

## **Operational Plan Document for 2014-16**

**University Hospital Southampton NHS Foundation Trust**

# Operational Plan Guidance – Annual Plan Review 2014-15

The cover sheet and following pages constitute operational plan submission which forms part of Monitor's 2014/15 Annual Plan Review

The operational plan commentary must cover the two year period for 2014/15 and 2015/16. Guidance and detailed requirements on the completion of this section of the template are outlined in section 4 of the APR guidance.

Annual plan review 2014/15 guidance is available [here](#).

Timescales for the two-stage APR process are set out below. These timescales are aligned to those of NHS England and the NHS Trust Development Authority which will enable strategic and operational plans to be aligned within each unit of planning before they are submitted.

Monitor expects that a good two year operational plan commentary should cover (but not necessarily be limited to) the following areas, in separate sections:

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 (including commercial or other confidential matters)

As a guide, we expect plans to be a maximum of thirty pages in length. Please note that this guidance is not prescriptive and foundation trusts should make their own judgement about the content of each section.

The expected delivery timetable is as follows:

Expected that contracts signed by this date	28 February 2014
Submission of operational plans to Monitor	4 April 2014
Monitor review of operational plans	April- May 2014
Operational plan feedback date	May 2014
Submission of strategic plans to Monitor (Years one and two of the five year financial plan will be fixed per the final plan submitted on 4 April 2014)	30 June 2014
Monitor review of strategic plans	July-September 2014
Strategic plan feedback date	October 2014

## 1.1 Operational Plan for y/e 31 March 2015 and 2016

This document completed by (and Monitor queries to be directed to):

Name	Sue Leamore
Job Title	Deputy Director of Strategy
e-mail address	Sue.leamore@uhs.nhs.uk
Tel. no. for contact	023 8120 4456
Date	31 March 2014

**The attached Operational Plan is intended to reflect the Trust's business plan over the next two years. Information included herein should accurately reflect the strategic and operational plans agreed by the Trust Board.**

In signing below, the Trust is confirming that:

- The Operational Plan is an accurate reflection of the current shared vision of the Trust Board having had regard to the views of the Council of Governors and is underpinned by the strategic plan;
- The Operational Plan has been subject to at least the same level of Trust Board scrutiny as any of the Trust's other internal business and strategy plans;
- The Operational Plan is consistent with the Trust's internal operational plans and provides a comprehensive overview of all key factors relevant to the delivery of these plans; and
- All plans discussed and any numbers quoted in the Operational Plan directly relate to the Trust's financial template submission.

Approved on behalf of the Board of Directors by:

Name (Chair)	John Trewby
-----------------	-------------

Signature



Approved on behalf of the Board of Directors by:

Name (Chief Executive)	Fiona Dalton
---------------------------	--------------

Signature



Approved on behalf of the Board of Directors by:

Name (Finance Director)	Alastair Matthews
----------------------------	-------------------

Signature



## 1.2 Executive Summary

University Hospital Southampton NHS Foundation Trust (UHS) is a leading acute teaching hospital providing comprehensive local and specialist services to a combined population of 5.6 million. The 2020Vision, originally defined in 2006, has attracted and developed highly specialist professional expertise which benefits patient clinical outcomes across services. The Trust continues to improve local care and integration for the local population, which also enables the centralisation of specialist care to be supported more effectively. UHS has a strong research and development partnership with the University of Southampton which also supports its status as a major teaching hospital.

The Trust has two major areas of focus over the plan period; firstly a trajectory to deliver regulatory targets on a sustainable basis, and secondly, the review of the 2020Vision. The Trust has undertaken a robust annual planning process to develop plans for the next two years as required by Monitor. The Trust has used the national planning assumptions within the Monitor Guidance for the Annual Planning Review 2014/15 (APR) together with a range of market and trend analysis. The Trust is planning to continue the delivery of patient centred, safe, high quality services for our local populations, as well as wider regional specialist services whilst meeting its core values. The plan will deliver sustainable performance in collaboration with Local Health Economy (LHE) partners to align capacity and demand across health and social care systems. The local system focus on complex delayed discharges is a priority to release bed capacity at the Trust and support demand management. These activities are expected to mitigate the local share of the national "affordability challenge", forecast at £30bn by 2021.

The Trust has continued to focus on quality and safety with the Patient Improvement Framework (PIF) being embedded across the organisation. The PIF outlines the key organisational priorities of outcomes, experience, safety and performance, with clear expectations and targets of achievement. The PIF also illustrates the commissioning for quality and innovation (CQUINS) priorities for the Trust, which include dementia and delirium outcomes, improving response rate to the Friends & Family Test and patient experience metrics. In addition, reducing patient follow-ups and the roll-out of Choose & Book are also priorities for the commissioner.

In recent years, the health system has changed significantly, requiring the Trust to respond to a greater local health demand, develop collaborative working and enhance system planning. The evolution of the health economy will continue, with the Better Care Fund providing an enabler to redesign services and pathways together with increased integration between health and social care. Equally, for the Trust, the Joint System plan, developed with ECIST, will be critical to improving operational efficiency, emergency flows and demand on services. The Trust has worked with IMAS which will also support a more sustainable delivery of RTT targets.

The Trust has made a significant investment in quality and capacity during 2013/14 and into 2014/15 (£16.8m). These investments are being phased to increase beds together with two new modular theatres which will improve the Trust's sustainability during 2014/15, to deliver national performance targets and enhance patient experience. Based on analysis and agreed RTT plans to reduce backlog pressure, the Trust will need to invest in an additional 29 beds during 2014/15, as well as continue to work with partners to open virtual capacity to deliver a step-down capability. The Trust is dependent upon system partners to reduce these complex discharge patients, who are fit to be treated in step-down or other off site facilities. The Trust is working with commissioners and partners to meet the delivery of QIPP, which is also reliant on system plans in alternative settings and efficiencies.

Getting the 'right people, in the right setting' with demand and capacity aligned, is a key factor in the successful achievement of its targets as well as impacting on the operational stability of the organisation and the quality of the services provided. The national shortage of key staff groups and skills has presented challenges to the Trust over the past couple of years and is expected to continue. Longer-term planning is needed to ensure the pipeline of staff needed for the Trust will be available, which will also support our links with the Education sector as a major employer within Southampton City.

The Trust has engaged external consultants to further develop the Cost Improvement Programme. The focus over the next two years will be to move to more transformational, cross trust, system pathway

improvements as well as internal service level schemes within operational divisions. The Older People's Pathway initiative for example, is focused on reducing length of stay and pulling elderly care patients into alternative settings earlier, which is the key growth area in non-elective admissions. Further use of virtual capacity and information technology will also be fundamental to the successful achievement of the Trust plans.

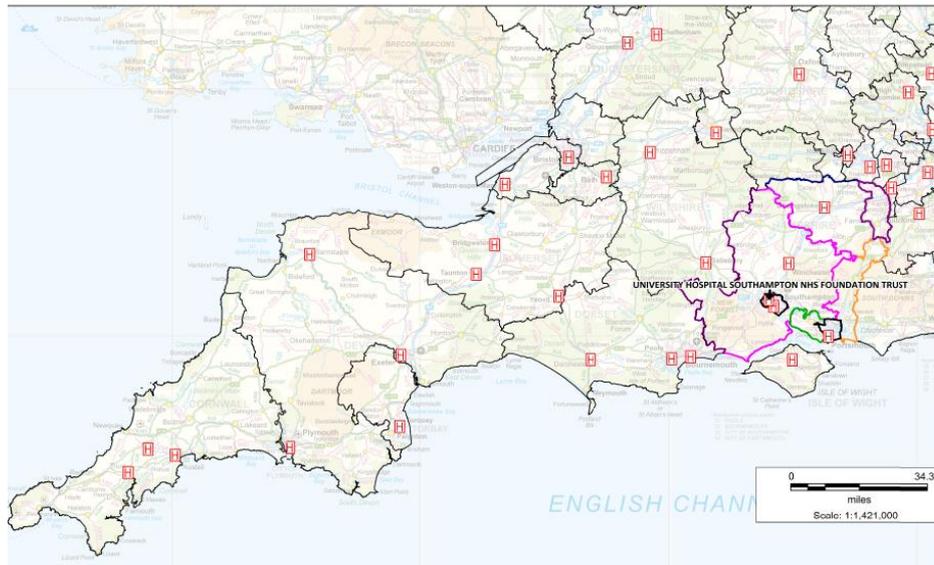
Financially, the Trust will also continue to grow commercial, R&D and education opportunities to secure new income. This additional income will help the Trust mitigate financial risks through creating innovative opportunities for pathway redesign, developing and introducing new technologies and attracting investment in healthcare. In addition the redevelopment of the Trust site, principally the Welcome/Retail space and car parking in the first phase, will also support the development of Trust' clinical and high quality patient care opportunities.

