South Devon Healthcare NHS
NHS Foundation Trust

Operational Plan Document for 2014-16

South Devon Healthcare NHS Foundation Trust

1.1 Operational Plan for y/e 31 March 2015 and 2016

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

Name	Paul Cooper
Job Title	**Director of Finance, Performance & Information**
e-mail address	**p.cooper1@nhs.net**
Tel. no. for contact	**01803 655761**
Date	**4 April 2014**

The attached Operational Plan is intended to reflect the Trust's business plan over the next two years. Information included herein should accurately reflect the strategic and operational plans agreed by the Trust Board.

In signing below, the Trust is confirming that:

- **The Operational Plan is an accurate reflection of the current shared vision of the Trust Board having had regard to the views of the Council of Governors and is underpinned by the strategic plan;**
- **The Operational Plan has 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 Operational Plan is consistent with the Trust's internal operational plans and provides a comprehensive overview of all key factors relevant to the delivery of these plans; and**
- **All plans discussed and any numbers quoted in the Operational Plan directly relate to the Trust's financial template submission.**

Approved on behalf of the Board of Directors by:

Name *(Chair)*	David Allen OBE, Acting Chair

Signature 

Approved on behalf of the Board of Directors by:

Name *(Chief Executive)*	Paul Cooper, Deputy Chief Executive

Signature 

Approved on behalf of the Board of Directors by:

Name *(Finance Director)*	Paul Cooper, Director of Finance, Performance & Information

Signature 

1.2 Executive Summary

In the proposed integration of health and care services created by the merger, through acquisition with Torbay and Southern Devon Health and Care NHS Trust, South Devon Healthcare NHS Foundation Trust is entering into the most significant period of development since its inception.

In creating a fully integrated health and social care service provider, the Trust is developing clinical models that, as well as improving the quality of care to our population, will drive significant productivity benefits. This is achieved largely through developing community based services; services that will accommodate the future demands of an increasingly elderly population without a consequent need to expand resource intensive acute care capacity.

This plan however, whilst describing this ambition, necessarily focuses on the Trust's existing services.

The plan describes a Trust with a strong track record, marked by consistent delivery of high quality clinical care, good patient experience, delivery against key performance standards and with good financial results. Equally, it describes the challenge facing this Trust and many others managing medium sized District General Hospitals in maintaining both quality and financial balance as they move forward.

Ahead of progressing with its planned integration, the Trust is forecasting deficits, before technical items such as impairments, of £1.9m and £3.6m in 2014/15 and 2015/16 respectively. The Trust has a well-developed programme to deliver efficiency and productivity; a programme which is clinically lead with strong levels of engagement throughout the organisation. However, and despite that, we do not reasonably predict that it will deliver sufficient benefit to offset the efficiency requirements of the National funding model. If the Trust were to remain in its current configuration, these challenges would, most likely continue.

From a service delivery perspective, the priorities for the Trust for this period include underpinning the sustainable delivery of the Emergency Care Standard and moving to a sustainable specialty level delivery of the Referral to Treatment standard in elective care. The Trust has been allocated an exceptionally challenging C-Diff target, at just 11 cases, and has an action plan in place to best secure its delivery.

The Trust will strive to improve the quality of service throughout this planning period, largely in response the recommendations of the Francis, Keogh and Berwick Reports. The plan describes in detail the actions taken to establish staffing levels in response to these reports and the particular quality initiatives that we plan to deliver.

1.3 Operational Plan

1.3.1 Strategic Direction

1.3.1.1 The Local Health Economy

South Devon Healthcare NHS Trust was established in 1991 and became an NHS Foundation Trust in 2007. As a medium sized District General Hospital (DGH) it provides patients in the South Devon area with a full range of secondary care services. The Trust serves a resident population of approaching 300,000 people, but this increases by as many as 100,000 visitors at any one time during the summer holiday season.

The local health system is largely commissioned by South Devon and Torbay Clinical Commissioning Group (CCG), geographically coterminous with the Foundation Trust, and representing more than 80% of NHS commissioned services. NHS England, through its specialist commissioning function, its dental commissioning and Public Health England are the next most significant commissioner for the Trust. North, East and West Devon Clinical Commissioning Group have a relatively small contract with the Trust. Taken together the contracts with these minor commissioners amount to 17% of NHS commissioned services; the balance representing non-contracted activities. Our two Local Authorities (LA), Devon County Council and Torbay Council, have taken responsibility for public health commissioning from the 1st April 2013 and are now commissioning sexual health and a range of related services from the Trust.

Competition is comparatively limited in the local health community. There is a small private sector provider of routine elective care in Torquay receiving a reasonably stable flow of around 25% of Orthopaedic referrals. It is at capacity with limited opportunity to expand. Some patients at the very outer edges of the Trust's catchment choose to be treated in either Plymouth or Exeter. There is a limited exposure to the agenda driving centralisation of specialist services. During the lifetime of this plan, the only known risk is around open arterial vascular surgery – value circa £300k – which is likely to transfer to Exeter. The impact of any qualified provider (AQP) has been limited to date.

The Trust's share of the local healthcare market is not expected to change significantly during this Annual Plan period.

The discrete nature of the local health community makes it critical for the Trust to work in partnership with what are, effectively single commissioners. The Trust is actively supporting the local CCG and the LAs, engaging with its leadership through our 'Joined Up Cabinet', pursuing a collective ambition for an integrated model of care across the community.

1.3.1.2 Strategic Plan

Much of the Trust's past success and historically secure competitive position stems from the integrated care model developed within the local health and social care community. The most significant aspect of the Trust's strategy for this planning period is to further develop these benefits through the acquisition of Torbay and South Devon Health and Care NHS Trust (TSDHCT), formally bringing together acute, community health and adult social care services for much of our catchment area.

TSDHCT have determined that, as a stand-alone Trust it is unlikely to secure a viable future. Consequently, and in conjunction with the Trust Development Authority (TDA) it determined that it should seek a partner organisation through which to pursue its model of integrated care. SDHFT,

as the only bidder in a competitive process, was successful at the pre-qualification stage and has subsequently had an Outline Business Case for the acquisition of TSDHCT approved by the TDA.

Preparation of the final business case is well under way. Having been designated 'preferred bidder status', the Trust is working in close partnership with TSDHCT and has developed a good understanding of the financial and operational positions of the partner organisation. Preliminary due diligence has been completed.

The Trust has formally considered the competition aspects of its proposed transaction, engaging specialist economic and legal advice in this assessment. The Trust believes that the 'vertical' nature of the integration limits any effect on competition in the local market. The Trust has, therefore formally determined that there is no requirement to refer the proposed transaction to the Office of Fair Trading for a formal competition assessment.

A final business case will be presented to Monitor on 1 October 2014, supporting our proposal to create a single, integrated health and social care provider organisation to serve our local community.

Our community, like all others, faces a severe demographic challenge. Demand for care is expected to increase by 2 to 3% per annum, and is compounded by the complexity of caring for an increasingly elderly population, presenting with multiple diagnoses and living for many years with often numerous long term conditions.

The full business case will describe well developed clinical models for frail elderly care, alcohol and substance misuse, transitions of care from paediatric to adult services and for long term conditions that, as well as improving the quality of care to our population, will drive significant productivity benefits. This is achieved largely through developing community based services; services that will accommodate future growth in demand without a consequent need to expand resource intensive acute care capacity.

Our proposals recognise the importance of health promotion as a means of reducing the incidence and toll of long-term conditions. It will aim to maximise the independence of individuals for both health and social care. When care is required, we will ensure that it is person and carer-centred. Where appropriate we will endeavour to deliver care close to home.

The Trust will prioritise the joining up of community teams with the primary care teams by working with the locality groups and zones to consider the best models of care. This is to ensure a person centred whole population approach to health and care.

Local care providers in the domiciliary, nursing and care home sector are an integral part of the local infrastructure. The Trust will recognise this and build on existing arrangements with nursing homes to provide and receive support from these care providers within an agreed network arrangement. The aim will be to support a vibrant and resilient community of providers.

We will ensure that, as far as possible, the information we use to help deliver care is owned by individuals and shared appropriately by care professionals to deliver world-class care. When higher levels of dependency and care are required, we will endeavour to deliver this in a planned and co-ordinated manner, aiming to reduce the amount of unscheduled care that is delivered.

We recognise that certain levels of specialist care cannot be provided to the requisite standard in a local setting and will ensure that our population has access to the highest standards of specialist care when necessary. This may be provided within the District General Hospital (DGH), at regional or national centres. In the future, the DGH is likely to be smaller but looking after patients who have higher levels of acute dependency.

When individuals are reaching the end of life, we will endeavour to ensure that their wishes are supported and that care is delivered appropriately.

We recognise that there are communities with exceptional needs, be that due to age, disability, or deprivation. We will endeavour to ensure that our care system identifies and responds appropriately to minimise the inequalities that arise from these circumstances.

