

Families and Wellbeing Policy and Performance Committee	
Agenda Item	
Title of Report	Financial Governance Update and Monitor Investigation
Date of Meeting	23 rd March 2015
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1. Introduction

As requested by members', this report provides the Committee with the following:

- The reasons why Monitor have opened the financial investigation at this time
- An update outlining the work undertaken by the Trust since the closure of the previous investigation
- The next steps in the investigation process

2. Monitor Investigation

Monitor is investigating the Trust for a potential breach of its provider licence following financial governance concerns arising from the Trust reporting a Continuity of Service Risk Rating of 2 and a lower than planned Q3 surplus. Monitor recognised that the Trust has mitigations in place to allow delivery of its year end planned position; although there were risks associated with these. They were also concerned however over the medium term financial sustainability of the Trust.

The Trust has also failed to meet the A & E 4 hour wait target in Q3 for the fourth consecutive quarter. Having taken into account the Trust's action in response to the A & E target performance, they will not be formally investigating this as part of the investigation. A & E performance will instead be considered through existing local escalation channels and/or Regional Tripartite escalation, as required.

3. Financial Governance Update

The Board of Directors has continually improved its financial governance processes since Monitor closed the Financial Investigation in February 2014. The closure of the investigation was predicated on the Trust commissioning an externally facilitated Financial Governance and Reporting Review.

In recognising the financial pressures the Trust was facing it also, through its own volition, commissioned a review of its cash management processes, this review identified a range of potential opportunities, which the Trust has since actioned with

significant impact culminating in a cash balance of £15m at the end of Q3, some £11.7m above plan.

As the Board continues to establish and deliver plans to stabilise the financial position in year and for future financial periods (2014/15 and 2015/16) it continued to recognise significant future financial challenges and the Board of Directors had determined that an externally facilitated Transformational Turnaround process, to address financial shortfalls in 2014/15 and strengthen future planning and delivery should be undertaken.

In June 2014, the Board of Directors commissioned, in discussion with Monitor, the following commissioned packages of support:

- KPMG to deliver both the Financial Governance and Reporting Review and
- Atkins/FTI to deliver the Transformational Turnaround Project

The activities undertaken by the Trust, supported by Atkins/FTI in year, have supported in year Cost Improvement Programme CIP achievement of £9.5M meeting the requirements for £13M on a full year basis into 15/16. To ensure that the momentum achieved in year was maintained through to the year end and into the 15/16 planning process the Board of Directors further identified that the support of an experienced senior Turnaround Advisor and Turnaround Director would be beneficial in the development of a longer term and economy based recovery plan and engaged the services of Mr Terry Watson and those of his recommended Turnaround Director Mr Phil Tydeman as he concluded his most recent assignment at South Manchester University Hospitals NHS FT.

The Trust continues delivery and development of the financial recovery plan and despite significant levels of non-elective demand during 2014 and into 2015 has at the end of Quarter 3 forecast a year end deficit of between £4.5M and £5.5M; the lower range being £0.3M worse than plan. The higher end of the range took into account the risks associated with further delays to the sale of Springview and cost reduction programmes which have been delayed as capacity to meet urgent care pressures has been maintained above planned levels of care through the winter periods.

The Board of Directors undertook a thorough analysis of the financial position at the meeting in January 2015 considering the current levels of performance and run rates, the current operational pressures, potential risks to the position in the final quarter specifically with reference to CIP delivery of schemes due to start in the final quarter and the proposed year end contractual agreement to abate income risks in the final three months of the financial year. The discussions built on those held within the Finance Committee the preceding week and were led by the Director of Finance and supported by the Non-Executive Chair of that Committee to ensure that each and every member of the Board was in a position to make an informed judgement about the final forecast position based upon impacts of operational pressures and risks and variation in the final quarter given the performance to month 9.

As at Month 10 the Trust had a cumulative deficit of £4,930k having achieved an in-month surplus of £286k as planned. The sale of Springview has also now completed

as of 09 March 2015 and will therefore further contribute favourably to the Trust's financial out-turn position, which is now forecast to be no more than a deficit of £4.8M.

Through the actions considered and implemented through the financial year the Trust has seen greater stability in its financial position and forecasting, has greater visibility on risks and mitigations within the financial position and has supplemented delivery and planning with external support where necessary to ensure, in an increasingly challenging and unstable planning environment, that it can garner appropriate assurances with regards to delivery of a financial out-turn achieving a Continuity of Services rating of 2 as planned at the outset of the year, albeit with a marginal variance to the planned bottom line deficit plan.

The Trust continues to develop a full and granular turnaround plan to underpin its 2015/16 annual planning submission with the Board fully apprised of its development and fully sighted on all elements of the planning process to gather appropriate assurances as to delivery in the coming periods.

To address the longer term issues regarding sustainability of health and social care services, the Trust has been developing with partners a bid, in response to NHS England's challenge, to become one of a handful of "vanguard" sites across the country who will trail blaze new ways of providing more joined-up, personal care for patients and increase efficiency.

NHS England announced on 10 March 2015 that the bid had been successful resulting in Wirral Partners becoming one of the 29 "vanguard" sites and therefore part of the £200m transformation fund.

From April 2015, the national NHS will work with the piloting sites to develop dedicated support packages to enable and accelerate change, and an intensive evaluation programme will seek evidence on what works so this can be spread to other parts of the country.

This new beginning for health and social care services will give GPs and hospital clinicians in Wirral the opportunity to work much more closely together by strengthening primary and 'out of hospital' care.

4. Next Steps

As part of the investigation process, Monitor has asked the Trust to provide them further information to enable them to determine whether further action is required. The Trust is scheduled to return this information by the 23rd March 2015.

Part of the investigation process also includes a meeting between attendees from the Board of Directors of the Trust and Monitor's Investigation Team. The date of this meeting is still to be determined.

Once Monitor has concluded its investigation it will determine what, if any, regulatory action is appropriate.