

Summary Strategic Plan 2014-19

1. Declaration of Sustainability

The Board of the Walton Centre NHS Foundation Trust declares that its strategic plans will ensure the sustainability of the Trust over the coming five years on a clinical, operational and financial basis.

The Walton Centre has a strong opening position:

- It has a high clinical and public reputation
- It has a successful financial and operational track record, with continuity of service risk rating (CSRR) of 4 and governance risk rating of Green for both 2013-14 outturn and 2014-15 plan
- It is in the lowest Care Quality Commission risk band and in its most recent inspection report published in 2014 met all standards.

Looking ahead:

- The Trust is strong in its markets and its existing referral base
- It meets all NHS England's national specialised services specifications
- It is at low risk from reconfiguration of specialised services, and may potentially benefit
- It is engaged with local strategic planning and is at low risk from reconfiguration, with a good alignment with commissioners' service strategies
- It has a potential financial gap between trend growth and estimated commissioner allocations of £5.9m by year 5, only 0.25% of the commissioners' total expected 2014-15 allocation.

The Trust has identified its key risks to sustainability over the next five years, the first two of which are not current but contingent on other external potential pressures, and has identified in its plan how it will address these:

- Quality of care
- Clinical sustainability
- Commissioner funding
- Specialised services reconfiguration
- Capacity.

The Trust has identified realistic plans for future service provision:

- The plan anticipates prudent growth of 17.3% (3.5% pa) in activity overall, a significant slowdown compared with 24.6% (6.2% pa) over the past five years, recognising commissioner affordability
- There are opportunities in neurosurgical (especially spinal), neurological and pain services to offer value to existing and new commissioners through access to high quality networked sustainable services and QIPP opportunities from improved whole system pathways, as upsides to the plan
- Realistic improvements in productivity levels are assumed, acknowledging that the Trust's performance in some areas is currently below its peers'. If growth is above plan the Trust has identified how it would create and fund additional capacity.

The plan sets out deliverable financial plans:

- Income growth of 4.7% overall is assumed between 2014-15 and 2018-19 compared with 43% over the past five years; areas for CIP (savings) have been identified
- A surplus and a CSRR of 4 are projected for each year.

The plan sets out a clear approach to delivery including practical implementation plans and a series of major change programmes.

2. Market Analysis and Context

2.1 Market description

The Walton Centre provides services in neurological care, neurosurgery (cranial and spinal) and major trauma, pain and rehabilitation. The Trust has a core catchment population of about 3.5m in Merseyside, Cheshire, north Wales, the Isle of Man and parts of Lancashire and Greater Manchester. For some specialist treatments and complex disorders the Trust treats patients from all over the UK and Ireland.

2.2 Overview assessment

North west England, and especially parts of the area served by the Walton Centre in Merseyside, has significantly greater health and social needs than the country as a whole. There are also variations in access to neuroscience services.

Demand for specialised services, including neurosciences, has risen strongly in recent years. Factors in this are believed to include incidence and survival in complex conditions, improved referral pathways and the greater range and capability of services available.

This has led to a growing financial challenge for England's specialised commissioners, and one complicated by the division in commissioning responsibility and funding allocations between NHS England and local clinical commissioning groups (CCGs) from April 2013.

Demand has also been rising in Wales. Overall funding for the health service in Wales is planned to be broadly level in cash between 2013-14 and 2015-16, constraining the resources available to Welsh specialised commissioners.

The Francis Inquiry and subsequent reports have highlighted challenges and risks to the safety and quality of patient care that all health care providers need to address, and have contributed to a climate of heightened scrutiny and legal/reputational risk for boards, not to mention pressure for investment and additional staff.

