



Trust Development Authority

Cardinal Square
10 Nottingham Road
Derby
DE1 3QT

Our ref: TDA/15/16 Operating Plans

5 May 2015

Jacqueline Kelly
Chief Executive
West Hertfordshire Hospitals NHS Trust

Via email

Dear Jac,

Operational Plans 2015/16

Thank you for submitting your full draft 2015/16 Operating Plan received 7 April 2015. This letter sets out our feedback on the Trust's submission and outlines further action and recommendations the Trust is required to progress.

It is important to note that the plan submitted on 14 May 2015 will be the final iteration and that no further changes will be accepted.

Feedback

Following TDA review of the Trust's plan submission and the outcome of the Confirm and Challenge meeting the plan has been rated as high risk. This rating is driven by the planned deficit of £32.8m and a lack of assurance that key quality performance indicators and constitutional standards will be met and sustained for 2015/16.

The submitted plan is disappointing in light of the £12m of transformation support that the Trust received in 2014/15. We had expected to see more evidence of a return on this significant investment, particularly in relation to CIPs. The Trust's CIP target is well below the average level of efficiencies targeted by other providers at 3.3% and we urge the Board to be more ambitious in the next iteration of the plan.

It is positive to see that you have identified 100% of CIP schemes to achieve the current target though a significant proportion are reported to be undeveloped/high risk. The plan should contain the Board's trajectory to approve a fully developed CIP plan for 15/16, the CIP delivery profile for the year and the internal governance process in place (including QIA) to ensure delivery against plan.

The final iteration of the plan needs to identify the drivers of the deficit that are within the Trust's control and the mitigating actions it can take in 2015/16 to reverse the current trend for increasing year on year deficits. Identifying the services that the Trust is able to deliver within the contracted financial envelope and having a clear plan for the services that fall outside of it will support this work. As a priority the Board will need to approve a detailed financial recovery plan to support a credible ITFF application in-year. We will cover this in more detail at scheduled Integrated Delivery Meetings in May and June.

We have highlighted specific recommendations and queries within the annexes attached. The Trust is required to ensure all the queries and recommendations are addressed in advance of the 14 May 2015 submission.

- Annex A – Plan overview and assessment
- Annex B – Planning checklists feedback
- Annex C – In-depth financial analysis including cash / capital queries
- Annex D – Activity Analysis

Next Steps

Within the final plan submission the following specific areas will need to be addressed:

- **Quality**
 - Further assurance of leadership and governance around CIP, including cost control with quality improvements;
 - Board governance and reporting of escalation and impact on patient safety; and
 - Workforce triangulation with a supporting trajectory to evidence how the Trust will achieve heroic efficiency assumptions within the current plan.
- **Performance**
 - There is an expectation that the Trust will submit supplementary plans for all non-compliant standards to demonstrate that all constitutional standards will be delivered in Q1;
 - Further assurance is required on the governance model that will be used to monitor the implementation of improvement plans to drive sustained delivery; and,
 - The plan needs to demonstrate how the Board has reflected on what has not worked in 2014/15 and what will be different about their internal oversight approach for the coming year.
- **Finance**

In respect of the Trust's financial plan, I am unable to accept the level of deficit that you have outlined within your recent submission, and as you may already be aware, further discussions are planned with you and your team to discuss opportunities to improve upon this position. Specifically I will be looking for assurances that:

- The cost pressures identified in 2014/15 (over and above that years plan), have not been normalised or made recurrent in 2015/16 without an appropriate level of Board challenge and explicit consideration of costs compared to funding streams;
- The Trust has detailed plans including a timeline for removing non-recurrent 2014/15 transformation costs of c£7.5m;
- The Trust does not incur non-recurrent restructuring costs without assurances from commissioners that these will be funded or the Trust having its own plans and business cases in place to fund these;
- That additional cost pressures identified for 2015/16 – including proposals for increased staffing are supported by business cases detailing funding streams and/or specific, quantifiable and expected quality and productivity benefits;
- That Trust's savings targets demonstrate an appropriate level of ambition that support the improvement of the Trust's financial position in this and future years;
- That the Trust has continued to improve alignment between finance, CIP, workforce and activity; and,
- That the Trust has reflected the impact of contracting agreements in financial plans and seeks to pro-actively mitigate any risks associated with commissioner payment/contract challenge.

- **Activity Plans**

Within the final plan submission the Trust will need to provide:

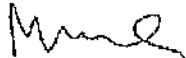
- Assurance that a review of the previous activity return has been undertaken as the content appears to be inaccurate (see activity feedback slide). We will want to see an interim activity return which provides a clear rationale for any large variances (+/- 5%) to 2014/15 outturn and evidence that these movements are supported by robust action plans.
- Assurance that the Trust's activity assumptions are aligned with those of commissioners and reflect the levels agreed in the contracts. The Trust's plan must demonstrate that it has sufficient resources and capacity to deliver the level of contracted activity.
- Evidence that triangulation of finance, workforce and activity plans has been undertaken

The Trust is expected to produce its Board-approved and commissioner-aligned full Final Operating Plan on 14 May 2015. However in order for us to gain further

assurance on the specific issues and queries raised in the annexes, your Delivery and Development Manager, Joseph Hayward, will contact you to provide more detailed feedback on the areas where further clarity is required.

If you wish to discuss the above or any related issues further, please contact me as your Portfolio Director.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Mark Cubbon', written in a cursive style.

Mark Cubbon
Portfolio Director
NHS Trust Development Authority