

Sent via Email

31 July 2015

Dr Alison Diamond
Chief Executive

Roger French
Chair

Northern Devon Healthcare NHS Trust

Dear Dr Alison and Roger

2015/16 Finance Improvement - Northern Devon Healthcare NHS Trust

As you know, the NHS is facing an almost unprecedented financial challenge this year. Current plans suggest the service is heading for a substantial overall deficit, of which NHS Trusts contribute about a half. As I have said elsewhere, this is unaffordable.

At the same time you will recognise the need to balance performance and financial delivery whilst there continues to be a heightened focus on safety. I recognise that these challenges are ones that you face every day and are not an easy task. However, as a service we must respond to the challenges and take collective and individual actions to drive financial improvement in the short and medium term.

On this basis I expect all providers to work to a stretch target in 2015/16, based on delivering additional actions above the current plan with the clear intention of improving the individual financial position of each NHS Trust.

I appreciate that the NHS Trust is planning for a surplus position but I am asking you to develop a plan that works to a revised financial position of £3.488 million surplus, which in our view is a stretching but achievable ambition. In doing so please could you assess the opportunities available to the NHS Trust for improving the financial position with a view of reviewing priorities in all areas: revenue maximisation, cost control, efficiency, investments and balance sheet etc. to develop a realistic and deliverable plan.

It is recognised that addressing a challenge on this scale will be exceptionally hard and Ministers are sighted on the challenge you face and are ready to support all providers to improve their financial positions in a managed way. For the same reason NHS England have agreed that they will require CCGs and Direct Commissioning in the first instance to:

- suspend all fines and penalties relating to the admitted and non-admitted RTT standards backdated to the beginning of the financial year;

- resolve contract disputes as quickly as possible with binding arbitration to follow where this does not take place;
- be transparent with NHS England and the Department of Health on any uncommitted reserves;
- be transparent with NHS England and the Department of Health on any revenue generated through fines linked to provider non-delivery, so that commissioner decisions on how these should be deployed can be taken in the light of the need to deliver key Constitution standards and the overall financial position.

We will also work with you to encourage the transparent use of the 30% MRET funds to ensure this funding is being reinvested in alternatives to admission.

I also want you to be aware that the Department of Health is planning to implement controls over capital spending for NHS Trusts and Foundation Trusts. We will write to you shortly with further details on how this will operate.

Next steps

I ask that you write back to me, via tdafinance.taunton@nhs.net , with an improved plan for 2015/16 which is in line with the revised position set out above. The revised plan should clearly estimate the financial benefit of the options chosen and explain the consequences of the changes required to meet the new ambition, including any impact on workforce or service change.

I would be grateful if you could provide an Accountable Officer response to me by the 21 August 2015 with your revised plan position. I apologise for the tight deadline for this request but you will understand that immediate and urgent action to address the overall NHS financial position is required.

Yours sincerely



Robert Alexander
Chief Executive

Copy to:

Elizabeth O'Mahony, Director of Finance, NHS TDA
Anne Eden, Director of Delivery and Development (South), NHS TDA
David Robertson, Business Director (South), NHS TDA
Andy Robinson, Director of Finance and Performance, Northern Devon Healthcare
NHS Trust