

Strategic Plan Document for 2014-19

Homerton University Hospital NHS Foundation Trust



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1.1 Strategic plan for the years ending 31 March 2015 to 2019

This document aims to reflect the Trust's business plan over the next five years. Information included sets out the strategic and operational plans agreed by the Trust Board for Homerton through to 2019.

In signing below, the Trust is confirming that:

- The Strategic Plan is an accurate reflection of the current shared vision and strategy of the Trust Board having had regard to the views of the Council of Governors;
- The Strategic Plan has been subject to at least the same level of Trust Board scrutiny as any of the Trust's other internal business and strategy plans;
- The Strategic Plan is consistent with the Trust's internal operational plans and provides a comprehensive overview of all key factors relevant to the delivery of these plans;
- All plans discussed and any numbers quoted in the Strategic Plan directly relate to the Trust's financial template submission; and
- The 'declaration of sustainability' is true to the best of its knowledge.

Approved on behalf of the Board of Directors by:

Name (<i>Chair</i>)	Tim Melville Ross
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Signature



Approved on behalf of the Board of Directors by:

Name (<i>Chief Executive</i>)	Tracey Fletcher
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Signature



Approved on behalf of the Board of Directors by:

Name (<i>Finance Director</i>)	Jo Farrar
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Signature



1.2 Executive Summary

Foreword

Homerton is the only integrated acute and community foundation trust within north east London. We have maintained and continued to build on our reputation for providing high quality patient services which are underpinned by solid operational and financial performance, and characterised by strong leadership and sound governance.

We were one of the first trusts to be subject to the CQC's new inspection regime, the outcome of which has confirmed the quality of the services that we deliver through individual service scores and an overall score of good. We also achieved an "outstanding" rating for our A&E services, the first of its kind given by the CQC to an accident and emergency department.

In addition, we consistently achieve top quartile performance on measures of quality such as harm-free care, outcomes (including mortality), pressure ulcers and infection control. We are financially sound and have delivered strong financial performance despite the challenging economic environment and in the absence of additional funding to support our position. We also delivered top quintile performance for staff engagement within the 2013 staff survey, achieving the third highest score nationally within this domain.

We have made significant progress in integrating acute and community services following the expansion of the Trust's service portfolio in 2011/12. Given the close nature and strength of the working relationships we have with City and Hackney CCG and the London Borough of Hackney, we are collectively well placed to further enhance the integrated service offering to the local population.

We also serve a deprived region where the population and consequent demand for health services is set to grow significantly over the next five years, particularly in services such as maternity and children's health. On the wider stage, and with the support of NHS England, we also have a reputation as a centre of excellence for services relating to HIV, bariatrics, neuro-rehabilitation, neonatal services and complex maternity.

We are also committed to clinical research to improve the quality of care we offer and to making our contribution to wider health improvement. Last year, the Trust was awarded the "Most Consistent DGH 2008/14" by the Central and East London Local Clinical Research Network.

We are planning to build on our demonstrable track record of success and expand the services we offer to the people of Hackney and the City, and neighbouring boroughs. We are also participating fully in the work that is being undertaken at the north east London sector level aimed at providing solutions to some of the significant structural issues faced by the local system. We are committed to playing a full part in resolving the issues. This may range from us making additional capacity available to deliver services that are repatriated from other organisations through to undertaking a significant transaction, albeit unspecified at this stage, if the conditions are right.

Given the ongoing nature of the sector level work, this strategic plan has been produced at a relatively summary level. We intend to refine the plan to a greater level of detail in due course, once the conclusions of the sector-wide work are available.



Tracey Fletcher
Chief Executive

Our vision

Despite a challenging economic environment Homerton continues to deliver high-performing clinical services in a cost effective manner. Our forward planning is focused on maintaining this position and on taking the necessary strategic and operational actions to safeguard the Trust's long-term sustainability.

Our vision is centred on the continued development of an organisation which delivers excellence in general hospital services for the diverse populations we serve; an organisation which plays a key role in managing the patient pathway across primary, community and secondary care boundaries.

We believe that:

- providers of health services need to ensure delivery of safe and effective healthcare for the population whilst the health economy remains financially viable;
- patients should be supported to stay in their own homes or within their own neighbourhoods as far as possible; when acutely unwell to be treated in organisations that focus on their individual needs to regain their previous levels of independence; and work with other contributors to the patients' care to achieve that; and
- working with GPs, commissioners and other major acute hospitals to develop integrated care pathways and innovative commissioning models to ensure that the clinical pathways for specialist and tertiary care supports the health economy as a whole and avoids unnecessary duplication.

Our vision includes the evolution of an innovative and ground-breaking model of integrated service provision, resulting in primary and social care links moving further and deeper into secondary care organisations thereby achieving better vertical integration for the benefit of patients.

Our overarching aim is to develop an organisation where cultural and structural barriers between hospital and community services do not exist and there is confidence and skill in service transformation to establish truly integrated, responsive and innovative services. This will ensure that the patient who can benefit from care at home does so, and the patient who must attend hospital does so at and for the right time and for the right reasons. Such measures are at the heart of improving both health outcome and patient experience.

The Trust's strategy "*Achieving Together*" sets out our ambitions and priorities for building on our current high standards and establishing the Trust as one of country's foremost health providers, with a reputation for quality, innovation and leading the way on service integration.

In developing this strategic plan we have taken account of a number of challenges within the local and national context. These include:

- embracing new and innovative models of integrated care to ensure that increasing health care demands can be met within a challenging economic environment;
- increasing the focus on meeting clinical standards relating to models of care and seven day working;
- supporting the transfer of public health responsibilities to local authorities and the consequent changes in commissioning priorities and approaches;
- adapting to the emergence of Clinical Commissioning Groups with distinctive local priorities and the evolving interplay between these commissioning bodies and NHS England;
- ensuring an appropriate post-Francis scrutiny of clinical quality and organisational culture;
- meeting accreditation requirements designed to quality assure aspects of specialist services; and
- engaging with the strategic review of the North East London health economy and beyond.

In consultation with a wide range of Trust staff and key stakeholders we have identified three strategic priorities: **Quality**, **Integration**, and **Growth**, each supported by clear aims and objectives. We recognise that successful delivery depends as much on the approach we take, as the priorities themselves. We have developed a set of organisational values which describe the approach we will take in delivering the services, and the standards we will uphold (outlined in the document *Living our Values*).

Achieving Together sets out both the priorities for the next stage of our development and the values of the Trust. These values provide a framework for how we make our decisions and engage with patients, staff, carers, Governors, and the Trust's membership. We are proud of the services we offer at Homerton and the reputation the Trust has developed for providing high quality care. *Achieving Together* will ensure we continue to build on this reputation both locally and nationally.

We have a number of initiatives which are helping drive forward our strategic direction and helping maintain our continued operational performance. These include a renewed focus on organisational development and workforce engagement; a productivity and efficiency strategy; and a quality agenda designed to further embed high-quality provision and a positive patient experience.

This strategic plan reflects our desire to build upon our strong operational and financial foundations to ensure sustained organisational performance, in the widest sense, over the medium to long term. Our approach is centred on the development of an organisation which delivers excellence in general hospital services but also seeks to play a critical role in managing the patient pathway across primary, community and secondary care boundaries. Our immediate clinical and operational priorities, as described in our operational plan, have been designed with these objectives in mind.

National context

We understand that more than 50% of NHS providers reported a deficit for the year ended 31 March 2014. It is also expected that this proportion will increase in 2014/15 and beyond. Although a number of factors may contribute to financial performance locally it is clear that, at the national level, the cumulative impact of the implied level of efficiency within the tariff and the impact of underlying cost inflation is becoming increasingly difficult to accommodate. It is also acknowledged that there appear to be few answers to the longer term challenge, particularly if the NHS' "ring-fenced" status comes under increasing pressure.

Some of the other factors that need to be addressed over the timeframe of this plan include seven day services; responding to Francis/Keogh; the impact of the Better Care Fund; and increased pension contributions.

Local context

We are also mindful of the significant challenges that the north east London health economy is currently facing. We are participating fully in the review of the local health economy which is being overseen by NHS England (London), the TDA, and Monitor, with support being provided by McKinsey. This exercise is ongoing at the time of drafting this plan and is unlikely to identify a range of potential solutions until the autumn of 2014.

The work undertaken so far has, at a summary level, highlighted the significant challenges for the NHS both nationally and locally, specifically for Barts Health NHS Trust and Barking Havering and Redbridge NHS Trust, over the next five years. Notwithstanding this, we are working closely with our commissioners, the most significant to us being City and Hackney CCG (the CCG), to align our strategic and operational plans as far as possible. For the purposes of this strategic plan we have assumed that the Trust will retain the City and Hackney community health services contract. This position is consistent with the CCG's own planning assumptions.

The CCG remains fully supportive of Homerton and has indicated that it intends to invest in excess of £28m of additional funds, over and above the assumed level of funding for demographic and non-demographic, in the organisation over the next 5 years.

This additional funding will enable us to plan for and, where possible, appropriately mitigate some of the challenges that lie ahead. We are currently working through the detail of this investment plan with the CCG and will ensure that the funds are deployed appropriately to help underpin the Trust's sustainability over the next one, three and five years.

