Homerton University Hospital NHS
NHS Foundation Trust

Annual Report and Summary Financial Statements 2004/5

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Presented to Parliament pursuant to Schedule 1, paragraph 25(4) of the Health and Social Care (Community Health and Standards) Act 2003

Chairman's report

Welcome to the first Annual Report of Homerton University Hospital NHS Foundation Trust.

In my role as Chairman, I would like to confirm that the non-executive directors are satisfied that Homerton University Hospital Foundation NHS Trust met all its key financial and operational targets for the year 2004/5.

In the hospital, we have taken the strategic decision to increase provision of a defined range of specialist and elective services for the wider north east London communities. The Board is clear that this is an important development for the Trust and from it should flow significant investment and services.

The Board remains committed to its mission of being 'the hospital for Hackney'. This involves the Trust developing specialist services that reach well beyond geographical borough boundaries, yet have immense significance for people living within Hackney.

Homerton's strategy to be at the vanguard of innovation and modernisation in the NHS relates primarily to the anticipated gains for the patient. It is also for us an end in its own right, in that we seek to be identified as specialists in NHS innovation.

The Board is clear that establishing ourselves as a Foundation Trust is a significant development.

The non-executive directors are satisfied that we have established a Council of Governors capable of fulfilling its role in a consultative capacity and its ability to play its part in the development of key elements of strategy. The Board and the Council have met regularly throughout the year and the Council has, wherever possible, played its part in the Trust's strategic thinking.

The non-executive directors are aware that we operate in an environment of constant change and that one of our primary duties is to ensure that the Trust has taken all possible steps to mitigate the risks that accompany this change. It is clear that payment by results, independent sector provision, choose and book, practice based commissioning, IT modernisation and capacity planning all present risks to the Trust.

We are satisfied that the Trust has taken all reasonable steps to minimise risk.

Andy Windross
Chairman

Chief Executive's report

2004/5 will always be remembered as the year we gained both foundation status and introduced our electronic patient record (EPR).

To the uninitiated, the enormity of these events may not be obvious but for those of us who lived through them they will never be forgotten.

Both of the developments, though significant in the here and now, are in fact designed to secure the hospital's future. Innovation through technology, flexibility of management arrangements and a more defined relationship with our community create an important platform for taking the hospital through this decade.

Steps forward were also taken in 2004/5 in two other areas important to our future. Firstly the development of our infrastructure – specialist staff, equipment and buildings. And secondly, the expansion of the range of treatments and services we can provide at Homerton.

Homerton does not want to expand for expansion sake, but we do want to ensure that the kinds of conditions that present in the communities we serve can be treated here. We also want to be sure that, having built up our infrastructure, we use it to best effect. In 2004/5 we opened a new operating theatre suite, developed a team of specialist laparoscopic (keyhole) surgeons and created a new centre for HIV research. We also agreed an expansion to our neonatal and fertility services.

Of course, whilst all of these developments were taking place, the day-to-day running of the hospital carried on. For patients using the hospital today, they are concerned about just that – 'today' – and rightly so.

So just how well did we run the hospital? The evidence seems to be that we did as well as most. We have not yet had the star rating score for 2004/5 but we know we achieved the key national targets for waiting times. We

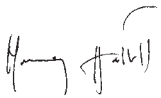
also achieved CNST (Clinical Negligence Scheme for Trusts) rating level 2 for all our services, demonstrating clinical risk to be well managed in the hospital. Our incidents of blood infections from MRSA are amongst the lowest in the country. For all the very many aspects of hospital life measured through a formal process, nothing unacceptable or serious showed up.

Reading the above you might think that everything is absolutely fine at Homerton and we sailed through last year without a hitch. This of course is not the case. We know we let some of our patients down and failed members of staff in some way. I know this will have happened, not intentionally but inevitably. I say, as I do every year at this time, how sorry I am for this.

I will not reflect on individual cases but I will reflect on some of the wider issues to be faced in the future. The first of these is our ability to capture and record the work of the hospital – numbers of patients treated and for what conditions. This information is vital for many reasons but it is also now the currency by which we get paid for our work, subsequent to changes to the NHS financial arrangements introduced last year. Our problems with capturing this information relate in part to delays with implementing components of our new IT system and in part to internal systems. Dealing with this will be a priority for the coming year.

A big challenge for the hospital is how we become more efficient in order to keep ourselves financially stable and continue to develop the hospital. The cost of running a hospital is extremely high, with significant overheads associated with providing specialist clinical teams and equipment day and night to deal with emergencies. We have to now look more closely at the indicators of productivity for hospitals and ensure that we keep in line or better the benchmarks for the NHS. Efficiency gains need planning for and managing. Our programme for doing this needs developing in the coming year.

Although staff may be the greatest source of cost, they are of course our greatest asset. Technological innovation forms the platform to improve care and performance, but it's the staff that actually make things happen. I remain endlessly grateful to the staff at Homerton for all they do. Each year our staff attitude survey indicates that staff at Homerton work hard – beyond the call of duty – but they feel that the work they do is worthwhile and that this makes Homerton a good place to work. As Chief Executive I feel humbled by how hard people work and how committed they are.



Nancy Hallett
Chief Executive

The year at a glance

April 2004

- Homerton University Hospital NHS Trust is granted a licence by Monitor, the independent regulator for NHS foundation trusts, to become Homerton University Hospital NHS Foundation Trust
- Secretary of State for Health, John Reid, hands over the Constitution
- Year starts with 3524 members
- First Council of Governors meeting
- Building starts on joint Primary and Urgent Care Centre (PUCC) and A&E department

June 2004

- HIV research programme launched through the Centre for the Study of Sexual Health and HIV (CSSHH)

July 2004

- Trust retains three star status

August 2004

- First Membership Development Committee meeting is held

September 2004

- First Annual Members' Meeting
- Hospital "goes live" with new Electronic Patient Records (EPR)

November 2004

- Council of Governors appoint new non-executive director, Irving Mellor
- Building of Academic and Research Centre starts

December 2004

- Oona King MP opens the Colposcopy Unit
- Fifth main operating theatre officially opens

January 2005

- Hospital becomes"smoke-free"
- Specialist keyhole surgery team established

February 2005

- Hospital at Night project highly commended in the North East London Modernisation awards
- Homerton active in the 2012 Olympic bid

March 2005

- Visit by Stephen Ladyman, Parliamentary Under Secretary of State for Community to launch Age Concern's national "See the Person" initiative for older people
- Hospital is awarded level 2 of the Clinical Negligence Scheme for Trusts (CNST)
- Achievement of 98% national four hour emergency care target
- Breast diagnostic centre opens
- Year ends with 4544 members

About the hospital

Homerton is the local hospital for Hackney and the City of London. The hospital is based on one main site in the London Borough of Hackney with a nursing home - Mary Seacole Nursing Home - in Shoreditch.

The hospital has been expanding since opening as a new hospital in 1986. We now have over 500 beds, 2000 staff and a turnover of £100m per annum.

