Deloitte.

NHS Improvement

Barking, Havering and Redbridge University Hospitals NHS Trust

Independent review of Board governance

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Contacts and Contents

Deloitte LLP
2 Hardman Street
Manchester
M3 3HF

Tel: +44 (0)161 832 3555
www.deloitte.co.uk

Stephen Hay
Executive Director of Regulation and
Deputy Chief Executive
NHS Improvement
Wellington House
133-155 Waterloo Road
London
SE1 8UG

2 August 2018

Dear Stephen

Independent review of Board governance arrangements at BHRUH

In accordance with our Call Order Form with NHS Improvement (NHSI) dated 19 January 2018 (the 'Contract'), for the review of Board governance arrangements at Barking, Havering and Redbridge University Hospitals NHS Trust (the 'Trust'), we enclose our final report for publication dated 2 August 2018 (the 'Final Report').

The Final Report has been prepared for your sole use and shall be subject to the restrictions on use and other terms specified in the Contract. Whilst we have agreed that the Final Report may be published on the NHSI website, such publication may only be made on a non-reliance basis since no person except the addressee is entitled to rely on the Final Report for any purpose whatsoever and to the extent permitted by law we accept no responsibility or liability to any other person in respect of the contents of this Final Report. Should any person other than NHSI choose to rely on this Final Report, they will do so at their own risk.

NHSI is responsible for determining whether the scope of our work is sufficient for its purposes and we make no representation regarding the sufficiency of these procedures for NHSI's purposes. If we were to perform additional procedures, other matters might come to our attention that would be reported to NHSI.

We have assumed that the information provided to us and Trust management's representations are complete, accurate and reliable; we have not independently audited, verified or confirmed their accuracy, completeness or reliability. In particular, no detailed testing regarding the accuracy of the financial information has been performed.

The matters raised in this Final Report are only those that came to our attention during the course of our work and are not necessarily a comprehensive statement of all the strengths or weaknesses that may exist or all improvements that might be made. Any recommendations for improvements should be assessed by the Trust for their full impact before they are implemented.

Yours faithfully

Deloitte LLP

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Executive Summary

Executive summary - overview

We have conducted a review of Board leadership and governance at Barking, Havering and Redbridge University Hospitals NHS Trust ('the Trust') as per the Services outlined in our Call Off Order Form dated 19 January 2018. We outline below, a summary of our key conclusions, followed by an overview of our detailed findings on pages 7 to 10.

In October 2017, the Trust essentially ran out of cash and was forced to apply for emergency loans from the government, receiving £15.7 million in October 2017 and a further £5.0 million in November 2017. Board members claim that they were unaware of the extent of the emerging cash crisis.

This review was commissioned by NHSI to assess the effectiveness of Board leadership and governance at the Trust, in the context of the financial crisis that developed during the course of 2017, with a view to identifying potential learnings from this significant governance failing. Where relevant, we reference findings from a Financial analysis and financial governance review, commissioned by the Trust and NHSI and conducted by Grant Thornton LLP from November 2017 to February 2018 (the GT Review).

Our overall view is that a combination of factors led to a situation where the Trust was ineffective in managing an emerging crisis situation from August to October 2017. These factors included: low levels of transparency in financial reporting; poor escalation of risks from the Operational Management Group (OMG); silo Executive Director (ED) working; weaknesses in Board oversight; and an absence of proactive Chief Executive (CEO) leadership. Furthermore, there has been a lack of urgency in the subsequent management of the financial recovery plan by the Board, and the CEO in particular. We are therefore of the view that the Trust would benefit from a different style of CEO leadership to guide the organisation out of financial special measures. There is also a need to refresh the Non-Executive Director (NED) cohort to provide a more robust overview of this process than has been demonstrated over the last several months.

We outline below a summary of our key conclusions:

- The level of transparency in financial Board reporting was not sufficiently high from at least April to October 2017, and of particular note, the former interim Acting Director of Finance (in post from 13 March 2017 to 22 December 2017) failed to explicitly alert the Board to the imminent cash crisis during September 2017;
- The interim CEO (in post from 27 July 2017 to 31 August 2017) explicitly alerted EDs, NEDs and senior leaders to the extent of the potential financial crisis at a range of forums in August 2017. His messaging was unequivocal but the Board did not act on this warning in an effective manner and the sense of urgency was lost in September 2017 after the interim CEOs departure;
- Upon returning from a period of sick leave on 1 September 2017, the substantive CEO was specifically alerted to the looming financial crisis on multiple occasions during September 2017 but did not appear to grasp the severity of the situation and consequently did not take a proactive leadership approach to managing the issue;
- There has been a level of silo working across ED portfolios and there was not a collective ED response to the urgent financial situation outlined by the interim CEO in August 2017;
- The Trust's escalation process did not appropriately highlight known financial risks from the Trust's OMG through to the Board due to a number of governance issues;
- The response of the Board post October 2017 has lacked grip, pace and clear leadership. Whilst the CEO enjoys high levels of internal visibility and is credited with playing an important role in leading the Trust out of quality special measures, we have concerns over whether the CEO has the skill set to lead the Trust out of financial special measures. We also have concerns over the depth and breadth of the NED group, based on performance over the last several months, to drive this change and believe that the group needs strengthened through a combination of bringing fresh perspective and developing existing NEDs;
- There is a clear lack of financial grip at the operational level and a need to place greater focus on supporting and developing senior leaders to promote improved ownership and accountability for delivery;

Executive summary - overview

- There is an imperative to modernise medical leadership at the Trust but key to achieving this will be finding a resolution to ongoing tensions between members of the consultant body and the Medical Director;
- The experience at the Trust has highlighted questions regarding the effectiveness of the NHSI monthly finance submission process in accurately identifying underlying trading problems and future risks to cash flow; and
- The monthly NHSI oversight meetings did not place sufficient scrutiny on the deteriorating cash position and there should have been a more detailed follow-up after the 31 August 2017 oversight meeting.

Please note, we reference various post holders of the CEO, DoF and Chair roles in particular throughout this report. This includes reference to former and current interim, acting and substantive post holders. We would recommend that the reader familiarises themselves with the timeline of post holders and titles outlined in Appendix 2 (p54) prior to reading the detailed findings of this report.

Executive summary – detailed findings

Our review findings set out within this report are grouped into the following themes:

A. Board leadership

B. Board governance

C. Other considerations

We outline below a summary of our key conclusions in relation to these areas, as well as our corresponding recommendations.

A. Board leadership

A.1 Executive Director leadership

- Whilst recognising the complexities of making the transition back into the CEO role in September 2017, we believe there were several occasions when the CEO was alerted to the extent of the looming financial crisis, including a handover meeting with the former interim CEO and an update meeting with the former interim Acting DoF immediately on the CEO's return. The fact that the CEO did not grasp and respond to the severity of the situation, coupled with the lack of pace in subsequently driving the Trust Financial Recovery Plan and low levels of contribution to the finance agenda in observed meetings, raises concerns regarding the CEO's ability to lead financial turnaround at the Trust. As such, whilst recognising the excellent qualities the CEO has brought to the Trust, we believe that a different skill set is required to lead the organisation out of financial special measures.
- Our interviews and review of Board reports and minutes from April 2017 highlights that Board reporting (written and verbal) was heavily focused on the control total and there was insufficient transparency in relation to the underlying trading position, cash flow and financial management practices in place to manage the cash and I&E position. This lack of transparency was a particular issue during September and early October 2017 where the former interim Acting DoF failed to explicitly inform the Board of the impending 'cash crisis' or the full extent of the underlying trading problem. We understand the Acting DoF played a key role in advising the Interim CEO on the emerging financial crisis during August 2017 and, as such, would conclude that there was not a deliberate attempt to mislead the Board. We are of the view that there was a misjudgement as to the style and level of disclosure to the Board, influenced by inexperience and misplaced optimism regarding the likelihood of reaching an agreement with commissioners regarding payment for over-performance.
- EDs at the Trust have a strong focus on their individual portfolios but a culture of silo working has evolved over time, particularly in relation to the finance portfolio, where EDs have had limited visibility over detailed financial performance or understanding of the Trust's financial health. This led to a situation where EDs were not fully alert to the deteriorating financial situation, despite the fact that there were multiple warnings and opportunities to discuss this, as well as an explicit warning from the interim CEO in August 2017 to which EDs did not appear to respond once the interim CEO had left the Trust.
- There are significant underlying tensions amongst the consultant body which are placing strains on their relationship with the Medical Director and the Board more generally. Addressing these issues will be critical to ensuring medical buy-in and engagement in the context of delivering a financial recovery plan for the Trust. A review of the root causes of these tensions and the required actions to address is beyond the scope of this review but we believe that a detailed review should be commissioned in this area with a view to identifying a longer term solution.

A.2 Non-Executive leadership and the Board

- There were a number of extenuating circumstances during August and September 2017 which impacted on the ability of NEDs to effectively provide Board oversight and scrutiny over the deteriorating cash position, including a lack of explicit transparency in reporting from the former interim Acting DoF and changes in key Board personnel. However, NEDs were unequivocally made aware of the extent of the looming cash crisis in an e-mail from the former interim CEO on 17 August 2017. The Board did not respond to this situation in an appropriate manner once the interim CEO left on 31 August 2017. We also have concerns regarding the level of impetus NEDs have provided in relation to delivering a financial recovery plan post October 2017. Accordingly, we are of the view that the Trust would benefit from refreshing the NED group through adding fresh perspectives, including a change to chairmanship of the FIC, and developing existing NEDs.

Executive summary – detailed findings

A. Board leadership (continued)

A.2 Non-Executive leadership and the Board (continued)

- Whilst not a primary factor, Board functionality was likely impacted during this critical period in September 2017 by tensions in relations between the former Chair and CEO. The current Chair appears to be providing strong leadership, often of an executive nature, but this is, in our view, necessary to compensate for current weaknesses in CEO leadership. There is a need for a more structured approach to team building and developing Board cohesion over the longer term.
- The NED cohort has a reasonably good blend of experience, skills and tenures. The notable exception is that there is a lack of specific commercial finance experience amongst members and membership of FIC needs to be strengthened.
- NED engagement outside of the Board room is relatively low, with poor levels of visibility reported by staff. NEDs also demonstrated low levels of understanding regarding some of the financial pressures being faced by operational staff across the organisation in terms of Quality and Cost Improvement Programme (QCIP) delivery and timely payment of suppliers. This lack of 'soft intelligence' further impacted on the Board's ability to pick-up signals regarding financial pressures across the organisation. There is a basic need to increase Board awareness through activities such as walk arounds, buddying arrangements and staff engagement events.

B. Board governance

B.1 Financial Reporting

- We concur with the GT Review conclusion that the quality of financial reporting has been weak from at least April 2017, with too much focus on the I&E control total. We would add that reporting failed to present the underlying trading position and outlook on a normalised basis after adjusting for contingency releases and non-recurrent adjustments. Furthermore, it did not triangulate the various risk factors and present a summary of the overall financial health of the organisation as well as the actions being taken to address financial risks. The absence of monthly rolling cash-flow reporting until September 2017 was a very basic omission. Overall, the low levels of transparency in reporting had a significant role to play in the Board not being fully appraised of the deteriorating cash position for several months prior to October 2017.

B.2 Board and Committee coverage of finance agenda

- Financial challenges were regularly discussed at OMG from April to August 2017, particularly in relation to challenges with QCIP and non-payment to suppliers. The escalation process from OMG to TEC was ineffective due to a combination of issues, including: insufficient ED attendance at OMG (see Appendix 3); insufficient senior finance representation at OMG and TEC; minutes not being adequately scrutinised by TEC; and lack of overlap in membership between OMG and TEC. The COO was the only common attendee and even then only attended 50% of OMG and TEC meetings during this period. Furthermore, finance received insufficient focus at TEC, was too late in the agenda and red flags were not scrutinised in any detail. Finance coverage at FIC and Board was impacted by a lack of escalation from TEC and discussions were too high-level and lacked detailed scrutiny. However, we note examples where key issues were presented, with little subsequent discussion or debate. The Chair should also review the appropriateness of Board timing and frequency in the context of the current financial challenges.
- A series of events during August 2017, led by the interim CEO, made sure that the extent of the financial challenges facing the Trust were made explicit to OMG, TEC, FIC and Top Leaders across the organisation. The messages were unequivocal and over 170 people within the Trust were made aware of the severe financial challenges. These messages continued into September 2017 and were raised again at Board, OMG, TEC, FIC and the Top Leaders briefing. However, the sense of urgency was lost during the period, not helped by the positive slant being placed on the Trust's ability to deliver the control total by the interim Acting DoF. The level of scrutiny placed on financial issues by the Board, FIC and TEC and the pace of response to tackle the issues were not commensurate with the severity of the situation.

Executive summary – detailed findings

B. Board governance (continued)

B.3 Board approach to financial recovery

- We note a series of activities in January and February 2018 aimed at developing a financial recovery plan and improving the quality of Board reporting. This is partly aided by the appointment of the interim DoF and an NHSI Improvement Director. However, the Trust made little progress in the four months up to January 2018 in developing sustainable plans to address the fundamental financial problems at the Trust. The primary focus across various management and Board forums was on articulating the issues rather than how the Trust was going to tackle the problems. This period in our view has further highlighted gaps in the grip and pace of the Board in providing leadership over the financial position.

B.4 Risk management

- Whilst there has historically been coverage of key operational risks at TEC meetings, there has not been a structured approach to risk management at the Board or its key committees. This led to a situation where key financial risks were not appropriately considered by FIC and the Board until September 2017. The lack of a systematic approach to considering financial risks at Board and FIC during this period invariably contributed to the general lack of awareness of the Board regarding the developing situation.

B.5 Financial management practices

- The finance department has actively managed the I&E and working capital positions for a period of time to meet the Trust control total and to manage the cash position. Practices of this nature are common across the NHS and we have not been made aware of any deviation from accounting practices. However, some of the practices have been more pronounced than we have seen at other similar NHS organisations, especially in relation to extending creditor payment times, and the level of transparency with the Board around the practices has been inadequate.

B.6 Divisional Governance

- The divisional structure, leadership model and governance arrangements were refreshed by the former COO over the last three years and the set-up is broadly in line with good practice at the divisional and directorate levels. There is however a clear lack of financial grip across the divisions, which needs to be addressed as a priority to support the financial recovery plan. This lack of grip manifests itself in relation to poor delivery of QCIP and general over-spend, but particularly in relation to agency. A key challenge of the financial recovery plan will be to evolve the culture to one of accountability and ownership of the financial agenda. Achieving this objective will require central delivery support for the divisional teams as well as leadership development for individuals and teams.

C. Regulatory oversight

C.1 NHS Improvement learnings

- The experience with the Trust has highlighted weaknesses in the NHSI review process. Specifically, the format of the submissions did not lend themselves to identifying the underlying trading position of the organisation where there was a use of contingency and adjustments to meet control totals. Similarly, presentation of the cash position did not require the input of rolling cash-flow data to highlight potential risks across the coming months and as such did not capture in-month treasury management practices used to temporarily maintain cash levels. Furthermore, the monthly oversight meetings did not place sufficient scrutiny over the deteriorating cash position and, in our view, there should have been a more detailed follow-up after the 31 August oversight meeting to further understand the nature of the issues flagged. However, there is also an onus on the Trust to be more explicit with NHSI regarding financial challenges it is experiencing. Finally, we recognise that discussions regarding the former DoF's departure had been on-going for a significant period of time. However, NHSI should reflect on whether the ultimate timing and pace of the transfer was in the best interest of the system and the Trust, particularly given the number of long-term absences amongst the Trust Executive team at that time.

Executive summary – detailed findings

Key Recommendations

A summary of our recommendations can be found on page 51. The priority recommendations are outlined below:

- NHSI and the Board should give due consideration to the appointment of a new CEO who has the appropriate level of expertise and ambition to successfully tackle the financial challenges currently being faced by the Trust.
- NHSI and the Chair should give due consideration to refreshing the NED cohort with circa two new appointments, to include a new Chair of FIC with commercial finance experience (see A.2.3). There should also be a development programme for existing NEDs.
- The Board should commission a detailed review of the medical leadership and cultural issues underpinning current tensions amongst the consultant body at the Trust.
- The Trust should conduct a comprehensive review of the relationship between OMG and TEC to include clarity over objectives, membership, escalation policy and respective responsibilities for overseeing the finance agenda.
- NHSI should consider the effectiveness of its current approach to monthly submissions and oversight meeting in the context of gaining greater assurance over the underlying trading position and forward cash profile for trusts. In particular, NHSI should consider:
  - The design of submission returns, in order to ensure that key performance concerns are highlighted;
  - The accompanying narrative reports and the need for more-detailed narrative to provide further performance context;
  - The need for greater triangulation of reporting and soft intelligence through the over-sight meetings; and
  - The robustness of follow-up arrangements in light of the emerging messages flagged by the Trust during August 2017.

