1.0 Executive summary

The time ahead will continue to challenge NELFT as the only successful provider in this troubled health economy. Overall our population generates a wide variety of complex demands. Some areas show peaks in demand for children's or older people's services, others for specific cultural requirements or the prevalence of particular behavioural challenges such as substance misuse. Some areas have transient populations and others a more settled population, each of which have their own specific needs to which local services must be able to adapt.

Whilst all of our local commissioners are citing specific local development needs there are also common national trends which are reflected in our forward plans. These themes are:

1 The trend to deliver more care out of hospital

2 The focus on an ageing population

3 Working towards increased integration

4 Changing the estate and delivering efficiency through new technology

This agenda dictates the requirement for continued change and real transformation. The tangible evidence of this is manifested in the commissioners' commitment to new investment in IAPT, RAID, and the Intensive Rehab Service in the London boroughs and dementia, stroke early support discharge and community geriatricians in Essex.

Our financial performance for 2013/4 will exceed plan. We anticipate a net surplus of £15.32m which is £9.5m favourable to plan. After allowing for profit of £8m on the sale of two assets our surplus reduces to a forecast of £7.3m. We have embarked upon one-off 'spend to save' initiatives to manage change and mitigate risk in-year, which has reduced our cash position. We intend to continue this through into the forecast years. This will include a continuation of some schemes started in 2013/14 and a number of other potential investments that will serve to add value or underpin transformation. NELFT's forward financial strategy is to maintain acceptable financial risk ratings in each of the next two years, ensuring strong liquidity and underlying financial performance to support our clinical priorities by generating resources to support our estates and technology changes.

Our forecast for 2014/15 is highly challenging even without this level of change and transformation and requires the trust to deliver cash efficiencies of £9m in 2014/15 and a further £13m in 2015/16. NELFT has taken the decision to reduce its target surplus by £3.6m in 2014/15 to alleviate the pressures during the year and has further flexibility to reduce its surplus by up to £2m whilst still maintaining a 4 metric. This can be achieved due to the continued strong forecast cash position over the two-year planning period and may go some way to creating the necessary space for change in what will be a challenging period.

The detailed plan for each locality is outlined below. We are seeing continuing trends for the reduction of beds in Mental Health Services and provision of alternative opportunities for treatment at home or in the local community. This trend is now growing in physical health

care and we have seen a reduction in the average length of stay for community beds and increasing commissioning investment in admission avoidance and creation of treatment solutions for people at home or in the community.

We are also seeing an increasing tendency to integrate care and bring agencies together to address the needs of our ageing populations. This is being done through admission avoidance (in particular at the point of emergency care), providing more pro-active care packages and amalgamating what were disparate discharge teams into integrated treatment teams for older people.

Generally the trend changes in services and the demand for more effectiveness and efficiency are driving the need for a more flexible and mobile workforce. Over the next two years we will begin the implementation of a new technology strategy to support mobile working which will be supported by a step change in our estates strategy. This will see an overall reduction in our estate and a shift towards leaner and much more efficient and technology-enabled bases.

The capital programme for 2014/15 is for the sum of £9.8m. This includes planned expenditure for the development of new capacity and the reconfiguration and upgrading of existing buildings and IT infrastructure to support the needs of our clinical service strategy cited above. We are facilitating investment of up to £14m in 2015/16 predominantly based upon our mobile and agile working strategy and in line with our five-year capital plan submitted earlier in the year.

Aside from developments based on local need, national trends and future changes in technology, we recognise that we must look towards different ways of adding value to what we do and working more broadly with partners. We are currently working up plans with a number of potential partners on an initiative called Care City. It is anticipated that this might be a platform for technology development and, using part of our successful £3.8m technology fund bid, it will also include staff training and development, regeneration, research and development and/or a focus for a centre of excellence for frailty. This will require some investment but we cannot yet quantify the specific requirement. We will be building this initiative and the partnership over the next year, and agreeing actions subject to a full business case being received and approved by the board.

Care City ties in strongly to our strategy in addressing issues of quality in both our services and our workforce. We have developed a series of standards against which we can benchmark both internally and externally and we will use these outcomes to inform some of the priorities for Care City. Care City will likely serve to add significant value through additional income in a period when the future looks increasingly more challenging.

The target surplus for each of the forecast years are set at a challenging level in order to achieve an overall 4 metric although the trust has some flexibility on its surplus position due to the strong cash position. Planned efficiencies will be continually monitored to ensure clinical risk remains within our risk appetite. The potential downsides of our plan have been tested to ensure the trust is able to maintain sustainability of the services it provides.

The income deflator assumptions built in to the financial model accord with commissioner discussions, assumptions around the national economy and with the planning guidance circulated by Monitor.

Overall the Board believes that this plan takes a realistic view of both local and national change along with full account of quality standards. It also sets out realistic goals within the available financial envelope and has tested change scenarios sufficiently to gain board approval as a realistic, deliverable two year operational plan. We now embark upon gaining outputs for our five year strategy.

Please note that the template shows 15 explanations to comment upon but all of these relate to years 3, 4 and 5 of the model and so do not require explanation.

2.0 Operational Plan

2.1 The short term challenge

NELFT provides mental health and community services for people living in the London Boroughs of Waltham Forest, Redbridge, Barking & Dagenham and Havering. We also manage community health services in south west Essex. With an annual budget of more than £300 million, we provide care and treatment for a population of almost 1.5million. We employ around 6,000 staff.

The population served by the trust provides some significant challenges to the delivery of care. We know that we have a growing under 18 population in Barking & Dagenham and an increasing older adult population in many parts of the economy, with a very sharp peak in Havering. We have a diverse and transient population, with an increasing younger Eastern European population presenting with substance misuse, particularly in Waltham Forest. We have high prevalence of diabetes in some elements of the south Asian population and this population is also presenting with a high prevalence of multiple long term conditions.

NELFT's income derives primarily from block contracts for mental health and community health services provision, but this is likely to change as moves to implement first mental health and then community tariffs develop. The national timeline for Mental Health Services (MHS) tariff has slipped from 2014/15 but locally, CCGs are keen to develop shadow prices and service line reporting as a precursor to the introduction of tariff arrangements for community services. NELFT will seek to minimize risk from this process through effective data capture – both clinical and financial – and by aligning income streams to budget management to ensure the trust understands its pattern of contributions by service.

2.1.1 Background

NELFT is situated within two high profile health economies. Within south west Essex, Basildon and Thurrock University Hospitals Foundation Trust (BTUH) was one of the eleven hospital providers placed in special measures because of high mortality ratios following the review undertaken by Sir Bruce Keogh during 2013. BTUH is working through an action plan to address the issues identified, and NELFT is working with commissioning and the acute trust to provide support to both prevent patients being admitted unnecessarily to BTUH, and to reduce length of stay for patients who are admitted, to release capacity where possible.

Similarly, the health economy within outer north east London has recently been identified as one of the eleven "financially challenged" health economies that will be receiving support from private companies to help with their strategic planning; Monitor, NHS England, and the NHS Trust Development Authority will pay these companies to help groups of commissioners and providers to work together to develop integrated five-year plans which deal with the "particular local challenges they face". Acute services within outer north east London are provided by two non-Foundation Trusts, Barts Healthcare NHS Trust and Barking, Havering and Redbridge University Hospitals NHS Trust (BHRUT). The latter has also been placed in special measures by the NHS Trust Development Authority following a Care Quality Commission (CQC) inspection undertaken in late 2013.

