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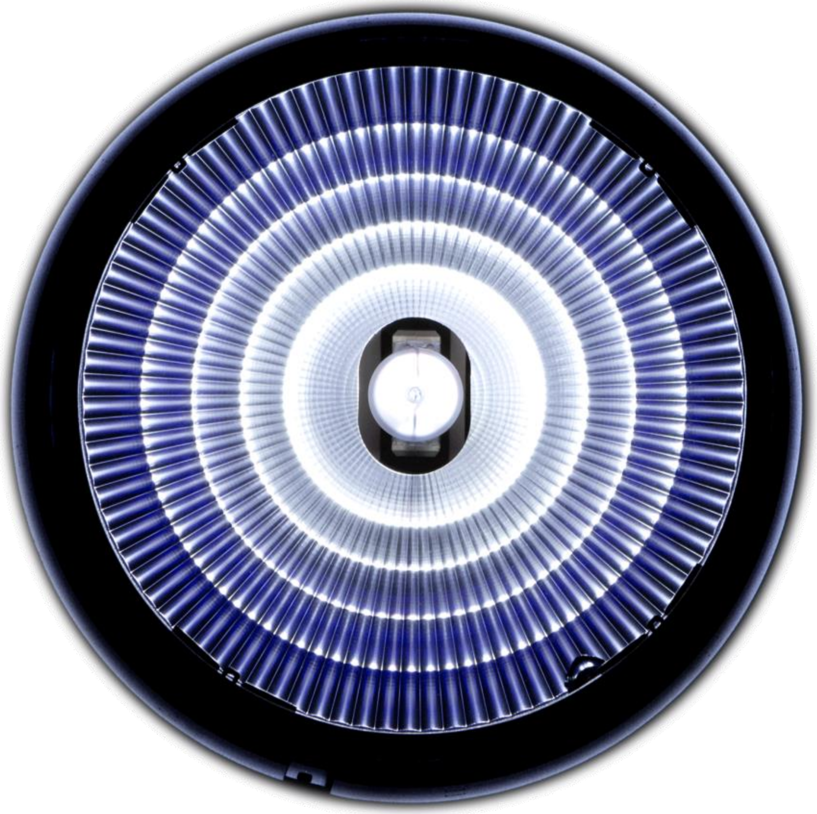

Gloucestershire Hospitals NHS Foundation Trust

Independent Review of Financial Governance – Abridged version

7 July 2017

Contents

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7 July 2017

Independent Review of Financial Governance

In accordance with our engagement letter dated 13 October 2016 (the 'Contract'), for an independent review of financial governance arrangements at Gloucestershire Hospitals NHS Foundation Trust (the 'Trust'), we enclose an abridged version of our final report dated 7 July 2017 (the 'Abridged Report'). This Abridged Report contains extracts from our Final Report dated 30 June 2017 and was produced at the request of the Trust.

The Abridged 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 Abridged Report may be published on the Trust website, such publication may only be made on a non-reliance basis since no person except the addressee is entitled to rely on the Abridged or 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 Abridged Report. Should any person other than the Trust choose to rely on this Abridged Report, they will do so at their own risk.

The Abridged Report must not, save as expressly provided for in the Contract be recited or referred to in any document, or copied or made available (in whole or in part) to any other person.

The Board 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 the Trust's purposes. If we were to perform additional procedures, other matters might come to our attention that would be reported to the Trust.

We have assumed that the information provided to us by the Trust is 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 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

Deloitte LLP

Review Scope

Review Scope

Context

GHFT has been one of the few trusts nationally that has reported a surplus position over recent years with surpluses of £3.5m, £1.8m and £0.9m in FY14, FY15 and FY16, respectively. However it became increasingly apparent to Board members during the course of 2016 that the Trust has an underlying financial issue. This is evident from its need to take out a working capital facility in March 2016, followed by DH distressed funding in September 2016.

In addition to the liquidity challenges, the scale of the Trust's underlying trading problem has become more apparent to the Board with a current forecast FY17 deficit of £18m against an original forecast surplus of £5.6m. This underlying trading deficit position has been exacerbated by non-delivery of CIPs during the year, adjustments to the original planning assumptions and a number of prior-year adjustments. The extent of the underlying problem has apparently come as a surprise to a number of current and former Board members.

Our review has been commissioned against this back drop and is fundamentally designed to consider the level of visibility the Board had over the deteriorating financial position from FY14 to FY16 (the Review Period), the role of the Board and individual Board members in overseeing finances at the Trust and overall where lessons can be learnt to support improved financial governance at the Trust in the future. Where relevant, we also consider events pre and post this period. We have also been asked to review the appropriateness of current leadership and governance arrangements at the Trust with a view to highlighting any areas for further strengthening future governance.

Our approach

Our work was conducted during November and December 2016 and January 2017, with our approach based on the methodology set out in our Contract with the Trust dated 13 October 2016. Specifically, our review included the following activities:

1. Conducting a desktop review of key Trust documentation including Board minutes, committee minutes, Board and committee reports, Terms of Reference and policies, from FY14 to present day.
2. Conducting non-attributable interviews with a range of internal and external participants.
3. Undertaking an observation of the Trust Board on 25 November 2016.
4. Undertaking an observation of the Trust's Finance Committee on 23 November 2016.
5. Conducting a Board survey, which was completed by all Board members and ran during November and December 2016.

Review Scope

The purpose of the review was to identify how the drivers of deterioration in the Trust's financial position arose, why they went unnoticed for such a sustained period and who was responsible for these failings. The Review has been commissioned to provide external assurance to the Trust Board and its regulator, in order that the risk of similar issues occurring and/or going undetected by the systems of control and assurance is minimised so far as is possible. The Review explored three main lines of enquiry:

- Independently reviewing the factors that led to the recent findings in respect of the Trust's deterioration in its financial position, as summarised in the Deloitte Review Findings and provide a view on how the issues highlighted in the review occurred;
- Consider the effectiveness of the Trust's system of internal financial control and Board governance assurance and financial oversight, given the events described; and
- Establish a root cause or causes of these events, based on available evidence, from a specific financial governance and assurance perspective.

Review Scope (continued)

Review Scope and Purpose (continued)

Our review covered both retrospective and prospective elements, which we detail below.

Retrospective

1. Review the extent to which the Board (past and present members), its relevant sub-committees (Audit and Finance & Performance) and staff fulfilled their respective responsibilities (with regard to financial governance) during the period FYE14 to FYE16, setting out any specific issues that contributed to the findings set out in the Deloitte Review. Specifically undertake:

   i. a detailed review of accounting records and any associated correspondence relevant to the issues highlighted in the Deloitte Review and any other drivers of the deterioration in the 2016/17 financial position identified by the trust', and notably the assumptions within the Annual Plan, and (insofar as practicable) to any subsequent concerns of a similar nature identified by the Trust or the external financial baselining review also being commissioned by the Trust

   ii. the authorisation of relevant accounting adjustments, and emails and other correspondence relevant to the items, above

   iii. based on this review of evidence, provide a view on how the issues in the Deloitte review occurred and (insofar as evidence is available) on the individual or collective responsibility of Trust management or the Trust Board for the occurrence of these issues. Insofar as the evidence is available, it should be made clear whether, and if so, which individuals did not fulfil their roles in accordance with expectations.

2. Identify any specific aspects of corporate culture, board dynamics or ways of working that contributed to any identified deficiencies in financial governance in the period in question, with a view to identifying specific changes required to address them.

3. Review the robustness of the annual planning process and the extent to which it contributed to the apparently unrealistic 2016/17 plan, including the approach to developing and resourcing the Trust's capital programme over the period of the Review. This should include a review of the alignment between plans submitted to the regulator and those submitted to the Board and where any misalignment is identified to provide a reconciliation.