In the new organisation we will see:

- Joined-up professional practice with the further integration of health and social care teams; staff working flexibly to deliver care in the most appropriate setting, seven days a week, where appropriate
- A networked approach with primary care, mental health and the independent and voluntary sector; enabling increased value through shared expertise to encourage people to stay well.
- Health and social care records that are linked to ensure that information is not duplicated and that when people access the health and care system, information is accessible from any parts of the organisation, at the point of need. We will also make this information available to the users of our services
- An estate that is designed to enable the delivery of high quality health and care services now and in the future and where there is increasing synergy between health, care, housing and strategic planning across South Devon and Torbay
- A flexible financial framework that allows services to be delivered around the needs of our users
- New organisational structures and governance work-streams to support the delivery and provide assurance of high-quality care
- Care focused on the individual

The new organisation, with a turnover in excess of £350m, is of sufficient size to operate effectively into the future. Whilst clearly seeking improvements in the wider care system as a primary objective, this 'critical mass' is also a major factor in the Trust's decision to pursue the acquisition. Going forward, it creates the best environment in which the maximum range of secondary care services can be maintained locally.

Given that the Full Business Case is yet to be considered by Monitor, the remainder of this Annual Plan submission and its detailed appendices necessarily focus on the business of the existing Trust. This describes an increasingly challenged position as we move forward. In pursuing the acquisition of TSDHCT, the Trust has a well-developed strategic plan that we expect to implement with effect from 1 April 2015. Falling into the planning period associated with this Operational Plan, this submission will therefore, alongside the baseline operational plan, describe the benefits that we expect to deliver through the planned transaction.

1.3.1.3 Commercial Development

For a number of years the Trust has run a successful Pharmacy Manufacturing Unit (PMU), which will be moving to a modern, expanded facility in July 2014. Over the last two years the Trust has been investing in the corporate infrastructure, developing a, largely autonomous commercial management team, with significant industry experience. The business continues to grow in the existing facility and signs are good that the ambitions to increase that rate of growth once the new unit comes on line in 2014/15 will be fulfilled.

1.3.1.4 Investing in Innovation and Improvement

For an organisation of its size and nature, the Trust has a strong track record in innovation and improvement, being at the forefront of many clinical developments. The increasing efficiency and productivity challenge facing the entire NHS will make this ever more important in the coming years.

The Trust has implemented an improvement methodology, largely based on that developed in Jonkoping in Sweden, and branded locally as the 'Horizon Institute'. In doing so, the Trust has committed to a model of improvement that is clinically led and will invest in releasing the time of senior clinical leaders to deliver future improvement.

The Horizon Institute will also be the focus of additional emphasis in Research and Development and Commercial Trials, both of which we plan to grow over this planning period. There is a significant opportunity to market an integrated health provider, especially one serving a population with an age profile 20 years ahead of the UK average, as being particularly suitable for clinical trials of therapies to treat age related conditions such as dementia. In addition, the Trust has a range of projects in the pipeline from which it expects to deliver value from Intellectual Property (IP) over the lifetime of this plan; the most significant being 'Hiblio', an on-line library of training, patient and public health information. The Trust is actively engaging with the newly formed Academic Health Science Network (AHSN) for the South West, using its expertise to leverage greater opportunities.

Under the auspices of the Care Minister's plans to develop integrated care solutions, the Health Community in Torbay and South Devon has been designated Pioneer Status. In parallel with developing its acquisition business case, the Trust will actively support the development of a wider system of service integration across local public services.

In partnership with the AHSN, the University of Exeter and Torbay Local Authority, the Trust will also develop an academic research capability focused on demonstrating the benefit of care systems integration. Whilst at an early stage, we hope to develop an rigorous, academically supported understanding that, in itself can be exploited in a commercial setting and supporting Local Authority partners in their economic regeneration efforts.

1.3.2 Strategic Objectives for the Period 2014 - 2016

1.3.2.1 Quality

Safest Care: We will ensure that safety and safeguarding is embedded as our foremost priority, achieving further improvements in safety and effectiveness, and ensuring regulatory compliance, to achieve the best possible outcomes for the communities we serve.

No Delays: To minimise the time people wait to receive care, through service improvement and re-design of pathways.

Best Experience: To deliver compassionate care as part of a community wide system based around the needs of the individual so that we provide the right care at the right time and in the right place, always involving our community in developing our services. We will ensure experience of our services is the best possible, learning and taking action from concerns raised by Governors, Members surveys, complaints and other feedback mechanisms.

Promoting Health: We will promote healthy lifestyles and public health in all contacts with our community, encouraging people to take responsibility for their lifestyles and well-being.

Personal, Fair and Diverse: We will use the Equality Delivery System to ensure that all people receive care of the highest standards and to ensure that services are accessible to all within our Community.

Delivering Improved Value: We will support our care services by achieving excellent levels of financial performance, as measured by the requirements of Monitor, delivering best value for taxpayers' funds. We will work with partners to deliver the challenges of QIPP (Quality, Innovation, Productivity and Prevention).

1.3.2.2 Board Direction

Leadership: We will improve continuously the effectiveness, challenge and contribution of the Board, providing leadership and strategic direction to the Trust and the wider Health and Care Community. We will build leadership capacity, capability and skills suited to a combined health and social care provider, through effective role modelling and providing tools and techniques to operational teams. We will further the reputation of the Trust and strengthen relations with the clinical leadership, Local Authorities, the Council of Governors and other stakeholders.

Strategy: We aim to create a sustainable provider of integrated health and social care for the South Devon community, delivering in full the benefits set out in the Outline Business Case for the establishment of the Integrated Care Organisation and will work with partners and the wider population to realise the vision set out in the Pioneer Programme.

1.3.2.3 Enablers

The delivery of these objectives will be supported through a range of 'enablers' that will develop the organisation and improve its capacity to deliver change and improvement:

Workforce Development: To deliver an organisational development programme that builds inclusive, accountable clinical leadership and a flexible working culture that motivates, supports and develops our staff in meeting the challenges of organisational change, demanding performance targets and budgetary restraint whilst retaining a strong focus on service quality.

Research & Innovation: To promote leading-edge development, applying this knowledge to facilitate service redesign, to drive improvements in patient care, experience and value for money. To build the Trust's reputation and presence as a provider of high quality Research and Development and Commercial Trial activities, delivering an increased portfolio and financial contribution during the year.

Education: To develop improved links with providers of education and the developing Academic Health Science Networks, enhancing the Trust's reputation as a provider of education.

Transforming and developing our estate: To invest in the estate, ensuring that we develop a safe, effective and resilient environment that promotes the most positive of experiences. To prepare a medium term strategy and integrated estates plan linking service and estates developments across the wider Health Community, and supporting the service objectives of all organisations.

Good Citizenship & Sustainability: To recognise the Trust's position in and responsibilities to the local community. To promote the Trust's role as a key contributor to the development and sustainability of the local community; building links with the community and local schools, supporting their development, promoting inclusion and delivering the objectives outlined in the Trust's sustainability strategy.

Information and Information Technology: To implement the Information Technology Strategy, ensuring that the board, clinical leaders and managers receive reliable and timely business

intelligence, and to focus information technology developments on improving business intelligence, clinical effectiveness, patient safety and experience.

Commercial Development: To maximise the contribution of commercial activities in support of the Trust's wider objectives.

1.3.3 Quality Plans

1.3.3.1 Quality Strategy

The Trust has been working with Commissioners and Torbay and Southern Devon Health and Care Trust to develop a jointly owned Quality Strategy. That strategy, summarised in the following paragraphs, responds to the findings of a range of key reports published during 2013, including:

- The Francis Report
- The Chief Nursing Officer's 'Compassion in Practice' Vision
- The Keogh Report
- The Berwick Report

These reports reaffirm the central tenet that quality must sit at the heart of any healthcare delivery system and, as a result:

- Quality is at the heart of the Trust's ambition, vision and mission.
- It is articulated in the corporate strategy and reflected in strategic objectives for the next 5 years.
- People expect high quality care and increasingly are willing to choose where they have their care based on reputation for quality
- Delivering high quality care is generally more productive and therefore costs less.
- We know from experience in other areas that organisations which ensure a priority focus on quality tend to have more satisfied staff. The connection between satisfied staff and high quality is a key driver.

Our purpose, with partner organisations, is to promote healthy communities and personalised care that is focussed on the needs of 'Mrs Smith', her family, carers and neighbours by being accessible, integrated, innovative, affordable and of the highest quality. As a result, high quality **care, compassion and kindness** sit at the heart of our organisation. Every member of staff has a responsibility for providing care, compassion and kindness and we aim to achieve this with strong leadership at every level.

It is not just about the care we give, but the way we give it. We want to understand how patients, service users, carers and the public experience our services and not only listen to patient feedback but respond effectively. We then want to let people know what has happened as a result of their feedback. We want all our staff to see the person in every patient or service user and to engage staff and those who use our services including the wider community, in helping us to develop and deliver highest quality services.

We intend to ensure that all our services are of the highest quality because they are designed to keep people safe, prevent ill-health, treat illness and promote independence.

