

Assessment of NHS foundation trusts' 5-year strategic plans

Monitor has published summarised versions of each NHS foundation trust's 5-year strategic plan. These are available in the foundation trust directory. Foundation trusts prepared these summaries as part of the 2014/15 planning round.

Background

In June 2014, Monitor received 5-year strategic plans from foundation trusts for the first time.

Our review of 2013/14 strategic plans had concluded that there were significant opportunities for most foundation trusts to improve their strategy development processes. This is important as a clear and well thought-out strategy helps foundation trusts address issues with operational and financial performance and sustain high-quality care for patients now and into the future. Supporting the sector to improve was therefore a key objective of the 2014/15 planning round and why we added the 5-year strategic plan to the process.

Our approach

Rather than undertake an in-depth review of foundation trusts' strategies and plans, we tested the robustness of the financial projections which described those plans. We did this by applying a limited number of sensitivities to foundation trusts' own financial projections, and then applying simple financial tests to these sensitised projections.

To ensure as far as possible that the sensitivities were balanced and proportionate, we adjusted for parameters generally known to be poorly modelled across the foundation trust sector. The following adjustments were made:

- expected cost improvement programme (CIP) delivery was adjusted in light of past performance and delivery against plan
- anticipated pressures to tariff and costs were adjusted to reflect Monitor guidance
- contingencies in plans were released (this mitigates against the above adjustments)
- capital expenditure forecasts were reduced to reflect the historical underspend in the sector against plan.

We recognised that there may be limitations in some cases to using top-down sensitivities, and no formal regulatory action has been taken directly as a result of this analysis.

We used a RAG rating to categorise our assessment of the level of risk in each case:

- Green** No undue concerns were raised from review of the strategic plan, and we continued to monitor ongoing delivery as normal.
- Amber** The sensitisation of the projections identified that the foundation trust's sustainability may have been marginal. We therefore asked the trust to review its plans in light of our findings, and to consider what improvements in strategic planning may be required in the future.
- Red** There appeared to be a high risk to sustainability. Where appropriate, we invited foundation trusts in this category to a meeting with Monitor so we could reach a shared understanding of possible gaps and agree what was required to close these in terms of resources, support and milestones.

For the avoidance of doubt these are not formal risk ratings and have been used as a starting point for discussion with the foundation trusts in question.

Our findings

Our review of the 5-year plans highlighted a number of improvements on previous years' plans:

- the 'optimism bias' identified in previous plans has become less pronounced
- higher quality of diagnosis and analysis of the various issues facing foundation trusts
- evidence of providers and commissioners working more closely together to identify and confront emerging pressures
- some truly innovative transformational initiatives are being developed and implemented across local health economies.

However, our analysis showed that there were still some key issues in strategic planning at many foundation trusts:

- overall cost improvement programmes (CIPs) appear insufficient to offset the financial pressures facing the system
- transformational changes are not yet widespread and well-developed enough across the sector
- there is evidence of poor alignment between provider and commissioner plans
- in many instances, financial pressures continue to be under-modelled in plans.

Our review suggests that on current plans around 30% of the sector is likely to be sustainable, around 30% is likely to be unsustainable and the remaining 40% marginal. This pattern of identified risk is similar to our assessment of the short-term position (2-year operational plan review), where 20% of foundation trusts were red rated, 40% amber and 40% green.

We look forward to working with the foundation trust sector to encourage further improvements in strategy development. Monitor's 'Strategy development toolkit', launched in October 2014, will provide a comprehensive resource of support for foundation trusts in their ongoing strategy development processes.