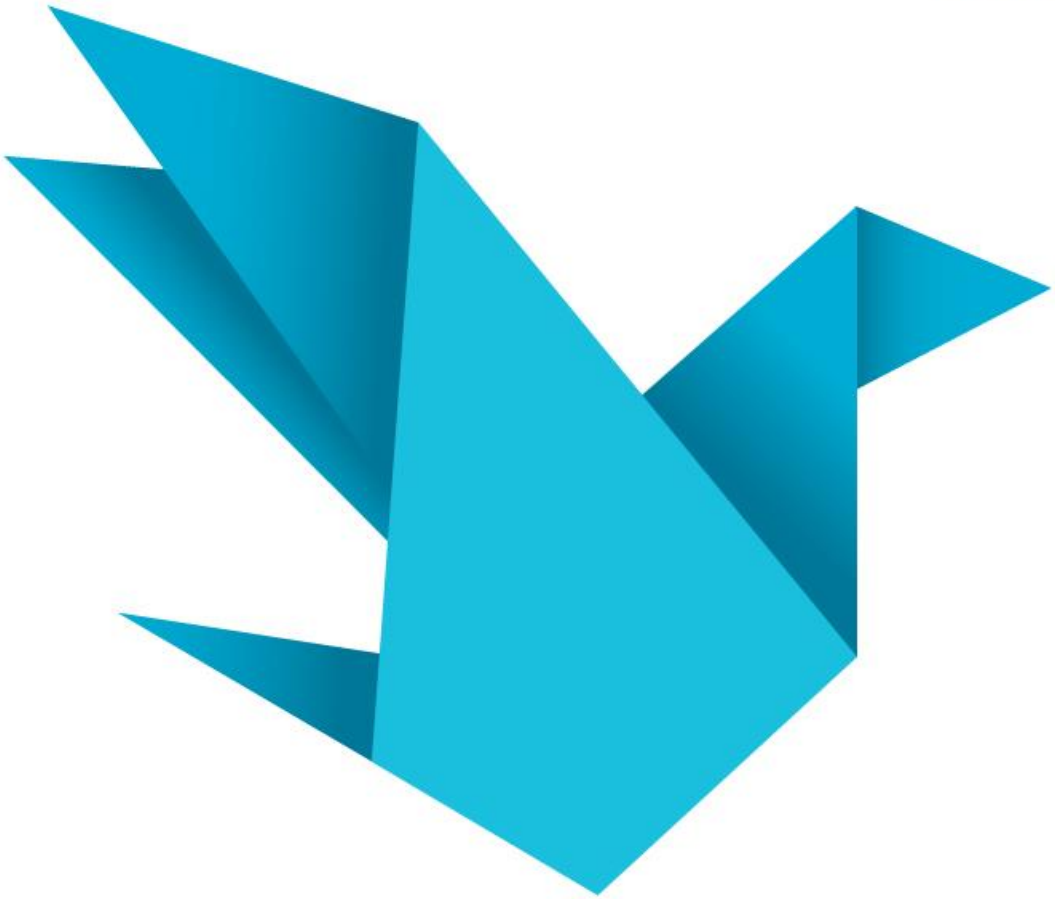
Black Country Partnership NHS
NHS Foundation Trust



Operational Plan Document for 2014/15 and 2015/16

Black Country Partnership NHS Foundation Trust

Our Community
you matter, we care

Operational Plan for y/e 31 March 2015 and 2016

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

Name	Mark Senior
Job Title	Associate Director – Business Intelligence & Transformation
e-mail address	Mark.senior@bcpft.nhs.uk
Tel. no. for contact	0121 612 8126
Date	4/4/14

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)*	Bob Piper

Signature 

Approved on behalf of the Board of Directors by:

Name *(Chief Executive)*	Karen Dowman

Signature 

Approved on behalf of the Board of Directors by:

Name *(Finance Director)*	Paul Stefanoski

Signature 

1. Executive Summary

The Operational Plan describes the Trust's short term objectives over the coming two years and how it plans to deliver specialist learning disabilities, mental health and childrens services across the Black Country.

This plan has been developed with the engagement of key stakeholders, including commissioners and the Assembly of Governors. Workshops have been held with divisional staff on sustainability and strategy, the results of which have been used in the development of this plan and Trust's five year strategic plan. Delivery of the plan will be managed through the Trust's Business and Performance Committee reporting through the Trust Board.

Against the challenging public sector environment and increased levels of demand, the Trust will meet its forecast financial position for 2013/14 resulting in a Continuity of Service Risk Rating score of 4. The achievement of the financial obligations has been against a back drop of significant developments throughout 2013/14 which have seen the following developments commenced or completed. In addition all services are CQC compliant across the Trust.

Division	2013/14 achievements	Division	2013/14 achievements
Mental health	• Completion of Penn Hospital development • Pilot of Oak Unit liaison service at Sandwell DGH • Funding for the Lighthouse project at Sandwell secured and work underway • Consultation complete on redesigned Sandwell community service	**Trust wide**	• Development of Quality Governance Strategy, building on *Caring Counts* allied health professional strategy • Commenced implementation of a single IT network • Successful bid for £1m to develop Electronic Health Records • Advanced development of "Agile" working pilot
Learning disabilities	• Development of three priority care pathways, including a 16-week care pathway to encourage quicker discharge • Development and approval of the Step Down business case	**Children, young people and families**	• Implementation of Health Visitor "Call to Action" • Development of Additional Needs new model

The Trust has undertaken a considerable amount of work in ensuring that it responds to the failings at Mid Staffordshire Hospitals NHS Foundation Trust and subsequent reviews by Berwick into patient safety and Keogh following high mortality rates. The response included the development of a Staff communication and engagement campaign entitled "Keeping our Promise" which focusses on enabling every member of staff to play a part in reflecting and responding to the recommendations from these reports. This has been rolled out across the Trust.

To build on the work by the Trust in responding to Francis, Berwick and Keogh, the Trust Board approved, in March 2014, a Quality Governance Strategy and Board Escalation Framework for 2014-16 covering the three principles of Patient Safety, Clinical Effectiveness and Patient Experience. Aligned to these three principles are three quality ambitions with associated quality goals.

Quality ambitions

- that we will get the fundamentals of care right every time and be able to evolve healthcare by our ability to innovate;
- that we will have a highly competent workforce and empower our staff and service users; and
- to enhance good communication and ensure service users, stakeholders and staff has a voice and collaboratively we ensure an excellent patient experience.

Key to the continuance of the Trust's operational and financial performance is the productivity and sustainability work which has been ongoing since 2011 and places emphasis on the transformation of current Trust services. Transformational developments in this plan focus on the delivery of strategies that have been developed over the last 12-18 months which are to be delivered over the next two years. The development plan is designed to address both quality and cost improvement across four areas described in the box to the left.

Quality

- Protecting services
- Improving quality

Financial

- Improving costs
- Generating income

The Trust has reviewed all potential service developments to formulate detailed plans, including the revenue and capital resourcing requirements. The developments expected to be delivered in 2014 to 2016 have a full year effect of £0.9m.

- The Trust is budgeting to achieve surpluses of £0.5m and £1.6m respectively in 2014/15 and 2015/16.
- This will help to ensure a Continuity of Service Risk Rating (CoSRR) of 4 in each year.
- A cash balance of £9.5m in 2014/15 falling to £7.9m in 2015/16.
- The Trust will finance approximately £11.3m of capital expenditure over the period for a number of redesign opportunities in addition to ensuring the asset base remains safe and compliant.
- Financial forecasts are predicated on the delivery of a Cost Improvement Programmes (CIPs) totalling £5.2m and £5.0m for the two years of the plan.

CIP Key programme themes

- Workforce, pay and conditions;
- Financial and budgetary;
- Infrastructure and procurement;
- Service redesign and transformation; and
- Productivity and Service Line Reporting

The Trust has a good track record of CIP delivery and the CIP targets are achievable given past performance and the plans currently in place. The CIPs for both years are a mix of transformational and incremental initiatives and cover five key programme themes as shown in the box to the right.