Homerton became a NHS Foundation Trust in 2004, securing certain freedoms to facilitate innovation in the way services are developed and provided.

Our clinical services have been developed in response to the specific needs of our local population. They are managed through four directorates. Each directorate is led by a Clinical Director supported by a General Manager and a Senior Nurse. The Clinical Board has the overall responsibility for the operational management and leadership of the hospital and is accountable to the Board of Directors.

Health in Hackney

Homerton serves a young, highly diverse and highly mobile population.

The 2001 census population for Hackney was 203,000 but there are 270,000 people registered with local GPs and the population is projected to grow considerably in the next 10 years.

The white population, itself diverse, represents 60% (12% describe themselves as neither British nor Irish). The remaining 40% is made up of many groups, with Black Caribbean (10%) and Black African (12%) predominating.

The average age for City and Hackney is 33 compared with 39 for England, 26% are under 18 and only 9% over 65, compared with 16% nationally. There is a 30-40% turnover of our population each year and there are a large number of refugees and asylum seekers.

Hackney faces substantial challenges in terms of economic and social deprivation:

- our Jarman Underprivileged Area score is one of the highest in the country
- we have a large migrant population
- there is very high unemployment
- child poverty is high, with the highest rates nationally of children living in families dependent upon income support or benefits
- teenage pregnancy rates are amongst the highest in the country.

This diversity has a direct impact on the health issues that the community faces:

- the highest level of infant mortality in London
- coronary heart disease, amongst the worst premature death rates in the country
- cancer, with deaths in parts of the sector amongst the highest 10% nationally
- diabetes, with standardised mortality rates up to twice as high as the national average
- high levels of infectious diseases, HIV, hepatitis C, TB
- sickle cell disease.

A guide to our clinical services

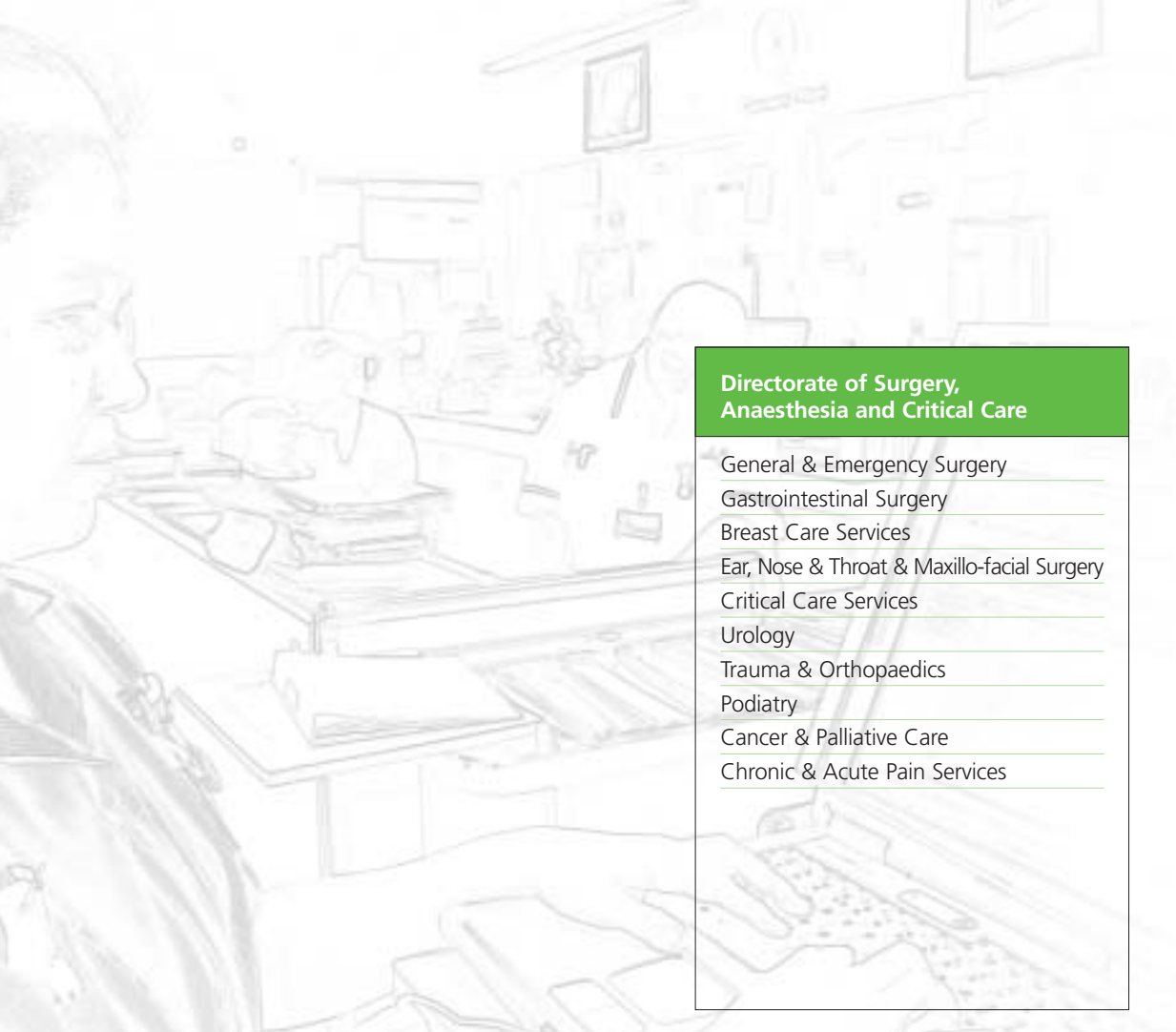
Our clinical services reflect the health needs of the people living in Hackney and the surrounding areas:

Directorate of Medicine and Rehabilitation

- General and Emergency Medicine
- Specialist Medicine
- Cardiology
- Dermatology
- Gastroenterology
- Endocrinology & Diabetes Services
- Hypertension
- Medicine for the Elderly
- Neurology & Neurorehabilitation
- Respiratory Medicine
- Rheumatology
- Stroke Unit
- Therapy Services

Directorate of Diagnostic and Emergency Services

- Accident & Emergency Services
  - *Adult Majors*
  - *Injuries Unit*
  - *Children's A&E*
- Pathology
  - *Microbiology & Infection Control*
  - *Haemotology*
  - *Chemical Pathology*
- Pharmacy
- Radiology
- Clinical Site Management
- Healthcare Records
- Mortuary and Bereavement Services



Directorate of Surgery, Anaesthesia and Critical Care

- General & Emergency Surgery
- Gastrointestinal Surgery
- Breast Care Services
- Ear, Nose & Throat & Maxillo-facial Surgery
- Critical Care Services
- Urology
- Trauma & Orthopaedics
- Podiatry
- Cancer & Palliative Care
- Chronic & Acute Pain Services

Directorate of Services for Children, Women and Sexual Health

- Maternity & Obstetrics
- Gynaecology & Emergency Assessment
- Early Pregnancy Assessment
- Fetal Medicine
- Neonatal Services
  - *Intensive Care*
  - *Special Care*
  - *Transitional Care*
- Children's Services
- Colposcopy
- Fertility Medicine
- Sexual Health & Family Planning
- HIV Services

Corporate Services

- Finance & Information
- IT
- Nursing & Quality
- Corporate Development & Human Resources
- Professional Medical Services
- Redesign & Modernisation
- Planning & Service Development
- Environment

Our Partner Organisations

The hospital cannot work in isolation. Our partner organisations in health, social care and education are pivotal to our provision of effective services. Particular recognition must be given to our host PCT, City and Hackney, our host Local Authority, London Borough of Hackney, North East London SHA, clinical networks, neighbouring specialist and mental health trusts, and City University and Queen Mary College, University of London.