Our intention to grow

We expect to grow organically reflecting changes in both demographic and non-demographic factors. In addition, we also intend to gain market share across a broad range of services and via successful bids to deliver the services we currently provide to a broader population. Our assumption is that this will be financially neutral to commissioners. We anticipate that this, combined with the additional investment from City and Hackney CCG, will result in the Trust's turnover exceeding £300m in 2018/19.

We also remain alive to the possibility of undertaking a significant transaction, albeit unspecified at this stage, within the timeframe of this plan. Given our current position of relative strength, and the level of ambition of this Board, we intend to play a more prominent role within London by such means, although only if the conditions are right. This would enable us to achieve the turnover targets set out in *Achieving Together*.

Status of this document

Our strategic plan must be viewed in the context of the significant degree of strategic uncertainty that will exist locally until the sector review concludes. The plan has been produced at a summary level and, although we anticipate being sustainable over the next five years, the projections are predicated on a number of key assumptions which may be subject to change. The strategic plan will therefore need to be revisited in the coming months to incorporate the conclusions of the sector review, and the possible implications for the services that we deliver.

Declaration on sustainability

As part of the submission of the strategic plan, the Board is required to declare whether or not the plan will ensure the sustainability of the Foundation Trust over the coming five years on a clinical, financial, and operational basis. The exact form of declaration required is as follows:

"The board declares that, on the basis of the plans as set out in this document, the Trust will be financially, operationally and clinically sustainable according to current regulatory standards in one, three and five years' time."

In making a Declaration on Sustainability, the Board is aware that the items described above will impact differentially over the projection period (i.e. over one, three and five years). In light of our firm foundations, combined with the financial commitments from the CCG, the Board is assured of the Trust's sustainability over the next one to three years. Projecting five years forward in the prevailing national and local context is, however, far more challenging.

The plan reflects both the current national guidance and is derived from the intentions of our local and specialist commissioners. Realising the required level of efficiency and productivity opportunities will not be without significant challenge, not just for Homerton, but also for all NHS trusts and foundation trusts nationally, although we believe we continue from a position of strength.

It is also worth noting that the plan is predicated on a degree of income and activity growth in order to drive greater economies of scale. The plans to deliver this growth are being developed and will be further informed by the conclusions of the sector work, as appropriate.

1.3 Market analysis and context

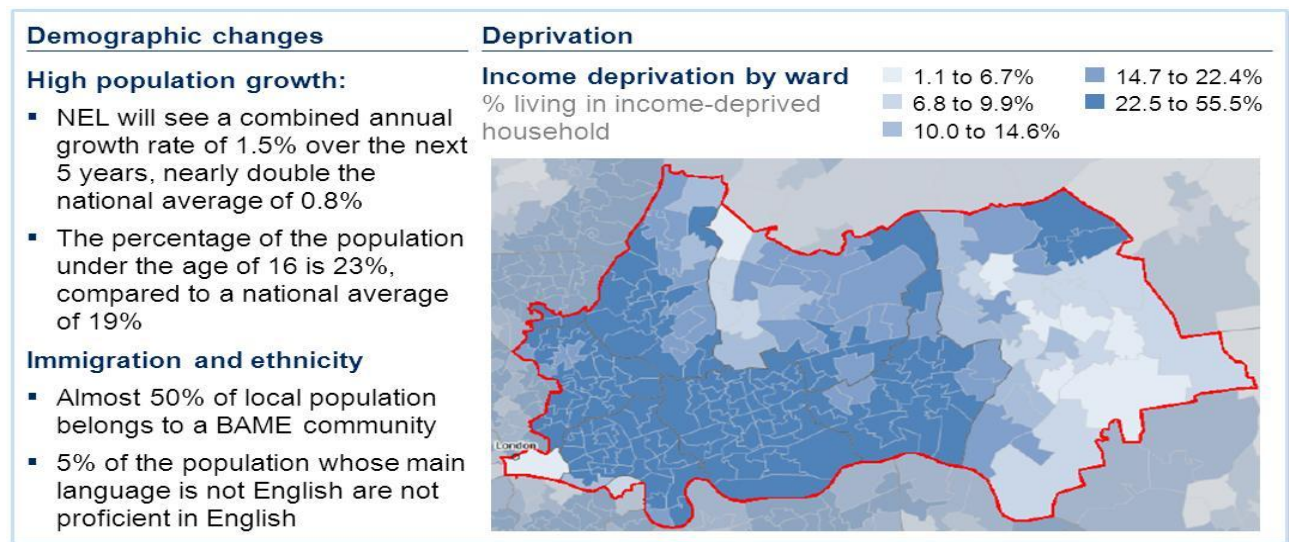
1.3.1 Overview

The following sections set out the context within which Homerton is operating and the backdrop to this strategic plan. The section includes a summary assessment of the health needs of the local population, an assessment of the local competitive environment, a SWOT analysis, and a summary of the funding issues faced by the sector.

Although significant operational and financial challenges lie ahead, based on our strong foundations, we believe we are well placed to continue to thrive in the medium term. Our plans, which are described in more detail within section 1.5 of this document, are centred on maintaining the quality of services that we deliver while accommodating demographic and non-demographic growth as well as delivering gains in market share.

1.3.2 Summary health needs assessment

North east London is characterised by high birth rates, a diverse population, and areas of significant deprivation:

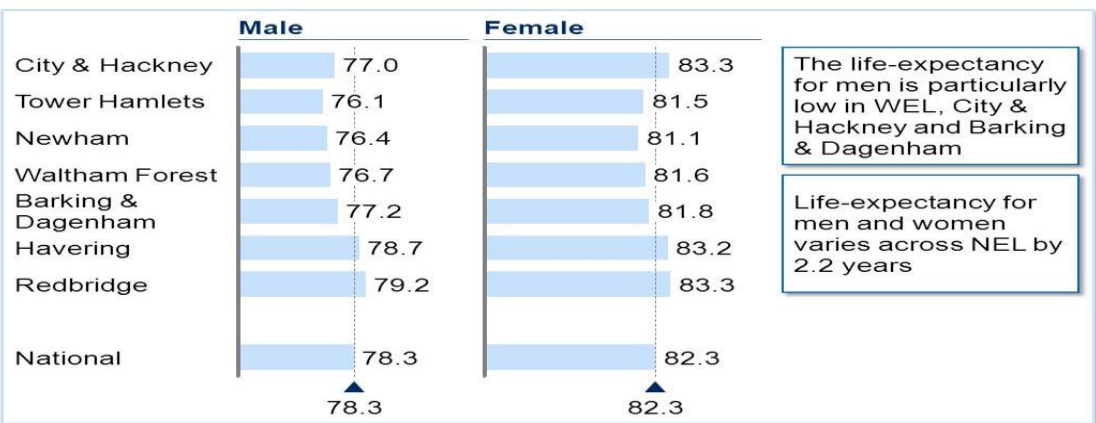


SOURCE: ONS; APHO and Department of Health; Income domain score from the Indices of Deprivation 2010

Life-expectancy is also low compared to the national average:

Life-expectancy at birth in years

NOT ADJUSTED



SOURCE: CLG © Copyright 2010, ONS Census, ONS, PHOs (now part of Public Health England) © Copyright 2011

Potential years of life lost are relatively high compared to the rest of London for some NEL CCGs:

potential years of life lost (PYLL) per 100,000 Weighted Population, %, 2009-2012

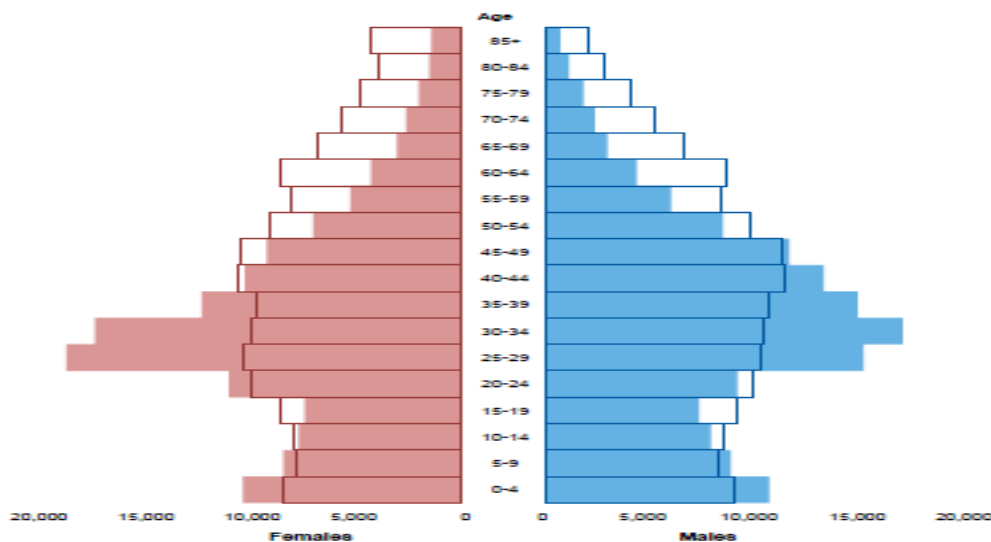


1 CAGR – Compound Annual Growth Rate

SOURCE: HSCIC – Compendium of indicators from ONS avoidable mortality in England and Wales 2011 – reference tables

The illustration below shows the number of people registered with the City and Hackney CCG practices (c.246,000). It is clear the population is younger compared to the rest of England. Typical of an inner city there is a high turnover in the population, with the biggest flow of people from migration to and from the rest of the UK.

