

Meeting Title	Board of Directors		
Date	7 November 2019	Agenda item	Bo.11.19.21

FINAL LONG TERM PLAN 2020/21 – 2023/24

Presented by	Matthew Horner, Director of Finance		
Author	Chris Smith, Deputy Director of Finance		
Lead Director	Matthew Horner, Director of Finance		
Purpose of the paper	To inform the Board of the details of the final long term plan which was submitted on 25 October 2019.		
Key control	Identify if the paper is a key control for the Board Assurance Framework		
Action required	For decision		
Previously discussed at/ informed by	Finance & Performance Committee, 30 October 2019		
Previously approved at:	Committee/Group	Date	

Key Options, Issues and Risks

- The final Long Term Plan for the period 2020/21 – 2023/24 was submitted to the ICS on 23 October 2019.
- This paper has outlined the approach taken to develop the plan and the compromises necessary to reach agreement with the CCGs to allow the Bradford Districts and Craven system to submit an aligned plan.
- The Trust and the CCGs are therefore carrying comparable elements of risk in their plans to reach this compromise, both having compromised on their expenditure plans by approximately £6m as a result of the funding alignment agreement.
- The plan is challenging but is considered to be plausible and the financial challenge it reflects is broadly in line with the plans of the other WYAAT trusts.
- The system does not have definitive plans to address the financial challenge faced and at this stage there is limited assurance regarding delivery confidence. These plans will need to be developed over the period to March 2020.
- The Trust will need to develop and deliver internal cost improvement plans but in order to deliver its overall financial plan it will be reliant on further successful system-led demand management initiatives to control growth.
- The Long Term Plan that was submitted remains a strategic outline plan. It does not represent the final operational plan for 2020/21 or subsequent years.
- The final operational plan for 2020/21 will be submitted for Board approval in early 2020.
- The publication of financial trajectories / control totals for the next four years requires the Trust to give due consideration to establishing a longer term strategy for financial sustainability. This will need to be considered in conjunction with the planned delivery of the Trusts strategies (eg Clinical, Digital etc), but must also align to the wider 'place based' strategic ambitions.

Analysis

The key issues/analysis for discussion are addressed above

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Recommendation
<ul style="list-style-type: none"> NHSE/I have not formally stated that the final plan must have formal Board approval in place prior to submission, but the plan is presented here today for information and acceptance. The Board of Directors is asked to accept the plan as submitted on 23 October 2019 and to note the work ongoing to develop the operational plan in early 2020.

Risk assessment						
Strategic Objective	Appetite (G)					
	Avoid	Minimal	Cautious	Open	Seek	Mature
To provide outstanding care for patients			g			
To deliver our financial plan and key performance targets			g	g		
To be in the top 20% of NHS employers					g	
To be a continually learning organisation				g		
To collaborate effectively with local and regional partners					g	
The level of risk against each objective should be indicated. Where more than one option is available the level of risk of each option against each element should be indicated by numbering each option and showing numbers in the boxes.	Low		Moderate	High	Significant	
	Risk (Moderate)					
Explanation of variance from Board of Directors Agreed General risk appetite (G)						

Benchmarking implications (see section 4 for details)	Yes	No	N/A
Is there Model Hospital data relevant to the content of this paper?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is there any other national benchmarking data relevant to the content of this paper?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is the Trust an outlier (positive or negative) for any benchmarking data relevant to the content of this paper?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Risk Implications (see section 5 for details)	Yes	No
Corporate Risk register and/or Board Assurance Framework Amendments	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Quality implications	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Resource implications	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Legal/regulatory implications	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Diversity and Inclusion implications	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Performance Implications	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Regulation, Legislation and Compliance relevance
NHS Improvement: (please tick those that are relevant) <input checked="" type="checkbox"/> Risk Assessment Framework <input checked="" type="checkbox"/> Quality Governance Framework <input checked="" type="checkbox"/> Code of Governance <input checked="" type="checkbox"/> Annual Reporting Manual

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Care Quality Commission Domain: Well Led
Care Quality Commission Fundamental Standard: Good Governance
NHS Improvement Effective Use of Resources: Finance
Other (please state):

