Sheffield City Council

Sheffield Health and Social Care NHS

NHS Foundation Trust

Our Plan

for the period 2015-16

Approved May 2015

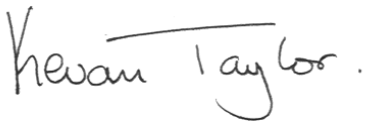
This plan is our operational plan for the year. It is a short document that focuses on the main activities we will be progressing.

It should be read in conjunction with our more detailed plan documents, namely

- Our Five Year Strategic Plan for the period 2014-15 to 2019-20, and
- Our Forward plan for the two year period ending 2015-16.

Contents

The Trust's Plan was approved by the Board of Directors in May 2015.



Professor Alan Walker
Chairman

Kevan Taylor
Chief Executive

1. Strategic context – review of the last year

Our strategy

Our vision is for Sheffield Health and Social Care NHSFT to be recognised nationally as a leading provider of high quality health and social care services and recognised as world class in terms of co-production, safety, improved outcomes, experience and social inclusion. We will be the first choice for service users, their families and commissioners.

Our plans to deliver on our vision, supported by clear strategic aims and service plans are summarised in our Five Year Strategic plan for 2014-2019. The focus of our plans, to ensure we deliver sustainable services are summarised as:

- A quality improvement programme to ensure we continue to improve the quality and efficiency of our services in terms of safety, outcomes and experience
- A service transformation programme that will focus on early intervention, delivering services in liaison and partnership with primary care and see investment in new community services to reduce the need for hospital based care, particularly out of town care for people with learning disabilities or serious mental health needs.
- Enhancing our primary care services, exploring and developing new partnerships with other practices to deliver effective primary care and support that will result in reduced health inequalities over the longer term.
- Developing new models and partnerships to ensure the delivery of high quality and cost effective social care support for the people of Sheffield.

Review of 2014-15

We have made good progress in delivering key elements of our plan over the last year.

- Through a programme of service improvement and investment in intensive community services our acute care and rehabilitation strategies for inpatient care have progressed well. Within our acute inpatient care service length of stay has reduced, the use of out of town care has significantly reduced and bed use (as in occupied bed days) has reduced by 10% over the last year. We have been able to reduce the size of our wards as an important step to improving quality and safety. As we go into 2015-16 our plan to reduce the number of wards we need is on track.
- Through the establishment a new Community Enhancing Recovery Team and a partnership with a local housing association to provide tenancy support, we have made good progress over the last year in delivering our rehabilitation strategy. By providing intensive community packages of support we have been able to return to Sheffield the planned number of people from long term out of town inpatient care that was delivering poor outcomes at high cost. Through delivering improvements in care we have also reduced costs to the Trust and our Commissioners. We are

confident in the new service model we are developing and our plans will continue into next year and beyond.

- We have successfully piloted an enhanced primary care service provided through our GP services in partnership with a third sector organisation. The aim has been to provide targeted and more holistic support through a preventative model for groups of patients who have an emerging risk of needing hospital care. The development over the year has been successful. Patient experience and feedback has been very positive and the need for hospital care has reduced over the year, with A&E attendances and admissions down by 25%, resulting in savings of up to 40%. We are in a good position to scale up our service model to deliver more benefits for the people of Sheffield and local commissioners. Because of our position in providing the GP services through the Clover practice, we were asked to provide additional GP services in Barnsley when an existing GP practice was no longer able to continue. We were able to respond positively and quickly to this request, ensuring people in Barnsley continued to receive access to GP care.
- We have extended the range of substance misuse services we provide for the people of Sheffield. We were awarded new contracts to provide opiate and non opiate services in Sheffield. The award of these contracts means we are now expanding the drug and harm reduction services that we previously provided and with the alcohol services that we also provide we are now able to offer truly integrated support for individuals seeking to address their drug or alcohol use as part of their journey towards sustained recovery. This has resulted in an increase in the Trust's income by £1.6 million.
- We have extended a range of crisis and out of hours provision to improve access to care and treatment for people in crisis. This has been achieved through increased investment, supported by our commissioners. The developments have focussed on increased provision within liaison mental health services, accident and emergency, street triage and increasing provision out of hours and at weekends. These developments have evaluated positively and we plan to continue them into the next year.

While we have experienced growth and expansion as summarised above we have also seen a reduction and loss of business over the last year. In line with existing commissioning plans a range of social care services have been tendered during the last year. Our proposals to continue to provide social care support for people with learning disabilities, and community equipment services, were unsuccessful. While we recognised that our social care service provision existed within a highly competitive market we are clearly disappointed that our proposals were not successful. Financially the loss of income, in the order of £5 million, is partially mitigated through the transfer of our staff to the new providers. However we will have a number of fixed overhead costs that we will need to reduce in response to the loss of business.

