Queen Victoria Hospital
NHS Foundation Trust

Summary Strategic Plan 2014/15 – 2018/19

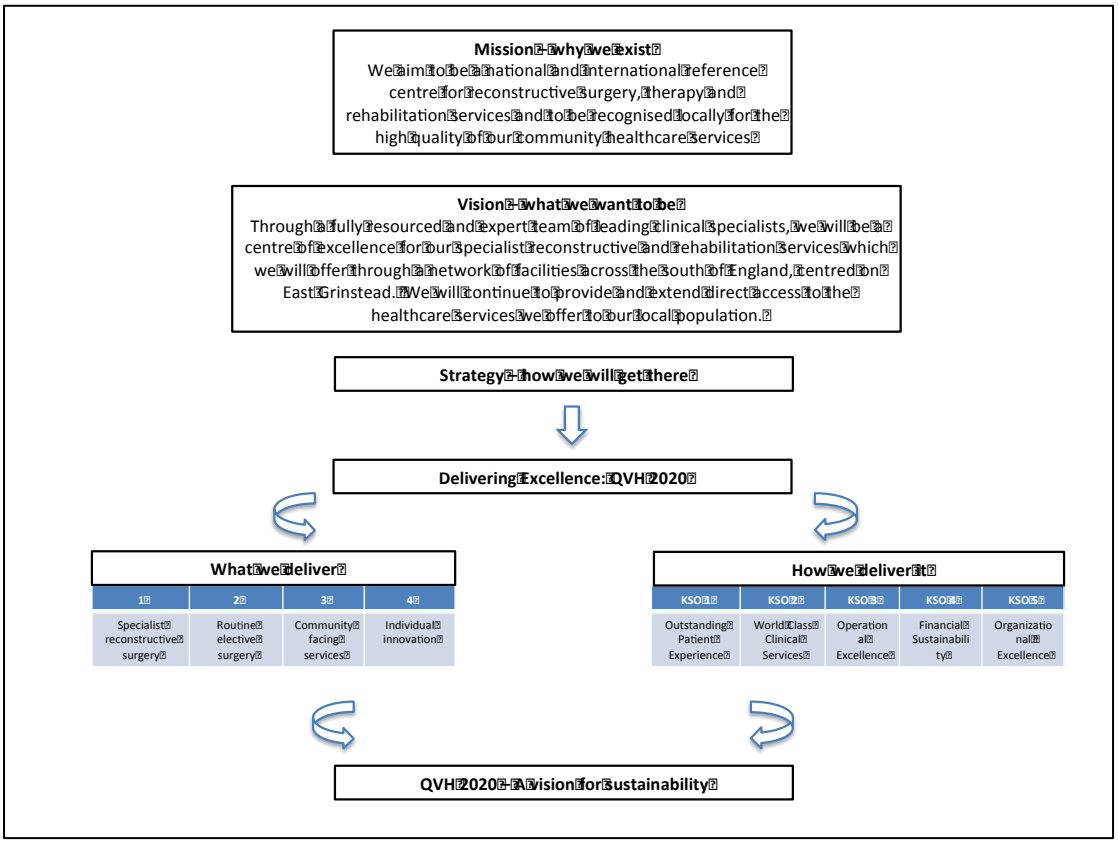
30 June 2014

1 Executive Summary and Declaration of Sustainability

Our vision and Strategy

1.1 Queen Victoria Hospital NHS Foundation Trust (QVH) is a specialist NHS hospital providing life-changing reconstructive surgery, burns care and rehabilitation services for people across the South of England. Our world-leading clinical teams also treat common conditions of the hands, eyes, skin and teeth for the people of East Grinstead and the surrounding area. In addition we provide a minor injuries unit, expert therapies and a sleep service. We are a centre of excellence, with an international reputation for pioneering advanced techniques and treatments and for clinical excellence, underpinned by patient and stakeholder support and a solid financial and operational track record.

1.2 QVH has a clear vision and strategy for its future. The figure below summarises the Trust's strategic architecture.



The context within which we work

1.4 QVH expects demand for the services provided by the Trust to continue to rise over the next five years. Our market analysis has identified credible and realistic opportunities for QVH to meet this rising demand.

1.5 At the same time, in common with other NHS providers, QVH faces a significant financial challenge, estimated to be in the order of 4% per annum for each of the next five years, and equivalent to £12m.

Our strategic plans

1.6 Our strategy to ensure service line sustainability encompasses both productivity and growth.

1.7 Our **productivity programme** will drive increased efficiency and realise £7m of CIP savings over the next five years through a three pronged approach:

- Trust wide productivity initiatives including improved labour productivity, improved fixed asset utilisation, reduced non-pay costs and innovation in service delivery
- Locally generated cost reductions
- A series of individual service reviews based on internal and external benchmarking

1.8 Our plans also involve the **delivery of income growth for QVH.** During 2014/15 – 2015/16 this involves reducing waiting times to improve the experience of our patients and delivering a series of identified opportunities to grow our services and market share. Our plans also describe the action we will take in key areas where there are longer term, step change opportunities for QVH, or issues to resolve.