To ensure delivery of the transformation and Cost Improvement Plans, an enhanced Project Management Office (PMO) is being adopted. This will include greater assurance to the Board on the delivery of the Annual Plan objectives, including CIP and quality indicators.

In recognition of the challenges presented by delivery of the plan, the Trust has developed a resource plan (appendix 4) identifying the requirements to deliver the developments and support future sustainability.

2. Short term challenge

The Trust, in common with the majority of NHS organisations, is operating in an environment that is continuing to experience significant challenges. The "squeeze" exerted on public expenditure as a result of the general economic downturn has been felt throughout the whole local health economy. For mental health services particularly, increased levels of demand at all levels has complicated attempts to continue the move of activity out of hospital settings into the community. The release of resources required to enhance community provision has been stymied by the continued demand for inpatient services.

All NHS Commissioners locally are requiring the Trust to achieve at least the nationally-mandated 4% efficiency target. In the absence of a Payment by Results mechanism to reflect increased activity, this results in an income reduction (both actual and real-terms). For existing services, quality improvements need to be implemented from existing resources. The Trust has resisted attempts by some CCGs to classify additional cost savings as QIPP without first presenting either the evidence base or rationale. This situation applies to all areas of the Trust's business.

None of the Black Country CCGs is currently reporting a financial deficit position. On the provider side, both FT and non-FT, there is a similar position of financial balance although the acute sector has been experiencing particular difficulties responding to the current urgent care challenge. One consequence of this is a low level of engagement from CCGs on non-acute issues. However, there may be a greater desire to discuss areas where mental health services can contribute to the urgent care agenda, for example, liaison psychiatry.

Whereas direct commissioning of Trust services from local government is relatively low, the impact of the major cuts to local expenditure is being felt across the Black Country. Formal joint working arrangements with social care services in both Sandwell and Wolverhampton have been reassessed as the Metropolitan Borough Councils (MBCs) seek to make the necessary efficiencies across all service areas. The Better Care Fund may represent the opportunity to protect these services but there is a concern that, for the Wolverhampton Better Care Fund particularly, changes to mental health services may be seen as a disproportionate solution to the known social care pressures.

In Sandwell the "Right Care, Right Here" programme provides a valuable forum to consult and resolve inter-organisational issues in the Sandwell and West Birmingham health economy, which has resulted in a fairly straightforward contracting round in 2014/15. For Wolverhampton, appropriate structures to deal with economy-wide issues are still being formed and as a consequence agreeing contracts for 2014/15 has been difficult albeit ultimately successful.

All key contracts for 2014/15 have been signed at the time of writing. The finalised contract values are consistent with the analysis in the remainder of this document.

3. The Trust's Approach to Quality

3.1 Vision, values and strategic objectives

Black Country Partnership NHS Foundation Trust provides mental health services to people of all ages in Sandwell and Wolverhampton. The Trust also delivers specialist learning disability services to people across the Black Country and provides community based children's healthcare services in Dudley.

The Trust employs approximately 2000 staff and has a turnover of circa £100 million.

The Trust's strapline is:

"Our community: you matter, we care",

supported through a vision statement:

"working with local communities to improve the health and well-being of everyone."

By engaging with stakeholders across the broader health and social care landscape (to ensure alignment of goals), the Trust's Board of Directors developed three strategic objectives to underpin and realise our vision, values and goals. These are as follows:

- We will improve access to a range of integrated services across the Black Country which are sustainable and responsive
- Our local communities will value the contribution we make to improving people's lives
- We will attract, retain and develop a capable and flexible workforce

3.2 How we responded to key national inquiries

In February 2013, Sir Robert Francis QC published his report into the failings at Mid-Staffordshire Hospital Trust, containing 290 recommendations for the NHS as a whole. The report called for NHS Trusts to respond to the recommendations via their own methods, avoiding 'top down' approaches to quality improvement, but harnessing the views of frontline staff.

In-line with the philosophy, the Trust Board approved a staff communication and engagement campaign entitled 'Keeping Our Promise' in February 2013 which focused on involving front-line staff in the Trust's response. The campaign was designed to be multi-faceted, using a variety of communications channels including the Trust's websites; newsletters; staff meetings; roadshows throughout the Trust and focus groups.

Keeping Our Promise Campaign – Key actions completed

- Key interventions in relation to physical health care have been developed
- Introduction of a new physical health matron post to promote an integrated approach to physical and mental healthcare
- Dignity and safeguarding champions lead the way in ensuring care is delivered in a compassionate, safe environment
- Dignity audits have been undertaken alongside patient experience surveys and patient stories to the Trust Board
- A competence framework for staff has been implemented as a learning tool for staff to allow them to enhance their clinical and caring skills
- A review of nursing staffing levels and skill mix has been undertaken in the mental health division and skill mix changes have been agreed and undertaken, with additional resource provided to increase staffing levels. This is being followed by reviews in the other two divisions (reflected in Quality Strategy, section 3.5)

3.3 Existing quality concerns

At the time of writing the Annual Plan, the Trust is compliant with all national standards of care as assessed by the Care Quality Commission (CQC). This is the result of significant work across the organisation to resolve quality concerns that were inherited through the TCS process. Maintaining and improving quality is a major priority for the organisation as described in the following section.

3.4 Quality Strategy 2014-16

To build on the considerable work put in to responding to Francis, Berwick and Keogh described above, the Trust Board approved its *Quality Governance Strategy 2014-16* and associated Board Escalation Framework in March 2014. This is based on the *Caring Counts* strategy for nursing, allied health professionals, psychological therapists and care staff, which promotes compassionate care with competence courage and commitment.

Quality comprises of three elements:

- **Patient Safety** – reducing harm and protecting those most vulnerable
- **Clinical Effectiveness / patient outcomes** – care based on the best evidence
- **Quality of patient experience** – person centred and people treated as individuals

These elements form the basis of our Quality Strategy and the goals as described below.

3.4.1 Quality Goals 2014- 16

The Quality Governance Strategy sets out our quality goals, ambitions and associated measures. These are summarised below and set out in detail in appendix 1. Each goal has an assigned accountable director.

Domain	Ambition	Goal
Patient safety, care and commitment	Our ambition is that we will get the fundamentals of care right every time and be able to evolve healthcare by our ability to innovate	• Improving physical health care • Use of safety metrics and delivering harm free care • Standards of record keeping and information governance • Reduce paperwork and innovate with the use of information technology • Further mature early warning system including compassion in practice indicators
Clinical Effectiveness - Competence and Courage	Our ambition is that we will have a highly competent workforce and empower our staff and service users	• Ensure clinical competence • Reviewing staffing levels and skill mix of staff • Effective leadership and workforce frameworks • New models of working
Patient Experience – Communication and Compassion	Our ambition is to enhance good communication and ensure service users, stakeholders and staff have a voice and collaboratively we ensure an excellent patient experience	• Care Co-ordination and Supervision • Partnership and collaboration • Management of long term conditions

3.4.2 Board assurance on quality and safety of services

Overall accountability for quality sits with the Trust Board. Robust assurance is gained through review of reliable sources of information which are triangulated. The full governance assurance framework can be found in the Board Assurance and Escalation Framework (approved by Board March 2014).

- To ensure the Trust Board hold management to account for meeting expectations, the Board has set out roles and responsibilities throughout the levels of management, which will be clearly articulated and communicated to staff.
- Internal audit will continue to review the Board assurance framework and the Quality Governance Strategy at least annually.
- Quality governance will be included in the Board development programme.
- This framework will be supported by a communication/engagement plan to ensure that all staff know how to escalate concerns regarding quality. This will include clarifying the data flows between divisions and the governance assurance unit.
- There will be an annual review of the effectiveness of the Trust Board subcommittees to ensure they enhance board assurance with respect to quality governance.

