Operational Plan Document for 2014-16

Royal Free London NHS Foundation Trust

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

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

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Date	31 March 2014

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

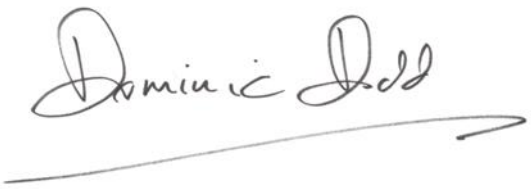
In signing below, the Trust is confirming that:

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

Approved on behalf of the Board of Directors by:

Name *(Chair)*	Dominic Dodd

Signature



Approved on behalf of the Board of Directors by:

Name *(Chief Executive)*	David Sloman

Signature

Approved on behalf of the Board of Directors by:

Name *(Finance Director)*	Caroline Clarke

Signature

1.2 Executive Summary

1.2.1 Status of this plan

i/ The plan's scope and its relationship with Barnet and Chase Farm

As discussed and agreed with the Monitor team, this plan relates to the current configuration of the trust for the first quarter of 2014/15, and thereafter to the combination of the Royal Free and Barnet and Chase Farm Hospitals NHS Trust (BCF). This reflects the assumption that the acquisition of that trust will take place on 1 July 2014.

It is clear to the board that a larger scale of operations is needed in the future, for the following main reasons:

- an increasing amount of evidence suggests that larger clinical units produce better outcomes for patients, especially where individual teams of clinicians manage more cases of a defined group of conditions or procedures;

- quality standards are favouring more consultant presence and service delivery, which in turn relies upon much bigger clinical departments; and

- larger scale operations tend to offer lower unit costs, although only if organised to do so.

Most of our objectives will be advanced, some very significantly, by the acquisition, and none will be compromised. Regarding our world class care commitments the acquisition enables our organisational values to benefit a much larger number of patients and staff.

The content of this plan is in practice the first two years of an integrated 2014/20 business plan (IBP) and associated long term financial model (LTFM) that we have been developing since early 2013 and which incorporates the business case for the acquisition. That IBP is the successor to the 2011/17 version that was completed in July 2011. During 2013 the council of governors has remained briefed on the analysis behind and the detail of the five year plan, and in March it considered a draft of this operational plan.

Some minor changes to the financial figures in the new IBP/LTFM reflect the most recent 2013/14 trends and more detailed work on the 2014/15 budgets, income negotiations and integration plans, but the priorities are unchanged.

ii/ Joint planning with commissioners

Our 2014/20 business plan has been developed with our commissioners in frequent and detailed discussion on the following aspects:

- planning assumptions, for example on demand;

- patient pathway redesign; and

- income assumptions (after commissioners' own savings plans).

That does not mean that we and our main commissioners expect their financial plans to show the same figures, but our respective financial assumptions are reconcilable.

The 2014/15 contract negotiations began later than usual. The position as at late March 2014 is that some provisional contract offers have been made to the Royal Free.

1.2.2 The board's strategy and objectives

The board's five governing objectives remain unchanged, although the fourth has been re-expressed to emphasise the importance of safety, thus:

excellent outcomes: clinical, research and teaching

excellent experience: for patients, staff and GPs

excellent value

safety and full compliance

a strong organisation.

These objectives provide the structure for all that we do – planning and annual objectives, strategic risk management, operational delivery.

All staff of the Royal Free are expected to operate according to our world class care values, and all future staff will be expected to do so. Those values are:

positively welcoming

actively respectful

clearly communicating

visibly reassuring.

The board has since 2011 been pursuing an explicit strategy that will bring progress towards the governing objectives. Our six development themes that express that strategy in both service and financial terms are:

extending the role of a major acute provider

being a network and system leader, and the surgical hub

being a leader in the academic health science system

being experts in integrated care

reducing unit costs

gaining new markets and income sources.

1.2.3 Principles of good integration

The acquisition of BCF and its integration into the Royal Free organisation will be a significant feature of

this operational planning period 2014/16. From the start of the process the board adopted ten principles of good integration, which will continue to guide our approach. They are shown in table 1 below.

