# Operating and Financial Review (OFR)

## 1. Objective of the Operating Financial Review.

The objective of this OFR is to prepare a balanced and comprehensive analysis to inform the reader of events that impacted on the Trust during the 2009/10 financial year and is presented through the eyes of the Trust Board.

## 2. Trust Overview.

Northern Devon Healthcare NHS Trust serves a population of approximately 165,000 people within North Devon and neighbouring towns and villages in North East Cornwall and Mid Devon. North Devon is a popular retirement area and more than 20% of the population are over 65 years old and nearly 10% are over 75 years old (UK averages are 16% and 7.5%, respectively). The total local population has increased by about 1% per year in the last decade.

Since 1991, the Trust has managed the North Devon District Hospital in Barnstaple and provides a full complement of adult and child secondary care services including outpatient care, inpatient, day case, emergency treatment and follow-up care, diagnostics, maternity services (including the Special Care Baby Unit), intensive care and a busy Accident & Emergency department.

The Trust also has ownership and management responsibility for the provision of community hospitals together with community services including Physiotherapy, Occupational Therapy, Speech and Language Therapy, Podiatry and District Nursing.

The five community hospitals, based at South Molton, Bideford, Ilfracombe, Holsworthy, and Torrington offer a range of minor injury, rehabilitation and inpatient bed facilities. The Barnstaple Health Centre offers a mix of primary and secondary care services such as podiatry, sexual health and children's services whilst Lynton has a Resource Centre with a minor injury unit.

Across these sites we have more than 20 wards, 9 operating theatres, around 400 inpatient beds and more than 20 day case beds. We spent around £119.6m to provide healthcare services in 2009/10 (£119.4m in 2008/09 and at the end of the financial year we employed on average 2,254 whole time equivalent staff (2,178 in 2008/09).

The Trust also provides a unique model of care in North Devon with the merging of some health services and social care services to provide integrated, high quality care and efficient care that treats the patient in the right place and increasing access to a broad range of services with minimal bureaucracy that is supported by the Electronic Single Assessment Process (eSAP).

The services are provided by 5 complex care teams across North Devon covering the geographic areas of Barnstaple, Torridge, Ilfracombe, South Molton and Chulmleigh. The complex care teams are supported by services from health service bodies, social services and the voluntary sector.

Services provided by the Trust involved in providing these services include District Nurses, Community Matrons, Occupational Therapists, and Physiotherapists.

The Trust also accommodates the Devon Partnership Mental Health Trust's inpatient facilities at Barnstaple and Bideford which includes a learning disabilities unit.

To meet local healthcare needs we work closely with the following organisations:

- NHS South West Strategic Health Authority;
- NHS Devon;
- NHS Cornwall & Isles of Scilly;
- NHS Somerset;

- Devon Partnership Mental Health NHS Trust;
- Royal Devon & Exeter NHS Foundation Trust;
- Plymouth Hospitals NHS Trust;
- Taunton Hospitals NHS Foundation Trust;
- South Western Ambulance Service NHS Trust;
- Devon County Council;
- Devon County Council Adult and Community (Social) Services;
- North Devon District Council;
- Torridge District Council.

The Trust continually reviews services to ensure that they follow the latest guidelines in clinical best practice and policy and is committed to involving service users, patients, carers and the public in planning, developing, delivering and improving healthcare services.

In May 2007, the Board approved an Estate Strategy that committed the Trust to undertake a comprehensive review of the services the Trust provided, the way those services were configured and the requirements of the estate to maximise the efficiency of those services. The Trust has actively included service users and other stakeholder groups in the service reviews.

The Trust is continuing to develop its Estate Control Plan to prioritise future developments.

During the year, the Trust can demonstrate the following examples of system change that has been implemented during the current year:

- 2 Modern outpatient areas completed;
- Implementation of Single Sex accommodation to national timetable;
- New ward at Bideford Community Hospital;
- Theatre management system installed to improve theatre scheduling;
- Children's High Dependency beds reduces the number of North Devon children requiring medical treatment in Bristol;
- Wet Aged Macular Degeneration service commenced at NDDH reducing the need for patients to travel to Torbay for treatment;
- Chemotherapy and the Day Treatment Unit moved to a newly refurbished area;

Other Highlights included:

- Patient survey rates NDDH in top 20% of Trusts in England across a range of indicators;
- The Trust was in the top 17% of cleanest hospitals in England – rated as Excellent;
- North Devon's highly rated Maternity Services selected to join The King's Fund national network which is designed to share good practice and improve services;
- The Trust retained it's 'Excellent' rating for infection control from the Care Quality Commission (CQC);
- North Devon District Hospital is rated in the top five hospitals in the region for patient safety and among the safest 25% of hospitals nationally, according to Dr Foster Intelligence;
- Maternity Unit launches virtual tour for expectant mum's on You Tube;
- Parent's and young patients rate the Children's Community Nursing Team services as excellent;
- Renovated Foyer area to improve patient experience;
- Services run by Northern Devon Healthcare NHS Trust were registered unconditionally by the CQC, which regulates standards across the country;
- CQC rates NDDH 'Fair' for Quality of Services and 'Good' for Quality of Financial Management;
- The Trust worked with NHS Devon to successfully implement the first stage of a Devon Referral Management Centre;
- The Trust's Flu Pandemic preparedness and Major Incident plans were successfully tested;

- The Trust was one of 20 in England to be invited by Lord Ara Darzi, Professor of Surgery at Imperial College London to participate in the World Health Organisation (WHO) Safe Surgery Checklist research project - the outcome of which will be to make healthcare safer for patients.

