

CONFIDENTIAL

Foundation Trust diagnostic



Briefing document – Chairs and Chief Executives

NORTH CENTRAL LONDON SHA

13 December 2005

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Objectives of FT diagnostic

Overview of diagnostic tools and process

SHA preparation next steps

THE FUTURE DIRECTION

Creating a Patient-led NHS

Delivering the NHS Improvement Plan



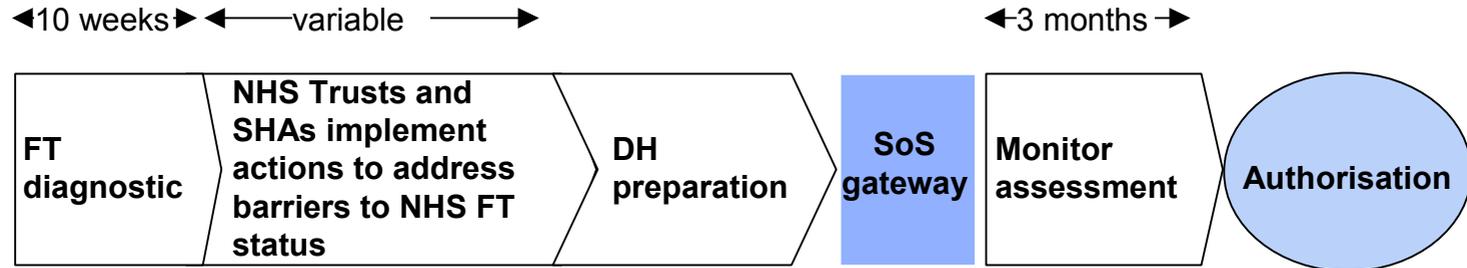
“....to offer all NHS Trusts the opportunity to bid for NHS Foundation Trust status by 2008...”

CONTEXT FOR THE FOUNDATION TRUST DIAGNOSTIC

- The Prime Minister and health policy leaders are committed to the goal of enabling all NHS Trusts to have the opportunity to apply for NHS Foundation Trust status by 2008
- Recognising that this goal is a challenging one, SHAs, DH, and Monitor have come together to develop a developmental but rigorous programme to identify the areas where NHS Trusts can improve to meet the standard for NHS Foundation Trust status
- This diagnostic programme preserves the role of the Secretary of State in approving NHS Trusts for application and is distinct from Monitor's authorisation process
- The intent and hope is that this programme will motivate NHS Trusts and SHAs to address challenges that are identified before they apply for authorisation, thereby increasing the likelihood of success
- The diagnostic programme has been structured in 3 phases:
 - Phase I of the programme developed two diagnostic tools: one for NHS Trusts, and one that acts as a read across all acute trusts and commissioners within a whole SHA economy
 - Phase II was completed between June and November, with the development of 4 SHA hubs (pilots in BBCHA, CMHA, DSHA and NWLHA)
 - Phase III (rollout to entire NHS) will start in January 2006, with SHA preparation taking place now

THE FOUNDATION TRUST DIAGNOSTIC IS UPSTREAM OF THE SECRETARY OF STATE'S GATEWAY AND MONITOR'S ASSESSMENT

Pathway for an individual NHS Trust to NHS Foundation Trust status

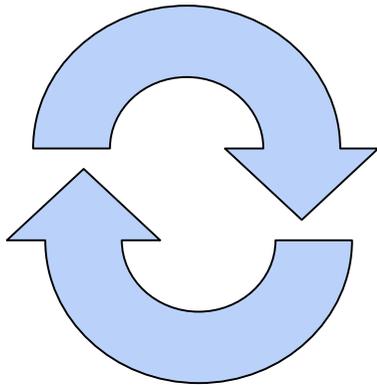


- The diagnostic programme is well before any steps toward NHS Foundation Trust application and preserves the Secretary of State's role in approving applicants for NHS FT status
- SHAs and NHS Trusts will be responsible for taking action on any issues that are identified during the diagnostic
- The Diagnostic is a developmental programme, which intends to build the required FT skills in Trusts and SHAs
- Consists of two diagnostics conducted in parallel:
 - **NHS Trust diagnostic**
 - **SHA-wide diagnostic**

THE FOUNDATION TRUST DIAGNOSTIC HAS TWO COMPONENTS

NHS Trust diagnostic

What are the **operational and financial issues** that a NHS Trust must address to have the opportunity to apply for NHS Foundation Trust status?



SHA-Wide diagnostic

What are the **issues in the SHA-wide region** that a NHS Trust cannot address on its own, and that the SHA must address?