4. Through interview with audit partners, review the role of internal and external audit functions during the period in question, in order to understand the extent to which they could and/or should have alerted the Audit Committee to emerging concerns. Specifically, in respect of the escalating deterioration in the Trust's cash position, changes to the Trust's accounting practices such as the treatment of depreciation, capital projects and the reporting of finance to the Board and its sub-committees.

5. Review the findings of the Well Led Governance Review to understand whether any issues indicating concerns regarding financial governance were advised and/or overlooked.

Prospective

1. Determine the adequacy of the capacity and capability of the Board, its sub-committees' and Executive structures to deliver the agreed financial recovery plan. This should include the Board's capability to scrutinise operational management and control in the areas where this is likely to impact the delivery of financial improvement.

2. Assess the capability of the non-executive function to adequately scrutinise, challenge and hold the Executive to account for delivery of the agreed financial and operational plan. Similarly, review the capacity and capability of the Executive function to develop robust plans, oversee their delivery and effectively identify and mitigate risks.

3. Review the effectiveness of the Governor function in holding NEDs to account for the appropriate execution of their role and determine their adequacy of their contribution in reviewing the Trust's Annual Plan in line with their statutory responsibilities.

Review Scope (continued)

Review Scope and Purpose (continued)

4. The adequacy of the accountability arrangements between the corporate finance and operations function; alongside the arrangements to provide the Board with assurance that Divisions are held to account for delivery of sound financial control, CIP delivery and financial forecasting.

5. Make recommendations to address any identified weakness in current financial governance arrangements, as a result of the enquiries set out above.

Note on Abridged Report

This Abridged Report has been prepared at the request of the Trust and the content has been extracted from the Final Report dated 30 June 2017. The Abridged Report has been structured in line with the review scope and includes a summary of the key findings of the retrospective review and the full chapter of the prospective review.

Retrospective Review – key findings

Retrospective Review – key findings

We have undertaken an independent review of financial governance at Gloucestershire Hospitals NHS Foundation Trust (the "Trust" or "GHFT") against the scope set out in our Contract with the Trust dated 13 October 2016.

It became apparent to the Board during 2016 that the Trust had an underlying financial issue. Specifically, by September 2016, the Trust's underlying trading position was a forecast deficit of £26.6m for FY17, against an original forecast surplus of £5.6m (pre-STF funding). It has also subsequently emerged, based on an externally commissioned baseline exercise, that the Trust had an underlying deficit in the region of £14m in FY15 and £16m in FY16. The extent of the underlying financial problem was a surprise to a number of current and former Board members which represents a significant breakdown in financial governance at the Trust.

We have reviewed financial leadership and governance at the Trust during the period April 2013 to March 2016 (the Review Period). Based on the available evidence, we are of the view that the cause of the breakdown in financial governance at the Trust was multi-factorial. In our opinion the key influencing factors were:

1. **A Board culture where the former Chief Executive Officer, in post until March 2016, (former CEO) did not encourage Executive-to-Executive challenge, managed the information shared with Non-Executive Directors (NEDs) and actively curtailed NED challenge. Furthermore, the former Chair was ineffective at holding the former CEO to account;**
2. **A failure of the former Finance Director, in post until September 2016, (former FD) to keep the Board adequately appraised regarding the underlying trading position and actions which were being taken each month and at year end to improve the reported financial position. A number of incorrect accounting adjustments were also made, all of which made the reported position more favourable. The former FD had overall responsibility for these actions; and**
3. **A lack of detailed coverage and scrutiny of the finance agenda by NEDs and Executive Directors (EDs), even allowing for the factors described in 1 and 2 above and others described in our report, and a failure to recognise a number of key symptoms of an underlying trading problem.**

Consequently, Board members in post during the Review Period, but in particular the former CEO, Chair, FD and Chair of the Finance & Performance Committee, should bear responsibility for the serious failings in financial governance at the Trust.

Our key conclusions are as follows:

- Financial reporting to the Board and committees has been poor throughout the Review Period, with insufficient detail being presented. In our opinion this is a fundamental issue that led to a situation where the Board was taken by surprise in relation to the scale of the financial problem. Furthermore, this represents a failure by the former FD to report the underlying financial position to the Board during a period where there were severe pressures on the Trust's financial position. This point is especially critical now that it is apparent from the externally commissioned baselining exercise that the Trust had an underlying deficit in the region of £14m in FY15 and £16m in FY16, against reported surpluses of £1.0m and £0.8m, respectively. We also note that planning information reported at committee and Board level lacked detail.
- There were a number of changes made to reporting during the Review Period, which further reduced transparency in relation to cash flow, use of contingency and the Better Payments Practice Code (BPPC). Most of these changes happened towards the beginning of the Review Period and reporting changed little throughout. Of particular note, cash flow forecasting and debtor/creditor analysis was removed from reporting since April 2014. This detail, coupled with our commentary below regarding there being a number of indicators in reports which pointed towards an underlying financial problem, suggests that the primary issue was the generally low level of transparency in reporting. However, we do have concerns over the lack of rationale for changes to reporting the BPPC metric in September 2015.
- We have identified a number of legitimate practices which were deployed to proactively manage the I&E and cash positions for the benefit of the Trust, including a systematic and rigorous approach from the former FD and former Interim Deputy Director of Finance to reviewing journal entries and invoice payments on a regular basis. However, we have also observed a number of cases where the correct accounting practice does not appear to have been followed in relation to management of the I&E position. Furthermore, practices in relation to management of the cash position were damaging to the reputation of the Trust as frustrations amongst suppliers, and subsequently staff, were prevalent. In addition, BPPC performance was allowed to slip from 95% to 39% over an 18 month period, which is not in line with good practice. These actions were a direct response to managing the underlying deficit position and, while we are of the opinion that they were taken by the former FD with the Trust's best interests in mind, decisions were taken in isolation and the Board should have been more openly appraised regarding the cumulative extent of the problems and the excessive measures being taken to manage the financial situation.

Retrospective Review – key findings (continued)

