Royal Devon and Exeter NHS Foundation Trust

# Forward Plan Strategy Document for 2012-13

# Royal Devon & Exeter NHS Foundation Trust

# Forward Plan for y/e 31 March 2013 (and 2014, 2015)

**This document completed by (and Monitor queries to be directed to):**

| | |
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| **Date** | **30th May 2012** |

**In signing below, the Trust is confirming that:**

- **The Forward Plan and appendices are an accurate reflection of the current shared vision and strategy of the Trust Board having had regard to the views of the board of governors;**
- **The Forward Plan and appendices have been subject to at least the same level of Trust Board scrutiny as any of the Trust's other internal business and strategy plans;**
- **The Forward Plan and appendices are consistent with the Trust's internal business plans;**
- **All plans discussed and any numbers quoted in the Forward Plan and appendices directly relate to the Trust's financial template submission.**

**Approved on behalf of the Board of Directors by:**

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| **Name** *(Chairman)* | James Brent |

**Signature** 

**Approved on behalf of the Board of Directors by:**

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| **Name** *(Chief Executive)* | Angela Pedder |

**Signature** 

**Approved on behalf of the Board of Directors by:**

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| **Name** *(Finance Director)* | Suzanne Tracey |

**Signature** 

## Section 1: Forward Plan

### A. The Trust's vision is summarised as:

The Trust's long term vision is to provide "Safe, high quality, seamless services delivered with courtesy and respect".

In order to progress this vision during the five year time span of the strategy, the strategic direction for the development of services will be as follows:

- Maintaining sound operational delivery of our existing clinical, research and teaching services.
- Integrating pathways of care from community through to acute care and back into the community, delivered through partnerships with others and by increasing the Trust's own integrated provision.
- Further developing the Trust's acute services across a wider area by building upon the clinical networks and partnerships that are already in place.

The Trust will continue to respond to the increased national emphasis on safety and quality by driving improvements in quality and developing ever more robust governance arrangements. In addition, we will ensure that patient safety is not compromised by the constrained financial environment and the corresponding activity and cost reductions. The national requirements for improved quality and clinical standards are likely to challenge smaller providers of certain services. Small providers will have to achieve a sufficient mass and range of clinical services/activities/staff to maintain skills and standards; and will have to have sufficient capacity and expertise to maintain the necessary governance/assurance structures and processes around these services. This is likely to lead to greater collaborative working between the Trust and neighbouring acute providers.

Partnership working is essential to the Trust's vision. In addition to the established clinical networks with Northern Devon Healthcare NHS Trust and South Devon Healthcare NHS Foundation Trust, the Trust has developed closer links with Taunton and Somerset NHS Foundation Trust to begin to identify opportunities for stronger clinical joint working and potentially more integrated models of care which exploit the expertise available across a wider population base

The solutions to the financial pressures and quality requirements are likely to include a greater integration of community and acute services to deliver more efficient care closer to home and increased collaboration between providers (or rationalisation of provision) of some acute services. The Trust will need to develop and expand its services in these ways if it is to be efficient and effective, but this will have to be done without additional cost to commissioners.

**How the Trust wishes to be viewed by its patients and service users**

The Trust has a high standing in the local community and beyond and we recognise that this gives us a duty to uphold the highest standards and thereby maintain the affection and respect with which the Trust is regarded. The RD&E is continuing on its journey toward becoming a robust public benefit corporation capable of maximising the mutual and financial benefits and freedoms associated with NHS Foundation Trust status. The Trust has developed its ability to maintain a dialogue with its members as representatives of the wider community and this helps the Trust to ensure that it meets the needs of the population it serves. This has been made possible by the contribution and engagement of the Council of Governors, supported by the Board of Directors, our staff and our links with local people and our membership community. The priorities of our members are summarised as follows:

- A hospital where I am seen as soon as possible.
- A hospital that has access to the latest technologies and drugs.
- A well maintained environment that is clean, safe and modern.
- A seamless NHS service from GP through to the hospital and beyond.

**How the Trust wishes to be viewed by its staff**

The Trust recognises the clear link between safe, high quality patient care and the contribution made by our staff. We will provide a working environment that is safe and healthy and the opportunities for staff to develop interesting and rewarding careers, where the required training activities are part of the Trust-wide plan to identify potential and grow the leaders of the future.

Our aspiration to be a 'great place to work' will be demonstrated through strong and visible leadership, both clinical and managerial, which is driven by our core organisational values.

Recognising the dedication and commitment of our staff to patient care day in and day out, we will ensure that their wellbeing is a central consideration. Health and wellbeing will be a key priority for our Board of Directors and our training programmes for managers and clinicians will continue to reinforce the importance of good people management in delivering better outcomes for our patients and securing a strong future for the Trust.