The darker outlines show the profile of the England population.



The population of City and Hackney continues to grow, particularly in working age people, though the over 65's are expected to rise the fastest in the next 25 years. The City's resident population (c11,700) are far outnumbered by the City's daytime commuter population (c360,000). Substantially different to Hackney, the City of London Corporation has to meet many of the needs of this population as well as those of its residents.

The health of people in Hackney is varied compared with the England average. Hackney has the second highest level of deprivation in the country and about 19,500 children live in poverty. Over the last 10 years, all-cause mortality rates have fallen in Hackney. Early death rates from cancer and from heart disease and stroke have fallen though the latter is worse than the England average.

Reported sexually transmitted infections (STI) and HIV incidence remains high compared to England and new data suggests that 25% of City and Hackney residents are smokers, the highest rate in London. City residents live in much better health, live longer, are less deprived and have significantly fewer hospital admissions. They are also much less likely to die from heart disease or stroke. However, there are more elderly people who live alone.

For the purposes of this plan, we have assumed that needs of the local population have been reflected in the demographic and non-demographic growth assumptions shared by the CCGs and described in more detail within section 1.6 of this document.

1.3.3 Capacity Analysis

1.3.3.1 Overview

The Trust considers the following to be the key drivers of operational capacity over the coming years reflecting the challenges identified within our operational plan:

- An increasing external focus on emergency admissions with an objective within Hackney's Better Care Fund to reduce these;
- A continuing internal focus on improving the scope and quality of non-acute services so as to both minimise hospital lengths of stay and prevent avoidable admissions;
- A requirement to demonstrate efficient outpatient and elective provision to commissioners coupled with a desire to expand the organisation's current referral base;
- A challenge to deliver current maternity provision (c.6,200 births per annum) within the existing physical infrastructure; and
- An appropriate response to increasingly rigorous clinical standards.

Divisional and corporate plans have been developed with these requirements in mind and the Trust is confident that it has the operational capability in place to effectively manage their delivery.

The Trust is playing a key role in the development of the local Better Care Fund plan, the One Hackney initiative intended to be a forerunner to the BCF, and is a permanent member of the local Urgent Care Board. As a consequence, a range of service developments are being collaboratively pursued which focus both on reducing avoidable emergency admissions and further developing the Trust as an effective provider of high-quality non-acute services.

Examples in this regard include:

- the implementation of a new Reablement Intermediate Care System (RICS) in Hackney with the Trust as the lead provider;
- the implementation of a new psychiatric and psychological intervention service (Homerton Psychology Medicine) based in the Trust's Emergency Department and delivered jointly with the local mental health Trust; and
- the development between the Trust and the London Borough of Hackney of an integrated discharge management team incorporating the Trust's current discharge planning team and the Local Authority's hospital social workers.

The operational requirements that we are addressing stemming from this agenda are threefold. Firstly, we are developing a more flexible, higher calibre workforce particularly focusing on enhancing our community-based nursing and therapy capability. Secondly, we are working with our commissioners on different ways of contracting given the limitations of the current arrangements. Thirdly, we are committed to achieving swifter transfers of care into community settings, where appropriate.

The shift of emergency activity into a different setting will allow us to refocus the main hospital site towards elective work, further contributing to our growth objective. This will allow the organisation to:

- mitigate, at least in part, the potential loss of emergency work with increased elective activity;
- utilise its bed-base more efficiently and flexibly;
- attract work from other localities thereby diversifying its referral base; and
- safeguard on-site emergency surgical capability.

We are implementing plans to enable our operational priorities, including:

- maximising the leverage from the Trust's Business Development Unit;
- offering additional outpatient capacity in targeted locations and on the main Homerton site to facilitate referral growth. A joint outpatient productivity programme is in place between the Trust and the CCG looking, in particular, at follow-up rates and internal consultant to consultant referrals. This work will allow the Trust to reprofile its capacity towards new patient activity and in so doing reduce waiting times. Coupled with this, the Trust has secured premises in the London Borough of Newham for a range of outreach outpatient clinics and has commenced the process of engaging local Newham GPs to influence their future referral decisions; and
- making available sufficient elective capability to manage the additional procedures flowing from effective stimulation of outpatient demand. With this in mind, the Trust's capital plan over the projection period contains provision for additional theatre and endoscopy capacity. The options around these developments will be finalised during the first half of 2014/15.

We also recognise that projected increase in activity will place a greater level of demand on our bed base. The majority of our surgical work (c.85%) is daycase work and we would expect to maintain this proportion with the increased level of activity. We will also target length of stay reductions to ensure that the additional activity included within this plan can be delivered within the existing bed base. In the event that the above measures do not result in sufficient beds to deliver the planned work we would explore alternative options to increase capacity on site.

Beyond the above there are two further operational requirements which are material for the Trust:

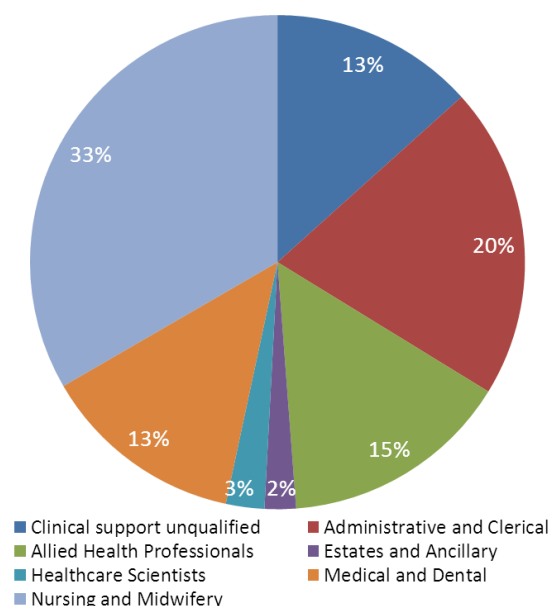
1. The Trust has seen a significant, but planned, increase in its maternity activity over recent years and has uplifted its workforce accordingly. We are currently investing in the supporting infrastructure to deliver this activity and will consider investing in a further expansion of the service, if appropriate.
2. The Trust has some key areas of risk relating to compliance with the current London quality and safety standards. These relate primarily to complex diagnostics and emergency surgery. We are currently working through the implications of compliance from both an operational and financial perspective. However, we have assumed that the financial implications will be mitigated by the additional investment that the CCG has committed to the organisation over the course of the next five years.

In the following sections we set out in more detail the key challenges we face with respect to our workforce and estates and how we plan to address them.

1.3.3.2 Staff

Overview

The Trust employs c. 3,600 staff, representing 70% of our total operating costs, across the following areas:



Source: Homerton analysis

During these challenging times staff are the difference between an organisation delivering high quality patient centred care, cost effectively, and one that is challenged in respect of patient outcomes, financial viability, and registration status.

The unique demographic and ethnic makeup of Hackney and the wider north east London area presents considerable growth in demand for the Trust's services. At the same time the focus on clinical standards has never been so critical and the NHS's financial circumstances so challenging.

Ensuring the Trust has the right numbers of people with the right skills to deliver the highest levels of care is of paramount importance. As such, we will continue to invest time and resources in our workforce to build on the significant and demonstrable progress we have made recently, particularly with respect to an improved appraisal process and the delivery of enhanced training programmes.

Safer staffing

Following the public inquiry into healthcare at the Mid Staffordshire NHS Foundation Trust the Inquiry chairman, Sir Robert Francis QC, concluded that there had been 'serious failings' that had caused 'appalling suffering'. The Public Inquiry (2013) made many recommendations including those that relate to safe levels of care, and how the Trust and the public can be reassured about levels of care and raise concerns where necessary.

In response, the Chief Nursing Officer for NHS England has published guidance to support Trusts to make the right decisions about nursing, midwifery and care staffing capacity and capability. This clarifies the expectations on all acute trusts to ensure that every ward and every shift has the staff needed to ensure that patients receive safe care.

The Chief Nurse and Director of Governance is using NICE guidelines and the Shelford Group Safer Nursing Care Tool (SNCT), allied with clinical judgment, to inform the levels of staffing required, as reported to the Board on a bi-annual basis.

Seven day services

In December 2012 NHS England published *Everyone Counts: Planning for patients 2013/14*. In response to growing evidence of poor patient outcomes and higher mortality for those admitted at weekends, NHS England committed to making routine services available seven days a week. The seven day agenda will undoubtedly have an impact on the way the Trust uses its medical staff, and we anticipate we will need to employ more consultants to provide seven day cover. There will also be increased demand for diagnostic and therapeutic staff to be available for seven days a week.

