Homerton University Hospital NHS
NHS Foundation Trust

Annual plan

2007/8

Contents

Section one

Past year performance

1.1 Chief Executive's summary of the year

Homerton has a long history of financial stability and sound financial management. Changes to the Payment by Results (PbR) tariff at the beginning of the 2006/7 year led to a significant shortfall against projected income; a situation compounded by reductions in contract levels for teaching and clinical care, the latter based on our commissioner's plan to move care out of hospital.

The Board had anticipated this situation and took robust and appropriate steps at every stage to manage it. It set what it considered a realistic budget, recognising that full recovery may not be possible within a one-year time frame. An extremely prudent approach was taken to income projections, setting these at the contracted level rather than trend. The Board recognised that for the financial recovery plan to be successful it needed to be based on sustainable structural changes, which would take time to plan and implement. Cost reductions, therefore, would not materialise until the end of the year and financial projections were set accordingly.

Central to developing our recovery plan, was the examination of our performance against markers of productivity and efficiency for health services. Where we were out of line, we analysed the underlying cause and took corrective action. This approach has allowed us to reduce our costs without compromising the quality of care or patient safety. By reducing unnecessary stays in hospital we have been able to substitute day care facilities for inpatient wards, thus releasing overhead costs. In 2006/7, we treated more patients with fewer beds with no rise in reported risk incidents or complaints, or significant breach of key targets. We received our most improved patient satisfaction survey ever.

Our actions, coupled with additional income from activity over contract, means that we have closed the year in financial balance and with sound plans in place for financial management in 2007/8 and beyond.

This focus on financial and business activity did not distract our attention from our core purpose of providing healthcare for the people of Hackney, the City and beyond, and training the next generation of healthcare professionals. The importance of the decisions made by patients, public, students and those who commission on their behalf to choose Homerton over others was if anything brought more sharply into focus.

Our achievements in 2006/7 were not limited to the above. A number of important developments also took place:

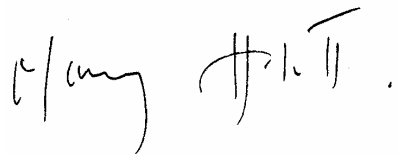
- we opened a state-of-the-art lecture theatre and extension to our academic centre

- a Picture Archive and Communication System (PACS) was implemented, along with upgrades to our Electronic Patient Record (EPR) system, greatly reducing the risk of misplaced patient records and images
- a significant Department of Health National Workforce Project grant was secured to extend our work on the 'hospital-at-night' initiative; we have gained national recognition for this work, designed to improve care for patients and the working conditions of staff at night
- a new surgical unit opened, designed to reduce inconvenience and anxiety for patients needing surgery
- the hospital received a £2million Neighbourhood Renewal Fund grant from the Hackney Strategic Partnership Board to work in conjunction with partners on a range of projects aimed at reducing infant mortality in the Borough
- the full case to support the £10m investment in a new perinatal centre was made, and design and building timetables set. Homerton's future lies very much in maternity and neonatal care and new facilities will allow us to take our full role as one of London's specialist perinatal centres.

All of these developments have at their heart a desire to enhance our services for patients, staff, students and others. They provide better facilities and more space, reduce risk and inconvenience, and create new understanding and knowledge. We have achieved this in a way that provides value for the public purse and security for the hospital.

It is to the credit of all staff at Homerton that so much has been achieved in such a challenging year. They are the life-blood of the organisation. It is incumbent upon those of us that lead the hospital to ensure that the 2,200 people directly employed, and over 300 contracted to work for us, feel valued and supported in their work, and believe Homerton to be a good place to work and develop in their careers.

Finally, I must thank our Council of Governors for weathering a difficult year with us. We are very grateful for their continued support, input and guidance.



Nancy Hallett
Chief Executive

1.2 Summary financial performance 2005/6

1.2.1 Introduction

In March 2006, the Trust faced a £7m deficit predominately as a result of changes to the price tariff. A financial recovery programme was instigated, and this allowed the organisation to set a deficit budget of £1m. At the end of the year, the Trust posted a pre-audit surplus of £0.2m. Income was 2% higher than plan, with a substantial cut to education and training levies being offset by higher than anticipated NHS patient levels. Costs were just over 1% above plan, thus giving rise to a better than predicted year-end performance. Overall, the Trust has removed £6m of cost, and has a number of projects going forward into 2007/8 that will ensure a solid financial performance in the future. Liquidity was a mid-year issue for the Trust, although cash balances significantly improved in the second half of the year.

1.2.2 Income and expenditure

At the beginning of the year, a significant overall reduction in the PbR tariff, and a specific reduction in the price of outpatients and emergency admissions, were announced, which meant that Homerton's income increase was 1.1% against a generic cost increase of 6.5%. This loss of income was partially offset by higher than contracted patient levels. Throughout the year, contract income was consistently higher than plan, by around 2% in most months. Small contractual underperformances in A&E and outpatients were offset by elective and emergency over performance.

Initial budgets for education and training levies had assumed a 5% reduction, but in October we were informed of a further reduction of £400,000, making the overall levy 11% lower than originally planned. As a district general hospital with a relatively large teaching base, this cut was disproportionately large. The overall position was improved later in the year by additional funding for distinction awards.

Private patient income was slightly above plan at 0.2% of clinical income, which was at the private patient cap.

As noted, the financial recovery programme saw a £6m reduction in budget. In cash terms, costs were over £3m lower than in 2005/6, and the work of all Trust staff in achieving this is to be commended.

