

31 October 2014

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Dear Bridget

## Airedale NHS Foundation Trust

### Your foundation trust's five-year strategic plans

Thank you for the huge efforts of your foundation trust during this planning round to address the major challenges faced by the healthcare sector. Below I have summarised key findings from our review of the five year plans and next steps.

#### Background

Our review of last year's strategic planning concluded that there were significant opportunities for the majority of foundation trusts to improve<sup>1</sup>. This is important as a clear and well thought-out strategy helps foundation trusts achieve the vision and values of the NHS by sustaining safe, effective care for patients in the medium term. Supporting the sector to improve was therefore a key objective of the 2014/15 planning round and why we added the five-year strategic plan to the process. More recently, we launched the Strategy Development Toolkit with guidance for foundation trust boards and their teams on every stage of the strategy development process.

In our letter of 16 May 2014, we stressed the importance of foundation trusts having a realistic view of the scale of the financial challenge over the next few years. Furthermore, we reassured you that we want to engage with you in a supportive manner if risks to sustainability are identified. Our approach to reviewing this year's five-year plans has been governed by these principles.

#### Overview

Our review of the five-year plans has highlighted a number of improvements:

- the optimism bias identified in previous plans has become less pronounced;
- there is a higher quality of diagnosis and analysis of the various issues facing foundation trusts;
- there is evidence of providers and commissioners working more closely together to identify and confront emerging pressures; and

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<sup>1</sup> See [Meeting the needs of patients: Improving strategic planning in NHS foundation trusts](https://www.gov.uk/government/publications/nhs-foundation-trusts-improving-strategic-planning), available at <https://www.gov.uk/government/publications/nhs-foundation-trusts-improving-strategic-planning>

- some truly innovative transformational initiatives are being developed and implemented across local health economies.

However, our analysis shows that there are 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 enough across the sector;
- there is evidence of poor alignment between provider and commissioner plans; and
- in aggregate, financial pressures continue to be under-modelled in plans.

As a result, there are concerns about the robustness of foundation trusts' plans to deliver quality care on a sustainable basis.

### **Our approach to the assessment of your strategic plan**

We have not undertaken an in-depth review of foundation trusts' strategies and plans. Instead, we have tested the robustness of the financial projections which describe those plans. We did this by applying a limited number of sensitivities to foundation trusts' own financial projections to adjust for parameters generally known to be poorly modelled<sup>2</sup>.

We have 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. We will continue to monitor ongoing delivery as normal.
Amber	The sensitisation of the projections identifies that the foundation trust's sustainability may be marginal. We therefore ask the trust to review its plans in light of our findings, and to consider what improvements in strategic planning may be required.
Red	There appears to be a high risk to sustainability. Where appropriate, we will invite foundation trusts in this category to a meeting with Monitor so we can reach a shared understanding of possible gaps and agree what is required to close these in terms of resources, support and milestones.

We recognise that there may be limitations in some cases to using top-down sensitivities and will not base any response on this alone. We are of course happy to discuss the outcome and approach applied for your foundation trust with you.

### **Outcome of the assessment of your strategic plan and next steps**

Your strategic plan has been rated as Amber.

The sensitisation of the projections identifies that your foundation trust's sustainability may be marginal and we have a number of concerns/issues which we wish to raise with you:

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<sup>2</sup> The following adjustments to trusts' assumptions were made:

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

- The level of CIP included in the plans looks exposed given both absolute historical levels and delivery against plan. Notwithstanding the need to be ambitious for patients, submitted plans should be realistic and we will monitor you against the delivery of these.
- To be able to deliver high quality care sustainably, the Trust's Right Care strategy needs to have broad acceptance across the local health economy and reflect the priorities and intentions of commissioners and, where appropriate, those of other providers. We ask you to continue to engage with your local health economy to develop a wider understanding of what sustainability looks like across your local area.

Should you wish to discuss our findings in more detail, please contact your regional team at Monitor.

### **Further information**

In early November you will receive a letter from Monitor, NHS England and the NHS Trust Development Authority which sets out the timetable and high level principles for the 2015/16 planning round. Monitor's full guidance will be published in early December.

The summarised version of your strategic plan will be published on our website shortly.

As referred to earlier, we recently published our Strategy Development Toolkit. The toolkit describes a seven-stage framework for boards and their teams, and offers practical guidance at every step of the process together with case studies from other NHS providers. It is a series of frameworks, analyses and ideas intended to provide direction and inspiration, rather than to be prescriptive. Please download the toolkit [here](#)<sup>3</sup>; you can also find a link to the landing page, together with further information, [here](#)<sup>4</sup>. We hope you find it helpful.

If you have any queries, please feel free to contact me.

Yours sincerely



**Shona Milton**

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Cc: Professor Michael Luger, Chair

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<sup>3</sup> Available at <https://drive.google.com/uc?export=download&id=0B8FRBEcO1QyULXYxRWIza0xSRjQ>

<sup>4</sup> Available at <https://www.gov.uk/government/publications/strategy-development-a-toolkit-for-nhs-providers>