

EAST KENT HOSPITALS NHS FOUNDATION TRUST**DRAFT 2014/15 PLAN AND PLANNING PROCESS****BOARD OF DIRECTORS – 30 JANUARY 2014****1. Introduction**

- 1.1 Monitor's annual planning review (APR) process has been updated to focus more closely on the strategic element of plans and to enable greater understanding of how foundation trusts intend to address the unique challenges of the next five years from both an operational and strategic point of view.

The 2014/15 Monitor APR Plan submission has been divided into two distinct phases, the first focused on operational planning and the second focused exclusively on strategic planning.

- Phase 1 – Operational Plan Submission (Years 1&2) – 4th April 2014
- Phase 2 – Strategic Plan Submission (Years 1-5) – 30th June 2014

- 1.2 Phase 1 submission will be reviewed by Monitor through April/ May 2014 and feedback will be given to the Trust by the end of May. The Trust is expected to build this feedback into its Phase 2 submission. The first Phase review will focus on assessing the strength of the Trusts operational plans in addressing the two-year short-term challenge to 2015/16 and requires two years of supporting financial projections. The published aim of Monitor is to seek to understand the degree to which the Trust has started planning for and begun implementing transformational initiatives.

- 1.3 The Phase 2 review (due to be published October 2014) will focus on the robustness of the Trusts strategies to deliver high quality care on a sustainable basis. Five year financial projections will be tested with a particular focus on how realistically the Trust has developed transformational schemes and importantly, aligned its plans with other stakeholders in the local health economy (LHE).

- 1.4 Monitor will also be working closely with NHS England and the NHS Trust Development Authority to reconcile key commissioner and provider planning assumptions to highlight any LHEs where there are major planning divergences. If these exist and/ or it is judged that the Trust is not adequately addressing risks to its stability or sustainability, regulatory action will be taken by Monitor.

- 1.5 Regulatory action includes, but is not limited to:

- **Enhanced Scrutiny**

Additional assurance over the whole or part of the Trust plan may be sought where plans demonstrate potential weakness or insufficiently address the nature and scale of the challenges faced. This may include a Relationship visit.

- **Re-Submission**

Where Trust plans demonstrate a significant weakness or are clearly insufficient to meet the nature of the challenge, the Trust may be required to re-submit its plans and Monitor may seek external assurance over the robustness of the re-submission. Reasons for re-submission may include over-optimistic planning, plans that are significantly divergent from commissioner assumptions, material changes that become apparent post submission and any identified weaknesses in the Trust's approach to planning.

- **Investigation**

Where Trusts plans are considered so weak or with a high level of unmitigated risk that could indicate potential license breach, Monitor may open an investigation under the Risk Assessment Framework. Main reasons for opening an investigation include a significant risk to any of financial stability, quality or longer term sustainability.

- 1.6 Monitor also requires the Trust to prepare a separate summarised version of the Strategic Plan for publication by Monitor at the end of the APR process. The summary must be consistent with the underlying detailed submission and should cover as a minimum a summary of the market analysis and context, strategic options, plans and supporting initiatives, with an overview of the financial projections. This is required to be submitted to Monitor on 30th June 2014 along with the Strategic Plan submission.

2. Operational Plan Submission (Phase 1) Overview

- 2.1 The Trust plan should set out how it intends to deliver high quality and cost-effective services over the two year period with particular emphasis on the specific challenges posed in 2015/16. It needs to demonstrate an understanding of the challenges the Trust faces over the next two years, underpinned by significant engagement with LHE stakeholders and a congruence of commissioner and provider activity and revenue assumptions. It also needs to include an analysis and narrative on the level of planned capacity in key services compared to the likely demand over the period to 2015/16.
- 2.2 The Operational Plan should be linked to the broader Trust strategy, but does not need to set out the full evidence base and analysis that will support the Strategic Plan submission. It must also be no more than 30 pages long.
- 2.3 The Operational Plan submitted to Monitor will be published in full with the exception of the Appendices where the Trust should identify any commercially sensitive or confidential matters.

3. Strategic Plan Submission (Phase 2) Overview

Monitor has decreed that strategic plans must provide evidence that the following steps have been taken to ensure a robust plan is developed and submitted. The plan must include evidence of:

- How the Board intends to deliver appropriate, high quality and cost effective services for their patients on a sustainable basis;
- A clearly defined vision for sustainability with key initiatives developed that underpin this;
- An iterative process of engagement by the Trust ensuring sufficient and appropriate engagement with all key stakeholders within the LHE;
- An assessment of the risks to sustainability of delivering high quality services in conjunction with LHE stakeholders;
- Options available to address the identified sustainability risks in conjunction with LHE stakeholders and a clear choice of the most appropriate options selected including how, when implemented, they result in the delivery of high quality care;
- Service redesign & cross cutting enablers implemented at LHE level;

- Plans must factor in how fast costs, demand and commissioning budgets will rise i.e. the 'Affordability Challenge'. If the rate of growth and costs is greater than budgets, plans must include how the LHE is going to respond whilst improving patient care;
- A plan for delivery that includes financial assumptions that are internally consistent and based on credible assumptions including a reduction in any identifiable 'tariff leakage'.