Table 1 Ten merger principles

Our principles for a successful new organisation
Build the new organisation from our complementary strengths; ensure we are stronger together.
Focus on driving improved outcomes for patients at a lower cost to the taxpayer, developing integrated care models where effective.
Reward people on merit, without bias to the organisation they come from.
Ensure those implementing plans understand the rationale for change and their role.
Maintain a firm adherence to these principles in all parts of the organisation.
Ways of working during the transaction
Ensure fast, pragmatic and fact based decision making that, where appropriate, is backed by independent assessment, to ensure we reflect on choices and identify trade-offs.
Communicate openly, honestly and frequently; engage our stakeholders, including BCF, in constructive, two-way dialogues.
Manage the transaction as a discrete process – separate from the day job and separate from existing change programmes, eg the BEH strategy*.
Manage the cultural integration with the same discipline and rigour as the operational and financial integration.
Start as we mean to go on – clearly planning the future of the three hospitals from the outset – not just once we have created the new organisation.

* BEH strategy = Barnet Enfield Haringey clinical strategy

1.2.4 Objectives of this two year plan

The corporate objectives in 2014/15 are as follows.

Continuing to ensure that patient safety is our priority, whilst successfully integrating the two organisations.

Define dates by which the national standards on 18 week waiting and accident and emergency four hour waiting will be achieved at BCFG; otherwise achieve in all quarters of the two years a "green" governance rating, and a continuity of services risk rating of 4.

An ambitious but achievable QIPP (savings with quality improvement) and synergies programme that delivers better value and productivity for the two years.

An objectively prioritised and justified investment programme, together with the submission of a major business case, designed to further our strategic plans.

Working together with commissioners and other partners to implement the integrated care plans with new patient pathways and effective demand management.

These annual objectives will be reviewed for 2015/16.

The detailed quality priorities (see also 1.3.2) will be agreed shortly after discussions with stakeholders are complete.

1.2.5 Board statements

This year the prospective board statements are not required as part of the annual plan submissions to Monitor. We will provide our statements as required.

1.3 Operational Plan

1.3.1 The short term challenge

The operating environment for the combined trust is likely to have the following features:

-reduced real terms public spending, minimal (formally 0.1% per annum) or no growth in NHS spending, and the need for real terms cost reductions;

- a continuing marked increase in population in Barnet and Enfield, with lower but still significant, increases elsewhere in the combined catchment;

- a continuing significant increase in the number of 85 year olds and older, bringing additional demands for complex acute and chronic condition services, outgrowing the effects of demand management; and

- expectation by the public and the health regulators of higher standards, and lower tolerance of poor service or outcomes.

The financial positions of Barnet CCG in particular, and Enfield CCG to a lesser extent, further confirm that our strategy of helping local commissioners to save costs and achieve their savings programmes must continue in such a way that improves the outcomes and experience for patients. NHS England will consult on a new strategy during 2014, partly in order to address the still increasing demand for specialised services. Meanwhile those clinical commissioning groups (CCGs) without such serious current financial challenges instead face reductions in their spending power in the years ahead as allocations change.

The creation of the Better Care Fund to be managed as a pooled budget will transfer CCG mainstream funds in year 1, and especially year 2, of this plan. Whilst this will add to the pressure on CCGs' budgets, funding services that take pressure out of the acute sector, identifying people at greatest risk of hospital admission, and providing community and preventative services will all be important new benefits. The fund may for example be applied to seven day working, the use of the NHS number for data sharing, and providing information and advice. This is to support and maintain preventative social care services, without which more people would be requiring NHS services. We are involved with local CCGs and local authorities in developing local priorities for the fund's application. Thanks to the new funding formula, those local CCGs with the greatest population pressures will have benefited marginally up to year 2 of this plan even after the effects of each transferring up to £15m of core funding to the Fund.

Other important political, economic, social and technological (PEST) forces in this period include:

- the need to design and deliver projects that save significant levels of running costs, some requiring a longer timescale for planning and achievement; and
- continuing changes to the NHS system (including in the payment and in the competition rules and processes), requiring repeated adjustments in our operating, regulatory and planning relationships.

Our responses to some of the more fundamental short term challenges are shown in table 2.

Table 2 Responses to selected PEST factors

PEST expectation	requirement	action
variation at the lower end of quality will be challenged	to know where there is variation in the quality of the expanded trust's services	apply the Royal Free's quality governance process, modifying it to suit BCF's portfolio and challenges
higher quality and safety standards	to have achieved higher standards before they are imposed	continue to reach for top decile clinical outcomes and experience
advances will continue to be brought into clinical practice	using good evidence to decide what advances to bring into clinical practice	maintain and extend a high performing drugs and therapeutics committee with associated clinical governance overseeing new practice

The fact that the major new operational task, in year 1 of this plan especially, will be the safe and successful integration of the two organisations means that this plan is dominated by aspects of integration planning. Progress with our service line strategies will however not stop, tending rather to be energised by the bringing together of large groups of clinical staff. The long term development of certain specialist services, such as vascular, renal, liver and non malignant haematology, will continue. Research advances made in at the Royal Free areas such as reconstructive surgery and regenerative medicine are expected to start to come into clinical practice later in this planning period.

