The Robert Jones and Agnes Hunt Orthopaedic Hospital
NHS Foundation Trust

Operational Plan
2015/2016

Delivering Outstanding Patient Care

Contents:

1. Introduction and scope

1.1 The Operational Plan for 2015/16 is a refresh of year two of the five year strategy approved by the Board in June 2014.

1.2 The plan has been updated based on 2014/15 performance and revised planning assumptions for 2015/16.

1.3 The Operational Plan will:

- Identify progress made in the delivery of our Strategy during 2014/15.
- Consider further developments to our Strategy in light of new national context and formally recommit to it.
- Refresh the Operational, Quality and Financial Plans to support the delivery of our 2015/16 objectives.
- Refresh the challenges and risks we face in delivering our objectives and our resilience to these.
- Identify how the 2015/16 plan will enable further progress to be made against our Strategy.

2. Progress against our Strategy

2.1 Our strategic intention to become the leading national NHS specialist orthopaedic provider as captured by the following mission statement:

'To be the leading centre for high quality sustainable orthopaedic and related care achieving excellence in both experience and outcomes for our patients'

2.2 Delivery of this aim is supported by three strategic objectives and these continue to be the overarching parameters for our 2015/16 plan. Additionally, we have considered below the progress made against each objective during 2014/15.

1) To be the provider of choice for patients through the provision of safe, effective and high quality orthopaedic and related care

2.3 During 2014/15 we:

- Remained fully compliant with CQC regulation.
- Made further investments in our nursing establishment in line with the recommendations of the Francis report.
- Continued to receive excellent feedback for the services we provided as evidenced by the friends and family score.
- Received an overall increase in referrals of 3%; the highest areas being from Telford and Cheshire.
- Signed off a contract to commence construction of a major £15m capital investment to provide replacement high specification theatres, admission, discharge, day case and inpatient services.

2.4 Whilst performance against our access targets deteriorated during the final quarter of the year, we have agreed a recovery plan and are investing in additional capacity to ensure full and sustainable compliance by the end of Quarter 1 2015/16.

2) To improve outcomes for patients through partnership working with patients, staff and commissioners of services at a local and national level, and through clinical networks with other providers

2.5 During 2014/15 we:

- Obtained post surgical outcome scores that demonstrated incremental health gains higher than any of our peers.
- Introduced new pre referral care pathways that improve access to secondary care services and provide dedicated condition management in the community where surgery is not required.
- Supported our Commissioners with the implementation of an agreed QIPP programme.
- Partnered with local NHS providers in a successful joint tender to provide an integrated community musculoskeletal assessment and treatment service for residents of Telford and Wrekin.

3) To develop a vibrant and viable organisation where people achieve their full potential and success leads to investment in services for patients.

2.6 During 2014/15 we:

- Delivered our financial plans in full including a 4% efficiency requirement.
- Delivered a capital investment programme of £5.8m
- Were successful in the recruitment of additional nurses in response the recommendations of the Francis report despite recruitment pressures nationally.
- Introduced 7 day working within our Diagnostics Department
- Were formally recognised as one of the top 100 places to work in the NHS.
- Obtained a national staff survey response of 93% of staff willing to recommend the Trust to their family and friends.
- Were recognised as a centre of excellence for the provision of apprenticeships, receiving both local and national awards.

3. Recommitment to Strategy

3.1 The mandate from the government to the NHS is stable for 2015/16 with no fundamental changes to core standards. We are however mindful of the potential for changes to be made post election.

3.2 Since we agreed our Strategy there have been a number of further national publications that are relevant to our future aims and ambitions as follows:

3.3 **The NHS England Five Year Forward View** was published in October 2014 and highlights a number of different and more flexible care models for providers aimed at dissolving traditional boundaries between NHS organisations and with Local Authorities.

3.4 **The Forward View into Action** was published in December 2014 and sets out the operational priorities for providers to work towards in their 2015/16 plans to ensure that services remain resilient to increasing pressures and demand.

3.5 **The Dalton Review** was published in December 2014 and considers new organisational options for NHS providers that will address current inequalities in performance. It is intended as the provider 'delivery vehicle' for the Five Year Forward View and calls for a new system of credentialing to be introduced that will formally recognise high performing organisations capable of spreading their systems and good process to other organisations.

3.6 We have discussed these developments as a Board and believe they support the strategic direction of the hospital and will make a positive impact to our future business plans.