We are working with City & Hackney tPCT on a long term acute sector strategy for Hackney, which we aim to complete in 2006. This will include many of the service developments detailed in this report.

Our mission

‘Keeping the people of Hackney in the best of health, caring for our community, our staff and our hospital.’

We have an overall vision for a unique hospital, based in a unique local community which:

- is the **‘hospital for Hackney’**, with services directly targeted at the specific needs of the local population and which plays its part in the local community
- provides **specialist services** in particular areas for a wider population in north-east London and beyond – these services will be those where we have built up specific expertise because of the needs of local people
- is **thriving and sustainable;** a fundamental element of being able to provide the core services people need is for us to provide a comprehensive range of services that will give us the critical mass we need for service excellence
- continuously **improves its performance.** We were able to apply for NHS Foundation Trust status due to good performance in the past. We will sustain this and consistently do better
- has **modern, high quality systems** and processes, supported by excellent technology
- has an infrastructure of **services, training and education resources, and buildings** enabling us to meet the needs of our population and contribute to the wider development of the NHS.

As a NHS Foundation Trust we aim to be innovative and locally responsive, whilst continuing to achieve or exceed national standards. We are confident that we have the systems in place to deal with our must-dos, i.e. to adhere to our Terms of Authorisation, Monitor compliance requirements, Healthcare Commission standards, contracting requirements and statutory legislation pertaining to hospitals.

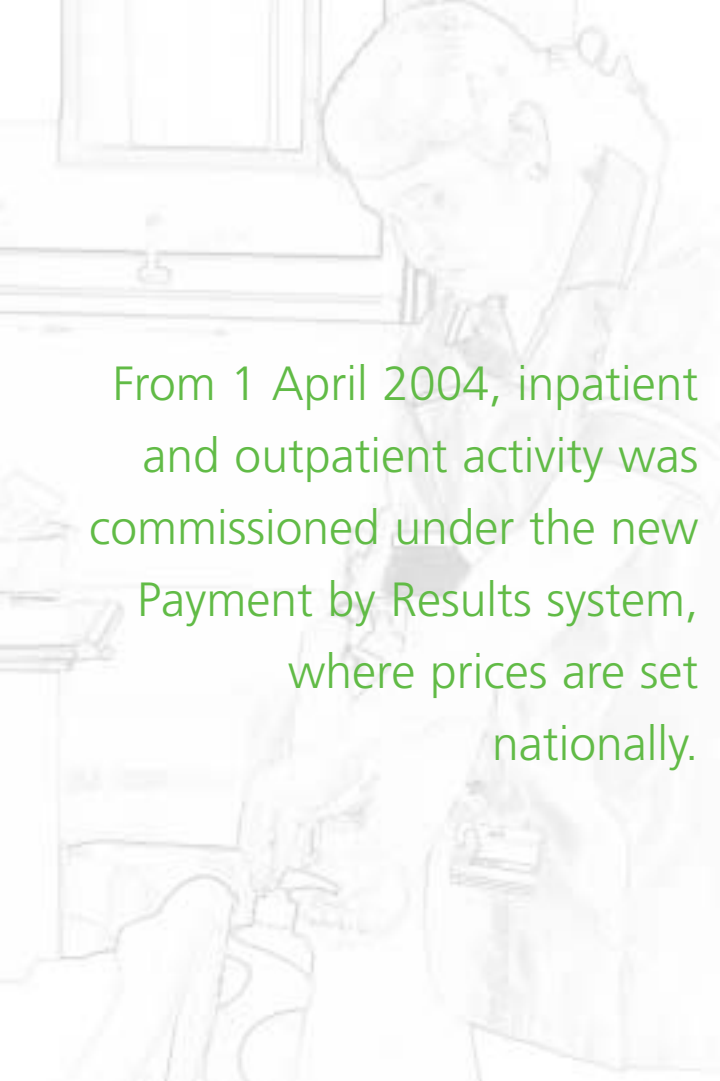
All our directorates have robust business plans in support of the corporate objectives which are monitored on a monthly basis.

Our corporate objectives 2004/5

Each year our objectives set the framework for the development of clinical and service directorate objectives. All our directorates have robust business plans in support of the corporate objectives and are monitored on a monthly basis. For 2004/5 our objectives were:

1. **improve or maintain performance against all Healthcare Commission performance indicators and actions set out in the Healthcare Commission Clinical Governance and Development Plans**
2. **implement phase 1 of the EPR programme in June 2004 and achieve commensurate progress for 2005**
3. **establish Homerton as a NHS Foundation Trust**
4. **commence implementation of Homerton's service development and related human resources strategy**
5. **implement the Trust's revised business planning and risk management arrangements.**

The Trust achieved each of these objectives within the year.



Overall financial position

From 1 April 2004, inpatient and outpatient activity was commissioned under the new Payment by Results system, where prices are set nationally.

On average, the Trust's costs are below the national average prices, so this was a positive move for the organisation. However, the gains that we made were offset by significant additional pay modernisation costs across all staff groups (through the Agenda for Change project, consultant contract and improvements to junior doctor hours).

Additional costs were incurred in implementing the EPR system and high temporary staff costs.

Reviews of some of our systems took place and these will result in changes in our budgeting process in future years.

Key financial risks identified in 2004/5 related to the implementation of the Electronic Patient Record and the relationship of this project to the new Payment by Results regime, where the hospital's income now depends upon our ability to accurately report patient activity.

We have worked hard with our host PCT and Cerner, our software supplier, to ensure that increases in cost and income losses were kept to a minimum. This work continues into the new financial year.

Our key financial targets and ratings were as follows under Monitor's draft financial framework (where 1 carries the lowest risk, and 5 the highest).

