

CASE STUDY 1

PERFORMANCE ISSUES IN THE AREA OF FINANCE

Haringey Children's Community Health Services

1. DESCRIPTION OF ISSUES

- 1.1 The Whittington Health Integrated Care Organisation (ICO) was formed with the intention of providing integrated healthcare to the entire populations of Islington and Haringey. On 1st April 2011 Islington PCT transferred both their Adult and their Children's community services to the ICO. Haringey PCT however were only able to transfer their Adult Community Services to the ICO as the Children's Community Health Services (HCCHS) were, at the time, operated under a management contract by Great Ormond Street Hospital for Sick Children (GOSH). In order for Whittington Health to be able to fully realise the benefits of being an ICO it was felt that the HCCHS services should also be provided by the ICO. In addition, there was a degree of dissatisfaction with the performance of GOSH.
- 1.2 HCCHS had, in recent time, undergone a transformation brought about by the numerous reviews following the failures that lead to the death of baby Peter Connolly. The vast majority of the improvements had been bedded in and it was clear that the service head had a very competent, dedicated and hard working team.
- 1.3 Early indications were however that there was a lack of clarity over the funding which itself came from a number of sources. The service had been faced with acute issues which required financial and managerial investment if they were to be resolved and, in the circumstances, financial cost control was not given the prominence that might otherwise have been the case. This was exacerbated by very poor and inconsistent financial reporting from GOSH which resulted not only in a blurring of financial accountability but also brought about a culture whereby reported overspends were not investigated. This lack of financial control was managerially justified by the fact that the service was too high profile to be allowed to be underfunded.
- 1.4 In summary the service had lost financial control and did not fully understand the cost of providing the current service or how it should be funded a significant overspend/shortfall in funding was thought to be the position for 2010/11.

2. BOARDS UNDERSTANDING OF THE ISSUE AND HOW IT ARRIVED AT THIS

- 2.1 At the initial formation of Whittington Health the Board were aware of the logic of including the HCCHS services in to the ICO. Having had the recent experience of negotiating the contracts for the main services the Board were clear that the HCCHS services would only be integrated in to the ICO if it could be demonstrated that they were adequately funded. Irrespective of the overriding logic to do so, the Board were resolved not to transfer the services if there was any chance that doing so would deflect them from pursuing the financial plan required to obtain FT status.

- 2.2 A very experienced financial consultant was engaged to provide a Due Diligence (DD) review and reported directly to the Finance Director. Throughout the DD process the Board were regularly updated in a formal manner via the normal Board reporting process.

3. THE CHALLENGE / SCRUTINY PROCESS INVLOVED

- 3.1 The basic challenge was to establish whether the service could transfer without damaging the financial, operational or reputational performance of the new ICO.
- 3.2 The operational and reputational issues were managed via a risk assessment process lead by the Head of Nursing which concluded that, with all of the independent scrutiny that had been undertaken in recent years and additional improvements made, taking on the service posed a lower risk to the ICO and any identified risks could be managed. Workforce issues were led by the Director of HR and assurances obtained from GOSH.
- 3.3 From a financial perspective the challenge was to fully identify the current cost of operating the service and to understand how and why the various elements were funded before agreeing to any transfer. This was initially approached via a standard DD process whereby, after an initial information gathering period, a DD report containing written questions were passed between the parties and responses were RAG rated as to their response. A further challenge would be to agree an appropriate level of funding.
- 3.4 This process uncovered a picture whereby the financial management information was judged to be inaccurate, incomplete and inconsistent and also discovered that, historically the service had been underfunded by the commissioners and the local authority, but that the funding gap had been covered by GOSH in their capacity as service managers.

4. HOW THE ISSUE WAS RESOLVED

- 4.1 At the point that these issues were coming to the surface Haringey PCT had made an 11/12 funding offer in line with the previous years and believed that the value was sufficient to meet the costs of the service.. Given the concerns over the lack of robust financial reporting and the effective cross subsidy from GOSH the Trust decided to create a detailed financial model, from scratch, in order to prove that the funding offers were inadequate to run the existing service thereby pushing responsibility back to the PCT.
- 4.2 After a number of meetings at Finance Director and Chief Executive level Haringey PCT increased their offer to cover the identified funding gap, rather than see a reduction in the service or Whittington Health withdraw from the bid. Additional funding of £0.6m was ultimately achieved which ensured that along with some earlier cost improvements, the service would be financially viable.

5. THE KEY LEARNING POINTS

- 5.1 That the Board must take a robust approach to understanding the operational and financial implications of any additions to the service offering, and only accept those that are fully funded. Similarly, service quality and workforce issues must be clearly assessed and risks mitigated.

5.2 In doing so the ICO must be visibly prepared to take the time required to get such an understanding and to be prepared to refuse to take on services which, in any way, divert the organisation from achieving its stated goals, including the gaining of FT status.

6. THE KEY IMPROVEMENTS MADE TO THE TRUST'S GOVERNANCE ARRANGEMENTS DIRECTLY AS A RESULT OF THE ABOVE

6.1 Trust's formal Governance arrangements may not have needed to improve as a direct result of doing this.

6.2 The experience however of ensuring that the terms are correct for the ICO, and being willing to refuse to undertake the service transfer until they are, despite external pressures, will put Whittington Health in a better position to undertake such transactions in the future in a clinically and financially sustainable way.