NHS Improvement

Investigation Report: Portsmouth Hospitals NHS Trust

DRAFT

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Introduction

1. This report sets out the findings and recommendation of NHS Improvement's investigation into the financial issues faced by Portsmouth Hospitals NHS Trust (the trust).

2. Although the trust accepted its 17/18 control total to deliver a surplus of £9.7m, including Sustainability and Transformation Fund (STF) of £13.8m, the trust acknowledged that there was not a robust plan in place with which to deliver the control total. As a result of this, and as part of a wider package of improvement interventions, NHS Improvement launched this financial review in July 2017.

3. The investigation objectives were:

    - to diagnose the drivers of the decline in the trust's financial position;
    - to assess the suitability and deliverability of the trust's recovery plan; and
    - to assess adequacy of the trust's capacity and capability to improve the financial position, including the adequacy of governance arrangements.

4. The investigation also aimed to identify what support NHS Improvement can provide the trust in order to address the issues it faces.

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Background and context

5. In 16/17 the trust was set a control total of £1.2m surplus, including STF of £14.6m. The trust reported a deficit of £17.6m, including receipt of £7m of STF. This represented a significant deterioration from plan, although we note that the deterioration in underlying deficit from 15/16 was less significant, being £4.2m.

6. The trust accepted a 17/18 control total surplus of £9.6m, including STF of £13.8m. At month 4, the trust reported it was £2.5m behind plan with a year to date deficit of £8.4m, including receipt of £1.7m of STF. There is a significant level of risk associated with the plan including a 6.4% CIP of £34m which is significantly back loaded. The trust has not yet formally changed its forecast, but has been highlighting the risk of not delivering the control total to NHS Improvement from the start of the financial year.

7. In 14/15 the trust reported a deficit of £2.9m, with an underlying deficit of £18.8m. The trust's underlying position deteriorated further over 15/16 and 16/17, ending 16/17 with an underlying deficit of £33.7m (Table 1).

Table 1: Reported and underlying financial position

£m	13/14	14/15	15/16	16/17
Reported deficit	0.8	2.9	23.4	17.6
Underlying deficit	9.7*	18.8	29.5	33.7

* Source: Steve Webster report 2015

8. Since the start of 16/17 the trust has had significant board turnover and a succession of interims has been in post over this period. In July 2017 a substantive CEO and new Medical Director were appointed to the board and the trust is in the process of recruiting a substantive Chair and other executive positions.

9. The arrival of a new Chief Executive, in addition to a number of NEDs who have only been in post for a few months, has meant that the key management and assurance forums we have observed are not necessarily reflective of how they might have been conducted historically. Indeed, we noted some improvements from the accounts we heard in interviews. We have noted this in our findings where necessary and made use of documentation and interviews to construct the historical picture.

10. The operational context to this investigation is also important. The trust has not achieved the four hour Emergency Department (ED) standard throughout 16/17 and 17/18 with little improvement seen over this period. On average only 77% of patients were seen within four hours in August 2017, making the trust a significant outlier regionally and nationally. There have also been over a hundred 12 hour trolley breaches since January 2017.

11. The CQC undertook an unannounced inspection of the emergency department and medical care areas in February 2017 followed by an announced inspection in May 2017 focused on the 'well led' domain. The August 2017 report raised significant concerns regarding safety, culture, responsiveness, governance and leadership in these areas, with a noticeable disconnect between the trust board and the ward level. At the time of our investigation, the trust was developing an action plan in response to CQC concerns.

12. The trust is within segment 3 of the Single Oversight Framework (SOF) due to finance and performance against the 4 hour ED standard. NHS Improvement does not currently have formal undertakings in place with the trust. At Q1 of 17/18 the trust was rated 4 for Finance and Use of Resources.

