Department of Health

Richmond House
79 Whitehall
London SW1A 2NS

Stephen Eames
Chief Executive
Mid Yorkshire Hospitals NHS Trust
Trust Headquarters
Pinderfields Hospital
Aberford Road
Wakefield WF1 4DG

18 May 2012

Dear Stephen,

Tripartite Formal Agreement (TFA) Escalation Meeting – Stage One
Mid Yorkshire Hospitals NHS Trust.

Further to our meeting on 15 May 2012, I am writing as agreed to record the main details we discussed. I have at Annex 1, provided an overview of the full conversation.

As you are aware, the Trust, having been red rated for three consecutive months, in the TFA monitoring, has triggered the first stage of the agreed escalation process. The aim of the meeting was to discuss issues, get clarity and an agreement on the way forward to progress Mid Yorkshire Hospitals NHS Trust to achieving Foundation Trusts (FT) status.

Following discussion, we identified the following concerns that need to be addressed:

- underlying financial deficit of £37.6million;
- the need for year on year financial support in the current configuration;
- significant efficiency and productivity challenges and opportunities;
- concerns over achievability, granularity and delivery of the future Cost Improvement Programme (CIP);
- under use of Private Finance Initiative (PFI) capacity; and
- the need to establish a clinically and financially sustainable future strategy.

Thank you for the frank exchange of information in the meeting which was helpful to gain a better understanding of the issues your Trust is facing.

We now need to have a further discussion with Mike Shewan, Director of Provider Development at NHS North of England ahead of the stage two escalation process in June.

The key objective for this meeting will be to discuss and agree with David Flory, Senior Responsible Office for the FT pipeline and Ian Dalton, Strategic Health Authority Cluster Chief Executive, the strategy to be followed to help ensure the services provided by the Trust are clinically and financially sustainable for the long term. To this end, you will need to prepare following the completion of the analysis you have commissioned and is due to be presented to you at the end of May.

I have copied this note to Mike Shewan so that he can work with you to prepare for the stage two meeting.

With reference to Annex 1, please come back to either Angela Lamb (angela.lamb@dh.gsi.gov.uk) or me if you feel I have misrepresented or omitted anything material from our discussion.

Yours sincerely,

MATTHEW KERSHAW
DIRECTOR OF PROVIDER DELIVERY.

Cc:
David Flory
Ian Dalton
Mike Shewan
Angela Lamb

Annex 1

I explained the purpose of the meeting was to give you an opportunity to discuss the issues your Trust is facing in the journey to become an FT.

Your TFA has a formal date of submission to the Department of Health (DH) of 1 April 2014. The escalation meeting took place as a result of the Trust having been red rated for three consecutive months. It was also to discuss concerns over the reality of you being able to meet the TFA milestones and deadline.

The aim today was to use this stage one meeting as precursor to a stage two meeting, as preparation for that meeting, acknowledging that you had already had preliminary discussions with David Flory and Ian Dalton and that David plans to visit the Trust at the end of June and this may be an opportunity to hold the second stage escalation meeting.

I invited you to set out the strategic context and go through the details in your presentation. You explained that both you and your interim Chair had taken a preliminary view at this stage and you had considered both financial and clinical sustainability. You had looked at the implications of your PFI, the service strategy across the three sites, productivity opportunities, the market position and alternative strategic options although the latter was only at an exploratory stage.

The financial position was and remains poor. Although your 2011/12 outturn was £19.7 million deficit this had only been with considerable non recurrent financial support ((£21 million). Your closing underlying deficit was £37.6 million. Your forecast deficit for 2012/13 was £26 million, only assuming CIPs are delivered and the Primary Care Trust (PCT) gives £10 million support. The financial position therefore remains in a critical position.

You explained the previous poor budget setting process in the Trust, the lack of delivery of CIPs and of a robust tracker process to project manage delivery. There had been large amounts of previous non recurring support which had been given in exchange for an expectation of resolution of underlying financial problems over the years. This had not been achieved and the support continues at this time. You believed that until recently, the organisation and the Trust Board had not fully acknowledged the gravity and scale of the actual position.

The PFI project had been based on underlying assumptions of reducing the workforce by 20 per cent. This has not been realised either.

You noted that QIPP information is not yet enough sufficiently robust and this in itself represented a circa £11million challenge over the next three years.

I asked about Commissioner buy in to your QIPP challenge - you noted the PCT Cluster Chief Executive understood the QIPP challenge but that you will need to work with new Clinical Commissioning Groups (CCGs) as they assume responsibility for this in the longer term. However, you commented that there appeared to be general buy in to the Trust's issues as they understand this is a Local Health Economy system problem.

You noted there was significant room for efficiency improvements in the basket of day case procedures and Length of Stay generally, - with sufficient room to take out another 120 beds.

Bob Chadwick, your Financial Director, described the CIP position and that you now have granular plans for £14 million of the plan in 2012/13 with over 85 per cent of the total plan being recurrent.

You believe the only real prospect for the future is to further consider service reconfiguration but that you will need some years of significant financial support to achieve that.

The options and further modelling work need further discussion with Commissioners, particularly with consideration of the impact of them on QIPP. You will give an update on this work at the stage two escalation meeting.

You talked about the general under use of capacity at Pontefract, pressure on the Pinderfields site and the need to use PFI capacity better. I queried why this had not been done before and you replied a lack of clinical support and a culture which has failed to tackle problems. You recognise the need for an effective senior team to tackle long standing issues and this will be a priority irrespective of the nature of the long term plan.

You described the local health market and possible partners for the future and this will continue to be considered as part of the plan to secure long term sustainability for services.

You described that you do not believe status quo can continue, that financial and clinical sustainability can't be delivered without dependence on significant financial support year on year.

I explained high level details about the potential intervention regime which, if enacted may be an option to consider. Your view was that local stakeholders may be amenable to big changes as long as they could see specific site developments.

We agreed that today was not the right time to make decisions on options but it was worth further exploring the potential gain that could be made in driving internal efficiency and productivity alongside reconfiguration, as a starting place. If this then failed, more radical solutions could come into play. I suggested we need further detailed thinking and judgement from you and Bob, but the UPR could help to identify a sustainable service strategy.

We agreed that we would reflect this conversation in a detailed note that will help us prepare for the stage two escalation meeting next month. At that meeting we need to establish the best way forward and make decisions. Ideally the Trust Board will make a decision on future sustainability in advance of that session.

We will of course discuss this meeting in detail with Mike Shewan who will be part of the stage two meeting with David Flory and Ian Dalton.

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