

Board of Directors (in Public)

Item 5.3

Subject: Review of Compliance with NHS Foundation Trust Code of Governance
Date of meeting: 28th March 2017
Prepared by: Lucy Lavan, Director of Corporate Affairs
Presented by: Lucy Lavan, Director of Corporate Affairs

| BAF Ref | Impact on BAF |
|---------|---------------|
| All | None |

1. Executive Summary

The purpose of the paper is to ask the Board to confirm compliance with the Code of Governance and approve the proposed disclosure statement for inclusion in the Annual Report. No exceptional issues have been highlighted.

2. Background

Monitor's (now NHSI) *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. 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 2016/17 (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 2016/17 Annual Report (Appendix 2).