1. Please summarise the Trust's 2017/18 financial plan – i.e. your start position, agreed control total, key elements of the plan including STF (strategic transformation funding).

The Trust has, for a number of years, operated in deficit. The size of the deficit has increased in recent years, following unfunded investment in quality (responding to risks highlighted by the Mid Staffs reviews and Keogh reports) and creating additional capacity to accommodate increasing number of patients delayed in their transfer of care.

September 2016 – The Trust was notified by NHS Improvement (NHSI) that, if it could develop a plan for a deficit of less than £25.7m, it could access Strategic Transformation Funding (STF) of £10.663m. Access to the funding would require the Trust to set a target deficit of £15.04m for the 2017/18 year.

December 2016 - The Operational Plan – Development of the plan for the year demonstrated that the trust would need to make savings of £21.9m (6.5% of turnover) to meet the targeted £15.04m deficit. The Trust estimated that plans would only deliver savings worth £13.7m (4% of turnover). Under this scenario the STF would not be available and therefore a deficit of £33.9m would result.

March 2017 – Despite not having sufficient plans to deliver £21.9m of savings the Board agreed to accept the challenge of signing up to the control total of £15.04m. This would at least provide the potential to access the STF of £10.663m. However the Trust emphasised the risk of not achieving the level of efficiency (£21.9m) required to meet target. The required saving is £8.2m above the £13.7m (4%) planned and derived from benchmarking Trust costs to current upper quartile performance levels.

The Trust Chairman and Chief Executive wrote to NHSI explaining that achievement of the control total will not be possible without a fundamental change to the environment that the Trust operates within. The formally agreed plan is summarised in the table below.

STATEMENT OF COMPREHENSIVE INCOME	2017/18 Plan
	£000
Clinical Income	292,745
Other operating income (excluding STF)	28,311
Employee expenses	(217,236)
Operating expenses excluding employee expenses	(118,456)
OPERATING SURPLUS / (DEFICIT)	**(14,636)**
Non Operating expenses	
Depreciation	(8,650)
Finance expense / income/ PDC Dividends	(2,417)
Total Non Opearating Expenses	**(11,067)**
SURPLUS/(DEFICIT) FOR THE PERIOD/YEAR before STF Income	**(25,703)**
STF	10,663
SURPLUS/(DEFICIT) FOR THE PERIOD/YEAR	**(15,040)**
Control Total	15,040
Short Fall	**0**

2. Please set out your current 2017/18 forecast outturn position and key risks to delivery.

The Trust (as at November 2017) is in discussion with NHSI regarding a revised control total of £35m. This is after adjusting for the financial effects brought about by:

- Additional savings required to save 6.5% of turnover (£21.9m), £8.2m
- Loss of most STF income as a result of not achieving the control total (£9.3m)
- CQUIN loss & commissioners penalties relating to new changes effected retrospectively (£2.5m).

	M6 position	Forecast 2017/18
	£000s	£000s
Income	159,310	323,846
Pay costs	(115,842)	(227,998)
Other operating expenses	(64,506)	(121,951)
Sub total Operating deficit	(21,038)	(26,103)
Depreciation	(3,658)	(7,671)
Financing costs	(1,333)	(2,536)
Sub total non-operating expenses	(4,991)	(10,207)
Deficit before STF income	(26,029)	(36,310)
STF income	1,360	1,360
Deficit after STF income	**(24,669)**	**(34,950)**

At Month 6, the current improving run rate would lead to a deficit of £42m by the year-end. This is referred to as the Base forecast within trust WHHT Board papers. In order to meet the £35m deficit re-forecast, being discussed with NHSI, we are managing an agreed set of recovery actions. These actions will increase the savings within the base forecast up to the £13.7m originally expected and also reverse projected overspends of c£4m within the £42m base forecast.

The most significant risk however is the extent to which Herts Valleys CCG raises additional challenges to the Trust's patient care invoices. For example the CCG is currently proposing to not pay for treatments considered to be a low priority.