1.9 This plan enables the Trust to generate a surplus of £2.2m in 2014/15 and £2.5m per annum from 2015/16 maintaining a Continuity of Service Risk Rating of 4. Our sensitivity modelling has confirmed that, should the increased activity volumes envisaged in our growth plans not fully materialise, then QVH remains able to generate a surplus and meet its financial obligations, albeit with a lower Continuity of Service Risk Rating of 3.

Declaration of sustainability

1.10 **The delivery of this strategic plan enables QVH to remain sustainable over the five year period 2014/15 – 2018/19 and beyond.**

1.11 The figure below summarises our vision for the Trust's service lines by 2018/19.

QVH 2020

Queen Victoria Hospital NHS Foundation Trust

Service Area	A future where
Specialist Surgery, Burns and Rehabilitation	▪ We retain our position as the major provider of specialist reconstructive surgery, burns and rehabilitation for SE England ▪ Our major base for burns and trauma is co-located with a Major Emergency Centre in SE England with planned surgery in East Grinstead and satellite unit(s) in [locations tbc] ▪ Through our strategic partnership swith Kings, MTW & BSUH we have strengthened our services and have fit for purpose facilities with the required clinical support on site ▪ We have been able to further extend our reach into Surrey and Kent
Routine Elective Surgery	▪ We have significantly grown our market share in hand, breast, skin, cornea and max-fax surgery ▪ Our outreach services all add value to our business and are strategically located to provide excellent patient access and ensure patient flows into QVH ▪ We have a significant private business alongside our NHS business which has increased our flexibility and value, and we work in partnership with consultants to grow both businesses to our mutual benefit
Community Facing Services	▪ We work in partnership with other local services to jointly provide integrated primary and community care on our site and in the local community. This may incorporate general practice, community nursing and rehab services, rapid access to diagnostics, geriatricians and an urgent care centre ▪ These services contribute to avoiding unnecessary admissions and enabling earlier discharge from hospital for East Grinstead patients

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2 QVH2020: Overview of our vision and strategy

2.1 The Trust Board initiated a process of strategic review in July 2013. The review was prompted by a number of internal and external changes. Internally the arrival of a new Chief Executive and changes to the Trust Board provided the impetus to reconsider the existing mission, vision and strategy, whilst external changes to the commissioning landscape arising from the 2012 Health & Social Care Act provided stimulus to review. The review was designed and led by the Chief Executive.

Initial view and working hypothesis.

2.2 The strategic review started from the premise that the Trust was successful clinically, operationally and financially and that there was nothing inherently wrong with the vision and mission as set out in the Trust's 2013/14 annual plan.

2.3 The Trust had previously pursued a strategy of consolidating around what it considered to be its core business of specialist reconstructive surgery and rehabilitation. This led to the Trust shedding non-core business; most notably the closure of GP managed elderly care beds and related outpatient clinics. The Trust tempered its consolidation in recognition of the fact that a certain volume of routine elective surgery was essential both for ongoing training and as a revenue stream, however this routine elective activity was to be confined to the core specialties of plastics, maxillo-facial surgery and orthodontics. In addition the Trust continued to provide a number of community facing services, including a nurse-led minor injuries service and routine therapies. It is these three areas; specialist reconstructive surgery; routine elective surgery; and community services that form the basis of the Trust's existing mission and vision.

2.4 The trust has four main areas of business; specialist reconstructive surgery & rehabilitation; routine elective surgery; local community facing services; and niche areas arising from individual consultant interest and innovation. ***A working hypothesis was framed that the Trust could survive and thrive if it continued to deliver across all four areas of the business***. It was this hypothesis that was tested through the strategy review that took place between September 2013 and March 2014.

2.5 In addition to considering *what* business the Trust should be in, the strategy review was designed to give equal consideration to *how* existing and new business should be delivered. The Trust had a well-established reputation for delivering high quality services as reflected in the new Friends and Family Test and national patient surveys. It also had a good reputation as a place to work as reflected in staff survey results and consistently met waiting list and other national and local quality targets. Its reputation was supported by a consistently strong financial position, achieving a 5 on the Monitor financial risk rating. However this needed to be tempered by the generally stronger performance of specialist hospitals, the absence of an A&E department with its resultant pressures, and the relatively limited impact of tariff changes and activity shifts which were having a much more significant impact on the providers of DGH type services. ***Against this backdrop a second hypothesis was framed: the Trust was good but it should be excellent***

2.6 In determining what *excellent* means, an initial definition was developed by considering the needs of the Trust's three groups of customers; patients and their families; commissioners; and peers (other providers and clinicians, the source of the Trust's tertiary referrals). An initial set of assumptions were made about what was important to each of these groups; for our patients and their families it was the overall quality of the patient experience; for our commissioners it was successfully meeting their requirements in respect of service re-design and delivery, and for our peers it was ongoing evidence of successful outcomes.

2.7 Using this customer segmentation a working definition of excellence was created that encompassed three separate but interrelated strands. Excellence was defined as; outstanding patient experience; operational excellence; and world class clinical services. These in turn were used to frame the strategic question: what would excellence look like across each of these three domains?