Summary of financial performance against plan

Plan 2006/7 £m		Actual pre-audit 2006/7 £m
	Income	
119.1	NHS clinical income	122.7
(1.0)	PBR clawback/relief	(1.0)
0.3	Private patient income	0.3
15.1	Non-patient income	14.2
133.5	**Total income**	
	Expenses	
85.3	Pay costs	91.5
6.9	Drug costs	6.6
32.8	Other costs	28.5
125.0	**Total costs**	**126.6**
8.5	**EBITDA**	**9.6**
0	Profit/loss on asset disposal	0
(5.9)	Depreciation	(5.7)
(3.7)	PDC dividend	(3.7)
0	Interest	0
0	Corporation tax	0
(1.1)	**Net surplus (pre exceptionals)**	**0.2**
0	Exceptional items	0
(1.1)	**Net surplus (post exceptionals)**	**0.2**
Plan		**Actual**

1.2.3 Liquidity

Trust liquidity improved significantly in the last two quarters of the year, partly as a result of the improved trading position, and also as a result of the actions taken on cash and debt management. In addition, the Trust reduced its capital plans to better manage liquidity. The year-end cash balance was £5.4m, and debtors had reduced from £6.7m to £3.4m.

1.2.4 Capital investment

Although capital investment was less than previously planned, investment was seen in a number of areas, including: the purchase of a PACS system; the completion of a new academic centre; and the completion

of the enabling works for the perinatal centre. In addition, work began at the front of the hospital to improve security and access to services.

1.2.5 Reporting

In 2006/7, the Trust introduced revised arrangements for financial reporting, with a monthly EBITDA position being reported for each directorate. A project was established in the fourth quarter to develop these arrangements into service line reporting, and this will be live from June 2007.

1.3 Other major issues

1.3.1 Performance against clinical performance and targets

Homerton was rated 'good' for service quality in the 2006/7 Healthcare Commission (HCC) ratings, having declared full compliance on the HCC standards. Feedback from the HCC was that we were close to reaching the 'excellent' rating.

We will declare full compliance with the HCC standards for this year and we are pleased with our performance against all key targets. It is not clear, however, how the fact that we will be reporting 7 (94.5%) breaches for the 62 day cancer wait target, against a target of no more than 6 (95%), will impact on our overall rating. Similarly the 17 cases of MRSA bacteraemias this year, although one of the lowest in the country, is a numerical increase on last year.

1.3.2 The Board

2006/7 saw the retirement of our long-serving Trust Chair, Rev Andy Windross. Following due process, Michael Cassidy was appointed as his replacement, joining us formally on 1 December 2006. The Board composition was amended to allow for the establishment of an additional non-executive director, and a successful appointment made to this, as it was to one other vacant post.

1.3.3 London strategy review

The year saw NHS London publish 'A Case for Change', setting out the principles that will guide the future direction of health services in London. The document supports the development of community-based services for patients and centralisation of certain hospital services. The Board has started to consider the potential impact of major change in the Capital for Homerton.

Section two

Future business plans

2.1 Strategic overview

2.1.1 Introduction

The overarching strategic aims for Homerton remain as they have done since its authorisation as a foundation trust in April 2004. These are: to be the hospital for Hackney; to provide a defined range of services for north-east London and beyond; to be a thriving and sustainable organisation; to continuously improve on performance; to have high quality systems and processes based in excellent technology; and to have the infrastructure of services, academic resources and buildings to meet the needs of the local population and contribute to the development of the wider NHS.

Whilst strong and progressing in each of these areas, the world of healthcare is changing and for Homerton to be confident that it will thrive into the future, focus needs to be brought to bear on the following strategic issues:

2.1.2 Adapting to a changing healthcare world

Structures, systems and skills across the organisation need to be fit-for-purpose now and for the future. Whilst our core purpose remains the restoration of health and care of the sick, we must operate as a business, with financial surplus our objective so that investment in services for our local population can continue.

A shift from rigid budgetary monitoring to a dynamic 'real time' income and expenditure tracking is vital in this, as is the continued development of skills in the efficient and effective use of resources. The organisation and its workforce have to develop the confidence and ability to adapt swiftly and appropriately as external drivers demand.

The next section outlines the Trust's plans to extend the performance management framework, introduce service line reporting and adapt the workforce development programme in support of the above.

2.1.3 Growing the business

Whilst ensuring that our established services work efficiently and are of a good standard, this may not in its own right be sufficient to secure the hospital's future. A shift in the NHS policy framework has seen the role of the commissioner change in determining where services are provided or received, with GPs and patients now at the centre of the process. For the hospital, this poses both potential opportunities and risks.

The risks associated with reduction in hospital activity, occurring either as a consequence of a planned transfer of activity to alternative providers by the commissioners, or through the exercising of choice by the individual GP and patient, need to be understood and accommodated.

Alongside this, there needs to be a systematic and planned programme designed to realise the opportunities afforded by the above. Homerton's core business is the provision of hospital services and the training of healthcare professionals; however, strengths in addition to these exist and can be capitalised on as the Trust seeks to grow its business base. These include the provision of community health services and non-clinical support services such as health informatics.

Growing the business may involve partnership arrangements with other NHS bodies or independent sector organisations. In the next section plans to develop the business base in the coming year are discussed further.

2.1.4 Responding to external strategic change

A framework for strategic health planning in the Capital is emerging and a review of hospital services in the outer north-east London sector progressing. Economic issues are a major driver in this, but other issues relating to clinical integrity and viability are also important. As a successful provider of healthcare, Homerton is well placed to contribute actively to the future of healthcare in London and will continue to work with our partners to secure the best possible health services for the local population.

2.2 Service development plans

2.2.1 Introduction

The Trust's service development plans for the year result from previously agreed investment plans, policy directives and commissioner requirements, and the need to protect and promote the organisation, for the purpose of health care provision.

To assist the organisation in focussing its work for the year, and to help those with an interest in the hospital to understand this, the following three corporate objectives have been drawn up which encapsulate the work programme.

The corporate objectives are; to be:

- reliable and consistent for safety and quality
- easy to access by patients and referrers and minimally disruptive to patients home and work lives
- viable as a business.

Through these, the Trust seeks to keep patient safety and quality of care as a paramount concern. After issues of safety, the choice to use Homerton over any other provider will increasingly be determined by the ease and speed that the hospital can be accessed and the impact on the work and home life of the patient.

The viability of the Trust as business is everyone's concern, and all staff and stakeholders must share in the achievement of this, as they must patient safety.