- A number of current and former staff have indicated that they were uncomfortable with the financial management practices and this resulted in serious tensions within the Finance and Information departments, which went unaddressed for a significant period of time. Interviewees have indicated that they challenged instructions in relation to management of the I&E and cash positions. In addition, we have received a number of accounts in relation to reports being refined by the former FD or senior members of the finance team prior to them being presented to Board or committees, with these changes motivated by a desire to present a positive picture to the Board. However, we have not identified any documentary evidence to support these interview statements. Furthermore, we are of the view that the Finance department lacked stability and cohesiveness for the duration of the Review Period, which invariably had an impact on sentiment within the department as well its overall effectiveness.
- Based on interviews, there were variable degrees of understanding amongst EDs in relation to Trust finances over the Review Period. The Director of Service Delivery showed high levels of awareness, the former CEO had a good level of understanding and the Medical Director, Nursing Director and Director of Human Resources demonstrated an elementary understanding of the financial position. However, none of the EDs claim to have been aware of the extent of the underlying financial problem or the extensive measures taken to manage the I&E and cash positions. We have not had access to any documentary evidence to suggest otherwise.
- There were also a range of weaknesses in relation to the scrutiny and coverage of the finance agenda at a number of executive forums, including Executive Review Meetings (ERMs), Executive team meetings and Trust Management Team (TMT).
- ED knowledge of the financial position was influenced by a range of cultural and behavioural issues which weakened the ability of the executive team to support each other and take a joint corporate approach to managing the financial challenges facing the Trust. Issues reported to us included the former FD's 'closed' style of engagement with executive colleagues and a lack of proactive engagement with the finance portfolio from other EDs. However, in our view, a fundamental issue is that the executive team lacked the CEO leadership to bring the team together in a coherent manner and promote joint ED responsibility for the finances of the Trust. Despite this, we believe that there was sufficient visibility over the challenges being faced, as discussed below.
- The overall effectiveness of the Board during the Review Period had been fundamentally impacted by a culture at Board-level which did not encourage open challenge and the Board had not been operating in a unitary manner. Specifically, the former CEO discouraged ED to ED challenge in Board and committee meetings and there was a culture of managing the information shared with NEDs whilst also curtailing NED challenge. The situation was not helped by a Chair who did not like conflict and was ineffective in challenging the former CEO.
- The greatest level of NED scrutiny took place at the Finance & Performance Committee (F&PC) level, with consistent membership over the Review Period. While NED members of this committee demonstrated a reasonable level of financial awareness, they were not sighted on the extent of the underlying financial problem or the actions being taken to manage the I&E and cash positions. A number of other NEDs demonstrated low levels of financial awareness with limited coverage of finance outside of F&PC.
- Despite the lack of transparency in Board reporting and inefficiencies in Board effectiveness, there were a host of indicators in financial reports for the duration of our Review Period which were inconsistent with a Trust delivering an underlying surplus, including: significant swings in divisional performance; non-recurrent delivery of Cost Improvement Programmes; over-spend on agency costs; a consistently low cash level; and deterioration in the BPPC. While a number of these indicators did feature in discussions at FP&C, there was a tendency to discuss these in isolation and at no point were the issues triangulated to recognise that the Trust was experiencing a significant underlying trading problem and the situation went unchallenged. In addition, there was consistent ED attendance at the Efficiency Savings Improvement Board (ESIB) which provided clear oversight of pressures in relation to the recurrent delivery of CIPs and it was widely known amongst finance managers and divisional leaders that the Trust was experiencing underlying trading problems and that there was a significant focus on managing the I&E and cash positions. Therefore, in our view, there was enough visibility to enable more scrutiny in relation to finances from EDs and NEDs, regardless of issues surrounding transparency of reporting and team dynamics. We see this as a fundamental failure by the Board.
- These same indicators did not come under scrutiny from the regulator during the Review Period as the Trust did not breach Financial Sustainability Risk Rating (FSRR) thresholds. This was due to the fact that submission templates are not designed to capture the true underlying trading position and the BPPC metric does not feature under the key ratings.

Prospective Review

Prospective Review

Summary of our findings:

- The CEO and Chair have brought energy and a fresh perspective to the Trust and appear to be forging a strong partnership as the senior leadership team. Plans are well underway to recruit a substantive FD and COO and two financially qualified NEDs joined the Trust in February 2017. Furthermore, the two NEDs who joined during 2016 bring a strong skill set to the Board and seem to be settling well.
- However, the fact remains that the Chair, CEO and all of the NEDs, apart from one, are new to the Board, as will be the FD and COO once the substantive post holders are appointed. Furthermore, the remaining EDs have operated in a very different culture for several years and will need to make a transition to the new environment. In addition, by way of further context, we note that both the CEO and Chair are in their first appointments at that level. Therefore, the Board will require a significant programme of collective and individual development to facilitate the process of re-building the Board to create a unitary Board capable of tackling the substantial operating challenges facing the organisation. We are aware that the Chair and CEO are well sighted on these challenges but have included some recommendations to support this development process.
- There has been a lack of Executive level leadership for corporate governance at the Trust for several years with responsibility assigned to the Trust Secretary, who is not senior enough to assume this level of responsibility. In our view, it is imperative that the Trust appoints an Executive level lead for this important portfolio.
- There has been limited development in the Council of Governor and Board relationship for a number of years. While we met a number of enthusiastic governors and note some positive steps recently to enhance governor engagement, we are of the view that a broader development programme is required for governors to effectively discharge their statutory responsibilities. We understand that a former Governor has recently been appointed as a NED. This is positive and provides an opportunity for greater engagement between NEDs and Governors.
- The Chair and CEO have been proactive in making refinements to Board and committee governance. This includes refocusing the F&PC on finance only; completely re-designing the finance report into a comprehensive report; increasing Chair involvement in committees; increasing cross-committee membership; enhancing the importance of ERMs; formalising weekly DOG meetings (Directors Operational Group, previously Executive team meetings); introducing Executive away days; improving communications through the weekly newsletter and considering various Board social events. This level of activity and the type of changes being introduced gives us high levels of confidence that the Trust is being guided in the right direction. However, there is scope for further improvement in various areas including:

  - Improved clinical and HR participation across committees;
  - Further improvement in cross-committee NED membership and consideration of interdependencies by respective Chairs;
  - A more comprehensive Audit Committee programme of works to promote wider ED engagement; and
  - Further improvements to risk management practices.

- Our observation of the finance department indicates material gaps in capability and capacity, which can be traced back to 2013 when various members of the department left the Trust and were not replaced substantively. While the appointment of the Director of Operational Finance and the capacity review are positive steps, we believe the mooted restructuring should be undertaken as a priority.
- The Divisional structure and triumvirate model at the Trust is in line with good practice but it remains relatively immature with capacity and capability gaps in leadership roles. There is also a need to introduce greater standardisation in governance arrangements across Divisions and specialties. Leadership development at the Trust has received limited focus over a number of years and needs to be tackled as a priority.

Prospective Review (continued)

Introduction

The terms of reference for this review includes an element of prospective review, within which we assess the Trust's current arrangements in regards to financial governance. We do this below within the context of lessons learnt from the retrospective review summarised above, as well as changes made over the last several months to Board members and governance arrangement at the Trust. Within this section, we set out our observations and recommendations on this prospective view around a number of core sub-sections, including:

1 Board composition and dynamics

2 Board governance

3 Divisional governance

4 The finance function.

We appreciate that the Chair and Chief Executive are sighted on the need to address many of these areas and are in the process of doing so, however, we set out our views for completeness and highlight areas where we understand the Trust is actively considering. This section maps with points one to five of our prospective scope.

Board composition and dynamics

There have been a number of changes at Board level since April 2016 including the appointment of a new CEO in June 2016 and a new Chair in November 2016. In addition, two new NEDs joined in May 2016 and September 2016, respectively and another two NEDs joined in February 2016. There are also interim post-holders for the COO and CFO roles and the Trust is currently undertaking a recruitment process for substantive post holders. There is also an interim NED who will be in place until the new NEDs join the Trust.

Executive Directors

The new CEO is in her first chief executive role but brings experience from University Hospitals Bristol NHS FT where she held roles as Director of Strategy, COO and Deputy Chief Executive. She has also covered an interim Divisional Director role in the Surgery division role for a period of time. She therefore has a diverse range of experience from a major teaching hospital which will bring considerable benefit to the Trust.
In addition to the change in CEO, the Trust has appointed two interim Executives to the posts of Finance Director and Chief Operating Officer. The Trust is currently out to market for substantive post holders. Whilst the current interims are both highly experienced individuals it is critical that these posts are filled as a priority to enable the Trust to return to a more stable arrangement from which to build for the future. The combination of the new CEO and the, to be appointed, FD and COO will significantly refresh the executive team, which is a much needed change in our view. However, consideration should also be given to the professional development and succession planning of the longer serving EDs. We welcome plans the CEO has to increase MD PAs to eight per week, in an effort to allow a full-time focus on the MD leadership role.

Interviewees reflected positively on the current professional relationship amongst the executive team, with no notable tensions highlighted during interviews or our observations of the November 2016 F&PC and Board meetings. The building of relationships amongst the team has been aided by the strengthening of the Executive team meetings, chaired by the CEO. Previously, as noted above, these were informal, information-sharing forums, with no minutes or decisions recorded. The current CEO has refreshed these sessions, raising the level of formality to include a documentation of minutes and key actions agreed. We also received feedback regarding the level of one-to-one interaction between the CEO and other EDs. However, one point remaining is the split-site nature of the executive between Cheltenham General Hospital (CGH) and Gloucestershire Royal Hospitals (GRH). Though logistically difficult to resolve, the Executive team should ensure the continued development of one-to-one and team-based interactions as a way to mitigate the effects of operating across two sites. As an initial effort to address this matter, we recognise that the CEO now has an office based at GRH. We understand that approximately 50% of time is spent at each site, thus facilitating more-equal CEO access for the wider Executive team.