3. Please identify any significant commissioning / contractual issues not yet reflected into the 2017/18 plan (i.e. differences between commissioner and provider positions)

HVCCG have issued a number of contract challenges in 2017/18 which remain in dispute, as follows:-

(a) HVCCG have issued an £876k contract challenge to the Trust in respect of the 2016/17 final contract outturn. This includes a final review of activity levels plus CCG CQUIN achievement assumptions that differ to the Trust's view. The Trust had received confirmation from the CCG Chief Executive in June this year that all issues had been finalised. The Trust is therefore confident in challenging the CCG position but this issue should be considered a risk until such time as it is resolved.

(b) HVCCG issued a contract challenge relating to the late production of month 1 and month 3 finalised activity ('freeze') summaries to the value of £3,088k. In response to the CCG, the Trust has been clear that the reporting timetable for 2017/18 had not been agreed within the contract and as such there was no basis for this challenge.

(c) HVCCG included a reduced ambulatory care tariff as part of their QIPP savings for 2017/18. This proposed tariff change results in a saving to the CCG (and a cost pressure to the Trust) of c£2.4m. Negotiation (including the Trust's offer to re-cost a basket of procedures) failed to result in an agreement and a mediation process jointly led by NHSE and NHSI took place at the beginning of September 2017. A formal decision from this mediation is currently awaited.

(d) HVCCG has deemed that treatment for the following list of procedures should follow a low priority treatment protocol.

Adenoidectomy	Ankyloglossia (Tongue Tie)
Carpal Tunnel	Cataracts
Ganglion	Abdominal Hernia
Trigger Finger	Tonsillectomy
Dupuytren's contracture	Varicose Veins
Myringotomy with/without grommets	Benign Skin Lesions
Hip Replacement	Knee Replacement
Knee Arthroscopy	Facet Joint Injections

Due to the wide coverage of the protocol and the administrative and clinical intervention requirements, the Trust could agree to the implementation of the protocol at the start of the year. For the first three months of the 2017/18 year the CCG is proposing not to pay for £2.5m of patient care.

(e) Please summarise your 2017/18 savings plans, current progress and expected impacts / key risks.

As reported above the Trust has targeted savings plans of £13.7m, or 4% of revenue, for 2017/18.

As at the end of September 2017 £10.3m worth of ideas had been identified, of which £9.7m will deliver in-year.

Pipeline schemes are currently around £2.5m, and the Trust is confident that its £13.7m target will be met.

Executive Lead	CIP Category	Month 6 (M6)			YTD (M1-6)			Full Year (FY FOT)		
		Planned £000	Delivery £000	Variance £000	Planned £000	Delivery £000	Variance £000	Planned £000	Delivery £000	Variance £000
Don Richards	Non-Pay Savings	470	758	288	1,563	1,805	242	3,103	3,321	218
Paul Da Gama	Workforce	186	165	(21)	907	751	(155)	2,464	2,171	(293)
Don Richards	Non SLA Income Generation	55	19	(36)	355	242	(114)	714	547	(167)
Sally Tucker	Service Dev - Med & Unscheduled Care	117	58	(59)	515	525	10	1,386	1,156	(231)
Sally Tucker	Serv Dev - WACS	52	283	231	298	906	608	607	1,475	868
Sally Tucker	Service Dev - Surgery	181	69	(113)	785	308	(477)	2,000	1,047	(953)
	Grand Total	**1,061**	**1,351**	**290**	**4,424**	**4,538**	**114**	**10,274**	**9,717**	**(558)**

The largest savings involve re-negotiations of contract with third party suppliers such as Compass Group and NHS Professionals.

