

Practical Governance: UCLH and turnaround¹

Board effectiveness is demonstrated not only when things are going well but by the approach that the Board takes when there are significant challenges. This case study offers a very personal account from the Chair of a foundation trust about the challenges and lessons learnt from financial turnaround.

University College London Hospitals NHS Foundation Trust

UCLH comprises six hospitals – the flagship University College Hospital and five specialist hospitals offering specialist services both locally and to patients from throughout the United Kingdom. This first-hand account by Sir Peter Dixon, the Trust Chairman, describes his Board's experience of and approach to financial turnaround.

We had always prided ourselves on robust governance and a suitably challenging but supportive culture. We all knew, executive and non-executive alike that the move to the new UCH building and the closure of the 1970's concrete UCH and the much older rabbit warren of the Middlesex was going to be tough. We had already uncovered some elephant traps in the business case for the huge PFI, including the fact that there was no provision for the cost of offices anywhere in the scheme of things. In order to try to prepare ourselves we asked Office for Government Commerce to carry out a detailed review of our readiness which we sailed through with flying colours.

A successful transition was going to depend upon a very rapid build up of additional work and the revenue that went with it and it became clear half way through the year with most of the physical move completed that it simply wasn't going to happen. We were going to need a period of ramping up and some double running that hadn't been built into the original plans nor into the case which, only recently, we had submitted to Monitor in order to become a Foundation Trust.

For us, becoming a first wave FT was crucial, if only to ensure that the proceeds of the eventual sale of the Middlesex site were available to us and not to the NHS more widely. In planning our bid to become an FT we had already got used to working together in a more cohesive way, collaborative but not cosy I like to think.

¹ Case Study Provided by Chair

Just about our first thought was to make contact with Monitor, our regulator and warn them that our plans were not going to be achieved and that we were heading for a significant loss. Inevitably, the initial work was to bottom out just what our outcome for the year was likely to be on the basis that any remedial action was going to take time. We also need to be sure that we were going to be able to pay our bills. Not surprisingly, Monitor wanted to know this too and quite reasonably, they wanted some external comfort. We needed additional resource and therefore we were able to kill two birds with one stone and after a “beauty parade”, selected one of the large accountancy firms to help us validate our short term forecasts. We also used them to firm up our cash management and to work with us on developing a recovery plan. Long board meetings and detailed discussion were the order of the day.

It was in the production and delivery of the recovery plan that we started to use our executives and our non-executives in a rather different way. Each strand of our recovery programme had an executive lead, but one who was not the director with the most obvious line management role. We also attached a non-executive to each strand and that way got both buy-in and a really good understanding across the whole organisation. There was no room for silos and no excuse for board members not to feel a part of the whole recovery process. It did involve considerable time commitment, but it did work. When the time came for us to present our plans to the regulator, the entire board was up to speed and clear that we had to deliver. The regulator pushed us to agree to a more rapid recovery timetable than we were comfortable with, but with some misgivings we accepted it.

The non-executives did of course consider whether we needed to make management changes and there were pressures from outside to do so for presentational reasons. We thought long and hard and decided not to. We had a management team that had worked well together for some while and replacing any of it was going to create more problems than it solved. What we did do was to supplement our existing capacity again. Monitor had “suggested” that we might use a contact of theirs. We found someone else to come in at the highest level and offer detailed support to our chief executive and our finance director. He had no health experience but had a track record in large scale turnarounds and it worked for us. We ran the turnaround with a dedicated project office and continuing non-executive engagement on each strand of the programme.

From a loss of some £36 million we broke even the next year and made a surplus of £10 million the year after. The board and senior management remained intact if weary and a measure of the learning was that the opening of Phase 2 of our new hospital (admittedly much simpler) went like clockwork. We have subsequently changed our management structure to make operational responsibilities both clearer and more do-able.

Where all this differed from the previous regime was the accountability and the responsibility. The board had no alternative but to fix it. Yes, we had to satisfy our regulator, but that was totally different from being told what to do by a health authority, however well intentioned. We had got it wrong, but we had the opportunity and the determination to fix it. As an FT we had, of course, a Governing Body to consider and there was some debate about how they should be involved. I took the firm line that this was about performance management and operational issues and while I was more than happy to inform them of our plans and how they were progressing they could not be part of the decision making. With some reluctance this was accepted and relationships with the Governing Body remained strong but clarity from an early stage was crucial.

I would not intend to be in a similar position again and our failure to see the problems emerging quickly enough still rankles with me, but I wouldn't change anything of the way we dealt with the issues.