

<b>Report to:</b>	<b>Public Board of Directors</b>	<b>Agenda item:</b>	<b>13</b>
<b>Date of Meeting:</b>	<b>29 November 2017</b>		

<b>Title of Report:</b>	<b>Business Planning Process Report</b>
<b>Status:</b>	<b>For approval</b>
<b>Board Sponsor:</b>	<b>Jocelyn Foster, Commercial Director</b>
<b>Author:</b>	<b>Fiona Bird, Head of Business Development Simon Wade, Deputy Director of Finance</b>
<b>Appendices</b>	<b>None</b>

<b>1. Executive Summary of the Report</b>
This report outlines for Board of Director's approval the Trust Planning Framework 2018/19 – 2019/20, including measures taken to strengthen the planning process.

<b>2. Recommendations (Note, Approve, Discuss)</b>
The Board of Directors is asked to approve the Trust business planning framework 2018/19 – 2019/20, and the proposed changes to the cost and quality improvement (QIPP) planning and delivery process.

<b>3. Legal / Regulatory Implications</b>
National planning guidance has not yet been issued for this year's planning round; this framework has therefore been developed reflecting the key deadlines from last year's business planning round, as set out in 'Strengthening Financial Performance and Accountability in 2016/17'.
Not achieving planning targets will impact on ability to maintain sustainability, well-led and value for money duties.

<b>4. Risk (Threats or opportunities, link to a risk on the Risk Register, Board Assurance Framework etc)</b>
Mitigating our Board Assurance Framework risk:
<i>The Trust fails to deliver its financial plan which leads to the Trust having a financial risk rating of two or less, resulting in a lack of confidence from the Trust's commissioners and the regulator.</i>
The full extent of risk in our planning will not be known until the conclusion of Commissioner contract negotiations. It is likely however that the financial challenge across the health economy will be higher than previous years, and therefore joint work on identifying more efficient and effective patient pathways, purchasing processes and back-office functions will be required to deliver high quality healthcare within the available resource.

<b>5. Resources Implications (Financial / staffing)</b>	
This information will be available following confirmation of the national tariff, local	
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contract negotiations and the completion of internal budget setting; it is anticipated that the Trust Business Plan 2018/19, including the Financial Plan, will be presented to Board of Directors in February 2018.

Project management resource will be provided by Business Development to support the planning round.

There is reliance on delivery of our current year financial plan and savings targets to allow investment in line with the financial plan.

<b>6. Equality and Diversity</b>
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A Quality Impact Assessment will be undertaken for each project as part of any decision and implementation planning process and as set out in the QIPP Framework.
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<b>7. References to previous reports</b>
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Monthly Performance Reports
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<b>8. Freedom of Information</b>
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## Business Planning Process Report

### 1. Introduction

This paper sets out the process that will deliver the Trust's annual two-year operational plan in line with likely NHSI and NHSE requirements. The paper sets out the further intended improvements to the process, including alignment with the Trust Strategic Plan 2018/19 – 2020/21, and outlines the work underway to develop a Strategic QIPP (quality, innovation, productivity & prevention) Plan to strengthen the Trust's financial position.

