

15 June 2021

Item No XX

Council of Governors:

Summary Sheet

Title of Paper: Organisational Governance

Presented By: David Walsh, Director of Corporate Governance

Action Required:	For Information	<input checked="" type="checkbox"/>	For Ratification	<input type="checkbox"/>	For a decision	<input type="checkbox"/>
	For Feedback	<input checked="" type="checkbox"/>	Vote required	<input type="checkbox"/>	For Receipt	<input type="checkbox"/>

To which duty does this refer:

Holding non-executive directors individually and collectively to account for the performance of the Board	<input type="checkbox"/>
Appointment, removal and deciding the terms of office of the Chair and non-executive directors	<input type="checkbox"/>
Determining the remuneration of the Chair and non-executive directors	<input type="checkbox"/>
Appointing or removing the Trust's auditor	<input type="checkbox"/>
Approving or not the appointment of the Trust's chief executive	<input type="checkbox"/>
Receiving the annual report and accounts and Auditor's report	<input type="checkbox"/>
Representing the interests of members and the public	<input checked="" type="checkbox"/>
Approving or not increases to non-NHS income of more than 5% of total income	<input type="checkbox"/>
Approving or not significant transactions including acquisitions, mergers, separations and dissolutions	<input type="checkbox"/>
Jointly approving changes to the Trust's constitution with the Board	<input type="checkbox"/>
Expressing a view on the Trust's operational (forward) plans	<input type="checkbox"/>
Consideration on the use of income from the provision of goods and services from sources other than the NHS in England	<input type="checkbox"/>
Monitoring the activities of the Trust to ensure that they are being conducted in a manner consistent with its terms of authorisation and the constitution	<input type="checkbox"/>
Monitoring the Trust's performance against its targets and strategic aims	<input type="checkbox"/>

How does this item support the functioning of the Council of Governors?

Providing governors with information relating to the governance of the organisation

Author of Report:	David Walsh
Designation:	Director of Corporate Governance
Date:	8 June 2021

Council of Governors

Date: 15 June 2021

Subject: Organisational Governance

From: David Walsh, Director of Corporate Governance

Authors: David Walsh, Director of Corporate Governance

1. Purpose

<i>For approval</i>	<i>For a collective decision</i>	<i>To report progress</i>	<i>To seek input from</i>	<i>For information/assurance</i>	<i>Other (Please state below)</i>
				X	

2. Summary

The Board and its committees have recently considered a number of papers in relation to the governance of the organisation. This is a combination of scheduled 'year end' activity, as well as improvements which have been developed to address issues highlighted by the CQC inspection which was undertaken in 2019-20.

This report provides an update on:

- The organisation's governance structure;
- A newly approved Risk Management Strategy;
- Committee Activity Reports;
- The Annual Governance Statement for 2020-21;
- Compliance against Provider Licence Conditions 2020-21;
- Board Assurance Framework.

3. Next Steps

Not applicable.

4. Required Actions

To receive the update and comment, as appropriate, on levels of assurance received.

5. Monitoring Arrangements

The report is provided for information only as the matters detailed fall within the remit of Board and its committees to monitor and approve.

6. Contact Details

For further information, please contact:

David Walsh, Director of Corporate Governance, david.walsh@shsc.nhs.uk

Organisational Governance

1. Governance Structure

- 1.1 A key action within the Well-Led Development Plan, which was created in response to the CQC inspection in 2019-20, was the review and revision of the governance structure below Board committees.
- 1.2 This was developed in consultation with Executive Directors and through formal monitoring at Board Committees. Each committee gave consideration in three stages; an initial report setting out the objectives and seeking input, a progress report followed by approval of the proposed structure. Outside of meetings, contributions were received from Executive Directors, Chairs and those involved in the governance meetings.
- 1.3 Approval of the governance structure was given by Board in March and this is included at Appendix 1 for information. It should be noted that as part of the delegated responsibility, committees are continuing to develop the groups that report into them.
- 1.4 Since the last Council of Governors meeting, committees have continued to receive and approve Terms of Reference of the various groups that have been developed. Each group, whether new or existing, is undertaking a process to ensure it gives proper consideration to how it receives and escalates information, ensuring its membership is appropriate and other matters to ensure consistency.
- 1.5 Governors will recall that as part of the wider governance review, a Mental Health Legislation Committee was also developed to sit below Board. This has now met twice since its establishment.
- 1.6 In addition, governors will also recall that the scheduling of meetings has been re-sequenced to ensure material is considered at the appropriate tier and within sensible timescales to further aid the movement of information upwards.
- 1.7 Further improvements to the governance of meetings will be realised in the coming weeks, including:
 - A new report template which will be active from 1 July;
 - Proposals for the establishment of Corporate Assurance Officers to support meetings, risk and policy management to be consulted upon with staff.

2. Risk Management Strategy

- 2.1 Another area for improvement is how we manage risk across the organisation. This was identified in the CQC inspection in 2019/20, and much work has gone into improving this area of work during 2020/21.
- 2.2 In February 2021, Board considered at two separate development sessions its approach to risk including revising our organisational Risk Appetite Statement. The new statement was approved by Board in March.
- 2.3 To better inform improvements to the Risk Management Strategy, our internal auditors, 360 Assurance, were invited to undertake an advisory audit of the organisation's strategic risk management. This was undertaken in March-April. It resulted in a number of recommendations to further strengthen our arrangements.
- 2.4 Changes arising from the Director of Corporate Governance review of the existing strategy, informed by the Board development discussions and the internal audit, were presented to the Audit and Risk Committee in April and then Board in May 2021.
- 2.5 The changes that have been made include the following:
 - Revision of the Risk Appetite Statement;

- A refresh of the responsibilities and accountabilities;
- Greater clarity around the process required for risk reviews at service level;
- Clarity on the necessity to consider escalation of risks with a score of 12 or above (the internal audit identified that this was not consistently undertaken at service level);
- Changes to review periods – the maximum review period for corporate risks reduced to one month;
- Detail around the Risk Oversight Group. This is a new group established as part of the changes to the governance arrangements (see Section 1).

