
[Whittington Health]
Operating Plan 2012/13

DRAFT Trust Operating Plan 2012-13

Trust name:	The Whittington Hospital NHS Trust
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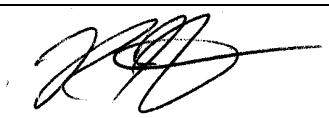
Sign off:

Supporting statement outlining process of consultation and engagement of PCT clusters in development of Operating Plan for 2012-13.

Commissioning discussions for 2012/13 are at an early stage, and agreement on contract values has yet to be reached (the first contract offer is circa £12m below the 2011/12 plan). However, discussions around the contract type have taken place between Chief Executives and explicit support has been received from both NCL and local CCGs. The proposal was a cap and collar arrangement based upon out turn 2011/12 levels of funding, with specific adjustments and rules. The risk of growth being largely met by the Trust. The proposal was to last two years – however a third year was suggested by the CCGs. This has been managed through the trusts host commissioning agency (North Central London). Whittington Health is developing new pathways that are being modelled with the intention of developing new tariff mechanisms. In the interim, as an integrated care organisation this type of financial arrangement is particularly relevant in providing some headroom to develop the most appropriate currencies to align with integrated care pathways. High level discussions at Chief Executive level have run parallel alongside the more traditional contracting process.

Service delivery models have also been discussed with CCGs and their specific requirements around GP clusters and available local services are informing the configuration of the ICO's services.

The overriding objective is to ensure that both commissioners and Whittington Health are capable of sustainable delivery of quality services in an affordable manner in the long term. Whilst providing some certainty for the 2012/13 contract value/basis, to enable sound financial planning and to ensure that efficiency / productivity targets are set at the most appropriate level this contract arrangement will contribute to commissioner's QIPP plans.

Executive lead	

1. Overview of financial position

Delivery in 2011/12, including FCOT, risks, opportunities, non-recurrent matters, etc.

At the start of the year the Trust planned for a surplus of £500k (IFRS basis), and has performed consistently throughout the year such that the forecast position has remained at £500k in each month, this is reflected in the monthly submissions to NHS London. As at Month 10, the year to date surplus position shows a surplus of £909k (IFRS basis, excluding impairments), and the trust remains confident of delivering the target surplus of £500k.

The key risks which have been identified, and reported in the monthly key financial information submissions include; shortfall on income, additional unanticipated cost pressures and slippage against CIP schemes. Each of these risks are covered in further detail below;

Shortfall on Income

Although reduced income levels have been considered as a potential risk, actual performance has been broadly in line with the planned position, which at month 10 shows an over performance of £701k. While income levels will continue to be monitored and considered as a risk, the likelihood and potential impact of this risk recedes as the Trust enters the final quarter of the year. There is no reason to suggest that income levels will deteriorate during what is traditionally the busier period of the year for the Trust.

Unanticipated Cost Pressures

The Trust has acted proactively in mitigating the potential impact of unanticipated cost pressures, though introducing vigorous controls around recruitment, both on a permanent and temporary basis. This has provided some headroom within the financial position to enable cost pressures which arise to be absorbed within the position, without adversely affecting the bottom line position.

CIP

As with unanticipated cost pressures, proactive control of costs has mitigated slippage against specific schemes. The Trust expects to deliver in full against CIP targets, and to date has identified schemes with a total value of £19.45m against a starting target position of £19.6m,, At month 10 a potential year-end shortfall of £600k against this target is being forecast, due to seasonal activity pressures impacting on the ability to deliver planned cost reduction projects in the final quarter of the financial year. However, tight control of recruitment and temporary costs is anticipated to mitigate against this cost pressure.

In terms of non recurrent adjustments in year it is worth noting that of the overall CIP programme £2.1m has been achieved non recurrently. Recurrent achievement of this value is included as part of the 2012/13 CIP programme. Within the year-to-datesurplus position there is a non recurrent value relating to the release of balance sheet items, the total value of which at month 10 is £900k. It is anticipated within the forecast position that this net release will be offset by the year end through the inclusion of fresh provisions.
Within the projected out turn of a £500k surplus the value of total non recurrent benefits is £2.2m thereby leaving an underlying deficit of £1.7 m.

Overview for 2012/13, incorporating matters above:

In 2012/13 the Trust is forecasting a surplus of circa £3.12m on an IFRS basis (the equivalent figure for break even purposes and excluding the impact of IFRS is £3.7m), which reflects a reduction in the overall income position to reflect tariff changes. As required by the DoH this position assumes a 0.5% contingency of £1.3m, requiring a total CIP delivery of £13.1m . Whilst demographic growth is assumed within the position, this is largely offset through productivity requirements. A more detailed assessment of the key assumptions is included in section 2 (below).