### 2. Planning assumptions

#### 2.1 National guidance

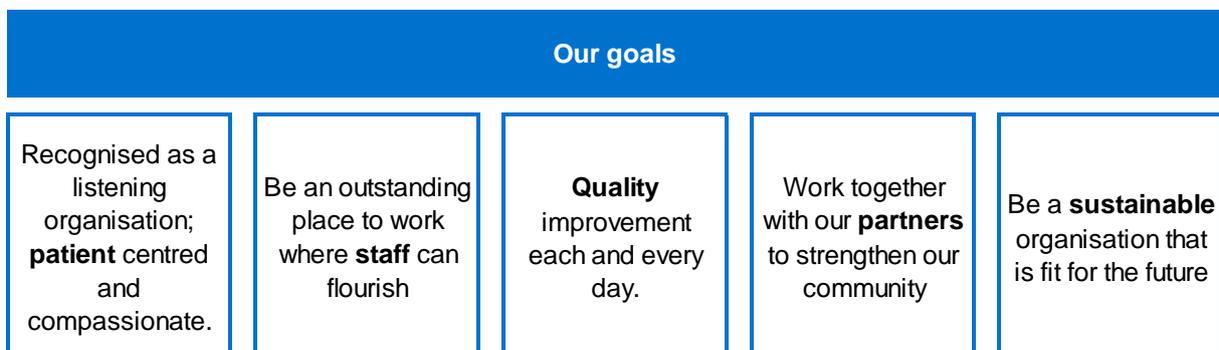
National planning guidance has not yet been issued for this year's planning round; this framework has therefore been developed reflecting the key principles from last year's business planning round, as set out in 'Strengthening Financial Performance and Accountability in 2016/17'.

In previous years the Trust plan has been required to demonstrate:

- Plans to deliver the key 'must dos' and priorities;
- How we intend to reconcile activity, income and budgets;
- Planned contributions to efficiency savings;
- How quality and safety will be maintained and improved in line with CQC Quality Summit action plans;
- How risks across the local health economy plans have been jointly identified and mitigated through agreed contingency planning and the STP;
- How the plan links with and support with local STP priorities and workstreams.

#### 2.2 RUH Strategy

Work is currently underway to develop a revised Trust Strategy for 2018 – 2020, and consideration has been given to ensuring that this business planning round is aligned with the new Strategy. In particular, the five strategic goals outlined in our Strategy engagement work (below) have been used to develop the specialty/team planning template - ensuring planning alignment throughout the organisation.



### 3. Risks for 2018/19

#### 3.1 Financial position of the system

2018/19 is set to be a financially challenging year. The financial position of local commissioners and providers has worsened during 2017/18 leading to greater instability within the local health economy.

In recent years we have worked hard to deliver our financial plans through the delivery of savings and efficiency programmes, implementation of robust cost controls and governance processes. The results of this have been evidenced through our strength of benchmark position amongst other providers nationally: Reference Cost Index (RCI) position and Carter Adjusted Treatment Cost (ATC).

The delivery of savings has become naturally more challenging in recent years due to the need to make increasingly more difficult decisions and changes in practice both within and beyond acute settings and due to the ever increasing pressures of demand faced by the health system. There is a new balance between capacity and demand to be achieved as increases in urgent care squeeze capacity to deliver planned treatment and challenge us to deliver more from a constrained resource base.

#### 3.2 Risks

The following challenges to the 2018-19 planning round have been identified:

- Timely availability of key national guidance/technical documentation to enable the Trust to comply with the national expectations for plan delivery.
- Contracting issues in a financially strained environment may not be concluded at the required pace to fully inform the two year plan.
- A requirement to maintain alignment within a wider framework of our STP footprint priorities, recognising that changing leadership of the STP may also impact on these in the coming months.
- Plans need to be triangulated with STP and CCG priorities and plans to ensure any projected changes in patient flows/activity levels are agreed and affordable across the whole health economy.
- QIPP saving targets will be allocated at service line level. Specialties will need to develop QIPP plans that are owned by the whole service line, with savings that are deliverable both within the financial year whilst also resourcing preparation for further improvement in year 2 of the plan.
- The current draft QIPP target for 2018/19 is anticipated to be significantly higher than 2017/18 - which was set at a lower level to allow time and resource to be focused on development of more transformational schemes:

Division	QIPP target 2017/18 (£m)	Indicative QIPP target 2018/19 (£m)
Medicine	3.4	5.2
Surgery	2.3	4.4
W&C	0.7	1.7
E&F	0.6	1.4
Corporate	0.8	1.8
	<b>7.8</b>	<b>14.5</b>

## 4. Business Planning process

### 4.1 Governance

A time-limited Business Planning Working Group (BPWG) has been established to oversee the development of the plan and to refine the process during its course. Attendees include:

- Head of Business Development
- Deputy Director of Finance
- Deputy Director of HR
- Divisional Managers
- Deputy Director of Nursing and Midwifery
- Head of Financial Planning
- Board Secretary
- Deputy Chief Operating Officer
- Head of Business Intelligence
- Project Manager, Planning and Contracting

The Executive Team acts as the Executive Planning Steering Group with any queries discussed through that forum.

