Kettering General Hospital NHS Foundation Trust

Operational Plan Document for 2014-16

Kettering General Hospital NHS Foundation Trust

1.1 Operational Plan for y/e 31 March 2015 and 2016

This document completed by (and Monitor queries to be directed to):

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Date	**02 April 2014**

The attached Operational Plan is intended to reflect the Trust's business plan over the next two years. Information included herein should accurately reflect the strategic and operational plans agreed by the Trust Board.

In signing below, the Trust is confirming that:

- **The Operational Plan is an accurate reflection of the current shared vision of the Trust Board having had regard to the views of the Council of Governors and is underpinned by the strategic plan;**
- **The Operational Plan has been subject to at least the same level of Trust Board scrutiny as any of the Trust's other internal business and strategy plans;**
- **The Operational Plan is consistent with the Trust's internal operational plans and provides a comprehensive overview of all key factors relevant to the delivery of these plans; and**
- **All plans discussed and any numbers quoted in the Operational Plan directly relate to the Trust's financial template submission.**

Approved on behalf of the Board of Directors by:

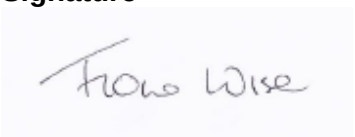
Name *(Chair)*	**GRAHAM FOSTER**

Signature

Approved on behalf of the Board of Directors by:

Name *(Chief Executive)*	**FIONA WISE**

Signature



Approved on behalf of the Board of Directors by:

Name *(Finance Director)*	**KISHAMER SIDHU**

Signature

1. EXECUTIVE SUMMARY

Kettering General Hospital NHS Foundation Trust (KGH) is a district general hospital serving the population of North Northamptonshire. The Trust had an income last year of £191m. This operational plan outlines how KGH plans to deliver high quality services over the next two years.

1.1. The Short Term Challenge

In developing its plans the Trust has identified the following challenges that must be addressed

- Compliance with our License to Operate and delivery of Legal Undertakings to Monitor
    - Improving A&E performance and sustainably delivering the 95% transit time
    - Strengthening our finances
    - Reviewing our Board governance processes
    - Implementation of all Health and Safety and Fire Authority notices outstanding within required timescales
- LHE Challenges which include an ageing and growing population and extreme financial pressures and delivering the "Healthier Northamptonshire" response which will entail significant service reconfiguration and focus upon non-acute delivery
- Providing Seven Day Services
- Implementing the Better Care Fund and the transfer of resources from health into social care
- Maintaining an Effective Workforce to ensure the right numbers and skills are available to deliver services during a period of major change.

1.2. Our Quality Plan

The Trust has developed its Quality Plan which outlines how these challenges will be addressed – these initiatives both improve quality for patients and deliver financial benefits to the organisation;

- Improved triage and observation processes within emergency care
- Alternative emergency care pathways
- Enhanced discharge processes
- Delivering length of stay reductions
- Focussing upon service improvements for frail older people
- Refocused bed base – flexible medical beds and dedicated surgical beds
- Partnership working with other providers to meet commissioner requirements
- Negotiating local refinements to tariff to enable alternative care pathways to be sustainably delivered
- Initiatives to improve staff engagement and motivation, recruitment and retention

1.3. Our Quality Goals

The Trust's operational plan also describes our approach to quality, including our quality goals which are to;

- Reduce mortality
- Reduce harm

- Deliver a quality patient experience
- Develop a culture of safety and continuous improvement

The Board has in place arrangements for ensuring quality that include a comprehensive quality surveillance system, Board Assurance Framework to review risks to the delivery of strategic objectives and a monthly integrated governance report covering a broad range of quality and performance indicators reviewed at both Trust Board and the Integrated Governance Committee.

The Trust has worked hard to establish a quality driven culture and is committed to ensuring openness, transparency and candour about quality and patient safety issues.

1.4. Risks to Quality and Delivery

In developing this operational plan the Trust has considered both the risks to the quality of our services inherent in the plan and the risks that exist to its delivery.

The Trust considers that the key quality risks inherent in the plan relate to poor change management and communications. It is recognised that strong and effective leadership will be required to maintain both focus and momentum supported by effective communications so that the whole organisation understand the direction of travel. Failure to achieve this will result in confusion and our plans not being delivered at best and at worst patient being directly affected by resulting poor care outcomes – which could in some instances prove catastrophic.

In considering risks to the delivery the Trust has identified those elements that could impact upon its ability to deliver the significant changes that are required within a relatively short timescale;

- Inability to sustainably deliver changes in emergency care – otherwise the efforts of the organisation will constantly be focused upon the A&E transit time to the detriment of other change initiatives.
- Failure to improve and reduce Length of Stay which in turn impacts upon plans for reconfiguring medicine and surgical bed bases.
- Lack of community alternatives to hospital care developing
- Failures in Partnership working – given that the delivery of the “Healthier Northamptonshire” care models requires cooperation across the whole health economy
- Failure to negotiate the tariff changes that will be required to support the development of alternative care pathways and transitions from acute to community care models
- Disengagement of staff throughout the change period given the potential for some staff groups to face significant changes in employment and possibly even of employer
- Estate & IT issues affecting the Trusts ability to respond to new service requirements or reconfiguration requirements.

Each of these risks have been addressed within the plan with a common theme of a need to work in partnership both across the LHE and with internal staff to ensure mitigation.

1.5. Financial Challenge

The Trust has identified a need to deliver savings during 2014/15 of over 10% of turnover in savings. The Trust is planning for £13.7m of deliverable CIPs in 2014/15 from a programme outlining the potential for £18m. The CIP programme is based on 70% cost reduction and 30% revenue generation. The Trust has identified which of the CIPs is traditional and which transformational for the 2014/15 period as detailed in Table 1 below.

Table 1: CIP Schemes 2014-2015

CIP Theme	RAG	Gross CIP Total £000's	Risk Assessed CIP Value £000's	Traditional/ Transformational	Narrative
Revenue Generation	R	6.1	3.1	Traditional	
	A	0.3	0.2		
	G	1.0	1.0		
	Total	7.4	4.2		
Length of Stay Improvements	R	-	-	Transformational	The Trust has established a Frail Elderly in-reach project to identify and work proactively with older patients to secure their timely release. This coupled with a weekend discharge team is designed to ensure Average Length of stay across all areas is at least at the expected national average. The reduction in medical outliers to minimum levels relieves pressure on surgical capacity and enables bed retraction.
	A	-	-		
	G	2.2	2.2		
	Total	2.2	2.2		
Procurement and Non Pay	R	0.7	0.4	Traditional	
	A	0.1	0.1		
	G	0.5	0.5		
	Total	1.3	0.9		
Service and Staffing Reviews	R	0.4	0.2	Traditional	
	A	2.2	1.6		
	G	1.7	1.7		
	Total	4.3	3.6		
Service Delivery Model Changes	R	-	-	Transformational	Moving to managed service contracts for linen, reorganisation and change in delivery model for Medical Records in addition to waste and sustainability reviews and other estates programmes.
	A	-	-		
	G	1.3	1.3		
	Total	1.3	1.3		
Policy Changes	R	-	-	Traditional	
	A	-	-		
	G	0.9	0.9		
	Total	0.9	0.9		
Theatre Efficiencies	R	-	-	Transformational	The Trust is reviewing theatre productivity, scheduling and process to maximise efficiencies. This has been a recurrent feature of previous CIP plans and still has potential to deliver over £0.5m of efficiency savings.
	A	-	-		
	G	0.5	0.5		
	Total	0.5	0.5		
TRUST TOTAL		18.0	13.7		

For 2015/16 CIP schemes will consist of transactional schemes to be delivered at divisional level together with a planned transformational scheme that looks to potentially transfer into alternative employment non clinical services.