Approach

13. The investigation was undertaken through:

- desktop review of key trust documents, including minutes, agendas and papers of the board and Finance and Performance Committee (FPC).
- observations of the Recovery Board and Executive Management Team Meeting on 16 August 2017, FPC on 30 August and the public board meeting on 7 September 2017;
- site visits between July and September 2017, interviewing members of the trust's board, senior staff and CSC leadership teams;
- review of selected data across the domains of quality, activity, finance, operations and workforce; and
- interviews with senior leaders from the trust's commissioners.

14. The purpose of the investigation was to identify, with reasonable accuracy, the key issues affecting the trust rather than being an in-depth assessment. As such, the findings in this report can only be a relatively brief commentary on the trust's issues.

Findings

15. Our investigation has identified a number of issues at the trust relating to governance, processes, capacity and capability. The evidence suggests that a common contributing factor to many of these concerns is the lack of a clear vision and strategy for the organisation and instability in the executive team.

16. It is important to note that the individuals we have spoken to have generally been able to articulate these issues clearly, and we do not therefore expect that there will be any significant surprises for the trust in the concerns or recommendations we have raised.

17. There are a number of interrelating **drivers of the deficit**. Our investigation has identified the lack of stable board or clear strategy as a contributing factor in unclear focus and prioritisation for the organisation and a failure to look beyond the short term. Historical under delivery of recurrent CIP has been a significant factor, which itself has a number of root causes, including a culture across the trust in which finances have not been prioritised or effectively owned by the Clinical Service Centres (CSCs). Significant costs were incurred, particularly in 14/15 and 15/16, in relation to a number of investments that were not adequately supported by business cases or approved by the required forums. While this expenditure may have been appropriate and necessary, for example in response to patient safety concerns, there has not always been an evidence base or post-implementation evaluation to support this. A key manifestation of these investments is high levels of temporary staff spend.

18. The trust's response to its financial issues resulted in the development of a £46.5m **Financial Recovery Plan** (FRP) in 17/18. While the principles behind the plan are sound, being based on the perceived drivers of the deficit, progress to date has been insufficient to provide assurance that the required savings, and therefore the control total, will be met in 17/18. A number of schemes are not well developed or supported by detailed implementation plans, and engagement of the accountable executives for each scheme has not been consistently strong. The trust is currently developing a revised recovery plan, which will need to clearly set out the changes required to enable under-delivering schemes to succeed. In time, this will need to support a longer term financial strategy.

19. Our review of **financial governance** and governance more generally within the trust has identified a number of areas for improvement. Many individuals we spoke to showed a good understanding of the financial issues affecting the trust, but financial engagement is not strong at all levels of the organisation, presumably as a result of the cultural issues mentioned above. Finances have not been a significant item on the board agenda historically, and this has filtered down to all other levels of the trust. CSCs have not been held to account for financial issues, with the high number of CSCs hampering executives' ability to

undertake effective performance reviews. Board discussions focus more on operational matters than strategic ones, and we would expect the refreshed Board Assurance Framework (BAF), when ready, to help the board to refocus. The quality of information to the board and its committees is variable but generally needs some refinement to ensure the reader is able to focus their time on the key concerns and understand action being taken to address issues.

20. We noted some limitations in **capacity and capability** within the trust. At the time of our site visit, and at the time of signing the contract, the organisation had not been able to articulate the operational impact of the Aligned Incentives Contract (AIC), for example the level of RTT delivery that would be affordable within the fixed income allocation. We would have expected this sort of information to be readily available or at least straightforward to produce. However the trust has struggled to generate the analysis required and this gives us broader concerns about the trust's operational capability. For the avoidance of doubt, our concerns relate to demand and capacity planning abilities rather than the contractual form.

21. The Finance team seems to be stretched in terms of capacity, and appears to have been pulled into developing the operational analysis described above, which we would have expected to be owned and delivered by the operations team. The appointment of an Interim Director of Financial Recovery in August 2017 will help to instil a greater sense of financial awareness throughout the organisation as well as releasing capacity of the Director of Finance to focus on strategic issues.