Despite the above, NELFT has consistently achieved good risk ratings through Monitor's ratings mechanism, with a current continuity of services risk rating of four, and a green rating for governance. No regulatory action has been taken against the trust. As a result of this, and given our unique position within these health economies, we believe that as an

organisation we are strongly placed to work in partnership with commissioners and providers to offer solutions to the challenges within each of the boroughs we serve.

The trust is also cognisant of the very challenging times ahead. The predicted increases in demand over the next few years, coupled with the need for higher efficiencies as a non-acute provider and the particular local issues with regards to funding, place a huge burden on the organisation. We recognise that this can only be addressed through a combination of further efficiency gains coupled with transformative plans that will deliver services in a different way, whilst retaining the high quality care that we currently offer. The trust has recently completed a significant restructuring programme that allows for a stronger borough focus, increased clinical input into the management of local services and that facilitates the development of a more integrated approach to service delivery, which will meet the needs of the community within individual boroughs and additional strategic demands for integration.

The specific challenges within each individual borough are considered in more detail below.

2.1.2 Barking and Dagenham

The borough scores poorly in deprivation indicators and faces a series of challenges from national and regional policy decisions outside the control of the local partnership, which include:-

- Changes to the welfare and benefits system will negatively impact on the majority of households in the borough.
- Evidencing quality improvement and rebuilding public confidence in Barking, Havering and Redbridge University Hospital NHS Trust following the Care Quality Commission interventions.
- Economic recession and the impact of economic policy on the public sector finances.
- Balancing the needs of the population and restrictions on public finances.
- Implementing national review recommendations on safeguarding of children (Munro) and funding for the care of adults at risk (Dilnot).
- Implementation of the Health for North East London programme, which is a major restructure, not just of healthcare services but also how social care is integrated within the system.
- The Government-led radical reform agenda in education.
- An estimated 645 troubled families in Barking and Dagenham who require tailored interventions**.**

NELFT will play a significant part in addressing some of these challenges over the next two years. Since the start of the recession, the rate of unemployment for people with mental health problems has risen more than twice as much as those without mental health problems, which in turn has an impact on patient acuity. Further, the scaling down of the staffing levels within partner organisations and associated services, such as supported living accommodation and floating support, has impacted on the ability to step up and step down patients into and out of NELFT's mental health services.

As with the other boroughs served by NELFT, there is a high degree of uncertainty associated with the level of funding to be transferred to the London Borough of Barking and Dagenham (LBBD) with the transfer of commissioning arrangements for 0-5 (health visiting) services from NHS England to the borough in October 2015. This uncertainty presents a risk associated with our ability to fully deliver the 0-5 Healthy Child Programme.

The local Clinical Commissioning Group's (CCG) decision to close the Walk-In- Centre managed by another provider within Broad Street WIC may lead to rising demand on our Walk In Centre within Barking Community Hospital, which would need to be managed within existing resources and could lead to breaches in waiting time Key Performance Indicator targets and rising patient dissatisfaction.

2.1.3 Havering

There are a number of challenges within Havering -the most marked being their elderly population- which have led to the development of eight priorities for action:-

- Early help for vulnerable people to live independently
- Improved identification and support for people with dementia
- Earlier detection of cancer
- Tackling obesity
- Better integrated care for the 'frail elderly' population
- Better integrated care for vulnerable children
- Reducing avoidable hospital admissions
- Improving the quality of health services to ensure that patient experience and long-term health outcomes are the best they can be

Many of the issues facing Barking and Dagenham are also facing the services provided in Havering. There is a growing rise in demand for services that have historically been underfunded under block contract arrangements, which is placing significant pressure on services to maintain access and high quality provision. In Havering there are significant challenges around managing the demand for targeted children's services and wheelchair services, both of which are currently being discussed with commissioners.

One of the biggest challenges across the outer north east London area over the next two years will be managing the impact of a community bed base reduction from 106 to 75 beds. This requires a significant level of service redesign of the adult community service, which is discussed in the section on capacity and demand below.

2.1.4 Redbridge

The health and wellbeing strategy for Redbridge identifies a number of key challenges over the next two years:-

- The delivery of improved pathways of care through the redesign of services. The first priority will be improving care for the frail older population with a focus on re-ablement solutions and early intervention.
- A reduction in the bed base for frail elders through the provision of more community based solutions, to avoid unnecessary admissions and ensure shorter lengths of stay for those that are admitted.
- The re-organisation of services around GP practices, including community provider services and social care, to provide effective community based service for practice populations.

- The enhancement of individuals' responsibilities, through involvement and participation, for their own health and wellbeing and choices alongside effective safeguarding and provision for the most vulnerable in the community.

In supporting the local health economy to meet these aims, NELFT also has some other challenges for the services it provides in Redbridge that are worth noting.

Over the next two years, we plan to find bases off the Goodmayes Hospital site for the three services currently located there. We are exploring options for suitable sites for relocation of these services. From April 2014 we will establish a task and finish group with the London Borough of Redbridge Adult Services to examine potential opportunities to develop services on shared sites with council services within Redbridge itself. A number of options have already been discussed with borough partners and a number of possibilities for service redesign and development have arisen from these discussions.

The services at Mellmead House have been located together on the site since May 2013, and we plan to review team structures and how they operate over the coming year. We believe there are opportunities to improve the structure of the service and improve day to day service delivery.

A further challenge is the re-provision of premises for the Children's Development Centre and Tier 3 CAMHS services in Redbridge; the former was identified as a minor concern during a CQC inspection last year and the trust is keen to re-locate both services as soon as possible to the same location in order to provide joined-up care.

NELFT remains committed to the long term plan previously agreed with the CCG to ultimately amalgamate both these services onto the King George Hospital site. However, the need to move the CDC from Kenwood Gardens is pressing and in the short term the service will be moved to more suitable premises on an interim basis.

2.1.5 Waltham Forest

Waltham Forest commissioners have identified several key priorities to address the challenges the borough faces over the next few years, including:-

- Providing the best start in life by helping families understand the importance of establishing healthy habits early on, deliver the Healthy Child Programme 0-5 years, and addressing the needs of disabled children and young people
- Building Skills and Resilience and Good Educational achievement by using a healthy school approach to ensure a healthy environment in all schools, delivering the Healthy Child Programme 5 – 19, addressing young peoples' mental health and intervening early for children, young people and families at risk of difficulties impacting on their learning and development.
- Providing good Employment and Work Opportunities and Family Building, by prioritising prevention and early diagnosis and management of Long Term Conditions and mental health conditions.
- Providing opportunities for a thriving retirement, by working with primary care to improve early diagnosis of long-term conditions and management in the community, improving dementia care, preventing falls, improving end of life care and expanding integrated case management.
- Making disease prevention everyone's business

- Strengthening the safeguarding and wellbeing of children and young people. This includes making sure staff are suitable, trained and competent to safeguard children and young people and vulnerable adults, and ensuring that local safeguarding across partnerships works and meets standards and expectations and that lessons are learned where things have gone wrong.