2.8 Putting these two strands of the *what* and the *how* together allowed us to define the two central dimensions of the strategic review;

1. In relation to *what* we do, can the Trust survive and thrive by continuing to develop and deliver services within the four areas identified within the Trust's existing vision?
2. In relation to *how* we deliver services, what does excellence look like across the three domains of patient experience, operational and clinical delivery?

Strategy review: process

2.9 From the outset the process was designed to ensure widespread engagement both within and outside the organisation. The review was given a name that reflected the belief in the longer term sustainability of the trust and the key aspect of that sustainability: *Delivering Excellence – QVH 2020.* Under the auspices of QVH 2020 a two stage internal process was initiated that sought to engage as many people as possible in the two questions set out above:

1. In relation to *what* we do;
    a. A service level market analysis was commissioned to clarify existing and potential market share for each of the Trust's major service lines;
    b. Discussions with major commissioners were initiated, both CCG and LAT to determine current and emerging commissioning concerns;
    c. A mixture of quantitative and qualitative intelligence was used to conduct semi-structured interviews with clinical leads and directors to arrive at a SWOT/PEST analysis for each of the Trust's key service lines;
    d. The Trust Board and Clinical Cabinet were engaged throughout the process to inform and test the emerging findings.

2. In relation to *how* we do it:
    a. Launched the review across the whole organisation with a week-long series of presentations and discussions;
    b. Held a two day-long drop in sessions for staff to contribute their ideas across the three areas of excellence;
    c. CE presented and discussed proposals at individual department and service meetings;

d. Presentations and discussions held with Board, Governors and main CCGs;
e. Findings presented to Board and Cabinet at regular intervals to test emerging findings.

Strategy Review: Outcomes

2.10 The review was concluded in March 2014 and overall there was overwhelming support for the concept of *QVH 2020* and a simple strapline emerged ***Outstanding care delivered by outstanding people*****.** The main findings in the two areas were as follows;

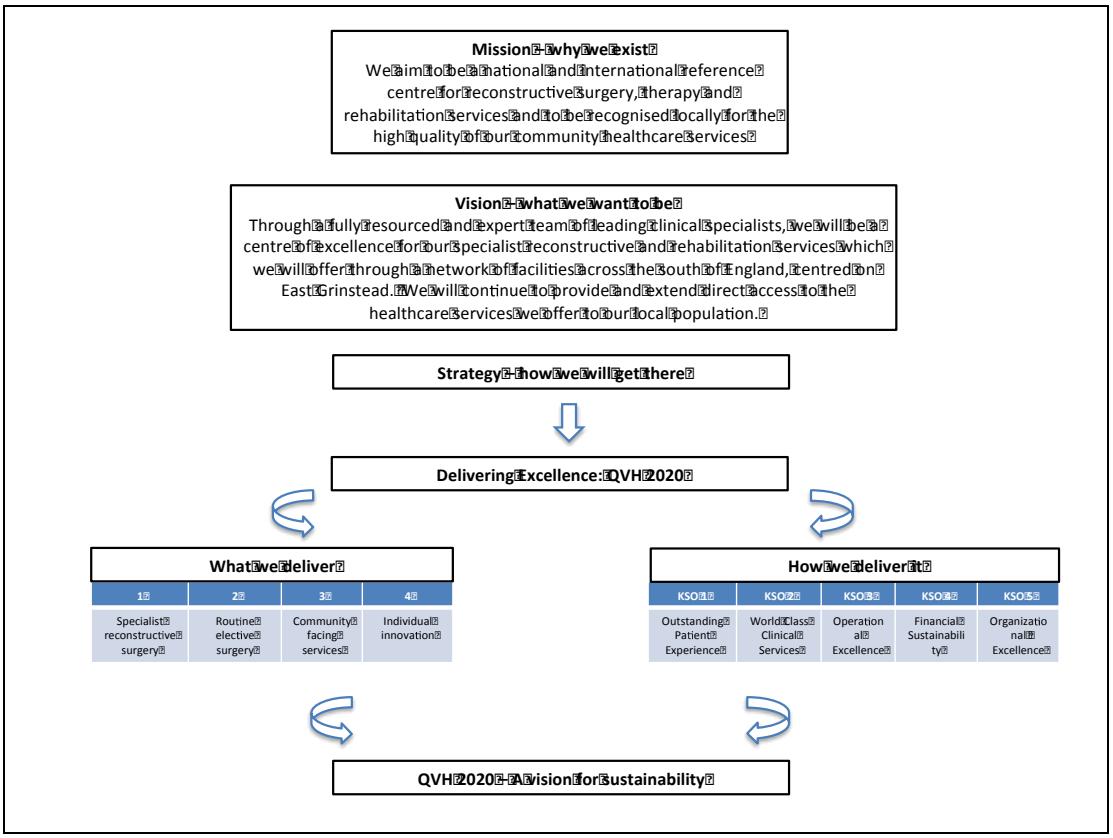
1. In relation to *what* we do, the key findings were as follows;
    a. The working hypothesis of delivery across the four domains was borne out by the market analysis, stakeholder and clinical lead discussions;
    b. There are a number of incremental opportunities for growth that could form the basis for the first two years of the plan;
    c. Opportunities for transformational change exist in the longer term but are dependent on the resolution of a number of key questions and are reliant on the development of external relationships and commissioner support;
    d. These opportunities can be distilled into five key business development programmes that form the basis of the longer-term sustainability programme.