We are considering alternative skill mixes and new roles to help mitigate the financial implications of this (e.g. specialist nurses, and physician's assistants). Furthermore, the additional funds that are being made available by City and Hackney CCG will provide cover in this area.

Core vs contingent workforce

The Trust is currently reliant on a contingent workforce. Whilst flexibility in some areas can have its advantages we are paying a premium through the use of expensive agency staff. Trust managers and the Workforce Division are working together to reduce agency spend through aligning workforce demand and supply, timely recruitment of substantive and bank staff, cost effective procurement of agency staff, and the utilisation of e-rostering software to manage and deploy staff more effectively.

Current vs future workforce

The Trust is working closely with Health Education England, via the North Central and East London Local Education and Training Board, to help inform education commissioning requirements for the future workforce. The Trust will continue to invest in the continuing personal and professional development of our existing workforce to ensure that they are developing the skills and attributes needed by the Trust in the coming five years.

Medical staff - consultants

The focus on safe staffing levels for specialties and seven day consultant cover means that the Trust is planning to grow consultant numbers in line with growth projections. Priority areas for growth are currently emergency medicine, trauma and orthopaedics, and general surgery. This assessment will be revisited in light of the outcome of the ongoing sector work, as appropriate.

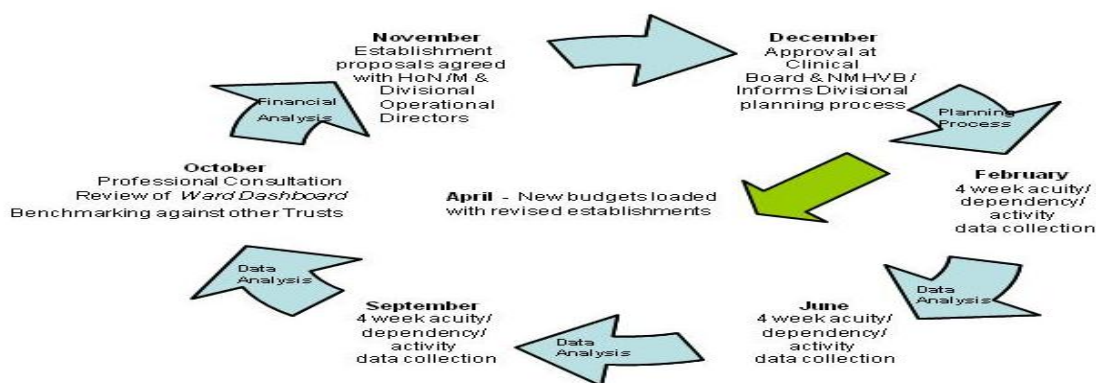
Medical staff – training grades

Health Education England has highlighted the need to shift training places from acute specialties into primary care, community services, and GP training programmes. Further detail is awaited in respect of the impact of this on Trust training numbers although, as an integrated provider, we are well placed to embrace this initiative.

Nursing

In-patient nursing and midwifery

NICE safe staffing guidelines are expected imminently for adult in-patient wards, midwifery and A&E departments. The Trust will review its staffing levels in the light of the emerging guidelines. The Chief Nurse and Director of Governance will review and report the outcomes to the Trust Board using the annual cycle shown below:



HUHFT N&M staffing establishment review cycle for inpatient areas

Community – district nursing, health visiting and school nursing

City and Hackney CCG has set targets for shifting activity from the acute setting into community services. As an integrated provider we are uniquely placed to respond to this challenge and potentially win contracts for new services. We are also seeking benchmarking partners for our district nursing services and currently have links with East London Foundation Trust (Newham), Whittington Healthcare NHS Trust (Islington and Haringey) and Your Healthcare Social Enterprise (Kingston).

Health visitors

Current health visiting numbers in London are based on the NHS London Health Visitor Weighted Deprivation Caseload Model tool. This model has been used to develop our growth trajectories for increasing the Health Visiting workforce for the period 2011-2015.

School nursing

In 2004 the public health white paper “*Choosing Health: making health choices easier*” recommended that there should be one qualified full time school nurse for every secondary school and cluster of primary schools. The local school nursing model is being reviewed in preparation for the service potentially being put out to tender by the London Borough of Hackney. We believe we are well placed to continue to deliver these services.

Therapy staff

We are working closely with the CCG on the development of the Reablement and Integrated Care Services (RICS), expanding the chronic pain service and developing end of life care services with local hospices. Physiotherapists and occupational therapists are key members of these teams and there will be an increasing demand for therapists working seven days a week.

Whilst there appears to be a good supply of newly qualified therapists the trust does experience some difficulty in recruiting and retaining more experienced therapists. In response the Trust is focusing on developing and retaining more experienced staff and developing clinical leadership skills especially at band 7. Reviewing the skill mix of the workforce and utilising unqualified support staff is already proving to be a cost effective way of getting the most out of our qualified workforce.

Scientific staff

The Trust is developing its laboratory services to meet increasing internal and external demand for diagnostics – this will give opportunities for growing the business and it is anticipated that this will lead to an increased demand for post-graduate scientists who can complete their pre-registration portfolio and develop into band 6 biomedical scientists.

Diagnostic radiography

Demand for diagnostic radiography is increasing due to a number of factors; an ageing population with increased incidence of cancer and chronic disease; screening programmes and treatment protocols which rely on imaging; and the increased power and availability of diagnostic tools. Whilst the overall supply of new qualified radiographers is good there may be challenges in retaining this workforce and developing their skills to the newly emerging imaging technologies. There will also be an expectation of radiographers working 24/7 to support emergency medicine and facilitate continuity of care.

Administrative staff

Administrative staff are vital to the smooth and efficient running of our services. Many are the first point of contact for patients and we will continue to develop these staff to ensure they embody the Trust's values and play their part in improving the patient experience. The Trust is also committed to ensuring it has the numbers of people with the right skills to deliver the highest levels of care.

1.3.3.3 Estates

Homerton Hospital was built in 1986 and has been modernised and adapted over recent years, with significant investment supporting the delivery of both acute and community services. Whilst the site is land locked by local roads, much of the building is two storey and there are some opportunities on site for expansion.

We are in the process of refreshing our Estates Strategy which will be further informed by the outcome of the ongoing review of the local health economy. There are currently no plans to expand the occupied footprint of the main site. Instead the Trust is reviewing the use, location and replacement of temporary buildings with small extensions and alterations.

The current estates backlog is reported as £6,917,000, with high risk backlog identified as £717,500. All backlog is risk adjusted annually and incorporated within the 5 year Capital Plan (see section 1.6.2.) as appropriate.

The ongoing investment to upgrade wards will continue as we continue to improve infection control, privacy and dignity. We are also considering upgrading ITU over the next five years. A programme of electrical infrastructure replacement and upgrades are planned for 2014/15 to support a number of new service developments which include the pathology redevelopment, theatre and maternity expansion in line with the clinical strategy.

On this basis, and on the assumption that the joint working associated with the community services estate progresses as envisaged, we are confident that our estate will be sufficient to meet the healthcare needs described above.

1.3.4 Funding analysis, based on historic trends and likely commissioning intentions

1.3.4.1 Overview

The north east London local health economy (defined from a commissioning perspective as Tower Hamlets CCG, Newham CCG, and Waltham Forest CCG (the **WEL** commissioners) and City and Hackney CCG) faces significant financial challenges over the next five years.

1.3.4.2 Summary of the WEL commissioning position

The sector is one of 11 nationally that has been identified as financially challenged and, as a result, is currently receiving strategic planning support overseen by NHS England (London), the Trust Development Authority (TDA), and Monitor. The first phase of this work is due to conclude by the end of June 2014 although it appears unlikely that implementable solutions to address the significant structural issues facing the sector will emerge until the autumn 2014.

The providers and commissioners have agreed a common set of assumptions underpinning the financial and activity modeling undertaken by McKinsey. The work undertaken so far has confirmed the scale of the issues facing the sector and demonstrates how the situation will become increasingly challenging over the next five years in a *do nothing* scenario. The situation is driven primarily by the positions of two local providers, namely Barts Health NHS Trust and Barking, Havering, and Redbridge NHS Trust. Commissioners also need to address a significant financial gap by 2018/19.

1.3.4.3 City and Hackney CCG

City and Hackney CCG, which accounts for approximately 55% of our total income, is forecasting a cumulative surplus of £27m at the end of the five year planning period. This represents the roll forward of the surplus delivered in 2013/14 and assumes a break even position, after assumed investing activity, in each of the next five years.

1.3.4.4 Other CCGs

The assumptions relating to the other local commissioners have been derived from the ongoing sector work and reflected in the analysis as appropriate.

1.3.4.5 NHS England (including Specialised Commissioning)

NHS England is responsible for commissioning the following services from the Trust:

- Specialised services: e.g. HIV, neuro-rehabilitation, neonatal intensive care, sickle cell and bariatric surgery
- Dental services: All oral and maxillofacial surgery activity
- Screening services: e.g. bowel cancer and diabetic eye screening
- Early years services: e.g. health visiting and child health information services

The value of the Trust's contract held with NHS England excluding CQUIN is approximate £43m in 2014/15. The majority of this (c. £30m) relates to specialised services.

