



## **Strategic Plan Document for 2013-14**

**Homerton University Hospital NHS Foundation Trust**

## Strategic Plan for y/e 31 March 2014 (and 2015, 2016)

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31 May 2013

**The attached Strategic Plan is intended to reflect the Trust's business plan over the next three years. Information included herein should accurately reflect the strategic and operational plans agreed by the Trust Board.**

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.

Approved on behalf of the Board of Directors by:

Name (*Chair*)

Tim Melville-Ross

Signature



Approved on behalf of the Board of Directors by:

Name (*Chief Executive*)

Tracey Fletcher

Signature



Approved on behalf of the Board of Directors by:

Name (*Finance Director*)

Jo Farrar

Signature



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## Executive Summary

Despite a challenging economic environment the Homerton continues to deliver high-performing clinical services in a cost effective manner as evidenced by a £3.8m surplus in 2012-13. Our forward plan is focused on maintaining this position and on taking the necessary strategic and operational actions to safeguard the Trust's long-term sustainability.

Reflecting the presence of a new Chairman and a new Chief Executive the Strategic Plan outlines the Trust Board's commitment to scrutinise and respond rigorously to the opportunities available to it and the threats it faces. Core to this are three inter-connected priorities: maintaining our City & Hackney Community Health Services contract; actively engaging with an emerging local emphasis on the integration of health and social care provision; confidently seeking areas of service growth inside and outside our traditional catchment areas.

Within the Strategic Plan a number of parallel initiatives are described which are designed to support our strategic direction whilst also ensuring continued operational performance. These include a renewed focus on organisational development and workforce engagement; a productivity and efficiency strategy aimed at successfully and sustainably delivering major intra-organisational work-streams; and a quality agenda designed to further embed high-quality provision and a positive patient experience within day to day to service delivery.

These plans reflect our desire to build upon our strong operational and financial foundations in a proactive manner so as to ensure sustained organisational performance, in the widest sense, over the medium to long term. They also reflect our appreciation of a challenging operating context both nationally and locally with particular reference to the tightening economic environment, the post-Francis focus on clinical quality, the new commissioning landscape and the ongoing pressure on emergency activity within the acute sector.

Our approach consequently is centred on the development of an organisation which delivers excellence in general hospital services but also seeks to play a critical role in innovatively managing the patient pathway across primary, community and secondary care boundaries. Our immediate clinical and operational priorities have been designed with these objectives in mind.

In financial terms the Strategic Plan has been constructed so as to deliver the requisite level of net surplus per annum and it both reflects current national guidance and the intentions of our local and specialist commissioners. Our assumptions require us to deliver an annual CIP of c4.5% and this is a level we remain confident of achieving recurrently. The risks to our financial position, over and above the continuation our Community Health Services contract, primarily reflect the recent changes to commissioning arrangements and the ongoing focus on acute activity levels. Our commitment to engaging with the integration of health and social care services locally is designed, in part, to effectively mitigate these factors.

More widely, our underlying operational performance is strong and we expect this to continue over the next three years. In order to ensure this occurs we are focused on a small number of key risks including the increasing need to achieve challenging clinical standards across the range of acute services and our requirement to achieve annual compliance with our *Clostridium difficile* objective. Appropriate action is being undertaken with regard to both risks and we are confident of effectively mitigating them.

## Strategic Context

The Homerton remains a high-performing provider achieving compliance with its key performance and regulatory requirements on an ongoing basis. As the only acute Foundation Trust in North East London we are in a strong position from which to grow and develop whilst maintaining sound clinical and operational delivery.

In defining our forward plan we, however, recognise a number of strategic challenges within our local and regional environment:

- The creation of Barts Health as a major acute provider with the potential ability to influence patient flows across North East London;
- The accreditation requirements designed to limit the number of providers in some aspects of specialist services;
- The increasing focus on challenging clinical standards relating to models of care and seven day working;
- The transfer of public health responsibilities to Local Authorities and the consequent changes in commissioning priorities and approaches;
- The emergence of Clinical Commissioning Groups with distinctive local priorities and the evolving interplay between these commissioning entities and NHS England both nationally and regionally;
- The current expiry date of March 2014 for our Community Health Services contract for City & Hackney; and
- The appropriate post-Francis scrutiny of clinical quality and organisational culture.