These governance aspects will be enabled by the following elements:

- We will develop a quality priorities dashboard, which will be monitored through the Quality and Safety Committee and reported to the Trust Board by exception.
- The current programme of quality assurance walkthroughs being extended to include community services
- A system of peer review of services which will be established
- Regular 'pulse' surveys of staff and enhanced patient experience surveys will be undertaken across the organisation, including "mystery shopper visits"
- A review of our self-assessment against the quality governance framework for the Board of Directors
- Quality Impact Assessment will continue across all Cost Improvement Plans (CIP) (see section 5 – CIP management – for more detail)
- The Trust is a member of NHS Benchmarking, which enables provisions of information regarding mental health, CAMHS, community and corporate services.

3.5 Enabling the Quality Strategy

3.5.1 Business intelligence support

Critical to the Board's ability to manage quality effectively will be development of an integrated quality dashboard, which brings together quality, risk, finance, workforce, activity and performance information in one place.

To support this, there is a need to create additional capacity for a business intelligence function to deliver integrated reporting across quality, risk, workforce, information, performance and finance. This will enable a focus of analytical expertise on quality reporting and will involve the creation of a unified approach to the reporting of key Trust quality and performance data. Corporate staff currently working on data collation, analysis and reporting will be consolidated into a single business intelligence function, building on the current Information and Performance functions.

Additional resource to support this is included in the Resource Plan (appendix 4). Implementation of the revised function is development 4.11 in the development plan included at section 5.2.

3.5.2 Risk management system upgrade

The Trust has procured an upgrade to its existing risk management system and will be implementing the upgrade along with new modules during Q1-2 14/15. The intention is to improve the quality of incident reporting and management supported by an effective electronic tool. Significant work has been done to link the data obtained from this system into the Trust's business intelligence system (Qlikview), thus enabling integrated reporting with activity and other key performance information.

Implementation of the upgraded system is development 4.12 in the development plan included at section 5.2.

3.5.3 Workforce Development Strategy

Our workforce is the key interface with service users and patients and the quality of our staff is a key determinate of the quality of care the Trust delivers. Delivery of the Quality Strategy and its

associated goals is dependent on ensuring that the right staff are in the right place at the right time and have the right behaviours and values.

Our focus is to empower our staff through effective engagement and to support them through excellent leadership, support systems and training and development.
To realise this ambition the workforce strategy is the core of the Trust's goal of attracting, retaining and developing a capable and flexible workforce and then realising the elements of the quality strategy focused on clinical effectiveness.

The challenges ahead are:

- Our Staff survey has improved in key areas we have focused on but on a majority of scores we are below or around the average and there is a need to improve staff engagement
- Improving leadership and management competence to ensure the right levels of performance, staff engagement and delivery of quality care
- Addressing the challenges of an ageing workforce with over 1/3 over 50 and 2/3s over 40.
- Reducing Sickness which has been consistently high, despite improvements in our approach, requiring increased use of bank and agency
- Addressing the concerns of BME staff and building on our good work to become an exemplar in Equality and Diversity practice

To address these will require the development of the right culture and leadership through the delivery of key objectives

Workforce objectives 2014-16

- Best in class leadership and management
- Excellent workforce policies systems and process to support staff
- Inspiring training and development
- An empowering and responsive culture focused on high quality care

To realise these objectives we have identified a number of workforce goals to be achieved over the next two years as outlined in the following table.

Workforce goal	Rationale	Core elements	Key links
1. Developing and delivering our leadership framework and improving management practice.	• Leadership is critical to creating a culture of high quality care (eg. Francis report) • Improve engagement with staff in line with staff survey responses • Improve leadership and management competence	• New leadership framework • Further develop the application of the Trust behaviours • Roll out the *Managing for Excellence* programme	• Quality Goal 8 – effective leadership and workforce frameworks (see appendix 1) • Essential to delivery of service transformation

Workforce goal	Rationale	Core elements	Key links
2. Continuing to improve our workforce planning and implement key initiatives within this process such as the Apprenticeship strategy.	• Address challenge of ageing workforce • Provide enhanced career pathways for all levels of staff • Need to improve availability of information to support integrated reporting	• Improve workforce planning process • Improve workforce systems to enable real-time access to data, including self service • Development of new roles • Apprenticeships strategy	• Quality Goal 7 – reviewing staffing levels and skill mix • Supports improvements to business intelligence support (see 3.5.1) • Service transformation (see 5.2)
3. Further develop our Health and Wellbeing strategy	• Reducing sickness to minimise reliance on bank and agency • Importance of ensuring the working environment encourages and supports staff to be healthy and well	• Focus on staff support mechanisms, sickness management procedures, focused monitoring and training for managers	• Quality Goal 8 – effective leadership and workforce frameworks • Close links with agile working (see development 4.1)
4. Develop and implement a workforce diversity and equality strategy and plan	• Addressing concerns of BME staff • Importance of reflecting the local population	• Work towards fully reflecting the population served by the Trust • Pilot OD project	• Quality Goal 8 – effective leadership and workforce frameworks
5. To further improve our development systems and in particular appraisals	• Improve leadership and management competence • Develop existing high appraisal rates through a focus on improving the quality of appraisals • Respond to Cavendish report to support staff at bands 1-4	• Implement a pay system in line with Agenda for Change that enables staff to be rewarded for demonstrating performance and care • Development work focused on HCSWs	• Quality Goal 8 – effective leadership and workforce frameworks

Delivery of the above workforce strategy is development 4.6 in the development plan included at section 5.2.

4. Operational Requirements and capacity

4.1 Anticipated activity levels

The following table summarises the Trust's activity plans for the next two years. Forecasts incorporate all modelled developments along with other anticipated changes to activity arising from operational issues. They are based on 2014/15 contractual agreements and modelling to support service developments. Activity plans are relatively stable albeit with a number of expected productivity increases in line with the plan described at section 4.3.1.

		Current 2013/14	Year 1 2014/15	Year 2 2015/16	Variance with 13/14	
Mental Health Services						
Adult Services						
Inpatient	Acute/Crisis Beds	90	90	90	0%	NB. Trust bed numbers are in lowest quartile nationally
	PICU Beds	12	12	12	0%	
	Total Bed Days	34046	35007	35008	3%	Slight increase in PICU usage due to part year opening in 13/14
	Occupancy	*91.4%*	*94.0%*	*94.0%*		
Community & Outpatient	Contacts	121278	121320	124608	3%	Increased activity through productivity work (see 4.3.1)
Older Adult Services						
Inpatient	Assessment Beds	56	56	56	0%	
	Total Bed Days	16768	18195	18195	9%	Temporary bed closures in 13/14 therefore higher activity in 14/15
	Occupancy	*82.0%*	*89.0%*	*89.0%*		
Community & Outpatient	Contacts	50812	51779	53147	5%	Increased activity through productivity work (see 4.3.1)
Learning Disabilities						
Inpatient	Assessment Beds	32	32	32	0%	
	Low Secure Beds	15	15	15	0%	
	Step Down Beds	12	12	18	50%	
	Total Bed Days	18321	18,295	19684	7%	Phased increase in step down beds 15/16 (development 2.2)
	Occupancy	*85.1%*	*85.0%*	*83.0%*		
Community & Outpatient	Contacts	36320	36025	36929	2%	
Children, Young People & Families						
Community	Contacts	106453	106824	110211	4%	Increased activity through productivity work (see 4.3.1)
CAMHS community / outpatient	Contacts	18308	17854	17854	-2%	

4.2 Key risks to delivery of activity plans

The following table identifies the key risks facing the Trust in meeting service demand and delivering activity plans.

