

Portsmouth Hospitals NHS Trust

Financial recovery briefing note, 25 January 2018

Background

The financial position of Portsmouth Hospitals NHS Trust has unfortunately been declining for a number of years. The challenges faced by the organisation in delivering savings and balancing the books date as far back as 2012/13.

For the current financial year (2017/18) the Trust agreed with our regulator NHS Improvement that we would deliver a surplus of £9.7 million. The level of savings that the Trust needed to make to achieve this was more than £40 million, a figure which was much higher than before and in fact was over double the amount that had been saved in previous years. The reason for the scale of the savings was the result of the debts that had been building up over a number of years. The size of the task to deliver this amount of savings was vast and we acknowledge that we did not have robust enough plans in place to deliver them.

2017/18 financial position

We began the financial year acutely aware of the scale of both the challenge and level of change across the system required to deliver our financial targets. It became clear to us by the summer of 2017 that the target of delivering a £9.7 million surplus was no longer realistic and wouldn't be achieved. The risk of us not delivering on our financial plan for this year has been highlighted on a number of occasions. Therefore since July 2017 we have been working closely with NHS Improvement to agree on what we believe is a realistic figure to work towards for our projected position at the end of the current financial year in March 2018.

Today we have publicly changed this figure from a surplus of £9.7 million to a deficit of £36.8 million. Clearly this is a significant change in our financial position and the purpose of this briefing is to explain more about why we find ourselves in this position and how we will go about tackling it to bring the organisation back onto a sustainable financial footing.

Reasons for the deficit

The Trust has a new leadership team in place and a key part of the work that has been carried out in recent months has been detailing the history of the organisation's finances and understanding the reasons why we find ourselves in this difficult position. As well as the work carried out internally we have worked with independent financial advisers who reviewed our forecast for the year, and with NHS Improvement who carried out a detailed Financial Investigation in July 2017.

As a result of this work we now have a clear understanding of the reasons for the deficit which are summarised below.

- A lack of clear vision and strategy for the organisation and instability in the Executive team and Trust Board led to a failure to look beyond the short term. In addition the Board has historically been more focused on operational rather than strategic issues. Trust finances haven't been a significant item on the Board agenda and this has filtered down into the organisation.
- A culture across the Trust in which finances have not been prioritised or effectively owned by some clinical services has contributed to under delivery of savings.

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- Historically investments were made which weren't adequately supported by a business case or a strong evidence base.
- Despite a good understanding of the financial challenge facing the trust, financial engagement at all levels across the trust is not strong at all levels.
- Limitations exist in the capacity and capability in the Trust to deliver the savings required

Actions we have taken

On 31 July 2017 Mark Cubbon joined the organisation as Chief Executive and made clear that one of his four key priorities was stabilising and improving the Trust's financial position. Since then we have taken some immediate actions including;

- Appointing a new leadership team to provide the organisation with stability and renewed focus. The new Chair was appointed in November 2017 and the new Board and Executive team has been in place since 8 January 2018.
- Commencing a financial turnaround programme to revisit all major investments
- Commencing a comprehensive review of our Board and committee governance and reporting structure which will be complete by the end of March 2018
- Appointing a Financial Turnaround Director to focus on returning the Trust to financial sustainability
- Commencing the development of a five year Trust strategy. Alongside this we will develop a three year plan focused on stabilisation, recovery and transformation.

Delivering the revised forecast

The focus of our efforts until the end of March 2018 is on ensuring that we meet the revised forecast deficit for this financial year and delivering the plan for savings in 2018/19. There are a number of plans already being implemented which are being overseen by the newly appointed Financial Turnaround Director. Importantly, we are committed to ensuring that patient care will not be compromised in order to deliver the savings and each savings plan will be subject to a detailed quality impact assessment. Instead our plans focus on implementing strict controls on our spending and ensuring we get the best possible value for money through all of our transactions.

It is well known that the Trust faces a number of operational pressures which could affect our ability to deliver our financial plan and we are monitoring these risks and taking action where necessary. As with many NHS Trusts we face a challenge to reduce the amount of money we spend on temporary and agency staff. A large amount of work is underway to improve our control of, and planning for, the amount of money we spend in this area.

An important part of helping to reduce our spending is limiting the amount of additional money we spend on staff to help ease the pressures that we have experienced this winter. Managing the additional demands on the hospital during winter has meant opening more beds for periods when pressures are at their peak, and this in turn means spending more on temporary staff. We are continuing to work with our partners across the local health system to create more joined up services which will mean a better service for patients as well as a more efficient way of working.

Moving to a financially sustainable future

The Trust Board is clear, and has affirmed its commitment today to bringing the organisation's finances back onto a sustainable footing. We have a duty to our patients, our local community and the wider health economy to deliver the savings required and we will rightly be held to account. We do not underestimate the seriousness of the situation or the risks of not delivering our plan. However we are confident that by delivering the

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immediate actions set out for this financial year, implementing the organisational strategy later this year and ensuring that we have a robust plan in place for the next three years we will secure the financial stability that our population needs and deserves.

We will provide information and updates on the progress we are making towards our revised target in this financial year and provide further information on our future plans as they develop.