Waltham Forest services also have challenges that are unique to the area. The historic under-investment in community nursing has been recognised, and presents an opportunity to work with partners to undertake a significant transformation programme within the service. Similarly, mental health services are under significant pressure as demand for these services continues to increase.

One of the challenges for the borough team will be the requirement to recruit a significant number of staff to posts which have been historically hard to fill, in order to respond to the challenges outlined above. (See the section on Demand and Capacity for further information on the work programme). To address this challenge, NELFT will build on the success of the targeted recruitment campaigns it has undertaken elsewhere, which has resulted in a very flexible system of recruiting staff to posts.

2.1.6 Basildon and Brentwood

The local population exhibits a number of characteristics which will drive development and change in the time ahead. These include: -

- A 12-year disparity in life expectancy in various parts of the borough
- Issues with accessibility of services
- An increasing and changing population and the need to provide a more comprehensive and coordinated service in the future

In order to meet the challenges ahead, we will be working with partners and commissioners during a financially challenged period with limited growth to ensure that we can meet the needs of our local community, who have increasing expectations and deserve the best care possible during times of illness.

The areas of focus for improvements in Essex in the coming years include:-

- Focus on No Health without Mental Health
- Changes in practice to improve access and experience for people with a learning disability
- Review of clinical pathways to provide a more seamless experience of health care
- Development of comprehensive transition pathways for adolescents moving from children's services to adult services
- Rollout of learning from the 'risky behaviours' project

2.1.7 Thurrock

Thurrock CCG and the local Health and Wellbeing Board have developed a vision outlining the changes that health and social care want to achieve over the next five years, given the constrained resources. This is underpinned by five clear principles that link to Thurrock Health and Wellbeing Strategy, taking into account previous discussion and debate on system improvement:-

- Empowered citizens who have choice and independence and take personal responsibility for their health and wellbeing
- Health and care solutions that can be accessed close to home
- High quality services tailored around the outcomes the individual wishes to achieve
- A focus on prevention and timely intervention that supports people to be healthy and live independently for as long as possible
- Systems and structures that enable and deliver a coordinated and seamless response.

NELFT is committed to working with commissioners and other partners to ensure that we deliver a better integrated model of care that continues the established trend to reduce dependency on hospital admissions and to further develop treatment and care opportunities closer to home. In order to honour the priorities going forward we will also work with partners to continue the development of health promotion and wellbeing strategies for the local population as a way of ensuring that we have preventative systems in place

2.2 Quality plans

2.2.1 National and local commissioning priorities

The Chief Nurse and Executive Director of Integrated care (Essex) is the lead Executive Director with responsibility for clinical and quality standards across the organisation. The Trust's response to national and local commissioning priorities is included in the organisation's Clinical and Quality strategy 'Framework for Care 2012-2015'.

The Framework for Care is designed to draw together a number of inter-related work streams into a coherent, service-wide development framework that has set the direction of travel for clinical development across NELFT. It sets out clinical standards that reflect the priorities of the organisation in relation to our patients, clients, national and local guidance, and enables us to benchmark against these standards and develop plans to ensure that all key areas of clinical development and governance are achieved.

This is the third year of our three year strategy and we are making good progress in embedding the framework and progressing quality initiatives. The five key areas of the strategy have been given 'action plan' outlines. Clinical and Corporate teams across NELFT have benchmarked themselves against these outlines.

Going hand in hand with the Clinical Strategy is our Quality Account, which has been informed by sources within the trust, from frontline staff to the Board of Directors, by external stakeholders and the public. We have listened to views on the services we deliver well and to those identifying areas where improvements are needed. A total of 93 people returned quality account consultation questionnaires, along with areas identified through complaints, and together these have directly informed our improvement priorities for 2014/15 which are:-

- Care

- Competence
- Communication

Work has already taken place to identify specific work streams that sit underneath these themes.

There are also a variety of work programmes taking place within the trust to improve the quality of care delivered to our patients. Some of these relate to key national priorities which include the Patient Safety Thermometer, the Friends and Family test, work associated with the Dementia Strategy and No Health without Mental Health. There are also many local priorities which relate to specific service need, which include the end of life care pathway, the reduction of violence and aggression and medication management.

2.2.2 NELFT's quality goals for 2014-16

The Framework for Care benchmarking plans have been merged by service area and areas for improvement work have been identified by directors identifying gaps and recommendations to focus improvement work for the coming years. These are considered in turn.

Essex Boroughs

a) Adult services

- Patient involvement and experience focus on No Health without Mental Health, supporting people with a Learning Disability and Equality and Diversity in relation to access to services.
- Through a series of presentations the Health Professional group have made changes in practice to improve the access and experience for people with a learning disability. Training related to the disadvantages people with a learning disability face when accessing health care has taken place within many of the teams. The Health Professional group has also been fortunate to have the opportunity to directly discuss a patients' experience of accessing healthcare. The patient has a learning disability and was able to give staff considerable insight which they in turn could share more widely with teams.
- Following the recent restructuring of our services, our teams are currently reviewing clinical pathways to provide a more seamless experience of health care. An example of this is the integration of the Community Matrons into the Integrated Care teams enabling the community nursing teams to provide a care coordinated approach to people with long term conditions.

b) 0-19 Children and Young Peoples Services

- Improved quality and patient safety through the rollout of learning from the risky behaviours project. The initial scoping project has now completed and the report is currently being reviewed by the teams. Recommendations from the report will be considered and a work stream commenced to address the areas of training, assessment frameworks, and knowledge of available resources.
- Development of comprehensive transition pathways for adolescents moving from children's services to adult services, which is a work stream that is being taken forward in 2014/15.
- Through the re-organisation of our universal children's services and specialist children's services, embedding clinical leadership to support further service transformation. The

re-organisation has been completed and an audit of supervision against policy has commenced.

c) Sexual Reproductive Healthcare (SRH), Genito Urinary Medicine (GUM) and HIV Service

- Transformation will commence through integration of our GUM/HIV and SRH services to create a seamless integrated sexual health service provision, including comprehensive clinical pathways. An action plan is under review with the vision to reinvigorate the integration process.

London boroughs

Mental health services

The major Framework for Care targets for mental health services focus on improving physical health monitoring for service users, preventing and managing pressure ulcers and carer information being available and accessible, and are highlighted as improvement work for CQUINS. Details of each area are given below:-

- Physical observation & Modified Early Warning Scoring system charts were introduce to adult & older person's inpatient mental health units in April 2013, and were updated at the units' request in August 2013. An audit of the charts July 2013 and January 2014 identify an improvement in recording which will be embedded in everyday practice for all patients, and not restricted to those with existing physical health conditions, as one of the main quality goals for 2014 onwards.
- Physical health training for inpatient nursing staff commenced in June 2012 following an ombudsman complaint. It is estimated that a remaining 30 staff are to be trained and this will be completed in early summer 2014.
- In January 2014, four home treatment teams received physical health training and we plan for this to be rolled out to our mental health community team during 2014/2015.
- During 2013/14, significant work was undertaken on the prevention and management of pressure ulcers. This involved the delivery of targeted training, together with a focus on the need to identify patients on the caseload of mental health and community health to ensure collaborative working.
- A further quality goal for our organisation over the next two years is a focus on reducing violence and aggression. In in-patient mental health settings, the Practice Improvement Practitioners (PIPs) collect and analyse data on violence and aggression aimed at improving the recognition, prevention and therapeutic management of violence and aggression. Data is collated via Datix reports and variables such as de-escalation, restraint techniques used, duration of restraint, use of rapid tranquillisation and types of aggression are analysed. This data will be used to develop an action plan to further reduce the severity and volume of incidents reported.