In terms of risks, we have assumed that the risks in 2012/13 will be broadly similar to those identified in 2011/12. In terms of the income position, the Trust is in discussions with the host commissioning agency to extend the cap and collar operated in 2011/12. This mechanism mitigates the risk of income loss to the Trust, and growth in demand for the commissioner.

Significant work has been done to identify CIPs for 2012/13, and while schemes for the full £13.1m have been identified, it is acknowledged that risk of delivery will need to be monitored throughout the year.

Forecast delivery of the CIP target assumes the delivery of £11.6m new schemes identified for 2012/13, together with £1.5m which relates to the full year effect of 2011/12 schemes.

The Trust has a weekly CIP Board (that reports through to Trust Board) which will monitor delivery, and recommend / escalate the need for corrective action as appropriate. Finally, within the financial plan numerous cost pressures which could arise during the year have been factored in. Again this position will be reviewed regularly through the budgetary control process, and as in 2011/12 the trust will operate proactively in keeping costs under control.

The first contract offer from NCL (the host commissioner) is circa £12m less than the 2011/12 plan. Discussions have been ongoing at Chief Executive level to agree a "cap & collar" arrangement, which would agree to this position on the basis that non recurrent transitional funding would be provided in years 2012/13 (£12.95m) and 2013/14 (£2.93m). Please refer to attached presentation [Whittington Health SLA Proposal] for further details.

Together with providing some stability in the development of the ICO, the SLA proposal would also provide some non recurrent support in the establishment of restructuring provisions, and also in the non recurrent support for additional capital charges associated with key IT and Emergency department developments.

2. Key assumptions in 2012/13

Including but not limited to:

- Service developments

No service developments have been included at this stage, although further work is being done, and particularly in mapping services across acute and community pathways – these will be included within subsequent submissions.

During 2011/12 the Trust took on responsibility for Haringey Children's services, the service transferred in May 2011, the full year effect of the income and expenditure position has been included in the 2012/13 plan.

- Tariff impact / changes

As illustrated in the bridge analysis in section 3 (below), the impact of the tariff deflator and MFF changes have been incorporated within the 2012/13 planned position.

- CQUIN

The Trust have assumed an additional 1% income from CQUIN on top of the 2011/12 outturn position, again this is illustrated in the bridge analysis shown in section 3 below.

- Workforce

The key workforce changes to the out turn 2011/12position will consist of:

1. CIP – 186 wte reduction
2. Marginal impact of activity change on workforce – not material in wte terms
3. Cost pressures – 11 wte increase
4. Transformation of care pathways – transfer of activity and staff from acute to community setting – TBC

Work is continuing to model the workforce implications of the care pathway transformation programmes.

By far the most material movement will relate to the CIP for which any severance costs will be met from additional provisions created during 2011/12. Wherever possible, staff will be re-deployed into vacant posts and the CIP will therefore result in a significant reduction in average usage of

temporary staff.

The transformation work streams include a review of skill mix which is anticipated to change over time and will require a switch of resources and greater productivity from existing acute and community staff. Training and education programmes are being developed to ensure the current workforce is adaptable for both acute and community environments.

- Commissioning intentions and their impact

While an indication of the NCL commissioning intentions have been provided, these have not yet been published. Negotiations of the 2012/13 position are at an early stage. An assessment of the impact of the NHS London commissioning intentions is shown within the bridge analysis in section 3 (described as "Service Disinvestment – Productivity").

- N/R items

There are no new significant non recurrent items assumed in the 2012/13, although the full year effect of non recurrent transactions in 2011/12 are included, such as the full year effect of the Haringey Children's service referred to above, the impact of CIP delivered non recurrently in 2011/12 etc.