### 4.2 Developing the planning process

The BPWG has reflected on last year's business planning round, recognising a number of areas where good practice should continue to this year's round, and areas which require improvement:

- Ensuring that specialty and team plans robustly consider a broad range of issues affecting their speciality, avoiding a unitary focus on financial/contracting issues. Alignment with the **Trust strategic goals** has helped minimise this risk. A **Business Planning Workshop** has been held again this year, following the success of the newly initiated workshop as part of last year's planning round; this year the workshop was extended to a full day, and included sessions on patient engagement and workforce planning and engagement, in addition to the session focussed on financial planning and contracting.
- The very short **timescale** for specialties to draft their plans has been extended this year, commencing work well ahead of national guidance being issued.
- **Clinical engagement** with the planning process has been strengthened, through a greater focus on patient experience/quality improvement priorities, invitation of Matrons to the business planning workshop, and plans for a Clinical Reference Group focussed on business planning and contracting in December 2017.
- Addressing under-involvement of **corporate teams** in developing their own annual plans/understanding the plans of clinical divisions. Corporate teams are being asked to set their plans for 2018/19 in response to the plans developed by clinical specialties.

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- Refreshing the **Trust-wide framework** to guide speciality and divisional plans, addressed through the development of the Trust strategic framework.
- Specialty **drop-in sessions** too early in the process to be meaningfully used by Specialty Managers, now timetabled later in the process.
- The **workforce** section, which had been less well engaged with by teams to consider their workforce plans has been updated and refreshed.
- Specialty **business plan review meetings** have been instigated, with the Specialty Manager, Divisional Manager, Planning and Contracting team and Business Development meeting to discuss the plan, give feedback and ensure that activity changes are understood and, where relevant, fed in to the contracting round.

### 4.3 Timeline

Key dates include:

15 September 2017	Counting and coding deadline
20 September 2017	Business Planning Framework to Management Board
10 October	Business Planning Workshop 1
13 October	Specialty plans deadline
November/December	Specialty Business Plan review meetings
22 November	Strategic QIPP Plan presented to Management Board
12 December	Planning session at Clinical Reference Group
13 December	Divisional plans presented to Management Board
14 December	Board of Directors/Council of Governors away day – planning workshop
31 January 2018	Divisional QIPP planning deadline
28 February 2018	Budget setting concludes
<i>28 February 2018</i>	Trust Business Plan and Financial Plan 2018/19 to Board of Directors
<i>Mid-March 2018</i>	Business Planning Workshop 2
<i>March 2018</i>	Assumed submission date for Trust plan

Italics indicate dates which are to be confirmed.

### 4.4 Specialty template

Building on last year's approach to planning, specialties and corporate teams have been asked to complete a template focussed on key transactional items, e.g. activity changes, and key transformation plans, QIPP and service development priorities. The template includes

- **Service development priorities** – including QIPP plans, aligned with the Trust Strategy

- **Activity** – expected changes in activity levels, to inform contracting
- **Workforce** – focussing on plans to manage current/expected workforce gaps and opportunities for workforce redesign.
- **Budget changes** – to support budget setting process
- **Commercial opportunities** – opportunities to generate non-NHS income, for example from under-utilised assets or franchising innovative clinical models.
- **Horizon scanning** – capturing definite and potential changes known to the speciality/team, for example potential changes to access targets, public health campaigns which may impact on referrals or changes in clinical guidelines which will impact on service delivery.

All specialties have already been asked to submit counting and coding changes, to ensure sufficient notice for commissioners.