Metric	Plan	Actual	Rating
Normalised EBITDA* margin	8.2%	6.8%	3
Normalised EBITDA, % achieved	N/A	87.4%	2
Return on Assets	3.6%	3.1%	3
Income and Expenditure surplus margin	0.5%	0.0%	3
Days cash in hand	22.6	33.4	2
Trade Debtor days	8.61	15.98	2
Trade Creditor days	27.95	19.08	1
Weighted Average			**3**

* Earnings before interest tax depreciation and amortisation

Summary of Financial Performance

	2004/5	2003/4
Surplus	£13k	£2k
Total Assets Employed	£101.8m	£90.8m
Monitor Risk rating	3	N/A
Capital Expenditure	£8.8m	£9.5m

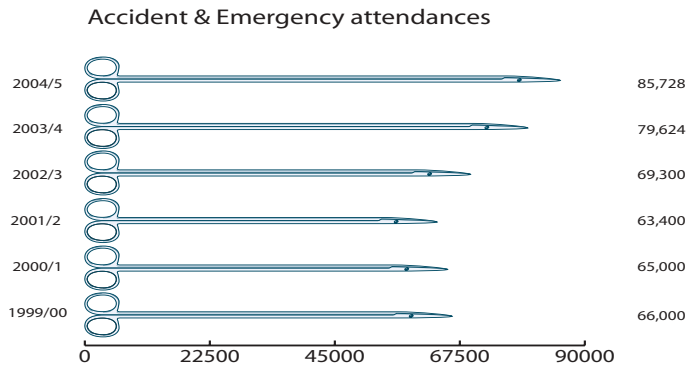
Financial and overall performance

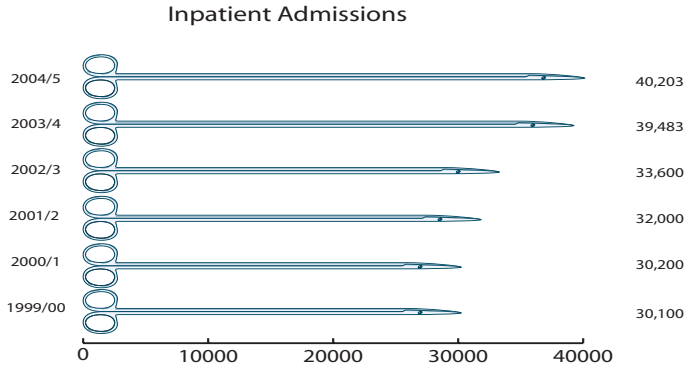
Against a planned target to break-even, the Trust achieved a small surplus. Growth of 3% was reinvested into services to ensure that the organisation could hit its key performance targets.

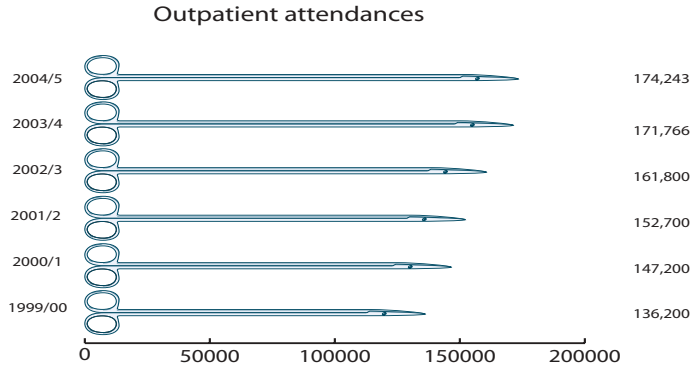
Last year we continued to achieve all our key performance indicators. These were:

- 99% of our patients were seen for inpatient treatment within 6 months, only 3 patients waited more than 6 months, no patient waited more than 9 months.
- 88% of GP referrals for outpatient appointments were seen within 13 weeks, no patient waited more than 17 weeks.
- Booking for inpatient treatment was 100% and outpatient booking increased to 71%.
- 100% of referrals for suspected cancer were seen within two weeks. 96% of breast cancer patients were treated within two months of referral. 100% of breast cancer patients were treated within one month of diagnosis.
- We also met the challenging March 2005 A&E target with 98% of patients spending four hours or less in the A&E department making us one of the best performers in north east London.

Patient activity figures 2004/5







Private patient income
The private patient income cap, as defined in Schedule 4 of our Terms of Authorisation, is 0.2% of total patient related income. In 2004/5 private patient income was £287k, which was 0.2% of income.

Capital projects

Our major projects included:

- 5th theatre	£1.3m
- Primary & Urgent Care Centre	£943k
- Academic Centre	£470k
- Ward refurbishment	£253k
- Kitchen refurbishment	£282k
- IT expenditure	£2.5m
- Medical equipment	£1.1m

Capital Investment
Our total capital spend in 2004/5 was £8.8m.

The Trust was granted a loan of £9.1m from the NHS Financing Facility during 2004/5. The principal use of the loan will be to provide new facilities for mothers and babies in a Perinatal Centre. The loan is within the existing Prudential Borrowing Limit of £10m. In 2004/5 we used £421k of this loan, and will draw it down over the next two years as our schemes progress. Repayment on the loan begins in 2007, after we have fully drawn the advanced sum down.

In addition to this facility, the Trust has a £900k loan from its charity, repayable over 30 years, to help fund the Academic Centre, which is due to open in late autumn 2005.

Monitor gives each Foundation Trust a Prudential Borrowing Limit, which is governed by the following ratios. The table on page 39 shows that Homerton was within the key ratios set by Monitor at the end of 2004/5.

Under the draft borrowing code, Homerton's borrowing limit was £10m. Under the revised borrowing code, and assuming a risk rating of '3', our borrowing code would rise to £15m.

Accounting policies

2004/5 was the first year of operation as a Foundation Trust. Accounts have been prepared in accordance with guidance issued by Monitor, and in line with Generally Accepted Accounting Principles (GAAPs).

Charitable funds
The charitable funds of the hospital are administered by the Charitable Trustees who were:

Ms Caroline Clarke

Dr John Coakley

Mr Omar Faruk
(until January 2005)

Ms Nancy Hallett

Mr Andy Windross

Total expenditure during 2004/5 was £153k, most of which was spent on patient care and staff welfare. The Charitable Funds contribute generously to the operational running of the hospital, and it is hoped that the work of the Fundraising Development Group will strengthen this relationship further in the future.

Improving patient care

As an organisation we continually strive to improve patient care.

This year the Trust gained the Clinical Negligence Scheme for Trusts (CNST) level 2 in general standards, previously having achieved level 2 for the maternity standards. This external evaluation clearly demonstrates that the Trust has robust systems in place to manage clinical risk and takes patient safety seriously.

During the year the Trust took part in the national patient surveys for inpatients, outpatients and patients attending the Accident and Emergency Department within the year.

The Trust performed better than previously in these surveys although there were still some important issues to address in relation to the ways we communicate with patients. Many initiatives are being implemented to address this and of particular note this year was the commissioning of a scenario-based staff training DVD on improving customer care, entitled "Good Attitude". This is now in use across the Trust.