The Trust's strategy over the next five years is to work with our partners in health and social care within the local community to improve health, wellbeing and experience through developing a more integrated health and social care service. We will further develop clinical systems and processes

using the well-established framework familiar to us as set out in the Safer Patient Initiative, which will keep quality and patient safety at the centre of the Trust's agenda. Within our Annual Plan we offer a number of quality pledges:

- We will strive to **drive out variation** in the level of service provision across the 24 hour period and throughout the seven day week with the aim that patients and service users will receive optimum care at the time they need it – right care, right time, all day and every day. In order to deliver this:
- We will continue to **drive improvement** in patient and service user safety and experience in our care processes, embedding enhanced recovery across all surgical specialties, applying the concept to emergency's medical admissions, reducing risk through safeguarding adults and children, involving carers and the community more and enhancing quality wherever the setting – wherever people live and in hospital.
- We will continue to **develop improved services** for the public, for patients and service users who are the most vulnerable wherever they live or are being cared for e.g. to help children achieve a good start in life and as they grow into adulthood, and for those with a dementia or learning disability, enhancing the environment alongside clinical care to better create a 'healing environment'.
- We will continue to develop all services in ways that ensures our patients and service users have **timely and appropriate information** about their care and treatment to support the public and professional decision making at the earliest opportunity.
- We will work with our public – patients, carers, support and interest groups, community groups, voluntary sector to develop service quality in **partnership**.
- We will improve the care we give to patients at the **end of their life**, delivering improved advanced care planning and treatment escalation as appropriate, with an ambition to enable more people to die in their place of choice outside of hospital.
- We will **improve the timeliness of our communication** with our professional partners across a range of settings, organisations and the community in order to have total confidence about transfers of care whereby patients and service users experience transitions between different teams and systems of care.

1.3.3.2 Quality Objectives

Our quality strategy sets out what we want to achieve and what this will look like in terms of success; objectives and measures respectively. How this will be achieved is set out in our annual business plans and will also be translated into measureable personal objectives that will be cascaded through the Trust. Our quality performance and improvements will be reported annually in our Quality Report.

The Trust Board has agreed the following strategic quality objectives:

Safest care: Reducing healthcare acquired infections, avoiding unnecessary deaths or injuries, compliance with statutory safeguarding requirements, meeting all regulatory standards and improving our health and social care systems through further implementing the safety improvement programme and enabling shared learning Trust-wide.

No Delays: With patients and service users being seen as quickly as possible wherever the setting, being fully involved in their care and only staying in hospital for as long as is necessary.

Best Experience: Providing care that patients, service users, staff and the wider public would recommend to others.

Working Together: Working closely with our partners to provide seamless health and social care, and with a focus on improving health and illness prevention, we will develop our public health programme with commissioners, community groups and the public.

Seven Day Working: Recognising the pressure being experienced in the urgent care system, both locally and nationally, the Trust will develop 7 day working / services, shared decision making and operational measures to improve flow.

Improved Theatre Efficiency: In support of elective waiting time standards, and to support the specialty level delivery both expected by patients and required under the terms of the Acute Services Contract, the Trust is engaged in activity to deliver an improvement in theatre efficiency.

The Trust will underpin delivery of these objectives by fostering a culture that puts the delivery of safe, high quality care at the core of service delivery is essential if we are to deliver personalised services that meet the needs of Mrs Smith and her family. Service users should be treated with **respect** and should expect to receive **safe**, **high quality** and **effective** care from appropriately qualified, experienced and caring staff. The Trust is committed to monitoring performance and where issues are identified, to acknowledge these **openly**, in order to address issues promptly and ensure rapid **improvement**. We aim to ensure that the services we provide meet the expectations of service users and meet national, professional and local standards of care.

1.3.3.3 Quality Improvement Priorities 2014-2016

Reflecting these objectives, the Trust has agreed a set of specific quality improvement areas and has agreed to a number quality improvement targets agreed under the Commissioning for Quality and Innovation (CQUINN) scheme.

		Quality			SIRO				
Driver	**KPIs**	safety	Experience	Effectiveness	Director of Nursing	Medical Direcotr	Director Workforce & OD	DoF & Deputy CEO	Director of Operations
CQUINs (Local & National)	Friends and Family: patient		x		*				
	Friends & family: staff		X				*		
	Dementia: find, assess & refer		x		*				
	Severe sepsis: recognition & management	x				*			
	Pressure ulcer reduction	x							
	Enhanced recovery in medicine :rollout			x	*				
	Frailty: frailty index			x	*				
	Alcohol - referrals			x		*			
	Front door redesign –senior decision maker			x					*
	Front door redesign –senior decision maker			X					*
	Bereavement		x		*				

Table 1 – CQUINN Priorities

		Quality			SIRO				
Driver	**KPIs**	Safety	Experience	Effectiveness	Director of Nursing	Medical Direcotr	Director Workforce & OD	DoF & Deputy CEO	Director of Operations
Francis / Keogh / Berwick	Increase Transparency			x	*				
	Compassion / kindness		x		*				
	Reduce Mortality	x				*			
	Transitions of Care			x	*				
Joined-Up / Pioneer	Focus on young people & families		x			*			
	Reduce self-harm attendances	x				*			
	Improve user experience		x		*				
	Reduce alcohol admissions			x					*
	Individuals personal goals reached		x						*
	Reduce frequent attenders			x		*			
	Reduce admissions for LTCs			x		*			
	Reduce hospital admissions			x					*
	Improve dementia care		x		*				
	Increase EoL desired location		x		*				
	Reduce hospital deaths	x				*			
	Reduce average LoS			x					*
Trust Strategic	Promote public health			x					
	Quality safe care, no delays	x			*				
	Best patient experience		x		*				
	Working together			x					*
	VFM sustainable service			x				*	
	PersonaL, Fair, Diverse		x				*		
	Friends and Family: patient		x		*				
	Friends & family: staff		X				*		
	Dementia: find, assess & refer		x		*				
	Severe sepsis: recognition & management	x				*			
	Pressure ulcer reduction	x							
	Enhanced recovery in medicine :rollout			x	*				
	Frailty: frailty index			x	*				
	Alcohol - referrals			x		*			
	Front door redesign –senior decision maker			x					*
	Front door redesign –senior decision maker			x					*
	Bereavement		x		*				
	Pressure ulcers: reduction	x			*				
	Falls : reduction	x			*				
	Severe sepsis: recognition & management	x							
	Frailty: frailty index			x	*				
	Discharge pathway & carers		x						*
	Theatre efficiency inc. RTTs: improvement			x					*
	7 day services: development			x		*			
	Horizon Institute: development			x		*			
	CNO's 6Cs: implementation		X		*				

Table 2 – Quality Improvement Priorities

1.3.4 Service Delivery and Performance Priorities

1.3.4.1 Current Performance

The Trust has a strong record of performance, from both a clinical and operational standards perspective. The Trust has performed well in the Monitor Governance ratings throughout 2013/14, although has breached the Accident and Emergency and Referral to treatment (RTT) admitted care standard, the latter on a planned and pre-advised basis during Quarter 4.

1.3.4.2 Referral to Treatment Standards

The Trust has made a commitment to deliver RTT standards at specialty level on a consistent and sustainable basis. To do so, requires the reduction of RTT, to the equivalent of around half of one weeks of capacity on a specialty basis. Good progress has been made during Quarter 4 of 2013/14, with the backlog standing at around 280 patients against a target level of 200. Further

reduction is therefore required, so the Trust plans to breach the standard during Quarter 1 of 2014/15, after which specialty level delivery should be secured.

Progress during Quarter 4 of 2103/14 has been achieved through a significant improvement in elective productivity, driven by the Theatre Programme Board. A range of initiatives have contributed to this success including:

- Rigorous scrutiny of booking templates and their application
- Strict management of the patient tracking list
- Extended session operating lists
- Extended anaesthetic cover to reduce turnaround times
- Increased anaesthetic cover to enable
- Regular, peer lead focus on list utilisation including start, finish and handover times
- Reallocation of theatre lists between specialties to better match demand
- Substantiating weekend and evening operating

Continuing into 2014/15, these measures will be supplemented by the introduction of additional high care bed capacity in our Orthopaedic wards. Rates of cancellation associated with a lack of post-operative critical care capacity are a significant issue, particularly in Orthopaedic Surgery and will be addressed through this initiative.

These measures, as well as securing RTT delivery, will also enable the cessation of outsourcing to independent sector providers in support of the CIP programme.

There remain some challenges at sub specialty level, particularly in Orthopaedics, which require across the community to manage referrals within planned levels, as well as delivery of workforce and service redesign plans.

1.3.4.3 Emergency Care Standard

The Trust in common with many nationally has not delivered the 4 hour standard over the winter period and these challenges are extending into March. The Trust has been operating in a heightened state of escalation during this period and we are seeking to stabilise the position to deliver a better patient experience without the requirement for constant escalation. In addition we are reviewing all the actions we have taken to manage winter demand this year so that we secure the resources needed for next winter during the summer period. This will enable the Trust to be more assured of its ability to manage over next winter and to be able to achieve this more cost effectively.

The most significant changes in demand over the recent period are:

Intensive Care: The Intensive Care Unit has been regularly at full capacity and with higher acuity patients.

Ambulance Arrivals: Analysis of ambulance arrivals also shows that in the 3 months Dec Jan and Feb 13/14 there has been an 8% increase in ambulance arrivals between 12:00 to midnight over the previous year; with 11% increase in ambulance arrivals between 16:00 and 20:00 hrs. In February alone there has been a 17% increase in ambulance arrivals between 16:00 and 20:00 and 12% 20:00 – 24:00 to previous year.