3.7 These discussions will be further developed during 2015/16 and will include further consideration of RJAH's role in terms of:

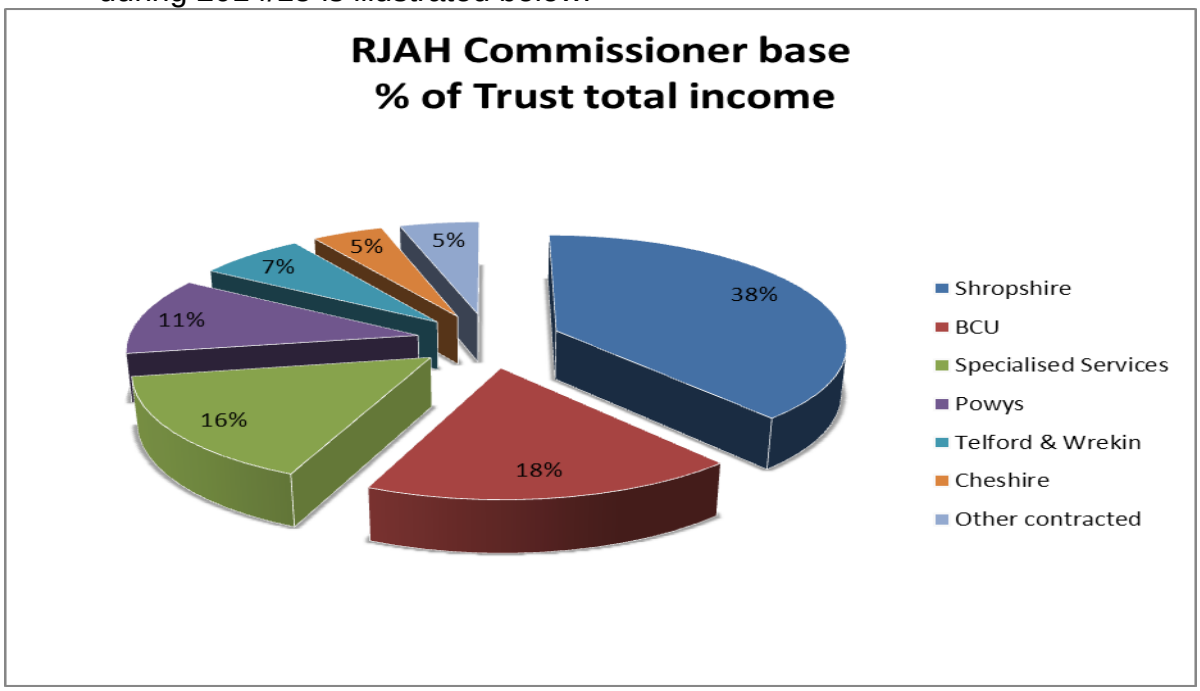
- Opportunity to be included in the first wave of Credentialing.
- Development of an Enterprise Strategy.
- As a recognised high performing provider, development of a Standard Operating Model that could be transferred to another organisation or wider system.

3.8 In addition we will continue to influence the development of Orthopaedics nationally through the Strategic Orthopaedic Alliance, RJAH providing the lead CEO role on this.

3.9 Within this context our existing strategy is aligned completely to the national direction of travel in terms of the Dalton review, the national GIRFT report, and the five year forward view. The Board have recommitted to our existing strategy as part of the 2015/16 plan approval as required by monitor.

4. Alignment with Commissioners

4.1 We provide services to a broad mix of Commissioners across England and Wales. The proportion of activity and income received from each during 2014/15 is illustrated below.



4.2 A recurrent theme in recent years has been a material over performance against contracted levels (c3% in 2014/15). This has partly been driven by increased market share but can also be attributed to the financial constraints of our Commissioners that has prohibited the recognition of full underlying growth being reflected in planned contract values.

4.3 Both Monitor and NHS England have called for increased realism in respect of demand to ensure sufficient provider capacity is in place to deliver services within required waiting times. This directive has therefore been used to support our 2015/16 contract negotiations.

2015/16 Contract Plans

England

4.4 Contracts have been agreed for our English activity based upon the standard English NHS contract terms and conditions and the ETO (Enhanced Tariff Offer) tariff.

4.5 Baseline activity has been agreed at 2014/15 recurrent levels with growth applied ranging between 1% and 3% before QIPP.

4.6 C-QUIN income at 2.5% has been assumed based on a set of agreed national and local priorities. We have a strong track record of delivery in respect of C-QUIN and so our plans assume full achievement.

4.7 A Commissioner penalty reserve of £300k has been incorporated into our financial plan aligned to our waiting time reduction recovery plan.

4.8 Our largest English contract is with Shropshire CCG who have identified orthopaedics as an area of pressure and are looking for this to be mitigated through QIPP schemes.

QIPP

4.9 We have incorporated QIPP schemes with a value of £1.7m against our 2015/16 English contract values. Of this £0.4m relates to the full year impact of schemes introduced during 2014/15 leaving £1.3m to be delivered from new schemes.

4.10 Following a series of clinical meetings, the table below identified the proposed areas of focus and our current risk assessment to deliver:

QIPP plans 2015/16			
Scheme	**£m**	**RAG**	**Risks to delivery**
Pain Injections	0.2		
Pre referral pathway	0.2		
High cost drugs	0.2		Clinical protocols still to be agreed
Follow up management	0.1		Long lead time before benefits realised
Referral Threshold	1.0		Clinical protocols still to be agreed
Total	**1.7**		

4.11 Whilst we are committed to supporting the delivery of QIPP, there are risks around assumptions and scale of impact that may be made in 2015/16. We have therefore made appropriate risk coverage in our operational plans to manage potential slippage of 50%.