The Financial plan for 2014/15 is £7m deficit and a £6.9m deficit for 2015/16.

Given the strategic risk faced by the organisation the Trust's financial plans include a capital expenditure of £13.3m in 2014/15 and £11.5m in 2015/16 primarily to address essential estates maintenance and compliance issues, equipment replacement and IT investment.

The Trust recognises it faces a number of significant short term challenges – not least as a result of changes across the local health economy as a result of the implementation of the

healthier Northamptonshire programme without having due regard for the potentially destabilising impact upon KGH.

A downside scenario has been developed in which all of the planned LHE initiatives arising out of Healthier Northamptonshire take effect – resulting in further income losses of £8m in 2014/15 and £11.5m in 2015/16.

The Trust considers that it would be able to mitigate some 60% of the impact of this income reduction through reduced staffing and estate retraction – although would be seeking additional support from the LHE in transitional support.

2. INTRODUCTION

2.1 Plan Objectives

The purpose of this operational plan is to identify the risks to the short term stability and resilience of Kettering General Hospital NHS Foundation Trust and outline it's response.

2.1.1 Overview of the Trust and Local Health Economy

Kettering General Hospital (KGH) is one of two District General Hospitals serving Northamptonshire and peripheral communities in adjacent counties, including Leicestershire, Cambridgeshire and Bedfordshire.

KGH is a medium sized hospital and draws its catchment primarily from North Northamptonshire and the Harborough district of South East Leicestershire. The Trust has an annual income of £193m and 559 beds (including 35 maternity beds)

Healthcare is commissioned by two in-county Clinical Commissioning Groups (CCGs); Nene CCG and Corby CCG.

The Local Authorities operate a two part system, Social Services being provided by Northamptonshire County Council and housing services by each of the three District and four Borough Councils within the county.

KGH was authorised as a Foundation Trust in November 2008. In October 2012 it was deemed in significant breach of its Authorisation by Monitor due to its persistent failure to meet its A&E four hour target and concerns about its Board governance and financial performance.

2.3 A Brief Overview of Healthcare needs of the population we serve

The health of Northamptonshire's population is broadly in line with national averages when measured in terms of life expectancy. However, there are significant variations in deprivation across the county and Corby and Northampton, in particular, exhibit the poorer health outcomes associated with higher levels of deprivation.
For example, life expectancy is 6.4 and 3 years lower for men and women respectively, in Corby than in south Northamptonshire.

The population of Northamptonshire is expected to grow from 687,300 in 2010 to 770,000 by 2020, an increase of 12%.

The biggest increase in age groups will be in people aged 65 and above, rising from 106,000 in 2011 to 145,000 in 2021. For the same age group it is expected that the number of people with a limiting long-term illness will increase by 17,000, or 36%, between 2010 and 2020.

The number of people aged over 85 is also expected to increase from 14,000 in 2011 to 20,000 in 2021 constituting 2.5% of the population. This will generate a significant increase in demand for resources, given that patients with long-term conditions are disproportionately high users of the system.

A further increased demand for resources is the growing number of children and young people. The population aged between 0 and 15 is projected to grow from 129,000 in 2011 to 161,000 in 2021, driven by the number of births in the county increasing by 4.5%. This will create additional demand for maternity services as well as services for children and young people.

2.4 LHE Engagement

Health and Social Care commissioners and providers across Northamptonshire are currently engaged in an ambitious whole health economy review of services – Healthier Northamptonshire.

The Trust is an equal member of a Programme Board established to both develop the strategic response to the challenges faced by the County and ensure its delivery. As such, the challenges outlined within this Operational Plan reflect those considered as part of Healthier Northamptonshire and comprise a shared view from both a commissioner and service provider perspective.

The degree to which the Trust considers the impact of the response to these challenges may differ to that of the commissioners – this is explored further in section 4.2.2 of the plan.

The Programme Board comprises:

- Kettering General Hospital NHS Foundation Trust (KGH)
- Northampton General Hospital NHS Trust (NGH)
- Northamptonshire Healthcare Foundation Trust -community & mental healthcare services provider. (NHFT)
- Northamptonshire County Council - social care commissioner. (NCC)
- NHS Nene Clinical Commissioning Group (Nene CCG)
- NHS Corby Clinical Commissioning Group (Corby CCG)
- NHS England Local Area Team (LAT)
- Health Watch

3 THE SHORT TERM CHALLENGE

The Trust has identified the following challenges that it must address within the timeframe of this plan whilst ensuring the continued delivery of high quality services:

- Compliance with our License to Operate
- LHE Challenges and delivering Healthier Northamptonshire
- Providing Seven Day Services
- Implementation of the Better Care Fund
- Maintaining an Effective Workforce

3.1. Compliance with our License to Operate and Legal Undertakings with Monitor

An immediate short-term objective of the Trust is to demonstrate compliance with the requirements of its License to Operate.

To address these concerns Monitor required the Trust to:

- Improve its A&E performance through the development and implementation of a robust action plan;
- Take rapid action to strengthen its finances, with particular focus on cost savings and cash management; and
- Commission a review of its Board governance and agree the scope of this work with Monitor.

The Trust recognises the reputational benefit to be gained from demonstrating full compliance with Monitor that in turn improves its negotiating position with others across the LHE.

The Trust has also been required to formally sign Legal Undertakings with Monitor that require it to

- Submit a revised Emergency Care Action Plan by 31st March, this will be subject to external assurance by 9th May 2014 and will require submission to Monitor of monthly performance reporting
- Obtain external assurance by 31st August that all outstanding Board Governance actions have been undertaken
- Implement all outstanding HSE and Fire Authority notices within timescales required by those bodies

In addition the Trust must undertake a review to establish its financial and clinical sustainability. This is not included within this Operational Plan but will be an essential element of the 5-Year Strategic Plan scheduled for submission to Monitor in June 2014.

3.2 LHE Challenges and delivering the Healthier Northamptonshire Response

Healthier Northamptonshire identifies the following challenges facing the local health and social care community;

- Whole system pressures in meeting demand – the quality and range of care and treatment available can vary according to where people live
- Population growth has been, and is expected to continue to be, higher than the national average

- A&E attendances have increased significantly at both hospitals
- Recruitment difficulties for key clinical posts and GPs
- All local healthcare organisations under extreme financial pressure. The projected financial challenge for the Northamptonshire health and social care economy as a whole shows a projected shortfall £86.6m in 2014/15 rising to a cumulative shortfall of £275.9m in 2018-19.

The challenge facing KGH is that whilst a shared vision exists for improved healthcare services some of the actions planned over the next two years could result in a significant diversion of activity and therefore loss of income from both acute hospitals within the County which in turn will result in a need to restructure both workforce and estate.

These issues are returned to in Section 5.3 where an assessment of the impact of the expected outcomes of Healthier Northamptonshire is made.

3.3 Providing Seven day Services

Implicit within Healthier Northamptonshire is the drive to improve the quality of care – a particular challenge for the health economy will be ensuring the delivery of safe services 24/7 and delivering the ten new clinical standards.

KGH and NGH have committed to working together to ensure that services can be provided for the people of Northamptonshire in accordance with these standards.

Acute Trusts will be required by commissioners over the lifetime of this plan to respond to the requirement within local contracts in 2014/15 to have a plan for the delivery of the clinical standards and in 2015/16 to have incorporated those with the greatest impact within national quality requirements.

3.4 Impact of the Better Care Fund

By 2015/16 the Better Care Fund will have been established as a single pooled budget. The fund will be established out of existing healthcare budgets and result in a redirection of funds from existing services.

The intended outcome of the Better Care Fund is investment in social care services – across Northamptonshire the fund will assist the integration of community based health and social care services. The expected effect will be the establishment of crisis response hubs as an alternative to hospital admissions, the development of community alternatives to residential care and a refocus of community beds upon re-ablement and respite services.