2. In relation to how we deliver services, the key findings were as follows;
    a. The definition of excellence was accepted;
    b. Detailed definitions emerged for each of the three areas; patient experience; operational excellence and world class services;
    c. Two further areas of priority emerged; firstly it was noted that excellent delivery requires excellent people and this in turn requires an excellent organisation. Therefore it was recognised that organisational development should form a fourth priority area. Secondly delivery had to be underpinned by financial investment and this in turn required a clear plan for financial sustainability which therefore should form a fifth priority area.
    d. These five areas provide the basis for a revised set of key strategic objectives that will enable us to re-orientate the organisation around the concept of delivering excellence.

Putting it together: our revised strategic architecture.

2.11 The review enabled the Trust to conclude that, whilst the initial premise that the Trust's existing mission and vision remains valid, the strategy needs to evolve to encompass both the *what* and the *how*. In this context, whilst the *what* remains the same, it is clear that the strategy for delivery needs to change to reflect a changing external environment. Similarly a renewed focus has been placed on the *how* in recognition of the importance of both retaining existing customers and attracting new ones.

2.12 In the light of these revisions the Trust's strategic architecture has been updated as set out below.



Summary

2.13 QVH is a high performing specialist Trust with a reputation for clinical excellence, underpinned by patient and stakeholder support and a solid financial and operational track record. QVH has a clear vision for its future and through our recent strategic review has confirmed that the Trust can both maintain and improve on current performance to assure a sustainable future. This is not without challenge and will require ongoing engagement with key stakeholders as service plans are developed and refined. However we are confident that in *QVH 2020* we have developed a clear strategic direction underpinned by the necessary capacity and capability to deliver.

3 Market Analysis and Context

3.1 Introduction

3.1.1 Queen Victoria Hospital provides

- specialist reconstructive surgery and rehabilitation to patients across SE England
- routine elective surgery including plastics, maxillo-facial surgery and orthodontics to local patients and to an increasingly wide population in SE England
- local community services including a nurse-led minor injuries service and routine therapies
- a series of 'niche' services arising from individual consultant interest and innovation, for example sleep studies

3.1.2 This chapter of the plan sets out our assessment of the wider context within which the Trust operates, and the opportunities for QVH. It describes:

a) an overview of the **health needs of the population** we serve. This concludes that, because the population is ageing, because people are increasingly living with long term conditions including cancer, and because our ability to treat conditions continues to rise, that QVH can expect demand for the services provided by the Trust to continue to grow

b) an assessment of the **impact on QVH of the national and local context**. We expect to see:
   - a continued drive for the centralisation of specialist services, and QVH will work with partners to develop new service models
   - further national clinical standards introduced, such as 7 day consultant delivered care
   - the development of new models of primary and community care, bringing opportunities for QVH to extend our reach
   - a gap between available resources and the costs of delivering care of 4% per annum, unless we act. Commissioners are looking for a 20% improvement in productivity in elective care; our new theatre complex and the significant scale of our surgical operation means we are well placed to deliver efficiencies in these pathways.

c) An analysis of **the market in which the Trust operates**. This demonstrates that QVH has a strong presence and market share across SE England in the services in which the Trust specialises. Our analysis demonstrates that there are realistic and deliverable opportunities for QVH to grow its services over the next 5 years.

3.2 Healthcare needs assessment

3.2.1 The population served by QVH across Surrey, Sussex and Kent is growing and ageing. Approximately 20% of the population are living with a moderate mental or physical long term condition and approximately 5% of the population have multiple, complex long term conditions often compounded by being elderly and frail. Cancer cases continue to rise with around one-third of a million people diagnosed every year – this figure is expected to rise to 425,000 by 2030. Ten year survival rates for many cancers, including breast and skin cancers where the Trust provides services, are now above 75% - so the proportion of people living with cancer is also continuing to rise.

3.2.2 The ability of the NHS and specifically our ability at QVH to treat and help manage conditions that were previously life threatening is improving all the time. Taken together these factors mean that demand for the Trust's specialist services will continue to rise, and that the needs of older people for whom QVH provides local services will also continue to rise. The table below summarises the impact of the changing health needs on the Trust's major service lines.

