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JF/gs

3<sup>rd</sup> December 2007

Anne Walker  
Chief Executive  
Charter House  
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Dear Anne

**Possible contract amendments 2006/07 and achievement of 18 weeks**

As you know we met on Wednesday to agree a way forward on the above. This culminated in your and my agreeing that based on our discussion Alan and Ross would jointly firm up the PCT's offer by telephone before Alan went on leave.

I would like to set down this Trusts understanding of the proposed contract amendment based upon our afternoon discussion and what Ross has reported to me: -

1. (Much the most important) The PCT agreed that it would pay the full value of the SLA, without applying penalties or withholding payment for work done (this last point refers to outpatient activity). In return the Trust will accept full responsibility for delivery of the 18-week target and do everything in its power to ensure that delivery.
2. The PCT will pay the Trust the extra cost of expensive drugs in the 'block' over 2006/07, but not the full cost.
3. The PCT will commission (and therefore pay for) an intermediate care ward at Hemel Hempstead General Hospital, to be set up as soon as staff can be recruited.
4. If the PCT has any further scope at year-end it will look favourably at contributing to the extra costs of achieving 18 weeks, which the Trust is continuing to incur.

Although the PCT's proposal as we understand it falls significantly short of the total value of the cases we put to you, it is still a substantial and positive offer and we are very grateful for that. In the spirit of co-operation and working together so that we can each tick our various boxes as we all said on Friday morning, we would be willing to accept this offer, on the basis that we will both now set aside any potential contractual disputes between us.

This is subject to one proviso on our part. This relates to back surgery. We have done everything we possibly can to get the back surgery cases referred to us operated on, and we will do more work this year than last, but there is simply no possibility of us being able to reduce the backlog of about 70 cases. We therefore request as the final cement for this agreement that the PCT either agrees to pay us the cost of the Trust referring these cases on or takes back those cases and refers them on themselves.

I hope this account of where we now stand is one you recognise and can confirm your agreement to.

I would be very grateful if you could indeed do that by Wednesday at the latest, so I am able to inform my Board at their meeting on Thursday about where we stand. At our review meeting with the SHA on Thursday last I was also requested to seek to resolve our contractual differences directly and speedily with you, and to report back to them this week if there was still no agreement. I am very hopeful that I won't need to do this, but if by any chance we remain substantially apart, then in order to give us both certainty and the ability to manage we will need to go through a process of conciliation as quickly as possible, to ensure that we can both achieve our tasks and targets for the remainder of the financial year.

With best wishes

Yours sincerely



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**Jan Filochowski**  
**Chief Executive**

c.c Thom Hanahoe  
Nick Evans  
Ross Dunworth  
Phil Bradley