

Board of Directors Meeting

Report

Subject: Monitor FT Strategic and Operational Planning guidance 2014/15

Date: 30th January 2014

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<p>Executive Summary The paper summarises the key issues from the planning guidance issued to Foundation Trusts in late December, and outlines the preparatory activity underway for the required submissions in April and June 2014.</p>
<p>Recommendation The Board is asked to note the contents of the planning guidance.</p>

Relevant Strategic Objectives (please mark in bold)	
Achieve the best patient experience	Achieve financial sustainability
Improve patient safety and provide high quality care	Build successful relationships with external organisations and regulators
Attract, develop and motivate effective teams	

Links to the BAF and Corporate Risk Register	Links will be drawn between the Annual Plan submissions and the BAF and corporate risk register, and will be developed in terms of assurance of attainment of plan objectives and mitigation of key risks throughout 2014/15.
Details of additional risks associated with this paper (may include CQC Essential Standards, NHSLA, NHS Constitution)	N/A
Links to NHS Constitution	Intrinsically linked.
Financial Implications/Impact	The plan submissions will include financial plans for the next five years.
Legal Implications/Impact	N/A
Partnership working & Public Engagement Implications/Impact	N/A
Committees/groups where this	N/A

item has been presented before	
Monitoring and Review	Update in February and final review of first submission March Board
Is a QIA required/been completed? If yes provide brief details	No

Key Content of the Monitor FT Strategic and Operational Planning Guidance 2014/15

Introduction

The guidance was published on 23rd December 2013, and can be found in full at www.monitor.gov.uk/APR1415guidance .

Main content

There's a great deal of emphasis on the scale of the challenge facing the FT sector and the NHS system as a whole – the various pressures are predicted to peak in combination in 2015/16. (this appears to explain the splitting of the “operational” i.e. 2 year financial and narrative plans to be submitted on 4th April and the “strategic” i.e. out to 5 years plans to be submitted 30th June)

This means that even with continued tight control of pay and prices across the sector, delivering better patient care will require plans which:

- deliver greater gains in the efficiency of individual providers through redesign of individual patient services; and
- make a step change in the efficiency of the system as a whole by completely redesigning care pathways to transform care quality outside of hospitals.

There are also multiple references in the document to the Better Care Fund and its significance in terms of service integration.

Monitor considers at a minimum, the following steps are required to develop a robust strategic plan:

- put in place a robust planning process and, in particular, ensure sufficient and appropriate engagement with the key stakeholders within the Local Health Economy (LHE);
- assess the risks to sustainability of high quality services in conjunction with LHE stakeholders by drawing on accurate inputs that have been analysed and presented correctly;
- assess the options available to address the identified sustainability risks in conjunction with LHE stakeholders and make choices on which option(s) are most appropriate;
- define a vision for sustainability and develop the key initiatives which underpin this, where appropriate in conjunction with LHE stakeholders; and
- set out a plan for delivery including financial projections which are internally consistent and based on credible assumptions.

The total affordability challenge is summarised below:-

Table 2: Meeting the local affordability challenge 2014/15	2015/16	2016/17	2017/18	2018/19	
Total affordability challenge	3.1%	6.6%	5.5%	4.7%	4.6%
Provider efficiency	2.0%	2.5%	2.0%	2.0%	2.0%
System efficiency	1.0%	2.0%	1.0%	1.0%	1.0%
Remaining challenge	0.1%	2.1%	2.5%	1.7%	1.6%

And it is emphasised that the system has only managed between 0.4 and 1.4% in total in the past.

There is an explanation of the 4% assumption on tariff efficiency assumptions – this is attributed to “tariff leakage” which refers to local pricing arrangements between commissioners and providers which are not transparent and are diluting the overall system efficiency. This is interesting in that it reiterates the importance of using the national pricing system.

In summary, the required content of each of the plans and the criteria by which Monitor will assess them are as follows:

Operational Plan (20 pages)

Content

1. Executive summary
2. Operational plan
 - a. The short term challenge
 - b. Quality plans
 - c. Operational requirements and capacity
 - d. Productivity, efficiency and CIPs
 - e. Financial plan
3. Appendices

Assessment criteria

- the strength of individual foundation trust’s understanding of the challenges being faced over the next two years;
- the Trust’s level of engagement with the key stakeholders within the LHE to assess the nature and scale of the challenge and plans to address the specific challenge faced in 2015/16;
- the congruence of commissioner and provider activity and revenue assumptions for 2014/15 and 2015/16 ;
- an assessment of the reasonableness of key assumptions in the plan, particularly in light of Monitor’s accuracy of planning findings and efficiency assumptions set out in Section 1;
- the level of planned capacity in key services compared to the likely demand over the period to 2015/16; and
- the nature and robustness of foundation trust initiatives to ensure that high quality services continue to be delivered over the next two years to 2015/16.

Strategic Plan (50 pages with a 20 page publishable summary)

Content

1. Declaration of sustainability
2. Market analysis and context
3. Risk to sustainability and strategic options
4. Strategic Plans

Assessment criteria

- the outcome and trust response from the first phase of the review;
- the robustness of the strategic planning process;
- the trust’s understanding of its local health economy and any likely financial gap based on its current configuration;
- the congruence of commissioner and provider activity and revenue assumptions over the coming five years;
- the strategic options, which may include transformational change to the current configuration if necessary, that the foundation trust believes are available to ensure sustainability of high quality services for patients;
- the trust’s chosen schemes and initiatives that should secure the foundation trust’s long-term sustainability;
- the trust’s level of engagement and extent of alignment with the key stakeholders within the LHE to agree key initiatives; and
- the foundation trust board’s self-assessment of the trust’s longer term sustainability and the key points supporting its conclusions.

There is also a need to consider capital requirements.

Their approach will be risk based and they will require re-submission if there are serious deficiencies.

Considerations and action for SFH

The existence of the Integrated Care Transformation Programme (ICTP), and the associated work on the deployment of the Better Care Fund, is helpful in providing a structure and framework for system alignment.

There may be a need to take stock – along with our commissioners – of the Trust's clinical income in terms of tariff and non-tariff payments in order to assess the tariff leakage risk. This may lead to a greater emphasis on the use of PbR or greater transparency in joint agreements to deviate from it.

Preparatory activity is focused upon:

- Re-visiting the October Improvement Plan submission in order to update assumptions and gauge progress against the ambitions contained within it.
- Refining the Trust Integrated Improvement Programme (IIP), and putting appropriate delivery and governance mechanisms around it, in order that it becomes the key vehicle for service improvement, efficiency and integration.
- Preparing Service Line and Divisional Annual Plans that explicitly describe contributions to the IIP goals.
- Beginning the process of conducting detailed Service Line (clinical specialty) reviews to form phase 2 of the Clinical Service Plan, and assess our specialties in terms of market position, quality, safety and efficiency. This in turn will help us to build up our overall organisational strategy.
- Engaging fully in the ICTP and working with commissioners via Board to Board engagement to ensure alignment of our strategic goals and implementation trajectories.
- Ensuring that the 2014/15 contract settlement is consistent with the direction of travel.

Peter Wozencroft
January 2014