Waiting list reduction

4.12 As part of our RTT recovery plan, we have a requirement to reduce our waiting list with a particular emphasis on long waiters.

4.13 We have estimated that our English Commissioners will need to buy an additional 300 operations non recurrently in 2015/16; 200 of which will be with Shropshire CCG.

4.14 Whilst this activity is outside of our formal contracts, the additional costs are under discussion with Commissioners and will be partly financed by a re-investment of contract penalties.

Specialised

4.15 Our Spinal Injury and highly specialised bone tumour contracts have been agreed based on 2014/15 out-turn. There is no nationally recognised growth in demand for these services so we do not envisage any issues.

4.16 Whilst some highly complex spinal operations continue to be commissioned through NHS England, there has been no further extension to the scope of the identification rules that define specialist activity. Contracted baselines have therefore been set at 2014/15 planned levels in line with national planning guidance.

4.17 A new feature of the Specialised Services contract for 2015/16 is that over performance will be paid at marginal rates; we will receive 70% for activity undertaken in excess of the agreed baseline. Our waiting list reduction plans will however be outside the scope of this.

Wales

4.18 BCU is our most material Welsh contract and our second largest Commissioner overall. This commissioner has significant financial constraints and a shortfall of capacity to manage orthopaedic waiting times that for 2015/16 have been set at 48 weeks.

4.19 Whilst we are still to formally conclude our contract agreement for 2015/16, based on discussions to date, our plan allows for further capacity of c250 cases above 2014/15 out-turn.

4.20 For Powys LHB (our second largest Welsh Commissioner) we have agreed a rollover of 2014/15 out-turn with growth of 3%.

5. Productivity and Efficiency plans

5.1 As outlined in the Five Year Forward view there is an ongoing requirement for providers to generate annual efficiencies so that rising pressures on NHS budgets can be absorbed with more modest increases in expenditure.

5.2 We have set an efficiency plan of 4% for the year. Whilst this is 0.5% higher than the requirement from the national tariff deflator it is in line with historical delivery.

5.3 Delivering efficiencies at this level will enable us to achieve the financial plan we set in our Strategy and will offer some mitigation against the base tariff losses that we will suffer during 2015/16.

5.4 We expect our programme to be delivered through a combination of incremental productivity improvements and transformation of service delivery.

Key Performance Indicators (KPI's)

5.5 For our productivity improvements, we have identified a series of KPI's that will track progress at Board level throughout the year. Targets for 2015/16 have been set based on the plans previously agreed under our five year strategy updated to reflect 2014/15 performance as per the table below (arrows illustrate movement from original target).

Productivity KPI's			
Metric	Plan 2014/15	Baseline (2014/15 actual)	2015/16
Admission on day of surgery	90%	92%	95%
Overall daycase rate	51%	49%	51%
BADS daycase rate	85%	84%	88%
Average length of stay	4 days	4.3 days	3.5 days
Readmissions within 28 days	1%	1%	1%
Bed Occupancy	87%	79%	87%
Inpatient beds	179	177	177
Utilisation of theatre sessions	95%	96%	98%
Theatres Cases per Session	2.2	2.2	2.2
Outpatient DNA	6.3%	6%	5%
Outpatient New to Follow up ratio	1 : 2.1	1 : 2.1	1 : 2.0
Staff Stability Index	90%	92%	92%
Staff sickness rate	2.7%	3.5%	2.7%

5.6 Further detail for each KPI is provided below:

Admit on Day of Surgery – The 2014/15 target was exceeded by 2% and places us in a strong position to obtain our goal of 95%. Further improvements will be supported by new ways of working in the lead up to the opening of new dedicated admission capacity in 2016.

Overall Day case rate - The pain service repatriation has impacted our overall mix of work that has resulted in an overall 2% reduction to our day case target since the previous plan. The further 2% improvement planned will be supported by BADS.

BADS - We aim to be in the top 5% of Trusts for utilising opportunities to admit patients as day cases as defined by BADS (Basket of procedures suitable to be undertaken as day cases). Based on our 2014/15 performance, specific operational KPI's will focus on improvements for the following procedures:

- Bunions
- Shoulder Arthroscopy
- Removal of internal fixations

Focussing on these areas will support achievement of an overall BADS rate of 88% which will place us in the top 5% as adjusted for our specialist case mix.

Average Length of Stay – Excluding Day cases we are planning a further reduction to our overall length of stay that will be supported by further roll out of enhanced recovery principles across most of our clinical specialties.

Inpatient Beds – We plan to maintain bed capacity at current levels during 2015/16. Our commitment to increase day case admissions and reduce length of stay will fully offset the additional bed requirement from the extra activity planned.

Theatre utilisation/cases per session – This will be achieved by scheduling improvements and reduced cancellations.

Outpatient DNA –Further improvement will be supported by the roll out of appointment reminder technology.

Outpatient new to follow up ratio – In line with Commissioning intentions we will work to reduce the number of follow up outpatient attendances as a proportion of our overall first outpatient referrals. This will be supported by agreed QIPP schemes.

Staff sickness – Based on 2014/15 performance we have tapered back our 2015/16 target by 0.2% whilst we continue to embed a culture of workforce productivity and robust sickness management.