Impact of health needs assessment on QVH service lines

Specialist Surgery, Burns, Rehabilitation	Routine Elective Surgery	Community Facing Services
People are living longer increasingly with long term conditions. This will impact QVH in our specialist areas such as burn injuries, cancer, lower limb lacerations, reconstruction and ophthalmology services because some of these conditions are more prevalent in the older population and our ability to treat and manage conditions previously life threatening means we will now be operating on people much later in life. We can expect people to want specialist treatments because their other conditions are well managed. This reinforces the need for QVH to maintain strong strategic partnerships with other providers so that patients can have these other care needs managed where that is not the core expertise of QVH. Technology advances mean we can remotely manage patients e.g. home oxymetry in our Sleep Disorder Centre; provide outreach plastics services.	*People are living longer increasingly with long term conditions.* This will impact on demand for routine surgery e.g. cataract surgery. It reinforces the need for QVH to maintain strong strategic partnerships with other providers so that patients can have these other care needs managed where that is not the core expertise of QVH. Medical advances mean we treat patients as daycases that were previously inpatients e.g. Xiapex	*People are living longer increasingly with more moderate long term conditions, some complex, and often compounded by being elderly and perhaps frail.* The impact of this will be that service users want access to services closer to their homes; want preventative health and wellbeing closer to their home to avoid emergency admissions. 20% of population with long term conditions will require local access to the support they need ideally bringing together primary care, services in their own home, expanded role for GPs, comprehensive care in collaboration with community services and expert clinicians.

3.3 National and Local Policy Context

3.3.1 The national NHS policy context, summarised in '*Everyone Counts: Planning for Patients 2014/15 to 2018/19'* and the strategic plans of local commissioners have been assessed. QVH serves a large geographical area and delivers services in multiple spoke sites, and has no one predominant commissioner. NHS Horsham and Mid Sussex CCG is the host commissioner for QVH and makes up just over 2% of operating spend.

3.3.2 The main impacts on QVH of the national and local policy context are:

a) The continued drive to concentrate specialist services in a smaller number of centres of excellence has the potential to increase activity flows to QVH. The increasing requirement that specialist services are co-located with other acute services threatens the QVH stand-alone model and chapter 4 describes how we are working with partners to address these issues.

b) New national clinical standards such as for 7 day consultant delivered inpatient care which result in a need for investment in and the redesign of service models.

c) A drive to develop new models of primary care at scale and of integrated community care, particularly focussed on better meeting the needs of elderly and frail people. QVH already provides a range of community facing services to the 75,000 people for whom QVH is their local hospital. There are opportunities for QVH to expand its community offering to meet local needs.

d) A widening gap between the cost of delivering care and the resources available in the system. This gap includes an expectation from commissioners that productivity increases in elective care in the order of 20% will be delivered over the next five years. For QVH this translates into a gap of 4% per annum and it is clear that this gap can not be filled by efficiency savings alone. Our strategic plan set out in chapter 4 describes our approach of delivering both productivity and growth to manage this financial challenge.

3.3.3 The table below summarises the impact of the policy context on the Trust's major service lines.

<u>Impact of policy context on QVH service lines</u>

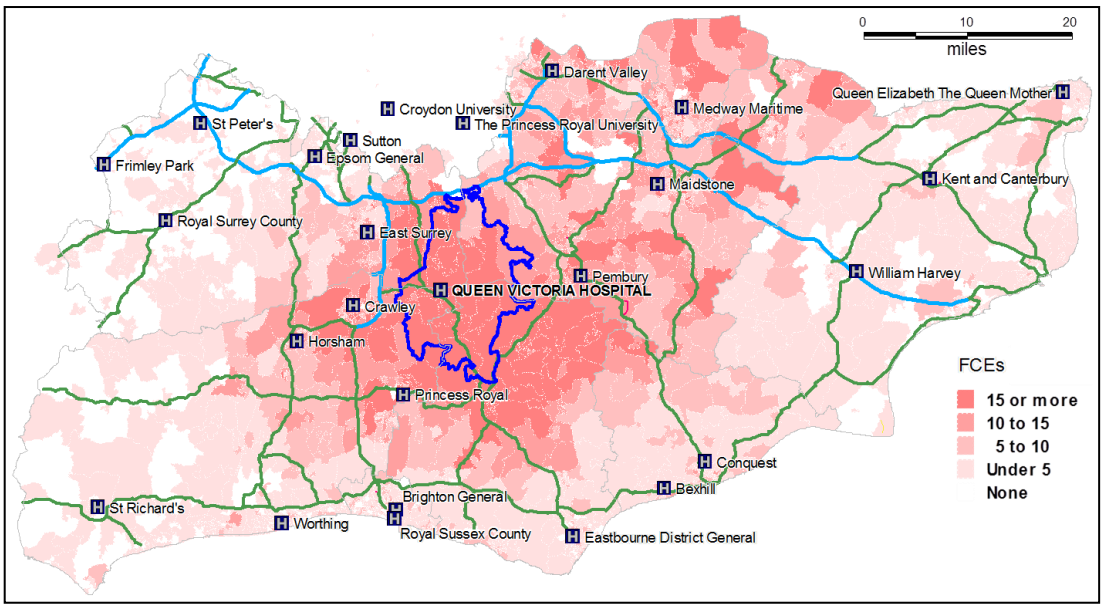
	Specialist Surgery, Burns, Rehab	Routine Elective Surgery	Community Facing Services
Impact of the national context	The national strategy to ensure access to highest quality urgent and emergency care will be relevant to the Trust's trauma services. Tertiary trauma is a large part of Trust's workload in burn care, hand surgery and plastics. Supporting others in delivering a trauma service is a key part of Trust's strategy e.g. plastics	A step change in the productivity of elective care to increase productivity of by about 20% over 5 years. This will present a significant challenge to the Trust where routine elective care is needed to support the tertiary and specialist services. QVH is predominantly an elective hospital. Tertiary trauma does make up a	National planning guidance indicates priority areas are to see wider primary care, provided at scale and a modern model of integrated care. This provides the Trust with an opportunity to work with local GPs and other community colleagues including community pharmacy to play a much stronger role at the heart of a more integrated system