2.2.2 Managing and improving performance

Performance improvement: Towards the end of last year, the Trust introduced a new compliance and performance management framework to support business delivery. The model provides a means of focusing on efficiency and effectiveness within the Trust of the systems and processes associated with performance management. Within the new framework, the clinical and corporate directorates are arranged so that the individual services come together as inter-reliant business units, in a highly structured regulatory environment, to deliver the Trust corporate objectives. This creates more opportunity to examine and assess compliance, service delivery, contract performance and associated impact.

Service line reporting: in the fourth quarter of 2006/7, a project was established to develop service line reporting. Financial and performance reporting will develop at specialty level, allowing the Trust to better manage the overall portfolio of services and bring greater transparency to decision making about the future of these services.

Workforce development: it is important that the capability to run services effectively, efficiently and with user-satisfaction, extends beyond the traditional levels of management infrastructure. Improvements to the provision of services can be more effectively undertaken as close to the services as possible. Following an organisation-wide training needs analysis undertaken last year, the Trust has reviewed the content and delivery of its induction programme and training and development provision. The Trust has a clear view of the training and development necessary to enable continuous improvements in workforce productivity and skills development. Our aim is to ensure we have a highly skilled, motivated and productive workforce fit for purpose.

Early implementer – 18 week wait target: the Trust and its host PCT City and Hackney, as a local health community, have been accepted as shadow early implementers of the 18 week target. This means that by December 2007 the Trust will be aiming to treat 90% of admitted patients and 95% of non-admitted patients within 18 weeks for most specialties. To support the early achiever status, the milestones for stages of treatment will be achieved at Homerton three months earlier than the national target requires: by December 2007 inpatient waits will be reduced to 11 weeks or less, outpatient waits to 5 weeks or less and diagnostics to 6 weeks or less.

A joint capacity plan has been agreed between the Trust and the PCT. This means that the PCT has committed to funding the additional activity required during 2007/8 to achieve the 18 week target. A project

board has been established with clinician involvement to support the implementation of this challenging target. To achieve the target, each specialty team will identify and resolve delays in their patient pathway and be encouraged to introduce new models of delivering care where this is necessary, to improve the quality of care provided and to support the achievement of the 18 week target.

Taking care 24/7: the Trust was successful with its bid for funding of £300k to pilot a project from the NHS National Workforce Projects. This will enable us to achieve the European Working Time Directive (EWTD) target of 48 hours for doctors in training by 2007, two years ahead of the legal deadline of 2009. In order to facilitate this, we will separate emergency from elective care to create additional dedicated beds for emergency admissions.

Compliance with the 48 hour week will be achieved by separating the medical rotas to allow time dedicated exclusively to the care of patients admitted as an emergency and time devoted to development of skills in the core specialities.

The pilot began on 1 November 2006 and will be completed by March 2008.

Patient experience tracker: in order to ensure that the Trust provides the best possible care, it is important that patients have mechanisms to tell us what their experience was like. Currently this happens annually through the inpatient survey, but the number of people who complete this is relatively small and may not be an accurate representation of patient experience. Therefore, the Trust introduced the Patient Experience Tracker (PET) in 2006/7. The PET is an electronic questionnaire that patients fill in at the time of their treatment; they are placed in 10 locations at the hospital. Patients are only required to answer five questions and the Trust can change these as and when it needs to. Unlike the annual patient survey the questions are available in a number of different languages.

The benefit of PET is that the results are available very quickly, which means that individual areas can find out almost straight away what their patients think of their care. Improvements can be implemented quickly if needed and the PET will then demonstrate whether these improvements have had the desired impact or not. In addition our experience so far indicates that a higher response rate is generated, thus giving a more accurate reflection of patient experience.

2.2.4 Business development

Business development activities will be focused on maintaining and growing the hospital's elective and speciality base (in order to secure a viable future for the hospital).

Marketing function: as patient choice, payment by results and practice based commissioning continue to impact on all healthcare providers, we will maintain our focus on developing and marketing services to patients and commissioners. We have started a programme of work looking at referral patterns to the hospital, with a view to optimising the level of referrals from within City and Hackney and extending our reach into neighbouring boroughs and London-wide. Work will continue with practice based commissioners and the east London GP organisation (ELIC) to ensure that we are responding to their requirements. We are also working closely with our clinicians to promote their services and ensure patients and commissioners are given maximum information about them.

Understanding the customer and referrer: continuous improvement to all aspects of service delivery and the patient and referrer experience is vital to remaining a provider of choice. Understanding the factors that have an influence on the patient experience at the Trust is key. The recent findings of a research study conducted by Ipsos MORI on behalf of the City and Hackney tPCT shows that the strongest driver of satisfaction with local NHS services is Homerton. In addition, waiting times for appointments with hospital consultants and time waiting in Accident and Emergency are residents' priorities for improvement. Given public misconception of waiting times, communications on these issues and how improvements have already been made may affect both satisfaction and choice.

Independent sector collaboration: Homerton has explored the possibilities of working with the independent sector to provide clinical services for the north east London area. Consideration is being given to how this could be structured and what overall benefit it could bring to the Trust.

2.2.5 Summary of service developments

In the short term the hospital will continue to build on existing specialties and in particular the following areas:

Perinatal development: building work on the new perinatal centre will begin in 2007/8. At the same time, the Trust will implement its new service plan for perinatal services, ensuring that it becomes one of the top eight centres in London.

Fertility unit development: the Trust will also embark on the development of a new dedicated facility to accommodate fertility services. This will allow for the expansion of the clinical service and an increase in activity in line with NICE recommendations and PCT commissioning requirements.

HIV and sexual health services: HIV services have been established at Homerton in response to population need. Given the demography of east London, the absence of curative therapy and limitations of

preventative programmes, the need for HIV clinical services will continue. Homerton has actively developed its HIV service, in particular through the development of an associated research programme, and as such has a high profile and strong reputation in the HIV field. Population need and organisational aspirations apart, accreditation requirements and financial integrity will be critical determinants to the ongoing viability of the service. These are not however considered to be major risks for Homerton's service.