## 4.5 Engagement

Greater engagement with staff regarding the plan will be achieved primarily through five mechanisms:

- Use of the Business Planning workshops, Leaders Forum and Clinical Reference Group as a sounding board for priority setting and to communicate progress on in-year delivery.
- The presentation of Divisional plans to Management Board
- Presentation of the draft plan to the Governors Strategy and Business Planning Working Group, and subsequently to Board of Directors and Council of Governors.
- Engagement with a wide cohort of staff and stakeholders in the strategic planning process, which informs the business planning process.
- Marketing a 'plan on a page' to staff, members, the public and other stakeholders

Further engagement activities will be agreed through the Business Planning Working Group as appropriate.

## 5. Financial planning

### 5.1 Budget setting

The budget setting process is running in parallel with the business planning process to ensure efficiency of meetings and consistency in Trust planning. As in previous years the start points for budgets will be the month 6 projected outturn positions with additions where necessary to derive a control total for each budget. The development of the control totals will be as outlined below:

- **Start Point: 2017/18 Projected Forecast Outturn (As at Month 6)**
- Less Non-Recurrent income and expenditure
- Add Full Year Effect of 2017/18 developments
- Adjust for anticipated Month 6 to Month 12 funding adjustments
- Activity/income adjustments (contract 2017/18 to contract 2018/19)

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- Inflationary adjustments
- Incremental Drift Funding
- Locally agreed Cost Pressure Funding
- Agreed Business Cases
- Impact of national external reviews
- Inter-Divisional Transfers
- Less non delivered QIPP 2017/18
- Less Divisional QIPP target 2018/19
- **End Point 2018/19 Opening Budgets**

As in previous years budgets will not move in year and will be aligned to the financial plan submitted to NHS Improvement. The current national and local NHS financial climate means that investments will be limited due to the lack of funding within the health system. The priorities will be ensuring current divisional commitments are funded and addressing any funding requirements mandated by national guidance.

Budgets will be set to deliver the activity plan agreed through the contracting process which will run concurrently with the business planning process. Commissioner and Trust budgets should be aligned to the signed contract though it is inevitable there will be some areas of contention. This year we are seeking to reduce these in relation to commissioner QIPP requirements through more detailed joint planning and development meetings. With the support of their finance and business planning teams, divisions are required to develop specialty level activity plans that are in line with anticipated demand for the coming year. Divisions and service lines will then need to consider the following in order to confirm or revise this projection, as required.

- Activity growth/reduction assumptions
- Impact of non-recurrent activity during 2017/18
- Movements in waiting list / access issues
- Potential impact of known commissioning changes
- Potential impact of known changes in patient pathways
- Potential impact of local competitors
- Impact of forthcoming developments
- Impact of marketing initiatives
- Impact of new NICE guidance
- Other changes in clinical practice

Following the agreement of an activity plan the divisions and specialties will then need to review the capacity available to ensure it is delivered. This will include reviewing the current medical and nursing workforce, other staff groups, theatre sessions, outpatient sessions and beds. In developing capacity plans, income generating divisions must liaise with the respective support divisions and departments to ensure that the implications of activity/capacity plans are consistent with and deliverable by those support functions.

A key element of the financial planning process will be ensuring the workforce is adequately funded. Once the required workforce has been established through the capacity planning process, budgets will be adjusted for unavoidable cost pressures such

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as pay inflation, incremental drift and national pressures such as the revised Junior Doctors contract. Given the level of national scrutiny around pay growth it is anticipated that workforce changes will be minimal and that greater efficiency will be required from the current workforce.

From a non-pay perspective a zero inflation stance will be followed with suppliers that will be reflected in no uplift to budgets. For key areas where inflation is unavoidable such as secondary care drugs, blood products, CNST, utilities and maintenance contracts, budgets will be funded at the appropriate level.

**5.2 QIPP**

The Trust’s QIPP Framework, approved by Management Board in May 2017, sets out the Trust’s approach to QIPP planning, monitoring and delivery.