In this period too we will start to construct a new and larger accident and emergency department at the Royal Free Hospital, replacing in stages an increasingly busy part of the hospital, and incorporating an acute short stay unit. This development will provide both the best combination of assessment resources for acutely ill patients and resources to return patients to their home with the necessary support.

1.3.2 Quality plans

Our quality governance plan will guide our processes and priorities during the integration period and beyond.

The leaders of the integrated organisation will be visible at all levels, from the board to the ward, exercising clear, ethical and patient centred leadership in support of our governing objectives.

Our new structures, built on clinical service lines and operating across the trust whilst also ensuring strong day to day operational control at each site, will ensure that there is strong and stable leadership before, during and beyond the period of change. There will be measures to increase the visibility of leaders across the organisation and to help build trust, for example by extending the Royal Free's "Go see" visit programme across the expanded trust or by learning from and adopting the practices used in Barnet and Chase Farm "Go see" visits, which are well regarded by staff.

Our leadership development programmes ('License to Lead and Manage', 'Clinical Directors' / Service Line Leads' Development Programme') are built around the precise needs of our leadership teams, grounded in the trust's values and geared toward equipping those who lead with the skills needed to achieve our governing and strategic objectives.

The period of change could be a difficult, uncertain and stressful time for staff. Determinants of success include communicating continuously and well, and planning the details of the change so that everyone is clear what will happen, when and how, and that all transactions are carried out in an effective and timely

manner. We have already begun to work in partnership with staff side on a number of relevant policies.

We will maximise opportunities for staff engagement throughout the integration process and beyond, recognising that every interaction counts in building a truly engaged workforce. Particular focus will be paid to quality, safety, and the patient experience, whilst not neglecting the importance of improving the quality of the staff experience, in line with our governing objectives.

Our world class care values have taken root at the Royal Free and are becoming part of custom and practice. Barnet and Chase Farm's expressed mission is to "deliver excellent patient outcomes and care, of which patients, the public and staff can be proud"; this is consistent with our existing values. The acquisition provides the Royal Free with the opportunity to learn from Barnet and Chase Farm's thinking and culture, and to integrate the two teams into a shared culture, grounded in the Royal Free's world class care values. We will review our values, making adjustments if required to define the desired culture for the integrated organisation, will engage with staff to translate 'values into behaviours', and will run training and awareness campaigns across the organisation. The Royal Free has already embraced values based recruitment, and these processes will be incorporated into the wider organisation.

The world class care programme is complemented by our patient safety programme, with the two programmes collectively supporting our objective of achieving excellent clinical outcomes whilst improving the experience for our patients. The two programmes will also underpin our education and training strategy as we seek to improve the quality of care for all our patients.

The appointment of a fourth associate medical director with a specific remit for the user experience will bring greater focus to the wider aspects of the patient journey, and will help to drive improvements in the quality of all staff interactions with patients. The postholder will work closely with the workforce and organisational development directorate to identify and develop programmes to support teams in raising standards, meeting expectations and seeking continuous improvement.

The Royal Free's existing workforce and organisational development strategy has the objectives of driving innovation, skill and competency development, enabling people to deliver services to the highest standards, grounded in rapid advances in delivering care. The Royal Free provides education and training for two broad groups - students based at the trust / staff in training posts, and the trust's established workforce. The planned integration of all strands of education and training within the workforce and organisational development function will enable us to maximise opportunities for synergies and multi-professional development and training, whilst enhancing the quality of our educational programmes.

Our quality objectives for 2014/15 will be structured in the areas of:

- patient safety;
- patient experience; and
- clinical effectiveness.

The detailed definition of those objectives are currently under discussion amongst the stakeholders.

