



NHS Management Executive
St. Andrew's House
Edinburgh EH1 3DG
9 July 1996

Dear Colleague

BUSINESS PLANNING GUIDANCE - NHS TRUSTS

Background

This guidance supersedes Fin (T) (1993) 11. Trusts will be aware that the revised guidance is the result of a review by a reference group of trust chief executives.

Summary

The purpose of this guidance is to outline the results of the review which concluded that the existing business planning guidance does not satisfy current requirements, and that there should be a separation between long-term strategic plans and shorter-term operational business plans.

Action

NHS Trusts are required to submit strategic plans to the Management Executive by 30 September 1996, and by 30 June in subsequent years.

All plans should be sent to Sharon Fairweather, Head of Business Strategy Division, St. Andrew's House.

Yours sincerely

Paul Wilson
Director of Trusts

Addressees

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TRUST BUSINESS PLANS

Introduction

1. The review of the Trust Business Planning Process concluded that:-
 - the business planning guidance issued in FIN (T) (1993) 11 and the process for reviewing business plans did not satisfy current requirements; and
 - there should be a separation between longer-term strategic plans and shorter-term operational business plans.

Strategic Plans

2.1 In order to plan for long-term viability, trusts are required to produce a strategic plan. This should cover a 3-5 year time horizon (or longer, if appropriate) and should take account of factors which might affect the delivery of healthcare over this period. The plan should set strategic objectives for the trust, identify broadly the key actions required to achieve these, and demonstrate the impact on the trust financial plans.

2.2. The format and content of strategic plans is not prescribed. The sharing of good practice is encouraged, however, and Annex 1 offers a framework which identifies the issues which trusts will be expected to consider in the preparation of their strategic plans.

2.3. Strategic plans should be concise and realistic. Trusts will wish to have considered the necessary detailed information to underpin the strategy and demonstrate viability. It will be for trusts to decide the level of documentation of this analysis.

2.4. The process of developing the strategic plan should be a means of stimulating discussion within the trust, between the trust and its purchasers, and between the trust and the Management Executive. Strategic plans will be reviewed by the Management Executive and discussed, and agreed, on an individual basis with each trust. Strategic plans should be shared with purchasers and other providers of healthcare to encourage openness and debate, and should be made available to the public as the document which outlines the long-term aims of the trust.

Operational Business Plans

3.1 Trusts are expected to have operational business plans, which focus largely on the first financial year of the planning process, but are developed in the context of, and are directed by, the strategic plan. Operational business plans should support the achievement of strategic objectives and take forward medium and short-term plans for service change.

3.2. The main purpose of operational business plans is to facilitate planning and communication within a trust and to aid discussion with purchasers. The format, content and timing of these plans is for individual trusts to decide, and agree, in conjunction with other relevant parties.

3.3. Trusts will not be expected to publish operational business plans although underlying assumptions should be shared with purchasers, to inform the contracting round. Operational business plans must be consistent with a trust's contracts with its purchasers. Summary information detailing known changes in service delivery should be published widely.

3.4. Trusts will not be required to submit operational business plans to the Management Executive routinely. However, if circumstances demand, the Management Executive may ask trusts to demonstrate the relationship between strategic plans, operational plans and financial plans.

Financial Plans

4.1. Trusts should continue to submit financial plans to the Management Executive Trust Finance Unit, in line with existing requirements.

4.2. Strategic plans should be consistent with financial plans, and demonstrate ongoing achievement of trust financial targets. Operational business plans are expected to facilitate the year on year achievement of these plans.

4.3. Strategic plans should identify the capital investment required to achieve and sustain strategic objectives. Approval of capital schemes by the Management Executive will be dependant upon approval of the strategic plan.

TRUST STRATEGIC PLAN

A Framework for Thinking

This framework is not a prescriptive format for strategic plans; rather, it identifies the major issues which trusts will be expected to consider in the preparation of their strategies. The areas identified below are not expected to be exhaustive and trusts may include other issues pertinent to their local situations.

1. Introduction

This may include a brief description of the trust, the community it serves and the services it provides. The philosophy of the trust or its mission statement may also be included.

2. Pressures for Change

The trust should have undertaken an analysis of the potential impact on trust services and income in relevant areas. This should be quantified e.g. % increase in day surgery; potential loss or gain of income; potential decrease in expenditure.

Demographic changes

Analysis of the impact of changes on the demand for services, case-mix, prices

- improving health
- birth rates
- % of elderly population

National objectives and priorities

The extent to which national objectives impact upon trust income, delivery of service, and relationships with other healthcare providers

- primary care-led NHS
- care in community
- re-shaping hospital services
- cancer
- cardio/cerebrovascular disease
- mental health

Changes in Clinical Practice

Quantification of the ways in which changes in clinical practice will impact on services provided by the trust

- impact of evidence based medicine
- changing patterns of service delivery eg day case, outpatients, non-invasive techniques
- integrated service provision

Local Health Care Market

The extent to which the trust is at risk in relation to other providers of healthcare and support services, and the need to develop partnerships with other parties

- services provided by other trusts
- benchmarking comparisons of cost and quality
- services provided by GPs
- services offered by other providers
- competition or strategic partnership?
- provision of non-clinical services e.g. payroll, laundry

Purchasing Patterns

Changes in the patterns of purchasing or in the behaviour of purchasers (eg contract length) and the potential impact on trust income

- rationalisation of service delivery (in /out patient)
- purchasing of specialist services (impact on case-mix and pricing structure)
- future CRES expectations
- future development expectations
- purchasing of emergency care
- purchasers "market testing" services
- fluctuations in income
- GP Fundholders
 - total
 - standard
 - primary care purchasing
- locality planning/purchasing

Public Awareness & Perceptions

The extent to which planned changes in health care provision might be affected by public / political constraints and demands

- demands for healthcare
- patient charters
- healthcare vs. social care
- communication with the public

Manpower Planning

Where is the trust at risk from differences in the existing skills of employees, compared to future requirements? What are the costs of retraining, early retirement, redundancy - how can they be minimised?

- shortages of specialist skills
- skill mix review
- generic workers
- development, training, retraining
- "right sizing"

3. Strategic Objectives

Once the relevant issues have been analysed and quantified, the trust should identify what it can do to prevent, alleviate or respond to these factors. This should enable the trust to be clear about the services it aims to provide,

and how they may be delivered. Strategic objectives should be established which identify the key changes which the trust wants to make and also those areas where the need for stability is important.

A trust may want to indicate how the strategic objectives fit with its philosophy or culture.

4. **Management Plans**

In order to deliver the strategic objectives, what are the key steps (at a broad level) which the trust should take:

- within the trust?
- in conjunction with other providers?
- in conjunction with purchasers?
- through liaison with other parties?
- what is the impact on the estate strategy, manpower strategy, information strategy?
- what are the investment consequences?
- what is the timescale?

The trust should consider the feasibility, suitability and acceptability of proposed actions and take this into account in identifying timescales and resource consequences.

It should be possible to relate elements of the management plans to the operational business plans.

5. **Financial Strategy**

The trust should identify realistic expectations of its income and expenditure, based on recent trends and on purchasers intentions for the future.

The plans should demonstrate that the strategic objectives and management plans ensure the trust's ability to match expenditure to fluctuations in income, and enable financial targets to be met.

The annual budgetary implications should be clear and must be deliverable through operational plans.