Introduction

Introduction

Our scope and approach

Context

The Trust has had a significant underlying deficit for a number of years, with interviewees reflecting on financial pressures going back as early as 2010. Alongside these financial pressures, the Trust has experienced ongoing liquidity challenges over a prolonged period.

The Trust found itself in a position in October 2017 where it essentially ran out of cash and applied for emergency loans from NHS Improvement, receiving £15.7 million in October 2017 and a further £5.0 million in November 2017. The extent of the financial challenges apparently came as a surprise to a number of Board members. The Trust and NHSI subsequently commissioned a financial governance review, which was conducted by Grant Thornton LLP from November 2017 to February 2018 (the GT Review).

The GT Review clearly articulates how a range of additional financial pressures accumulated during the course of 2017, and ultimately placed a level of pressure on the financial position of the Trust, which led to it experiencing severe cash flow problems in October 2017. These additional pressures included non-payment of over-performance by CCGs; non-delivery of QCIP; non-delivery of QIPP; and a general increase in expenditure as the Trust sought to deliver constitutional Referral to Treatment (RTT) and A&E targets.

Scope

The GT Review is clear on how the Trust found itself in a position in October 2017 where it had run out of cash, however its scope did not focus explicitly on why the Board found itself in this position. This report seeks to review the effectiveness of Board leadership and governance at the Trust, in the context of the Board's experience with the financial position during the course of 2017, with a view to identifying how such a fundamental failure in governance occurred and what lessons can be learnt. Where relevant, we reference findings from the GT Review.

A summary of our Scope, mapped against the contents of this report is included in Appendix 4, p61.

Our approach

Our approach to delivering the project scope has consisted of:

- Undertaking a desktop review of key Trust documentation;
- Conducting 1-1.5 hour non-attributable interviews with Board members;
- Conducting 1-1.5 hour non-attributable interviews with a selection of former Board members;
- Conducting 1 hour non-attributable interviews with members of staff across a range of clinical and operational roles;
- Observation of a Board seminar session on 7 February 2018; the Audit Committee on 31 January 2018; the Trust Executive Committee on 20 February 2018; and the Finance and Investment Committee on 28 February 2018;
- Undertaking a Board survey (13/15 respondents); and a staff survey (487 respondents);
- Conducting interviews with a number of NHS Improvement representatives; and
- Conducting telephone interviews with 3 external stakeholders.

Basis of our work

The findings in this report are based upon the views expressed by current and former Board members, staff from across the Trust, and our own observations. We have assumed that the information provided to us and management's representations are complete, accurate and reliable; we have not independently audited, verified or confirmed their accuracy, completeness or reliability. In particular, no detailed testing regarding the accuracy of any financial information has been performed.

We provided an opportunity for all current and former Board members impacted by this report (17 people) to receive a draft copy to comment on points of factual accuracy. We subsequently issued a draft report, either redacted or in full, to 13 people and received comments from all recipients. We have duly incorporated a range of these comments in this Final Report.

Our work, which is summarised in this Final Report, has been limited to matters which we have identified that would appear to us to be significant within the context of the scope.

Glossary

Glossary

Glossary of terms used throughout this report

A&E	=	Accident and Emergency
BAF	=	Board Assurance Framework
BHRUH	=	Barking, Havering and Redbridge University Hospitals NHS Trust
Board	=	The Board of Barking, Havering and Redbridge University Hospitals NHS Trust
BPPC	=	Better Payment Practice Code
CCG	=	Clinical Commissioning Group
CEO	=	Chief Executive Officer
CFO	=	Chief Financial Officer
COO	=	Chief Operating Officer
CRR	=	Corporate Risk Register
DD	=	Divisional Director
DLT	=	Divisional Leadership Team
DM	=	Divisional Manager
DN	=	Divisional Nurse
DoF	=	Director of Finance
DoP&OD	=	Director of People and Organisational Development
DoS&I	=	Director of Strategy and Infrastructure
ED	=	Executive Director

FIC	=	Finance and Investment Committee
GT	=	Grant Thornton LLP
I&E	=	Income and Expenditure
IT	=	Information Technology
HR	=	Human Resources
MD	=	Medical Director
NED	=	Non-Executive Director
NHS	=	National Health Service
NHSI	=	NHS Improvement
OMG	=	Operational Management Group
PFI	=	Private Finance Initiative
QCIP	=	Quality and Cost Improvement Programme
QIPP	=	Quality, Innovation, Productivity and Prevention programme
RAG	=	Red, Amber, Green ratings
RTT	=	Referral to Treatment
STF	=	Sustainability and Transformation Fund
TEC	=	Trust Executive Committee
Trust	=	Barking, Havering and Redbridge University Hospitals NHS Trust
YTD	=	Year To Date

Observations and commentary

Section A – Board leadership

A. Board leadership
A.1 Executive Director leadership

A.1.1 Chief Executive leadership

Whilst recognising the complexities of making the transition back into the CEO role in September 2017, we believe there were several occasions when the CEO was alerted to the extent of the looming financial crisis, including a handover meeting with the former interim CEO and an update meeting with the former Acting DoF immediately on the CEO's return. The fact that the CEO did not grasp and respond to the severity of the situation, coupled with the lack of pace in subsequently driving the Trust Financial Recovery Plan and low levels of contribution to the finance agenda in observed meetings, raises concerns regarding the CEO's ability to lead financial turnaround at the Trust. As such, whilst recognising the excellent qualities the CEO has brought to the Trust, we believe that a different skill set is required to lead the organisation out of financial special measures.

A.1.1.1 CEO - prior to 24 July 2017

The CEO, appointed in April 2014, is described by operational leaders and staff more generally as being a highly visible and respected leader across the organisation. In particular, he is viewed as being an engaging and motivating speaker and is widely regarded as playing a pivotal role during his tenure as CEO, alongside staff and other Board members, in ultimately bringing the Trust out of quality special measures in March 2017. We also observed an engaging, courteous but assertive style in the February 2018 TEC.

The CEO took an extended period of sick leave from 13 March 2017 until 1 September 2017. During his sick leave period, the former DoF assumed the role of Acting CEO from 13 March 2017 until 27 July 2017 and an interim CEO was in place from 27 July 2017 until his return on 1 September 2017.

Our understanding from interviewees is that the former DoF had been offered a role with NHSI in November 2016, as Regional Director of Finance for London, but there had been delays in finalising contractual arrangements until June 2017.

A.1.1.2 CEO - 24 July to 1 September 2017

An interim CEO joined the organisation on 27 July and played an instrumental role in highlighting financial challenges within the Trust through various channels in August 2017. This included raising concerns regarding the financial position, including cash flow, via the following forums:

- 15 August 2017 TEC meeting;
- 15 August 2017 OMG meeting;
- Weekly Chief Executive meetings;
- E-mail to NEDs on 17 August 2017;
- E-mail to Top Leaders on 24 August 2017, followed by a Top Leaders meeting at Queen's Hospital on 30 August 2017; and
- Extraordinary FIC on 31 August 2017.

We provide more detailed commentary in relation to the specifics discussed in these meetings in section B.2, along with full copies of the emails sent to NEDs and Top Leaders on 17 and 24 August 2017 respectively. The critical nature of the situation and the imperative to take action are clear from these communications.

A.1.1.3 CEO - 1 September 2017 to mid-October

The substantive CEO returned to work on 1 September 2017 and the interim CEO left on the same day. We understand that the interim CEO had a handover meeting with the CEO on 1 September 2017, where the interim CEO's concerns regarding the fragility of the Trust's financial position were shared.

A. Board leadership

A.1 Executive Director leadership

A.1.1.3 1 CEO - September 2017 to mid-October (continued)

We understand that the CEO also had discussions regarding financial performance with the Acting DoF on his return, with the latter flagging concerns regarding the financial position whilst at the same time providing assurance regarding delivery of the forecast control total. We are aware that this information formed the basis of the CEO's communication in a cascade email on 13 September 2017 where a similar message was communicated to the organisation regarding its ability to meet the control total.

The CEO's recollection of events is that he did not become fully aware of the extent of the financial challenges and the emerging 'cash crisis' until 5 October 2017, when it became known to him that a major supplier of nursing agency staff had refused to supply staff due to non-payment of a significant invoice. Following escalation of the financial challenges, the CEO presented at the October 2017 senior leadership team briefing and informed staff that he had not been aware of the cash situation until October 2017. This comment was met with confusion from some attendees who pointed out that the cash difficulties had been going on for several months and were regularly discussed at OMG meetings. Please see Section B.2 for detailed commentary on financial performance coverage at OMG.

Whilst recognising the complexities of making the transition back into the CEO role in September 2017, we believe there were several clear occasions where the CEO should have been alerted to the extent of the looming financial crisis as follows:

a) The fact that all Board members and 150 Top Leaders had been fully appraised of the financial problems in August 2017 as outlined above;

b) The 1 September 2017 handover by the interim CEO where he flagged concerns regarding the financial challenges facing the Trust. We understand the handover raised similar concerns to those flagged earlier with TEC, NEDs and at the 31 August 2017 Top Leaders team briefing;

c) The 6 September 2017 Board meeting where significant financial issues were set-out in papers, although the full extent of the issue was not explicit;

d) A one-on-one meeting in early September 2017 where the former interim Acting Director of Finance outlined his concerns regarding the financial position;

e) A TEC meeting on 15 September 2017 where similar issues were set-out in the meeting;

f) A FIC meeting on 27 September 2017 where the cash-flow analysis showed that the Trust would run out of cash that month, subject to treasury management activities;

g) Weekly CEO meetings were held with EDs during the course of September 2017 where we have been informed that similar issues were discussed to those covered at TEC and FIC;

h) The failure to secure an agreement with the CCG at a CFO escalation meeting on 28 September, which led to a CEO escalation meeting being organised on 2 October 2017. This meeting also failed to reach an agreement; and

i) Multiple accounts from staff in September 2017 that the payment of suppliers had reached crisis point and that various suppliers were withdrawing their supplies or services.

Whilst the urgency of the situation was not fully conveyed in these meetings by the interim Acting DoF, as discussed in section A.2.2 below, there were numerous mentions of financial challenges which we would expect to have been picked up by the CEO during September 2017 and early October 2017. It is a significant concern to us that the CEO was not alert to this intelligence and, as such, we have significant concerns regarding the CEO's leadership of the deteriorating cash position during this period.

A. Board leadership

A.1 Executive Director leadership

A.1.1.4 CEO - Mid-October 2017 to present day

Board member interviewees have consistently indicated that the CEO has not proactively driven the financial recovery plan since the extent of the financial problem became explicit in October 2017 through to March 2018. We would concur with this view. Specifically, there has been a distinct lack of pace and ownership of this issue, including a delayed period of time in clearly articulating the extent of the underlying problems and a slow response in mobilising support to drive the financial recovery plan. The Trust appears to be building some pace in these areas as of February 2018, although this is largely driven by the newly appointed interim Director of Finance and an NHSI appointed Improvement Director.

We also have concerns over the low levels of contribution the CEO is reported by interviewees to make in relation to the financial agenda at team and Board meetings. Our observation of a Board seminar concurs with this feedback, as the CEO made limited contributions throughout the meeting, despite it being focused on the financial governance review and the financial recovery plan. It was apparent from the observed Board meeting that weaknesses in CEO leadership are currently driving a dynamic where the Chair is assuming a more-executive Chair role (see A.2.2). Similarly, we saw little contribution to the finance agenda from the CEO at the observed TEC and FIC meetings during February 2018.

We are unclear as to what is restricting the CEO's ability to make a more meaningful contribution towards driving the financial agenda but a number of interviewees have suggested that the CEO has historically been more comfortable with non-financial areas and would often allow the DoF, and other EDs, to 'get on with running their own portfolios'.

Overall, a number of Board members have highlighted concerns over whether the CEO has the ambition, vision, strategic and financial skills to effectively drive financial turnaround. We would concur with this view and believe that a refresh of CEO leadership is imperative to bring the appropriate level of expertise and ambition to successfully tackle the financial challenges currently being faced by the Trust.

R1: NHSI and the Board should give due consideration to the appointment of a new CEO who has the appropriate level of expertise and ambition to successfully tackle the financial challenges currently being faced by the Trust.

A.1.2 Finance Director leadership

Our interviews and review of Board reports and minutes from April 2017 highlight that Board reporting (written and verbal) was heavily focused on the control total and there was insufficient transparency in relation to the underlying trading position, cash flow and financial management practices in place to manage the cash and I&E position. This lack of transparency was a particular issue during September and early October 2017 where the former interim Acting DoF failed to explicitly inform the Board of the impending 'cash crisis' or the full extent of the underlying trading problem. We understand the Acting DoF played a key role in advising the Interim CEO on the emerging financial crisis during August 2017 and, as such, would conclude that there was not a deliberate attempt to mislead the Board. We are of the view that there was a misjudgement as to the style and level of disclosure to the Board, influenced by inexperience and misplaced optimism regarding the likelihood of reaching an agreement with commissioners regarding payment for over-performance.

The former DoF was appointed in December 2014 having held numerous DoF roles across a range of NHS organisations. He was then appointed Acting CEO from 13 March 2017 until leaving the Trust on 27 July 2017. An interim Director of Financial Operations was appointed to the Acting DoF position from 13 March 2017 and stayed in this post until late December 2017. The former Acting DoF had been an interim with the finance department since April 2015. We understand that this was the post holder's first DoF level role in the NHS. It has been stated by several interviewees that the former interim Acting DoF was appointed to the role without the appropriate level of experience and that there was no support or mentoring made available to him throughout his tenure.

A. Board leadership

A.1 Executive Director leadership

A.1.2 Finance Director leadership (continued)

As discussed in section B.1, interviewees reported there had been a pattern of low levels of transparency in financial reporting for a period of time, and certainly in the financial reports we reviewed between April 2017 and December 2017. Furthermore, the focus of reporting was on the control total, with limited detailed commentary in relation to the use of contingency reserves, non-recurrent savings, technical accounting adjustments and the associated underlying trading position. In addition, there had been limited coverage of the cash position in reporting up until August 2017.

In our view, and consistent with the GT Review, there was clear scope for greater transparency in financial reporting for at least the several months leading up to the Trust running out of cash in October 2017. However, the issue of transparency in reporting became particularly important during September and early October 2017 where the Trust went into a crisis situation as the run rate continued to deteriorate and it was running out of cash rapidly. During this period, and despite the former interim CEO explicitly flagging the urgency of the situation in August 2017 (see A.1.1), the former interim Acting DoF failed to disclose the magnitude of the risk to the Board in an open and transparent manner. This was despite there being numerous opportunities at the 31 August 2017 FIC meeting, the 6 September 2017 Board meeting, the 17 September 2017 TEC meeting or the 27 September 2017 FIC meeting. Essentially, whilst reporting made reference to elements of the financial challenges, it stopped short of explicitly outlining the severity of the financial predicament the Trust was facing. In essence, the urgency of the situation was not communicated to colleagues at these meetings in a manner that the situation required and there was a loss of the momentum built during the course of August 2017 after the interim CEO outlined the extent of the problem at various forums.

It is unclear to us why the former interim Acting DoF was not explicit about the risks in these meetings. Based on conversations with the former interim Acting DoF and other members of the finance team, there appears to have been a level of optimism regarding the ability of the Trust to negotiate an agreement in relation to over-performance with the CCGs prior to the October 2017 unitary payment on the PFI being due.

Interviewees expressed a view that whilst this optimism may have had some merit during the early part of September 2017, as there was a possibility that an agreement could have been reached with CCGs, it was apparent towards the end of September 2017 that an agreement was unlikely to be reached after an escalation meeting between the former interim Acting DoF and his counterpart at the CCG did not reach a resolution. This point became explicitly clear after a CEO escalation meeting in early October also ended with no agreement. Regardless of the likelihood of an agreement being reached, we are of the view that this risk was so material that it should have featured prominently on the Board's agenda for several weeks prior to it being clear that there was not going to be a deal.

Subsequently, it has also become apparent that there were a number of practices taking place within the finance department, once again for at least the several months leading to the cash crisis, to manage the control total and cash position. This had included a range of policies aimed at managing the I&E position non-recurrently and stretching the payment period for creditors to improve cash flow. The extent of these practices became apparent to the wider Board after a new Director of Operational Finance joined the Trust in early October 2017 and flagged concerns regarding the observed practices with several senior stakeholders. A detailed review of the financial management practices undertaken are beyond the scope of our report, but the majority of stakeholders interviewed, including GT, have indicated that the practices exercised a level of judgement which were supported by relevant accounting methodologies and policies. It would appear that the practices identified were merely the symptoms of a finance team which had reached a crisis situation and had exhausted all available options to manage the cash and I&E position.

However, the critical point in our view is that the extent of these practices had not been openly shared with the Board previously, and that there was insufficient Board visibility regarding the underlying cash and trading position. This is a further example of poor levels of transparency in Board financial reporting.