# 3. Trust Governance and Board Level Changes.

The Trust is directed by the Trust Board, which meets regularly to determine strategy and receive information from those managing day-to-day operations.

The Trust Board is led by a Chairman together with a team of 5 Non-Executive Directors and 5 Executive Directors. The Non-Executive Directors have a part-time role, providing experience and expertise, usually gained from working in organisations outside the NHS.

The Executive and Associate Directors are led by the Chief Executive and combine their role as board members with regular management responsibility.

The Trust experienced the following Executive and Non-Executive Director movements during the financial year:

Dr Mike Roberts resigned from the role of Medical Director on 31 December 2009.

Dr Alison Diamond was appointed interim Medical Director from 1 January 2010.

Full details of these and any other Executive and Non-Executive directors are contained within the remuneration report.

The treatment of pension liabilities can be found on pages 27 to 28 of the accounts.

The Board has adopted Codes of Conduct and Accountability recommended by the NHS Executive. Audit, Risk, Clinical Governance and Remuneration and Terms of Service Committees and other sub-committees of the Board are well established.

Details of company directorships or other significant interests held by directors where those companies are likely to do business, or are possibly seeking to do business with the NHS where this may conflict with their managerial responsibilities are required to be disclosed in the Declaration of Members Interests. This is presented at each Board meeting and is updated as required.

The Declaration of Members Interests is available for inspection from Corporate Affairs, Munro House, North Devon District Hospital, Raleigh Park, Barnstaple, North Devon. EX31 4JB

The Board receives assurance from many sources and these are detailed in the Statement of Internal Control.

# 4. Vision, Values and Strategic Objectives.

The Trust reviewed it vision, values and strategic objectives and those agreed from 2009/10 are as follows:

## Ambition and Vision:

It is the Trust's ambition and vision that:

*Our Trust will deliver safe and effective healthcare to the local population through a partnership with staff, patients, the public and other organisations.*

In other words, the Trust's aim over the next five years is *Keeping services local*.

This ambition is in line with the principles of the NHS Constitution and is underpinned by five values that characterise the way the organisation operates at every level. These are:

| | |
|---|---|
| **Integrity** | We will act with integrity and openness. |
| **Diversity** | We will treat others fairly and equally and value diversity. |
| **Compassion** | We will demonstrate care and compassion. |
| **Support** | We will listen and support others and make time to do so. |
| **Excellence** | We will strive for excellence in all that we do. |

## Strategic Objectives:

The Trust's aim, vision and values provide a unified ambition for the organisation. This is supported by six high-level strategic objectives, both service-based and organisational, which enable the Trust to plan five years ahead to 2015 in order to visualise what the organisation will look like once the strategy has been delivered. They are:

| | |
|---|---|
| **Effective care** | We will deliver clinically effective care grounded in safe and effective systems and processes. |
| **Sustainable services** | We will continue to provide locally sustainable services that are supported through robust clinical networks |
| **Integrated care** | We will maximise the opportunities of an integrated health and social care delivery systems to provide the right care at the right time in the right place for the individual patient. |
| **Exceptional workforce** | We will find, recruit and retain exceptional staff. |
| **Modern environments** | We will maintain and develop clean, modern and welcoming environments at each Trust location. |
| **Financial health** | We will ensure ongoing sustainable financial health. |

As part of the Trust's annual business planning process, each of the strategic objectives will be translated into work programmes which will have been developed to identify the actions that will deliver the Trust's vision. These in turn will be monitored through Key Performance Indicators.

Each service in turn will be required to develop plans to demonstrate how they will deliver the strategic objectives. This information will form the basis of the Trust's Annual Business Plan 2010-2011

In conjunction with NHS Devon, the Trust will continue to develop services that take a multi-agency approach to providing the best healthcare, in the right place at the right time for the benefit of the patient.