The structure of the health care system within which the Trust operates will be strongly shaped by the model for service provision set out by NHS England in *Everyone Counts: NHS England Planning Guidance 2014-15*. The most significant elements of this for the Walton Centre are the strategies for the provision of urgent and emergency care and above all for specialised services, which is due to be issued by Autumn 2014. NHS England has begun a drive to standardise specialised service provision across the country to raise quality and equalise access, through its national service specifications (the Walton Centre meets all the relevant specifications). It has signalled its intention to reconfigure services around centres of excellence, with population based access to services including through network/collaboration approaches, to improve quality and reduce costs, and to ensure an active connection to research and teaching. The designation of major emergency centres (and single site major trauma centre for Merseyside/Cheshire), and their differentiation from other emergency centres, will be linked to this process. Commissioning of some specialised services may be devolved to CCGs.

NHS England requires all acute hospitals to operate on a defined seven day basis by 2016-17. Through the Better Care Fund, a substantial element of CCGs' allocations (though not specialised commissioners') will be earmarked to develop integrated services with local authorities aimed at improving community based care and reducing acute hospital admissions. Notwithstanding their impact on the Walton Centre, these shifts can be expected to have a significant bearing on the stability and priorities of the general hospitals with which the Trust works.

The Walton Centre sits within the Liverpool local health economy and is part of the Cheshire and Merseyside specialised services system. Liverpool CCG is working with local providers and partners through its Healthy Liverpool Programme to improve care and overall value for money through improved neighbourhood health services, more effective cross city collaboration and realignment of hospital based care.

The Walton Centre has direct regional competitors in the form of other neuroscience centres and partial local competitors in areas of its catchment from orthopaedic spinal and pain services.

The Trust has the opportunity against this background to offer excellent value to both specialised and local commissioners as a high quality comprehensive neuroscience hub with pre existing capabilities in providing network services with secondary and primary care across a wide area. Its key market risks lie in the potential for national changes in the funding/allocation approach or service configuration requirements for neuroscience services.

2.3 Financial analysis/outlook

Historical performance

The Walton Centre has performed extremely well over the last five financial years as highlighted in Figure 1.

Figure 1 – Historic financial performance

| | 2009-10 | % | 2010-11 | % | 2011-12 | % | 2012-13* | % | 2013-14# | % |
|-----------------------|---------|------|---------|------|---------|------|----------|------|----------|------|
| Operating income | 68,249 | | 75,589 | | 81,202 | | 90,515 | | 97,410 | |
| Operating expenditure | 62,617 | | 69,636 | | 75,256 | | 84,527 | | 92,339 | |
| EBITDA | 5,632 | 8.3% | 5,953 | 7.9% | 5,946 | 7.3% | 5,988 | 6.6% | 5,072 | 5.2% |
| Surplus | 2,022 | 3.0% | 2,314 | 3.1% | 2,385 | 2.9% | 1,921 | 2.1% | 1,228 | 1.3% |

*Excludes £12m investment in rehabilitation

#Final outturn position for 2013-14

This has been a combination of strong activity growth coupled with a growth in income. The Trust had managed to contain this growth in the main within its existing capacity up until 2011-12. However, the continued growth in activity and projected future growth meant that it could not satisfy the demand without investing in permanent additional capacity and infrastructure, which it has undertaken through its £40m Strategic Investment Programme investment in refurbishment and new build from 2012, completing in December 2014.

Overall, the Trust has shown a strong financial performance between 2009-10 and 2013-14:

- Surpluses of between 1.3% and 3.1%;
- Overall increase in income across the four year period of £29.2m or 43% compared to 2009-10;
- Average increase in main contract income over the period of c£5.9m pa;
- Operating costs increased by £29.7m or 47% due to stepped increase in infrastructure to deliver growth, leading to a relative decline in EBITDA margin.

Funding outlook

Total NHS spending in England has been flat in real terms over the past four years, with most commentators expecting this to continue through the next Parliament. The NHS's overall financial position has been steadily deteriorating, and pressure has been felt increasingly in specialised commissioning: the £12.7bn national budget in 2013-14 was overspent by £0.4bn, or 3.5%. In response to the financial pressures, commissioners will be looking to obtain maximum value from the resources they commit to neuroscience services.

The Health and Social Services budget in Wales, which was £6.3bn in 2013-14, has been under increasing pressure in recent years, and despite a recent further injection of resources is expected to be lower in 2015-16 in real terms than it was in 2010-11.