Transformation Schemes

5.7 In line with national priorities we have invested in new technology to support the paperless objective and improved flows of secure information across NHS boundaries. This includes the introduction of a new electronic patient record and pharmacy system that will support efficiencies to our Administration.

5.8 Additionally through our operational model we will progress towards the new pathways of care that will be fully implemented upon the opening of our new theatre and ward development. This is being supported by dedicated workstreams.

5.9 Transformational CIP's form 13% of our total efficiency programme that is shown at Appendix 1.

Governance arrangements

5.10 Given the importance of the delivery of the efficiency programme to our financial plan we have identified schemes in excess of the target required to ensure built in mitigation and resilience against slippage.

5.11 All schemes have been robustly reviewed and signed off by the Medical and Nursing Director as part of a Quality impact assessment.

5.12 Delivery will be reviewed throughout the year at divisional performance meetings and the Business Risk and Investment Committee as well as being reported through the Trust's balanced scorecard as part of a monthly performance report.

5.13 Additionally, the service transformation associated with our major capital investment is being overseen by a dedicated Hospital Redesign Project Board.

6. Capital Investment Plan

Capital Plan	£m
Backlog Estates maintenance	0.40
Medical Equipment	0.40
IT	0.30
Staffing costs	0.15
Charitable purchases tbc	0.20
Sub-Total Maintenance	**1.45**
Contingency	0.30
Outpatients refurbishment	0.40
Combined Heat and Power Plant (see 6.4)	0.50
Estates Rationalisation	0.10
Theatre and Tumour development	11.80
Sub-Total Developmental Investments	**13.10**
Total Capital Programme	**14.55**
Funded By:	
Donated Income Received	0.20
Depreciation	2.70
Loan Funding	10.00
Investment by the trust	1.65
Total Funding	**14.55**

6.1 Investments total £14.55m of which £10m will be funded from a loan. In addition we will utilise £1.65m of our cash balances.

6.2 The main investment will be the delivery of new Theatres and Ward facilities as per a previously approved business case.

6.3 Provision has also been made to provide upgraded outpatient facilities that will enhance the patient environment and provide a consistently high standard of facilities across the entire patient pathway.

6.4 The Combined Heat and Power Plant investment is subject to a full investment appraisal and may not be a capital solution.

6.5 The backlog maintenance allocation will support further enhancements to our Estate and improve both appearance and functionality as well as reducing ongoing revenue maintenance.

6.6 The equipment replacement allocation is aligned to the age profile and condition of our equipment across the Trust. We have a well embedded risk based approach to equipment replacement prioritisation which is supported by an external professional maintenance service.

6.7 The Information Technology investment is aligned to the maintenance requirements highlighted in our IM & T strategy.

6.8 A contingency of £0.3m is included to ensure business continuity in the event of unexpected failure of key plant and equipment.

7. Quality Plan

7.1 We are aligned to the requirements of national strategy in that quality is at the core of all we do. Our aim is to continue delivering outstanding patient care to every patient every day. We pride ourselves in the standards we achieve and in the feedback from our patients on the quality of our services.

7.2 We aim to safeguard our patients, both adults and children, at all times. This is achieved through clear policies and procedures that protect and support patients and their families during their stay and beyond.

Current position and future developments

7.3 We have reviewed and refreshed our Quality Strategy in consultation with patients, staff and stakeholders. The Quality Strategy 2014-2017 includes clearly defined goals and priorities for the next 3 years linked to each of the definitions of Quality:

- Safety
- Effectiveness
- Patient Experience

7.4 We have increased our nursing establishment following the recommendations made in the reports of Sir Robert Francis, Don Berwick and Sir Bruce Keogh.

7.5 Additionally, an electronic version of the safer nursing toolkit has been implemented to monitor staffing levels and ratios twice daily and to raise and 'Red Flag' events in line with NICE guidance. Staffing levels are reported monthly to our Board and to the public via our website.

7.6 We have established a programme of assessment against the CQC new fundamental standards and key lines of enquiry. This process includes senior nursing staff and members of the patient panel, to ensure services are meeting the requirements of the regulations in preparation for any formal visit by the Commission. Action plans are developed and monitored locally by Ward Managers, Departmental Managers and Matrons. Additionally, we regularly review the published reports of CQC inspections at other Trust's to identify any areas of learning or best practice.

Quality links to our Commissioned services and C-QUIN

7.7 The quality of the services we provide to patients is routinely reviewed by our Commissioners as part of monthly performance reviews that consider summary dashboard reporting on Trust wide quality issues. These provide opportunity for any areas of concern to be discussed and reviewed.

7.8 In addition to these we have agreed improvement goals to the way our services are delivered as part of the C-QUIN (Commissioning for Quality and Innovation) framework. The CQUIN plans agreed for 2015/16 include:

National (mandatory) schemes:

- Acute Kidney Injury screening and monitoring that will both improve outcomes and reduce premature mortality.