A. Board leadership

A.1 Executive Director leadership

A.1.2 Finance Director leadership (continued)

It is important to note that the former interim CEO has reported the former interim Acting DoF, and other members of the finance team, as playing a key role in advising the former interim CEO on the emerging financial crisis during August 2017, as well as in preparing communications to NEDs and Top Leaders. As such, it would appear that there was not a deliberate attempt to mislead the Board but rather a misjudgement as to the style and level of disclosure to the Board, influenced by a lack of experience and misplaced optimism regarding the likelihood of reaching an agreement with commissioners in relation to payment for over-performance.

In terms of the current situation, the interim DoF joined the Trust in mid-January 2018 having operated in a range of DoF level roles over a number of years. He is reported by colleagues to be making a positive contribution to the Trust in his first few weeks in role, with a proactive approach to divisional ownership of the finance agenda and development of the financial recovery plan. We observed a positive contribution to the February 2018 TEC meeting, with a number of constructive interjections to ensure that participants were fully cognisant of the financial implications surrounding key decisions, such as approving the business case for a facilities management contract at the King George Hospital. The interim DoF's contributions were made in a skilful manner where he was essentially advising colleagues on the financial implications of decisions rather than actually taking the decision for them. We also observed similarly constructive contributions at the February 2018 FIC meeting. The interim DoF is joined by a recently appointed NHSI Improvement Director and the Trust has just appointed external consulting support to help with the turnaround effort, we note that these appointments were driven by NHSI. Clearly, the appointment of a substantive DoF is critical to the longer term financial sustainability of the Trust and we understand that a longer term solution is currently being sought.

See R2 (Executive Director Leadership)

See R6 (Board reporting and finance agenda coverage).

A.1.3 Executive Director focus on financial agenda

EDs at the Trust have a strong focus on their individual portfolios but a culture of silo working has evolved over time, particularly in relation to the finance portfolio, where EDs have had limited visibility over detailed financial performance or understanding of the Trust's financial health. This led to a situation where EDs were not fully alert to the deteriorating financial situation, despite the fact that there were multiple warnings and opportunities to discuss this, as well as an explicit warning from the interim CEO in August 2017 to which EDs did not appear to respond once the interim CEO had left the Trust.

Prior to the former DoF and former COO leaving the Trust in July and September 2017 respectively, the ED team was comprised of a number of individuals with extensive experience operating at Board level and a strong focus on their respective portfolios. The former COO and former DoF had held a range of Board level positions over several years and were both described as having a strong grip of their respective portfolios. Consistent reference was also made by Board members and staff in relation to the strength of nursing leadership provided by the Chief Nurse, who clearly has a high profile and credibility across the organisation. The Director of Strategy has also held multiple executive level roles over his career, while the Director of People and Organisational Development, who was also on extended sick leave from February to September 2017, has held a number of Board level positions. See appendix 2 where we include a summary of Board composition throughout 2017.

Whilst there are many examples of integrated working across ED portfolios, it has been acknowledged by a range of ED and senior staff interviewees that there has historically been a degree of silo working across executive portfolios and that this dynamic continues to the present day. This approach was described by interviewees as being particularly pronounced in the context of the finance portfolio, where responsibility is said to have sat firmly with the DoF and that other EDs had limited involvement in the detail.

A. Board leadership

A.1 Executive Director leadership

A.1.3 Executive Director focus on financial agenda (continued)

In addition, our observation of the February 2018 TEC meeting indicated that EDs were firmly focused on their individual portfolios with a lack of contribution in relation to the finance agenda. We would have expected higher levels of contribution given the material issues facing the Trust at present. However, we do note periodic attendance at FIC from a number of EDs during 2017, including the Chief Nurse, COO, Director of Strategy and Acting Director of HR.

Interviewees have indicated that, in many ways, the CEO had built a team with strong individuals who were encouraged to focus on their own portfolios. This culture and approach to ED leadership has invariably led to a lower level of awareness amongst EDs in relation to the deteriorating financial position in 2017 and has contributed to a situation where EDs had less visibility over the financial position than we would ordinarily expect.

We acknowledge that ED visibility over the financial position was restricted by the financial transparency issues discussed throughout this report, but the urgency of the financial situation was clearly communicated to EDs and Senior Leaders during the course of August through a combination of TEC, weekly Chief Executive meetings, OMG, FIC and the Top Leaders team briefing. However, we do note that the only EDs present at the 15 August TEC meeting were the MD and DoP&OD, both of whom had just returned from sick leave (although the DoP&OD didn't formally return until September 2018). In addition, there was no ED coverage at the August OMG meetings and only the interim CEO, COO and Acting DoF were at the 31 August FIC meeting (two of whom were serving their last day at the Trust before leaving).

A review of associated terms of reference notes that all EDs are full members of TEC and all but the DoS&I are members of FIC. As such, all such members would be expected to attend. Only the COO, former DoF and Acting DoF were full members of OMG and, as such, other EDs would not be expected to attend. However, whilst this is the case, we note that informal attendance at OMG would be possible, with only the interim CEO choosing to attend throughout the period (in August 2017).

This point raises a question regarding ED coverage of key forums but regardless of this point, in our view, there was sufficient 'noise' during this period regarding the financial situation and non-payment of suppliers to alert EDs to the underlying problem. There were also numerous opportunities to challenge the position in the 6 September Board meeting, the 19 September TEC meeting and the 27 September FIC meeting, where a range of EDs were present.

Similar to our commentary in relation to the CEO in section A.1.2, we have also seen a lack of pace and drive from other EDs in relation to the financial recovery plan. However, we recognise the overall responsibility of the CEO in driving this agenda and also the fact that there had been weaknesses in DoF leadership until the end of December 2017.

Overall, events around the deterioration of the Trust's financial position highlighted a silo approach to managing the Trust finances and a lack of basic understanding amongst other EDs regarding the Trust's underlying financial performance. Even allowing for weaknesses in the transparency of financial reporting there were multiple indications that there was a problem which EDs generally failed to act on. The executive team would benefit from a comprehensive development programme aimed at promoting multi-disciplinary working in relation to the finance agenda specifically, including individual training and coaching, where relevant, in relation to basic financial management,

R2: The Trust should embark on a comprehensive executive team development programme as a priority, with a view to promoting cross-disciplinary working where all EDs assume joint corporate responsibility for delivery of the full Trust agenda, but specifically the financial agenda.

A.1.4 Medical engagement and leadership

There are significant underlying tensions amongst the consultant body which are placing strains on their relationship with the Medical Director and the Board more generally. Addressing these issues will be critical to ensuring medical buy-in and engagement in the context of delivering a financial recovery plan for the Trust. A review of the root causes of these tensions and the required actions to address is beyond the scope of this review but we believe that a detailed review should be commissioned in this area with a view to identifying a longer term solution.

A. Board leadership

A.1 Executive Director leadership

A.1.4 Medical engagement and leadership (continued)

The Medical Director joined the Trust from another NHS provider in January 2015. The MD also had a period of sick leave from December 2016 through to August 2017 and his portfolio was covered by an Associate Medical Director who was Acting Medical Director for the majority of this period.

The Medical Director is described by colleagues as having taken a proactive approach to tackling inappropriate behaviours amongst medical consultants, including promoting more structured job planning and greater transparency in relation to private patient activities. There is strong support amongst fellow Board members for the motives underlying the MD's actions in tackling inappropriate behaviours and an acknowledgement that there is a need for medical practices to modernise at the Trust. However, there is also a view that, at times, the MD's style and approach can be overly robust and that it is not always conducive to bringing the medical workforce with him. This has contributed to some tensions in relationships between consultants and the MD, with an informal vote of no confidence lodged by a group of consultants. The informal vote of no confidence relates to the MD's engagement style as well as other tensions surrounding the financial position of the Trust and a Trust policy in relation to the allocation of staff car parking spaces.

More generally, interviewees and focus groups have indicated low levels of medical engagement across the Trust and pockets where consultants are not working in a multi-disciplinary manner and do not embrace accountability and responsibility for delivery of all aspects of operational activities. There is wide acknowledgement that there needs to be a significant push to modernise ways of working amongst the medical group, including a greater focus on leadership development, to ensure a more proactive and integrated approach to medical leadership. The modernisation of medical leadership will be an important ingredient to support the development of a sustainable strategic and financial plan to facilitate financial turnaround at the organisation.

Taking a definitive view on the root causes of underlying tensions, and the appropriate solutions, is beyond the scope of this review but we have concerns that sentiment amongst the consultant body has reached a level where the MD's position may be unsustainable over the longer term. At the same time, we understand how it would send the wrong message to the medical workforce if the MD's efforts to tackle difficult behaviours were curtailed. In our view, there is a need for a more detailed review of medical leadership and culture before taking definitive action as a Board.

R3: The Board should commission a detailed review of the medical leadership and cultural issues underpinning current tensions amongst the consultant body at the Trust.

A. Board leadership

A.2 Non-Executive leadership and the Board

A.2.1 NED scrutiny of finances

There were a number of extenuating circumstances during August and September 2017 which impacted on the ability of NEDs to effectively provide Board oversight and scrutiny over the deteriorating cash position, including a lack of explicit transparency in reporting from the former interim Acting DoF and changes in key Board personnel. However, NEDs were unequivocally made aware of the extent of the looming cash crisis in an e-mail from the former interim CEO on 17 August 2017. The Board did not respond to this situation in an appropriate manner once the interim CEO left on 31 August 2017. We also have concerns regarding the level of impetus NEDs have provided in relation to delivering a financial recovery plan post October 2017. Accordingly, we are of the view that the Trust would benefit from refreshing the NED group through adding fresh perspectives, including a change to chairmanship of the FIC, and developing existing NEDs.

As outlined in section A.1.2, there were fundamental failings in the transparency of reporting over the months leading-up to October 2017, including a lack of detailed reporting regarding the underlying position, use of contingency reserves, non-cash accounting adjustments, lack of risk analysis and a strong focus on reporting performance against the control total. However, despite these weaknesses in reporting, there were many indicators of a financially challenged organisation over this period including significant over-trading and common knowledge that CCGs were under legal direction; challenges with delivery of QIPP and QCIP; high use of agency to meet operational targets; and regular reference to challenges with cash. While we agree that there was a responsibility on the former interim Acting DoF to explicitly outline these risks in Board reports, in our view, there was also scope for NEDs to have greater levels of alertness in relation to financial risks and to have taken a more inquisitive approach to explore some of the emerging cash flow challenges during August and September 2017.

Specifically, the extent of the cash challenges were made explicit in the e-mail sent to NEDs by the former interim CEO on 17 August 2017. This e-mail was sent to all NEDs, having discussed financial challenges with the Chair, and unequivocally articulates the extent of the financial problems facing the Trust, including reference to the fact that the run rate was £1m per month and slipping, that the Trust had been relying on contingency and non-recurrent means to meet the control total and that there was a risk that the Trust would run out of cash in October 2017. This communication was followed by an extraordinary FIC meeting on 31 August 2017 at which a series of measures were agreed including the tightening of financial controls, development of new savings schemes and increasing the frequency of QCIP review meetings. This meeting was attended by the Trust Chair and the Chair of FIC.

Subsequently, the Board met on 6 September 2017, preceded by a Board workshop/dinner on 5 September, and FIC met on 27 September 2017. Two NEDs were absent from the 6 September 2017 Board meeting, both of whom were also not present at the Extraordinary FIC meeting. The 27 September 2017 FIC meeting was attended by the Chair of FIC and one other NED. The Trust Chair did not attend this meeting and formally left the Trust the same day. As discussed in section B.2, the financial situation received limited Board coverage at the September 2017 Board and FIC meetings and the sense of urgency around the financial position present in August 2017 diminished.

As covered in section A.1.2, we are firmly of the view that the former interim Acting FD did not explicitly set out the extent of the looming financial crisis in these meetings. However, given how stark the warnings were from the former interim CEO in August 2017, we would have expected the precarious financial situation to dominate the agenda in these meetings, but it did not. The low key approach of NEDs in these meetings was no doubt influenced by a number of factors including: the return of the CEO from sick leave; the departure of the former Chair; one NED was new to the Trust; two NEDs missed the September 2017 Board meeting, neither of whom had attended the 31 August 2017 FIC meeting; and only two NEDs were present at the 27 September 2017 FIC meeting. The Board did not meet again until the 25 October 2017 FIC and this meeting was not quorate with the FIC Chair being the only NED in attendance, despite the emerging cash crisis being fully transparent at that point. The full Board did not then meet again until 1 November 2017 and a number of NEDs state that it was at this point that they became fully aware of the cash crisis.

A. Board leadership

A.2 Non-Executive leadership and the Board

A.2.1 NED scrutiny of finances (continued)

Overall, even after making allowances for a number of extenuating circumstances, the Board failed to respond appropriately to the urgent situation that was explicitly flagged to NEDs by the interim CEO in August 2017. In addition, similar to the commentary in sections A.1.1 and A.1.3, we also have concerns over the lack of impetus NEDs have provided in driving the financial recovery plan post October 2017. Accordingly, in our view the NED group would benefit from a refresh in membership, including a change in chairmanship for the FIC, and further NED development

R4: NHSI and the Chair should give due consideration to refreshing the NED cohort with circa two new appointments, to include a new Chair of FIC with commercial finance experience (see A.2.3). There should also be a development programme for existing NEDs

A.2.2 Chair leadership and Board unity

Whilst not a primary factor, Board functionality was likely impacted during this critical period in September 2017 by tensions in relations between the former Chair and CEO. The current Chair appears to be providing strong leadership, often of an executive nature, but this is, in our view, necessary to compensate for current weaknesses in CEO leadership. There is a need for a more structured approach to team building and developing Board cohesion over the longer term.

We have been made aware of tensions between the former Chair and a number of EDs, including the CEO, MD and former COO, which interviewees have indicated as being an issue since at least the autumn of 2016. These tensions are described by interviewees as having been 'managed' prior to the CEO going on sick leave but are said to have taken a marked deterioration during discussions regarding the return to work of the CEO during the summer of 2017. By way of summary, there was a disagreement between the Chair and the CEO regarding the timing and phasing of their return to work. Board members have outlined how this had an adverse impact on Board relationships and functionality during the course of September 2017 as relations had essentially broken-down between the Chair and the CEO. The planned departure of the Chair at the end of September 2017 led to a further unsettled period during the course of October 2017 as the Vice Chair and Chair of FIC was asked to 'act-up' prior to the current Chair taking up post on 1 November 2017.

The current Chair is described as bringing focus and direction to the Board and has managed to build good visibility across the organisation over a fairly short period of time, with clinical staff and members of the finance department highlighting positive engagement with him. The Chair also demonstrated strong grip and clear leadership in the observed Board seminar in February 2018 where he came across as driving the Board agenda, particularly in relation to the financial recovery plan. The approach of the Chair in the current environment, based on our observation, is clearly executive in nature but this approach is calculated and necessary to compensate for weaknesses in the strength of executive leadership as discussed in section A.1. We would not anticipate the approach to continue over the longer term and believe that the Chair has good levels of awareness and recognises the temporary, albeit necessary, nature of the current approach. Interviewees have suggested that there is scope for Board members to spend more informal time together and that this is not currently the approach of the Chair. Our view is that the Chair should build on previous Board development work to include activities aimed at team building across Board members.

R5: The Chair should take active steps to build opportunities into its Board development programme to promote more informal interactions between Board members and to generally support team building across Board members.

A. Board leadership
A.2 Non-Executive leadership and the Board

A.2.3 NED composition and skill set

The NED cohort has a reasonably good blend of experience, skills and tenures. The notable exception is that there is a lack of specific commercial finance experience amongst members and membership of FIC needs to be strengthened.

The NED group consists of a number of experienced individuals who have operated at a senior level in a range of public and private sector organisations including pharmaceuticals, telecommunications and retail.

The cohort comprises individuals with specific experience in compliance, commerce, IT, community affairs, as well as a clinically qualified NED. The Chair of the Audit Committee is a former Finance Director, whilst the Chair of the FIC has experience in regeneration and development. Other members of the FIC have experience in IT and compliance in the pharmaceuticals industry. The former Chair previously sat on FIC and had a background as a medical doctor. The tenure of NEDs is wide ranging, with one NED having been in post for six years and two others joining during the course of 2017, providing a good spread of experience and perspectives. Overall, the NED cohort has a reasonably good balance of experience, skills and tenures. The one notable exception is in relation to the depth and breadth of skills on the FIC, where whilst members have a range of business experience, there is a lack of specific commercial finance experience.

See R4

A.2.4 NED visibility and organisational engagement

NED engagement outside of the Board room is relatively low, with poor levels of visibility reported by staff. NEDs also demonstrated low levels of understanding regarding some of the financial pressures being faced by operational staff across the organisation in terms of QCIP delivery and timely payment of suppliers. This lack of 'soft intelligence' further impacted on the Board's ability to pick-up signals regarding financial pressures across the organisation. There is a basic need to increase Board awareness through activities such as walk arounds, buddying arrangements and staff engagement events.

