

Board of Directors (in Public)

Item 5.3

Subject: Review of Compliance with NHS Foundation Trust Code of Governance
Date of meeting: 27th March 2018
Prepared by: Lucy Lavan, Director of Corporate Affairs
Presented by: Lucy Lavan, Director of Corporate Affairs
Purpose of Report : For Approval

BAF Ref	All
Impact on BAF	None

1. Executive Summary

The Code of Governance operates on a 'comply or explain' basis. The purpose of the paper is to ask the Board to review and confirm compliance with the Code of Governance. (Appendix 1). The review highlights one exception to the Code (Provision B.7.1) which relates to the term served by non-executive directors (including the Chair):

'Any term beyond six years (e.g. two three year terms) for a non-executive director should be subject to particularly rigorous review, and should take into account the need for progressive refreshing of the Board. Non-executive directors may, in exceptional circumstances, serve longer than six years (e.g. two three year terms following authorisation of the NHS Foundation trust) but this should be subject to annual re-appointment. Serving more than six years could be relevant to the determination of a non-executive's independence.'

Neil Large is now in his ninth year of office as Chair having served two three year terms and having subsequently been re-appointed by the Council of Governors on an annual basis up until 13th October 2018. The Nominations Committee of the Council of Governors will meet in May 2018 to undertake a rigorous review and determine recommendations for consideration by the Council of Governors regarding reappointment and succession plans.

The Code requires Foundation Trusts to disclose their governance arrangements for the financial year (2017/18) in their annual report. The Code also requires the Board to explain how the main principles and supporting principles of the Code have been applied; and to provide a statement either confirming compliance with the provisions of the Code, or where appropriate, an explanation in each case as to why the Trust has departed from the Code. A proposed disclosure statement has been prepared for consideration and approval by the Board (Appendix 2).

2. Background

The *NHS Foundation Trust Code of Governance* ('the Code') brings together good practices of the public and private sector in order to help NHS foundation trust boards maintain good quality corporate governance.

The Code was last updated in July 2014 (NHS Improvement). Foundation Trusts are required to report on how they have applied the principles of the Code and to provide an explanation regarding any provisions that have not been complied with in the annual report.

The Code sets out 5 key principles which NHS foundation trust boards should adopt:

1. **Leadership** - As part of their role as members of a unitary board, non-executive directors should constructively challenge and help develop proposals on strategy. Non-executive directors should also promote the functioning of the board as a unitary board
2. **Effectiveness** - The board of directors is responsible for ensuring ongoing compliance by the NHS foundation trust with its licence, its constitution, mandatory guidance issued by Monitor, relevant statutory requirements and contractual obligations.
3. **Accountability** - The board of directors should establish formal and transparent arrangements for considering how they should apply the corporate reporting and risk management and internal control principles.
4. **Director remuneration** - There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors.
5. **Relations with Stakeholders** - The board of directors is responsible for ensuring that the NHS foundation trust co-operates with other NHS bodies, local authorities and other relevant organisations with an interest in the local health economy.

The full Code can be accessed via NHSI's website

at <https://www.gov.uk/government/publications/nhs-foundation-trusts-code-of-governance>

The Code is best practice advice and operates on a 'comply or explain' basis and therefore non-compliance is not in itself a breach of Condition 4 of the Provider Licence (the Governance condition). However, there are some statutory requirements that are highlighted in the Code and these must be adhered to.

3. Review of Compliance

A review of compliance with each provision of the Code is attached at Appendix 1. A draft disclosure has been prepared for inclusion in the Annual Report 2017/18 (Appendix 2).

4. Recommendations

The Board of Directors is asked to:

- i) Receive the compliance review (Appendix 1) and confirm the Trust's compliance with all provisions; and
- ii) Approve the disclosure statement for inclusion in the 2017/18 Annual Report (Appendix 2).