2.6 A number of actions are now planned for the coming months. These include:

- Development of a training programme including identification of training needs and systematic arrangements to ensure regular updates thereafter **by end of August 2021**;
- Modifications to Ulysses system to ensure simplified escalation/de-escalation of risks as soon as possible and no later than the commencement of training **from the end of August 2021**;
- Re-audit of random sample of risks to test application following roll-out of training programme **by the end of March 2022**;
- Review of appropriate application of target risk score in line with the Risk Appetite Statement **by end of October 2021** and full re-audit **by end of March 2022**.

2.7 Due to the size of the documents, neither the revised Risk Management Strategy nor the internal audit have been attached as appendices, but both documents can be shared with governors on request.

3. Committee Activity Reports

3.1 Board committees have for a long period reported upwards to Board in the form of “significant issues” reports. However, it has not always been easy to drill down into the key information within those reports in their previous.

3.2 A revision of the arrangements was made at the March Board meeting with the previous reports consolidated into a single Committee Activity report. The intention of this was to aid triangulation of themes by bringing the reports together. It was not felt, however, that this approach overcame the fundamental issues of assisting Board in separating the most important issues from those others being escalated for information.

3.3 Following discussions with the Chair of Audit, who has experienced this issue in other organisations, a new system has been developed. It involves committees considering ‘significant issues’ under three key categories:

- Alert – areas which the committee wishes to escalate as potential areas of non-compliance, that need addressing urgently, or that it is felt Board should be sighted on;
- Advice – any new areas of monitoring or existing monitoring where an update has been provided to the committee and there are new developments;
- Assure – specific areas of assurance received warranting mention to Board.

3.4 Each committee considered these at the end of their meetings and then a summary report was completed by the Chairs. Those completed for the May Board meeting are attached to this report as Appendix 2.

3.5 Following successful application, it is intended to roll-out this approach across the organisation so reporting groups (see section 1) use the same methodology to report into committees.

4. Annual Governance Statement

4.1 Among the year-end requirements of every NHS Trust and Foundation Trust is the publication of an Annual Governance Statement (AGS). This has been developed following the requirements set out by NHSE/I.

4.2 The AGS has been developed with close monitoring at Board and committee level. It was considered by Audit and Risk Committee in draft form in both April and May before progressing to Board in May. At the time of writing this report, it is anticipated that the AGS will be signed off at an extraordinary Audit and Risk Committee under delegated authority on 9 June 2021.

- 4.3 In summary, the AGS concludes with an opinion that there have been significant control gaps during 2020/21. This is consistent with the opinion given in last year's statement and arises from the fact that the actions taken to address matters arising from the CQC's previous inspection have progressed very well, but were nonetheless present or partially present during the last financial year. Mitigation detailing the various improvements the organisation has made during the year is detailed in the document and in the conclusion.
- 4.4 Due to its size, the AGS is not included as an appendix but can be shared with governors on request.

5. Compliance against Provider Licence Conditions

- 5.1 Another annual requirement for Foundation Trusts is to make an annual declaration in relation to compliance with Provider Licence conditions G6(3), FT4 and CoS7. G6(3) relates to systems for compliance with licence conditions and related obligations. FT4 is in relation to Foundation Trust governance arrangements. CoS7 is related to the availability of resources to undertake required business.
- 5.2 For the same reasons as described with the AGS, we cannot declare full compliance for G6(3) and FT4 for the entirety of 2020/21. The improvement actions arising from the Section 29a notice (requiring urgent actions) were not closed until the end of May 2020. The Back to Good programme and Well-Led Development Plan commenced last summer. As a result of these changes, the organisation has made significant improvements during 2020/21, despite the issues being made more challenging still by the global pandemic.
- 5.3 A positive declaration needs to confirm compliance throughout the 2020/21 year, and the timing of the improvements that have taken place means this is not possible. NHSE/I have again been consulted and agree with this view, which is consistent with the declaration made for 2019/20. A positive declaration can be made in respect of condition CoS7.
- 5.4 This approach was approved by Board in May 2021.

6. Board Assurance Framework

- 6.1 The Board Assurance Framework is a key tool used by Board and its committee to measure levels of assurance against activity to meet the organisation's objectives. The methodology used here, and in most trusts, is through the development and monitoring of key strategic risks against delivery.
- 6.2 Committees have been heavily engaged in developing key risks for their areas of responsibility in recent months. The risks were approved by Board at the meeting in May 2021. They are attached at Appendix 3.

Appendices

Appendix 1 – Governance structure as approved by Board in March 2021

Appendix 2 – Alert, Advise, Assure reports presented to Board in May 2021

Appendix 3 – Board Assurance Framework risks 2021/22 approved by Board in May 2021

Available on request

Risk Management Strategy

Internal Audit into Strategic Risk Management

Annual Governance Statement