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02 December 2016

Dear Ed

The Secretary of State for Health announced on 11 June 2015 that the NHS Trust Development Authority and Monitor would work together under a single leadership from 1 April 2016. I know that since then both organisations have been working to formalise this new arrangement. I would like to recognise and congratulate you for all the work that has been achieved to date by you, your Board and Executives in establishing NHS Improvement.

I am writing to you now, to set out formally the role that the Department expects NHS Improvement to take in the health and care system to 2020, and the overarching objectives it must meet in support of the Department's Shared Delivery Plan.

Enclosed with this letter is a document which sets out the five overarching objectives which NHS Improvement is expected to have a key role in delivering during the duration of this Parliament, together with more specific objectives that we have agreed for 2016/17 that will form the basis for discussion at our accountability meetings. The objectives also recognise that NHS Improvement has a vital role to play in working with and supporting other ALBs to deliver wider objectives for the sector. We will review with you and, where necessary, refresh NHS Improvement's objectives, both for the forthcoming year and to 2020, on at least an annual basis.

NHS Improvement's objectives from now until 2020 are in line with the health sector's Shared Delivery Plan which outlines the priorities for health and care services as agreed by Government and its partner organisations.

In delivering these objectives NHS Improvement will take a health economy-wide approach to ensure clinically and financially sustainable health services which improve overall health outcomes and reduce health inequalities. I am pleased to see greater collaboration between NHS Improvement, NHS England and the Care Quality Commission and strongly encourage the fostering of close and effective working relationships with these bodies as well as Health Education England (HEE), other national NHS bodies, and with the provider sector in order to drive improvements throughout the sector. Very few of the objectives set out in this letter can be achieved by NHS Improvement alone, and it will be important for us to maintain an open and honest conversation about the context for delivery of NHS Improvement's objectives as part of holding you to account for that delivery. The leadership and maturity shown this far by NHS Improvement in seeking to deliver through collaborative relationships, candour and a supportive rather than confrontational approach will, I believe, provide a strong foundation for delivery of the objectives in this letter.

Key to NHS Improvement's success will be working with NHS England to deliver a balanced NHS budget whilst driving improvements in the efficient use of resources and increasing productivity in NHS providers. To achieve this, the support provided by NHS Improvement to the provider sector must be tailored to the differing needs of the organisations that it comprises. Given that both NHS trusts and foundation trusts are facing similar challenges, you will implement a transparent single oversight framework and methodology for supporting organisations, based on their individual improvement needs and taking into account the wider health economies in which they operate. A cross-sector approach will enable the system to work together to achieve the best value for money, avoid waste and deliver the efficiencies needed for a sustainable health service.

Building on the excellent work that you, Monitor and TDA undertook last year to bring the two organisations together, 2016/17 continues to be an important year for developing NHS Improvement. NHS Improvement will need to continue to build the leadership, relationships and cultures internally to enable it to play the vital role set out in these objectives, alongside achieving agreed cost reductions and efficiency savings.

As you know, the Secretary of State for Health is accountable to Parliament for the health system. The Department of Health supports the Secretary of State in this role by putting in place systems of accountability through which partner organisations are held to account for delivery against their objectives. The Department ensures that these processes are proportionate to the degree of responsibility held, and risk carried, by the organisation being held to account.

The accountability process will be underpinned by a series of formal meetings. Ministerial accountability meetings will be held quarterly, attended by both the

Chairman and the Chief Executive of NHS Improvement, together with the Senior Departmental Sponsor and members of the Department's sponsorship team. These meetings will be structured to promote openness, constructive challenge and the identification and resolution of strategic issues, as well as any other risks to delivery which you and the Senior Departmental Sponsor consider it appropriate to bring to this meeting. I will chair these meetings but other Ministers will be involved as and when required.

The Chief Executive of NHS Improvement will also meet formally with the Senior Departmental Sponsor on a quarterly basis. These meetings will focus more closely on the operational performance of the provider sector and the specific strands of work required to deliver against the organisation's overarching objectives in an open and transparent manner. In order to ensure that this relationship works as effectively as possible, I expect the Department's sponsorship team and their NHS Improvement counterparts to meet regularly on an informal basis. I also expect the Department's communications team to work in partnership with their NHS Improvement counterparts to ensure a co-operative communications approach.

Thank you again for all the work you, your fellow Board members and your executive team have already put into establishing NHS Improvement. I very much look forward to working with you and your organisation over this year.

PHILIP DUNNE