In the short term we do not anticipate being impacted by any material reconfiguration or decommissioning plans. We do recognise that the locality commissioners need to focus on improving the management of both unplanned attendances and admissions given a significant degree of over-performance in relation to both in 2012-13. We acknowledge that many of the required solutions in this regard lie in improved co-ordination of non-acute services and in new and transformational community service models. We are therefore committed to playing a proactive part in shaping such a realignment of provision but also remain conscious of the challenge this will pose particularly in financial terms.

In considering means of appropriately mitigating these risks we also recognise a number of significant strategic opportunities for the Trust across both the short and medium terms:

- The existence of multiple acute providers in our immediate catchment area who have yet to achieve Foundation Trust status;
- The likely re-tendering of Community Health Services contracts in our surrounding boroughs during the next twelve months;
- The local population growth anticipated as a result of the redevelopment of the Olympic Park in Stratford;
- The developing relationship with the London Borough of Hackney which affords increasing opportunities to improve the alignment of health and social care within our locality for the mutual benefit of both organisations and to mitigate the risks associated with the transfer of public health commissioning responsibilities;
- The joint commitment of the Trust and our local CCG to pursuing a multi-year and multi-agency approach to integrating healthcare provision across City & Hackney so as to improve patient care whilst also maintaining financial balance across the local health economy in a constructive manner; and
- The Trust's established record of GP engagement and pathway management within City & Hackney which is a model that has the potential to be exported over a wider geographical area without compromising our local market share.

In responding to the above context we are committed to pursuing the following vision over the next three years: *'Safe, caring, effective healthcare provided to our local communities with a transparent, open approach'*.

This 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 innovatively managing the patient pathway across primary, community and secondary care boundaries. Our strategic planning is therefore focused on pursuing opportunities which support and enhance these twin ambitions both inside and outside the City & Hackney locality. This is the means by which we will seek to meet our objective of significantly increasing our turnover.

Our belief is that this overarching approach best enables the Trust to maintain its clinical and financial viability in the medium to long term for three core reasons:

- It aligns the organisation, in terms of a focus on pathway management, with the aspirations of our partner CCGs thereby allowing a collaborative rather than confrontational approach to managing the transfer of activity into community settings;
- It commits the organisation to maintaining excellence in the delivery of general secondary care services thereby defining its function clearly and realistically in the context of the current London acute provider landscape; and
- It allows the organisation to develop a reputation for innovation and integration in the delivery of clinical services which will differentiate it from its local competitors and create a platform from which it can successfully expand both its income base and population coverage in future.

To aid the delivery of this vision the Trust Board, with a new Chairman and Chief Executive, is actively reviewing our detailed strategic plan with a view to completing this work in the first half of 2013-14. The conclusion of this work will determine which areas of acute and community activity we will seek to target over the next three years to facilitate our growth and what other approaches to income diversification we will pursue. A reconfigured business development function is being established in order to take forward the subsequent implementation work.

Core to our strategy, however, is maintaining our City & Hackney Community Health Services contract beyond 2013-14 and significant organisational resource is being made available to ensure this occurs.

Underpinning our strategic vision is also an appreciation that in order to capitalise upon the opportunities available to it the Trust needs to develop sufficient internal resilience and capacity. To aid this process a Director of Organisational Transformation has been appointed with a remit to develop and implement a programme of multi-disciplinary engagement and development at all levels within the organisation. This work will also address the issues of organisational culture and values emanating from the Francis Report.

## Clinical and Operational Priorities

Our immediate clinical and operational priorities reflect our strategic position and build on the key themes emanating from our internal 2013-14 planning process and emerging Board discussions:

### 1. *Integrated Care*

We have an opportunity over the next three years to pursue two inter-connected approaches which have the potential to release operational efficiencies, improve the patient experience, generate reputational benefit and mitigate the likely pressure on acute income. Firstly, we will continue to drive the internal integration of acute and community services with the next phase of work addressing, for example, acute and community gynaecology, acute and community paediatric services including a refreshed ambulatory care model and the reconfiguration of the adult community nursing service model in its entirety. Secondly, we will proactively lead a multi-agency and multi-year integration programme across the local health economy underpinned by an extended Community Health Services contract. The service areas which could form the first phase of work, thereby further embedding the Trust within the local health economy, could include heart failure services, respiratory provision and the management of the frail/elderly patient.

### 2. *Intermediate Care*

Early in 2013-14 we will seek to be selected as the lead provider for Hackney's intermediate care system. This offers the organisation an important opportunity to achieve two key advancements. Firstly, it will, for the first time, allow us to directly control the services tasked with preventing avoidable adult admissions and expediting early hospital discharges and will therefore also allow us to fully realise the potential efficiency gains associated with these interventions. Secondly, it will provide us with the opportunity to prove in practice the effectiveness of the lead provider concept in relation to managing cross-organisational multi-disciplinary services thereby embedding it as a model for future, Homerton-led, joint-working across the locality.