Relevance to other Board of Director's Committee: (please select all that apply)					
Workforce	Quality	Finance & Performance	Partnerships	Major Projects	Other (please state)
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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Bo.11.19.221 - FINAL LONG TERM PLAN 2020/21 - 2023/24

1. Long Term Planning Process

- In common with all areas nationally, the West Yorkshire & Harrogate Integrated Care System (ICS) is required to produce a long term financial, activity, workforce and operational plan for the period 2019/20 – 2023/24.
- Each “place” within the ICS is required to produce a plan. These place based plans are an aggregation of the individual plans of the constituent NHS providers and commissioners in that place.
- For Bradford Teaching Hospitals NHS Foundation Trust (BTHFT), the “place” is the Bradford Districts and Craven system, incorporating the following organisations:
 - Bradford Teaching Hospitals NHS Foundation Trust
 - Airedale NHS Foundation Trust
 - Bradford District Care NHS Foundation Trust
 - The 3 Bradford and Airedale CCGs
- Each organisation is required to produce its own long term plan to create the overall place based plan.
- Organisations are required to submit plans for workforce, activity, revenue income and expenditure and capital expenditure. Cash flow plans were not required although the Trust will produce these plans internally now the income and expenditure plans are completed.
- The regulators have confirmed that the contract income projections agreed with commissioners in the long term plan are not binding contractual commitments.
- The usual contracting process for 2020/21 is expected to be carried out in time for the submission of a more detailed operational plan for that year. The deadline for the completion of the 2021/21 operational plans and contracts is anticipated to be January or February 2020.
- While contract values have yet to be agreed with the non-Bradford commissioners (NHS England and the out of Bradford CCGs), the final 2020/21 contract value for the Bradford and Airedale CCGs is not anticipated to change materially from the overall income quantum offered to the Trust in the long term plan.
- The Trust completed a draft submission on 20 September 2019, although there were significant caveats placed on the details of this draft plan which have been resolved in the final plan submission.
- The Trust submitted its final plan in line with the deadline of 23 October for final submission by the ICS.
- This deadline precluded the final plan from passing through the Trust’s usual governance route and there is no expectation by the regulators that it should have been formally signed off by the Board of Directors prior to submission.
- NHSE/I have not formally stated that the final plan must have formal Board approval in place prior to submission, but the plan is presented here today for information and acceptance.

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2. Financial Trajectories (Control Totals) and Summary of Plan

- NHSE/I has issued each provider with control total targets for each of the four future financial years covered by the Long Term Plan.
- The control totals have been confirmed to be unchanged from the interim control totals issued for the draft plan in September 2019.
- Table 1 summarises the Income & Expenditure (I&E) plans for each year.
- All figures are presented excluding Provider Sustainability Funding (PSF) and Financial Recovery Funding (FRF) as stipulated by NHSI. If it delivers its control total, the Trust will receive FRF funding equal to the control total deficit in each year to allow a net breakeven position to be achieved.

Table 1 – Long Term Plan Summary – I&E

Details	2019/20 Plan £m	2019/20 FOT (mid- case) £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Contract Income	367.5	364.4	382.1	393.9	402.5	412.0
Other Income	45.2	47.1	48.3	49.2	50.3	53.2
Pay Expenditure	-282.6	-277.3	-289.9	-301.7	-311.5	-320.7
Non-Pay Expenditure	-158.8	-153.7	-162.2	-159.1	-156.3	-157.9
Margin before Efficiencies	-28.7	-19.6	-21.8	-17.6	-14.9	-13.4
CIP Target - internal	16.2		11.9	9.9	9.4	10.3
Final Margin / Control Total	-12.5	-19.6	-9.8	-7.7	-5.5	-3.2
CIP Target % of relevant turnover			3.0%	2.5%	2.3%	2.5%