In the absence of information on future changes in specialised services allocations, the Trust has projected NHS England funding for the Walton Centre by extrapolating to future years the 2014-15 base contract over 2013-14 outturn, and Welsh specialised services growth as shown in the latest published plans. Comparing this with the funding requirements for the projected activity outlined in Section 5 identifies a potential gap of £5.9m by year 5, only 0.25% of the commissioners' total expected 2014-15 allocation.

Given the assumed shortfall in commissioner funding, the Trust must ensure that it has plans to transform the way it provides care through improved productivity and streamlining patient pathways in order to mitigate some of the impact. It is already working with specialised commissioners to review a variety of national and local health economy Quality, Innovation, Improvement and Prevention (QIPP) schemes.

3. Risks to Sustainability and Strategic Options

3.1 Key risks to sustainability

The Trust has reviewed the context described in Section 2 and identified five key risks to its sustainability over the next five years.

Whilst commissioner funding, specialised services reconfiguration and capacity are all definite challenges for the Trust, quality of care and clinical sustainability are more contingent, but have been included because of their potential impact on services and the organisation itself.

1. Quality of Care

The Walton Centre is in the Care Quality Commission's lowest risk category; a CQC inspection in November 2013 confirmed that it met all current standards; it has excellent results from the National Patient Survey; and it has a well developed quality governance approach. The Walton Centre maintains its staffing levels and quality indicators under close review. Its evidence is that standards of care are high, and it is investing in additional clinical staffing to protect and enhance quality. The Trust therefore believes it is not at a significant current risk on quality of care. It has, however, decided to include it as a risk to sustainability for the purposes of the strategic plan owing to the potential implications for quality of the other risks to sustainability and in recognition of the Trust's aim constantly to be improving quality rather than merely maintaining standards.

2. Clinical Sustainability

The Trust has no immediate risks to its clinical sustainability. However, one or more of the following may have significant consequences:

- The implications of providing a 7 day consultant led service;
- Withdrawal or persistent non recruitment to junior and/or middle grade medical posts;
- The ability of Aintree University Hospital to provide the necessary support in general medical and surgical specialties; and
- Requirements for fragmenting the Trust's existing consultant neurosurgeon or neurologist workforce to provide inpatient cover on other hospital sites.

3. Commissioner Funding

The funding available to the Trust from its commissioners may be reduced as a consequence of measures including:

- Convergence of tariffs for specialised services, which have varied around the country;
- The ending under Monitor's latest Tariff Guidance of the requirement for non English commissioners to pay English tariffs;
- Equalisation of access to/resources for specialised services across the country;
- Sustained restrictions on the specialised services allocation at national level below the trend 6%, which has reflected growth in demand;
- Steps by specialised commissioners to manage demand;
- Limitations on the activity that will be commissioned or paid for, irrespective of demand, such as outpatient follow ups or readmissions; and
- Redesignation of elements of/whole specialised services to CCG commissioning and/or loss of the specialised services uplift.

4. Specialised Services Reconfiguration

The Trust is one of the country's leading and largest providers of neuroscience services, and fully meets the current national specialised services specifications. It is therefore relatively well positioned to take advantage of reconfigurations of specialised services. However, it does face certain risks. These could include the loss of a specific area(s) of provision to another centre in the north west or north, or

that requirements for leading a network specialised service may be undeliverable, unaffordable or unmanageable (eg required co-locations, cost implications or span of control). Similar risks of loss of provision or difficulty in meeting service requirements may arise should aspects of current services transfer to local commissioning. Other risks may emerge from NHS England's five year strategy for specialised services, anticipated to be issued in autumn 2014. As a small neuroscience only trust, these risks could have fundamental consequences for the Walton Centre.

5. Capacity

The Trust is currently running at 88% occupancy for its acute beds and 89% for critical care; all of its weekday theatre sessions are allocated. It therefore faces the risk that its bed and/or theatre capacity will be inadequate to meet growth in activity and/or any inward transfers that might be necessary as part of a networked service.