The trust's QIPP programme (see also 1.3.4.ii) will reduce costs and enhance productivity without compromising quality. We will therefore be maximising opportunities to reduce unit costs and pay spend

whilst minimising the reduction of overall staffing numbers, although it is accepted that there will likely be fewer people working for us year-on-year. We will do this through a number of programmes, including:

- benchmarking and reviewing staffing ratios in clinical and non clinical areas to identify efficiencies whilst maintaining quality;
- a drive toward a greater proportion of care being delivered by trained clinical and medical staff (as opposed to staff in training);
- skill mix reviews and the introduction of new roles and ways of working;
- a strengthened approach to the rostering and deployment of staff (including the introduction of e-rostering at the Royal Free and a move to structured, demand led departmental job planning and rostering of medical staff at all levels on all sites);
- an approach to appraisal, pay and reward that encourages and recognises performance in line with trust values and objectives (linked to, but not entirely dependent on, changes in national terms and conditions where these apply);
- a review to identify the right approach for education, training (including mandatory training) and development (looking at scope, remit, delivery and structure) for implementation post integration;
- greater management control of establishments through real time reporting and vacancy control, linked to workforce planning and redeployment processes, reducing the reliance on temporary workers;
- the aggregation of support services (shared, merged or outsourced, as appropriate); and
- the application of any freedoms arising from flexibilities or changes agreed to national terms and conditions for all staff groups.

1.3.3.Operational requirements and capacity

i/ Integration

Our integration plan will guide our processes and priorities during the integration period and beyond.

The acquisition will move the Royal Free from a single primary site provider to a multi-site organisation. Whilst no change is planned for clinical services for day 1, we anticipate that services will become increasingly integrated; services will be organised around patients, rather than institutions, reducing duplication and waste, whilst optimising the use of expensive resources.

The Royal Free is working with Barnet & Chase Farm to ensure that clinical safety and organisational stability are maintained for day 1 of the new organisation. A number of workstreams have been established to ensure the resilience of the enlarged organisation, including:

- trust wide operations;
- quality governance;
- corporate nursing;
- communications;
- estates and facilities;
- finance and commercial;
- IM&T;
- planning;
- secretariat; and
- workforce and organisational development.

Beneath the programmes there are a range of projects with allocated resource that report to the programme manager. Currently all the key posts within the project management office (PMO) and programmes are filled either by Royal Free staff or contractors reporting to Royal Free managers. For example the clinical and operations workstream has 11 sub-workstreams delivering a range of projects which will report up to through the programme manager. The programme managers report progress to the PMO escalating risks and issues where necessary.

There are four delivery boards accountable for delivering the programme plan in their area, ensuring the projects have clear remits, that delivery plans are progressing and that their deliverables are of appropriate quality. The delivery boards are:

1. Corporate
2. Wave 1 specialties
3. Clinical and operations; and
4. Quality governance.

The PMO is responsible for carrying out the co-ordinated organisation, direction and implementation of a range of projects and transformational activities associated with the integration. The PMO enables the achievement of outcomes and realisation of benefits that are of strategic importance to the business. The PMO provides a framework that integrates and reconciles competing demands for resources, providing a context and control framework for the projects of the programme to ensure safe and smooth running of services for the organisation on Day 1. It provides six main functions, as shown in table 3.

Table 3 – Main functions of the integration project management office

Align strategies, systems, structures and processes	To ensure that the priorities of the respective workstreams are aligned and make key decisions around sequencing and pace.
Management of Day 1 – Day 100 delivery objectives	Ensuring that the delivery groups, Operations, Quality Governance and Corporate are delivering the necessary products and meeting the agreed milestones to deliver a safe and successful Day 1 for the new organisation
Resource Management	Understanding the resource requirements of each workstream and how resource is being deployed against budget, where extra resource is required provide support in identifying solutions
Conflict Resolution	To manage the natural tension that exists between the delivery of i) corporate strategy ii) delivery mechanisms for change and iii) business as usual pressures in order to deliver the transformational goals and meet the needs of the organisation

Benefits Realisation	To manage the input deliverables which will release benefit according to agreed timescales reviewing tranches of benefits on an annual basis and monitoring throughout the period.
Stakeholder Management	To work closely with communications to ensure that all stakeholders are made aware of relevant information, both internally and externally, and that the messaging is correct.
Risk management	To manage risks which are identified by workstream leads and provide direction in the resolution of identified issues.

ii/ Operating structure

The Royal Free board is the enduring board for the expanded organisation. The board has revised its committee structure, partly so as to be able to lead the larger organisation. The model for clinical management, site management and functional departments has been designed, and circulated widely for comment.

iii/ Budget setting 2014/15

The Royal Free draft budget is aligned with the financial assumptions around Royal Free budget performance within the transaction business case. The outline budget, budget setting policy and savings targets for 2014/15 were approved by the trust executive committee. The key focus of the budget setting process for 2014/15 is the development of plans to deliver the substantial QIPP savings requirement, and the savings targets are incorporated into the budget.