## 1.3 Operational Plan

### Introduction

UHS operates within a health economy that serves a local population of circa 1.9 million and covers Southampton City and West Hampshire (New Forest, Eastleigh and Test Valley). The Trust also serves a tertiary health economy of circa 3.6 million people and, for paediatric cardiac services, a population of 5.6 million, stretching from West Sussex in the East to Devon in the West. Whilst the Trust provides a full range of services to the local health economy, the service provision to the wider region focuses on specialist tertiary activity.

Map of our Health Economy



In terms of size and patient flow the Trust will have treated the patient volumes set out in the table below by the end of 2013/14, with an overall NHS clinical turnover of circa £511m, and staffing levels of approximately 8,115 (wte).

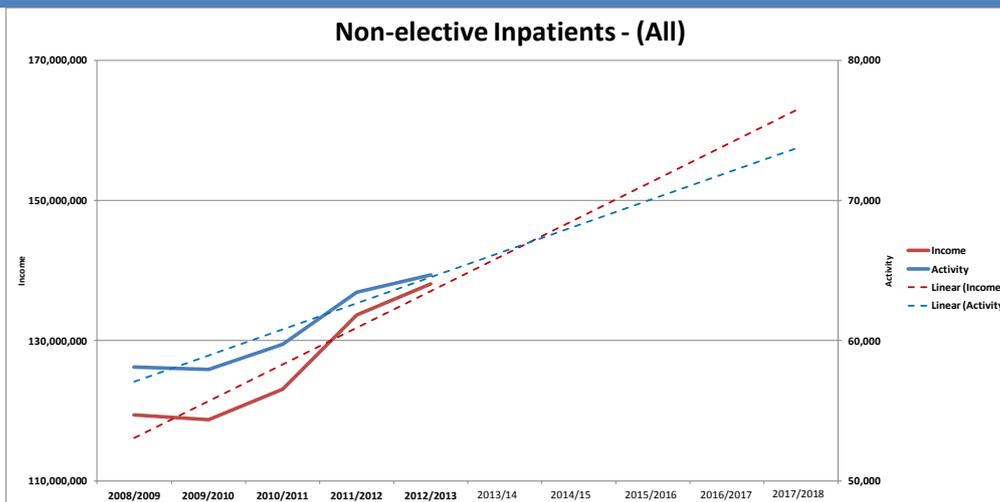
Point of Delivery	2013/14 Activity (FoT)	2013/14 (FoT) £ Income
First Attendances	116,000	£20m
Follow-ups	243,000	£24m
Elective Admissions inc DC (DC c65% of activity)	77,000 50,000	£107m
Emergency Admissions	100,000	£137m
A&E Attendances	128,000	£15m

Source: SLAM

***This section sets out how the Trust plans to deliver high quality services over the next two years in light of the key objectives within the Trust's Strategic Plan.***

#### 1.3.1 The short term challenge

In the short-term, the Trust must meet the challenge of continued growth in emergency demand which will continue to put pressure on capacity and the elective programme and in turn impact on performance delivery and potentially quality and safety. In addition, any over performance above contracted levels will put an increased financial burden on the Trust due to the imposition of MRET.



Nationally there are a number of shortages within key staff groups such as specialist nurses and consultants, which have led the Trust to undertake international recruitment drives. These market forces impact lead-in times, skill mix availability, competition, and require longer-term planning to ensure there is appropriate training and development.

The Trust has and plans to continue to proactively manage length of stay by delivering efficiencies and new capacity, as well as utilising virtual capacity. These steps are required to align capacity with demand however, this balance has presented a significant challenge to achieve regulatory targets to date, and will continue to be driven by a number of factors:

- Underlying growth
- A need for a system review of capacity and its use
- Limited capacity and the ability to financially plan for it over a longer-term
- Limited opportunities to recruit staff for the right functions

The Trust plan has been developed to meet these challenges over the next two years to improve the quality and patient safety. Whilst delivering treatment for the local population the Trust will also maintain its prominent status as a provider of specialist services and further develop the Children’s Hospital.

Over the next two years local health economy partners will face the affordability gap challenge as well as; growth in local demand, rising costs and increased patient expectations. Commissioners have shared their QIPP Plans and have the following targets:

2014/15 QIPP	
SCCCG	(1,898)
WHCCG	(2,700)
Specialist	(2,000)
Other	(1,040)
<b>Total</b>	<b>(7,638)</b>

If achieved, these targets will deliver ‘flat growth’ in line with national requirements, as part of the overall NHS efficiency target. This situation will present a significant challenge to the Trust and local partners to deliver more transformational change in pathways, system working and the better utilisation of physical assets. The key areas of focus to manage demand within the Trust will include emergency pathways and the growth in the elderly population, where in particular, long-term conditions such as Ophthalmology and Cancer have impacted patient flow through the hospital. Growing centralisation and clinical advances in care have also increased demand for Trust services. As a consequence, the Trust is planning for increased activity above baseline growth (population and prevalent growth). This will in part be accommodated by the full year effect of the capacity investments made in 2013/14.

The Trust has an agreed trajectory with local commissioners to meet national performance targets, which will be dependent upon growth being as commissioned and system plans being in place to manage demand in a collaborative way.

The Trust plans to achieve all of its regulatory targets over the coming year with the exception of the RTT Admitted 18 Week target. Plans are in place to return the Trust to full compliance by Quarter 3 2014/15 and have been developed with partners who are also supporting their implementation.

The Trust plans to deliver, but has identified a significant risk against, the achievement of the RTT Non-admitted 18 Week target. Trust performance against the target continues to improve and the expectation is that it will be achieved in the near future. The Trust aims to achieve this target from April 2014 but there is a risk that plans may take longer to deliver. Whilst it is believed that there is a significant risk of failure in Quarter 1, as with the Admitted target, plans are in place, agreed with commissioners, to deliver them. The Trust Board does not believe further mitigating plans are required at this stage to achieve this target.

The Trust is also planning to deliver the A&E target in 2014/15 however, due to previous performance it also recognises a significant risk that this target may not be achieved, due to the significant demand currently being experienced. With each of the above risks, the Trust is fully focussed on mitigation and delivery. In addition, each risk assessment has been made at a point when the final performance for March 2014 (and therefore the Quarter 4) has yet to be finalised. The Trust view of these risks may change once the performance for March 2014 has been finalised.

The Trust recognises that risks exist against all other metrics but has not identified these as significant and has confidence in the plans in place to achieve them. For example, the current trajectory towards the RTT Incomplete 18 Week target should result in its achievement in Quarter 1 2014/15 but the Trust will still need to improve current performance to ensure this.

Meeting this growing demand within timescales acceptable to regulators, whilst also achieving increasingly stringent quality standards from the Care Quality Commission (CQC) is challenging, particularly as funding to invest in system wide improvements is limited within the local health system.

The election due next year may also influence policy, priorities and health funding. However, the consistent message is that the efficiency expectations upon the NHS will continue for the medium-term at least. The affordability challenge, increasing patient expectations and technological/clinical advancements in treatment will increase pressure on an already complex system with finite resources.

The core focus of the Trust over the next two years is therefore to run a safe hospital centred on patient care, and deliver excellent services and improved patient experience; evidenced by the Friends and Family Test.

The priorities for the Trust over the next 12 to 24 months have been discussed at Trust Board and the following priorities agreed (see the next page). These priorities are the 'enablers' to continue to move the Trust toward the 2020Vision, as well as improving alignment with National and local health system plans. The Trust operational plans will provide the core framework, upon which these priorities will be delivered and will be communicated to stakeholders.

During 2014/15 the Trust 2020Vision will be recast to reflect the changing healthcare landscape and ensure that the Trust maintains a clear strategic direction. This work will be based on market intelligence, changing policies, priorities, quality priorities and opportunities whilst also recognising the financial constraints the Trust is facing. The revised strategy will be communicated and the engagement of key stakeholders sought; including partners such as Commissioners, Council of Governors, Foundation Trust Members, the University of Southampton, Southampton City Council, Voluntary groups and other third sector partners.

