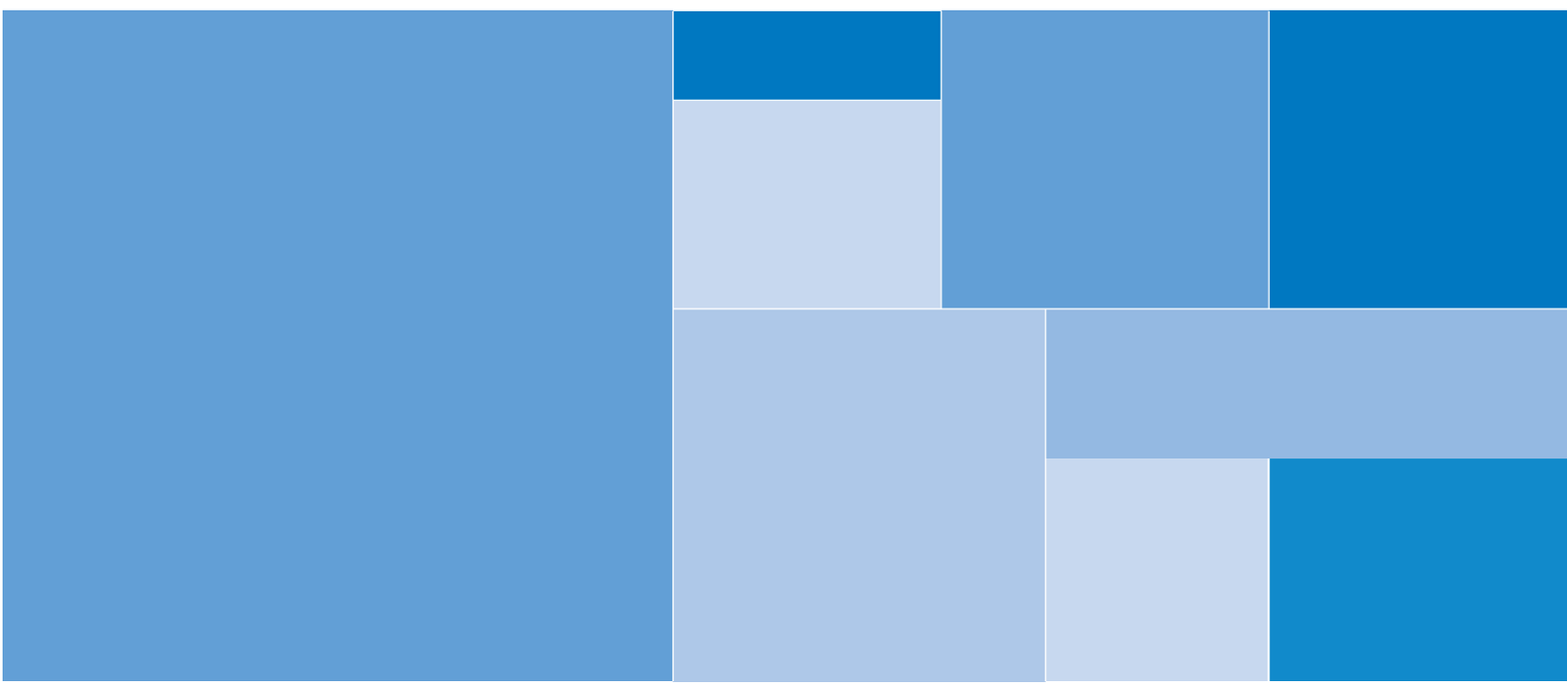
Monitor
Independent Regulator
of NHS Foundation Trusts

NHS

Applying for NHS Foundation Trust Status

Guide for Wave 3 Applicants



November 2005

DH Department of Health

Applying for NHS Foundation Trust Status
Guide for Wave 3 Applicants

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DH INFORMATION READER BOX

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Contents

1	What this document provides	3
2	NHS foundation trusts	6
2.1	The case for change	6
2.2	Key features and benefits of NHS foundation trusts	6
2.3	What is Monitor and the legal context for NHS foundation trusts	8
2.4	Why assessment is important	8
3	Requirements to become an NHS foundation trust	10
3.1	Eligibility	11
3.2	DH development phase	11
3.3	Secretary of State Support	11
3.4	Monitor's assessment phase	12
3.5	The whole health community diagnostic programme	13
4	Indicative timeline for NHS foundation trust application	15
4.1	Phase One – DH development phase	16
4.2	Phase Two – Historical due diligence report from independent accounting firm	24
4.3	Secretary of State Support	25
4.4	How the Department will work with applicant trusts	26
5	Phase Three – Monitor's assessment process	28
5.1	Overview and objectives	28
5.2	Is the applicant legally constituted?	29
5.3	Is the applicant well governed?	31
5.4	Is the applicant financially viable?	37
5.5	Schedule of services	45
5.6	How Monitor will work with applicant trusts	46
5.7	Applicant responsibilities	48
6	Outcomes from the application	50
6.1	Authorisation	50
6.2	Rejection	52
6.3	Deferral	53

7 Tools and Support 55
7.1 Phase One – DH developmental support 55
7.2 Monitor Phase tools and support 60

8 Next steps and logistics 63
8.1 DH development phase 63
8.2 Monitor's assessment phase 63
8.3 Beyond assessment – successful applicants 64

Joint foreword from the Secretary of State and the Chairman of Monitor

The *NHS Plan* (published in July 2000) set out a radical ten year reform programme for the NHS. Good progress has already been made. Waiting times are falling, death rates from major diseases are decreasing, there are more doctors and nurses and facilities are being updated across the NHS. However, more still needs to be done.

A service employing over a million people in hundreds of locations cannot be run from Whitehall. NHS foundation trusts are at the cutting edge of the Government's commitment to devolution and decentralisation in the public services, and are at the heart of a patient-led NHS. In an NHS foundation trust local managers and staff working with local people have the freedom to innovate and develop services tailored to the particular needs of their patients and local communities.

NHS foundation trusts are firmly part of the NHS and subject to NHS standards, providing care paid for by the NHS, to NHS patients according to NHS quality standards and principles – free care based on need, not ability to pay.

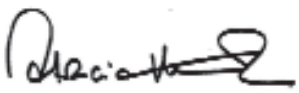
The Government is committed to offering all NHS trusts the opportunity to become NHS foundation trusts by 2008. It is clear that this requires a different approach by NHS trusts in responding to the challenges of greater autonomy in a changing NHS landscape of unprecedented levels of funding with greater choice for NHS patients about how and where they receive services.

To achieve NHS foundation trust status it is a statutory requirement that applicant trusts are supported by the Secretary of State and authorised by Monitor. Previously we have run these as two separate processes. The Department of Health and Monitor have worked together to develop a single streamlined applications process that preserves the Secretary of State's role in providing considered support to applicants while maintaining Monitor's independence in its authorisation process. This applications guide will help applicant trusts to ensure:

- they are providing high quality services that meet or exceed national targets and standards;
- they have a robust 5-year Business Plan to continually improve the services they deliver to patients in ways consistent with the direction of travel set out in Creating a Patient led NHS;
- they are financially sound, providing efficient services and a good return on taxpayers' investment;
- they have developed the constitutional arrangements that ensure statutory compliance and effective internal governance; and that
- they are working collaboratively with local partners, such as PCTs, in the best interests of their local health communities.

These are significant challenges for NHS trusts but we believe that they will deliver real benefits to patients and service users and with the right support they can be achieved. There can be no lowering of the standard that Monitor requires to achieve a viable and sustainable infrastructure of modern and responsive NHS foundation trusts.

This publication together with the support being facilitated by the Department and SHAs will provide NHS trusts with the guidance they need to satisfy themselves that they are in a position to achieve NHS foundation trust status.



Rt Hon Patricia Hewitt MP
Secretary of State for Health

William Moyes
Chairman, Monitor

1 What this document provides

The guide to applicants has been written by Monitor and the Department of Health for NHS trust organisations to provide them with a comprehensive document which explains the application process and the requirements for NHS foundation trust status. This document covers all of the stages of the application process from the Department of Health development phase, through to Monitor's assessment process and the application outcome. This document is organised as follows;

Section 2

This section provides details on:

- the case for change;
- the key features and benefits of NHS foundation trust status;
- the legal context;
- why assessment is important.

Section 3

This section provides:

- details on eligibility and requirements;
- an overview of the various stages in the application process itself;

Section 4

This section provides specific detail on:

- the timeline for the NHS foundation trust application process;
- the Department of Health development phase;
- Secretary of State support;
- Monitor's assessment phase; and
- the whole health community diagnostic programme.

Section 5

This section provides specific detail on:

- Monitor's assessment process; and
- an overview of applicant responsibilities.

Section 6

This section covers:

- the three possible outcomes of the assessment process, authorisation, deferral and rejection; and
- the implications of these three outcomes for the trust concerned.

Section 7

This section covers:

- the main tools for the assessment process; and
- provides contact details for any specific queries relating to these along with relevant links to websites for further information.

Section 8

This section provides a brief outline of:

- the next steps and contact points for the Department of Health's development phase; and
- Monitor's submission requirements.

Appendices

PART A – Department of Health Appendices

Appendix A1 – Overview of submissions

Appendix A2 – Five year DH Business Plan template

Appendix A3 – Governance rationale

Appendix A4 – 'Model Core' Constitution

Appendix A5 – Summary of Consultation and engagement with staff

Appendix A6 – Membership Strategy

PART B – Monitor Appendices

Appendix B1 – Overview of submissions

Appendix B2 – Assessment questions with submission – (Business Plan and Governance)

Appendix B3 – Work that trusts are expected to conduct concurrent with this application to Monitor

Appendix B4 – Business Plan and Governance issue analysis

Appendix B5 – Definition of Private Patient Income

Appendix B6(a) – Schedule of Services – Mandatory Health Services

Appendix B6(b) – Schedule of Services – Mandatory Health Services (Commissioner support)

Appendix B6(c) – Schedule of Services – Mandatory Education and Training Services

Appendix B(d) – Schedule of Services – Non-Mandatory Services

Appendix B7 – Protected Property

Appendix B8 – Appropriateness of the Constitution (over and above compliance with Schedule 1)

Appendix B9 – Proforma Board Statement

Appendix B10 – Contents of Board Memorandum

Appendix B11 – Prudential Borrowing Code Ratios

Appendix B12 – Board Statements

PART C – Web links

2 NHS foundation trusts

2.1 The case for change

The NHS Improvement Plan (June 2004) sets out the priorities for the NHS between 2004 and 2008. It supports the ongoing commitment to a 10-year process of reform set out in The NHS Plan. It focuses on increased patient choice, improving health outcomes, pushing for a responsive, convenient and patient-centred service. *Creating a Patient-led NHS – Delivering the NHS Improvement Plan* was published in March 2005 and gives more detail on how the NHS Improvement Plan will be delivered. In July 2005, *Commissioning a Patient-led NHS* was published. It outlines plans to develop commissioning throughout the whole NHS system, with some changes in function for primary care trusts and strategic health authorities. The document also confirms the importance of NHS foundation trusts in the programme of health service reform.

To deliver a patient-led NHS there is a commitment to prepare all NHS trusts for foundation trust status by April 2008.

2.2 Key features and benefits of NHS foundation trusts

NHS foundation trusts were established under the Health and Social Care (Community Health and Standards Act) 2003. They have grown out of the wider reform programme, offering greater autonomy and freedoms for NHS organisations within a national framework of standards and inspections.

NHS foundation trusts are:

- a new type of NHS organisation, established as independent public benefit corporations, modelled on co-operative and mutual traditions;
- free from central government control and from strategic health authority performance management;
- providers of healthcare according to core NHS principles – free care, based on need and not ability to pay;
- not required to achieve financial breakeven but must be financially viable;
- required to present their annual reports and accounts to Parliament;
- subject to the risk of insolvency, however service provision will be protected.

Key benefits

NHS foundation trusts are:

- accountable to local people, who can become members or governors. The governors have a duty to appoint non-executive directors, enabling local ownership and service influence whilst maintaining local accountability;
- free to retain and build up surpluses that they generate and decide how to use these funds for the benefit of patients, service users and the communities they serve;
- able to borrow from commercial sources within limits set by Monitor, but their capital requirements are not subject to central determination or prioritisation;
- able to more easily restructure and modernise in order to increase service capacity and efficiency.

Key constraints

Against the context of the additional freedoms there are also certain constraints placed on NHS foundation trusts. NHS foundation trusts are:

- not able to withdraw from providing services for categories of patient and service users for whom care is unprofitable within the new system of Payment by Results, without obtaining commissioner support and/or ensuring alternative provision is available. If a Primary Care Trust (PCT) wishes to purchase a particular service on behalf of its population from a NHS foundation trust, that service must be provided unless there are clear clinical reasons why it should not be;
- not able to give priority to the care of private patients and neglect their responsibilities to the NHS. Under the legislation there are strict caps on the percentage of the income of an NHS foundation trust that can come from the care of private patients and Monitor will regulate those caps;
- not able to ignore national targets and standards;
- required to deliver services under legally binding contracts with PCTs and therefore they are under a legal obligation to deliver within the terms of the contract they have signed;
- obligated to remain compliant with Monitor's terms of authorisation and to operate within Monitor's compliance and monitoring regime.

2.3 What is Monitor and the legal context for NHS foundation trusts

Monitor is the Independent Regulator of NHS foundation trusts and is responsible for the assessment and authorisation of applicants for foundation trust status and the regulation of successful applicants. Monitor may give an authorisation under Section 6 of the Health and Social Care (Community Health and Standards) Act 2003 ('the 2003 Act') if satisfied that the criteria set out in Section 6(2) of the Act, and any other requirements which Monitor considers appropriate, are met.

The criteria include the requirement for a NHS foundation trust to have a constitution (the terms of which have to comply with statutory requirements and be approved by Monitor), a membership, a board of governors (most of whom are elected by the membership) and a board of directors. Details of Monitor's requirements are provided in section 3.4.

An application by an NHS trust for authorisation as a NHS foundation trust requires the support of the Secretary of State. Once that support is forthcoming and an application for authorisation has been made to Monitor, the applicant trust may establish the initial membership and hold elections for the appointment of governors. Details on how to obtain Secretary of State support are provided in section 3.3.

Formal authorisation is accompanied by the issue of terms of Authorisation determined by Monitor. They set out the conditions on which authorisation is granted and with which a NHS foundation trust must comply. The conditions reflect both statutory obligations on NHS foundation trusts and other obligations which Monitor considers appropriate. One condition the Act stipulates is a limit on the ratio of private patient income to NHS income. This is known as the private patient cap. Once authorised, a trust is no longer subject to direction by the Secretary of State (except in the case of the provision of High Security Hospitals) but is subject to regulation by Monitor. This includes monitoring to ensure compliance with the NHS foundation trust's terms of Authorisation, details of which are provided in Monitor's Compliance Framework document. Monitoring and compliance are complemented by Monitor's statutory powers of intervention and enforcement, which may be exercised in certain circumstances.

2.4 Why assessment is important

Monitor's approach to regulation is one of risk management. Monitor must be confident and able to provide assurance to Parliament and a wide range of stakeholders that NHS foundation trusts will be legally constituted, financially sustainable, effectively governed and locally representative. These are essential requirements for NHS foundation trusts to be able to operate with sufficient autonomy, to deliver national health priorities and to become increasingly responsive to local needs.

The authorisation is a critical part of this process. Careful assessment at this stage will ensure that financially sustainable NHS foundation trusts with strong management are established. This will create a robust system and minimise the need for intervention. A rigorous assessment process is the cornerstone to Monitor's Compliance Framework which allows a risk based proportionate approach to regulation post authorisation.

The following chapters describe the process to achieve foundation trust status.

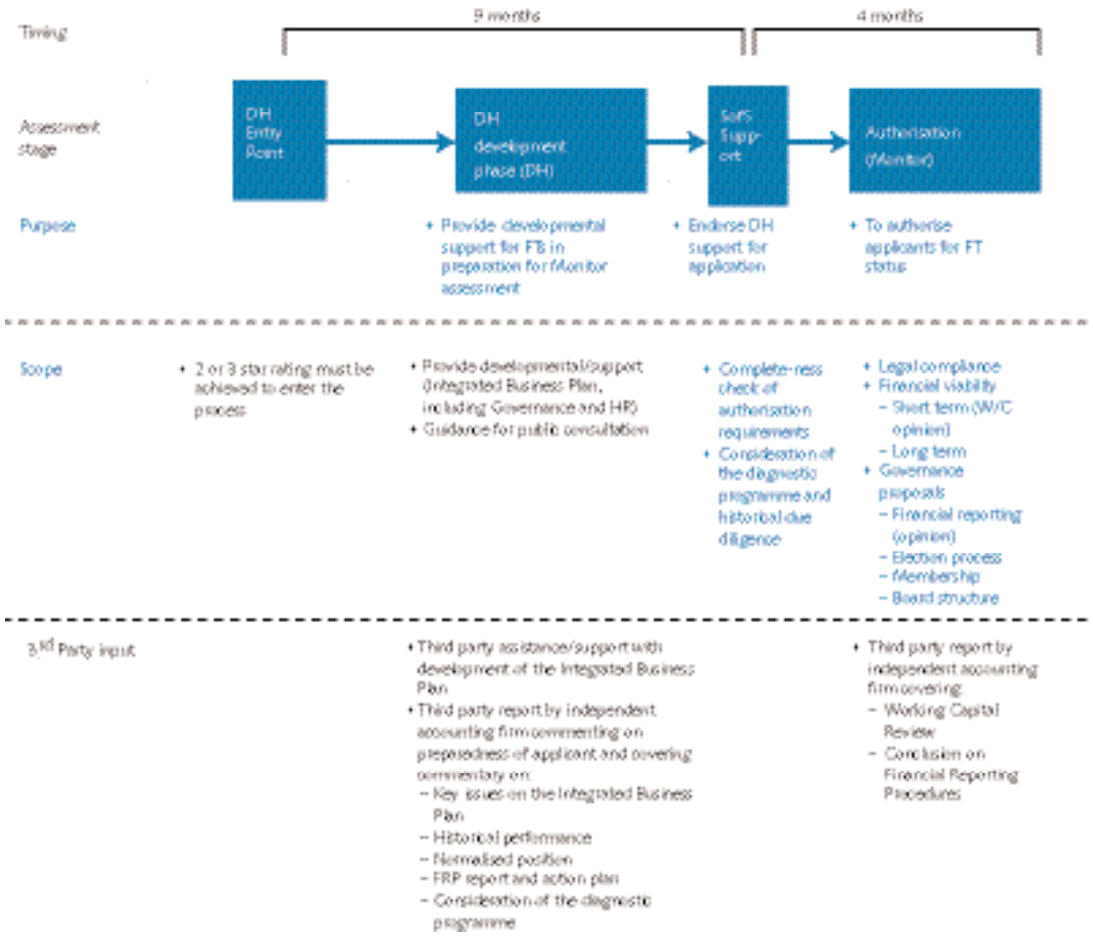
3 Requirements to become an NHS foundation trust

This chapter sets out the requirements applicants must meet to successfully achieve foundation trust status under the headings:

1. Eligibility
2. DH development phase
3. Secretary of State support
4. Monitor's assessment phase

Chapter 4 describes the detailed process an applicant must go through during the DH development phase and chapter 5 describes Monitor's application and assessment phase. The overall timeframe and key elements of the above requirements are illustrated in the table below:

OVERVIEW APPLICATION PROCESS – WAVE 3



3.1 Eligibility

To become an NHS foundation trust organisations must be eligible to apply. The current eligibility requirements are as follows:

Current 3 or 2 star rated acute, specialist, mental health NHS trusts and care trusts are eligible to apply for NHS foundation trust status from November 2005. These organisations will be known as Wave 3 applicants. A second tranche of Wave 3 applicants (Wave 3a) will embark on this process in early 2006.

3.2 DH development phase

Once NHS organisations have met the eligibility requirements above, they can then apply to enter the DH development phase of the NHS foundation trust application. In this phase applicants are required to:

- develop a 5 year strategic Integrated Business Plan (IBP), with developmental support from the DH and external consulting advice from a professional firm;
- prove that they have strong leadership and a commitment to modernising services for the benefit of patients and service users and their local communities;
- have the support and involvement of staff and other local stakeholders for their vision for reform;
- undertake a 12 weeks consultation of their strategy and governance arrangements in their local community; and
- be subject to an independent "historical" due diligence report from an accounting firm;

The detailed timetable for the DH development phase and the process an applicant will go through is explained in section 4.1

3.3 Secretary of State Support

Once the statutory 12 week public consultation process has been completed, and the requirements in the DH development phase have been met, applicants need to secure the support of the Secretary of State to move forward to Monitor's assessment phase. Whilst the Secretary of State's support is a legislative requirement for applicants to obtain, it is not a guarantee that applicants will be successful in the Monitor assessment and authorisation phase.

For Wave 3 applicants, Secretary of State support will be dependent on:

- satisfactorily completing the DH development phase above; and
- the findings of the independent accounting firm's historical due diligence report, which will take into account the findings of the diagnostic programme (if the applicant has completed this programme). The diagnostic programme is outlined in section 3.5 below.

As part of the development phase a historical due diligence report will be prepared on each applicant. This report will highlight the underlying financial position of the trust and will indicate the risks associated with achieving sustainable surplus in the future to meet Monitor's assessment criteria. This report will take into consideration the findings of the diagnostic programme discussed below.

3.4 Monitor's assessment phase

Once an applicant has secured the support of the Secretary of State they can formally apply to Monitor to enter Monitor's assessment phase. To be authorised as an NHS foundation trust, an applicant will need to demonstrate that they are:

- legally constituted;
- well governed;
- financially viable.

This means applicants must:

- ensure their constitution complies with the Act and is otherwise appropriate;
- ensure the provision of mandatory services in the Business Plan and that the applicant can and will comply with the terms of the license;
- make governance proposals which provide a representative and complete governance strategy;
- provide Board certification that the applicant has the organisational capacity to deliver the Business Plan;
- provide a Board statement which confirms sufficient working capital for the next 12 months and is accompanied by the appropriate professional opinion on this statement;
- provide Board certification that financial reporting procedures are satisfactory and this is based on an appropriate professional opinion;

- have the Board demonstrate that the applicant can with a high likelihood generate a sustainable net income surplus by year 3 of the projected period and maintain a reasonable cash position;
- have a minimum financial risk rating of 3 within the first year of projections unless there are exceptional circumstances.

The detail of the process an applicant goes through during this phase is explained in section 5.

3.5 The whole health community diagnostic programme

During the summer of 2005 Monitor, the DH and four Strategic Health Authorities (SHAs) developed a rigorous diagnostic programme to identify areas where acute NHS trusts need to develop to reach the standard required for NHS foundation trust status. The diagnostic programme does not change the role of the Secretary of State in determining support for NHS trusts' applications for NHS foundation trust status and is distinct from Monitor's authorisation process. However it is designed to help NHS trusts and SHAs to identify and improve their Business Planning and increase the likelihood of their application for NHS foundation trust status being successful.