### 3. *Cancer Provision*

The reconfiguration of cancer services across London offers threats and opportunities for the Trust. In particular, effectively developing both breast and colorectal surgical activity will be a key clinical priority. Consequently, the commencement of bowel cancer screening on the Homerton site during 2013-14, the expansion of the targeted population to cover a wider age-range and the repatriation of City & Hackney women requiring surgery following breast screening are important objectives in allowing the Trust to enhance its cancer provision. In addition, in all cancer-related specialties we will ensure the delivery of an effective and timely diagnostic pathway which supports, in conjunction with our partner organisations, the emerging London cancer service models.

### 4. *Maternity Provision*

A central element of our service offer relates to maternity provision. The successful expansion of the service to incorporate Waltham Forest practices is planned to continue in 2013-14 with an increase in capacity to 6,240 births in order to meet rising demand. In addition, options will be developed to facilitate the further growth of this capacity so as to capitalise upon the service's strong external reputation and the anticipated growth in demand from within its general catchment area. Such growth will also necessitate the increasing of NICU capacity given the need not only to cater for internal demand but also to be fully responsive to external network flows particularly given the merger of the North East and North Central London neonatal networks.

## 5. *Outreach Services*

We recognise that our current income base relies too heavily upon City & Hackney demand and is clinically too narrow given the predominant importance of emergency and maternity services. A concerted and focused effort on mitigating the threats posed by these two factors is consequently required. We will therefore pursue, in particular, a programme of work aimed at attracting new outpatient referrals in order to grow and broaden the base of our elective clinical work. In the short-term this will focus on the utilisation of community sites in areas of Hackney which border other boroughs and on building a presence in the Sir Ludwig Guttman Centre on the Olympic Park in Stratford. Those outpatient specialities with scope to yield income generating diagnostic and elective surgical activity will be prioritised in this regard with a particular focus, for example, on Orthopaedics, General Surgery and Gastroenterology.

## 6. *Clinical Standards*

A number of national and pan-London clinical standards relating to core elements of the Trust's provision are now in place. These include acute medicine, emergency surgery, intensive care, emergency medicine and emergency paediatric provision. Ensuring compliance with these poses a significant challenge for the organisation particularly with regard to extended consultant presence and support service availability. The Trust's Quality Improvement Committee will consequently be refreshed and tasked with overseeing the development of plans which will address areas of current concern non-compliance. In so doing a focus will be placed on changes which directly improve patient care and/or which support more efficient clinical pathways. A core area of work, already underway, will consequently relate to the management of emergency medical and surgical admissions given their combined volume and influence on inpatient bed requirements.

Our immediate clinical and operational priorities are therefore ultimately underpinned by four core considerations which constitute a coherent response to our current strategic position:

- Ensuring the viability of the Trust's core services in terms of volume and quality;
- Encouraging the diversification and expansion of the Trust's clinical and income base;
- Facilitating initiatives containing reputational benefit; and
- Prioritising a focus on clinical structures which yield improved efficiency.



## Quality Priorities

A further core organisational imperative is the effective management of clinical quality and our performance management structures are being refined so as to ensure that these considerations are further embedded within the routine operational functioning of the Trust. Whilst our starting position is strong following positive CQC inspections of both our acute and nursing home sites in 2012-13 and consistent delivery against the core quality indicators, driving further improvement in the quality and safety of our services and in the nature of our patient experience is a key objective for 2013-14.

In this context our Quality Account highlights a number of essential priorities:

1. Reducing Harm

We will use the Safety Thermometer measurement programme to improve performance against 2012-13 levels in relation to a reduction in pressure ulcers, falls, catheter infections and venous thrombo-embolism.

2. Improving Safety

We will focus in particular on our HSMR and SHMI rates with improved scrutiny, led by the Chief Executive and Medical Director, at service level and corporately of all deaths occurring within the Trust.

3. National Clinical Guidelines

We will ensure that when guidelines which are relevant to the care of patients within the Trust have been produced by the National Institute for Health and Clinical Excellence (NICE) we can demonstrate we are using them in everyday practice.