## **TRUST PRIORITIES FOR 2014/15**

## 2020Vision

### Trust Core Values

- >Patients First
- >Working Together
- >Fresh Thinking

### Strategic Objectives

- >Trusted on Quality
- >Delivering for Tax Payers
- >Excellence in healthcare

### Portfolio

- >Clinical
- >R&D
- >Education
- >Commercial

## Top 12 Strategic Priorities

1. Provide high quality local services. Strengthen our specialist services

2. Develop the Children's Hospital

3. Deliver the Patient Improvement Framework (PIF)

4. Achieve agreed financial year end position within tight constraints

5. Achieve regulatory compliance

6. Develop sustainable capacity solutions to balance demand/ & capacity

7. Achieve stakeholder alignment of strategic priorities and plans

8. Maximise research opportunities potential

9. Advance our commercial plan

10. Develop our communications strategy

11. Advance our organisational development agenda

12. Review & refresh the 2020Vision

## Strategic Plans

> Market Plan & Specialist Specifications

> Children's Hospital Strategic Plan

> Open Ronald MacDonald House & new Paediatric ED facility

> Re-establish brand & position nationally

> Improve quality and safety of patient care via delivery of the PIF

> Budget Setting Plan, Capital Plan  
> CIP Programme & Investment Plans (IT, kit & facilities)

> CQC Compliance & Plans to achieve Monitor access targets  
> New Internal Peer Review Programme

> Trust Capacity Plans: Beds, ICU, Theatres, OPD

> Workforce Plan

> Growth & contract alignment

> Partner collaboration & alignment of plans

> R&D Strategy / R&D Annual Plan

> Optimise R&D opportunities

> Commercial Strategy: Commercial Partnerships e.g. to develop our estate, R&D, Private Patients

> Continue to strengthen strategic relationships, Trust reputation, patient and service user, public & member engagement

> Leadership & development of staff

> Information Technology Strategy

> Refresh strategic direction and planning

## 1.3.2 Quality plans

## National and local commissioning plan priorities

It is estimated that increases in service costs coupled with flat funding could mean that the NHS will face a c. £30bn shortfall by 2021. Five year planning assumptions based on this “affordability gap”, efficiency challenges and the expected tariff efficiency factor, have been used by the Trust as part of the plan inputs.

Commissioning plans and priorities for NHS clinical services will be influenced by a range of activities and initiatives that will include:

- NHSE review of Urgent & Emergency Care
- Integrated commissioning
- Better Care Fund
- NHSE Direct Commissioning
- 24/7 services
- Increased use of NHS111
- Future changes within the local acute provider landscape (HHFT, PHT)
- Increased use of Choose & Book (Patient Choice)
- Increased sharing of information across agencies to inform patient care management and design, pathways
- Virtual/Offsite advice and treatment

National priorities will include changes to the Specialist Service Specifications which were consulted widely during 2013/14 and are likely to result in increased centralisation and regionalisation of Specialist Service Centres, as well as the reduction of new market entrants. A further priority will be the delivery of safe and excellent services including the achievement of key national recommendations such as the NICE standards and performance targets. Locally, the Trust understands commissioner priorities include a need for affordable growth and the capacity to sustainably deliver national performance targets and priorities. Both Specialist Commissioning and local Clinical Commissioning Groups have challenging financial constraints which will influence priorities, service development funding and new market opportunities as technological and innovation improvements become available. Whilst service provision must improve over time it is recognised that drug costs such as those for Cancer, may also increase as new treatments come to market.

The Trust has actively engaged with commissioners and partners to understand the pressures facing the local health economy. There has been an ongoing dialogue with stakeholders via contract negotiations, SWH System Boards, Southampton Health Conference and West Hampshire Stakeholder Events. There will also be further stakeholder engagement as part of the process to recast of the Trust 2020Vision.

A key priority for all healthcare stakeholders will be to see patients treated at the right time, in the right setting and, when appropriate, close to home. Nationally, there is an expectation that acute activity will shift into community, primary care and other settings (15% reduction in elderly and LTC emergency demand over the next five years) with the Better Care Fund being an enabler to deliver change, through redirected funding in the system. Over recent years, the Trust has experienced increased demand despite investment in other settings. This situation suggests these investments have partly absorbed unmet need rather than reduced acute demand. Further investment priorities are expected to include:

- Increasing admissions to residential and care homes
- Protection for adult social care services
- Improving the effectiveness of reablement
- Reducing delayed transfers of care
- Increasing 7 day services
- Avoiding emergency admissions
- Improved patient/service user experience

The Trust is a key stakeholder in the South West Hampshire Estate Strategy Group, which is reviewing local system capacity and utilisation. This work could inform future capacity plans and the rationalisation

of estate opportunities across the system. It is hoped that partner working with the University of Southampton will also produce a local 'system dynamics' model to inform patient flow and capacity.

The Trust plans to provide a comprehensive high quality local elective and emergency service for the population of Southampton and South West Hampshire. This will be achieved by having the right capacity (space, people and processes) to meet demand and also meeting the NHS constitution's commitment to maximum waiting times. The continued delivery of the ECIST System Action Plan, performance recovery plans, and improved system capacity utilisation together with Better Care Fund investments will help to achieve this goal. In addition, UHS has been working with the NHS Interim Management & Support (IMAS) team to challenge and review the RTT delivery plan.

## Research & Development

Research is commonly identified as one of the key elements that will apply to all of the characteristics of every successful and sustainable health economy. Planning guidance states that:

"Research and evaluation across the whole patient pathway including that with partners in local government and Public Health England, will contribute to improving outcomes and spreading innovation and economic growth.

A marker of quality within NHS organisations is research activity that demonstrates evidence of improved patient outcomes and health service delivery.

Commissioners should actively; seek out research opportunities, understand where research is taking place within their contracted providers and support that activity wherever possible, through their commissioning decisions."

*The "Key Features" that must be demonstrated in Commissioners plans include:*

How plans will fulfil their statutory responsibilities to support research;

How plans will ensure that specialised services are connecting actively to, and maximising, the opportunities of working with research and teaching;

How plans will use Academic Health Science Networks to promote research; and

How plans will adopt innovative approaches using the delivery agenda set out in Innovation Health and Wealth: accelerating adoption and diffusion in the NHS how plans fulfil statutory responsibilities to support research.

UHS is developing an R&D plan based upon these core principles which will continue to enhance the reputation of the Trust in this field.

## Trust quality goals, as defined by the quality strategy and quality account

The 2020Vision states the Trust aspiration to be a leading centre of clinical and academic achievement with an increasing world-class reputation. This will be achieved through a culture of continuous improvement and innovation, a focus on the development of tertiary specialist services, and serving the local population, together with a patient focus, which will encourage staff to recommend the Trust to their own families.

The Trust's embedded Patient Improvement Framework (PIF) provides the Quality Governance for the Trust to support the 2020Vision. With the publication of the recent Francis, Berwick and Keogh Reports, this framework provides assurance to our members, patients and the public on how the Trust will deliver this commitment to excellent and safe services. The PIF priorities are:

### DRAFT Patient Improvement Framework (PIF) Priorities for 2014/15

Outcomes	Experience	Safety	Performance
<ul style="list-style-type: none"><li>Every speciality to identify a clinical outcome measure</li><li>Improving Hospital Standardised Mortality Rate</li></ul>	<ul style="list-style-type: none"><li>Improving care and safeguarding vulnerable adults in hospital</li><li>Improving patients mealtime experience</li></ul>	<ul style="list-style-type: none"><li>To continue to improve the reporting and learning from incidents</li><li>20% reduction in avoidable</li></ul>	<ul style="list-style-type: none"><li>To deliver the 18 week routine time to treatment (RTT)</li><li>95% of patients will wait no longer than four hours in the</li></ul>

The Quality Governance strategy is an over arching strategy which, supported by the PIF, outlines the plan for the continued development of Quality Governance at University Hospital Southampton NHS Trust (UHS). The strategy sets out the objectives and scope of Quality Governance within the Trust whilst also reflecting on the internal and external needs and pressures that have Quality Governance implications for the Trust.

The strategy identifies what 'Quality Governance' means for the Trust and gives clear direction and a shared vision for how we ensure this is a priority, at all levels in the Trust. The strategy also outlines how Quality Governance is embedded within the Trust as part of a whole-system approach to improving standards and protecting the public from unacceptable standards of care.

