activity (as defined under national specialist services definition sets). The remaining 20% of work is routine patient choice or local population activity. The complexity of case mix is evidenced by the fact that the Trust has the highest proportion of tertiary referrals out of all of the Specialist Orthopaedic Hospitals in the UK.

Summary of PFI schemes (if material)

The Stanmore PFI site phase 1 redevelopment scheme (£90m) received full government approval at OBC stage in 2010 and was approved to go to market in December 2010. The OJEU was released in January 2011 but the procurement process has been paused since May 2011 pending the outcome of organisational configuration review and affordability assurance work April – September 2011.

Part 4 – Key issues to be addressed by NHS trust

Key issues affecting NHS Trust achieving FT	
<p>Strategic and local health economy issues</p> <p>Service reconfigurations <input type="checkbox"/></p> <p>Site reconfigurations and closures <input type="checkbox"/></p> <p>Integration of community services <input type="checkbox"/></p> <p>Not clinically or financially viable in current form <input checked="" type="checkbox"/></p> <p>Local health economy sustainability issues <input type="checkbox"/></p> <p>Contracting arrangements <input type="checkbox"/></p> <p>Financial</p> <p>Current financial Position <input type="checkbox"/></p> <p>Level of efficiencies <input checked="" type="checkbox"/></p> <p>PFI plans and affordability <input checked="" type="checkbox"/></p> <p>Other Capital Plans and Estate issues <input checked="" type="checkbox"/></p> <p>Loan Debt <input type="checkbox"/></p> <p>Working Capital and Liquidity <input type="checkbox"/></p> <p>Quality and Performance</p> <p>QIPP <input checked="" type="checkbox"/></p> <p>Quality and clinical governance issues <input type="checkbox"/></p> <p>Service performance issues <input type="checkbox"/></p> <p>Governance and Leadership</p> <p>Board capacity and capability, and non-executive support <input type="checkbox"/></p>	
<p>Please provide any further relevant local information in relation to the key issues to be addressed by the NHS Trust:</p> <p>It has always been recognised that the achievement of FT status would be extremely challenging given the significance of issues that RNOH has had to manage. These challenges include: receiving approval for the redevelopment of the Stanmore estate, managing 18 weeks performance and median waits, managing the financial position of the trust given its volatile case mix and PbR specialist tariffs funding risks, and continuing with the Board development programme.</p> <p>The Stanmore OBC Phase 1 PFI site redevelopment scheme received full government approval at OBC stage in 2010 and was approved by approved to go to market in December 2010.</p> <p>Following approval of the Redevelopment OBC the following issues have prevented the Trust from proceeding with the previously agreed Foundation Trust application timetable:-</p> <ul style="list-style-type: none"> • Although the Trust has delivered three years of surplus and exceeded CIP targets in the current year, there is a significant risk that financial targets for 2010/11 are not delivered due to case mix volatility impacting on income. The trust incurred a deficit of £911,000 in 2010/11 against a target of £1.6m surplus. • The affordability of the redevelopment was predicated on zero income growth from commissioners and national tariff efficiency assumptions. The Trust's transformation programme targeted additional efficiencies over and above projected tariff efficiency reductions. The commissioning environment has subsequently tightened and, without income and activity growth it is unlikely that the Trust can deliver sufficient efficiencies 	

to support affordability of the redevelopment scheme over and above those efficiencies required to be handed back to commissioners. This has prompted the production of an OBC addendum to provide further assurance on mitigating actions to maintain affordability of the scheme.

NHS London and NCL Commissioners supported the Trust to commission a review in February 2011 aimed at establishing a viable activity volume and case mix business model for the Trust. This led to the conclusion, supported by Trust Board, that the following measures should be taken to optimise clinical and financial sustainability of the RNOH's services:-

- Continue Transformation Programme to maximise QIPP/efficiency improvements
- Effective management of case mix and volatility of the case mix of service lines within the Trust
- Activity growth to respond to demographic drivers for specialist orthopaedic activity
- Restructuring of the PFI contract prior to financial close

The RNOH Trust Board concluded in February 2011 that, although these measures would move services into a more sustainable position, there is still insufficient assurance that these can be delivered to a sufficient level to meet Foundation Trust requirements in the short term. Therefore the Board agreed that alternative organisational forms needed to be considered to explore further measures to enhance sustainability of services. An organisational configuration review was carried out April-July and the Trust Board concluded the following:-

Options retained:

Stand alone Foundation Trust

Retaining main site Stanmore with PFI in partnership with surplus land sale asset disposal to fund a bullet payment into PFI to reduce unitary payment. This has the potential to meet the financial gap. Further downside mitigation potential from independent/private sector provider to achieve expansion in private provision. The quantity and balance of benefit from surplus assets and increased private sector provision has been reviewed in August and September and is being submitted as a Redevelopment PFI Phase 1 OBC addendum to quantify and risk assess clinical and financial sustainability of utilising these initiatives to support the redevelopment of the site.