Paediatrics: We have experienced a significant pressure in our paediatric workload. Attendances increased by 10% in January and admissions by 10% over January last year. In addition our 22 bed paediatric ward has been consistently at capacity over this period. The ward has managed more Child and Adolescent Mental Health (CAMHs) patients sometimes in excess of 10 from the

bed capacity of 22. There have been persistent delays in transferring children requiring CAMH's support and this has impacted significantly on the flow of children through the ED. We have brought in addition and tailored resource to manage the increased numbers of CAMH's patients. Our commissioning colleagues in the CCG are supporting and liaising with the Specialised Commissioners to try and reduce delays in placements.

Demand Profile: Demand, both from ambulance arrivals and self-presenters has moved to later in the week and later in the day. A higher proportion of attenders now arrive on Friday, Saturday and Sunday and after 18:00.

Over winter the following additional measures have been taken to support the delivery of the 4 hour standard and maintain patient safety and experience. These will, largely continue into 2014/15.

- Establishing weekend Consultant ward rounds on every medical ward base.
- GP requests for all admissions from Care homes, Residential homes & Community Hospitals routed through the Consultant Physician on call.
- Flow co-ordination out of hours to midnight, Monday to Friday.
- Enhanced cover for the Hospital at Day and Hospital at Night services, both medical and extended healthcare assistant.
- Improved processes process in hours and, particularly out of hours.
- Further assurance on Emergency Department (ED) rostering to ensure senior decision making capacity on a 24/7 basis.
- Enhanced payments offered to support medical and nursing rotas. For Consultants this is in advance of a proleptic appointment to create additional capacity.
- Clinicians with the potential to do so have converted SPA time to direct clinical care to improve flow.
- Additional nursing cover of 2 trained and 2 untrained staff booked during escalation periods.

Whilst we continue to be challenged in delivery of the 4 hour standard we will continue to utilise as many of these measures as possible. However we recognise that this is not sustainable and we are therefore planning to move to a more sustainable delivery in the short term.

Further actions planned in 2014/15 are as follows:

- Conduct a detailed after action review to fully analyse the issues we have faced and inform the plans to de-escalate the operational delivery safely.
- Review of clinical model required to appropriately support demand. This will ensure we have the required skills in place at the times they are needed. This will be considered in the wider context of appropriate utilisation of nursing and medical skills to appropriately and safely manage patient care. The new model will be advanced as quickly as possible to ensure it is fully operational as we move into next winter.
- Reduce pressures on ICU through opening a 2 bed high care area for orthopaedic patients requiring additional observations.
- During April, collect real time data to understand in more detail some of the challenges of flow; specifically the lag in beds being allocated and patients reaching those beds.
- Longer term plan for more system wide analysis of internal and external factors affecting flow through ED.
- Developing ambulatory area - To facilitate higher rate of discharge from Medical take.
- Seek support from the Ambulance Trust to influence the rate and timing of patients being conveyed.

1.3.4.4 Infection Control Standards

Although achieving the target set in 2103/14, managing infection rates to a total of 17 against a target of 18 cases, the Trust must declare a risk of non-delivery in 2014/15. The target set for the Trust in 2014/15 is further reduced to just 11 cases.

Whilst consistent reduction in infection rates has been achieved in the last three years, a further 35% reduction is a significant challenge for a Trust serving a population with such an elderly demographic and high rate of underlying infection in the community. The Trust will continue all current actions, including isolation, enhanced cleaning and management of antibiotic prescribing. All cases will continue to undergo a full root cause analysis and be reported individually through the Serious Untoward Event process.

The Trust will continue to engage with partners through the Joint Infection Prevention and Control Committee. The committee has published a forward plan for 2014/15 which focuses on:

- Delivering hand hygiene training to all trust inductees and through mandatory training annually
- Ensure the Hydrogen Peroxide Vapour systems are robust and fully auditable.
- Enhanced cleaning regimes
- Consider renewal of Macerators.
- Consider the evidence whether to replace plastic & metal bed pan holders with disposable pulp bedpan holders.
- Annual Deep Clean of all clinical areas.
- Monthly ward audits of equipment cleanliness which includes the 'Green Tape – I am clean'.
- Instigate IPS audits of all clinical areas every 2 years.
- Audit proton pump inhibitor (PPI) Prescribing Policy.
- Continue monthly reporting of Saving Lives antimicrobial audits.
- Complete agreed estates plans in support of infection control improvements.

1.3.5 Financial plan

1.3.5.1 Background and Summary

The Trust has a strong financial track record but, as with the rest of the FT sector, delivery became more challenged in 2013/14. Subject to Monitor's final assessment, the Trust will have achieved a Continuity Of Service Rating of 4 for Quarter 4 of 2014/15.

The Trust has seen non-elective pressure continue in 2013/14, resulting in the creation of escalation capacity, particularly over the winter months. The Trust received £500k of winter pressure monies; less than the cost of the investments made to address the challenges experienced. The Trust has managed its finances through this period to deliver a breakeven position, despite the income derived from increased admissions not covering the cost of delivery and the delivery of recurrent CIP schemes being challenging to deliver in year at the required levels. A number of schemes have started to deliver but only in the latter part of the year and, unfortunately too late to achieve the target set at planning stage. The most significant improvement in the last two months of the 2013/14 has been the better utilisation of theatres to deliver an additional elective activity. This will continue to improve into 2014/15.

Financial plans for 2014/15 and 2015/16 show small deficits in each year; £1.9m and £3.6m respectively. Subject to Monitor review, the Trust expects this to drive a Continuity of Service Rating of 3 in both years.

The Trust has delivered the £11.4m CIP requirement set out in the 2013/14 Annual Plan, although the non-recurrent element was higher than expected. The CIP programme for 2014/15, at £11m represents a savings target of a little over 4.6% of income. The Trust has undertaken a realistic assessment saving potential in each year and set overall income and expenditure targets with reference to that assessment. By managing capital expenditure carefully over the period, cash balances can be maintained within reasonable tolerance.

With the main Commissioner, the Trust is close to closing its contract negotiation. The Trust has reached agreement with NHS Devon, NHS England (Specialised Commissioning, Devon Cornwall and Isles of Scilly, Bristol and Wessex Area Teams), Torbay and Devon Councils. The Trust has contracted at full National Tariff with no risk management arrangements with any for the health commissioners.

Although not described in the financial templates in support of this plan, the Trust expects 2015/16 to be the first year of operation of the Integrated Care Organisation formed through the acquisition of Torbay and Southern Devon Health and Care NHS Trust. This brings a range of opportunities to further improve cost efficiency. Most immediately, the model of care, shortly to be described in the final business case, is designed to reduce and shorten hospital stays, with net savings in the order of £1.8m. The benefits of bringing together back office and support services are also expected to deliver savings of around £3.1m. These savings, or a significant proportion, will fall into 2015/16 if the Trust is successful in progressing the planned acquisition.

1.3.5.2 Commissioning Intentions

Activity plans for the period of this plan have been created jointly with, and with output agreed by, CCG colleagues, using well established, empirically proven models. The demand profile within these models is based on historic experience and updated by clinical teams to reflect known changes in service patterns, allowing particularly for the introduction of new therapies and technologies.

For elective care, sufficient additional activity has been built into plans such that waiting lists will be reduced to a level that enables consistent delivery of the referral to treatment time (RTT) standards at a specialty level. This is an important quality marker for the Trust and is required under the NHS constitution. A total of 756 elective cases in excess of the recurring run rate are built into plan for 2014/15.

For emergency admissions, plans for 2014/15 and 2015/16 predict a flat profile of activity.

NHS England Local Area Team has indicated it intends to move some dental services to an independent provider but has yet to develop pathways to achieve this and the effect is not expected to be significant at a Trust level.

Specialist commissioning service specifications continue to be monitored by the operational and clinical teams and working closely through the inter provider clinical networks and with the local team of NHS England to ensure we can continue to confirm compliance with the specifications.

	FOT 2013/14 £k	FOT 2013/14 #		Budget 2014/15 £k	Budget 2014/15 #		Forecast 2015/16 £k	Forecast 2015/16 #
NHS Clinical Income-Elective	17,158	5,007		17,565	5,550		17,565	5,633
NHS Clinical Income-Non Tariff	52,748			39,501			40,091	
NHS Clinical Income-Elective Non-Tariff	-	256		536	489		536	494
NHS Clinical Income-Daycase	22,600	28,554		24,478	29,542		24,526	29,837
NHS Clinical Income-Daycase Non-Tariff		2,094		799	2,282		795	2,305
NHS Clinical Income-Non Elective	58,988	29,118		58,918	29,305		58,624	29,598
NHS Clinical Income-Non Elective Non-Tarif	-	1,992		125	71		125	71
NHS Clinical Income-Outpatients	42,549	307,338		42,695	308,922		42,558	312,011
NHS Clinical Income-Outpatients Non-Tariff	-	96,264		10,299	96,315		10,248	97,278
NHS Clinical Income-A&E	8,078	77,470		7,937	77,245		7,818	77,245
Total PBR income and Activity	**202,121**	**548,093**		**202,853**	**549,721**		**202,886**	**554,474**

Table 3 – Activity Projections

The resultant activity priced at national tariff where one exists, or a local tariff derived from reference costs where one does not, drive Commissioner contract values and the associated income figures included within this plan.

Contract proposals for all Commissioners are developed in line the National Contract for Acute Services, adopting a full variable contract under the National Tariff system. Other than for South Devon and Torbay CCG, predicted contract values fall within Commissioner budget envelopes and contract heads of terms are agreed. For South Devon and Torbay CCG, the predicted contract value is around £4.0m in excess of their published contract envelope. The Trust understands that the CCG continues to hold a level of contingency reserve and a surplus position that will enable this risk to be accommodated.