The diagnostic programme takes approximately 10 weeks to complete for each SHA. After two successful pilots in Birmingham & Black Country and Cheshire & Merseyside SHAs, and the ongoing review in Dorset and Somerset and North West London SHAs, the programme is being rolled out across the remaining SHAs from autumn 2005. The entire programme is expected to be completed by summer 2006.

The output from the diagnostic programme is an action plan for each organisation to address the improvement opportunities identified through the programme. This action plan also indicates when the organisation should be ready to apply for NHS foundation trust status.

In future SHAs support for NHS foundation trust applications will be informed by the progress against the action plan produced at the end of the diagnostic programme. It will therefore be the responsibility of the SHA to:

- performance manage (monitor) an organisation's progress against its action plan; and
- provide a recommendation to the DH that the organisation has made sufficient progress against its action plan to be allowed to enter the DH development phase.

In practice this will not necessarily mean that all actions have been completed but it will mean that the organisation is sufficiently far along the action plan and there is a reasonable expectation that the organisation will be able to address the items in its action plan by the time Monitor's assessment process begins.

Once the national roll-out of the diagnostic programme has been completed, in summer 2006, the DH will consider whether successful completion of the diagnostic action plans should become a formal DH entry point requirement, rather than maintaining a purely developmental function.

DH, Monitor and the SHA's will look at options for a mental health diagnostic programme in 2006/07, once the authorisation process of successful mental health trust applicants has been completed.

3.5.1 Impact of the diagnostic programme on Wave 3 applicants

Wave 3 applicants have already begun the DH development phase. The timing for the wave 3 applicants, however, is such that they may not have completed the diagnostic programme before starting the DH development phase and mental health trusts are unlikely to have started the programme. DH and Monitor strongly encourage applicants to participate in the diagnostic programme when it is undertaken within their respective Strategic Health Authority. The findings of the review will inform, and may influence the ability of the Secretary of State to support the application for NHS foundation trust status.

4 Indicative timeline for NHS foundation trust application

The table below explains the detailed process an applicant will go through from the start of the DH development phase to the end of Monitor's assessment phase.

Week No	Key Activity
	Phase One – DH Development Phase
0	Chairs & Chief Executives Launch Event
4	Project Directors Implementation Event
5-7	Consultant Trust Board visits (DH officials may attend)
8	Chairs & Chief Executives Event
10	Submission of first draft of integrated Business Plan, and written confirmation from CEO of trust's intention to apply for NHSFT status in wave 3
12	DH sends out feedback to trusts
14-17	Feedback meetings between applicants and external developmental support consultants (DH officials may attend)
17	Chairs, Chief Executives and Project Directors Event
18-21	First stakeholder meeting arranged by applicants with key stakeholders/ partners and support consultants (DH officials may attend)
20	Draft Consultation documents to DH (optional)
21	DH comments on draft consultation docs
22	Submission of second draft of integrated Business Plan to DH
22	**Latest date to begin public consultation**
25	DH sends feedback on second draft to trusts
28	Contracting Implementation Event
29-33	Second stakeholder meeting arranged by applicants with key stakeholders/ partners and support consultants (DH officials may attend)
34	**Latest date to end public consultation**
37	Formal Application to SofS (DH)
	Phase Two – Historical Due Diligence
38-42	Historical due diligence
43	Recommendations to Secretary of State
44	**Secretary of State support**

Week No	Key Activity
	Phase Three – Monitor Assessment Phase
45-58	Submissions sent to Monitor • Business plan and financial model • Constitution and governance submissions
	Assessment of Application • Interviews with Trust • Review of robustness of financial model assumptions • Interviews with external stakeholders
	Board to Board Meeting • Applicant Trust Board's interviewed by Monitor's Board • Execs and Non-Execs from applicant trust attend the meeting Phase 3 – Working Capital Review – Independent Accounting firm complete a Working Capital review and complete financial reporting procedures from Phase 2
	Board Memorandum and Board Statement signed by applicant trusts Board on working capital and financial reporting procedures submitted to Monitor
58	Monitor Board Decision

4.1 Phase One – DH development phase

4.1.1 Objective of DH development phase

The objective of the DH development phase is to take the necessary steps to obtain the support of the Secretary of State to make an application to be an NHS foundation trust. It will involve, at the end of the phase, the Secretary of State coming to a view as to how well the applicant's vision is aligned to the aims of the freedoms conferred by NHS foundation trust status and the needs of local health communities. The application will also need to demonstrate the robustness of systems necessary to allow the organisation to operate successfully as a public benefit corporation independent of the Secretary of State. Throughout this phase, the focus is on working with organisations to develop their organisational arrangements and systems. It is important that the material prepared during this phase is completed thoroughly and in line with the legislation; there will therefore be opportunity for continuous dialogue between the DH and applicants to provide information and support. In addition applicants will have access to the services of an independent consulting firm to provide support to develop the Integrated Business Plan (IBP).

In summary during the DH development phase the applicant is required to:

- Provide a detailed 5 year integrated strategic Business Plan which will incorporate:
  - vision and rationale for NHS foundation trust status;
  - service development plans;
  - 5 year financial plans supported by activity, capital and workforce projections;
  - proposals for the governance arrangements (e.g. membership arrangements, size and composition of the Board of Governors and Board of Directors etc), including plans to demonstrate how the membership will be utilised to inform the strategic direction of the organisation;
  - the HR implications, i.e. workforce requirements and plans to effectively involve, engage and develop the workforce, along with wider plans for organisational development whilst continuing to maintain compliance with statutory obligations;
  - undertaking a statutory 12 week public consultation on the strategy and key risks associated with NHS foundation trust status;
  - being subject to a report from an independent accounting firm on the historical position of the trust, which concludes on the readiness for an applicant to move forward to Monitor's assessment phase;
  - demonstrating strong leadership and a commitment to modernising services for the benefit of patients, service users and their local communities;
  - having the support from staff and other local stakeholders for their vision for reform;
  - securing the support of the Secretary of State to move forward to Monitor's assessment phase.

4.1.2 Preparation of the 5 year Integrated Business Plan (IBP)

The IBP is a document that sets out the organisation's business strategy for the next 5 years. It will be an evolving document that will assist the organisation to plan for the risks and opportunities it will face as an independent, public benefit corporation.

Applicant NHS foundation trusts need to show that their proposed vision is based on local consultation, sound financial modelling (taking into account all external factors e.g. PbR and patient choice), business knowledge, and the actions taken to mitigate risks, while adhering to NHS principles to ensure success for the organisation and the community it serves. The IBP will need to demonstrate effective staff involvement and commitment to service development has been secured.

The DH and Monitor have worked together to provide guidance on the minimum requirements of a Business Plan, both to address the needs of the DH in the development stage, and eventually the requirements for Monitor's assessment process. Attached in the DH appendices (appendix A2) is a template report which applicants can use to develop their plans. In summary the document needs to cover the following areas:

- Executive summary
  - 1-2 page summary of the key elements of the Business Plans
- Profile of the applicant
  - Overview
  - Historical performance against healthcare targets
  - Range of services
  - key commissioners,
  - Joint Ventures and partnership arrangements
- Strategic goals
  - Trust vision and rationale for NHS foundation trust status, outcome of consultation process
  - Utilisation of the membership to take the organisation forward
- Market assessment
  - Description of local health economy
  - External environment (PEST analysis)
  - Relative performance
- Service development plans
  - SWOT analysis
  - Summary of service development plans linked to SWOT analysis covering activity and resource implications of each initiative
- Financial plans
  - Historical performance review trend analysis on I&E, balance sheet, cash flow and underlying earnings position
  - Summary of I&E, balance sheet and cash flow projections for the 5 years
  - PFI analysis if applicable

- Risks
  - Summary of the key business risks
  - Mitigation of key risks
  - Sensitivity analysis on financial projections in light of financial risks highlighted
  - Conclusion on financial performance under a reasonable set of downside risks
- Leadership and Workforce – this section should incorporate the HR implications and needs of the trust **(see section 4.1.3 below)** and will cover:-
  - Management arrangements – key committees
  - Workforce and KPIs
  - Agency and recruitment arrangements, recruitment hotspots
  - Workforce and organisation development
    - Workforce planning
    - Cultural change and staff involvement
- Governance arrangements **(see section 4.1.4 below)**
  - Summary of governance arrangements to form the basis of the constitution
  - Performance management arrangements
  - Risk management
  - Financial reporting procedures
  - Considerations of FT status – compliance arrangements

Appendices and associated tools to the Integrated Business Plan

Financial model – available from Monitor

Governance rationale – see Part A appendix 3

Model Core Constitution – see Part A appendix 4

Consultation response and staff engagement – see Part A appendix 5

Membership strategy – see Part A appendix 6

4.1.3 Leadership and workforce requirements

A key component of the IBP will be the workforce needs. The implications of any planned service developments or changes, set within the context of an empowering organisation, will make the difference between delivery and non-delivery. The Business Plan will need, therefore, to demonstrate that education (personal/CPD), training, recruitment and retention have been properly identified and factored as cost into the service deliverables. Also, as high performing, knowledge and learning based organisations, NHS foundation trusts will be model employers – maintaining statutory compliance, progressing high standards of employment practice and securing a culture which reflects their new organisation and delivers added value for the direct benefit of NHS patients and service users.

NHS foundation trust applicants will need to work with staff (and other stakeholders) to develop an HR and workforce plan. This will need to reflect their new status as an NHS foundation trust and demonstrate how the autonomy and opportunities for innovation will be underpinned by excellent people management. It will also need to describe the organisations plans for the progressive staff involvement and engagement required as an NHS foundation trust, for example, with the new governance arrangements.

The Business Plan will need to cover the following elements of HR practice and workforce planning and progression:

- how HR issues are integrated across the organisation's strategies and processes, for instance in the new governance arrangements and throughout the IBP;
- contribution from board level through the organisation, including consideration of the future impact of wider system reforms on staff (such as Choice, Agenda for Change) and the opportunity NHS foundation trust status brings for the workforce;
- the opportunity that will be created for the workforce as a result of securing NHS foundation trust status;
- growing as an employer: how the organisation is maintaining and continuing to develop excellent HR practices, drawing from the NHS and beyond; demonstrating that the organisation will continue to meet legal requirements in HR and HR-related issues, and demonstrating local HR capacity/capability to fulfil this, and how this will be done through a duty of partnership;
- staff involvement and/or social partnership – how the organisation has developed its HR "strategy", by involving and engaging staff (and other partners/stakeholders) and where this involvement has informed and influenced the Business Plan, e.g. use of volunteers to assist in service delivery; how the organisation has responded to the feedback it has received from these parties to improve or change service provision;

- illustrations within the Business Plan (including highlighting and cross-referencing to the links to the governance arrangements), how the organisation's ongoing aspirations and plans to grow and develop further staff involvement, engagement and wider social partnership will be achieved.

Organisations need to give all their staff opportunity to contribute to the development of proposals as well as engage in discussion with other local NHS organisations and other key stakeholders, for example unions, and relevant education and training establishments and other local HR teams and departments within the health community. Evidence and action taken as a result of the feedback received must be included in the application documentation when submitted.

4.1.4 Governance proposals

For clarity, 'governance' proposals need to be determined and described to suit two different purposes within the IBP:

- As newly established organisations with new governance structures and roles and responsibilities, organisations need to be clear in their explanation of how a membership base, and a newly elected and appointed Board of Governors, will be integrated and utilised, not only for the NHS foundation trusts but ultimately for the benefit of the communities, patients and service users. Applicants will therefore need to describe the rationale behind their governance arrangements.
- Secondly, as independent, locally accountable organisations, NHS foundation trusts will need to describe how internal systems, processes and people will be introduced or developed to satisfy the Board and stakeholders that 'interests' are understood and risk is managed and minimised.

As with the HR and workforce planning, the governance arrangements will need to be incorporated into the IBP. Good governance is the vital balance to the freedoms that are conferred by NHS foundation trust status and the development phase will involve much work by organisations in developing their governance arrangements ready for implementation.

In order to allow the Secretary of State to take a view on whether to support their application for an authorisation, organisations working towards NHS foundation trust status will need to include a section describing their proposals for governance within their Business Plan. Once approved, these can be reflected in the organisation's constitution, which will need to be approved by Monitor.

Organisations are encouraged to develop governance arrangements that reflect the needs of their own circumstances and structure. The minimum framework for the governance arrangements is set out in legislation and the governance arrangements included in the IBP

must cover these requirements. Applicants are provided with guidance in this area in the form of the Model Core Constitution, the NHS Foundation Trust Governance Code (expected to be published for consultation in November 2005) and in additional guidance on the DH website." Refer to chapter 7 for further details of the tools and support to assist in developing good governance arrangements.

4.1.5 Submissions of draft IBP

During the DH development phase, applicants will be required to submit drafts of their Business Plan as follows:

Draft	When	Contents
First draft Business Plan	On application to DH Development phase	Vision and rationale for NHSFT status, historic financial performance and first cut of forward activity, capacity, resource and financial projections
Draft Consultation documents (optional)	Two weeks before public consultation	Documentation on which public consultation will be conducted
Consultation draft Business Plan	One week before beginning of public consultation	Detailed Business Plan including analysis, rationale and evidence for service plans, supported by assumptions and sensitivity analysis, governance and risk management strategies and contingencies. Also, commentary on action taken/progress against planned areas for improvement from independent consulting firm
Interim reports on stakeholder engagement and progress against action plans	Before and during public consultation	Evidence to demonstrate stakeholder views have been considered and taken into account, and that actions are being/have been addressed within the Business Plan
Final Business Plan	After 12 week public consultation process	Fully worked-up document with robust forecasts, financial projections, supported by realistic assumptions, sensitivity analysis and scenario planning. Updated to reflect comments back from public consultation

Applicants will be provided with support from an external consulting firm to assist in the development of the IBP. Details of the support given are provided in chapter 7.

4.1.6 Statutory consultation

The legislation establishing NHS foundation trusts, the Health and Social Care (Community Health and Standards) Act 2003, requires consultation with local communities and stakeholders on an NHS foundation trust application. This is not a referendum on whether to apply, but a consultation on the basis of the proposals that are being suggested.

Section 6(5) of the Act states that the Monitor must not give authorisation unless it is satisfied that the applicant has sought the views about the application of the following:

- if the applicant is an NHS Trust, the Patient's Forum for the trust;
- if the applicant is an NHS Trust, the staff of the trust;
- individuals who live within the proposed "public constituencies" of the trust;
- individuals who will be eligible to be members of the "patient or service user constituency" of the trust, if there is to be one, and
- any local authority that would be authorised by the proposed constitution to appoint a governor to the board of governors;
- any persons prescribed by regulations.

Therefore, at the time the second draft Business Plan has been prepared and submitted to the DH, each applicant is required to:

- undertake 12 weeks public consultation on the key elements of the application Business Plan being:
  - governance proposals and 'vision' element of the Business Plan;
  - the benefits and risks of NHS foundation trust status for the applicant;
- engage informally, and seek to reach agreement locally on a range of issues, including the HR strategy, the detail of the service development strategy, protected assets and services etc.

Guidance (Code of Practice on Consultation) has been published by the Cabinet Office (January 2004) about the recommendations for formal consultation. Detailed guidance on the consultation process and who to consult is provided under Chapter 7.

4.2 Phase Two – Historical due diligence report from independent accounting firm

Following formal submission of the Business Plan to DH and prior to Secretary of State's consideration, a separate firm of independent accountants will undertake a review of the applicant's final Business Plan. A report (referred to as the Phase 2 Due Diligence Report) will be produced by the independent accountants covering:

1. Executive Summary and key issues for SoS support to go forward to assessment phase
2. Historical I&E review commenting on:
    - Underlying earnings (past 2 years);
    - Historical I&E bridge analysis;
    - Analytical review of historical I&E position;
    - Commentary on Cost Improvement Plan (CIP) – historical trend of achievement v future plans, how Cost Improvement Plan delivery is ensured at the Trust;
3. Historical balance sheet review.
4. Historical cash flow review.
5. Commentary on financial reporting procedures covering:
    - Commentary on accuracy of budgeting, forecasting history;
    - Management reporting, corporate governance, risk management, financial controls;
    - IT systems fitness for purpose;
    - Review of audit arrangements (internal and external);
    - Action plan for areas to address prior to foundation trust status;
6. Summary of projections
    - Detail key assumptions;
    - Review of key cost assumptions.

The firm appointed will be a different firm to the firm that provided the developmental support outlined in section 4.1.5 above as the firm carrying out the historical due diligence will need to be fully independent of the developmental phase. The costs of this review will be funded by the DH.

The executive summary of the Phase 2 Report will highlight key issues for the Secretary of State to consider before making the decision on whether to support the application. At a

minimum the executive summary will provide confirmation of the underlying financial position of the trust, i.e. removing the impact of non-recurring income and costs (e.g. I&E brokerage, profits on disposal, restructuring costs). If there is a significant underlying deficit, the summary will provide details on how the applicant plans to address the deficit to return to underlying surplus to meet Monitor's assessment criteria. This means demonstrating that the applicant can, with a high likelihood, generate a sustainable net income surplus by year 3 of the projected period and maintain a reasonable cash position.

This report will be supported both by comment from the SHA about the strength of application and from the DH in respect of proposed governance arrangements and organisational development, as evidence to demonstrate fitness for purpose as an NHS foundation trust in the context of system reform.

If the Secretary of State supports the application, this report will be provided to Monitor. Monitor will also have access to the independent accounting firm to raise issues with that firm as necessary.

4.3 Secretary of State Support

At the end of the development phase, the Secretary of State for Health will consider each proposal, and alongside evidence provided of relevant and inclusive consultation, will indicate whether the application is to be supported. The DH reserves the right to advise the Secretary of State not to support an application for NHS foundation trust status, if it is evident that significant issues pertaining to the applicant will jeopardise the likelihood of it becoming a viable or sustainable NHS foundation trust.

Issues which may result in an application not being supported may include, for example:

- failure to address issues identified in action plans, resulting in the 5 year Business Plan not providing sufficient evidence or analysis to support its strategic goals;
- achieving a risk rating of less than 3 in the first year of projections unless exceptional circumstances exist;
- the financial plan does not show a sustainable surplus by year 3 of the projected period after the trust's assessment of reasonable sensitivities to the plan;
- the CIP required to deliver sustainable surplus by year 3 of the Business Plan if material to the achievement of surplus, is not based on robust assumptions with a clear plan of delivery which is under the trust's control (i.e. not dependent on tariff improvement or income generation outside the trust's control);
- if there are adverse findings arising from the due diligence review;
- the Business Plan has not been consulted on, or the public consultation was not inclusive.

Subject to the Secretary of State giving support, applicants will be asked to submit an application for NHS foundation trust authorisation to Monitor. The final decision on whether an organisation can be established as an NHS foundation trust rests with Monitor. The process to gain Monitor's approval is discussed in section 5.

4.4 How the Department will work with applicant trusts

4.4.1 The Department of Health team

The development phase, or Phase One, is intended to give applicants the opportunity to explore and analyse the implications of issues identified, e.g. payment by results and patient choice, to enable them to develop business plans that optimise opportunity and minimise risk.

Applicant trusts will be allocated, in small groups, to a named representative within the DH NHS Foundation Trust team. These individuals will be the primary point of contact for applicants during the development phase. Applicants will also be supported by a team of external consultants providing specialist advice on business planning, governance, HR, etc.

4.4.2 Department of Health roles and responsibilities

During the development phase, the DH will provide developmental support to applicants across all aspects of business planning to assist with the construction of robust business plans, effective governance arrangements and proper public consultation.

Applicants will submit draft business plans to the DH at regular intervals during the development phase. These drafts will be for DH and DH appointed consultant circulation only. Applicants can be reassured that activities during the developmental phase are undertaken 'in confidence' from Monitor.

Feedback on these drafts will be provided and this will be translated into trust action plans, to ensure that issues are addressed and the Business Plan is progressed.

DH officials will also make recommendations to the Secretary of State on the suitability of applications for progression to Monitor's assessment process. These recommendations will be based on applicants demonstrating 'fitness for purpose' as an NHS foundation trust within their business plans. They will also take into account the Phase 2 Due Diligence Report and feedback from key stakeholders, including other DH officials, SHAs and key commissioners.

4.4.3 Strategic Health Authority roles and responsibilities

The strategic health authorities will have a supporting role with applicants during the development phase. As applicants need to demonstrate effective engagement and involvement within their business plans, they will be expected to be in regular communication with their SHAs and other key stakeholders. This may take the form of meetings or reviews of documents, or of securing additional support and guidance in the development of business plans that reflect local needs and priorities.

Also, SHAs will work with trusts through the diagnostic programme, to be clear about how trusts need to progress action plans to prepare for NHS foundation trust application.

5 Phase Three – Monitor's assessment process

5.1 Overview and objectives

The approach of Monitor to regulation is one of risk management. Monitor must be confident and able to provide assurance to Parliament and a wide range of stakeholders that NHS foundation trusts will be legally constituted, financially sustainable, effectively governed and locally representative. These are essential requirements for NHS foundation trusts to be able to operate with sufficient autonomy, to deliver national health priorities and to become increasingly responsive to local needs.

The authorisation process is a critical part in this process. Careful assessment at this stage will ensure that financially sustainable NHS foundation trusts with responsible management are established which will create a robust system and minimise the need for intervention.

To be licensed, applicant NHS foundation trusts (applicants) must:

- ensure their constitution complies with the Act and is otherwise appropriate;
- ensure the provision of mandatory services in the Business Plan and that the trust can and will comply with the terms of the license;
- make governance proposals which provide a representative and complete governance strategy;
- provide Board certification that the applicant has the organisational capacity to deliver the Business Plan;
- provide a Board statement which confirms sufficient working capital for the next 12 months and is accompanied by an appropriate professional opinion on this statement;
- provide Board certification that financial reporting procedures are satisfactory and this is based on an appropriate professional opinion;
- have the Board demonstrate that the trust can with a high likelihood generate a sustainable net income surplus by year 3 of the projected period and maintain a reasonable cash position;
- have a minimum financial risk rating of 3 in the first year of projections unless exceptional circumstances exist.

To develop its view on sustainability and governance arrangements/statutory requirements, Monitor will conduct an assessment focused around three key questions:

Is the applicant

1. Legally constituted? (section 5.2)
2. Well governed? (section 5.3)
3. Financially viable? (section 5.4)

In addition applicants will be required to demonstrate that their Business Plan incorporates the required level of mandatory services to be compliant with schedule 14 of the Act (see section 5.5 below).

Monitor's assessment guidelines to ensure a robust assessment of the ability of the applicant to meet the requirements above are described in detail below. A comprehensive list of all Monitor submissions is provided in Appendix B1. The assessment guidelines should be read in conjunction with the Act.