	Specialist Surgery, Burns, Rehab	Routine Elective Surgery	Community Facing Services
	support to Major Trauma Centre in Brighton To continue to provide high quality urgent and emergency care the Trust needs to develop strong strategic partnerships to ensure access to disciplines and specialities that do not form part of the Trust's core business. Centralising specialised services in centres of excellence impacts mainly on burns and head and neck surgery. This will require, as above, strong strategic partnerships and a new approach to delivering burn care and critical care most likely including technological advances of delivery through remote management and specialist support. QVH will need to ensure that the requirements from the 7 day services review are built into all service developments.	significant element but even that has small planned component therefore any changes to elective care commissioning have potential to impact QVH significantly. Areas where Trust has to achieve productivity gains – ▪ Underutilisation of fixed assets ▪ High follow up ratio in certain areas ▪ Potential bed day savings	of community-based services in improving health outcomes. Work with our GP colleagues has indicated an appetite to develop new models of integrated care that provide more proactive, holistic and responsive services for local communities, particularly frail older people and those with complex needs. The national strategy relating to access to highest quality urgent and emergency care through Prof. Keogh's review will require the Trust to review its MIU provision. Through networking with designated Emergency Centres the Trust is planning to provide a designated Urgent Care Centre.
Local context	The rate of incidence of malignant melanoma is worse than the England average across Sussex and Kent – the Trust's largest catchment areas. The Trust operates a well renowned Melanoma and Skin Cancer Unit and is developing relationships with community dermatology providers to ensure a smooth and seamless pathway from referral to treatment to ensure patients with these conditions are treated as soon as possible and with the most favourable outcomes.	The local CCG vision for 2019 of increased primary provider models provides opportunity for joint work on pathway redesign. A key area of interest to the Trust is MSK services which have been recommissioned through a lead accountable provider model. There is a risk of impacting on routine hand surgery which in turn risks impact to more specialist tertiary surgery including the trauma element.	The local CCG in Mid Sussex are planning primary care services using a town-based approach. The QVH site is one potential option for their infrastructure and presents opportunities to work jointly on an integrated service that supports the CCG vision of personalised care; more and better care in the community; and fit for purpose estate. The local CCG in Kent is challenged by the ability to get patients into rehabilitation pathways and having insufficient capacity outside of hospital.

	Specialist Surgery, Burns, Rehab	Routine Elective Surgery	Community Facing Services
	Levels of obesity are worse than average across several parts of the Trust's key catchment area and obesity is a key contributor to obstructive sleep apnoea – a condition treated by the Trust's Sleep Disorder Centre. Pathways that take a holistic approach to the management of these conditions such as providing dietary and psychological support will be key to improving outcomes for these patients.		

3.4 Market Share and Competitor Analysis

3.4.1 A service level market assessment was undertaken during 2013/14 to clarify existing and potential future market share for the Trust's major service lines. QVH attracts patients from across SE England. The map below shows areas from which patients were treated by QVH as inpatients in 2011/12.



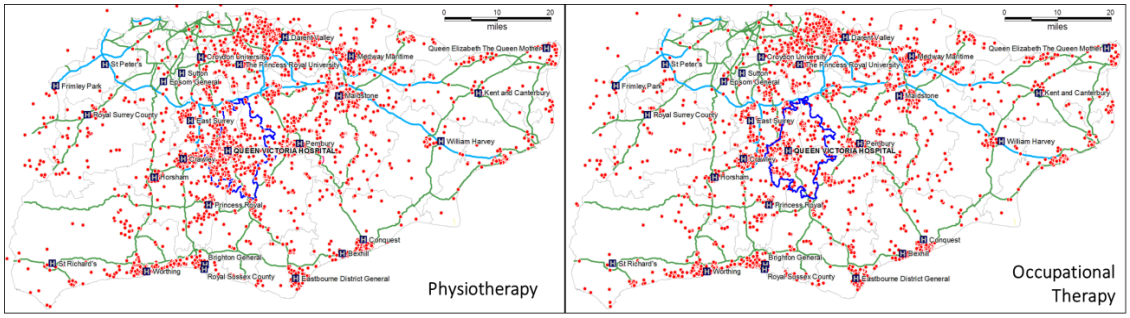
3.4.2 As the regional burns centre, QVH provides the overwhelming majority of burn care for Surrey, Sussex and Kent. 3 of every 4 hospital based burns treatment for patients in Kent and Sussex takes place at QVH.