Acquisition by Foundation Trust

Acquisition by Foundation Trust including provision to retaining main site Stanmore with PFI in partnership with surplus land sale asset disposal to fund a bullet payment into PFI to reduce unitary payment. This has the potential to meet the financial gap. Further downside mitigation potential from independent/private sector provider to achieve expansion in private provision. The quantity and balance of benefit from surplus assets and increased private sector provision has been reviewed in August and September and is being submitted as a Redevelopment PFI Phase 1 OBC addendum to quantify and risk assess clinical and financial sustainability of utilising these initiatives to support the redevelopment of the site.

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	<input type="checkbox"/>
Financial	
Current financial position	<input type="checkbox"/>
CIPs	<input checked="" type="checkbox"/>
Other capital and estate Plans	<input type="checkbox"/>
Quality and Performance	
Local / regional QIPP	<input checked="" type="checkbox"/>
Service Performance	<input type="checkbox"/>
Quality and clinical governance	<input type="checkbox"/>
Governance and Leadership	
Board Development	<input type="checkbox"/>
Other key actions to be taken (please provide detail below)	<input type="checkbox"/>
<p>Describe what actions the Board is taking to assure themselves that they are maintaining and improving quality of care for patients.</p> <p>The Performance Committee, a sub-committee of the Trust Board and is constituted of both Executive and Non-Executive Directors. It receives monthly updates detailing performance indicators around quality and access targets. These targets are reviewed on an annual basis to ensure that they remain relevant. Performance against these targets is challenged at the Performance Committee, and items of significance fed into the Trust Board. Reports of Serious Untoward Incidents (SUIs) are brought to the Trust Board as a matter of course and fully investigated. The Trust Board monitors complaints and incidents, with themes and trends reviewed to ensure that quality standards are being maintained. The Director of Nursing also updates the Trust Board on a monthly basis on all CQC indicators.</p> <p>The Trust Chair also leads the Transformation Committee, where the QIPP agenda is determined and monitored, and a monthly report is received by the Trust Board.</p> <p>Monthly reviews of finance (including achievement and trajectory of CIPs) and quality and performance based on quarterly returns. Lead Chief Executive</p> <p>Board approval and submission of OBC Addendum incorporating the outcome of surplus land assets and additional risk mitigation from potential private sector opportunities to support clinical and financial viability post-PFI. The Trust Board will monitor the key milestones reflected in the latest Integrated Business Plan Long Term Financial Model including quarterly monitoring of surplus land sale project status and development of Outline Business Case for private sector activity expansion: Lead Chief Executive</p>	

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)	<input type="checkbox"/>
Contracting arrangements	<input type="checkbox"/>
Transforming Community Services	<input type="checkbox"/>
Financial	
CIPs\efficiency	<input checked="" type="checkbox"/>
Quality and Performance	
Regional and local QIPP	<input checked="" type="checkbox"/>
Quality and clinical governance	<input type="checkbox"/>
Service Performance	<input type="checkbox"/>
Governance and Leadership	
Board development activities	<input type="checkbox"/>
Other key actions to be taken (please provide detail below)	<input checked="" type="checkbox"/>
<p>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.</p> <p>SHA to support the Trust in undertaking its review of options for its organisational future to enable a decision to be taken by December, 2011. If the decision is to pursue any option other than current configuration then the SHA will support the Trust in establishing the appropriate project management infrastructure to deliver the transaction.</p> <p>SHA to provide support in continuing monitoring of performance against agreed productivity / QIPP plans, as well as review of financial performance/ CIP delivery in line with quarterly reporting. Lead: Director of Finance & Investment</p> <p>The SHA is contributing to the national work on PFI and will work with the Trust in resolving the outstanding PFI issues as a result of the national financial review. Lead; Regional Director of Provider Development</p>	

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	<input type="checkbox"/>
Financial NHS Trusts with debt	<input checked="" type="checkbox"/> Yes - PFI
Short/medium term liquidity issues	<input type="checkbox"/>
Current/future PFI schemes	<input type="checkbox"/>
National QIPP work streams	<input type="checkbox"/>
Governance and Leadership Board development activities	<input type="checkbox"/>
Other key actions to be taken (please provide detail below)	<input type="checkbox"/>
<p>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:</p> <p>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. Some elements contained within the TFA will be subject to the outcome of this review in enabling any issues outlined in this agreement to be resolved. This will be confirmed on a case by case as the PFI work is completed and communicated.</p> <p>Lead; DH Director of Provider Delivery</p>	