Risk	Description	Response / mitigations
Increasing demand for inpatient beds leads to out of area placements	The Trust is in the lowest quartile for adult beds nationally. Local and national trends in psychiatric services indicate an increasing pressure on beds. This means the Trust operating at very high occupancy which could pose a risk to quality and lead to out of area placements where demand cannot be met.	• Capacity management system • Actions to minimise delayed discharges • Review use of leave • Highlight to commissioners issues where alternative provision is not available resulting in inpatient admissions • Review options to increase overall bed capacity
Increasing demand for community services outstrips capacity	Increasing demand due to economic / social factors and cuts in social care support and services, resulting in activity plans and capacity being insufficient, leading to longer waits	• Clarity within specifications of scope and remit of services • Review care pathways to ensure optimal efficiency • Review productivity opportunities arising from agile working and electronic health record • Highlight demand increases to commissioners and options to address
Impact of capital developments in terms of existing provision and decant arrangements	Several of the capital developments affect current services, where capacity is likely to be reduced whilst the work takes place.	• Capital works will be scheduled to minimise disruption to current services • Discussion with commissioners to ensure impact of changes are understood
Changes to recording practices could impact reported activity	As services are migrated onto OASIS, the Trust is standardising its recording practices. This has highlighted some areas where it is necessary to change data recording to meet with national standards. Where this is the case there is a risk of decreased activity reporting (albeit with no corresponding reduction in actual activity delivered)	• Discussions with commissioners to ensure impact of changes are understood and agreed • Changes to activity prices where relevant • Early business analysis as part of migration projects to identify non-standard recording practices
Changes to service model could lead to changes in referral patterns	Changes to service models could result in unexpected pressure in specific service areas, potentially leading to access issues for services	• Lessons learnt from similar service redesigns to be incorporated in future change (eg. Using learning from Wolverhampton as part of Sandwell community redesign) • Flexing workforce model to ensure unexpected demands in parts of new service models can be addressed
Major incident impacts the Trust's ability to continue to operate to contractual obligations	An unforeseen event impairs the Trust's ability to operate at full capacity	• Robust business continuity plans are in place • Contractual provisions protect the Trust in the event of a major incident

4.3 Back office improvement plans

4.3.1 Productivity improvement

As has been described in the developments section, the Trust will be implementing agile working and an Electronic Health Record during the two-year period of this plan. Both these have specific benefits around clinical effectiveness and efficiency for staff. Evidence from elsewhere suggests that there should also be significant productivity gains through reductions in unnecessary travel, reduced paperwork and less dependence on Trust estate when undertaking work.

The Trust therefore intends to set up a workstream to review opportunities to deliver productivity benefits from these and other projects, with a particular focus on maximising activity levels to protect future income. There is an allowance within the 15/16 CIP for this work, and increased activity levels are reflected in the activity plan at section 4.1. The work will also incorporate identifying areas where activity currently being undertaken is not recorded and will be commenced during Q2 2014/15.

This objective is development 4.8 in the development plan included at section 5.2.

4.3.2 Records management and information governance

The Trust recognises a need to address differing health record systems, processes and resourcing within the organisation. The health records service structure will be reviewed in line with the following key objectives:

- Maintenance of Existing Operational Service Provision
- Consolidation of services, systems and processes
- Preparation for electronic health record (development 4.4)

To reflect this, the financial model incorporates an increase in records management provision by 4wte.

In addition, the Trust is required to have in place a department to lead on the information governance agenda. This department is essential to manage legal requirements on how the organisation processes information in accordance with the Data Protection Act 1998 and Freedom of Information Act 2000. This is reflected through a 2wte increase in information governance staffing in the financial model.

This objective is development 4.9 in the development plan included at section 5.2.

4.3.3 Revised executive structure and corporate service review

A new executive structure will be implemented to give greater clarity around accountabilities and streamline corporate functions to ensure more effective support to clinical services. The core service areas linked to the new portfolios are:

- Operational services – CYPF consolidated to Chief Operating Officer
- Finance, Estates, Transformation, IT, Business Intelligence – remain with Director of Resources
- Governance, clinical quality safeguarding and professional leadership – managed through Director of Nursing

- Medical Director – role expanded to include mental health act administration, R&D

- Workforce, Learning and Development, Communications, Equality and Diversity – consolidated under new role of Director of Corporate Services

The Company Secretary is accountable to the Chairman and Chief Executive and is responsible for independent advice on all Corporate Governance issues.

Following the executive portfolio revisions there will be an associated review of corporate service departments. This review is a significant contributor to the cost improvement programme modelled in the financial plan.

This objective is development 4.10 in the development plan included at section 5.2.

5. Productivity, efficiency and CIP

5.1 National and local commissioning priorities

Commissioners have set out a range of priorities that apply to Trust services, which are reflected in contracts, quality plans (section 3) and development plans (section 5). Headline priorities include:

National

- National target for IAPT to increase access of people suffering with depression and/or anxiety disorders to 15% of the local prevalence rate
- Introduction of Payment by Results for Mental Health Services

Sandwell and West Birmingham CCG

- Redesign of primary and secondary care interface to create one single point of access
- Review of 0-25 mental health service.
- Procurement of Primary Care Mental Health services

Wolverhampton CCG

- Development of a young person's mental health service for 14 – 25 year olds.
- Review and implement changes to current services and pathways in line with the outcomes from the Joint Mental Health Strategy Review
- To review and develop the Older Adult's Service model
- Development of a work programme to meet National KPI's for IAPT
- Review of Learning Disability services in line with BCPFT LD Black Country wide proposal.

Walsall CCG

- To develop the forensic step down pathway in line with BCPFT's proposal for LD services in the Black Country.

Dudley CCG

- Development of an integrated children's complex care service
- Commission appropriate pathways in Learning Disabilities to reduce the reliance on assessment and treatment services and facilitate the transition of clients to care in the least restrictive setting

NHS England

- Following the Child and Adolescent Mental Health Services Tier 4 review, it is expected that the recommendations to procure appropriate quality, access and capacity will be implemented
- Area teams will be performance monitoring the delivery of provider derogation action plans through routine contract monitoring mechanisms. NHS England will utilise contract sanctions where there is significant or persistent non-delivery against these plans.

Dudley Public Health

- Intention to re-tender the School Health Advisor service during 2014/15

5.2 Service development plan 2014-2016

Since 2011 the Trust has placed a great deal of emphasis on transformation of its current services. This is supported by a central transformation team who work in close partnership with clinical services to deliver large scale change. Transformation is integral to the business and quality plans of our divisions, and is supported by IT and estates change programmes.

Transformational developments in the 2014-16 Annual Plan focus on delivery of strategies that have been developed in the last 12-18 months and which we anticipate delivering over the next 2 years, in line with the commissioning intentions above. The Trust is also currently reviewing all its current service lines and future development options in order to develop a 5-year strategy which will deliver long-term sustainability.

It is expected that the work from the sustainability action plan will lead to a fuller list of developments to be included in the next phased submission of the Annual Plan (5 year strategic plan), some of which may be implemented in late 2015/16.

Our service development plan is designed to address both quality and cost improvement in four areas. These are:

Quality	Protecting service	Developments in this area are those where the Trust recognises a need to transform services in order to ensure they are fit for purpose for the long term. There may be a risk of decommissioning if this process does not happen, or there may be specific clinical risks identified which must be addressed.
	Improving quality	In line with the Trust's Quality Strategy, these transformations have a particular focus on redesign in order to significantly improve quality (in regards to safety, effectiveness and / or experience)
Financial	Improving costs	Some developments anticipate a particular cost improvement that can only be driven out through service change or redesign
	Generating income	Some schemes have a particular focus on generating additional surplus income for the organisation in order to support financial sustainability

Individual developments contribute to one or more than one of these areas and are summarised in the following table. The relatively early stage of some developments (for example, the Better Care Fund developments have only recently been agreed as a priority area with commissioners) means that not all have been modelled in the LTFM. Where significant impacts on income or surplus are anticipated these have been modelled.

More details on the developments, including key milestones, are included at appendix 2.