We have been informed that a number of NEDs have full-time jobs while others have busy Non-Executive portfolios. Whilst conflicting schedules are manageable, our interviews with NEDs indicate that a large percentage of time on Trust business is conducted in the Board room and there is limited opportunity for NEDs to get further into the organisation. This is consistent with staff feedback where they have reported low levels of NED visibility across the organisation. Whilst we observe this feedback in many organisations, the low level of NED visibility is particularly noticeable at the Trust.

Furthermore, it was apparent from interviews that NEDs had limited detailed understanding of the sentiment across the organisation in relation to financial challenges and the ongoing issues in relation to the timely payment of suppliers. We also note limited opportunities for operational leaders to participate in Board and Committee meetings and there is scope for inviting senior leaders along to these meetings on a periodic basis.

We have been informed that NED involvement further into the organisation was not always actively encouraged and that there had been some resistance from the CEO to relation to increasing this engagement. This is described as having also being a source of some tension between the former Chair and the CEO.

We believe the low levels of NED contact outside of the Board room have had a part to play in NED's lack of awareness of 'soft' intelligence from across the organisation in relation to the payment of suppliers as well as the financial pressure on the divisions.

In our view, there are a number of basic activities that could be undertaken to enhance Board member alertness in relation to sentiment across the organisation. Potential activities include walk arounds, buddying with divisions, periodic divisional attendance at committee meetings and other staff engagement events. We understand that activities of this nature have existed at various points in the past although have not been consistently applied.

R6: The Trust should make provision for a range of activities outside of the Board room which will allow NEDs to build greater levels of 'soft intelligence' regarding key challenges being faced at the operational level of the organisation.

Section B – Board governance

B. Board governance
B.1 Financial reporting

We use this section to provide detailed commentary in relation to Board, committee and organisational governance. To do so, parts of this section have been split into three time periods: April 2017 to mid-August 2017; mid-August to mid-October 2017; and mid-October 2017 to present day. The reasoning behind this chronological split is that mid-August represents a critical point in the development of the Trust's financial position, where concerns were raised explicitly by the former interim CEO regarding the looming financial crisis, as set-out in section A, with mid-October 2017 also representing the point at which emergency funding was requested by the Trust due to a severe liquidity problem.

Within each period we provide commentary regarding committee and Board coverage of the financial agenda, alongside broader commentary in relation to risk management and general awareness of financial performance. We note that the GT Review has provided some commentary on how and where financial performance was reported and, as such, we do not replicate this here. Where appropriate, we reference the GT Review findings, linking these to our specific governance findings.

B.1 Financial reporting

B.1.1 Quality of previous financial reporting

We concur with the GT Review conclusion that the quality of financial reporting has been weak from at least April 2017, with too much focus on the I&E control total. We would add that reporting failed to present the underlying trading position and outlook on a normalised basis after adjusting for contingency releases and non-recurrent adjustments. Furthermore, it did not triangulate the various risk factors and present a summary of the overall financial health of the organisation as well as the actions being taken to address financial risks. The absence of monthly rolling cash-flow reporting until September 2017 was a very basic omission. Overall, the low levels of transparency in reporting had a significant role to play in the Board not being fully appraised of the deteriorating cash position for several months prior to October 2017.

Financial performance is reported at various points across the Trust's governance structure, most notably at OMG, TEC, FIC and Trust Board. Although no papers are formally presented at OMG, the reports presented at other forums follow a common format and are largely identical each month, thus ensuring that consistent levels of information are available at each level. Given the range of financial reporting that takes place, there is, theoretically, regular opportunity for senior leaders to consider financial performance and receive escalation from discussions that have taken place at an operational level.

The GT Review provides a range of feedback in relation to financial reporting, notably highlighting:

- Reporting and discussion that is focused on I&E, with limited presentation of historical balance sheet or cash flow statements;
- Cash flow and balance sheet analysis is included only briefly in every finance paper until the more expanded presentation for the October FIC;
- Although the timing of cash flows is described amongst emerging risks, the narrative in the finance section of the papers is brief and does not articulate the full extent and implications;
- Per the minutes, discussion around cash-flow risk appears to be limited; and
- The commentary is brief, formulaic and does not address key trends and emerging risks adequately.

We concur with these findings, noting consistently weak financial reporting to the various forums from April to mid-August 2017 in particular. In addition to the Grant Thornton report, our review of reporting from April to December 2017 highlights a number of further key findings, including:

- Reports did not clearly present the Trust's underlying position and how this differed from the reported I&E position. For example, interviewees referenced the Trust having released contingency reserves and made use of accounting adjustments to support the position. Whilst this is briefly mentioned in reporting from September 2017, the extent of these methods is historically not made explicit, with no reference to the degree to which the reported position is supported by the use of contingency, non-recurrent QCIP or accounting adjustments, thus rendering it difficult to get clear sight of the Trust's underlying financial position;

B. Board governance
B.1 Financial reporting

B.1.1 Quality of previous financial reporting (continued)

- As noted in the Grant Thornton report, cash-flow reporting is brief. We would add that reporting of cash-flow has been weak, with only in-month cash movements presented, with no rolling cash-flow data presented until September 2017. This element of reporting renders the Trust a significant outlier compared to good practice;

- A reliance on information which is largely descriptive in nature, with narrative that places the focus on in-month financial performance and does not seek to triangulate the various performance risks in order to present the overall scale of the financial challenges faced;

- In addition, the financial narrative consistently adopts an initially positive tone to performance, particularly in relation to I&E and the Trust's forecast performance against the control total. Whilst the Trust did remain on track to achieve its control total, the focus on this set the tone for the report and detracted from elements of underlying weakness;

- Information in relation to financial risks is brief and does not adequately establish the nature of these risks. For example, throughout FY18, 'cash impact' is included as an emerging financial risk, though no further information is included to document the detail of this risk, what controls are in place and what mitigating actions are being taken to attempt to reduce the impact of this risk;

- A lack of reporting on performance against the Better Payment Practice Code (BPPC). As highlighted in the Grant Thornton report, BPPC by volume consistently sat below 30% during FY18 (against a target of 95%). Inclusion of performance against this metric would have supported the triangulation of broader financial information, such as linking the challenges caused by delayed receipt of over-performance funding from commissioners, divisional over-spend and the on-going impact that these matters have on cash-flow; and

- Where performance challenges are referenced, the reports include only limited reference to agreed actions being progressed and any actions are not tracked in the report month-to-month.

We note that the Board receives an abridged version of the core finance report at each public session. The Board report is generally consistent with that received at TEC and FIC, with a lack of detailed analysis or narrative presented. Whilst committee reporting does reference in month cash position, this is not reported at Board level throughout the April to mid-August period and there is also no reference to BPPC performance.

Although the format of reporting remained largely consistent from April through to present day, we do note the addition of certain elements, mainly during August and September 2017, which highlighted the extent of the underlying financial challenges being experienced. For example, our review noted the following key reporting messages:

- Clear explanation of the potential extent of the financial challenge being faced, with reference made to a worst case I&E scenario of a £24m deficit (TEC, August 2017);

- Reporting made references to the current position having been supported by release of reserves and accounting adjustments, but that the Trust had now exhausted these options (TEC, August and September 2017);

- Increasing clarity on the challenges being faced by commissioners and the impact of system affordability on likely receipt of over-performance income (TEC, August 2017);

- Regular reference to a need for tighter financial controls and for divisions to quickly develop financial recovery plans (TEC and FIC, throughout the period from mid-August 2017); and

- The addition of cash-flow forecasts to financial reporting in September 2017, the September report highlighting that the Trust was likely to run out of cash in-month and that this would further deteriorate over the coming months if not addressed. Building on this, the TEC and FIC finance report from October 2017 included, in bold text, the statement that cash was a key risk and that the Trust was currently paying only 9% of supplier invoices within 30 days.

B.2 Board and Committee coverage of finance agenda

B.2.1 April 2017 to mid-August 2017

Financial challenges were regularly discussed at OMG from April to August 2017, particularly in relation to challenges with QCIP and non-payment to suppliers. The escalation process from OMG to TEC was ineffective due to a combination of issues, including: insufficient ED representation at OMG (see Appendix 3); insufficient senior finance representation at OMG and TEC; minutes not being adequately scrutinised by TEC; and lack of overlap in membership between OMG and TEC. The COO was the only common attendee and even then only attended 50% of OMG and TEC meetings during this period. Furthermore, finance received insufficient focus at TEC, was too late in the agenda and red flags were not scrutinised in any detail. Finance coverage at FIC and Board was impacted by a lack of escalation from TEC and discussions were too high-level and lacked detailed scrutiny. However, we note examples where key issues were presented, with little subsequent discussion or debate. The Chair should also review the appropriateness of Board timing and frequency in the context of the current financial challenges.

B.2.1.1 Operational Management Group (OMG)

OMG sits below TEC within the operational arm of the Trust's governance structure. The purpose of this forum is provide opportunity for detailed operational discussion across a range of performance domains, such as: finance, operational performance and workforce. Membership of OMG is comprised of divisional nurses, divisional managers, members of the finance team and other senior leaders. From an ED perspective, required members throughout this period included the COO, DoF and Acting DoF.

As noted in the GT Review, OMG meetings regularly included reference to challenging financial performance, with concerns raised over delayed payment to suppliers and the potential impact on services. We concur with the findings of the GT Review in this area, noting our further, governance-related findings below.

Whilst no formal financial papers are prepared for OMG meetings, our review of the associated minutes finds the presentation from finance representatives (typically the Deputy Head of Financial Management) to be clear, with the severity of financial performance clear in the subsequent discussion. For example, at the meeting of 4 July 2017, reference is made to 'a meeting regarding the cash crisis and which invoices to pay'. Whilst these messages are occasionally caveated by assurance provided that action is being taken, the regularity of these discussions makes the financial performance challenges clear. The findings from our desktop review align with interviewee feedback. The majority of OMG attendees interviewed recalled clear discussion of cash-flow and supplier payment issues, particularly during the summer of 2017, but as early as February 2017.

OMG minutes and interviewee feedback also reference the finance function's response to supplier issues raised, with these often dealt with on a 'just in time' basis from meeting-to-meeting. By June 2017, this matter had been escalated to TEC and we note that a working group had been established in order to approve purchase orders and ensure that correct invoices are being paid, with regular discussions held between operational leaders and the financial controller.

Although there is regular consideration of financial performance at OMG throughout the April to mid-August 2017 period, Executive and senior finance (including the DoF, Acting DoF and Associate Director of Finance) attendance is inconsistent. The minutes highlight that there were no Executive Directors present at five out of seven meetings, including the COO who was the Chair of this forum. Furthermore, whilst both the former Acting CEO and former interim Acting DoF were included as members, neither attended an OMG meeting throughout this period. From senior finance, we note that the Associate Directors of Finance attended no meetings during the April to mid-August period, with senior finance representation coming from the Deputy Head of Financial Management, who attended four of the five required meetings throughout this period (the Deputy Head of Financial Management began attending from 20 June 2017).

B. Board governance

B.2 Board and Committee coverage of the finance agenda

B.2.1.2 Trust Executive Committee (TEC)

TEC represents the Trust's 'management Board' and is the most senior operational forum within the Trust's governance structure. The purpose of this committee is to oversee the delivery of the Trust's strategy (as set by the Board); and to oversee the quality, operational and financial management of the Trust. All EDs are listed as full members of TEC, as are the Divisional Directors. Neither Divisional Nurses nor Divisional Managers are listed as members of this forum.

TEC receives the core finance report on a monthly basis and, in addition, the Trust's governance structure establishes OMG as formally reporting into TEC and minutes from OMG are presented at each TEC meeting. However, despite this escalation structure, OMG minutes receive little attention at TEC and are simply noted by the committee.

In addition to a lack of detailed minute-review or discussion, the inconsistent Executive attendance at OMG means there were very few regular ED attendees who were also members of TEC. Consequently, the opportunity for OMG attendees to raise concerns face-to-face at TEC was restricted. Similarly, whilst Divisional Managers and Divisional Lead Nurses were regularly in attendance at OMG, we note a lack of attendance from Divisional Directors, who are the Divisional representatives on TEC. The lack of escalation is supported by interviewee feedback, with a number of TEC members commenting that they do not recall financial performance concerns being escalated from OMG. Overall, the COO was the only person with periodic attendance at both OMG and TEC but even then attendance was low, with the COO attending only 50% of meetings across both TEC and OMG from April to August 2017.

Whilst a review of TEC papers and minutes finds that financial performance is consistently reviewed at each session, the quality of this coverage lacks depth and generally focuses on high-level financial performance metrics. Furthermore, based on reviewed agendas, financial performance is regularly taken towards the end of a heavy agenda, thus presenting a risk that sufficient time is not available to consider any financial risks.

The presentation of financial performance and the subsequent discussion recorded in TEC minutes are brief and, as with other forums, tend to focus on year-to-date I&E and monitoring against year-end control total achievement. Whilst we have noted consistently weak reporting, certain basic information is included and presented that could have sparked further debate. For example, at the June 2017 meeting, the Trust's cash balance is reported as hitting c.£200k, with the former interim Acting DoF flagging cash-flow concerns and recent instances of delayed supplier payment. However, the meeting minutes note no subsequent discussion about these matters, with consistently limited contribution to the finance section from other Executives or senior leaders.

Given the extent of the challenges being faced, the presentation and discussion at this forum does not reflect the severity of the situation and there is little attempt made to get assurance over matters such as 51% over-spend across the divisions (June 2017). As TEC is a senior operational forum, common practice would suggest that it would represent a more-detailed and action-focused forum. However, this is not the case, with minimal extraction of actions and a range of similar, high-level discussions taking place from month-to-month.

B.2.1.3 Finance and Investment Committee (FIC)

The Trust's Finance and Investment Committee is the core assurance forum for finance, with this providing NEDs with the first opportunity to scrutinise recent financial performance. As noted in the GT Review, NED membership of this committee does not include a qualified accountant, though NED members do bring a range of commercial experience.

Within this section, we focus on the quality of recorded discussion in committee minutes. From a review of FIC minutes in this period, we note the following key findings:

- Presentation of the finance report and subsequent discussions are brief, with debate following the reporting style and placing primary focus on I&E and the likely achievement of the year-end control total. Beyond consideration of I&E, the minutes record little impactful debate, with queries focusing on matters of detail, such as agency expenditure and reference costs. Whilst these are important topics for the committee to consider, the minutes record very limited consideration of broader financial performance and any risks to the underlying position. Furthermore, there is generally a positive slant to the on-going forecast achievement of the year-end control total;

B. Board governance

B.2 Board and Committee coverage of the finance agenda

B.2.1.3 Finance and Investment Committee (FIC) (continued)

- The minutes also note minimal contribution from NEDs. For example, during the June 2017 meeting, information is presented that references the challenges presented by contract over-performance and the potential impact on cash. However, this matter is not picked up in subsequent discussions and there is no attempt made to understand the likely impact of these risks and what is being done to mitigate them. Furthermore, where there is limited evidence of progress being made or actions being developed, the minutes do not demonstrate sufficient holding to account from NEDs or from EDs to operational leadership teams; and

- There is very little discussion in relation to cash-flow, underlying run-rate and supplier payment issues, despite these matters being flagged at OMG and, briefly, at TEC. As noted in Section B.1.1, cash-reporting focuses on the in-month position and this does not change until monthly cash-flow forecasts and underlying run-rate reporting are requested by the interim CEO at the FIC meeting of 1 August 2017.

B.2.1.4 Trust Board

The Trust Board meets, publicly, on a bi-monthly basis, with a finance report presented at each session. In the intervening months, we are aware that the Trust holds private Board sessions, with financial updates provided at a number of these throughout FY18.

The GT Review includes a number of specific findings in relation to the coverage of financial performance at Board, notably:

- Risks around the commissioners' ability to pay for over-performance are included in the papers from May 2017. However, the impact on cash is only discussed at Board meetings from September 2017 onwards and from August 2017 more broadly across the Trust; and

- Neither the BAF nor the corporate risk register address a specific risk around cash flow until October 2017.

Our review of previous Board papers notes the following additional findings:

- Financial discussion follows the format of reporting in that it is brief and undertaken at a high-level. Presentation at these meetings provides minimal further context. The approach is one of 'information sharing' and does little to guide further questioning from NEDs; and

- We note isolated examples of NED contributions on finance and, when these contributions are made, they make little impact and there is minimal follow-up to the Executive response. For example, at the July 2017 Board meeting, the minutes note the following: "In response to a query raised by Mr Eric Sorensen, Non-Executive Director regarding the Trust's activity rates appearing high and losing money as a result, Mr Collins confirmed that the Trust was running in balance but anticipated marginal increases once a more steady state had been achieved". Although positive, the Executive response to this query does not provide much evidence to support this assurance, though this brought discussions to a close and there is no follow-up or scrutiny from NEDs to probe this matter further.