3.2 **Better Care Fund**

Both the Strategic and Operational plans are required to encompass the challenges arising from the introduction of the Better Care Fund (formerly named the Integrated Transformation Fund) and include how the Trust has responded to LHE stakeholder discussions and initiatives in relation to it. Access to the Better Care Fund requires local areas to formulate a joint plan, approved through the local Health & Wellbeing Board, for integrated health and social care and the Trust plans should set out how this single pooled budget will be used to facilitate closer working between health and social care services.

- 3.3 The Strategic Plan will not be published by Monitor. A summarised Strategic Plan document (produced by the Trust and submitted to Monitor within the same timescales) will be published.

4. **Financial APR Templates**

- 4.1 There is a single five year financial templates that supports both phases of the annual plan review. Monitor requires years one and two to be completed for the Phase 1 submission in April 2014 and then the subsequent three years for the Phase 2 submission at the end of June 2014.
- 4.2 The Operational Plan (Phase 1) will, because of the required submission date, be developed before the end of the 2013/14 financial year. The Trust is expected to use a projected year end outturn as the start point for its plans. The financial information in years one and two can only be amended in the Phase 2 submission where there is a material and exceptional impact on the financial projections. Examples given of this encompass a material decision being taken post Phase 1 submission or a major service reconfiguration being agreed with commissioners. The Trust is required to submit a bridging analysis if any such amendments are made.
- 4.3 Monitor will use the Trust Q4 2013/14 submission to update the full year numbers in the Trust's APR wherever possible and will undertake an audit between the Q4 2013/14 reported position and the audited financial statements as usual. There may be a requirement to update the 2013/14 actual outturn figures for workforce and activity numbers following the end of the financial year as these are not included in the quarterly template.

5. **Board Assurance Self-Assessment Tool**

Monitor has developed a Self Assessment Tool to measure and gain assurance on the quality of the Trust Strategic Plans (Phase 2) following a Three Step Approach and strongly recommend that Trust Boards use this tool in their 2014/15 APR process. The proposed approach to using this tool is to either;

- work through an assessment using the tool collectively during a board session or meeting, or;
- empower an individual staff member or group of staff to work through an assessment using the tool and then have the Board or Executive Team review and debate the findings.

6. Board Timetable for Sign-off of Trust Plans 2014/15 – 2018/19

Element of Plan	Meeting	Date
Approach to Planning the Plan & High Level financial update since December 2013 Base Plan presentation	Finance & Investment Committee	28 th January 2014
Approach to Planning the Plan & Summary of the Base Plan for 2014/15	Board of Directors	31 st January 2014
Approach to Planning the Plan & High Level financial update since December 2013 Base Plan presentation	Joint NED & Governors	12 th February 2014
Detailed review of Draft 2 Year plan (inc Contracting update)	Finance & Investment Committee	25 th February 2014
Update on detailed review of Draft 2 Year plan (inc Contracting update)	Board of Directors	28 th February 2014
Approach to Planning the Plan & High Level financial update since December 2013 Base Plan presentation	Council of Governors	10 th March 2014
Detailed review of Final Plan Years 1 & 2 and written Operational Plan (Phase 1)	Finance & Investment Committee	25 th March 2014
Detailed review and sign-off of Final Plan Years 1 & 2 and written Operational Plan (Phase 1)	Board of Directors	28 th March 2014
Interim Plan Updates	All Committees/ Board	April – May 2014
Detailed review of Final Plan Years 1-5 and written Strategic Plan (Phase 2)	Finance & Investment Committee	24 th June 2014
Detailed review and sign-off of Final Plan Years 1-5 and written Strategic Plan (Phase 2)	Board of Directors	27 th June 2014

7. Overview of the Trust 2014/15 Base Plan

- 7.1 The Trust is currently planning a breakeven position for the 2014/15 financial year as presented to the Finance & Investment Committee in December 2013.

Financial Overview (£m)			
£m	2013/14 FOT	2014/15 Plan	Change
SLA Income	473.5	468.6	(4.9)
Other Income	38.7	39.2	0.5
Expenditure	480.9	477.7	3.2
EBITDA	31.3	30.1	(1.2)
Surplus	5.7	0.1	(5.6)
COSRR	4	4	0

- 7.2 The planning assumptions that underpin the base plan for 2014/15 include:

- 2014/15 Base Plan underpinned by the Financial Strategy and maintains a Financial Risk Rating of 3
- Plan represents a prudent approach to 2014/15
- Based on signed off activity plans built bottom-up with Divisional Teams
- Activity plan not yet agreed with Commissioners (Base plans can be split at CCG level)
- Capital Expenditure maintained at planned levels
- Base Plan will be updated through Jan/Feb 2014 with the impact of the Operating Framework, National Tariff and Commissioner Contracts

8. Conclusion

The Board of Directors is asked to review and note the following:

- 1) The change in the Monitor planning process for Foundation Trusts for 2014/15 to 2018/19 as outlined in this paper;
- 2) The planning process the Trust is proposing to follow is clear and provides sufficient opportunity for engagement;
- 3) The Trust will utilise the Monitor Self Assessment Tool to form part of its Board assurance;
- 4) The Trust Base Plan for 2014/15 is currently breakeven.

**Prepared by Corporate Planning & Performance Lead
For Jeff Buggle – Director of Finance & Performance
21st January 2014**