The Trust has begun a programme of work to develop a dedicated state-of-the-art HIV facility (funding from some NHS capital, the rest from fundraising), capable of housing clinical, welfare and research activities.

Surgical services: In developing surgical services the focus has been on laparoscopic surgery and in securing a clinically and economically viable surgical base. In line with this, the Trust will submit a bid to be a preferred provider of bariatric surgical services (surgery for morbid obesity) for London and the South-East. The Homerton is already a recognised centre for this specialised service.

In addition, plans are being formulated for an independent section NHS provider to deliver a component of surgical services from Homerton's site. This will provide not just a contribution to the Trust's overhead costs but introduce patients from outside of the immediate locality to the hospital.

National screening centre for colon cancer: the Trust will launch its screening programme in 2007, acting as a 'hub' for the first stage screening and subsequent diagnostic services, ie providing colonoscopy for the north-east London population.

2.2.6 Summary of service developments

		Additional activity			Additional revenue £000	
		2008/9	2009/10		2008/9	2009/10
Perinatal Centre						
Neonatal bed days		0	768		0	891
Obstetric admissions with delivery		197	317		178	294
Obstetric admissions without delivery		86	165		61	119
Fertility						
IVF cycles		50	50		129	130

2.3 Operating resources required to deliver service development

2.3.1 Introduction

2007/8 will see further improvements to the Trust's financial position. Under the new compliance regime, the Trust's risk rating will stabilise at a minimum of a 3, and we plan to further improve our balance sheet position. Major building schemes will commence this year, including the building of the perinatal and fertility centres. We will continue to invest in our IT infrastructures to ensure that our data quality continues to improve, and we will invest in systems to support pharmacy and theatres.

2.3.2 Income

Pricing was less of an issue for the Trust going into 2007/8, with a relatively stable tariff announced much earlier than last year. In the medium term we have assumed 2.5% tariff inflation. All contracts with London PCTs had been signed by 31 March. Contract income is based on the achievement of the 18 week milestones, and should allow us to be early achievers in some specialties.

2.3.3 Expenditure

Total operating expenses (£m)

£m	Plan	Actual	Current plan		
Operating expenses	2006/7	2006/7	2007/8	2008/9	2009/10
Pay	85.3	91.5	94.0	95.5	97.9
Drugs	6.9	6.6	6.4	7.0	7.9
Other costs	32.8	28.5	34.9	35.9	36.9
Cost Improvement plans	7.0	6.5	7.2	4.3	4.1

2.4 Investment and disposal strategy

2.4.1 Introduction

The developments outlined in the 2006/7 Annual Plan all took place, with business cases being approved by the Board for the expansion of fertility and perinatal services. Work on the power supply took place as planned and work on the front of the hospital is currently underway.

2.4.2 Investment in property - construction

In 2007/8, the Trust will concentrate on the delivery of a new facility to accommodate the expanded fertility services, and completion of designs and procurement of tenders to allow build works to commence on the perinatal centre.

We will also continue our programme of improving access and security. The police office and front entrance works will complete this year and a programme for controlling hospital access, along with improvements to signage and way-finding is being rolled out.

The Trust will also continue its programme of rationalisation and movement of management and support functions out of what ultimately is good clinical space, allowing prudent expansion.

2.4.3 Disposal

Last year we reviewed the potential sale of houses at the back of the hospital. These properties, functioning as offices, house a number of hospital, social services and mental health trust staff, and the logistics of re-housing all these people on an already space-constrained site have proved complex and the costs outweigh the financial benefits of disposal.

No other disposals are planned.

2.4.4 Maintenance

Maintenance and repair works to structure, fabric and services will carry on, with a continued focus on legislative compliance and emergency response in event of utility service failure.

Investment and disposal strategy

	Plan 06/07 £m	Actual 06/07 £m	07/08 £m	08/09 £m	09/10 £m
Investment in - land and building assets	3.6	4.2	3.2	8.2	7.25
Investment in P&M and build repl programme	0.6	0.2	0.7	0.7	0
Investment in other equipment assets (ME,PM TE)	1.3	2.8	1.9	0.7	0
Total	5.5	7.2	5.8	9.6	7.25

2.4.5 Compliance with the Prudential Borrowing Code

PBC ratios	Trust position	Compliant	Rule
Maximum debt/ capital ratio	5%	YES	<25%
Minimum dividend cover	3.2x	YES	> 1x
Minimum interest cover	56.1x	YES	> 3x
Minimum debt service cover	39.4x	YES	> 2x
Maximum debt service to revenue	0%	YES	< 3%

2.5 Financing and working capital strategy

The Trust's working capital position has historically been challenging, with a net current liability upon authorisation of £7.8m. This increased in 2005/6 to £8.7m. In addition, the Trust has a retained I&E deficit of £580k at the end of March 2007. The Trust has an £11m committed working capital facility, which it wishes to continue with. This is within the guidelines recommended by Monitor.

The table below shows the actions taken in 2006/7, and identified in our Annual Plan, to improve liquidity and the current position.

Action identified	**Result**	**Future action**
Draw down of FTFF loan	Due to PACS funding, and DH requirements around spending up depreciation, the loan was pre-paid and will be re-drawn in 2007/8	Renegotiated term of loan
Reduced capital expenditure	£2m cash resource freed up	Reduced capital programme 2007/8
Tighter debtor management	Debtor position reduced by over £3m	Continue debt management
Credit card facility implemented	Implemented in 2006/7.	Continue
PCT contract payment dates brought forward	Significant benefit in first two weeks of the month.	Due to change in London payment arrangements, only City & Hackney tPCT will continue with this arrangement
Close management of creditor payments	Creditor days stable at 12.5	Continue creditor management. Implement Treasury Management policy.
Increased committed facility	Although approved by Nat West, this was declined by Monitor	No further action. Not required.