Risks involve the management of inherent conflicts around three factors:

- Ideas generation – transactional versus transformational
- Operational impact – savings result in resource / activity changes
- Sustainability – recurrent versus non-recurrent benefits

While a wide range of all types of scheme are currently in progress, it is expected that there will be a greater need for transformational changes such as treating patients in different settings or in different ways. They will typically require the cooperation and participation of CCGs, and possibly other local stakeholders.

(f) Please summarise CQUINs that apply to your organisation in 2017/18, financial value and expected outturn position

The Trust's 2017/18 plan assumes 100% compliance with CQUIN; a total of £7,033k. £6,763k of this income is linked to CCG schemes, with the remaining £270k relating to NHS England CQUINs. ½% of the 2½% of income linked to CCG CQUINs has been made available to support engagement with STPs with a further ½% being linked to achieving the 2016/17 control total. 2017/18 CQUINs are summarised in Table below.

Table – Summary of 2017/18 CQUIN schemes

CQUIN		Total
Improving Health and Wellbeing	Staff wellbeing	226
	Healthy food	226
	Flu vaccinations	226
	Total	**677**
Sepsis	In emergency departments	169
	In acute inpatient settings	169
	Antibiotic review	169
	Reduction in antibiotic consumption	169
	Total	**675**
Improving services for people with mental health needs		**676**
Improved GP access to consultants to provide advice and guidance		**676**
E-referrals		**676**
Supporting proactive and safe discharge		**676**
Sub-total		**4,057**
Value linked to STP engagement in 2017/18		1,353
Value linked to achievement of 2016/17 control total		1,353
Total (CCG CQUINs)		**6,763**

2) NHSE CQUINs

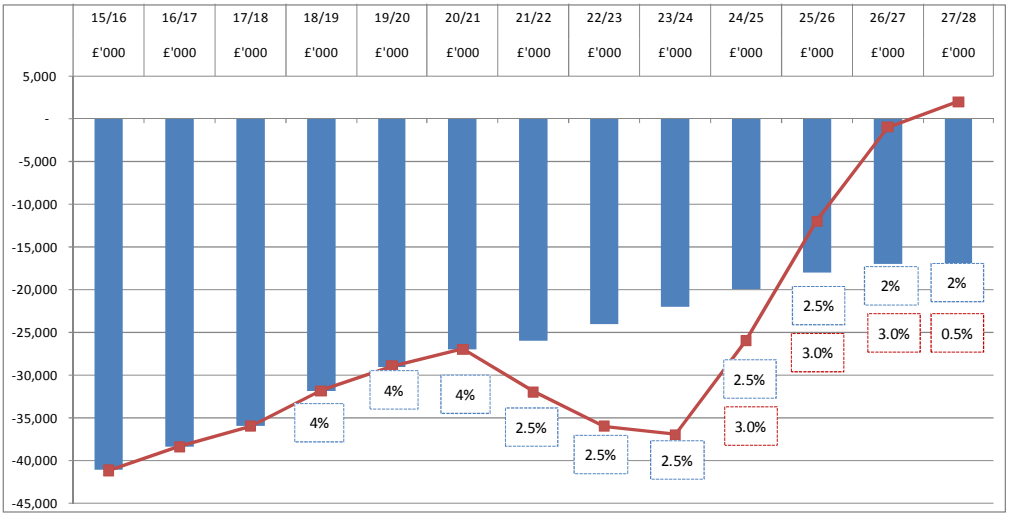
CQUIN	Total
Hospital medicines optimisation	109
National standardised dose banding	109
Improved GP access to consultants to provide advice and guidance	51
Total (NHSE CQUINs)	**270**

Total (all CQUINs)	**7,033**

(g) Please set out the longer term financial outlook for your organisation and summarise the key elements of your longer term financial sustainability plan