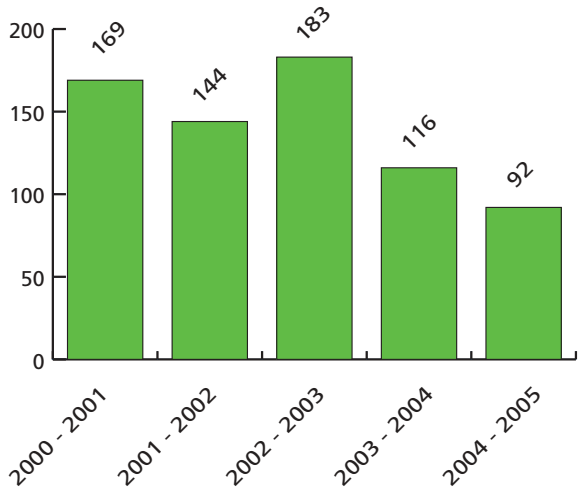
We also took part in the first UK young patients' survey for those patients up to 16 years of age. In this survey we performed particularly well in involving young people in their care.

In 2004/5 the Trust appointed two senior nurses to drive forward the NHS Modernisation Agency Essence of Care initiative to improve nursing care nationwide. Our initial focus has been on improving communications, as well as privacy and dignity against the standards.

In tandem with improving communications was improving our patient information, and this remains a focus of our work. New guidelines for the production of both clinical and corporate information for patients and the public are helping our clinical teams to develop a clear and consistent approach to the way we inform our patients.

The Trust has been developing one point of access for patients and public to find out information and raise queries or complaints – through the Patient Advice and Liaison Service (PALS) based in the hospital's main entrance. PALS now pass on issues to the most relevant department and also coordinates responses. This new approach has helped us to deal with queries and issues more quickly and more proactively, and has assisted in resolving issues before they become formal complaints.

Formal complaints



In 2004/5 our formal complaints fell from 116 in the previous year to 92.

If a formal complaint is received, early review meetings are held to establish what happened. This may involve a number of members of staff, managers and the Chief Executive or Director of Nursing and Quality who has director responsibility for complaints.

Any complainant will receive a formal response and, with this response, is offered an opportunity of meeting with staff to discuss their concerns further.

In August 2004 the Healthcare Commission assumed responsibility for the second stage of the NHS Complaints Procedure - the Independent Review process. Prior to this, if a complainant was not satisfied with the Trust response, they could request an independent review. Two independent reviews were held during 2004/5 under this system.

Since August 2004, when the Healthcare Commission assumed responsibility for this second stage nationally, the Trust has been notified of four referrals.

Complainants can still refer to the Health Service Ombudsman if they remain dissatisfied. The Health Service Ombudsman has investigated one complaint this year.

Public interest disclosures

Developments for staff

Homerton employs over 2000 staff; they are our most valuable asset.

Many initiatives have been put in place over the year to improve the working lives of our staff, from improving childcare provision to better social activities, clearer human resources policies in relation to flexible working to improving occupational health provision by bringing the service in-house. The Trust has achieved the "practice" level in this programme and will be assessed for "Practice+" in September 2005.

The Trust is "Positive about Disabled People" with policies in place to support staff back to work should they become disabled and also supporting disabled people seeking employment. We have an active minority ethnic focus group which links into the Equalities Steering Group. In the summer of 2004, the Trust hosted a very well attended diversity social event for staff.

The new pay system for consultants, known as the consultant contract, was implemented within the year and our work towards ensuring compliance with the European Working Time Directive for medical staff through the "Hospital at Night " programme has been recognised nationally. This culminated in a commendation from the North East London Modernisation Awards towards the end of the year. Work on implementing Agenda for Change, the new national pay structure for all non-medical staff in the NHS started in 2004/5 and continues to be a challenge for the organisation. This work, as well as many other human resources initiatives, is undertaken in partnership with our Staff Side colleagues.

The number of staff responding to the national staff survey improved, they felt positive about their jobs, training and development, and leadership, but highlighted concerns in safety and security issues. Already work is in progress to address these issues.

Health and Safety

The Trust has a proactive approach to Health and Safety. At ward/department level, designated risk officers implement Trust policy and ensure Health and Safety is applied locally. Training is provided for all staff. We have been actively involved in promoting the European Week of Health and Safety and we also re-launched and promoted our Health and Safety Committee.

Payment practice code and performance achieved

The Trust has a policy of paying its supplies within 30 days of receipt of goods or on receipt of a valid invoice (whichever is later). See table below:

Payments to supplier	Year 2004/5
Total number of bills paid	36,523
Bills paid within 30 days	32,949
Percentage paid within target	90%

Auditors

The auditors for Homerton were KPMG LLP. The cost of work performed by them in 2004/5 was:

Audit services	£86k
Other services	£30k

Financial Statements

Summary financial statements are shown on pages 36-40. These have been extracted from the audited statutory final accounts. A full set of financial accounts can be obtained by writing to: Caroline Clarke, Director of Finance Trust Offices, Homerton University Hospital NHS Foundation Trust, Homerton Row, London, E9 6SR.

The Board of Directors

In accordance with the Constitution of Homerton University Hospital NHS Foundation Trust, the Board of Directors is comprised of eight executive and six non-executive directors including the Chairman.

The executive directors hold permanent NHS contracts subject to NHS terms and conditions. Non-executive directors in post prior to April 2004 were appointed by the NHS Appointments Commission. Through the transition schedule of the Constitution, our non-executive directors were appointed to the Board of the NHS Foundation Trust for the unexpired period of their term of office with the NHS Trust.

After April 2004 non-executive directors are appointed by the Council of Governors at a general meeting, following a rigorous process undertaken on behalf of the Council by the Nominations Committee. The Chairman and non-executive directors can also be removed by the Council of Governors at a general meeting. The term of office for non-executive directors since April 2004 is three years.

The Nominations Committee is a sub-committee of the Council of Governors comprising of the Chairman, two public governors, one staff governor and one stakeholder governor. The appointment process is outlined in section 13 of the Constitution.

All directors in post as at 1 April 2004, were appointed in accordance with the transition schedule of the Constitution (section 28).

Members of the Board of Directors

Andy Windross, Chairman
Mr Windross has held the post of Chairman since 2000. He was re-appointed to this position by the NHS Appointments Commission for four years in 2003.
Mr Windross chairs the Risk Committee, Human Resources Committee and Patient and Public Involvement Committee. He is a trustee of the Homerton University Hospital's Charitable Trust.

Executive directors:

Nancy Hallett, Chief Executive
Ms Hallett joined the trust in 1993 as Director of Nursing and Patient Services. She later held the post of Director of Service Development before becoming Chief Executive in 1999. She was awarded and OBE in 2003 for services to health in Hackney. She chairs the Finance Committee and is a trustee of Homerton University Hospital's Charitable Trust.

Susan Acott, Director of Redesign
Ms Acott has held this post since April 2003. She has been Project Director of the Electronic Patient Record implementation at Homerton over the past year. She previously held senior management posts in the NHS in the north of England.

Pauline Brown,
Director of Corporate Development
Mrs Brown has held this post since April 2004. She was Project Director for Homerton's application for NHS Foundation Trust status in 2003/4, having initially joined the Trust in May 2000 as Director of Nursing and Quality.

