Agenda Item: 9.2

United Lincolnshire Hospitals NHS
NHS Trust

To:	Trust Board / Finance Service Improvement and Delivery Committee
From:	John Barber, Interim Director of Finance
Date:	1st November 2016 / 25 October 2016
Healthcare standard	

Title:	Trust Two Year Operational Plan 2017-2019

Author/Responsible Director: John Barber, Interim Director of Finance

Purpose of the Report:

To provide an update on the development of our Trust two year operational plan for the period 2017-2019.

The Report is provided to the Board for:

Information	√	Assurance	
Discussion	√	Decision	√

Summary/Key Points:

Please see attached.

Recommendations:

The Board is requested to:

a) Approve the acceptance of the proposed control totals and STF funding for 2017-18 and 2018-19.
b) Endorse the overall financial plan for 2017-18, to facilitate the further development and production of our two year operational and financial plan.
c) Review the overall approach and progress regarding our Annual Plan.

Strategic Risk Register	**Performance KPIs year to date**
Resource Implications (eg Financial, HR)	
Assurance Implications	
Patient and Public Involvement (PPI) Implications	
Equality Impact	
Information exempt from Disclosure	
Requirement for further review?	

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1 Introduction

This paper provides an update on the development of our two year annual plan for the period 2017-2019, focussing at this stage on the detailed plans for 2017-18. We now have most of the national guidance, priorities and expectations for developing our plans. We are required to make a submission of our financial and operational plans by 24 November 2016; this paper seeks the Board's approval of this submission.

2 Context

2.1 The national planning guidance was issued on 22 September 2016 and Trusts were notified of their proposed control totals and Sustainability and Transformation funding (STF) for 2017-18 and 2018-19 on 30 September 2016. Efficiency gain requirements in the national tariff have been confirmed at 2%.

2.2 The national priorities contained within the planning guidance are mainly the continuation of the 2016-17 requirements and timescales for delivery are summarised in point 10.1 .

2.3 To be eligible for the performance element of the STF we must achieve the three key targets related to A&E, RTT and Cancer 62 day waits, and we must submit plans to demonstrate how we will achieve this.

2. Strategic Context

2.1 This operational plan for 2017/19 will need to consider and reflect the following strategic plans that are currently being developed:

- System wide plans for health and care across Lincolnshire. These plans are being captured within the Lincolnshire STP (Sustainability and Transformation Plan). The ULHT operational plan will need to reflect years 1 and 2 of the STP, and ideally will mirror the milestones and timescales
- The clinical strategy for United Lincolnshire Hospitals NHS Trust. Where initiatives can be implemented without public consultation, these need to be included in the operational plan. Also, the items that require public consultation also need to be reflected as appropriate to the timescales of both the public consultation process and our operational planning timeframe e.g. 2017/19
- The medium term plan for United Lincolnshire Hospitals NHS Trust that incorporates elements of the STP prudent to ULHT, the ULHT clinical strategy and strategic and service developments within ULHT that are not applicable to the STP.

3 Developing our Operational and Financial Plans

3.1 The process for developing our plans has been reviewed and endorsed by the Finance Service Improvement and Development Committee, and by the Clinical Management Board.

3.2 The process this year is very challenging given that our plans are due to be completed three months earlier than usual. However, if we can respond to that challenge then we will put ourselves in a good position to have detailed plans in place ahead of the start of the financial year. A learning point for us is that we know that the better our plan, the better we will perform.

3.3 In summary, progress against our planning process and timetable is:

Strategic Planning Steering Group supported by a Planning Task and finish Group is working on each area of the plan with Directorates and at Trust level to enable delivery of the Trust's Plan. The Gateway approach, shown later in the report shows how the Trust intended to construct the Two-Year Plan through combining the strategic (STP/medium term strategy and 2021 programme) and operational view (Directorate Plans). Capacity and engagement of Clinical Directors and their teams has been an issue and as a result progress is behind schedule. Dates shown relate to the Trust's Planning Timeline which is constructed around NHS England's overall timescales (see later in the report).

Key output area	**Status**	**Deadline**	**R/A/G rating**	**Risk Level**
Activity Plan (Capacity and Demand)	Drafted	4 October	Green – on target	High
Financial Plan	Drafted	18 October	Green – on target	High
Workforce Plan	Ongoing	18 October	Red – behind	High
Directorate Two-Year Operational Plans	Priorities identified	10 October	Red - behind	Medium
Template and format of Trust Two Year Operational Plan	Ongoing	18 October	Amber – behind related to STP and Directorate Plans	High

4 Overall Financial Framework

4.1 The summary financial plan for the next two years will be driven by the requirement of our control total and STF. The control total position we have been offered is:

	2016-17	2017-18	2018-19
	(£m)	**(£m)**	**(£m)**
STF	16.1	14.7	14.7
Control Total	47.9	47.5	40.1
Implied Improvement		1.8	7.4

4.2 The scenarios seem fair and reasonable in the overall context of the scale of our deficit and our relative position in terms of deficits. NHS Improvement require all trusts to confirm in their 24 November 2016 plan submission that they accept the control total and STF offer, and it is recommended that we do accept the proposal.