**How the Trust wishes to be viewed by commissioners and other key stakeholders**

The Trust is working closely with PCT and GP Commissioners to deliver sustainable improvements in quality, sustainability and financial efficiency across the Health and Social Care Community. The foundation of the Trust's relationship with its commissioners is the high regard in which its clinical services are held by local GPs and the close links between clinicians in primary and secondary care. The Trust is aware that the contractual relationship between commissioners and providers can sometimes inevitably lead to tensions, but we are confident that the mutual respect and largely shared priorities will allow positive relationships to be sustained.

Similarly, our relationships with other key stakeholders, such as the County Council and neighbouring NHS providers, are built on the foundation of our high quality clinical services.

In relation to academic partners, the delivery of our objectives will be underpinned by a commitment to further enhance the Trust's role in the development of education, research and development and innovation within the region.

**Clinical and Quality Vision**

The Trust's vision for clinical services is focused on the needs of the wider population we serve. Particular emphasis will continue to be on integrated pathway development across the whole community working with the new clinical commissioning groups. Areas of focus will be:

- Emergency medical care with an emphasis on the needs of the frail and elderly, both in hospital and in the community
- Achieving a better balance between the needs of our emergency and elective patients to support the delivery of the 18 weeks admitted waiting time targets and A&E 4-hour targets
- Developing our expertise in the management of pelvic malignancy and maintaining our specialist expertise in a wide range of cancer care
- Working with and supporting partner agencies to deliver expert care close to home

- Building on our academic and research partnerships to support high quality research and development and translate research into improvements in clinical practice
- Developing further specialist links with neighbouring acute providers.

All of the above will be achieved by working closely with patients, carers and the local community to ensure that services are developed that pay full regard to patients' need for care that is delivered with compassion and in a safe environment. The Trust will continue to focus on patient safety as a priority and will continue to pioneer practice that reduces avoidable harm to patients. This will be supported by consolidation of the recently-reviewed governance arrangements and the ongoing improvements in these arrangements.

**Financial Vision**

The financial strategy for the Trust is to ensure that the organisation is financially sustainable going forward and that there is sufficient headroom to make necessary investments (both capital and revenue) to achieve the transformational change necessary to ensure that services are clinically and operationally sustainable to meet the needs of our patients. To do this, the Trust aims to achieve all financial ratios which will allow the Trust to maintain financial performance at a Risk Rating of 3. This will be delivered primarily via improved efficiency and cost reduction rather than activity and income growth. The Trust will explore opportunities for the development of additional income streams where these do not compromise NHS commissioner affordability.

**B. The Trust's strategic position is summarised as:**

Devon has an older population profile than the country as a whole, with a particular peak in those aged 85 years and over. From 2011 to 2031, the number of people aged 85 and older is projected to rise by 77.6% [NHS Devon 2011, Public Health Report]. The number of people with life-limiting long-term conditions and those with dementia are predicted to increase rapidly. Furthermore, the catchment population for the Trust is more elderly than the population profile for Devon as a whole. The impact of an ageing population is demonstrated in the rise in acute medical admissions in the 'over 85 year old' category seen at the Trust over the past year: an increase of 13.1% compared to the same period the year before.

In response to the present and predicted demographic profile across Devon, the health, social care and third sector system is working collaboratively to redesign services which maximise people's ability to remain in their own home, with 'no bed like your own bed' as a defining principle. The Trust is working with partners in the health and social care system to review and redesign pathways of care and associated services for older people.

The Trust has a strong history of clinical excellence, high quality care, delivery of performance targets and financial stability. The Trust is a major centre of undergraduate education, research and development and professional development within the South West Peninsula, providing specialist tertiary acute services to a wide population in East, North and South Devon and parts of Somerset and Dorset and acute secondary care services and some community services to the population in the eastern part of Devon. The majority of the Trust's services are delivered at the Wonford Hospital and Heavitree Hospital sites in Exeter, with additional services delivered at other locations in Exeter, Mid Devon and East Devon and some specialist services delivered more widely across Devon, Cornwall and parts of Somerset.

The Trust has increased its turnover and volume of clinical activity significantly since 2004. However, the changed economic environment for the NHS, both nationally and locally, means that the Trust cannot build its future development on assumptions of increased funding in the local health community. On the contrary, in response to NHS Devon's QIPP plans for the East Devon health community, the Trust will collaborate in the redesign of services to offset any underlying increases in demand for the secondary care services that it provides. The Trust is also committed to working in partnership to redesign services to deliver activity in innovative ways: at lower cost and closer to home. The Trust is also planning to reduce its cost base in response to reduced tariff income as this is the only way that the income will be sufficient to support the Trust's current services.