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

Date	Milestone
March 2011	NHS London, NCL Commissioner and RNOH Trust Board agreement in principle to organisational configuration review
April 2011	Terms of reference of agreed for Organisational Configuration Review
31 July, 2011	Review of finance (CIPs) and quality and performance based on Q1 returns SHA financial challenge and productivity opportunities assessment
November 2011	RNOH Trust Board/NHS London/NCL Commissioners agreement of organisational form (concluding at RNOH September Trust Board being held 4 th October)
October 2011	<ul style="list-style-type: none"> • RNOH Trust Board approval of addendum to PFI phase 1 OBC • Commissioner support for PFI Phase 1 OBC addendum • Review of finance (CIPs) and quality and performance based on Q2 returns
November, 2011	NHS London Capital Investment Committee consideration and approval of addendum to the PFI Phase 1 OBC including decision to continue with PFI procurement as stand alone FT
31 January 2012	Review of finance (CIPs) and quality and performance based on Q3 returns
<i>PFI Phase 1 Timetable</i>	
<i>November 2011</i>	<i>Issue ITPD</i>
<i>August 2012</i>	<i>Issue ITSFB / Call for Final Tenders</i> <ul style="list-style-type: none"> • 2011/12 performance and financial targets met (including 18 week spinal deformity trajectory) • 2011/12 CIP monthly trajectory met • 2012/13 Quarter 1 CIP monthly trajectory met <ul style="list-style-type: none"> • 2012/13 Quarter 1 performance and financial targets met
<i>September 2012</i>	<i>Receive Final Tenders</i>
<i>November 2012</i>	<i>Trust recommendation to Appoint Preferred Bidder</i> <ul style="list-style-type: none"> • 2012/13 Quarter 1 & 2 performance and financial targets met <ul style="list-style-type: none"> • 2012/13 Quarter 1 & 2 CIP monthly trajectory met
<i>May 2013</i>	<i>ABC Approval</i> <ul style="list-style-type: none"> • 2012/13 Quarter 3 & 4 performance targets and financial targets • 2012/13 Quarter 3 & 4 CIP monthly trajectory met <ul style="list-style-type: none"> • Service Transformation Committee and Trust Board receive external/independent assurance that longer term high risk service reconfiguration

	projects on track
July 2013	Health Gateway Review (Gate 3) <ul style="list-style-type: none"> • 2012/13 Financial targets met (audited accounts)
November 2013	Treasury Approval of Full Business Case <ul style="list-style-type: none"> • 2012/13 Quarter 1 & 2 performance and financial targets met • 2012/13 Quarter 1 & 2 CIP monthly trajectory met <ul style="list-style-type: none"> • Service Transformation Committee and Trust Board receive external/independent assurance that longer term high risk service reconfiguration projects on track
November 2013	Financial and Contract Close <ul style="list-style-type: none"> • NHS London review of Trust's CIP progress. Decision made on future monitoring
February 2014	Commence Construction
April 2016	Practical Completion
Option 1: Foundation Trust	
September – November 2012	Public consultation
November 2012	Draft IBP/LTFM and associated strategies
December 2012 and ongoing	Quality governance assessment
February 2013	HDD1 – review of business and finance
March 2013	Formal commissioner letter of support
March 2013	SHA assessment begins
April 2013	HDD2 – historical due diligence
July 2013	IBP/LTFM Trust Board approval
September 2013	Submission of FT application to Department of Health
November 2013	Secretary of State review of application
December 2013	Monitor assessment begins
January 2014	Quality gateway review
April 2014	Monitor authorisation
Option 2: Acquisition by an FT:-	
April 2012	Acquisition competition
September 2013	Acquisition complete
<p><i>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.</i></p> <p>Key Trust, SHA and DH actions necessary to achieve this timeline are detailed in parts 5-7 above.</p> <p><i>Describe what actions\sanctions the SHA will take where a milestone is likely</i></p>	

to be, or has been missed.

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)

Part 9 – Key risks to delivery

Risk	Mitigation including named lead
1. Failure to deliver QIPP/Transformation programme	Delivery against QIPP targets is monitored at the Transformation Committee lead by the Trust Chair, on a monthly basis. Non-delivery of the programme will be challenged, and where necessary additional schemes advanced to make-up any shortfall. The Trust is also working with the Intensive Support Team to monitor progress.
2. Failure to sustain performance targets	Performance against quality, access, and financial targets is reviewed and challenged on a monthly basis within the Trust at both Executive level and by the Performance Committee, a sub-committee of the Trust Board. Where performance deviated from the target, a recovery trajectory will be set and monitored, and a series of interventions identified. Named lead: Lynn Hill and Jonathan Wilson – Directors of Operations and Finance.
3. Failure to maintain capital infrastructure – delay to redevelopment or alternative capital infrastructure solution	The Trust has an established track record of maintaining clinical services in a failing estate. The Trust has centralised capital expenditure and prioritises resource around greatest need, considering compliance issues as the top priority. Named lead: Jonathan Wilson and Mark Masters – Directors of Finance and Estates
4. Failure to deliver key risk mitigating strategies to redevelopment affordability	The Trust is continuing to progress the rebuild of the inpatient accommodation at Stanmore under a PFI initiative, and will be considering possible means of reducing the unitary payment associated with the development through surplus land asset receipts. This is subject to the approval of the PFI phase 1 OBC addendum by NHS London including commissioner support. The Trust will also need to mitigate affordability downside risks through private income expansion. Named Lead: Rob Hurd Chief Executive