4.3 The main risk to accepting the offer at this stage is that we do not know yet the impact of the change to the pricing structure of the national tariff.

4.4 Using the control total and STF assumptions for 2017-18, we have now produced a first cut financial plan for 2017-18. This is summarised at Appendix 1.

4.5 The key components of the plan are that it is income led with an assumed 1.5% increase in contract income. The delivery of the plan assumes an efficiency gain of £18m (4% of expenditure budgets), which then creates; a resource to both retain an in year contingency of 1%, a risk and delivery reserve of 1.5%, and an un-prioritised investment reserve of 1% so that we have some protection and resource to support performance, delivery and risk management.

4.6 This overall financial plan is supplemented by detailed business unit budgets which have been provided to business units to support the overall development of their plans.

4.7 The Board are asked to review and support the structure of the overall financial plan for 2017-18. A similar plan for 2018-19 will now be developed to support the submission of the 24 November plans.

5 Contracts and Income

5.1 Contracts for the next two years are due to be agreed by 23 December 2016, again a big challenge in terms of deliverability.

5.2 The contract workload will be influenced by a number of factors:

- The main driver should be the Sustainability and Transformation plan and the assumptions contained within that plan. For us, the STP assumes continued workload growth linked to demographics and demand, offset to some extent by the efficiency solutions within the STP which include right care, demand reduction, work undertaken in alternative care settings and management of urgent care.

- We have developed our own capacity and demand model which aims to reconcile our capacity to undertake work and the demands placed upon us.

- We need to plan to provide the workload necessary to deliver against our key performance targets.

5.3 Contracting offers are due to be made by 4 November 2016. Early discussions to ensure that those offers are in a collaborative style, are reasonable, and support the delivery of the health community control totals have been started.

5.4 The structure of the contracts for future years is also under discussion, again with the aim of risk minimisation and delivery of control totals.

5.5 In overall terms, it is anticipated that our overall contract income will rise marginally, and the expectation has been set internally that we aim to deliver any additional work at a cost no more than 50% of tariff.

6 Efficiency

6.1 Our financial plans for the next two years require us to deliver an annual efficiency requirement of 4%, calculated as:

	2017-18 (%)	2018-19 (%)
National Tariff	2	2
Total	1	1
Management of risks	1	1
	4	4

6.2 Appendix 2 summarises our headline methodology and approach to achieving efficiency gain in 2017-18. It is based on 2% efficiency from improved operational efficiencies in business units coupled with a 2% programme of corporate efficiency schemes.

6.3 The detailed efficiency savings programmes are now being designed and developed by business units and corporate directorates with support from RSM as part of the Financial Improvement Programme.

7 Workforce

7.1 Workforce planning is a critical element of delivering our STP contribution, meeting our control totals and a key area for performance improvement.

7.2 Workforce planning should articulate our predicted future health needs around staffing levels, skill mix and competencies, including training needs analysis, to support changing care models that enable us to be more agile and flexible as a workforce to respond to rapid and radical change.

7.3 An example of how underestimating the value of workforce planning at strategic level and how it impacts on performance is: our vacancy levels are aiding financial performance but as a consequence we have reduced capacity to deliver, for example we are an UK outlier with nearly over 200 Band 2 vacancies. We need to improve the exploration and integration of our workforce across the trust through our planning processes to enable a move away from a functional approach: staffing numbers vs budget; to focus on service delivery and pathways that deliver better care and better value.

8 Performance

8.1 Our expectations are to achieve '*The Government's Mandate to NHS England, 2020 goals*' in the Annual Planning Guidance, through the NHS Improvement Oversight Framework, in order to deliver our contribution to STP performance.

8.2 Our priority performance areas and Key Performance Indicators should be developed around the following areas (for discussion) with appropriate measures:

- Achieving financial balance as part of our STP contribution and to achieve our STF targets once set.
- Avoidable deaths and seven day services
- Balancing the NHS Budget – efficiencies and productivity

- Obesity, Diabetes and Dementia
- A&E and RTT Standards
- Cancer
- Mental health, learning disabilities and autism
- Research and growth
- Engagement (partners, staff, public)

8.3 Not only should our expectations drive sustainable, quality and affordable services and achieve improvement and transformation they should also be ambitious enough to achieve performance maturity and a 'Good' rating by NHS Improvement within the medium term, i.e. within three to five years.

9 Capital

9.1 A 5 year capital programme is being developed with specific focus on the 2017/18 plan. The internally generated capital resource available will be c£14m. The expenditure plan will be inclusive of known key requirements to support, Backlog maintenance, medical devices replacement and IT infrastructure with a balance of c£4m for developments and in year pressures. There will be an element of this that is already pre-committed from schemes that started in 2016/17.

9.2 The internal capital resources are not sufficient to facilitate business change including transformational and invest to save schemes. In due course the Trust will review the opportunities to access external funding to increase the capital resource available.

10 Timescales

10.1 Key National timescales and deadlines for planning are shown below together with our agreed Gateway process for approving planning information (Fig 1).