Summary of Development Plans

	Current position	Modelled in LTFM	Quality		Financial		Coverage					Anticipated operational date		
			Protect	Improve	CIP	Income	Dudley	Sandwell	Walsall	Wolves	Regional	13/14	14/15	15/16
DEVELOPMENT PLANS												Current	1	2
Mental Health														
1.1 Development of specialist dementia services	Ready for implementation early 14/15 (Lighthouse)	✓												
1.2 Implement new mental health community model	Ready for implementation early 14/15	✓												
1.3 Wolverhampton mental health strategy review	Awaiting outcome of review	x												
1.4 Implementation of care clusters	Ongoing long-term programme	n/a												
1.5 Recovery College	Early planning	x												
1.6 Better Care Fund - Dementia	Planning - significant engagement with partners	x												
1.7 Better Care Fund - Psychiatric Liaison	Planning - significant engagement with partners	x												
1.8 Criminal justice liaison	Additional funding awarded for use from Apr 14	✓												
Learning Disabilities														
2.1 Healthy Lives pathway	Early planning	x												
2.2 Whole system forensic pathway	OBC approved; progressing to FBC	✓												
2.3 Assessment and treatment pathway	Planning - significant engagement with partners	✓												
Children, Young People and Families														
3.1 Health Visitor redesign	Implementation ongoing	x												
3.2 Additional Needs and Complex Care	Planning - significant engagement with partners	✓												
3.3 School Health Advisors	Early planning - awaiting tender	x												
3.4 0-25 years mental health service	Early planning	x												
3.5 Interim solution to address CAMHS inpatient risks	Early planning with commissioners	x												
Enabling plans and operational priorities														
4.1 Agile working	Phase 1 implementation in progress	✓												
4.2 Sustainability strategy development	Planning - action plan on track	n/a												
4.3 Migration to OASIS / SLA withdrawal	Planning - detailed scoping complete	✓												
4.4 Electronic Health Record	Planning - funding awarded	✓												
4.5 Programme Management Office	Implementation ongoing	✓												
4.6 Workforce development strategy	Strategy developed	n/a												
4.7 Estates programme to address clinical risk	Planning - detailed scoping complete	n/a												
4.8 Productivity improvement	Early planning	n/a												
4.9 Records management / information governance	Implementation ongoing	n/a												
4.10 Revised executive structure and corporate service review	Implementation ongoing	n/a												
4.11 Strengthened business intelligence function	Early planning	n/a												
4.12 Risk management system upgrade	Implementation ongoing	n/a												

5.3 Financial implications of developments

The table below details the impact of those developments which are expected to generate new income for the organisation during 2014/15 and 2015/16. Even taking into account the expected decommissioning plans will deliver part year effect net benefits of £0.07m and £0.5m respectively. The full year effect benefits of these schemes are expected to be £0.9m.

			2014/15			2015/16			Full Year Effect		
Division	Service Development	Commencement	Income £000's	Expenditure £000's	Net Benefit / (Loss) £000's	Income £000's	Expenditure £000's	Net Benefit / (Loss) £000's	Income £000's	Expenditure £000's	Net Benefit / (Loss) £000's
Mental Health	Criminal Justice	April 2014 Phase 1 April 2015 Phase 2	260	(221)	39	340	(191)	149	600	(412)	188
	Section 75 - Sandwell MBC	October 2014	(2,616)	2,589	(27)	(2,616)	2,589	(27)	(5,232)	5,178	(54)
Children's, Young People & Families	Additional Needs (Palliative Care)	October 2014	374	(316)	58	374	(316)	58	748	(632)	116
Learning Disabilities	Step Down Services	October 2015	-	-	-	502	(177)	325	1,004	(354)	650
			(1,982)	2,052	70	(1,400)	1,905	505	(2,880)	3,780	900

Note that other developments are anticipated to deliver cost savings, which are reflected in the cost improvement plan.

5.4 Estate developments to address clinical risk

The 2014-16 capital plan (included at section 6.5) includes allocations to support several developments detailed in the service development plan, including IT infrastructure, LD step down and agile working. A significant allocation has also been made to ensure maintenance of assets in a safe condition. This supports the 'Quality – Protecting Service' element of the developments matrix, above. A baseline assessment has been carried out in respect of the condition of the Trust estate using the NHS standard risk-based methodology for establishing and managing backlog.

This identifies a *backlog liability* of £3.4m relating to remedying 'significant' and 'high' defects associated with the physical condition, fire and statutory standards of the estate.

In addition, *clinical risk assessments* have been carried out of the environment relating to inpatient facilities and which gave consideration to remedying non-compliance associated with risk of ligature or absconsion, PLACE assessments and responding to issues raised under CQC visits in respect of outcome 15 (environment). This assessment identifies a capital requirement of £2.8m.

The following table therefore sets out an overall resource requirement of £6.2m to remedy significant and high backlog and clinical risk and compliance issues.

Name of Property	Tenure	Physical		Fire & Statutory		*Clinical risk (CQC/Ligature/PLACE)		Total
		Significant	High	Significant	High	Significant	High	
Edward Street Hospital	Freehold	745,000	200000	160,000	10,000	480,000	290,000	1,885,000
Edward Street Community Team Base	Freehold	56,500	17,500	6,980	1,500			82,480
48 Lodge Road	Freehold	105,395	22,355	37,050	1,000			165,800
Heath Lane Hospital	Freehold	150,000	27,000	16,780	54,000	81,300	192,000	521,080
Albert Street Clinic	Freehold	57,845	192,200	2,650	0			252,695
1&2 St Michaels Court	Leasehold (Private Landlord)	0	0	1,750	2,000			3,750
323 High Street	Leasehold (Private Landlord)	0	2,000	1800	1000			4,800
Delta House	Leasehold (Private Landlord)	46,724	3,240	37,420	12,970			100,354
Hallam Street Hospital	Leasehold (PFI)	1,600	0	32,435	200,000	576,000	30,000	840,035
Penn Hospital	Freehold	90,000	20,000	0	20,000	0	0	130,000
Brooklands Parade	Freehold	29,800	0	5,200	4,000			39,000
Pond Lane	Freehold	1,200	0	10,350	1,500	31,500	82,500	127,050
Steps To Health (Low Hill Community Centre)	Freehold	0	0	1,800	850			2,650
Cleveland's House	Leasehold (RWHT)	4,500	32,100	6,050	1,250			43,900
Leasowes House	Leasehold (RWHT)	1,900	26,000	5,100	1,250			34,250
St Johns House	Leasehold (NHS Property Services)	0	0	500	300			800
Orchard Hills and Daisy Bank	Freehold	27,100	0	8,450	4,000	9,300	117,400	166,250
Sutton Drive	Leasehold (NHS Property Services)	1,500	0	10,350	1,500	48,800	20,080	82,230
Ridge Hill	Leasehold (NHS Property Services)					100,000	0	100,000
TOTAL BACKLOG COSTS =		1,319,064	542,395	344,665	317,120	1,326,900	731,980	4,582,124
Backlog Costs Uplifted with 35% VAT and Fees =		**1,780,736**	**732,233**	**465,298**	**428,112**	**1,791,315**	**988,173**	**6,185,867**

The capital plan (see section 6.5) has an allocation of £5.6m for maintenance and contingency, which falls slightly short of the overall requirement above. This allocation has been assigned across the 2-year plan as follows:

Facet	2014-15 (£000)	2015-16 (£000)	Total (£000)
Physical condition	703	1,200	1,904
Fire & statutory compliance	346	524	870
Clinical risk	1,204	1,213	2,417
Contingency	146	263	409
TOTAL	**2,400**	**3,200**	**5,600**

The £0.6m balance is considered through other developments and the long-term plan. This plan is development 4.7 in the development plan included at section 5.2.

5.5 Workforce plan

The developments, operational priorities and impact of quality initiatives have been modelled in the Trust's workforce plan. The overall impact on workforce numbers is outlined in the following table.