The timing of Board meetings during the month also limits the timeliness of the Board's contribution. We note that Board meetings are held early each month, though too early for the latest monthly figures to be available for review. As such, the Board receives the prior month's information around five weeks after that financial period has closed. This limits the impact the Board can have on progress being made, as any notable variances will require action earlier in-month if the organisation is to see signs of improvement in the subsequent periods. The Board should consider whether monthly public meetings would allow for the more-timely consideration of performance and whether it would be appropriate to adjust reporting timelines to bring forward Board meetings and reduce reporting lag.

R7: The Trust should conduct a comprehensive review of the relationship between OMG and TEC to include clarity over objectives, membership, escalation policy and respective responsibilities for overseeing the finance agenda.

R8: The Chair should consider the need for revising the timing of Board meetings to reduce the five week period between financial month end and the Board meeting. This should also consider the need to have monthly Board meetings.

B.2.2 Mid-August to mid-October 2017

A series of events during August 2017, led by the interim CEO, made sure that the extent of the financial challenges facing the Trust were made explicit to OMG, TEC, FIC and Top Leaders across the organisation. The messages were unequivocal and over 170 people within the Trust were made aware of the severe financial challenges. These messages continued into September 2017 and were raised again at Board, OMG, TEC, FIC and the Top Leaders briefing. However, the sense of urgency was lost during the period, not helped by the positive slant being placed on the Trust's ability to deliver the control total by the interim Acting DoF. The level of scrutiny placed on financial issues by the Board, FIC and TEC and the pace of response to tackle the issues was not commensurate with the severity of the situation.

This time period is significant to the understanding of how the Trust's financial challenges emerged, both through formal governance routes and more-informal communications. We break this section down across the key forums, in order to document the quality of financial discussions that took place throughout this critical period.

B.2.2.1 Operational Management Group (OMG)

OMG met four times from mid-August to mid-October, with discussions including regular coverage of financial performance and risks. Whilst our commentary above referenced a lack of OMG-to-TEC escalation, the OMG meeting on 15 August does include feedback from TEC, with this clarifying that *"the message from TEC was not good regarding our finances and this must be brought into line".* The minutes of this meeting also express a degree of confusion from operational leaders, with certain members commenting on the differing messages between the TEC and recent team brief presentations, with the latter not expressing any major concerns regarding the Trust's financial position.

Furthermore, although referencing that the Trust remains on plan at month 4, the core financial presentation at OMG on 15 August states that "the underlying run-rate deteriorated in July and is running significantly higher than the rate required to achieve the control total". The year-to-date achievement of I&E targets is also explained, with reference made to the position having been underpinned by the use of reserves and non-recurrent benefits, but that these options have now been exhausted. By way of conclusion, the discussions reference an underlying deficit of c.£24m, with the presentation stressing the need to achieve QCIP and tighten expenditure.

This style of presentation and discussion continues through this period, with regular reference made to the challenging underlying position and increasing risk in the cash-flow position. As such, we find discussions at OMG to be relatively open about the challenges being faced by the Trust and would expect those in attendance to be aware of these issues. This is corroborated by our interview findings, with the OMG members interviewed demonstrating a greater degree of awareness than those at other key meetings.

However, whilst financial presentations at OMG from mid-August to mid-October displayed a degree of openness regarding financial performance, the associated discussions continued to focus on the nature of the problem, rather than on tangible actions being undertaken to mitigate the on-going deterioration. For example, there are regular references made to a need for improved delivery of QCIPs and, whilst checkpoint meetings are introduced, there is no reference to specific divisional actions being undertaken to improve delivery. In addition, at the session of 28 September, the minutes record detailed discussion regarding over-performance payment by the CCG, with focus placed on this broader issue rather than on the continued lack of divisional delivery in relation to QCIP and reducing agency expenditure.

B.2.2.2 Trust Executive Committee (TEC)

Finance reports and associated minutes from August and September acknowledged the challenges being faced but also referenced the Trust being on-track to achieve the year-end I&E target and that there were signs of improvement in place. In our view, this positive slant to reporting continued to detract from the severity of the message and a number of interviewees referenced a sense of assurance that concerns were being addressed.

B. Board governance

B.2 Board and Committee coverage of the finance agenda

B.2.2.2 Trust Executive Committee (TEC) (continued)

Whilst these elements of reporting now point to clear concerns in the Trust's financial performance, we note a lack of detailed, impactful discussion at TEC with regards to these key messages. For example, there is little reference made to what actions were being developed to address these issues. The minutes highlight an approach that stressed the importance of improving controls (such as those in relation to agency expenditure/usage), but did not go further to determine what these controls might be or how they might be implemented or monitored.

Although the severity of the matter was clear at the August and September 2017 meetings, the minutes do not highlight any sense of urgency. The cash flow analysis included in the September papers points to a cash flow deficit for that month, and subsequent months, which are offset by treasury management. This area did not receive any focus or challenge in the meeting.

B.2.2.3 Finance and Investment Committee (FIC)

Within this section, we assess the critical, Emergency FIC meeting called on 31 August 2017 and the standard FIC meeting held in September 2017. The regularity of these meetings presented NEDs with a number of opportunities to scrutinise financial performance and seek assurance that any challenges were being addressed.

Emergency FIC, 31 August 2017

Following finalisation of month 4 financial performance, the underlying deterioration sparked a series of events that included an emergency FIC meeting on 31 August. Below, we summarise the nature of discussions at this session, in order to understand whether the criticality of underlying financial performance was made clear or considered. Please also see section B.2.2.5, below, for further reference to other key events from this period.

Reporting at this session included commentary regarding the severity of the financial issues being faced, with this highlighted during contribution from by the interim CEO, who made clear reference to the step-change deterioration that had taken place in the underlying run-rate. Furthermore, the papers presented at this forum contain clear reference to the possibility of the Trust running out of cash in October 2017 if urgent, corrective action was not taken.

The minutes from this meeting note a range of discussions or comments being made, such as those in relation to: the key drivers behind financial performance, including poor recruitment and retention and ED and divisional QCIP delivery; a need to resume previous 'grip' with divisions, particularly in relation to agency spend; the lack of contingency reserves available; and the criticality of achieving key planning assumptions, such as the delivery of £26m QCIP, £10m service developments and £10.7m QIPP.

However, the minuted discussions focus on the nature of the problem and broad areas where attention is required. There is little reference made in the papers or minutes to actions being developed to address these issues. Whilst information is shared regarding the financial deterioration and the potential impact on cash, there is a lack of follow-up and the minutes simply conclude by noting that 'the Committee Chair requested assurance that the highest impact actions would reduce costs and be delivered to ensure we reached the control total'. The associated papers or minutes do not adequately provide this assurance, yet there are no further questions on this matter.

FIC, 27 September 2017

As noted in Section B.1.1, the subsequent meeting of FIC included a small number of reporting changes, the most notable of which was the inclusion of monthly cash-flow forecasting. This information made it clear that, without further action, the Trust was likely to run out of cash in September or October 2017.

However, despite this information being included, the over-arching, opening messaging at this meeting emphasised the continued forecast achievement of the year-end I&E target. Whilst the presentation does clarify that this forecast is based on significant use of contingency reserves and adjustments in the year-to-date, this is not followed up and is caveated by reference to work being undertaken to stay on plan.

B. Board governance
B.2 Board and Committee coverage of the finance agenda

B.2.2.3 Finance and Investment Committee (FIC) (continued)

Within the associated minutes, we note an Executive query concerning the level of balance sheet and cash-flow risk. The response to this query from the Acting DoF does not draw out the potential for the Trust to run-out of cash in the coming months, providing a degree of assurance that the concerns are being managed. This matter is not followed-up by members of the committee and there is seemingly no triangulation of this query with the risks presented in the cash-flow reporting.

The minutes provide little sense of urgency or pace, with the CEO referencing that plans take time to deliver. In addition, the CEO stresses the need to achieve the control total in order to achieve STF funding. Whilst this may be the case, this style of messaging glosses over the short-term performance issues and the severity of cash-flow concerns. We would expect to note a significant degree of short-term urgency, with the committee discussing actions being developed by management and whether they provide assurance that the position could be recovered. The minutes do not evidence this taking place and the comments from the CEO suggest that this was not an area of focus.

B.2.2.4 Trust Board

As at previous meetings, the Trust Board received an abridged finance report during this period. As noted above, the Board holds public sessions on a bi-monthly basis and did not meet during August 2017. As such, our findings below relate to the discussion that took place prior to and during the Board meeting of 6 September 2017.

The September 2017 meeting did provide a degree of insight regarding the deteriorating financial position, particularly in relation to the underlying run-rate. However, given the timing of this meeting, the Board were still reviewing month 4 data. The public finance report also made reference to the Interim CEO having *"raised the deteriorating position with the Directors as a clear corporate risk and [that] a Non-Executive Directors meeting has also been scheduled to review the position and consider additional mitigations if necessary"*. The report also made reference to over-arching cash-flow concerns, noting the *"trading risk due to: payment disparity between payroll / creditor 30 day best practice standards and commissioner contract milestones which can delay over-performance settlement by [up] to 90 days; and phasing due to quarterly release of PFI payment"*. These particular comments were supported by reference to a range of actions being developed, including: weekly Finance and Workforce Check Point meetings; the establishment of a Vacancy Control and Resource group; QCIP deep dive reviews; finance-focused performance meetings led by the COO; and strengthening controls in relation to agency spend.

Furthermore, the Board received an additional paper during the private session in relation to Financial Controls and Recovery Plans. This paper made clear reference to the use of 'one off' adjustments to achieve the current position and remain on plan for year-end. The condition of the underlying run-rate was also made clear at this session, though links to delayed supplier payments and cash-flow were not made explicit. This information also provided further detail on actions highlighted within the public session.

Given the above, although not starkly reported, the September 2017 Board papers did provide members with the opportunity to triangulate information and seek assurance over the actions being take to limit the impact on underlying financial security.

Despite this, the severity of the financial position does not align with the minuted discussion. For example, the minutes include reference to the Board being 're-assured' regarding the plans being developed by Executives, though there is a lack of detailed information provided in the public papers to reach this conclusion. We note no discussion in relation to the core finance report and it is surprising that there was no NED contribution following the significance of the information presented. The same is the case during the private session and, whilst the need for additional controls is referenced, with the Acting DoF expressing confidence that the Trust would be able to bring the trajectory back in line, the minutes record no follow-up questions from Executives or NEDs to understand the basis for this confidence.

By way of further context, we understand that, prior to the Board meeting in September 2017, a Board dinner was held in central London. In addition to this coinciding with the substantive CEO's return to the organisation from sick leave, we are aware that a summarised version of the team brief information was presented at this informal session for further discussion.

B.2.2.4 Trust Board (continued)

As at previous meetings, the Trust Board received an abridged finance report. The presentation condensed elements of the team brief, though the significance of the information remains clear, with explicit reference to the urgent need for increased grip. The paper focuses on the range of actions and mitigations that could be progressed. However, the alarmist messaging of the NED email and team brief information is somewhat diluted in this format. For example, the Board dinner version does not include reference to the risk that the Trust will run out of cash if action is not taken. Despite this, it is our view that the messaging in this presentation remains clear as to the severity of the Trust's financial position and, as such, it is surprising to note minimal discussion on this matter during the Public and Private sessions of the Board meeting on 6 September.

Overall, the core financial reporting and discussion present a limited sense of urgency. It appears that the Board took a degree of assurance from the fact that reports continued to reference the organisation being on-track to achieve the year-end control total. This assertion is supported by our interview feedback, with a number of Board members commenting on the sense of assurance that was taken from historic achievement on I&E control totals, 'clean' external audit reports and the continued forecast achievement for 2017/18.

B.2.2.5 Other key events

17 August – Interim CEO email to Non-Executive Directors

Following the production of month 4 figures, we understand that senior members of the finance team expressed acute concerns to the interim CEO regarding the deteriorating, underlying financial position. The information provided was dealt with appropriately by the interim CEO, with the response including discussions with the former Chair and a formal email to all NEDs to explain the position. We have reviewed a copy of this email as part of this review and include it fully below, in order to demonstrate the clarity of the messaging.

E-MAIL 1 – FROM CHRIS BOWN, INTERIM CEO, TO NEDs

On Thu, 17 Aug 2017, 13:19

Dear colleagues,

Maureen has asked that I provide you with an update on the current financial results for Month 4. I am afraid the situation has worsened significantly and whilst we are still reporting a small surplus in month four (£0.4m) with year to date still at £800k deficit, this has only been possible through the application of reserves and non-recurrent opportunities. If we continue on this trajectory we will have committed our full reserves, including contingencies – we have 'sold all the silver' and can no longer compensate for the underlying deficit which has been running at approximately £1m per month. Month four however shows that this position worsened by some £1.7m meaning we are spending £2.7m (gross) more than we are earning. This underlying position is of significant concern, including cash that could run out in October if we fail to deliver QCIP and continue with the current spending pattern unabated and therefore this needs to be recorded as a clear corporate risk.

In broad terms the reason for this deterioration is the failure to deliver QIPP, failure to deliver QCIP in July as planned and an increased (step change) in spending. If we carry on in this way the likely worse case i.e. if we do not deliver any more QCIP or QIPP would be a year end position of around £25m deficit. If I were pushed into stating a possible most likely case based on what I have seen and know to date it is that we could easily be in deficit by £9/£10m by year end, excluding any increased costs over winter, or contract notices from the CCG. We are currently assuming that over performance will be paid for by Commissioners who we know have no money and are already under legal direction – another high risk assumption. [continued overleaf]

B. Board governance
B.2 Board and Committee coverage of the finance agenda

B.2.5 Other key events (continued)

[continues from previous page] As a consequence, I have given some clear messages to the Trust Executive Committee, many of whom were shocked as they had not realised the underlying run rate.   As a consequence we agreed a number of more rigorous financial controls that we will put in place urgently - typical to a financial turnaround situation; I will be reviewing all the QCIP plans with the teams and increasing the frequency of the QCIP performance meetings from monthly to weekly.   The Executive team will also be considering further opportunities for cost reduction.   I suggest we will be faced with some very difficult decisions going forward.

It is important to be clear that it is not too late to turn things around, but will require strong leadership from Matthew and the team on return.   I will ensure that we strengthen our financial management and put in place what is required to turn things around.   What I want to avoid is us being placed in financial "special measures" later in the financial year because we are seen to be out of control.   We certainly can't trade our way out of this, or rely on technical accounting.

The biggest risk is the delivery of QCIP (currently standing at a gross value of £29m with £26m being played into the Trust forecast).   The July performance puts serious doubts on whether the trajectory will be delivered and to that end I will ensure a refreshed focus, as my level of confidence in the current programme is low.   I have asked the management teams to re-risk rate the programmes on a set of new more robust risk criteria.

I have agreed with Eric that a Finance Committee deep dive session will be organised (31 August 9.30am) to understand in more detail the reasons for the deterioration and what we are planning to do to mitigate.   It will be minuted to demonstrate good governance.

One of the key messages is that achieving financial recovery is completely aligned to the VM programme and improving quality, but there is a clear need for grip and urgency.

Regards,
Chris Bown
Interim Chief Executive

The detail of the email is very clear on the severity of the Trust's financial position, including reference to how reserves and adjustments have been used to support the current position and year-end forecast. This message is reinforced by reference to the Trust having 'sold all the silver'. Reasons for this underlying weakness are noted and the email stresses the need for more-rigorous controls and that, without these, the Trust could run out of cash by October 2017. In our view, it is difficult to see how this email could not have prompted further action from NEDs.

Throughout our review, we have discussed this email and its contents with the Trust's NEDs. Whilst the majority clearly remembered the email and its nature, NEDs did not reference having taken any sense of urgency from this message. Interviewees referenced having taken a degree of assurance from the commentary that it was not too late to turn the position round. Furthermore, we understand that a degree of assurance was taken from the fact that, in previous years, emerging deficits at the divisional level had been recovered for year-end reporting, with a perception that finance would be able to turn the position around. This interview feedback triangulates with our above documentation review and partially explains why the minutes record minimal contribution from NEDs during this period. In our view, whilst we have noted significant scope for improved reporting, it is unclear why NEDs did not follow-up on this email or appear to triangulate these stark messages with some of the information that was included in core finance reports.

23 and 30 August – Interim CEO email to senior leaders and Team Brief presentation

Further to the NED email, we have been provided with copies of an email sent by the interim CEO to senior leaders (23 August) and details of the presentation subsequently made to the same group (30 August). Again, we have included this, in full, below, in order to demonstrate the clarity of messaging.

B.2.5 Other key events (continued)

Thus:

E-MAIL 2 - FROM CHRIS BOWN, INTERIM CEO TO TOP LEADERS ON 23 AUGUST 2017

Dear all,

You may well have heard from colleagues that last week at the Trust Executive Committee and the Operational Management Group, we had some frank discussions about the very challenging financial circumstances which we are facing.

I don't want you to be alarmed, but neither do I want to avoid the difficult truth, which is that unless we can take significant and widespread action, across the Trust, there is a genuine risk to our financial viability, which our regulators will look at extremely closely.