# 5. *Trust Performance.*

The main performance indicators published by the Trust in this financial year have included:

| | Plan | Actual | Traffic Light |
|---|---|---|---|
| MRSA (Cum.) | 8 | 4 | ✓ |
| C.Diff (Cum.)<br>Acute >3 Day | 39 | 23 | ✓ |
| 18wk RTT Admitted | 90% | 95.8% | ✓ |
| 18wk RTT Non-Ad. | 95% | 99.1% | ✓ |
| Outpatients >11 wks | 0 | 1 | ✓ |
| Electives >20 wks | 0 | 0 | ✓ |
| Diagnostics Waiting >6 wks | 0 | 5 | ✓ |
| A&E 4 HR waits Cum. (Inc. MIU) | 98% | 97.4% | x |
| Cancer 14 Day Urgent Referral | 93% | 96.6% | ✓ |
| Symptomatic Breast 14 Day | 93% | 54.2% | x |
| Cancer 31Day Diag. to Treat | 96% | 99.2% | ✓ |
| Cancer 31Day Subs Surgery | 94% | 96.3% | ✓ |
| Cancer 31Day Subs Drug | 98% | 99.6% | ✓ |
| Cancer 62 Day Urg Ref to Treat | 85% | 82.0% | x |
| Cancer 62 Day Screening | 90% | 92.9% | ✓ |
| Cancer 62 Day Cons Upgrde | 85% | 88.9% | ✓ |
| Cancelled Ops. <28 day (Cum) | 100% | 100% | ✓ |
| Cancelled Ops. As % of Elective | <0.80% | 0.85% | x |

| | Plan | Actual | Traffic Light |
|---|---|---|---|
| GU Offer <48Hrs | 100% | 100% | ✓ |
| GP Referrals | 30,689 | 30,570 | ✓ |
| Other Referrals | 15,150 | 15,636 | ✓ |
| Total Referrals | 45,839 | 46,206 | ✓ |
| Outpatient FST Attends | 43,276 | 43,382 | ✓ |
| Outpatient FUP Attends | 77,098 | 84,303 | ◆ |
| Outpatient Waiting List | 1,680 | 2,641 | ◆ |
| Elective DC Activity | 17,509 | 18,074 | ✓ |
| Elective IP Activity | 4,828 | 4,512 | ✓ |
| Elective Total Activity | 22,337 | 22,586 | ✓ |
| Elective Waiting List | 1,170 | 1,449 | ◆ |
| Non-elective (All) | 17,383 | 18,836 | ◆ |
| Non-elective (G&A) | 13,412 | 14,431 | ◆ |
| A&E Attendance | 33,522 | 37,639 | ◆ |

Key highlights include:

- Low levels of MRSA and Clostridium difficile against threshold limits;
- Delivered high performance against the national 18 week maximum Referral to Treatment Target;
- A&E 4 hour target not achieved due to a 12.3% increase in attendances above the agreed plan;
- Patient choice is affecting achievement of the 14 day Symtomatic Breast Screening target;
- Referrals were above planned levels agreed with NHS Devon;
- The number of patients treated was above planned levels agreed with NHS Devon Primary Care Trust;

As a result of the time-lag that naturally exists in reporting performance data, indicators for March 2010 are taken from the April 2010 Performance report that details the reporting the Trust makes on a monthly basis to the Finance & Performance Committee and the Board.

The Board recognises the dedication and hard work of all staff that has made 2009/10 such a successful year.

# 6. Standards for Better Health.

| | 2008/09 | 2007/08 | 2006/07 |
|---|---|---|---|
| **Quality of Services** | WEAK FAIR GOOD EXCELLENT | GOOD | WEAK |
| **Quality of Financial Management** | WEAK FAIR GOOD EXCELLENT | FAIR | WEAK |

## 2008/09

The results of the Annual Healthcheck for 2008/9 was a big disappointment for the Trust. Everyone had worked extremely hard to improve the position from our 2007/08 rating of 'Good' for Quality of Services and 'Fair' for Use of Resources. Despite the achievements in all other areas, a technical problem occurred when reporting our position to the Care Quality Commission. As a result, some performance data was not transferred and loaded correctly onto the central reporting system. Other Trusts in the South West had experienced similar problems.

The Trust made three appeals to the Care Quality Commission on the grounds of extenuating circumstances in the following areas: Maternity, data transfer and upload. However, the appeals were not upheld. Therefore, the Trust did not receive the 'Excellent' rating it was expecting.

Quality of Financial Management is detailed in section 7.

## 2009/10

In November 2009 the Trust was required to produce a mid year declaration regarding compliance with the Care Quality Commission's Standards for Better Health for the period 1st April 2009 to 31st March 2010. A 'compliant' declaration with all 43 Standards was made and the Trust is not aware of any event that may change its declaration.

The final declaration of compliance was as follows:

| Status | 2009/10 | 2008/09 |
|---|---|---|
| Met | 43 | 44 |
| Insufficient Assurance | 0 | 0 |
| Not Met | 0 | 0 |

## A New System of Registration

On 31st March 2010, the Standard for Better Health has been replaced by a new assessment system. The Care Quality Commission (CQC), as the regulators of health and adult social care in England, will implement a registration system to ensure Trusts provide services that meet the essential standards of quality and safety. All Trusts have a statutory duty to register with the CQC their Provider Types, Locations, Regulated Activities as well as compliance with the Health and Social Care Act 2008 (Regulated Activities Regulations 2009 and the Care Quality Commission (Registration) Regulations 2009.

Without registration, no hospitals and community services are allowed to operate.

The Trust completed its registration application and has been advised that it has been registered unconditionally by the CQC. This means the CQC accepts that the Trust meets new essential standards for quality and safety, which will be monitored continuously.