- Dementia assessment, support, clinical leadership and training

Local schemes:

- Medicines Management Safety
- Further roll out of the 'STAR' (Sustaining quality Through Assessment and Review) nursing care assessment process
- Provision of DVT prevention information on discharge
- Early infection identification through intra-operative temperature measurement
- End of Life care
- Reduction of VTE incidents

Managing quality risks

7.9 Quality risks are identified from the trust's risk management processes and are monitored, managed and mitigated at local, divisional and corporate levels. Each risk is clearly defined and includes clear action plans to control and mitigate the risk.

7.10 The corporate risk register and Board Assurance Framework are reviewed quarterly by the Board and identify the key quality risks for the organisation with clear mitigations and action plans. Key quality risks identified are:

- Failure to innovate and achieve efficiencies.
- Failure of Trust key systems in the event of a major incident.
- Reputational risk due to poor regulatory performance (CQC)
- Failure to deliver C-QUIN initiatives.
- Failure in data quality
- Failure in clinical quality or safety controls

8. Operational Plan

8.1 Given the current challenges in meeting waiting time targets, we have undertaken a comprehensive review of demand and capacity for 2015/16 at sub specialty level. This has highlighted a need to invest in additional clinicians.

8.2 An additional area of focus has been on the phasing of delivery with a more realistic seasonal assessment of workforce availability. Our capacity plan for the forthcoming year will include built in resilience to manage pressure points throughout the year when capacity drops aligned to public holidays.

Theatre Capacity and Productivity

8.3 We delivered 11,300 surgical procedures from our 10 theatres during 2014/15 and this is recognised as our baseline capacity.

8.4 Our plan incorporates an increase of three staffed theatre sessions per week from extended Saturday working. This will provide capacity to manage an additional 300 surgical procedures.

8.5 Continued productivity improvements within Theatres will offset planned increased casemix complexity. We therefore plan to retain a cases per session metric of 2.2.

Demand for Surgery

8.6 Given the pressures faced in delivering waiting times both internally and across neighbouring NHS organisations we believe that our capacity will be matched by demand. The table below illustrates how we believe our increased capacity for 2015/16 will be utilised:

Demand Assessment - theatre cases	2015/16
Prior Year out-turn	11,300
QIPP:	
FYE - Shropshire Pain Service repatriation	- 200
Increased referral threshold	- 150
Add:	
Growth commissioned within contracts	100
Planned waiting list reduction	300
Capacity Reserve	250
Baseline Capacity	**11,600**

8.7 Key points to note are:

- Only 50% of planned QIPP scheme capacity released to ensure resilience against potential slippage.

- Capacity provided to manage a target reduction in our waiting list as part of our RTT recovery plan to be delivered by the end of Quarter 1.

- Capacity reserve of 2% that will allow for potential further market share increases, increase in casemix complexity.

- Capacity to treat additional private patients as included in our financial plan.

Bed Capacity

8.8 We plan to maintain bed capacity at current levels during 2015/16. Our commitment to increase day case admissions and reduce length of stay will fully offset the additional bed requirement from the extra activity planned.

8.9 In addition we are targeting a return to higher occupancy. This together with the KPI improvements will support the transition to our new daycase and ward facilities that will open in 2016/17 as a replacement for existing facilities.

Service Improvement

8.10 We are committed to continuously improving the quality of care for our patients and will ensure the continued review and modernisation of care pathways supported by the latest technology. Our operational plan incorporates the following improvements:

Pre Surgery

8.11 We will continue to develop the pre referral service through our management of the SOOS (Shropshire Orthopaedic Outreach Service) that will increasingly look to manage referrals outside of secondary care for patients with Musculoskeletal conditions.

8.12 Administration arrangements will be supported by the digitising of our patient record following the investment in new technology. Additionally we will look to further improve our offering of online appointment bookings via choose and book.

8.13 We will further utilise technology to roll out a text reminder service to reduce the number of outpatient slots lost to non attenders.

8.14 Additionally we are planning a review of our pre-operative service that will be supported by the introduction of new digital technology for low risk patients.

Post Surgery

8.15 We will build on the enhanced recovery principles previously introduced for hip and knee surgery by rolling these out to other surgical areas. Spinal Surgery will be an area of focus during 2015/16. This will continue to improve the patient experience by getting patients better sooner and will allow us use our resources more efficiently.

Workforce Plan

8.16 We will continue to ensure we attract, retain and maintain safe staffing levels, with particular emphasis on enhanced leadership and engagement at all levels, ensuring we capitalise on existing and future talent, with retention and health promotion of the mature workforce and increased apprenticeship opportunities aimed at the younger workforce.

8.17 Aligned to our demand and capacity modelling, the plan allows for the recruitment of additional clinicians in our most challenged sub specialties. Additionally, we will continue to utilise our workforce flexibly to ensure optimal capacity utilisation and support the delivery of waiting times.

8.18 We will continue to focus upon efficient ways of working and effective matching of workforce to activity with the realisation of new ways of working following IM&T investment.

8.19 We will build on our existing seven day services where demand drives this and continue with the reconfiguration of our nursing workforce to support the new ways of working that will be introduced upon the opening of our new admission and daycase facilities in 2016/17.