4. Reduce Readmissions

We will develop new service models with a specific focus on ensuring discharges which are safe and sustainable thereby minimising the risk of readmissions. In this context we will particularly: lead the reconfiguration and up-skilling of the local intermediate care system, the delivery of an expanded rapid access mental health service into our Emergency Department and the improved transfer of care between our acute and community services.

5. Participate in NHS QUEST quality programmes related to:

- Nutrition and Hydration
- Medication Safety
- Safe Handover

6. Improving Dementia Care

This work will be driven by the national CQUIN and participation in the NHS QUEST collaborative on improvement of dementia care.

7. We will improve the sharing of information related to care and treatment with patients.

8. Effective Discharge

We will focus significant attention on our discharge process in 2013-14 given a sizeable increase in delayed transfers of care during 2012-13. A third-party assessment, sponsored jointly by the Trust and our Local Authority partner, is underway reviewing all aspects of discharge planning and also assessing how we can make best use of our community health and social care services to create additional discharge options in future. In parallel an internal review of our emergency care pathways is in place with a view to ensuring discharges occur earlier in the working day through organising resources more in line with the needs of patients.

In addition to focusing on these priorities we will continue to meet our legislative and regulatory requirements in the form of the CQC Essential Standards, Monitor's Quality Governance and Risk Assessment Frameworks and NHSLA Level 2 compliance. In so doing we will discharge our commitment to providing safe, effective and thoughtful NHS healthcare. In particular, we will focus on

delivering annual compliance with our Clostridium difficile objective which proved challenging in 2012-13. In order to ensure this occurs we have a risk reduction strategy which has been presented to the Trust Board and Infection Control Committee and which was externally validated by NHS London in January 2013.

## Productivity & Efficiency Strategy

Our continued strong performance also rests on a rigorous approach to managing our cost base particularly given the overarching climate within the NHS. As a result, strengthened management arrangements are essential for preparing the organisation for the next three years.

Three key developments have consequently been enacted ahead of 2013-14:

- The creation of an overarching QIPP Board, chaired by the Chief Operating Officer and reporting monthly to the Trust senior management group, mandated to ensure the delivery of agreed plans and to develop a programme of future initiatives;
- The development of sub-groups, chaired by the Chief Operating Officer reporting to the QIPP Board, to focus on specific areas of intra-organisational work such as length of stay and theatre efficiency; and
- The creation of a new Performance and Contracting function, reporting to the Chief Operating Officer, containing a dedicated QIPP Manager and associated support roles in order to provide sufficient capacity to deliver major change programmes.

Our structure for delivering CIPs has been significantly strengthened therefore and built-in to the approach are two governance safeguards. Firstly, any scheme containing a reputational risk to the organisation or requiring a material alteration to service delivery has to be approved by the senior management group. Secondly, the Medical Director has assessed the CIP programme in its entirety for any potential adverse impact on clinical quality and/or patient safety. Risk assessments with regard to the relevant schemes have been developed and are being considered by the Trust's Quality Improvement Committee.

Our plans for 2013-14 are well-developed and have the following key high-level characteristics:

- **Improving staff efficiency and productivity**  
A priority has been to identify how the Trust can generate additional efficiency and productivity from its human resources. Key factors in achieving this have been attempts to realise reductions in days lost to short-term and long-term sickness absence and a renewed focus on delivering a seamless recruitment process in addition to ensuring that commitments made in individual job plans and timetables are honoured in full.
- **Improving clinical services efficiency and productivity**  
CIPs have been developed in a way that supports the Trust maximising its utilisation of available time and physical resource with a focus on reducing the amount of fallow time generated across its services. Supporting this work, in particular, has been a focus on schemes which reduce the risk relating to non-attendance by patients.
- **Maximising value for money**  
A range of CIPs have focussed on opportunities to generate better value for money through re-negotiating existing prices, re-tendering services, maximising framework pricing, repatriating work in-house where appropriate and through outsourcing of services where cost-effective. A key objective has been to ensure that contracts with suppliers are structured in a way that enables the Trust to continually realise cost-saving benefits as well as ensuring greater flexibility in holding suppliers to account with regard to performance.

A review of our previous CIP programmes has shown an insufficient ability to always deliver major intra-organisational work-streams. Our immediate focus in this context is therefore on the following core areas with financial benefits expected to be realised from 2013-14 onwards:

### *Theatre Productivity*

A range of existing individual theatre efficiency work streams have been brought together and will be overseen by a newly formed Theatre Efficiency Group. The TEG will ensure that opportunities identified within individual services are shared across the organisation and implementation of new processes and systems will be completed in a co-ordinated and timely manner.

