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# *Forensic review and assessment:*

# *'At A Glance' and 'Recommendations'*

St George's University Hospitals NHS Foundation Trust

01 October 2015

# 1. Introduction

1. These are the 'At a glance' (Section 2) and 'Recommendations' (Section 4) sections of a report setting out our findings in respect of the forensic review and assessment of the deterioration in the 2014/15 financial position of St George's University Hospitals NHS Foundation Trust ("the Trust") from an original plan of £5.6m surplus and a subsequent revised financial position in January 2015, when the Working Capital Board Memorandum was signed (base case: £1.2m surplus, downside £2.0m deficit), to deliver a deficit of £16.8m at year end. The full report was issued to the Trust on 01 October 2015.

## Publication

2. The disclosure and publication of the report extracts is entirely at the Trust's discretion. By giving our consent to the disclosure and publication of the report extracts we do not accept any duty of care and deny any liability to the Trust in connection with such disclosure and publication.

3. We accept no liability (including negligence) or responsibility to any third party including, for the avoidance of doubt, the Trust governors or any other third party that accesses the report extracts as a result of the disclosure and publication.

## Limitations of our work

4. We have not carried out anything in the nature of an audit nor, except where otherwise stated, have we subjected the financial or other information upon which we have relied to checking or verification procedures. Accordingly, we assume no responsibility and make no representations with respect to the accuracy or completeness of the information in the report extracts, except where otherwise stated.

5. In preparing the report extracts, we have often relied upon information and explanations provided by the Trust. We have performed limited testing on the accuracy and completeness of this information.

6. We cannot guarantee that we have had sight of all relevant documentation or information that may be in existence. We have noted the limitations in the information provided to us. Any documentation or information brought to our attention subsequent to the date of the report may require us to adjust our report accordingly.

7. We also note that, given the sample nature of some of the testing which we have conducted, we cannot guarantee that we have identified all irregular transactions (for instance, fraudulent transactions or accounting errors) that may have occurred.

# 2. At a glance

**PwC view**

- A number of the drivers of the decline in the Trust's financial position were in place from Day 1 in 2014/15. These underlying issues were further compounded by factors that materialised during the year. These include the Trust's failure to deliver its budgeted additional capacity, the operational pressures that increased throughout the year due to the complexity and acuity of patients, the addition of costs throughout the year to meet "safer staffing" guidelines and the delivery of the RTT target at a loss.

1. We have undertaken a forensic review and assessment of the deterioration in the financial position of St George's University Hospitals NHS Foundation Trust ("the Trust"). The scope of our work is set out in our letter of engagement with the Trust, dated 16 June 2015 and signed 17 June 2015 ("the Engagement Letter"). During the course of our work, we have not identified evidence of fraud, manipulation or intentional wrong doing.

2. The Trust delivered a deficit of £16.8m in 2014/15, compared to an original budget of £5.6m surplus and a forecast outturn at M9 (December) of breakeven. The outturn deficit in 2014/15 resulted from an overspend in costs (pay £10m and non-pay £29.9m) which was not fully offset by income overperformance (£16.4m).

3. The Trust's reported financial performance suggests that, from M1 (April) to M4 (July), income and expenditure largely align, followed by a divergence from M5 (August) to M8 (November) and a significant decline in M9 (December) to M12 (March). However, divisional performance was below budget from M1 (April) and identifiable trends were missed because the Trust focussed on the consolidated position and failed to understand the link between its cost base and revenue streams.

4. A number of factors contributed to the deterioration in the Trust's financial performance throughout the year. The key drivers comprise a combination of the following:

    a. a number of underlying issues that were in place from Day 1;

        i. unrealistic budgets (income and costs) which did not reflect a number of relevant factors, in particular the trend in divisional budget overspends in 2013/14;
        ii. lack of effective financial systems, controls and financial management which hindered its ability to identify clear causes for the decline on a timely basis; and
        iii. a lack of effective oversight, scrutiny and challenge by management.

    b. a number of operational factors materialised in year and compounded these existing issues at the Trust. These included;

i. the Trust failed to deliver all of the additional capacity (169 beds) that it planned throughout the year and in particular this had a significant impact in Q4, with the majority of the additional capacity delivered being used for non-elective patients;

ii. operational pressures increased throughout the year, largely driven by acuity and complexity of patients (principally because of an increase in the number of patients aged over 70);

iii. the increase in patient acuity and failure to deliver the planned reductions in ALoS[1] 7.5% planned reduction) gave rise to an increase in ALoS (by Quarter 4, ALoS was up by 8.7%);

iv. the Trust failed to deliver its CIP programme (£7.6m shortfall);

v. the addition of costs throughout the year to meet the requirements of the "Safer staffing: A guide to Care Contact Time 2013/14" guidance; and

vi. the delivery of the RTT target which gave rise to a loss of c. £2.2m-£3.7m as the cost of delivery through the private sector exceeded tariff.