Community services

a) Adult services

- A review of the past six months serious incident (SI) reports relating to pressure ulcers has been undertaken and an overarching action plan has been developed, detailing the main themes for improvement. This will allow for a targeted approach to improvement

initiatives across the London boroughs we serve in the next year. This work is being overseen by the trust's Pressure Ulcer Quality Group.

- In response to the national dementia strategy, Living Well with Dementia, we have commenced a scoping exercise. The aim of the project is to establish a work stream for improvement that will help drive the quality of care for people living with dementia across the trust. This will be a two-staged process consisting of a scoping exercise and implementation phase
- Improving the referral to treatment time for allied health professional services

b) Children's services

The key quality goals for children's services across the London community services are as follows:-

- Improving access to our specialist paediatric services
- Improving partnership working with other agencies re children with disabilities i.e. single assessment process
- Restructuring the pathways of care for integrated services delivery, i.e., neurology pathway

In addition to the above, we will be a non-acute early implementer for the Friends and Family test in all inpatient units, walk in centres and home treatment teams, and will roll out the 5x5 patient experience initiative in Waltham Forest.

In 2014/15, a monitoring process will be in place to ensure that the above keeps on track and a full review will occur to develop the 2015-2018 quality strategy.

2.2.3 Existing quality concerns (CQC or other parties)

NELFT was subject to seven CQC inspections during 2013/14, of which two identified minor concerns;

- A CQC inspection took place at Kenwood Gardens Child Development Centre on 22 May 2013. Two minor concerns were identified, one relating to the maintenance of the premises, and one relating to staffing standards, although it was noted that this would not have an impact on the quality of care provided. We have an action plan in place to address the minor concerns around recruitment and premises management.
- A CQC inspection took place at the Waltham Forest Rehabilitation Service on 24 January 2014, and one minor concern was identified relating to record keeping; it was noted that this would, however, have a minor impact on people who use the services. An initiative to improve record keeping, implemented in Essex boroughs is being reviewed by our Practice Improvement Practitioners for use within the service, to address this concern.

The five other inspections were undertaken at Hawkwell Court, Heronwood and Galleon intermediate care unit, Brentwood Community Hospital, Grays Court Community Hospital, and Sunflowers Court. A variety of outcomes were assessed at each site, all of which were as identified as compliant.

NELFT regularly undertakes internal unannounced mock inspections of its sites by senior clinical staff and managers, who review pre-determined CQC outcomes, the findings of

which are regularly monitored through our governance structure

2.2.4 Quality risks and mitigations

NELFT takes quality and associated risk very seriously. We have clear processes in place to identify risks at an early stage, identify mitigating actions, and establish monitoring of these improvement priorities at local and strategic level.

We have recently revised our approach to quality risk assessment in that we consider the impact of CIP plans and other quality risks using the indicators under each of the five CQC domains. Any risks identified will be discussed at the monthly Board meeting as part of the integrated performance and quality and patient safety report, and this provides the Board with an holistic assurance process around any issues that may impact upon patient care, and/or the Trust's continuity of service and governance ratings. This risk assessment process will be overseen by the Chief Nurse and the Medical Director.

2.2.5 Board assurance on the quality of services and patient safety

NELFT has clear governance systems in place from ward to board to ensure our services are safe and well led, along with mechanisms for giving praise when things go right and learning when things go wrong. The Board is particularly interested in hearing patient views on our services and receive feedback directly at the board from the patient, service user, family or carers about their experience of our services.

During 2013/14, NELFT has developed a strategic dashboard to improve how data is captured and reported to the board, which will be deployed over the period of this plan.

2.2.6 Impact of the quality plans for the Trust's workforce

Our quality plans provide direction and opportunity to engage the trust's workforce.

Although the trust scores highly in the national staff survey for access to training, other aspects of a learning and improving culture require more development. Successful implementation of the quality plans requires a culture where time is protected to enable teams to work up service improvements. Staff also have to be assured that the Trust is prepared to enable them to act autonomously in the interests of improving patient care, whilst maintaining consistency of professional standards in relation to leadership and accountability.

We will therefore build on existing successful leadership development for managers and ensure the visibility of senior leaders and the direct mechanism of two way communications.

Staff have told the us that the rate of change is an issue and that change is often not communicated effectively. The quality goals require further significant change and this will be recognised in making the changes described earlier in this section in partnership with practitioners who will be implementing them.

It is also important that the staff voice is strengthened, as well as the patient voice. In line with national guidance, we will be introducing the Staff Friends and Family Test (FFT) from April 2014. NHS England's vision for Staff FFT is that all staff should have the opportunity to feedback their views on their organisation at least once per year. The Staff FFT will provide a barometer to help to promote the Trust's open and listening culture, by providing staff with further opportunities and confidence to speak up, and where the views of staff are increasingly heard and are acted upon.

2.2.7 NELFT's response to Francis, Berwick and Keogh

In February 2013, a document outlining NELFT's initial response to the Francis report was presented to the Board of Directors. This recommended that the Francis report recommendations relevant to the trust be accepted and that these be developed into a formal strategic plan of action. This plan was developed using the 'Francis Five' key themes and was presented to the Board in May 2013.

Four main areas of the plan have been prioritised, and the remainder of the plan continues to be progressed. These four main areas are as follows:-

a) Freedom to Care Project

The Freedom to Care project has been carried out by BRAP, an external organisation commissioned to undertake the project on behalf of NELFT. The project has explored the key themes contained in the strategic plan in more detail, seeking to understand the on-the-ground experiences and impact of existing trust policies. The overall aim of the Freedom to Care project has been to explore, directly with our staff and patients, whether we have all the ingredients and in the 'right' proportions to deliver compassionate care. A report has now been completed on the findings from this project and its recommendations will now be taken forward. This includes work to improve organisational culture.

b) Bands 1 to 4 project

A project has commenced to develop an in-house register for all new and existing Health Care Support Workers within NELFT which will involve staff undertaking a development programme based on the Skills for Health - Core Competencies, Code of Conduct and National Minimum training standards. All staff that complete the programme will be awarded a certificate and will be added to the NELFT Healthcare Support Worker in-house register.

c) Named Nurse and Named Consultant

NELFT is part of a London-wide commitment to the Francis recommendation that each patient should be allocated a Named Nurse and Senior Clinician. This has been implemented and from December 2013 all patients (where appropriate) within our in-patient areas have their Named Nurse and Named Consultant displayed above their beds. This ensures that our patients and their relatives are aware of who is directly responsible for their care.

d) Care Connect Pilot

NELFT is part of the National Care Connect pilot which commenced in August 2013. In line with the Francis report recommendation for openness and transparency, this online service enables the public to easily flag problems that need resolving, ask questions and provide feedback on their experiences. There is recognition that patient and user feedback is an essential component to support services to improve and recognise and understand any issues there may be. This website is visible to the public, although patients/ public raising problems are able to keep them private if they wish.