Financially, we maintained a continuity of service risk rating of 4 and we achieved our cost improvement plan, albeit with some reliance on non-recurrent schemes. We achieved our surplus target to add to our health cash position to support investment in our strategy. This positive position is important to us as the stability this affords allows us to maintain a balanced approach to investing in our strategy while being able to accommodate and manage variances to future plans.

In October and November of 2014 we had a planned inspection of our services by the Care Quality Commission. At the time of finalising this plan the findings from the Inspection have not been concluded or published. The findings of the Inspection identify areas of concern about some services we provide, along with many examples of good practice. The findings will help us focus on the issues that we need to improve and we are clear about the areas we need to address within our development plans. We have established a clear development plan, supported and agreed with our main commissioners and have made appropriate provisions within our financial plan. We are confident that we will be able to deliver the required improvements over the next year without an adverse impact on our medium term plans or risks to delivering sustainable and excellent services that deliver really positive experiences for the people who need them.

The local context

Compared to other parts of the country our external environment remains relatively stable. The local NHS FT providers are in a relatively stable position and the commissioning strategies continue to evolve in line with the city wide plans. This is important as it allows us to focus positively on the significant challenges and change agenda that needs to be delivered within Sheffield to ensure we are able to deliver sustainable services. The focus is on building resilience and capacity for self help across local communities, supported by effective and accessible community care with an extended GP and Primary Care model.

The strong partnership approach in place within Sheffield has been strengthened over the last year through the establishment in 2014 of the Sheffield GP Provider Board. This brings together all 87 GP practices in the city enabling them to have a strong voice for primary care, and that works with commissioners, third sector, and the chief executives of the three FTs in Sheffield. This is reflected in the ambitious proposals from Sheffield under the Prime Minister's Challenge Fund agendas to deliver significant improvements to the local health care system, and supporting strategies envisage the development and continuation of a multiple care provider model. These changes will bring opportunities for significant change and will impact on the way the Trust delivers some of its services in the future as we develop new approaches to delivering services in primary care.

With the development of joint commissioning under the Better Care Fund the commissioning arrangements for the Trust will evolve and change. Our current Section 75 Agreement with the Council will be replaced by new agreements. While there are clear benefits in having a single arrangement for the commissioning of the services we provide for the people of Sheffield the future arrangements are yet to be defined. This is resulting in an increasing uncertainty in respect of governance and accountability that we need to ensure is addressed effectively.

Conclusion

Overall the underpinning assumptions behind our strategy continue, and we have made good progress in delivery over the last year. Informed by the overall stable partnership approach across Sheffield, our strong financial performance in challenging times, good progress on service transformation and delivering new, innovative service models, the Board has determined that the Trust should continue with its existing strategy.

2. Plans for the year – continuing to deliver our strategy

Responding to the Five Year Forward View

Sheffield has a strong record of partnership working across health and social care providers. For the past three years the Right First Time Partnership has brought together the three foundation trusts, Sheffield City Council and NHS Sheffield CCG in a programme of work to reduce admissions to hospital and improve patient flow. With a single large teaching hospital and co-terminus local authority and CCG, Sheffield remains in a good position to build on the established partnership to better develop primary and community services throughout Sheffield.

In 2014, a Sheffield Joint Commissioning and Provider Executive was established to provide a vehicle through which the major health and social care providers in the city can collaborate jointly on an agreed programme of work. The capacity of this group to make real progress has been supported through the formation within Sheffield of a GP Provider Board, providing a clear structure to ensure the needs and views of general practice are integral to shaping how we move forward collectively as a city. Along with the involvement of Sheffield Cubed, the umbrella organisation for the third sector with the city, the Partnership arrangements are well placed to deliver the necessary changes.

In responding to the Five Year Forward View the direction of travel in Sheffield is to build on the strengths of the existing partnership approaches and to ensure the whole system collectively delivers on a joint plan for Sheffield. The Trust believes this collaborative approach provides the best way forward in delivering our strategy,

ensuring stability within a changing environment and shaping new care pathways and delivery models for the people of Sheffield.

The plans in Sheffield aim to develop a model of care that will further integrate health and social care services in the community, pooling the available budgets. Care will be centred on the person in need, providing earlier intervention and prevention and reducing the need for hospital and long term care, as well as eliminating waste. The change will shift the balance of services from crisis intervention towards earlier prevention and proactive care planning.

A predominantly Multidisciplinary Team approach, the wrap-around of health and social care teams around the GP practice and the partnerships of existing specialist secondary care and mental health providers will be important to deliver the new service. These attributes are more predominant in the Multi-specialist Community Provider (MCP) model set out in the Five Year Forward View, which is the model Sheffield is initially interested in developing to allow us to increase our integration work and test out further opportunities and models in due course.

Partnership working is crucial to achieving the city's ambitions and to meeting the challenges of the years ahead. We need to ensure we are able to sustain services whilst we work within the financial and resource constraints across organisations, ensuring we are able to deliver effective person centred services and simpler patient focussed care pathways that reduce duplication and inappropriate use of resources through integration in the next five years.