Under the new system, trusts will be judged on the outcomes and experiences of patients, not just whether there are systems and processes in place.

Trust Chief Executive Jac Kelly said: "We've made big strides over recent years under the previous monitoring regime, so it's good to know that we're now meeting quality and safety standards for patients under the new system. The key now is to make sure we make continuous improvements, with the focus always on the patient and their experience. It's about people, not about paperwork."

# *7. Economic, efficient and effective use of resources – Quality of Financial Management.*

In addition to the financial performance criteria outlined in section 8, a more rigorous assessment of the financial management of the Trust is made through the Auditors Local Evaluation (ALE) process and is a consistent approach developed by the Audit Commission in agreement with the Department of Health to objectively measure the performance of NHS organisations in their Use of Financial Resources. Performance informs part of the overall annual Care Quality Commission rating the Trust receives.

Trust performance against the Key Lines of Enquiry (KLOE's) and the overall Trust rating are shown right together with the expected future rating the Trust is planning to achieve:

| | 2005-2006 | 2006-2007 | 2007-2008 | 2008-2009 | 2009-2010 |
|---|---|---|---|---|---|
| **MODULE** | **Actual** | **Actual** | **Actual** | **Actual** | **Projected** |
| Financial Reporting | 2 | 2 | 3 | 2 | 2 |
| Financial Management | 1 | 1 | 3 | 3 | 3 |
| Financial Standing | 1 | 1 | 2 | 3 | 3 |
| Internal Control | 1 | 2 | 2 | 3 | 3 |
| Value for Money | 1 | 2 | 3 | 3 | 3 |
| **Overall score** | **1** | **1** | **2** | **3** | **3** |

These ratings indicate the Trust is maintaining its strong financial governance within and beyond the Finance department. The Trust will expect to maintain a 'Good' rating from the CQC for the Quality of Financial Management.

The ALE scores are translated as follows:

1 – below minimum requirements – inadequate performance;

2 – only at minimum requirements – adequate performance;

3 – consistently above minimum requirements – performing well;

4 – well above minimum requirements – performing strongly.

The financial management processes in place across the Trust have improved demonstrably and the requirements of the Foundation Trust framework will continue to drive improvements in this area.

The Trust has continued to systematically embed its Governance arrangements:

- Reviewed its strategic and operational objectives;
- All Board papers demonstrate the relevant strategic objectives and Standard for Better Health that is being met;
- All investment decisions are required to demonstrate the relevant strategic objectives and Standard for Better Health that is being met;
- Monitor and scrutinise performance against strategic objectives, standards and targets;
- Monitors the quality of its published performance information;
- Continuous development of a sound system of internal control;
- Enhancement of the systematic approach to the management of significant business risks;
- Embed medium term financial planning and strategy, budgets and a capital programme that are soundly based and designed to deliver the strategic priorities;
- Enhancement of the system to manage financial performance against budgets.

Full details are contained in the Statement on Internal Control and can be found within the annual report.

# 8. How our financial performance is assessed.

There are a number of targets set by the Department of Health. Our 2009/10 performance against these targets is shown below:

| Target | Actual Performance |
|---|---|
| To break even on income and expenditure taking one year with another | In year breakeven achieved the financial plan. |
| To achieve a capital cost absorption rate of between 3% and 4% | Rate of 3.5% |
| To operate within a Capital Resource Limit. | Requirement of £6,692k. |
| To pay 95% of non-NHS invoices within 30 days | 83% of bills paid within target. |

# 9. 2009/10 Financial Position and Recovery Actions.

## Activity.

Before the start of each financial year, the Trust agrees with NHS Devon the planning assumptions regarding the number of patients we are expected to treat. During 2009/10 we experienced an 0.8% increase in the number of patients that were referred to us.

Attendances at A&E were 4,117 (12.3%) higher than the Trust had planned with NHS Devon Primary Care Trust.

Total Emergency admissions were 1,453 (8.4%) higher than the Trust had planned with NHS Devon Primary Care Trust.

This meant that the number of patients we treated was significantly higher than we planned.

Section 5 highlights the Trust performance and highlights that we treated all of these patients with the minimum delay, to high standards in a clean environment.

## Financial Performance.

At the end of 2008/09 the Trust had eliminated its historic cumulative deficit.

The Trust had reported breakeven at an operational level and as part of the agreed recovery plan received a further £7.9 million to eliminate its cumulative deficit and achieve the Statutory Breakeven Duty.

The financial plan for 2009/10 was to continue to achieve breakeven at an operational level. There was no additional funding planned as the historic deficit had been eliminated and the Trust was in good financial health.

2009/10 is the first year that the Trust has had to prepare its accounts and report financial performance under International Financial Reporting Standards (IFRS). Whilst this has not materially affected the Trust's underlying financial position, there is one fundamental change that requires clarification.