We have responded to subsequent reviews, i.e. Berwick and Keogh, by benchmarking and undertaking gap analysis and including improvement work through a variety of work streams including our clinical strategy, Framework for Care.

2.2.8 Risks to delivery of key plans and contingency built into these plans

NELFT will regularly monitor the key clinical risks associated with this plan, through the offices of the Chief Nurse and the Executive Medical Director. We have some flexibility in our surplus position due to our strong cash position and our planned efficiencies will be continually monitored to ensure clinical risk is not stretched; the potential downsides of our plan have been tested to ensure the trust is able to maintain a high quality, sustainable service.

2.3 Capacity and demand over the next two years

2.3.1 Operational requirements and capacity

As our income is primarily derived from block contracts, it is important that the demands for our services do not outstrip the capacity commissioned. It is therefore important that the anticipated activity is correctly forecast during contract negotiation, and that where the trend suggests that demand is exceeding capacity there are processes in place to manage this deviation

As discussed above, the national timeline for MHS tariff has slipped from 2014/15 but locally, CCGs are keen to develop shadow prices and service line reporting as a precursor to the introduction of tariff arrangements for community services. NELFT will seek to minimize risk from this process through effective data capture.

Some of the area specific issues are considered below

a) London wide

NELFT's mental health inpatient bed base has significantly reduced in recent years as Home Treatment Teams have become highly effective at managing service users in their own homes. This has led to shorter average length of stays and increased acuity on inpatient wards, along with patients being discharged with more intensive care co-ordination requirements, thus impacting on community MHS teams' capacity for less priority work. There is a general rise in demand on demand on the Older People's, Access and Community Recovery Team services, due to higher numbers of patients presenting with mental health illness. Referrals to our MHS services have risen significantly (e.g. in Barking and Dagenham by 11%) compared to the same period over the previous year and projections suggest that there will be significant increases in the population across all the of the boroughs over the next few years.

A reduction in local day-care support and vocational support services has reduced the opportunities for patients with mental health conditions to secure employment, education and training for MH patients, which in turn impacts on social inclusion and the acuity of their illness. Similarly, the raising of thresholds and changes to eligibility criteria for accessing other services results in less support for patients with complex MH issues, which has a further impact upon our services.

Over the next two years, we will continue to explore opportunities for the expansion of the home treatment service and will redesign the current bed configuration to reduce the number of older adult beds, as current bed occupancy indicates that there are too many in our system.

This will form part of our wider response to the national priorities laid out in *'Closing the Gap: Priorities for essential change in mental health*', which can be broken down into four main areas:-

- Increasing access to mental health services
- Integrating physical and mental health care
- Early health promotion and prevention
- Improving quality of life of people with MH problems

As is the case across the country, we are also struggling to meet the demand for Child and Adolescent Mental Health Services tier 4 services. There is a nationwide shortage of beds, which places pressure on services when a younger person needs to be admitted. We will work with commissioners to explore opportunities to provide services that reduce the need for admission, to help alleviate the pressures in this critical area.

A further challenge for the whole outer north east London economy is the drive to reduce the community bed base, and treat more people in their own home. The next year will involve evaluation through service performance and patient satisfaction to clarify the viability and efficacy of an innovative model for the patients we provide these services to.

There are three main services in this model:-

- Integrated Health Team (IHT)

This is a multidisciplinary team of nurses, therapists, support workers, a mental health link worker and administrative support staff, delivered at a locality level, supporting a group of GP practices. These teams will continue to deliver the existing provision of community nursing and therapies but will be consolidated into one team with a link mental health worker. Any patient referred to the IHT will have a named health care professional who will be responsible for ensuring the patient's care is appropriately coordinated for their needs.

- Intensive Rehabilitation Service (IRS)

This is a multidisciplinary team, specifically tailored to provide rehabilitation support in patients' homes. This will be operationally managed at borough level due to the economies of scale required to deliver the service efficiently and with the number of patients who would flow through the service at any one time. The current levels of proposed need would mean that this service not be viable at a locality level.

- Community Treatment Team

This team will provide crisis intervention to manage patients for up to 72 hours or, dependent on clinical needs, delivered via a community spoke at a locality level with acute hubs in Queen's Hospital and King George's Hospital. The team will consist of a medically led multidisciplinary team and would also be able to admit a patient to a community bed, therefore offering a step-up function.

The anticipated impact will be managed within existing resource which is being configured with support of BHR CCGs to facilitate local conversations with adult social care and primary care and acute providers.

We will have ongoing discussions at both a GP and CCG level regarding the monitoring of

performance to help shape the service at a local level.

A further major issue for NELFT over the next two years is the significant growth target that has been set for health visitors in post, at a time when there is a national shortage of qualified health visitors and a local picture of historical vacancies within such posts. A large volume of student health visitors and newly qualified health visitors creates potential quality risks as the established, more experienced health visitors, become more involved in training, mentoring and acting as preceptors.

To mitigate this, we are taking the following actions:-

- The trust is taking a proactive approach to recruiting health visitors, including a national recruitment drive and increasing student health visitor placements to grow the workforce. We have linked closely with NHS England and Health Education England to ensure we meet our growth trajectory targets; an organisational recruitment implementation plan in place which is monitored through the NELFT Senior Leadership Team, and is sponsored by the Chief Nurse.
- We are proactively working with LBBD children's and public health commissioners to co-design an integrated early years service delivery model, which will see health visitors aligning with children's centres. This will ensure services are joined up so that when children and families are identified as requiring additional support, they receive the right evidence-based interventions which are delivered as part of an integrated package of public services.
- We are offering a structured mentorship and preceptorship programme, which includes restorative supervision for health visiting staff across all levels of the skill mix structure.

b) Barking and Dagenham

As discussed above, the closure of the Broad Street Walk In Centre (WIC) and the associated development of a revised service specification for the Barking Community Hospital WIC that we provide is also a risk to the organisation over the next two years. Proposed changes to financial arrangements to a tariff payment model could disadvantage NELFT, depending on final tariff/block payments agreed through contract negotiations.

To address this risk, the trust will closely monitor attendances at Barking Community Hospital WIC following closure of Broad Street WIC, to identify capacity issues early and plan for workforce and skill mix changes to manage additional growth within available financial resources

More generally, we continue to have discussions with LBBD and the CCG for managing rising demand within available resource allocations as part of community contract and section 75 negotiations. As part of these discussions, there will be a review of whole patient pathways with health and social care stakeholder partners to seek opportunities for enhancing partnership and integrated service delivery models.

c) Havering

Havering CCG has requested the presentation of a business case to support the under resourcing of paediatric services in the borough to review skill mix and review of the whole pathway which is currently provided across multiple providers.