Financially the impact is expected to make itself felt in two ways;

- Reduction in acute service budgets within the county as a result of healthcare budgets to finance this transferring into social care services
- Reduction in acute services activity through improved prevention and discharge destinations

Clearly this is a risk for the LHE as the reduction in acute services activity is ultimately dependent upon the ability of primary and community services to deliver alternative models of care.

And, where decommissioning of acute services will be required early planning will be essential to ensure workforce and estates issues are well managed. This risk is returned to in sections 4.1.2 and 5.3.

3.5 Maintaining an Effective Workforce

In responding to the short term challenges described within this section the Trust faces the further challenge of maintaining an effective workforce. Our financial plans detailed in section 6 include initiatives that will impact upon terms and conditions, staff numbers and skill mix over this two year period and beyond. In addition the Trust is seeking to reduce its use of Agency staff. The potential impact of organisational change of the magnitude outlined upon staff morale and the recruitment and retention of staff will require the Board to be sighted on workforce issues throughout.

4 OUR QUALITY PLAN - RESPONDING TO THE CHALLENGE

4.1. Regaining our License to Operate and Legal Undertakings with Monitor

4.1.1 Sustainable delivery of A&E Transit Times

The Trust is currently working to deliver via it's A&E "Roadmap" sustainable improvement in A&E transit time. This effectively utilises winter pressures funding together with fundamental review of internal systems and processes. Specific actions have included;

- Enhanced triage and streaming processes
- Observation unit
- Ambulatory care pathways
- Weekend discharge team
- Additional flexi-beds within Medicine to better cope with periods of high demand

4.1.2. Achieving Financial Balance

The Trust has identified a £20.9m deficit as it enters 2014/15. In response to this it has outlined a recovery plan that addresses £13.7m in 2014/15 and carries £6.9m into 2015/16.

The £13.7m within 2014/15 will be delivered through a comprehensive QIPP programme detailed in section 6.

The QIPP focuses on the following themes;

- Revenue Generation
- Length of Stay Improvements – which in turn enable bed base reductions
- Procurement and Non-Pay
- Services and Staffing Reviews
- Service delivery model changes - including market testing non clinical services
- Policy changes – such as strengthened adherence to HR processes and Agenda for Change terms and conditions across the Trust
- Theatre efficiencies

Initially £18m of QIPP schemes were identified and each scheme has been risk assessed and RAG rated with regards to the degree of confidence that the projected amount can be

delivered. The Trust's financial plan is based upon the RAG ratings identifying that £13.7m of the £18m will be delivered to target.

The Trust is working with Monitor to secure financial support of £7m in 2014/15. This recognises the impact of Healthier Northamptonshire review and the potential opportunities arising out of developing new care pathways across the whole health economy for reconfiguration of services within the Trust.

During this period there will be a need for close monitoring of the impact of the service developments and initiatives introduced across the LHE to ensure clarity as to which have delivered the required outcomes and thus ensure maximum financial as well as service benefits.

4.1.3 Improved Governance systems

In 2013 the Trust engaged Deloittes to undertake a review of its governance systems and processes. The recommendations of this review are in the process of being implemented and will be subject to a formal evaluation by Monitor in summer 2014.

Key to improved governance has been a refreshed Trust Board with a new cadre of Non-Executive Directors with the commercial and governance skills to take the organisation forward. This combined with changes to the Executive team and a focus upon leadership, performance management and delivery has ensured significant improvement in the delivery of key targets (most notably A&E transit times) and governance.

Systems and processes for reporting from ward to board have been reviewed and a new integrated governance structure is in the process of being implemented. (This is returned to in section 4.9)

The Board sees its on-going challenge in this area as ensuring that clinical leadership systems and processes are firmly embedded to enable continued improvement in delivery of quality objectives at service line level.

4.1.4. Implementation of all Health and Safety and Fire Authority notices outstanding within required timescales

The Trusts capital plan (see section 7.8 below) reflects the commitment to address all outstanding HSE notices namely burns and scalds, water management and asbestos. All fire safety works are on track for completion within required timescales and reflected within the Trust's capital plan.

Furthermore a six facet survey has been initiated that will also risk assess the priorities that will undoubtedly be identified.

4.2. Local Health Economy

That the Local Health Economy faces significant challenge is well known to our regulator. Monitor has recently announced 11 health and social care economies that will receive additional support from external advisers to strengthen and add value to the planning process. This support is welcomed as a means to enable the Trust, with its commissioners and other providers, to develop a deliverable strategic plan with clarity about its implementation and minimise some of the risks associated with poor coordination that the Trust has been exposed to in previous years.

4.2.1. System Challenges

The Trust has recognised within its financial recovery plan outlined above a need to improve its internal systems and processes if a sustainable financial position is to be achieved – in essence this requires it to meet the challenges facing the LHE.

Local demographic trends have seen not only population increase but also an increase in the proportion of elderly and very elderly people, which in turn creates specific pressures within the system. The Trust response has been;

- Service developments to improve the quality and outcomes of services for older people including a frail elderly service designed to "pull" people through the hospital system and avoid unnecessary delays that compromise care outcomes. This combined with the A&E Roadmap is anticipated to safely reduce length of stay, medical outliers and moves for care within the hospital all of which have a positive impact upon the patient experience.

- A refocused bed –base; as service improvements take effect the number of beds required for Medicine is expected to decrease and the nature of these beds will change requiring greater therapy input to impact upon length of stay. The Trust recognises a need to maintain a number of beds that can be retained for flexible use such that they can be opened at times of increased demand and closed again during the summer.

- A review of surgical capacity; the Trust recognises that across the local health system an equilibrium state has been reached in respect of the transit times for surgical procedures. This means that the number of surgical beds available to meet demand will require close and constant monitoring to ensure that there isn't over provision within the system and that opportunities to deliver an increased proportion of activity as day case as opposed to inpatient procedures will continue to be exploited.

- A recognition that given the lack of "latent demand" within the system the Trust will increasingly need to ensure that it uses quality as a differentiator between itself and nearest competitors, this will require it to focus upon minimising cancellations which it expects to be a consequence of improved processes within medicine and system improvements within Surgery.

4.2.2. Healthier Northamptonshire Reconfigurations

Implicit within the Healthier Northamptonshire programme is a diversion of activity away from the acute sector and into the community. Whilst it is estimated that if no action is taken the County faces a cumulative shortfall of £275m by 2018 it is also clear that the impact of proposed actions could disproportionately increase the operational deficit for Kettering General Hospital – to £45m by 2018, if no compensating action is taken.

The Trust recognises that it must continue to work with LHE partners to ensure sustainable services can be provided for the people of Northamptonshire. In addition to new ways of working the Local Health Economy will need to work to establish new contractual frameworks to ensure that payment mechanisms do not adversely impact the on-going financial and ultimately clinical and operational sustainability of the organisation.

The Trust is shortly to undertake its own clinical and financial sustainability assessment for the coming five year planning period, work that will be complimentary to the National Intervention work described in section 4.2. In short the assessment will review;

- Likely financial forecasts
- Causes of existing financial deficit categorised as systemic or structural
- Current and 5 year clinical sustainability and performance at service level
- Structural change options to ensure financial and clinical sustainability

The outcome of this assessment will form part of the 5 year strategic plan scheduled for submission to Monitor in June 2014.