Reflecting the risk of contract penalty and activity under-performance under the terms of the National Contract for Acute Services, the Trust has made a provision of £0.6m against gross contract income.

	SD&T CCG	Devon CCG	NCA	SCG	DCIOS	Torbay Council	Devon County Council	TDH	Offender Health	TOTAL
Commissioner envelopes	156,057	5,365	2,552	25,425	6,921	1,567	627	74	265	198,853
Renal PTS	370									370
Additional HIS funding (confirmed by CCG)	165									165
COMMISSIONER FUNDING TOTAL	156,592	5,365	2,552	25,425	6,921	1,567	627	74	265	199,388
SDHCFT Baseline V2.3 of the plan dated 25.3.14	160,592	5,347	2,552	24,095	6,948	1,567	627	74	272	202,074
Plus Cancer Drugs Fund (CDF)				1,330						1,330
TOTAL	160,592	5,347	2,552	25,425	6,948	1,567	627	74	272	203,404
CURRENT FUNDING GAP	**4,000**	**- 18**	**-**	**-**	**27**	**0**	**0**	**- 0**	**7**	**4,016**
Trust provision for contract challenge/penalties										- 569
Trust total comissioner income position										202,835

Table 4 – Contract Income

In addition to the National CQUIN goals, the local CQUIN agreement with Commissioners provides incentives across a number of areas which will assist in developing the Trusts services. This includes work on sepsis pathways, patient flow, frail elderly pathways, alchohol and bereavement services.

The Trust recognises the pressure that the Better Care Fund will represent to the Local Health Economy. At present, and outside of the proposed acquisition of TSDHCT, there are no demonstrable plans to reduce activity in the acute sector. Consequently this plan has been completed on the basis of a 1% increase in activity between 2014/15 and 2015/16.

Management of the risk associated with the Better Care Fund is a critical element of the proposed acquisition of TSDHCT. That Trust currently manages the adult social care budget for the Torbay Local Authority, who have committed to ring fence the allocation transferred from the South Devon and Torbay CCG within the boundaries of the merged organisation. The business case for the acquisition describes a care model that transfers care from hospital to community and primary care settings; the shift toward better integration of health and social care systems that the Better Care Fund is intended to encourage. Negotiations continue with Devon County Council to achieve the same outcome.

1.3.5.3 Revenue Plans

The table below sets out the headline financial plan for the Trust over the period of this Annual Plan submission

	Mar - 15 £m	Mar - 16 £m
Protected / Mandatory Clinical Revenue		
Acute services	202.9	202.9
Non Protected/Non Mandatory Clinical Revenue		
Private patient revenue	0.5	0.5
Other non protected revenue	0.8	0.8
Other Operating revenue		
Education and Training	6.5	6.1
Research & Development	1.6	1.6
Other operating revenue	27.5	28.9
Operating Revenue and Income, Total	**239.8**	**240.8**
Operating Expenses		
Employee benefit expenses	(147.6)	(148.2)
Drug expenses	(25.1)	(26.9)
Clinical supplies and services expenses	(20.9)	(20.6)
Other expenses	(34.0)	(33.5)
Operating Expenses, Total	**(227.9)**	**(229.5)**
Surplus/(Deficit) from operations	**12.3**	**11.6**
Surplus/(Deficit) from operations margin	*5%*	*5%*
Non-Operating expenses		
Impairment Losses (Reversals) net	(0.5)	(0.5)
Total Depreciation & Amortisation	(10.7)	(11.6)
Interest expense on overdrafts and working capital facilities	0.1	0.2
Total interest payable on Loans and leases	(1.1)	(1.3)
PDC Dividend	(2.5)	(2.5)
Non-Operating expenses, Total	**(14.7)**	**(15.9)**
Surplus / (Deficit) before Tax	**(2.4)**	**(4.2)**
Net margin	*-1%*	*-2%*
Surplus / (Deficit) before Tax and Impairments	**(1.9)**	**(3.6)**

Table 5 : Income & Expenditure Summary 2014-16

Key assumptions in support of this budget are as follows:

- Healthcare income has been included as above, reflecting agreed activity plans at tariff. In broad terms this amounts to 1% growth in activity in 2014/15 and 2015/16, with a 1.5% tariff deflator applied.
- Income in respect of Pass Through Drugs and Devices have been increased by between 5.2% and 8% within income, with appropriately matched cost budgets.
- Other income is in line with 2013/14 levels, other than for education & training, which has reduced by £400k as a result of a reduction in student funding.
- Income from the Pharmacy Unit is curtailed in 2014/15 as a result of the transfer to the new unit. Growth continues in 2015/16 at around £1m per annum.
- Inflationary cost increases have been modelled at a detailed level, reflecting pressures across all types of expenditure. Pay inflation represents the impact of expected pay awards, the cost of increments and additional pension cost. Non-pay costs have been increased by forecast inflationary increases at a product or service level. In summary, the resultant rates inflation are:

	2014/15	2015/16
Pay	1.7%	1.7%
Non-pay - Drugs	5,2%	5.2%
Non-pay - Other	1.7	2.7%

Table 6: Cost Assumptions

- Specific cost assumptions have been made in respect of the following:

    - £300k increase in NHSLA insurance costs
    - £325k reduction in acquisition legal & professional costs in 2014/15, falling by a further £325k in 2015/16
    - £300k increase in non-consultant medical costs due to decrease in student places
    - 1% growth in medical and non-pay costs, reflecting to match 1% growth in income
    - Additional pay pressures of 1% are included in respect of activity growth.
    - Additional Consultant medical & non consultant medical costs of 1.05% & 0.4% respectively have been applied in respect of the cost of clinical excellence awards
    - A 1% growth has been applied to Drugs, clinical supplies and general supplies, over and above inflation have been applied to reflect the cost of incremental activity levels
    - Reduced Other operating costs for £285k one off costs between 2014/15 and 2015/16 reflecting the removal of transition costs as the Pharmacy Manufacturing Unit moves into its new facility

The Trust has limited developmental investment in 2014/15 and 2015/16, focusing rather on delivering operational efficiencies to deliver the additional capacity required to address targeted waiting list reductions. Marginal costs of activity growth have been included. The Trust will be continuing targeted improvements, particularly in theatre productivity and patient flow, delivering as much of the required additional capacity as possible within existing core resources. There will be further exploration in extended days and seven day working to achieve the required operational efficiencies.

Baseline funding for 2104/15 includes the cost of increasing ward nursing establishments to levels recommended in the Francis review. The required the recruitment of an additional 14 wte posts.

A budget of £0.35m has been set for the acquisition of Torbay and Southern Devon Health and Care NHS Trust in 2014/15.

The cost pressures experienced in the 2013/14 outturn have been built into budgets for 2014/15 including the challenges in reduced junior doctor numbers, coupled with the medical challenges in increased sickness/maternity. The Trust's Medical Director has established a review to improve the recruitment of doctors; a review that includes offering more innovative trust posts using the Pioneer status to attract doctors to work across acute, community and primary care.

The Trust is actively seeking commissioners to commit winter pressures money early in order to secure best value rather than last minute costly solutions as was seen in 2013/14.

1.3.5.4 Cost Improvement Plans

In setting its financial plan the Trust intends to deliver savings of £10,971k (4.6%) in 2014/15 and £9,700k (4.1%) in 2015/16.

To reflect the changing and increasingly demanding challenge imposed by CIP, the Trust has adopted a multi-channel approach that will engage clinicians, executives, managers and staff at all levels. The aim is to constantly improve quality, remove waste, innovate and therefore improve efficiency.

In developing the programme for 2014-2016 the Trust has:

- Identified a range of savings opportunities that cut across all services; managed and driven centrally these schemes are largely related to workforce and IT schemes.
- Targeted, using service line reporting and other benchmarking data, specific services where opportunities lie and, in a process led by clinical teams, developed plans to improve the efficiency of those services.

This approach engages the entire organisation in the challenge of delivering efficiency and targets efforts at those areas with the most potential.

Lean-based Continuous Improvement training continues to be rolled-out across the organisation to provide Clinicians with tools to undertake Specialty based service reviews. This will focus on the principle of care being right, first time on time for every patient and should not be expected to have any detrimental impact on service quality. Lean methodologies are extensively and successfully used in world class manufacturing and service provider organisations, such as Toyota and Unipart and have also successfully adapted within healthcare organisations, such as Jonkoping Health Care.

Traditional cost-cutting continues to be a major theme with a weighted challenge especially towards back-off functions. The focus is to safeguard front-line services, to provide an equitable and deliverable scale of challenge and incentivise enhanced productivity within agreed financial constraints.

Process efficiency continues to be a significant driver for efficiency with a number of trust-wide schemes to improve patient flow and patient experience across the system. A collective range of measures is being targeted to improve theatre utilisation and throughput, patient flow and outpatient experience. Collectively these measures will further reduce length of stay, enable reduction of beds and repatriation of services currently outsourced to the private sector.

The gross of the schemes being progressed to address the CIP target are set out in the table below.