### *Outpatient Efficiency*

Although average waiting times for Outpatient appointments are low, key opportunities have been identified to improve efficiency via improved DNA management, increased utilisation of scheduled clinic sessions and a revised Access Policy. These will be taken forward through an Outpatients Board.

### *Length of Stay and Discharge Management*

The Trust is engaged in a joint assessment with its Local Authority partner of improved ways of proactively managing discharges. This work will be taken forward via a Length of Stay Working Group which will also oversee new clinical models relating to intermediate care, observational medicine and elderly care and a re-assessment of the way in which the Trust utilises its senior medical workforce and community services to expedite inpatient discharges.

### *Bank & Agency Expenditure*

The Trust's Bank and Agency Group has identified a number of opportunities to realise significant cost reductions against a gross spend in 2012-13 of close to £20m. A work programme is in place to realise these savings and is focussed on reducing demand for shifts and on ensuring that unavoidable shifts are filled as often as possible via bank rather than agency workers.

Our thinking in targeting these work-streams is not only to ensure increased efficiency in the delivery of clinical services but also to allow the Trust, in time, to absorb a reasonable element of its planned growth via its existing resource base.

To further aid this, during 2013-14 a more robust structure, via the implementation of Service Line Management, will be developed for engaging the Consultant workforce. Two primary objectives in this regard will be: increased standardisation of job plans and improved scrutiny of clinically generated costs such as pathology and radiology demand. With this in mind we invested in 2012-13 in an Aspiring Medical Leaders Programme to improve leadership capacity within our Consultant body and we are now in the process of recruiting to a new tier of Clinical Lead posts within our Divisional structures.

## Financial and Investment Strategy

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.

We have an aspiration to expand our business over the medium to long term through a strategic approach to increasing referrals and establishing new services. The Trust Board is in the process of undertaking a review of how this will be achieved in the first half of 2013/14. Consequently, this annual plan primarily reflects delivery against year's two and three of the 2012/13 plan, updated for the events of last year. Our projections will be revised as appropriate once we have completed our strategic review.

The financial forecasts included within our annual plan reflect the current guidance available nationally and the intentions of our local and specialist commissioners. The annual plan projections have also been prepared based on assumptions consistent with those used as part of our 2013/14 budget setting process.

### Projected income and expenditure

At the time of publication of this document we are yet to reach agreement with our commissioners for 2013/14 although we have signed heads of terms with NHS England with respect to our specialised services. The table below shows the actual income and expenditure performance for 2012/13, with projections for 2013-14 and the following two years.

<b>Detailed Financial Summary £m</b>	<b>2012/13 Actual</b>	<b>2013/14 Plan</b>	<b>2014/15 Plan</b>	<b>2015/16 Plan</b>
Acute	174.6	182.7	186.9	187.3
Community	46.8	46.1	44.9	43.9
Other operating revenues	34.2	27.3	25.5	25.3
<b>Total Operating Revenue</b>	<b>255.6</b>	<b>256.1</b>	<b>257.3</b>	<b>256.5</b>
Employee expenses	(167.2)	(173.5)	(175.5)	(173.8)
Drugs expenses	(12.0)	(12.4)	(13.0)	(13.7)
Other operating expenses	(63.6)	(57.9)	(55.8)	(55.8)
<b>Total Operating Expenses</b>	<b>(242.8)</b>	<b>(243.8)</b>	<b>(244.3)</b>	<b>(243.3)</b>
Net interest payable/receivable	-	(0.2)	(0.2)	(0.2)
Depreciation and amortisation	(5.7)	(6.3)	(6.6)	(6.7)
PDC Dividend	(3.3)	(3.2)	(3.6)	(3.5)
<b>Total Expenses</b>	<b>(251.8)</b>	<b>(253.5)</b>	<b>(254.7)</b>	<b>(253.7)</b>
<b>Net Surplus (before impairments)</b>	<b>3.8</b>	<b>2.6</b>	<b>2.6</b>	<b>2.8</b>
<b>Forecast Financial Risk Rating</b>	<b>4</b>	<b>3 tbc*</b>	<b>3 tbc*</b>	<b>3 tbc*</b>

\*The basis of Monitor's risk ratings are changing from 2013/14 onwards.