22. The findings of this investigation have led us to raise a number of recommendations for the trust and review NHS Improvement's regulatory approach and support offer. While some recommendations will need to result in new pieces of work at the trust, others relate to work streams that are already ongoing. We include them for completeness and to ensure that NHSI's oversight of actions the trust is sufficiently broad.

23. We note that the trust is already initiating a number of changes in governance and process, and the recommendations in this report aim to support these early changes rather than supersede them.

Recommendations

#	Issue and risk	Recommendation	Trust response, timescale and owner
1	**Strategy and board focus** The trust's vision and strategy are unclear, resulting in a lack of well-articulated priorities for the organisation. This has manifested itself in a number of ways, including in CSC leadership teams perceiving mixed messages from executives. Board and committee papers and interviews indicate a historical culture in which finances have not been viewed as a trust priority. This is particularly problematic given the current financial context. The Board Assurance Framework (BAF) is outdated and does not operate as a tool to demonstrate what needs to be prioritised, although we acknowledge that this document is now being re-written, alongside a review of the risk register.	a. The trust needs to refresh and clearly articulate its strategy. This must show a clear link between the trust's vision and the strategic objectives that will help to achieve the vision. b. The board must use this revised strategy, alongside the refreshed BAF, to identify its key priorities and set its agenda around them. As part of this, the board will need to have a frank discussion about how the trust should balance its responsibilities in relation to finance, quality and operational standards delivery. c. The agreed priorities will need to be communicated clearly to the rest of the organisation	

2	**Financial recovery strategy and plan** The trust does not currently have a credible plan to enable it to meets its control total in 17/18, or a longer term financial strategy. While a short term focus will be important in recovering the 17/18 financial position, the trust must not lose sight of its longer term financial strategy. We recognise that the trust has made a recent temporary appointment of an individual to focus on medium term financial strategy, and that a revised recovery strategy is currently being developed.	a. We recognise the trust has already begun revising its nine point financial recovery plan. The revised plan will need to set out clearly what will be done differently to enable it to succeed where the previous version did not. b. The trust needs to set out clearly where the revised recovery plan will be scrutinised on a regular basis, both at executive forums and assurance committees. For the latter, the trust must ensure that all accountable executives, or their deputies, are in attendance to enable board members to fully understand any issues and scrutinise actions being taken. c. The trust also needs to look to the longer term and develop a financial strategy consistent with its revised overall strategy. This will need to set out how the trust will achieve, and maintain, a financially sustainable position in the context of the national landscape, the strategic transformation partnership and local delivery system.	

3	**Improving financial engagement and accountability** The trust has not historically had a sufficient focus on finances, and financial engagement across the organisation is not strong. It is not clear that CSC Chiefs fully understand their roles as accountable individuals for finances. We have also identified a lack of understanding of the AIC outside of Finance, with staff not understanding what it means for them and how they should be working differently. This is despite the significant communications exercise that was conducted with the CSCs. We understand the trust is considering amalgamating CSCs into fewer monthly performance meetings with executives. While this is designed to encourage executive attendance which is positive, there is a risk that the reduced time per CSC means that sufficiently detailed discussion is not possible.	a. The trust should develop a communications strategy for highlighting the importance of financial improvement to the trust and clarifying what this means for staff. b. The trust needs to build on earlier communications with the CSCs to set out clearly to staff what the AIC means for them, and how it should be used to drive financial benefits. c. The trust needs to consider the risks of reducing the time allocated to monthly performance reviews, particularly given that a number of individuals stated that, even now, there is often insufficient time to cover the finance part of the agenda at meetings.	
4	**Operational capacity and capability** The trust has not yet been able to determine the impact of the fixed income allocation within the AIC on the RTT standard, raising broader concerns about the capacity or capability of operational teams to undertake demand and capacity planning. As part of its longer term financial strategy the trust will need to consider reconfiguration or transformation of its services, and it will need the requisite operational capability to be able to do this effectively.	The trust should make an assessment of its capacity and capability in relation to demand and capacity planning and operational capability more generally, and discuss any gaps and support needs with NHSI.	