Caroline Clarke,
Director of Finance and Information
Ms Clarke has held this post since August 2003. She was previously Director of Finance at City and Hackney Primary Care Trust. She is a trustee of Homerton University Hospital's Charitable Trust.

John Coakley, Medical Director
An intensive care consultant at Homerton Dr Coakley started work at the Trust in June 1992. He has held the post of Medical Director since January 1998. He is a trustee of Homerton University Hospital's Charitable Trust.

Tracey Fletcher, Director of Planning and Service Development
Ms Fletcher has held this post since December 2000. She previously held general management posts in surgery, anaesthesia and critical care and children's, women's and sexual health services at the Trust.

Executive directors *(continued)*

Andrew Panniker, Director of Environment
Mr Panniker, a chartered building surveyor, has been Director of Environment since December 2002, coming into the NHS from a private consultancy practice where he was the director responsible for surveying and architecture. He started his professional career over 20 years ago in the NHS in the south west of England.

Guy Young, Director of Nursing and Quality
Mr Young has been a director since March 2004. He was previously Deputy Director of Nursing at the Trust.

Non-executive directors:

Kate Costeloe is professor of paediatrics at Queen Mary College, University of London and Senior Lecturer and Honorary Consultant in Neonatal Paediatrics at Homerton. She has served as a non-executive director since 2001. She is Director of Research at the Trust and sits on the Audit Committee.

Jessica Crowe was appointed to the Board from April 2004. She is deputy mayor of the London Borough of Hackney. She sits on the Audit Committee.

Omar Faruk served as non-executive director from June 2002 until January 2005. In 2004/5 he chaired the Audit Committee.

Ian Luder was appointed to the Board in June 2002 for a period of four years became Deputy Chairman of the Board following the move to Foundation Trust status. He is a Chartered Accountant and Chartered Tax Advisor and was President of the Chartered Institute of Taxation in 1994/5.He sits on the Finance Committee and served on the Audit Committee for the first half of 2004/5. Mr Luder is also a member of the Foundation Trust Financing Committee, established by the Department of Health.

Irving Mellor was appointed to the Board by the Council of Governors in November 2004. His background is in international healthcare, having founded companies delivering IT products and services to hospitals in three continents. He chairs the Audit Committee and is a member of the Finance Committee.

Register of directors' interests
The following interests have been declared as currently relevant by members of the Board:

Ian Luder
- partner, Grant Thornton

Jessica Crowe
- elected councillor, London Borough of Hackney
- director, Groundwork East London

Caroline Clarke
- trustee, East London Dance

Directors' remuneration
In accordance with the transition schedule of the Constitution, the remuneration and allowances of the executive directors were determined by a committee of the non executive directors of the Trust.

In accordance with the Constitution, remuneration for the chairman and non- executive directors is determined by the Remuneration Committee of the Council of Governors.

The members of the remuneration committee for non-executive directors are:

Public governors:
Carol Bailey
Gillian Borrie
Andrew Bridgwater
Faizullah Khan

Staff governor:
Peter Freedman

Appointed governor:
Sally Glen

An inflationary increase was approved by the Council of Governors for 2004/5. This was the same as recommended by the NHS Appointments Commission to non-executive directors of non foundation trusts in 2004/5.

The Council of Governors

The Council of Governors was established on 1 April 2004 and its first meeting was held on 6 April 2004.

Public and staff governors are elected by the membership.

Elections are held in accordance with the election rules, as stated in the Constitution using a single transferable vote system. The first election was held in early 2004, with a second election for the City seats held in July 2004. The election was administered, on behalf of the Trust, by Electoral Reform Services Limited.

Ultimately, all governor appointments will be for a three year term. However, in accordance with the transition schedule of the Constitution (section 28), governors were initially appointed for a period of one, two or three years depending on the number of votes polled. Terms of office are outlined opposite.

The Council is comprised of 27 governors under the leadership of the Chairman, Andy Windross. The governors are listed below:

Public: HACKNEY

Governors	Term of office (years)
Eli Kernkraut	3
Joe Lobenstein	3
Faizullah Khan	3
Gillian Borrie	3
John Donaghy	2
Helen Scher	2
Muttalip Unluer	2
Andrew Bridgwater	1
Mark Edwards	1
Kenrick Hanson	1

Public: CITY

Geoffrey Rivett	3
Steve Stevenson	2

Public : OUTER

Carol Bailey	3
Wayne Hoban	2

Staff: CLINICAL

Mary Britton	3
Peter Freedman	3
Chipo Takavarasha	2
Julien Quest	1

Staff: OTHER

Paul Eastwood	3
Sophie Fagan	2

Appointed

Laura Sharpe	City & Hackney tPCT
Marian Goodrich	City & Hackney tPCT
Janet McMillan	North East London Strategic Health Authority
Chris Fowler	Queen Mary College, University of London
Sally Glen	City University
Fran Pearson	London Borough of Hackney
Ken Ayers	Corporation of London

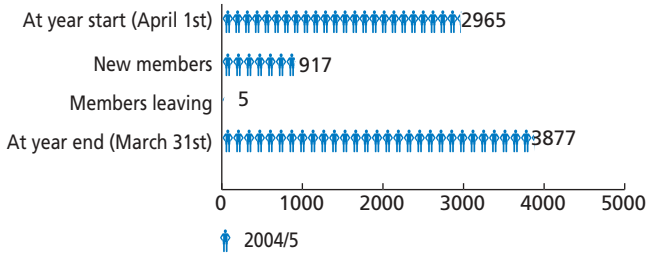
A register of interests is maintained in relation to governors. This is available for viewing in the Foundation Trust Office.

Membership report

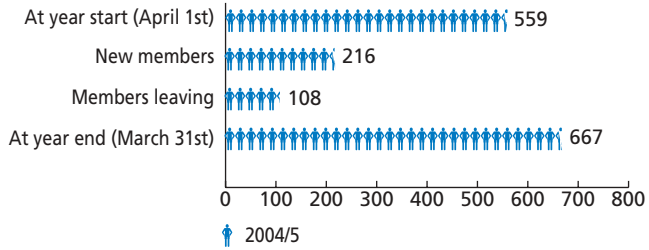
The Trust embraces the concept of a wide membership base, with no limit on the number of people who can register as members within the eligibility criteria.

Increasing and involving the membership is led by the Membership Development Committee through the membership development strategy. In April 2004 there were 3524 members; and by March 2005 this had increased to 4544 and it continues to rise.