5.2 Is the applicant legally constituted?

5.2.1 Submissions

Applicants are required to submit the following documents to allow:

- proposed constitution (based on Monitor's Model Core Constitution (the "Model Core") with proposed changes tracked to record additions to the Model Core;
- the proposed constitution should incorporate by reference or as an annex the Model Election Rules. Any proposed departure from the Model Election Rules should be shown as a tracked change;
- summary of statutory consultation process (including issues raised and applicant's response);
- proposals and timetable for the initial elections;
- subsequent update on implementation of membership strategy and initial elections.

5.2.2 Legally constituted? – Questions Monitor will ask

To assess the submissions Monitor's assessment team will ask the following questions:

5.2.2.1 Do the proposals meet the statutory requirements laid out in the Act?

- **Is the proposed constitution compliant with Schedule 1 of the Act?**
  - The purpose of this question is to ensure statutory compliance.
  - The applicant is required to submit its proposed constitution based on the Model Core Constitution with any additions thereto shown as tracked changes.
- **Is the proposed constitution otherwise appropriate?**
  - In this context reference should be made to Appendix B8.

Required Submissions: Constitution

- **Has the statutory consultation been held?**
  - This question is to ensure that the applicant has carried out the consultation required in the Act. Monitor will also consider the content of the consultation and the applicant's response to the outcomes of the consultation process. Specific consultations that need to be demonstrated are included in the Act.
  - The applicant is required to submit evidence of its consultation process and an account of the outcomes and change made as a consequence.

Required Submissions: Summary of statutory consultation (including issues raised and the applicant's response).

- **Have elections been held for the Board of Governors?**
  - Have elected governors been appointed in accordance with the proposed constitution and electoral rules.

Required Submissions: Details of electoral process and report on initial elections.

5.3 Is the applicant well governed?

5.3.1 Submissions

Applicants will be required to submit the following information to support their governance arrangements:

- 5 year Business Plan (specific reference to chapter 9 of the Business Plan Template, which highlight governance arrangements and rationale);
- membership strategy which must include steps taken to ensure representative membership, an update on the implementation of the membership strategy will also be required later on during the assessment process;
- register of governors' interests to be held by the NHS Foundation Trust;
- register of directors' interests;
- self-certification on areas specified in section [5.3.2.2] (as per Appendix B12);
- a letter from the Chairman confirming that the whole trust board has confidence in the arrangements that it has in place for each area;
- the relevant trust board paper(s) defining its approach to each area;
- copies of the trust board minutes confirming that the trust board has confidence in the arrangements for each area which record the discussions held in a public trust board meeting;
- Direct evidence on performance management:
  - performance management strategy and policy documents approved by the trust board;
  - an example of the regular performance reports submitted to the board;
  - reports (including action plans where available) from inspectorates, including the Healthcare Commission, the Commission for Social Care Improvement, the Mental Health Act Commission and the National Oversight Group for High Security Hospitals;
  - Any further documentation that the applicant considers relevant to provide evidence in support of questions outlined in section [5.3.2], if these documents do not fully address the criteria;
  - the submission must provide this evidence as it will apply to the trust board (e.g., performance measures reported to the trust board on a regular and an exception basis).

- Direct evidence on risk management:
  - a copy of the applicant's risk management strategy and policies approved by the trust board. This should include criteria for measuring and evaluating risks, and procedures for establishing contingency plans;
  - statement of internal control including disclosures on non-compliance which should include disclosure of any significant internal controls (including serious untoward incidents from the last 18 months) issues and a schedule of evidence upon which the trust board is relying for each criterion;
  - management report demonstrating how they have satisfied themselves that they have adequate controls in place to manage risk. If the applicant has used any form of external review in its assessment process, Monitor will expect copies of the reports;
  - a copy of the applicant's self assessment on the new healthcare standards;
  - evidence of compliance with Risk Pooling Scheme for Trusts level 1 and Clinical Negligence Scheme for Trusts (CNST) Level 1. This should include any external assessment report and agreed action plan. If an applicant is currently undergoing assessment, please notify Monitor of the date when the assessment process is due to come to an end;
  - a statement from the trust board that there has been no material change in the applicant's risk management policies and processes since these assessments were made, or details of any significant changes made and confirmation that the processes have been implemented and are effective;
  - trusts that operate a high secure hospital should provide details of;
    - the trust's licence for the provision of high secure facilities, including the expected renewal date and a description of the process for renewal;
    - the current system for managing risks at the high secure hospital, how the Secretary of State's line-of-sight to the hospital's operation will be maintained after authorisation;
    - details of any concerns raised by high secure commissioners and how these will be addressed;
    - how key performance indicators relating to the high secure hospital will be monitored and managed after authorisation.

- The following section describes in more detail the questions that Monitor will consider when assessing the governance arrangements of each applicant. An overview of these questions is provided in Appendix B2.

5.3.2 Well Governed? – Questions Monitor will ask

To assess the robustness of the governance submissions, Monitor will ask the following questions.

5.3.2.1 Do the proposals provide a representative and comprehensive governance strategy?

- **Have you taken steps to secure representative membership?**
  - This aims to ensure that the applicant has taken steps to secure that, taken as a whole, the actual membership of the public constituency (and the patients' or service user constituency if there is one) will be representative of those eligible for membership. It also seeks to confirm that the applicant has taken measures to avoid the over-representation of special interest groups, or the under-representation of ethnic minority groups or people with disabilities or other special needs.
  - Monitor will require an update on the implementation of the membership strategy after the membership list for the current elections has been closed.

Required submissions: Membership strategy; update on implementation of membership strategy.

- **Will the Board of Governors reflect the composition of the membership; are the affiliations and financial interests of the governors known?**
  - The applicant is required to demonstrate an understanding of the issues involved and indicate how it intends to reduce potential risk. The applicant should also identify its arrangements, including a timeline, for the first round of elections and how potential risks are addressed within the current process.
  - Prior to authorisation, Monitor will require the declared election results. This will enable Monitor to assess whether the Board of Governors offers a balanced representation.
  - Monitor will expect the governors to declare publicly, and for the trust to maintain a register of any financial interest that the governors may have in health or social care related organisations which provide services to the NHS or any affiliation to health or social care related campaigning special interest groups.

Required submission: Constitution; governance arrangements and rationale; electoral rules and regulations (including how key issues are being addressed); account of the current electoral process (including how it differs from the constitution and how key risks are being addressed); Update on elections; Register of Governors' interests to be held by the NHS foundation trust.

- **Are the affiliations and financial interests of the Directors known?**
  - Monitor will expect the directors (executive and non-executive) to declare publicly, and for the trust to maintain a register of, any financial interest that the directors may have in health or social care related organisations which provide services to the NHS or any affiliation to health or social care related campaigning special interest groups.

Required submission: Register of Directors' Interests.

- **Are there clear structures and comprehensive procedures for the effective working of the NHS foundation trust Board?**
  - This aims to clarify how the applicant intends governance structures to work in practice. In particular the following must be clear.
  - Reporting lines are in place (e.g., to ensure overall performance is managed).
  - Arrangements are in place to manage/respond to adverse performance.
  - The functions of the board of governors, how it will exercise its functions and how governors will be supported to maximise their contribution to the Trust.
  - The functions of the board of directors and how it will exercise its functions.
  - How interactions between the two boards will work.

Required Submissions: Constitution; governance arrangements and rationale together with appropriate commentary.

5.3.2.2 Does the trust board believe that the trust has the organisational capacity necessary to deliver the Business Plan?

- **Is the Trust Board confident that the senior management have the capability and experience necessary to deliver the strategy?**
  - The trust board is required to self certify that it believes that the senior management (executive directors and their direct reports) have the capability and experience needed to deliver the strategy.

Required submissions: Self-certification on management capability and experience (Appendix B12). This certification may be tested by Monitor.

- **Is a selection process in place to ensure that non-executive directors have the appropriate experience and skills?**
  - The trust board is required to self certify that it has a selection process in place which ensures that non-executive directors have the appropriate experience and skills. This should include consideration of the composition of Board sub-committees.

Required submissions: Self-certification on the selection process for non-executive directors (Appendix B12). This certification may be tested by Monitor.

- **Are adequate management structures in place to deliver the strategy?**
  - The trust board is required to self certify that it believes that the roles identified match with the requirements of an NHS foundation trust.

Required submissions: Self-certification on management structures (Appendix B12). This certification may be tested by Monitor.

- **Are the necessary management processes in place to deliver the strategy?**
  - The purpose of this question is to ensure that the following processes are in place, are robust and have been demonstrated, to Monitor's satisfaction, to be effective.
  - **Performance management:** In particular Monitor will assess whether:
    - performance measures have been defined and are being monitored;
    - reasonable targets have been identified for these measures;
  - a robust system is in place for managing performance against the targets (e.g., transparency of system/timeliness of reviews);
  - reporting lines are in place (e.g., to ensure overall performance is managed);
  - arrangements are in place to manage/respond to adverse performance in the following areas:
    - finance;
    - clinical and other operations;
    - organisation/HR;
    - long term strategy.

- **Risk management:** In particular Monitor will assess whether:
  - all key risks are identified (this includes those specific to NHS foundation trust status);
  - risk areas are monitored and this is integrated with performance management;
  - contingency plans are in place;
  - risk scenarios and contingency plans are subject to regular updating;
  - reporting lines are in place (e.g., to ensure that overall risk is managed).
- **Effective management of joint ventures and partnerships:** In particular Monitor will assess whether:
  - governance and management of joint ventures and partnerships (including Section 31 agreements) are clearly set out and understood by the Board;
  - who the partners are, what their roles are, and whether they are clear to all parties;
  - clear rules exist to govern use of any pooled budgets, and appropriate management structures exist to enforce and monitor these rules;
  - a protocol exists for resolving any disputes arising within the joint venture or partnership;
  - a process for dealing with overspends and underspends exists, and that its effects are fully understood by the trust.
- **Planning:** The trust board is required to certify that it is confident that effective strategic planning processes are in place.

Required Submissions: Business Plan; self-certification on planning and risk management (Appendix B12); direct evidence on risk and performance management; relevant reports from and associated action plans from inspectorates, including the Healthcare Commission, the Commission for Social Care Improvement, the Mental Health Act Commission and the National Oversight Group for High Security Hospitals.

5.4 Is the applicant financially viable?

5.4.1 Submissions

To demonstrate financial viability applicants will be expected to provide the following submissions to Monitor:

- the 5 year Integrated Business Plan;
- completed financial model template – covering working capital and long term financial projections (please note that there are separate financial model templates for acute and mental health trusts to reflect the differing commissioning arrangements);
- copy of the historical due diligence report undertaken by the independent accounting firm during the DH development phase.
- Working Capital Review encompassing:
  - Board Statement on Working Capital and Financial Reporting procedures;
  - Board Memorandum to support the Board Statement above;
  - copy of the Working Capital Report undertaken by the independent accounting firm (note this work will be carried out during Monitor's assessment phase and must be finalised at least 2 weeks before Monitor's final board decision).

The 5 year Business Plan

Monitor will review the applicant's Business Plan to understand the assumptions driving the Business Plan, to identify key risks and to determine whether there are adequate plans in place for the applicant to achieve its goals and manage its risks. It will also seek to ensure that the mandatory services are being provided and to verify compliance with relevant statutory requirements e.g., the cap on private patient income (defined in Appendix B5). The contents of the Business Plan have been discussed in section [4.1.2] above. In summary the Business Plan is thus a key document which should;

- explain the rationale for and detail plans for key services;
- identify key assumptions underlying projections and their relation to the local health economy;
- identify the impact of patient choice and contestability of the activity assumptions;
- describe expected changes in case mix, nature and cost of case management, including any expected changes in the volume and cost of secondary commissioning by the trust (whether to the independent sector or to other NHS trusts);
- highlight major changes to the property portfolio;
- include analysis of the asset disposal plans for the coming year;

- detail major initiatives, such as cost reduction programmes or new investments;
- explain the level of support for its proposals in the local health community, in particular the level of commissioner support;
- identify key risks to execution of the strategy;
- clarify major action and contingency plans to mitigate key risks;
- describe the nature of any major partnerships or joint ventures (including Section 31 contracts prevalent in mental health trusts), in particular the roles and responsibilities of the parties involved and how costs, risks (including default and dissolution) will be managed and how the benefits are to be shared.

Financial Model – incorporating 5 year long term annual projections and 2 year monthly working capital projections

Monitor will evaluate long term financial projections to gauge the financial viability and sustainability of the applicant's Business Plan. The review of the key assumptions underlying the projections will include sensitivity and scenario analyses to evaluate the impact of the key risks faced by the applicant.

To facilitate this review, applicants will be provided with a Financial Model template which should be completed to support the Business Plan (please note that there are separate financial model templates for acute and mental health trusts to reflect differing the commissioning arrangements). Applicants will be required to populate this model with their long term financial projections covering projected I&E, Balance Sheet and Cash flow information for 5 years or up to 10 years if an applicant has a major PFI scheme. The Financial Model will incorporate 2 years of financial history and will also have the functionality to produce 2 years of monthly projected I&E, cash flow and balance sheet information to facilitate the working capital review (see below). The Financial Model template will require the applicants to detail the assumptions that support the projections (the assumptions should cross reference to other relevant documents e.g., the Business Plan). Monitor will use this information to perform sensitivity and scenario analysis to gauge the financial sustainability of the trust. The applicant should expect to be contacted by Monitor if further information or clarification is needed.

The long term financial projections will be more detailed than those included in the Business Plan and will enable evaluation of key risks in a consistent format. This will allow Monitor to test the robustness of the applicant's projections in relation to its key risks. Monitor will also benchmark key assumptions against other similar trusts. Clearly, these financial projections should be consistent with the Business Plan and will form the basis for discussing the applicant's future plans at the Board to Board meetings. Monitor will only consider changes to the long term financial projections in exceptional circumstances.

Working Capital Review

The trust board will need to provide Monitor with a statement that it has sufficient working capital to meet its obligations for the first twelve months of operation.

This board statement will be reviewed and reported on by independent accountants. The specific brief of the independent accountant will be to provide a professional opinion on the board's statement that the applicant has sufficient working capital to meet its obligations for the first twelve months of operation. Together with its statement, the board will also need to provide a board memorandum, which sets out the projections, key assumptions and sensitivities that support the board's statement covering the first twelve months of operation. This memorandum will also need to set out the projections for the second twelve-month period (months 13 – 24) together with the risks associated with their achievability. The independent accountants will also need to comment on the projections and risks described in the memorandum.

To facilitate the preparation of the board memorandum, the financial model template provided by Monitor has been designed to produce up to two years of monthly I&E, cash flow and balance sheet information once phasing assumptions have been incorporated. The financial model has been designed to ensure that applicants only have to populate one model, there are checks incorporated into the model to ensure consistency between the monthly projections and the annual projections.

Financial Reporting Procedures

As part of the working capital review the trust board and the independent accountants will also be asked to report on the Trust's financial reporting procedures.

This will involve reviewing the trust's corporate governance arrangements, high level controls, risk management processes, management reporting framework, financial controls and reporting procedures and audit arrangements. The initial work on this area will be conducted as part of the historical due diligence work undertaken by the independent accounting firms during the DH development phase (see section 4.1 above) but the final opinion will be provided as part of the working capital review.

Working Capital Facilities

It is accepted by Monitor that in order to provide the requisite opinion by the trust board and the independent accountants, some applicants may require working capital facilities. While the DH understands the need for this, it may not be able to provide facilities extending over the end of a financial year. Applicants should therefore establish whether they can secure the necessary facilities from commercial banks. It is recommended that applicants engage in dialogue with potential providers of working capital facilities early on in the process. Working capital facilities will need to be committed facilities (i.e. not

repayable on demand). Applicants should undertake a detailed review of the terms and conditions of any proposed facility agreements to ensure they are satisfied that the facility is committed. Applicants are encouraged to contact the Foundation Trust Network or existing NHS foundation trusts for guidance in this area.

The facilities should be expressed to be conditional on achieving NHS foundation trust status. If this looks unlikely to be possible, applicants should inform both Monitor and the DH. Without sufficient working capital an applicant will not be licensed.

It should be recognised that "clean"/unqualified opinions from the independent accountants on the adequacy of working capital and financial reporting procedures will be a necessary requirement for the applicant to be licensed. However, the fact that a clean opinion has been issued is not in itself sufficient to ensure NHS foundation trust status.

The responsibilities of the trust board in this working capital review process include:

- populating the model provided by Monitor;
- providing a copy of the populated model to Monitor and the independent accountants;
- providing Monitor with a board statement confirming sufficiency of working capital; a proforma is provided at Appendix B9;
- producing a board memorandum, which sets out the projections, key assumptions and sensitivities that support the board statement covering the first year of operation together with the projections for the second year;
- providing evidence that the board memorandum stating sufficiency of working capital has been reviewed and approved by the trust board at a public trust board meeting;
- reporting on their financial reporting procedures.

The responsibilities of the independent accountants in this working capital review process include:

- providing a professional opinion to the trust board and Monitor's board on whether they have made their board statement after due and careful inquiry;
- preparing a report documenting the findings of the working capital review. This report should cover the period of the professional opinion as well as the projections for the second year of operation;
- reporting on the trust's financial reporting procedures;
- providing copies of their opinion and report to the trust board and Monitor.

5.4.2 Financially viable? – Questions Monitor will ask on the Business Plan

This section provides more detail on the questions Monitor will ask when assessing the financial viability of applicant's business plans

5.4.2.1 Is the Business Plan financially viable and sustainable?

- This question addresses to the extent to which the Board demonstrates that the trust can with a high likelihood generate a sustainable net income surplus by year 3 of the Business Plan and maintain a reasonable cash position.
- In this context:
  - net income surplus means positive net income after dividend payments on public dividend capital;
  - by year 3 of the Business Plan is a timeframe that will give the Trust time to adapt to a number of changes occurring within the healthcare system, including transition to Payment by Results[1] and impact of patient choice;
  - sustainable means that a net income surplus is deemed sustainable beyond four years against a reasonable set of downside risks. In assessing sustainability Monitor will deduct one-off income and add back one-off expenses from the reported position to understand the underlying performance;
  - with a high likelihood means that a net income surplus is achievable both in a realistic base case as well as a plausible downside case;
  - a reasonable cash position means that the cash position is sufficient at the end of the fifth year of projections under both a realistic base case and the downside case;
  - unless there are exceptional circumstances, the financial risk rating in the first year must be a minimum rating of 3 [the basis of calculation of financial risk ratings is set out in the Compliance Framework document – 31 March 2005].

Within this Monitor will ask some more specific questions:

- **What major changes are proposed in the Business Plan?**

  This question aims to address the extent to which the applicant proposes to make use of its NHS foundation trust status to drive change and innovation through its Business Plan.

1 PbR will not be relevant for Mental Health trusts in Wave 3 as the structure of PbR for mental health is under development.

- **Is there a realistic set of risk scenarios with a clear set of contingency plans?**

  This aims to assess the robustness of the applicant's key forecasts and financial viability, and variation in its underlying assumptions about revenue growth, cost savings etc. The question also addresses the extent to which risk has been mitigated by a clear set of contingency plans.

  In answering this question Monitor will first analyse the scenarios presented by the applicant in its Business Plan, and also test the key assumptions made by the applicant in its projections, in order to assess the impact on risk and opportunity. In doing this Monitor aims to determine the strength of the applicant's financial position when exposed to a variety of risks. Monitor will also assess the extent to which the Trust Board has identified means by which key risks can be mitigated and whether contingency plans exist.

- **What risks arise from the trust's existing partnership and joint ventures?**

  For each of its significant partnerships (including Section 31 contracts), the trust should be able to provide a clear description of the inputs into the Joint Venture, the expected outputs and any risks arising from the contract (e.g. obligations to fund defaults by the partner or shared legal liability).

Required Submissions: Business Plan, Long Term Financial Projections, Working Capital Review.

5.4.2.2 Is the Business Plan internally consistent?

- **Are the resources (people, costs and facilities) consistent with the projected service activity and funding?**

  The purpose of this question is to gain assurance that the level of activity projected in the applicant's plans can be supported by the assumed cost base, and whether any significant changes (e.g., in unit costs of activity) have been clearly explained.

  Monitor will examine the assumptions and rationale underlying the applicant's projections and Business Plan, and also undertake peer comparison (benchmarking) and historical analysis of service activity, financial performance and the historical accuracy of budgeting and forecasting.

Required Submissions: Business Plan, Working Capital Review, Long Term Financial Projections.

- **Are the capital assumptions consistent with the projected service activity?**

  This question seeks to determine whether the applicant's assumptions regarding asset base and capital expenditure are capable of supporting the level of service activity

projected. It also seeks to assess whether the capital expenditure assumptions can be funded by forecast operating cash flows, financing cash flows (e.g., borrowing) and capital structure.

Monitor will examine the assumptions and rationale underlying the applicant's capital expenditure projections and the feasibility of the proposed capital structure and future borrowing requirements. Specifically, Monitor will look at the maintenance and growth projects planned and consistency of the proposed borrowing with the anticipated Prudential Borrowing Limit.

Proposed borrowing levels should be based on the Prudential Borrowing Code issued on 22 March 2005. Details of the requirements of the Prudential Borrowing Code are set out in Appendix B11.

Required Submissions: Working Capital Review, Long Term Financial Projections.

- **Is the implementation plan clear and consistent (e.g., cost improvement plans, recruitment and borrowing)?**

  This question seeks to assess the overall robustness of the implementation plan by considering the key programmes, initiatives and investments contained in the applicant's Business Plan and factored into the projections, and assessing the extent to which clear and achievable plans exist for them.

  Monitor will conduct the assessment through reference to the Business Plan and discussion with the applicant and stakeholders in the local health economy.

Required Submissions: Business Plan.

5.4.2.3 Does the Business Plan provide a level of activity and mix of services consistent with patient and service user needs and the requirements of the Act?

- **Does the plan include the mandatory services?**

  This aims to ensure that the applicant's planned mandatory services meet the mandatory activity levels and service mix agreed with the commissioners.

Required Submissions: Schedule of Services (see section 5.5 below).

- **Does the plan make acceptable assumptions about property and asset disposals?**

  This aims to ensure that the applicant's Business Plan and financial projections do not incorporate the disposal of property or assets required to support the proposed mandatory service level and mix.

Required Submissions: Business Plan.

- **Are the private patient income assumptions (if applicable) consistent with the cap?**

  The definition of private patient income is set out in Appendix B5.

  The applicant will be required to outline the private patient income assumptions that it has built into its Business Plan and projections as well as the method of categorisation and calculation.

  Monitor will ensure that the applicant's Business Plan and projections do not exceed the cap on private patient income, and that assumptions about private patient income are consistent with Monitor's interpretation of the Act.

Required Submissions: Business Plan, details on private patient income assumptions (where not included or not explicit in Business Plan).