As noted above, we are yet to reach agreement on the acute and community health services contracts for the following reasons:

- The City and Hackney Clinical Commissioning Group (the CCG) is seeking a recurrent reduction to the contract baseline of approximately £3.1m. This proposed reduction comprises two elements: a £1.9m productivity and efficiency reduction linked to the value of a reduction in our outpatient new:follow-up ratios and consultant to consultant referrals; and a further £1.2m reduction to reflect their view of the financial benefits of the integration of the community and acute services. The CCG have indicated that they have the financial flexibility to underwrite the £1.9m productivity and efficiency requirement in 2013/14; and
- As a result of the recent reforms the responsibility for commissioning of a number of community health services transferred from the CCG to the London Borough of Hackney (LBH). LBH are maintaining that the funding for the indirect costs associated with these services did not transfer from the CCG. The CCG are refuting this claim. The value of the funds in dispute is approximately £1.3m and neither the CCG nor LBH are recognising this liability. Our base case projections assume that this is a timing issue while the CCG and LBH resolve where the corresponding funds reside.

These matters have been escalated to a senior level both within the CCG, the sector, and LBH. We continue to work with them towards reaching an agreement.

Our expenditure forecasts reflect the costs associated with the activity included with the annual plan, adjusted for inflation, net of the impact of our rolling QIPP programme. The capital charges included within the plan are also consistent with the assumption regarding capital investment.

### Summary of key assumptions

We are planning to deliver a minimum net surplus of 1% in each year of the plan. The key assumptions underpinning the financial forecasts are set out below:

		2013-14	2014-15	2015-16
Tariff deflator		1.3%	1.3%	1.3%
Non Tariff deflator		1.3%	1.3%	1.3%
NHS inflation				
Pay ( <i>incl 1% pay drift</i> )		2.0%	2.0%	2.0%
Non Pay		2.5%	2.5%	2.5%
Drugs		5.0%	5.0%	5.0%
Impact of readmissions policy		£1.5m	£1.5m	£1.5m
Impact of 30% non elective marginal rate		£1.4m	£1.4m	£1.4m
CIP required	£m	£11.2m	£10.0m	£10.0m
CIP required	%	4.4%	4.0%	4%

### Acute contract tariff deflation

We have assumed net national tariff deflation of 1.3% in 2013/14 for both PbR and Non-PbR activity. We have assumed a further PbR 1.3% tariff deflation in both 2014/15 and 2015/16.

### Community health services

We have assumed deflation on the value of the CCG commissioned community health services of 1.3% in 2013/14; 2.8% in 2014/15; and 1.3% in 2015/16. The increase in deflation assumed for 2014/15 reflects the additional reduction in value we have offered in the event that the CCG will grant us a 3 year contract extension for the services they commission. It should be noted that our base case projections assume that the CCG commissioned services contract will be extended on this basis.

We have assumed we will continue to provide the community services commissioned by LBH albeit with a reduction in contract value of 15% over the next three years. The corresponding deflators to the contract value are assumed at 3% in both 2013/14 and 2014/15, and 9% 2015/16.

#### *Other tariff changes*

The impact (reduction) of the marginal rate of 30% of 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 2012/13 and are consistent with our commissioner's intentions.

The projections assume no reinvestment of these "penalties" within the trust, consistent with our experience in prior years. We are also aware that the CCG may retain these sums as part of their financial contingency. If the CCG were to reinvest these monies we would anticipate that the impact is also likely to be neutral in income and expenditure terms.

#### *Education and Training*

The Local Education and Training Board (LETB) are responsible for commissioning education and training of medical and nursing staff. Funding for 2013/14 has been agreed, however, it is assumed that a new tariff based system will be phased in from 2014/15. We have reduced our expected income in by £0.2m in both 2014/15 and 2015/16 reflecting the anticipated impact of the new tariff and anticipated changes in numbers of trainees.

#### *Contract activity*

The acute contract baseline discussed with our lead CCG reflects the underlying activity of 2012/13, adjusted for a shared view of growth based historic trends and anticipated changes in 2013/14. The value of this activity has been derived by applying the relevant national guidance including the prevailing tariffs for 2013/14. The projections also reflect the activity associated with agreed service developments, including those forming part of our rolling QIPP programme. For 2014/15 and 2015/16 the following assumptions for growth in acute activity levels have been made:

	2013/14	2014/15	2015/16
Elective	1.0%	2.8%	2.1%
Non Elective	2.6%	2.3%	1.7%
Outpatients	-4.7%	3.6%	1.0%
A&E*	0.5%	0.3%	0.5%
Other	0.6%	3.7%	2.1%

Community services activity is also assumed to grow by 2% in each year without any corresponding increase in income in light of the block funding arrangement we currently have in place with our commissioners. In time, and as community tariffs are developed, we would anticipate negotiating additional income for this activity.