## *PwC view*

- The management team failed in their responsibility to identify the significant weaknesses in the Trust's financial systems and controls and this contributed to poor information being presented to both management and the Board which was then used to make decisions.
- With better financial and operational information and significantly improved financial management and control, the Trust could have identified the drivers for decline earlier and taken more appropriate action.
- The Trust's inability to link its operational performance to its finances was key to it not taking sufficiently prompt action to manage its finances in a changing operational environment.
- The lack of performance management culture across the Trust means there is little incentive to deliver budgets, nor are there repercussions when they are not delivered.

5. Significant deficiencies exist in the Trust's financial systems, processes and controls over accounting, financial planning, management and governance.

6. The Trust Board believed that the reported financial position was reliable and that the forecast outturns presented were achievable. However, financial performance reporting was weak. Reported results, and therefore the underlying position, were often clouded by one-off items (in particular non-recurrent income) or other issues such as errors or mispostings. As such, the information provided to the Board and sub-committees often made it difficult for them to understand the forecast financial position, how this linked to the current operating environment and to clearly identify the underlying issues, risks or early warning signals.

7. The lack of effective systems and processes for financial management and control at the Trust hindered its ability to identify clear causes for the decline on a timely basis.

[1] Average Length of Stay

8. The Trust was unable to link its operational performance to its finances and there was inadequate demand/ capacity modelling and tracking.

9. There was a failure to understand and control the Trust's cost base. The Trust missed a number of red flags in pay (overspent by £10m), which could have been identified and factored into future forecasting. This was compounded by the lack of effective workforce planning and tracking, together with the difficult labour market in 2014/15.

10. There was a lack of ownership and accountability for budgets by the 371 budget holders. This was compounded by inadequate capability of staff at a number of levels and across divisions.

11. Divisional and corporate budgets were overspent from M1 (April) and there was a significant gap in the Trust's CIP plans, however the Trust did not perform the requisite analysis to understand the reasons for the key underlying trends. This was compounded by a lack of corporate overlay to temper optimistic divisional forecasts and a reliance, based on what happened in previous years, on central income, contingency and reserves to cover shortfalls against budget and forecasts. The Trust recognised the need to take remedial action in M4 (July), implementing cost controls in M6 (September), M9 (December) and M10 (January). These actions proved ultimately to be ineffective.

***PwC view***

- It is difficult to understand why the deficiencies in the Trust's systems, processes and controls have not been identified prior to this review.
- With improved integrated reporting (operational, workforce and finance), the Trust Board would be better able to robustly challenge the executive team.

12. The Board did seek assurance over financial planning and reporting but this was ineffective. The assurance the Audit Committee received over financial planning and reporting was also ineffective and was limited by both the timing and scope of the audit work.

13. The Board placed reliance on the external scrutiny perceived to be applied by the TDA, Monitor, Deloitte and EY through the Foundation Trust application process. This again provided limited assurance as the Trust Board did not develop or influence the scope of work.

14. The internal auditors provided reasonable assurance in their Fundamental Financial Systems final report in 2014/15. This was a downgrading from significant assurance provided in 2013/14. However, no recommendations were raised in either report in relation to financial reporting.

15. The Trust received an unqualified external audit opinion in 2013/14. The Trust was rated green (adequate arrangements) by the external auditors across all six risk areas assessed against the Audit Commission's criteria, being performance, strategic financial planning, financial governance, financial control, prioritising resources and improving efficiency and productivity.

## *PwC view*

- Board and divisional governance structures at the Trust are largely appropriate. However, our experience is that, in the absence of a Chief Operating Officer, the success of such a devolved structure is dependent on having strong leadership, capability and capacity at divisional level. Our review has highlighted an issue with capability and capacity within the divisions, particularly with respect to finance. The capability and capacity of the central finance team also requires strengthening.
- The information provided to the Board and sub-committees often made it difficult for them to understand the forecast financial position and how this linked to the current operating environment.
- Board scrutiny and challenge was ineffective and the Board did not always seek evidence based assurance over actions being taken to address risks. Therefore the Board could not have been assured that the actions being taken were having the required impact.