Public Constituency

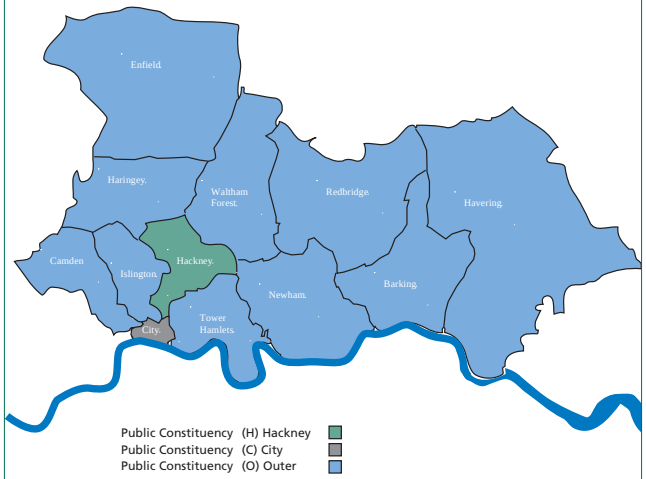


Staff Constituency



Membership is divided into three public constituencies and two staff constituencies.

Homerton University Hospital NHS Foundation Trust Public Constituency Boundaries

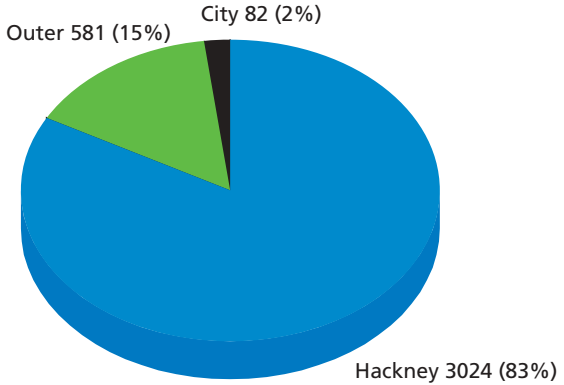


The public constituencies – Hackney, City and outer – are broadly representative of the areas from which the majority of patients come to Homerton.

Membership is open to any member of the public over the age of 16 who lives in the London Borough of Hackney, the City of London or the outer area. The outer constituency includes all north east London Strategic Health Authority residents plus residents from Camden, Islington, Haringey and Enfield where the hospital has established patient flows. There is no separate patient constituency.

Active membership is highest within Hackney.

Breakdown of membership numbers in public constituencies



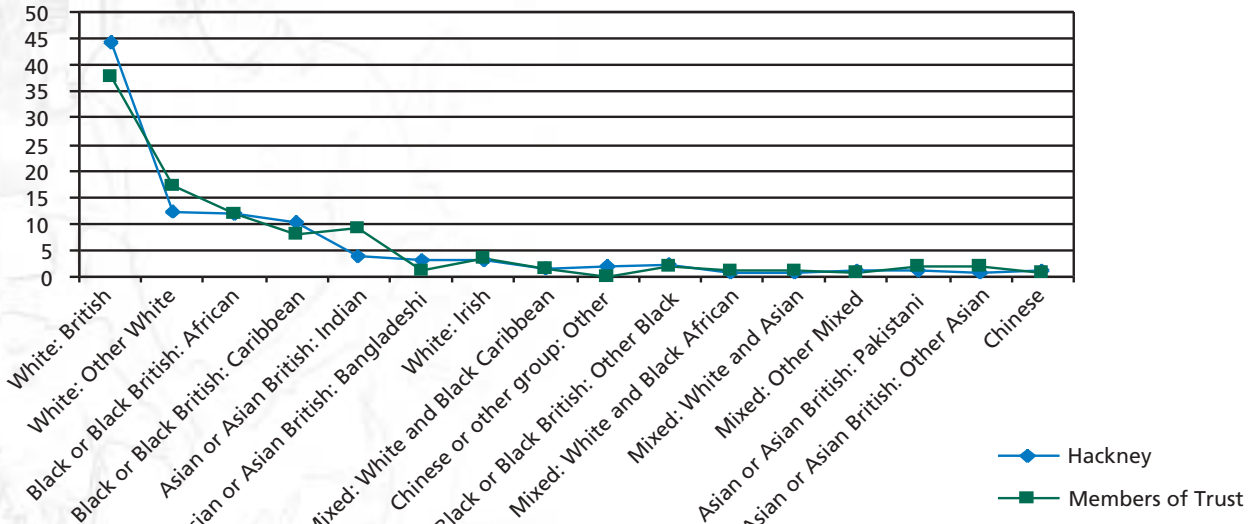
The staff constituency is divided into clinical and other staff categories. Any staff on permanent employment contracts or those who have worked at the Trust for at least 12 months, including contracted staff or those holding honorary contracts are eligible to join.

A representative membership

Establishing a diverse and representative membership is very important to the Trust. Current membership is largely reflective of the local population in terms of ethnicity, age and gender.

Comparison of Hackney census data to membership data by ethnic group

percentage of population



The Trust is able to closely monitor its membership through the membership database and the information supplied by the members on the application form. Ongoing analysis and review of membership enables the organisation to undertake detailed demographic analysis of the membership, and identify where gaps exist in recruitment. The focus in 2004/5 has been to maximise membership numbers and begin to develop an active membership. It has increased steadily and the 10% target increase has been achieved. An opt-in approach for public members has been maintained and, from February 2005, an opt-out system for new staff was adopted.

On joining, new members receive packs and cards. Throughout the year they receive quarterly newsletters and invitations to monthly health issues seminars, open forums and discussions.

Members are now actively involved in service planning and review, through involvement in PEAT visits and cleanliness audits, nurse training courses, volunteer programmes and members' forums, and have the opportunity to meet governors at monthly open sessions in the hospital. Governors sit on many committees including clinical governance and modernisation, clinical practice ethics forum, patient and public involvement, and research and development.

In 2005/6 the Trust will focus on increasing members in the outer and City constituencies and, in particular, will try to maximise the benefit of having the City as one of our constituencies. In Hackney, the Trust will actively seek to recruit more members from Dalston, Kingsland, London Fields and Stoke Newington where membership numbers are low.

Independent Auditors' report

Independent Auditors' Report to the Council of Governors of Homerton University Hospital NHS Foundation Trust

We have examined the summary financial statements set out on pages 36 to 40.

This report is made solely to the Council of Governors of Homerton University Hospital NHS Foundation Trust ('the Trust'), as a body, in accordance with the Health and Social Care (Community Health and Standards) Act 2003. Our audit work has been undertaken so that we might state to the Council of Governors of the Trust those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Trust's Governors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The directors are responsible for preparing the Annual Report. Our responsibility is to report to you our opinion on the consistency of the summary financial statements with the statutory financial statements. We also read the other information contained in the Annual Report and consider the implications for our report if we become aware of any misstatements or material inconsistencies with the summary financial statements.

Basis of audit opinion

We conducted our work in accordance with Bulletin 1999/6 'The auditor's statement on the summary financial statements' issued by the Auditing Practices Board for use in the United Kingdom.

Opinion

In our opinion the summary financial statements are consistent with the statutory financial statements of the Trust for the year ended 31 March 2005 on which we have issued an unqualified opinion.

