

To: The Board

For meeting on: 25 February 2016

Agenda item: 7

Report by: Bob Alexander

Report on: Strategic and operational planning 2016/17 to 2020/21

Purpose

1. The purpose of this paper is to invite the Board to consider the issues arising for the provider sector in relation to operational and strategic planning for 2016/17 to 2020/21. The paper includes a summary of the issues that are being considered in preparing operational plans, the financial framework for 2016/17, the emerging approach to strategic planning and next steps.
2. The NHS Trust Development Authority (NHS TDA) and Monitor have been working closely together to formulate a joint approach to planning for NHS Improvement. As well as enabling a greater consistency of approach for NHS Trusts and NHS foundation trusts, this will help to establish increased alignment of operating procedures for NHS Improvement in relation to planning. The references to NHS Improvement in this paper relate to the combined work by the NHS TDA and Monitor.

Context

3. The overarching objective for operational planning for 2016/17 is for all foundation and NHS Trusts to have in place robust, integrated operating plans that demonstrate delivery of safe, high quality services; improvement against NHS Constitution standards; and an improved financial position compared to 2015/16 with an aggregate break-even position for the provider sector.
4. On 22 December 2015, the national health bodies in England published 'Delivering the Forward View: NHS Shared Planning Guidance 2016/17 – 2020/21. As part of the guidance, all NHS organisations were asked to produce two separate but interconnected plans:

- A local health and care system strategic plan (called a 'Sustainability and Transformation Plan'), which will cover the period October 2016 to March 2021; and
 - An operational plan for each organisation for 2016/17. This will need to reflect the emerging Sustainability and Transformation Plan.
5. Following the publication of the shared national guidance, setting out the key priorities and objectives, NHS Improvement has worked with NHS England to produce technical guidance for providers in support of the planning process. This includes detailed requirements in relation to patient activity plans, quality improvement plans, workforce plans and financial plans.

Patient activity plans

6. Matching capacity to demand for healthcare services is a longstanding challenge. This year, there is a drive for demand and capacity planning to be seen much more as a core business skill, rather than as back office analysis.
7. The national bodies have recently commissioned work to improve the quality of demand and capacity training across the NHS. In January 2016 a series of regional workshops were run to help improve the understanding of the basics of demand and capacity planning. A series of modelling tools have also been rolled out, aimed at informing the production of local activity plans for the 2016/17 planning round and improving the outputs of the process.
8. Improvements have been made to the activity plan collections themselves: primarily the requirement for a joint 'open-book' activity plan from providers and commissioners to improve alignment.

Quality improvement

9. The quality standards for patient services are clearly set out in the NHS Constitution and in the fundamental standards of quality and safety published by CQC. These quality standards continue to define the expectations of providers.
10. To meet these standards, providers have been asked to set out their quality priorities, connected to the needs of the local population and to the NHS Mandate, in a quality improvement plan for the year. Alongside this, it is expected that providers will plan to make progress in implementing seven day services in an affordable way.
11. In preparing their plans, each provider has been asked to confirm how the quality impact assessment process will work for their cost improvement programmes and how they will triangulate quality, workforce and financial indicators.

Workforce plans

12. Workforce plans for 2016/17 will need to demonstrate that staffing levels are appropriate, safe and affordable through the effective use of e-rostering and a reduction in reliance on agency staffing.
13. If a trust is showing significant increases or decreases in workforce, it will be important to identify how this aligns with the expected efficiencies and cost improvement programmes, given that most cost improvement programmes have a workforce impact.
14. The supply of sufficient staff numbers has been a critical factor in 2015/16 and it will be important for trusts to achieve greater alignment with Local Education and Training Boards for 2016/17 to enable supply needs to be met.

