

Board of Directors Meeting: Thursday 26 March 2009

BD2008.25

Subject	2009/10 plans and assessment of risk
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Purpose of paper	To provide an overview of the 2009/10 plans being considered by the Board for approval and of the risks associated with these plans.
Board Lead(s)	Mr Chris Hurst, Director of Finance and Procurement
Background papers (if any)	Business Plan 2009/10 Revenue budget 2009/10 Capital budget 2009/10 Cost Improvement Programme 2009/10

Action/decision required	For approval			
Key purpose	<u>Strategy</u>	<u>Assurance</u>	Policy	<u>Performance</u>
Strategic Goal(s)	All			
Strategic Objective(s)	-			
Links to: Board Assurance Framework/ Trust Key Risks/Annual Health Check element(s)	-			
Also considered by	Executive Board - 18 March 2009			

Resource and financial impact	As described
Consideration of legal/equality/diversity/engagement issues	The Board is required to approve the revenue and capital budgets in advance of each financial year.
Acronyms and abbreviations used	
Author	

2009/10 plans and assessment of risk

1. Purpose

- 1.1 As in past years, the Board must review and agree its business plan priorities and budgets for 2009/10 in advance of the start of the new financial year. These plans including our plans for managing the associated risks may require subsequent review in the year if circumstances change materially. The very dynamic and challenging economic climate makes this potential more likely.
- 1.2 The plans and priorities for next year which are being recommended to the Board for approval in the supporting four papers¹ have never been more challenging. The rapidly deteriorating national economic climate and the pressures on the local NHS budget, coupled with an unchecked increase in expectations and patient acuity, present the Trust with a number of competing challenges. We consider the plans put forward today represent the best overall reconciliation of these pressures. We consider them to be deliverable but with a number of acknowledged risks to be managed.
- 1.3 The purpose of this report is to provide an overview of these plans and a framework for the Board to discuss the relative risks to delivery and to be aware of our proposed approach to managing and monitoring the most significant risks. The Business Plan sets out a more detailed assessment of the risks associated with the achievement of each of the annual objectives.

2. Summary of plans

- 2.1 In summary, the financial plans put forward to the Board for approval are characterised as follows:

Capital budget	<p>Total investment of £31.7m is planned</p> <ul style="list-style-type: none">• A prudent reduction in planned investment from the £40m included in September 2008 LTFM, to protect cash and limit the capital charges pressure on the revenue budget• A prudent financing strategy- capital expenditure is to be funded solely by internally generated cash (no new loans)• <u>Risks include:</u> level of under-investment in basic renewal (creating new backlog maintenance) and a delay in advancing some strategic priorities
Revenue budget	<p>Planned trading surplus of £2.37m which, after allowing for IFRS asset impairments of £35.6m, adjusts to become a planned technical deficit of £33.2m.</p> <ul style="list-style-type: none">• The size of the planned surplus is constrained by the implications for the CIP requirement• This surplus maintains the level of surplus to be delivered in 2008/09 - ie. the Trust maintains its financial position• The adoption of IFRS is mandated and the impact on asset impairments is

¹ Comprising; the business plan, revenue budget, capital budget and cost improvement programme

	<p>to be dealt with by the DH as a technical matter</p> <ul style="list-style-type: none"> • The budgets are completely aligned to the capacity plans which underpin our SLA proposals to PCTs • Our SLA proposals incorporate challenging demand management related activity reductions for Oxfordshire PCT • The Oxfordshire SLA (over 50% of total PCT income) has been agreed and provides some financial protection for the Trust from the yet to be understood impact of the new Tariff • <u>Risks include</u>; delivery of the CIPs (see below), income risk associated with some other SLAs which have yet to be agreed, and the potential failure of demand management (both an income and cost risk)
<p>Cost improvement programme</p>	<p>Total savings - CIP requirement to deliver planned surplus is £40.1m, sum to be targeted is £44.5m (allowing for risk)</p> <ul style="list-style-type: none"> • A very challenging target but, of similar size (in real terms) to the savings made in 2006/07 • The focus of the plan continues to be on increasing clinical productivity, streamlining administration, and improving value for money (eg. procurement) • The workforce implications of the plan are significant and are being carefully monitored with the objective of minimising the impact for extant staff • Plans are further advanced than in any previous year and supported by detailed implementation plans • Support to both planning and implementation is being provided by KPMG • <u>Risks include</u>; slippage (in time and value), reductions in capacity running ahead of any reductions in referrals (creating operational pressures and waiting times problems), and managerial capacity constraints

3. Consideration of the balance and profile of risks

3.1 In striving to deliver these plans, directors and services will be endeavouring to manage many risks. Some of these risks are unchanged from previous years, some are accentuated by the challenges associated with the SLA and CIP requirements, and some are new and contextual (eg. some of the reputational risks).

3.2 In overview, the risks may be considered using the following framework:

	For example:
Strategic	Frustrating longer-term strategic goals (but a delay in achievement may make good business sense) Moving the business in a counter-strategic direction
Reputational	A public or staff loss of confidence in the Trust, its top management and/or services
Financial	The failure to deliver the agreed surplus or to manage within other agreed parameters (eg. the CRL)
Performance	A failure to deliver mandated service performance standards (eg. waiting times)
Safety and quality	A compromise of the basic clinical standards expected of an NHS provider and/or a reduction in the potential for patient safety to be assured

3.3 Using this framework as a basis for validating the reasonableness of next year's plans, the directors will outline for the Board the principal risks and their potential interaction at the meeting.