KPMG LLP

KPMG LLP
Chartered Accountants, London

Statement of Directors' Responsibilities

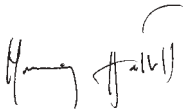
The directors are required under the Health and Social Care (Community Health and standards) Act 2003 to prepare financial statements for each financial year. Monitor, with the approval of the Treasury, directs that these accounts give a true and fair view of the state of affairs of the Trust and of the income and expenditure of the Trust for that period. In preparing those accounts, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates which are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the trust will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trust and to enable them to ensure that the accounts comply with requirement outlined in the above mentioned direction of Monitor. The directors are also responsible for safeguarding the assets of the Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm to the best of their knowledge and belief they have complied with the above requirements in preparing the accounts.

By order of the Board



28 June 2005
Nancy Hallett
Chief Executive

28 June 2005
Caroline Clarke
Finance Director

Statement of Internal Control

The Board is accountable for internal control. As Accountable Officer, the Chief Executive is responsible for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives. I also have responsibility for safeguarding the public funds and the organisation's assets for which I am personally responsible as set out in the Accountable Officer Memorandum.

Nancy Hallett
Chief Executive

A copy of the Trust's Statement of Internal Control is available in the full set of financial accounts available from the Director of Finance.

Summary financial statements

Income and expenditure account for financial year 2004/05

	31 March 2005 £000	31 March 2004 £000
Income		
Income from patient services	114,944	92,635
Other operating income	11,869	18,624
Total income	**126,813**	**111,259**
Operating Expenses:		
Total Expenses	(123,708)	(108,402)
Operating Surplus		
Interest : receivable	160	122
Interest : payable	(8)	(10)
Other finance costs - unwinding of discount	(14)	(16)
Loss on disposal of fixed assets	(18)	(63)
Public Dividend Capital	(3,212)	(2,888)
Retained Surplus	**13**	**2**

Balance sheet as at 31 March 2005

	31 March 2005 £000	31 March 2004 £000
Fixed Assets		
Land	18,732	15,142
Buildings	78,173	72,590
Plant & Equipment	5,648	5,610
Transport Equipment	241	194
IT Equipment	4,340	1,590
Furniture & Fittings	692	593
Assets in the course of construction	2,548	3,296
	110,374	99,015
Intangible Assets	**111**	**96**
Total Fixed Assets	**110,485**	**99,111**
Current Assets		
Stock and work in progress	524	481
Debtors	6,488	5,975
Cash	255	208
Total current assets	**7,267**	**6,664**
Current Liabilities (creditors) :		
Due within 1 year	(14,639)	(14,464)
Due after 1 year	(421)	(3)
Provisions	(907)	(465)
Total liabilities	**(15,967)**	**(14,932)**
Total assets employed	**101,785**	**90,843**
Financed By :		
Public Dividend Capital	79,991	77,160
Revaluation Reserve	20,517	13,445
Donation Reserve	1,158	632
Other Reserves	500	0
Income/Expenditure Reserves	(381)	(394)
Total Capital and Reserves	**101,785**	**90,843**

Cash flow statements as at 31 March 2005

	31 March 2005 £000	31 March 2004 £000
Net Cash Inflow from operating Activities:	7,746	5,170
Returns on investment and servicing of finance:		
Interest received	163	119
Interest paid	(4)	0
Interest element of finance lease repayments	(4)	(10)
Dividends paid	(3,212)	(2,888)
Capital spend	(7,894)	(7,917)
Net Cash Outflow before Management of Liquid Resources and Financing	**(3,205)**	**(5,526)**
Management of Liquid Resources		
(Purchase) of current asset investments	(27,095)	0
Sale of current asset investments	27,095	0
Net cash inflow(outflow) from management of liquid resources	**0**	**0**
Financed By:		
New Public Dividend	2,831	5,526
Public dividend capital repaid	0	0
Loans received from Foundation Trust Financing Facility	421	0
Financed lease capital	0	0
Net Cash Inflow from Financing	**3,252**	**5,526**
Increase in Cash	**47**	**0**

Statement of recognised gains and losses for the year ended 31 March 2005

	£000
Surplus (deficit) for the financial year before dividend payments	3,225
Fixed asset impairment losses	0
Unrealised surplus/(deficit) on fixed assets and current asset investment revaluations	7,177
Increases in the donated asset/government grant reserve due to receipt of donated/government granted assets	970
Reduction in the donated assets/government grant reserve due to depreciation, impairment and/or disposal of donated/government granted assets	(49)
Additons/(reductions) in "Other reserves"	0
Total recognised gains and losses for the financial year	**11,323**
Prior period adjustment	0
Total gains and losses recognised in the financial year	**11,323**

Financial Review 2004/5

	£000
Income	
City & Hackney Teaching Primary Care Trust	91,998
Other Primary Care Trusts	15,515
NHS Trusts	6,430
Department of Health	277
Other Health Authorities	200
Non NHS Private Patients	287
Other	12,106
Total Income	**126,813**

Financial Review 2004/5

	£000
Expenditure	
Pay	
Nurses & Midwives	35,034
Doctors	23,007
Professional Staff	8,424
Other Staff	14,760
Non-Pay	
Drugs	5,566
Supplies & Services – Clinical	7,429
Supplies & Services – General	5,639
Establishment	1,665
Premises	4,555
Services from other trusts	9,070
Depreciation	4,631
Insurance	2,241
Other	1,687
Total Expenditure	123,708

Prudential borrowing limit

Prudential borrowing limit set by Monitor	**10,000**
Working Capital Facility	**3,000**
Actual borrowing in year	**421**
Total	**13,421**

Prudential borrowing code ratios

	Limit	Homerton position
Maximum Debt Service to Revenue	3.00%	0.01%
Maximum Debt/Capital ratio as at	10.00%	0.36%
Minimum Debt Service cover	2	515
Minimum Interest cover	3	2061
Minimum Dividend cover	1	3

Salary and Pensions Entitlement of Senior Managers

Name	Title	Salary Remuneration (bands of £5000) £000	Real Increase in pension at age 60 (bands of £2500) £000	Total accrued pension at age 60 at 31 March 2005 (bands of £5000) £000
Acott S	Director of Redesign	75-80	10-12.5	67-70
Brown P	Director of Corporate Development	85-90	7.5-10	100-105
Clarke C	Director of Finance and Information	80-85	7.5-10	50-55
Coakley J	Medical Director	115-120		
Fletcher T	Director of Planning and Service Development	80-85	5-7.5	45-50
Hallett N	Chief Executive	120-125	25-27.5	155-160
Panniker A	Director of Environment	70-75	2.5-5	5-10
Young G	Director of Nursing and Quality	70-75	2.5-5	5-10
Windross A	Chairman	15-20		
Costeloe K	Non-executive Director	0-5		
Crowe J	Non-executive Director	0-5		
Luder I	Non-executive Director	5-10		
Mellor I	Non-executive Director	5-10		

The following non-executive director left during 2004/5 : Omar Faruk (30 January 2005). Omar Faruk has not consented to disclose his salary and pension entitlements.

Dr Coakley's salary includes his medical commitment.

As non-executive members do not receive pensionable remuneration, there will be no entries in respect of pensions for non-executive members.

All directors have declined to publish their marital status.

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