1.3.4.6 London Borough of Hackney (LBH)

The London Borough of Hackney currently commissions a significant level of services from the Trust. The main service commissioned by LBH is the Trust's sexual health service (acute and community), the value of which is in the region of £5m for 2014/15. LBH also commissions a range of other services including school nursing, CHYPS Plus, LEAP and a range of other public health-related posts.

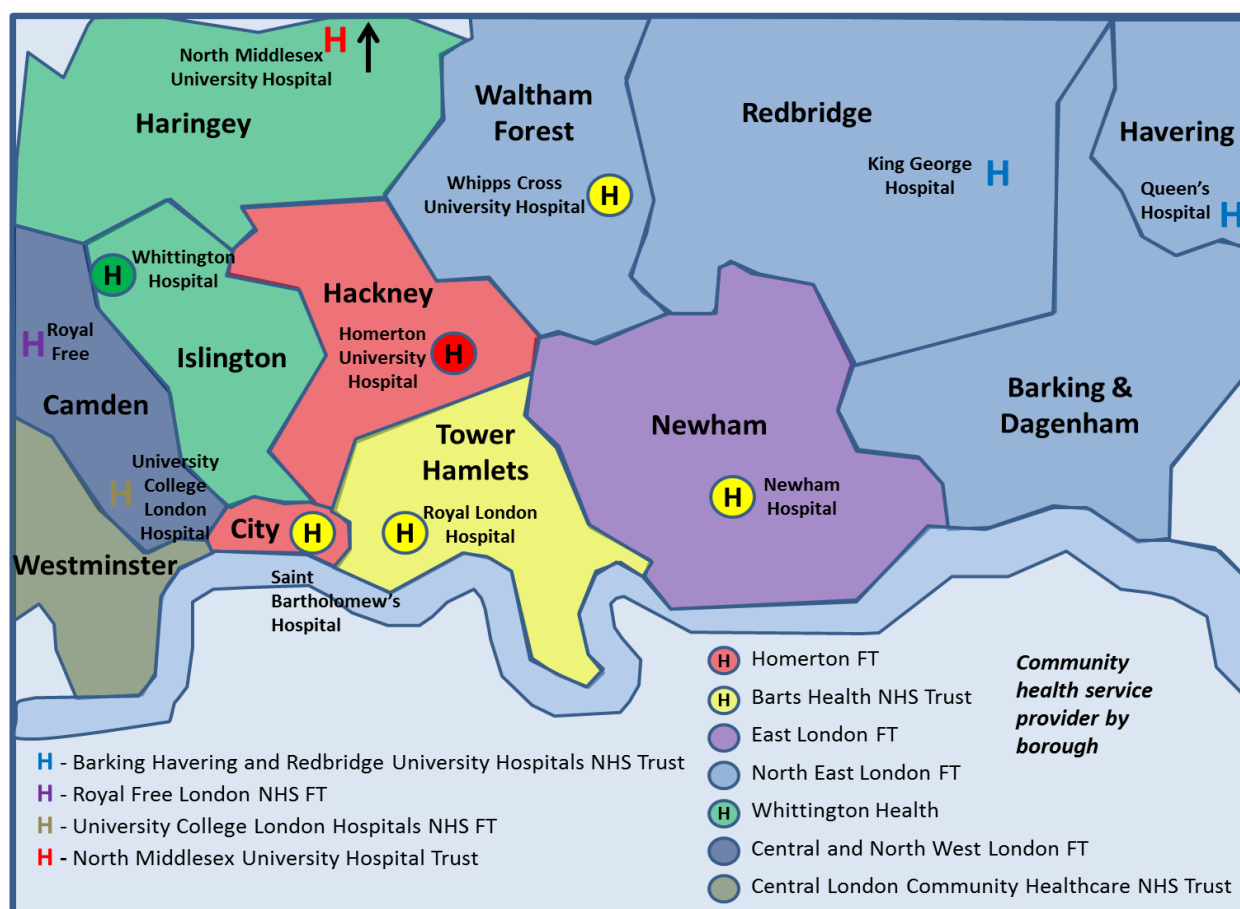
The overall value of the LBH contract in 2014/15 is expected to be just under £7m. It is worth noting that LBH are undertaking a programme of re-tendering services it commissions. Currently, the main re-tendering process underway relates to the provision of school nursing services.

1.3.4.7 Summary

In light of the Trust's sound operational and financial foundations, combined with strong and stable leadership, we believe we are well placed to offer solutions to the situation while achieving our core objectives. For example, we would strive to make available additional capacity in the event that work is displaced from another part of the system if, say, as site is "downgraded". This may provide a more cost effective setting in which services can be delivered at the same time as contributing to our overall growth objective.

1.3.5 Competitor Analysis

The illustration below shows the competing Acute and Community providers in NEL boroughs.



The current Government has a clearly stated intention to facilitate competitor entry into NHS markets through policies such as AQP and the enhanced role given to Monitor to promote patient choice and ensure commissioning is open and transparent. In light of this, Homerton may be vulnerable to competition for community and public health services for a number of reasons:

1. These services are currently on short term block contracts with short notice periods.
2. These services are largely independent of each other and could be tendered in separate 'lots', although they are not all independent of the acute services which may help mitigate this risk.
3. A number of commercial and social enterprise organisations are already operating in this area.

1.3.6 SWOT analysis

As part of the preparation of this plan we have also produced a SWOT analysis to help inform our strategic planning. This analysis can be summarised as follows:

Strengths <ul style="list-style-type: none">• Good Leadership and a positive ‘can do’ culture• Sustained strong performance from a quality, operational, and financial perspective, endorsed by positive outcomes from regulatory reviews• Relatively “small” / “Right sized”• Strong Clinical / management collaboration• Good reputation and relationships with local GPs• Provision of services to a diverse population• Able to constructively participate in the North East London Sector review work – we have something to offer	Weaknesses <ul style="list-style-type: none">• In the past we have not needed to promote/market our services externally although this is a capability we are investing in developing.• We have further work to do to integrate services more fully• May find compliance with some guidance / standards challenging e.g. London Cancer• One primary CCG (also a strength)
Opportunities <ul style="list-style-type: none">• Further integration, e.g. vertical integration across Hackney CCG, and greater penetration in to neighbouring boroughs• Development of relationships with other CCGs to secure and grow our market share• More effective “marketing” generally and articulating the benefits of integration specifically• Offer solutions to some of the issues faced by the North East London Sector• Potential growth through acquisition / contract award• Further Innovation in clinical research, teaching, and income generation	Threats <ul style="list-style-type: none">• Some perceive that big is better, despite lack of supporting evidence, and therefore pursue “mega-Trusts”• Loss of community services• Competition, others seeking to grow into the trusts current and/or planned catchment areas• Fragmentation of commissioning across CCG, LA and NHS England• The outcome of the North East London Sector work – currently uncertain

Source: Homerton analysis

Although we face a number of risks and threats, as summarised above, we will continue to build on our strengths and pursue a range of opportunities that will help underpin our sustainability for the medium term. It is clear the implications of the ongoing sector work will be material to us, underling the importance of us continuing to play an active role in the exercise and refreshing our strategic plan in light of the outcomes, at an appropriate time.

1.3.7 Alignment of findings with comparable intelligence from LHE partners

One of the benefits of the North East London Sector work is that it involves local NHS commissioners and NHS England, as appropriate. On this basis there is a high degree of confidence that the analysis presented in the section above represents a shared view of the local context.

We are actively participating in the work at the sector level to identify potential ways to address the challenges faced. We are approaching this work constructively and believe we have a positive role to play in the final outcome, whether it’s making available additional capacity at one level or playing a more significant role in an organisational reconfiguration. Our plans will be refreshed accordingly in due course.

1.4 Risk to sustainability and strategic options

1.4.1 Assessment of the likely impact of chosen options on key service lines

1.4.1.1 Summary of approach adopted

We have adopted a pragmatic approach to the modelling of our operational and financial position over the period of this plan. In summary, we have assumed that the Trust's current activity baseline will grow in line with projected demographic and non-demographic growth. We have also incorporated City and Hackney's intention to invest a minimum of a further £28.3m within the trust over the next five years.

We also take a degree of assurance for City and Hackney's current satisfaction with respect to the Trust's delivery of the community services contract which should help ensure that we are able to make a compelling bid for ongoing delivery of the services in the event that they are put out to tender.

In addition, we have assumed modest growth in market share across a number of service lines both within the City and Hackney catchment area as well as across neighbouring boroughs. We have anticipate that this element of growth will be financially neutral from a commissioning perspective as it relates to a shift of existing work as opposed to generating additional demand.