Financial and performance framework for 2016/17

15. As announced in the recent Spending Review, the government has committed to provide an additional £8.4 billion real-terms funding for the NHS by 2020/21. The increase in funding available for 2016/17 totals £3.8 billion in real terms, a £5.4 billion cash increase. It includes a £1.8 billion Sustainability and Transformation Fund for the provider sector in 2016/17, to be targeted primarily at providers of emergency care. This is a good settlement for the NHS in times of public spending constraint when the majority of government departments are facing real-terms funding reductions.
16. However, access to the Sustainability and Transformation Fund for the provider sector is dependent on the NHS provider sector breaking even in 2016/17 after application of the fund. To ensure this happens, every NHS trust and NHS foundation trust will have to deliver an agreed financial control total for 2016/17. This will be a core part of the new financial oversight regime that NHS Improvement will put in place.
17. The release of the funding to individual providers in 2016/17 will be conditional on:
 - **Delivery of the agreed control total:** this includes agreement of a milestone-based recovery plan (or surplus increase) with NHS Improvement as well as delivery of the agreed control total for 2016/17, agreement to the capital control total, plans for Carter implementation milestones and compliance with NHS Improvement agency controls guidance;
 - **Delivery of the agreed performance trajectories:** this includes delivery of agreed improvement trajectories for core access standards for patients (A&E four hour waits, Referral to treatment incomplete pathways, 62 Day Cancer treatment, Diagnostic 6 Week waiting times and Ambulance response times) alongside assurance statements

relating to the 52 week national maximum waiting time standard for incomplete pathways, 12 hour trolley waits in A&E and minimisation of ambulance handover delays;

- **Agreement of local Sustainability and Transformation Plans:** this includes work with commissioners and local authorities to develop an integrated five-year plan in line with the national planning timetable.

18. As a condition of the overall fund being approved, the NHS has to demonstrate tangible progress towards a credible plan for achieving seven-day services for patients across the country by 2020. Recipients of funding will be expected to continue to make progress towards achieving seven-day services in 2016/17.
19. The NHS settlement for 2016/17 relies on tight financial management of the capital budget. We will need to work very closely with providers to develop a capital framework which enables them to operate within the resource available.
20. The planning guidance includes details of the operational planning approach for the next financial year and sets out a pragmatic approach to tariff setting and business rules, with the aim of supporting system stability and recovery in 2016/17.
21. NHS Improvement will work closely with providers to support them in delivering this challenging agenda. This has included the training and support on demand and capacity planning highlighted above and conferences for all Directors of Finance of foundation trusts and NHS Trusts to clarify expectations and identify the support required.

Joint assurance process between NHS Improvement and NHS England

22. The operational plan of each commissioner and provider will need to be approved by its individual Board or governing body. To support this, NHS England and NHS Improvement have agreed a joint assurance process with the aim of working with local organisations in a coherent and joined-up way.
23. The joint assurance approach focuses on supporting organisations to deliver operational plans which demonstrate how the following requirements will be met:
 - Agreement of robust demand and capacity plans;
 - Finance and activity projections supported by reasonable and deliverable planning assumptions;
 - Coherence with other planning and output assumptions;
 - Identification of risks outside of the direct control of the organisation, and how these might be mitigated – this includes considering the shared understanding across the local health and care community.

24. To ensure coherence of plans across the locality, activity and finance assumptions made by providers and commissioners should be consistent. For the 2016/17 operational planning round, commissioners and providers will participate in three joint data collections to support alignment:

- The **baseline checkpoint** on 18 January 2016 was a provider and commissioner collection to provide joint assurance of the alignment of baseline values of contracts and key activity data for 2016/17;
- Submissions of **annual activity plans** on 8 February and 11 April 2016, broken down into individual provider and commissioner contractual relationships;
- The **contract tracker** collection commenced on 8 February, with information relating to their individual contracts. This will help all parties to understand misalignment and contract risk early on, thus helping to ensure that contracts are signed by the national contract deadline.

Dispute resolution process

25. It is vital that all commissioners and providers have mutually agreed contracts in place prior to the start of the 2016/17 financial year, and commissioners and providers should make every effort to reach local agreement. NHS England and NHS Improvement will consider it to be a major failing where parties do not manage to reach agreement by the national contract signature deadline of 31 March 2016.

26. Support is available from regional NHS England and NHS Improvement teams to help organisations make progress and resolve outstanding issues. Where contract discussions have not progressed, the escalation processes detailed in the joint Dispute Resolution Process should be followed. However, they should be used only as a last resort. Details of the joint Dispute Resolution Process will be published on the NHS England website with the standard NHS contract.

Strategic plans 2016/17 to 2020/21

27. The overarching objective for strategic planning for 2016/17 to 2020/21, as stated in the shared national planning guidance, is to enable every health and care system to come together to create its own ambitious local blueprint for accelerating its implementation of the Five Year Forward View.