4.3. Seven Day Services

In considering its response to the requirements of providing services across seven days the Trust has agreed with Northampton General Hospital a set of guiding principles to underpin discussions around enabling 7 day working and ensuring that services remain sustainable across Northamptonshire;

- If acute services can continue to be safely and sustainably delivered by two providers they should remain part of each providers service portfolio
- Where it is found that both providers cannot continue to individually provide the acute service safely and sustainably they will work together to decide the optimum configuration to ensure its continued delivery within the County.
- Each Trust commits to enable the other to operate services on its site to enable countywide services to continue to be delivered
- Services will continue to be provided locally where possible
- Inpatient services provided by individual consultants will be centred on one site to enable centralisation of workload by teams and efficient delivery of service
- A supporting financial framework will be needed and will focus upon tariff and risk s haring between providers and commissioners.

Going forwards these principles will be incorporated into discussions across the local health economy as part of the acute services workstream within the Healthier Northamptonshire programme.

4.4. Managing the Impact of the Better Care Fund

As outlined above it is anticipated that the Better Care Fund will result in a decrease in available funding for acute services manifested by diversionary services and improved system flows.
This will require an alignment of internal systems and processes within the Trust to ensure the operation of agreed care pathways and minimisation of delays and in turn will result in further internal reconfigurations as the number of patients requiring hospital admission decreases. Ultimately this means that the Trust will need to scale down its inputs in the form of beds and staffing to reflect reduced levels of demand for service – this is explained further in section 5.

4.5. Maintaining an Effective Workforce

The Trust has established a Workforce Development Committee through which it will establish and monitor initiatives that ensure the maintenance of an effective and motivated workforce throughout this period of organisational change. A number of initiatives such as the Healthcare Apprenticeship scheme have been introduced to improve recruitment, retention and succession planning.
A comprehensive action plan is being developed in response to the NHS Staff Survey that showed comparatively poor levels of staff engagement across the Trust.

4.6. Summary – Our Quality Plan

In essence the Trusts response to the short term challenges that it faces focus upon a number of quality improvements:

- Improved triage and observation processes within emergency care
- Alternative emergency care pathways
- Enhanced discharge processes
- Delivering length of stay reductions
- Focussing upon service improvements for frail older people
- Refocused bed base – flexible medical beds and dedicated surgical beds
- Partnership working with other providers to meet commissioner requirements
- Negotiating local refinements to tariff to enable alternative care pathways to be sustainably delivered
- Initiatives to improve staff engagement and motivation, recruitment and retention

4.7. Our Quality Goals

In addition to the quality plan outlined above – to respond to the short term challenges faced – the Trust has identified a number of overarching quality goals
The Trust's Quality Goals are included in the Trust's Quality Strategy that is built on the three interdependent areas of Patient Safety, Clinical Effectiveness and Patient Experience. The strategy is based on the following principles;

- Continuous quality improvement
- Partnership working for better outcomes and experiences for patients
- Building and using reliable processes that lead to the desired outcomes

- Embedding the Ward to Board governance and assurance system
- Engagement and ownership by all levels of the organisation

Our overarching quality goals in support of our quality strategy are to;

- Reduce mortality
- Reduce harm
- Deliver a quality patient experience
- Develop a culture of safety and continuous improvement

Delivery of the Quality Plan in response to our short term challenge further contributes to the achievement of these quality goals.

4.8. Existing Quality Concerns

The Trust is currently identified by the Care Quality Commission (CQC) as having two quality concerns; the first is a minor concern relating to outcome 9, Medicines Management, and the second is a moderate concern relating to outcome 13, Staffing. The CQC did not identify poor patient outcomes as a result of this. To address the concerns raised the Trust has:

- Individual patient cases and medicines management practices have been reviewed on the Deene floor and an improvement plan is in progress.

- Reviewed all nursing establishments and skills mix using both the AUKUH tool and professional judgement and confirm and challenge. This is carried out each quarter and if there are changes to the patient group or capacity of a clinical area. Nurse vacancies are considered against the establishments and reviewed weekly.

- A plan of the vacancies taking into consideration the level of attrition is used to recruit nurses in order to ensure we are planning for predicted numbers.

- Established the Trust Safe Staffing Matrix which enables the organisation to monitor staffing levels on a 24 hour basis and is used to inform decision making relating to operational and capacity management

To ensure these improvement are made and are sustainable;

- Medicines management is included in the Trust patient safety campaign.

- The Trust will continue to review nurse staffing establishments and skills mix quarterly as described above. The vacancy and recruitment planner (workforce numbers) will continue to consider attrition in order to avoid unnecessary gaps in the workforce.

- Recruitment of specific Geratology nurses will be enhanced by the introduction of the AGE (Academy of Geratology Excellence) project which aims to develop the roles and skills of nurses and the wider multidisciplinary team caring for the older adult.

More recently a further quality concern has been the staff survey which, despite a range of initiatives to deliver improvements, highlights again a need to improve staff engagement and staff as recommenders of services. In response to this the Trust is working with a Staff Focus group to identify key actions to address specific areas of concern and alongside a Trust wide action plan.

4.9. Key Quality Risks Inherent in the Plan and how these will be managed

The Trust anticipates that delivery of the Quality Plan will lead to significant improvements in patient experience and care outcomes – essentially with patients being cared for at the right time and in the right place as a result of the system improvements introduced. Inherent within the plan however are the risks to quality associated with introducing change. Poorly communicated process changes can result in confusion, non-adherence to agreed policies and poor decision-making.

This in turn could result in inappropriate streaming at admission or early discharge which at best can lead to an increase in emergency readmission rates and at worst poor or even catastrophic care outcomes for the individual patient.

At a County, or local health economy, level these service change risks become greater with the degree of complexity and number of partners involved in the change. The Trust recognises that the introduction of seven day services and the impact of the better care fund will require significant change to care pathways that will require close management and shared governance arrangements across all partner agencies – currently in the form of the Healthier Northamptonshire Partnership Board.

The introduction of the quality assurance framework and the work the Trust board is undertaking in further developing the Quality Strategy will enable the organisation to monitor outcomes and experience of patients.

Within the financial recovery plan are a number of initiatives likely to affect the daily working lives of staff at KGH – particularly the introduction of market testing of non-clinical services, investigating efficiency opportunities i.e. through digital dictation and adherence to Agenda for Change terms and conditions which will impact upon on call payments. This in turn may impact upon staff morale and motivation and ultimately upon service quality and patient experience.

The Trust has in place a comprehensive performance management and monitoring system as detailed below which will enable it to identify any deterioration in service quality and develop specific action plans.

As the Trust proceeds with its Financial Plan for 2014/15 however, it has given an undertaking that all service changes and initiatives will be subject to a quality impact assessment prior to implementation so that inherent and or cross functional/departmental quality risks are identified and mitigated .

Essential to the effective delivery of the required changes will be strong and clear leadership coupled with effective communications and engagement across the Trust through a range of existing mechanisms and supplemented by new initiatives. This will require the “buy in” of supervisory and managerial staff to ensure day-to-day, face to face communications and motivation is maintained.

4.10. How the Board derives assurance on the quality of its services and safeguards patient safety

The Trust has in place arrangements for ensuring quality based upon Monitors Quality Governance Framework and which supports the delivery of the quality agenda.

The Trust has implemented a comprehensive quality surveillance system which underpins the quality strategic objectives, campaigns and quality account alongside Nurse Sensitive Quality Indicators to monitor practitioner led care. The quality surveillance system is based on both outcomes and improvements to practice.

4.10.1 Strategy

The Trust's Board Assurance Framework reviews risks to the delivery of the Trusts strategic objectives.

Each strategic risk is owned by an Executive Director and reviewed by Trust Board and/or a specific Committee of the Board at regular intervals, including a review of risk controls, reporting mechanisms and any gaps in control.

This process is designed to ensure that the Trust Board remains focused upon the delivery of its agreed strategic objectives and is keeping these under regular review through its consideration of risk associated with their delivery.

4.10.2. Capabilities & Culture

Recent NED appointments have ensured that the board has in place a broad range of skills and knowledge to ensure the delivery of the quality agenda.