Readiness for NHS FT status is a function of a Trust's internal operations and its external environment, and the 2 diagnostics aim to separate these factors

BY EARLY SUMMER 2006....



- each **Trust** will have an action plan to achieve NHS FT status by 2008
- each **SHA** will have an action plan for its local health economies
- the **Department of Health** will have an aggregated SHA plan that delivers the 2008 commitment

WHAT'S IT ALL ABOUT?



- Mini application
- Run over 10 weeks – with 3 weeks prep.
- 4 Key elements
 - Business Plan (££ + activity)
 - Governance
 - Service performance
- External relations
- Iterative process – ends in Board to Board
- Next steps – Agreed action plans to reach FT status

THE NHS TRUST DIAGNOSTIC FOCUSES ON FOUR AREAS

	Components	Diagnostic tool		
<div data-bbox="118 239 382 355" style="border: 1px solid black; padding: 5px;">Business Plan</div>	<ul style="list-style-type: none"> • Statement of current and future financial and operating plans • Financial analysis of historical, current and projected financial performance • Identification and measurement of key risks 	Selected elements of SDS and simplified long-term financial model*		
	<div data-bbox="118 554 382 673" style="border: 1px solid black; padding: 5px;">Governance</div>		<ul style="list-style-type: none"> • Organisational capacity • Performance management • Risk management and controls 	Combination of self-assessment, Board questionnaires, Trust and SHA interviews
			<div data-bbox="118 778 382 897" style="border: 1px solid black; padding: 5px;">Service Performance</div>	
<div data-bbox="118 1100 382 1219" style="border: 1px solid black; padding: 5px;">External Relationships</div>		<ul style="list-style-type: none"> • Shared assumptions with PCTs and SHAs • Coordination of information systems with PCTs and SHAs • Commissioning relationships 		

* Based on model used in Monitor's assessment process

THE FINDINGS FROM THE DIAGNOSTIC ARE SUMMARISED IN THE BRIEFING PAPER FOR BOARD-TO-BOARD MEETINGS

ILLUSTRATIVE

Overall results of diagnostic

- Estimated time for completion of an action plan: [<1yr, 1-2yrs,>2yrs]
- [Comment on key areas of focus: business plan/governance/service performance/external issues]

Business plan

- [A's vision as an FT is to become a leading provider of X, Y, Z services
- [A's current financial position is £XXm]
- [A's 5-year forecasts project reaching breakeven by Year X/ a deficit of £YYm...]
- [The net financial impact of A's top 10 risks is £ZZm]

Result: <1

- Vision and services strategy consistent with its historic and projected positioning in the area
- Underlying financial position stable
- 5-year forecasts appear reasonable, although depend on strong execution of CIP
- Plans for mitigation of risks, where possible

Governance

- [Comment on current organisational capacity and capability]
- [Comment on current performance management]
- [Comment on current risk management and controls]

Result: 1-2

- Audit committee chair not sufficiently strong, but planning to retire within next year so natural opportunity to find a skilled replacement
- Trust acknowledges need to improve clinical reporting procedures in line with best practice

Service performance

- [Comment on performance ratings against key targets]
- [Comment on improvement programmes]
- [Comment on patient safety]

Result: >2

- Previous actions to remedy missed targets (particularly A&E waiting) have been ineffective and new approach/commitment is needed

External relationships

- [Comment on A's activity projections as compared to SHA/PCT projections]
- [Comment on A's relationships with SHA/PCT/other]

Result: <1

- Activity projections are based on similar assumptions to SHA/PCT
- Effective working relationship with SHA

IN THE PILOTS, THE SHA-WIDE DIAGNOSTIC IDENTIFIED NATIONAL- AND SHA-LEVEL ISSUES AFFECTING POTENTIAL FT APPLICATIONS

National issues	Root causes	Impact on Trusts
PbR Tariff issues	<ul style="list-style-type: none"> • Tariff does not reflect cost of complex specialist procedures • Trusts have not done detailed HRG-level analysis and benchmarking of their costs 	<ul style="list-style-type: none"> • Specialists project significant recurring underlying deficits under PbR • Trusts (and SHA) unable to determine whether/where they lose money under PbR
Accumulated Deficits	<ul style="list-style-type: none"> • Some Trusts have high accumulated debt with little prospect of repayment 	<ul style="list-style-type: none"> • Trusts cannot apply for FT status
SHA issues		
LHE Service Planning	<ul style="list-style-type: none"> • No clear strategy on future service provision or capacity • Trusts and commissioners not coordinating on activity plans • Trusts not factoring in Choice, ISTCs and Primary care facility developments fully • Lack of success in managing demand • Strategic role of SHA not clear 	<ul style="list-style-type: none"> • Trusts deferring action on internal capacity or service reconfiguration until resolved • Trusts' income and growth plans at risk • Potential over-capacity in some services puts growth plans at risk • Overactivity in Trusts, especially in non-elective emergency services • Uncertainty over resolution process for Health Economy capacity management or service redistribution issues