Within the context of the above direction within Sheffield The Five Year Forward View outlines a clear agenda to improve access to effective, evidence based mental health care. Key and important areas are identified for early progress, supported by a broader agenda to improve wellbeing. This is a welcome focus and the Trust is confident about its ability to ensure the expectations are delivered locally over time. The new deal for primary care agenda is timely and welcomed. The innovations we have been delivering through our primary care services are demonstrating success. We will continue to extend our service model in line with city wide plans developed under the Prime Ministers Challenge proposals for an expanded GP service offer for the people of Sheffield.

Our plans for this year

In our Five Year Strategy we outlined a clear set of Trust wide corporate objectives that would ensure we deliver on our Strategic Aims. These objectives focus on identified improvement areas covering quality, service plan and strategies, workforce and governance. We continue to progress our plans across these important areas. This section summarises our main service plans over the year.

Our priorities for quality improvement this year are detailed in Section 3 below. These define the areas we will focus on as part of our on-going improvement programme. This programme of work is supported by a number of key and related programmes

- Building on the success of the Trust's shared model of leadership, designing roles and appropriate development interventions as necessary to engage clinicians in leadership
- Building a community of leaders to lead effective change across pathways and systems through a range of collaborative approaches
- Ensuring leaders are fully equipped with skills in continuous quality improvement
- Building and improving our capacity to monitor and understand the experience of service users, and ensuring this feedback directs our on-going interventions.

Our service plans

The context, rationale and direction of travel for our services is outlined in our Five Year Strategy and isn't repeated here. The main features of our delivery plans over the next year is summarised as follows:

Primary care services	• Continue to extend the enhanced primary care model to the broader practice based population reducing the need for hospital care.
Learning disability services	• Continued implementation of re-designed Community Learning Disability & ISS teams to deliver a single effective and high quality service that delivers access standards and responsive support. • Develop and test new pathways and models of support to reduce the need for out of town care for people with complex needs.
Community mental health services	• Increase capacity to support the Early Intervention for Psychosis pathway ensuring delivery of access standards and evidence based interventions. • In conjunction with Education and Third Sector partners introduce a Recovery College service • Extend provision of primary care mental health services in conjunction with General Practice • Agree with commissioners new service models and pathways to support people with personality disorders supported with business and investment plan.

Inpatient services	• Reduce ward capacity by 2 ward following consolidation of existing bed base and development of community services • Continued expansion of Community Enhanced Recovery Team to support programme of returning out of town long stay patients to community care in Sheffield. • Improve access to community/ residential care for long term inpatients within Sheffield supported by re-designed locked rehabilitation services in Sheffield. • Mobilise new PICU Service within Sheffield, increasing local capacity to reduce out of town use and significantly improving the service user experience.
Specialist Services	• Continue to deliver extended out of hours provision and liaison services following successful pilots at the end of last year. Monitor access rates to services. • Ensure continued delivery of new and extended substance misuse services through delivery of full capacity and service standards. • Developing with partners new care pathway solutions for people with dementia. • Evaluate and extend new memory management service model to deliver more follow up care within community and primary care based services.
Ensuring delivery of needs led service models	• Develop and agree proposals to support the implementation of our service strategy to deliver needs led services.

Our efficiency programme

The Trust's plans have been developed and produced by our clinical and managerial leadership teams. All plans relating to clinical services have been developed and approved by the appropriate clinical and service directors. The Trust's Medical and Nursing Directors have reviewed and approved the Quality Impact Assessments undertaken on the proposed plans and these have been reviewed with our main Commissioner, and approved by the Board of Directors. The focus of our efficiency programme for next year is summarised below.

Efficiency programme (includes bring forward of last years unmet plan)		
Programme	Description	2015-16
Inpatient services	**Pathway re-design and transformation** Improved care pathways, increased community care provision reducing dependency on inpatient care especially out of town. Cost savings from reduced out of town care costs.	£683,168
	Operational efficiencies and productivity Efficiencies through improved productivity resulting in reduced bed day activity. Cost savings from reduced bed numbers.	£800,000
Community mental health services	**Pathway re-design and transformation** Improved care pathways, increased community care provision reducing dependency on inpatient care especially out of town. Cost savings from reduced bed numbers.	£565,329
	Operational efficiencies and productivity Efficiencies through improved productivity and skill mix reviews. Cost savings from reduced workforce costs, back office and bureaucracy.	£523,014
Specialist services	**Pathway re-design** Improved care pathways, service re-design across older peoples services, memory services and long term neurological condition services.	£295,424
	Operational efficiencies and productivity Efficiencies through improved productivity and skill mix reviews. Cost savings from reduced workforce costs, back office and bureaucracy.	£300,423
Learning Disability services	**Operational efficiencies and productivity** Efficiencies through improved productivity and skill mix reviews. Savings from reduced workforce costs.	£381,447
Primary care services	**Operational efficiencies and productivity** Efficiencies through improved productivity and skill mix reviews.	£28,600
Corporate Services	**Operational efficiencies and productivity** Efficiencies through improved productivity and skill mix reviews. Savings from reduced workforce costs, back office and bureaucracy.	£936,833
Plan total		**£4,514,238**

Capital programme

The capital planning strategy is to maintain our asset bases with some additional investment in IT and related infrastructure to support the change programmes outlined above. It also incorporates the outline plans for our inpatient reconfiguration programme in response to the success of our acute care and rehabilitation strategies. The detail and allocations to support this is outlined in Section 4 below.