The theme of integration underpins the Trust's *Strategic Direction 2011-2016* and is part of the 'seamless services' vision of the Trust. Services may be integrated vertically, between social care, primary healthcare, community healthcare and acute and tertiary healthcare; or they may be integrated horizontally, with common services being integrated across a wider geographical area. These forms of integration are not mutually exclusive and, in some circumstances, both vertical and horizontal integration may be desirable. Integration of services does not necessarily require organisational integration, although this is sometimes the best supporting organisational arrangement: services may develop shared pathways of care and operational practices to minimise handovers and allow the patient or service user to experience a single, joined-up service.

The strategic priority of developing integrated systems of healthcare (or health and social care) should deliver the following benefits:

- Reduced interfaces and handovers
- Reduced delays
- Reduced re-work
- Reduced clinical risk

- Improved patient/service user experience
- Improved outcomes
- Reduced direct costs
- Reduced support service costs

The Trust will have to find ways to ensure that these benefits to patients and the wider health and social care system are also beneficial to the Trust as an organisation, for example, by ensuring that tariff-sharing between providers for joint working is arranged equitably. The Trust will aim to take a collaborative approach wherever possible in order to ensure the successful implementation of its strategy. However it is also recognised that there may be some elements of the strategy which, driven by the healthcare reforms, will need to be delivered in competition with other providers. In doing so the Trust will aim to be responsible in its actions for the benefit of the wider patient community we serve.

The Trust is the majority provider for its local catchment area which includes both the city of Exeter, a number of coastal and market towns and a dispersed rural population. There is little competition for the Trust's acute services in this area, with neighbouring acute providers being located at some distance and with only small private providers within the Trust's catchment.

There are potential threats under the roll-out of "Any Qualified Provider" although this covers only a limited range of services at this stage and the Trust is working to take advantage of the opportunities that AQP may offer as well as the potential competitive threats.

NHS Devon, as Co-ordinating Commissioner, has commissioning intentions that are broadly aligned with the Trust's own strategic direction, for example, the provision of more care in community settings. Via service-line focused 'Clinician to Clinician' meetings, the Trust and commissioners have designed QIPP plans collaboratively and these are reflected in the Trust's finance and activity plans.

**C. The Trust's Clinical and Quality strategy over the next three years is:**

A Governor working group focusing on patient safety and quality consulted with all Governors to identify some of the quality improvement issues they would like to see become priorities over the next financial year. On the basis of this consultation and in view of the outcomes from our surveys of members and the interactive activities and focus groups at our 'Members' Say' events, a number of issues were identified, These are going to inform the updating of the Trust's Safety and Quality Strategy in Q1 2012/13 by:

1. The Engagement and Experience Committee focusing all further engagement work over the coming year on helping to better understand patient experience for the frail and elderly.
2. Augmenting communications between staff and patients – it was agreed that good progress has been made, but that more needs to be done.
3. Reviewing and improving the discharge process with a view to securing timely discharge of inpatients from hospital and avoiding delays.
4. Ensuring patient dignity and respect continue to be core threads weaving through the day-to-day interactions with all patients, their families and carers. Although the Trust scores highly on this indicator in national patient surveys, the Governors' focus on the frail and elderly means that this will continue to be a key priority.

The Trust is also responding to concerns highlighted in high profile media reports in other organisations that have been reported nationally which have resulted in a loss of public confidence and raised anxiety amongst patients. The Francis Inquiry into care at Mid-Staffordshire NHS Trust will report during 2012/13. In anticipation of this, the Trust will be strengthening its 'Ward to Board' reporting processes, providing additional assurance to the Board of Directors that the Trust's patients receive safe, compassionate care. The well-established RD&E Nursing Quality Assessment Tool [NQAT] will be broadened to encompass all members of the care team and will be renamed Care Quality Assessment Tool [CQAT] and applied to indicators of quality outside the nursing domain.

In line with NHS reforms, the Trust is preparing for the introduction of revalidation for all medical staff that will commence at the end of 2012. It has appointed and trained a cohort of doctors to undertake strengthened medical appraisal and report to the Responsible Officer who will advise the GMC on revalidation. It is confident that it will be able to comply with the requirements of this five year cycle for all doctors.

The Trust will continue to ensure that it plays a leading role in the development of patient safety in partnership with others through NHS QUEST and the South West Patient Safety Programme. This will ensure the Trust is at the forefront of developing safe practice.

**Clinical effectiveness**

- Strengthen nursing leadership at ward level.
- Develop a strong value-based vision for Nurses, Midwives & Allied Health Professionals.
- Develop a patient discharge service to improve co-ordination and delivery of care.
- Improve flow when patients come to the RD&E for planned surgery.
- Ensure that clinical audit findings are reflected in improvements to clinical practice.