28. The Sustainability and Transformation Plans are to be prepared based on local geographies bringing together commissioners, providers and local authorities. This 'place-based' approach to strategic plans enables local leaders to come together around the needs of patients in their local community and plan across organisational boundaries in agreed planning 'footprints'.

29. The development of new care models is expected to feature prominently in Sustainability and Transformation Plans. In addition to existing approaches, in 2016/17 expressions of interest have been invited to trial two new specific approaches with local volunteers:
- secondary mental health providers managing care budgets for tertiary mental health services; and
 - the reinvention of the acute medical model in small district general hospitals.
30. Sustainability and Transformation Plans will become the single application and approval process for being accepted onto programmes with transformational funding for 2017/18 onwards.
31. The Spending Review provided additional dedicated funding streams for transformational change, building up over the next five years. This protected funding is for initiatives such as the spread of new care models through and beyond the vanguards, primary care access and infrastructure, technology roll-out, and to drive clinical priorities such as diabetes prevention, learning disability, cancer and mental health. Many of these streams of transformation funding form part of the new national Sustainability and Transformation Fund.
32. From a provider perspective, it will be important that the approach to Sustainability and Transformation Plans at the planning 'footprint' level is clearly linked to five year financial and activity plans for each organisation. This will not only provide a clear basis for each foundation trust and NHS Trust to plan for the future within the resource expectations set out in the Spending Review, but will also help to align plans between commissioners and providers within each local health economy.

Next steps

33. The timetable for the planning process is set out in Appendix 1.
34. Whilst recognising the statutory differences between NHS trusts and foundation trusts, NHS Improvement will seek to assess all trusts' operational plans on shared criteria and to match our responses to common risk and plan characteristics - not to NHS trust or foundation trust status.
35. The key next steps for NHS Improvement in relation to operational planning for 2016/17 are to:
- work with providers as they continue to prepare operational plans;
 - risk assess operational plans in relation to the objectives for quality, activity, workforce and finance and provide feedback to Trusts;
 - work with NHS England to assess key risks in local health economies;
 - identify follow-up actions, particularly for the highest risk plans.

36. The key next steps in relation to strategic planning for 2016/17 to 2020/21 are to:

- ensure awareness of the approach to Sustainability and Transformation Plans;
- work with the new planning footprints for local health economies;
- clarify the expectations for five year finance, activity and workforce plans;
- agree the conditions for accessing the Sustainability and Transformation Fund in future years;
- agree the joint assurance process for reviewing plans;
- develop the support arrangements for the strategic planning process;
- agree the internal arrangements for reviewing strategic plans;
- work with potential exemplar local health economies to develop the approach to strategic planning.

Recommendations

37. The Board is asked to consider the issues arising for the provider sector in relation to operational and strategic planning for 2016/17 to 2020/21.

Public Sector Equality Duty

Monitor has a duty under the Equality Act 2010 to have due regard to the need to eliminate unlawful discrimination, advance equality of opportunity and foster good relations between people from different groups. In relation to the issues set out in this paper, consideration has been given to the impact that the recommendations might have on these requirements and on the nine protected groups identified by the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion and belief, gender and sexual orientation).

As it is for information, it is anticipated that none of the recommendations of this paper will have an impact upon the requirements of or the protected groups identified by the Equality Act.

Exempt information:

None of this report is exempt under the Freedom of Information Act 2000.

Appendix 1

Planning timetable

Timetable	Date
Publish planning guidance	22 December 2015
Publish 2016/17 indicative prices	By 22 December 2015
Issue commissioner allocations, and technical annexes to planning guidance	Early January 2016
Launch consultation on standard contract, announce CQUIN and	January 2016
Issue further process guidance on STPs	January 2016
Localities to submit proposals for STP footprints and volunteers for mental health and small DGHS	By 29 January 2016
First submission of full draft 16/17 Operational Plans	8 February 2016
National Tariff S118 consultation	February 2016
Publish National Tariff	March 2016
Boards of providers and commissioners approve budgets and final plans	By 31 March 2016
National deadline for signing of contracts	31 March 2016
Submission of final 16/17 Operational Plans, aligned with contracts	11 April 2016
Submission of full STPs	End June 2016
Assessment and Review of STPs	End July 2016

Note: the timetable for consultation on the standard contract has been issued separately. A more detailed timetable and milestones is included in the technical guidance.