3. Ensuring quality services and operational capacity over the year

Our quality goals

Overall we perform well in delivering the national standards asked of us across our services for primary care, learning disabilities, substance misuse and mental health. We remain confident that we will continue to meet these standards. Our past performance and the development plans we have in place provide assurance that we will successfully deliver the new access standards for mental health services.

We have clear plans in place to ensure we address the areas we need to improve from the findings of the CQC Inspection of our services. The findings identify areas of concern about some services we provide, along with many examples of good practice. We are committed to ensuring the necessary improvements are made, and that these are sustained. We are confident that our development plan will deliver improvements. Key actions will focus on improvements in safety, effectiveness and staff training.

When we look at how we are doing against most of the ways we evaluate our services, we are providing a good standard of care, support and treatment in many areas. However we also know we can do better, and need to do better. Our ambition is to provide excellent services that deliver a really positive experience for the people who need them. We have much to do to ensure the quality of what we provide is of a consistently high standard for every person in respect of safety, effectiveness and experience. Our plans for quality improvement will ensure we make continued improvements.

We will continue with our existing quality improvement programmes that focus on the following key areas:

- Recovery care planning
- Service user engagement
- Improving physical health care
- Restrictive practices
- Fall prevention and reduction
- Support for carers
- Improving access to evidence based treatments

Our quality objectives for the next year

We have reviewed progress over the last year and engaged with our Governors and members regarding priorities for quality improvement. As we look to this year we plan to focus our priorities for improvement in the following areas.

Our current 2 year improvement priorities	During 2015/16 we will focus on
1. Responsiveness: We will improve access to our services so that people have their needs assessed quickly	We will ensure all our services have agreed waiting time targets and we will report on our achievements during the year
2. Safety: We will improve the physical health care provided to our service users	We will ensure Service users receiving on-going care and treatment will have an assessment and plan to meet their assessed physical health needs.
3. Experience: We will establish the Service User Experience Monitoring Unit to drive improvements in service user experience across the Trust	From April 2015 onwards, all services will seek service user feedback and show they have responded to the feedback provided.
4. We will ensure care is safe through effective clinical risk assessment and care management.	We will ensure that following the persons assessment a care plan will be in place. We will ask people if they have been involved in the decisions made about their care and treatment.
5. We will improve the support provided to Carers	We will ensure that Carers have access to information about the support available to them, and an assessment of their needs as carers were appropriate.

For each of the above goals we will monitor progress throughout the year against clear measures of success. We will report on progress to the Council of Governors, and publically in our Quality Account.

Key risks over 2015-16

In addition to financial risks summarised in Section 4, the key risks over the next year are

- Delivery of required improvements to ensure compliance with CQC standards. The Trust is confident that the improvement plans in place will be successfully delivered due to existing development programmes, a clear improvement plan, and clear supporting financial investments.
- Delivery of milestones relating to our plans and planned changes in capacity in line with our acute care and rehabilitation strategies. The Trust is confident that this will be effectively managed based on the successes to date and establishment of an effective service model supported by further investment in community services.

Capacity and Operational Requirements

Investment plans

The Trust's investment plans support the delivery of our service plans and the priority areas summarised above. The Trust has allocated an investment of c£3.1 million to support the following developments and initiatives:

- Investment into Early Intervention Services and community care models in respect of primary care, out of hours and liaison.
- Our development plan to address the improvement objectives following the findings of the CQC Inspection.
- Quality improvement and system improvement reviews, largely using a micro-systems approach.
- Information technology solutions, particularly to support mobile working and quality and performance monitoring.
- Increased capacity to support effective change management , manage developing commercial opportunities and risks.

Operational capacity

The following table provides a summary overview of the operational requirements and service capacity in place to ensure the Trust delivers on its service plans and obligations to commissioners.

Service		**Assumptions and shifts**
Mental Health Services (working age)	**Capacity**	
Inpatient Services		
Acute, PICU, Secure, Rehabilitation services	140 beds	Bed capacity reduced from 163 over previous year in line with reduced length of stay. Planned capacity to reduce further over 2015-16 to 98 beds in line with service strategies and delivery of more intensive community care services and improved access to registered care services.
Community Services		
Community mental health services IAPT Community support services	various teams	Increased capacity within early intervention services and intensive community support services (CERT) in line with requirement to effectively deliver access standards and service strategies and acute care/ rehabilitation pathways which will deliver reduced need for inpatient/ out of town care. Improved capacity expected through productivity reviews.