**Safety**

- Develop and implement best practice from NHS QUEST, NICE and other centres of excellence and monitor their impact as the Trust works towards 'harm free care'.
- Invest in technology to improve management of patient records to increase accessibility and accuracy.
- Continue to reduce avoidable harm due to patient falls, pressure damage and infection.
- Continue the work to identify, manage and mitigate the Trust's highest risks.

**Patient Experience**

- Develop an integrated discharge service for patients at the end of their life so they die in their preferred place of care wherever possible.
- Develop best practice in dementia care through the further development of Dementia Champions, enhanced training for staff and the pro-active involvement of carers and volunteers.
- Roll out the use of the online platform, 'Patient Opinion', to provide independent and accessible information to patients and carers
- Further develop the 'what went well, even better if' feedback system to give ward and department staff real-time feedback on patients' experience.

**Clinical research participation**

- Maintain the Trust's position as a research-active organisation to improve quality of care and contribute to wider health improvement.
- The Trust, in partnership with the University of Exeter, the Peninsula College of Medicine and Dentistry and the Wellcome-Wolfson Foundation is developing a shared Research, Innovation, Learning and Development (RILD) building on the Trust's main Wonford Hospital site.
- Further develop the clinical, research and academic partnerships within the South-West Peninsula for shared organisational and service benefits.

D. **Clinical and Quality priorities and milestones over the next three years are:**

For all patients, and with particular reference to the increasing population of frail elderly people, a focus on the fundamental right and requirement for adequate nutrition and hydration is a key priority. In addition, skin integrity is a linked priority spanning the domains of quality, effectiveness, safety and patient experience.

Nutrition and Hydration

Good nutrition and hydration is of critical importance in hospital. All patients admitted to hospital have their nutritional needs assessed using a recognised assessment tool. Compliance with this assessment is reported to the Board monthly.

- Action: Through 2012/13 the use of this tool will be strengthened to ensure the accuracy of the assessment and the implementation of appropriate actions as a result of the assessment.

It is sometimes necessary for patient safety reasons to withhold fluid and food from patients for a short period of time (for example prior to having an anaesthetic).

- Action: The Trust will be monitoring this practice to ensure that patients have fluid and food withheld for the optimum amount of time to ensure safety without compromising nutrition and hydration.

Progress against these actions (which are within the Trust's 2012/13 CQUIN schemes) to improve nutrition and hydration will be reported to the Board quarterly.

Tissue Viability

Caring for patients' skin to ensure that skin damage and pressure ulceration does not take place is important for patient safety, comfort and dignity. The Trust uses a formal assessment tool to identify patients at risk and utilises a series of evidence based practises (the 'SKIN bundle') to prevent such damage occurring.

- Actions: 95% compliance with completion of the Waterlow score (or similar nationally recognised tool) within 24 hours of admission to a hospital ward. Pressure ulcer incidence is monitored monthly and reported through the quality dashboard to the Board. The 2012/13 target is to maintain 95% compliance with completion of Waterlow risk assessment. There will also be an evaluation of the SKIN bundle approach in 2012/13. The national 'Patient Safety Thermometer' CQUIN scheme which is being implemented throughout 2012-13 will provide the Trust with accurate data detailing the prevalence and location of patients with pressure ulceration.

Effective communication between staff and patients, coupled with courteous and respectful attitudes and behaviours are core elements of the values within the Trust's *Strategic Direction 2011-2016*. In addition, the importance of strong, effective leadership at ward level is well evidenced in the literature and forms a key part of the continuing project focused on ward team redesign.

Patient Experience

The Council of Governors proposed this indicator. The attitude and behaviour of staff are critically important in determining the experience of our patients and visitors. We want to work with our patients

and public to develop a strategy that fosters a partnership approach based on mutual courtesy and respect.

- Actions: The 2012/13 priority is the Trust-wide embedding of the strategy. The 2013/14 priority is to involve stakeholders in the evaluation and review of the effectiveness of the implementation of the strategy. The national 'Patient Experience' CQUIN scheme reflects this priority.

Easy read documentation

The availability of 'Easy Read' information was identified through the Learning Disability and Dementia peer reviews. This indicator was chosen by the Council of Governors.

- Actions: The 2012/13 priority is to consider a reader panel to help stakeholders prioritise and validate easy read information and for 2013/14 a stakeholder evaluation and establishment of sustainable processes for developing a library of easy read titles.