The Trust has established a culture committed to the delivery of quality services as evidenced through; Board led patient safety walkabouts, the inclusion of patient stories as a standard agenda item at all Trust Board meetings, back to the floor days for senior nursing staff and the introduction of an organisational cultural mapping tool - the MaPsaF (Manchester Patient Safety Assessment Framework).

The Trust is committed to ensuring openness, transparency and candidness about quality and patient safety issues. Patient Safety Leads have been established across the organisation drawn from the clinical body and clearer lines of accountability for quality have been introduced.

Complaints Process Leads are also being introduced at divisional level across the Trust to ensure greater focus and emphasis upon the avoidance of complaints and their effective handling should they arise.

In support of the culture the Trust is about to introduce a Continuous Quality Improvement tool which includes considering the capability and training needs of individuals and teams implementing change and improvement programmes across the organisation from a quality perspective.

4.10.3. Processes & Structure

A monthly Integrated Governance Committee meets as a subcommittee of Trust Board and is chaired by a Non-Executive Director. The Integrated Governance Committee is supported by

- Quality Governance Steering Group
- Risk Management Steering Group
- Patient Experience Steering Group

4.10.4. Measurement

The Trust Board receives a monthly Integrated Governance Report covering a broad range of quality and performance indicators monitoring the delivery of the Trusts Quality Strategy objectives and Quality Account priorities. The integrated governance report enables the Board to track performance and to triangulate impact of other elements upon quality indicators.

4.11 What the Quality Plans mean for the Workforce

The delivery of the Quality Plan will result in significant change over the next two years for the workforce as detailed below;

- The Trust will need to develop a skills mix to design more expert generalist, cross covering medical roles such as the Physicians Associate.
- As medical services move to seven day delivery so too will demand for AHP services, diagnostics and pharmacy.
- A refocusing of staffing establishment particularly within Medicine toward increased therapy and reablement input
- This change in skill mix will require changes to the Trusts education and training programme and workforce establishment
- The potential for elements of the workforce to be “outsourced” within the period covered by this plan and subsequent transfer of employment to an alternative provider
- Reform of consultants pay and terms & conditions as PAs are standardised across the Trust
- Standardisation of terms and conditions across the Trust in respect of for example on call payments, pay progression and incremental payments,
- A potential for transfer of employment undertakings for clinical staff to partner providers in response to Seven Day working
- An effective leadership development programme to equip managers with the requisite skills in change management, staff engagement and service delivery

Responding to the challenges outlined in the short term will require significant resilience on the part of the organisation. There has been substantial “churn” at Executive Director level with the Trust entering 2014/15 with a new Chief Executive and new Chief Operating Officer, progressing with the appointment of a new Director of Human Resources and Organisational Development and the departure of the Director of Strategy and Performance.

4.12 The Foundation Trust response to Francis, Berwick and Keogh

The Trust considered carefully the outcome of these national reports and in order to respond to the lessons learnt undertook a self-assessment against the recommendations. Six workstreams were established;

- Accountability
- Standards & Assurance
- Patient Engagement & Complaints Handling
- Organisational development & Recruitment
- Clinical Leadership
- Nursing

Delivery of the actions associated with the self-assessment in relation to each workstream has now been integrated into other Trust strategies such as the Quality Strategy, Nursing & Midwifery Strategy, Workforce Development Strategy and Organisational Development Strategy and is therefore being carried forward as "business as usual"

4.13. Risks to the Delivery of Key Plans

The delivery of the Trust's Quality Plan for 2014-2016 is reliant upon whole system changes being effected both within and outside the hospital.
Table 2 below highlights key risks the Trust faces in relation to the delivery of its key plans, their impact and mitigations.

Table 2: Risk to the Delivery of Key Plans 2014-2016

Risk	Impact	Mitigations
Inability to sustainably deliver improvements to emergency care pathway	• Deterioration of A&E transit time performance • Failure to demonstrate compliance with License to Operate or Legal Undertakings	• Review impact of winter pressures funding and initiatives with view to continuation into 2014/15
Inability to deliver length of stay reductions sustainably	• Continued maintenance of excess capacity for patients who do not require acute care • Continued outlying of medical patients into surgery • Cancellation of elective surgery • Financial recovery stalls	• Refocus of staff roles towards new care models • System wide change in processes • Performance management against key service change objectives
Required level of community alternatives to hospital admission fail to develop at speed resulting in continued demand for A&E and delayed discharges	As above	• Healthier Northamptonshire Programme Board

Risk	Impact	Mitigations
Inability to establish strong partnership working to enable response to requirements of seven day services	• Inability of KGH to comply with national service standards within timeframe • Loss of service from KGH with resultant impact upon income and bed base	• Maintenance of position within Healthier Northants Programme Board • Selection of the local health economy by NHS England, Monitor and the TDA to receive additional support in developing and delivering strategic planning.
Inability to negotiate local variations to tariff to support development of new care pathways	• Sudden loss of income streams as new care pathways take effect • Loss of staff expertise as staff move away	• Work with commissioners to identify other LHEs where local variation to tariff have enabled the introduction of new and improved care pathways Retention of existing care pathway where commissioners are unable to agree variation to tariff
Disengagement of staff as result of perceived deterioration in Terms & Conditions and impact of market testing	• Low levels of morale impact negatively on patient experience which in turn affect quality of care • Propensity of staff to cooperate with change and deliver service and financial improvement reduced.	• Regular communications and staff engagement • Workforce Development Committee to monitor impact of initiatives upon staff • Leadership development
Inability of the Estate and IT infrastructure to meet legislative, clinical (infection, prevention and control) and service requirements (i.e. HSE and NFRS) and a general demand for modern customer focused environments	• Closure of areas of the Estate due to non-compliance. • Failure to deliver on infection targets i.e. C-Difficille • Loss of activity as patients choose to receive care from neighbouring Trusts perceived as able to offer a “better” environment • Inability of IT infrastructure to support devolved services, local management	• Capital programme that reflects HSE and NFRS requirements and ensures statutory compliance • Secure and utilise external funding available for estates improvements • Increased vigilance and monitoring ensuring quick response to adverse trends • Refocused IT strategy

Risk	Impact	Mitigations
	structures, shared care between agencies	across the Trust to ensure investment priority matched to business and care needs • Investment programme in the estate that delivers "consumerist" agenda prioritised by six facet survey • Promotion of areas of high quality i.e. Treatment Centre, Foundation Wing, Nene OPD that reflect commitment of Trust to enhancing patient experience.

4.14 Contingency that is built into the plan

The annual plan includes a contingency of £2m, this is an increase of £1m from the 13/14 plan to bring contingency in line with 1% of turnover.

5 OPERATIONAL REQUIREMENTS & CAPACITY

This section of the plan outlines the impact of the quality plan (summarised in section 4.5) upon the Trust as it is currently configured. In broad terms the impact of the quality plan will be an overall reduction in bed base across the Trust.