The budget is in draft pending the conclusion of contract negotiations with the two trusts' main commissioners. If income agreed were lower than anticipated, further expenditure savings against revenue budgets would be required.

BCF is in the process of completing its budget setting process for 2014/15 within the same timeframes as the Royal Free. The budget will be incorporated into the annual planning template for the combined entity.

iv/ Service capacity and performance

Our quantified activity plans for the period to 2019/20 (of course increasingly uncertain for the later years) are based on planning assumptions that have been discussed with commissioners (see 1.2.1ii above). To those assumptions, common where relevant to both trusts' services, we have added the backlog of BCF patients awaiting treatment and the approach to reachieving the 18 week targets for local people. Full quantification of that backlog is due after the submission of this plan.

Year 1 of this plan will be the first full year of the two new operating theatres at the Royal Free Hospital, which were opened both to accommodate the centralisation of specialist surgery (such as vascular and renal surgery) and to keep up with existing demand. For the Royal Free we expect to breach in the first

two quarters of year 1 the target that 90% of patients who require admission for treatment should be treated within 18 weeks of their having been referred, but this is in the interests of ensuring that we sustain achieving the various waiting list targets from then on. Additional elective admissions will therefore be undertaken during those periods. Our commissioners are aware of our plans, and support them.

For quarter 2 of 2014/15 onwards we will identify the short and long term actions required to prevent breaches of the accident and emergency department waiting time target at Barnet Hospital. To resolve these problems we will build on the excellent relationships being established with partner organisations and localities in north London and Hertfordshire.

1.3.4 Productivity, efficiency and CIPs

i/ Clinical pathway redesign

The principles that we are adopting in developing and establishing the new clinical pathways with local commissioners combine standardised approaches, clinical triage by senior clinicians, the use of technology and the avoidance of those procedures defined by commissioners as being of low clinical effectiveness. These two years will see a large fraction of the common patient pathways redesigned in this way, including eight or nine in 2014/15.

These pathways are designed to improve clinical efficiency. All else being equal we expect that the number of out-patient referrals will fall, or at least not increase at the rate that population change would suggest, so helping CCGs to achieve their hospital demand reduction plans. The old fashioned and crude measures of out-patient reattendance ratios and consultant to consultant referrals will be replaced with clinically valid efficiency measures that relate to the new pathways' features and objectives.

ii/ QIPP programme 2014/16

Development of savings plans (see also 1.3.2) has been led by the Royal Free QIPP project management office supported by external advisers. The planning process has engaged clinicians and managers at service line level across both trusts. Savings schemes have been detailed in project initiation documents and have undergone quality impact assessments led by the medical director and the director of nursing.

Table 4 summarises the cost savings in our QIPP programme for the combined trusts for this period, excluding merger synergies. The savings target takes account of foreseen local cost pressures, the nationally defined reduction in prices paid by commissioners for our services, and the income plan for the two years.

The savings planning for the two trusts has been undertaken jointly, and so the table shows the savings effects for both trusts in quarter 1 of 2014/15, as well as thereafter.

Table 4 Cost savings plans for the combined trust 2014/16 including merger synergies

category	2014/15 savings £m (including 9 months	2015/16 savings £m

	of BCF)	
Income generation programs	6.0	6.9
Cost Improvement Programs	25.4	38.7
cost savings plan	31.4	45.6

iii Transformational QIPP schemes

The transformational schemes included within the programme to deliver benefits within 2014/15 are predominantly those that have been in development throughout the course of 2013/14. The three most significant are described below.

Review of patient administration support services (RPASS)

Both the Royal Free and Barnet and Chase Farm have been working with clinical and administrative colleagues during 2013/14 to design different models of clinical administration to ensure a substantially improved patient experience by creating patient navigators (at the Royal Free) / clinical offices (at BCF) which will provide a single point of access for patients in booking, co-ordinating and guiding patients through their pathway of care. Through the implementation of a range of technologies, including check in/out kiosks and voice recognition medical transcription, clinical administrative time is released to undertake such roles.