Ward team design

The importance of the Matron role is well recognised within the nursing profession and by patients, their families and carers. Matrons have a high clinical presence and are crucial to the delivery of the Trust's response to the challenging national healthcare agenda. This initiative is a component part of the Trust's 'Fit for the Future' service redesign programme and is managed as part of this. In 2011/12 this work focused on defining and developing non-clinical roles, for example the introduction of Ward Housekeepers. The second phase of this project focuses on the role of the Ward Matron and the effective and efficient composition of the clinical ward team, wrapped around the patient.

- Action: As part of a phased implementation plan, a ward team model will be rolled-out across the Trust with standardisation where appropriate and variation where indicated, to take account of the different needs of specific patient groups. In 2012/13 the focus will be on clinical roles. In 2013/14 we will evaluate the impact of the new model on quality, safety and productivity.

CQUIN

CQUIN schemes in addition to those mentioned above are focused on the following areas:

- VTE risk assessment
- Dementia screening
- End of Life Care
- Antibiotic prescribing
- 'Innovation, Health and Wealth' scoping and implementation
- A&E flows
- Early Supported Discharge for stroke
- Nosocomial Pneumonia
- Schemes linked to Specialised Services (NICU, Nephrology, Haemophilia)

Further work will be done to implement plans to address the following items:

- Safety thermometer harms
- 50% reduction in level 3 and 4 pressure ulceration
- Top 5 ICD 10 codes into care bundle delivery
- Reliable process for handover and use of SBAR as standard communication tool for escalation
- Work around 24/7 365 care (hospital at night and weekend working.)
- Reviewing every death
- Peripheral cannula care
- Skin preparation and time to antibiotic in theatres
- Think Glucose
- Think Sepsis
- Medicines management and omissions
- Leadership for safety
- The Trust is currently deploying an electronic document scanning and management software to digitise the existing paper record and provide clinicians with a range of options for future electronic entry of health related information. Alongside this, the Trust is working on a strategy to develop a fully integrated electronic patient record to support care throughout the patient pathway.

Response to Care Quality Commission (CQC) findings

The Trust was visited by the CQC on 14th April 2011, as part of a targeted inspection programme focusing on dignity and nutrition. The Trust was found to be meeting both of the essential standards for quality and safety. To maintain these standards the CQC suggested some minor improvements were made. The improvements, approved by the Board of Directors, reached full implementation in October 2011 and included the adaption of the "Do not attempt resuscitation form"; the development of a new care plan for patients with confusion, dementia, delirium and learning disabilities; and the identification of discreet dining areas as well as the purchase of a variety of distraction aids for meal times.

A scheduled, routine planned review took place on 9th and 10th November 2011. The CQC found that the RD&E was meeting all the essential standards of quality and safety. To ensure maintenance of these standards for the future, the CQC suggested some minor improvements were made. An action plan, approved by the Board of Directors, has been developed which has included the review of the current nursing care plans to support improved documentation of personalised delivery of care. An audit has also been undertaken of 200 inpatient casenotes to identify and assess areas of best and poor practice in terms of documentation of decision making and use of the "Do not attempt resuscitation form". These pieces of work are on-going and their progress is being monitored by the Governance Committee.

On 21st and 23rd March 2012 the Trust took part in a responsive review of compliance of all providers of Termination of Pregnancy Services following national concerns. The review focused on process and documentation. The Trust is currently awaiting the formal report and any actions required as a consequence will be implemented.

## E. The Trust's financial strategy and goals over the next three years:

Although challenging, 2011/12 saw the RD&E maintaining a good performance both operationally and financially with the Trust generating a surplus of £3.0m, marginally below the £3.3m target and producing a Financial Risk Rating of 3, in line with the planned FRR. The Trust has now generated a surplus in seven out of the eight years since becoming a first wave Foundation Trust in 2004/05 which is essential to enabling the Trust to reinvest to improve infrastructure and patient care. The Trust had a significant cash balance of £50m (38 days liquidity) against the plan of £47m as at 31st March 2012 which puts the Trust in a healthy position during this challenging financial period for the NHS. In realising the surplus for 2011/12, the Trust achieved CIP savings of £16.8m, close to the £17.1m target.

The Board has approved a surplus target of £3.5m (around 1.0% I&E surplus) for each of the financial years 2012/13-2014/15. This level of surplus should enable the Trust to finance sufficient capital development over the planning period, whilst also setting a challenging but realistic CIP target and providing a reasonable contingency level for the risks identified (see below).

The contract with NHS Devon as Co-ordinating Commissioner has been signed and is consistent with the figures in the Financial Plan. The contract value for the NHS Devon cluster, which represents 90% of patient income, has been set at a higher level than the outturn for 2011/12. Despite the tariff deflator of 1.8% and the pressure on commissioners to reduce acute activity, this represents an agreed, realistic assessment by the Trust's commissioners of activity and income for 2012/13. The contract will run according to PbR rules, but includes additional management arrangements to minimise risk and incentivise all parties to focus on QIPP delivery and improved patient flow.