Division/ Directorate	CIP Scheme Title	Schemes 14-15- FYE £'000 Strategic Delivery Plan	Schemes 15-16 £'000 Delivery Plan
Women, Children, Diagnostic and Therapties	PLAN: Service Efficiency: Using SLR / Benchmarking	1,000.00	1,000.00
	Pathology redesign	600.00	
	Procurement non-pay	250.00	250.00
	16 Other divisional Schemes under £100k	252.20	100.00
	Total	**2,102.20**	**1,350.00**
Medicine	PLAN: Service Efficiency: Using SLR / Benchmarking	1,000.00	1,000.00
	Bed savings to be delivered from full rota of Acute Physicians	700.00	
	Procurement non-pay	250.00	250.00
	18 Other divisional Schemes under £100k	228.22	257.00
	Total	**2,178.22**	**1,507.00**
Surgery	Theatre Programme: Mt Stuart, Choose & Book, Day Surg	1,200.00	600.00
	Service Efficiency: Using SLR / Benchmarking	1,000.00	1,000.00
	Procurement non-pay	250.00	250.00
	2 Other divisional Schemes under £100k	284.00	100.00
	Total	**2,734.00**	**1,950.00**
Estates & Facilities	Restructuring of Catering Department	105.00	
	Utilities Management	100.00	
	19 Other Divisional Schemes under £100k	624.46	500.00
	Total	**829.46**	**400.00**
SUPPORT SERVICES	Total	**0.00**	**500.00**
Cross Divisional Schemes	Pharmacy-Medicines Management	450.00	350.00
	Nursing workforce: Bank reduction / Ward Housekeeping	200.00	300.00
	IT based schemes (Windip, Clinical Portal)	500.00	500.00
	Outpatients- Incl Clin support Services	500.00	500.00
	Sickness Reduction	507.00	129.00
	Workforce	1,500.00	1,250.00
	Income-Private Pats, PMU, Varicose Veins, R&D Comm trials, Hiblio	500.00	1,000.00
	Total	**4,157.00**	**4,029.00**
Total Recurrent Scheme Value		**12,000.88**	**9,736.00**

Table 7 : CIP Summary

The most significant element of the CIP schemes for 2014/15 are:

- Procurement: The Trust allocates this to each Division, assigning a qualified procurement professional to support the programme. The Trust is also a member of the Peninsula Procurement Alliance, through which contracts are consolidated across organisations and volume and commitment discounts are sought. Anticipated returns in 2014/15 reflect contract renegotiation, product standardisation and centralised purchasing.
- Theatre productivity and scheduling: To reduce waiting list backlogs in support of RTT delivery, the Trust has outsourced operations to the private sector to a value of £2.4m in 2013/14. An on-going Theatre efficiency programme examining and addressing utilisation and throughput has substantially improved capacity and thereby largely removed the need for

private sector utilisation. This action will enable retention of income, particularly around elective Orthopaedic services.

- Nurse and Ward workforce rostering: The Trust has introduced an electronic rostering system to drive improved staff utilisation, allocating staff according to clinical need and reducing the need for bank and agency resources to maintain safe staffing levels. The Director of Nursing, Professional Practice and People's Experience is driving this project with senior nurses.
- Patient flow across acute and community: There are good working relationships across the community. There are a number of joint operational groups beneath a 'Joined up' Clinical Cabinet working to put people at the centre of what we all do. The purpose of these groups is to make the journey the right one, at the right time and this is expected to continue to facilitate improvements in the system and will enable appropriate non-elective patients to be kept out of the acute hospital, as well as increase volumes of elective activity, reduce length of stay, and reduce the need for escalation beds.
- Estates: A variety of estates savings are indicated through reorganisation of catering and porter services, a new menu choice system to reduce food waste, management review and broader skill mix across the function. In addition income opportunities will be maximised, there are planned savings in clinical waste and a host of smaller cost efficiencies will be progressed.
- Workforce: A number of workforce initiatives are being progressed to achieve the safest environment with the most efficient configuration between permanent, agency and bank staff. Additionally a new sickness system is being introduced together with a host of other small workforce efficiencies.
- IT developments: Savings will be achieved by way of automated outpatient registration, new A&E system with automated coding and paperless solutions.

Moving into 2015/16 these schemes will be enhanced with a range of programmes, including:

- Information technology investments joining up systems across the wider health community will deliver efficiencies to contribute to managing the increase in activity, assisting the movement of activity between settings of care and contribute to CIP. These initiatives include e-prescribing, order communications and single community care record.
- Further back-office savings will continue to be sought into the medium term. As systems become integrated across our local community, more benefits will be identified and delivered. The Trust is also pursuing 'shared service' solutions for a range of services, including partnering with other Provider Trusts in Devon and Cornwall.
- Extending medical and nurse staffing models into the community, partnering colleagues in primary care to better manage demand for services at source.
- The levels of therapies and the ability to address optimising the length of stay.
- An on-going formal review of all services to establish improvement opportunities through peer group comparison of SLR and benchmarking data. Where services display metrics which are out of sync with peer group comparators, the underlying causes will be addressed to seek efficiencies and improved process and practice.
- Formalising systems of 7 day working, utilising the asset base more effectively and delivering productivity, particularly from out-patient, diagnostic and theatre facilities. Equally, working with partners to develop flow across the urgent care system including 24/7 service across health and social care should reduce the overall capacity needed to deal with increased throughput.
- Community diagnostic hubs to reduce the need to secondary care interventions, increased support for primary care management of long term conditions.
- The review and restructure of Estates and Facilities Management services will continue to deliver additional benefits and will be supplements by schemes offering additional car parking income, further energy savings and potential wider opportunities through consolidated community estates management.

Although not described in the financial templates in support of this plan document, the Trust expects 2015/16 to be the first year of operation of the Integrated Care Organisation formed through the acquisition of Torbay and Southern Devon Health and Care NHS Trust. This brings a range of opportunities to further improve cost efficiency. Most immediately, the model of care,

shortly to be described in the final business case, is designed to reduce and shorten hospital stays, with net savings in the order of £1.8m. The benefits of bringing together back office and support services are also expected to deliver savings of around £3.1m. These savings, or a significant proportion, will fall into 2015/16 if the Trust is successful in progressing the planned acquisition.

1.3.5.5 Statement of Financial Position

	2014-15 £'m	2015-16 £'m
ASSETS, NON CURRENT		
Property, Plant and Equipment and intangible assets, Net	134.1	138.2
Other Assets, Non-Current	1.9	1.9
Assets, Non-Current, Total	**136.0**	**140.1**
ASSETS, CURRENT		
Inventories	6.2	6.2
NHS Trade Receivables, Current	5.1	5.1
Non NHS Trade Receivables, Current	1.0	1.0
Other Receivables, Current	1.5	1.5
Other Financial Assets, Current (e.g. accrued income)	0.2	0.2
Prepayments, Current, non-PFI related	2.3	2.3
Cash and Cash Equivalents	11.6	11.2
Assets, Current, Total	**27.9**	**27.5**
ASSETS, TOTAL	**163.9**	**167.6**
LIABILITIES, CURRENT		
Interest-Bearing Borrowings , Current (including accrued interest)	(3.5)	(4.0)
Deferred Income, Current	(1.1)	(1.1)
Provisions, Current	(0.4)	(0.4)
Trade Payables, Current	(3.9)	(3.9)
Other Payables, Current	(6.0)	(6.1)
Capital Payables, Current	(3.4)	(3.4)
Accruals, Current	(5.7)	(5.7)
Payments on Account	(1.0)	(1.0)
Liabilities, Current, Total	**(25.0)**	**(25.6)**
NET CURRENT ASSETS (LIABILITIES)	**2.9**	**1.9**
LIABILITIES, NON CURRENT		
Interest-Bearing Borrowings, Non-Current	(38.3)	(44.7)
Provisions, Non-Current	(3.5)	(3.5)
Liabilities, Non-Current, Total	**(41.8)**	**(48.2)**
TOTAL ASSETS EMPLOYED	**97.1**	**93.8**
TAXPAYERS' EQUITY		
Public dividend capital	63.6	64.4
Retained Earnings (Accumulated Losses)	(0.2)	(4.3)
Revaluation reserve	33.8	33.7
TOTAL TAXPAYERS EQUITY	**97.1**	**93.8**

Table 8 – Statement of Financial Position

The Statement of Financial Position statements build from the anticipated forecast outturn of the Trust as at 31st March 2014.

A key assumption made within this forecast is that the valuation of Buildings will increase by circa 10% as a consequence of increases to National and Local construction costs. The Trust has engaged the District Valuer to undertake this revaluation exercise, but the result of this review is not yet known. The anticipated increase in value is circa £6.5m.

Allowances for impairment expenditure in both 2014/15and 2015/16 have been made. The anticipated costs total £0.5m in each financial year. The impairment charges relate to the application of modern equivalent asset revaluation methodology on capital construction projects.

Working capital balances are not anticipated to substantially change across the financial years. However, an allowance for increase in NHS Debtors has been made to reflect that the Trust will be operating a variable Payment by Results contract with its main commissioner.

The cash balance is anticipated to reduce from the current level over the next two financial years, largely as a result of the forecast revenue deficits and the need to continue investment in the Trust's Capital Expenditure Program, further details of which are set out below.

1.3.5.6 Capital Expenditure

The Trust has developed a capital expenditure plan that focuses on ensuring business continuity, addresses high risks in a timely manner and also enables the Trust to invest in some key Information & Management Technology (IM&T) projects. These IM&T projects will both improve the safety of patient care and will also ensure that patients can continue to be treated in the most appropriate environments.