TRUST DIAGNOSTICS IDENTIFIED THE KEY TRUST PERFORMANCE FACTORS WHICH RISK DELAYING APPLICATIONS

Trust issues

Root causes

Impact on Trusts

Financial

- Limited finance team resources and capabilities (e.g. no activity-based cost analysis, poor information systems)
- Reliance on large PFIs with weak financial viability under PbR regime
- Challenging CIP targets not backed up by processes for implementing them
- Strategy not sufficiently informed by costs benchmarking, accurate data and contribution analysis
- Trusts presenting deficits in later years, when unitary payments start
- Trusts are already behind plan after 1st quarter 05/06 (some by 50%)

Strategy

- Lack of strategy and of market-based business plans (customer segmentation, competition, business models)
- Limited clinician leadership, accountability for budgets and engagement in cost analysis
- Unrealistic, unsubstantiated plans
- No realistic 'plan B'
- No assessment/mitigation of potential risks
- Weakens robustness of strategy definition (business model missing) and implementation

Governance

- Variable level of NED/Board understanding, challenge and leadership on strategy and financial plans
- Significant variability in suitability of Board members for a Foundation Trust Board
- Lack of risk culture (risk management systems and processes not embedded)
- Strategies often only aspirations or extension of current/historical business, poor understanding of and therefore addressing root causes of deficits
- Boards not fit for FT governance requirements
- Lack of risk focus and mitigation (critical for FT status)

PILOT LEARNING



- CIP management is weak
- Sensitivity analysis is not well developed
- Risk awareness and mitigation is variable
- Leave it all to the Finance Department and the organisation will be left behind
- It's teamwork

- Without exception - everybody has found the process useful (but hard work!)
- Not enough clinical involvement
- Trusts and PCTs plans not always in synch!
- Future is full of unpredictable events...but a business has to plan

FOUNDATION TRUST DIAGNOSTIC – PROCESS OVERVIEW

SHA exec participation requested*

9 Jan

17 Mar

Mar–Jun

NHS Trust diagnostic



	Diagnostic Part I	Feedback	Diagnostic Part II	Challenge and feedback	Synthesis	Action plans
Support team actions	<ul style="list-style-type: none"> Support team visits to Trusts to introduce diagnostic, meet team and provide initial support Provision of financial modelling training (if not done already) 	<ul style="list-style-type: none"> Feedback on initial submissions Prepare for and attend clarification meetings* 	<ul style="list-style-type: none"> Support team to provide assistance to Trust in completion of returns Support team to analyse service performance data 	<ul style="list-style-type: none"> Analyse and clarify returns Read-across with SHA-wide diagnostic Feedback on final submissions 	<ul style="list-style-type: none"> Complete end-products for each Trust Prepare for and attend Board-to-Board challenge 	
Trust actions	<ul style="list-style-type: none"> Trust to complete historic/current financials, activity projections and business plan statement 	<ul style="list-style-type: none"> Prepare for and attend clarification meetings 	<ul style="list-style-type: none"> Trust to complete governance self-assessment, financial projections for LTFM, Risk assessment 	<ul style="list-style-type: none"> Respond to clarification requests and challenges 	<ul style="list-style-type: none"> Prepare for and attend Board-to-Board challenge 	<ul style="list-style-type: none"> Review diagnostic findings with SHA Determine action plans

SHA-wide diagnostic



	Diagnostic Part I	Feedback	Diagnostic Part II	Challenge and feedback	Synthesis	Action plans
Support team actions	<ul style="list-style-type: none"> Obtain SHA perspective on health economy PCT interviews PCTs to complete activity forecasts 	<ul style="list-style-type: none"> Present initial findings* Prepare for and attend clarification meetings* 	<ul style="list-style-type: none"> Team investigates particular issues raised PCTs and Trusts to revise activity forecasts where required 	<ul style="list-style-type: none"> Present findings Read-across with Trust diagnostic 	<ul style="list-style-type: none"> Debrief with SHA Execs 	<ul style="list-style-type: none"> Review findings and determine action plans with Trusts and PCTs

* The clarification meetings will not require full SHA exec participation, but the presence of the project sponsor at exec level is requested