Prospective Review (continued)

Executive Directors (continued)

In addition, we note that EDs now have a permanent office at one site and a 'hot desk' at the other. As corporate meetings take place across both sites, EDs are now regularly based across the two sites and, as such, there is increased scope for Executive team interaction.

Linked to this, we also understand the CEO has held a development/away day with the Executive team, with the aim of this session being to have an open discussion regarding the future and what each of them wants from their roles. In our view, this level of open and developmental consideration has, historically, not been present at the Trust and the introduction of these sessions is something we recommend is built upon in the coming months to ensure an improved, multi-disciplinary approach is taken to the Executive/Corporate leadership of the Trust.

There are a number of ED specific lessons learnt from our review which the CEO and EDs should consider with a view to strengthening executive leadership at the Trust. These activities should also be incorporated in an Executive/Board development programme where possible. We set-out these key lessons below:

(R1) Throughout the Review Period, we noted silo working at the Executive level. Silo working presents a risk that Board members do not have sufficient oversight of developments outside of their portfolios and, as such, are unable to identify or challenge areas of concern. The concept of joint corporate responsibility should be continuously enforced by the CEO and EDs should be actively encouraged to take on responsibilities, and make contributions, outside of their respective portfolios;

(R2) Our review identified a lack of challenge or debate between Executive Directors in relation to the finance agenda, which presents a risk that effective challenge, if at all, only originates from NEDs who do not have the same day-to-day knowledge of performance throughout the organisation. The CEO should actively promote Executive to Executive challenge in key executive and Board forums including Board, committee, the DOG and the TLT (Trust Leadership Team) meetings (previously Executive team and TMT);

(R3) We found that the lack of challenge and debate amongst Executive Directors was exacerbated by the split site nature of the Executive team. We recognise that steps have been taken to address this split and the CEO should ensure that, going forward, this approach is consistently adopted and embedded by all EDs;

(R4) Throughout the Review Period, we found that there had been a lack of Executive team development. This compounded silo working and made it difficult to forge links between portfolios. The CEO should introduce a formal executive team development plan to build on the ED Away Day already undertaken; and

(R5) Historically, the Trust's TLT and DOG (previously TMT and Executive team) meetings have been conducted on an information-sharing basis, with little opportunity for discussion amongst the senior leadership team. We understand that these meetings have now been reviewed and that new arrangement are in place. The CEO should continue to monitor the new meeting format, to ensure that all participants benefit from the meetings.

Non-Executive Directors

As noted, the NED cohort has experienced a significant degree of turnover since April 2016, with a new Chair appointment within these changes. The current NED cohort represents a broad range of experience, including: management consultancy; commercial business leadership; private sector marketing; NHS/Public Sector leadership; and NHS financial leadership. Despite this skills mix, we note the lack of any NEDs with a clinical background, which, in our experience, represents good practice. We understand that the appointment of two further NEDs, both of whom are financially qualified, has been finalised and both started in February 2017. Further to this, consideration should be given to the appointment of a clinically qualified NED at the earliest opportunity. We have been informed that this process is underway.

Prospective Review (continued)

Non-Executive Directors (continued)

The current Chair formally came into post during our review, though we recognise that this was preceded by a period of handover with the former Chair over a number of weeks, which enabled the new Chair to better assimilate into the organisation. Whilst this is the Chair's first NHS FT Chair role, we understand that he has previously held non-executive roles at a number of organisations, including a period as Vice-chair at an NHS Trust. Through our interactions with the current Chair and feedback from interview, we have found the Chair's appointment to be evidently positive for the Trust.

Interviewees reflected positively on the way in which the Chair has engaged, both with Board member colleagues and across the leadership of the organisation. Though this is a recent appointment and, as such, there will undoubtedly be areas of development whilst the Chair further assimilates to the role, our observation of the November 2016 Board meeting found that his approach was considered and effective. The observed session was appropriately steered throughout, whilst encouraging input from EDs and NEDs, and also posing his own challenge where deemed appropriate. We believe that the Chair and CEO styles will complement each other, with the Chair providing good foil for a decisive CEO.

Of the broader NED cohort, this is comprised of one NED remaining from the Review Period, an Interim NED, and two more-recent appointments, who have been in post since May and September 2016 respectively. Of this group, the NED remaining from the Review Period has, as evidenced in interview, gone through a period of reflection given recent developments regarding the Trust's financial position. We received a range of feedback during interview that demonstrated a desire to take learning from these events and areas where he notes the potential for development in his approach. The two recently-appointed NEDs have been largely well-received by fellow Board members. At this stage, our interviews and observations found scope for development with regards to the way in which challenge is posed. However, this is not felt to be a material issue and that, in time, this will improve. However, during interviews, they demonstrated an appropriate degree of curiosity into the Trust's performance and, once fully assimilated to the role, we believe they will pose constructive challenge to the Executive team across the agenda.

The appointment of the two remaining NEDs will aid this process, providing NEDs with a broader peer group within which they can reflect on key issues and identify common areas of concern and how these matters ought to be raised with Executives. As part of this NED-cohort approach, we also understand the Chair is looking to put in place more-regular meetings as a NED group, to allow for informal reflection and an opportunity to share points from across their assigned committees.

Board development

The culture and dynamics operating across the Board were, in part, exacerbated by a lack of structured Board development. As such, the EDs and NEDs lacked the informal opportunities to come together in order to discuss key strategic or operational issues and their response to these matters. Within this, we also received feedback that reflected on the lack of interaction outside the professional sphere, with both EDs and NEDs operating in distant silos from one another.

This has been acknowledged by the current Chair, who recognises that the Board as a whole would benefit from more-regular Board development and an increased level of interaction in a social setting. To support this, following the conclusion of this review, we understand that the Chair intends to put in place a programme of informal Board development days for the Trust, through which they can tackle key points of business away from the formal structure of a Board or Committee, thus allowing for greater multi-disciplinary working and more-unitary Board approach. In our view, Board development is a core element of a high-functioning and, given the challenges experienced over the previous nine months, we believe that the GHFT Board would certainly benefit from an increased focus on Board development.

Prospective Review (continued)

Board development (continued)

The Board development programme should attempt to address the following aspects:

(R6) Our review found that, historically, there has been a Board culture where challenge and scrutiny was not actively encouraged. The Board should actively seek to build trust and mutual respect across EDs and NEDs and develop an environment where constructive challenge and scrutiny is actively encouraged from NEDs.

(R7) During our review, we found that there was a tendency at the Trust of sharing 'good news' with the Board. This presents a risk that performance deterioration is not identified at an early stage and that appropriate mitigating actions cannot be put in place by the wider leadership team. The Board should actively promote the open and transparent sharing of information across all Board members, including the good and the bad news and build a sense of collective responsibility across the Board.

(R8) We recognise that the NED cohort has undergone significant change, with two further NED appointments recently confirmed. In light of these changes, we recommend that the Board instigates formal development for NEDs in relation to holding to account and effective challenge. We also note that the current NED cohort does not include a representative with previous clinical experience, as is good practice. We recommend that the Board considers the recruitment of a clinical NED, to ensure appropriate challenge on clinical and quality matters.

We would caution the approach of NEDs to Board scrutiny following recent events as in our experience there is invariably a tendency to over-compensate. We are aware that indications of these behaviours have already been observed in Board committees. This risk should be covered as part of the Board development model outlined above.

As a final point in relation to the Board, it is common practice in most NHS trusts to have Very Senior Manager or ED level responsibility for corporate governance. This generally comes in the form of either a senior ranking Trust Secretary, an ED with explicit responsibility for corporate governance as part of their portfolio or in the larger trusts a Director of Corporate Affairs. The Trust Secretary at the Trust is of an atypically junior banding compared with other trusts with which we have worked and there is no formal executive level responsibility for corporate governance. This should be addressed as a priority.