## *External work for the Trust's Foundation Trust application*

16. The independent reporting accountants (EY) completed their work in accordance with the scope set out by Monitor and the TDA. However, there are three areas where we believe further work should have been undertaken:

   a. a more significant downside risk could have been identified based on the performance of the CIP programme, divisional financial performance and cash position;
   b. given the Trust's financial underperformance against budgets and forecasts in 2014/15, we would have expected EY to reconsider, as part of Stage 3 of their work, the extent to which the Trust's financial systems and controls were operating at a standard expected in a Foundation Trust; and
   c. the issue of the quality of the Finance and Performance reports should have been raised by EY in their reports and the financial reporting procedures opinion.

# 4. Recommendations

1. We have set out below the recommendations that we have identified during the course of our work. These are set out on a thematic basis and are prioritised as high, medium and low. Based on conversations and documentation provided, we are aware that an action plan is being created by the Trust. This activity commenced shortly after year end and has continued with the arrival of the Turnaround Director.

| Ref | Recommendation for action to be taken by the Trust | Priority |
|---|---|---|
| **Planning and budgeting**<br>Whilst the planning and budgeting process for 2014/15 was completed within planned timelines, budgets were signed off with a number of caveats and continued to change over 2014/15. Combined with a lack of understanding of the budgeting process, this led to limited ownership of budgets at a divisional level. We have identified significant issues in the 2014/15 budgets, including a failure to reflect fundamental variables such as the use of temporary staff, budgets rolled forward without reflecting on prior year performance, the use of bucket codes for budget items and a failure to profile budgets to reflect expected events such as winter pressures. In addition, there are instances where the budget has been changed by the Central Finance Team without the agreement of the divisions (not in line with standing financial instructions ("SFIs")). | | |
| 1 | The timeline for business planning and budgeting should be reviewed and should clearly set out milestones to ensure that there is sufficient time to sign off budgets without caveats by the time commissioner contracts are agreed. This process should commence earlier in the year, in line with other trusts. For example, the planning process should commence in M7 (October) with semi-formed budgets agreed by M9 (December), a final draft budget in M10 (January) and a fully signed off budget (including fully identified and worked up CIPs) in M11 (February). Subsequently, budgets should only be changed in line with SFIs. | Medium |
| 2 | The budgeting process should be simplified, and additional support provided to clinicians and General Managers to ensure that they understand the process and are able to engage fully in it. Responsibility for budget setting should be clearly defined in job descriptions and monitored through the appraisal process. | Low |
| 3 | Where the intention is to allocate reserves to divisions or directorates, these should be established as part of the signed off budget in place from M1 (April), to ensure that effective monitoring of actual to budget is achieved from M1 (April) close. | High |
| 4 | The connectivity between activity, capacity, workforce and capital programmes must be considered from service level upwards when developing budgets to create achievable plans. | High |

| Ref | Recommendation for action to be taken by the Trust | Priority |
|---|---|---|
| 5 | The budgeting approach for significant costs should be reviewed; these should reflect prior year activity (with a focus on the most recent trends), known events and trends, both internally and in the wider health sector (particularly in South West London) and non-recurrent matters. For example:<br>• budgeting for pay costs must reflect a realistic level of temporary staff usage, based on prior year trends, the recruitment strategy, current recruitment activity and the market conditions;<br>• income and costs impacted by expected events such as winter pressures should be appropriately profiled to reflect this; and<br>• where budgets are rolled forward from the prior year, a review of prior year variance to budget should be undertaken to ensure a realistic yet challenging budget is developed. | Low |
| 6 | CIPs should only be reflected in budgets where there is a clearly defined plan for implementation and the proposed savings can be associated with a specific GL code. | Low |
| 7 | CIPs should concentrate on the development and delivery of large scale, transformational projects to deliver growth and / or significant efficiencies. CIPs and SIPs should be better connected to ensure that interdependencies are identified and monitored regularly.<br>'Business as usual' savings or ideas should not be reflected as CIPs and should be acted upon as part of day to day operations. | Medium |
| 8 | The timescales for all CIPs, SIPs and capital programmes should be reviewed to ensure feasibility and that associated costs are reflected in budgets in the appropriate time period. | High |
| 9 | A scaled review, based on value, of contracts should be undertaken to ensure that the ongoing costs are reflected accurately within budgets. This should include a complete mapping of the timescales associated with the contracts and when contracts or elements thereof will cease and renewals are required. | Medium |
| 10 | The process for developing and approving business cases needs to be more robust. These must reflect all associated costs (using the full cost rather than the marginal cost), and must reflect all risks and associated impact on the remainder of the Trust and other stakeholders. Changes to business cases that have been submitted to the Business Case Assurance Group ("BCAG") should be reassessed and, where significant, sent to the relevant committee or group for re-approval or reassessment. | Medium |
| 11 | Budgets including headcount and establishment should be allocated to divisions and corporate departments at the beginning of the year to aid performance management and ensure people understand what they are being held to account for. | Low |
| 12 | Approved budgets presented to the F&PC month on month should not be changed (even where the total remains the same) as this affects the ability of the Trust and Non-Executive Directors to challenge the underlying reasons for variances. | High |