3.2 Strategic direction

Vision

The Trust's vision continues to be summarised as:

Excellence in Neuroscience

Direction

The Trust's intended direction of travel can be summarised in the following statement:

To be recognised as a leading national centre for neuroscience, with high performing leading edge services providing high quality patient care with proven good outcomes, accessed through an innovative network model across a wide area, supported by high impact research and development, and underpinned by recruitment, retention and development of committed staff and by strong financial management.

3.3 Service objectives

Section 2.2 described the aims of specialised and local commissioners for:

- Reconfiguration of specialised services with clusters of associated specialties to enable improvements in quality and value for money and compliance with national service specifications;
- Network models to assure equitable access to high quality services;
- Designation of a single site major trauma centre for Cheshire and Merseyside and of major emergency centres;
- Realignment of secondary care services across sites in north Mersey;
- Strengthened and better integrated neighbourhood health and care services to improve patient care and reduce secondary care activity; and
- QIPP savings both within specialised services and through improving pathways between CCG and specialised commissioned services.

The Walton Centre's intentions are in line with these:

- The Trust will ensure it continues to meet all national specialised services specifications;
- Growth in neurosurgery related to providing network access to high quality sustainable services for areas that are currently served by fragmented or unsustainable DGH/private sector providers, certain of which are believed to over admit;
- Neurology developments focused on continued roll out of the Trust's successful hub and spoke model, which provides networked access over a wide area to a high quality service at relatively low cost including into community settings and to tertiary care if required, and QIPP opportunities from improved acute pathways;
- The emphasis for pain services and for diagnostics is on improved pathways and complementarity with local services; and
- Use of the vacant rehabilitation capacity, already under consideration by Cheshire CCGs and NHS England owing to the gap in service identified by their recent service review.

4. Strategic Plan Implementation

The Trust has identified five strategic change initiatives to support delivery of its strategic plan:

- Neuroscience hub: to secure its position as a comprehensive neuroscience provider. In support of this, it is looking to protect its core catchment referral base and to increase and diversify its activity and income/margin;
- Service transformation programme: seeking fundamentally to move away from ad hoc service redesign to a broader based, whole system review, design and implementation model based upon the current Forward to Excellence (F2E) methodology.
- Safety improvement programme: the aim is to secure a fully embedded system and culture of continuous improvement in clinical quality and safety within the Walton Centre.
- Workforce culture: to develop and embed a high performing organisational culture underpinned by its value set – the Walton Way. This needs to be reinforced through the organisation's strategy, structure and systems and is not just about what we do but how we do things across the organisation.
- Middle grade capability: concerned with the way that a number of middle grade roles are organised across the organisation. In particular, it will focus upon capacity planning and building to facilitate joined up working between interdependent roles.

5. Financial Plans

Activity and capacity projections

The Trust has taken a prudent approach to its activity projections for the next five years, anticipating a considerable slowdown in growth from the recent consistent trend. This is more in recognition of commissioner affordability than underlying patient demand, so assumes successful QIPP programmes in concert with

specialised commissioners. The Trust is already working with NHS England to identify further QIPP schemes.

Figures 3 and 4 illustrate outpatient and inpatient activity graphically. The higher percentage day case growth assumption compared to historical performance is due to the pain management programme maintaining two programmes full year across the planning period from 2014-15.