- **Is the strategy supported by key commissioners?**

  This aims to ensure that there is commissioner support for the applicant's Business Plan and projected revenue streams.

  The applicant will be required to outline the Local Development Plan; the commissioning assumptions built into the plan, and provide evidence that projected activity volumes and income are stable and sustainable.

  To provide the professional opinion to trust boards referred to in [Section 3.4] the independent accountants will have to satisfy themselves that the income projections for NHS patients and service users are reasonably secure. This is likely to require signed contracts or the intention to sign contracts between the applicants and their commissioners of healthcare. For other income the assessment may be based on historical performance and market assessments, or a contractual basis may be required, depending on the nature of the income.

Required Submissions: Business Plan.

- **Does the plan fit with local and national service needs?**

  This question aims to identify the degree to which the applicant's plans are aligned with the needs of the local and national health economies. The extent to which key stakeholders have been consulted and their input taken into account will be assessed.

  The applicant will be required to provide evidence of the ways in which its Business Plan responds to local and national service needs.

  Monitor will engage in discussions with key stakeholders such as the SHA and PCTs, to establish the extent to which the Business Plan reflects local and regional health economy needs. In particular, Monitor will check that stakeholders have supported the strategy from the perspective of an integrated and consistent overview of the local health economy and all likely developments in it.

  A statement from the trust board that there has been no material change in the applicant's risk management policies and processes since these assessments were made, or details of any significant changes made and confirmation that the processes have been implemented and are effective.

Required Submissions: Business Plan.

5.5 Schedule of services

The purpose of these schedules is to define the mandatory services which Monitor will require the NHS foundation trust to provide in the context of Section 14 of the Act. The underlying philosophy is that the provision of services contracted or intended to be contracted by NHS commissioners or third party education and training commissioners should be mandated in order to underpin the effective functioning of the commissioning systems.

Applicants will need to complete and submit the following schedules during the Monitor assessment phase, along with additional guidance on their completion (see Monitor's Appendices for further details).

Schedule 2 – mandatory health services workbook: Clinical health services for provision to NHS patients or service users should be considered mandatory and included in the workbook (details of social care services provided to other service users by both mental health and acute trusts should also be included). The term mandatory refers specifically to the activity volume by service type that is agreed in contracts, or is understood will be agreed in contracts, between commissioners and the applicant.

Schedule 3 – mandatory education and training services workbook: Education and training services that will be designated as mandatory will be those services provided to third parties, for which contracts have been signed or where an understanding exists that contracts will be signed with commissioners or other third parties.

The workbooks will form the basis for mandatory services. Where commissioners or third parties and the applicant are unable to reach agreement to either sign contracts or intend to sign contracts, the services may be authorised but the applicant will not be required in their terms of authorisation to provide them. Monitor reserves the right to vary the goods and services which the NHS foundation trust is required to provide in order to ensure the continuity of local service provision. These details will form schedules 2 & 3 to the terms of authorisation and must be provided as early as possible.

Mandatory health services workbook Attachment 1: Applicants must provide a summary indicating which commissioners have signed contracts or are understood to be going to sign contracts; any significant activity that is expected to be undertaken outside of legally binding contracts should also be identified. This workbook should also cover commissioner support received through Section 31 agreements (with support separately identified for each party) and income received from commissioners to fund any secondary commissioning undertaken by the trust.

5.6 How Monitor will work with applicant trusts

This section gives an overview of the process Monitor's assessment team goes through to complete the assessment of NHS foundation trust applications.

5.6.1 Monitor's team

Monitor's role is to assess those applicants that have successfully passed through the DH development stage having gained the support of the Secretary of State to move forward to Monitor's assessment phase.

Monitor will conduct its assessment in accordance with the guidelines set out in section 4.3 above. Monitors ultimate responsibility is to approve, reject or defer an application based on its assessment of the application. The process that Monitor uses to assess the application is summarised below. Further details of the outcome of assessment is provided in section 6

5.6.2 Monitor's roles and responsibilities

Each applicant is assigned an assessment team which is led by a Senior Assessment Manager. Applicant trust's will be contacted by their Senior Assessment Manager to make arrangements to start the assessment process once their application has been formally passed to Monitor by the Secretary of State. It is usual for the assessment team to spend a number

of days visiting the trust during the assessment process conducting initial interviews and conducting follow up analysis.

5.6.3 Interviewing key stakeholders

During the assessment process the applicant's submissions will be reviewed and key personnel from within the trust will be interviewed. The assessment team will contact the applicant at the beginning of the assessment process to indicate who they wish to interview, it is usual to expect interviews with the board, board sub-committees, the finance team and clinical directorates. Monitor will also conduct interviews with other external bodies and parties, including but not limited to external auditors, internal audit, SHA's and lead commissioning primary care trusts.

5.6.4 Review of third party reports

As noted in chapter 4 above, during the DH development phase independent accountants will be appointed to conduct a historical due diligence report on applicant trusts. This report will provide an overview of a trust's historical performance and underlying financial position together with a review of the financial reporting arrangements of the applicant. Monitor will review this report to assess the historical position of the trust and will use the information provided to help to assess the robustness of the Business Plan.

Monitor's assessment team will also maintain dialogue with the independent accountancy firms conducting the working capital review during the assessment process and will review these reports as part of the assessment process, along with any other reports that may be received from other external third parties.

Monitor will not be involved in the development phase which will be organised and managed entirely by the DH. Monitor will not have sight of any of the work conducted during the development phase with the exception of the final Business Plan, and the historical due diligence report.

5.6.5 The Board to Board presentation

As part of the assessment process, each trust is given the opportunity to present their Business Plan to the Monitor Board at a 'Board to Board' meeting. This meeting is held midway through the assessment period. The trust executive and non executive board members will be expected to attend this meeting. The Monitor Board will ask questions and provide challenge on the application. Applicants will not be provided with the details of the questions they will be asked. The questions will pick up issues identified through the assessment and will focus on the 3 key areas;

- legally constituted?

- financially viable?
- well governed?

5.6.6 The Board decision meeting

Towards the end of the assessment process the assessment team will finalise papers to present at a decision board meeting, where the application will be formally considered by Monitor's Board. A decision may be made at this meeting to either authorised, defer or reject a trust's application.

5.6.7 Freedom of Information Act considerations

As a public authority, Monitor is under a duty to comply with the provisions of the Freedom of Information Act 2000. In the event that, in consequence of a request for information under the Freedom of Information Act 2000, Monitor may be required to disclose any information supplied to Monitor by an applicant trust or which has been acquired in consequence of the application process. Monitor will notify the applicant trust of the request and will consult with the applicant trust prior to any disclosure of information.

For the application process to work effectively there must be a free exchange of information and views between Monitor and an applicant trust. That free exchange is in the interests of both Monitor and the applicant trust. It is also in the public interest. Monitor will respect the confidentiality of information supplied or acquired in the course of the application process, in so far that it is not inconsistent with Monitor's legal obligations under the Freedom of Information Act. In particular, Monitor would regard the minutes of meetings between Monitor and the applicant trust as being confidential, and, if required by law to disclose such minutes, would do so only after confidential or personal information had been excised.

5.7 Applicant responsibilities

It is the responsibility of each applicant trust to ensure that they cooperate fully with all parties during Monitor's assessment. The application and assessment process is very demanding on the time of senior management at the trust. It is therefore advisable that each trust plans and prepares accordingly to ensure they have sufficient resources and where necessary, additional resource to cope with the extra demands that the application and assessment process will place on them, particularly within the finance department. In addition a trust's responsibilities will include but not be limited to the following:

- each trust must ensure that it meets all deadlines for the submission of information to both third parties and Monitor;

- staff (including board members) must make themselves available to attend and participate in meetings as advised by Monitor or third parties; and
- a trust must advise Monitor and other third parties of anything that comes to light during the assessment process (that was not previously identified or included within a trust's submission) which significantly changes their Business Plan assumptions, financial viability, governance arrangements or constitution.

Whilst the assessment process has been funded (see chapter 7 below) it is the intention of both the DH and Monitor that costs are kept within planned levels. It is therefore essential that cost overruns, particularly any additional expenditure associated with third party involvement are avoided. If any cost overruns are deemed to have been caused by an applicant trust unnecessarily, the trust concerned may be required to settle these costs.

6 Outcomes from the application

Applicants will be informed of the outcome of the Monitor Board decision meeting no later than the day before the proposed licensing date (i.e. for groups to be licensed on the 1 April will be informed by 31 March. It is usual for trusts to be notified by telephone in the first instance one day prior to the official notification of the application outcome decision. This initial notification is subject to strict press embargo. Under no circumstances must a trust communicate the results of their application to any other parties, including (but not limited to) employees, stakeholders groups and organisations, or any other third parties including the press, until they have received formal notification of their application decision from Monitor, which will be outlined within an authorisation letter. Applicant trusts may contact Monitor's communications team in the week prior to decisions being made to discuss communications strategy.

The possible outcomes from Monitor's Board decision are:

- Authorisation (6.1)
- Rejection (6.2)
- Deferral (6.3)

The implications of these outcomes are discussed below:

6.1 Authorisation

Monitor has been granted powers under Section 6 of the Health and Social Care Act (2003) to authorise applicant trusts. If the decision to authorise an applicant is made at the Monitor Board's decision meeting, the trust concerned will be notified formally by letter and will be issued with the Terms of Authorisation. The Terms of Authorisation is made up of three parts and it is accompanied by 6 schedules as follows:

Part 1 The authorisation

Part 2 Interpretation and construction

Part 3 Conditions of authorisation

- **Schedule one – The Constitution**

  This is the trust's constitution as approved by Monitor. The proposed constitution will be reviewed by Monitor's legal team as part of the application process.

- **Schedule two – Mandatory Goods and Services**

  The mandatory goods and services schedule sets out volumes or amounts of services that will be provided under legally binding contracts with the commissioning bodies.

- **Schedule three – Mandatory Services (Education and Training)**

  The mandatory education and training schedule sets out the volumes or amounts of training and education services that will be provided to third parties under legally binding contracts.

- **Schedule four – Private Patient Income Cap**

  This schedule sets out the limitations on the level of income that can be derived from private patient charges in any financial year. This is often referred to as the trust's private patient cap. The cap is expressed as a percentage of a trust's total income.

- **Schedule five – Borrowing limits (Prudential Borrowing Code)**

  This schedule sets out the trust's borrowing limits for the purposes of working capital and longer term investment and is subject to annual review. Borrowing limits are defined by the Prudential Borrowing Code. There are 5 ratios used to determine borrowing limits (see Appendix B11).

- **Schedule six – Information (statutory obligations)**

  Schedule six lists the information that trusts are legally obliged to provide post authorisation to other parties. The list has been devised by Monitor in consultation with the DH and the Healthcare Commission. This schedule is subject to regular updating and can be accessed from the Monitor website.

Side Letters

In some cases a trust may be authorised on condition that specific requirements are met. These requirements are outlined within what is termed a side letter which provides details of the requirements and where necessary sets out a timeframe for their implementation.

Variation of Terms of Authorisation

A NHS foundation trust may apply to Monitor to vary their terms of authorisation. A formal process exists to vary the terms of authorisation, the details of which can be found on the Monitor website.

Compliance Regime

Once a trust has been authorised they will be subject to monitoring within our regulatory framework which has been set out in the Compliance Framework document (the compliance framework document is available from Monitor's website). The regulatory framework has been designed to allow NHS foundation trusts to make the best use of their freedoms whilst operating within boundaries as outlined within the terms of authorisation.

Newly authorised NHS foundation trusts are monitored on a quarterly basis and will submit a quarterly return to Monitor which outlines the trust's achievement in financial performance terms against their authorised plan, along with details on their achievement of other non-financial performance targets and measures, for example the core national healthcare targets and standards, over the same previous quarter period.

Relationship Management

Upon authorisation each NHS foundation trust will be allocated a Monitor relationship team and provided with each relationship team member's contact details. The relationship team will be made up of members of the Regulatory and Compliance team at Monitor. The role of the relationship team is to provide a first point of contact for the NHS foundation trusts for all correspondence and queries.

NHS foundation trusts should contact these allocated individuals for queries or concerns in the first instance. The relationship team members should be able to provide advice or information to address initial queries received from the trust. However on those occasions where they are unable to they will forward the query on to the relevant party within Monitor and advise the trust accordingly.

6.2 Rejection

If the decision is taken to reject an application the trust concerned will be notified formally by letter. The letter of rejection will set out the areas where the application falls short of Monitor's assessment criteria. The assessment team will also visit the applicant to give a formal debrief to explain the reasons why the application was not successful. Whilst the assessment team will welcome constructive feedback, the debriefing meeting itself will not be an opportunity to challenge the assessment decision.

If an application is rejected, an unsuccessful applicant trust which wishes at some future date to reapply for authorisation as an NHS foundation trust will have to go through the application process again. The support of the Secretary of State for the new application will have to be sought and obtained before a new application can be made to Monitor. The application process will require to be repeated, including the establishment of membership

and constituencies and the holding of elections for governors. The criteria which require to be met for authorisation remain the same.

6.3 Deferral

The Health and Social Care (Community Health and Standards) Act 2003 does not expressly provide for the deferral by Monitor of an application. However, Monitor has discretion on whether or not to authorise an applicant trust and it is considered that Monitor has both an implied power and a discretion to defer an application.

An application can be deferred only if the outstanding issues identified as preventing a successful application are capable of satisfactory resolution or of being properly addressed within a reasonable period of time and are likely to be resolved or addressed within that period. Monitor must expressly define those matters requiring attention. Those matters must be capable of resolution by the applicant itself (for example, involving the securing of more appropriate governance arrangements, working capital facility or cost improvement plans) and not be dependant upon third parties. If a trust is not empowered to satisfactorily address all issues which need to be addressed to secure a successful application, then deferral is neither a viable nor an appropriate decision.

There is a limit on the period of time for which an application can be deferred. The appropriate period will depend on the circumstances of the particular application. However the total period of deferral should not normally exceed 12 months, as a period longer than this may frustrate the object of deferral and undermine the integrity of the application process.

The period of deferral will be clearly specified in the decision letter. It will be specified as a particular date rather than a period of months from the date of the decision letter. A trust which has had its application deferred will need to come back to Monitor on or before the specified date with a formal written request for reconsideration by Monitor of the application. Monitor's decision on the deferred application can be made outside the deferral period, but only if the trust had met the deadline specified in the decision letter. The significance of the date and the procedure to be adopted will be set out in the original decision letter. The decision letter will make it clear that if a request for reconsideration is not made on or before the date specified, the application will be treated as withdrawn.

6.3.1 Implication of deferral

Trusts that have been deferred or their request for a deferral has been accepted will not need to regain Secretary of State support prior to having their application reconsidered by Monitor. The deferred applicant will need to request a reconsideration date for their

application within the time limit detailed in their decision letter if they are to avoid their application being treated as withdrawn.

The deferred applicant will need to demonstrate that outstanding issues identified have been satisfactorily resolved. Resubmissions requirements are likely to vary dependent on the issues identified in the decision letter and the time that has past since deferral to reconsideration. However resubmissions are likely to include but will not be limited to:

- an updated Business Plan – and where a trust's strategy has changed significantly it may be necessary for the revised Business Plan to be subject to public consultation;
- an updated financial model – readdressing the working capital and long term financial assumptions that underpin the Business Plan;
- an updated self certification on the organisation's capacity;
- an update on any changes to governance arrangements post the deferral date;
- personal profiles of any new board members;
- an updated governance strategy or confirmation that there have been no changes to the trust's governance strategy post deferral date.

In addition the trust may be required to provide an updated board memorandum and board statement confirming the adequacy of financial reporting procedures and working capital arrangements. An independent accounting firm will need to update their working capital report and sign a clean working capital opinion to underpin the board statement. In most cases a second Board to Board meeting may be held with the applicant. A trust cannot be authorised unless a clean working capital and a financial reporting opinion has been provided to Monitor. Resubmissions will be subject to the same robust and rigorous assessment process as was conducted on the initial trust application.

Once the deferred applicant has written to Monitor to request reconsideration of its application, it will be advised of the resubmission requirements and the date by which this information must be received. The assessment team will then conduct interviews and seek any further evidence they require to complete the assessment.

7 Tools and Support

7.1 Phase One – DH developmental support

7.1.1 DH implementation events

During the DH development phase, the DH will run implementation events which will cover various aspects of the business planning and application process. These events will be used to explain specific activities that applicants need to undertake to complete the Business Plan, cover feedback from draft submissions, and provide the opportunity for applicants to network and explore common issues and approaches.

7.1.2 Appointment of independent consulting firm to assist in the development of the Business Plan

To assist in the preparation of the Business Plan and to develop their application for NHS foundation trust status, applicants will have access to the services of a consulting firm. Applicants will be able to use this expertise to tailor the support provided by the independent firm.

The scope of work for the consulting firm will cover expertise in several areas:

- Business planning;
- Financial modelling;
- HR and organisational development;
- Governance;
- Legally binding contracting;
- Board assessment.

The support provided to each applicant will cover, for example:

1. An initial visit to each applicant trust to provide advice on the technical content of the Business Plan, including key relationships to governance and HR. This will determine the level of understanding and competence in (not exhaustive):
   - strategic direction setting and decision making;
   - business positioning and securing stakeholder buy-in;

- investment and disinvestment, including cost/benefit analysis;
- understanding of commercial finance (implications and opportunities);
- effective corporate governance practices;
- development of robust risk management systems and processes;
- critical analysis of board competence and production of skills change/development plans;
- effective communication and marketing techniques – internal and external;
- signposting to external help that may be available so that applicants produce an action plan to address their weaknesses.

2. Reviews of the outline draft business plans of applicants– evaluating key baseline information to form an initial, written, view on the state of readiness of applicants – and to inform the resource requirements and action plans for the development of the detailed Business Plan.
3. Work with applicants to deliver applicant and stakeholder meetings, to ensure trusts are able to demonstrate effective and open discussion and consideration of partner and key stakeholder needs within the context of the Business Plan.
4. Ongoing support for the development of the Business Plan. Support will take the form of visits or meetings/telcons as required and as determined by the applicant on a trust identified needs basis. Support and advice may need to cover:
   - advice on setting strategic direction and developing business strategies, both for the short and medium term to secure business growth/consolidation;
   - understanding market positioning and identifying market opportunities;
   - identifying opportunities for business re-design and growth through development of alternative markets and strategies;
   - advice on investment/disinvestment decisions and development of business cases (cost/benefit analysis, payback);
   - developing communication strategies to secure stakeholder support;
   - signposting NHS and non-public sector 'champions' to develop good practice;
   - development of implementation strategy – based on sound financial projections, robust business analysis, workforce and organisational development;
   - understanding and effective application of SWOT and PEST analysis;
   - effective financial modelling and sensitivity analysis;

- implementation of robust performance management systems and processes to mitigate financial and non-financial risk;
- identification of weaknesses within business plans and developing a plan to address shortfalls.

The independent consultants will also present sessions on key learning points at DH implementation events.

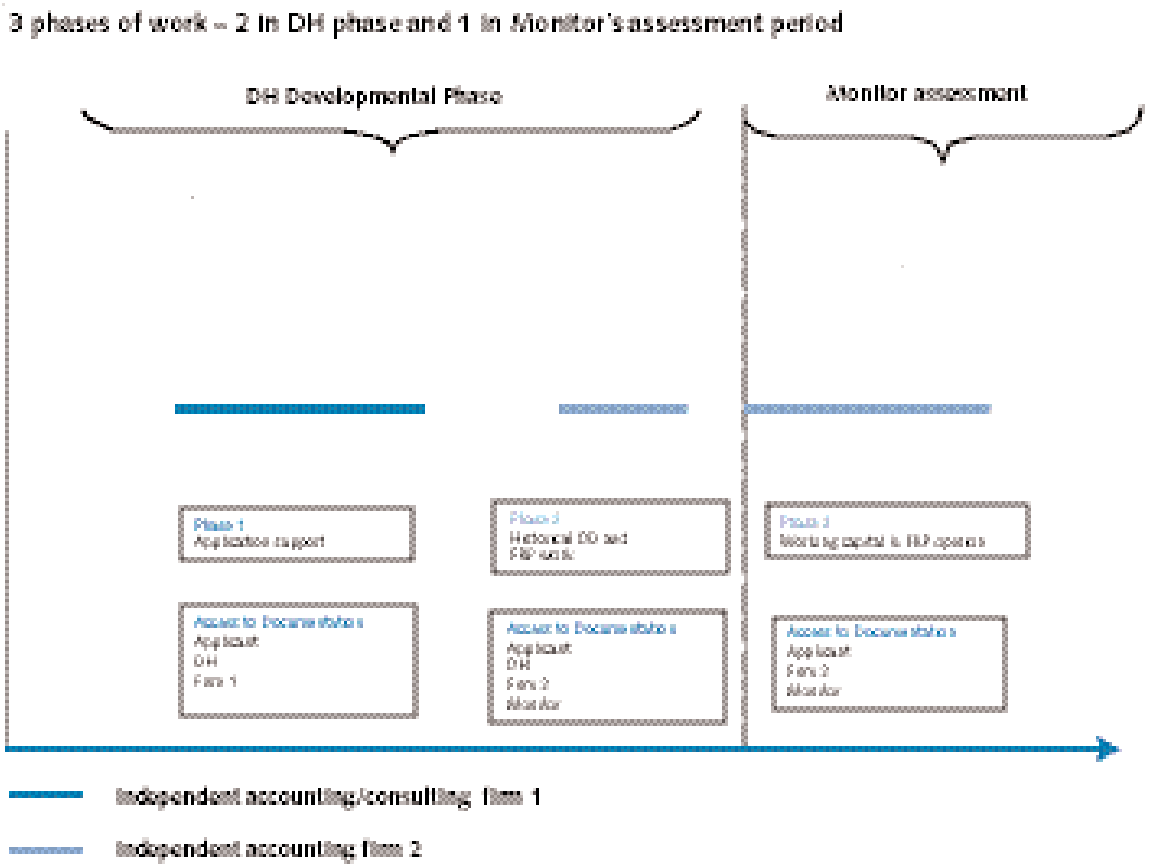
The independent consulting firm will feed back comments on draft submissions to the trust Board and will make suggestions for further activity, which will be translated into a trust action plan. This plan will be copied to DH and will be used by both DH and the consultants to verify progress in the development of the Business Plan. The external consultants will also assist DH in the review of interim drafts and will advise applicants on the preparation of the final submission of the Business Plan.

7.1.3 Financial support

Applicants can expect to receive backfill funding, currently set at £175,000 per trust, to support them in the development of the Business Plan, develop a membership base and undertake governor elections. This funding is paid by DH in two tranches, the first being shortly after submission of the first draft when applicants have confirmed their intentions to proceed through the development phase. The second payment is made at about the time that public consultation commences. Trusts can use this money to secure additional external resource (new positions within the trust or external consultancy) or to support the backfill costs for members of staff diverted into the development of the NHS foundation trust application.