Where are we now?	Where do we want to be?	How do we get there?
• Underlying Forecast deficit of £36.3m as at the end of 2017/18 (exclude STF of £1.36m) • Increasing deficits & workforce under pressure	• Achieving a surplus that will enable the Trust to finance all but major capital investments • Strengthen the golden thread between demand and capacity, activity, workforce and finance • Operating within the NHS payment structure, all our services generate a positive contribution • Governance to respond to changing economic climate • Agency staffing no less than 5% of pay • Improve Trust's performance when compared to the 'Best Practice Methodology'	• Incremental steps • Efficiency improvements of 4% or more until 2020/21 • Rationalise & Modernise the Trust's estate to deliver acute services efficiencies in a safe environment • Cultural change to decision making • Team balance of ops/clinical/finance • Simple forward looking information • More radical service change within our control • Transformation of the service model to bridge the gap and achieve recurrent surplus • Robust Costing tool
• Cash support to enable us to pay our staff and bills provided only on condition that we meet loan conditions.	• Sufficient cash to manage working capital risk	• DH cash support • Rigorous management of the cash flow
• The level of debt within our balance sheet is not serviceable • Current capital investment regime is that WHHT is using a major proportion of its internally generated cash to repay existing capital loans and then taking out further distressed capital loans in order to maintain a safe site	• A balance sheet free of debt	• Suspend compounded debt growth and restore reputation • Discussion with DH to write off of debt through radical change following period where reputation restored, or else agreement to address a schedule of loan repayment to the DH
•In addition to internal capital c£80m investment in the next two years is required to provide a window for longer-term infrastructure change.	• Approved source of NHS funding that is affordable	• Use internal capital for critical infrastructure • Complete business case process and funding application for change capital • Careful timing of new borrowing to afford principle repayment
• Our infrastructure is not fit for purpose and requires replacing • High level of backlog maintenance	• Affordable funding agreed • Reorganisation of services on the sites in line with the STP programme / YCYF vision • Create sufficient space to meet activity levels and be able to temporarily close wards while essential backlog maintenance is undertaken	• Demonstrate that radical change supports clinical and financial sustainability • Working with local agencies to develop imaginative solutions • Complete business case for acute transformation required in order to provide acute hospital services to the West Herts population under the future model of care, addressing the issues with the current estate
• Access to DH capital financing is more restricted, hence PDC unlikely to be made available	• To access the commercial approach which provides best value for money	• Use land sales • Engagement with NSHI and DH to understand the likely availability of PDC as well as the budgetary treatment and appetite around PPP/PF2 arrangements and SEPs • Soft market testing with potential funders and developers to test risk appetite

The chart below shows the current long term financial position of the Trust compared to the position after redevelopment. The blue bars show the projected deficits excluding STF income without the acute redevelopment, the red line indicates the expected trajectory for deficits with the new acute redevelopment factored in.



(h) How has the Trust reviewed its effectiveness and value for money in delivering service outcomes?

The Trust benchmarks itself against peers and the wider NHS to support the targeting of improvements.

- **The Model Hospital** (https://model.nhs.uk/) , a "…digital information service provided by NHS Improvement to support the NHS to identify and realise productivity opportunities." This online tool is being used extensively to identify improvement opportunities across the Trust.

  The model highlights areas of potential productivity savings for acute Trusts using the model hospital data. Productivity gains of £23.3m (7.6%) of turnover were identified for WHHT. These findings are not inconsistent with the trust's current underlying deficit of c£37m.

- **GK Transformation** were engaged to provide a detailed department level analysis of non-clinical and clinical costs throughout the year. The analysis was designed to provide tactical savings opportunities while longer term transformations to service design take place. The Model Hospital and GKT results in particular work well together; MH establishes key productivity and performance metrics to guide the Trust towards opportunities while GKT has already identified options at a detailed level, many of which will address the MH points. The Trust is at the early stages of this combined work and will continue with it for the foreseeable future.

- The Trust participates in the **NHS Benchmarking Network**, contributing to data collection exercises and benefitting from access to the output.