In 2014/15 the Trust will continue to work towards the achievement of the Quality Governance objectives by:

- Maintaining the, safety and effectiveness of services and patients' experiences and ensuring compliance with Monitor and CQC regulations
- Continuing the development of the processes, scrutiny and monitoring systems for risk management and the accreditations and inspections taking place throughout the organisation to ensure services meet the standards of regulators and accreditation bodies.
- Adapting and continually improving systems and practices to meet the needs of regulatory and legislative changes and developments
- Using both internal and external learning, including the recommendations (Patients First and Foremost) arising from the Francis/Mid Staffordshire, Berwick and Keogh Report to ensure continuous quality improvement

**An outline of existing quality concerns (CQC or other parties) and plans to address them:**

The Care Quality Commission undertook a review of compliance at the Southampton General Hospital (SGH) site in April 2013 and reported that the Trust was fully compliant with the five standards inspected. Patients were positive about their experiences and said they were happy with the way they were cared for. One person stated "*this is a brilliant hospital; I would recommend it to any of my friends and family as a good*

*place to be cared for".*

In December 2013 the CQC also undertook their first mental health inspection at the SGH site. By law, the Care Quality Commission (CQC) is required to monitor the use of the Mental Health Act 1983 (MHA) to provide a safeguard for individual patients whose rights are restricted under the Act. Mental Health Act Commissioners do this on behalf of the CQC, by interviewing detained patients or those who have their rights restricted under the Act and discussing their experience. They also talk to relatives, carers, staff, advocates and managers, and they review records and documents. Whilst aspects of this visit were positive the CQC found some areas for improvement and the Trust produced a statement of the actions that they will take as a result of the monitoring visit. These actions will be completed by the end of 2013/14.

As part of the ongoing commitment to improve quality of care at the Trust, the Medical and Nursing Directors commissioned a review in October 2013 of Trauma and Orthopaedics to evaluate whether the service was safe, effective, caring, and responsive to patient needs and well led. A review team was convened consisting of experienced medical staff, nursing staff, commissioners, managers and leaders from across the hospital and local region.

The review found that overall ward care and clinical leadership was of a good standard with many aspects of care provided being outstanding. However, there were areas for improvement when evaluating the overall model of care in terms of effectiveness and responsiveness and a robust action plan has been agreed and is in the process of being implemented.

This approach has been adopted across the Trust and other clinical services will undergo a similar review as part of a new rolling programme.

#### **Key quality risks inherent in the plan and how these will be managed:**

The CQC are making significant changes to their inspection regime and actions are underway to review current UHS assurance processes and ensure they will deliver continual compliance with the CQC requirements.

The risks to the achievement of Monitor performance target have been referenced elsewhere in the document. These targets measure an important element of safety and quality in relation to the patient's ability to access services.

Recruitment, demand, finances (including future tariff changes), complex discharges and the need to minimise the use of agency staff are all key risks that will influence quality. The Trust has taken proactive steps for areas within its control as outlined in this plan. However, the Trust is dependent upon system resilience and working with partners to mitigate these risks and influence national policy making in terms of tariff, for example.

#### **An overview of how the board derives assurance on the quality of its services and safeguards patient safety: [Monitor quality governance framework]**

The Patient Safety Strategy sets out our vision is for a safety culture that is fully embedded and integral to everyday business, where the Trust leads in the field for driving improvements in the safety of patients, and achieving best performance in everything we do.

Safe care is achieved through reliability in care processes: by delivering the right care to the right patient by the right person, with the right level of competence, within the right time and in the right environment. It is when one or more of these elements go wrong, through either a systems failure or due to human error that avoidable harm can occur. In reviewing the Trust significant events, it is still evident that often they occur as a result of a series of errors or omissions. This strategy aims to ensure that the Trust has the appropriate safeguards and barriers in place to prevent such occurrence, underpinned by awareness and training that addresses the contribution of human factors on safety.

Sustainable improvement occurs when there are agreed priorities, measurement and focus supported by transformational leadership. This strategy defines the Trust priorities and focus and it will be updated

during 2014. The Trust will ensure it reflects current initiatives and identifies how success will be measured along with the leadership skills required to drive the strategy forward.

**The three central themes of this strategy are to: -**

- Develop a culture where patient safety is integral to everyday business
- Deliver regulatory compliance, assurance and ensure learning occurs when things go wrong
- Deliver the annual prioritised patient safety work streams

Trust Board gains assurance through the scrutiny placed on the Trust by the recently formed Quality and Performance Committee, in addition to the existing regular reporting procedures that are regularly presented to Trust Board.

**What the quality plans mean for the Trust's workforce:**

i) Workforce planning

The Trust workforce will continue to grow in 2014/15 with recruitment plans for additional consultants, nurses and other clinical staff aligned to initiatives, including:

- increases in capacity in theatre, ITU and ward beds;
- reducing overall Trust bed occupancy;
- investment in ward staffing levels, supervisory ward leader model and hospital at night teams;
- reducing dependence on agency workers;
- further potential growth from other tertiary work;
- changes to patient pathways;
- further increase in consultant-delivered care in the emergency department, acute medicine and surgery;
- reducing access times for elective surgery by increasing capacity and extending the working week for elective services; and
- expansion in capacity and capability of imaging services to support service needs and research, over seven days, along with pharmacy and therapy services.

Staff are required to have the appropriate skills, education and experience for the roles they provide. All staff are required to do mandatory training and continued professional development, to ensure they are appropriately trained and have ongoing development plans. Training targets will also ensure all staff will meet the regulatory requirements expected by the Trust.

ii) Safe staffing

The Trust is reviewing demand for medical staff over the next 5 years as it extends seven day working.

There are significant challenges in filling vacancies in both Training and Trust doctor posts, impacting on junior and middle grade rotas. The Trust will be reviewing the recruitment strategy for non-training grade doctors including opportunities to partner with other organisations or recruit overseas for agreed specialties.

In 2014/15 the Trust will continue with ongoing programmes for international recruitment to reduce registered nurse and theatre staff vacancies, and run local programmes to attract health care assistants and nurses, to meet expansion plans and reduce reliance on temporary staff,

Ward and ED vacancies are monitored monthly by the Trust Executive Committee; vacancy hotspots are reviewed and forecast capacity integrated with forecast staffing levels, particularly where concerns over quality are raised. The Trust will be upgrading its eRostering solution and implementing new reporting processes in response to the NQB requirement for shift by shift reporting to the Trust Board.

iii) Staff experience & Values

The Trust was rated above average for staff engagement in the 2013 annual staff survey, and also improved performance to above average for staff recommending the Trust as a place to work or receive treatment. The Trust has partnered with Picker to implement the Staff Friends and Family Test in April 2014.

The Trust will continue with work to ensure it recruits individuals whose values align to those of the Trust. The Trust has already implemented values based questions as standard in application forms for all new staff. The Trust will also continue to develop techniques and tools to ensure recruitment practices assesses this important aspect of suitability for roles.

The Trust appraisal system will also be developed further to focus on 'values based assessment' to ensure all staff will continue to deliver excellent quality care in the right way.

### **The Trust's response to Francis, Berwick and Keogh:**

The Trust has reviewed the recommendations of the Francis, Berwick and Keogh Reports in depth, alongside its existing improvement programmes. The key learning's will be adopted through a five point plan to achieve excellence:

- Prevent problems;
- Detect problems quickly;
- Take action promptly;
- Ensure robust accountability; and
- Ensure staff will be trained and motivated

University Hospital Southampton NHS Foundation Trust has taken the recommendations of these reports very seriously and already has a detailed action plan in place, which it is continuously reviewing and developing.

The Trust is determined to strengthen a culture of kind and compassionate care, getting it right every time for all patients and ensuring that patients' voices are consistently heard.

The Trust aims to continuously build its reputation to ensure patients can confidently expect all the care they receive to be safe, effective and individual to their needs.

The Trust wants to ensure that it is open and transparent if things go wrong and demonstrate that learning has taken place.

The Trust is currently reviewing its complaints procedures to ensure it does the right things all the time such as effective and regular communication, apologise openly if mistakes are made, support, resolve and learn.

The Trust is working with staff and actively listening to what they feel is important for patients as well as ensuring that all staff understand their own professional accountability in delivering high quality care.

The Trust has recently appointed a head of patient experience to further develop ways it can work with patients and their carers, listen to their views and take action.

The Trust Board is fully committed to ensuring the Trust is meeting all the relevant recommendations and sees this as a top priority for the organisation.

The Trust is determined to demonstrate in a transparent way that it takes the recommendations from these reports seriously and has therefore incorporated the key improvement themes in relevant work programmes.