Figure 3 – Outpatient activity 2009-10 to 2018-19

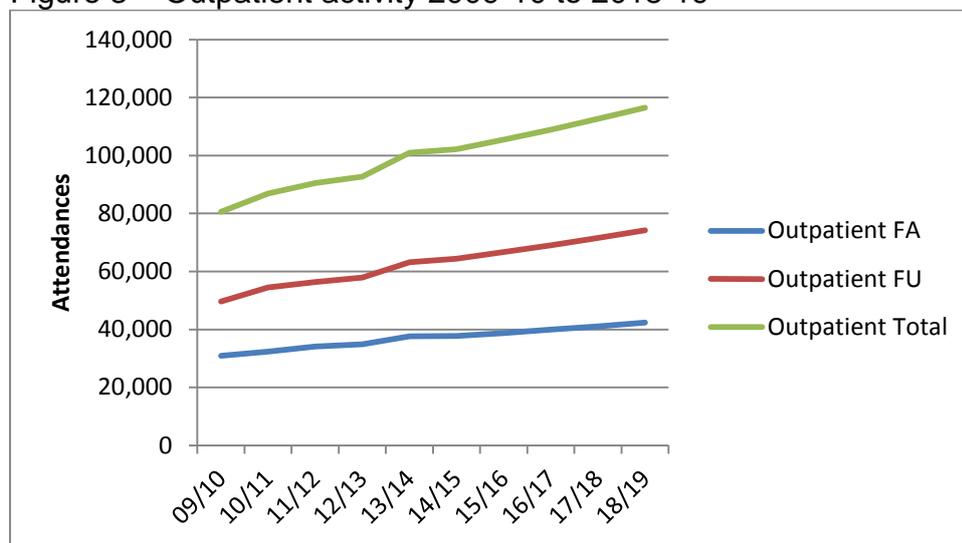
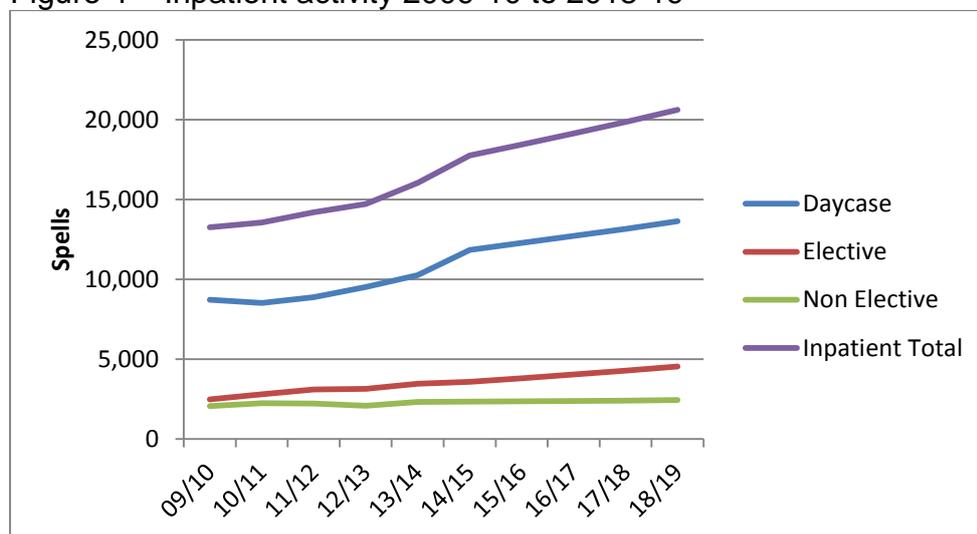


Figure 4 – Inpatient activity 2009-10 to 2018-19



On current performance levels, a shortfall in bed capacity would emerge from 2016-17. However, over the period the Trust is planning to make an overall reduction in its average length of stay of 7.5%, which would maintain demand within existing capacity; this is adjudged feasible in the light of the Trust’s position relative to its peers.

Financial projections

Figure 5 summarises the Trust’s resulting financial projections, and shows that it is projecting surpluses in each of the next five financial years. Growth in income is

forecast across its contracts in line with current proportions (NHS England 80% /Wales 15%/other 5%), with the balance expected to remain at this proportion across the 5 year plan.