Electronic document and record management (EDRM)

This programme has been in planning stages for two years. All medical records across the trust will be digitised and available in real time across multiple locations, accessible by multiple users at the same time. This will enhance safety and quality through ready access to the complete record by clinicians, whilst reducing the need to cancel appointments and procedures where patients' notes are not available. This scheme is due for implementation at the Royal Free in the summer of 2014 and, following successful roll out, will then be extended across Barnet and Chase Farm's sites.

Planned investigations and treatment unit (PITU)

This extended elective ambulatory care unit, aimed at transferring former in-patient episodes to planned ambulatory pathways, was opened mid 2013/14. Following a period of double running of processes to ensure optimal design and implementation of new pathways, it is planned that overnight bed capacity will reduce in 2014/15 as a consequence of the new unit. It is intended that this model will then be rolled out across Barnet and Chase Farm.

During the course of 2014 / 15 development work will continue so as to secure the transformation programmes planned to be delivered in 2015/16 and beyond. These include the wave 1 transformation service lines programme, the joint pathway transformation programme with commissioners, the A&E / emergency ambulatory care project, and the review of medical workforce to deliver the seven day hospital / out of hours services.

1.3.5 Financial plan summary

For clarity's sake the figures in this section represent a combined Royal Free and BCF for the whole of 2014/15, although the Monitor submission will be adjusted to contain only the latter three quarters combined.

The projected I&E surplus for Royal Free is £1.1m (14/15) and an EBITDA of £28.6m (5%). The projected surplus in FY16 is £16.0m (including profit on sale of assets).

The projected I&E deficit for BCF is £30.3m (full year 14/15) and an EBITDA of £-15.8m (-5%). The projected deficit in FY16 is £22.5m.

In addition to the combined position of these trusts includes transaction funding for deficit cover and other revenue support (transaction costs, etc)

1.3.6 Income

The planned combined nhs clinical income for 2014/15 is £777m, other income £146.7m and proposed funding of £26.8m. (The combined income, adjusted for nine months of BCF, is £707m for nhs clinical income, and other income including proposed funding of £165m as per the financial template)

NHS England will be our largest commissioner accounting after the acquisition for about c. 35% of expected NHS clinical income for the combined trust. Barnet CCG will be the next largest at just over 20%, with Camden and Enfield representing just under 20%. The two Hertfordshire CCGs will represent just under 10%, much higher than for the existing Royal Free.

The principal determinants of the changes to clinical income in the plan compared with the trusts' income in 2013/14 include the following.

- BCF only - The first full year of the service changes associated with the Barnet Enfield Haringey clinical strategy.
- BCF and RF - National tariff changes and tariff deflation in 2014/15 - price reduction of 1.2% on average for 2014/15. Tariff deflation is assumed to be 0.9% in 2015/16 and 0.4% thereafter. This is consistent with latest guidance adjusted for acute/non acute split.
- BCF and RF - The generic growth assumption of 2%.
- RF only – Differential growth for certain specialist services based on established observed trends and public health evidence.

Other non NHS clinical income is projected to be £26.4m (in 2014/15) (Adjusted for nine months of BCF is £25.9m as per the financial template)

Other income is projected to be £120.3m (in 14/15). (Adjusted for nine months of BCF is £112.2m as per the financial template)

The principal drivers of other income in the plan include:

- non NHS non clinical income budgets are uplifted in line with general inflation of 2.5%; and
- the implementation of the national tariff based education and training funding effective from April 2013, the overall impact of this change being an income loss phased over seven years with

an annual cap on income reduction set at 0.25% of turnover

1.3.7 Costs - see also 1.3.4.ii above

Marginal cost for additional activity

Our standard level of marginal cost of 57% has been used in the financial model (with the exception of reimbursable drugs for which marginal costs are included at 100% of income). We will continue to review the rates based on progress on service line management systems and patient level cost information.

Barnet Enfield Haringey clinical strategy

The cost associated with the clinical model reconfiguration was based on the 2013/14 budget planning process which has then been updated for the BCF re-forecast 2014/15 based on year end run rate.

1.3.8 Capital plans

Royal Free

The Royal Free has a significant investment and capital programme over our five year plan. Drawdown of a £20m loan is assumed in FY14, and of £22.5m in FY15, to support the capital investment. The investment plan is funded via the drawdown of that loan and by disposal proceeds.

Both BCF and RF are planning to exit the BT national Cerner contract during the period of this plan.