(R9) Our review noted that the Trust currently lacks very senior responsibility for the corporate governance portfolio, which presents a risk that this core portfolio does not receive appropriate attention or ownership at Board level. The Trust should assign executive level responsibility to the corporate governance portfolio or appoint a very senior manager into a Corporate Governance role.

Prospective Review (continued)

Governor effectiveness

As part of our review, we have also considered the effectiveness of the governor function in holding NEDs to account and in exercising their statutory responsibilities. Based on interviews, focus groups and documentation reviewed, we note similar feedback regarding a lack of awareness of the Trust's true financial position and of the trajectory of deterioration. Similar to our findings at committee and Board level, we note poor information flows to the Council of Governors (CoG) and a lack of transparency that put the Governors in similar position to NEDs sitting outside of F&PC. Further to this, interviewees reflected on the information-sharing nature of the reports that were presented. We received feedback that Governors meetings were dominated by substantial presentations, but that the length of these significantly impacted on the subsequent opportunity for meaningful discussion.

In addition to the above, interviewees commented that the approach taken by the former CEO in relation to the CoG was, again, similar to that of NEDs. We received feedback that, throughout the review period, Governors were very much kept at arm's length by the former CEO and that the level of engagement with the wider Board was minimal, thus limiting their ability to discharge their responsibilities and effectively hold NEDs to account. Governor interviewees reflected on attempts made by the CoG to raise questions to NEDs in relation to financial performance. However, we understand that these were regularly brushed-off, with comments from the former CEO that this was not the governor role.

Furthermore, interviewees reflected on inconsistent attendance from Board members at Governor meetings. Though it was noted that ED attendance was regular, this was not the case for NEDs. We understand that NED attendance at CoG was poor and that, when this matter was raised with the former Chair, governors received a response that NEDs were too busy to attend. Whilst this may be the case on certain occasions, feedback noted that this was common and, as such, the potential for engagement between NEDs and Governors was weak. It has been brought to our attention however that the former Chair did make some attempts to improve governor engagement through activities such as seminars and speed-dating sessions.

Looking forward, we find a number of recent developments that signal improvement in the functioning of CoG and the engagement of Governors by the Board. For example: we note that Governors pre-meetings now take place in advance of CoG, which allow Governors to discuss key points of concern and ensure that such matters will be put to NEDs at the subsequent meeting; and that there is now Governor attendance at key Board committees. The latter of these points will aid Governors in discharging their statutory duties and in holding NEDs to account, giving them insight into how NED committee Chairs operate and the level of challenge posed to EDs by the wider NED group.

Despite these positive steps, we do believe that broader development of the CoG is required for them to be in a position to effectively discharge their statutory responsibilities and that the current Chair should look to make improvements as a priority. We understand that a former Governor has recently been appointed as a NED. This is positive and provides an opportunity for greater engagement between NEDs and Governors. We recommend that this new NED works closely with the Chair to bridge the previous gaps in this relationship.

(R10) Historically, we noted a number of issues in relation to engagement between the Board and the Council of Governors, which presents a risk that the Governors are not in a position to sufficient discharge their statutory duties. The Board should put in place a development programme to improve engagement and links between the Board and the Council of Governors. This programme should aim to ensure that there is absolute clarity over respective roles and responsibilities between NEDs and Governors.

Board governance

Committees and involvement across portfolios

One of the core findings from our review of F&PC across the Review Period is that both ED and NED attendance was limited to a small proportion of Board members. Specifically, we found that only three EDs and three NEDs were consistent members of this committee from FY14 to FY16. Furthermore, we found a lack of cross-committee membership amongst the NEDs.

Prospective Review (continued)

Committees and involvement across portfolios (continued)

In addition to the changes in Board member composition, the Board has also been minded to make changes to the membership and functioning of core committees. With regards to F&PC, we note that the focus on this committee has now changed to one solely focused on financial performance, with operational matters now coming under the oversight of the Quality and Performance Committee (Q&PC). In terms of membership, this has been amended to reflect new NED membership and there are plans to appoint a new NED committee Chair imminently. As part of these changes, the plan is for the former committee Chair to remain a member of the committee.

From an ED perspective, core membership from the FD and COO (previously the Director of Service Delivery, prior to his departure) has been retained. In addition, the membership has been updated to include the Director of HR and OD as a core member. Further to the core membership, we also note attendance from the current CEO and Trust Chair. These changes are encouraging and help to broaden ED and NED exposure to this core committee. Though these developments are positive, we would encourage the Board to build further on this broader ED involvement.

Further to the update to membership at the finance committee, we also found some recent instances of cross-committee membership amongst the NEDs. We understand that committee membership has now been formally revised to ensure that there is overlapping NED membership across each of the four Board committees.

There are a number of important lessons which we believe committees should learn from this review. We set-out the key areas below:

(R11) Our review observed a lack of HR and clinical involvement at the Trust's Finance committee from EDs or their deputies. This presents a risk that the financial agenda is isolated from clinical and workforce matters. We recommend that the Board ensures that there is HR and clinical participation in every Finance Committee, as well as finance participation in Quality committee (we note the DoHR has recently joined the Finance Committee).

(R12) We noted that, throughout the Review Period, there has been no cross-committee attendance from NEDs and a lack of attendance from certain EDs at key committees. We understand that committee membership has now been formally revised to ensure that there is overlapping NED membership across each of the four Board committees. It is critical that NEDs and, in particular, the Chair, as well as EDs, periodically attend a range of Board committees that they are not members of to gain direct assurance over issues and to consider cross-dependencies. This should include a more comprehensive Audit Committee programme of activities to promote executive participation and to increase transparency.

(R13) Our review found a lack of informal interaction between Board committee Chairs, which presents a risk that links between key matters of performance are not made. We understand that the Trust Chair has now implemented a programme of quarterly meeting between committee Chairs, to ensure that interdependencies across committees are reviewed and to consider the need to build specific activities into the Audit Committee job plan.

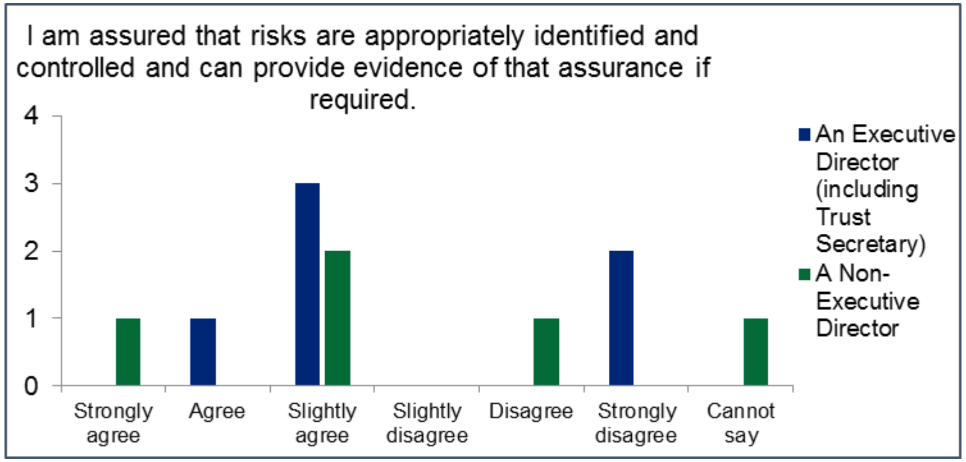
(R14) We found that, throughout the Review Period, committee NED attendance remained relatively consistent. This presents a risk that perceptions are not refreshed and that there is a degree of comfort to proceedings. The Chair should ensure regular turnover in committee membership with a new NED member at least every two years and a new Chair every three years. Given recent events, the Finance Committee would benefit from a refresh of all NED membership.