Analysis of Workforce Numbers	Year ending 31-Mar-14	Quarter ending 31-Mar-15	Quarter ending 31-Mar-16
	WTEs	WTEs	WTEs
Consultants (Total)	41.50	42.20	40.20
Junior Medical (total)	72.02	67.90	65.50
Nurses and Midwives (total incl Bank)	684.12	702.06	704.29
Sci, Tech & Ther (total incl bank)	333.72	329.1	320.10
Other healthcare	316.80	364.51	359.51
Non-clinical staff	531.88	509.64	503.14
Social Care Re-Charge	30.57	-	-
Total WTE	**2010.61**	**2015.41**	**1992.74**

As can be seen, the Trust anticipates a relatively stable workforce during the 2 year period of the plan. In the above table, the increase in nursing arises from the review of inpatient staffing (quality goal 7) and Health Visitor increases. The Trust's strategy to increase apprenticeships (part of workforce goal 2) accounts for the increase in Other Healthcare staff, whilst the corporate review (see section 4.3.3) is planned to reduce non-clinical staffing numbers.

5.6 Cost improvement programmes

The high level CIP position included within the financial model is shown in the table below:

	2014/15 £000's	2015/16 £000's
Recurrent	4,247	4,417
Non-Recurrent	1,000	546
Total	**5,247**	**4,963**
Expenditure CIP % of Operating Expenditure less PFI Expense	4.90%	3.40%
Expenditure & Income Generation CIP % Operating Expenditure less PFI Expense	5.20%	5.04%
% Recurrent	81%	89%
% Non-Recurrent	19%	11%

The Trust has been criticised in the past for achieving too high a proportion of CIPs non-recurrently due to the way it managed and reported vacancy factor each year. This was reclassified in 2013/14 and the Trust should not now appear as an outlier for its treatment of CIP. This has resulted in overall CIPs falling within the range expected for overall target at c. 5% and recurrent achievement around 80%. The Trust has a good track record of achieving the required level of savings from schemes so will continue to monitor this at the same level of detail as previously to reduce risk of non-achievement.

Schemes are individually identified, but continue to form part of 5 key programme themes:

- Workforce, pay & conditions
- Financial & Budgetary
- Infrastructure & Procurement
- Service Redesign & Transformation
- Productivity & Service Line Reporting

The following table shows the programmes for 2014/15, which are a mix of transformational and incremental initiatives.

CIP 2014/15

Monitor Scheme Classification	Scheme Description	2014/15 Part Year Effect Total £000's	2014/15 Recurrent Full Year Effect Total £'s
Financial and Budgetary	Agency Costs - Corporate	100	100
	Agency Costs - Medical	220	220
	Bank & Rostering	300	300
	Credit Control	200	0
	Drugs	20	20
	Non Pay Controls	29	29
	Vacancy Management	250	0
	Workforce Review	1	1
	Contract Management	10	10
Financial and Budgetary Total		1,130	680
Infrastructure & Procurement	Estates Review	474	474
	IT system review	28	28
	Procurement	437	237
Infrastructure & Procurement Total		939	739
Productivity & Service Line Management	Income Generation	193	193
	Non Pay Controls	1	1
	Utility Management	21	21
	Contract Management	83	83
Productivity & Service Line Management Total		299	299
Service Redesign & Transformation	Corporate Service Review	1,300	1,300
	Electronic Health Records	50	50
	Evaluation Framework	300	300
	Income Generation	210	210
	IT system review	9	9
	Light House	9	9
	Mental Health Strategy	188	188
	Non Pay Controls	18	18
	Procurement	70	70
	Service Redesign	447	197
Service Redesign & Transformation Total		2,601	2,351
Workforce, Pay & Conditions	Workforce Review	67	67
	HR Initiative Schemes	211	111
Workforce, Pay & Conditions Total		278	178
Grand Total		5,247	4,247

The following table shows the schemes planned for 2015/16. Although not currently as detailed as those in 2014/15, the current stage of the work on the sustainability action plan (see development 4.2) allows scope to identify the detailed schemes required.

CIP 2015/16

Monitor Scheme Classification	Scheme Description	2015/16 Part Year Effect Total £'s	2015/16 Recurrent Full Year Effect Total £'s
Infrastructure & Procurement	IT SLA'S	60	60
Infrastructure & Procurement Total		60	60
Service Redesign & Transformation	Agile	36	36
	Income Generation	1,583	1,733
	Medical Review	634	634
	Psychology Review	581	581
	Service Evaluation	1,350	714
	Assessment & Treatment Consolidation	425	425
Service Redesign & Transformation Total		4,609	4,123
Workforce, Pay & Conditions	E-Expenses	112	112
	HR initiative Schemes	60	0
	Workforce Review	122	122
Workforce, Pay & Conditions Total		294	234
Grand Total		4,963	4,417

Additional costs required to deliver any schemes are offset against the planned savings and so not separately identified in the expenditure position. This means that in year one the net saving would be included, while the balance to the full year effect (fye) included in year two (i.e. FYE saving planned of £1m but £0.3m redundancy costs anticipated would be recorded as a recurrent savings target of £0.7m in 14/15 with an additional recurrent £0.3m in 15/16).

This approach has been successfully used in the last couple of years enabling Divisions to manage the detail, while the Board and sub-committees can also be assured at a strategic level. Given the potential impact on quality from achieving this level of saving year on year the Trust is strengthening the review undertaken at a senior level of the organisation to manage risk.

Project plans are now entered onto a recently purchased project management system. Individual schemes are signed off by the respective Divisional Director and Clinical Director at a Divisional level, with review, challenge and assurance provided at a 'Star Chamber'. The membership of this is the Medical Director; Director of Nursing; Chief Operating Officer; Divisional Directors; Clinical Directors; Equality & Diversity Lead; and Director of Finance. This forum considers the potential impacts of the consolidation of all schemes on quality before presentation to the Board of Directors. To ensure that the impact of savings is carefully assessed it is expected that there will be an improvement in the return of post-implementation review paperwork.

Given the scale of the challenge requires the delivery of transformational schemes further detail is provided at appendix 5a for those schemes currently included in the 'Service Redesign and Transformation' programme. Some of the schemes have been developed in partnership with Commissioners, while other schemes are being managed internally.

5.7 Programme Management Office

The Trust has been moving towards a Programme Management Office (PMO) approach to delivering major projects over the last 2 years. This has included:

- Support from the central transformation team
- Increase in project support resource within divisions
- Standard templates to support CIP identification and delivery
- Procurement of project management software
- Increasing standardisation of documentation

At the same time, the Trust recognises the scale of the challenge posed by the content of this Annual Plan and the 5 year strategy being developed in parallel. To address this, a more robust PMO approach will be developed and adopted to support delivery of the plan. This will address identified issues in the following areas:

- Development of robust project plans and monitoring frameworks for CIPs (including production of Quality Impact Assessments (QIAs). The QIA will be assessed against the three Quality Strategy principles of patient experience, clinical effectives and patient safety. The QIAs will also be updated on a regular basis and assurance provided to the Quality and Safety Board.
- A standard suite of project documentation is being developed such as Project Initiation documents (PIDs) to support the identification and approval of projects.
- Support to delivery of quality performance indicators from the Quality Strategy
- Enable greater oversight of Annual Plan delivery and its key developments
- Provide greater assurance to Board of delivery against the Annual Plan
- Any other agreed priorities that sit outside the above

Implementation of the PMO is development 4.5 in the development plan included at section 5.2.

5.8 Future sustainability

The Trust has already done work to identify the scale of the financial challenge and is currently undertaking an extensive strategic review to determine its long-term strategy, in line with the action plan agreed with Monitor in October 2013. The options available to the Trust will be further described in the long term Annual Plan submission in June. Core elements of the strategic review follow below.

5.8.1 Ensure current portfolio is as sustainable as possible - Service Evaluation Framework

Having identified the sustainability challenge facing the Trust, a Service Evaluation Framework (SEF) was developed to review each of the Trust's service lines. The intention of this framework is to enable the Trust to identify those particular services where there are opportunities to grow the service and transformational options.