On the face of the main accounts, it would appear that the Trust has moved from having a financial surplus in 2008/09 that has turned into a financial deficit in 2009/10. The table below is an extract from the Statement of Comprehensive Income contained in page 3 of the accounts:

| | 2008/09 £'000 | 2009/10 £'000 |
|---|---|---|
| Retained surplus/(deficit) for the year | 7,918 | (5,086) |

Under IFRS, the Trust is required to include a technical accounting adjustment for Impairments within the Statement of Comprehensive Income.

Impairments relate to the IFRS requirement to revalue assets to Modern Equivalent Asset Valuation.

Impairments are elements of capital expenditure that is incurred but does not add to the value of the asset.

Where an insufficient revaluation reserve balance exists for that asset, the remainder is charged to the Statement of Comprehensive Income.

The Impairment charge for the year is £5,086,000. This has no impact on the Trust's liquidity as it is a non-cash item.

The Trust has a statutory financial duty to break even. The table below is an extract from the Financial Performance Targets contained in note 39.1 on page 46 of the accounts:

| Note 39.1 | 2008/09 £'000 | 2009/10 £'000 |
|---|---|---|
| Retained surplus/(deficit) for the year | 7,902 | (5,086) |
| Adjustment for Impairments | 0 | 5,086 |
| Break Even in-year Position | 7,902 | 0 |

The Trust is able to report breakeven at an operational level and achievement of its Statutory Breakeven Duty.

## Staff Sickness

The Trust reports workforce and staff sickness performance to the Finance & Performance Committee. The Trust has an overall sickness rate of 3.16% for the financial year.

Since April 2009, the Trust has access to benchmarking data that is utilised to make further improvements in sickness rates.

## Savings and Efficiency.

The Trust had a financial savings target for the year of £7,280k. The Trust achieved £5,651k through cost reduction with the balance attributable to income generated from additional activity.

The ability of the Trust to deliver the full value of the above Continuous Improvement Programme has been severely affected by the following factors:

- Activity increases as a consequence of increased referrals to the Trust;
- Treating patients outside of normal working hours as a result of increased referrals;
- Increased A&E attendances;
- Increased Emergency admissions.

Overall the income generated from additional activity above the PCT's contractual planning assumptions has covered the additional costs of providing this activity.

This increase in demand affected the ability of the Trust to realise the productivity and efficiency gains originally planned and non-recurrent actions were taken that require resolution in 2010/11.

This resilience and control resulted in the Trust achieving its financial objectives for the year.

The performance of savings and efficiency plans achieved during the year continued to be monitored through the Continuous Improvement Programme Office and progress was reported regularly to the Trust Board, Finance & Performance Committee and Clinical Services Executive Committee.

## Trust Accounts.

The Trust's accounts are audited annually by the Audit Commission, Unit 5-6 Blenheim Court, Matford Business Park, Lustleigh Close, Exeter, Devon, EX2 8PW. The fee for this work is detailed on page 24 of the accounts.

A copy of the accounts are available from Kate Winter, PA to the Director of Finance, Suite 2, Munro House, North Devon District Hospital, Raleigh Park, Barnstaple, Devon, EX31 4JB.

Alternatively they are available for download from our website at www.northdevonhealth.nhs.uk

# 10. Where our money comes from.

The majority of the Trust's funding comes from contracts with Primary Care Trusts (PCT's), which purchase healthcare on behalf of their residents.

Total income received by the Trust in 2009/10 was £128.5 million (£128.9m 2008/09), an 0.37% decrease on the previous year, predominantly as a result of the increase in the number of patients treated by the Trust above planned levels.

The source of each pound the Trust receives, together with the monetary equivalent of total income is summarised below:

| **Source:** | | **Monetary Equivalent £m** | | **Monetary Equivalent £m** |
|---|---|---|---|---|
| | **2009/10** | **2009/10** | **2008/09** | **2008/09** |
| Primary Care Trusts | £0.92 | £118.6 | £0.91 | £117.3 |
| Other Income | £0.04 | £5.4 | £0.05 | £5.8 |
| Education, Training & Research | £0.0. | £3.5 | £0.02 | £3.7 |
| Other Patient Income | £0.01 | £1.0 | £0.02 | £2.1 |
| **Total** | **£1.00** | **£128.5** | **£1.00** | **£128.9** |

# 11. What we spend money on.

The largest component of our expenditure is on salaries and wages. The Trust employed an average of 2,254 whole time equivalent staff (2,178 2008/09) at an overall cost of £87.4 million (£82.6 million 2008/09).

Average staff numbers included 251 doctors (222 2008/09), 730 nursing staff (676 2008/09), 446 Healthcare Assistants and support staff (434 2008/09), 563 administration and estates staff (572 2008/09) and 264 scientific and technical and other staff (274 2008/09).

A further £17.8 million (£15.3 million 2008/09) was spent on clinical supplies such as drugs and consumables used in providing healthcare to patients.

The cost of running the premises and equipment amounts to £6.1 million (£6.4 million 2008/09) and general supplies and services which support the Trust's infrastructure cost £5.4 million (£5.0 million 2008/09).

