

## Your questions answered: Annual Plan Review 2014/15

Current as at 21 May 2014

### 1. What information is available now?

Monitor, along with NHS England, NHS Trust Development Authority and the Local Government Association wrote to all foundation trusts, non-foundation trusts, CCGs and local government on 4 November 2013 covering initial guidance and timelines on the 2014/15 planning process. This letter can be downloaded from the main APR 2014/15 site which you can access [here](#).

Subsequently, extensive guidance on various topics has been added to the APR web page. This included guidance on the overall planning round (available [here](#)) and technical guidance on the template (available [here](#))

Commentary templates are as follows:

- [Download the operational plan commentary template](#)
- [Download the strategic plan commentary template](#)

The financial template released via the MARS portal as follows:

- [Technical guidance on completing the financial template](#)

### 2. What are the submission deadlines?

Foundation trusts will be required to submit financial plans covering five years for the first time. A submission covering the first two years, along with appropriate financial and operational commentary, will be due on **4 April 2014**. A submission covering the outer three years along with related strategic commentary will be submitted on **30 June 2014**.

Please ensure that the appropriate APR forms are submitted via the MARS portal on the dates set out previously.

### 3. What will be the difference between the submissions for the two and the five years?

Full guidance was issued in December; however the two year commentary will be a financial and operational narrative similar to appendix 1 in last year's submission but will necessarily have a slightly wider scope. The second submission will relate primarily to the strategic position of the trust over a longer period as well as looking at sustainability.

#### **4. Is the financial template going to change much?**

The structure of the template will be consistent with prior year subject to required updates for the *Risk Assessment Framework* and to align with the current quarterly template. However there are a small number of changes to flag:

- the governance statements will be collected in a separate return to align with the *Risk Assessment Framework* timetable at the end of May and also end of June;
- the template will include a more detailed collection of revenue and activity by CCG to allow reconciliation (in a protected confidential way in which commissioners will not be provided information);
- inflation assumptions will be entered on one sheet rather than in multiple places in the document; and
- a table has been added to allow foundation trusts to show reallocation between reserves as the exclusion of this was inherently causing a number of checks to fail when there were valid reasons.

While further changes may be implemented prior to release, these will not fundamentally impact the structure or the data collected.

#### **5. Can you provide some additional information about the reconciliation?**

For 2014/15 planning we are including an additional step to ensure that commissioner and provider plans are aligned by reconciling activity and revenue figures between CCGs, foundation and non-foundation trusts. The assurance on alignment will be conducted jointly between NHS England, Monitor, NHS TDA and LGA. Please note that every step will be taken not to prejudice the position of any provider or commissioner, no information will be shared without first contacting the appropriate party. This exercise is to highlight risk where parties within the local health economy are planning on a directional inconsistent basis.

#### **6. Will Monitor require a reconciliation between the 13/14 figures submitted in April 2014 as part of APR and the final audited figures in the Trust financial statements?**

Due to the timing of the first submission Monitor is aware that the 2013/14 position will need to be based on outturn. Monitor will use the Q4 submission to update full year numbers for 13/14 wherever possible. Each year our sector reporting team undertake a reconciliation between Q4 data and the audited financial statements (and seek explanations where needed, for significant variances) – this will continue.

There may be a need for foundation trusts to provide a limited amount of refreshed actual data to replace the outturn as part of the second APR submission (e.g. workforce, activity numbers) as these are not included in the quarterly template but this should not be too onerous as it is limited to a small number of areas.

## **7. Is all information going to be asked for five years or are the last three just for higher level information?**

We are currently considering how the level of information in the outer years can be reduced without fundamentally changing the template, the reason being that feedback we have received to date has suggested that it is easier to provide slightly more information on a consistent basis rather than less on a radically different template.

## **8. What are the expectations around contract signing?**

NHS England and the NHS Trust Development Authority have set an expected date for CCGs and non-foundation trusts respectively of 28 February 2013 for the contracting round deadline. Where possible Monitor would encourage foundation trusts to work with their commissioners to also aim for this date.

## **9. Is a Corporate Governance Statement still required as part of the APR?**

This is not being collected as part of the APR submission, instead these will be collected separately due to differences in return dates. These statements will be consolidated into a template with the following sections:

- Corporate Governance Statement – confirming compliance with condition FT (4) of the provider licence
- Availability of Resources Statement – as required by condition CoS 7 of the provider licence
- Certification regarding systems for compliance with the licence – as required by condition G 6 of the provider licence
- Certification of AHSCs and governance – as required by Appendix E of the Risk Assessment Framework
- Training of governors statement – as required by s.151(5) of the 2012 Act.

Not all of these statements are required to be returned to Monitor at the same time, therefore there will be two submission dates. The Corporate Governance Statement will be due on 30 June 2014. All other statements will be due on 31 May 2014.

The template with these statements will be distributed via the FT portal no later than April 2014.

## **10. What is meant by an outlier (on the activity tab)?**

This is the average number of beds not being used for their designated purpose e.g. a specialist renal bed being used for a general medicine patient. There is no specific definition so if the Trust has a metric it already reports internally which is consistent with the general spirit of the metric that would suffice.