| Ref | Recommendation for action to be taken by the Trust | Priority |
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| 13 | The Trust should undertake a baseline review to ensure that it clearly understands its underlying deficit and run rate position. | Medium |
| 14 | The Trust should review its recruitment strategy and process to ensure that both are fit for purpose and reflect the recent changes to the recruitment market, such as increased demand for certain staff groups. | Medium |

| Ref | Recommendation for action to be taken by the Trust | Priority |
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| **Forecasts, monitoring and financial controls**<br>Forecasting is undertaken at a directorate level. The directorates have limited time to forecast due to the time taken to close the ledger and consequently assumptions are often rolled over. Forecasts are consistently optimistic and do not always fully reflect the downsides and operational realities. The forecasting schedules are manually prepared, complex and are not consistently formatted, increasing the risk of errors and making month by month comparisons extremely difficult. It is not always possible to determine what assumptions are reflected in the forecasts as there is no clear audit trail. The directorate level forecasts are not prepared on the same basis as the forecast presented to F&PC, which negatively affects the ability of the Trust to understand the information presented and present effective challenge. | | |
| 15 | The month-end close process should be reviewed; draft budget statements should not be provided to the directorates until they reflect central allocations and are considered to be reasonably accurate. There must be better communication between the Central Finance Teams and the divisions and directorates in relation to the allocation of central charges to allow better budgetary control. Where possible, there should be more time for analysis of variances and forecasting. This can only be achieved through better ledger discipline to shorten other parts of the month end close process. | High |
| 16 | The process for preparing forecasts should be systemised as far as possible, ensuring that the knowledge behind the process does not reside with a small group of individuals, and that schedules can be interpreted as standalone documents. | High |
| 17 | Forecasting of expenditure should be split into Pay and Non-Pay to provide three forecasted columns (Income, Pay and Non-Pay) as opposed to just the current two (Income and Expenditure).<br>A more scientific and data driven approach should be applied to forecasting, such as looking at expected events or underlying activity trends. | Medium |
| 18 | The forecast schedules should be produced using a consistent format. This should include consistent naming conventions and layout, use of actuals as well as variances and should allow the user to understand the assumptions used to prepare the forecast and track month on month changes. Any changes which mean that underlying schedules do not tie through to summaries should be clearly explained. | High |
| 19 | Directorate forecasts should reflect confidence levels or a sensitivity analysis relating to additional income streams or cost savings, and should more closely consider downside risks. Greater scrutiny and challenge from the divisional leadership teams should be factored into the forecasting process. This should be complemented by scrutiny and challenge at a Trust-wide level to ensure a realistic Trust level forecast. | High |
| 20 | All increases to funding made during the year should be either funded from a clearly identified source (for example, reserves), or where there is no confirmed source, should represent a reduction to the forecast outturn against which mitigations should be planned. | High |