8.20 A further focus for the year ahead is to build upon appraisal and job planning processes which are clearly aligned to the delivery of personal and organisational goals, and to embed a culture of accountability and shared values through the implementation of the Trusts Collective Leadership Strategy.

8.21 In line with the requirements of the Forward View into Action and building upon our Healthy Horizons staff health and wellbeing strategy we will introduce new measures to improve the overall health of our staff in line with published NICE standards. This will support the sustained achievement of sickness targets and reduce agency costs.

8.22 A further priority will be the retention of our workforce. We plan to build upon our reputation as one of the 100 Best Places to work in the NHS and promote flexible working and retirement options to retain staff.

Operational risks

8.23 The operational risks we expect to face are captured in our Corporate Risk Register and Board Assurance Framework and are summarised as follows:

- Recovery and sustainability of inpatient and outpatient waiting times in line with prescribed referral to treatment time targets.
- Failure to implement new ways of working to realise benefits from investment in technology and new facilities
- A workforce that is unresponsive to change and blocks innovative ways of working.
- Failure to manage causes of staff sickness leading to an increase in absence.
- The impact of an increasingly complex case mix of work arising from a national review of specialist commissioning arrangements.

8.24 As part of our Board Assurance Framework, these risks will be monitored and tracked throughout the year by the Board of Directors and the Business Risk and Investment Committee.

9. Financial Plans

9.1 Our strategy aims for us to deliver annual surpluses of £1m and maintain cash balances of at least £3m (equivalent to two weeks operating expenditure).

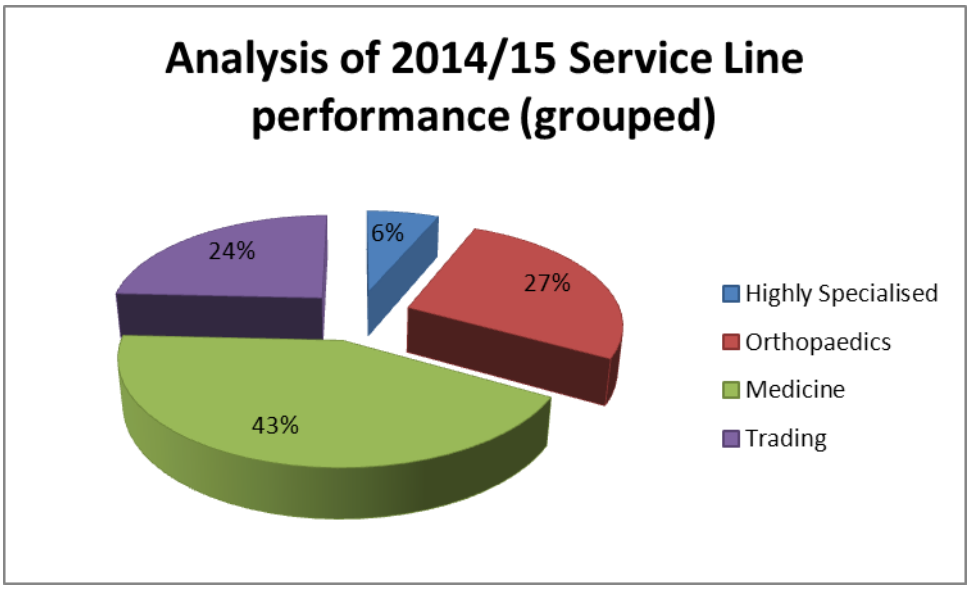
9.2 This will ensure we maintain a CoSRR rating of 4 (lowest risk) and enable a re-investment in our facilities to ensure we can continue to deliver the highest quality clinical care.

9.3 The baseline position for our 2015/16 financial plan is 2014/15 out-turn; a £1m surplus was delivered, cash balances were £5.8m and we delivered a CoSRR rating of 4.

Service Line Reporting

9.4 We have a well embedded process of Service Line Reporting that has been subject to extensive clinical engagement. SLR supports our financial planning processes by informing investment decisions and highlighting efficiency opportunities.

9.5 We have analysed the drivers behind the delivery of our £1m surplus in 2014/15 across four distinct groupings of our services as illustrated below:



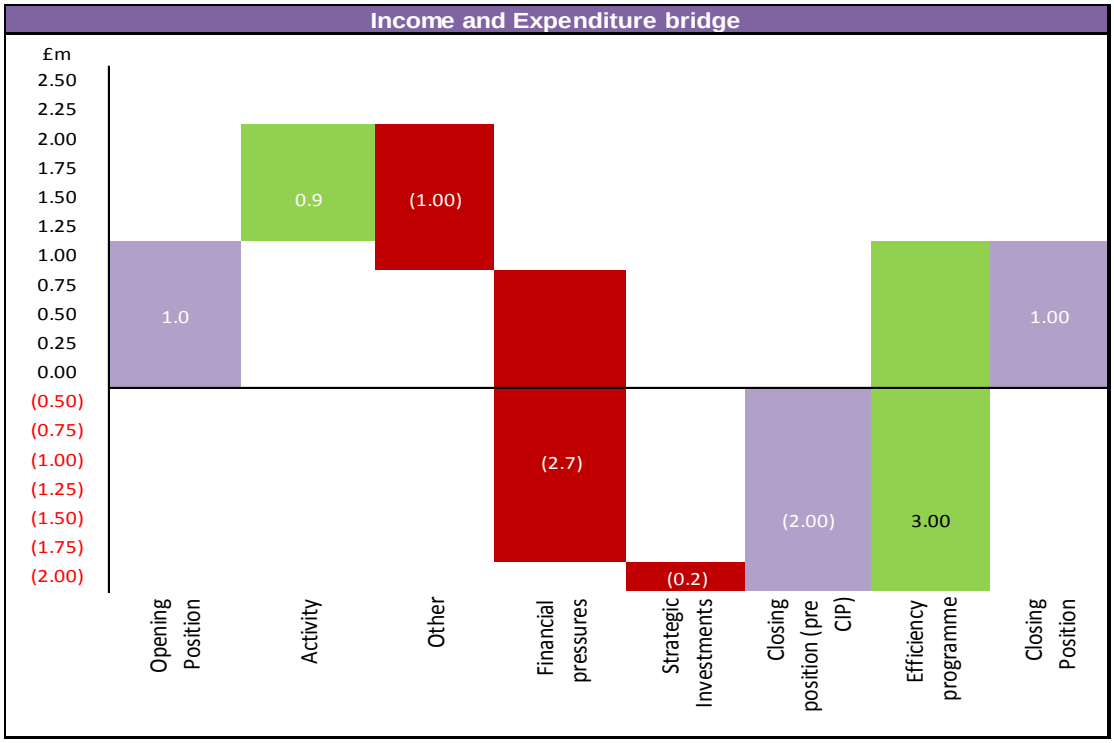
9.6 As a specialist Trust we recognise the importance of delivering a mixed portfolio of activity that can be subject to tariff volatility. We will through our efficiency programme continue to seek improved positions where we have identified service lines that are loss making.

Income and Expenditure Plan

9.7 Overall we are planning the delivery of a further £1m surplus in 2015/16 which remains aligned to our strategy and is as illustrated in the summary Income and Expenditure table below:

Summary Income & Expenditure Statement	2014-15 Forecast outturn	2015-16 Plan
	£'m	£'m
Clinical Income	83.2	83.9
Private Patient Income	4.3	4.9
Other Income	6.0	5.8
Total Income	**93.6**	**94.5**
Pay expenditure	-52.0	-53.4
Non pay expenditure	-36.4	-36.0
EBITDA	**5.1**	**5.1**
Finance costs	-4.2	-4.1
Net surplus	**1.0**	**1.0**
COSRR	**4**	**4**

9.8 The key movements underpinning our plan are illustrated in the following bridge diagram:



Financial Pressures (-£2.7m)

9.9 Tariff (£1.1m) – Driven by ETO tariff deflation of 1.6% and a further non standard reduction to base tariff driven by the national tariff review, a process for which we remain actively engaged.

9.10 Inflation (£1.1m) – Includes pay awards aligned to national policy, incremental progression and increased pension contributions. Forecast non pay inflation has reduced in line with economic conditions.

9.11 CNST (£0.4m) – Significant increase but on a percentage basis lower than the national average due to our low claims history.

9.12 Training and Education income (£0.1m) – Cessation of transitional relied following cuts made in 2014/15.

Other (-£1m)

9.13 Contingency (£0.5m) - As in previous years we have incorporated a cost pressure contingency equivalent to 0.5% of planned expenditure.

9.14 Commissioner risk reserve (£0.3m) – Coverage for expected financial penalties applied for Quarter 1 pending delivery of RTT recovery plan.

9.15 Quality (£0.2m) – Full year costs of increased nursing establishments.

Strategic Investments (£-0.2m)

9.16 SOOS – Increased capacity for pre referral assessment service reflected in both income and expenditure. Neutral to bottom line.

9.17 IT (£0.2m) – Relating to license costs and project management, will support the delivery of our efficiency programme.

Efficiency Target (+£3m)

9.18 An efficiency plan of £3m will partially offset these pressures.

Activity (+£0.9m)

9.19 Additional 300 cases (£0.5m) - Whilst there will be some investment required to increase capacity, this will be reduced by corresponding increases in productivity. The additional cases are expected to earn a net contribution of £0.5m.

9.20 Casemix (£0.4m) – This is the full year effect of the benefit from the release of capacity previously utilised to deliver the loss making pain service that is now undertaken in the private sector.

Cash Balances and CoSRR

Summary Cashflow forecast	2015-16 Plan
	£'m
Opening Cash balance	5.8
Net Settlement of 14/15 Contract Performance	0.5
Surplus generated from I&E	1.0
Commitment to Capital Programme	-1.8
Loan Repayment	-
Forecast cash balances	**5.5**

9.21 Cash balances for the year are forecast to be £5.5m which is comfortably above the minimum levels required in our strategy and £0.3m higher than originally forecast in our five year plan.