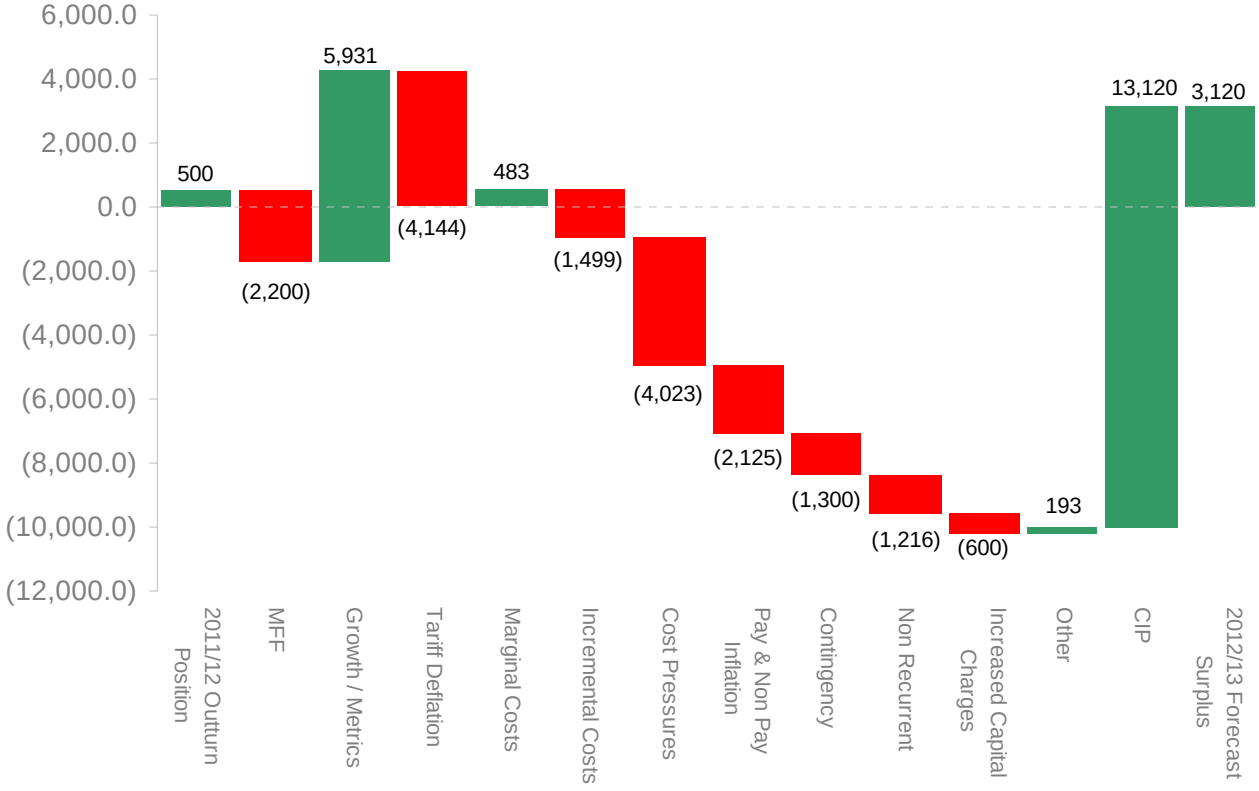
- Readmissions and reablement funds

This will form part of the commissioning discussions once they commence

3. Key bridging movements from 2011/12 FCOT to 2012/13 plan

Including changes by revenue type, cost type, QIPP, overall surplus/deficit and underlying surplus/deficit.

Bridge analysis provided below, which provides an initial overview of the expected movements from the forecast 2011/12 surplus of £500k, to the planned surplus for 2012/13 of £3,192k.



A full analysis of the above items is available if required.

4. Activity

Overall activity levels, split by commissioner where significant, specifically:

- **Summarise the overarching impacts of commissioning intentions**
- **Separate out the revenue impact and associated cost response to implementation of those intentions, including any net contribution gain / loss**
- **Confirm what additional QIPP requirements arise and have been included**
- **Cover how planned activity provides the capacity to deliver RTT and A& waits**
- **Outline those productivity metrics to be met / achieved**
- **Include value of 70% emergency admissions threshold monies to the SHA**

Overarching impacts of commissioning intentions

In the absence of specific NCL commissioning intentions at the time of writing this report the main commissioner assumptions are 3% growth (£4.2m) and demand management (£4m). Whilst it is likely that commissioner aspirations for demand management schemes may be in excess of the £4m included within these plans, the amount to date included represents the requested reductions in out- patient first to follow up ratios and Consultant to Consultant referrals. By the end of 12/13 the Trust is planning to deliver upper quartile efficiency and this will be reflected in the proposed financial settlement.

The revenue impact and associated cost response to implementation of commissioning intentions, including any net contribution gain / loss

During a period of transition and whilst alternative pathways and currencies are developed, a period of financial stability is needed for both commissioner and provider alike. Consequently, a contract arrangement which does not de-stabilise the Trust whilst trying to drive down acute activity is necessary and section 5 describes this.