### **Risks to delivery of key plans and contingency that is built into the plan:**

Risks related to the delivery of these plans are regularly assessed and the Trust operates an effective risk management process which reviews risk registers and action plans to address the risks to delivery of our plans. Risk management leadership is overseen by the Executive Team via the Executive Risk Scrutiny Group (ERSG) and the Divisional Management Teams. Quarterly Corporate, THQ and Divisional risk register review meetings are held to review, scrutinise and update risk registers and provide an escalation route directly to the ERSG.

The Executive Directors review and monitor progress through the regular divisional performance reviews and quarterly ERSG meetings. This provides a structure for Trust HQ Departments and Divisions/Care Groups to escalate Department/Divisional risk management issues that are proving difficult to resolve at local level to the ERSG and onward to the Trust's Executive Committee (TEC), Audit and Assurance Committee (AAC) and the Trust Board. The primary risks to the Trust currently have been assessed as:

**Monitor Risk Assurance Compliance (1217)** - The Trust is potentially at risk of ongoing non compliance with Monitors Risk Assessment Framework / and Terms of FT authorisation with delivery of performance scores of 2 or >2 (amber/red;red) and needs to keep abreast of the changes in Monitor's role in respect of the new Provider licence.

**Failure to meet 4 hour target (587)** - Demand on physical available capacity (beds, theatres) exceeds current commissioned capacity, risk increases with seasonal pressures (heat wave/winter) and increasing acuity. Processes in ED do not support the 4 hour target (CQC compliance). The Trust is working in partnership with the local health economy to achieve the target.

**Treating planned patients in a timely manner (1352)** - Failure to achieve revised 13/14 national 18 week RTT targets to include 92% incompletes < 18 weeks and achievement of admitted/non admitted target of 90/95% by specialty. Failure to achieve national cancer standards. Increase in multiple cancellations. Plans have been agreed with commissioners on the delivery of key performance targets.

**Complex patients needing supported discharge (1529)** - There has been an increase in the number of patients waiting for complex discharge to community services, social care placements, nursing homes and residential homes. This has led to an increase in medical and elderly care patients on non speciality specific wards, an increase in cancelled operations and difficulty in meeting performance targets. Plans are being made to increase virtual capacity for the step-down of Trust patients fit for discharge.

**Failure to deliver planned financial surplus (458)** - Failure to deliver the planned financial surplus with consequent potential adverse impact on Monitor CSRR and Trust liquidity. The key risks and controls are set out in the Assurance Framework and reported in detail each month in the Finance Report.

**Capacity Planning (1608)** - A fundamental strategic risk to the Trust is continued demand above contracted and assumed Production Plan levels, which impacts capacity and therefore is a route cause affecting operational efficiency and targets. The Trust is mitigating this through a planned investment in capacity but in parallel working with partners on demand management. The Trust is reasonably able to 'flex capacity' through the use or reduction in agency staff.

### **Quality Investment Plan 2014/15**

In addition to the benefits of the significant quality investments made in 2013/14 (£15.2m), which are currently being phased in terms of implementation operationally, the Trust has committed during the budget setting process to invest further in quality in 2014/15, priorities include:

a) Nursing quality initiatives (£0.6m):

The Director of Nursing undertook a review of all nursing bids with the Divisional Nursing Directors to ensure the main risks across the Trust covered. This identified the need for extra resource in the continued roll out of:

- Supernumerary Ward Leaders
- Hospital at Night – Nursing Cover

- Paediatric Medical Unit

b) Division risk priorities (£1m):

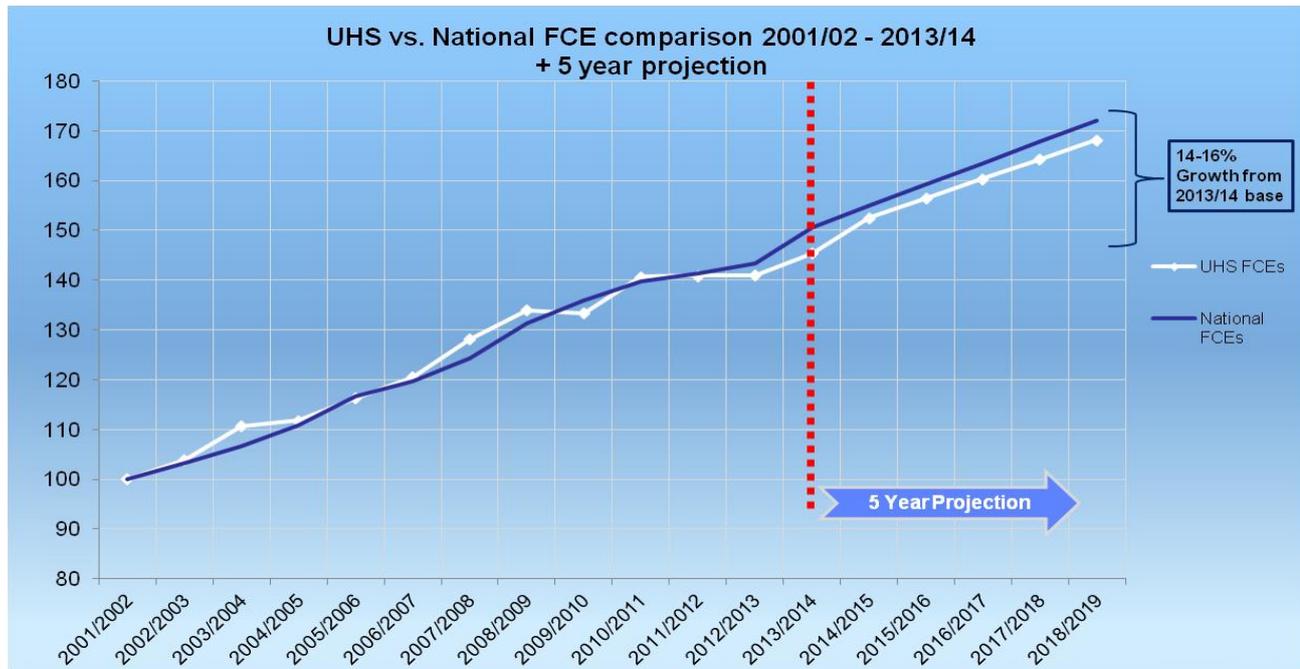
The principle being adopted is to fund outturn activity for 13/14 at a realistic level and any full year effect of committed quality and capacity business cases and developments. Any additional funds will be targeted to quality improvements in clinical areas based on the review by the Director of Nursing, and a tightly prioritised list from Divisions for other 2014/15 pressures and improvements.

The Trust Risk Register has been reviewed against these plans and there is alignment with the above priorities and the investment being targeted to improve safety, quality and risk.

Other significant quality investments are capital funded and equate to approximately £40m in 2014/15.

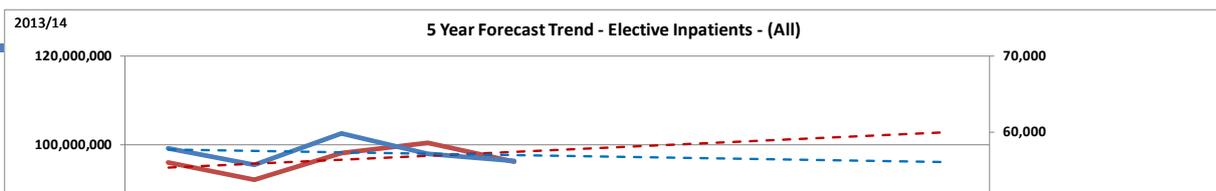
**1.3.2 Operational requirements & capacity**

An assessment of activity and demand pressures over the next two years shows trends are in line with the national direction and are mainly related to local emergency flow pressures (circa 15% over the next five years). The Trust is also designated a Major Trauma Centre (MTC) which is driving activity in addition to that from the growth in the elderly population and long-term conditions, all of which impact on demand, acuity and length of stay.



The Trust has also increased tertiary activity as a result of centralisation and regionalisation, which together with academic and clinical expertise, has successfully attracted specialist work. This growth enables the Trust to deliver and build services of excellence, attract high calibre expertise and research partnerships and deliver the 2020Vision.

Whilst the Trust elective programme has been impacted by the growth in emergency demand, there are emerging signs that emergency growth may be starting to slow.



If this trend continues it will enable the Trust to deliver the elective programme sustainably and reduce the risk of fines or loss of income. The Trust has experienced increasing elective admissions with a decline in day case volumes as the complexity of cases and acuity increases, with simple and less complex work shifting to other settings.