#### *CIP savings requirement*

We have a plan in place to meet our £11.2m CIP requirement for 2013/14 (4.5% of forecast income). For 2014/15 and 2015/16 the efficiency savings required to achieve a target 1% surplus are estimated at a similar level.

#### *Impairments*

The income and expenditure forecasts summarised within the forecast figures above do not reflect anticipated impairments to our fixed assets as they do not impact on our earnings for the purposes of deriving our Financial Risk Rating. These impairments are assumed to be approximately £3.3m, £3.3m, and £1m for 2013/14, 2014/15 & 2015/16, respectively.

## Overview of the Capital Programme

The main capital schemes and estimated costs for the next three years are shown in the table below, along with associated internal funding sources.

PLANNED CAPITAL PROGRAMME	2013/ 14 £m	2014/ 15 £m	2015/ 16 £m
Service Developments	2.4	3.1	3.2
Estate Schemes	7.4	1.5	1.5
Medical Equipment	4.3	4.0	4.0
Other	0.9	1.4	1.3
<b>Total Programme</b>	<b>15.0</b>	<b>10.0</b>	<b>10.0</b>
<b>Source of funds</b>			
Depreciation	5.7	6.2	6.2
Brought forward from prior year	4.5	-	-
Use of cash reserves	4.8	3.8	3.8
<b>Total funding</b>	<b>15.0</b>	<b>10.0</b>	<b>10.0</b>

Our plan includes a major development in relation to our boiler replacement (approximately £5m included within Estates schemes in 2013/14) programme which is due to complete in December 2013. It is also worth noting that we have applied for a contribution towards the funding of the boiler replacement project via the Department of Health's sustainability initiative. We have recently submitted a "Stage 2" return requesting funding for up to approximately £3m. If our application is successful, these funds would be made available in 2013/14. Our plan does not assume any funding from this source and the project is not contingent on it.

We are also in the process of evaluating a pathology redevelopment which is to be considered by the Board in due course. If approved it is envisaged that the work will primarily take place within 2014/15 (approximately £1m; £6m; and £1m included within service developments in 2013/14, 2014/15, and 2015/6, respectively). These estimates are subject to change as the business case is further developed. This will be reflected in the plan, as appropriate, depending on the progress of the business case.

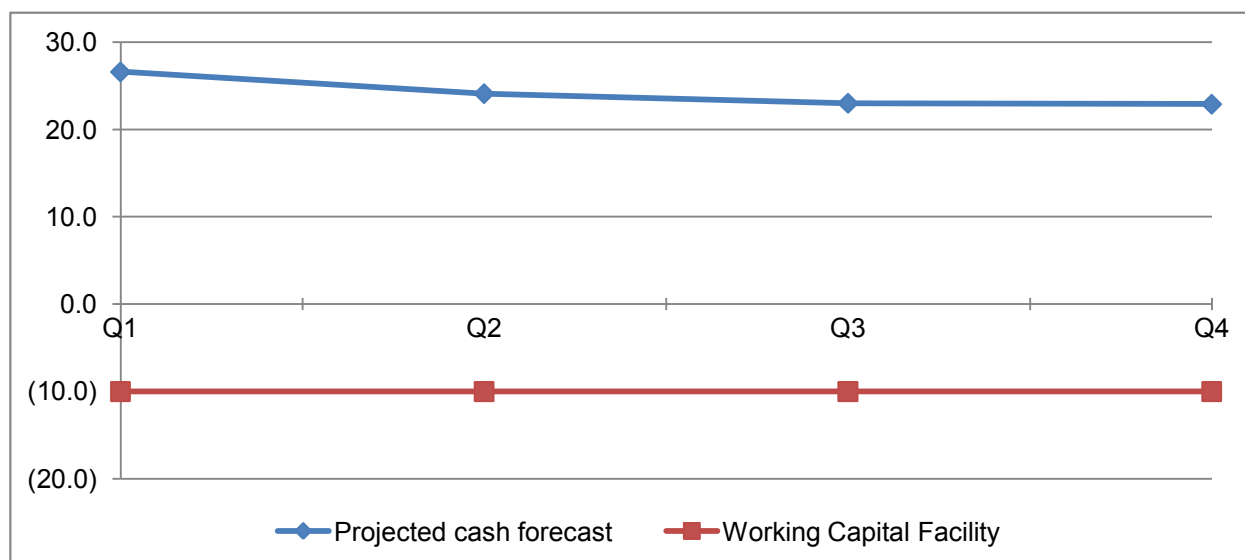
Historically we have funded our capital plan solely from internally generated resources. Our capital plan for the next 3 years is presented on a similar basis and is relatively cautious at this stage while we reassess our strategic priorities. Once we have completed this work we will evaluate a number of "discretionary" schemes, prioritise them over the near term, and include them within the capital programme as appropriate. At this point, we will also assess the various funding options that are available should additional resources be required. This may include a further call on internal resources or we may explore external sources of funding.