- NHSE/I has issued deficit providers with increasingly challenging control totals intended to result in movement towards unassisted (ie without reliance on FRF) breakeven positions over the planning period. As such, the Trust needs to consider its approach to its long term financial sustainability strategy.
- The Trust's control total for 2020/21 is a deficit of £9.8m which is £2.7m higher than the £12.5m deficit control total for 2019/20 requires a £9.8m improvement on the latest forecast outturn for 2019/20.
- The control totals for the subsequent years require improvements in the Trust's position by approximately £2.2m per annum to cumulate in a £3.2m deficit control total by the end of the planning period.
- NHSE/I has based the future years' control totals on targeted improvements against the 2019/20 *control total* and therefore does not make allowances for brought forward run rate deficits against the 2019/20 plan.
- The opening assumption for BTHFT's I&E plan is the latest mid-case forecast outturn for 2019/20. In this mid-case scenario, the Trust is forecasting a deficit excluding PSF of £19.6m. This position would be approximately £7m below the control total and much of this pressure is carried forward into the plan for 2020/21. There are a number of reasons for this adverse forecast, however the most substantial issue is the shortfall on delivery against CIP targets.

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- In partial mitigation of this issue, BTHFT's 2019/20 expenditure forecast includes approximately £3m of exceptional non-recurrent expenditure. This expenditure will not be incurred in 2020/21 and is therefore excluded from the plan.
- This means the Trust's opening position for the 2020/21 plan is a net £4m worse than NHSE/I's assumption when calculating the control total. To some extent it is within BTHFT's gift to address this issue, as any *recurrent* improvements to the existing run rate that are delivered in Quarters 3 and 4 of 2019/20 will reduce the gap carried forward into 2020/21. There is a recovery planning process underway for 2019/20 with all budget holders tasked with improving run rates in the remainder of the financial year.

3. CIP / Efficiency Targets

- The Trust must deliver £11.9m of internal efficiencies to meet the £9.8m deficit control total in 2020/21. This is 3.0% of relevant turnover.
- The CIP targets in future financial years range from £9.4m (2.3%) to £10.3m (2.5%).
- In addition to this internal CIP target, the Trust has agreed to take an element of system QIPP relating to aspirational transformational programmes in Planned Care and Urgent Care into its income plan.
- This system QIPP is reflected in the plan as a reduction to BTHFT's income. If the programmes successfully manage demand, the Trust should be able to manage its planned cost growth down in line with reduced activity. However, there is obviously risk associated with this. The overall efficiency assumptions in the plan are summarised in Table 2.

Table 2 – Total Efficiency Targets 2020/21 – 2023/24 (£m)

Details	2020/21	2021/22	2022/23	2023/24	Cumulative Total
CIP target - internal	11.9	9.9	9.4	10.3	41.6
System Efficiencies (QIPP)	1.2	1.8	1.9	2.4	7.3
Total BTHFT efficiency target	13.1	11.7	11.4	12.7	48.8
Total target as % of relevant turnover	3.3%	2.9%	2.8%	3.1%	12.1%

- Table 2 highlights the scale of risk taken into BTHFT's plan relating to the system efficiency targets. By 2023/24, the system must have jointly reduced demand for Outpatients and A&E by a tariff value of £7.3m.
- The true efficiency target for BTHFT in 2020/21 is therefore £13.1m (3.3%), although £1.2m of this is projected to be delivered by system demand management programmes.
- The % CIP targets in Table 2 are broadly consistent with those of the other WYAAT providers.
- At the time of the draft plan submission, the Trust did not have any fully developed CIP plans for 2020/21. However, analysis of the Model Hospital does suggest the organisation has significant opportunities to improve its cost position to align with the NHS's median and upper quartile performing trusts. In addition, the Trust should expect to secure further efficiencies from the system wide improvement programmes, the Acute Provider Collaboration with Airedale NHS FT and the wider WYAAT / ICS initiatives.
- Plans will be developed in the remainder of 2019/20 to have the maximum savings plans possible in place before the start of the new financial year.

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4. Contract Income Plan

4.1. Method of Pricing the Contract Income Plan – Non-Bradford Commissioners

- The Trust has priced the activity levels agreed (see Section 5) at the average tariff for the actual coded case-mix carried out to Month 5 of 2019/20. In other words, a basic *activity x price* calculation has been applied to determine the cost at tariff of the activity levels the commissioners propose to include in the contract.
- The nationally published inflationary assumptions have been applied to the 2019/20 national and local tariffs to calculate the draft income quantum required for future financial years.
- For 2020/21 and 2021/22, the national tariff is uplifted by 2.4% plus a further 0.25% for CNST cost increases. A tariff efficiency factor of 1.1% results in net tariff inflation for the first two years of 1.55%. The net tariff inflation falls to 1.15% in 2022/23 and 2023/24.
- The income plans for pass-through drugs and device costs are calculated at 2019/20 rates plus published non-pay inflation figures.
- No other adjustments to the basic *activity x price* calculation were made.
- This methodology forms the basis for the income figures assumed in the plan for the non-Bradford commissioners but was ultimately not applied to the income plans agreed with the host CCGs.