7.1.4 Third party contractors

Each applicant will work with two consulting/independent accounting firms during the application process.



Phase One

In phase one of the DH development phase as discussed in section 7.1.2, the first consulting firm will assist the trust with their developmental work which will include Business Plan preparation. Only the DH and the applicant trust will have access to the findings of the phase one work.

Phase Two

In phase two of the DH development phase, prior to Secretary of State support, a separate independent accounting firm will then complete the historical due diligence report as discussed in section 4.2. This will cover a review of historical performance and financial reporting procedures. The applicant trust, Monitor and the DH will have access to this report.

Phase Three

In phase three, during Monitors assessment phase, the same firm that has conducted the phase two Due Diligence Report will undertake the working capital review and will finalise the financial reporting procedures work as discussed in section 5.4. Only Monitor and the applicant trust will have access to this report.

Eligibility of firms to bid for the work

The role of the first firm is developmental support, acting 'in confidence' from Monitor, and the role of the second independent accounting firm is assessment.

There will be no conflict of interest restrictions for the phase one work as it is developmental work which does not involve an independent assessment. However firms that have had an audit role previously within the trust (internal or external) or have previously acted as an advisor to the trust in a substantial or significant capacity, for example as an advisor on Private Finance Initiative proposals or plans, will not be eligible to bid for the assessment work i.e. the work in phase two and phase three. This is to ensure that there are no material conflicts of interest and that sufficient objectivity is maintained.

7.1.5 Business Plan templates and sourcebook guidance

The Business Plan template included in Appendix A2 have been designed to assist each applicant trust in completing their Business Plan. The contents and format of the Business Plan template has been carefully crafted to ensure that the key areas that are most applicable to the assessment process have been included and are in a format that is easy to digest. More detailed guidance is provided in the Business Plan Sourcebook located at:

http://www.dh.gov.uk/policyandguidance/organisationpolicy/secondarycare/nhsfoundation trust

This provides more practical guidance on how to complete the Business Plan.

7.1.6 Governance sourcebook

A Governance Sourcebook has been produced by DH to support the Business Plan Sourcebook. This Sourcebook outlines the legal requirements for NHS foundation trusts in respect of their governance arrangements including, for example, statutory duties and the election process. The guide also explains how the new governance arrangements of a public benefit corporation can be utilised to further the strategic consideration of future service provision.

Monitor is about to consult on the NHS foundation trust Code of Governance. The Governance Sourcebook is currently being updated and will be re-issued in light of the outcome of the consultation exercise on the NHS Foundation Trust Code of Governance.

7.1.7 HR sourcebook

The HR Sourcebook has also been produced by DH to support the Business Plan Sourcebook. This sourcebook describes how both the HR function and HR business activities need to be developed or introduced within applicant trusts to create a culture where staff can design or develop services whilst understanding and safeguarding against the risks that may result from devolution and empowerment. The sourcebook will ensure the appropriate links, analysis and evidence are incorporated into the Business Plan to render it a coherent and achievable plan.

7.1.8 Consultation guidance

The Health and Social Care Act (2003) specifies that a consultation process must be conducted with the local community and key stakeholder groups, including staff and commissioning bodies in relation to their application for foundation trust status.

This consultation will need to take place as part of the application process. The Secretary of State will not support an application to become an NHS foundation trust unless they meet with the requirements for consultation. These requirements and further guidance on the consultation process has been set out within 'the Code of Practice on Consultation', this along with other consultation related information can be found through the following web link;

http://www.cabinet-office.gov.uk/regulation/consultation/introduction.htm

7.2 Monitor Phase tools and support

7.2.1 Financial Model

The Monitor Financial Model is provided to each applicant trust for population and covers both working capital and long term financial projections. Members of each applicant trust's finance team will be invited to attend an initial training workshop which will provide advice and guidance on how to populate the model with their financial assumptions. In addition to this a separate data book will also be provided to support the population of the model (please note that there are separate financial models for acute and mental health trusts to reflect the differing commissioning arrangements).

7.2.2 Board Memorandum

The trust Board of Directors will be responsible for providing a board memorandum. The purpose of the board memorandum is to ensure that the projected working capital requirements and financial reporting procedures have been appropriately and adequately documented for the Board of Directors to consider, question and ultimately approve. The memorandum is a representation made by the trust's Board of Directors and must be

carefully considered and approved by the full Board. Appendix B10 provides guidance in terms of the detail and content that should be included within the Board Memorandum.

Queries concerning the board memorandum should be directed to the accounting firm undertaking the working capital and financial reporting review.

7.2.3 NHS Foundation Trust Code of Governance

Monitor started the consultation process on the NHS Foundation Trust Code of Governance in November 2005. The purpose of the code of governance will be to assist NHS foundation trust boards in improving their governance practices by bringing together the best practice of public and private sector corporate governance. It is critical that boards of directors of NHS foundation trusts embody the best in corporate governance standards as they represent the first line of regulation of NHS foundation trusts. The Code complements the statutory and regulatory obligations of NHS foundation trusts and sets out a common overarching framework for the corporate governance of NHS foundation trusts. Applicants are encouraged to consult this guidance as part of their application process.

Applying for NHS foundation trust status
Guide for wave 3 Applicants
November 2005

DH Submissions
Integrated Business Plan
Draft Consultation Document
Interim reports
Annexes:
i Financial Model
ii Governance Rationale
iii Model Core Constitution
iv Consultation Response / Staff Engagement
v Membership Strategy

Monitor Submissions
DH submissions, **plus**
i Proposals and timetable for initial elections
ii Working Capital Board Statement & Board Memorandum
iii Schedule of Services
iv Update on implementation of membership strategy & election process
v Register of Director's Interests
vi Register of Governor's Interests
vii Third party inspection reports
viii Self Certification: - management capability - selection process for NEDs - management structures - planning processes
ix Direct evidence on: - performance management - risk management

DH Guidance - *located on website*
Business Plan Sourcebook
Business Plan Template
Governance Sourcebook
HR Sourcebook
Model Core Constitution

Monitor Guidance – *located on website*
Financial Model and Sourcebook (*to be sent directly to applicants*)
Audit Code for NHS foundation trusts
Protection of Assets: Guidance for NHS foundation trusts
Prudential Borrowing Code
Compliance Framework
Foundation Trust FREM (*accounts guidance*)
Annual Plan: Advice for NHS foundation trusts

DH Website
http://www.dh.gov.uk/policyandguidance/organisationpolicy/secondarycare/nhsfoundationtrust/fs/en

Monitor Website
http://www.monitor-nhsft.gov.uk

8 Next steps and logistics

8.1 DH development phase

Applicant NHS foundation trusts will be required to submit drafts of the Business Plan at various stages throughout the development phase. Confirmation that a trust intends to pursue NHS foundation trust status will be indicated by the submission to DH of the first draft of the Business Plan.

Applicant NHS foundation trusts will make a formal application to the Secretary of State. This application will provide the documentation on which the independent historical due diligence will be based. Recommendations to the Secretary of State for support to apply to Monitor will be subject to the outcome of the SHA diagnostic analysis review (if appropriate), the view presented by the independent report and feedback obtained from key stakeholders.

The Secretary of State will make a decision on whether to support an application based on evidence, which will include sound business planning and risk management, open and representative public consultation, effective governance arrangements, and ongoing commitment to develop the organisation's personnel and ethos.

Applicants will be required to submit their NHS foundation trust application in hard copy (1 copy), soft copy on a CD Rom and by email to DH. Prior to making recommendations to Secretary of State, DH will seek the view of policy officials and stakeholders on the quality and realism of the business plans received. If clarity is required on any aspects of the Business Plan, this may be sought either prior to making recommendations to the Secretary of State or, if not considered critical to the application, on the understanding that this will be provided in preparation for the application to Monitor.

Formal applications are to be sent to the trusts designated DH contact, email firstname.secondname@dh.gsi.gov.uk.

8.2 Monitor's assessment phase

Once the Secretary of State has given support the applicant trust will be asked to submit their application to Monitor. Submissions should be sent in hard copy (1 copy), soft copy on a CD ROM and by email to Monitor (see below).

The timetable for the assessment process will be provided to applicants in a separate letter, once Secretary of State support has been obtained.

Monitor will hold a detailed dialogue with applicants. This will take the form of gathering more information and conducting interviews in person with relevant directors, management and wider stakeholder groups. During this process trusts will be asked to present their future plans to the Board of Monitor.

Appendix B1 lists all submissions which are required.

Appendix B2 lists submissions by assessment question.

Appendix B3 provides details of other activities which trusts should be carrying out in parallel with this application.

8.3 Beyond assessment – successful applicants

Successful applicants will be subject to operating as a foundation trust within the Terms of Authorisation ('the Authorisation'). The Compliance Framework sets out the approach that Monitor takes in assessing the compliance of NHS foundation trusts with the Authorisation. The Compliance Framework document can be found on Monitor's website using the web link below.

http://www.nhsft-regulator.gov.uk/publications.php?id=614

All foundation trusts are required to operate in accordance with the Compliance Framework.

Appendix B4 provides Business Plan and Governance issues analysis.

All submissions should be sent to:

Applications Team
Monitor
4 Matthew Parker Street
London SW1H 9NL

Any initial questions relating to this document or the overall application process should be directed to:

trust.applications@monitor-nhsft.gov.uk

Further information is available on the Monitor website: www.monitor-nhsft.gov.uk

PART A
Department of Health Appendices

Appendix A1 – Overview of Submissions

DH Development Phase	Submission
	• Business Plan – first draft on application to DH development phase • Draft consultation documents (optional) – 2 weeks before public consultation • Interim reports on stakeholder engagement and progress against action plans – before and during consultation • Final Business Plan – after the 12 week public consultation period. To include the following attachments – Appendix 1 – Financial Model – Appendix 2 – Governance rationale – Appendix 3 – Model core constitution – Appendix 4 – Consultation response and staff engagement – Appendix 5 – Membership strategy
Monitor Assessment Phase	**Submissions**
Legally Constituted	• Constitution including election rules (appendix 3 to Business Plan) • Summary of statutory consultation process (appendix 4 to Business Plan) • Proposals and timetable for initial elections
Financially viable	• Final Business Plan as defined above (including any additions) • Historical Due Diligence Report from phase two • Financial model incorporating Long Term Financial Projections and Working Capital projections (i.e. 5 year annual projections and two year monthly working capital projections) • Working Capital Board Statement and Board Memorandum • Schedule of services

Well Governed	• Business Plan as above • Governance arrangements and rationale (appendix 2 to Business Plan) • Membership strategy (appendix 5 to Business Plan) • Update on implementation of membership strategy and election process • Register of Directors' interests • Register of Governors' interests • Third party inspectorate reports • Self certification (as per Appendix B12) covering: – Management capability – Selection process for NEDs – Management structures – Planning processes • Letter from the Chairman and relevant Trust Board papers defining approach to each area together with Board minutes when self-certification is signed • Direct evidence on – Performance management – Risk management

Appendix A2 – Five year DH Business plan template

Table of Contents

1 Executive summary

2 Profile of your NHS Trust

3 Strategy

4 Market Assessment

5 Service Development Plans

6 Financial plans

7 Risks

8 Leadership & Workforce

9 Governance arrangements

Electronic version can be found on the DH website

Executive Summary

1	**Executive summary**
1.1.1	Vision and strategy
1.1.2	Rationale for FT status
1.1.3	Market assessment
1.1.4	Performance overview (historical & future)
1.1.5	Summary SWOT
1.1.6	Key risks and mitigation

Electronic version can be found on the DH website

OVERVIEW

The executive summary is a 1-2 page summary of the key elements of the business plan. It should provide the reader with a high level overview of the Trust, its vision, the market it operates within and the performance of the Trust, both historic and future projections. It should also explain why the Trust is applying for Foundation Trust (FT) status and how becoming an FT will help the trust deliver its vision.
This section should link back to the detailed sections later in the business plan.

REQUIRED ELEMENTS

Vision and strategy
- Overview of the trust vision statement, and strategy

Rationale for FT Status
- Why does the Trust wish to be a FT?
- How will the Trust exploit the freedoms?
- Culture and environment to be created

Market assessment – overview of local health economy, covering:
- demographics and demand
- competitive factors e.g. impact of private providers, IS and NHS competitors, and
- impact of choice

Performance overview – summary table covering historical and projected
- financial performance
- non financial performance (e.g. standards and targets)

SWOT analysis
- Summary swot analysis (see below)

Key risks
- the financial impact on the organisation
- any mitigating actions proposed and
- assessment of likelihood for each risk

Key strength	Key weakness
▪ Low reference costs in several specialties (Cardiac, Cardiology, Oncology, Neurosurg) ▪ Shorter inpatient lengths of stay in target specialties ▪ Good clinical outcomes in target specialties ▪ Dedicated team of staff with strong clinical/financial/executive ties	▪ Land-locked sites and capacity constraints in following areas: – ITU beds – outpatient clinic – diagnostics – radiotherapy (linacs) ▪ Poor MIT systems in need of investment ▪ Patient transport accessibility issues ▪ Severe staff and patient parking problem
Opportunity	**Threat**
▪ Increase activity in more specialist areas (i.e. cardiac, cardiology, oncology, neonatal services) ▪ Potential to share clinical and back office support services with neighbouring acute NHS Trust ▪ Save costs and release capacity by moving more activity to a day case setting	▪ Constraint to delivering Electronic Patient Records ▪ Loss of volumes in new environment of patient choice ▪ Higher national decontamination standards

Trust Profile

2	**Example Profile of your NHS Trust**
2.1.1	Overview
2.1.2	Range of Services
2.1.3	Activity
2.1.4	Protected Assets
2.1.5	Finance
2.1.6	Target performance
2.1.7	Summary of contractual relationships
2.1.8	Overview of other procurement arrangements
2.1.9	JVs and partnership arrangements

Electronic version can be found on the DH website

OVERVIEW

This section will cover the basic details of who the Trust is and the type of services it provides to the local population. It should inform the reader of how these service are provided and an overview of the key achievements in recent years

REQUIRED ELEMENTS

Overview should contain:

- the basic details of the trust e.g., facts on size of population served, the type of trust and the number of sites the trust operates from,
- main commissioners (see table below),
- staff numbers (WTE) and the number of beds

Range of services and activity summary table detailing:

- services and relative size of each service

Finance summary table providing

- high level financial information (i.e. turnover, asset base, RCI etc)

Performance – summary describing

- historical performance against key healthcare targets

Contractual information should provide information on any current significant contracts including anticipated value / cost and expiry date

Other procurements arrangement -details of

- shared service centers, national contracts etc

JV information (including s31contracts). Included details of

- the roles and responsibilities of the parties to the JV or partnership arrangement
- Key financial terms of JV agreement
- Governance arrangements of JV

Example Commissioner table

Commissioner	Population	% of Trusts Elective Income	% of trusts Non elective Income
PCT A	245,000	35	40
PCT B	175,000	27	30
PCT C	188,000	30	28
Others		8	2
Total		100%	100%

Strategy

3	**Strategy**
3.1.1	Trust Vision or Mission Statement
3.1.2	Strategy
3.1.3	Rationale for FT status
3.1.4	Summary of outcome of consultation process

OVERVIEW

This section should provide the reader with an understanding of the Trusts plans for the future and how they intend to realise them. For each element of the strategy, please provide rationale behind it, details of likely timeframes for realization and an indication of how success will be measured.

REQUIRED ELEMENTS

Vision – Trust vision statement

Strategy

- rationale and the timeline of each strategic objective
- with a clear understanding of how success will be measured.
- major risks to achievement of strategy

Rationale for FT status

- key reasons for application
- what FT status will mean in terms of delivering the strategy and vision of the trust. Including the cultural environment that will be created within the NHSFT.
- how the Trust will utilise the freedoms given under NHS foundation trust status
- what use will be made of the board of governors and the trust members

Consultation process: Should include details of:

- the outcome of the consultation process including the timeline,
- the type of information provided, response received to date and how this has influenced the final strategy.
- any stakeholder analysis performed and how stakeholder relations are currently managed.
- Stakeholder analysis – summary of representation i.e. special interest groups (can be provided as an appendix to document)

Market assessment

4	**Market Assessment**
4.1.1	Description of local health economy
4.1.2	Illustrative map of local health economy
4.1.3	Key factors driving demand (e.g. demographics, population trends)
4.1.4	Objectives of LHE
4.1.5	Contribution of applicants strategy to the LHE
4.1.6	Major changes in external environment/competition
4.1.7	Summary PEST analysis
4.1.8	Competitive factors i.e. Impact of patient choice, ISTC & other
4.1.9	How the trust will address these factors
4.1.10	Summary of how the trust performs against competitors

OVERVIEW

The Market assessment section should cover off high level analysis of the current health economy including details of clinical networks and other appropriate SHA based commissioning. It should incorporate information regarding competitors (both NHS and IS), including patient choice statistics if available. Practice based commissioning analysis can also be incorporated into this element of the business plan.

REQUIRED ELEMENTS

Local Health Economy – provide details of:

- Assumption on future demand growth
- any external factors impacting upon the current levels of demand within the local health economy.
- Include factors such as demographics, aging analysis and population migration statistics which provide a useful context in which to view the local health economy plans

Objectives of LHE – describe how:

- the trust's strategy will contribute to the overall objectives of the LHE.
- the trusts activity assumptions are consistent with LHE objectives.

PEST – provide:

- summary PEST analysis – the business plan sourcebook has example PEST analysis

Competitive Factors: provide details of:

- patient choice statistics to date and an overview of how patient choice is factored into the overall plans for the Trust. It is important to link choice into the implementation of Practice Based Commissioning (PbC).
- Provide details of any existing and future Independent Sector providers and their current proximity to the trust and the services they are currently offering. Explain impact on the trust
- Detail any known issues regarding IS capacity
- Impact of other FTs and NHS Trusts in the LHE

Trust performance: provide

- Provide any benchmark data which is used by the trust to compares its relative performance with competitors, e.g. waiting times, ALOS, capacity, readmission rates etc

Electronic version can be found on the DH website

Service Development Plans (SDP)

5	**Service Development Plans**
5.1.1	Internal capability assessment/SWOT analysis
5.1.2	Commentary on SWOT analysis
	– Building on strengths
	– Addressing weaknesses
	– Exploiting opportunities
5.1.3	Summary of future initiatives
5.1.4	Summary of activity projections
5.1.5	Resource implication of activity plans

OVERVIEW

This section of the business plan is intended to cover any service development plans the Trust anticipates impacting upon its "business as usual" over the next 5 years. A service development plan may cover:

a) significantly altering the level of activity undertaken by the Trust
b) significantly altering the type of activity undertaken by the Trust
c) significantly altering the patient pathway by modernizing existing facilities, undertaking extensive refurbishment, relocating / reducing the number of sites
d) significantly altering any non clinical capability of the trust i.e. increasing the Education / Training facilities, building a Pharmacy Manufacturing Unit, providing GP services

For each heading opposite, please provide details of each service development planned by the Trust.

REQUIRED ELEMENTS

SWOT Analysis: Should cover
- the detailed SWOT analysis and how SDP's link to the outcomes of the SWOT

Summary of future initiatives: For each SDP, provide
- a high level analysis of the strategic drivers behind the plan i.e. to deliver Cost improvements, to increase the level of service quality, to improve staff morale, to enhance patient choice opportunities, fit with LHE objectives etc.
- a high level cost / benefit analysis, indicating likely capital investment required, the duration of the SDP and the likely benefits to be derived.
- quantative benefits of the SDP as well as the qualitative benefits.
- details of public consultation if relevant to the success of the SDP

Activity projections: For each SDP, provide:
- information on the impact upon existing activity levels
- the type of activity likely to be affected.
- impact on achieving healthcare targets such as the 4hr A&E target.

Resource implications: For each SDP
- how capital investment required will be funded
- describe impact on staff resources and actions to be taken to ensure delivery.

Electronic version can be found on the DH website

Financial Plans – (1 of 2) – Historical trends and I&E projections

6	**Financial plans**
6.1.1	**Historical performance analysis**
6.1.2	**Income and expenditure 5 year projections (to reflect SDP)**
6.1.3	Cash flow 5 year projections, with commentary on key assumptions
6.1.4	Balance Sheet 5 year projections
6.1.5	PFI analysis (if applicable)

OVERVIEW (I&E)

This section will detail the financial plans for the trust in the next 5 years. It should provide the reader with a clear understanding of the key assumptions behind the plans and the likely trajectory of the income & expenditure, cash flow and balance sheet

Key items for inclusion will be the assumptions behind the Service development plans and the cost improvement plans (if applicable).

REQUIRED ELEMENTS

Historical performance Analysis (prior 2 years):

- Provide normalised earnings analysis (see Annex 1 for example)
- Provide a historical bridge chart (see Annex 2 for example)
- Summary I&E statement with commentary on trends and explanations behind material/unusual movements
- Summary historical balance sheet and cash flow with a commentary on trends
- detailed CIP analysis for historic achievement (see Annex 3 for example) split between recurring and non recurring

Income & expenditure 5 year projections

- 3 year projected bridge chart (from financial model – Annex 2 for example)
- 5 year summary I&E with commentary on the key assumptions and trends for the main line items
- Provide detail on the first year's CIP programme. This should include full details of each plan and include the directorate owning each CIP initiative, the prior year budget, risk assessment of achievement and details of how success will be measured (see Annex 4)
- Ensure that the impact of any service development plans are correctly reflected in the financial projections
- If applicable provide details on PFI (see annex 5 for details)

Financial Plans (2 of 2) – Cash flow and Balance Sheet

6	**Financial plans (continued)**
6.1.1	Historical performance analysis
6.1.2	Income and expenditure 5 year projections (to reflect SDP)
6.1.3	**Cash flow 5 year projections, with commentary on key assumptions**
6.1.4	**Balance Sheet 5 year projections**
6.1.5	**PFI analysis (if applicable)**

OVERVIEW (Balance Sheet and Cash flow)

This section will detail the financial plans for the trust in the next 5 years. It should provide the reader with a clear understanding of the key assumptions behind the plans and the likely trajectory of the income & expenditure, cash flow and balance sheet.
Key items for inclusion will be the assumptions behind capex, working capital and funding arrangements

REQUIRED ELEMENTS

Cash Flow 5 year projections –provide details of

- Capex plans for next five years:
  - Split into maintenance capex (core unavoidable capex) and new developments linking to initiatives discussed in strategy
  - Funding assumptions for proposed capex, commentary on Prudential Borrowing Code compliance for all ratios
- Working capital assumptions for the five years
  - Rationale for debtor days, creditor days and stock days
  - Commentary on level of working capital facility required and current status of bank negotiations if appropriate
- Description of material financial commitments, maintenance backlog, PFI detail (if applicable) including both fees and unitary payments if applicable
- This section should also provide details of repaying existing financial commitments such as brokerage if applicable

Balance Sheet 5 year projections

- Commentary on five year trends i.e. consistent with I&E and cash flow assumptions
- Ensure this section is consistent with the Service Development Plans detailed elsewhere
- Details regarding PSPP compliance should also be included and any actions to improve performance.