2.6 Summary of key assumptions

Income

Inflation assumptions (%)	2006/7 actual		2007/8	2008/9	2009/10
Average clinical income	1.2		2.5	2.2	2.2
Non-clinical income	2.5		2.1	2.1	2.0
R&D and education and training income	0		0	tbc	tbc
Other income	2.5		2.1	2.1	2.0

Pay costs

	2006/7 actual		2007/8	2008/9	2009/10
Salary inflation	2.5		2.5	2.5	2.5

Headcount

	2006/7 actual		2007/8	2008/9	2009/10
Clinical	1,627		1,666	1,691	1,718
Non-clinical	580		588	593	598
Agency costs (£m)	2.2		1.98	1.78	1.60

Section three

Risk analysis

3.1 Governance risk

3.1.1 Commentary on governance risk

Homerton foresees minimal risk against the seven governance elements defined in the Monitor Compliance Framework. Having examined each of the governance risk areas, the self-assessment risk rating is considered to be green, as robust plans are in place to mitigate the risks.

Legality of constitution: the constitution was formally reviewed in 2006/7 by a joint Council of Governors and Board of Directors working group. Constitutional amendments were approved at a subsequent members meeting in March 2007. The amendments reflect a reduction in the number of appointed partner governors following the establishment of NHS London and include an extension of the Outer Constituency boundaries to include four new boroughs; Southwark, Lambeth, Westminster and Epping Forest District. The Council of Governors and Board of Directors have requested these amendments through a formal process to Monitor.

Representative membership: Homerton has worked hard to achieve a representative membership and continues to analyse how well this has been achieved. The Trust has not actively recruited new members this year, but has focused activity on reviewing the membership development strategy. 2007/8 will focus on member involvement and an increase in membership numbers in those areas less well represented, notably young people. Membership issues are not considered to present a high risk to future governance effectiveness.

Appropriate Board roles and structures: in 2006/7, the Board recruited a new Chairman and two new non-executive directors. The new Board members were chosen to complement the existing team and provide a good balance of skills and competences in line with Monitor's Code of Governance.

Service performance: the Trust has a good record of achieving national standards and targets. A focus on national core standards and targets within the Trust's corporate objectives enables us to retain an appropriate focus on the delivery of high quality care to patients. Careful review of performance against these key targets will be required to ensure a consistent governance rating of green.

Clinical quality: the Trust has effective arrangements in place for the purpose of monitoring and improving the quality of care provided to patients. The Board has declared compliance against the core and developmental standards and hygiene code as part of the 2006/7 Annual Health Check.

Effective risk and performance management: Homerton's performance management and risk management arrangements are robust. The Trust has introduced a new compliance and regulatory

framework to support business delivery and regulatory and compliance requirements. The clinical management structure has been simplified and strengthened, so that the individual services and the functions they provide come together as inter-reliant business units in a highly structured regulatory environment. A new regulation and compliance unit will be responsible for ensuring that reporting and performance monitoring frameworks are in place. A strategy unit will provide a more structured approach to determining risk and assessing strategic options. The Trust Board assurance framework has been strengthened through review of the risk management and clinical governance committees. Risks are reviewed regularly by the management executive and risk committee.

Cooperation with NHS bodies and local authorities: Homerton has an effective set of relationships with NHS bodies, City and Hackney tPCT and the local authority. The relationship with our host borough's Local Strategic Partnership, known as Team Hackney, has gone from strength to strength.

3.2 Mandatory services risk

3.2.1 Commentary on mandatory services risk

Mandatory services continue to be provided in line with the Terms of Authorisation. There were no significant issues arising from the financial recovery programme in 2006/7 and we do not anticipate any in 2007/8.

3.3 Financial risk

3.3.1 Commentary on financial risk rating

The Board of Directors assesses the financial risk rating in the Annual Plan at 4 under the revised financial metrics. This is driven by a projected I&E surplus margin of 1.3%, a return on assets of 5.1% and a liquidity measure of 35 days operating cash.

The base scenario gives financial ratings as follows:

	2006/7	2007/8	2008/9	2009/10
EBITDA margin	7.1%	7.90%	8.00%	7.80%
EBITDA, % achieved	113.5%	113.50%	113.50%	113.50%
ROA	3.7%	5.10%	4.9%	4.90%
I&E surplus margin	0.2%	1.20%	1.40%	1.40%
Liquid ratio	36.9	34.5	28.7	39.5

The risk rating drops to 3 with a marginal reduction in I&E margin, and with the same set of balance sheet conditions. The rating would drop to 2 with an I&E deficit of £3million or more.

3.3.2 Significant risks

Major financial risks for the Trust in 2007/8 are identified in the Board Assurance Framework. These include:

- failure to achieve financial plan
- failure to ensure a sustained elective base
- poor data quality
- inadequate system capacity.

The Trust has built contingencies into its financial plans for the year in order to manage the overall financial position, and has a number of cost containment projects in place. Where necessary, capacity will be reduced if income levels necessitate such action.

In terms of data quality, a number of projects are underway focusing on improving the underlying data, and audits will take place regularly throughout the year to evidence this. In addition, the Audit Commission will be undertaking a PbR audit in 2007/8 as part of their national programme.

As noted elsewhere in the Annual Plan, performance management and compliance systems have been reviewed, and directors believe that robust managerial arrangements are in place to ensure that the Trust maintains its high performance.

3.4 Risk of any other non-compliance with the terms of authorisation

There are no other significant risks identified in addition to those in the Board Assurance Framework.

3.5 Presentation of risk

Please see appendix one for the Board Assurance Framework.

Section four

Declarations and self-certification

4.1 Board statements

The Board of Directors confirm that the attached declarations and Board's statements are true.

4.1.1 Clinical quality

The Board of Directors is required to confirm the following:

☒ The board is satisfied that, to the best of its knowledge and using its own processes (supported by Healthcare Commission metrics and including any further metrics it chooses to adopt), its NHS foundation trust has and will keep in place effective arrangements for the purpose of monitoring and continually improving the quality of healthcare provided to its patients.