| Ref | Recommendation for action to be taken by the Trust | Priority |
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| 21 | There must be greater oversight and monitoring by appropriately senior members of the Finance Team of income and costs which are common to divisions and directorates, for example, Consultancy Services. Whilst these values may appear as small overspends within divisions, the bigger picture may show a trend which should be identified and investigated on a timely basis; currently this information is not available. | High |
| 22 | Where significant risks to financial performance are identified, and mitigations proposed, the Board should ensure that these are implemented in sufficient time to impact the financial position before risks crystallise. These mitigations should also be regularly reassessed to ensure that they are feasible, and monitored for effectiveness by the Board or a delegated sub-committee. Divisions should be required to develop plans to underpin proposed mitigations, highlighting the critical path for delivery. | High |
| 23 | Robust plans and forecasting will need to be in place in 2015/16 to ensure cash is available to fund the committed capital expenditure for which funding was received but used to shore up the Trust's cash position in 2014/15. This should factor in the status of external funding, such as the London Energy Efficiency Fund ("LEEF")). | High |
| 24 | In order to achieve robust cash flow forecasting and cash management, it is key that the Trust puts in place a robust process for preparing and reviewing both a 13-week and rolling 12-month forecast to enable appropriate cash management to be put in place. This will enable the Trust to manage more effectively its cash requirements and identify any cash flow "pinch points" earlier which may require action (especially given the significant capital expenditure programme of the Trust over the short to medium term). | High |
| 25 | Cash flow and capital expenditure plans should take into consideration the impact of any delay in sale of surplus assets and the receipt of any external loan funding and this should be factored into any downside scenario planning. | Medium |
| 26 | There should be a clearly defined escalation and decision making process relating to overspends to allow for rapid and agile decision making. | Medium |
| 27 | There should be a clearly defined escalation and decision making process relating to one off expenditure, to allow for rapid and agile decision making. | Medium |
| 28 | There should be more robust controls around the use of temporary staff at a divisional level; the estimated financial implications of using temporary staff should be clearly communicated at the time the decision is made. The Trust should review how it uses E-rostering to ensure it is deriving the full benefits. | High |

| Ref | Recommendation for action to be taken by the Trust | Priority |
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| 29 | Any plans (for example, capacity schemes or recruitment plans) that could lead to additional costs should be closely monitored. A full consideration of potential costs (for example, a requirement for temporary staff whilst recruitment takes place) must be factored into any plans. | High |
| 30 | Challenges should be tracked and the information shared between the Contracts Team and Financial Management Team. Regular communication between the teams should take place to ensure that provisions are updated regularly to reflect the latest known and anticipated position. | Medium |
| 31 | Monthly challenges should be addressed and closed down promptly by the Contracts team and the commissioners to enable swift resolution of quarterly reconciliations. Q1, Q2 and Q3 quarterly reconciliations should be closed according to the annual timetable. | Low |

| Ref | Recommendation for action to be taken by the Trust | Priority |
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| **The GL and accounting processes** There are a number of issues with the GL and accounting processes that severely impact the ability of the Trust to exercise financial control. Errors made in inputs to the GL are frequently repeated after being corrected. Budgeted and actual expenditure is not always posted to the same GL code and it has not always been possible to match income and expenditure for items such as high cost drugs. There are a number of bucket codes where a range of items are posted, making it more difficult to monitor expenditure. These issues lead to a protracted monthly close down process, limiting the time available for the interpretation and analysis of financial information. We note that the majority, if not all, of the issues we have noted in respect of the GL could be resolved within the existing system. | | |
| 32 | An external review of the use of the GL should be undertaken, to ensure that this is being used effectively and in line with good practice. This review should include a consideration of:<br>• the posting of budgets and actuals to the same GL codes to allow tracking of variances;<br>• appropriate classification of costs (for example, between pay and non-pay);<br>• matching of income and expenditure to allow the tracking of underlying variances (for example, in respect of drugs, clinical consumables and offsite activity); and<br>• the use of bucket codes. In particular, the use of the Consultancy Services code should be restricted. | High |
| 33 | Where individuals have made errors in the GL, training or support should be provided to ensure that these are not repeated. | Low |
| 34 | A business case should be developed to address the inadequate financial reporting as part of a modernisation programme of the systems, processes and reporting used by the Trust. The Trust should investigate whether (a) existing systems licensed by the Trust can support this modernisation programme, for example [redacted], as utilised by the information team, or (b) whether the use of additional external systems would help to provide greater clarity, effectiveness and efficiency in the management and reporting of its financial performance. | Low |
| 35 | The month end accounts process should be reviewed and updated to ensure timely accurate information to support decision making.<br>(In FY14/15 the DDOs noted that the month end process changed and that, whilst they still got an initial draft of their numbers five days after month end, reports received changed significantly with two or three iterations before finalisation one to two weeks later). | Medium |
| 36 | The Trust should avoid forecasting in respect of central income and expenditure when income and expenditure should be forecast at a divisional level (reflecting also the allocation of income and reserves to divisions wherever possible). | High |
| 37 | The Trust should ensure month end accruals are posted appropriately, can be tracked and are subject to sufficient senior scrutiny to ensure the correct financial position is being recorded and reported.<br>Accruals should be regularly monitored to ensure that past performance is taken into account and current accruals accurately reflect known and anticipated expenditure. | Medium |
| 38 | Regular monitoring should take place to ensure that the appropriate decision about whether expenditure is capital expenditure or revenue expenditure is taken on a timely basis. | Medium |