Prospective Review (continued)

Board reporting

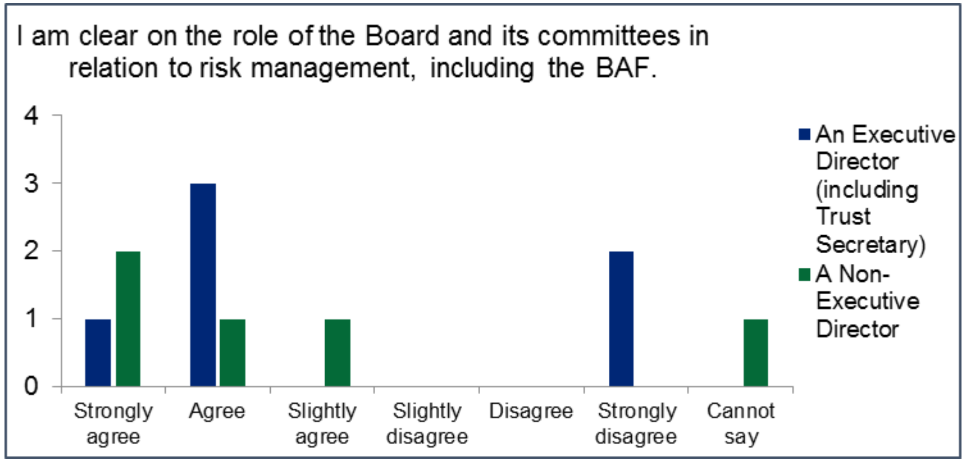
In our full report, we commented on historically high-level Board and Committee reporting on the Trust's finances, which demonstrated a lack of transparency around the Trust's underlying financial trajectory. We recognise that reporting on the Trust's financial performance has undergone significant development in recent months, with the latest iteration of the revised finance report being presented from September 2016.

Throughout our review, both in interviews and observations, the level of financial challenge faced by the organisation has been acknowledged. As part of our work, we have reviewed recent finance reports presented to F&PC and the Trust Board. Our review identified a number of good practice elements to the report and represents a significant improvement from previous iterations in place from prior to and during the Review Period. However, our review of recent reports noted that they generally focus on a description of performance and do not fully highlight key financial risks, mitigations and agreed actions to address any notable areas of concern. Whilst the reporting is much more transparent about the challenges being faced by the Trust on finance, it could provide more context about whether these are matters that can be addressed or whether they represent obstacles that the organisation is not equipped to overcome.



Risk management

Our Board survey recorded mixed results with regards to risk management, particularly in relation to Board member clarity regarding the role of the Board in this area and the assurance they have that risks are appropriately identified and controlled.



Further to this, our review of historical documentation notes inconsistent consideration of the BAF at Board meetings, with reviews and discussions taking place on an ad hoc basis throughout the Review Period.

Below the Board, we note a continued lack of coverage at committee level, with no apparent review of assigned BAF risks taking place at either F&PC or Q&PC. As a result, it is apparent that the BAF does not play a core role in driving the Board or Trust's agenda, with discussion not explicitly aligned or driven by the organisation's key strategic risks.

Prospective Review (continued)

Risk management (continued)

This represents a significant gap in the Board's oversight, with a clear lack of consideration over the actions being taken to manage and mitigate these significant risks. In 2016/17, we have noted gradual improvement in this regard, with more regular review of the BAF taking place during each public Board session from July onwards. However, alongside this, we continue to note that the relevant BAF risks are not receiving specific consideration from the Board's committees.

We acknowledge that the Trust is currently undertaking a range of work to improve and strengthen the BAF, along with the recognition that further development is required regarding the Board's coverage of these key risks. This need for development has been openly recognised by the Trust, with our observation of the November 2016 Board meeting noting clear reference from the CEO to the significant work taking place to overhaul the Trust's approach to risk management.

(R15) We note that the Board is currently undertaking a review of risk management. We concur with this and the Board must ensure that this is addressed as a priority to ensure appropriate Board and committee oversight of risk.

Divisional governance

The Trust has five clinical divisions, these being: Medicine; Surgery; Diagnostics and Specialties; Women and Children; and Estates and Facilities. The current structure has been in place throughout the core Review Period. At an overview level, we believe that the number of divisions and the portfolio structure is broadly in line with good practice.

Within each division, the leadership team is comprised of: a Chief of Service (CoS); a Divisional Director of Operations (DDOps); and a Divisional Nurse (DN). Though the Divisional Leadership Teams (DLTs) function as triumvirates, we note that the CoS function as 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 Service Lines (SLs), with the leadership of each designed to replicate the triumvirate model at the divisional level. As such, the SL triumvirate includes a Head of Service; General Manager and Matron.

Divisional triumvirate leadership

In general, we find that the role of the divisional triumvirate is well established. However, through interviews, we understand that certain divisions have struggled with continuity in the DLT. In particular, we note that the Medicine division has had a number of interims in the roles of DDOps and Finance Business Partner. Whilst it recognised that this has recently improved, it has presented a challenge through the core Review Period and has impacted the division's ability to gain consistent operational grip. This lack of grip compounded the difficulties in formulating strong CIP plans, due to a lack of operational or financial resource.

Based on interviews throughout the review, along with our observations, it is evident that a significant degree of autonomy has been granted to DLTs for the management of their services and that there is a clear intention for the services to be clinically-led.

Whilst this was very much the theory, this autonomy has not always been enacted in practice and our interviews with divisional leaders noted that this breakdown in autonomy rendered it difficult for DLTs to exercise their responsibilities. Interviewees reflected on a number of examples through which the autonomy of the CoS was eroded. The most notable of these relates the manner in which DLTs were engaged during the formulation of operational and financial plans. Divisional leaders reflected on an historic lack of engagement, though we understand that engagement was sought for 2016/17 plans, commenting that plans would often be formulated and provided to divisions for delivery, without any significant engagement regarding their substance. However, whilst this may be the case, it is important to consider this approach from the Trust's Leadership in the context of poor operational and financial delivery at divisional level, which we discuss more in the sections below.

Prospective Review (continued)

Divisional triumvirate leadership (continued)

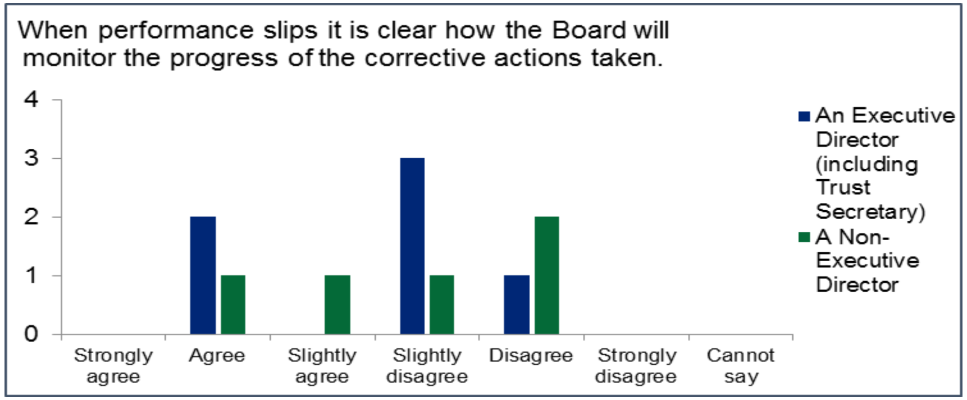
Although the DLT roles are taken seriously, we did not find any clear demonstration of multi-disciplinary working. Interviews with the DLTs highlighted that the way in which they operate is reflective of the historical approach amongst the EDs, with the DLT working traditional in medical, nursing and operational silos. This has led to the divisions lacking a truly multi-disciplinary approach, which has compounded any impediments to their autonomy. In our view, this represents a core area for improvement and we recommend that the DLT across the divisions are provided with some team-based development, in order to ensure that challenges are approached as a triumvirate and not in isolated professional domains.