Mental Health Services (older people)		
Inpatient & Bed based services		
Acute, Specialist dementia	38 beds	Bed capacity reduced over previous year through reduced length of stay. Minor further adjustments made during 2015-16 in line with changed clinical activity.
Nursing home services Respite and Community Resource Services	120 beds	No changes expected in respect of changes in demand. Reviews of service models as part of city wide strategy developments may result in further changes.
Community Services		
Community services	various teams	Improved capacity expected through productivity reviews.
Learning Disabilities		
Inpatient Services		
Intensive Support Service	8 beds	No changes expected outside of +/-5% range.
Community Services		
Community services	various teams	Improved capacity expected through productivity reviews.
Residential care services Community support services	various teams	No changes expected in respect of changes in demand. Reviews of service models as part of city wide strategy developments may result in further changes.
Specialist Services		
Specialist mental health Gender, relationship & sexual health Long Tern Neurological Condition services	various teams	No changes expected outside of +/-5% range.
Substance Misuse Services	various teams	Increased capacity during 2014-15 in line with service expansion and growth to be sustained during 2015-16.
Primary Care Services	4 practices	Increased demand in line with trends within primary care. Investment plans in place to support delivery of enhanced primary care model.

4. Financial forecast and plan

4.1 Summary of Financial Performance 2014/15

The Trust achieved a "Continuity of Service Rating" of 4 for each quarter end and the year ended 31st March 2015. This helps provide the Trust board and Monitor with assurance that a Foundation Trust is in good financial health which was in line with the Annual Plan agreed by Monitor for 2014/15.

As we now have the March 2015 out-turn position, figures are complete and aligned to those planned for submission within our final accounts. In summary, the Trust achieved its plan for the year and reported a surplus of £2.596m, which was £0.046m ahead of the planned surplus.

4.1.1 2014/15 CIP & Disinvestments Outturn and performance.

The Trust has delivered and achieved the cost improvement target set for the period 2014/15; however £1.556m was achieved non-recurrently. It is worth noting however, that £1.673m was planned within the APR non-recurrently for 2014/15. The Trust also achieved the disinvestment target for the period; however £0.138 was achieved non-recurrently.

Both of these positions improved slightly over the last few months with plans being developed to address the brought forward gap in 2015/16.

	Recurrently Achieved	Non-Rec Achieved	**Carried Forward**
	£000's	£000's	£000's
CIP	£2,932	£1,556	**£1,556**
Disinvestment	£1,866	£138	**£138**
Total	**£4,798**	**£1,694**	**£1,694**

Of the £1.694 non-recurrent CIP/Disinvestment achievement, the directorates have covered £0.324m with £1.370m been covered centrally by contingency reserves earmarked at the APR stage in the areas of Inpatients and Community.

4.1.2 Cash Flow

The Trust currently has a sound cash position and at 31st March held a balance of £28.933m.

4.1.3 Continuity of Service Risk Rating

The outturn performance against the plan is provided below and the Trust has maintained a risk rating of four throughout the year.

Metric	**2014/15 Plan**	**2014/15 Outturn**
Debt Service Cover	3.92	3.67
Liquidity days	70.88	69.57
Risk Rating	4	4

4.2 The Trust's Financial Strategy - Goals Over the Next Five Years:

The Trust's financial strategy is shaped by the environment within which we are delivering our services and the direction of travel we have outlined for our service developments and quality improvement. The overarching principles and goals that shape the Trust's financial strategy are broadly unchanged from the previous 5 year plan:

- To maintain a Continuity of Service Rating of 4 and to maintain an income surplus margin to contribute towards planned future capital investment (until the Acute Care Reconfiguration plans are finalised). There have been two changes agreed to the primary planned surplus margin.
  - One particular income stream and project is excluded from our surplus plan. This non recurrent project is in relation to the Prime Minsters Challenge fund for which the income assumption is £0.6m and no surplus margin is applied.
  - The other primary change is a reduced surplus plan from 2% to 1%. The primary reason is to create an additional investment pot to invest in year in order to support the Trusts quality improvement plans and reconfiguration plans ensuring the sustainability of our services. Full details are enclosed in section 4.3.1
- To effectively and robustly manage our financial ratios over the medium term as we expect to diminish the liquidity ratio as we start to expend our cash holdings in support of our capital expenditure programme.
- Realistic assumptions underpin our strategy in respect of growth, adopting a measured approach to the future. This measured approach to what underpins the financial plan does not detract from our objective of maximising growth opportunities.
- Service improvements will be delivered through efficiency and change as opposed to additional investment to the Trust. Our CIP programme provides for an additional resource and funds to support internal investment plans and our capacity to develop and expand our business in response to developing commissioning strategies.
- Maintaining a sound awareness of our cost base across our service and business units as to support our understanding of the services and products we deliver and identify future improvement opportunities. The associated development programmes to progress the implementation of service line reporting and payment by results within mental health services will complement this approach.
- To undertake a thorough viability appraisal of all contracts to deliver cost improvements, ensuring the relative contribution of all service lines is transparent and that full cost recovery and surplus is achieved unless directed otherwise from the Board.