4.1.2 Service performance

The Board of Directors is required to confirm the following:

☒ The board is satisfied that plans are in place to ensure ongoing compliance with all existing targets (after the application of thresholds) and national core standards, and a commitment to comply with all known targets going forwards.

4.1.3 Risk management

The Board of Directors is required to confirm the following:

☒ Issues and concerns raised by external audit and external assessment groups (including 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 pace to deliver the annual plan;

☒ A Statement of Internal Control ("SIC") is in place, and the NHS foundation 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 (www.hm-treasury.gov.uk); and

☒ All key risks to compliance with their Authorisation have been identified and addressed.

4.1.4 Compliance with the Terms of Authorisation

The Board of Directors is required to confirm the following:

☒ The board will ensure that the NHS foundation trust remains at all times compliant with their Authorisation and relevant legislation;

☒ The board has considered all likely future risks to compliance with their Authorisation they face going forwards, the level of severity and likelihood of a breach occurring and the plans for mitigation of these risks; and

☒ The board has considered appropriate evidence to review these risks and has put in place action plans to address them where required to ensure continued compliance with their Authorisation.

4.1.5 Board roles, structure and capacity

The Board of Directors is required to confirm the following:

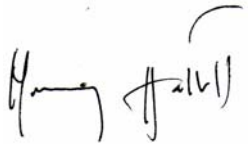
☒ The board maintains its register of interests, and can specifically confirm that there are no material conflicts of interest in the board;

☒ 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 programmes in place ensure that the non-executive directors have appropriate experience and skills;

☒ The management team have the capability and experience necessary to deliver the annual plan; and

☒ The management structure in place is adequate to deliver the annual plan objectives for the next three years.



In capacity as Chief Executive & Accounting Officer

In capacity as Chairman

Signed on behalf of the board of directors, and having regard to the views of the governors.

Section five

Membership

5.1 Membership report

Overall membership totals in the public and staff categories have fallen slightly over the past year. The fall is largely due to the cleansing of data held in the membership database. The fall in staff numbers does not represent an increase in the numbers of staff opting out of membership. The increase in the membership figures for the public constituencies was not as high as estimated in the 2006/7 Annual Plan. With limited resources, priority was given to reviewing the membership development strategy and building a positive relationship with the existing membership. The Council of Governors have adopted a prudent approach in estimating new membership for 2007/8, with priority being given to increasing the membership with particular attention focused on increasing the number of young members.

5.1.1 Membership size and movements

Public constituency	**Last year 2006/07**	**Next year (estimated) 07/08**
At year start (April 1)	4525	4326
New members	100	500
Members leaving	299*	100
At year end (March 31)	4326	4726
Staff constituency	**Last year**	**Next year (estimated)**
At year start (April 1)	1443	1375
New members	102	100
Members leaving	170*	100
At year end (March 31)	1375	1375
*Data cleansing against Post Office bereavement and addressee gone away files resulted in 323 members being found to be invalid and removed from the database.		

5.1.2 Analysis of current membership

Public constituency	**Number of members**	**Eligible membership**
Age (years):	4326	202,824
0-16	1 (0.02%)	2685 (1.3%)
17-21	27 (0.6%)	13343 (6.58%)
22+	1213 (28.04%)	139,365 (68.71%)
Not Stated	3085 (71.32%)	-
Ethnicity:		
White	1986 (45.9%)	120,468 (59.4%)

Mixed	154 (3.56%)	8501 (4.19%)
Asian or Asian British	424 (9.8%)	17,414 (8.59%)
Black or Black British	814 (18.8%)	50,009 (24.66%)
Other	77 (1.78%)	6,432 (3.17%)
Not Stated	871 (20.13%)	-

5.2 Membership commentary

5.2.1 Constituencies

Membership of the Trust is drawn from three core constituencies. The public constituencies are defined in terms of people, including patients over the age of 16 who live in the borough of Hackney, the City of London and the Outer area. The Outer constituency includes residents from Camden, Islington, Tower Hamlets, Newham, Barking, Havering, Redbridge, Waltham Forest, Haringey, Enfield and Waltham Forest, where the hospital has established patient income streams. The membership recently approved a constitutional amendment to extend the Outer constituency boundaries to include Westminster, Lambeth, Southwark and Epping Forest District.

Current and former patients are eligible to become members in the public constituencies. The Trust is able to identify self-declared patients on the membership database. The Trust embraces the concept of a wide membership base, with no limit on the number of people who can register. The staff constituency is divided into two classes, clinical and other staff, to ensure a broad range of staff would be elected to the Council of Governors, to represent the interests of different staff groups. Staff on permanent contracts or those who have worked for the Trust for at least 12 months, including contracted staff, are eligible for membership.

5.2.2 Membership analysis

Sex: broadly reflect local population

Gender	Census (%)	Public Constituency (%)
Male	47.8	44.5
Female	52.2	55.5

Age: It is difficult to make meaningful comparison as over 70% members did not give their date of birth on membership form. However, there has been an increase in the number of fully completed membership forms and it is expected that this data will improve over time.

Ethnicity: Hackney Census data is used for the comparison as the majority of Homerton's patients live in the borough and over 80% of the public members are in the Hackney constituency. The Trust's membership is broadly reflective of local population

5.2.3 Future membership

The Council of Governors and Board of Directors have given a clear commitment to the development of a membership that is representative of the diverse communities the Trust serves. It is recognised that to build and develop the membership requires both time and resources.

The new membership development strategy has five main objectives. These are to:

- increase the membership population ensuring that it reflects the local community
- promote active membership
- engage the local community through visits to groups and stakeholders
- sustain and develop communication to the membership
- develop methods of communication that allow members to feedback to the Board of Directors and Council of Governors
- provide a means for governors to effectively represent the views of the membership.