Increasing demand against underfunded services in Havering CCG are impacting on the ability to meet referral to treatment for children's targeted services. We believe that one of

the ways to mitigate against this rise in demand is the commissioning of a new child development centre, such that the co-location of services would enable the future model to be provided in the most efficient way possible. The London Road site in Havering should be operational by winter 2014, and will provide a new, state of the art facility for children requiring access to both community paediatric and CAMHS services for complex conditions such as autism and ASD.

d) Redbridge

Within Redbridge, a working group led by Council Members with co-opted attendance from Redbridge Interface Parents Forum was established. The group met between February 2012 and December 2013, and contributions were made to the process by NELFT, Redbridge CCG, Public Health and the London Borough of Redbridge Children's Services.

Although a report is due to be published in April 2014 under the title of the Health Needs of Disabled Children Scrutiny Group, there are 22 draft recommendations as to how services for disabled children and young people could be improved within Redbridge over the next two years. These are broad ranging recommendations and among them are recommendations that a process to coordinate the care of disabled young people between agencies should be put in place and that a Children with Disabilities Centre (CDC) be established that accommodates both CAMHS and the current CDC in one place as a joint service provision.

Over the twelve months between April 2014 and March 2015, we will initially pilot and then implement a process of care coordination for children and young people with disabilities who are provided with care by our organisation. This will see each child allocated a named worker who will identify with that child and their parents what their needs are and how these will be met. The named worker will be charged with producing an overarching care plan that details the care the child will receive and coordinate all agencies involved in that care.

Although this will place additional demands upon our children's services, we believe that the development of a named worker, coupled with the premises developments outlined earlier in the section on the challenges for Redbridge, will minimise duplication of services in the medium term.

e) Waltham Forest

One of the areas where demand is currently exceeding capacity within Waltham Forest is community nursing. This has been acknowledged by the local CCG, which has led a process for developing a joint Community Nursing strategy for the borough. The historic under investment in community nursing within the borough has been recognised within this strategy, and we will work with partners to deliver the transformation required in the services, including:-

- The delivery of 24/7 community nursing services, a single point of access for services, integrating fragmented nursing teams, and integration across disciplines around localities.
- The development of our Integrated Case Management (ICM) continues to be a high local priority, to reduce hospital admissions.

Significant new investment will be made to deliver these strategic intentions.

Our mental health services in Waltham Forest are under significant pressure as demand for

services continues to increase. Waltham Forest CCG has published a mental health strategy which sets out local strategic priorities, and in response to this strategy, we will be focusing on the following priorities in the borough:-

- Expansion of the assessment functions to improve the speed at which people get access to routine treatment.
- Improve the interface between teams and ensure that service users are receiving the appropriate level of service to meet their needs.
- A reduction in attendances and waiting times for mental health presentations at the Emergency Duty Department at Whipps Cross Hospital to reduce length of stay and readmissions to acute hospitals where mental health is a contributory factor.

Another major strategic priority is to further develop Improving Access to Psychological Therapies (IAPT) and to deliver the associated national targets. Significant new investment into NELFT has been agreed by commissioners to support this.

The priorities for children's services in Waltham Forest are to integrate care pathways for children with complex needs in order to simplify access to service, thus reducing duplication and promoting clinical excellence to counter the anticipated rise in demand. As with other boroughs, Waltham Forest is required to deliver the Call to Action targets on health visiting, which will place pressure on the Trust to recruit a large number of additional health visitors to the area.

f) Basildon and Brentwood

In Basildon and Brentwood unplanned care spend continues to rise and extensive population changes are expected in the next two to six years. This will require joint planning of services between health and social care partners to ensure we provide the right care in the right place at the right time. We have a number of areas where services are being decommissioned and/or re-tendered in 2014/15, and this may cause a challenge where the remaining service is small and possibly not cost effective to deliver alone.

In order to manage these demands, the following actions will be taken across the local health economy:-

- A review of local service provision against the findings in the Joint Strategic Needs Assessment will be undertaken, to identify areas for change.
- Improved joint working with health partners will be developed, particularly with general practice and social care, to provide a more co-ordinated service to our patients
- Further work with local partners will be undertaken to develop single pathways of care with choice for patients.
- Work with local health and social care partners will be undertaken to ensure that we empower our patients by agreeing a named professional/care co-ordinator.
- We will strengthen the link between physical and mental health conditions and the provision of holistic care to patients

g) Thurrock

In Thurrock, there is an increased prevalence of long term conditions and related use of unplanned care for this patient group. Commissioners are keen to ensure that by increasing the range of services available to these patients, based on their on their needs at different stages of their disease and helping them with self- management of their long term condition,

there will be a reduction in unplanned care.

Focusing on older people will allow both the CCG and Adult Social Care services to pool funds over and above Thurrock's Better Care Fund allocation, which helps us support integration.

NELFT, working with the CCG and the Council, will continue to:

- Put the patient/public/service user's voice at the centre of its service planning and decision making.
- Build a network of prevention and early intervention through Local Area Co-ordination and Asset Based Community Development (ABCD)
- Deliver further integration with social services
- Support stakeholders in their joint commissioning of services that support primary care and avoid hospital admissions

In the south west Essex health and social care economy, extensive work is also being undertaken on specific pathways for children, sexual health and health improvement services to ensure that we provide efficient and effective services to meet the needs of our local populations. Priority areas for change have been identified in commissioning intentions and plans are being finalised.

2.4 Productivity and efficiency

Based on the initial planning guidance issued last autumn indicative CIP targets of £13m for both 2014/15 and 2015/16 have been set. As clarification of the financial issues faced by the trust has emerged and allowing for a reduction in the planned surplus, the level of CIP required for 2014/15 has been set at £9.0m. For 2015/16 the Trust continues to plan on the basis that further efficiencies of 4% will be required and that further CIP of £13m will need to be identified.

In view of the current financial climate, NELFT has been required to deliver CIP for several years. In addition, under the recent transfer arrangements of North East London Community Services additional savings have been required under these contracts. CIP identification has been further constrained by the number of services that commissioners are currently planning to re-tender. Working with operational managers, a number of CIP schemes and initiatives have been identified. Those schemes with an initial red rag rating have been excluded from the plan at this stage and will be the subject of further consideration. The remaining schemes have been summarised under a number of work streams as follows:

	2014/15			**2015/16**
Scheme / Initiative	**Amber £000**	**Green £000**	**Total £000**	**£000**
Income Generation	150	100	**250**	**25**
Out of Area	50	400	**450**	**400**
WIC	0	100	**100**	**0**
Admin Review	200	160	**360**	**370**
Service Integration	30	260	**290**	**280**

Estates	88	48	**136**	**1,550**
Inpatient Reconfiguration MHS	678	0	**678**	**1,238**
Medical Staff Review	0	180	**180**	**180**
Procurement	220	1,052	**1,272**	**620**
Skill Mix Review	250	2,637	**2,887**	**812**
Management Integration	0	337	**337**	**400**
Support Functions	86	463	**549**	**800**
Reduction in use of agency staffing	585	50	**635**	**1,100**
Miscellaneous	207	669	**876**	**800**
To be identified	0	0	**0**	**4,425**
	2,337	**6,456**	**9,000**	**13,000**
	26.0%	**71.7%**		

The focus for 2014/15 has been to identify further efficiency opportunities and to commence a series of strategic transitional projects that will then form the basis of the 2015/16 CIP relating to:

- Agile working – this embraces both the physical and digital "workplace" in empowering and supporting people to work where, when and how they choose to maximise their productivity and innovation, and ultimately to deliver best value to our organisation. This is a model that has been successfully adopted elsewhere and it is intended that such expertise will be brought in to drive this agenda forward.