The key assumptions contained within this plan, and the material changes over the three year period, centre on two key issues: QIPP assumptions and CIP requirements, as set out below.

**QIPP Assumptions**

During the planning stages for both the 2011/12 and 2012/13 financial years, NHS Devon initially anticipated QIPP savings in the region of £10m per year. In practice, however, savings of around £3m-£5m were agreed to be deliverable in each of these financial years (£3.1m for 2012/13). The key purpose, therefore of the risk management agreement is to focus management effort to work together to plan and implement QIPP savings in a planned way in order to minimise risk to both organisations.

With this in mind, Years 2 and 3 of the 3-year annual plan have been set assuming that QIPP offsets both activity growth and drugs and devices growth as indicated in the table below. This level of saving is below that currently identified by NHS Devon in their forward plans, but the Board believe the Trust's plan to contain the more realistic assumptions.

| | 2012/13 | 2013/14 | 2014/15 |
|---|---|---|---|
| Activity growth | 2,500 | 4,344 | 4,235 |
| Drugs and devices growth | 500 | 1,500 | 1,500 |
| Total Growth | 3,000 | 5,844 | 5,735 |
| QIPP | -3,137 | -5,844 | -5,735 |
| Net growth | -137 | 0 | 0 |

Operationally there is a risk that growth will not be offset by activity-reducing QIPP schemes over the three year planning period. This could lead to increased patient demand and a shortage of capacity to meet this demand, potentially impacting on targets such as RTT and/or higher cost short term capacity to meet the demand. This risk will be managed by the Hospital Utilisation Group (HUG) led by the Director of Nursing.

**Cost Improvement Plans (CIP)**

The total internal CIP target for the next three years (excluding QIPP) is expected to be £49m with £16.9m to be delivered in 2012/13. The main components of this target are:

PbR efficiency built into the local and national tariff (£37.3m). This represents an efficiency reduction of 4.0% in Year 1, rising to 4.5% in Years 2 and 3. In setting the planned efficiency savings, the Board have reviewed the assumptions set out in Monitor's recent financial assumptions publication which contains the expectation of a 5.0% CIP requirement from 2013/14. The Board is of the opinion that the headline rate is unlikely to exceed 4.5%, and that other potential pressures such as impact of the 30% marginal rate emergency rule and non-payment for re-admissions can be contained within the financial assumptions made.

An additional internal savings requirement of £7.0m to support potential safety/quality developments that may be required has been included.

In addition, the internal CIP target set by the Trust also reflects the need to save around 40% of the value of the income reduction related QIPP plans in the short-term (£6.0m). This represents the overheads that cannot immediately be saved as a result of activity reductions (such as depreciation, PDC dividends and other overheads). Some of this saving is likely to be generated by providing activity growth at a lower rate than the tariff provides by improved productivity.

The achievement of this level of cost-improvement is potentially a significant risk to the organisation. The Trust has, however, demonstrated its ability to achieve a similar level of CIP in both 2010/11 and 2011/12. A review of the Programme Management Office (PMO) and overall structure supporting delivery of CIP and strategic redesign is currently being carried out by an independent management consultancy. This review should ensure that the Trust is well placed to continue delivery of challenging CIP targets into the future.

The Trust has currently identified CIP plans for 2012/13 with a recurrent impact of £10.5m (£16.9m plan) and a part-year effect in 2012/13 of £7.5m. The plan assumes that savings relating to CIP schemes yet to be identified are profiled from Month 4. The Trust has also identified a financial contingency for the non-recurrent impact of CIP profiling for 2012/13, which will ensure the focus of the organisation remains on delivery of recurrent savings rather than resorting to potentially damaging short term measures.

**Capital**

The Board agreed that the priorities for capital investment should be to:

- Ensure that there is a proper programme of equipment replacement (safety, efficiency).
- Maintain the building infrastructure at an adequate standard (safety, patient experience).
- Fund existing commitments and future developments that contribute to the future strategic direction of the Trust and delivery of improved efficiency (safety, patient experience, efficiency).

The Board strategy is to maintain liquidity at around 35-40 days of operational expenditure and therefore capital expenditure is broadly expected to be funded by depreciation, operational surplus, specific contributions and any slippage of capital from previous years.

The three year capital plan shows an overall source of funding of £63.7m (£27.9m in 2012/13), and a capital expenditure plan of £67.5m (£29.7m in 2012/13).

The only disposal plans in the three year plan relate to the sale of the Honeylands site, which has been used to provide a paediatric respite care centre. The sale is expected to be made in two lots with the first sale early in 2012/13, and the second sale in 2013/14. The overall book value for the site is £0.7m.