The Trust will be reliant upon further external investment in order to deliver these capital plans in full during 2014-15 and 2015-16. Early discussion with the Foundation Trust Financing Facility have taken place and this plan assumes the Trust is successful in securing loan funding totalling £21.7m to enable the progression of the following projects:

- Relocation of the Critical Care Unit (£13.9m)
- Replacement of two aging Linear Accelerators (£6.7m)
- Refurbishment of an acute ward environment to improve the care of those patients suffering from dementia (£0.4m)
- Improvement works to patient environments (£0.6m)

The Trust has been successful in obtaining match funding from NHS England for the 'Safer Hospitals Safer Wards' Technology Funds. The potential source of funds secured totals £1.9m. Key milestones in order to secure this funding have yet to be agreed with NHS England, but the Trust anticipates that this exercise will be concluded during May 2014.

The Trust is anticipating the receipt of external funding through the South Acute Programme (SaCP) to enable the implementation of an IM&T Electronic Prescribing System. The anticipated capital contribution totals £1.7m, of which £0.8m is anticipated to be received during 2014/15. The Trusts Annual Plan anticipates that this capital contribution will be received by way of a Public Dividend Capital payment – but it is possible that the cash funding may instead be paid to the Trust as a revenue payment.

The capital expenditure plan for the Trust and the anticipated sources of funds is as follows:

Source of Funds	2014-15 £m	2015-16 £m
Anticipated cash brought forward	18.9	11.6
Internally generated (deficit) / surplus - before impairment	(2.0)	(3.6)
Non cash depreciation charge	10.7	11.6
Drawdown balance of Pharmacy Manufacturing Unit (approved loan)	4.9	0.0
Drawdown of new FTFF loan (yet to be approved)	2.6	10.4
Anticipated PDC funding for IM&T schemes	2.8	0.8
Sale of assets	0.6	0.0
Sub-total	38.5	30.8
less: Anticipated reduction in capital creditors	(2.3)	0.0
less: Anticipated increase in debtors value	(1.0)	0.0
less: Planned Capital Expenditure	(20.2)	(16.2)
less : Repayment of Loans	(3.4)	(3.4)
Cash balances carried forward	11.6	11.2

Planned Capital Expenditure	2014-15 £m	2015-16 £m
Pharmacy Manufacturing Unit - completion of new facility	(4.9)	0.0
Pharmacy Manufacturing Unit - business continuity investment	(0.5)	(0.3)
Construction of a third 'bunker' and replacement Linear Accelerator	(1.5)	(3.3)
Replacement Medical Equipment	(1.5)	(0.8)
Phase 2 of Long Term Conditions Hub	(0.2)	(0.4)
IM&T Investment	(6.1)	(3.1)
Estates' Backlog Maintenance Program	(2.0)	(0.8)
Expansion of the Cradiac Catherisation Laboratory	(2.0)	0.0
Critical Care Unit - Relocation of Facility	(0.5)	(6.7)
Improvement works to Patient Environment	(0.6)	(0.4)
Other Capital Schemes	(0.3)	(0.2)
General Contingency Reserve	(0.1)	(0.2)
	(20.2)	(16.2)

Table 9 – Capital Expenditure

Capital schemes for this planning period include:

- Pharmacy Manufacturing Unit: The Trust commenced the procurement of a new Pharmacy Manufacturing Unit (PMU) during 2011/12, funding the construction of the facility through loan

finance. The purchase of the freehold was concluded in December 2013 and the completion of the fit-out is anticipated to be completed in July 2014. The new facility will enable the Trust to continue expanding the manufacturing of pharmaceuticals which are sold to both NHS and commercial customers. The facility currently provides the Trust with a significant revenue scheme which is used to subsidise the cost of the Healthcare provided by the Acute Unit. In addition, the Trust needs to ensure that the manufacturing operations of the PMU can be maintained. Therefore funds have been set aside to ensure that key items of equipment can be replaced in a timely manner.

- Linear Accelerator Replacement: The Trust provides Radiotherapy treatments to a large number of patients within the South Devon Area. The Trust's two Linear Accelerators are operated at near capacity and are in need of replacement. The Trust plans to replace the older machine in 2015-16 and the slightly newer machine in 2016-17. However in order to replace one of the two machines a third 'bunker' will first of all need to be constructed. This is because treatment demand could not be met by the Trust through the use of one machine and neighbouring Trusts have no significant additional treatment capacity. Further, attempting to run a Radiotherapy service on one aging Linear Accelerator would pose too greater a risk to Patient safety where treatment episodes have to be delivered in rapid succession. Therefore Trust intends to start the construction of a third bunker in 2014-15 to be completed early in 2015-16, followed by the installation and commissioning of the 1st replacement linear accelerator later in the same financial year. As noted above the Trust will need to secure external finance to successfully deliver this project.

- Replacement Medical Equipment: The Trust has a robust prioritisation process in place to ensure that only those items of equipment that pose the greater risk of failure are replaced. Provisional sums set aside for 2014-15 may be supplemented through the use of Charitable Sources.

- Long Term Conditions Hub: The Trust is relocating a number of patient services to its Annexe site. This is being undertaken to improve patient care, reduce administrative costs and to free up space on its main acute site to enable strategic capital developments such as the installation of replacement Linear Accelerators to take place.

- IM&T Investment: In order to ensure business continuity, security of data and the responsiveness of data systems, the Trust needs to continue invest in its IT infrastructure, the sum of the investment being £2.0m across 2014-15 to 2015-16. In addition to investment in infrastructure the Trust will be investing around £8.2m in new IM&T software solutions with an emphasis on improving quality and the productivity of clinical staff. IM&T projects that the Trust intends to undertake during the next two financial years include the implementation of :

    - A 'Clinical Portal' : This will enable clinicians to use one clinical system to gain access to a patient's entire electronic patient record. This system should improve both hospital admission and clinical decision making and improve the efficiency of clinicians. The system is currently being procured. The Trust intends to make this system accessible to acute based physicians, general practitioners and also to other community based staff.

    - An 'Electronic Order Communications' system: This system will facilitate the electronic requesting of pathology tests and the transmission of results. The system will improve patient safety, will enable more effective use of facilities and will greatly improve the productivity of clinical staff.

- A 'Pathway Management' system: This system will enable the Trust to predict and plan for demand more accurately which will improve the use of resources and ensure that cancelled elective procedures are reduced in number.

- A 'Patient Knows Best' system: This system will facilitate patients with chronic conditions to self-manage their care more safely and effectively. This will also reduce the overall number of non-elective admissions and ensure that the patient is cared for in the most appropriate settings.

- A replacement 'Patient Administration' system: The Trust's current contract expires in March 2016. A replacement system needs to be procured and implemented before that date to ensure business continuity.

- Estates' Backlog Maintenance Program: The funds identified here are the minimum sums required to enable the Trust to address its high risks in a timely manner. Schemes such as replacement of non-compliant sanitary ware, water safety improvement works and re-roofing works have been included.

- Expansion of the Cardiac Catheterisation Laboratory: The Trust provides an Angioplasty service to the population of South Devon. The current facility is in need of modernisation and the equipment is also nearing the end of its useful life. In order to ensure that Angioplasty can be performed on a timely manner on non-elective patients there is a need – in line with expected practice – to ensure that the Trust has a back-up laboratory in place. Therefore the Trust is expanding its Cardiac Catheter Laboratory and replacing the aging equipment and also providing a backup laboratory for non-elective admissions.

- Critical Care Unit: The Trust's current Critical Care facilities are not compliant with technical standards, the privacy and dignity of patients is heavily compromised, and there is restricted space around the patient's bed. The plant that serves the current facility is aging and there are no decant facilities within the Trust to enable this plant to be replaced without severely compromising service. In addition there are insufficient numbers of Critical Care beds. This is evident in the number elective procedures cancelled due Critical Care Unit capacity and also by the Trust having the lowest number of critical care beds per head of population in the South West Peninsula. There is therefore an urgent need to re-provide the Critical Care Facility to ensure the continuing safe delivery of patient care. The Trust has engaged on a wide ranging consultation exercise to determine the best possible location and design of the facility. Plans have now been drawn up and the business case for the relocation has received Trust Board approval at outline case level. The relocation of the facility is dependent upon the Trust being able to access external funding. A loan application to the FTFF will be made early during 2014-15.

- Improvement works to Patient Environment: The Trust's Outpatient Fracture Clinic and surrounding areas are in poor condition and require redesign to improve patient care. The Trust also requires investment in its Care of the Elderly Wards to ensure that they are more suitable for those patients who have been admitted to hospital and who are suffering from dementia. Total funds required to address these risks totals £1.0m. A loan application to the FTFF will be submitted during 2014-15 to secure these funds.

- Other and Contingency: A contingency sum has been incorporated into both the Medical Equipment and Estates Backlog Maintenance Program funding assumptions. In addition to this sum, a general contingency reserve has been set aside. The general contingency sum

set aside for 2014-15 is relatively small as the Trust has put in place robust planning and prioritisation processes and therefore in year service developments are expected to be very limited. The 'other' expenditure category includes investment in plant, equipment and vehicles for support services to ensure business continuity and to assist in the delivery of CIP.