The consumption of each pound the Trust spends, together with the monetary equivalent of total expenditure is summarised below:

| **Applications:** | | **Monetary Equivalent £m** | | **Monetary Equivalent £m** |
|---|---|---|---|---|
| | **2009/10** | **2009/10** | **2008/09** | **2008/09** |
| Staff Pay (inc. Management) | £0.67 | £87.4 | £0.70 | £82.6 |
| Drugs & Clinical Supplies | £0.13 | £17.5 | £0.13 | £15.3 |
| Premises & Equipment | £0..05 | £6.1 | £0.06 | £6.4 |
| General Supplies & Services | £0.04 | £5.5 | £0.04 | £5.0 |
| Depreciation | £0.04 | £5.1 | £0.04 | £4.7 |
| Services from Other NHS Bodies | £0.01 | £0.9 | £0.01 | £0.9 |
| Other Expenses | £0.06 | £8.3 | £0.02 | £2.6 |
| | | | | |
| **Total** | **£1.00** | **£130.8** | **£1.00** | **£117.5** |

# 12. Better Payment Practice Code.

Section 8 identifies a statutory requirement to pay 95% of non-NHS invoices within 30 days and details the Trust's performance against this.

The Confederation of British Industry (CBI) "Better Payments Practice Code" is a 4 point code that organisations should adopt to ensure prompt payment to suppliers. The points are:

1. Agree payment terms at the outset;
2. Explain payment procedures to suppliers;
3. Pay bills in accordance with the contract or legislation;
4. Prompt communication of disputed invoices.

Under the Late Payment of Commercial Debts (Interest) Act, all businesses are entitled to claim statutory interest and debt recovery compensation for the late payment of commercial debts.

Further details as provided on page ** of the accounts are detailed below:

**Note 13.1 Better Payment Practice Code - measure of compliance**

| | 2009/10 | |
|---|---|---|
| | Number | £000 |
| | | |
| Total Non-NHS trade invoices paid in the year | 38,331 | 40,556 |
| Total Non NHS trade invoices paid within target | 31,990 | 33,468 |
| Percentage of Non-NHS trade invoices paid within target | 83.5% | 82.5% |

The Better Payment Practice Code requires the Trust to aim to pay all undisputed invoices by the due date or within 30 days of receipt of goods or a valid invoice, whichever is later.

**Note 13.2 The Late Payment of Commercial Debts (Interest) Act 1998**

| | 2009/10 | 2008/09 |
|---|---|---|
| | £000 | £000 |
| | | |
| Amounts included within Interest Payable (Note 13) arising from claims made under this legislation | 0 | 0 |
| Compensation paid to cover debt recovery costs under this legislation | 0 | 0 |

There were no payments in respect of late payments on commercial debts.

Actions taken by the Trust to improve the time taken to pay suppliers includes:

- Review of processes to minimise delays;
- Implement electronic scanning and authorisation solution
- Improve the process for receipting goods;
- Review the frequency of payment runs.

The performance for March 2010 was 98% of total invoices were paid within 30 days accounting for 99% of the value of payments made.

# 13. Capital Investment.

In 2009/10 capital expenditure totalled £6.7 million. This included:

- £2.9m on Estate Strategy developments;
- £1.4m on operational medical equipment;
- £0.9m on operational IT;
- £1.5m on site development.

The Trust received £130k in donations towards capital spend and is grateful to the Leagues of Friends, Volunteers and contributors to Charitable Funds for their invaluable contribution to the Trust.

# 14. International Financial Reporting Standards (IFRS).

The Accounts for 2009/10 have been prepared in accordance with International Financial Reporting Standards.

As part of the transition to IFRS, the Trust undertook a restatement of 2008/09 comparative figures which required the opening balance sheet to be translated from UK Generally Accepted Accounting Principles (UK GAAP) to International GAAP effective from 1st April 2008.

The impact of the transition to IFRS has been outlined in section 9. The full impact on the Trust's financial performance is detailed below.

# 15. Breakeven Duty and 2010/11 Financial Outlook.

NHS Trust's are required to break-even taking one year with another. In practice this must be delivered over a 3 year period and can be extended to 5 years with the permission of the Department of Health and starts with first year the deficit arises.

The Trust had to make surpluses of £15.5m by the end of 2008/09 in order to achieve its break-even duty over the extended 5 year period as approved by the Department of Health in 2006.