3.4.3 QVH has a significant surgical service undertaking c18,000 surgical procedures per annum, focussed on head and neck surgery, breast surgery, skin surgery and corneo-plastic surgery.

There are large markets across Kent, Surrey and Sussex, where QVH has well developed services and strong market share, and where there are opportunities for QVH to grow.

3.4.4 The casemix of the activity undertaken by QVH is more complex than that of typical district general hospitals. As a result of its expertise and activity volumes, QVH is well placed to continue to grow and develop its specialist surgical services portfolio.

3.4.5 QVH also provides a range of therapy services with local, regional and national catchments. The map below shows the areas from which the Trust is attracting patients for physiotherapy and occupational therapy. Both maps illustrate the regional nature of the services which provides a strong foundation for service development and opportunities for growth.



3.4.6 For 75,000 people living in the East Grinstead area, QVH is their closest hospital. QVH has strong market share for routine surgery for this population. The Trust also delivers therapy and minor injury services to this population. There are opportunities to expand the range of services provided to this local catchment.

3.5 Conclusions

3.5.1 QVH expects demand for the services provided by the Trust to continue to rise over the next five years.

3.5.2 The most significant opportunities for the Trust are:

- Despite challenging market conditions, the opportunity for QVH to continue to grow it's specialist services and routine surgical services, focussed on areas of specialist expertise;
- The opportunity to develop an expanded and substantial community facing service with local partners, on the QVH site, to better meet the needs of local people.

3.5.3 The key strategic risks to the Trust are:

- The risk that the Trust is unable to continue to provide burn care services as a result of being unable to meet the national burn care service specification;
- The risk that competition from other providers erodes the Trust's market share and prevents the Trust from growing.

4 Financial Plan

4.1 Introduction

4.1.1 The financial plan covers the five years from 2014/15 to 2018/19. The outputs from the financial plan demonstrate that the Trust will be financially, operationally and clinically sustainable according to current regulatory standards in one, three and five years' time. The plans predict surpluses that grow from £2,203k to £2,539k over the period.

4.1.2 The assumptions that underpin the plan are prudent levels of tariff reduction and cost inflation, offset by activity growth at 2% and annual cost improvement plans of between £883k and £1,802k.

4.1.3 The figures quoted in this chapter agree with those in the financial template and reflect the trusts operational plans.

4.2 Historic Context

4.2.1 The trust has a record of delivering significant surpluses.

Surplus before impairments and restructuring costs	2010/11 £k	2011/12 £k	2012/13 £k	2013/14 £k	2014/15 £k	2015/16 £k	2016/17 £k	2017/18 £k	2018/19 £k
Achieved	2,766	2,927	4,112	2,599					
Planned					2,203	2,503	2,521	2,531	2,539

4.2.2 The surpluses have been delivered through growth in activity undertaken at low marginal cost and the achievement of cost improvements.

Cost Improvement Plans	2010/11 £k	2011/12 £k	2012/13 £k	2013/14 £k	2014/15 £k	2015/16 £k	2016/17 £k	2017/18 £k	2018/19 £k
Achieved	1,398	2,049	2,320	1,787					
Planned					883	1,580	1,802	1,275	1,281

4.2.3 The cumulative effect of this performance is strong liquidity performance.

4.2.4 The plans for the next five years are consistent with historic financial performance.

4.3 2014/15 Update

4.3.1 The operational plan for 2014/15 is for a surplus of £2,203k. Performance in the first two months of the year is consistent with this plan. The performance for the remainder of the year relies on marginal activity growth and steps are being taken to deliver this. The activity growth will improve the RTT 18 week performance.

4.3.2 Should this additional activity not be delivered then the sensitivity analysis shows income reducing by £750k with a mitigation of costs reducing by £225k. The trust remains sustainable under this scenario.

4.3.3 The cost improvement plan for 2014/15 is conservative compared with historic levels and future plans at £883k.

4.4 2015/16 Reviewed

4.4.1 The trust has reviewed the plans for 2015/16.

4.4.2 The level of surplus and cost improvement is consistent with previous years. However there are risks around income growth and cost containment. The additional pay pressure from pensions costs is a risk. Salary payments in addition to basic pay, such as on call and unsocial hours enhancements, are being reviewed and any changes will help to mitigate the pension pressure.

4.4.3 The plans to mitigate the risk are around the generation of additional income and improving productivity.

4.4.4 The trust considers that the plan for 2015/16 is deliverable and that there are reasonable mitigations to cover a reasonable downside scenario. The trust remains sustainable under these assumptions.

4.5 Assumptions 2016/17 – 2018/19

4.5.1 The inflation assumptions for 2016/17 are as follows.

Inflation Assumptions	2016-17 %	2017-18 %	2018-19 %
Tariff	-1.5	-1.5	-1.5
Pay	3.4	2.0	2.0
Non Pay	2.0	2.0	2.0
Drugs	3.0	3.0	3.0
Other Expenses	2.0	2.0	2.0
Implied Efficiency %	4.48	3.48	3.48

4.5.2 These assumptions are considered to be consistent with commissioner plans in the case of the tariff deflator, and with the cost pressures that can be reasonably expected by this trust in the future. The additional pay cost pressure in 2016/17 relates to pensions. The implied efficiency gains required from these assumptions range from 4.48% to 3.48%.

