NHS
Harrogate and District
NHS Foundation Trust

Date of Meeting:	30 January 2019	**Agenda item:**	8.1
Report to:	Board of Directors		
Title:	Business Planning 2019/20 - Strategic and Operational Plan		
Sponsoring Director:	Jonathan Coulter, Deputy Chief Executive/Finance Director		
Author(s):	Jonathan Coulter, Deputy Chief Executive/Finance Director Angela Gillett, Deputy Director of Planning and Business Development		
Report Purpose:	**Decision**		**Discussion/ Consultation**		**Assurance**		**Information**	✓
Executive Summary:	Work is progressing to develop the Strategic and Operational Plans for 2019/20 in order to:- • Submit a draft Activity, Finance and Workforce Plan to NHSI on 12 February 2019 • Firm up the Efficiency Programme • Continue discussions with the CCG to agree a Contract by March 2019 • Continue to develop the Operational Plan for 2019/20 for submission to NHSI in April 2019. • Continue to develop the 5 Year Strategic Plan over the coming months for consideration at the Annual Members Meeting in July 2019 and submission to NHSI in Autumn 2019 The Board of Directors is asked to note: • The work that is ongoing in relation to the development of the Operational Plan and 5 Year Strategic Plan. • The Control Total that has been received from NHSI • The work of the Resources Committee in overseeing the planning process		

Related Trust Objectives					
To deliver high quality care	✓	**To work with partners to deliver integrated care:**	✓	**To ensure clinical and financial sustainability:**	✓

Key implications	
Risk Assessment:	None identified
Legal / regulatory:	Plan to be submitted in April 2019
Resource:	None identified
Impact Assessment:	Not applicable
Conflicts of Interest:	None identified
Reference documents:	None identified
Assurance:	Key issues discussed at the Business Planning Group which meets on a weekly basis. The development of the Strategic Plan is reported to the Strategic Planning Task and Finish Group on a monthly basis.

Action Required by the Board of Directors:

The Board is asked to **note** and **comment**, where appropriate, on the information in this report.

1. Introduction

1.1. The Board of Directors previously discussed the development of the Strategic and Operational Plans at its meeting in December 2018.

1.2. The purpose of this report is to update the Board of progress since that meeting.

2. Strategic Plan

2.1. The NHS Long Term Plan was issued in January 2019 and the proposals were discussed by the Strategic Plan Task and Finish Group at its meeting on 9 January 2019. Work will continue over the coming weeks to ensure the Trust's Strategic Plan reflects the requirements of the Long Term Plan.

2.2. Two engagement sessions have been arranged for 7 February and 14 March with staff from across the organisation to consider our future strategy and how this contributes to meeting the key objectives of the Long Term Plan and identify actions to support the delivery this agenda over the next five years.

2.3. Further updates will be provided to the Board of Directors as this work is progressed.

3. Operational Plan 2019/20

- **Current Position**

3.1. Planning guidance has now been issued and work is ongoing to develop our Operational Plan for 2019/20. The guidance includes an emphasis on working as a system and ensuring plans and key assumptions are aligned across organisations. There is also a heavily revised financial framework, some key priorities in relation to workforce, and a re-emphasis on delivery of key constitutional and other standards (including a waiting list reduction).

- **Financial framework**

3.2. The financial framework includes:-

- A control total offer (letter attached), with a commitment to removing the concept of control totals in future years
- Removal of the MRET deduction, which will now be paid directly to the Trust
- A tariff efficiency factor of 1.1% plus a further 0.5% for Trusts that have a deficit
- Consolidation of the 18/19 pay award into the tariff
- Increase in urgent care prices, with a proportion of the 18/19 PSF going into CCG allocations to enable this to be paid to Trusts
- A reduced 2019/20 PSF, which will be paid to Trusts based upon financial performance only

3.3. We are currently working through the impact of these material changes, and our assumptions will be discussed at the Resources Committee on 28 January.