In summary the key themes emerging from the above assessment of the Trust's key service areas are:

- The need to maintain and enhance provision in Emergency Medicine, Acute and Specialty Medicine, Inpatient Paediatrics and Maternity Provision thereby building on the strong foundations and general compliance the Trust has achieved;
- The need to protect and promote neo-natal intensive care provision given its strategic importance;
- The likely need to consolidate and prioritise provision across the Surgical Services and in relation to Paediatric Surgery and to aggressively expand and promote the key selected service lines so as to grow the Trust's elective income stream;
- A need to focus on growing and advancing targeted community services (Adult and Children) outside City & Hackney in recognition of the evolving market dynamics in this regard but a similar need to protect all aspects of community provision within City & Hackney so as to underline the Trust's role as an integrator of care within its core locality; and
- The need to recognise that for as long as Emergency Medicine and Maternity services continue to function, the Trust has a viable clinical service base.

1.4.2 Assessment of the likely impact of chosen options on the broader LHE

The impact of our plans is anticipated to be broadly neutral from a financial perspective as we are intending to gain market share (i.e. repatriation of work) as opposed to generating new work. Our conclusions will be tested with the CCG(s) in due course.

1.5 Strategic plans

1.5.1 Overview of “our vision”

In consultation with a wide range of Trust staff and key stakeholders we have identified three strategic priorities: **Quality**; **Integration**; and **Growth**, each supported by clear aims and objectives.

We recognise that successful delivery depends as much on the approach we take, as the priorities themselves. We have developed a set of organisational values, which describe the approach we will take in delivering the services and the standards we will uphold, outlined in the document *Living our Values*.

Achieving Together sets out both the priorities for the next stage of our development and the values of the Trust. These values provide a framework for how we make our decisions and engage with patients, staff, carers, governors, and the Trust’s membership. We are proud of the services we offer at Homerton and the reputation the Trust has developed for providing high quality care. *Achieving Together* will ensure we continue to build on this reputation both locally and nationally.

1.5.2 Quality strategy

1.5.2.1 Overview

The Trust’s strategy identifies Quality as one of its three key aims in the delivery of our mission to provide safe, effective care with a transparent, open approach to our communities. The Quality aims are to:

- continuously strive to improve patient safety and provide harm free care;
- provide services based on the latest evidence and clinical research; and
- ensure all patients have an excellent experience of our services by providing person-centred care.

Delivery depends on the development of a strong safety culture, common patient-centred values, and effective leadership to deliver best practice. As part of a transformative approach to health care, these values are being embedded across the organisation through expectations of behaviour, appraisal processes, and values-based recruitment.

The Quality strategic aims also form the basis of the Trust’s Quality Account priorities which have been developed in consultation with key stakeholders across the local health care economy.

1.5.2.2 Quality Account priorities

The key priorities for 2014/15 and beyond, which are identified in the Trust’s Quality Account and aligned with the three core components of quality, are:

Safety

- Reduce harm to patients caused by pressure ulcers, falls, urinary catheter infections and Venous Thrombo Embolism (VTE) identified within the safety thermometer / harm free care programme.
- Achieve and maintain a position in the lower quartile of NHS organisations for the Summary Hospital-level Mortality Indicator (SHMI).
- Improve the response to acutely deteriorating patients and failure to rescue by introducing the National Early Warning System (NEWS) and Surviving Sepsis campaign.
- Improve the reporting and consistency of medication errors and a reduction in numbers of errors resulting in harm.

Effectiveness

1. Assess all relevant NICE quality standards, identifying any gaps, acting to achieve within two years.
2. To reduce the number of patients who are readmitted within 30 days of discharge.
3. Community specific effectiveness measures for health visiting and district nursing.
4. Participate in the UCL Partners work on developing and testing a Value Score Card in north east London in relation to maternal mental health.

Patient experience

1. Improve the effectiveness of discharge from our care for both simple and complex discharges (This would include sharing letters with patients, which was a previous priority).
2. Improve the level of trust and confidence in nursing and medical staff.
3. Improve the way we communicate with a particular focus on respect, dignity and compassion – leading by example and taking responsibility for our actions.
4. Improve the management and control of pain.

1.5.2.3 Quality through commissioning intentions

The CCG have identified the following potential areas of focus for quality for Homerton in 2014/15 and beyond:

1. Responding to the Francis report and recommendations.
2. Prevention of readmissions.
3. Meeting the core specification and principles outlined in the Winterbourne review.
4. Reporting of and responding to medication-related safety incidents.
5. Compassion in Practice implementation plan.
6. Work on culture and values across the Trust and the link between staff and patient satisfaction.
7. Agreed priorities for action plans addressing concerns raised by patient feedback.
8. As part of the quality premium, improving the score in a specified patient experience indicator.
9. Performance against the London Quality and Safety Standards.
10. Assurance and commitment to improving clinical coding practice.

The Trust will work closely with the CCG to deliver on these areas.

1.5.2.4 Risk assessment and assurance

The Board Assurance Framework tracks strategic and organisational risks which are aligned with the CQC outcomes and the Trust's strategic objectives. This is reported at each meeting of the Board of Directors and at the Risk Committee, a sub-committee of the Board. Controls and assurance are regularly reviewed as well as progress on actions to limit the risk and form part of the scope of the work of the Trust's Internal Auditors in a number of areas.

The Council of Governors plays an increasingly important and valuable role in representing the interests of the local community and acting as the link between the Board and the membership. We also intend to increase the level of Governor involvement in a number of sub-committees within the trust, further strengthening our internal governance arrangements.

1.5.2.5 Board leadership for quality

The Board of Directors is committed to improving the quality of patient care. There is a refined sub-committee structure which includes two Chief Executive led management boards; one picking up quality and patient safety, and a second covering the day to day management of the Trust. The Quality and Patient Safety Board will be responsible for the monitoring of delivery of the Quality Account priorities.

Components of the quality plan for delivery in 2014/15 and beyond include:

1. Improving Patient Experience Strategy.
2. Improving Patient Experience action plan.
3. Embedding the Trust values.
4. Responding to Francis and Berwick action plans.
5. Review and improve the complaints management process.
6. CQC inspection response.

1.5.3 Plans for integration

In terms of integration the Trust's three core priorities relate to:

Pathways – Ensure care pathways, across the health system, are designed around the needs of the individual.

Prevention – Focus on early intervention to improve health and wellbeing and reduce the cost of health care provision.

Partnership – Create seamless services in which organisational boundaries are not evident to the patient or service user.

These objectives build on a significant history of engagement and innovation within the field of integrated care and an evolving work programme involving health commissioners, social care commissioners and other statutory and voluntary sector providers within Hackney and the City.

Immediate goals for the Trust include:

- Establishing itself as the lead provider for reablement and intermediate care provision in order to address avoidable utilisation of acute health and social care capacity;
- Developing, in conjunction with GP colleagues, robust mechanisms for care planning and service provision centred around the practice level so as to fully integrate community services into primary care; and
- Participating fully in the development and implementation of local Better Care Funds so as to ensure the delivery of effective and relevant service models going forward.

The Trust's approach in these matters is to ensure it is at the heart of co-ordinating care within the locality and is seen as a proactive enabler for integration. Its strong reputation as an effective and engaged local stakeholder places it in a strong position to achieve this ambition.

Within this, the Trust will also look to further expand its relationships with local providers and community groups so as to capitalise upon non statutory sector expertise and insight. Given the diverse nature of its local community this is an exciting opportunity for the Trust to further tailor its provision to the needs of its population.

Success measures in the context of integrated care will include:

Pathways:

- Information systems that facilitate the sharing of relevant patient information across partner organisations to be in place for all relevant services;
- Hackney to have fully integrated care pathways in place across the care system, where this is identified to be the preferred model; and
- Reduced readmission rates in integrated pathways.

Prevention

- Reductions in the rate of emergency admissions and the length of stay for integrated pathways; and
- Commit and contribute to the objectives set by the Health and Wellbeing Board.

Partnerships

- Lead on establishing a formal partnership - based on a shared vision, philosophy and performance indicators - for integrated care with all partner agencies.

1.5.4 Plans for growth

For simplicity, we have broadly described areas of potential growth at three levels:

Level 1: Targeted growth	Establish targets for growth, either for specific GP practices, localities or specific services, through increasing the market share of referrals to the Homerton or serving a change in population size and case mix, increased demand or shifts of care settings.
Level 2: Small income or contract gains	Opportunities through the increased number of contracts tendered for specific service provision (£1m - £10m)
Level 3: Large contract gain	Opportunities through significant sized contract gains e.g. time expired community services contracts, poor performing acute service provision, acquisitions of non-FT providers or parts thereof (£50m+). Undertake a significant transaction (not specified) however only if the conditions are right.

1.5.4.1 Level 1: Targeted growth

There are benefits to be gained by establishing targets for growth, either for specific GP practices, localities or specific services, using the mechanism of increasing the market share of existing referrals to the Homerton.

1.5.4.2 Level 2: Small contract gains

It remains likely that relatively small scale tenders for the provision of a range of services will be released on an ongoing basis by both CCGs and local authorities. This will be as a consequence of perceived poor performance, the need to demonstrate value for money or regulatory requirements to undertake procurements. It is not possible to accurately predict which services will be advertised over the next year. However, it is important to determine the criteria for establishing which services it would be appropriate and relevant for the Trust to bid for.