The potential impact of changes to marginal costs have been considered and discussed in detail with senior clinicians and managers within the clinical divisions of the Trust. Following a detailed assessment pure marginal costs have been included, which reflect variable costs associated with drugs and consumables, the divisional teams indicated that based on current levels of activity stepped and semi fixed costs could be absorbed within the existing cost base. The additional CQUIN of 1% is assumed to be met from improvements in productivity.

Confirm what additional QIPP requirements arise and have been included

As part of the transformational change work, a reduction in emergency in-patient spells is expected and this has not yet been reflected in the activity analysis. As much of this activity will require additional community services support to enable patients to remain in their own homes, it is planed to replace all/some of this reduced income with an equivalent value to meet the cost of re-providing additional community based services. The bulk of the financial benefit to the commissioner, at this stage, would derive from a reduced liability in respect of the 70% payment to NHSL for which approximately £2m is payable. As new currencies e.g. year of care tariffs, are developed cost savings may be shared with commissioners once Trust efficiency targets have been delivered within the confines of the required FT Risk Rating.

For further QIPP detail please refer to section 6 below.

How planned activity provides the capacity to deliver RTT and A&E waits

The Trust is currently meeting all waiting time targets and has volunteered to accelerate achievement in 2011/12 at the request of NCL. It is anticipated that this acceleration will contribute to continued high performance in 2012/13.

Productivity metrics to be met/achieved

By end 2012/13 upper quartile for:

- First to Follow OP
- Consultant to Consultant referrals
- Length of Stay

The Trust will comply with commissioners policy for PoLCE and day case to out patient procedure as negotiated within the contract.

The Trust has successfully reduced it excess bed days and readmission rate and this will continue as part of the ICO transformation work in 2012/13

Value of 70% emergency admissions threshold monies to the SHA

- Approx £2m

5. Triangulation

Describe the triangulation activity that has taken place to ensure robustness in respect of:

- Activity
- SLA values
- Workforce

Detailed activity forecasts have been undertaken to HRG level building in our assumptions on growth (@1%) and our estimate of commissioner KPIs and other adjustments. The workforce plans will track the changes to the expenditure budget which will be synchronised with our own activity estimate. In terms of the SLA income value our proposal is for a cap and collar linked to and based upon 2011/12 out turn levels of funding with the majority of the risk re activity increases falling to the Trust. The assumption within income is 3% growth (as per commissioners QIPP plans) which will be assessed by the Trust for additional marginal costs should it arise as part of the Trusts downside scenario. The existing expenditure budget has not been reduced to reflect KPIs around fewer out patient appointments and as such spare capacity will be available to absorb an increase from 1% to 3%. Emergency admissions are not increasing for the Trust and as part of being an ICO our plans are to close more beds in response to both improvements in admission avoidance and length of stay. Elective activity is flat and both maternity and ITU activity are constrained by physical capacity constraints.

As outlined in the earlier sections detailed assumptions re. MFF and the tariff deflator have been incorporated, which adds to the robustness of the output. The fact that the assumed SLA values are built up from activity projections, means that the two are consistent. It should be noted that at this stage negotiations with the commissioners are at an early stage, and so the Trust is not in a position to verify an “agreed” SLA position with commissioners.

In setting 2012/13 operational budgets and risk assessing delivery of the CIP, managers are triangulating workforce to activity.

6. QIPP

Summarise the trust's key QIPP priorities and challenges for 2012/13:
Include an overview of:

- **Financial impact**
- **Risks**
- **Mitigations and contingency plans**
- **Governance of your QIPP programme (PMO and Leadership)**
- **Shifts in the size of the QIPP challenge compared with 2011/12**

Financial Impact

- £13.1m Forecast delivery of the CIP target assumes the delivery of £11.6m new schemes identified for 2012/13, together with £1.5m which relates to the full year effect of 2011/12 schemes.