3.4. A key issue for the Board to consider is whether to accept the control total. In summary our control total and impact thereof is as follows:-

Control total offer	-0.8m	
MRET payment	2.5m	paid automatically but only if CT accepted
PSF	2.7m	paid if CT achieved
Total	**4.4m**	

3.5. If the control total is not accepted, no MRET will be paid and there will be no access to PSF. In addition, given that we operate within an ICS, any organisation not accepting a control total puts at risk the transformation funds available to the whole ICS.

- **Efficiency programme**

3.6. The approach to developing the efficiency programme for 2019/20 has been changed, with the focus on setting a budget for all Directorates and developing plans to ensure that the budgets are adhered to. Budgets have been rolled forward from 2018/19 with the only adjustments being for the national pay award and a few central pressures, such as valuation changes and reserve adjustments such as high cost drugs.

3.7. Our assumptions currently are that we will need to be around 4% - 5% more productive in 2019/20 to ensure that we remain within our financial plan. This will be firmed up as we assess the impact of the national assumptions and discuss with commissioners the impact of any plans to reduce costs.

3.8. The current position in relation to the efficiency programme will be discussed at the Resources Committee on 28 January.

- **Contract negotiations with HaRD CCG**

3.9. Regular weekly meetings are taking place with the CCG in relation to our contract and plans for next year. There will no doubt be challenges for the system in terms of the resource availability to meet the demand for healthcare locally.

3.10. We are in the process of developing a contract proposal, which will reflect the activity assumptions and the new financial framework. This will then trigger further discussions about the level of affordability and expectations to deliver key constitutional standards.

3.11. We have a joint meeting with the CCG, ICS, and Regulators on 25 January to discuss the planning process across the Harrogate Place. The Resources Committee will be discussing the feedback from this meeting and a further update can be given to the Board at the meeting.

- **Activity and Capacity Planning**

3.12. Activity and Capacity Planning work has now almost been completed and reviewed with each of the Clinical Directorates. This work is being triangulated with both the workforce and financial planning work.

3.13. Growth assumptions have been agreed with the CCG, but work will continue in respect of the impact of any plans to manage demand differently across the system.

3.14. The Board should be aware that at present there are a number of specialties where the capacity is constrained and where the ambition in the planning guidance to reduce waiting lists will be very challenging. In addition, it is recognised that at present the resources available to the system are extremely tight and may preclude the level of commissioned activity that would be required to improve RTT and waiting list performance.

- **Workforce Planning**

3.15. Work is ongoing to develop the Workforce Plan, and in particular ensuring that as we work through the financial and activity assumptions that these are clearly triangulated with the workforce implications.

3.16. There are a number of workforce challenges related to medical staffing, ward staffing, theatre staffing and certain geographical areas within the community. As part of the planning process, plans are been developed to mitigate these risks.

- **Capital Programme**

3.17. A draft Capital Programme has been developed which has prioritised a number of capital projects and equipment to be taken forward in 2019/20.

3.18. The funding available for the programme will in part depend upon agreement and delivery of a financial surplus and in part upon external funding. Key priorities identified to be progressed include:-

- Upgrading of the Cath Lab in the Heart Centre
- Provision of a second CT scanner
- Upgrading of the ED Xray room
- NHSmail
- WebV
- Combined Assessment Unit – Phase 2

3.19. The current assumption is that there is £2m available from internal resources, but this will be adjusted as we move through the planning process over the coming weeks.

- **ICS / Regulators**

3.20. Our internal plan will sit within a Harrogate place plan which in turn will be a part of the ICS plan. As part of this process, planning is being coordinated across the local and regional system. A meeting is scheduled for 25 January with our Regulator, ICS and the CCG to discuss our plans for 2019. An update of the outcome of the session will be given at the Board meeting.

4. Next Steps

4.1. Over the coming weeks work will continue in order to:-

- Submit a draft Activity, Finance and Workforce Plan to NHSI on 12 February
- Firm up the Efficiency Programme
- Continue discussions with the CCG to agree a Contract by March 2019
- Continue to develop the Operational Plan for 2019/20 for submission to NHSI in April 2019.
- Continue to develop the 5 Year Strategic Plan over the coming months for consideration at the Annual Members Meeting in July 2019 and submission to NHSI in Autumn 2019

4.2. This work will be discussed at the Resources Committee in both January and February, to inform further discussion at the Board meetings.