(R16) During our review, we found the divisional structure and triumvirate to be relatively immature, with capacity and capability gaps in senior leadership roles. We recommend that the Board puts in place a programme of development for divisional leadership teams. This should be designed and implemented with a view to providing leaders with the appropriate skills as well as promoting ownership and accountability.

Performance management

The Executive team has put in place regular performance meetings at divisional level. Throughout the review period, these have operated in an inconsistent manner and have lacked a regular, detailed consideration of divisional financial performance. Interviewees commented that these have become more-regular as 2016/17 has progressed, though the minutes continue to record inconsistent consideration of the divisional finance agenda.

Though records suggest inconsistent consideration of divisional finance, interviewees commented on a broader trend for heavy-handed management of divisional finance and savings on a day-to-day basis. Divisional leaders commented on regular and constant derision of the work being conducted to manage their financial performance, with the impression given that the divisions and Trust as a whole were in a poor position and struggling to achieve plans. We heard that this approach was largely directed by the interim CIP Directors in post throughout the Review Period, though the minutes also evidence a degree of direct challenge from EDs. Although we received feedback that this was a constant approach, we also heard that the challenge lacked direction. A number of DLTs reflected that, despite being required to attend various meetings for challenge on their performance, that these meetings rarely resulted in any tangible actions to support delivery. This is reflected by the results to our Board survey, which highlight a degree of uncertainty at Board-level in relation how the Board monitors corrective actions taken to address slipping performance.



Prospective Review (continued)

Performance management (continued)

Whilst the above approach is reflective of the challenging financial and operational positions being faced across the NHS as a whole, DLTs commented on the way in which their poor performance and positions versus plan would consistently materialise into a year-end surplus position for the Trust as a whole. This engendered a sense of disengagement at divisional level and culture where non-delivery throughout the year was not addressed by the divisional leadership, due to the belief that matters would always turn-around at year-end.

(R17) We were informed that Executive Review Meetings did not function at an optimal level throughout the Review Period, with inconsistent ED participation and a lack of detailed discussion. This presents a risk that divisional performance concerns are not appropriately challenged, escalated and addressed. We understand that a review of the ERMs has been undertaken, with new, COO-led arrangements being introduced in March 2017. The Board should ensure that the refreshed approach contains appropriate ED participation and the right balance between support and challenge.

CIP delivery

The autonomy and performance management matters discussed above are inextricably linked to the divisional delivery of CIPs and the degree to which they had operational grip. From the divisional perspective, there is a view that the eroded DLT autonomy and culture of the Trust's financial position being recovered at year-end helped to create a culture where there was a lack of accountability for non-delivery.

Throughout our review, we have considered documentation at Board, committee and divisional level. Within this documentation, there are various records of discussion regarding the poor delivery culture at divisional level. Despite the regular recognition of this matter, it reoccurs throughout the Review Period and is not addressed or tackled with any notable degree of success, as evidenced by the consistently low recurrent rate of CIPs, which present a clear example of poor grip in place at divisional level and a lack of ownership for this matter from DLTs.

Further to this, the Trust's Audit Committee has received reports in relation to CIPs, which have raised areas for development. Although rated as medium or low risk area, the Internal Audit report into 'Financial Resilience' of May 2015 flagged a number of findings that demonstrate some of the long-standing weaknesses in the delivery of the Trust's CIP targets. Despite a number of common themes within these findings, they received a lack of considered attention at Audit Committee and at wider divisional performance meetings. These findings are consistent with those noted during our review, both through interview and our review of documentation.

Following this, in October 2016, Internal Audit issued a further report in relation to the Trust's Cost Improvement Programme, which was noted as an area of 'Critical Risk', with the report including one critical risk and one high risk finding.

This reflects the continuous challenged faced by the Trust in relation to the delivery of savings and, when considered against the points noted throughout this divisional section, it is evident that the prior minor-level findings have exacerbated over time. This is compounded by the feedback received from DLTs that divisional CIP delivery has historically sat with the divisional finance business partners, which has led to a degree of detachment between the DLTs and the delivery or performance management of savings plans. Though, minutes from forums such as ESIB, reflect that regular attempts were made to drive ownership from the DLTs for their plans and to ensure that were appropriately on delivery. Given the regularity of these points being made, along with the Internal Audit findings, it is evident that DLTs were unable to get the grip required for delivery.

Prospective Review (continued)

CIP delivery (continued)

It is evident that there has been lack of operational and financial grip at divisional level. In our view, the lack of grip, combined with the non-delivery culture and the consistent conversion of challenged divisional positions into a Trust-wide surplus, has engendered an environment where DLTs are not currently functioning at an optimal level. This point should be addressed as part of the leadership development programme discussed in D.1.3.1 above. The recruitment of the substantive COO will need to address these issues in operational delivery and leadership.

(R18) Throughout the Review Period and into FY17, we noted a consistent lack of grip in relation to the delivery of CIP savings. We found a non-delivery culture and the consistent need to implement non-recurrent savings or cover shortfalls from contingency. We recommend that the Board reflects on the findings of the recent Internal Audit report into CIPs and puts in place a programme of development to ensure that ownership and delivery of CIP schemes is consistent across the Trust.

The Finance function

Within our full report, we reflected on a number of the challenges that have historically been faced within the Trust's finance team. As noted, the negative dynamics and tensions within the team stemmed from the MARS scheme departures amongst senior members of the team, which led to a stream of interim appointments, high turnover and a lack of continuity amongst financial leadership. This was compounded by uncertainty and frustrations regarding some of the methods being adopted to manage the financial position.

Looking forward, we acknowledge that a permanent appointment has been made in the 'Deputy Finance Director' role, with this post being entitled the Director of Operational Finance. This is reflective of the posts responsibility over the day-to-day detail and leadership of the finance function. Feedback during interviews has been positive in relation to this appointment, with the appointment providing a degree of long-term stability within the finance department.

Though this is a positive appointment, we note continued capacity challenges within the finance team. Interviewees commented that the team continues to be particularly lean, with a lack of capacity across all levels of the department. This has been acknowledged by the Board and senior finance leaders, with concerns expressed in relation to whether the team in its current form will have the capacity and capability to progress through the current financial challenges faced by the Trust. We understand that the interim FD is looking to undertake a substantial review of the department, with a view to a restructure.

A departmental restructure had been regularly mooted by the former FD, though we note that this did not take place and, as such, the possibility of restructure continued to cause uncertainty for members of the team. We concur with the review and restructure approach, with a need to bolster the team to meet the challenging recovery plan in place for the Trust. We note that a capacity and capability review has been undertaken and, in addition to this, we are of the view that a departmental restructure should be conducted as a priority, with appropriate investment across the finance team, to prevent further uncertainty and slippage on delivery at a crucial time for the Trust.

(R19) Throughout the Review Period, we noted that the finance function suffered from capability and capacity issues and relied heavily on interims to compensate for the gaps. This issue has not been fully addressed and remains a weakness for the Trust. This challenge is acknowledged by the CEO and Interim Finance Director. We understand that a review of capability and capacity has been undertaken, with a view to defining roles and assuring the appropriate depth and coverage, and that there is an intention to restructure the department.