4.3 Summary of Financial Plan 2015/2016 Onwards

4.3.1 Level of income and expenditure surplus

The financial plans historically have been driven by the Continuity of Service Rating and Acute Care Reconfiguration.

Continuity of Service Rating

It was previously proposed that future financial plans continue to aim to achieve a CSR rating of 4 throughout the year and each individual quarter. The current and previous versions of the plan all maintain a Continuity of Service Rating of 4

Acute Care Reconfiguration

The basic principle was to plan for a 2% surplus to increase cash holdings for the ACR development. However, the plans have continued to evolve and the capital financial consequences are reducing.

Impact of CQC Outcome

The Trust received the draft report in relation to the CQC inspection on the 30th March. Although full details of the findings were not known, further detail has been undertaken since to review and evaluate the findings and gather a Trust response and action plan.

Whilst work is on-going in order to collate a finalised Trust response to assess the Trust and directorates course of action, it is clear some changes will be required to address a number of findings and issues in relation to quality and risk concerns. This will lead to some potential additional investments requirements. Although the review and action plans are underway the decisions and financial impact are unclear at this present time. There is also the risk that this could impact on the deliver or speed of CIPs and efficiencies being delivered.

As a result, the above has led to a review of the underlying financial strategy.

Reduction to the planned surplus to enable further investments

Reducing the surplus by 1% from a planned strategy aimed at delivering 2% to one which delivers 1% releases uncommitted funds within the financial plan. This has created an additional investment pot of £1.24m. This will be available to be utilised for investments, without needing to revoke previous decision or put other investment on hold which are either, already committed or supported as supporting the strategic objectives of the Trust.

This investment fund will be held for specific purposes and for investing in the future and security of our clinical services.

The investment reserve generated through the change in surplus plan enables flexibility and the opportunity to respond to the following potential financial funding requirements. This includes:-

- Investment to address CQC actions
- Pump priming community investments
- Staff capacity & capability
- Other service developments
- The revenue implication of the Rehab strategy which is part of the evolving ACR plans.

All of which could potentially lead to reduced levels of CIP delivery if they are not appropriately considered, funded and tracked separately to the savings planned to be released.

This provides flexibility and it not considered a concern having reviewed the two major issues.

- The cash levels of the Trust would not be adversely effected to the extent that it's a concern to our working capital or Continuity of Service Rating.
- This would not detract from the affordability of the ACR development based on the current understanding of costs which have reduced from a capital perspective. Furthermore, some significant elements of the reconfiguration of services are becoming more revenue based refurbishment works rather than large scale capital works. e.g. rehab strategy, which are all driving down the capital investment requirements of the ACR development, resulting in a reduced need for further cash growth generated from high surplus plans.

This is initially planned as a non-recurrent reduced surplus for 2015/16 whilst the final updated ACR impact is fully drawn up during 2015/16. This will enable time to refine the costs associated with the final ACR option but it is anticipated once concluded, the planned surplus will reduced recurrently from 2% in the longer term. Although initially non recurrent, this will not negate the Trust from making some recurrent investments.

4.3.2 Inflation Uplift Assumptions

The Trust proceeded down the ETO (Enhanced tariff Option). The impact of moving onto the ETO option (preferred and selected route) was a reduced efficiency requirement from 3.8% to 3.5%. Internally targets were not reduced below the level of existing CIP plans and this funding was kept centrally to fund existing priority investments and other strategic investments.

Tariff composition

The Trust has followed the new guidance under the ETO offer with a primary Net Tariff deflator of 1.6%. Our primary contract with Sheffield CCG was agreed with a net deflator at 1.56%.

Application of Net Tariff Deflator

Where the Net tariff deflator doesn't apply services are expected to achieve cost improvements to the extent that is required through contract negotiations; usually to fund inflation, including traditional overhead cost increases such as estate costs and CNST cost increases.

Where the net tariff does apply (largely Sheffield CCG and related associates in relation to Health block contracts) pay & price inflation was and continues to be 1.9%:

Pay Inflation Requirements

Funding has been modelled and released in line with national agreements

Pay inflation requirements have been confirmed including the impact of unwinding last year non-consolidated payments. Pay inflation within our financial plan has been modelled and funded in line with increases in costs, in line with the national agreements regarding pay awards and increments.

The Trust also implemented the living wage wef January 2015 and this has been funded as a pre-commitment, to avoid a further underlying Trust wide pressure.

Non Pay Inflation Requirements

The non-pay inflation requirements have been funded based on a case of need where evidence has been provided. These predominantly relate to Cost of capital £0.293m in addition to drug costs £0.036m lab costs £0.025m CNST £0.125m, facilities £0.037m and other small inflation needs amounting to £0.020m

The details of the impact of the CNST premium nationally have been confirmed and the pressure is significantly higher than previous years. The cost to the organisation requiring funding in 2015/16 is £0.125m.