It is an operational and strategic priority for the Trust that emergency demand is managed collectively by the local health system by targeting and transforming the relevant patient pathways. If this is not achieved the growth in demand for elective pathways in the Trust will be at risk and work integral to the Trust 2020Vision and its financial stability may be outsourced or transferred elsewhere. As a result the Trust has committed to working with IMAS on an RTT trajectory in addition to developing a system-wide solution, similar to that developed with ECIST to achieve the ED Action Plan.

The Trust has been working collaboratively with local healthcare system partners to improve patient flow and an agreed ECIST Action Plan is being implemented. As initiatives such as the 111 Service, the Directory of Service improvements, and the roll-out of Choose & Book are embedded, demand flows should become better managed to fit capacity and get patients into the 'right place at the right time'. This work will also support the delivery of local QIPP Plans.

With respect to growth, the Trust is committed to working with partners on the Older People Partnership to integrate care and support the management of emergency demand for this growing population. This is a three year project with the aim of absorbing circa 55 Trust beds of capacity. Geriatric medicine has the greatest growth rate in population of all the Trust specialties.

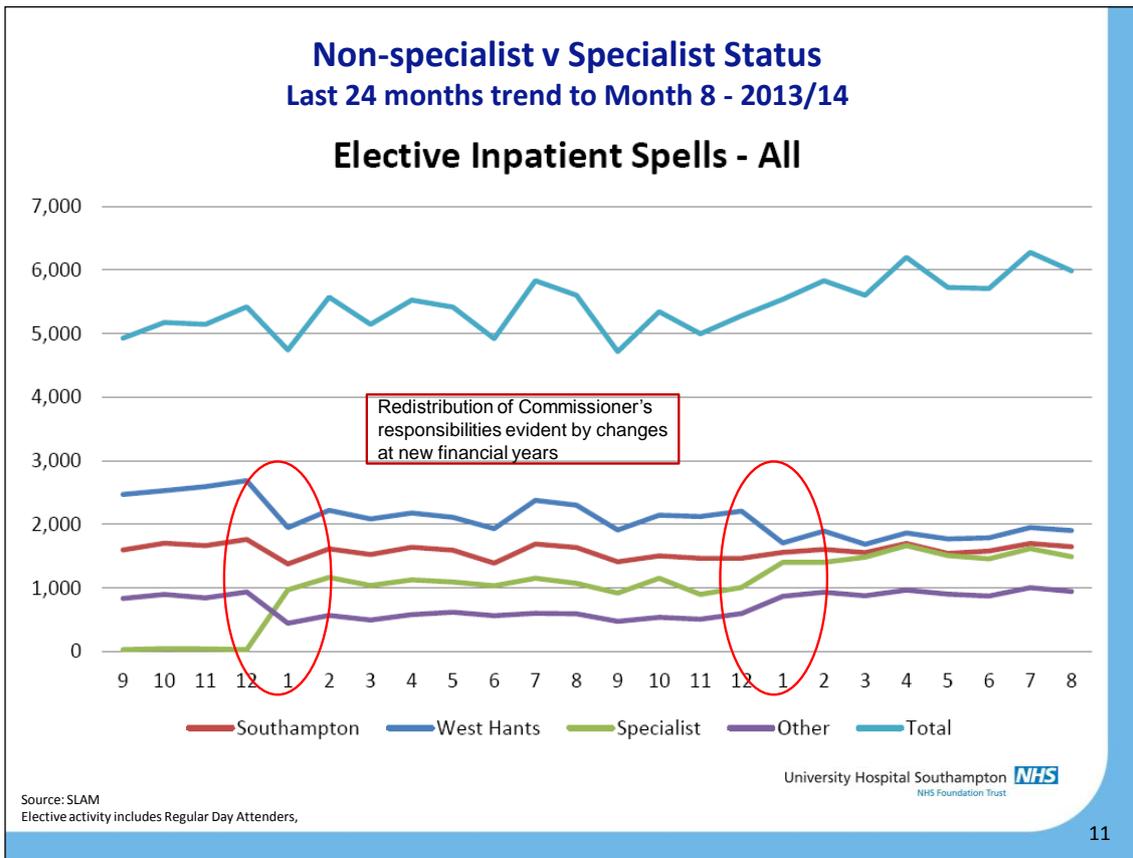
UHS Top 5 Specialties	Population change from 2012/13 baseline (overall)					
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Geriatric Medicine	2.0%	4.2%	6.8%	9.5%	12.3%	15.1%
Palliative Medicine	1.4%	3.0%	4.5%	5.8%	7.4%	9.0%
Urology	1.2%	2.6%	3.9%	5.0%	6.4%	7.6%
Ophthalmology	1.0%	2.1%	3.2%	4.3%	5.5%	6.5%
General Medicine	0.8%	1.9%	2.9%	3.8%	5.0%	6.1%
Radiotherapy	1.0%	2.1%	3.2%	4.1%	5.1%	6.0%

In order to significantly improve patient flow, internally within the Trust and as a local system; complex discharge patients need to be stepped down from the Trust more quickly (there has been a range of approximately 120 to 170 patients on average per day that are fit for discharge in the hospital).

The Trust has invested circa £5m during 2013/14 to increase bed capacity by circa seventy beds. Most

of these beds have been opened towards the end of 2013/14 as estate changes and recruitment are delivered. This investment will provide a full year benefit in 2014/15. Improving 'Patient Flow' has been a priority project over the past year for the Service Transformation Team. A number of audits have been completed in the Trust reviewing the appropriateness of patients in beds. Whilst there is opportunity to reduce complex discharge patients, it has also been evident that increasing patients with long-term conditions and co-morbidities will require acute care with specialist clinical expertise.

A key system change from 2013/14 was the reconfiguration of Specialist commissioned activity and the chart below shows the consequence of this. Over the next two years the outcome of the recent national Service Specification consultation will be more evident, with a likely transition to increased centralised services. The Trust is a designated Cancer Centre, Cardiac Centre, MTC, Neurosciences Centre, Respiratory Centre, and National Paediatric Allergy Centre (which is within the Children's Hospital) as well as being a provider of numerous tertiary services. A schedule of the Trust's Specialist Service Compliance has been submitted to NHSE and is recorded nationally.



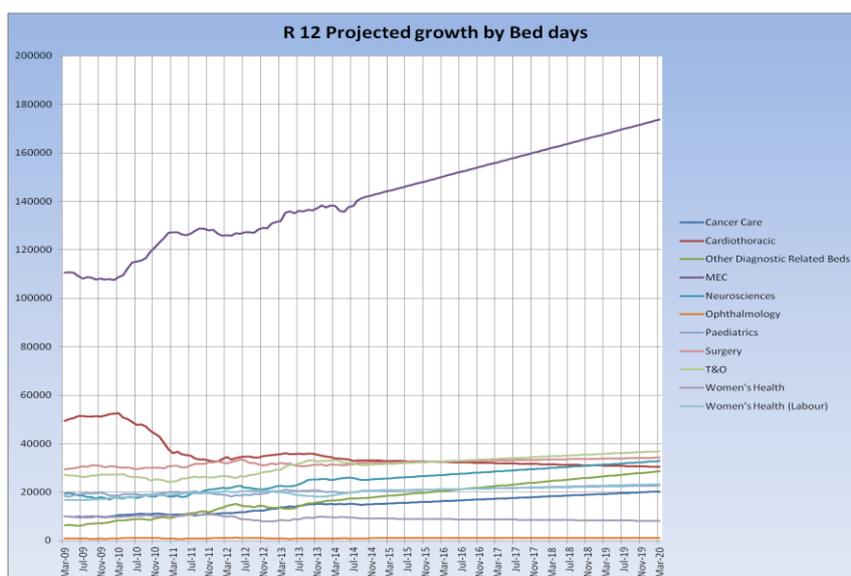
The Southampton Joint Strategic Need Assessment (JSNA) engaged with local stakeholders (there is a Trust representative at the JSNA Steering Group) and identified the following key themes which will inform the Health & Wellbeing Board priorities:



Key health priorities include smoking, obesity, alcohol, palliative care, dementia, LTCs, depression and mental health, prevention e.g. vaccinations, better diet and life style and self-management of conditions as some examples. These priorities will also be influenced by improving housing, education, job prospects to improve outcomes for minority groups or areas of high deprivation within the local population.

**An assessment of the inputs needed (physical capacity, workforce and beds) over the next two years, based on expected activity levels:**

Looking forward, Trust analysis suggests a significant growth in Medicine of Elderly Care, which is consistent with the national trend; this patient group have complex co-morbidities and length of stay which will impact capacity requirements.