4.2. Bradford & Airedale CCGs Funding Agreement

- At the draft planning stage, the application of the above methodology to the activity projections for the Bradford and Airedale CCGs' contracts resulted in the Trust costing the activity at a value £13.3m higher than the CCGs' own assessments.
- In the planning guidance, the regulators set out a clear expectation that provider income assumptions should be exactly aligned with their host CCGs' expenditure assumptions when the final plans were submitted.
- The CCGs stated that their overall funding envelope made it impossible to fund BTHFT at the level expected based on the traditional Payment by Results (PbR) *activity x price* methodology.
- To address the misalignment, both the Trust and commissioners had to add significant elements of risk into their plan to reach a compromise position. The adjustments made by each organisation from their opening positions to reach alignment are summarised in Table 3.

Table 3 – BTHFT and CCG Alignment Agreement 2020/21

Details	£m
Initial misalignment	13.2
CCG increased QIPP	-5.8
BTHFT expense / CIP	-6.3
System transformation	-1.2
Total amendments	-13.2
Residual misalignment	0.0

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- The CCGs increased their offer to BTHFT by a total £5.8m while BTHFT reduced its income expectations by £6.3m, meaning both organisations took on a comparable level of risk into their plans.
- In addition, BTHFT agreed to accept £1.2m of system efficiency targets into its planned income position, the delivery of which will be the shared responsibility of all system partners.
- To accommodate these adjustments, the CCGs had to increase their QIPP targets and BTHFT had to both increase its CIP targets and to rigorously pare down its expenditure growth plans, resulting in a lean plan with very limited flexibility.

5. Activity Plans (2020/21 – 2023/24)

5.1. Activity Forecast Outturn 2019/20

- Starting point is 2019/20 Forecast Outturn (FOT)
- FOT (activity) is based on Month 5 actuals extrapolated for the remainder of the year, adjusted for seasonality and any known changes, eg recruitment, business cases etc.
- The Care Groups and CBUs were engaged in the process of evaluating and agreeing the activity projections.
- These forecasts for 2019/20 were shared with the CCGs and they agreed to use the BTHFT 2019/20 forecast as the baseline for the final plan.

5.2. Growth Projections for Future Years - CCGs

- The Trust and CCGs jointly agreed projections for activity growth due to demographic growth in the future years. These figures are summarised in Table 4 and take into account:
 - Demographic / demand growth
 - Backlog / waiting list clearance
 - System transformation programmes / demand reductions

Table 4 – Net Impact of Demographics, Waiting List Clearance and Transformation

	20/21	21/22	22/23	23/24	Cumulative
Outpatients	1.9%	-0.6%	-3.2%	-2.2%	-4.1%
A&E attendances	2.5%	2.1%	1.7%	1.2%	7.7%
Electives	3.4%	1.0%	-1.4%	1.0%	4.0%
Non-Electives	2.8%	2.8%	2.8%	2.8%	11.7%

- There is risk to the Trust agreeing to reduce the agreed activity projections to recognise the unproven impact on demand of aspirational system efficiency programmes.
- The exact details and delivery methods of these system efficiency programmes remain unclear and is not certain that they will deliver the activity reductions targeted.

5.3. Growth Projections for Future Years – NHS England / Specialised Commissioning

- The same process of forecasting and projecting as described above was followed for NHS England / Specialised Commissioning (NHSE).

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- NHSE have issued indicative contract financial envelopes for the five year planning period. However, these are significantly below the level current activity projections suggest will be required.
- Planning guidance from the ICS and NHSE/I stated that Trust's should submit figures reflecting their own funding requirements from NHSE to ensure mis-alignments are flagged up at this stage. The Trust has followed this guidance and the final plan reflects the Trust's activity and income assumptions rather than NHSE's draft proposals.
- The actual contract value with NHSE for 2020/21 will be agreed via the usual contracting processes and included in the operational plan.
- This differs from the approach mandated for aligning the Trust's plan with its host CCGs, where alignment at this stage was not negotiable in the view of NHSE/I.