5	**Finance capacity** We have heard from multiple sources that the finance team is stretched. There may be an opportunity to release capacity through more effective joint working between commissioning staff at the CCGs and contracting teams at the trust, given the focus of the new contract.	As the organisation responds to its various challenges, the trust will need to ensure the financial capacity and capability of the finance team and wider organisation meets the trust's changing needs. This is likely to require consideration of whether: • the structure of the Finance department and skillset of staff matches the changing requirements of the organisation • PMO capacity is sufficient to support the significant change required across the trust • managers outside of Finance are equipped to deal effectively with the financial challenges ahead. This should consider the definition of roles and accountabilities and financial training needs.	
6	**Investments and business cases** We have been made aware of a number of instances in recent years where the necessary approval processes for quality or activity investments have been overridden, not fully understood, or where business cases were lacking, untimely or of poor quality. We have also identified instances of business cases being neither approved nor rejected for long periods of time, resulting in uncertainty for the CSCs. Furthermore, CSCs have at times made unilateral decisions about their strategic direction, resulting in (for example) decisions to specialise in certain areas where this may not be in the best interests of the trust of wider health system. Formal evaluations of investments have not always taken place and the board therefore has little assurance that the investments made have had a positive impact, financial or otherwise.	a. Investments should, further to being supported by robust business cases, have a formal evaluation after implementation to assess success against the stated benefits in the business case. b. Evaluations should seek to understand why projects have not delivered if that is the case, with learning disseminated across the trust where applicable. c. Approval processes for business cases need to be clearly communicated to all relevant staff to ensure there is no ambiguity in the required process. d. The trust needs to set out agreed timeframes for making business case decisions to help to avoid inertia with decision making. e. The trust should review investments made in recent years over an agreed threshold, to determine whether the intended benefits were achieved and, if not, disinvest.	

7	**Grip and control actions** There have been many instances of non-compliance with financial controls for a number of years. There has been little evidence of individuals being held to account for significant or repeated non-compliance. Making changes here will help set the tone for financial management of the Trust. KPMG undertook a grip and control review for the trust in March 2017 and raised a number of recommendations, along with good practice examples to aid implementation.	a. The trust response to the KPMG grip and control report (as presented to the 16 August Recovery Board) needs to be enhanced, stating clearly where recommendations have not been accepted in full (eg changes to authorisation limits). It is important that such judgements are considered by the Recovery Board and FPC rather than only being made in Finance. b. The trust should establish how the new controls dashboards (pay and non pay) will be used to generate actions when non-compliance or other issues are identified. Instances where staffing exceeds establishment should be reviewed as part of these dashboards. c. Options for sanctions, as advised by KPMG, need to be discussed, communicated and employed consistently.	

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8	**Quality of board and committee papers** Papers presented to the board and committees are often very long, with front sheets failing to consistently set out the key points, suggested areas of focus or what the board/committee is expected to do. Many papers are not action-focused enough and instead simply describe a problem. We observed a lack of focus on actions at the September 2017 board and note the unusually low number of items on the action log. We have seen examples of verbal updates for items where papers would probably add value, and papers being circulated late, providing insufficient time for reading. We also noted an example of papers not being scrutinised for sensitivity of information, resulting in sensitive legal information being discussed in a recent public board session. The trust is currently overhauling its board papers and undertaking sub committee reviews with the respective committee chairs. Our recommendations on board and committee reporting should be considered as part of those work streams.	a. The trust needs to set out guidance to report writers emphasising that all papers need to contain clear narrative that highlights trends, exceptions, whether performance is good or bad, the implications and any actions to mitigate issues. b. The trust needs to implement a quality control mechanism to ensure that papers are fit for purpose before being presented at committees or the board. Committee chairs should have a role in discussing and reviewing papers with their respective executive owners sufficiently in advance of meeting dates to allow changes to be made if necessary. c. The trust may also wish to consider providing training for individuals who often write papers in order to improve quality and consistency.	
9	**Committee reporting to the board** Minutes from board committees are presented to the board. However, there is often a significant delay between the meeting occurring and reporting of the approved minutes to the board. Furthermore, the minutes alone do not provide insight into assurances gained in a readily accessible format, which can result in detailed discussions on performance needing to take place at the board as well as by the committees.	Brief summary papers should be prepared by the chairs of board committees, summarising positive and negative assurances received at these committees. This would add more value and reduce the need for more detailed discussion at the board. It should also be achievable on a timelier basis than the reporting of approved minutes.	

