

10 December 2013

Felicity Goodey  
Chair  
University Hospital of South Manchester NHS  
Foundation Trust  
Trust Headquarters  
Wythenshawe Hospital  
Southmoor Road  
Manchester  
M23 9LT

Dear Felicity

**University Hospital of South Manchester NHS Foundation Trust (“the Trust”) -  
Notification of decision to open a formal investigation**

1. Further to our discussion with Attila Vegh on 3 December 2013 and your letter dated 6 December 2013, I am writing to inform you of Monitor’s decision to open a formal investigation into the Trust’s compliance with its licence. This investigation has been opened following serious concerns raised in the APR Stage 2 review of financial stability. We also have concerns about the Trust’s performance in relation to the A&E four hour wait target and the Trust scoring 4.5 on an external review of Quality Governance.
2. The purpose of this letter is to:
  - 2.1 State the issues which have led to our concerns; and
  - 2.2 Confirm the process Monitor will adopt in assessing the extent of these concerns, whether there is a breach of the Trust’s licence, and what, if any, regulatory action may be appropriate in consequence.
3. We expect you to share the content of this letter with the Board and the Trust’s Lead Governor.
4. **Monitor’s concerns**
  - 4.1 Monitor is concerned about the Trust’s financial stability in the short to medium term, as well as the Trust’s long-term sustainability. Following PwC’s APR Stage 2 review, the Trust reported it is likely to deliver a deficit of up to £10m in 2014/15 and a CoSRR 1 for 2014/15 and 2015/16. As a result of this review, the Trust has engaged McKinsey to support in developing a two year recovery plan by the end of January 2014.
  - 4.2 The PwC APR Stage 2 review reported that in PwC’s view, the Trust does not currently have a clear view of strategic and financial options to secure its long-term sustainability, particularly in light of increasing PFI costs in 2014/15 and potential pathway changes from the Greater Manchester Healthier Together planned reconfiguration.

- 4.3 Monitor also has concerns relating to the Trust's performance in relation to the A&E four hour wait target. In 2012/13, the Trust breached the four hour wait target in Q3 and Q4. While the Trust has taken steps to address non-compliance and achieved this target in Q1 and Q2 2013/14, the Trust reports that it is again experiencing the impact of winter pressures during Q3.
- 4.4 The Trust commissioned a review of Quality Governance from PwC which scored the Trust 4.5 against Monitor's *Quality Governance Framework*. This is below the threshold of 3.5 which is required for NHS trusts applying for NHS foundation trust status.
- 4.5 Monitor is concerned that these issues could be indicative of governance failings at the Trust, indicating a potential breach of the Trust's licence.
- 5. Monitor's process to determine whether there is a breach of the licence and what, if any, regulatory action is appropriate**
- 5.1 Monitor will consider all relevant factors in assessing what, if any, regulatory action is appropriate in relation to its concerns, including:
- information gathered from the Trust and relevant third parties;
  - Monitor's published guidance relating to the requirements of the licence; and
  - the factors set out in Monitor's *Enforcement Guidance*.
- 5.2 As part of the investigation, we will also seek further information from the Trust and may consider relevant information from third parties such as the Care Quality Commission ("CQC"), the Trust's commissioners and the Greater Manchester Area Team.
- 5.3 Following our consideration of relevant information, we expect you and other members of your Board to attend a meeting at Monitor's offices to present the two year recovery plan once completed. This meeting will also provide us with the opportunity to consider whether the matters outlined in section four above could indicate a breach of the Trust's licence and, if so, what, if any, regulatory action is appropriate in response.
- 6. Next Steps**
- 6.1 We will publish the Trust's revised Governance Risk Rating. The rating will change from its current narrative to the following narrative: "Monitor is investigating the Trust, following the findings of a third party report raising financial stability and sustainability concerns."
- 6.2 We will notify the Quality Surveillance Group, Greater Manchester Area Team and Clinical Commissioning Groups of our decision to investigate.
- 6.3 We will speak to the Trust's Lead Governor to explain the action we are taking and provide an opportunity to speak to us directly.
- 6.4 The Trust should provide the information requested in Appendix A by latest 5pm on 8 January 2014.

- 6.5 Following receipt of this evidence and initial consideration, we will be able to confirm potential next steps and associated timings. Should formal enforcement action be considered, the Trust will be afforded further opportunity for engagement or representations as appropriate, in line with our *Enforcement Guidance*.
  - 6.6 Monitor expects the Trust to continue to work at pace to progress the recommendations in the APR Stage 2 review.
  - 6.7 The Trust's Governance Risk Rating will be 'narrative' until the investigation has concluded.
7. If you have any queries relating to the matters set out in this letter, please contact your relationship manager, Kate Sutherland, on 020 7340 2519 or by email [Kate.Sutherland@monitor.gov.uk](mailto:Kate.Sutherland@monitor.gov.uk).

Yours sincerely

A handwritten signature in blue ink that reads "R. Davidson". The signature is written in a cursive style with a large initial "R".

Robert Davidson  
**Regional Director – North**

cc.: Dr Attila Vegh, Chief Executive

## **Appendix A**

### **Information requested from the Trust by 8 January 2014 (5pm)**

1. A copy of the latest action plan to address the findings of the APR Stage 2 review;
2. A copy of the Trust's two year recovery plan;
3. A copy of the PwC Quality Governance review;
4. Any governance reviews commissioned by the Trust from 2012/13 to date;
5. Copies of reports from any external assurance reviews commissioned around the financial position and/or PFI from 2012/13 to date;
6. All Board and Board sub-committee papers relating to the Trust's financial issues and/or PFI from 2012/13;
7. The Trust's analysis as to the affordability or otherwise of the PFI over the next 10 years;
8. The Trust's latest A&E action plan; and
9. Any other information considered relevant by the Trust Board. Where the Trust provides other information please provide an explanation of what it is and the reason for providing it to us.