The SEF contains 37 questions split across three domains, these being:

- **Strategic alignment** – this section highlights any opportunities and threats to the service line through commissioning intentions, competitors, and demand for services. It is primarily aimed at the external market place of the service.
- **Clinical and operational assessment** – this section is primarily focussed on the internal delivery of the service identifying any quality concerns, fit for purpose assets, service user satisfaction and any interdependencies between the service being reviewed and other Trust services.
- **Financial assessment** – an assessment of financial stability including costs, Cost Improvement Programme delivery potential, contribution margins, surplus.

Following receipt of the completed SEFs, responses will be correlated and further analysis will be undertaken to understand opportunities for service improvement, cost improvement, productivity and service efficiency.

This will provide a robust basis for future service line management within the organisation.

5.8.2 Ensure we are pursuing the most sustainable business development opportunities

To provide further opportunities to enhance sustainability, a number of workshops were held to engage Trust Service Lines in identifying future business growth opportunities. The workshops also explored demographics and demand for services over the short, medium and long term.

Following identification of a long list of proposals, an informal workshop was held with Trust govenors to engage them in the sustainability process. This engagement will continue over the coming months as the 5 year plan is developed.

At the time of writing a number of strategic themes have been identified for the Trust to pursue and these will be further explored as part of the long term submission.

5.8.3 Identify organisational developments to contribute to sustainability

An external agency has been employed to work through organisational options for future sustainability. This has included work with service lines to explore potential clinical and operational efficiencies through collaboration on a wider geographic basis (including mergers) and understanding the implications of competition and regulatory policy.

Overseeing all the above work is a Sustainability Working Group, which supports the Board in its development of long-term strategy.

Delivery of the above sustainability strategy is development 4.2 in the development plan included at section 5.2.

5.9 Capacity to deliver

The Trust acknowledges the significant challenge presented by this plan across a number of domains. The launch of a major new Quality Strategy, a wide range of critical developments, operational priorities and a significant CIP requirement will present a major challenge to the organisation. This will be compounded by the creation of the 5-year sustainability strategy with accompanying developments and several major tenders.

The Trust has therefore identified the level of additional resource that will be required in a number of domains to ensure delivery of the Annual Plan:

- Delivery of quality strategy
- PMO (inc CIP management)
- Transformational developments
- Strategic planning
- Tenders and new business

Specific requirements have been identified and are in more detail in appendix 4.

6. Financial plans

6.1 2013/14 forecast outturn

The Trust is on target to achieve the planned financial position for 2013/14 and maintain a Continuity of Services Risk Rating score of 4 for the year as planned.

The Trust continues to operate with a normalised surplus by over-achieving against cost improvement targets set for 2013/14 which has offset the impact of unplanned pensions, pay award increases during the year and provisions for employment tribunal and redundancy costs.

Income has been higher than planned due to a number of schemes that have also had associated cost increases, such as increased number of students impacting Education & training and residual costs following the decommissioning of substance misuse services.

The information within the plan outlined below, highlights the assumptions and outputs in the Long Term Financial Model which have been aligned to this two year operational plan. The assumptions have been assured through the Sustainability Working Group which has regularly reviewed and updated assumptions and progress against the sustainability action plan since its inception in October 2013.

Assumptions within Operational Annual Plan

6.2 Income

The Trust's main income contracts were rebased during 2013/14 using service line reporting. This has ensured that the income that Commissioners are paying for services more fairly reflects the actual costs of the services being delivered. This is the first step in the programme of work to ensure that the Trust is able to continue to deliver operationally and financially sustainable services. Ongoing work on the sustainability strategy and service evaluation framework (development 4.2) will be used to develop cost improvement plans (CIP) in specific areas where the prices need to be more competitive and challenge investment from Commissioners where it identifies under-investment.

The Trust works closely with all its local commissioners including Wolverhampton CCG, Sandwell & West Birmingham CCG, Dudley CCG, Dudley Public Health, NHS England and the Black Country Learning Disabilities Programme Board. Further detail on contract negotiations can be found at appendix 5b.

The following table shows the income position included in the LTFM.

Element	2014/15 £000's	2015/16 £000's
Contract	100,790	97,620
Service Development	-1,982	-1,400
Revenue Generation CIP	403	1,733
	99,211	**97,953**

Service Developments have been described in section 5.3, above, and are shown as a reduction in income due to the expected decommissioning of the section 75 agreement with Sandwell

Metropolitan Borough Council (SMBC). The 5 year plan will include a number of developments that are currently in the early stage of formulation as it is likely that these would not be delivered until late 2015/16 or in to 2016/17.

Cost Improvement Plans (CIPs) have been described in section 5.6, above. To ensure that plans around income generation are robustly managed they have been included within the CIP programme, rather than included as assumptions in the income position.

The values for the main contracts by Commissioner are shown in the below table. The main driver for change in 2015/16 is the deflator described in the following section.

Contract	2014/15 Value in Plan £000's	2015/16 Value in Plan £000's	% of Trusts Income 14/15
Sandwell & West Birmingham CCG	31,913	31,339	32%
Wolverhampton CCG	28,306	27,796	28%
Dudley CCG	11,187	10,919	11%
National Commissioning Board (Gerry Simon & Health Visiting)	7,271	7,194	7%
Walsall CCG	5,072	4,981	5%
Divisional Income	4,481	4,481	4%
Sandwell MBC	3,866	1,836	4%
Spot Purchases (Newton, Penrose, Suttons, PICU)	2,168	2,564	2%
Birmingham CCG	2,139	2,101	2%
Dudley Public Health	1,292	1,268	1%
Education & Training	1,112	1,112	1%
Other Contracts (less than 1% of income)	1,466	1,463	1%
Various - Non Contract Activity	517	566	1%
	100,790	**97,620**	

6.3 Expenditure

Given the timing of the submission of the annual plan the expenditure to the 28th February 2014 has been used to forecast the out-turn for 2013/14 and plan any movement into 2014/15 based on known adjustments, including those identified through budget setting. This has included planned establishment changes and part year effects from 2013/14 uplifted for the full year effect in 2014/15.

The following table reflects the expected costs in 2014/15 and 2015/16 including the impact of inflation (see section 6.4), cost improvement programmes (see section 5.6) and service developments (see section 5.3).The only other material adjustment relates to incremental drift (c. £0.6m pa).

Expenditure

	2014/15 £000's	2015/16 £000's
Pay (inc Agency)	77,414	76,272
Drugs	1,265	1,322
Clinical Supplies	629	643
Non Clinical Supplies	14,813	13,125
PFI	285	292
Impairement of Receievables	-97	-150
	94,309	**91,505**

Impairment of receivables appears as a reduction in expenditure as it is based on the plans to improve credit control. From an accounting perspective the movement in planned provisions requires an opposite entry to appear in expenditure and this credit is based on the assumption that income that had been expected not to be received (provisions) would then actually be received.

6.4 Inflation

The national tariff guidance indicated that a deflator of between 1.5% and 1.8% should be applied to providers, but assumed that non-Acute Providers would be expected to receive the worst case scenario of 1.8%. This was challenged nationally and has been a focus of contract negotiations with Commissioners resulting in the majority of the main Commissioners agreeing the lower 1.5% rate to reflect increased cost pressures from implementation of Keogh, Francis and the Friends and Family Test. The costs relating to these are included within the expenditure forecasts based on the changes to rosters to reflect improved staff levels on in-patient wards, mobile devices to collect survey information funded included within the capital plans.

Income deflation has been modelled based on discussions held with commissioners through contract negotiations. There are discussions around the expected level of inflation/deflation on income contracts for 2015/16 indicating that there could be potential reductions in the deflator, however, to ensure a prudent approach the higher level of proposed deflator for 2014/15 has been assumed for 2015/16 (i.e. 1.8%) until further information is available.

A 1% non-pensionable pay award to staff not entitled to an increment (i.e. those at the top of their scales) was agreed on 13th March 2014 which has been included in the calculation for pay inflation. This is for c.£0.3m pa, the figure slightly higher in 2015/16 due to more staff reaching the top of their pay band. This has been included as a cost pressure in 2015/16 due to the assumptions around deflator, so it is possible that this would be funded through the tariff and provides some contingency within the financial model.