10	**CIP and FRP reporting** CIP and FRP reporting to the board and FPC is not currently sufficient to allow NEDs to get adequate assurance on delivery of schemes. Ad hoc reports are presented that include only a high level summary of CIP savings with limited narrative on current performance and actions taken to meet CIP targets. As a result, NEDs are not sufficiently sighted on CIP risks and are unable to provide the challenge and scrutiny that they should be able to. Reporting of CIP progress currently centres on the progression of process gateways rather than delivery risk.	a. CIP and FRP reporting needs to be enhanced to articulate risks and actions more clearly. The reader should be able to easily determine which schemes are at risk of non delivery, the mitigations to these risks and the likelihood of this resulting in the scheme's full delivery. b. CIP delivery needs to be reported in the context of, not in isolation of, overall financial performance so that the bottom line impact can be assessed. This will help to identify savings that are only notional in nature or that avoid cost rather than improve run rate. c. The trust should move away from a 'maturity' RAG ratings towards a measurement of deliverability risk. This should then be used to calculate a risk-adjusted forecast outturn for delivery and reported to FPC and the board.	
11	**Triangulation of information** The Integrated Performance Report (IPR) to board is not integrated in any meaningful way, instead being an amalgamation of quality, operational, workforce and finance reports. There is no referencing between the sections and understanding performance in the round is therefore difficult. The financial implications of operational issues are not cited, for example the cost of additional sessions to improve RTT performance.	The trust is already making changes to its IPR in order to make it more concise. It should now look to enhance the report further by ensuring that the domains of performance reported within it are viewed together and not in isolation. This will involve joint working between trust teams to ensure that information can be effectively triangulated. This should help to provide the board with more insightful information.	

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12	**Finance information to FPC** The finance paper to FPC contains some good information but not much narrative, and the existing narrative tends to be descriptive rather than setting out actions or mitigations. Direction of travel is unclear in a number of areas and there are no further details or breakdowns on an exceptional basis for areas of underperformance. There is no CSC-level analysis in the reports, which is surprising given that CSCs are accountable for financial delivery.	a. The trust should work to enhance its financial report to FPC, making use of examples from other trusts to pick out areas of good practice. Increased use of charts and RAG ratings would help to draw the reader towards areas of concern. b. There should be regular reporting of CSC financial performance to FPC, to aid in holding the CSCs to account for financial performance. We recognise that the divisional structure will change within the next six months, but would not expect any information to be produced for FPC that is not already readily available.	
13	**Planning processes** There has historically been a disconnect between operational and financial planning, and this has been evident in 17/18 through the agreement of a financial plan without a supporting operational plan for delivering the savings required. CSCs commented on reduced transparency in the 17/18 planning process from previous years.	Planning processes for future years need to be refreshed to demonstrate how planning of finances, activity, operations and workforce can be conducted as a seamless exercise. While we recognise the need for top down planning at times, it is important that CSCs are engaged in the process so that they genuinely own their financial and other targets.	
14	**Engagement of NEDs** A number of NEDs commented that they did not feel adequately engaged in the trust's business outside of formal meetings.	The new Chair, once appointed, will need to agree a strategy with the NEDs for communicating important information to NEDs outside of board and committee meetings.	

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