We can turn this around. The situation we are in is not that different to other Trusts up and down the country. However, we are all in this together, and we need the collective effort of everyone to provide the answers to the questions in front of us.

*With that in mind, we will be holding a Financial & Operational Solutions session at Queen's next week for senior leaders in our Trust (our usual Team Brief audience) - at **11am on Wednesday 30th August**.*

I would like to host one session for everyone, so we are using Queen's for reasons of space. I would very much appreciate and value the input of colleagues from King George, so please attend.

The purpose of this session will be so that we can discuss the position together, and together, come up with some appropriate and workable actions to ensure that we take the right steps in the coming weeks and months.

I want you to consider this a top priority please.

Usual Team Brief rules apply - if you are in receipt of this email, you will be expected to be at the session. If not, you will be expected to send a deputy in your place. An invite will follow from me separately.

I would like you please to come to these sessions forearmed with thoughts and suggestions about what we can do, and how we can do it. I would like for this time to allow some practical and sensible conversations, so that by the end, we can have some clear ideas about what we are going to do, which we can all sign up to and be clear on.

Best wishes,
Chris Bown
Interim Chief Executive

Whilst the purpose of the email is to invite senior leaders to the subsequent briefing, it includes clear reference to the severity of the financial position. Notably, the Interim CEO states, that: "I don't want you to be alarmed, but neither do I want to avoid the difficult truth, which is that unless we can take significant and widespread action, across the Trust, there is a genuine risk to our financial viability, which our regulators will look at extremely closely". As per the email to NEDs a week earlier, this messaging does not seek to mask the extent of the emerging financial problems.

The detail within the presentation of 31 August is consistent with the email. Similar to the NED email, the team brief makes it clear that the Trust will run out of cash if action is not taken. The sense of urgency is clear, with a range of potential actions and mitigations listed for senior leaders to take forward. The nature of this presentation is supported by the views of interviewees who attended this session, with all interviewees referencing this team brief as a key turning point in the wider awareness of this issue. However, whilst certain Board members referenced this coming as a surprise, a significant number of senior leaders fed back that this matter had been clear for a number of months, particularly through forums such as OMG. This recollection is supported by our review of OMG minutes, above, with regular reference made to financial and supplier payment challenges during the spring and summer of 2017.

B. Board governance

B.3 Board approach to financial recovery

B.3 Board approach to financial recovery

We note a series of activities in January and February 2018 aimed at developing a financial recovery plan and improving the quality of Board reporting. This is partly aided by the appointment of the interim DoF and an NHSI Improvement Director. However, the Trust made little progress in the four months up to January 2018 in developing sustainable plans to address the fundamental financial problems at the Trust. The primary focus across various management and Board forums was on articulating the issues rather than how the Trust was going to tackle the problems. This period in our view has further highlighted gaps in the grip and pace of the Board in providing leadership over the financial position.

B.3.1 Focus on financial recovery

A review of minutes from OMG, TEC, FIC and the Trust Board from October through to December 2017 indicates minimal reference to specific action being taken to address the underlying financial problem, other than in reference to loan arrangements with NHSI. Similar to reports over this period, minutes of these meetings regularly comment on a need for tighter grip on expenditure, though there is limited follow-up to determine how this will happen. Divisional recovery plans, developed in September 2017, also received limited attention up until December 2017. The first notable reference to financial recovery plans, particularly those at a divisional level, was at the OMG meeting on 19 December. Even at this stage, whilst referencing a need for these plans, the minutes do not provide a sense of urgency. The discussion focuses on the approach to be taken with recovery and, specifically, whether divisions should develop fresh plans or refresh existing plans from earlier in the year.

It is surprising that financial recovery plans did not form a central part of agendas across OMG, TEC, FIC or at the Trust Board during this period. Whilst we are aware that weekly checkpoint meetings were introduced between finance and divisional leadership teams, we are not aware of any detailed presentations and discussions at the Trust’s key operational and assurance meetings regarding the progress being made to develop and implement these plans. Furthermore, at FIC and the Trust Board in this period, there is a lack of contribution from NEDs and limited attempts to seek assurance that the Trust is appropriately responding to the financial concerns.

The messaging via team brief is relatively clear during this period, with regular reference to the cash-flow risk being faced and the continued under-delivery of QCIP schemes. However, with regards to recovery plans, despite a degree of clarity in the messaging regular reference is made to a need for greater organisational grip, there is little associated reference to actions or plans being implemented.

Interviewees have acknowledged that there were a number of competing priorities during this period including a focus on winter pressures and issues with medical consultants discussed in A.1.4. Despite this, we understand the CEO delegated Executive ownership of recovery plan development to the Acting DoF and interim COO, demonstrating the potential for Executives to drive the recovery agenda. However, we note limited progress made from the period from mid-October to December 2017. Furthermore, whilst day-to-day leadership of the recovery agenda may have been delegated by the CEO, we would expect the CEO to retain overall ownership for this matter, particularly given the significant of financial recovery for the whole organisation. The minutes and papers reviewed above do not give a consistent indication that this agenda was appropriately led by either the delegated Executives or the CEO.

We are aware of a number of issues surrounding the finance department during this time and a view that the Trust should await the outcome of the GT Review to support the recovery plan. In our view, there was scope for a more proactive approach during this period despite the competing pressures and the lack of response highlighted some weaknesses in Board and executive team leadership which we discussed further in section A. These findings are supported by interviewee feedback, with a number of Board members and senior leaders referencing a lack of impetus throughout this critical period and a sense that financial recovery discussions went quiet after an initial focus in August and September 2017.

Following the appointment of an interim DoF and an NHSI Improvement Director in January 2018, the Trust appears to be building momentum in relation to the financial recovery plan with a number of actions including the appointment of an internal team of advisors to support the turnaround effort.

B. Board governance

B.3 Board approach to financial recovery

B.3.2 Financial reporting changes

Throughout October, November and December 2017 the core finance report remained consistent with limited changes. Whilst certain elements were added, such as forecast cash-flow figures, the over-arching quality of reporting was in line with the findings noted above. In addition to the core report, we note further papers produced for TEC, FIC and the Trust Board, with the focus of these papers very much on clarifying the extent of the cash-flow concerns and underlying financial position.

From January 2018, the Trust introduced an updated format of financial reporting. Overall, this report is an improvement on the previous format, with clearer messaging on the underlying financial position. As part of this process, we have reviewed the finance report presented to FIC in January 2018, noting the following areas of improved practice:

- Messaging within the report is reflective of the underlying position and does not begin with positive messaging or re-assurance;
- The report now includes a clearer up-front narrative summary to highlight key messages and performance risks; and
- The summary narrative is supported by a number of detailed appendices, which include: summary financial KPIs; explicit reference to BPPC performance; RAG rated financial risks; balance sheet analysis with commentary; weekly cash-flow forecasts to year-end; supporting detail across balance sheet and I&E areas; and links to operational activity.

We acknowledge that this report has only recently been refreshed and utilised and, as such, remains a work-in-progress. However, from our review, we highlight a number of areas where there is scope for development, notably:

- Whilst reference is made to the cause and actions in relation to cash-flow performance, this is not consistently rolled out across other areas of the report;
- The report continues to provide very high-level QCIP information, with limited reference to what actions are being progressed to close the gap;
- There is a need for greater analysis at the divisional level, to show the drivers of the deficit run-rate and clearly identify which specific areas are in need of greater grip. In its current format, the divisional information is buried away at the back of the appendices; and
- Although it is positive that reference cost information is included, the report does little with this information and it is unclear how this information is being used where services do not benchmark favourably.

B.4 Risk management

Whilst there has historically been coverage of key operational risks at TEC meetings, there has not been a structured approach to risk management at the Board or its key committees. This led to a situation where key financial risks were not appropriately considered by FIC and the Board until September 2017. The lack of a systematic approach to considering financial risks at Board and FIC during this period invariably contributed to the general lack of awareness of the Board regarding the developing situation.

In addition to consideration of key financial reporting and related discussion, we have reviewed the Trust's use of risk registers across TEC, FIC and Trust Board from April 2017 to present day. The purpose of this has been to determine the extent to which formal risk management processes were used to monitor the emerging cash and financial performance risks.

B.4.1 Trust Executive Committee (TEC)

TEC meetings regularly include a review of high-scoring operational risks, with this taking place at the majority of sessions during this period. We note early recognition of contract income risks at the meeting in June 2017, with the following risks added:

- Risk relating to achieve budgetary control 17/18 (rated as 25)
- Risk related to the failure to achieve the contracted income for 17/18 (25)
- Risk of financial overspend against budget in 17/18 due to known cost pressures and inability to identify sufficient QCIP (20)

B.4.1 Trust Executive Committee (TEC) (continued)

These risks are then monitored at subsequent TEC meetings, with further finance-related risks added to the register in September, October and November, including:

- Unfavourable Financial Variance – Cancer & Clinical Support Division struggling with financial process which is resulting in unfavourable financial variance (20)
- There is a risk of financial overspend against budget in 17/18 due to known cost pressures and inability to identify sufficient QCIP (20)
- Failure to meet budget due to overspend on pay and non-pay and/or under achievement on income (20)
- Cash and liquidity risk. Lack of cash available to honour supplier commitments as result overspend on both previous and current year's budgets (20)
- Non Delivery of Control Total. Budgets non delivery of divisional plans and budget holder competence. Inability to remove cost and reduce capacity in response to agreed commissioners' QIPP schemes (20)

Given the above detail, it is apparent that financial risks were considered and flagged at the operational level, with a number of these reflecting the severity of the position at a later stage. The use of risk registers to manage financial risks was discussed at the November 2017 meeting and it was noted that 'divisions had been concerned about finances throughout the year'.

However, despite these matters being flagged, the relating papers/minutes do not provide detailed information in relation to the mitigating actions being developed to address these risks. Furthermore, given that a number of these high-scoring risks remain static from month-to-month, we would expect to note recognition of this and clear escalation to the appropriate assurance committee for further review (in this case, FIC). This is not evident within the minutes or papers at TEC throughout 2017.

B.4.2 Finance and Investment Committee (FIC) and Audit Committee (AC)

Despite the coverage of finance-related risks at TEC, our review of FIC papers notes minimal consideration of risk registers and a lack of escalation from TEC. Prior to October 2017, the sole reference to finance-related risks was made in June 2017, whereby the committee considered the BAF and, specifically, the risk in relation to 'commissioner inability to fund activity within the PBR contract'.

B. Board governance

B.4 Risk management

B.4.2 Finance and Investment Committee (FIC) and Audit Committee (AC) (continued)

However, from this point, there is no formal consideration of financial risks until October 2017. At this point, the finance report notes that 'cash shortfall' has now been added to the Trust's risk register as of September 2017, with comments made regarding the need for the Corporate Risk Register and Board Assurance Framework to reference the significant, systematic cash risk facing the Trust. Furthermore, the minutes of this meeting suggested that "not all risks contained within the paper had been added to the risk register and it was agreed that this needed to be checked, and updated if required".

Given the above findings, it is clear that FIC was not systematically considering the risk register alongside financial performance. The lack of financial risk being reviewed at FIC is a contributor to the general lack of awareness at this forum of the developing situation, as a formal risk is not added until September 2017 when the position had become acute. In our view, FIC could have undertaken a more systematic review of relevant sections of the Trust's risk registers, in order to consider whether financial challenges were appropriately recorded on the register and that there were mechanisms in place to monitor these risks on a regular basis.

During this period, the Audit Committee met in July and October 2017. Aligned with findings at other meetings, such as FIC, the Audit Committee in October 2017 included consideration of BAF risks in relation to finance. However, this was undertaken at a very high level and the information included simply stating the risk and scoring, with no commentary of related actions being taken to mitigate these risks.

Furthermore, at the July 2017 Audit Committee, our review found that, whilst the BAF was considered, this focused on ownership of risks and did not include any monitoring of the actual risks, including those of a financial nature. Taken with the findings from FIC, above, we find a lack of robust risk management across these key assurance forums. Interviewee feedback supports this, particularly in relation to financial risks, with certain interviewees referencing a lack of robustness or clear process in this regard.

B.4.3 Trust Board

Similar to financial risk coverage at FIC, the Board receives little information through the CRR or BAF regarding formally-recorded financial risks. Given the timing of Board meetings, it is not until the November session that the Board gets oversight of cash liquidity being added to the risk register, with a serious incident raised in relation to the potential impact on services.

However, as with the BAF review at FIC, we do note that the Trust has had a longer-standing BAF risk in relation to commissioner ability to fund activity. This receives limited attention throughout the Board meetings in FY18, with no consideration of whether this risk is crystalising or whether it is being mitigated through appropriate controls.

Overall, the Trust's coverage of financial performance within the risk management process is poor and inconsistent. Whilst this is no doubt linked to the quality of reporting and general awareness, the lack of formal consideration of financial performance risks represents another factor in the general lack of awareness of the deteriorating financial position. The Board must ensure that risk management processes are robust in all areas, including finance, with these processes including opportunity to consider the development of current risks and, most importantly, whether there are any emerging risks that require addition to formal risk registers.

R9: The Trust should review its risk management arrangements to ensure the systematic reporting of key corporate and operational risks to the Board and its key committees.

B. Board governance

B.5 Financial management practices

B.5 Financial management practices

The finance department has actively managed the I&E and working capital positions for a period of time to meet the Trust control total and to manage the cash position. Practices of this nature are common across the NHS and we have not been made aware of any deviation from accounting practices. However, some of the practices have been more pronounced than we have seen at other similar NHS organisations, especially in relation to extending creditor payment times, and the level of transparency with the Board around the practices has been inadequate.

It is apparent from our various discussions and interviews that the Trust has experienced financial challenges for a number of years, with this clear to both internal and external stakeholders. Within the finance department, it was widely known that significant efforts were being made to proactively manage the position, both with regards to cash and I&E.

B.5.1 Cash

In relation to the cash position, interviewees had awareness of certain supplier payment issues throughout 2016/17. This awareness became clearer in 2017/18, which is particularly evident from discussions at OMG. As noted in the GT Review, the Trust's Better Payment Practice Code performance makes this matter clear, with the Trust dropping as low as paying only 8% of invoices (by volume) within 30 days in October 2017. Whilst this is stark, BPPC performance had been historically weak, with only one month since October 2016 where the Trust had paid more than 30% of invoices within 30 days. However, we received feedback that suggests the link was not necessarily made between suppliers raising concerns and cash-flow, with interviewees under the impression that delayed payments were due to process issues.

Various members of the finance department and divisional leadership teams reference how supplier payment issues became increasingly regular throughout Q1 and Q2 2017/18, with significant pressure on members of the accounts payable team to manage supplier expectations. This particular matter was escalated via OMG to an extent where it was a standing item up until July 2017. During this period, we understand there was regular correspondence between suppliers, service leads and the finance team, in order to prioritise the most critical service-impacting invoices.

B.5.1 Cash (continued)

Members of the finance department also describe suppliers chasing payment with increased regularity and that the team was increasingly spending a lot of time talking with creditors. Furthermore, this is recognised as being an area of day-to-day practice for finance team members. This situation is said to have become very stressful for members of staff. Supplier payment pressures accelerated throughout 2017/18 to the extent that a significant number of suppliers had put 'stop notices' on the Trust, with some taking legal action in pursuit of unpaid invoices. Whilst anecdotally, we also received interview feedback that suggested the Trust was known, both internally and externally, to be historically poor at paying supplier invoices in a timely manner. However, this matter was not consistently clear to those at Board level.

B.5.2 I&E

In terms of the reported I&E position, interviewees at Board and senior levels, as well as those in the finance team, demonstrated an understanding that achievement of control total targets in previous financial years was partially possible due to the use of contingencies and accounting adjustments, such as those in relation to stock for the year-end of 2016/17. Whilst we have not conducted a detailed review of adjustments processes, interviewees were clear that there is no suggestion of these adjustments being made contrary to relevant accounting standards. However, it is interesting to note the broad awareness of how the underlying I&E position was supported.

As noted in Section B.1 above, the financial reporting from April – August 2017 did not clarify the extent of reserves available, how much of this reserves pool had been utilised or how accounting adjustments had been utilised to support the run-rate challenges. This becomes slightly clear in the broader communications throughout August 2017, alongside subsequent reporting in September and October 2017. However, even at this stage, only brief reference is made to the use of reserves and adjustments. Furthermore, no analysis is included to document the level of reserves released or the extent of adjustments made, with reports included basic summary narrative that all available reserves and adjustments have been utilised.

B.5.2 I&E (continued)

Interviewees also commented on the impact that this approach had on the broader financial culture across the Trust. We received feedback that referenced an approach that would see divisions under-perform against financial plans throughout the financial year, but that, through adjustments and reserves, these deficits would be recovered when consolidated into the Trust's year-end position in order to achieve the control total. This created a sense of complacency across the organisation, with financial performance and QCIP targets not high on the agenda due to the perception that the position would be recovered by the finance department at year-end.