1.4 Appendices: commercial or other confidential matters

1.4.1 Board Governance

Appointments: Following the resignation of the Chair, a process has begun, under the management of the Council of Governors, to appoint a replacement. Subject to there being a suitable short list a provisional interview date has been set for the end of April 2014. The Trust hopes, therefore to have a substantive Chair in place during Quarter 1 of 2014/15. In the interim, the Vice Chair will continue to act with the capacity of the Chair.

There is one other Non-Executive Director vacancy following the resignation of the Vice Chair. A process to fill this vacancy will be agreed with the new Chair on appointment.

Disciplinary Issues: Monitor will be aware that, following significant criticism from an Employment Tribunal judgement both the Chief Executive and Director of Human Resources and Organisational Development are both suspended from duty pending investigation under the Trust's Disciplinary Policy. These investigations are underway, being managed by a committee of Non-Executive Directors, and will be completed as soon as is practicable.

The Acting Chair will inform Monitor of the outcome of these hearings, once known and advise of any further impact, if any on Board management arrangements.

Board Governance: The Foundation Trust Board has, in light on the recent Employment Tribunal outcome, committed to undertake an external review of the governance surrounding the case. The review will extend to the wider application of Recruitment and Whistleblowing Policies throughout the Trust. The outcome of the reviews will be reported publicly and shared with Monitor and key partners in the Local Health Economy.

1.4.2 Strategic Development

Acquisition of Torbay & Southern Devon Health and Care NHS Trust: The plan to merge services, through acquisition, with TSDHCT is the most significant strategic development in the history of the Foundation Trust. This plan and the associated financial templates, by agreement with Monitor, does not include the planned transaction until the proposal is ratified by the Trust Board, Governors and Monitor.

This plan describes an increasingly challenging financial environment for a medium sized District General Hospital. That has been recognised by the Trust Board and a full strategic analysis of options considered. These included, alongside the preferred model of vertical integration, to maintain the Trust in existing form, potentially with some rationalisation of services, wider collaboration with other acute hospitals, ranging from networked services to organisational merger, and expansion of service outside of the Trust's current geography. The business case that will be submitted, no later than 1 October 2014, describes the rationale behind our preferred strategic direction.

It is important, however that, in assessing this plan, and the ongoing sustainability of services for this Trust, that Monitor understand the impact that the transaction is expected to have. At its current stage of development, the following table describes the expected impact of the merger, when compared to current service configuration, described in the business case.

Area	Benefit
Internal cost improvements identified to date (SDH)	£13,400k
Internal cost improvements identified to date (TSD)	tbc
Integration of back office functions	£3,100k
"Life course" care model: Transitions in care for young people	*Long term demand reduction*
"Life course" care model: Drugs and alcohol service integration	£(836k) *Long term demand reduction*
"Life course" care model: Long term conditions	£13,000k (advised by RM)
"Life course" care model: Frail elderly services	£1,264k
Use of Better Care Fund to bolster social care and avoid indirect impact of local authority cuts on health services *(Relies on frail elderly service development)*	£10,017k
Total financial improvement over five year period	**£39,945k + TSD CIP**

We expect benefit to be derived within this planning period, assuming the that the transaction is submitted and approved in the expected time frame.

PMU Expansion – The Trust's new factory unit will be fitted out in July 2014. Over the last two years the Trust has been investing in the corporate infrastructure, developing a, largely autonomous commercial management team, with significant industry experience. The business continues to grow in the existing facility and signs are good that the ambitions to increase that rate of growth once the new unit comes on line in 2014/15 will be fulfilled.

The expansion decision was based on a thorough assessment of a comprehensive business case, the details of which are not described in detail in this plan, for reasons of commercial sensitivity. They are however, available on request if Monitor requires further information.

1.4.3 Risk and Mitigation Plans

CIP Delivery: The delivery of the CIP programme represents the most significant challenge, not just to this Trust but to all provider organisations. The Trust has a number of key schemes that will be subject to rigorous programme management. The Trust has no reserve and will manage investments through service redesign, encouraging financial discipline within the service lines for the forthcoming period of financial challenge to the sector.

The Trust has, for a number of years had a robust Programme Management function in place, overseen by a CIP Programme Board, with Board and senior clinical membership. Proposals are collected as part of the business planning process. Details of the schemes are captured, recorded on formal CIP Mandates if appropriate, quality impact assessed and, ultimately approved by the CIP Board.

Once schemes are approved they are formally programme managed. They are recorded on a database which is linked to the general ledger to identify scheme and delivery progress. Progress is managed through a monthly CIP performance process, and CIP Programme Board where progress is monitored, delays challenged and guidance provided to the managers responsible for delivery.

Both Internal and External Audit devote considerable time allocation, within the work programme, to inspect the leadership and assurance framework for the Trust's CIP schemes.

Cost Risk: Actions that would be taken in year to manage cost over-runs or in the event that the systematic approach to ensure CIP delivery fails are as follows:

- To delay the profile of capital expenditure, offsetting the cash impact of revenue under-performance.
- Access to loan capital to major capital schemes, maintaining working capital.
- Acceleration of the merger of Corporate Functions with Torbay and Southern Devon Health and Care NHS Trust, assuming successful approval of the proposed merger
- Vacancy management, particularly in corporate and support services, including escalated vacancy approval.
- Strict approval of all but essential non-clinical expenditure.
- Further emphasis through commercial activities, including the Pharmacy Manufacturing Unit particularly in 2015/16, as the new facility becomes fully operational.

Income Risk: The movement to a fully variable arrangement managed under full National Tariff creates more income risk than previous managed risk contracts:

- Failure to deliver against activity plans and / or triggering contract performance penalties are both clear risks and, whilst provision has been made, there remains a need to ensure operational and performance management systems remain robust and that they operate prospectively enabling potential shortfalls to be addressed before they materialise.
- Robust contract management will be critical and will require additional resourcing
- Robust audit arrangements will ensure that counting and coding processes are effective
- There will need to be a significant focus on relationship management to ensure that contractual processes do not damage relationships and, in particular affect the planned merger.

Emergency Admissions: The Trust saw continued pressure in non-elective activity in 2013/14 which had not been planned. This resulted in capacity being opened at premium rates and being delivered at a cost substantially in excess of the marginal rate tariff. This risk is addressed at a strategic level through the 'Pioneer programme' and the creation of the Integrated Care Organisation through which local system leaders - commissioners, hospital services, community services and Local Authorities - work together to manage the issue. Alongside this, the Trust is staffing increased bed capacity with permanent nursing staff to keep the costs to a minimum.

The Local Health Community is investing in the Horizon Institute to develop alternative pathways and keep patients in the most cost effective settings. The South Devon and Torbay CCG, Torbay and Southern Devon Health and Care Trust and the FT have all contributed manpower to the Horizon Institute to drive forward the thinking and implementation of the work behind the Integrated Care Organisation, starting in 2014/15 with an emphasis on frail elderly services. Our local demography has a greater percentage of elderly population than in most of the country. Growth in this area has driven pressures in emergency admission over the past few years, both in volume and complexity. It represents a key priority for the community to better manage this patient group in community settings, with an enhanced support through primary care and community services.

With a similar focus on long term conditions, the FT has implemented transformational initiatives in community based diabetes, in cancer services with the move to outpatient treatments, supporting care homes with training nursing and support staff, in acute physicians to provide care plans and avoid emergency admissions and home care services to avoid outpatient appointments. These are all expected to reduce pressure in emergency admissions. Following the successful roll out of the diabetes virtual care system, we are going to focus on integration of Neurology services across the health system, in particular

the management of epilepsy.

The Trust is planning to support the community service redesign with strategic IT investment. The introduction of a whole system integrated e-prescribing system, clinical portal and 'Patient Knows Best' for example are designed to facilitate early and appropriate sharing of clinical information, enabling clinical situations to be managed effectively outside of the hospital environment and avoid the need for admission or attendance.

Loan Financing: In the event that loan finance proves not to be available in support of the critical priorities – Critical Care and Radiotherapy – the Trust will, in the first instance discuss funding arrangements with relevant Commissioners. It will also consider a re-appraisal of the capital expenditure programme in 2015/16 onwards.

Planned Acquisition: The planned acquisition of Torbay and Southern Devon Health and Care NHS Trust in 2015/16 will create additional savings opportunities not included in this plan.

1.4.4 Non Principal Income

Under Health and Social Care Act 2012 The Trust has an obligation to ensure that the total income derived from their principal purpose is greater than their total income from the provision of goods and services for "any other purposes" including the provision of private healthcare. The 'non principal purpose income' of the Trust are as follows:

Description	FY 2014-15 £m	FY 2015-16 £m
Private patient income	0.5	0.5
Non contract activity	0.1	0.1
Non-patient service to other bodies	9.9	9.9
Car park income	0.7	0.7
Catering income	0.6	0.6
Accommodation income	0.6	0.6
Pharmacy Manufacturing income (proportion)	6.8	7.5
Other income	3.9	3.9
Donated income	0	0
Total non principal purpose income	23.1	23.8
Total Trust Income	239.9	240.9
% of Non Principal Purpose Income against Total Trust Income	10%	10%

1.4.5 Validation Errors

There are 19 validation errors in the financial template solely related to the fact that the Trust has yet to submit plans for the 2016-18 period.