Risks

- Contract arrangements – type of contract and agreed baseline
- Delivery of CIP
- Speed of transformation and efficiency release
- Significant shift of commissioning by CCGs post cap and collar deal
- AQP
- Non funding of revenue requirements by commissioners of significant capital investment for IT
- Managing the quality impact of CIP delivery

Mitigations and contingency

- Support for contract arrangements already by commissioners. Payment mechanism forms part of TFA and requires commitment by Trust, NCL and NHS London
- CIP programme board and management embedded with track record of achievement at 100% as at M10
- All transformation projects have PIDs and are underway and overseen by QIPP board chaired by CEO
- Monthly monitoring of market share and market volume. Any significant growth in referral patterns may require suspension of the cap and marginal rate. Thresholds will be negotiated with commissioners as part of contract negotiations
- We will bid for AQP contracts. Commissioners have been asked to not withdraw overhead contributions in the interests of not destabilising the ICO in its formative period.
- IT capital charges of £1.2m currently included within 2013/14 revenue budget
- CIP board (with NED attendance) examines all CIP proposals on an ongoing basis. Any red rated schemes are reviewed by Trust Board and actions addressed as required

QIPP governance

- QIPP board chaired by CEO as sub committee of Executive Committee that reports to Trust Board
- CIP board chaired by COO as sub committee of Executive Committee that reports to Trust Board
- Audit committee and quality and safety committee both review the implications of CIP
- Transformation projects presented at Contract Quality Review Group attended by commissioners and GPs

Shifts in the size of QIPP from 2011/12

- 2011/12 forecast CIP £19.6m reducing to £13.1m in 2012/13
- 2013/14 CIP programme of £15.3 m, work on productivity and benchmarking in 2012/13 will inform 2013/14 CIP programme for which separate and additional severance has been budgeted

7. Key capital schemes

Include scheme name, values, purpose, funding source, etc.

Capital Expenditure for 2012/13 is forecast to be £8.7m, of which £5.6m is on building, £0.5m on Equipment £1.1m on IT and £1.5m on Finance leases. Within the £5.6m expenditure on building, £0.6m is on the PFI life cycle costs and

£1.5m on the maternity enabling works.

In subsequent years the capital expenditure is steady with average capital expenditure each year of £9m.

The capital expenditure budget is based upon the depreciation expenditure forecast for that particular year, and the additional adjustment needed for the IFRIC 12, IFRS impact on the PFI Lifecycle.

The Trust aims to replace its existing EPR (1xPAS and 2x RiO systems) with a fully integrated EPR during 2012/13. This forms one of three capital bids, for which the Trust is awaiting DoH decision by March 16th 2012. Should this not be forthcoming the Trust will need to make a loan application whilst firming up its five year financial and service plans as part of its FT application.

8. Liquidity / cash flow / loan requirements

The closing forecast position for 2011/12 is circa £6m. In 2012/13, based on the assumptions outlined within this plan a surplus of circa £3m is planned. Given that there are not significant changes in working capital planned during 2012/13 it is not anticipated that there will be any issues re. liquidity/cash flow, and it is not expected that there would be a loan requirement. However, in order to ensure minimum liquidity requirements are met either a loan and/or a committed facility will be entered into as part of the LTFM that is being assembled for the FT application.

Maintaining a strong liquidity position will of course depend on delivery of CIP, and prompt recovery of cash from commissioners.

9. Key financial risks and opportunities in 2012/13

In terms of risks, it has been assumed that the risks in 2012/13 will be broadly similar to those identified in 2011/12. In terms of the income position, the Trust is in discussions with the host commissioning agency to extend the cap and collar operated in 2011/12. This mechanism mitigates the risk of income loss to the Trust, and growth in demand for the commissioner. Significant work has been done to identify CIPs for 2012/13, and while schemes have been identified, it is acknowledged that risk of delivery will need to be monitored throughout the year. Specifically, although the full £13.1m CIP has been identified in principle, specific actions and project plans for some of the savings proposals require further development. The Trust has a CIP Board which will monitor delivery on a regular basis, and recommend / escalate the need for corrective action as appropriate. Finally, in terms of cost pressures, the Trust has included a contingency of £1.3m, together with a prudent assessment of cost pressures which could arise during the year. Again this position will be reviewed regularly through the budgetary control process, and as in 2011/12 the trust will operate proactively in keeping costs under control.

As the ICO has determined the transformation projects and started to map the financial benefits that will arise from these in future years, CIP ideas exist in excess of the actual savings targets built in to the 5-year LTFM and therefore either an additional contingency re slippage exists or the potential for stronger financial performance exists. Furthermore four specific opportunities exist in addition to the quantified list of CIP schemes and they are:

1. Pathology review
2. Additional non NCL Bariatric surgery
3. Referral management services
4. Capitation funding model

10. Overall contingency / reserves

The position outlined within this plan includes a contingency of £1,300k. Reserves will also be established to allow for inflationary pressures and other general cost pressures, although this will be allocated to individual budget codes on commencement of the additional costs.