The Trust's Strategic Capital Group acts as a steering group/capital projects programme board to maintain overall control and provide strategic direction for the delivery of the Capital Plan and the development of the Estate Strategy.

The table below summarises the source and application of capital funds.

| | 2012/13 £'m | 2013/14 £'m | 2014/15 £'m |
|---|---|---|---|
| Capital slippage from 2011/12 | 4.1 | | |
| Surplus | 3.5 | 3.5 | 3.5 |
| Depreciation | 12.8 | 13.4 | 14.1 |
| Loan repayments | -1.3 | -1.3 | -1.3 |
| RILD funding from Exeter University | 8.8 | 7.4 | |
| Funding available | 27.9 | 23.0 | 12.8 |
| Capital expenditure | -29.7 | -24.4 | -13.4 |
| Cash Increase (Reduction) | -1.8 | -1.4 | -0.6 |

**Price Inflation**

The table below sets out the summary price inflation assumptions for each of the financial years 2012/13 – 2014/15. Detailed pricing assumptions can be found within the 'costs' section.

| | 12/13 | 13/14 | 14/15 |
|---|---|---|---|
| Total price | 2.2% | 2.8% | 2.5% |
| Efficiency | -4.0% | -4.5% | -4.5% |
| Net price deflator | -1.8% | -1.7% | -2.0% |

**Service Developments**

There are no significant developments between 2012/13-2014/15 other than those detailed elsewhere in these Forward Plans.

**Financial Risks and Mitigation**

The Board considered the potential risks and mitigation of its forward financial plan as part of the provisional budget set for 2012/13 in the March Board meeting. The key risks identified are set out below:

- Activity growth might be higher than jointly predicted by the Trust and commissioners and could therefore be unaffordable to the PCT, leading to difficulties for the Trust in recovering income.
- Non-recurring income to fund RTT achievement is not yet agreed with the PCT. There is a risk (up to £2.3m) that costs need to be incurred in order to achieve RTT, but that income will not be agreed by the PCT.
- Potential non-achievement of the 2012/13 CIP target.
- Risk of overspending on pay or non-pay budgets.
- QIPP – risk of not being able to reduce the cost base in line with the planned income reductions.
- Risk of contract penalties relating to underachievement of targets for RTT, cancer, Clostridium difficile, mixed sex accommodation, A&E 4-hour wait, and diagnostic 6 week waits.

These risks will be monitored at Board level through the year as part of the monthly Integrated Performance Report, and action plans developed where necessary. In addition the contract risks will be monitored and discussed with the NHS Devon contracting team on a monthly basis with the development of action plans as necessary.

Delivery of CIP remains the key financial risk to the Trust for 2012/13 and beyond. Delivery of schemes will continue to be monitored on a monthly basis by the 'Fit for the Future' Programme Board which has a membership of all the Executive Directors and reports directly to the Trust Board of Directors via the Integrated Performance Report. A financial contingency is available to cover the 2012/13 current year CIP shortfall if necessary to ensure the focus remains on the recurring CIP schemes. However, the expectation is that further recurring and non-recurring schemes will be delivered to meet in full the target set for 2012/13. The current position in terms of CIP shortfall and additional scheme development is similar to the position at the same time of year in 2010/11 and 2011/12.

An explanation of the key checks will be e-mailed separately to the Monitor relationship team on submission of the Annual Plan.

## F. The Trust's approach to ensuring effective leadership and adequate management processes and structures over the next three years is:

### Board capacity and capability

The Board will ensure that it has the right information and capacity to ensure that the *Strategic Direction 2011-2016* can translate into clear delivery plans and that the Trust does not miss strategic opportunities and can respond to threats. There is a clear programme of Board Strategy sessions to address issues as they arise and allow sufficient time for full discussion, including scenario planning and consideration of implications across a range of dimensions. By focusing on maintaining a strategic overview of the changes to the external context and the implications for the Trust, the Board will ensure that it can respond appropriately and in a timely way to external changes resulting in risks to its core business. There will be a focus on building the professional skills of all the Board to ensure that Board members are equipped appropriately to handle a period of change. Following a review of Board composition and in anticipation of vacancies arising, two non-executive director appointments are planned in early 2012/13.

The Board will ensure that it does not adopt a 'business as usual' mode and instead focuses on continuous improvement and effectiveness. The Board will focus on ensuring that what it does and how it does it is fit for purpose in the changing external context.

### External relationships

Working in partnership with new health and social care partners requires good relationships. There is a risk that changes in commissioning lead to delays in decision making and more difficult joint working as new relationships have be built. The Trust will focus on building an effective relationship with new PCT Cluster Board in preparation for handover to GP Clinical Commissioning Groups; and on building further direct relationships with GP Clinical Commissioning Group Chairs and the Acting Locality Director. A lead Commissioning GP is currently included in monthly contract meetings. A revised stakeholder engagement strategy is in place.