5. Conclusion

5.1. We are at a point in the planning process where there is a lot of work going on both internally and externally with partners across the local and ICS system.

5.2. Detailed discussions will take place through the Resources Committee in both January and February and a draft plan incorporating all key elements (finance and efficiency, workforce, activity, capital and contracts) will be discussed at the Board meeting in February.

5.3. Further work will then be undertaken to develop a final plan for approval by the Board at the end of March.

6. The Board of Directors is asked to note:

- The work that is ongoing in relation to the development of the Operational Plan and 5 Year Strategic Plan.
- The Control Total that has been received from NHSI
- The work of the Resources Committee in overseeing the planning process

NHS
Improvement

Appendix 1 – Control Total Letter

Sent via Email

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Our Ref: Y54/RCD/L1

15 January 2019

Ros Tolcher
Chief Executive

Jonathan
Coulter
Finance
Director

Financial Control Total for 2019/20 –
Harrogate and District NHS Foundation Trust

'NHS Operational Planning and Contracting Guidance 2019/20' sets out the approach to developing operational plans for the coming financial year. 2019/20 will be the foundation year for laying the groundwork for delivering the commitments in the recently published Long Term Plan.

The long-term financial settlement helps put the NHS on a sustainable footing and the significant changes to the financial architecture move us away from a system where provider deficits are the norm. This commitment is backed by allocating additional resources to the provider sector at the start of year, supported by a simplified financial framework.

The additional resource enables 2019/20 to be a transitional year, with one year rebased control totals. Control totals have been set so they are stretching, deliverable and reflect the distributional impact of the changes that have been made to the financial architecture of the NHS.

By allocating the extra funds up-front it is critical that each organisation delivers their part in this financial reset opportunity through the development of realistic, integrated delivery plans that commit to the control total contained in Appendix 1 of this letter.

The plans developed for 2019/20 should be based on assumptions that are aligned across your local system and are internally consistent between activity, workforce and finance. There are no national financial reserves in place for 2019/20, making the identification and management of risk a key component of organisation and system planning.Each provider will be allocated non-recurring funding from the remaining £1.25bn Provider Sustainability Fund (PSF) as outlined in Appendix 1. In 2019/20 all providers will continue to receive a share of the PSF linked to acceptance and delivery of a control total, with cash payments made quarterly in arrears dependent on year to date financial performance compared to plan. There are no performance, or any other requirements linked to the ability to earn PSF in year.

In addition, we have created a new £1.05bn Financial Recovery Fund (FRF) in 2019/20 to support the sustainability of essential services. Our expectation is that we will move away from the current control total regime and associated PSF from 2020/21 and the remaining non recurrent PSF funds will be transferred to increase the value of the FRF.

The marginal rate emergency tariff (MRET) will be abolished as a national rule for 2019/20. Where providers and commissioner confirmed an MRET value in the Autumn 2018 exercise, a provider will be eligible to receive additional income equal to this value. This payment will be centrally funded and paid quarterly in advance. There are no in year financial or other performance requirements linked to the receipt of MRET funding. As part of the changes to the financial architecture associated with the end of control totals in 2020/21, MRET funding will transfer into baseline resources and be available as a recurrent source of funds.

Where a provider remains in deficit after the control total has been rebased and adjusted for the distribution impact of key changes (i.e. policy changes, MRET and PSF), the provider will be eligible to access additional resources on a non-recurring basis from the FRF. The FRF has been allocated at a maximum financial value to each provider in deficit and capped at a breakeven position. Access to the FRF allocation is conditional on the provider signing up to the control total, with payments made quarterly in arrears dependent on year to date financial performance compared to plan. There are no performance, or any other requirements linked to the receipt of FRF funding.