Each of these objectives has a number of actions that outline the steps that will be taken in order to achieve the objectives. In addition, the governors have begun to develop a range of performance indicators, so that progress and achievement can be tracked throughout the year. Sample indicators include:

- 500 new members by end of 2007/8 financial year
- each governor recruits 10 new members
- City Constituency accounts for 3% of total population by end of 2007/08 financial year (against 2% in 2006/07)
- two community visits per governor in 2007/8
- publication of a revised membership leaflet
- % increase in number of 16-25 year olds who register as members
- 3 membership newsletters per year
- improved members webpage and increased hit rate
- at least one NED to attend Council of Governors meeting on a rotational basis.

5.2.4 Governors

The Council of Governors comprise of twenty six governors under the leadership of the chairman. There are fourteen public governors, six staff governors and six partnership governors. The Council of Governors has met in full session on four occasions through the year with two additional joint Board and Council of Governors meetings and two members meetings including the Annual Members' Meeting. All meetings

were well attended. The Nominations Committee has made recommendations to the Council of Governors on the appointment of two non-executive directors and the chairman. Governors have also attended a range of Trust committees.

Each year the governors hold an away day to review achievements and focus on the priorities ahead, in light of the Trusts strategic plan and corporate objectives. Priorities for 2007/8 largely focused on the membership development strategy already referred to in this plan. The governors have also prioritised working with the Board of Directors to:

- improve the patient and service users experience of care
- increase the opportunity for the council to comment on specific Trust plans and developments and feedback views to the Board
- help to develop maternity services more focused on the needs of fathers.

5.2.5 Election of governors

Elections will take place in June 2007 and will be held in accordance with the election rules; and will be conducted by the Electoral Reform Balloting Service on behalf of Homerton. The following 7 seats will be contested:

Hackney Public	4
City	1
Staff	2

Two elections have been held during 06/07.

Section six

Financial projections

SECTION 6
FINANCIAL PROJECTIONS

Financial Summary

£m	Plan	Actual	Plan	Plan	Plan
Income	**2006/7**	**2006/7**	**2007/8**	**2008/9**	**2009/10**
NHS Clinical income	119.12	122.65	128.91	132.11	136.45
PBR Clawback/relief	(0.95)	(0.95)	0.00	0.00	0.00
Private patient income	0.26	0.33	0.32	0.33	0.33
Other income	15.06	14.24	17.74	18.21	18.25
Total income	**133.50**	**136.27**	**146.96**	**150.65**	**155.03**
Expenses					
Pay Costs	(85.33)	(91.49)	(93.97)	(95.51)	(97.95)
Drug costs	(6.85)	(6.59)	(6.43)	(7.05)	(7.91)
Other Costs	(32.82)	(28.55)	(34.93)	(35.93)	(36.93)
Operating costs	**(125.00)**	**(126.62)**	**(135.33)**	**(138.49)**	**(142.79)**
EBITDA	**8.50**	**9.65**	**11.63**	**12.16**	**12.24**
Depreciation	(5.85)	(5.70)	(6.09)	(6.20)	(6.30)
Profit/loss on asset disposal	(0.04)	(0.05)	(0.10)	(0.04)	(0.04)
Net interest	0.01	0.00	(0.01)	(0.13)	0.04
Taxation	0.00	0.00	0.00	0.00	0.00
PDC dividend	(3.70)	(3.69)	(3.62)	(3.65)	(3.70)
	(1.08)	0.20	1.82	2.14	2.24
Exceptional items	0.00	0.00	0.00	0.00	0.00
Net surplus (post exceptionals)	**(1.08)**	**0.20**	**1.82**	**2.14**	**2.24**
EBITDA margin	**6.37%**	**7.08%**	**7.92%**	**8.07%**	**7.89%**
EBITDA	**8.50**	**9.65**	**11.63**	**12.16**	**12.24**
Debtors	1.94	4.41	0.14	(0.30)	(0.15)
Creditors	(2.20)	1.01	(7.07)	0.10	0.10
Other changes in WC	0.36	(0.75)	(0.21)	(0.14)	(0.26)
Other	0.00	(1.88)	(1.57)	0.00	(0.42)
Cash Flow from operations	**8.60**	**12.44**	**2.92**	**11.82**	**11.51**
Capital expenditure	(5.19)	(4.23)	(5.30)	(7.69)	(7.00)
Asset sale proceeds	0.00	0.00	0.00	0.00	0.00
Net interest	(0.11)	0.01	0.00	(0.12)	0.02
Dividends (paid)	(3.70)	(3.69)	(3.62)	(3.65)	(3.70)
Movement in loans	1.57	0.00	3.60	3.70	(0.45)
PDC received	0.00	2.25	0.00	0.00	0.00
Other	(0.00)	0.07	0.00	0.00	0.00
Net cash inflow/outflow	**1.17**	**6.84**	**(2.40)**	**4.07**	**0.38**
Period end cash	**(0.30)**	**5.37**	**2.98**	**7.04**	**7.42**

SECTION 6
FINANCIAL RISK RATING

RISK RATING CALCULATION		2007/8	2008/9	2009/10
Metric				
EBITDA margin	%	7.90%	8%	7.90%
EBITDA, % achieved	%	113.50%	114%	113.50%
ROA	%	5.00%	5%	5.00%
I&E surplus margin	%	1.20%	1%	1.40%
Liquid ratio	days	34.5	28.6	38.6
RATING		**4**	**4**	**4**

Projected risk rating as calculated using Annual Plan templates provided by Monitor