B.6 Divisional governance

The divisional structure, leadership model and governance arrangements were refreshed by the former COO over the last three years and the set-up is broadly in line with good practice at the divisional and directorate levels. There is however a clear lack of financial grip across the divisions, which needs to be addressed as a priority to support the financial recovery plan. This lack of grip manifests itself in relation to poor delivery of QCIP and general over-spend, but particularly in relation to agency. A key challenge of the financial recovery plan will be to evolve the culture to one of accountability and ownership of the financial agenda. Achieving this objective will require central delivery support for the divisional teams as well as leadership development for individuals and teams.

B.6.1 Divisional leadership and structure

The Trust has six clinical divisions, these being: Acute Medicine; Surgery; Specialist Medicine; Women and Children; Anaesthetics; and Cancer and Clinical Support Services. The current structure has been in place throughout 2017. At an overview level, we believe that the number of divisions and over-arching governance structure are broadly in line with good practice.

Within each division, the leadership team is comprised of: a clinical Divisional Director (DD); a Divisional Manager (DM); and a Divisional Nurse (DN). Though the Divisional Leadership Teams (DLTs) function as triumvirates, we note that the DDs are the accountable heads of their respective divisions, with the intention being that the Trust's services are clinically-led. Below the divisions, the structure is organised into a series of Directorates, with the leadership of each designed to replicate the triumvirate model at the divisional level. As such, the triumvirate includes a Clinical Director; Manager; and Matron.

We are aware that the Trust's divisional structure was refreshed and reformed by the former COO shortly after her joining the organisation. Interviewees referenced that this structure is now well-established, with a good degree of consistency in the governance arrangements across the Trust. For example, we are aware that, from a performance management perspective, the Executive Performance Review approach is replicated consistently across the Trust between Divisions and Directorates/Services. This represents good practice and, based on the evidence provided by interviewees, the Trust appears to compare favourably against other organisations with which we have worked.

B.6.2 Divisional financial management and operational grip

As part of this review, we have met with representatives from each of the clinical divisions, including interviews with a range of DDs, DMs and DNs. Consistent across these interviews is the awareness of the historical challenges the Trust has faced with regards to finance. For example, the majority of sub-Board interviewees have had experience with supplier payments delays during both 2016/17 and 2017/18. However, as noted above, the cause of these delays was historically put down to process delays as opposed to cash-flow problems, though awareness of cash concerns became clearer as supplier payments delays became more acute during the summer of 2017.

Financial performance has been challenging at the Trust for a number of years, with divisional I&E positions often in deficit throughout this period. This continued into 2017/18, compounded by over-performance against contracted activity. From documentation and interviewee feedback, we understand that a QCIP target totalling c.£26m was required for the Trust to meet its control total in 17/18, with this allocated across the clinical divisions and corporate functions. We understand that divisional QCIP profiling made provision for low levels of delivery in early months, with a pipeline that accelerated scheme delivery from month 4 onwards. However, as per financial reporting and interviewee feedback, this acceleration did not take place, with the position further compounded by the additional expenditure required to meet activity.

In response to the slip in QCIP delivery, we are aware that the Trust introduced weekly 'checkpoint' meetings between the finance team and divisional leadership teams, with this action referenced at TEC and FIC. Although finance reports initially recognised the positive impact of these meetings, with monthly QCIP delivery on plan in September 2017, this improved delivery did not continue. Financial reporting demonstrates continued deterioration in QCIP delivery, with overall delivery £5.5m behind plan as at Month 9.

B. Board governance
B.6 Divisional governance

B.6.2 Divisional financial management and operational grip (continued)

As noted in Section B.1 above, alongside the deteriorating financial position from August 2017, there is reference made to the need for increased grip and for divisional teams to work up recovery plans (in addition to core QCIP delivery). Whilst the meeting minutes from TEC, FIC and Trust Board from August 2017 do not demonstrate significant urgency, it is also clear that the requested recovery plans are not delivering and that divisions do not have the appropriate grip required to close the run-rate deficit. This is compounded by discussions at OMG on 19 December 2017, whereby the matter of recovery plans is further discussed. These discussions take place at a very high-level, with consideration of whether there is a need for fresh plans or whether divisions should simply revisit and risk-assess existing plans. At this stage, we would expect much greater urgency in discussions, particularly at this operational level.

The Trust's agency spend throughout 2017/18 represents an example of a lack of operational grip. From documentation and interview feedback, we are aware that operational teams regularly input significant levels of agency usage on a retrospective basis, with the use of agency heavily impacting on overall levels of divisional expenditure. Whilst we appreciate the drivers behind these decisions, such as the system-wide focus on improving RTT performance and reducing waiting list backlogs, a number of interviewees referenced an approach that focused on accelerating expenditure to help the Trust achieve constitutional performance requirements. Interviewees also commented on the impact that this had on broader financial management and culture, with a sense that the Trust would regularly seek to improve financial performance through activity growth rather than through a combination of income growth and expenditure reduction.

In light of the above, whilst it is apparent that divisional leadership teams had an understanding of the deteriorating financial position and associated symptoms such as delayed supplier payment, meeting minutes and papers from throughout 2017 do not evidence the clear and direct response to underlying run-rate concerns that we would expect to have observed.

Building a sense of accountability and ownership for the finance agenda across divisional leadership teams will need to be complemented by appropriate delivery support and leadership development for individuals and teams. The appointment of external support for the financial recovery plan will address the former but a dedicated programme of development will be required for the latter.

R10: The Trust should introduce a structured leadership development programme for the divisional leadership teams to develop competencies but also to build clarity over expectations in relation to assumed accountability and ownership for delivery of the finance agenda.

Section C – Regulatory oversight

C. Regulatory oversight
C.1 NHS Improvement learnings

This section provides commentary in relation to NHSI lessons from the financial experience at the Trust during 2017.

C.1 NHS Improvement learnings

The experience with the Trust has highlighted weaknesses in the NHSI review process. Specifically, the format of the submissions did not lend themselves to identifying the underlying trading position of the organisation where there was a use of contingency and adjustments to meet control totals. Similarly, presentation of the cash position did not require the input of rolling cash-flow data to highlight potential risks across the coming months and as such did not capture in-month treasury management practices used to temporarily maintain cash levels. Furthermore, the monthly oversight meetings did not place sufficient scrutiny over the deteriorating cash position and, in our view, there should have been a more detailed follow-up after the 31 August oversight meeting to further understand the nature of the issues flagged. However, there is also an onus on the Trust to be more explicit with NHSI regarding financial challenges it is experiencing. Finally, we recognise that discussions regarding the former DoF's departure had been on-going for a significant period of time. However, NHSI should reflect on whether the ultimate timing and pace of the transfer was in the best interest of the system and the Trust, particularly given the number of long-term absences amongst the Trust Executive team at that time.

Included within the scope for this review is consideration of NHSI's oversight role of the Trust during the course of 2017 and whether there are any particular insight or learnings to be drawn from the experience.

C.1.1 NHSI Submissions and reporting

The Trust made monthly financial submissions to NHSI as part of its regulatory requirement. Whilst we have not undertaken a review of all submissions made during FY18, we have obtained example submissions for Month 5 and Month 6, in order to understand the nature of reporting and clarity of the associated narrative summaries.

The NHSI submission workbooks are highly detailed, requiring Trusts to input data in c.40 tabs. From a review of packs, we note that, whilst packs cover a range of detail across both the Statement of Comprehensive Income and the Statement of Financial Position, the workbook is focused on income and expenditure progress, particularly in-month, year-to-date and forecast performance against the Trust's control total. Furthermore, the information is included at a 'reporting' level, with no reference to reserves or adjustments which may have been used to support underlying run-rate challenges. The same focus applies to cash-flow reporting and the submission packs do not require the input of rolling cash-flow data provided to highlight any potential risks across the coming months. Furthermore, NHSI's approach to assessing liquidity performance focuses on the net position of current assets and operating expenses. As such, if both are performing equally adversely to plan, the pressure from this performance will not be evident in the ratio analysis.

Despite these shortcomings, the detail within the data does provide 'signals' that the Trust may have been experiencing cash-flow challenges, though these would not be explicit in the workbook. For example, in month 5, the Trust had c.£9m more receivables than per plan and c.£11.6m more payables. Alongside this, BPPC performance is included, with it clear that the Trust has only paid c.19% of supplier within 30 days. Furthermore, the reporting notes that the year-to-date cash-flow position has been supported by c.£3.5m of DH loans.

However, the detail of these submission packs is not supported by meaningful narrative reporting. The information provided by the Trust follows a similar format to internal reports, though the NHSI report is even briefer and largely descriptive in nature. The over-arching commentary in the M5 and M6 reports does not explicitly flag any critical concerns. Similar to internal reporting, the summary messaging is that the Trust remains on-track to achieve its year-end control total. Although the report notes delivery challenges in relation to QCIP, these are caveated by reference to requests having been made for recovery plans that will be monitored through internal checkpoint meetings. Similarly, reference is made to over-performance and the risk of system affordability. However, no link is made to the risk this poses in relation to the year-end outturn.

C. Regulatory oversight
C.1 NHS Improvement learnings

C.1.1 NHSI Submissions and reporting (continued)

With regards to cash-flow, reporting is provided at a high-level, noting that, "the Trust continues to carry trading risk due to payment disparity between payroll / creditor 30 day best practice standards and commissioner contract milestones which can delay over-performance settlement by up to 90 days, in addition to pressures around quarterly release of PFI payment". Whilst this does not mask the challenges faced, it does not communicate the message as starkly as was done internally to NEDs and senior leaders.

C.1.2 'Softer Intelligence'

In addition to the financial packs submitted, we are aware that NHSI held regular oversight meetings with the Trust to discuss broader performance challenges, including finance. The frequency of these meetings was aligned to the Trust's 'segment' under the Single Oversight Framework. Since the Trust sat within Segment 3, monthly oversight meetings with NHSI were required.

Prior to an oversight meeting on 31 August 2107, we note that meetings were held between the former interim CEO and NHSI representatives on 11 and 17 August, within which we understand that financial performance was discussed, though only in broad terms. The first of these meetings, with the Managing Director for London, was requested by the interim CEO as part of his induction period, with high-level discussion across A&E, winter planning and finance. Furthermore, we note that this meeting took place prior to the finalisation of month 4 numbers and, as such, it is understandable that the messaging on finance was not as severe as it could have been later in the month. The meeting of 17 August 2017, with the Director of Finance for London (at this time, this position was held by the former Trust DoF) considered finance in a little more detail, with month 4 numbers now confirmed. We are aware that financial concerns were flagged at this forum and, whilst the message was not alarmist, we understand that reference was made that the position would become clearer to NHSI once they received the Trust's submission.

We have reviewed the packs produced in relation to the August and September oversight meetings. From this, we note that the packs included similar, yet condensed, information to that provided by the Trust internally. As such, whilst the information referenced financial performance challenges, these were not delivered starkly and did not 'raise the alarm' in a way that built on meetings from earlier in August. Furthermore, any challenges noted within the pack are caveated by reference to immediate actions being taken, which provided a sense that 'management' had these issues in hand.

The brief nature of the oversight meeting packs flows into the contents of the follow-up letters subsequently sent from NHSI to the Trust. Although reference is made to the Trust's financial challenges, particularly in relation to QCIPs, the tone of the letter does not demonstrate the meeting having 'raised the alarm' with NHSI.

Feedback from both NHSI and the Trust corroborates these findings, with a number of interviewees on both sides commenting that there was not a sense of urgency expressed at these meetings, with the atmosphere described as 'bland'.

Our conversations with external stakeholders provide helpful context to these findings, specifically in relation to the manner in which the Trust communicates with external parties about performance challenges. Stakeholders referred to lack of consistent external engagement from the Trust, with particular reference made to the style of communications put out across the system. Specifically, stakeholders referenced having received a range of feedback regarding the Trust's PRIDE values and the PRIDE way, but less so in relation to underlying performance challenges that the Trust may have been experiencing, including those in relation to finance.

All stakeholders we spoke with referenced the system-wide challenges with regards to finance, with a number commenting that the Trust has been in a financial challenged position for a significant number of years. However, this matter is not widely communicated by the Trust, and engagement does not openly seek system support for areas of concern.

With regard to NHSI, the findings throughout this section represent a combination of a lack of crystal clear messaging from the Trust and an absence of proactive triangulation and challenge from NHSI representation. Given the opportunities for discussion throughout this period, including the events noted above, we would have expected a degree of follow-up and triangulation from NHSI to understand the true nature of the financial challenges being referenced.

C. Regulatory oversight
C.1 NHS Improvement learnings

C.1.3 CEO transitioning

As outlined in section A.1.1, the CEO went on sick leave on 13 March 2017 and had been advised that he should be in a position to commence a phased return to work within six weeks. The former DoF had accepted a role as Director of Finance for NHSI in London in October 2016 but there had been a delay due to contractual arrangements. The former DoF was coming to the end of his 6 month notice period in March 2017 but agreed to assume the Acting CEO role on the basis that the CEO would return by mid-June 2017. There was an expectation at NHSI that the former DoF would move over by the end of June 2017.

The CEO subsequently received sign-off from Occupational Therapy to return to work on 16 June 2017. There was then a prolonged period of dispute between the former Chair and the CEO over the timing and arrangements for his return to work. This process ultimately led to the CEO returning on 4 September 2017, at which point there were significant tensions in the relationship between the Chair and CEO given the sensitive nature of events over the preceding two months. Our understanding is that NHSI had been appraised of the situation regarding the CEO's return and had provided some support in trying to provide a solution to the issue.

On recognising that the CEO would not be returning imminently, we understand that there was pressure on the former DoF in early July 2017 from the NHSI Director of Finance to start the new job. Subsequently the former DoF had left the Trust to commence his new role at NHSI within one and a half weeks. We also understand that the former DoF had been doing some work for NHSI in the weeks leading up to his departure, but according to the former DOF, this was mainly administrative work.

We have been informed that the former Chair wanted the former DoF to stay in post for another six months and did not support the former COO taking on the Acting CEO role until the CEO returned. The former Chair, through the Remuneration & Nominations Committee, subsequently took the decision to appoint the interim CEO on 24 July 2017. This apparently created some challenge from NHSI as appropriate approvals had not been sought.

The experience surrounding the CEO's return from sick leave led to a sensitive sequence of events and there was involvement from senior members of the NHSI Board. NHSI managed the situation in an appropriate and sensitive manner, and we recognise the long-standing arrangements and discussions regarding the former DoF's departure for an NHSI role. However, we believe there are learnings for NHSI in terms of their decision to essentially put pressure on the former DoF to move at such short notice given the number of long-term absences amongst the Trust's Executive team and the level of uncertainty that existed regarding the CEO's return to work. It is worth noting at this point though that NHSI did not have sight in July 2017 of the imminent financial crisis that would unfold over the following three months.

R11: NHSI should consider the effectiveness of its current approach to monthly submissions and oversight meeting in the context of gaining greater assurance over the underlying trading position and forward cash profile for trusts. In particular, NHSI should consider:

- **The design of submission returns, in order to ensure that key performance concerns are highlighted;**
- **The accompanying narrative reports and the need for more-detailed narrative to provide further performance context;**
- **The need for greater triangulation of reporting and soft intelligence through the over-sight meetings; and**
- **The robustness of follow-up arrangements in light of the emerging messages flagged by the Trust during August 2017.**

R12: NHSI should consider conducting risk assessments of the potential impact from recruiting key staff from other NHS organisations, particularly where Executive teams are not at full strength due to sickness absence or substantive vacancies.

Appendix 1:
Summary of recommendations

Appendix 1: Summary of recommendations

Ref.	Section	Recommendation
R1	A.1.1	NHSI and the Board should give due consideration to the appointment of a new CEO who has the appropriate level of expertise and ambition to successfully tackle the financial challenges currently being faced by the Trust.
R2	A.1.3	The Trust should embark on a comprehensive executive team development programme as a priority, with a view to promoting cross-disciplinary working where all EDs assume joint corporate responsibility for delivery of the full Trust agenda, but specifically the financial agenda.
R3	A.1.4	The Board should commission a detailed review of the medical leadership and cultural issues underpinning current tensions amongst the consultant body at the Trust.
R4	A.2.1	NHSI and the Chair should give due consideration to refreshing the NED cohort with circa two new appointments, to include a new Chair of FIC with commercial finance experience (see A.2.3). There should also be a development programme for existing NEDs.
R5	A.2.2	The Chair should take active steps to build opportunities into its Board development programme to promote more informal interactions between Board members and to generally support team building across Board members.
R6	A.2.4	The Trust should make provision for a range of activities outside of the Board room which will allow NEDs to build greater levels of 'soft intelligence' regarding key challenges being faced at the operational level of the organisation.
R7	B.2	The Trust should conduct a comprehensive review of the relationship between OMG and TEC to include clarity over objectives, membership, escalation policy and respective responsibilities for overseeing the finance agenda.
R8	B.2	The Chair should consider the need for revising the timing of Board meetings to reduce the five week period between financial month end and the Board meeting. This should also consider the need to have monthly Board meetings.
R9	B.4	The Trust should review its risk management arrangements to ensure the systematic reporting of key corporate and operational risks to the Board and its key committees.
R10	B.6	The Trust should introduce a structured leadership development programme for the divisional leadership teams to develop competencies but also to build clarity over expectations in relation to assumed accountability and ownership for delivery of the finance agenda.