NHS Devon Primary Care Trust and NHS South West Strategic Health Authority agreed that the Trust would be unable to achieve this from its own internally generated resources. From 2007/08, subject to the Trust achieving financial and operational targets, Devon PCT agreed to pay the Trust additional resources to allow it to achieve the following surpluses:

| Year | Position £m | Break-even Year |
|---|---|---|
| 2007/08 (Actual) | 7.6 | 4 |
| 2008/09 (Actual) | 7.9 | 5 |

The Trust achieved its financial targets for both financial years and the table below illustrates the impact on the Trusts cumulative deficit.

| | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 |
|---|---|---|---|---|---|---|
| | Actual | Actual | Actual | Actual | Actual | Actual |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Post 1997 Cumulative Surplus/ (Deficit) b/fwd** | **372** | **(619)** | **(8,580)** | **(15,504)** | **(7,902)** | **5,086** |
| Internally Generated Surplus/ (Deficit) after savings achieved | (991) | (7,961) | (6,924) | 0 | 0 | 0 |
| **Revised Cumulative Surplus/ (Deficit)** | **(619)** | **(8,580)** | **(15,504)** | **(15,504)** | **(7,902)** | **5,086** |
| Internally Generated Surplus/ (Deficit) after savings achieved | 0 | 0 | 0 | 2 | 2 | 2 |
| Break Even Duty Funding | 0 | 0 | 0 | 7,600 | 7,900 | 0 |
| Adjustments for Impairments | N/A | N/A | N/A | N/A | N/A | 5,086 |
| **Cumulative Surplus/(Deficit) c/ fwd** | **(619)** | **(8,580)** | **(15,504)** | **(7,902)** | **0** | **0** |
| | | | | | | |
| **Break Even Duty Year** | **1** | **2** | **3** | **4** | **5** | **1** |
| **Breakeven Duty Achieved?** | **No** | **No** | **No** | **No** | **Yes** | **Yes** |

The current economic climate will prove challenging to public sector bodies as the level of investment reduces. In particular, the Devon health economy faces a significant financial challenge in 2010/11 and we will be a proactive contributor in the process.

However, the corrective actions required places a risk on the Trust that has resulted in a savings target of £5.2 million being incorporated in financial plans for 2010/11.

# 16. Foundation Trust Status.

NHS Foundation Trusts remain part of the NHS but are free from central government control. Within clearly defined guidelines, a NHS Foundation Trust can raise capital funding and external borrowing and determine the services they wish to provide.

The Trust undertook the first phase of the application process during 2009/10. The Trust has had discussions with NHS South West Strategic Health Authority to assess when the Trust will be in a position to undertake the application process for authorisation as a NHS Foundation Trust.

# 17. Sustainability Statement.

## Background

The Northern Devon Healthcare NHS Trust as the major employer and user of resources in North Devon intends to lead by example and take positive action to achieve sustainability and minimise the harmful effects of its work.

It has long been recognised that carbon is a major component in Green House Gas (GHG) emissions. With the NHS as one of the world's largest organisations, in England it remains the largest public sector user at 25% of the UK resources. The UK government has acknowledged this and placed a clear mandate on the Department of Health (DOH) in respect to its commitment to reducing Carbon Emissions.

## Present Achievements

The existing Environment strategy has allowed the Trust to address seven areas, all of which are Facilities based. The Facilities team formed clear benchmarks which confirmed good practice, the meeting of legislation, together with peer clarification/comparison within the areas and the introduction of key performance indicators as targets. Confirmation feedback has been through the DOH Estates National performance database E.R.I.C. The areas targeted were:-

1. Energy - The Trust is on track to meet targets set for 2012 by the DOH;
2. Water - Monitoring and targeting has enabled the Trust to reduce consumption;
3. Waste - The instigation of segregation and recycling has reduced waste produced with the development of a new recycling pavilion;
4. Procurement - Contracts and tenders reference the Trusts sustainability approach,
5. Transport - On going discussions with local bus companies to provide extra services to NDDH. Review of car parking policy and procedures, good take up of the cycle share scheme by staff;
6. Sustainable development in new buildings - New projects/upgrades are subjected to a sustainable assessment carried out using the electronic software BREEM; and
7. Biodiversity - The Trust ensures that any biodiversity impact within a development is kept to a minimum.

## DOH Requirements

To address the Government's mandate, Strategic Health Authorities require local NHS Trusts to put in place a Sustainable Strategy that is a key part of their operating processes and policies. The Trust's Sustainable Strategy document consists of ten key areas and identifies that the DOH sustainability agenda with carbon saving can only be successful if treated as a Trust wide issue, the areas are:-

1. Energy and carbon management;
2. Procurement and food - local sourcing and low carbon purchasing;
3. Low carbon travel and transport;
4. Water consumption - reduction and management;
5. Waste reduction - streaming and recycling;
6. Designing a better and more energy conscious built environment;
7. Organisational and work force development;
8. Role of partnerships and networks;
9. Assurance; and
10. Finance and risk.

## Approach

To support energy users, the Sustainable Development Commission produced a Good Corporate Citizenship (GCC) Model which ccontains a self-assessment scoring process covering six areas. This assessment supports the Trust's approach to the ten key areas listed within its Sustainable Strategy. A recent application of the GCC model scored the Trust as above the South West Regional average. This is attributed to past efforts made by the Trust, although this is not a cause for complacency as the focus on sustainability within all NHS Trusts remains high.

## Penalties and Rewards

Reducing the NHS carbon footprint/production and emissions has never been more focused. The DOH, through penalisation or reward, has targeted all areas of the sustainable agenda. This is through:

- Landfill taxes to penalise those who do not recycle & reduce their waste production;
- Emission taxes on vehicles that reward those that drive low emission cars;

- Carbon levies placed on electricity, gas & oil;
- Performance validation on energy usage within buildings;
- Refrigeration performance & validation with removal of damaging refrigerants by 2012; and
- The Carbon Reduction Commitment which penalises all large consumers of electricity and fossil fuels based on carbon produced.