*Est total UHS bed growth x circa 255 beds by 2020, unless demand management and pace changes the trend. Older People Partnership transformation aiming to reduce circa 55 beds over 3 years*

The national focus on the Better Care Fund (BCF) should result in closer agency working and service provision between health and social care. There is an expectation nationally that reductions of up to 15% in acute emergency admissions will be seen. To date the Trust has experienced historic growth of circa 6%.

The Southampton BCF Bid states “for University Hospital Southampton, our main acute hospital provider, our plans will mean:

- Stronger joint working between secondary, primary and community care to manage risk in the community;
- More outpatient activity delivered outside of the hospital on an outreach basis;
- A more specialist advisory role to the community;
- Projecting a 15% reduction in non elective activity over the next 5 years, which equates to an approximate 3% reduction year on year (equivalent to 3 avoidable admissions saved per day);
- A reduction in delayed transfers of care and excess bed days; and
- More patients will be managed in an appropriate care setting outside of hospital, improving both patient experience and flow through the hospital”

The Trust supports these priorities which will be dependent upon the success to manage emergency demand, deliver an affordable health economy and provide a safe hospital with aligned capacity.

#### a) 2014/15 Capacity Plan:

The Trust took action during 2013/14 to invest and increase level 1 bed capacity to meet demand and improve patient flow, whilst continuing to work with partners on other system capacity solutions. Approximately 70 beds will have been opened by the Trust via a phased programme during 2013/14 and early 2014/15.

For 2014/15, capacity analysis has identified, that 29 additional beds will need to be commissioned by the Trust to keep a sustainable position on demand, occupancy, deliver performance and progress the Ward Refurbishment Programme. This capacity is based on a realistic view of what can reasonably be delivered via internal reconfiguration, build, CIP/Length of Stay efficiencies and affordability.

In order to reduce complex discharges, the Trust is working with partners to increase the provision of virtual capacity and improved step-down facilities. Approximately 60 to 70 beds will be required through these initiatives which include:

- Utilising additional ‘virtual at home patient’ capacity – 20 beds;
- Community Ward – 19 beds; and
- Reduction in Section 5 complex discharges to alternative virtual capacity in the community – phased reduction from May 2014, building to 30 patients by October.

The BCF could be an enabler to improve the pull of patients from the Trust into alternative settings requiring social care, low acuity rehab and community care, as well as GP and homecare solutions. The Trust is also exploring options to work with the third sector in creating complex rehabilitation capacity but this is subject to completing a review, strategy and business case. The Trust is fully committed to taking these proposals forward and the success of them will inform 2015/16 and longer-term capacity planning.

With respect to demand on theatres, the Trust has invested in two modular theatres that will be operational in June and will release two theatres of capacity to meet RTT plans and emergency pressures elsewhere in the Trust as well as facilitating the theatre refurbishment programme.

Investment in critical care is ongoing with four new beds in GICU being phased to open over the next 6 months. A Critical Care Strategic Case is being developed to inform future capacity need.

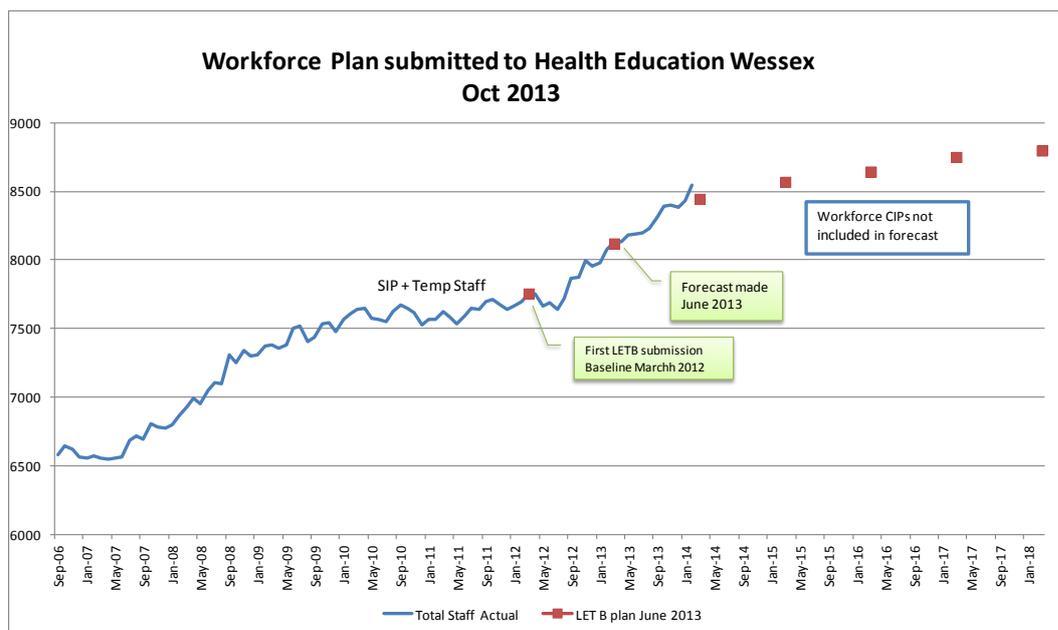
Outpatients have experienced increasing demand and will be a priority work stream of the Service Transformation Programme. Commissioners are keen for service to be provided in alternative settings where appropriate and reduce follow-ups e.g. virtual clinics, excess bed days and use of technology

which have informed QIPP targets and CQUIN proposals.

## b) Workforce Plan

The Trust is developing the Workforce Plan and has submitted the position below to Health Education Wessex; this shows a continued forecast of demand for staff over this period.

Longer-term planning of activity will improve workforce planning and the alignment of skill mix and expertise, for the roles within the Trust to meet service demand. The Trust has excellent working relationships with local Universities and the wider education sector. Workforce transformation is developing new skills and models to deliver services flexibly and safely with our patients at the focus of delivery.



### **An analysis of the key risks and how the Trust will be able to adjust its inputs to match different levels of demand includes:**

An ability to match capacity to demand is dependent upon the pace of change and plans of the Trust and system partners to address patient flow both at the 'front door' and at the 'back door'. The Trust is committed to delivering the capacity need identified.

A level of control in investment allowing the Trust to increase capacity in pace with demand levels. The Trust has budgeted for the capacity plans outlined to be implemented internally and has an ability to flex beds being commissioned to mitigate variations in demand.

A risk to the mixed sex ward ratio being achieved at the pace the Trust would like if increased demand stopped improvement plans being implemented. The Trust continues to plan and invest in estate improvements to the campus via a programmed approach when decant space is achievable.

A risk to the Trust ward upgrade programme, again if demand stopped or reduced the delivery of this work.

Outsourcing and waiting list initiatives are used together with temporary staff to flex workforce and the demand for services. There is an inherent degree of risk because the Trust is not in control of demand. The Trust is planning for sustainable delivery of services and capacity with the aim to reduce the need for these contingencies.

### 1.3.4 Productivity, efficiency & CIPs

In 2012/13 UHS over achieved against its £23.2m CIP target by £0.9m. However, the level of non-recurrent CIP from the 2012/13 financial year, despite falling from previous years, took our 2013/14 target to £28.5m. The Trust is currently 102% identified against this challenging target and is currently projecting 97% delivery this year.

The target for 2014/15 is £28.3m and the Trust is currently 82% identified against this target. The profile of the UHS CIP programme is shifting from traditional incremental efficiencies and cost saving to transformation, as well as supporting increased quality investments.

Quality is increasingly playing a part in our CIP programme. New models of care provide daily clinical input and diagnostic access allowing patients to be discharged earlier; reducing length of stay. For example, a new medical staffing model in Cancer Care has reduced length of stay for Medical Oncology patients in 2013/14 by 2 days. The extension of this model is part of the care groups plans to reduce length of stay in 2014/15.

The Trust has been successful in reducing the number of avoidable emergency readmissions from 26% to 21%, securing a financial gain under the new fines regime of £0.9m in 2013/14. A further reduction in the number of readmissions is planned for 2014/15.

The Trust is also increasing more radical pathway re-designs, for example in our acute surgical team. The 'Acute Surgical Unit' has transformed model of care delivery and has rapidly reduced length of stay by providing alternatives to semi-urgent patients waiting in hospital beds for a theatre slot to become available. This has delivered significant improvements in length of stay. In cancer care a planned change of pathway from inpatient to day case for bone marrow transplant patients using infusion pumps, aims to significantly reduce the length of stay for this group of patients.

