

Council of Governors (in Public)

Item 7.4

Subject: Corporate Governance Statement 2017
Date of Meeting: 6th March 2017
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Presented by: Lucy Lavan, Director of Corporate Affairs

1. Executive Summary

It is not yet clear whether NHS Improvement will require the Board of Directors to submit annual declarations in respect of the Corporate Governance Statement and other licence conditions, but to ensure ongoing adherence to the licence and in keeping with good governance practice, the Board will reflect on the declarations made to NHSI (then Monitor) in 2016 and in doing so will invite the views of Governors for consideration. In 2016 the Board was required to make declarations in respect of:

- i) Corporate Governance Statement
- ii) General Condition 6 – Systems for compliance with licence conditions
- iii) Continuity of Services Condition 7 – Availability of Resources
- iv) Certification on AHSCs and Governance, and
- v) Training of Governors

The Statements that the Board had to certify are attached. In respect of each statement, the Board was required to respond '*confirmed*' or '*not confirmed*'. Any responses of '*not confirmed*' were to include explanatory information which could then prompt further investigation by Monitor (NHSI).

The Statements require the Board to have had regard to the views of governors in making the declarations. The Council of Governors (CoG) is asked to consider the statements and provide any views on these for consideration by the Board.

The remainder of this report provides an overview of the assurances that the Board will review to inform the declaration process.

2. Background

The new Single Oversight Framework makes no reference to the Corporate Governance Statement and it remains unclear as to what NHSI's requirements are in respect of 2017 Board declarations and Corporate Governance Statement. However, it remains a requirement of the Provider Licence that the Board submit an Annual Corporate Governance Statement:

General Condition 6, Provision FT4 (NHS Foundation Trust Governance) reads:

The Trust must have effective Board and committee structures, reporting lines and risk management systems; and processes that ensure compliance with CQC and other regulatory standards; and compliance with the duty to operate economically, efficiently and effectively.

The Board must submit an annual Corporate Governance Statement, which, if required by Monitor, is supported by a statement from the Trust's auditor.

On this basis, the Board will reflect on the certifications it made in 2016 and determine that these are extant.

3. Corporate Governance Statement

The former *Risk Assessment Framework* required NHS foundation trusts to submit a Corporate Governance Statement (Appendix 1). This comprised 20 individual statements and through regular review of the 2016/17 Board Assurance Framework and compilation of the Board's business cycle, the Board has identified and reviewed the evidence required to support these statements.

It is critical that the Board is satisfied with the controls and assurances in place to support the Corporate Governance Statement as the regulator could call into question the self-declaration process, in the event that there is a breach or potential risk of breach of the governance conditions within the provider licence.

In order to inform the Board's self-certification process, Mersey Internal Audit Agency will be asked to review the adequacy and sufficiency of evidence available to support each of the statements and to provide assurance to the Board on these. The review will seek to provide assurance that the controls are adequately designed and implemented; and that the Board can take reasonable assurance that the controls upon which the organisation relies to manage these areas are suitably designed, consistently applied and effective. This process will also be informed by findings of the recent Well Led review.

The Board will consider MIAA's report in Quarter 1, on completion of this work.

4. General Condition 6 – Systems for compliance with licence conditions

The Audit Committee has undertaken a detailed review of each of the provisions of the provider licence on an annual basis since March 2014 and has in place a system for quarterly review of a checklist of key licence conditions, to ensure that any emerging risks to compliance with the licence are identified and mitigated at an early opportunity.

Throughout 2016/17 the Audit Committee has monitored the checklist. The Trust met all mandated operational targets despite challenges arising from increased acuity of patients and a higher volume of non-elective activity and delivered its financial plan in accordance with the control total requirement.

The Trust has reported two serious incidents (one of which was a 'never event') in 2016/17.

5. Continuity of Services Condition 7 – Availability of Resources

The 2017/18 planning cycle is complete and the financial plan presents a surplus position after taking account of the impact of the new tariff, HRG4+ which has addressed the historic underfunding of complex cardiac activity. The Trust has not accepted NHSI's Control Total offers for 2017/18 and 2018/19 and has set out the reasons why it is unable to do so and discussions continue in an attempt to secure an improved offer that can realistically be met. The Trust is currently categorised as Segment 1 under NHSI's Single

Oversight Framework and would likely fall to Segment 2 if a control total for 2017/18 cannot be agreed.

Whilst delivery of the 2017/18 financial plan remains challenging it is based upon robust planning assumptions and at the present time there is no material risk to future availability of resources.

6. Certification on AHSCs and Governance

The Trust has academic / research partnerships in the form of ICMS (Institute of Cardiovascular Medicine and Science) and LHP (Liverpool Health Partners), both are companies limited by guarantee. Neither of these partnerships fall within the definition of an AHSC (Academic Health Sciences Centre) or a major joint venture.

7. Training of Governors

The Health & Social Care Act s151(5) requires Boards to ensure that governors are equipped with the skills and knowledge they need to undertake their role, through the provision of necessary training.

During 2016/17, the Trust has:

- i) Provided a local induction pack for every new governor on appointment at initial induction meeting with Chairman and Director of Corporate Affairs
- ii) Provided an induction day for new governors and existing governors requesting a refresher (externally facilitated)
- iii) Provided an annual Governor development day, part of which is dedicated to joint work with the Board
- iv) Provided access to the FTN's *Govern Well* Programme
- v) Provided access to the NW Governors Forum
- vi) Provided opportunity for a governor to attend the NHS Providers Annual Conference 'Governor Focus';
- vii) Governor participation in the IGNITE Improvement Network Cheshire & Merseyside;
- viii) Provided bespoke training to individuals / small groups as required –e.g. through interest groups and in readiness for CQC inspection
- ix) Provided a speaker most CoG meetings to brief governors on aspects of services provided by the Trust
- x) Provided resources and supported Governors to deliver a programme of member engagement events and newsletters
- xi) Developed presentation material for use by governors in promoting the public and staff membership and the role of the staff governor
- xii) Provided opportunity for governor walkabouts with Chair
- xiii) Provided quarterly Chair's lunch meeting for informal discussion with Chair
- xiv) Established governor interest groups on finance, quality and patient experience, enabling governors to discuss topics with executive and non-executive directors
- xv) Continued to run and support the Membership and Communication and Quality Sub Committees which offers governors opportunity to build their knowledge and contribute in these two areas e.g. shape and implement membership strategy or contribute to the Trust's quality agenda and focus of priorities.
- xvi) Updated the Governor skills audit

- xvii) Published specific public and staff governor pre-election material for prospective governors clarifying the role and skills and time commitment required
- xviii) Provided access to MIAA Learning Series workshops
- xix) Established a time limited Audit Task Group to support the process of appointing an external auditor for 2017/18.

8. Recommendations

The Council of Governors is asked to review the paper and attached statements and provide any views for consideration by the Board.

Should any exceptional issues arise from the Board's discussion or as a result of MIAA's review, or there is a notified change in regulatory requirements then these matters will be highlighted to governors at the next Council meeting in June 2017.