## Future Aims

The practicalities to meet all the ten key areas will be difficult at the offset especially in departments where there is no awareness or preparation. Departments will need time to understand the impact of the agenda, to network with other Trusts and colleagues, and in some case receive training. During 2010/2011 the Trust will target building related sustainable issues that build on previous success. The remaining areas will be allocated leads to champion the area they are responsible for.

To ensure that building related carbon management is addressed the following key action areas have been identified:-

- Carbon production will be is considered in all developments and refurbishments;
- By reducing its energy use the Trust will limit financial carbon levies on fossil fuels;
- Apply electrical saving initiatives to assist the Trust reduce its electrical consumption;
- Improve controls to ensure the Trust reduces its energy consumption to provide heating/hot water;
- Through water consumption identification, reduce water used and sewerage return;
- Tackle the issue of refrigeration ozone damaging refrigerants;
- Through waste stream identification, the Trust will reduce/recycle its waste;
- Through its vehicle purchases the Trust will address travel pollution;
- Regular reports to the executive team will update them on carbon reduction/growth; and
- All staff will be made aware off the Trusts Sustainable agenda program.

The DOH has a clear mandate on NHS Trusts to achieve Carbon reduction, financial savings, and improved health of the nation with a carbon free sustainable future for the NHS. This will be achieved by engaging staff at all levels within the Trust who will understand where and how the Sustainable agenda should be considered.

# *18. Emergency Planning.*

## Major Incident Plan.

The Trust has reviewed and published its Major Incident Plan on its Intranet to comply with national guidance for emergency preparedness. This ensures that should a major incident occur that required a response from healthcare organisations in North Devon, the Trust has the necessary systems and processes in place for staff to take appropriate action.

The Civil Contingencies Act 1995 ensures that the United Kingdom is prepared to deal with major disruptive challenges however they might occur. Under the Act, the Trust was classed as a Category One responder with responsibilities including:

- Assessment of the risks of an emergency occurring and using this to inform contingency planning;
- Put emergency plans in place;
- Have business continuity arrangements in place;
- Put in place arrangements to make information available to the public and maintain arrangements to warn, inform and advise the public in the event of an emergency;
- Share information with other local responders to enhance co-ordination;
- Co-operate with other local responders to enhance co-ordination and efficiency.

Working closely with our partners is fundamental to the Trust's ability to respond to a major incident and the organisation has continued to work with individual external agencies throughout the year to ensure all emergency plans are linked and support a Devon-wide response.

## Flu Pandemic Preparedness.

The Trust updated its Pandemic Flu plan in early 2009 and activated the plan in June 2009 following official guidance by the World Health Organisation. The Trust responded quickly and effectively to the different levels of alert including: -

- The establishment of anti-viral collection points at the Minor Injury Units and Barnstaple Health Centre
- The quick response to the establishment of the National Flu Line and the requirement for 7-day per week dispensing of antivirals
- The establishment of a operational planning group with representatives from both the Acute and Community Hospitals. This group had responsibility for the day-to-day planning and response to the emerging pandemic.

The plan is for review in June 2010.

## Exercise and Testing.

The Trust has tested: -

- Cascade call-out in conjunction with South West Ambulance Service on a 6-monthly basis
- The setting up of the incident control room

The Internal Incident Plan was activated this year during adverse weather and Sodexo strike. The plan went well and minor changes were made to the individual action plans. The Trust plans a further internal exercise this year and an EMERGO exercise next year.

# *19. Glossary.*

Where not specifically detailed, the following glossary of terminology may be useful to aid your interpretation of the information contained in this report.

| | |
|---|---|
| A&E | Accident and Emergency Department |
| CQC | Care Quality Commission |
| CUM | Cumulative |
| DC | Day Case |
| DIR | Direction |
| EM | Emergency |
| ENT | Ear, Nose and Throat |
| FUP | Follow Up (Outpatient Attendances) |
| G&A | General and Acute specialties only (excludes Obstetrics & Midwifery) |
| GP | General Practioner |
| GUM | Genito-Urinary Medicine |
| HCC | Healthcare Commission |
| IFRS | International Financial Reporting Standards |
| IP | In Patient |
| MIU | Minor Injuries Unit (in Community Hospitals) |
| MRSA | Methicillin Resistant Staphylococcus Aureus |
| NDHT | Northern Devon Healthcare NHS Trust |
| NICE | National Institute for Clinical Excellence |
| OP | Out Patient |
| OPS | Operations |
| RD&E | Royal Devon & Exeter NHS Foundation Trust |
| SWAST | South West Ambulance Services Trust |
| VI | Vertical Integration (of staff transferred from ND PCT in Oct 2006) |
| WL | Waiting List |
| WTE | Whole Time Equivalent (number of staff) |
| YTD | Year To Date |