Appendix 1: Summary of recommendations

Ref.	Section	Recommendation
R11	C.1	NHSI should consider the effectiveness of its current approach to monthly submissions and oversight meeting in the context of gaining greater assurance over the underlying trading position and forward cash profile for trusts. In particular, NHSI should consider: - The design of submission returns, in order to ensure that key performance concerns are highlighted; - The accompanying narrative reports and the need for more-detailed narrative to provide further performance context; - The need for greater triangulation of reporting and soft intelligence through the over-sight meetings; and - The robustness of follow-up arrangements in light of the emerging messages flagged by the Trust during August 2017.
R12	C.1	NHSI should consider conducting risk assessments of the potential impact from recruiting key staff from other NHS organisations, particularly where Executive teams are not at full strength due to sickness absence or substantive vacancies.

Appendix 2:
Board composition

Appendix 2: Board composition

Role/Period	October 2016	January 2017	April 2017	July 2017	September 2017	Present
Chair	Dr. M Dalziel (Feb 14 to 29 Sep 17) – **former Chair**				Mr. E Sorensen (**interim Chair**, 29 Sep 17 to 1 Nov 17)	Mr. J Fielder (1 Nov 17 to present) – **current Chair**
NED	Mr. E Sorensen (Jul 14 to present) - **Chair of FIC**					
NED	Mr. M Lam (Sep 14 to present) - **FIC member**					
NED	Prof. A Warrens (Jul 11 to present)					
NED	Ms. J Saddler OBE (Sep 14 to present)					
NED	Mr. D Amroliwala (left 30 Jun 17)			Ms. J Westaway (21 Aug 17 to present)		
NED	Mr. R Whiteman (left 1 Oct 16)		Mr. T Phillips (1 Apr 17 to present)			
Chief Executive	Mr. M Hopkins (April 14 until sick leave from 13 Mar 17)	Mr. J Buggle (from 14 Mar 17 to 21 Jul 17) – **former Acting CEO**		Mr. C Bown (24 Jul 17 to 1 Sep 17) – **former interim CEO**	Mr. M Hopkins (1 Sep 17 to present) – **current CEO**	
Director of Finance and Performance	Mr. J Buggle (Dec 14 until 13 Mar 17) – **former Director of Finance**		Mr. S Collins (13 Mar 17 to 22 Dec 17) – **former interim Acting Director of Finance**			Mr. I O'Connor (4 Jan 18 to present) – **interim Director of Finance**
Chief Nurse	Ms. K Halford (Jan 16 to present)					
Medical Director	Dr. N Moghal (Jan 15 until sick leave from Dec 16)	Dr. M Smith (26 Dec 16 to 4 Sep 17) – **interim Medical Director**			Dr. N Moghal (12 Sep 17 on phased return from July 17) – **current Medical Director**	
Director of Strategy and Infrastructure	Mr. J Seez (Dec 14 to present)					
Director of People and OD	Ms. D Tarrant (May 14 until sick leave from Jan 2017)	Ms. A Robson (Acting) (13 Feb 2017 to 12 Sep 2017)			Ms. D Tarrant (phased return from 12 Sep 17)	
COO	Ms. S Tedford (Nov 14 until 1 Sep 2017				Mr. J Scott (Interim) (4 Sep 17 to 4 Jan 18)	Ms. S Smith (Interim) (5 Jan 18 to present)

Appendix 3:

Key meeting attendance

Appendix 3: Key meeting attendance

Public Trust Board

	Mar 2017	May 2017	Jul 2017	Sept 2017	Nov 2017	%
NEDs						
Dr. M Dalziel	✓	✓	✓	✓		100%
Mr. J Fielder					✓	100%
Mr. E Sorensen	✓	✓	✓	✓	✓	100%
Mr. M Lam	✓	✓	✓	✗	✓	80%
Ms. J Westaway				✓	✓	100%
Ms. J Sadder OBE	✓	✓	✓	✓	✓	100%
Mr. T Phillips		✓	✗	✗	✓	50%
Prof. A Warrens	✓	✗	✓	✓	✓	80%
Mr. D Amroliwala	✗	✓				50%
Executives						
Mr. M Hopkins	✓	✗*	✗*	✓	✓	60%
Dr. N Moghal	✗*	✗*	✗*	✓	✓	40%
Dr. M Smith	✓	✓	✓			100%
Ms. K Halford	✓	✓	✓	✓	✓	100%
Ms. S Tedford	✓	✓	✓			100%
Mr. J Buggle	✗	✓	✓			67%
Mr. J Seez	✓	✓	✓	✓	✓	100%
Ms. D Tarrant	✗*	✗*	✗*	✗*	✓	20%
Ms. A Robson	✓	✓	✓	✓		100%
Mr. S Collins		✓	✓	✓	✓	100%
Mr. J Scott				✓	✓	100%
Ms. S Smith						N/A
Mr. I O’Connor						N/A

*Absent due to long-term sick leave

Appendix 3: Key meeting attendance

Finance and Investment Committee

	Apr 2017	May 2017	Jun 2017	Jul 2017	Aug 2017	Aug 2017**	Sept 2017	Oct 2017***	Nov 2017	Dec 2017	Jan 2018	%
NEDs												
Mr. E Sorensen (Chair)	✓	✓	✓		✓	✓	✓	✓	✓		✓	100%
Dr. M Dalziel (Trust Chair)	✗	✓	✓		✓	✓	✗					67%
Mr. J Fielder									✗		✓	50%
Mr. M Lam	✓	✓	✗		✓	✗	✓	✗	✗		✓	56%
Ms. J Westaway									✓		✗	50%
Executives												
Mr. M Hopkins	✗*	✗*	✗*		✗*	✗*	✓	✗	✗		✓	22%
Mr. C Bown (interim CEO)					✓	✓						100%
Dr. N Moghal	✗*	✗*	✗*		✗*	✗*	✗	✗	✗		✓	11%
Ms. K Halford	✓	✗	✓		✓	✗	✓	✗	✓		✓	66%
Ms. S Tedford	✗	✗	✓		✓	✓						60%
Mr. J Buggle	✓	✗	✓									67%
Mr. J Seez	✗	✗	✓		✓	✗	✓	✓	✓		✓	67%
Ms. D Tarrant	✗*	✗*	✗*		✗*	✗*	✓	✗	✗		✓	22%
Ms. A Robson	✓	✓	✓		✗	✗						60%
Mr. S Collins	✓	✓	✓		✓	✓	✓	✓	✓			100%
Mr. J Scott							✓	✓	✗			67%
Ms. S Smith											✓	100%
Mr. I O'Connor											✓	100%

*Absent due to long-term sick leave

**Emergency FIC meeting, 31 August

***Meeting not quorate

**** Absent due to a meeting with NHS Improvement

NOTE: All Executive Directors, except for the Director of Strategy and Infrastructure (Mr. J Seez), are listed as full members of FIC in the associated terms of reference

Appendix 3: Key meeting attendance

Trust Executive Committee

	Apr 2017	May 2017	Jun 2017	Jul 2017	Aug 2017	Sept 2017	Oct 2017	Nov 2017	Dec 2017	%
Executives										
Mr. M Hopkins	✗*		✗*	✗*	✗*	✓	✓	✓	✓	50%
Mr. C Bown (interim CEO)					✓					100%
Dr. N Moghal	✗*		✗*	✓	✓	✓	✓	✓	✓	75%
Dr. M Smith	✓		✓	✓						100%
Ms. K Halford	✓		✓	✓	✗	✗	✓	✓	✓	75%
Ms. S Tedford	✓		✓	✗	✗					50%
Mr. J Buggle	✓		✗	✗						33%
Mr. J Seez	✓		✓	✗	✗	✗	✗	✓	✓	75%
Ms. D Tarrant	✗*		✗*	✗*	✗*	✗	✗	✓	✓	25%
Ms. A Robson	✗		✓	✓	✓					75%
Mr. S Collins			✓	✓	✗	✓	✗	✓	✓	71%
Mr. J Scott						✓	✓	✓	✓	100%
Ms. S Smith										N/A
Mr. I O’Connor										N/A
Divisional Directors										
Acute Medicine	✓		✓	✓	✓	✓	✓	✓	✓	100%
Surgery	✓		✓	✓	✗	✓	✓	✓	✗	75%
Anaesthetics	✓		✓	✓	✓	✓	✓	✓	✗	88%
Cancer and Clinical Support	✗		✓	✗	✓	✓	✓	✓	✓	75%
Specialist Medicine	✗		✗	✓	✓	✓	✓	✗	✗	50%
%Women and Children’s	✗		✗	✗	✗	✓	✗	✓	✗	25%

*Absent due to long-term sick leave

NOTE: All Executive Directors are listed as full members of TEC in the associated terms of reference

Appendix 3: Key meeting attendance

Operational Management Group

	11 Apr	25 Apr	9 May	6 Jun	20 Jun	4 Jul	18 Jul	1 Aug	15 Aug	12 Sept	28 Sept	10 Oct	26 Oct	7 Nov	5 Dec	19 Dec	16 Jan	30 Jan	%
Executives																			
Mr. M Hopkins**	✗*	✗*	✗*	✗*	✗*	✗*	✗*	✗*	✗*	✗	✗	✗	✗	✗	✗	✗	✗	✗	0%
Mr. C Bown (iCEO)**								✓	✗										50%
Dr. N Moghal**	✗*	✗*	✗*	✗*	✗*	✗*	✗*	✗*	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	0%
Ms. K Halford**	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	0%
Ms. S Tedford	✓	✗	✗	✗	✓	✓	✗	✓	✗										44%
Mr. J Buggle	✗	✗	✗	✗	✗	✗	✗												0%
Mr. J Seez**	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	0%
Ms. D Tarrant**	✗*	✗*	✗*	✗*	✗*	✗*	✗*	✗*	✗*	✗	✗	✗	✗	✗	✗	✗	✗	✗	0%
Mr. S Collins	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✓	✓	✗	✓			19%
Mr. J Scott										✓	✗	✗	✗	✗	✗	✓			29%
Ms. S Smith																	✓	✓	100%
Mr. I O'Connor																	✗	✗	0%
Other																			
Mr W Harrison	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✓	✓	✗	11%
Ms. P Scantlebury	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✓	6%
Mr. J Ellender					✓	✓	✓	✓	✗	✓	✓	✓	✗	✗	✓	✗	✗	✓	57%
Mr. A Ray													✓	✓	✗	✗	✗	✗	33%
Other Finance	✗	✗	✗	✓	✗	✗	✗	✓	✓	✗	✗	✗	✗	✗	✗	✗	✗	✗	17%
Acute Medicine	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	89%
Surgery	✓	✓	✗	✓	✗	✗	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓	✗	72%
Anaesthetics	✓	✓	✓	✓	✓	✓	✗	✓	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	89%
C&CSS	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	94%
Specialist Medicine	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	100%
W&C	✓	✓	✓	✓	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	94%

*Absent due to long-term sick leave

**These Executive Directors are not recorded as full, required members of OMG and, as such, apologies are not required for meetings they do not attend

Appendix 4:
Scope mapping

Appendix 4: Scope mapping

Scope	Corresponding area of report
1) Board capability and capacity	
Deloitte will consider any available Board assessments/self-assessments or Board skill mix reviews previously undertaken. In addition, they will conduct an independent assessment of Board skill-mix and experience compared to other similar organisations.	A.1 Executive Director leadership A.2 Non-Executive Director leadership
Deloitte will administer a Board survey which takes account of the differences in expected roles and responsibilities, including the role of NEDs versus EDs, and corporate versus portfolio responsibilities of EDs.	N/A – A Board survey was undertaken as part of this review, with 13/15 Board members responding.
Through observations of the Board and key committee meetings, Deloitte will review the effectiveness of debate, including clarity of decisions, pace, follow-up of actions, escalation and delegation of items, and the robustness of assurances provided. This will include an independent review of Board dynamics and the level of cohesion across EDs, NEDs and the Board more generally.	A.1 Executive Director leadership A.2 Non-Executive Director leadership B.2 Board and Committee coverage of finance agenda
Deloitte will evaluate the quality of contribution of each member of the Board and provide feedback to individuals based on observations and interviews with each NED and ED.	A.1 Executive Director leadership A.2 Non-Executive Director leadership B.2 Board and Committee coverage of finance agenda
Deloitte will explore individual Board member views on overall Board strengths and perceived development areas. This exercise would draw on Board member reflections on recent challenges facing the organisation, but in particular the deterioration in the financial position during 2017.	A.1 Executive Director leadership A.2 Non-Executive Director leadership B.2 Board and Committee coverage of finance agenda B.3 Board approach to financial recovery
Through focus groups, divisional meetings and staff survey, Deloitte will explore visibility of the Board, clarity and effectiveness of communication, the extent to which staff understand how to escalate issues, and whether they feel comfortable doing so.	A.1 Executive Director leadership A.2 Non-Executive Director leadership B.1 Financial reporting B.2 Board and Committee coverage of finance agenda B.3 Board approach to financial recovery B.6 Divisional governance

Appendix 4: Scope mapping

Scope	Corresponding area of report
1) Board capability and capacity (continued)	
During interviews with Board members, Deloitte will evaluate individual and collective understanding of the circumstances surrounding historic challenges in relation to quality, delivery and finances. Deloitte will look specifically at the individual and collective knowledge of the root causes of historic challenges; understanding of the Trust's response to tackling individual issues; and awareness of the impact of actions and the ongoing monitoring by the Board, including Board mitigations in response to non-delivery of actions.	A.1 Executive Director leadership A.2 Non-Executive Director leadership B.1 Financial reporting B.2 Board and Committee coverage of finance agenda B.3 Board approach to financial recovery B.6 Divisional governance
Through interviews with key external stakeholders, Deloitte will determine the extent to which they are engaged with the Trust and the quality of interactions with key board members.	C.1 NHS Improvement learnings
Where appropriate, and in consultation with the Trust Chair and NHSI, Deloitte would seek the views of former Board members (including former Board members now at NHSI) regarding their role and learning from recent challenges, including the deteriorating financial position.	A.1 Executive Director leadership A.2 Non-Executive Director leadership B.1 Financial reporting B.2 Board and Committee coverage of finance agenda B.3 Board approach to financial recovery B.6 Divisional governance
2) Board governance and culture	
Deloitte will examine the effectiveness of risk management processes and the functionality of key risk systems. This will include oversight of divisional risk registers and escalation by central teams.	B.4 Risk management
Deloitte will review the Integrated Performance Report to determine the extent to which this, and other key Board reports, comply with good practice, providing practical examples of how reporting can be improved where appropriate.	B.1 Financial reporting
Through discussion with Board members, Deloitte will determine how the Board is assured that it is reviewing the correct information to monitor and assess performance, and how the Board is assured it is looking at the right things. Deloitte will also consider how the Board is assured that the information it is utilising is accurate and reliable.	A.1 Executive Director leadership A.2 Non-Executive Director leadership B.1 Financial reporting B.2 Board and Committee coverage of finance agenda

Appendix 4: Scope mapping

Scope	Corresponding area of report
2) Board governance and culture (continued)	
Through observations, a focus group and a staff survey, Deloitte will evaluate the Trust's culture and levels of engagement with staff. This is all aimed at gauging the Board's level of activity outside of the Board room and how they gain 'softer' intelligence regarding delivery	A.1 Executive Director leadership A.2 Non-Executive Director leadership B.2 Board and Committee coverage of finance agenda B.6 Divisional governance
Deloitte will interview the leadership teams from a sample of divisions to consider the effectiveness of engagement with the corporate level, and in particular to assess the level of divisional accountability and ownership. This will include effective working of the triumvirate, clinical engagement, ownership of the divisional agenda, quality of interaction with the Board, effectiveness of the performance management framework, and clarity over divisional versus corporate responsibilities	B.6 Divisional governance
Deloitte will assess the information presented to the Board to determine whether it provides sufficient visibility over activities at the operational level and that appropriate risks are being escalated to the Board.	B.1 Financial reporting B.2 Board and Committee coverage of finance agenda
Deloitte will examine the Trust's strategic context and challenges and consider whether key risks and planned mitigations have been identified and translated into its assurance framework.	B.2 Board and Committee coverage of finance agenda B.4 Risk management
3) Regulatory oversight	
In relation to the financial difficulties at the Trust, Deloitte will examine NHSI oversight to determine whether the deteriorating financial situation could have been identified earlier by NHSI.	C.1 NHS Improvement learnings
We will consider any learning in relation to NHSI's oversight role and recommend any changes in the reporting required by Trusts at a national level.	C.1 NHS Improvement learnings