

## 1. Introduction and background

1. This report sets out the findings and recommendations from NHS Improvement's investigation into Lewisham and Greenwich NHS Trust's (the trust's) decision to accept its 2017/18 control total, and wider financial governance concerns.
2. As a result of the trust's significant and increasing underlying deficit, calculated by the trust to be £70.2m at the end of 2016/17, it became a participant of the Financial Improvement Programme (FIP) in February 2017 and is being supported by EY.
3. The trust accepted its 2017/18 control total to deliver a deficit of £22.8m (including £16.7m of Sustainability and Transformation Funding - STF) in November 2016, simultaneously submitting a letter to NHS Improvement setting out a number of caveats to this acceptance. Key caveats included that Sustainability and Transformation Partnership (STP) clinical transformation schemes would stop activity worth £17.4m being treated at the trust, with a corresponding trust expenditure reduction of £25.1m, and that STP collaborative productivity changes would reduce trust expenditure by £16.7m.
4. At month 3 of 2017/18, the trust had reforecast its deficit from the planned £22.8m deficit to a £60.1m deficit, which represents an underlying deterioration of £20.6m when the lost STF is excluded. The primary cause of this deterioration is the significant under-delivery of savings from STP schemes. The trust has further increased its deficit reforecast to £65.2m deficit.
5. The trust has commissioned or been subject to a number of governance reviews over the past year. This includes a Good Governance Institute review in June 2017 and an EY review of financial governance in May 2017 as part of the FIP. The EY review raised a number of recommendations, including two high risk recommendations pertaining to non-executive director (NED) scrutiny and CIP governance.
6. The investigation objectives were to:
  - i) Assess the quality of decision making in relation to acceptance of the control total;
  - ii) Establish the extent to which the trust is complying with NHS Improvement's financial and workforce policies;
  - iii) Determine the extent to which the trust has taken action to identify the drivers of its deficit and responded adequately to these; and
  - iv) Assess the adequacy of the trust's response to EY's financial governance recommendations in May 2017.