  The approach will be to offer every employee choice and empowerment around where and when they work, as long as their job can be done. For NELFT, this will mean enabling staff members to deliver patient care using flexible working practices including mobile and remote working to better manage their time, and not necessarily be attached to a specific work location. Agile working will not suit all staff, due to personal circumstances or the role they undertake, however, agile working will be available to all trust staff as a concept in order to maximise efficiencies of services provided by the trust.

  Significant investment has been made in mobile technology over the past couple of years. Following successful sites visits elsewhere the next stage will be to secure external expertise to facilitate the organizational changes required to deliver.

- Estates rationalization – it is believed that through the adoption of agile working practices and supported by mobile technology, staff can work more efficiently. This should lead to a reduction in office-based work and should enable the Trust to rationalize its existing estate and to provide buildings that suit the new working practices. Opportunities are already being taken to build agile working into building adaptation schemes.

- Agency expenditure – through the continued expansion of the internal bank, the continued role out of e-rostering, the adoption of agile working practices and new technology and the review of existing staff cover arrangements it is intended to reduce the trust's annual expenditure on the use of agency staff.

- Opportunistic Growth – opportunities to expand and grow the existing business will arise as commissioner put new and existing services out to tender. Furthermore NELFT works with its existing commissioners to pilot and develop new services. Increasing the service base will enable further productivity gains to be achieved particularly in the clinical management and corporate functions.

- Private Market – additional income can be generated by selling additional services and / or facilities, such opportunities will be further explored.

- Strategic Change in the NHS Market – with the need to find savings across the NHS and the wider public sector the focus of health care will move away from an acute to a community focus. The commissioning of services at the interface with Social Care will through the Better Care Fund will transfer to local authorities from 2015/16. These present further opportunities for NELFT to either grow its services and / or to work collaboratively with partners to increase efficiencies across pathways. The recent move to a borough based directorate structure has strengthened relationships with our CCG and Local Authority partners.

All of the CIPs have undergone a process of clinical risk assessment. This was first completed at a locality level led by the relevant Associate Medical Director, senior nursing and therapy leads and the Integrated Care Director. Potential clinical risks were identified against the six CQC domains – Are they safe? Are they effective? Are they caring? Are they well led? Are they responsive to people's needs? – and local mitigation plans agreed. The six locality CIPs clinical risk matrices, mitigation and associated tracking measures were then further reviewed by the Executive Medical Director and Chief Nurse. This review included a wider organisation wide perspective. Potential clinical risks largely relate to the Well Led domain in relation to work pressures and ability to maintain full engagement in appraisals and Personal Development Planning processes, and within the Caring domain in relation to potential impacts upon patient experience and the need to carefully monitor feedback and complaints. Each CIP will continue to be monitored by locality teams against the potential clinical risk areas identified.

3.0 Operational Plan

3.1 Supporting financial information

Across health and social care, in addition to raising the quality and standards of services, there is a challenge to close a potential funding gap of £30bn by 2020/21. Monitor estimates that all NHS providers need to make real efficiency savings of at least 2% every year as part of their contribution to this. Additionally, providers and commissioners will need to work together to redesign care pathways across local health economies which will form part of our two and five year financial planning requirements.

The projected financial position of the trust for 2013/14 has again surpassed its plan. At month 11 the trust is reporting a favourable variance of £14.8m, which includes profit on asset sales of £8.0m. This represents a surplus on our plan as at February of £1m. In terms of our forecast outturn we expect our surplus to be c£7.3m (net of asset sales) which will be £1.5m in excess or our plan for the year.

Our cash efficiency programme this year has slightly under delivered with the expectation that cash savings will report a delivery of £16.6m or 93% of the target.

The trust's cash position is very healthy reporting 30.7 liquidity days at February. We expect to maintain this for the end of the year.

This represents an overall outturn of 4 on our Continuation of Service Risk ratings with the debt service cover rating reporting 3.97 and liquidity days of 30.7 both equating to a 4.

The 2013/14 Forecast and 2014/15 and 2015/16 Planned Income and Expenditure positions are summarised as follows:-

NORTH EAST LONDON FOUNDATION TRUST Summary Income & Expenditure Position			
	2013/14	**2014/15**	**2015/16**
	£000	**£000**	**£000**
Income	326,645	329,901	325,341
Expenditure (incl. Reserves)	(309,202)	(319,253)	(312,700)
EBITDA	**17,443**	**10,648**	**12,641**
Capital Charges	(5,274)	(7,715)	(9,691)
Interest Receivable/Payable	(676)	(683)	(700)
Continuing Operations	**11,493**	**2,250**	**2,250**
Non Recurrent Expenditure	(2,660)	(4,169)	(4,000)
Gain / (Loss) on Asset Sale	6,487	(31)	0
Total Income & Expenditure Position	**15,320**	**(1,950)**	**(1,750)**

There is the expectation that, as has been the case this year, there will be non recurrent / spend to save / restructuring costs that will be developed in year to allow us to manage change, develop transformation, manage risk and meet the costs of restructuring. These will be one off costs that will end at a predetermined time that will not be part of the trust's costs of continuing care but will allow the trust to spend its cash reserves in a productive way.

3.2 Projected income and alignment with commissioner intentions/plans

NHS England and Monitor are now responsible for the NHS payment systems. In the published 2014/15 National Tariff Payment System they have indicated that the nominal price adjustment (deflator) for acute services will be 1.5% and 1.8% for non-acute services. This means all providers are expected to provide the same level of services, unless otherwise commissioned, at a lower cost than in the previous year. The application of the NHS deflator by local commissioners has resulted in a £4.9m reduction in contracted income and a similar level has been assumed for the 2015/16 NHS deflator.

With a few exceptions, the majority of income remains under block contract arrangements.

In 2014/15 Mental Health services will continue to be under block contract arrangements, with Mental Health care clusters operating in shadow form. NELFT will be adopting a single "trust" price; however our activity and price information will be shared with commissioners to inform their contracting arrangements for 2015/16.

Interim tariffs for Postgraduate Medical Education will be introduced from April 2014. Initial calculations suggest that NELFT should gain financially under these arrangements, although this will be phased in over a number of years.

3.3 Anticipated costs

Provision has been made in 2014/15 of £4.3m and in 2015/16 of £4.9m for the additional costs that will arise from pay awards, pay increments and non-pay inflation. The pay provision is based upon the recently announced two year pay award, whereby staff will either receive an annual increment or a 1% unconsolidated payment. Additionally, in 2015/16 allowance has been made for the increases in employer's pension contributions. Specific non pay provision has been made in respect of drugs (5%), PFI contracts (5%), utilities (7%) and other generic increases for non-pay.

