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Following the Money: Swimming with no trunks on

By Lawrence Dunhill | 14 November 2017

HSJ's expert briefing on NHS finances, savings and efforts to get the health service back in the black.

Choppy waters

What's really worrying about the cash flow crisis at Barking, Havering and Redbridge University Hospitals Trust is that dozens more providers are in a similar situation.

An investigation has been launched into the financial management of the east London acute trust after external suppliers threatened legal action over unpaid bills.

Some hadn't been paid for more than a year – and the trust has had to take a £15m emergency bailout loan just to pay invoices that were outstanding for more than three months.

When cash gets this bad, it obviously leads to questions about the accuracy of the accounts and financial statements, and the trust's next forecast report should make for interesting reading.

Investigators might want to consider why the trust appears to have stopped reporting its performance against the Better Payment Practice Code to the board since June 2016.

Performance against the code – which requires public bodies to pay their invoices within 30 days – is surely one of the most important financial targets a board should be keeping an eye on, as it digs behind the reported income and expenses to offer a perspective of a trust's ability or inability to hit the "real" numbers.

Very few trusts are consistently meeting this statutory duty (they are measured against a 95 per cent target) with dozens failing to pay even half their bills on time.

As I've warned before, much of the trumpeted improvement in NHS finances is built on sand because this real cash situation is telling a far less encouraging story.

Dozens of trusts have effectively been borrowing millions from their non-NHS suppliers to cover their cash shortfalls, and if it turns out the shortfalls are due to overly optimistic accounting treatments then the NHS is in even deeper trouble than we already know.

As one *HSJ* reader summed up: "Cash is cash and when the tide recedes we can easily spot all those trusts out there who are swimming without any trunks on."

Extra scrutiny

Expect plenty of scrutiny on NHS Improvement's handling of the BHRUHT review.

Not only is the trust's recently departed former finance director and acting chief executive, Jeff Buggle now NHSI's finance director for London, but its regional director, Steve Russell, was also deputy chief executive of the trust until August 2016.

The same will go for NHSI's investigation at Oxford University Hospitals Foundation Trust, which is due to finish soon.

OUH missed its control total by more than £20m last year but still benefitted from £10m of sustainability and transformation funding.

The trust's finance director when the plan was set was Mark Mansfield, who is now NHSI's regional director for the Midlands and East, while the trust's new FD is Jason Dorsett, a former NHSI director.

NHSI said the BHRUHT investigation is being conducted independently of the London team, while the Oxford probe is being led by the South region.

Undeliverable

In its investigation report into financial governance failings at Lewisham and Greenwich Trust, NHSI stumbled upon a major flaw with its own regulatory regime.

The report criticises the trust for accepting its control total, saying it made an "error of judgement" by agreeing the target.

The control total was of course decided and handed down to the trust by NHSI, yet the regulator seems to suggest it wasn't deliverable.

What does this say about the fairness of control totals, especially considering the huge sums of STF money tied to a trust's acceptance and delivery of them?

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