Department of Health

Richmond House
79 Whitehall
London SW1A 2NS

Mark Davies
Chief Executive
Imperial College Healthcare NHS Trust

17 April 2012

Dear Mark,

Imperial College Healthcare NHS Trust - Stage two escalation meeting

I am writing to you further to the stage two escalation meeting held on 5 April 2012. This letter serves as a formal record of our discussion and highlights the key actions agreed.

The meeting took place following the Trust's further red rating and following the stage one escalation meeting held on 20 January 2012. The purpose of the meeting was to discuss the Trust's journey to Foundation Trust status and to discuss the need for a clear plan to achieve clinical and financial sustainability. The three main areas of concern discussed at the meeting were the immediate requirement for the Trust to:

- achieve financial balance on a month by month basis;
- recommence reporting on Referral to Treatment (RTT) and other standards within six months of the reporting break in December, at the latest by June and ensure consistent achievement of these standards from that point; and
- achieve clarity on the strategic direction of the Trust, ensure alignment with emerging commissioner strategies and create a credible strategic plan to underpin this.

Financial Sustainability

It was accepted that the Trust has complex historical financial issues, that there have been a number of changes to the top team and non-executive team to meet the challenge and that there has been an improvement in the Trust's financial position compared to the agreed holding plan for 2011/12 – albeit largely resulting from the receipt of additional non-recurrent income and a reduction in balance sheet provisions. The Trust has an improved cash position which has therefore strengthened its position against Monitor's ratings.

The delivery of Cost Improvement Plan (CIP) is critical to the return to sustainable balance and the expected achievement of £45.5million savings in 2011/12 is a good first step. The £36million (4 per cent) recurrent CIP is a significant improvement on recent years and is underpinned by a number of measures, including tighter executive scrutiny and more intensive interaction with clinical groups. The further step up to the £62million FYE planned for 2012/13 is both welcome and necessary, but we were clear that further assurance is needed about how the plans for transformational levels of CIP for 2012/13 and beyond will be finalised and then rigorously implemented.

You gave a high level overview of your Medium Term Financial Strategy (MTFS), which is designed to deliver sustainable surpluses through cost reduction whilst absorbing a slight reduction of income year on year and providing for a return to a full Payment by Results contract in 2014/15. It was recognised in the meeting that this plan includes significant increases in productivity in excess of those set out in the SaFE analysis, which were based on the maximum observed long-term productivity gains of leading providers in the UK and abroad. You expressed confidence in your ability to deliver at this level through the new approaches you are implementing, and it will be important for us to share this confidence through a combination of robust evidence and early delivery.

These are welcome developments, but a lot of work is still required to maintain progress and I am not yet assured of the robustness of the Trust's MTFS. Paul Baumann will continue to work with you to obtain this assurance. We agreed that the Trust would move from a financial red rating once the 2012/13 Operating Plan was signed off. This will need to include an acceptable phasing of delivery across the year, and maintaining the improved rating will be dependent on delivering the agreed position at each quarter end.

Performance Reporting (RTT and other standards)

Following the suspension of performance reporting in December 2011, the Trust has managed to reduce the backlog from approximately 3500 to 1500; however it failed to reduce the admitted backlog to below 1000 by the end of March 2012. There has also been an improvement in booking appointments, chronological booking and capacity planning, which will need to be maintained if the Trust is to continue to reduce the backlog.

It is clear that there is not enough confidence in the quality of the data currently produced and urgent steps are being taken to improve reporting through process review/improvement and investment in training. Due to the quality of the current data, you were not able to provide a view of what you expect to report in June and no demand and capacity plan has been produced, though you are committed to completing this as a matter of urgency

Whilst measures are being taken to remedy the backlog, you acknowledged that the scale of the problem is larger than originally envisaged due in part to

poor reporting structures across the four sites and the inability to recruit a substantive Chief Operating Officer to date.

Ruth Carnall and I are expecting the Trust to begin reporting performance on 1 June 2012, and there is no flexibility in this requirement. I require assurance, following your Improvement and Support Team review, that by June you will be able to achieve accurate performance reporting for the key nationally mandated metrics covering:

- admitted/non-admitted RTT;
- incomplete spells;
- diagnostics; and
- cancer.

We also agreed that you would complete a review of current performance levels by the end of April to inform robust trajectories of future performance and a systematic capacity/demand review.

To change the overall Tripartite Formal Agreement (TFA) rating, you will need to demonstrate a timely return to accurate performance reporting and sustainable achievement of the national standards on each of the above metrics.

Strategic Direction

It is clear that there is progress in relation to the strategic direction of the Trust and that your thinking will form part of the June 2012 consultation 'Shaping a Healthier Future' being carried out by the North West London (NWL) Cluster. Bilaterals are taking place between the Trust and the Cluster to align the vision of the end state of the Trust with the impact of emerging options for service change.

It was agreed that an Outline Business Case for the proposed strategy was needed to bring this work together and inform the revised TFA. This will need to be synchronised with the process leading to the June 2012 consultation being led by NWL commissioners and we agreed that Brendan Farmer would set out clear milestones to achieve this.

Key to the success in the delivery of the Trust's strategy will be the need to build effective ongoing relationships with providers and commissioners across the health economy, including active engagement in the 'Shaping a Healthier Future' programme. Delivery will also require clear commitment for the strategy from the Board and the wider managerial and clinical community in the Trust and you assured us that you are confident this was in place to deliver the scale of change required.

I am pleased to note that there has been an improvement in the relationship between the providers and commissioners and that the approach being adopted by emerging Clinical Commissioning Groups will ensure that this can be taken forward beyond April 2013 on an appropriate scale.

Conclusion/Next Steps

As the completion of an updated TFA including detailed milestones on finance, performance and strategy had not been completed as expected ahead of the meeting, this now needs to be done as a matter of urgency. We agreed that Brendan Farmer would draft this and agree it with John Goulston and Matthew Kershaw so that it could be signed off with Anne Rainsberry, Ruth Carnall and myself by the end of April 2012. We can then begin monitoring against this from May.

Thank you for your input into the session and the work you and your team have underway. This is considerable and is demonstrating progress, although there is clearly a very significant amount to do. I hope this accurately reflects our discussion and if you have any queries please feel free to contact me or Matthew Kershaw.

Yours sincerely,

DAVID FLORY
SENIOR RESPONSIBLE OFFICER
FT PIPELINE

CC:
Ruth Carnall, NHS London
Paul Baumann, NHS London,
John Goulston, NHS London,
Matthew Kershaw, DH