Equally, this approach and these considerations should be applied in the case of existing services being tendered. Determining criteria for the Trust would include:

- Supports the priorities identified at Level 3
- Supports the Trust to become an integrated healthcare provider
- Supports the existing specialist services provided from the Homerton Hospital site

1.5.4.3 Level 3: Large contract gain

Unsurprisingly, the most significant growth of income and population possible to the Trust will be achieved through acquiring another large contract or service range. The Trust has demonstrated its ability to undertake such a transaction through the transfer of the Hackney community services. Consideration has been given as to whether such an acquisition is positively, and even aggressively, pursued.

It is the view of the Trust that as opportunities present themselves these will be actively considered by the Trust. Equally, the Trust has and will continue to make clear that this form of expansion is of interest.

1.5.4.4 Summary

Undoubtedly, the most significant impact is delivered in level 3. Given this, the priorities established in this area will also largely determine the priorities for levels 1 and 2. This is particularly important given the role of GPs as commissioners as well as referring practitioners. For the avoidance of doubt, our financial projections do not reflect the potential benefits from any Level 3 contract gains.

1.6 Supporting financial information

1.6.1 Financial projections

1.6.1.1 Overview

We have a track record of strong financial management and sound underlying financial performance, as evidenced by the delivery of a surplus year on year, and achieving and exceeding our financial plans, with the exception of 2013/14 where there were a number of mitigating circumstances. As a consequence of accumulating surpluses in recent years, the Trust has been able to embark upon a significant capital investment programme in support of the Trust's overall strategic priorities.

The financial forecasts included within this plan reflect the current guidance available nationally and the intentions of our local and specialist commissioners. The projections have also been prepared based on assumptions consistent with those used as part of our 2014/15 budget setting process.

We have a strategic objective to grow over the next five years. Notwithstanding this objective we acknowledge the modest growth included within this plan. We are fully participating in a number of ongoing initiatives within the local health economy with the aim of ensuring that high quality healthcare continues to be delivered on a sustainable basis.

Given the Trust's strong track record of delivery, and the recent favourable reports from the CQC relating to both acute and community services, we believe we can play a key role in providing a solution to the significant issues faced by the sector. We expect the potential for the Trust's role to become clearer in the coming months, not least as the north east London sector review progresses. The themes emerging from this work will be used to further refine our strategic plan over the coming months, as appropriate.

1.6.1.2 Summary financial projections

The table below shows the actual income and expenditure performance for 2013/14, with projections for 2014/15 and beyond based on our initial discussions with commissioners.

Financial Summary (£'m)	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Acute	182.1	184.0	199.6	211.0	221.2	232.9
Community	45.5	45.2	44.5	44.7	44.4	44.1
Other Operating Revenues	33.0	30.5	27.6	27.6	27.6	27.6
Total Operating Revenues	260.6	259.7	271.7	283.3	293.2	304.6
Employee Expenses	(177.4)	(179.0)	(190.5)	(201.6)	(210.9)	(221.7)
Drugs Expenses	(12.2)	(13.3)	(14.8)	(16.5)	(18.4)	(20.5)
Other Operating Expenses	(60.6)	(53.8)	(51.2)	(49.3)	(47.7)	(46.0)
Total Operating Expenses	(250.2)	(246.1)	(256.5)	(267.4)	(277.0)	(288.2)
EBITDA	10.4	13.6	15.2	15.9	16.2	16.4
Net Interest Payable/ Receivable	(0.1)	(0.1)	(0.1)	(0.4)	(0.4)	(0.4)
Donations	1.1	-	-	-	-	-
Depreciation & Amortisation	(6.1)	(6.7)	(7.7)	(7.9)	(8.0)	(8.0)
PDC Dividend	(3.7)	(4.2)	(4.7)	(4.8)	(4.9)	(5.0)
Sub total	(8.8)	(11.0)	(12.5)	(13.1)	(13.3)	(13.4)
Net Surplus (pre imp. & donations)	1.6	2.6	2.7	2.8	2.9	3.0
Required QIPP	10.2	11.7	10.7	9.5	9.3	9.8
Continuity of Services Risk Rating	4	4	4	4	4	4

1.6.1.3 Income

Key assumptions

The following assumptions relating to income have been agreed across all providers and CCGs as part of the ongoing sector work:

	2014/15	2015/16	2016/17	2017/18	2018/19
PbR and Non PbR (Deflator)/Inflator	(1.5%)	(1.5%)	0.4%	(0.6%)	(0.7%)
Non-Tariff (Deflator)/Inflator	(1.8%)	(1.8%)	0.4%	(0.6%)	(0.7%)
Impact of readmissions	£1.3m	£1.3m	£1.3m	£1.3m	£1.3m
Impact of 30% non-elective marginal	£0.7m	£0.7m	£0.7m	£0.7m	£0.7m
CQUIN Delivery	75%	75%	75%	75%	75%

Acute contract tariff deflation/inflation

We have assumed net national tariff deflation/inflation in line with the latest assumptions from NHS England for both PbR and Non-PbR activity.

Community health services deflation/inflation

We have assumed deflation/inflation on the value of the CCG and Local Authority commissioned community health services of 1.8% in the first two years and then in line with the acute contract for the following three years.

The community services contract has been extended by one year to 31 March 2015. We have assumed we will continue to provide these services in 2015/16 and beyond.

Other tariff changes

The impact (reduction) of the 30% marginal rate tariff applied to any non-elective activity above a baseline set at 2008/09 levels has been factored into the income assumptions. An estimate of the impact of the policy on reduced payment for an assumed level of 23.4% avoidable readmissions has also been incorporated within the income figures. These assumptions remain unchanged from 2013/14 and are consistent with our commissioner's intentions.

The current projections assume no reinvestment of these "penalties" within the trust, consistent with our assumptions in prior years. However, the CCG has recently confirmed that it intends to reinvest a significant element of these funds with the Homerton. The impact of this investment will be reflected in our projections once we have clarified the CCG's position.

CQUIN

The national CQUIN goals, equating to 20% of total CQUIN income, are as set out within the NHS Commissioning Board Guidance 'Everyone Counts'. The remaining 80% of CQUIN will be based on locally determined goals. These initiatives are yet to be agreed by our commissioners, but the total potential value is 2.5% of the total contract value, equating to £5.4m based on current income assumption.

Education and Training

The Local Education and Training Board (LETB) are responsible for commissioning education and training of medical and nursing staff. The Learning and Development Agreement for 2014/15 sets out changes to funding for Postgraduate Education, building on the changes to undergraduate funding in

2013/14. Whilst there is a net benefit to the Trust in 2014/15, the impact has been capped by £0.2m. We have assumed a neutral position with respect to this source of funding over the projection period.

Contract activity

The acute contract baseline discussed with our lead CCG reflects the underlying activity of 2013/14, adjusted for a shared view of growth based historic trends and anticipated changes in 2014/15. The value of this activity has been derived by applying the relevant national guidance including the prevailing tariffs for 2014/15. The projections also reflect the activity associated with agreed service developments, including those forming part of our rolling QIPP programme.

The following assumptions for demographic and non-demographic growth in acute activity levels have been made in conjunction with the NEL sector work:

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	Actual	Plan	Plan	Plan	Plan	Plan
Elective	1.0%	-0.3%	3.91%	3.16%	3.16%	3.16%
Non Elective	0.7%	-2.0%	3.91%	3.16%	3.16%	3.16%
Outpatients	0.0%	-0.4%	3.91%	3.16%	3.16%	3.16%
A&E*	0.5%	2.2%	3.91%	3.16%	3.16%	3.16%
Other	-0.3%	1.6%	3.91%	3.16%	3.16%	3.16%

1.6.1.4 Expenditure

The following assumptions relating to income have been agreed across all providers and CCGs as part of the ongoing sector work:

Key assumptions

	2014/15	2015/16	2016/17	2017/18	2018/19
Pay inflation	1.43%	1.43%	4.8%	3.4%	3.3%
Non Pay inflation	2.1%	2.1%	2.1%	2.1%	2.1%
Drugs inflation	7.2%	7.2%	7.2%	7.2%	7.2%
Contingency	1.0%	1.0%	1.0%	1.0%	1.0%
CIPs %	4.5%	4.0%	3.4%	3.2%	3.2%
CIPs £	£11.7m	£10.7m	£9.5m	£9.3m	£9.8m

Pay

Following the announcement of the pay award for the two years covered by the plan, we have costed pay inflation at 1.43% to cover both the national pay award and the impact of pay drift. In addition, the pay budgets reflect the impact of undertaking the planned levels of activity; service developments, and delivering the productivity, efficiency and CIPs outlined earlier. Future years pay inflation is consistent with the latest national projections from NHS England.

Non pay

In line with national guidance we have set non-pay inflation at 2.1% and drugs inflation at 7.2%. The same inflation assumptions have been made for 2015/16. The 2014/15 budget for CNST contributions has been set based on information from the NHS Litigation Authority and represents a £0.2m reduction in costs compared with 2013/14. The non-pay budget also reflects the impact of undertaking the planned levels of activity, service developments, and delivering the productivity, efficiency and CIPs outlined earlier.