Figure 5 – 5 year financial projections

| | 2014-15 | % | 2015-16 | % | 2016-17 | % | 2017-18 | % | 2018-19 | % |
|-----------------------|---------|------|---------|------|---------|-------|---------|------|---------|------|
| Operating income | 101,133 | | 101,800 | | 105,204 | | 104,485 | | 105,849 | |
| Operating expenditure | 93,920 | | 93,529 | | 94,276 | | 95,195 | | 96,342 | |
| EBITDA | 7,213 | 7.1% | 8,271 | 8.1% | 10,928 | 10.4% | 9,291 | 8.9% | 9,507 | 9.0% |
| Surplus | 1,763 | 1.7% | 1,262 | 1.2% | 3,309 | 3.1% | 1,252 | 1.2% | 1,289 | 1.2% |

The key performance highlights between 2014-15 and 2018-19 include:

- Surpluses of between 1.1% and 1.2% (excluding donations) show consistently strong financial performance;
- Increase in EBITDA margin (includes donations) across five year period which will service loan repayments required on the loan for the Strategic Investment Plan;
- Overall increase in income across five years of £4.7m or 4.7% compared to 2014-15 plan – much lower than what actually occurred across the previous 5 years;
- Average annual increase in main contract income over the period of c£1.1m, reflecting prudent growth assumptions;
- Operating cost increases of £2.4m or 2.6% across the plan against the base 2014-15 position;
- Expenditure represents baseline position for 2014-15 planned forward to accommodate growth in existing services and the iMRI development from 2016-17;
- Continuity of Service Risk Rating of 4 across the five years of the plan.

CIP plans

The Trust has reviewed its CIP (savings programme) for the five year planning exercise and has determined key theme areas where it expects to deliver productivity and efficiency savings across the final three years. CIP delivery will continue to be supported by the Trust's successful PMO approach.

Capital Plan

The total proposed capital programme is £23.6m for 2014-15, £5.7m for 2015-16 and £8.1m for 2016-17, reducing to £3.0m for the remainder of the period – see Figure 6.

Figure 6 – 5 year capital programme

| Capital Schemes Identified | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | Total |
|-------------------------------------|---------------|--------------|--------------|--------------|--------------|---------------|
| Strategic Investment Programme | 17,237 | - | - | - | - | 17,237 |
| Service Developments | 187 | 1,500 | 5,600 | 500 | - | 7,787 |
| Estate Schemes | 1,389 | 419 | 336 | 336 | 336 | 2,816 |
| IM&T Schemes | 1,296 | 365 | 275 | 290 | 270 | 2,496 |
| Neurology Directorate | 1,800 | 1,921 | 109 | 75 | 100 | 4,005 |
| Surgical Directorate | 1,019 | 628 | 703 | 850 | 1,550 | 4,750 |
| Capacity Requirements / Contingency | 716 | 900 | 1,077 | 949 | 744 | 4,386 |
| Total | 23,644 | 5,733 | 8,100 | 3,000 | 3,000 | 43,477 |

The 2014-15 plan includes £17.2m for the Trust's Strategic Investment Programme which is planned to be completed in December 2014. The £7.8m capital spend on service development relates principally to the intra operative MRI investment; this will not only improve outcomes for patients but also enhance the Trust's reputation as a leading edge specialist neuroscience centre, and is partly funded by Marina Dalglish Appeal. The programme also makes provision year on year for maintaining the Trust's estate in good and safe condition, implementing the Estate Strategy and condition survey approved in 2013; to support its paper light IT strategy through the period; and for clinical equipment, including replacement bi-plane and MRI scanners. As part of its capital planning process, the Trust has recognised the potential shortfall in ward capacity from 2016-17 and has built in some additional capacity improvements expenditure and contingency, providing it with the option to invest in additional beds should these be required.

Risks and Mitigations

The Trust has identified the following risks to achieving its five year financial plan:

- Tariff convergence – NHS England / Monitor are looking to bring tariffs into line across providers;
- Equalisation of access / resources across England may result in risks for NW England in relation to specific services;
- The re-designation of specialised commissioning activity to CCG commissioned activity may result in up to 20% of contract value being commissioned by CCGs;
- Welsh specialised services – uncertainty around continuing affordability to Welsh commissioners and how that might impact on the Trust;
- CIP under achievement.

The Trust has developed a detailed mitigation plan which would enable it to manage its financial performance back to the baseline five year plan.

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