4.3.3 Cost Pressures

Cost pressures have been funded in a number of areas amounting to £0.068m recurrently and £0.210m non recurrently.

This funding will address a number of non-recurrent issues that have been present throughout the 2014/15 year and enable directorates to report a more normalised financial position. The cost pressures recommended for approval in Community of £0.185m remove an underlying budgetary pressure that existed throughout 2014/15 and help address some of the temporary consultant locum pressures.

4.3.4 CIPs & Disinvestments

The general approach to CIPs is consistent with previous years. A differential rate continues to be allocated to overhead areas in relation to the Learning disability and Community Equipment (SCELS) disinvestment and that unidentified 2014/15 CIPs are carried forward within the Directorates within which they relate.

Furthermore, Directorates are required to identify plans to deliver any carry forward CIP recurrently from 1/4/15. This continues the approach taken in 2014/15 and in the main plans have been identified.

The review of CIP plans identified by directorates and the associated gap, very much determines the level of risk and funds available for investment, particularly on a non-recurrent basis and thus has been incorporated into our plan

The CIP requirement for 2015/16 stands at £4.514m including those brought forward from 2014/15 and is highlighted above in section 2 by Directorate. Plans have been identified and the CIP gap at the planning stage stands at £0.209m.

The disinvestment plan for 2015/16 stands at £5.806m including those brought forward from 2014/15. This is predominantly linked to loss of contract in Learning Disabilities and SCELS services. The disinvestment gap at the planning stage stands at £0.377m.

The current CIP and disinvestment gap combined is c£0.586m. These plans continue to be developed and will be reviewed again in the coming months but this forms the basis of our financial plan submission to Monitor and the current state of the plans.

4.3.5 Investments in quality and transformation

To support the delivery of the Trust's aims and objectives a range of development and investment priorities have been identified. Investments were only considered that achieve and show how the benefits of the investment are to be measured.

The Trust had already pre-committed £0.4m in 2014/15 in relation to EIS. This had been planned to be increased by a further £0.156m to £0.556m in 2015/16.

The financial plan allocates an investment to support improvement priorities across the following other areas:

- Change management and project delivery.
- Quality improvement capacity and system improvement reviews, governance, business information.
- Information technology solutions, particularly continued mobile working, in addition to new investments in a business Intelligence system to support reporting, e rostering and e expenses.
- Staffing capacity & capability.

The total investment stands at £1.288m with £0.412m being recurrent and £0.876m non recurrent.

The above recurrent investments were agreed as these were predominantly costs already committed to and supporting the primary objectives of the Trust. Funding will be released once business cases with relevant KPI's are approved.

The adjustment to the financial strategy to plan for a 1% surplus has released and created a further £1.24m investment pot. This will enable the impact of the CQC findings to be reviewed and investments made where required in line with the investment areas identified in 4.3.1. This is part of the investments planned for 2015/16 totalling £3.1m

4.3.6 Capital Expenditure

The Trust is presently not seeking to obtain loans to fund capital projects during 2015/16 and will utilise in year depreciation and Capital slippage from previous years to fund the requirement for 2015/16.

Revised CAPEX 5 year plan

Due to slippage in the PICU capital project in 2014/15 the revised Capital plan is now as follows:

Capital Expenditure	2014/15 Actual £000s	**2015/16 Plan** **£000s**	2016/17 Plan £000s	2017/18 Plan £000s	2018/19 Plan £000s	2019/20 Plan £000s	Total Plan £000s
New Build	2,335	**6,510**	7,013	4,203	4,203	4,203	26,132
Equipment	45	**150**	135	164	200	216	865

Information Technology	311	**396**	432	524	637	692	2,681
Other	25	**107**	83	101	123	133	547
Total	2,716	**7,163**	7,663	4,992	5,163	5,244	30,225

New Build capital expenditure entirely relates to ACR developments over the next 5 years. This commences with the second half of the PICU build in the period April to September 2015, followed by the Phase 2 adult ward developments from September 2015 onwards and anticipated Phase 3 ACR developments from September 2016 onwards.

IT Capital expenditure will include projects as directed and prioritised by the ICT programme Board to ensure the asset base is maintained and developed. An additional 5% has been added each year to anticipate the increased demands on IT capability by the service. In particular development of the in-house software "Insight" is included, along with the running programme of IT server replacement over a 5-year cycle.

Transport capital spend relates to the on-going programme of vehicle replacement to maintain the fleet across the Trust.

Equipment capital spend is anticipated currently to maintain current asset base. A concurrent exercise to evaluate equipment needs in the Trust is on-going. Very little capital expenditure is incurred of this type, but continued needs are being reviewed to ensure capital fund levels plan continue to represent need.

The impact of the loss of the SCELS service has not caused any major impact on our capital or PPE base as the facilities and vehicle base are predominantly lease based.