### Corporate Governance

The Board of Directors commissioned a Trust-wide review of governance arrangements which commenced in April 2011 and concluded in October 2011. The review streamlined reporting structures and has created a simple structure with clearer accountability.

The Trust now manages Governance through the 'Governance Performance System', a structure of five main Committees, and a number of sub-committees and groups which report upward through the Governance Committee to the Board of Directors. This structure is in addition to the Audit Committee. The role of the Governance Performance System is to provide assurance that the care delivered meets regulatory requirements (Care Quality Commission) and the aims and objectives of the Trust within the themes of safety, quality and effectiveness. In addition, this system is also responsible for the early identification and escalation of any areas of concern.

The Trust is currently six months into the revised Governance System. A formal review of the new system will be undertaken in October 2012 to ensure that the new governance structures continue to be fit for purpose and deliver enhanced levels of assurance. The Trust will further develop 'Ward to Board' reporting (e.g. develop a more comprehensive range of 'Theatre to Board' and paediatric quality indicators and reports). During 2012/13, quality scorecards will be incorporated into the service line management reports.

The Board will take into account changing roles within the governance structure as a result of the new Health & Social Care Act. The Board will review whether any changes in corporate governance arrangements are required in response to the Act and puts these in place. This is likely to entail a stronger role for Governors in providing enhanced local governance oversight. The Board will consider the ongoing engagement with the Council of Governors as part of its emerging strategy.

As part of the Trust's 'Fit for the Future' programme a Senior Management review is currently being undertaken. Amongst other things, this will ensure that the Trust has the skills and capacity to meet the challenges of the changing external environment and can implement the new Trust Strategy.

## G. The Trust's other strategic and operational plans over the next three years:

The Trust will work with the Peninsula College of Medicine and Dentistry to support the continuing provision of high quality medical education as it divides into two medical schools based on the Universities of Exeter and Plymouth. New students enrolling from autumn 2013 will be commencing at the University of Exeter, but the curriculum and teaching requirements will be unchanged for seven years.

The Trust will progress the joint work with the Peninsula College of Medicine and Dentistry and the University of Exeter to develop the Research, Innovation and Learning Development (RILD) at the Trust's main Wonford Hospital site. Building works commenced in 2011/12 and completion of building works and handover for operational commissioning is timetabled for November 2013.

The Trust is already a provider of acute care beyond its secondary care catchment. Many tertiary services draw patients from a wider area and there are a number of networked arrangements whereby the Trust's clinicians work in other providers' hospitals. The Trust intends to build upon these arrangements to develop its acute services in collaboration rather than trying to competitively expand its secondary care services into other providers' catchment areas.

The Trust will review its current networked arrangements and take opportunities, service by service, to build on these where this is clinically and financially desirable. Some services require solutions in the immediate future and this might give the opportunity to start implementing this stage of the strategy, in particular neurophysiology and thoracic surgery. There will need to be further dialogue with clinical teams to identify other services that fit this element of the strategy and, in parallel, the Trust will develop criteria to assess the relative priority of these various opportunities. In addition, the Trust will need to agree, on a service by service basis, whether the best solution is for the service to be provided under the RD&E 'brand' in another hospital or under some other arrangement.

The further development of services in partnership with other providers will need to be supported by improved arrangements for governance, operational interfaces, information sharing, performance management, workforce development, contracts and finance.

**The Trust has had regard to the views of Trust Governors by:**

The Governors have been involved in preparing the Trust's forward plan by:

1. Approving the key elements of the 2011/12 Forward Plan. The content of the 2011/12 plan, as it applied to 2012/13 and 2014/15, formed the starting point for the 2012/13 Forward Plan.
2. Contributing to the development of the Trust's 'Strategic Direction 2011-2016' which guides the future direction of the organisation, as reflected throughout the Forward Plan.
3. Considering the future development of the Trust and the implementation of its strategic plans annually at the joint Board of Directors and Council of Governors development day.
4. Presenting to the Council of Governors regular updates on national policy changes and the implications for the Trust and taking account of Governors' feedback.
5. The priorities of Governors are reflected in the Safety and Quality Strategy and are included in the Forward Plan.
6. Working with the Trust to better understand the views and opinions of its members through surveys, focus groups and 'Members' Say' events. These views are reflected in the Trust's 'Strategic Direction 2011-2016' and in the Forward Plan.
7. The Membership Group developing the plans for membership engagement and recruitment.
8. Discussing the key elements of the Forward Plan at a Council of Governors development day in May 2012.