5.1. Activity and Demand Pressures

To plan for the sustainable delivery of services over the next two years the Trust has made a number of key assumptions about activity and demand that have been incorporated into its financial model;

- **Population**
  - Continued level of population growth into the future with added weighting to reflect increase in proportion of frail older people
- **Impact of emergency care pathways and seven day working**
  - Diversion of proportion (25%) of current ambulatory patients away from A&E
  - Reduction in numbers of non elective admissions (15% HN figure or admissions via ED reduced by 25% in line with Chesterfield results)
  - Reduction/removal in delayed discharges
  - Fewer medical outliers enabling dedicated supply of surgical beds
- **QIPP service improvements and Frail Elderly project**
  - Reduction in Length of Stay to national quartile
  - Ring fenced beds for surgery to deliver equilibrium state
  - Conversion of surgical inpatient activity into day case
  - ITU bed capacity increased to 12 beds
- **Referral Management and Healthier Northamptonshire Care Pathways**
  - Procedures of limited value stopped

- GP referral management resulting in reduction in elective activity

5.2 Inputs Needed

5.2.1 Physical Capacity

The Trust recognises that to sustainably deliver the quality plan outlined will require significant change to the physical capacity within the Trust;

- Remodelling of A&E to enable establishment of Urgent Care Centre
- Reduction in bed base for medicine by 35 beds (through closure of wards offering poorest physical environment) and retention of 10 beds to be opened flexibly
- Expansion of day case activity resulting in reduction in surgery inpatient bed base of 18 beds
- Ring fencing of beds for surgery to deliver required equilibrium state
- Review of Trust footprint alongside commercialisation of the estate to maximise income opportunities and potential for divestment
- Creation of "reabling" environment in support of frail elderly model of care
- Closure of 20 externally contracted step down beds as result of Length of Stay improvements and frail elderly care model.
- Ensuring full compliance with HSE and NFRS regarding estate

5.2.2 Workforce

The financial plan outlined in section 7 below has assumed changes in both workforce numbers, composition and skill mix to enable the delivery of the Quality Plan.

- It is clear from this review that over the next two years the number of nursing posts will decrease to reflect the revised bed base but that the requirement for Allied Health Practitioners will increase.
- Impact of joint working with NGH and others
- Reduced demand for hospital provided services
- Review of number of Programmed Activity sessions (PAs) required of consultants which together with impact of shared care pathways across acute providers and with primary care may result in a need for fewer consultants
- Potential impact of market testing may result in alternative employer but currently not modelling impact upon numbers as a result
- Efficiencies in back office services
- Impact of reduced bed base on support services

5.3 An analysis of the key risks and how the Trust will be able to adjust it inputs to match different levels of demand

The Trust has identified key risks to the delivery of its plan in section 4.12 above. This section considers those external risks that the Trust faces and how the Trust will be able to adjust inputs to cope with varying levels of demand. As an organisation, the longer-term sustainability of KGH is dependent upon financial and clinical viability.

From an operational and quality perspective the Trust views itself as sustainable in its current form. The Trust is confident that it will be able to consistently deliver the A&E transit time having turned around performance within what is usually its most difficult quarter. In February 2014 the Trust achieved an A&E transit time average of 98% (in Q3 this stood at 89%) and has in four out of the last five weeks been the top performing A&E department nationally with performance in excess of 99.2% in each of these weeks.

The Trust is also confident that it has addressed those governance issues highlighted by Monitor.

To further ascertain its longer term viability the Trust, in addition to receiving the benefit of national intervention in local planning processes is commissioning an additional internal piece of work to determine whether the Trust will be financially and clinically sustainable over the coming five year period. This work will inform the five year strategic plan to be submitted to Monitor in June 2014.

Financially the Trust remains challenged and whilst having put in place a financial plan in response to the £21m deficit it faces there remain a number of risks associated with its delivery.

The Trust considers the principal risk to its continued operation over the next two years would be for the Local Health Economy to continue with the implementation of the Healthier Northamptonshire Programme without having due regard to the potential for destabilising effects upon the Acute Sector should changes to tariff or commissioning frameworks not take place in tandem. This has been modelled as a "downside" scenario – i.e. where significant levels of activity are diverted away from the Trust through sudden shifts in commissioned pathways of care – indeed the Healthier Northamptonshire programme as detailed in section 4.2.2 above projects a loss of c£45m from KGH activity by 2018.

Adjustment of inputs to match varying levels of demand could prove difficult given the fixed costs and overheads needed to support Trust activities. A key risk for the Trust will be ensuring that it has in place the capacity required to cope with fluctuating levels of demand. An essential element of its capacity plan is the designation of 10 beds within medicine to be used flexibly – that can be opened quickly during winter months to cope with peaks in demand.

A six-facet survey of the estate is currently underway to enable informed decisions about potential to "mothball" or divest itself of elements of the estate in response to retraction in levels of demand. Additionally there are areas of the Estate that require significant investment to ensure the Trust is able to provide the care environment increasingly expected by our patients – for example within Maternity services.

Whilst as part of its financial recovery plan the Trust is seeking to reduce reliance upon bank and agency staff it could be that this will need refocusing towards the development of a core group of bank staff that the Trust can draw upon to meet fluctuating levels of demand rather than take on employer liability for staff it may not require throughout the whole financial year. The current market testing exercise in respect of non-clinical services may identify other options for the delivery of support services and back office functions that results in a sharing of overheads for certain corporate transactional functions that further improve the ability of the Trust to flex in response to fluctuations in demand.

6. PRODUCTIVITY, EFFICIENCY AND CIPS

Essential to the Trusts continued operation is the delivery of the financial plan which details a range of productivity and efficiency improvements needed to deliver the equivalent of over 10% of its turnover in savings.

The approach to meeting the financial challenge is through the delivery of £13.7m QIPP schemes alongside service transformation and change – which it is recognised will take longer than a single financial year to deliver and for which support is being sought from Monitor.

It is recognised that within these schemes is a mixture of "traditional" CIPs and "transformational" CIPs involving new ways of working. Table 3 below shows for each CIP theme the associated RAG ratings and impact of risk assessing potential delivery and further assumptions around slippage. The Trust believes this enables a robust assessment of the degree to which the £13.7m savings target can be delivered.

In total this shows that CIP schemes for 2014/15 exist for £18m and that after an assessment of the likelihood of delivery this figure reduces to £13.7m.

The CIP schemes for 2015/16 will consist of the CMT transactional schemes in addition to the Trust inviting expressions of interest from other providers, both public and private sector for the provision of a range of non-clinical services. The invitation will focus upon hard and soft FM providers but not restricted to these in their proposals. This process will commence in 2014/15 with savings realised in 2015/16.

Each scheme irrelevant of size has a quality impact assessment carried out which has to be approved by the Director of Nursing and Quality and the Medical Director before it proceeds. The associated risks are monitored through the risk management system.

Table 3: CIP Schemes 2014-2015

CIP Theme	RAG	Gross CIP Total £000's	Risk Assessed CIP Value £000's	Traditional/ Transformational	Narrative
Revenue Generation	R	6.1	3.1	Traditional	
	A	0.3	0.2		
	G	1.0	1.0		
	Total	**7.4**	**4.2**		
Length of Stay Improvements	R	-	-	Transformational	The Trust has established a Frail Elderly in-reach project to identify and work proactively with older patients to secure their timely release. This coupled with a weekend discharge team is designed to ensure Average Length of stay across all areas is at least at the expected national average. The reduction in medical outliers to minimum levels relieves pressure on surgical capacity and enables bed retraction.
	A	-	-		
	G	2.2	2.2		
	Total	**2.2**	**2.2**		
Procurement and Non Pay	R	0.7	0.4	Traditional	
	A	0.1	0.1		
	G	0.5	0.5		
	Total	**1.3**	**0.9**		
Service and Staffing Reviews	R	0.4	0.2	Traditional	
	A	2.2	1.6		
	G	1.7	1.7		
	Total	**4.3**	**3.6**		
Service Delivery Model Changes	R	-	-	Transformational	Moving to managed service contracts for linen, reorganisation and change in delivery model for Medical Records in addition to waste and sustainability reviews and other estates programmes.
	A	-	-		
	G	1.3	1.3		
	Total	**1.3**	**1.3**		
Policy Changes	R	-	-	Traditional	
	A	-	-		
	G	0.9	0.9		
	Total	**0.9**	**0.9**		
Theatre Efficiencies	R	-	-	Transformational	The Trust is reviewing theatre productivity, scheduling and process to maximise efficiencies. This has been a recurrent feature of previous CIP plans and still has potential to deliver over £0.5m of efficiency savings.
	A	-	-		
	G	0.5	0.5		
	Total	**0.5**	**0.5**		
TRUST TOTAL		**18.0**	**13.7**		
Risk Assessed Value		**100%**	**75%**	**50%**	

6. SUPPORTING FINANCIAL INFORMATION

6.1. The Underlying Position

The Trust is forecasting a £7m deficit for the financial year 2013/14 with an underlying deficit close to 5% of turnover at £11m once the non-recurrent CIPs, ambulatory care pathways, investments in urgent care and other initiatives commenced in 2013/14 are included.