Subject to the current NHS Standard Contract consultation process, providers who sign up to their control totals and are therefore eligible to earn PSF, will have the financial sanctions set out in Schedules 4A and 4B of the Particulars of the Contract suspended. The only standards in those Schedules for which sanctions remain active for providers within scope of PSF in 2019/20 are those covering mixed sex accommodation, cancelled operations, Healthcare Associated Infections (MRSA and C difficile), the duty of candour and 52-week wait breaches. Where a commissioner applies contract sanctions, the use of the resultant funding will be subject to sign off by the joint NHS Improvement and NHS England regional teams.

Financial planning assumptions Treatment of asset disposals

The treatment of gains on disposal of assets has been amended in 2019/20. Providers will not be able to use any of these gains to deliver their original 2019/20 control total notified in Appendix 1 to this letter.

CNST

As previously confirmed, the figures included for CNST in the 2017/19 National Tariff for 2018/19 (2-year tariff set in 2016/17) overestimated the actual amount of CNST contributions collected by £330 million. The 2019/20 national tariff prices have been reduced to more accurately reflect the level of contributions made. We have reflected this reduction in income and the increase or decrease in contribution levels between 2018/19 and 2019/20 in the 2019/20 controls. The net impact of these changes is identified separately in the table in Appendix 1.

Pay inflation

The split of the cost base of each provider between pay and non-pay combined with the differing impact by grade of the agenda for change pay award, has resulted in a differential impact of pay cost increases compared to associated pay uplifts in the national tariff. These differential impacts have been reflected in the control totals included in Appendix 1 for all providers, with the exception of ambulance trusts. The agenda for change grade mix and the impact of unsocial hours costs in ambulance trusts results in material additional costs above the pay increase included in the tariff uplift which has not been reflected in control totals. In line with '2019/20 planning prices: an explanatory note' published on 21 December 2018 CCGs are expected to fund ambulance trusts for these costs.

The additional costs associated with changes to the pension scheme are not included in the pay uplift in the tariff and will be resourced separately from additional central funding.

Next steps

In the context of the planning guidance and the details contained in Appendix 1 of this letter, your Board should consider signing up to your 2019/20 control total and confirm acceptance in the financial planning template.

It is important that there must be no ambiguity as to whether a control total has been accepted. We will therefore use the financial planning template to capture the board approved decision.

We have actively engaged in discussions on the key changes to the financial architecture and price relativities for 2019/20, but these changes are complex at a provider level and should be worked through in detail to enable the control total to be considered by the Board.

Yours sincerely

E O'Mahony

Elizabeth O'Mahony
Chief Financial Officer

Copy to:
Ian Dalton, Chief Executive, NHS Improvement
Lyn Simpson, Executive Regional Managing Director (North), NHS Improvement Jonathan Stephens, Regional Director of Finance (North), NHS Improvement

Appendix 1

Financial control total and PSF, FRF and MRET funding for 2019/20

Financial control total	**£ million**
Rebased baseline position excluding PSF	**-2.000 Deficit**
£1bn PSF transferred into urgent and emergency care prices	2.522
CNST net change in tariff income and contribution[1]	-1.231
Other changes[2]	-1.182
Subtotal before efficiency	**-1.891 Deficit**
Additional efficiency requirement up to 0.5%	1.067
2019/20 control total (excluding PSF, FRF and MRET funding)	**-0.824 Deficit**
MRET central funding	2.456
Subtotal before PSF and FRF allocations	**1.632 Surplus**
Non recurring PSF allocation	2.762
Subtotal before FRF allocation	**4.394 Surplus**
Non recurring FRF allocation	0.000
2019/20 control total (including PSF, FRF and MRET funding)	**4.394 Surplus**

CNST net change in tariff income and contribution[1]

- changes to tariff income as set out in '2019/20 planning prices: an explanatory note' and to changes in CNST contribution levels between 2018/19 and 2019/20

Other changes[2] include the impact of:

- Pricing changes in the national tariff - including changes to MFF, top ups and other price relativities
- Distributional impact of Agenda for Change cost increases relative to

tariff income increase

- Impact of changes to MFF for Health Education England (HEE) tariffs
- Other changes include increases in overseas patient income, commercial income and inflationary impacts.