Appendix

Assurance framework

Assurance Framework
2007-2008

Risk ID	Risk Type	Summary/description of risk	Related HC C standard/target (where applicable)	Consequence	Likelihood	Risk Source (April 2007)	Summary of Risk Treatment Plan	Director lead	Source of Assurance
Risks to Corporate Objective 1. Reliable and consistent for safety and quality									
1.1	Governance	Failure to comply with target for Hospital Acquired Infection *A breach of this target would be considered minor to moderate by Risk Committee	C4 HCC Core Target	3	4	**12***	Antibiotic policy Investigation of hospital acquired bacteriaemias Appointment of Nurse Consultant Infection Control Monthly directorate reporting framework in place reflecting risk Training programme in place	Director of Nursing Medical Director	Ongoing surveillance Monthly balance score card metrics Board reports Health Care Commission rating Compliance with Code of Practice for Infection Control /Hygiene Code
1.2	Governance	Failure to maintain staff morale and commitment	C8, D7	3	2	**6**	Review Communication Strategy Staff briefing sessions Staffside annual schedule of meetings Develop directorate plans for engaging staff in business plans Strengthen communication with staff via "team brief"	Director of Corporate Development	Staff survey Staff communications survey Human Resources workforce report Staff turnover rates
1.3	Governance	Failure to improve patient experience	C14, D11, C17, C16, C20, D8, C21	3	3	**9**	Essence of care programme Patient Experience Tracker Monthly directorate reporting framework in place	Director of Nursing/ Medical Director	Patient survey Patient experience tracker Dr Foster Number of complaints Member feedback Compliance with core and developmental standards
1.4	Governan	Failure to maintain compliance with buildings and property legislation	C20, D12	5	2	**10**	Works programme to address replacement and new installations to uplift component performance and system compliance including water services, ventilation and fire systems.	Director of HR and Environment	ERIC return Compliance with regulations and legislation

Risk ID	Risk Type	Summary/description of risk	Related HCC standard/target (where applicable)	Consequence	Likelihood	Risk Source (April 2007)	Summary of Risk Treatment Plan	Director Lead	Source of Assurance
1.5	Governance	Membership development and communication - failure to achieve balanced, active membership	C16, C14, D8, C17	2	3	**6**	Review of Membership Development Strategy and Patient and Public Involvement Strategy to focus on engagement and involvement Work to target under represented groups targeting specific groups within the constituencies e.g., young people, staff, people with disabilities.	Director of Corporate Development	Annual members meeting feedback Membership growth figures Indicators of membership contribution
Risks to Corporate Objective 2. Easy to access by patients and referrers and minimally disruptive to patients' home and work lives									
2.1	Governance	Failure to achieve cancer target *A breach of this target would be considered minor to moderate by Risk Committee	Core target	3	3	**9***	Maintain existing action plan comprising Early escalation Review meetings Weekly breach avoidance review	Director of Operations	Monitor governance ratings Monthly balance scorecard metrics
2.2	Governance	Failure to achieve emergency care target *A breach of this target would be considered minor to moderate by Risk Committee	Core target	3	3	**9***	Maintain existing action plan comprising: Escalation plan Review meeting Contribution to City & Hackney PCT Unscheduled Care Programme	Director of Operations	Monitor governance rating Monthly balance scorecard metrics
2.3	Governance	Service consequences of MMC and associated medical workforce reforms	C5 C11	3	3	**9**	Maintain project plan	Director of Operations/ Medical Director	Project milestones Monthly project board
2.4	Governance	Failure to progress against 18 week wait project milestones	Core target	3	3	**9**	Early implementer site for 18wk project Establishment of 18wk group led by Director of Operations Development of EPR monitoring system.	Director of Operations	Project milestones National access target times for treatment achieved Monthly BSC metrics

Risk ID	Risk Type	Summary/description of risk	Related HCC standard/target (where applicable)	Consequence	Likelihood	Risk Source (April 2007)	Summary of Risk Treatment Plan	Director Lead	Source of Assurance
2.5	Governance	Failure to achieve GUM 48hr target	Core target	3	3	**9**	Refine and take forward action plan	Director of Operations	National access target times achieved Monitor governance rating monthly balance scorecard metrics
2.6	Governance	Inadequate parking and access for patients and staff.		3	4	**12**	Complete Homerton travel plan Detailed briefing for staff and governors Option appraisal to consider alternative parking provision for staff and patients Impact assessment and survey of staff and how they travel to work Minimise disruption caused by CPZ initiative Continue to lobby Council and transport providers	Director of HR and Environment	Patient choice Complaints User feedback Referral numbers Staff attrition
Risks to Corporate Objective 3. Viable as a business									
3.1	Financial Risk	Failure to achieve Choose & Book connectivity to Cerner system	C9	3	3	**9**	Project plan in place	Director of Operations	Income and activity data Contract monitoring Go Live
3.2	Financial Risk	Failure to achieve financial plan	HCC Use of resources	4	2	**8**	Forecast surplus of £1.8m for 07/08 Prudent view of contract activity taken New performance management and compliance regime in place Implementation of service line reporting Cost reduction plan for 2007/08 in place Marketing strategy	Director of Finance	Monitor financial risk rating 3/4 Monthly report to Board of Directors

Risk ID	Risk Type	Summary/description of risk	Related HCC standard/target (where applicable)	Consequence	Likelihood	Risk Source (April 2007)	Summary of Risk Treatment Plan	Director Lead	Source of Assurance
3.3	Financial Risk	Loss in excess of 0.5% revenue due to data quality issues	HCC Use of resources	5	2	**10**	Initial coding audit undertaken and presented to Audit Committee Action plan confirmed	Director of Operations	Audit Committee Regular financial reporting Informatics Board
3.4	Financial Risk	Failure to ensure sustained elective base	HCC Use of resources	4	3	**12**	Business Development Strategy in place. Dr Foster marketing tool Internal market share targets Service Line Reporting	Director of Operations	BSC and performance monitoring framework
3.5	Financial Risk	Loss of ability to customise EPR system subsequent to transfer to National IT Programme	HCC Use of resources	3	3	**9**	Trust secures ability to manage and influence system development and implementation Trust retains expert staff who advise CfH	Director of Operations	EPR Programme Board Informatics Board
3.6	Governance	Finance and informatics systems do not adequately support new directorate business units.	HCC Use of resources	4	3	**12**	Service line reporting project Oracle system development Additional capacity control	Director of Finance/Director of Operations	Monthly performance reviews. Balance scorecard information
Risk to Longer Term Strategic Objectives									
4.1	Terms of Authorisation	Impact of review of health services in London	HCC Use of resources	4	2	**8**	Trust cooperates with London Strategic Review	Chief Executive	

8th May 2007