- The trust is also making use of additional recommendations of the Carter Review "Unwarranted variation: A review of operational productivity and performance in English NHS acute hospitals", and has active workstreams around (for example):
- Hospital Pharmacy Transformation Plan
- Provision of pathology services across the region
- Utilising existing Herts Procurement Service to share best practice with partner Trusts

- Working with the Trust's outsourced IT provider to look at how best to make use of digital opportunities

The above work is in addition to statutory reviews conducted by external auditors and other agencies.

Trust also continues to develop its Patient Level Costing (PLICS) system to better understand the individual treatment pathways that are unusually expensive. The main outlier for the Trust is the amount it costs to care for elderly patients in comparison to other trusts. The Care of the Elderly specialty is by far the most loss making service that the Trust provides.

(i) How is your organisation working in partnership to deliver improved system-wide sustainability?

The Trust is actively engaged within the Hertfordshire and West Essex Strategic Transformation Partnership (STP) programme. The *Your Care, Your Future* programme, developed with local communities, drives the Trust forward and now forms part of the STP.

It is working in close partnership with the CCG and drawing on work being undertaken by the Royal Free Hospital Group to identify and develop the services required for the local population, within the STP's service, operating and budgetary frameworks. It provides the methodology for managing demand growth both through the planned development of services on the acute sites and the implementation of new care pathways that support the delivery of more preventative primary and community based care. To support this vision the Trust will release Hemel Hempstead Hospital for use as a locality hub. The resultant model is both affordable and sustainable, is matched to the long term needs of the local system and wider STP, and is endorsed by the Trust, CCG and STP Boards.

Primary and Community Care: The Trust is working with Herts Valleys Clinical Commissioning Group (HVCCG) to review options to share risk through new contractual mechanisms. Diabetes, gynaecology, dermatology and musculoskeletal (MSK) pathways have been identified as key priorities.

However the CCG has recently awarded the contract for musculoskeletal services to an independent sector consortium. The Trust and other NHS partners were particularly disappointed as the joint bid was formulated to meet the CCG's targeted cost reduction.

Acute Transformation: The STP also recognises the need for significant transformation of acute care – to support primary and community redesign (e.g. by leveraging secondary care specialist expertise into redesigned pathways), to reduce unwarranted variation within hospital-based care and to substantially reduce 'back room' costs in line with Carter recommendations.

The Trust is working with East & North Herts Trust and Princess Alexandra Hospital on a joint programme to reduce unwarranted variation and has agreed a number of priority pathways for review in 2017/18 (chest pain, community-acquired pneumonia, frailty and End of Life Care). The three Trusts are also working together to identify opportunities to reduce admission rates through the consistent implementation of best practice ambulatory care models and senior specialist clinical review as early as possible in the emergency care pathway.

Royal Free Hospitals Group: The Trust is pursuing a dialogue with the Royal Free Hospitals Foundation Trust on the potential to participate in its RFH Group Model. A core part of the model is the development of a comprehensive, clinically-led programme to redesign care to optimise value for patients and reduce unwarranted clinical variation. In addition, this is likely to be a significant route to the delivery of Carter efficiencies.

Pathology: The Trust is making progress with a review and procurement process to meet the requirement to ensure pathology services are delivered at sufficient scale to maximise value and efficiency. The Trust submitted its Strategic Outline Case to NHSI in November 2017.

Strategic Estate redevelopment: The STP recognises that the current WHHT estate infrastructure is not fit for purpose and requires substantial investment and redevelopment in both the time period of the STP and the longer term. The Trust has set plans for c£80m investment priorities for the next 2 years whilst longer term plans are being formulated. The Trust

has finalised the Strategic Outline Case (SOC) which sets out the case for change and preferred option for long term investment in its estate. This was developed jointly with Herts Valleys CCG and flows directly from the system-wide healthcare strategy *YCYF* is fully aligned with the STP, was approved by the Trust Board in February 2017, and is now waiting for approval by NHSI.

Don Richards
Chief Financial Officer
West Hertfordshire Hospitals NHS Trust
November 2017