| Ref | Recommendation for action to be taken by the Trust | Priority |
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| **Information**<br>The information available to the directorates and divisions does not always meet requirements in terms of accuracy, format and availability. Information relating to month-end close down does not enable rapid analysis and intepretation. There is a lack of real-time information available for activity, workforce and finance. | | |
| 39 | Management information should consistently present surpluses as positive and deficits as negative, to enable users without a financial background to interpret it. Information should consistently reflect actual values as well as variance to budget. | High |
| 40 | The quality, timeliness and usability of reports and information provided to divisions and directorates needs to improve and must be delivered consistently across all areas of the Trust. Directorates and divisions need direct access to detailed robust financial information to enable them to manage their financial position and understand the implications of operational decisions. General Managers must be able to analyse and drill down into information to allow rapid analysis and interpretation. The Trust should consider using [redacted] for this purpose. | Low |
| 41 | Divisions and directorates should be able to readily access accurate headcount figures and associated costs, including the variance to budget and the breakdown between temporary and permanent staff. | High |
| 42 | An effective workforce tracking mechanism should be put in place to ensure a complete overview is available, in 'real time', of current and known future headcount, vacancies and the associated costs to ensure greater oversight at a Trust-wide level. | High |
| 43 | The Trust should ensure more robust version control and comparability in spreadsheets used by Financial Management Team. There are a number of similar schedules prepared each month to reflect, for example, forecasts and thoughts on what the numbers will be in the future. However, it is difficult to compare these forecasts month on month to see what has changed at a glance (for example, because the individual lines do not align). As such, more time is spent compiling data rather than analysising and interpreting it. | Medium |
| 44 | The Trust should also consider the analysis it requires in respect of movements in income and expenditure, the purpose for which such analysis is required and regularly assess if the analysis remains fit for purpose. Currently, a lot of analysis is performed on an ad hoc basis in Excel, with little written explanation and limited visibility to others in the Finance Team. Where analysis is or should be regularly undertaken, such as capacity or matched income and expenditure, standard reporting should be run to enable users to spend time determining the reasons for change rather than whether a change has occurred.<br>For example, divisions should be able to see the income and expenditure associated with drugs, clinical consumables and offsite activity and easily identify areas of overspend to promptly determine the reason for the overspend and what action to take, if required, to manage the overspend. | High |

| Ref | Recommendation for action to be taken by the Trust | Priority |
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| **Reporting**<br>Financial reporting at a divisional and Trust-wide level lacks insight, focusing on describing what has happened, rather than the drivers for variances and the actions that are being taken as a result. Reporting appears to have evolved over time, rather than to have been specifically designed to meet the current needs of the Trust. Quality, finance and workforce reports are presented in isolation; it is therefore more difficult to make connections and understand the root cause of issues. | | |
| 45 | There should be an overall review of Board and sub-Committee papers to provide greater insight and intelligence. These should drive action focused conversations, setting out the reasons for performance variances, the actions being taken, how these actions will be monitored, when they are expected to be delivered and who is responsible for it. In the longer term, the Trust should consider more integrated reporting to incorporate, performance, quality and finance. This would enable the Board to identify Trust-wide performance against key metrics, with clear actions to address adverse performance. The Trust needs to ensure reports are succinct and contain the headline points. | High |
| 46 | The Trust should review its finance reports for the F&PC and the Board and consider the use of exception based reporting through to the Trust Board as appropriate, to streamline reporting. Clear explanations for variances should be available on a timely basis, and there should be a greater focus on forward looking information. | High |
| 47 | There are a number of metrics missing from Board reports that we would expect to see. These include:<br>• routine working capital KPIs such as debtor days, creditor days and stock days;<br>• length of stay metrics; and<br>• financial implications of workforce issues (for example, temporary staff spend when compared to plan).<br>Further, the Trust should consider improving the clarity of its reporting of drugs expenditure and SLA Exclusions income in the Finance Reports. | High |
| 48 | The RAG[2] rating scheme applied to CIPs in reporting must be clearly defined and communicated, as this has previously been applied differently, requiring the reversal of a number of schemes rated as green. | Medium |
| 49 | The Trust must develop a clear benefits tracker that clearly sets out the delivered benefits from SIPs and CIPs, as part of PMO reporting and reporting to the F&PC and the Board. | Medium |
| 50 | The Trust should ensure that there is an effective process for tracking and monitoring the status of commissioner challenges and that the appropriate parties are all involved and aware of the current status. | Low |