Electronic version can be found on the DH website

Risks

7	**Risks**
7.1.1	Summary of key business risks – strategic, – operational, – finance, – IT, – HR
7.1.2	Commentary on mitigation
7.1.3	Sensitivity analysis

OVERVIEW

This section should cover the high level risk analysis performed by the Trust. It covers both financial and non financial risks. High level information should be provided on the existing risk management structure & systems and the key personnel involved in the risk management within the Trust.

REQUIRED ELEMENTS

Risks: Summary of :

- key risks impacting the trusts plans – assessment of likelihood
- mitigating actions to address the risks
- details of financial and non financial impact

Sensitivity analysis: include:

- a table of assumptions underpinning the base case (most likely case) e.g.
  - Volumes (e.g., inpatient, day case, outpatient etc)
  - Capacity (e.g., bed days available, theatre sessions available etc)
  - Efficiency/productivity (e.g. staff/patient ratios, throughput etc)
  - Tariffs
  - Unit costs (e.g. salaries by staff type, drugs costs, consumables costs)
  - Inflation (e.g. tariff uplifts, wage inflation, drug costs inflation etc)
  - Balance sheet (e.g. accounting policies, creditors days, debtors days etc)
- Provide a scenario analysis which describes the best and worst outcomes for each of these assumptions. The sensitivity analysis should assess the financial impact in I&E and cash terms of each case on the base case financials.
- Include the impact of controllable mitigating items in the worst case assessment. Further guidance on sensitivity analysis is provided in the business plan sourcebook.
- Conclusion on the financial position in the projected period after a reasonable set of downside risks.
- Conclusion on financial position under a reasonable set downside risks

Leadership & Workforce – (1 of 2) – Management arrangements

8	Leadership & Workforce
8.1.1	Management arrangements
8.1.2	Workforce KPIs
8.1.3	Agency and recruitment arrangements
8.1.4	Recruitment hotspots and actions to address
8.1.5	Workforce and Organisational development – 8.1.5.1 Agenda for Change – 8.1.5.2 EWTD – 8.1.5.3 Consultants contract – 8.1.5.4 Relationship with unions

OVERVIEW

This section is intended to cover an overview of the leadership, the management structure of the trust and its employees. It should provide the reader with a high level understanding of how the trust board operates and it attitude towards its workforce

REQUIRED ELEMENTS

Management arrangements provide
- an overview of the board structure
- the Executive and Non Executive director qualifications and experience using the example pen portrait page (see Annex 6 for example).

Workforce KPI's – include details of:
- Staff numbers
- Turnover
- Sickness
- Absence

Benchmarking data may be added

Agency arrangements and recruitment hot-spots
- Provide an overview of how these issues impact the trust

Workforce and Organisational development:
- Overview of AFC, EWTD, consultants contract (level of sign up)
- Evidence of how staff engagement and involvement has been achieved and will continue to be effectively developed going forward.

Electronic version can be found on the DH website

Leadership & Workforce (2 of 2) – HR strategy

8 Leadership & Workforce

8.1.1 Management arrangements

8.1.2 Workforce KPIs

8.1.3 Agency and recruitment arrangements

8.1.4 Recruitment hotspots and actions to address

8.1.5 Workforce and Organisational development
- 8.1.5.1 Agenda for Change
- 8.1.5.2 EWTD
- 8.1.5.3 Consultants contract
- 8.1.5.4 Relationship with unions

OVERVIEW

This section is intended to cover an overview of the leadership, the management structure of the trust and its employees. It should provide the reader with a high level understanding of how the trust board operates and it attitude towards its workforce

REQUIRED ELEMENTS

HR Strategy: business plan should cover

- how HR issues are integrated across the organisation's strategies
- HR's contribution from board level through the organisation, including consideration of the future impact of wider system reforms on staff (such as Choice, Agenda for Change) and the opportunity NHS foundation trust status brings for the workforce.
- what opportunity will be created for the workforce as a result of securing NHS foundation trust status
- growing as an employer: how is the organisation maintaining and continuing to develop excellent HR practices, drawing from the NHS and beyond; demonstrating that the organisation will continue to meet legal requirements in HR and HR-related issues, and demonstrating local HR capacity/capability to fulfil this, and how this will be done through a duty of partnership.
- staff involvement and / or social partnership – how has the organisation developed its HR "strategy", by involving and engaging staff (and other partners / stakeholders) and where has this involvement informed and influenced the business plan, e.g. use of volunteers to assist in service delivery. How has the organisation responded to the feedback it has received from these parties to improve or change service provision.
- illustrations within the business plan (including highlighting and cross-referencing to the links to the governance arrangements), how the organisation's ongoing aspirations and plans to grow and develop further staff involvement, engagement and wider social partnership will be achieved.

Governance Arrangements – (1 of 2)

9	**Governance arrangements**
9.1.1	**How stakeholder interests will be represented**
9.1.2	**Corporate governance & management**
9.1.3	**Risk management**
9.1.4	Performance management reporting framework
9.1.5.	Financial controls and reporting
9.1.6	Audit
9.1.7	Compliance Framework
9.1.8	IT systems

OVERVIEW

This section of the business plan is intended to cover how the applicant trust currently ensures it is sufficiently well governed. Governance can be defined as the process whereby organizations make strategic decisions, determine who is involved and ensure accountability is maintained. This will encompass formal mechanisms such as the risk management strategy of the trust and informal means. Special attention should be paid to the future governance arrangements of the trust and how the members and the board of governors will impact upon the current governance arrangements of the Trust.

REQUIRED ELEMENTS

Stakeholder interests

- Summary of constituencies and board structure (see annex 7 for example)
- Description of governors and constituencies and rationale
- How the membership will be utilised and exploited within the NHSFT for the development of future service delivery.
- How the organisation will enable empowerment within a framework of accountability and managed risk.

Corporate Governance and management

- Overview of the committee structure employed by the Trust, for example the Audit committee, the risk management committee. Details should include the key members of each committee, terms of reference, how frequently they meet and the sources of information provided to the committee on a regular basis
- Refer to the NHS Foundation Trust Corporate Governance Code and the DH Governance Sourcebook for further guidance on this area.
- Complete the Governance Checklist from the DH as an appendix to your business plan [see Appendix A3 Governance Rationale]

Risk management:

- should provide a summary of how risks are managed throughout the organisation
- Comment on RPST and CNST achievement

Electronic version can be found on the DH website

Governance Arrangements (2 of 2)

9	**Governance arrangements**
9.1.1	How stakeholder interests will be represented
9.1.2	Corporate governance & management
9.1.3	Risk management
9.1.4	**Performance Management reporting framework**
9.1.5.	**Financial controls and reporting**
9.1.6	**Audit**
9.1.7	**Compliance Framework**
9.1.8	**IT systems**

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OVERVIEW

This section of the business plan is intended to cover how the applicant trust currently ensures it is sufficiently well governed. Governance can be defined as the process whereby organizations make strategic decisions, determine who is involved and ensure accountability is maintained. This will encompass formal mechanisms such as the risk management strategy of the trust and informal means. Special attention should be paid to the future governance arrangements of the trust and how the members and the board of governors will impact upon the current governance arrangements of the Trust.

REQUIRED ELEMENTS

Performance Management reporting Framework: include details of

- which reports are sent to the board on a monthly / quarterly basis
- highlight changes made to reporting procedures in light of foundation trust application.
- A summary of systems currently used by the trust to track financial and non financial performance e.g.. healthcare targets, clinical risk.
- Explain when the systems were introduced, if benchmarking data is available, when information can be obtained / frequency of the reports and the access available to these systems throughout the organisation.

Financial controls and reporting: describe the financial controls and reporting procedures at the trust covering

- Details of finance committee
- Controls over expenditure
- Details of any significant controls weaknesses in Statement of Internal Controls

Audit: description of the audit arrangements covering:

- Internal audit – mention any adverse internal audit reports
- External audit – name of auditor, form of audit opinion for last two years, significant issues raised in management letter to the trust
- details of the audit committee

Compliance Framework: Overview providing details of:

- how the Trust will ensure compliance with the monitoring regime
- Commentary on the financial risk rating for year 1 of the projected period

IT systems: Overview of systems including:

- readiness for national initiatives such as Choose and Book, NpfIT etc

ANNEX 1 – NORMALISED EARNINGS

Description

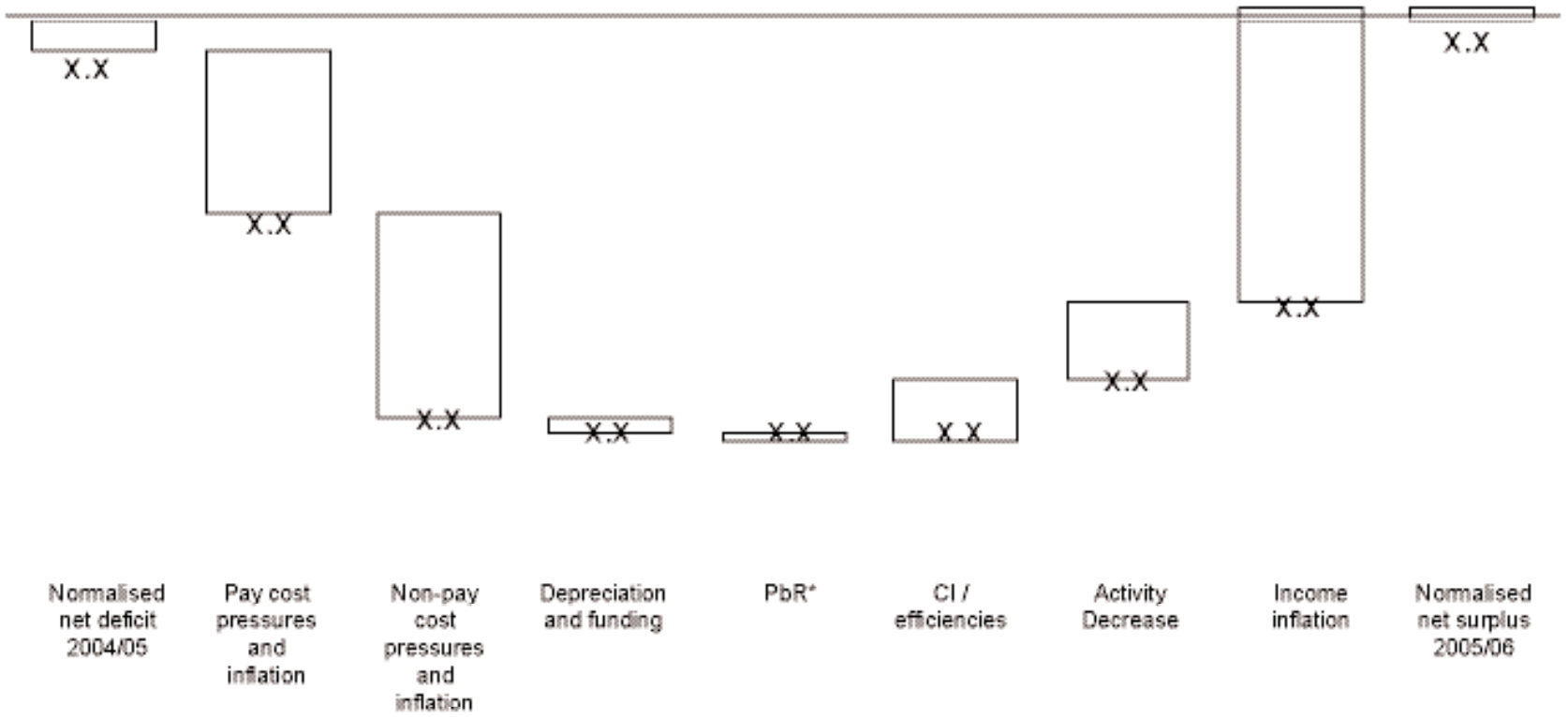
- Excludes one-off items from the historical position and is consistent with the following extract from the scope of the SDS base case assessment
  - "Verifying the Trust's financial position – **establishing the underlying balance**, and ensuring activities and plans will deliver financial targets and obligations, identifying trust risks and mitigation strategies"

Normalised Earnings Schedule, £m	**Actual**				**Plan**					
	00/01	**01/02**	**02/03**	**03/04**	**04/05**	**05/06**	**06/07**	**07/08**	**08/09**	**09/10**
Net Surplus/(Deficit)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**3.1**	**5.0**	**7.0**	**5.1**	**6.5**
Less										
• Capital to revenue transfers										
• I&E Brokerage Received										
• Tapering support for tariff transition (Barnsley PCT agreed for 3 years)										
• Exceptional income – please specify (+)										
• Exceptional income – please specify (+)										
• Exceptional income – please specify (+)										
• Exceptional income – please specify (+)										
• Exceptional income – please specify (+)										
Add										
Revenue to capital transfers										
PCT Financial recovery plan										
Exceptional costs – please specify (-)										
Exceptional costs – please specify (-)										
Normalised Net Surplus/(Deficit)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**3.1**	**5.0**	**7.0**	**5.1**	**6.5**
Add										
Depreciation	2.9	3.3	4.1	4.5	5.4	4.7	4.9	5.0	5.1	4.9
PDC Dividend	2.9	3.1	3.3	2.3	2.6	2.6	2.8	2.9	3.0	3.1
Other costs below operating surplus	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Less										
Other income below operating surplus	(0.2)	(0.2)	(0.1)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Normalised EBITDA	**5.6**	**6.3**	**7.3**	**6.6**	**7.9**	**10.4**	**12.6**	**14.8**	**13.1**	**14.3**
Normalised EBITDA Margin, %	**7.4**	**7.0**	**7.3**	**6.3**	**6.6**	**8.2**	**9.3**	**10.2**	**8.7**	**9.0**

Electronic version can be found on the DH website

Note: Numbers are illustrative in this template

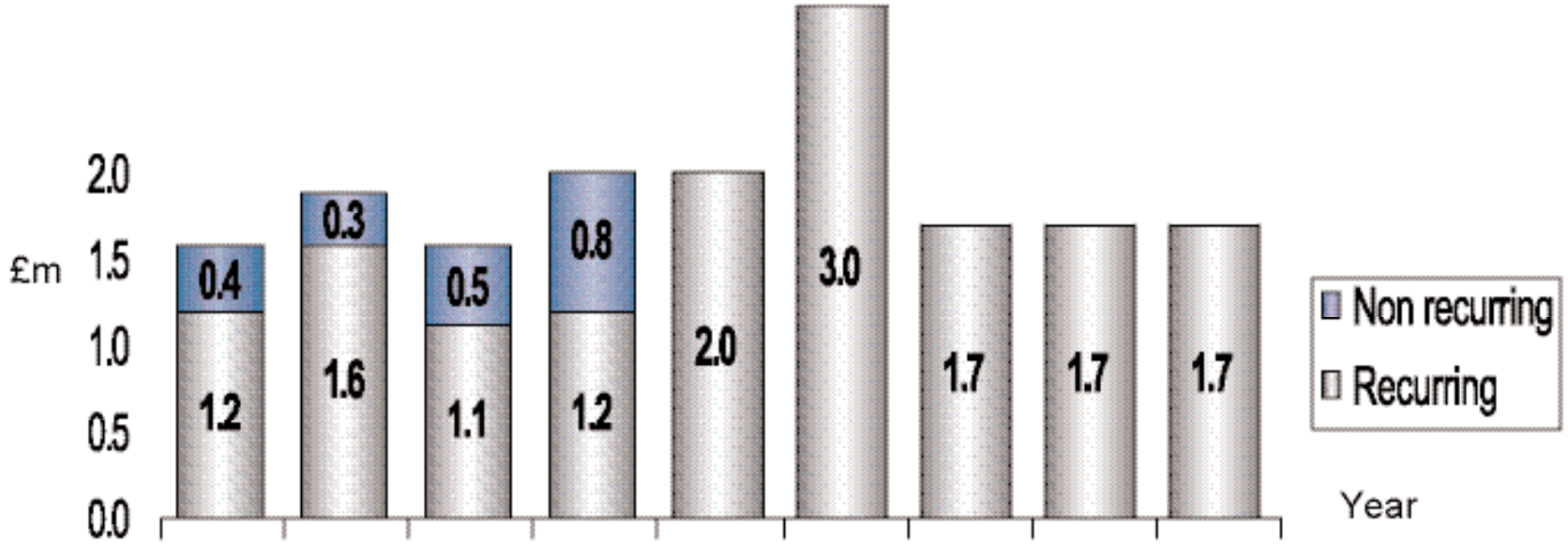
ANNEX 2 – Example Bridge Chart



N.B. This will be generated by the financial model

Electronic version can be found on the DH website

ANNEX 3 – Historical CIP Chart



- This chart may be used for both historic data and future projections
- calculate the CIP as % reduction of the operating cost base.

Electronic version can be found on the DH website

ANNEX 4 – Detailed CIP Example

Area	2003/04 spend (£m)	Source of saving	Key measures	Responsible	Timing	Impact (£m) 04/05	Impact (£m) 05/06
Surgery	11.9	Improved theatre utilisation	Activity / budgetary control	Business Manager	wef 1.6.04	68.0	66.0
		Price reduction	Clinical supplies budget		wef 1.4.04	25.0	25.0
		Other	Directorate bottom line		wef 1.4.04	23.0	23.0
Orthopaedics	6.4	Reduction in use of blood products - recycling	Blood products budget	Business Manager	wef 1.4.04	20.0	20.0
		Medical staff pay	Medical pay budget		wef 1.4.04	25.9	25.9
		Other	Directorate bottom line		wef 1.4.04	10.1	10.1
Emergency Care	4.0	Increase in activity with no increase in staffing	Activity levels / Pay budgets	Business Manager	wef 1.4.04	25.0	25.0
		Other	Directorate bottom line		wef 1.4.04	9.0	9.0

ANNEX 5 – PFI Analysis – if applicable

If the Trust has no plans at this time to use PFI procurement, then this section should be left blank. If the Trust has a PFI that has been handed over and is fully up and running complete the background, financial analysis and risk analysis sections if relevant (at a minimum a schedule of unitary payments is required). If the Trust has plans to use a PFI or indeed is already using a PFI procurement route, or has a signed PFI which has not been handed over yet, this section should be used to explain the logic behind the PFI funding.

Background

- A commentary explaining the background of the scheme, the rationale behind it and how it aligns to the trust strategy. It should include an overview of any significant changes in capacity (e.g., number of beds, operating theatres, members of staff), any planned disposals as a result of the PFI, any required efficiency benefits and the services to be undertaken by the PFI partners (e.g., hard and soft facilities management).
- The commentary should also include a summary of consultation undertaken (if appropriate), the reasons behind using PFI, advisors used and any applicable recommendation / review cycles that have been completed / are in progress.
- Commentary as to how the project has been reviewed by the Board and will be managed is also required.

Time frame

- An overall timetable through to handover of the facility to the Trust. It is important that financial close be clearly highlighted, as well as major project milestones. If appropriate, any key terms of the agreement should be mentioned here.

Contracting Parties

- Details of the main contract(s) the Trusts have / will sign. This should cover the contracting parties involved, the main services covered by the contract and the timeframe specified within the contracts.
- A summary of the contract values should also be included, highlighting the anticipated Unitary payments upon achieving steady state. Where third parties are responsible for portions of the Unitary Payment please disclose.
- Also cover details of the clauses that allow the contract to be varied

Financial analysis

- The analysis should show the net financial impact of PFI scheme.
  This analysis should incorporate (but is not limited to)
  - Professional fees incurred
  - Support from DH / SHA
  - Income / expenditure streams from other NHS parties if applicable
  - income assumptions (including activity assumptions)
  - unitary payment schedule
  - double running costs if a handover phase is required
  - Impairment implications
  - Cost improvement plans and efficiency benefits
  - Financing arrangements of the SPV

Risk Analysis

- This section should analyse the key risks to the PFI scheme such as fixed inflation rates incorporated into the contract, tariff changes, construction delays or early completion
- This section should highlight the impact of running downside scenarios on the financial position of the Trust

Electronic version can be found on the DH website

ANNEX 6 – Example Pen Portraits

John Smith – Chairman – Appointed Chairman in December 1994

▪ Experience	▪ Former Chairman of Newtown Authority ▪ Former Chairman of Newtown college ▪ Former Justice of the Peace	Insert Photo*
▪ Qualification	▪ Diploma in Administration	

Jane Doe – Vice Chairman & Audit Committee Chair – Appointed NED in December 2000

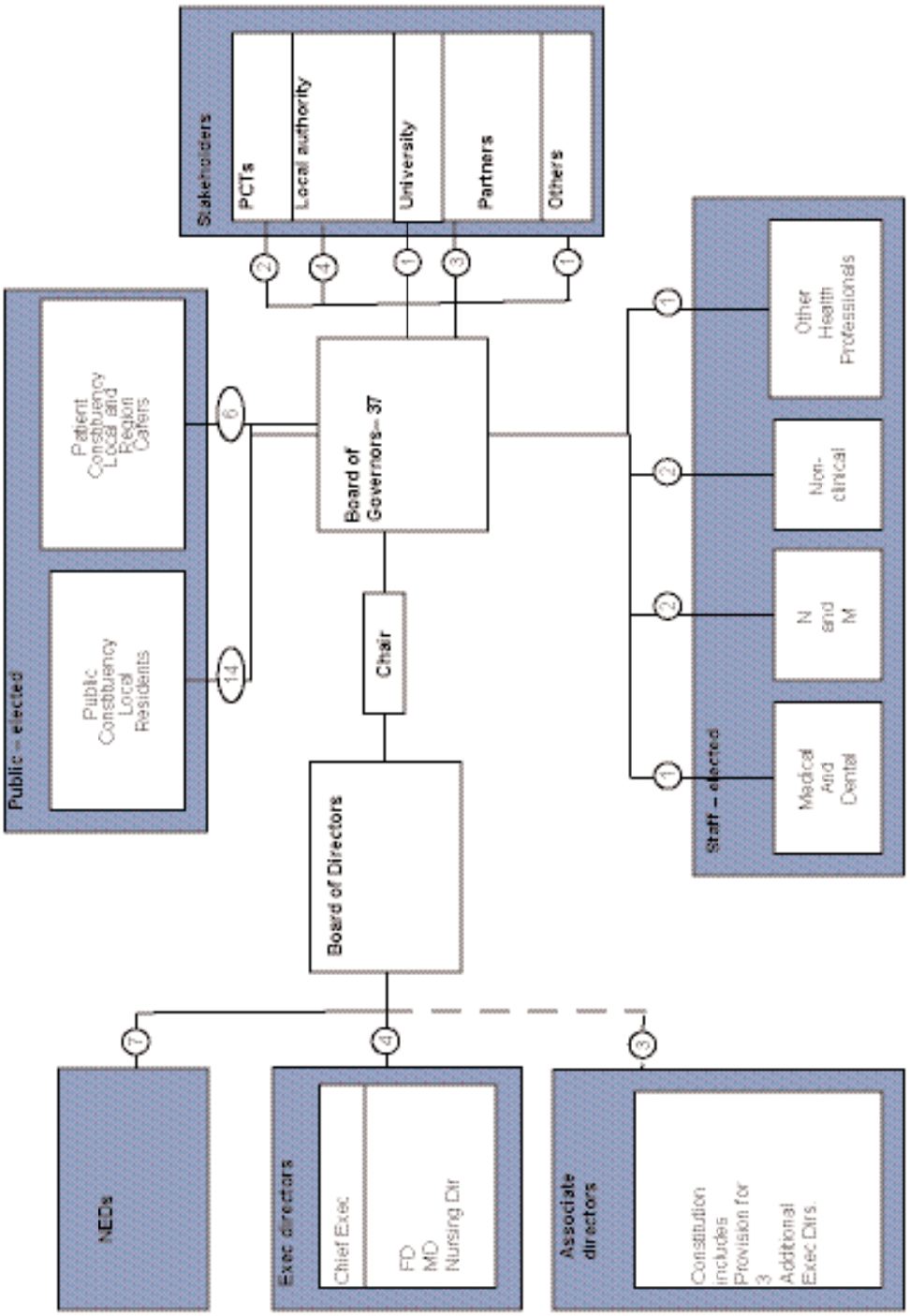
▪ Experience	▪ Former General manager – Newtown branch Marks & Spencer ▪ A magistrate ▪ Current chair of Newtown committee
▪ Qualification	▪ ACMA

Michael Jackson – Appointed NED in December 2000

▪ Experience	▪ PR consultant for New road PLC ▪ Media trainer for New Communications plc
▪ Qualification	▪ Teaching Certificate

•Please provide a photo scanned into the document for each Non-Executive Director and
•Executive Director

ANNEX 7 – Board arrangements example



Electronic version can be found on the DH website

Appendix A3 – Governance rationale

The table provided below sets out the requirements for the governance arrangements paper *and must be based on what is suitable for the applicant's organisation* which forms a key part of the governance application material to be submitted to DH. Temptations to plagiarise arrangements from other NHSFT's should be resisted since many lead to arrangements that do not work for other organisations. In line with legislation, the advice provided in "NHS foundation trusts: A guide to the governance arrangements" and DH guidance on elections (to be issued in due course), applicants must describe:

Issue	Details	Rationale
MEMBERSHIP		
Public membership		
Definition of the public constituency(ies).		
How membership will reflect the full diversity of the potential community and be representative of the community served by the Trust?		
Plans to develop, maintain and grow the membership?		
Any exclusions to membership that are to apply over and above the legal minimum?		
Expected minimum number of members in the public constituency?		
Patient membership		
Will there be a patient or service user' constituency?		
If there is a patient or service user' constituency, will it include carers?		
If there is a patient or service user' constituency, what are your plans for sub-division of the constituency?		