Drugs, Clinical Supplies and Non-clinical Supplies inflation rate has been based upon on the average of the UK's inflation rate September - December 2013 for 2014/15 and 2015/16 (2.25% pa).

6.5 Capital Expenditure

Capital plans have been through robust challenge at the Infrastructure Strategy Implementation Group (ISIG), which is responsible to ensure that all the inter-dependencies from developments and

capital are effectively managed, and agreed at Investment Committee. The on-going work to deliver a sustainable long term plan may require adjustment to these plans where investment is required to deliver developments and redesign. The below table shows the main schemes within the capital plan, which will address high and significant backlog maintenance while being mindful of avoiding unnecessary costs while the longer term plan is being developed.

	14/15	15/16	Total	Link to developments
CAPITAL SCHEME	**£m**	**£m**	**£m**	
Implementation Strategy - IM&T	1.2	1.0	2.2	Developments 4.3 & 4.4
Gerry Simon Seclusion	0.7	-	0.7	Development 2.2
Step Down Langley House - LD	1.0	0.8	1.8	Development 2.2
Agile	0.3	0.7	1.0	Development 4.1
Maintenance/Contingency	2.4	3.2	5.6	See section 5.4
TOTAL	**5.6**	**5.7**	**11.3**	

The Trust was successful in securing capital funding as part of the Safer Hospitals, Safer Wards Technology Fund in 2013/14. Part of the funds (£0.36m) was received in 2013/14, with the balance of £0.59m due to be received in 2014/15.

Current plans do not assume the disposal of any assets during the 2 year plan, which result in the expected fixed asset value held on the Statement of Financial Position (SoFP) as follows:

Fixed Asset Values

	14/15				15/16			
	Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
	£m	£m	£m	£m	£m	£m	£m	£m
Fixed Asset Value	59.3	60.0	61.2	62.4	63.2	63.4	64.5	65.5

The Trust submitted a 5 year capital plan in January 2014 which included higher capital plans than those described above due to the timing of the required submission. At that time the Trust was reviewing all the options available to deliver a long term sustainable financial model and this was the first draft completed and submitted to Monitor. Given the limited net benefits from those developments when taking into account the impact of borrowing the developments included in that model have been reviewed. Although the schemes have not been discounted at this time it is felt that this is a more likely reflection of the capital expenditure assumptions until the business cases have been further developed.

6.6 Depreciation and PDC Dividend

There is a significant increase (£1.8m) in the depreciation and PDC dividend included within the annual plan caused by the level of capital expenditure in addition to the TCS assets transfer attracting a PDC charge from 2014/15.

6.7 Cash Balances

	14/15				15/16			
	Q1 £m	Q2 £m	Q3 £m	Q4 £m	Q1 £m	Q2 £m	Q3 £m	Q4 £m
Cash	13.44	12.18	10.97	9.15	9.35	8.12	8.22	7.90

Historically the Trust has maintained good cash balances due to circa 80% of income being received via mandate payments from its main commissioners. For the purposes of the Annual Plan, it has been assumed that this level of mandated income will continue. The main reason for the decrease in the cash balance is the higher than historically planned level of capital expenditure planned over the next 2 years to support redesign and addressing risk.

The cash balance above does not include any loans being taken, as it is assumed that any loan would have to be approved as part of any business case separately. To ensure that business cases for different developments are assessed on the same basis any capital expenditure included will assume funding through a loan, although all options will be reviewed as part of each individual business case.

6.8 Continuity of Service Risk Rating (CoSRR)

The CoSRR replaced the Financial Risk Rating (FRR) as Monitor's risk rating during 2013/14. The risk ratings used now aim to demonstrate that the Trust remains a going concern in the future using two criteria. These are Debt Service Cover and Liquidity, which both carry equal ratings of 50%. The scores are averaged to produce the overall score. This means that to achieve a 4 rating the Trust must achieve at least a 3 rating on one of the criteria as long as the other criteria scores a 4.

Debt Service Cover is driven by the Trusts ability to cover any Debt that it has and takes into account level of PDC expense, interest payable on loans and interest payable as part of any PFI Buildings before comparing this to the level of the Trusts Surplus/(Deficit). The increased planned surplus for 2015/6 results in an improvement from a 3 to 4 score in each quarter.

Liquidity is driven by the Trust's ability to cover payments and takes into account the level of receivables, cash and payables before comparing to the level of Operating Expenditure.

The scores in the annual plan are shown below.

	14/15				15/16			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Debt Service Cover	3	3	3	3	4	4	4	4
Liquidity Metric	4	4	4	4	4	4	3	3
Resulting CoSRR	4	4	4	4	4	4	4	4

6.9 Sensitivity analysis

The Trust has modelled downside and upside scenarios on its financial plans, which are included at appendix 5c.

7 Risks to plan delivery

The Trust maintains a high level risk register (HLRR).

Section 4.2 has highlighted specific risks to the Trust's ability to deliver its anticipated activity, whilst the detailed development tables in appendix 2b identify risks to individual development plans.

At a high level, the key risks to the content of this plan from the HLRR are summarised in the below table.

Category	Description	Impact	Element of plan affected	Mitigating actions	Committee reviewing
Delayed transfers of care	The Trust may not be able to comply with the performance target for Delayed transfers of care due to high levels of delays caused by Social Inclusion. These delays will impair both the quality and efficiency of service provision	High	Quality strategy	Ensure the Board regularly receives and reviews performance against compliance requirements High level discussions with CCGs / Local Authorities to take place Seek mitigation through on-going contracting negotiations in terms of contractual responsibilities and compensation	Quality & Safety
CQC compliance	The Trust may not be able to maintain compliance with CQC standards across all its services and /or the new inspection regime	High	Quality strategy	Maintain high profile of CQC requirements and performance management and assurance arrangements Establish a working group to identify resources and processes in place to ensure we are fully ready for the new inspection regime.	Quality & Safety
Patient safety	Environmental and staffing issues may compromise patient safety	High	Quality strategy	Consolidation of wards (three to two) and Immediate environmental matters addressed Elements of the Lighthouse Project will support improvements to environment (development 1.1) Environmental audits in place	Quality & Safety
Health	The Trust may not	High	Operational	Ensure that the agreed	Quality &

records	be able to demonstrate compliance against CQC core standards		priorities	records structure and processes are embedded and maintained throughout the Trust Ensure that resources are available to maintain on-going compliance with the regulations (identified at section 4.3.2)	Safety
Cost improvement plans	Inability to identify, plan and deliver recurring cost improvements without impairing quality and safety of service provision	High	Financial plan Operational priorities Development plans	Transformation Programme and PMO approach to large scale change Use of quality impact assessments for planned disinvestment Acting on the analysis provided by Service Line Management	Investment
PbR / care clusters	The absence of a tariff system for mental health services may result in Commissioners seeking to "squeeze" funding available to service contracts and planned developments	High	Financial plan Development plans	Maintain implementation of the clustering programme (development 1.4), and ensure outputs are reviewed within the Trust Ensure on-going commitment to development of outputs/tariff from Commissioners	Investment
Capacity / capability	The Annual Plan presents a significant challenge to the Trust, and there may not be sufficient capacity or capability within the organisation to deliver the developments and initiatives identified	High	Quality strategy Development plans Financial plan	Implementation of resource plan (appendix 4) Enhanced PMO approach (see section 5.7)	Business & Performance
Performance and Clinical Reporting systems	Inability of systems to provide accurate information and reliance on 3rd party for access	High	Operational priorities Financial plan	Trust wide group reviewing data access arrangements with 3rd party suppliers Renegotiate contractual targets and quality	Business & Performance

	may result in non reporting of datasets to commissioners and resultant fines			measures with commissioners Ensure teams using correct systems for data collection	