The Trust recognises that the next two years will present a number of financial challenges for the Trust, characterised by further reductions in tariff, inflationary pressures, a restricted capital programme supported by borrowing, potential increased costs through the quality and performance requirements of commissioning organisations, regulators and patients.

The financial impact of these challenges is a £21m underlying deficit for 2014/15 as detailed in Table 4 below.

Table 4: Financial deficit 2014/15

	£m
Outturn	**-7.0**
CIP Slippage	-1.5
Ambulatory Care	-1.3
FYE	-1.5
Underlying deficit	**-11.3**
Cost Inflation	-4.2
Tariff deflation	-3.4
Historic Cost Inflation	-1.0
Contingency	-1.0
Total	**-20.9**

6.2. The efficiency opportunity

In order to meet the affordability challenge shown in Table 3 above the Trust set out its efficiency agenda to address the 13/14 £7m deficit and generate 4% new efficiencies of £7m. These schemes are detailed in the productivity and efficiency section of this document (section 6). The Trusts QIPP schemes can be split 70% cost reduction and 30% revenue generation.

6.3. 2014/15 Financial plan

The financial plan for the Trust is a £7m deficit and the Trust is working with Monitor to secure financial support of £7m in 2014/15. The financial plan is based upon the quality priorities, operating requirement and productivity and efficiency initiatives outlined. In so doing the Trust has made a number of key assumptions:

- Tariff deflation of 1.5%
- Non-tariff deflation of 1.75%
- Pay inflation and incremental drift of 1.75% and adjusted for the NHS Employers guidance dated 13/03/14
- Non Pay inflation 2.88%

- Education and training income matched against proposals from the LETB from their notification of allocations in January.
- CNST Premium increased by £0.7m to reflect premium value set out by the NHS Litigation authority.
- PDC Dividends and Depreciation based on current capital programme and funding proposals.
- Commissioners will continue to develop demand management schemes although their impact is limited in the first year and they have yet to provide details for year two schemes. The sensitivity analysis in section 7.12 below addresses the potential exposure to the organisation of overarching Healthier Northamptonshire schemes.

The delivery of this financial plan will be through a combination of centralised financial control and a QIPP programme which has been risked assessed on both value and delivery timescales.

Performance against these targets is monitored through the existing performance management framework reporting through to the Trust Management Committee and Trust Board, supplemented by the Project Management Office and Clinical Management Team performance reviews.

6.4. 2015/16 Financial plan

The financial plan for the Trust is a £7m deficit assuming that the £7m deficit from 2014/15 is not funded by Monitor. A summary of the assumptions is set out in Table 5 below.

Table 5: Financial deficit 2015/16

	£'m	£'m
Plan 2014/15		**-7.0**
Pay inflation/ incremental pressure 1.75%	-2.4	
Non Pay inflation 2.88%	-1.6	
Inflation		**-4.0**
Tariff Deflation 1.5%	-2.7	
Other Non Tariff Income Deflation 1.75%	-0.3	
Deflation		**-3.0**
14/15 FYE Cost Pressures	-2.2	
15/16 Historic Cost Pressures	-1.0	
Cost Pressures		**-3.2**
FYE 14/15 CIP	1.9	
4% 15/16 CIP	8.5	
CIPs		**10.4**
Plan 15/16		**-6.9**

This remaining deficit is to be resolved through structural change in the health economy.

6.5. Income and Expenditure

Table 6 below shows the financial plan for the 2 years from 2014/15.

Table 6 Financial Plan 2014/15 – 2015/16

Financial Plan	2014/15 £'m	2015/16 £'m
NHS Clincical Income	180.4	177.7
Other Income	16.6	16.2
Total Income	**197.0**	**193.9**
Pay	-133.5	-129.8
Non Pay	-61.5	-61.9
Capital Charges	-9.1	-9.1
TOTAL	**-7.0**	**-6.9**

6.6 Activity and Income

The Trust has signed a contract with its main Commissioners (Nene and Corby CCG's) for £147.8m gross value and £145.3m inclusive of CCG demand management schemes.

The Trust is confident of sign off with its other material commissioner NHS England for Specialised Services at a value of £17.7m.

The Trust's NHS clinical income plan for 14/15 reflects these agreements.

The key changes in NHS Clinical Income are summarised as follows:

Table 7: Clinical Income Plan

	£m
13/14 NHS clinical income forecast outturn	**176.1**
Adjustments to starting position	2.9
Tariff deflation	-3.0
Screening reductions	-0.4
New revenue generation schemes	2.9
Coding and Counting schemes	0.7
Excluded Meds increases	1.3
Other adjustments	-0.1
2014-15 NHS Clinical Income Plan	**180.4**

The Revenue Generation schemes as detailed in section 6 can be split between recovering the activity shortfalls from 2013/14, new schemes such as expansion of HOT clinics and Ambulatory care and other non NHS clinical income opportunities.

6.7 Costs

The following assumptions have been made in finalising the financial plan regarding expenditure:

- Non pay inflation at 2.88% based on the past 2 years of historic information in addition to known fixed cost pressures such as new maintenance contracts.
- The Trust was informed its CNST premium would rise in 2014/15 by £0.7m to £5.1m
- Interest rates on cash balances set at 0.35% based on existing Government Banking Service and National Loans Fund rates.
- Reduction in agency from 2014/15 of 50% reflects projected effect of successful overseas recruitment schemes.
- Variable costs such as drugs and clinical supplies have been adjusted to reflect changes in activity (with stepped costs included where appropriate).
- Depreciation, dividends payable, interest received and payable have been adjusted to reflect changes in activity (with stepped costs included where appropriate)
- Service development costs are based upon approved Business Cases.
- Approximately 70% of the QIPP schemes are focused on reducing cost.

6.8 Capital Plans

6.8.1 Funding Sources

Capital spend in year is funded from internal cash generated from depreciation funding, cash brought forward for prior year commitments, a £3m loan from the Foundation Trust Financing Facility of DH, and Public Dividend Capital of £3.8m to fund deferred capital items as detailed in Table 8 below:

Table 8: Capital Funding Sources 2014/15 & 2015/16

2014-15

Funding source	**£m**	**Notes**
Depreciation funding	6.5	
DH Capital Loan	3	DH Approval 2012-13 for MRI scanner/medical equipment – expenditure in 2014-15
Public Dividend Capital	1.8	Funding application made to Monitor March 2014 – to cover deferral of boiler house
Public Dividend Capital	2	Funding application made to Monitor March 2014 – to cover deferral of equipment
Total	**13.3**	
Cash brought forward	2.1	To fund brought forward commitments
	15.4	

2015-16

Funding source	**£m**	**Notes**
Depreciation funding	6.5	
Balance of funding required	5	The capital programme will be restricted if additional funding is not available.
Total	**11.5**	

6.8.2. Strategic Capital Plan

The focus for the capital asset investment is in the following key areas:

- Estate infrastructure
- IT infrastructure
- Equipment replacement
- Developments

The value of the estates infrastructure proposal is limited to the current available funding but it is estimated that a further £12.8m is required to fully deliver the essential estate improvements.

The Trust has initiated an independent 6 facet survey of the estate which is due to be received by the end of March. Whilst not included in the current plan the application for Public Dividend Capital (PDC) funding includes a funding request for this additional expenditure.