1.6.1.5 QIPP requirement

As outlined earlier, the plans to achieve the QIPP are split between expenditure reductions driven by productivity and efficiency measures, savings on agency expenditure and revenue generation schemes. This is set out in the table below:

QIPP Target	2014/15 £'m	2015/16 £'m	2016/17 £'m	2017/18 £'m	2018/19 £'m
Expenditure reductions	9.3	9.3	9.0	8.8	9.2
Agency expenditure reduction	1.0	1.0	-	-	-
Revenue generation schemes	1.4	0.4	0.5	0.5	0.6
TOTAL	11.7	10.7	9.5	9.3	9.8

The schemes can be grouped together under a number of themes, as described below:

Productivity and efficiency (£2.8m in 14/15; £0.8m in 15/16)

These schemes are predicated on doing more with existing or even less resource often linked with an underlying quality improvement or service redesign. We also plan to reduce waste and unnecessary tasks resulting in improved throughput/activity.

Management/administration (£0.8m in 14/15; £1.1m in 15/16)

Reductions in costs of back office support functions.

Service reconfiguration (£0.6m in 14/15; £nil in 15/16)

This will typically be a merger or restructure of two existing functions.

Clinical transformation (£0.4m in 14/15; £2.1m in 15/16)

A particularly new and innovative method, scheme or improvement that will lead to quality improvements and cost efficiencies developed internally or adapted from best practice elsewhere.

Non-clinical transformation (£1.2m in 14/15; £1.7m in 15/16)

As above but applicable in non-clinical departments, for example, record tracking of patient case notes to enable a reduced number of WTE whilst also improving operational performance.

New ways of working (£1.2m in 14/15; £0.8m in 15/16)

We are considering a number of new methods in which a service is delivered by usually taking on additional responsibility or developing in-house capability reducing the need for external support e.g. in-house nitrogen generation.

Improved contracts (£2.4m in 14/15; £1.1m in 15/16)

Better value for money and cost efficiencies through better awareness on existing contracts, reviewing and rationalising where applicable and/or through improved procurement and supply chain.

Activity growth

It is assumed that changes in activity flows from both our host CCG (approximately 3% of relevant activity) and neighbouring CCGs (approximately 10% of relevant activity) will increase revenue and deliver a contribution of 10%.

Market share

Since the beginning of 2013/14, there has been a significant increase in the number of community health services being re-tendered by both CCGs and Local Authorities as well as an increase in the number of Any Qualified Provider (AQP) opportunities. To date, the Trust has had reasonable success in AQP bid submissions, but limited success in competitive tenders. However, with the introduction of a new Head of Business Development post, the Trust expects to increase its success rate in the competitive tender market place.

1.6.2 Capital Programme

1.6.2.1 Overview of expenditure

The capital programme for the next five years is summarised in the table below:

	2014/15 (£'m)	2015/16 (£'m)	2016/17 (£'m)	2017/18 (£'m)	2018/19 (£'m)	Total (£'m)
Ward Refurbishment	0.4	1.0	1.0	1.0	1.0	4.4
Minor Works	0.6	1.4	0.8	0.8	0.8	4.4
IT	6.6	1.1	0.7	0.7	0.7	9.8
Medical Equipment	2.3	3.8	2.5	3.6	2.5	14.7
Major Estates Projects	2.7	0.5	0.5	0.5	0.5	4.7
Service Development	9.7	9.9	5.0	3.9	5.0	33.5
Other	0.5	0.5	0.5	0.5	0.5	2.5
Total	22.8	18.2	11.0	11.0	11.0	74.0

There are a number of significant projects included within the capital plan over the next five years:

1. Pathology redevelopment

A new build is planned to provide a modernised pathology laboratory capable of meeting the rising demand for services, both from clinicians internally and our local GPs. The total project will cost in excess of £8.6m and will be complete in late 2015.

2. Maternity development

The Trust is investing over £3m in its maternity department to provide extra capacity to meet the growing demand for obstetric services and also provide significant improvements in the patient experience. Work commenced in May 2014 and will be completed ahead of 2015/16.

3. IT

The Trust has an ambitious strategy to invest in the latest Information Technology to provide the best possible resources for clinicians to use. A new PACS system will be in place by the end of 2014 and significant enhancements to the Trust Electronic Patient Record system will be rolled out over the next 2 years.

1.6.2.2 Capital Funding

	2014/15 (£'m)	2015/16 (£'m)	2016/17 (£'m)	2017/18 (£'m)	2018/19 (£'m)	Total (£'m)
Depreciation	6.7	7.7	7.9	8.0	8.0	38.3
Cash from prior surpluses	7.3	9.3	1.6	1.5	1.5	21.2
Department of Health loan	8.6	1.2	-	-	-	9.8
Maternity Funding	0.2	-	-	-	-	0.2
Assumed loan drawdown	-	-	1.5	1.5	1.5	4.5
Total	22.8	18.2	11.0	11.0	11.0	74.0

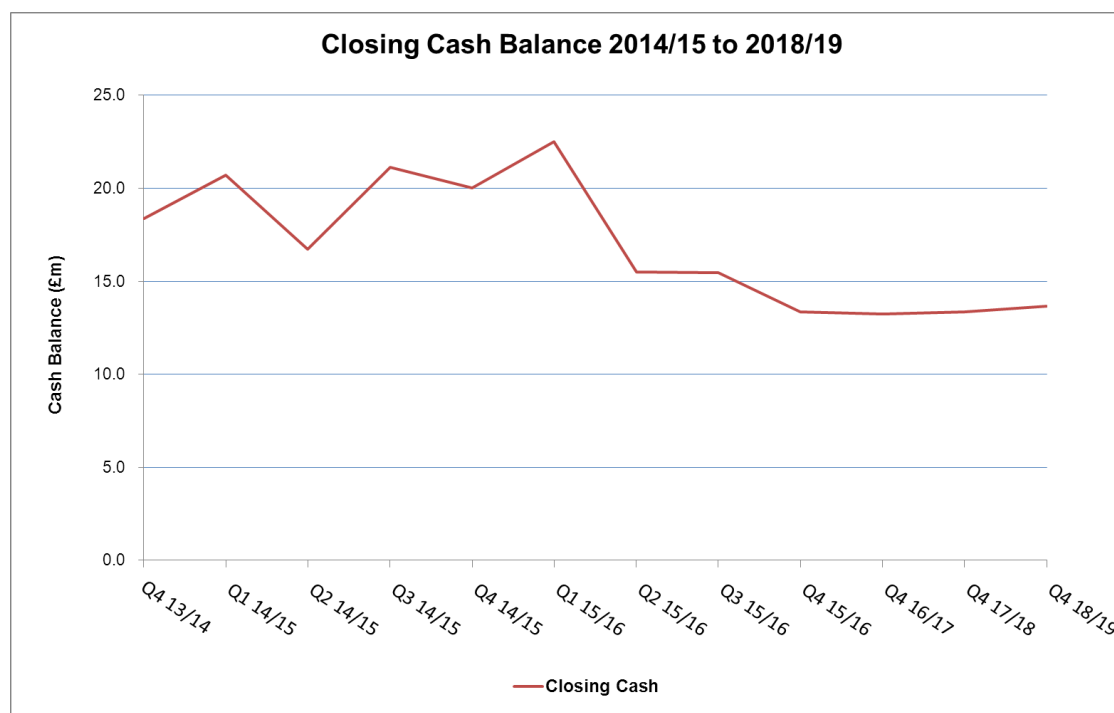
The Trust has secured a loan to cover the Pathology redevelopment and the maternity development. In addition, the Trust has cash resources available of £16.9m that it can invest in its capital programme. The Trust also intends to maintain its Monitor liquidity ratio at a "4" over the period of the strategic plan. In order to achieve this, additional finance will be required in 2016/17 and 2018/19 to support the plan. It is assumed that a loan of £4.5m will be available to be drawn down over this period.

Revaluations

The income and expenditure forecasts summarised above do not reflect revaluations to our fixed assets as they do not impact on our earnings for the purposes of deriving our Risk Rating. During 2013/14 the Trust revalued its fixed assets upward by approximately £11m. Due to the unpredictable nature of fixed asset revaluations we have not assumed any further revaluations in 2014/15 and 2015/16.

1.6.3 Liquidity and overview of working capital

The Trust has historically had a strong liquidity position due to its continued delivery of surpluses over recent years. The chart below shows projected net quarter-end cash balances for 2014/15 and 2015/16 and the year- end balances for 2016/17 to 2018/19.



The key factors affecting future cash balances are ability to generate planned surpluses, levels of capital spend, and borrowing. The Trust has decided not to renew its working capital facility in light of the projected liquidity position over the next two years.

1.6.4 Continuity of Service Risk Rating

The Trust is planning to achieve a risk rating of 4 in both 2014/15 and 2015/16 as shown below:

Continuity of Service Risk Rating	2014/15	2015/16	2016/17	2017/18	2018/19
Liquidity	4	3	3	3	3
Capital Servicing Capacity	4	4	4	4	4
Overall Rating	4	4	4	4	4

The reduction in the liquidity rating in 2015/16 reflects the use of some of the Trust's cash balance for strategic investment in capital projects.