Summary of Recommendations

Summary of Recommendations

Ref.	Section	Recommendation
R1	D.1.1	Throughout the Review Period, we noted silo working at the Executive level. Silo working presents a risk that Board members do not have sufficient oversight of developments outside of their portfolios and, as such, are unable to identify or challenge areas of concern. The concept of joint corporate responsibility should be continuously enforced by the CEO and EDs should be actively encouraged to take on responsibilities, and make contributions, outside of their respective portfolios.
R2	D.1.1	Our review identified a lack of challenge or debate between Executive Directors in relation to the finance agenda, which presents a risk that effective challenge, if at all, only originates from NEDs who do not have the same day-to-day knowledge of performance throughout the organisation. The CEO should actively promote Executive to Executive challenge in key executive and Board forums including Board, committee, the DOG and the TLT meetings (previously Executive team and TMT).
R3	D.1.1	We found that the lack of challenge and debate amongst Executive Directors was exacerbated by the split site nature of the Executive team. We recognise that steps have been taken to address this split and the CEO should ensure that, going forward, this approach is consistently adopted and embedded by all EDs.
R4	D.1.1	Throughout the Review Period, we found that there had been a lack of Executive team development. This compounded silo working and made it difficult to forge links between portfolios. The CEO should introduce a formal executive team development plan to build on the ED Away Day already undertaken.
R5	D.1.1	Historically, the Trust's TLT and DOG (previously TMT and Executive team) meetings have been conducted on an information-sharing basis, with little opportunity for discussion amongst the senior leadership team. We understand that these meetings have now been reviewed and that new arrangement are in place. The CEO should continue to monitor the new meeting format, to ensure that all participants benefit from the meetings.
R6	D.1.3	Our review found that, historically, there has been a Board culture where challenge and scrutiny was not actively encouraged. The Board should actively seek to build trust and mutual respect across EDs and NEDs and develop an environment where constructive challenge and scrutiny is actively encouraged from NEDs.
R7	D.1.3	During our review, we found that there was a tendency at the Trust of sharing 'good news' with the Board. This presents a risk that performance deterioration is not identified at an early stage and that appropriate mitigating actions cannot be put in place by the wider leadership team. The Board should actively promote the open and transparent sharing of information across all Board members, including the good and the bad news and build a sense of collective responsibility across the Board.

Summary of Recommendations (continued)

Ref.	Section	Recommendation
R8	D.1.3	We recognise that the NED cohort has undergone significant change, with two further NED appointments recently confirmed. In light of these changes, we recommend that the Board instigates formal development for NEDs in relation to holding to account and effective challenge. We also note that the current NED cohort does not include a representative with previous clinical experience, as is good practice. We recommend that the Board considers the recruitment of a clinical NED, to ensure appropriate challenge on clinical and quality matters.
R9	D.1.3	Our review noted that the Trust currently lacks very senior responsibility for the corporate governance portfolio, which presents a risk that this core portfolio does not receive appropriate attention or ownership at Board level. The Trust should assign executive level responsibility to the corporate governance portfolio or appoint a very senior manager into a Corporate Governance role.
R10	D.1.4	Historically, we noted a number of issues in relation to engagement between the Board and the Council of Governors, which presents a risk that the Governors are not in a position to sufficient discharge their statutory duties. The Board should put in place a development programme to improve engagement and links between the Board and the Council of Governors. This programme should aim to ensure that there is absolute clarity over respective roles and responsibilities between NEDs and Governors.
R11	D.2.1	Our review observed a lack of HR and clinical involvement at the Trust's Finance committee from EDs or their deputies. This presents a risk that the financial agenda is isolated from clinical and workforce matters. We recommend that the Board ensures that there is HR and clinical participation in every Finance Committee, as well as finance participation in Quality committee (we note the DoHR has recently joined the Finance Committee).
R12	D.2.1	We noted that, throughout the Review Period, there has been no cross-committee attendance from NEDs and a lack of attendance from certain EDs at key committees. We understand that committee membership has now been formally revised to ensure that there is overlapping NED membership across each of the four Board committees. It is critical that NEDs and, in particular, the Chair, as well as EDs, periodically attend a range of Board committees that they are not members of to gain direct assurance over issues and to consider cross-dependencies. This should include a more comprehensive Audit Committee programme of activities to promote executive participation and to increase transparency.
R13	D.2.1	Our review found a lack of informal interaction between Board committee Chairs, which presents a risk that links between key matters of performance are not made. We understand that the Trust Chair has now implemented a programme of quarterly meeting between committee Chairs, to ensure that interdependencies across committees are reviewed and to consider the need to build specific activities into the Audit Committee job plan.
R14	D.2.1	We found that, throughout the Review Period, committee NED attendance remained relatively consistent. This presents a risk that perceptions are not refreshed and that there is a degree of comfort to proceedings. The Chair should ensure regular turnover in committee membership with a new NED member at least every two years and a new Chair every three years. Given recent events, the Finance Committee would benefit from a refresh of all NED membership.

Summary of Recommendations (continued)

Ref.	Section	Recommendation
R15	D.2.3.2	We note that the Board is currently undertaking a review of risk management. We concur with this and the Board must ensure that this is addressed as a priority to ensure appropriate Board and committee oversight of risk.
R16	D.3.1	During our review, we found the divisional structure and triumvirate to be relatively immature, with capacity and capability gaps in senior leadership roles. We recommend that the Board puts in place a programme of development for divisional leadership teams. This should be designed and implemented with a view to providing leaders with the appropriate skills as well as promoting ownership and accountability.
R17	D.3.2	We were informed that Executive Review Meetings did not function at an optimal level throughout the Review Period, with inconsistent ED participation and a lack of detailed discussion. This presents a risk that divisional performance concerns are not appropriately challenged, escalated and addressed. We understand that a review of the ERMs has been undertaken, with new, COO-led arrangements being introduced in March 2017. The Board should ensure that the refreshed approach contains appropriate ED participation and the right balance between support and challenge.
R18	D.3.3	Throughout the Review Period and into FY17, we noted a consistent lack of grip in relation to the delivery of CIP savings. We found a non-delivery culture and the consistent need to implement non-recurrent savings or cover shortfalls from contingency. We recommend that the Board reflects on the findings of the recent Internal Audit report into CIPs and puts in place a programme of development to ensure that ownership and delivery of CIP schemes is consistent across the Trust.
R19	D.4	Throughout the Review Period, we noted that the finance function suffered from capability and capacity issues and relied heavily on interims to compensate for the gaps. This issue has not been fully addressed and remains a weakness for the Trust. This challenge is acknowledged by the CEO and Interim Finance Director. We understand that a review of capability and capacity has been undertaken, with a view to defining roles and assuring the appropriate depth and coverage, and that there is an intention to restructure the department.

Glossary

Glossary

Glossary of terms used throughout this report

BAF	=	Board Assurance Framework
Board	=	The Board of Gloucestershire Hospitals NHS Foundation Trust
BPPC	=	Better Payment Practice Code
CEO	=	Chief Executive Officer
CIP	=	Cost Improvement Programme
COO	=	Chief Operating Officer
COG	=	Council of Governors
CoS	=	Chief of Service
DDOps	=	Divisional Director of Operations
DH	=	Department of Health
DLT	=	Divisional Leadership Team
DN	=	Divisional Nurse
DoCS	=	Director of Clinical Strategy
DoHR	=	Director of HR and Workforce
DoSD	=	Director of Service Delivery
DOG	=	Directors Operational Group
D&S	=	Diagnostics and Specialities Division
ED	=	Executive Director
ERM	=	Executive Review Meetings
ESIB	=	Efficiency and Savings Improvement Board
FD	=	Finance Director
F&PC	=	Finance and Performance Committee
FY	=	Financial Year
GHFT	=	Gloucestershire Hospitals NHS Foundation Trust
HR	=	Human Resources
I&E	=	Income and Expenditure
MARS	=	NHS Mutually Agreed Resignation Scheme
MD	=	Medical Director
ND	=	Nursing Director
NED	=	Non-Executive Director
NHS	=	National Health Service
NHSI	=	NHS Improvement
Q&PC	=	Quality and Performance Committee
SL	=	Service Lines
STF	=	The Sustainability and Transformation Fund
TLT	=	Trust :Leadership Team
TMT	=	Trust Management Team
Trust	=	Gloucestershire Hospitals NHS Foundation Trust