[2] Red Amber Green.

| Ref | Recommendation for action to be taken by the Trust | Priority |
|---|---|---|
| **Training**<br>There is no systematic process to provide training to individuals with budgetary responsibilities, leading to a variability in the level of skills. Some Divisional Chairs, tasked with the oversight of budgets in excess of £100m have received no formal training to support them in this role. | | |
| 51 | Finance Managers should be offered additional training where they are not qualified accountants, to ensure they are able to provide the level of financial support and insight to the divisions that is required. | Low |
| 52 | Strategic Finance Managers ("SFMs") should have a role in upskilling and raising financial awareness amongst management in their division and within directorates. The Trust should consider developing a programme of finance training for budget holders covering how to set, manage and monitor financial performance. | Medium |
| 53 | The Trust should consider providing support to Divisional Chairs in how to run effective governance meetings, for example through coaching or holding workshops on what an effectively chaired meeting should be seeking to achieve. Specific areas to focus on include:<br>• How discussions should be actions focussed rather than simply discursive; and<br>• Importance of challenging report presenters to ensure that risks and issues highlighted are being addressed.<br>Meetings should be focussed on holding directorates to account for all aspects of performance, including financial performance and agreeing actions to address adverse performance. | Low |
| 54 | The Trust should review its approach to developing leadership capability and capacity within the divisions at all levels, and its succession planning approach for the Divisional Chair roles. | Low |

| Ref | Recommendation for action to be taken by the Trust | Priority |
|---|---|---|
| **Culture**<br>We have not conducted a full review of the culture of the Trust, however, we have observed evidence of an insufficient pace of change (often due to a large volume of small actions without sufficient strategic direction), and at times an unwillingness to hear bad news. Previous financial challenges have resulted in a weariness to expenditure controls amongst some members of staff, and silo working between teams. In addition, from our discussions and observation, there does not appear to be a strong culture of performance management or holding to account. | | |
| 55 | The Trust should consider which fora could be used to share good practice and lessons learnt between the divisions and directorates and how to reduce silo working. For example, SFMs should share good practice in relation to the financial reporting between the divisions. | Low |
| 56 | The finance function operates in silos and is not seen as a supportive function to the business. Divisions find it difficult to access the information and support that is required. The Trust should undertake a skills assessment and consider whether additional resource or capability is required in the Finance Team to improve team working and links to the divisions. | Medium |
| 57 | The Board should revisit its previous Board development programmes and evaluate the impact these had. The findings should inform the development of a new programme. In addition, the Board should incorporate cultural and team assessment tools into its development sessions to build effective team working and resilience. | Low |

| Ref | Recommendation for action to be taken by the Trust | Priority |
|---|---|---|
| **Governance**<br>Governance structures at a Trust-wide level are broadly in line with expectations; but could be strengthened at divisional level and below with greater performance management and accountability. There is a range of skills and experience at Board level, but in the absence of a COO, the portfolios of some Executive Directors have been very broad. Greater assurance could be obtained through better use of information and understanding of the relative weight of sources of assurance. | | |
| | *Capability and capacity* | |
| 58 | The role of the Strategic Finance Manager should be clarified; this should be to provide challenge and oversight to the divisions, rather than be purely focused on the preparation of business cases. The Strategic Finance Manager should report to the Finance team. | High |
| 59 | The Trust should consider the level of operational and financial support available to Divisional Chairs to enable them to leverage support in the management of their divisions. The Trust should also consider introducing a COO to support the divisions as they build their capability and capacity and to ensure there is a co-ordinated approach across all divisions as it looks to improve financial and operational performance over the coming year | High |
| 60 | The Trust should review the level of financial support available to divisions and directorates and the structures and processes in place to ensure the appropriate level of financial challenge provided to divisions and Directorates. In considering this, the Trust should be mindful of good practice in relation to high performing finance functions, including:<br>• the need for appropriately qualified and experienced finance staff to provide day to day challenge and support to divisions and Directorates;<br>• the capacity required to conduct these roles, in the context of the financial requirements of each Division; and<br>• the need for the Strategic Finance Managers to be ring fenced to ensure they are supporting the divisions in forward looking strategic financial support and provision of insight into financial performance | High |
| 61 | A review of the PMO and CIP management needs to be undertaken, with a particular focus on ensuring that the PMO is sufficiently resourced for an organisation of this size, and that PMO skills are embedded within the divisions as well as centrally. | Medium |
| 62 | The Trust should undertake a review of Executive portfolios to ensure that these are balanced and that apporpriate capacity and capability is in place (in particular, we note that the remit of the Director of Finance is particularly broad). | High |
| 63 | The Trust should review the Chairmanship of the F&PC. The Trust may benefit from appointing a Non-Executive Director other than the Chairman as the chair of this committee to ensure independence and avoid overreliance on one individual. | Medium |
| 64 | Challenge at the Board and sub-committees should focus more on seeking assurance over actions taken to address adverse performance and in relation to risk. The provision of more concise and focused financial reports that highlight clearly the key issues, risks and proposed actions should enable more effective challenge. | Medium |