To ensure the Trust delivers the financial plan each division will have a QIPP target to be delivered. This will need to be increased to ensure that local cost pressures can be met and the capital plan has an adequate resource level to deliver the programme.

The starting point for allocating savings targets for the new financial year will be to determine the overall target for the Trust which is likely to be set at 4%. Management Board will then need to agree the best way to approach savings in 2018/19. A mix of divisional and Trust wide transformational work streams would be the preferred option to ensure the transformational schemes are supported by adequate corporate resource to ensure delivery.

Each division will be required to develop and own a QIPP plan for 2018/19 that demonstrates how they will meet the level of challenge, detailing how savings will be delivered. These plans should be in place prior to, and ready to start in, the new financial year. It is recognised that this is challenging but as a public service we can only spend the level of resource that the Treasury determines is available for the NHS. Divisions will be expected to have identified 100% of savings schemes by the end of January and delivered a minimum of 50% of the savings target by Month 6 to avoid issues with delivery of the Trust outturn plan.

Divisions will be required to formally sign off their budget by the end of November with individual budget holders sign off by the end of December. QIPP plans need to be signed-off by the Deputy Chief Executive / Director of Finance and Chief Operating Officer when:

- Schemes are robust, with project leads and risk assessed plans completed
- Medical Director and Director of Nursing have approved the quality impact assessment including the KPI monitoring that will be undertaken
- QIPP scheme delivery is fully profiled across the year.

The Operational Improvement Team will support the QIPP programme and ensure that plans to maintain the future financial stability of the Trust are robust. This will be through the development of medium to long term transformational plans that will support the

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divisional savings schemes. Both the divisions and Operational Improvement team will be accountable for this through the monthly Operational Delivery Review (ODR) process

Budget holders are expected to be fully involved in setting their budgets and to sign off an Accountability Arrangement encompassing the activity, income and expenditure plans they are expected to deliver at a divisional and service line level. Financial Management staff will liaise with budget holders to ensure plans are robust and accurate.

To provide assurance that quality has been sufficiently considered, Divisional teams will be responsible for completing a quality impact assessment on an individual scheme risk assessment basis and at the QIPP planning stage. QIPP schemes that are considered unrealistic or that pose a realised significant risk to quality will not be put forward by the Divisional teams.

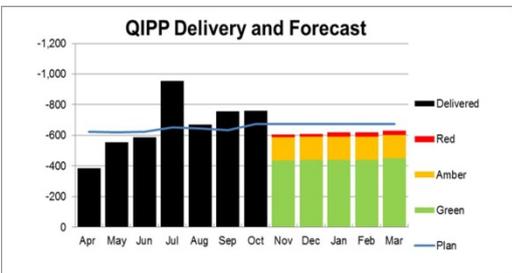
As the Divisional teams develop QIPP schemes, a review of the proposed schemes will be completed to identify those requiring a QIA; these schemes will then require Quality Board approval before proceeding.

The Medical Director and Director of Nursing are responsible for formal consideration of each QIA, ensuring full consideration of potential impacts on quality and agreement of the ongoing monitoring proposed. The Medical Director and the Director of Nursing will receive all QIAs before Quality Board review. All QIPP schemes requiring QIA approval will be required to be available for Quality Board approval at Board meetings to be held in February and March 2018.

**6. Revisions to the QIPP Performance Management Framework**

QIPP delivery to date in 2017/18 has been better than plan, reflecting the robust performance management arrangements set out in the Trust’s QIPP Management Framework.

At the end of October 2017, QIPP delivery for the year to date is at 104% with £3.9m QIPP delivered against a plan of £3.8m.



In addition, the QIPP plan for 2017/18 is fully identified.

However, there are a number of risks to the current very positive position. These risks include:

- To date, 33% of QIPP has been delivered on a non-recurrent basis with full year projection of around 24%.
- The transformational QIPP plan delivery as a proportion of the whole are below expectation which is a concern given the ambition to focus in year on development of such schemes.