Table 9 below summarises the Strategic Capital Plan whilst Table 10 provides a more detailed overview including a description of the risk to the Trust associated with not funding each element.

Table 9: Strategic Capital Plan Summary

Summary capital plan

Type	2014/15	2015/16	Notes
	£m	£m	
Maintenance -Backlog	3.6	2.4	Both years estates plan will be impacted by the 6 facet survey report.
Equipment	5.7	6.2	15/16 programme to be prioritised
IT	3.4	1.9	15/16 programme to be prioritised
Developments	0.6	1.0	15/16 programme to be prioritised
Grand Total	**13.3**	**11.5**	

Table 10: Detailed Strategic Capital Plan 2014-2016

Capital Spend	Value and Timing	Strategic Reason for Spend	Risks
Estates maintenance schemes	£3.6m in 2014-15	The Trust has a number of priority estate maintenance schemes to deliver in 2014-15. This programme includes £1.6m for boiler house remedial/replacement works, £0.7m fire improvement works, £0.5m ward refurbishments and £0.4m statutory compliance works to water systems.	Failure to invest in critical estate maintenance schemes will increase the risk of failure to comply with Health & Safety regulations resulting in either enforcement or prohibition notices and the Trust could be held liable for fines or criminal prosecutions
	£2.4m in 2015-16	£2m for ward refurbishments,£0.3m fire improvement works	The result of the 6 facet survey will impact on the estates programme for 2015/16.
Developments	£0.6m in 2014-15	Costs associated with the	

Capital Spend	Value and Timing	Strategic Reason for Spend	Risks
		relocation of Trust off-site medical records storage are estimated to be £0.4m and £0.2m for endoscopy phase 2.	
	£1.0m in 2015-16	£0.5m to develop a theatre admissions unit in 2015-16. £0.2m for diabetes extension, £0.3m endoscopy upgrade.	
IT Investment	£3.4m in 2014-15	Of the level of investment in IT for the year, £0.4m for order comms with patient administration system, £0.25m relates to PC replacement computer equipment and upgrade to Windows 7, £0.8m IT software/ hardware for resilience, £0.3m to replace pharmacy stock system, £0.2m software licensing, £0.5m for telephony/switchboard,£0.3m PACS replacement/ upgrade and £0.1m for a cardiology hardware upgrade. The remaining investments are in other IT platforms critical to on-going business management.	Failure to invest in essential IT schemes, particularly the network and storage devices, will lead to greater vulnerability to network failure resulting in loss of clinical systems and delays to patient care and clinical reporting. Failure to replace PC's with unsupported software will lead to greater risk of malicious attacks on data/software with potential loss of, and access to, clinical systems and data. The Trust also needs to ensure compliance with information regulations otherwise it risks facing fines from the Information Commissioner and reputational damage.
	£1.9m in 2015-16	£0.5m to replace PCs and PACS hardware, £0.8m for network resilience,£0.1m licenses and £0.4m for software systems	
Replacement and new equipment	£5.7m for the 2014-15. This includes the purchase of 2 MRI scanners with a budgeted cost of £2.8m. DH have agreed a £3m loan to fund one MRI scanner and other equipment.	There is an on-going need in the Trust for equipment replacement, the items that have been identified for replacement in year are the highest priority and all individually have a business case for need that will be approved through the Capital Investment Group (CIG). An additional MRI scanner is required to meet increased clinical activity and to reduce current costs associated with the hire of a mobile MRI scanner. The existing MRI scanner is also planned to be replaced. Other equipment funded includes £0.5m to replace the nurse call system.	Failure to invest in medical equipment, particularly a replacement MRI scanner, will increase the risk of equipment failure and ability to treat patients, or will delay patient treatment and impact upon the Trust clinical performance indicators such as cancer and 18 week targets. Using existing older equipment would also increase the risk to patient safety and clinical outcomes.
	£6.2m in 2015-16	Includes £1m to replace a CT scanner,£0.8m to replace a	15/16 programme to be prioritised

Capital Spend	Value and Timing	Strategic Reason for Spend	Risks
		gamma camera,£0.4m to replace nurse call system,£0.5m to replace the fluoroscopy suite.	

6.9 Liquidity

6.9.1 Cash Balance

The Trust is forecasting a cash balance of £4.6m at the end of March 2014. However £2.1m will be required to meet capital commitments from 2013-14 and there will be an estimated £1.6m adverse movement in working capital during 2014-15 (arising from release of annual leave and other provisions and assumed NHS debtor deterioration).

The income and expenditure deficit of £7.0m together with a capital programme of £13.3m will require DH funding in the form of Public Dividend Capital (PDC).
PDC will be required as detailed below.

PDC requirement	**£m**	**Comments**
Revenue deficit	(7.0)	
Capital Loan Repayment	(2.3)	
Excess Capital expenditure	(3.8)	See capital section
Total PDC required	**13.1**	

The cash balance at 31 March 2015 is forecast to be £0.8m.
An application for PDC has been made to Monitor and a decision is expected at the end of March.

6.9.2 Risks to Liquidity

The forecast cash flow is predicated on the following assumptions:

a) The Trust I&E position does not move adversely due to non-achievement of cost improvement plans.
b) CCG's settle invoices promptly but in mitigation it is assumed the debt position will deteriorate by £0.7m.
c) Monitor approves the application for PDC. If the application is partly approved the capital programme will need to be scaled back accordingly with the increased risks identified in the capital section.
d) The Department of Health provide the £3m capital loan (previously approved in 2012-13).

6.10 Risk Ratings

The Trust's financial plan for 2014/15 and 2015/16 results in a Continuity of Service Risk rating of 1 for both years and each quarter within those years. The Continuity of Service Risk Rating is shown below.

Liquidity rating	1
Capital Service Cover rating	1
Overall rating	**1**

6.11. Downside assumptions and Mitigations

In developing its downside scenario the Trust has considered the potential impact to activity of commissioning plans outlined in the Healthier Northamptonshire Programme. Previously, the experience of the Trust has been that within the County expected demand management schemes have failed to deliver and income streams have been maintained.

Outputs from the Healthier Northamptonshire Programme Board include significant shifts in commissioned activity away from the acute sector and into community alternatives – or demands simply not being met.

Table 11 below outlines the downside assumptions that have been fed into the sensitivity analysis on the financial template.

The downside assumes that all Healthier Northamptonshire schemes will deliver against timescales and values. Where a countywide figure has been stated within Healthier Northamptonshire documentation the Trust has assumed a proportionate impact upon KGH activity.

The impact of the schemes outlined will be for income received by the Trust to decrease – an £8million reduction in 2014/15 and a further £11.5million reduction in 2015/16.

It has been assumed within the financial model that the Trust would mitigate this loss of income by reducing staffing and retracting further its estate – it estimates that 60% of the income lost could be mitigated in this way. Given the size of income reduction, against a background of significant CIPs, the Trust has identified a further 40% that it would be unable to mitigate and for which it would require further transitional support given the transformational nature of change being introduced to the Local Health Economy.

Table 11: Downside Model 2014-2016

Healthier Northamptonshire Programme Stream	Effect on KGH	14/15 impact £'m	15/16 impact £'m
Service Efficiency • Procedures of limited clinical value • Direct access • ECG activity • Referral Management	Reduced Elective income	-4.0	-4.0
Integrated Community Teams	Reduced NEL admissions and bed days	-2.0	-4.0
Community beds and Crisis Hub	Reduced NEL admissions and bed days	-1.5	-3.0
Prevention – Falls Management services	Reduced A&E activity	-0.5	-0.5
TOTAL		**-8.0**	**-11.5**
Mitigation (60% pay and non-pay)		**4.8**	**6.9**
Residual cost to Trust		**-3.2**	**-4.6**