22 September:	Planning Guidance and National Tariff draft prices issued
30 September:	Provider Control totals and STF allocations published
21 October:	Submission of STPs
1 November:	Provider finance, workforce and activity templates issued
4 November:	Commissioners initial offer, response from providers NHS Standard Contract published
24 November:	Submission of full draft Two-Year Operational Plans
23 December:	Contracts signed

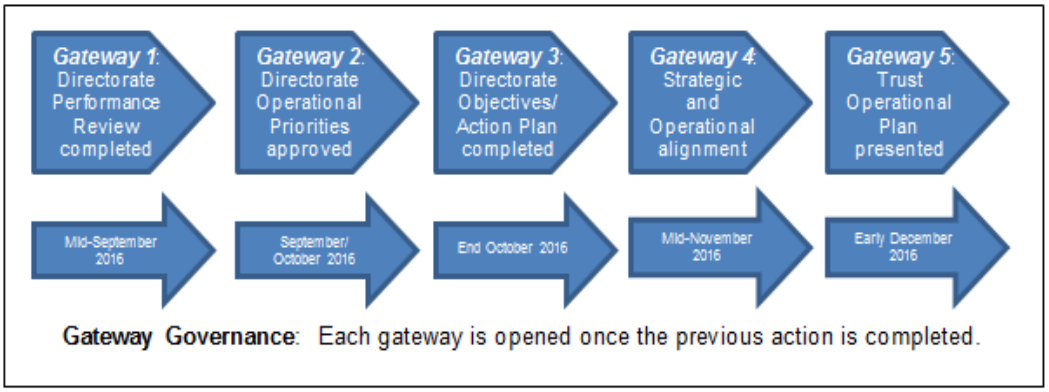

Fig 1. ULHT Gateway Process for Planning 2017-19

10.2 We are currently behind our Gateway schedule ('Gateway 2' above) as Directorate Priorities are not yet approved or fully developed across all areas. Additional support mechanisms have been put in place to enable Directorate plans to be produced. Planning Workshops are scheduled between w/c 17th October and week ending 4 November with all Directorates required to produce a draft Operational Plan as an output from the Workshop. This avoids a top-down approach and engages directorates in the Trust's Two Year Operational Plan development.

11 Recommendation

The Trust Board is requested:

d) To approve the acceptance of the proposed control totals and STF funding for 2017-18 and 2018-19.

e) To endorse the overall financial plan for 2017-18, to facilitate the further development and production of our two year operational and financial plan.

f) To review the overall approach and progress regarding our Annual Plan.

John Barber
Interim Director of Finance
11 October 2016

Appendix 1

High Level Operational Financial Plan

	2017/18
Income	**£000s**
Contract Income	391,604
Business unit	38,604
Other	5,920
STF	14,733
Non Operating items	623
Total Income Plan	**451,483**
Expenditure	
Pay	-313,191
Non pay	-159,223
Total Expenditure Plan	**-472,414**
Non Operating items	**-17,531**
Reserves, Contingency, Risk and Efficiency	
Inflation	-7,172
Delivery, Contract and Targets	-1,151
Organise for the Future	-1,140
Cost pressure & Planning Priorities	-3,246
National Priorities	-1,875
Compliance	-500
CNST	-2,000
Contingency	-4,000
Risk*	-6,000
Efficiency	18,000
Reserves and Contingency Total	**-9,084**
High level plan total	**-47,546**
Control Total	**-47,546**
Variance from Control Total	**0**

*£2m STF Risk, £2m Contract Risk, £2m Development Risk

Appendix 2

United Lincolnshire Hospitals NHS
NHS Trust

2017-18 Efficiency Savings Programme
Suggested Structure

	Programme Element	Indicative Savings Target (£m)
1	Strategy and Transformation A programme of savings arising from the early implementation of the 2021 programme work streams, with savings contributions anticipated from clinical strategy, workforce transformation, market share and estates strategy work streams.	4
2	2016-17 FYE Ensuring we capture the fye of the 2016-17 programme whilst recognising the extent to which 2015-16 savings were delivered non-recurrently.	1
3	Corporate Reviews A programme of corporate reviews led by executive directors. This will include ideas already developed by executive directors, reviews commissioned by the CE (eg senior nursing/midwifery) and other reviews to be identified eg reduction in sickness levels should provide benefits.	2
4	Carter and National Initiatives Maximising savings from 5 key areas: procurement, back office, pathology, "beat the tariff", Carter portal benchmarking.	3
5	Business Unit Operational Efficiencies and Pay Cost Reductions A 2% expectation that business units deliver efficiency savings.	8

6	Corporate Directorates (including Facilities) A £1m programme of savings across corporate director budgets.	1
7	Invest to Save Create a capital budget to facilitate revenue savings on an invest to save basis eg systems, sustainability and equipment.	1
8	Income Growth An assumption that contract income grows by 0.5%, and the additional work is delivered at 50% of tariff	1
	EFFICIENCY PROGRAMME: INDICATIVE TOTAL	**21**