Issue	Details	Rationale
If there is a patient or service user' constituency, what are your plans to develop, maintain and grow the membership, what are the timescales and milestones for growth?		
If there is a patient or service user' constituency, are there any exclusions to membership that are to apply over any above the legal minimum?		
If there is a patient or service user' constituency, what is the expected minimum number of members in the public constituency?		
Are there any plans to recruit patient or service user members on an opt-out basis?		
If you plan to use an opt-out system how will you communicated with patients and service users to ensure they are adequately informed?		
Staff constituency		
Definition of the staff constituency		
Plans for sub-division of the constituency		
Plans to develop, maintain and grow the membership, what are the timescales and milestones for growth?		
How membership will reflect the diversity of local staff		
Expected minimum number of members in the staff constituency.		
Are there any plans to recruit staff members on an opt-out basis, how will you communicated with staff to ensure they are adequately informed?		
Disqualification for Membership		
Any exclusions that are to be applied for disqualification of membership?		
Termination of Membership		
Under what circumstances will you terminate membership, and how will you enforce it?		

Issue	Details	Rationale
BOARD OF GOVERNORS		
The size, composition of the board of governors.		
How will you ensure the size of the board of governors is manageable?		
What part do you want the board of governors to play in the NHSFT, how will you empower them?		
Public governors		
The process to be followed for nominating public governors and details of the election process.		
Circumstances in which people are not eligible to be governors over the mandatory circumstances.		
Patient governors (if applicable)		
The process to be followed for nominating patient governors and details of the election process. The explanation needs to include the specific circumstances in which people are not eligible to be governors over the mandatory circumstances.		
Staff governors		
The process to be followed for nominating staff governors and details of the election process.		
Circumstances in which staff are not eligible to be governors over the mandatory circumstances.		
Primary Care Trust governors		
PCT(s) that are eligible to appoint governor(s) are selected and details of the appointment process.		
Local Authority governors		
LA(s) that are eligible to appoint governor(s) are selected and details of the appointment process.		

Issue	Details	Rationale
University governors		
Where applicable, the University (ies) that are eligible to appoint governor(s) are selected and details of the appointment process.		
Partnership governors		
Why those organisations were selected and the process for appointing them (e.g. colleges, voluntary organisations, etc)?		
Are you considering representatives of any organisation who will be allowed to attend board meetings in an official capacity (e.g. Chair of neighbouring trust) but who will have no voting rights?		
Terms of office		
Any cap on the total time served for each category of governor (whether elected or appointed) and for non-elected governors the term of office [before new or re-appointment].		
Disqualification		
The provisions for the removal of governors that are intended to apply and any other additional reasons for exclusion.		
Termination as a Governor		
What conditions or requirements apply including the requirements of Schedule 1, paragraphs 8 (1) and (2) of the HSC Act 2003.		
Vacancies		
The process for handling vacancies in the board of governors.		
Roles and responsibilities of governors		
The process to appoint or remove the chair and other non-executive directors This may not apply for the initial Chief Executive & Non Executives.		

Issue	Details	Rationale
The process to approve the appointment of the chief executive (NB may not apply for the initial chief executive).		
The process to decide the remuneration and allowances of non-executive directors.		
Details of the relationship between the board of directors and the board of governors.		
Any other provisions about the board of governors. This should outline details of how the board of governors intends to maintain a dialogue with the staff and public membership.		
Details on payment of travel and other expenses (but not remuneration) for governors.		
Meetings		
Who will deputise in the chair's absence at the board of governors?		
Any special reasons as to why meetings of the board of governors would not, on an exceptional basis, be open to the public?		
The frequency of meetings of the board of governors?		
The number of governors by type that must be present at any meeting of the board of governors?		
The wording of the declaration for governors to give the particulars of their qualification to vote as a member of the board of governors and for members to vote or to stand for election as a governor.		
Conflicts of interests of governors		
Details of how conflicts of interest should be handled.		
Committees and sub-committees		
Any other provisions about committees that may be set up to advise the board of governors?		

Issue	Details	Rationale
BOARD OF DIRECTORS		
The overall size and constitution of the board of directors including the numbers and roles of non-executive and executive directors.		
The eligibility criteria for non-executive director posts.		
Terms of office		
Terms of office for the chair and non-executive directors.		
Terms and conditions of the chief executive and executive directors.		
Disqualification		
Any exclusions to the Board of Directors over and above the legal minimum?		
Roles and responsibilities		
The process for a committee of non-executive directors to monitor, review and carry out other audit committee functions. Proposals for the audit committee's function are also required.		
The process for the non-executive directors to appoint or remove the chief executive and for the committee of chief executive, Chair and NEDs to appoint or remove other executive directors.		
The process for a committee of non-executive directors to decide remuneration and allowances for executive directors and (if relevant) the provisions on remuneration and allowances that might be set out in the constitution, pending appointment of such a committee.		
The process for the directors to have regard to the views of the board of governors on the trust's forward planning.		
The process for the board of directors to present to the board of governors at a general meeting the annual accounts, any report of the auditor on them, and the annual report.		

Issue	Details	Rationale
Meetings of the board of directors		
Details of how meetings should take place including when meetings should take place in public or private.		
Conflicts of interests of directors		
Details of how conflicts of interest should be handled.		
REGISTERS		
How the register of members will be maintained including admission to, and removal from, register.		
How the register of members of the board of governors will be maintained including admission to, and removal from, register.		
How the register of members of the board of governors' interests will be maintained including admission to, and removal from, register.		
How the register of members of the board of directors' interests will be maintained including admission to, and removal from, register.		
PUBLIC DOCUMENTS		
How they will make provision for the public to receive the documents set out in the Act and the charges that will apply {NB regulations may prescribe circumstances in which there is not to be public access to the register).		
AUDITOR		
Details of the auditors appointment and roles and responsibilities.		
ACCOUNTS		
Details of process to make the accounts available.		
ANNUAL REPORTS AND FORWARD PLANS		
Details of process to make the annual report and forward plans available.		

Issue	Details	Rationale
INDEMNITY		
Details of any indemnity clause.		
DISPUTE RESOLUTION PROCEDURES		
Detail of any dispute resolution procedures in the constitution, e.g. Issues related to the constitution or other disputes such as contract.		
AMENDING THE CONSTITUTION		
Details of the procedure for amending the constitution.		

Appendix A4 – Model Core Constitution

The Model Core Constitution is currently out to consultation (November 2005) and may therefore be subject to further amendment. The draft consultation version of the Model Core Constitution is available on Monitor's website.

http://www.monitor-nhsft.gov.uk/publications.php?id=677

Appendix A5 – Applicant NHS Foundation Trusts Public Consultation Response and Evidence of Staff Engagement and Involvement

Introduction

This document is intended for applicant NHS foundation trusts to outline the information, which may be used to inform recommendations to the Secretary of State but which will be required to satisfy Monitor that:

- robust public consultation has been undertaken;
- staff and stakeholder involvement in the development of the IBP has been actively sought and impacted; and
- the organisation can demonstrate a continued commitment to expand and progress the wider culture change and social responsibility required to operate as an NHS foundation trust.

It is therefore in the interest of all applicants to provide as much information as possible to demonstrate this.

The boxes in the template will expand to accommodate responses.

BACKGROUND

1. Name of Applicant Trust

2. Area served by Trust

3. Contact details of person responsible for the public consultation

ABOUT THE PUBLIC CONSULTATION

4. Dates of public consultation

Started	Finished

5. Which media were used for the public consultation document?

	Yes	No
Full consultation document in hardcopy	☐	☐
Summary consultation document in hardcopy	☐	☐
Web-based consultation document	☐	☐
Talking book/audio tape/CD Rom	☐	☐
Large print versions	☐	☐
Versions in ethnic languages (please specify which)	☐	☐

Presentation at public meetings (please specify where meetings were held and the number attending each)

Other (please specify)

6. Number of formal responses received

	No.
Hardcopy, using proforma provided as part of the consultation exercise	
Others in hardcopy – letters etc	
On website	
By email	
By telephone	
By fax	
By text	
Verbally at public meetings	
Others – please specify	

7. Was the pattern of responses to the public consultation in line with the demography and geography of the area? Were there any areas or groups that were not adequately represented in the responses received? Please provide explanations where necessary.

ABOUT THE COMMENTS

8. Please list responses received from major stakeholders (individuals and organisations) and their general view – include local MPs, Local authorities, local NHS Organisations professional and staff representative bodies etc., local commercial organisations, national and local voluntary organisations, etc.

Name	Broadly in favour	Broadly neutral	Broadly opposed	Main issue raised

9. Apart from those listed in 8 (above), how many other responses were received in total?

9A. Was there an OSC review process?

10. Excluding those recorded at 8 (above), how many responses were:

Broadly in favour	Broadly neutral	Broadly opposed

TRUST'S RESPONSE

11. Does the Trust have any comments about the general tone of responses received? For example, were those opposing the proposals expressing fundamental objections or picking up minor (possibly technical) issues.

12. What were the main topics that attracted critical comment and what was the Trust's response?

Issue *(please include in brackets the name of the main person(s)/bodies raising it)*	**Trust's response**

13. What were the main areas attracting support locally? (please indicate in brackets the main source(s) of this support, e.g. patients, staff, general public)

14. Specifically, what was the general tenor of responses with regard to:

Membership	
Board of Governors	
Board of Directors	
Elections	
Constituencies	
Boundaries	
Constitution	
Age limits	
Youth representation	
Staff representation	
Vision	
Transitional arrangements	
H R Strategy	
Communications	
Any novel suggestions received as result of consultation	
Other issues – please specify	

15. **Is there anything else about the public consultation exercise and outcome that you would like to let the Secretary of State or Monitor know?**

16. **Please provide the contact details for the person who will be available to answer detailed queries on the public consultation and provide copies of any responses required for further scrutiny?**

Name	
Address	
Telephone number	
Email	

STAFF ENGAGEMENT, INVOLVEMENT AND WIDER CULTURE CHANGE

17. **How have staff been given ample opportunity to play an active part in the dialogue and deliberations around the NHSFT application? Where has staff dialogue and views influenced the broad HR 'strategy', which in turn supports the service development plans and organisational goals for the Trust?**

18. **How did (and for the future 'how will') the organisation ensure effective staff involvement and participation in shaping cultural change and service development and delivery, and in embracing social partnership in its broadest sense?**

19. **How has the organisation engaged with (and how will it continue to engage with) clinicians in determining the future direction of service provision, and how have the outcomes of such discussions been analysed from a cost/benefit perspective and integrated into the service development plans outlined in the Business Plan?**

20. **How is the Trust developing/managing new (and existing) relationships with local health organisations and other local networks, social care, good citizenship and social responsibility, and playing a role in the wider community?**

21. **What is the degree of 'integration' of first-rate HR practice in all the main functions of the organisation (operational, strategic and clinical) – with a view to demonstrating that good HR practice and thinking is present in the wider organisation and not only in the specialist HR function itself?**

22. **How has the organisation demonstrated its commitment to unlocking the potential of all staff and enabling all staff to progress their skills and careers through lifelong learning and development?**

Appendix A6 – Membership strategy

Applicant NHS Foundation Trust Membership Strategy

Introduction

The format of this document is intended to guide applicant NHS foundation trusts in describing the trust's strategy to set up systems and processes essential to establish, maintain and develop an active membership.

The strategy will define the membership community, and sets out a series of actions to help the organisation achieve its objectives. It will also outline how the trust will evaluate it's success in delivering this strategy and learn from this process to continue to develop and exploit an active and participative membership.

Format for completion

1 What is Membership?

What are the objectives for the organisation in respect of it's membership, for example:

- Qualification for membership, accessibility, publicity, composition of membership, rights and responsibilities of membership, using members as a valuable resource, maintaining accurate and informative database of members.

2 Defining the Membership Community

Based on geography of population (communities included), size of population area, size of population base, profile of population base, demographic changes to population base over next 5 years, employment statistics, ethnicity statistics, constituencies identified within membership, staff membership.

3 Resourcing the Membership Development

How will the Trust resource the development of the membership, e.g., pay costs, non-pay costs, named individuals within the trust with responsibility for taking membership development forward.

4 Building the Membership Base

How will the trust deliver the objectives identified within section 1? What actions need to be taken (in priority order), by whom, and by when? For example:

- What actions does the management team need to undertake?
- What actions will the Board of Governors complete within the first 12 months of operation as an NHSFT?
- What actions will the Board of Governors begin to undertake within the first 18 months of operation as an NHSFT?

5 Managing Active Membership

How will the trust continue to develop and maintain a representative and active membership base? What actions need to be taken (in priority order), by whom, and by when? For example:

- what actions does the management team need to undertake?
- What actions will the Board of Governors complete within the first 12 months of operation as an NHSFT?
- What actions will the Board of Governors begin to undertake within the first 18 months of operation as an NHSFT?

6 Communicating with Members

How will the organisation assist members, elected representatives, managers, and employees so they can contribute effectively to the development of the NHSFT?

- what actions does the management team need to undertake?
- What actions will the Board of Governors complete within the first 12 months of operation as an NHSFT?
- What actions will the Board of Governors begin to undertake within the first 18 months of operation as an NHSFT?

7 Playing a key community role

How will the organisation establish itself as a trusted and accessible participant in the life of the community, to:

- Ensure that the NHSFT positively contributes to local initiatives and partnership working that develop social inclusion;

- Play a major role in the development and well-being of the community served by the NHSFT.
- Maximise opportunities for membership and other relationships amongst those who live in the communities served by the NHSFT.
  - What actions does the management team need to undertake?
  - What actions will the Board of Governors complete within the first 12 months of operation as an NHSFT?
  - What actions will the Board of Governors begin to undertake within the first 18 months of operation as an NHSFT?

8 Working with other membership organisations

How will the organisation develop a strong sense of shared purpose with other like-minded organisations, for example:

- working with other NHSFTs and mutuals to raise the profile of community activity;
- share best practice with such partners on membership, co-operation and community relations.
  - What actions does the management team need to undertake?
  - What actions will the Board of Governors complete within the first 12 months of operation as an NHSFT?
  - What actions will the Board of Governors begin to undertake within the first 18 months of operation as an NHSFT?

9 Evaluating Success

How will the membership strategy, although generated by the trust, become the property of the membership, operated on their behalf by their elected and nominated representatives?

How will the Board of Governors carry out their key role of monitoring the effectiveness of the strategy and ensuring it remains meaningful and relevant as the membership grows and matures.

- What actions does the management team need to undertake?
- What actions will the Board of Governors complete within the first 12 months of operation as an NHSFT?
- What actions will the Board of Governors begin to undertake within the first 18 months of operation as an NHSFT?

10 Membership Recruitment to date

How has the potential membership been targeted to date, and how many members have resulted?

11 Plans for future membership recruitment

- what actions does the management team need to undertake?
- What actions will the Board of Governors complete within the first 12 months of operation as an NHSFT?
- What actions will the Board of Governors begin to undertake within the first 18 months of operation as an NHSFT?

PART B
Monitor Appendices

Appendix B1 – Overview of Submissions Monitor Phase

DH Development Phase	Submission
	• Business Plan – first draft on application to DH development phase • Draft consultation documents (optional) – 2 weeks before public consultation • Interim reports on stakeholder engagement and progress against action plans – before and during consultation • Final Business Plan – after the 12 week public consultation period. To include the following attachments – Appendix 1 – Financial Model – Appendix 2 – Governance rationale – Appendix 3 – Model Core Constitution – Appendix 4 – Consultation response and staff engagement – Appendix 5 – Membership strategy
Monitor Assessment Phase	Submission
Legally Constituted	• Constitution including election rules (appendix 3 to Business Plan) • Summary of statutory consultation process (appendix 4 to Business Plan) • Proposals and timetable for initial elections
Financially viable	• Final Business Plan as defined above (including any additions) • Financial model incorporating Long Term Financial Projections and Working Capital projections (i.e. 5 year annual projections and two year monthly working capital projections) • Working Capital Board statement and Board Memorandum • Schedule of services

DH Development Phase	Submission
Well Governed	• Business Plan as above • Governance arrangements and rationale (appendix 2 to Business Plan) • Membership strategy (appendix 5 to Business Plan) • Update on implementation of membership strategy and election process • Register of Directors' interests • Register of Governors' interests • Third party inspectorate reports • Self certification (as per Appendix B12) – Management capability – Selection process for NEDs – Management structures – Planning processes • Self certification Board minutes • Chairman's letter • Trust Board papers defining approach to self certification • Direct evidence on – Performance management – Risk management • Board Statements (appendix 12)

Appendix B2 – Assessment Questions with Submission

Business Plan

Assessment question		Submission
1. Does the Business Plan provide a level of activity and mix of services consistent with patient or service user needs and the requirements of the Act?	(i) Does the plan include the required services?	• Schedule of Mandatory Services (including any mandatory education and training)
	(ii) Does the plan make acceptable assumptions about property and asset disposals?	• Business Plan
	(iii) Are the private patient income assumptions consistent with the cap?	• Business Plan • Details of private patient income assumptions
	(iv) Is the strategy supported by key commissioners?	• Business Plan
	(v) Does the plan fit with local and national service needs?	• Business Plan
2. Is the Business Plan internally consistent?	(i) Are the resources (people, costs and facilities) consistent with the projected service activity and funding?	• Business Plan • Working Capital Review • Financial Projections
	(ii) Are the capital assumptions consistent with the projected service activity?	• Working Capital Review • Financial Projections
	(iii) Is the implementation plan clear and consistent (e.g. recruitment, borrowing)?	• Business Plan
3. Is the Business Plan financially viable and sustainable?	(i) What are the major changes proposed in the Business plan?	• Business Plan
	(ii) Are the key assumptions realistic (e.g. the impact of PbR, Choice, and Agenda for Change)?	• Business Plan • Long Term Financial Projections
	(iii) Is there a realistic set of risk scenarios with a clear set of contingency plans?	• Business Plan • Financial Projections • Working Capital Review

Governance

Assessment question		Submission
1. Do the proposals provide a representative and comprehensive governance strategy?	(i) Have you taken steps to secure representative membership?	• Membership strategy • Update on progress made in implementation of membership strategy
	(ii) Will the Board of Governors reflect the composition of the membership; are the affiliations and financial interests of the Governors known?	• Constitution, including election rules • Governance arrangements and rationale • Electoral rules and regulations • Account of current electoral process • Subsequent update on elections • Register of Governors' interests
	(iii) Are the affiliations and financial interests of the Board known?	• Register of Directors' interests
	(iv) Are there clear structures and comprehensive procedures for the effective working of NHSFT Boards?	• Constitution • Governance arrangements and rationale
2. Do the proposals meet the statutory requirements laid out in the Act?	(i) Is the proposed constitution in accordance with Schedule 1 of the 2003 Act?	• Constitution
	(ii) Is the proposed constitution otherwise appropriate?	• Constitution
	(iii) Has the statutory consultation been held?	• Summary of statutory consultation (including issues raised and applicant's response)
	(iv) Have the elections been conducted in accordance with the election rules annexed to the constitution?	• Electoral process and results

Governance *continued*

Assessment question		Submission
3. Does the Trust Board believe that the Trust has the organisational capacity necessary to deliver the Business Plan?	(v) Is the Trust Board confident that the management team has the capability and experience necessary to deliver the strategy?	• Self-certification on management capability and experience
	(vi) Is a selection process in place to ensure that non-executive directors have the appropriate experience and skills?	• Self-certification on process
	(vii) Are the necessary management structures in place to deliver the strategy?	• Self-certification on management structures
	(viii) Are the necessary management processes in place to deliver the strategy?	• Self-certification on planning • Direct evidence on performance management • Direct evidence on risk management • Healthcare commission reports • Service Development Strategy • Direct evidence of governance arrangements for joint ventures and partnerships