6. Expenditure and Non-Contract Income Plan

6.1. Expenditure Plan - Key Principles

- The plan assumes the baseline for expenditure is 2019/20's recurrent outturn position, adjusted for any non-recurrent pressures or income streams in 2019/20.
- National inflation assumptions have been applied to all pay and non-pay budgets.
- The workforce elements of the plan were informed by discussions with colleagues from the CBUs, Care Groups and corporate nursing team.
- The remaining growth in the expenditure plan is directly linked to the activity plan, using the national tariff as a proxy for the cost of meeting projected growth.

6.2. Baseline Expenditure - Forecast Outturn 2019/20

- To maintain the link between current expenditure patterns and current activity levels, the basis for the long term plan is the Month 6 mid-case forecast outturn position for 2019/20.
- This level of expenditure and non-contract income is inherent in the mid-case forecast pre-PSF deficit of £19.6m in 2019/20 and therefore reflects the legitimate risk that the £12.5m deficit control total may not be achieved in 2019/20. This forecast is summarised in Table 5.

Table 5 – Forecast Outturn 2019/20 as at Month 6 (Unmitigated)

Details	Annual Budget £m	Forecast Outturn £m	Forecast Variance £m
Contract Income	367.5	364.4	-3.1
Other Income	45.2	47.1	1.9
Pay Expenditure	-273.4	-277.3	-3.9
Non-Pay Expenditure	-151.8	-153.7	-1.9
Total	-12.5	-19.6	-7.1

- Any recurrent efficiency measures or recurrent cost pressures that arise in the remainder of 2019/20 that cause this forecast to improve or deteriorate will have commensurate impacts on the expenditure projections in the future years of the long term plan.

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6.3. Amendments to Baseline Expenditure in Future Years

- The exact details of the expenditure plan are subject to material change as commissioner negotiations continue into the operational planning stage and as the exact resources required to meet demand become clearer. This will therefore be refined and amended prior to the submission of the 2020/21 operational plan in early 2020.
- The regulators provided details to the Trust of expected funding linked to delivery of the Long Term NHS Plan objectives. As the requirements and expected service models are not clear, the Trust's plan has matched this funding pound for pound with expenditure.

7. Risks in the Long Term Plan

- This is a plausible but challenging financial plan due to the unaffordability to the wider Bradford Districts and Craven system of the levels of healthcare demand projected for the area. The Trust has taken on a proportionate share of this risk in the form of reduced income and lean expenditure plans.
- The CCGs have also taken a share of the risk into their plans via the inclusion of unaddressed stretch QIPP targets.
- It should be recognised that the issues of system / host CCG affordability mean the Trust has agreed to submit a plan in which it remains funded at a level below the PbR national tariff value of the projected volumes of coded case-mix.
- The plan already assumes a cumulative £7.3m of system demand management efficiencies will be delivered by 2023/24.
- The organisation will require additional input from system partners to enable it to control demand further if the resources included in the annual plan are to be adequate to deal with this growth.
- There are no generic expenditure reserves with which to address emergent issues in the plans for future years.
- The £11.9m internal CIP target for 2020/21 is 3% of relevant turnover and is considered to be the at the higher end of what could plausibly be delivered. The Trust does not at present have any material plans in place to address this savings target but does have opportunities highlighted by the Model Hospital, the Airedale collaboration programme and wider system transformation programmes in the local patch and across the ICS.
- The Trust has no non-recurrent or technical measures with which to support CIP delivery in future years and as such the organisation will be required to increase its delivery of recurrent transformational improvements to service efficiency.
- It is vital that financial plans are delivered in full to facilitate delivery of both the clinical strategy and associated capital programmes.

8. Conclusion & Recommendation

- The final Long Term Plan was submitted to the ICS on 23 October 2019.
- This paper has outlined the approach taken to develop the plan and the compromises necessary to reach agreement with the CCGs to allow the Bradford Districts and Craven system to submit an aligned plan.

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- The final operational plan for 2020/21 will be submitted for Board approval in early 2020.
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