9.22 The reduction from the opening position is driven by the planned investment to the capital programme.

9.23 The plan maintains a CoSRR rating of 4 (lowest risk).

10. Financial Risks and Resilience

10.1 Through our strategy we tested our future plans for resilience against potential risks under a series of downside scenarios.

Review of 2014/15 risks

10.2 In refreshing the assessment for 2015/16, we have firstly reviewed how we managed the risks identified for 2014/15 as follows:

- **In year CIP slippage of 0.5% (0.4m)** – Whilst slippage against some planned schemes was encountered, this was offset by a combination of the over identification of schemes and the bring forward of schemes from future years e.g. increased growth of private patient income.

- **QIPP/C-QUIN non achievement (£0.3m)** – All C-QUIN income was recovered in year. There was however slippage against the delivery of QIPP schemes and this was subject to a risk share agreement with Shropshire CCG. The £0.2m non recurrent reduction in income was offset by non recurrent income to support winter pressures.

- **Increased premium costs of delivery (£0.3m)** – Our premium delivery costs increased by £0.9m in year. This was however contained within additional income secured.

Risks for 2015/16

10.3 We have considered the risks for 2015/16 based on those previously identified through our Strategy as follows:

- **In year CIP slippage of 0.5% (0.4m) –** no change from previous assumption
- **Increased premium costs of delivery (£0.3m) –** an increase of £0.1m from previous assumption driven by increased RTT pressures.
- **Losses from National Tariff (£nil) –** There is no risk to further losses against tariff in year. The £1m risk identified in the strategy is reflected in the baseline position.
- **Commissioner Risk (£0.1m) –** Aligned to previous assumptions, the risk for 2015/16 is likely to relate to increased contract penalty risk.

10.4 The impact of these downsides would be a reduction of surplus to £0.2m and cash balances reduced to £4.7m. Our CoSRR rating would become a level 3.

Mitigations

10.5 In practice, we have a number of options to mitigate downsides as re-enforced through our 2014/15 performance. Measures we would expect to introduce to mitigate risks identified for 2015/16 include:

- Release of contingency sum built into plan at 0.5% of planned costs.
- Bring forward future year CIP schemes
- Additional non recurrent income received in year e.g. winter pressures.

10.6 These measures will enable us to offset the potential downsides and provide a mechanism to achieve our baseline plan.

11. Conclusion and further enablement of Strategy

11.1 Our Operational plan fully reflects the operational priorities highlighted in the Forward View into Action and the directive from Monitor and NHS England to provide realistic planning assumptions.

11.2 It will enable further progression of our Strategy as follows:

To be the provider of choice for patients through the provision of safe, effective and high quality orthopaedic and related care

- Additional capacity and reduction of waiting times will support sustainable compliance with national standard access targets.
- Improvement of our patient facilities with particular focus on the Theatre redevelopment, Tumour services and upgrade of outpatients.
- Deliver an agreed set of quality improvements that form part of our contracts with Commissioners under C-QUIN.
- Continue to meet the requirements of our License and CQC standards including the maintenance of safer staffing.

To improve outcomes for patients through partnership working with patients, staff and commissioners of services at a local and national level, and through clinical networks with other providers

- Further redesign pre referral and pre operative pathways as part of QIPP schemes agreed with our Commissioners.
- Increase our day case admissions and reduce length of stay through the further roll out of enhanced recovery principles.
- Working in partnership with English and Welsh NHS organisations in improving access to services.

To develop a vibrant and viable organisation where people achieve their full potential and success leads to investment in services for patients.

- Deliver a financial surplus of £1m and cash balances of c£5.5m ensuring a CoSRR rating of 4 is maintained.
- Deliver a further efficiency programme of 4% that includes transformation schemes.
- Maximise flexibility of our workforce to manage services over seven days.
- Invest further to support the health and well being of our staff that in turn will reduce sickness to 2.7% and support staff retention.

APPENDIX 1

Summary Efficiency Programme 2015/16

Key Themes	Detailed scheme	2015/16 £'000
Stepped Operational Efficiency	Bank & Agency	450
	Demand & Capacity Alignment	350
	Reduced Theatres Cancelled Cases	180
	Spinal Injuries productivity	120
	Skill Mix Review	25
	Reduced Length of Stay	25
	Service Review	25
		1,175
Service redesign/use of Technology	Improved DNA - Text Reminder	160
	Outpatient Follow up Pathway	80
	Electronic Patient Record	65
	Nuclear Medicine	60
	SPR alignment to funding	50
	Catering	30
	Electronic Prescribing	25
		470
Improved service line performance	Coding & Counting	150
	Review of SLA Agreements	70
	Market Test Pathology	50
	Outreach service development	30
		300
Commercial/Trading Opportunities	Private Patient Strategy	400
	Catering	20
	Miscellaneous	15
		435
Corporate Functions	Procurement	800
	Estates & Facilities	150
	Recruitment/Relocation	50
	Review of SLA Agreements	50
	Non Pay	50
	Energy	50
	Leases	50
	External consultancy	25
	Estates Rationalisation	15
	Salary Sacrifice	10
		1,250
Overall Total		**3,630**