4.3.8 Key Forecast Summary Financials

	2014/15 Plan	**2015/16 Plan**
Turnover £m	127.5	124.01
I and E surplus £m	2.55	1.23
I&E Surplus Margin %	2.0%	0.99%
Continuity of Service Risk Rating Level	4	4

Continuity of Service Metric	**2014/15 Plan**	**2015/16 Plan**
Debt Service Cover	3.92	3.0
Liquidity Ratio	70.88	62.5
Risk Rating	4	4

The Financial Risk Ratings are on a scale of 1-4, 4 represents the highest rating and signifies sufficient financial headroom and liquidity.

4.3.9 Liquidity

The Trust currently has a sound cash position with a balance of £28.9m at 31st March 2015 and a forecast of £25.611m at 31st March 2016. The Trust is not expecting problems with its cash flow and cash holdings will be maintained and maximised going forward.

The Trust has no debt to service other than Public Dividend Capital as a result of no external borrowings or PFIs schemes in place or anticipated within the next 5 years.

The Continuity of Service Risk Ratings are on a scale of 1-4, 4 represents the highest rating and signifies sufficient financial headroom and liquidity. The Trust anticipates maintaining this on an annual basis.

4.3.10 Financial Risks

There is no unplanned pressure expected on cash flow or the ability to meet the liabilities of the Trust as they crystallise throughout the year. The move to a reduced surplus, will not impact on the continuity of service ratings or the affordability of the future Acute Care Reconfiguration. The primary risk and financial challenge remains around CIP and Disinvestment delivery and the recurrent nature of any plans.

Identified below are risks which have already been identified and will require managing:

Financial Risk

- CIPs/Disinvestments - The level of CIP's and Disinvestments required is the major challenge especially as the majority of income is from block contracts and 80% of operating expenditure relates to staffing.
- Learning Disabilities - In relation to Learning Disabilities, Disinvestment plans continue to disinvest the Registered Care Services and potentially the Supported Living service, with the outline planning assumption being phased effective from 1st April 2015 pending formal confirmation for registered care services. A £0.712m disinvestment has been modelled in 2015/16 in relation to supported living prior to any form of tender process which may or may not occur in the future.
- SCELS. The Trust has now been notified that it has been unsuccessful in the recent tender exercise. The impact of which is a loss of c£1.951m from 1st July 2015. (£2.601m FYE). This has been built into our financial plan
- There continues to be a disinvestment within SIFT of another £0.075m in 2015/16 and going forward the impact of a reduction in student numbers will have a financial impact for the Trust.
- There are a number of other potential risks. These include loss of income in relation to Residential Financial Services, Intermediate Care Contract and SCAIS. Other risks of an expense nature exist in relation to an ISSU VAT penalty under appeal.
- Risks around tariff and the wider impact of Mental Health Clustering will continue throughout 2015/16. The non-recurrent investment above will help support and minimise this risk which is capped at £0.25m for 2015/16 due to a risk share agreement with our primary commissioner.
- On-going CQUIN Achievement remains a key risk and an area of uncertainty from quarter to quarter.

Risk Issues – Other

- The Trust's work on a number of operational efficiency "metrics", including our Reference Costs and benchmarking continues with other organisations. Benchmarking will continue to be enhanced in 2015/16 together with the continued implementation of service line reporting of income and expenditure, to further focus on the areas of overspending or inefficiency.
- Capital plans are not over-committed; however, we will start to commit balances carried forward from previous years.
- The Trust will continue to exploit the marketing potential of some of its specialist services but will also look at competition which has a potential to deplete our services and as a consequence our overheads. Presently, there is only limited competition which could materially affect our income.
- Robust contracting arrangements are in place with Commissioners and all contracts are filtered through the Director of Commercial Relations and the Trust's Contracting Team. The outlook for future years is challenging but equally has opportunities not least of which is the development of our specialist services and exploring new business opportunities and furthermore, the options for these opportunities will have a robust business case to satisfy the Board of Directors that service quality will be maintained, even if volume of service diminishes. Investments are on the table for consideration, and would support the strategic aims of the Trust.
- The Trust is aware of the challenges in the forthcoming year and is taking necessary actions to ensure sustainable financial balance. In addition the robust process of Directorate Service Reviews, the Accountability Framework enables the Trust to manage risks and to identify and implement mitigating actions.

4.4 Contract Update

At the time of drafting, the contracts with our primary commissioners including the related associate CCG's are agreed and due for signing on Friday 15th May. One particular contract related to NHS England is due for signing by the end of May 2015.

In relation to the Sheffield City Council contracts and the section 75 partnership, we have received and reached agreements which cover the next financial year. This provides some short term security whilst the longer term impact of responding to tenders commissioners put out to market and the wider impact of the better care fund is known. There are no other key contracts that are considered a risk at this time due to the delayed timing of the Monitor planning round for 2015/16 meaning contract agreements are predominantly in place or agreed.