- Income QIPP delivery (NHS), albeit driven by bona fide demand and contracts is not sustainable given the financial position of the NHS and commissioners.
- The current draft QIPP target for 2018/19 is anticipated to be significantly higher than 2017/18.

### **6.1 Transformational and transactional QIPP**

There are a range of transformational project boards currently overseeing specific quality and efficiency improvement QIPP challenges or enablers, including:

- Pharmacy Transformation Board
- RUH Redevelopment Programme Board (Estates)
- Outpatient Steering Group
- Clinical Informatics Board
- Frailty flying squad
- STP - back office, fragile services and maternity services reviews

In addition, quality improvement methodology is well-embedded in many areas, and increasingly being spread across the Trust. Examples include:

- Quality, Service Improvement and Redesign (QSIR) training
- FLOW coaching

The projects described above are at varying stages of implementation, but all are able to demonstrate progress towards delivering a range of key performance indicators. However, QIPP delivery to date is predominately transactional, and the expected delivery of Trust-wide transformational programmes is currently less certain.

### **6.2 Issues identified**

Although QIPP delivery has been strong to date, as demonstrated by the current 104% delivery against plan, there are both external and internal challenges to the Trust's ability to maintain its excellent progress. Specific targets for improvement have been identified as follows:

#### **RUH**

- Improvement to Trust-wide process for benefits identification, in particular for transformational projects.
- Improved process for identifying, prioritising and resourcing Trust-wide QIPP projects; the QIPP Management Framework successfully uses existing Divisional performance management structures to drive QIPP delivery. However, there is no comparable structure for Trust-wide QIPP plans.
- Improved arrangements for sharing information across the Trust, understanding implications for other services and identifying good practice – the current QIPP Management Framework could risk creating 'divisional silos'.

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## System

- Improved clarity of CCG QIPP plans, enabling more responsive alignment of RUH capacity in line with CCG intentions.

### 6.3 2018/19 QIPP planning

Proposed changes to QIPP planning for 2018/19 were supported by Management Board on 22 November 2017.

#### QIPP planning process

- Trust-wide QIPP identification and prioritisation will be included within the annual business planning round, led by the Business Development team in conjunction with Divisions, Finance and the Operations team, with a view to developing a Strategic QIPP Plan.
- For 2018/19, this will focus on review of the list of top 34 potential QIPP ideas developed at the 2016 QIPP planning workshop and subsequently refreshed at the Business Planning workshop in October 2017. Added to this will be other known projects planned for 2018/19, and suggestions from Divisional teams. The current long list of potential QIPP projects comprises of 49 potential projects, of varying scale and complexity.
- The list will be prioritised based on ease of implementation, potential saving and other benefits. Data from the Model Hospital and other benchmarking tools will also be used to inform prioritisation.
- The prioritised list will be used to develop a Strategic QIPP Plan, setting out a programme of longer term Trust-wide QIPP programmes. Consideration will be given to scheduling, in particular where there are interdependencies between projects. Projects that sit on the list will require some form of Trust-wide coordination, either because of the scale of the project and potential investment required to achieve change, or because the project will have implications for multiple services.

The current draft schedule sets out 17 potential Trust-wide QIPP projects, and will be presented to Fit for the Future Board in December 2017.

#### Delivering transformational QIPP

- Fit for the Future Board will hold responsibility for overseeing identification, prioritisation and assuring delivery of Trust-wide QIPP, Divisional QIPP plans will continue to be managed and overseen as per the existing successful QIPP framework.

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- We propose to develop (supported by the commercial projects team and learning from external best practice) a Trust-wide process and approach to benefits identification. This will include training and ongoing support for QIPP project leads.

#### **System wide QIPP**

- A new group is proposed to be established between the RUH and BaNES CCG to jointly review progress of system-wide QIPP projects and agree mitigations/support as required. Proposed Terms of Reference have been developed and shared with BaNES CCG.

### **7 Recommendations**

The Board of Directors is asked to approve the Trust business planning framework 2018/19 – 2019/20, and the proposed changes to the QIPP planning and delivery process.

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