| Ref | Recommendation for action to be taken by the Trust | Priority |
|---|---|---|
| | *Structures and processes* | |
| 65 | The Board should ensure that it considers all the relevant matters pertaining to a single issue. For example, when considering overall activity, we would expect to see the triangulation of capacity, workforce and commissioner/ other funding to ensure that appropriate decisions are made. When facing recruitment issues, we would expect the Quality and Risk Committee ("QRC") to look at risk to patient safety, the Workforce Committee to look at recruitment processes and the F&PC to look at financial impact of temporary staff. | Medium |
| 66 | The Trust should review the meetings cycle for the Trust and map out the flow of information between committees and the Board. The Trust should also consider the various sub-groups and working groups that report into the committee structure and identify whether there is any duplication in theses in terms of attendees and reports being discussed. This review should consider exception reporting where appropriate through to the Board. | Medium |
| 67 | The content included in the Financial Risk Assessment should continue to be prepared and presented for the whole financial year (we note that from M5 (August) the paper was amended to a Forecast Outturn paper. This will ensure that the delivery of mitigations is more effectively tracked. A single, consistently prepared paper should be designed, which incorporates the key content from both the Financial Risk Assessment and the Forecast Outturn paper. | High |
| 68 | Divisional chairs and DDOs should attend the F&PC on a regular basis, for example bi-monthly to present and to be held account for financial performance and actions being taken to address adverse performance. Non-Executive Directors should explore with Divisional Chairs and DDOs any barriers to achieving their financial targets. | Medium |
| 69 | The Audit Committee should obtain independent assurance over the CIP programme. This has been highlighted as a high risk area with no independent assurance to the Audit Committee since prior to 2013/14. | Medium |
| 70 | The Audit Committee should ensure that the scope of audit work is sufficient to enable them to receive assurance over key risks and controls. For example, effective Divisional and directorate financial reporting is fundamental to the overall financial control of the Trust. Therefore an audit of financial reporting should address this control. | Low |
| 71 | The Audit Committee should consider commissioning an independent internal audit effectiveness review, to assess how the Trust can more effectively use the internal audit function, and how this function can be developed and strengthened, particularly in relation to providing assurance over key risks and controls. This should include consideration of where the scope or scale of a task is outside or beyond the capabilities of the internal audit team, and the use of an external contractor may be of more benefit. | Low |
| 72 | The role and remit of the CIP Board should be revisited to ensure that it takes an oversight of the delivery of the current year's CIPs, as well as planning for the subsequent year. The CIP Board should also take oversight of the interaction between SIPs and CIPs, to consider any risk to delivery of CIPs as a result of delays in delivering SIPs. | Medium |

| Ref | Recommendation for action to be taken by the Trust | Priority |
|---|---|---|
| 73 | The Divisional Management Board agendas should be revised to include the reporting of divisional risk registers, with clear recording and tracking of any new risks, and the monitoring and challenge of CIP and SIP delivery. | Low |
| 74 | An accountability framework should be established which clearly sets out the responsibilities of the care groups, directorates, divisions and the Board. This framework should define the performance management processes and the consequences for failure to deliver.<br>The current performance management process should be reviewed and refreshed to ensure that (a) there is clear accountability and responsibility and (b) responsibility sits with those with relevant experience. For example, the PMO function should not have responsibility for finance functions and vice versa. | Medium |
| 75 | Where escalation processes are put in place, for example to monitor control totals or a deterioration in performance, consideration should be given to the effectiveness of these, particularly reflecting on whether regular involvement of Executive Directors dilutes their impact. | Low |