As part of the 2014/15 budget setting process, we have identified cost increases outside of inflation which we consider cannot be reasonably avoided and have included these as internal cost pressures. This means that budgets allocated to services are realistic and can better predict actual costs. Our leadership teams have identified and agreed cost pressures within the services that they are responsible for. Furthermore, additional costs arising from trust wide responsibilities and initiatives have also been identified. Internal cost pressures currently total £2.3m and includes;

- Electronic Patient Record system (RiO) replacement and related data centre hosting
- E-Rostering
- Datix and 4 Risk
- Mobile working annual charges
- Increase in the provision for the replacement and maintenance of desk top and mobile computers etc.
- Reduced income for High Cost Area supplements

Whilst the above cost pressures will not be repeated again in 2015/16, it is inevitable that additional issues will arise. A provisional figure of £1.3m has therefore been included.

At the demise of Primary Care Trusts, last April a number of properties and other assets were transferred to NELFT. Furthermore, following a recent revaluation of all our land and

buildings, their value has increased by some £10m. Based on the current portfolio of assets, annual depreciation charges have been recalculated and the budget increased by £30k. A further provision of £320k has been made for the additional depreciation charges in 2014/15 arising from the capital programme. For 2015/16 this charge will increase by £740k with a further £740k arising from the depreciation through the application of the Safer Hospitals, Safer Wards Technology Funding that has been made available to us via a successful bid to NHS England.

The asset base also impacts on the level of PDC that the Trust is required to pay. The forecast for 2014/15 is £3.7m and for 2015/16 is £4.1m.

As has been the approach this year, NELFT intends to use its historic cash balance to invest in one off initiatives. This will include a continuation of some schemes started in 2013/14 through to their end dates, transitional and implementation costs arising from the Electronic Patient Record system (RiO) replacement, related data centre hosting and a number of other potential investments.

Taken together, the sum of the above issues equates to £12.97m (4.0%) in 2014/15 and a further £13m in 2015/16. In seeking to fund these issues, we have taken the view to reduce the pressure on services to deliver cost improvements through reducing the level of the planned surplus. Starting from the 2013/14 surplus the table below summarises the impact of the above issues on our financial position and based on achieving a £2.25m surplus the final level of CIPs required for 2014/15 and 2015/16.

	2014/15 £000	**2015/16 £000**
Previous Year Surplus	5,823	2,250
RAID (funded non recurrently by NELFT in 2013/14)	397	
Income deflator	(4,860)	(5,000)
Cost Pressures;		
- Pay Awards	(1,199)	(1,450)
- Incremental Drift	(1,199)	(1,200)
- Employer's Pension Contribution	-	(700)
- Non Pay	(1,857)	(1,500)
- Local Cost Pressures	(2,282)	(1,285)
- Capital Charges (PDC & Depreciation)	(1,031)	(1,865)
- PC / Mobile technology	(300)	-
General risk provision	(241)	-
Cost Improvement Programme	9,000	13,000
Closing Surplus	**2,250**	**2,250**

3.4 Capital plans

The sum of £9.8m has been approved by the Board for the annual capital programme for 2014/15. This includes planned expenditure for the development of new capacity and the reconfiguration and upgrading of existing buildings and IT infrastructure to support the needs of the trust's clinical service provision. We are planning to spend a further £14m in 2015/16.

Expenditure will be financed from the annual capital allocation derived from the trust's internal resources and the proceeds of planned surplus site sales.

NELFT has recently been advised that it was successful in securing an additional £3.7m capital following an application to the Safer Hospitals, Safer Wards Technology Fund. This

will be used to procure and implement an inpatient prescribing system, integrate e-prescribing system with the electronic patient record (EPR) and, with other trusts across our local health economy, develop better integration of clinical records across social services and primary care (through use of NHS number as the unique identifier). The second part of this bid related to establishing a portal and data sharing platform that supports the needs of the organisation and enables links with the local health economy.

3.5 Liquidity

The trust's forecast cash flows up to March 2014, March 2015 and March 2016 provides for balances of £55.8m, £48.1m and £39.7m respectively at the end of each financial year. Expected movements in the cash flow are summarized as follows;

	2013/14	2014/15	2015/16
	£000	£000	£000
Opening cash balance	**43,519**	**55,797**	**48,143**
EBITDA	17,443	10,616	12,641
Non recurrent expenditure	(2,660)	(4,139)	(4,000)
Working capital	(786)	60	2,185
Interest income	148	136	99
Capital cash flow	(7,647)	(9,727)	(14,219)
Asset sales	8,772	160	0
PDC dividend	(1,959)	(3,728)	(4,113)
PFI interest payable	(837)	(817)	(799)
PFI capital payments	(196)	(215)	(236)
Closing cash balance	**55,797**	**48,143**	**39,701**

The opening and closing statements of financial position for this and the next two years can be summarised as follows:-

	2013/14	2014/15	2015/16
	£000	£000	£000
Non-current Assets	137,120	146,442	154,864
Current Assets	66,647	56,381	47,529
Current Liabilities	(32,673)	(30,566)	(32,538)
Non-current Liabilities	(12,926)	(12,339)	(11,687)
Taxpayers Equity	(158,168)	(159,918)	(158,168)

3.6 Risk rating

The revised financial metrics now focus on the financial sustainability of trusts. In preparing its financial plan, we will be achieving a financial metrics rating of 4 in 2014/15 and will be seeking to maintain this in 2015/16. This is the best possible score under the revised metrics.

The trust adopts a stringent financial planning process that seeks to identify and make provision for all known financial cost pressures. As part of the financial planning process an assessment has also been made of the possible risk that might impact upon the achievement of our financial targets with the key risks being;

- Delivery of the cost improvement programme
- Failure to achieve CQUIN and Key Performance Indicators resulting in financial penalties CQUIN and KPI are currently in negotiation – CQUINs will have a 2.5% financial penalty and KPIs 1% of a proportion of the CCG contract. This year, we have performed well on both, only marginally failing to a total penalty level of £200k against a total value of £6.7m.
- Medical and health visitor agency costs
- Lose of services in year arising from commissioners intentions to tender
- Overspend risk relating to a move by PropCo to use market rents
- Introduction of MH tariff from 2015/16

In 2014/15 Mental Health services will continue to operate under a block contract arrangement. To minimise the financial risk associated with the implementation of the MH Tariff for 2014/15, a Memorandum of Understanding has been agreed between commissions and providers.

NELFT will continue to work closely with commissioners throughout 2014/15, to improve accuracy, quality and data of the clustering and financial information to enable the implementation of cluster based commissioning from 2015/16, with a risk share arrangement in place in order to reduce the financial impact.

In 2015/16 the main areas of concern are activity in clusters 1 – 3, expired clusters, and the impact of a single price tariff. We have improved the clustering accuracy during 2013/14 which has reduced the activity in clusters 1 – 3, and reduced expired clusters. We will continue to prioritise this in 2014/15, ensuring prices are adjusted to reflect the most accurate position. We are assessing the impact of a single price for the trust, and will work with commissioners during the shadow year, in order to assess the impact by CCG, to enable the trust to work towards a single price.

In order to mitigate the materialisation of these and other financial risks, monthly senior management meetings between the Interim Executive Director of Finance (including financial advisors) and Directorate and Corporate teams are held to ensure ownership and accountability for both financial performance and financial risk mitigation. Furthermore, on a monthly basis each risk will be re-assessed for both likelihood and impact and a probability score calculated. The impact of financial risk has been tested and these are detailed at Section 4.