Appendix B3 – Work that Trusts are Expected to Conduct Concurrent with this Application to Monitor

- **Contracting with Primary Care Trusts and other commissioners**

  When necessary, applicants should continue in their contracting with Primary Care Trust and other commissioners at the same time as conducting their application to Monitor

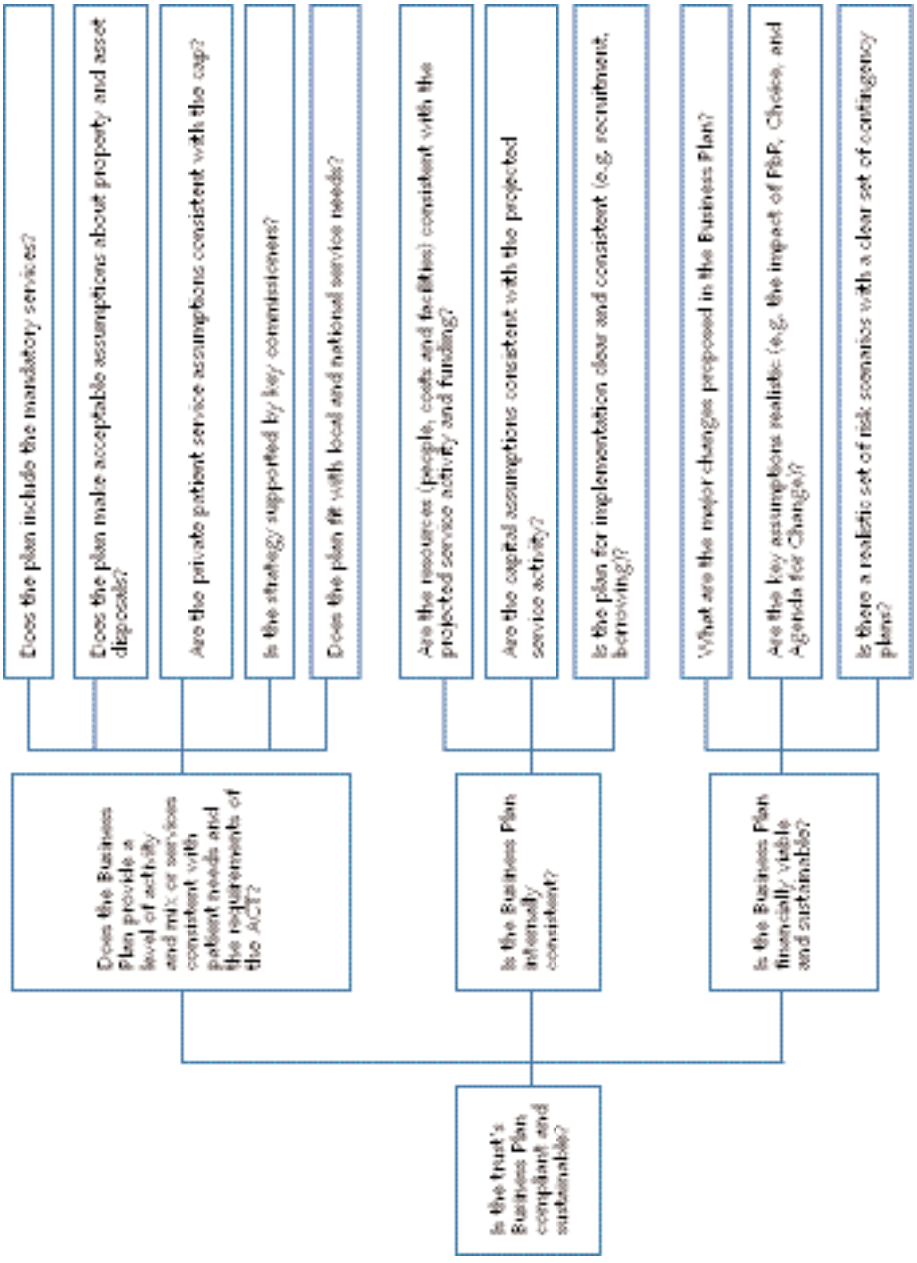
- **Implementation of Governance Arrangements**

  On making an application to Monitor, applicants are able to start implementing their governance arrangements, holding elections and making appointments to the Board. Applicants need to submit a timetable for implementation of these governance arrangements to Monitor. Monitor will require an update on progress towards implementation and on the outcome of the election process.

Appendix B4 – Issue Analysis

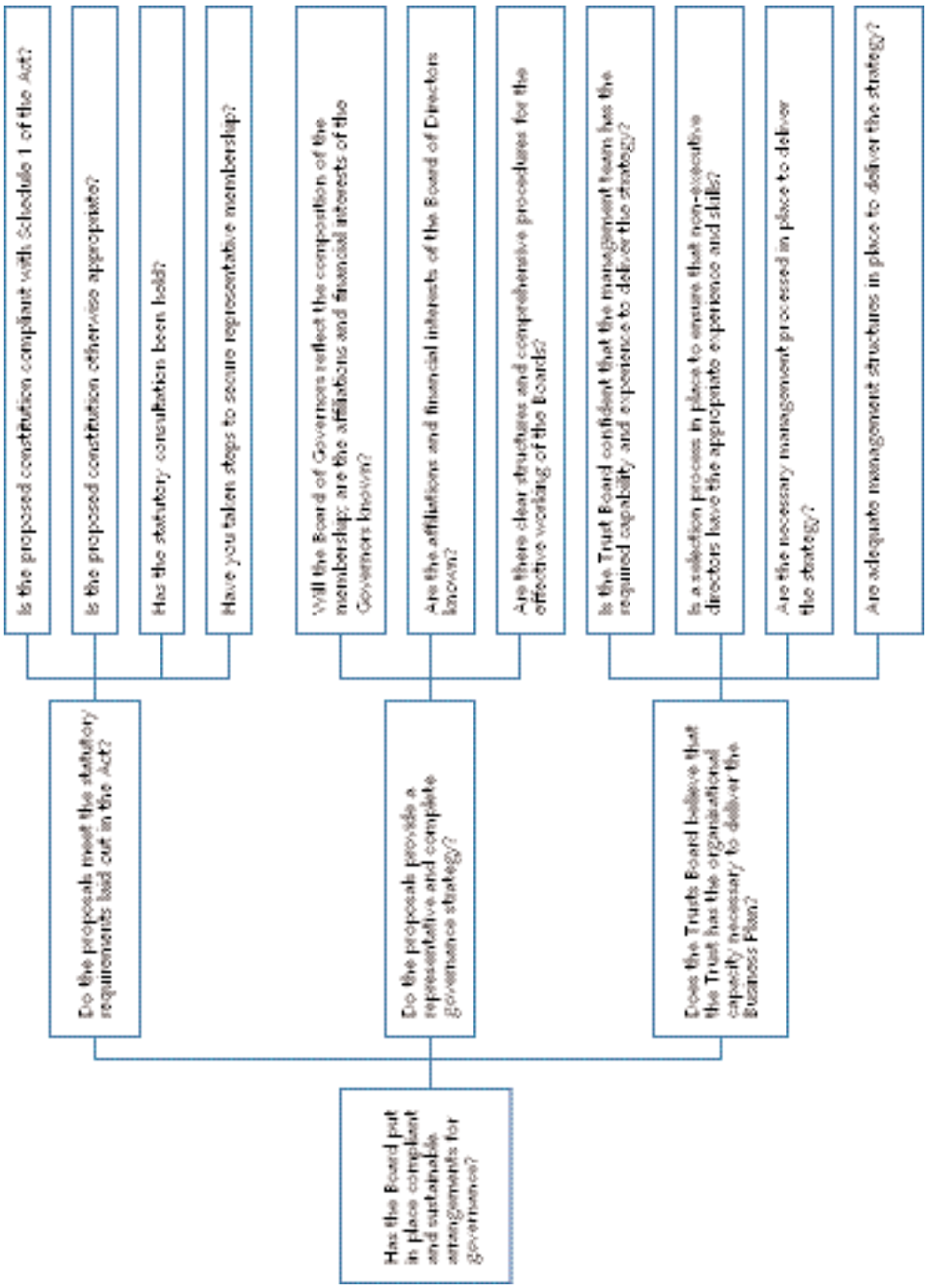
Business Plan

These are the questions from the 'Questions Monitor will ask in assessment' sections of this Guide (including any mandatory education and training) laid out as a single issue analysis



Governance

These are the questions from the 'Questions Monitor will ask in assessment' sections of this Guide (including any mandatory education and training) laid out as a single issue analysis



Appendix B5 – Definition of Private Patient Income

Definition

$$\frac{\text{Private patient income}}{\text{Total patient related income}}$$

Private patient income is defined as non NHS private patient income. Patient related income includes the following:

- Income received from PCTs and Specialist Commissioners for contracted patient care services
- Income received from other NHS trusts for contracted patient care services
- Income received from the Department of Health for patient care services
- Non NHS private patient income
- Other income for patient care services (including Road Traffic Act income, MOD, LAs, Prisons etc)
- Any amounts received from SHAs for patient care services, including income for overseas patients treated under reciprocal and non reciprocal agreements
- Should exclude income for asset impairments (non patient related)

Appendix B6(a) – Schedule of Services[1] – Mandatory Health Services

General

- Applicants must specify for each service type the activity volume for which contracts have been signed (or there is an intention to sign contracts) with each commissioner. The mandatory services are the aggregate of each service by activity type.
- Applicants are provided with a separate workbook for mandatory health services, broken into different worksheets. Each sheet represents a different activity type (e.g. day case, emergency in-patient). On each worksheet, services have been listed by specialty code.
- On each activity type worksheet, therefore:
  - The applicant must list all key commissioners. These are defined as commissioners expected to account for 5% or more of current year income; it may then group the others in the "Other commissioners" column
  - The applicant must specify the activity volume, by national specialty code, contracted by each commissioner (or understood to be going to be contracted) the aggregate amount contracted (or understood to be going to be contracted) by "Other commissioners" should also be specified.

1 Please note that there will be separate mandatory health service schedules for acute and mental health trusts . The mandatory health service schedule for mental health is currently under development but will in principle be the same as the existing schedule for acute trusts (detailed in appendix 6(a) however the categories of activity and the listed activities contained in the schedule will reflect the role of mental health trusts.

Other services

- The applicant is provided with a set of worksheets called "other services". On these worksheets, applicants should include those activity types not captured on the previous worksheets (i.e. not captured under in-patient, day case, out-patient or critical care) but for which services are still commissioned by NHS specialty code. Examples might include direct access or programmes of care.
- The reason that more than one "other services" worksheet is provided is so that the applicant can divide the activity depending on the currency in which it is recorded. The applicant should therefore indicate at the top of each sheet what currency is being used.

Location

- Where Location of service delivery is a material issue and is specified in the contract between the applicant and commissioners, the applicant will need to specify volumes by location.
- The applicant is provided with two sets of worksheets. The applicant must fill in a set of worksheets per location. Where there are more than two relevant locations, the applicant is expected to copy the sheets and create additional sets as required.

Appendix B6(b) – Schedule of Services – Mandatory Health Services: Commissioner Support

This attachment is intended to provide a summary of the income it is anticipated will be received in consequence of the contractual commitments entered into, or expected to be entered into, between the trust and commissioners. Historical information is also required in respect of significant income received from one or more commissioners in the previous year which will not be received in the current year.

- The applicant must list all key commissioners. These are defined as commissioners expected to account for 5% or more of the current year's income. For applicants to be authorised at 1 April this information will be for the following financial year rather than the recently completed financial year. i.e. 1 April 2006 authorisations will be required to complete the schedule for the year 2006/7; it may then group the others in the "Other commissioners" row.
- For each commissioner the applicant must list total income for which contracts have been signed (or are understood to be going to be signed) in the current financial year (i.e. income from mandatory services); for "Other commissioners" the aggregate amount for that group should be shown;
- For each commissioner the applicant must also provide the following historical information: the amount of income in the prior year attributable to that commissioner; for "Other commissioners" the aggregate amount for that group should be shown.
- This workbook also covers income/support received from local authorities in consequence of Section 31 agreements (with income/support identified separately in respect of each local authority) and also income received from commissioners to fund any secondary commissioning undertaken by the trust.

NB: "the provision of goods and services for purposes related to the provision of health care" includes the provision of social care services in terms of any Section 31 agreements. These could include for example, after care services following discharge from hospital and learning disability services.

Appendix B6(c) – Schedule of Services – Mandatory Education and Training Services

Applicants must indicate the education services for third parties for which signed contracts exist (or are understood to be going to exist). In the worksheet, applicants must detail contracts by commissioning body. The applicant will need to specify:

- Commissioning body (where appropriate) or third party
- Accrediting educational body
- Length of contract
- Type of student group for which the training is provided
- Type of training
- Number of students
- Value of contract

Appendix B6(d) – Schedule of Services – Non-mandatory Services

The applicant will be authorised to provide health and education and training services that are not mandatory. Monitor will not require non-mandatory services to be identified in a workbook. NHS foundation trusts will, however, be expected to maintain a public and up-to-date register of the authorised goods and services which they are currently providing, including:

- Mandatory health services
- Non-mandatory health services
- Education and Training Services provided to third parties

The applicant will be authorised to provide:

- Accommodation and other facilities
- Research

Monitor does not require these services to be identified in a workbook, nor will NHS foundation trusts be expected to maintain a register of these services.

Appendix B7 – Protected Property

- Monitor will protect property (which includes but is not limited to land, leases, buildings, plant and equipment) that is needed for the provision of any mandatory goods and services (including health) or mandatory education and training, as defined in the Terms of Authorisation.
- Monitor will not require protected property to be identified in a workbook at this time. NHS foundation trusts will, however, be expected to maintain a publicly available property register which indicates what property is protected.
- NHS foundation trusts will be required to seek Monitor's approval to dispose of protected property. This includes disposing of part of it or granting an interest in it. Details of the process that NHS foundation trusts should follow to obtain approval for disposals are outlined in the Protection of Assets Guidance for NHS foundation trusts 15 October 2004.
- There is therefore no requirement for applicants to submit further information on property at this stage.

Appendix B8 – Appropriateness of the Constitution

(Matters over and above compliance with Schedule 1)

The Constitution should comply with the following, in order to be considered 'otherwise appropriate'

1. A minimum age to be appointed as a Governor should be included in the Constitution, being at least 16 at the closing date for nominations.

2. Monitor will not specify a minimum age for members. It is for the Trust to justify the age. However, it should be noted that it is not permissible, pursuant to the Act to establish lesser categories of membership, such as Associate membership.

3. It is for the applicant trust to consider whether it requires a dispute resolution clause to resolve disputes between the Board of Directors and the Board of Governors; Monitor does not require such a clause to be included.

4. Schedule 1 to the Act does not require any reference to a Nomination Committee. However, if the Constitution is to refer to a Nomination Committee, it must be stressed that the Nomination Committee must only perform a role in selection rather than appointment. Having said that, once that is expressly confirmed in the Constitution, the Nomination Committee may be comprised of Governors, Directors, or Advisors as the Trust considers fit provided that the selection process does provide the Board of Governors with reasonable choice.

5. In accordance with the principles of good corporate governance, it is recommended that the Constitution provide that at least half of the Board of Directors, including the Chairman, should be non-executive directors. Alternatively, in the event that the Constitution provides for parity on the Board of Directors between executive and non-executive directors, the Chairman should have a casting vote.

Appendix B9 – Proforma Board Statement

Private and Confidential

Monitor – Independent Regulator of NHS Foundation Trusts

[Date]

[NHSFT]

Working Capital

In connection with the application of [NAME OF THE TRUST] for NHS Foundation Trust status the Board of Directors has reviewed the NHS Trust's future working capital requirements from [Date of working capital period]. The results of this review are set out in the attached Board Memorandum dated [DATE] which has been prepared after due and careful enquiry.

In the opinion of the Board of Directors, [taking into account the Trust's new working capital facilities], the working capital available to the Trust is sufficient for its present requirements, that is at least the 12 months from [DATE XX/XX/XX].

Financial Reporting Procedures

The Board of Directors confirm that they have established procedures which provide a reasonable basis for them to reach proper judgement as to the financial position and prospects of the Trust.

The basis of the Board of Directors confirmation is set out in the attached Board Memorandum dated [DATE]. The Board of Directors confirm that it will continue to maintain procedures at or exceeding this level of quality subsequent to [DATE].

Yours faithfully

For and on behalf of the Board of Directors NHS Trust

Appendix B10 – Contents for Contents of Board Memorandum

This is a word document summarising a suggested table of contents for the Board Memorandum. The preparation of the Board Memorandum and the forecasts therein are the responsibility of the directors:

1. Introduction and Background

2. Executive Summary:

- Summary of headroom
- Key assumptions
- Sensitivities
- Financial Reporting Procedures
- Conclusion

3. Basis of preparation

4. Key assumptions:

- Income
- Other income
- Commercial & other non-patient income
- Expenditure (pay and non-pay)
- Other factors

5. Income and expenditure accounts

- Summary of historical and projected I&E
- Analysis by income and expenditure category

6. Balance Sheets

- Summary of historical and projected balance sheet
- Analysis by balance sheet category

7. Cash flows

- Summary of headroom [cash and unutilised working capital facilities]
- Analysis of cash movements
- Facilities and Covenants

8. Sensitivities

9. Financial reporting procedures:

- Management reporting
- Board involvement
- The Finance Department
- Financial reporting processes
- Financial awareness
- Internal and external audit
- Forecasting and monitoring process
- Prior forecasting history

10. Conclusion

- Board statement on working capital and financial reporting procedures

11. Factual accuracy

- Board confirmation of factual accuracy (suggested wording as follows)

  "We have read the report on the Trust's projected working capital requirements and financial reporting procedures report prepared by [Independent Accounting Firm] dated [date] and confirm the following:

  - we are not aware of any factual inaccuracies within the draft report; and
  - opinions and representations, which have been attributed to persons referred to in the report, are properly attributed to those persons.

Signed on behalf of the Board

…… [Director]

Date:……

Appendix B11 – Prudential Borrowing Code Ratios

PBC 5 Ratio Tests*

Ratios		Threshold at annual financial risk ratings 5	4	3	2	1
Maximum Debt to Capital Ratio	Long-Term Borrowing / Total Assets	<40%	<25%	<15%	<10%	0%**
Minimum Dividend Cover	Revenue Available for Debt Service – Annual Interest / Annual Dividend Payable on PDC	>1x	>1x	>1x	>1x	>1x
Minimum Interest Cover	Revenue Available for Debt Service / Maximum Annual Interest	>3x	>3x	>3x	>3x	>3x
Minimum Debt Service Cover	Revenue Available for Debt Service / Maximum Annual Debt Service	>2x	>2x	>2x	>2x	>2x
Maximum Debt Service to Revenue	Maximum Annual Debt Service / Revenue	<3%	<3%	<3%	<3%	<3%

**Decided on case-by-case basis

NB: For each NHS foundation trust (NHSFT), the sum of borrowings from all sources must be within the PBL set by Monitor in the Terms of Authorisation. The Terms of Authorisation will be published, including on the website of Monitor.

An NHSFT's PBL consists of 2 components:

(i) The maximum cumulative amount of long-term borrowing that enables the NHSFT to pass the five ratio tests set out above for its annual risk rating; and

(ii) The amount of any approved Working Capital Facility

Appendix B12 – Board Statements

Risk and Performance Management

The Board of Directors is required to confirm that:

- Issues and concerns raised by external audit and external assessment groups (including the RPST and CNST reports for NHS Litigation Authority assessments) have been addressed and resolved. Where any issues or concerns are outstanding, the Board is confident that there are appropriate action plans in place to address the issues in a timely manner;
- All recommendations to the Board from the audit committee are implemented in a timely and robust manner and to the satisfaction of the body concerned;
- The necessary planning, performance management and risk management processes are in place to deliver the Business Plan;
- A Statement of Internal Control ("SIC") is in place, and [insert name of trust] is compliant with the risk management and assurance framework requirements that support the SIC pursuant to most up to date guidance from HM Treasury (see http://www.hm-treasury.gov.uk);
- The Board is satisfied that plans are in place to ensure that all core national healthcare targets and standards are met going forwards;
- All key risks to compliance with the Authorisation have been identified and addressed.

Board roles, structures and capacity

The Board of Directors is required to confirm that:

- The Board maintains its register of interests, and can specifically confirm that there are no material conflicts of interest in the Board;
- The Board is satisfied that all Directors are appropriately qualified to discharge their functions effectively, including setting strategy, monitoring and managing performance, and ensuring management capacity and capability;
- The selection process and training programs in place ensure that the NEDs have appropriate experience and skills;

- The management team have the capability and experience necessary to deliver the Business Plan;
- The management structure in place is adequate to deliver the Trust's Strategy.

Signed for and on behalf of the Board:

Title:

Date:

Trust:

PART C
Web Links

Web Links

Department of Health

A Guide to NHS foundation trusts, published by the Department of Health, together with other supporting material is available at http://www.dh.gov.uk/PolicyAndGuidance/OrganisationPolicy/SecondaryCare/NHSFoundationTrust/fs/en

Details on Choice can be found at http://www.dh.gov.uk/PolicyAndGuidance/PatientChoice/Choice/fs/en

Details about Agenda for Change and all published documentation can be found at http://www.dh.gov.uk/PolicyAndGuidance/HumanResourcesAndTraining/ModernisingPay/AgendaForChange/fs/en

Details on Payment by Results can be found at http://www.dh.gov.uk/PolicyAndGuidance/OrganisationPolicy/FinanceAndPlanning/NHSFinancialReforms/fs/en

NHS Improvement Plan published by the Department of Health is available at http://www.dh.gov.uk/PublicationsAndStatistics/Publications/PublicationsPolicyAndGuidance/PublicationsPolicyAndGuidanceArticle/fs/en?CONTENT_ID=4084476&chk=i6LSYm

National Standards, Local Action – Health and Social Care Standards and Planning Framework 2005/06 – 2006/07 published by the Department of Health can be found at http://www.dh.gov.uk/PublicationsAndStatistics/Publications/PublicationsPolicyAndGuidance/PublicationsPolicyAndGuidanceArticle/fs/en?CONTENT_ID=4086057&chk=ypFWoL

A Guide to developing governance arrangements can be found at http://www.dh.gov.uk/PublicationsAndStatistics/Publications/PublicationsPolicyAndGuidance/PublicationsPolicyAndGuidanceArticle/fs/en?CONTENT_ID=4087727&chk=5YHEB9

Monitor

Information on Monitor – Independent Regulator for NHS Foundation Trusts can be found at http://www.monitor-nhsft.gov.uk

NB: Guidance material and consultation papers for NHS foundation trusts and applicant trusts can be found in the 'publications' area of the website.

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If you require further copies of this title, quote *272006/Applying for NHS Foundation Trust Status – Guide for Wave 3 Applicants* and contact:
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