The capital plan and funding requirement included within the first year of the annual plan reflects our routine annual spend in a number of areas including minor works, medical equipment, ward refurbishment, and IT. We have also included major projects that we are committed to, most significantly the boiler replacement project and the replacement of a time expired MRI scanner, and any capital investment required to support the planned service developments included within the annual plan. We have also set aside an amount of additional funding to contribute towards the costs of the discretionary schemes that are included within our pipeline.



## Overview of Working Capital

The chart below shows projected net quarter-end cash balances for 2013-14. The assumed available working capital facility of £10m is also shown.



The key factors affecting future cash balances are ability to generate planned surpluses, levels of capital spend, and borrowing.

## Risks associated with the delivery of the financial plan

The risks to the delivery of our financial plan can be summarised as follows:

- Increasing competition as the AQP initiative gathers momentum;
- Current expiry date for the Community Health Services contract in March 2014;
- Impact of LBH as commissioners of some of our CHS services
- Ongoing pressures within the local health system that may result in a shift in local priorities or commissioner behaviour;
- Systemic changes to tariffs and the funding for education and training; and
- The successful delivery of our QIPP programme.

It is worth noting that our plan includes a contingency reserve of 1% of turnover in each of the next three years which may be used to help mitigate the impact of the above risks should they materialise.

Although the economic outlook remains challenging we have a strong platform on which to build. We will be making a concerted effort to attract new GP and other referrals to help us achieve our objective of expanding the organisation, whilst maintaining quality and a sustainable cost base.

## Workforce Risks

From a workforce perspective the Trust remains in a relatively strong position. During 2012-13 our vacancy rate fell from over 9.0% to 7.5% as a result of 500 new employees joining the organisation. Nevertheless, there are areas of ongoing concerns particularly in relation to aspects of the medical workforce and specialist nursing areas such as theatres, intensive care and neonatal intensive care. In these areas, targeted recruitment campaigns are in place supported by external expert agencies if required.

We are also conscious of likely changes to medical training numbers and are therefore taking proactive action, particularly with regard to Emergency Medicine, to broaden our non-trainee doctor base via UK and international recruitment.

In this context, we also share in the national shortage for Health Visitors and are working with City University in order to train and recruit Health Visitors and to encourage former Health Visitors back into the profession.

Over and above effective recruitment in these high-risk areas we will focus in 2013-14 on improved retention strategies in order to keep turnover at an acceptable level with particular reference to our hard to recruit areas. This work will include a renewed pre-occupation with meaningful appraisals for all members of staff and the roll-out of a new exit-interview methodology in order to more effectively capture and respond to the feedback of staff leaving the organisation.

A wider organisational development initiative, led by the new Director of Organisational Transformation, will support the delivery of these imperatives. Core to this agenda will be the following programme of work commencing early in 2013-14:

### *Values and Behaviours*

The development of a set of principles which will define the way in which the organisation will operate and the way in which staff will interact with one another and with patients. These principles will then be embedded within the Trust via our recruitment, induction, appraisal and performance management processes so that a series of common standards and expectations transcend the organisation. They will also assist in informing and framing a revised patient experience strategy.

### *Employee Engagement*

A series of consultation initiatives, including a detailed analysis of the annual staff survey, will be instigated in order to capture the motivational drivers which influence our workforce. Over time the focus will be on raising the level of meaningful employee engagement across the organisation as a means of underpinning high performance across a range of domains. Key to this will be an updated learning and development offering so sufficient internal and external support and development is available to our staff.

### *Communication*

Effective and ongoing communication will be vital to the delivery of the programme and an updated internal communication strategy will be developing focused on ensuring our staff feel connected with the organisation and its strategic priorities.

## Conclusion

Whilst the ongoing NHS environment is clearly challenging the Homerton believes it has a structured and well-defined forward plan which not only ensures its financial stability but also focuses the organisation on strategic growth, high quality provision and workforce engagement.