Partner working to radically transform models of care around patient discharge is also important. For example: Healthcare at Home now provides care packages for elective surgical patients to shorten their length of hospital stay. We are now introducing this model to cancer care and medicine. The 'Older Peoples Partnership' with our local community will enable our elderly patients to complete their care in an appropriate community setting, reducing the amount of time they spend in an acute hospital (£1m)

A new mechanism to identify and deliver cross divisional CIP schemes was introduced in 2013/14. The CIP target was transferred from support services and distributed pro rata across the divisions. This process identified £1.6m savings in 2013/14. For 2014/15 the divisions have been asked to prioritise a number of pathways that support services can assist to redesign/ improve/ transform. This process has identified a number of opportunities where collaborative working across the Trust can deliver benefits. For example, increased physiotherapy input for specific groups of patients in cancer care will support early mobilisation and reduce the length of stay for these patients.

To do even more to enable the transition from incremental efficiency to transformational, a number of actions have been taken to accelerate this change.

On 22nd November 2013 85 leaders from across UHS attended a full day workshop to identify our corporate priorities for transformation for 2014 – 2017

Additional management capacity has been brought in (Price Waterhouse Coopers) to scope our corporate transformation priorities for the coming three years. Project proposals are being worked up in four areas which are expected to deliver savings across three years

- Elective patient flow
- Alternatives to inpatient models of care (*nursing home beds/virtual wards*)
- Workforce productivity and employee benefit platform
- Changing the supply chain

Cost Improvement and Transformation is led at executive board level by the Director of Transformation and Improvement. The Head of Cost Improvement and Transformation manages both the PMO and the Service Improvement teams. The Trust has a strong track record of delivering CIP with an embedded annual cycle of CIP identification, review and delivery. The model of delegated and empowered divisional leadership with tight independent central monitoring and executive challenge and support has successfully delivered CIP programmes for 5 years.

### **1.3.5 Financial plan (2 Years)**

This two year plan focuses on stabilising operational performance through incremental increases in capacity and quality whilst maintaining delivery of CIPs. There was significant investment in capacity during 2013/14 which will deliver a full year effect in 2014/15, as well as new theatre and intensive care capacity coming on stream in 2014/15 to enable the Trust to meet the performance targets. The Trust continues to plan to invest additional sums recurrently in quality initiatives including ward based nursing and the hospital at night initiative whilst at the same time providing for the annual pay and non-pay cost pressures within the financial plans.

The key challenges for the Trust over the next 2 years will be to continue to deliver high levels of CIP to maintain quality whilst remaining financially sustainable and maintaining adequate liquidity. The Trust secured a £15m loan in 2013/14 to finance part of the 2013/14 capital investment and help mitigate the liquidity risk. No further loans are currently planned during the next two years. The Trust has a good track record of delivering CIPs and is currently at 82% identification of the 2014/15 target.

The Trust's main commissioners continue to support a full PbR contract. The 18 week and A&E targets present a significant risk, which are partially mitigated by the increased capacity, but there remain risks of contractual fines.

Over the next two years the Trust aims to deliver a pre-impairment surplus of just over 1% each year (normalised for anticipated high donated income in 2014/15). This reflects a recognition that the Trust must continue to prioritise investment in service quality, invest in key areas and service its debt to maintain liquidity. The Trust expects to maintain a continuity of service risk rating (CSRR) of three for the whole period, although there is very little headroom in this position.

#### **a) Income**

2013/14 saw activity levels continue to increase. Activity management plans developed with CCGs failed to have a significant impact on overall activity levels and the Trust received income (at marginal rates on emergency activity) well in excess of plan. Premium costs were incurred to deliver this extra activity and non elective activity pressures had a significant impact on elective income and service performance.

In 2014/15 the Trust has secured recognition of outturn activity and has largely eliminated underlying discounts within its contracts. Consequently, the Trust is exposed to the full risk of fines and penalties of operating contracts on the basis of Payment by Results (PbR).

Income reduction relating to QIPP activity management schemes totalling £7.8 million has been assumed in 2014/15, although should these schemes not prove successful the Trust will secure payment according to PbR for any over performance. It is assumed that costs at 60% of this sum will be removed from the cost base. Resources will only be removed after demonstrable reductions in activity are in evidence, to avoid any risk that clinical quality could be compromised. It is assumed that similar levels of reduction will be required in 2015/16.

The Plan is largely based on anticipated contract values for 2014/15. The main exceptions to this being where commissioners; have not commissioned the full effect of trust capacity increases required to meet targets and anticipated demand increases in some areas; do not have clear plans to remove activity which will lead to income in excess of contracted levels.

The local and national tariff deflators have been applied in line with Strategic and Operational planning guidance for the plan.

Education income is anticipated to continue to fall in both years primarily as a result of the transition arrangements relating to the introduction of tariffs for education placements.

Other income is expected to stay broadly level in 2014/15 and 2015/16.

Donated income for 2014/15 includes donations for building of the parent hotel, £4.3m. The level assumed for 2015/16 reduces to the normal trend level.

## **b) Diversifying income streams**

The Trust recognises the current economic challenge, as well as the opportunities provided through its in-house intellect, expertise and support functions to seek where possible to diversify income. The Trust will continue to provide excellent healthcare, aiming to become an Academic Health Science Centre and exploit research and education opportunities.

The Trust will also develop stronger relationships with the commercial and private sectors to secure and diversify income streams and other funding sources for the benefit of patients and the Trust. This is important to help support the future financial stability of the Trust to enable it to invest in key strategic priorities which include:

- Commercial research
- Education
- Commercial and charity partnerships *for parent accommodation, front entrance and car parking schemes*
- Private Patient Strategy *to attract both privately funded and self-pay patients both nationally and internationally*

## **c) Expenditure**

Expenditure in 2014/15 is based on agreed budgets for the year as approved by the Board. These take account of a realistic view of capacity, activity levels and cost pressures and inflation. Investments have been made in nursing staff to improve quality, specifically in areas such as supernumerary ward leaders, night nursing support and the Paediatric Medical Unit. CIP targets for the year are £28.3 million for 2014/15 and £29.0m for 2015/16 which are broadly in line with national efficiency expectations.

Pay is budgeted to increase by £14.2 million in 2014/15, and then increase slightly in 2015/16 as QIPP and CIP initiatives continue to deliver. The growth in 2014/15 relates to activity growth, full year effects of 2013/14 developments plus investment in capacity to enable improved target delivery and quality improvements.

Drug expenditure is budgeted to increase by circa £8 million in 2014/15; this is line with previous years and is as a result of the volume of pass through drugs increasing. For 2015/16 an increase of £3m has been assumed. All other costs are broadly comparable over both years with cost and volume inflation being offset by savings plans. Non-operating costs reflect the effect of the Trust's long-term Radiology contract which commenced in October 2012.

For 2015/16 cost inflation has been assumed as per the planning guidance along with a growth factor which has been mitigated by the effect of the better care fund.

## **d) Liquidity & Capital Investment**

The Trust plans to maintain a liquidity rating of three for the two planning years. This puts pressure on the amount of investment available. The Board has agreed the capital programme and has balanced the level of funding available against the operational and quality risks the Trust is managing. This does mean that the Trust has very little headroom before its liquidity rating would fall to 2.

The capital expenditure plan is £17.4m in 2014/15 and can be analysed as follows:

<b>Plan</b>	<b>£m</b>
Quality	£12.8m
Capacity	£2.8m
Other	£1.8m
<b>Total</b>	<b>£17.4m</b>

The total capital spend included in the plan is £20.4m including the capital programme (£17.4m), the carry forward of commitment from 2013/14 for the energy efficiency programme and other items (£2.1m), and IT spend funded by additional PDC (£0.9m).

In addition, during 2014/15 a significant amount of new radiology equipment is due to be installed under the trust's imaging infrastructure support service contract (£17m).

For 2015/16 the trust is planning capital expenditure of £20m.

#### **e) Key challenges**

Over the next two years the Trust will continue to deliver high levels of CIP to maintain and selectively improve quality whilst remaining financially sustainable. Whilst the Trust anticipates maintaining a Continuity of Services Risk Rating of 3 during this period it has marginal headroom available in doing so.

Another key risk to the delivery of the financial strategy relates to the affordability of the Trust's income and activity plans where the trust anticipates activity and income will exceed commissioned levels. Whilst the 18-week and ED targets present a significant risk, investment in capacity and other actions to manage capacity pressures will compensate for growing demand and are expected to help the Trust mitigate performance risk.