4.5.3 The activity assumptions are as follows

Activity Growth	2016-17 %	2017-18 %	2018-19 %
Minor Injuries Unit	2.0	2.0	2.0
Outpatients	2.5	2.5	2.5
Day Cases	1.5	1.5	1.5
Non Elective	2.0	2.0	2.0
Elective	1.5	1.5	1.5
Other	1.0	1.0	1.0

4.5.4 The activity assumptions reflect the expected changes to service demand and provision and are consistent with historic growth.

4.5.5 The cost improvement assumptions are

Cost Improvement Plans	2016-17 £k	2017-18 £k	2018-19 £k
Total	1,802	1,275	1,281
Split:			
Pay	1,250	700	700
Drugs	25	25	25
Clinical Supplies	150	150	150
Non Clinical Supplies	5	5	5
Other Op. Expenses	372	395	401
Overall CIP %	3.2	2.3	2.3

4.5.6 These cost improvements reflect productivity improvements within pay – from service redesign and the benefits derived from new IT systems including electronic patient records. The non-pay savings are derived from procurement savings where the aim is to reduce net cost inflation to 0%, and other changes in the use of resources.

4.5.7 The impact on the workforce from increased activity offset by cost improvement is marginal.

Workforce Whole Time Equivalents	2016-17 wte	2017-18 wte	2018-19 wte
All Staff	878.9	868.4	858.0

4.5.8 The capital assumptions are

Capital Expenditure	2016/17 £k	2017/18 £k	2018/19 £k
Property - Maintenance	800	800	800
IT	1,000	1,000	1,000
Equipment	600	600	600
Total	2,400	2,400	2,400

4.5.9 The capital assumptions are affordable in terms of cash flow and reflect service development priorities. In particular there is increased expenditure on IT systems to improve both productivity and patient experience.

4.6 Key Outputs

4.6.1 The key financial outputs are as follows.

Financial Summary	2014/15 £k	2015/16 £k	2016/17 £k	2017/18 £k	2018/19 £k
Income	59,582	59,711	59,940	60,171	60,404
Pay	38,431	38,516	38,795	39,097	39,406
Non-Pay	15,397	15,141	15,092	15,021	14,945
EBITDA	5,754	6,054	6,053	6,053	6,053
Post EBITDA	3,551	3,551	3,532	3,522	3,514
Surplus	2,203	2,503	2,521	2,531	2,539

4.6.2 Income grows through the net effect of tariff reduction and increased activity. The surplus grows because of additional activity being undertaken at marginal cost and cost improvements.

4.6.3 These financial outputs give the following Continuity of Service Risk ratings.

Continuity of Service Risk Rating	2014/15	2015/16	2016/17	2017/18	2018/19
Rating	4	4	4	4	4

4.6.4 Debt service cover improves because of stable surpluses covering reducing interest payments. Liquidity improves with stable surpluses and low levels of recurrent capital spend.

4.6.5 The cash balances are

Cash	2014/15 £k	2015/16 £k	2016/17 £k	2017/18 £k	2018/19 £k
Planned Year End Balance	4,215	5,978	7,756	9,546	11,345

4.6.6 The growing cash balance reflects financial performance. The plan for these balances is to invest in further site redevelopment.

4.6.7 The sensitivity analysis shows that the Trust retains a rating of at least 3 under a reasonable set of downside assumptions. The in-year downside assumption is that income is below plan by £1m, approximately 1.7%, and that this is offset by marginal cost savings of 30% or £0.3m.

4.7 Summary

4.7.1 The financial plan supports the assertion that the Trust will be financially, operationally and clinically sustainable according to current regulatory standards in one, three and five years' time. The plans predict surpluses that grow from £2,203k to £2,539k over the period. The assumptions that underpin the plans are prudent levels of tariff reduction and cost inflation, offset by activity growth of 2% and annual cost improvement plans that range from £883k to £1,802k.

5 Conclusions

5.1 QVH occupies a distinctive position within its local and regional health economy, providing a mixture of specialist and routine surgical services across Kent, Surrey and Sussex alongside a growing portfolio of community services for the residents of East Grinstead and its environs.

5.2 The geographical and clinical breadth of our service portfolio, coupled with the absence of A&E pressures, and the strength of our reputation with patients and commissioners, is reflected in the robustness of our historical financial and service performance.

5.3 However the Trust is not immune to growing financial pressures, the ever-increasing focus on quality and outcomes and the need to respond positively to the growing elderly population. These drivers have shaped our strategic review and the emergence of our refreshed strategy, *QVH 2020*. Against this backdrop we have assessed the scope for increased growth and concluded that the Trust can both survive and thrive through a judicious mixture of productivity and growth.

5.4 We do not underestimate the challenges but are confident that our track record, continuing focus on quality and ability to forge strong partnerships set us in good stead for the next five years and on this basis we are happy to reaffirm our declaration of sustainability.