## **11. In the workforce tab there is not line for agency for all staff groups, e.g. Junior medical?**

As a first principle please be consistent with prior year as to where these are allocated, secondly the WTE and £ should match between the allocations. If you did not have any in the prior year then please include in the most appropriate agency grouping that is available as the agency total (for £ and WTE) is derived as you noted and the £ links to the SoCI. E.g. Junior medical to consultant locums.

## **21 May 2014**

### **Update following the release of the financial template for the strategic plan submission**

Further to the release of the financial template for the five-year strategic plan submissions, we wanted to provide some additional guidance on the template and answer some of the common questions we received during the operational plan submission.

#### **Financial plans for 2015/16**

We invite FTs to review and reconsider their planned outcomes for 2015/16 and to amend these if they believe revisions are required. To facilitate this, the financial template has been reissued to FTs with only 2014/15 locked. Please note that if revisions are made to the 2015/16 financial plan, we require a summary of the rationale for resubmission and detailed analysis of the changes between the original and revised 2015/16 plans.

We will be writing to you shortly with further guidance on our findings from the operational plan review and our expectations for 2015/16 planning.

#### **Inflation**

To clarify our expectations in respect of inflation assumptions, we would like FTs to factor not only cost inflation but also general cost pressures into the assumptions entered in the “inflation” tab so that we can understand more clearly (in a way that can be aggregated and understood across the sector) the financial pressure FTs are facing.

#### **Sensitivities**

We are expecting FTs to provide downside and/or mitigations data as part of the five-year plan submissions and will be actively using this as part of our analysis and will therefore be expecting all FTs to include some analysis in this area. This data should be supported by explanation and analysis in the written-plan submitted with the financial template.

There was an error in the template for the two-year submission whereby the “adjustment to cash for CoS liquidity purposes” at row 61 was not calculated correctly in the year-end totals. This has now been corrected.

### Forecast contract revenues

In our review of the two-year plan submissions, we noted that some FTs did not complete or made errors in the “contracts” tab. The data required in this tab is a key change from the prior year’s APR template, so we wanted to provide the following additional guidance:

- In order to align FT forecast data with commissioner forecast data and to allow for smaller values, we requested the contract data to be provided in thousands. Please note that this is different to the rest of the template where the units required are millions. We apologise for any ambiguity caused; and
- We expect the total contracts revenue to broadly reconcile to the total NHS clinical revenue in the “SoCI” tab. We note that there are options (in the organisation name drop-down box) where you can specify forecast revenues from non-contracted activity and/or all commissioners with contract revenues under £5m.

The reconciliation to commissioner forecast spend data is an important aspect in our review and assurance of plans, so we would like to emphasise our requirement for this to be as accurate as possible.

### Workforce & activity

We note that there is an additional column in the “workforce” and “activity” tabs for entry of actual data for the year ended 31 March 2014. All other actual 2013/14 figures were collected as part of the quarterly template. Please ensure that the relevant items are completed for your FT.

### Income received from the provision goods and services that do not benefit the NHS

At row 260 of the “SoCI” tab, we require FTs to provide the proportion (%) of income received from the provision of goods and services that do not benefit the NHS. There was an issue with the default units in these cells (not set as a %) in the template for the two-year submission. This has now been corrected, so please ensure you complete this entry.

In response to a common query we received in respect to the meaning of “income received from the provision of goods and services that do not benefit the NHS” we provide the following:

s.164 (2A) of the Health and Social Care Act says:

An NHS foundation trust does not fulfil its principal purpose unless, in each financial year, its total income from the provision of goods and services for the purposes of the health service in England is greater than its total income from the provision of goods and services for any other purposes.

For the purposes of this section, there is no set definition of what constitutes “income from the provision of goods and services for the purposes of the health service in England”. We simply ask that NHS foundation trusts apply reasonable parameters as we are looking for an estimate rather than an exact definition for the purpose of APR. FTs should obtain their own accountancy and legal advice if they feel this is necessary.

Pay tab - error in check

There is an error in cell H23 of the “pay” tab whereby the cell is picking up the “locums, agency & contract staff” amount (row 47 of “workforce” tab) from the year ended 31 March 2014 actual column (J) instead of the out-turn column (I).

While this does not impact the “SoCI”, as this is taken from the “workforce” tab, it will impact the “total pay expense” in the “pay” tab for the year ended 31 March 2015.

As this amount is the starting point for the calculation of “total pay expense” in the “pay” tab in subsequent years, the error will impact all plan years (by the difference between the actual and out-turn “locums, agency & contract staff” amounts for the year ended 31 March 2014) and cause the check at the bottom of the “pay” tab to fail on the basis that the total pay expense will not reconcile to the total employee expenses in the “SoCI” tab (row 129) (which is derived from the “workforce” tab).

Please complete the “pay” tab as originally intended (ignoring the impact of the error and check at the bottom of the page).

We will not be making any adjustment for this error as it does not directly impact the SoCI. Feel free to putting a reversing adjustment in 2015/16 so the starting point is the same as your previous submission but this is not mandatory as in the majority of cases this will not be material. Should this cause you any major concerns please contact your relationship team.