

In partnership with



# ■ Good Governance Handbook



January 2015

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## Briefing and induction: good governance in today's NHS

The NHS has made a significant commitment to governance. It is organised around individual entities that have independent but connected governance arrangements. NHS provider organisations use a unitary board model of governance with executive and non-executive directors. Clinical Commissioning Groups (CCGs) are membership bodies as well as public bodies so there are different nuances around the roles and many of the governance mechanics, for example appointing roles to the governing body, is very different to the process used by NHS provider boards.

Since the 2012 Good Governance Handbook (GGH) was published by HQIP and GGI, the NHS has been working hard to put more clinicians on boards and, within CCGs, has created governing bodies with inbuilt clinician majorities. The regulators now recommend that at least one non-executive director in NHS provider trusts has a clinical background.<sup>1</sup> This provides many new opportunities for boards and governing bodies to discharge their duties, and at the same time presents the challenge of supporting clinicians to get the best from their governing roles.

NHS governance is plagued by silo elements of the governance discipline and fracturing services through sharing the care pathway between different organisations. There are significant

steps that need to be taken to ensure that the governance of risk, research, information, finances and quality – to name but a few – are all joined up and understood as one effort to implant good governance. Additionally, as more and more services are provided to individual patients by multiple organisations, the challenge of creating joint accountability for the one episode of care centred on the patient becomes an increasingly complex challenge.

Learning from the events at Mid Staffordshire Hospital Foundation Trust, through the Francis report and Keogh reviews<sup>2</sup> has raised further interesting governance challenges. Governance should help those leading organisations to provide seamless assurance to patients around quality and safety, as well as around the effective stewardship of resources for the taxpayer. The Health and Social Care Act<sup>3</sup> adds new duties for those leading healthcare organisations. The developing regulation systems in healthcare are largely designed to use the corporate and clinical governance systems as a means by which they test the quality and safety of patient care.

All this speaks to the need to update and refresh the GGH which we do as a contribution towards empowering boards to support the delivery of excellent care within the NHS.

1. Monitor, 2014, *The NHS Foundation Trust Code of Governance*

2. Chaired by Robert Francis QC. – *The Mid Staffordshire NHS Foundation Trust Public Inquiry*, 2013 and Keogh, B., 2013, *Review into the quality of care and treatment by 14 hospital trusts in England: Overview Report*

3. [www.legislation.gov.uk/ukpga/2012/7/contents/enacted](http://www.legislation.gov.uk/ukpga/2012/7/contents/enacted) Health and Social Care Act, 2012

# Rationale: how this handbook works

Governance matters, and in today’s NHS good governance is a valuable way in which the interests of all stakeholders – patients, staff, carers, local communities and suppliers to name but a few – are protected and promoted. GGH emphasises developing the role of clinicians in management and resource allocation. The aim is to help existing and aspirant board-level clinicians, and CCG governing bodies, as well as those who support and challenge them, to understand and apply good governance in a rapidly-changing environment.

This handbook can be read in parallel with the 2012 edition, the accompanying HQIP/GGI Clinical audit guide<sup>4</sup> and the recent NHS England sponsored set of governance tools prepared by GGI for CCGs.<sup>5</sup> All the material included is freely available on HQIP and GGI websites in plain format for use in briefing documents. We only ask that you acknowledge the sources.

Governance is a portmanteau term and covers many different but related aspects of the leadership of an organisation. We have taken 10 themes that illuminate different aspects of good governance, and the handbook covers each of these in more detail.

We have attempted to support the concept of subsidiarity, which implies the pushing down of control and responsibility as near to the coalface as possible. We have described for each of these themes the practical application of each principle at board/governing body, division and department level within a healthcare provider organisation. To help flesh this out further, we have included example assurance questions for each of the themes that might be asked, and an accompanying good and weak answer to these. This follows the model used in other GGI support materials such as the series of Board Assurance Prompts (BAPs).<sup>6</sup>

**Figure 1. The 10 governance themes**



4. Bullivant, J. et al (2015) *Clinical audit: a guide for NHS boards and partners*

5. NHS England and GGI, *Helping CCGs to develop governance arrangements that are as effective as possible*, [www.ccgovernance.org/resources/](http://www.ccgovernance.org/resources/)

6. [www.good-governance.org.uk/board-assurance-prompts-key-questions-to-ask-when-scrutinising-governance-between-organisations/](http://www.good-governance.org.uk/board-assurance-prompts-key-questions-to-ask-when-scrutinising-governance-between-organisations/)

# The 10 governance themes

## Clarity of purpose, roles and behaviours

- Boards or governing bodies of organisations need to ask themselves one fundamental question: ‘what is the point of this organisation?’ The purpose of the organisation, and the vision set by those that govern it to support the achievement of the purpose, is the starting point for any system of good governance
- Vision is the shared understanding of what the organisation is trying to achieve and the difference it intends to create. It helps provide clarity and a sustainable strategy
- In order to achieve the organisation’s purpose, those in governing and leadership roles need to also have clarity around their contribution to this and exhibit a set of behaviours that is in tune with the vision. This will support the effective achievement of the organisation’s purpose. Boards and governing bodies are less effective if there is confusion around roles and when behaviours are out of tune with the value that good governance brings to an organisation. For example, when the distinct disciplines of management and governance are confused, this can lead to fractured decision making and a lack of strategic thinking.
- Good boards and governing bodies have explicit discussions to frame their purpose and agree roles and behaviours. Often this results in the adoption of a formal etiquette to help promote better working and to underpin an effective governance culture

Question: do we ensure clarity about our purpose, roles and desired behaviours?	Weak answer	Good answer
Board/governing body	Our board/governing body members understand this. We have used the various templates available to organise how our board operates and have appointed experienced individuals who know what to do	Our governance procedures and activities are focused on outcomes and the quality of care we provide. Good governance is of concern to everyone in our team, with the board providing strong support and assurance to our stakeholders
Division	An organogram describes how our divisions are organised and who does what. There is a committee structure chart that shows all this too	We spend time on discussing organisational purpose, and regularly test this out with staff through surveys and discussion groups. We understand that good governance needs working at and there are different roles team members need to play to ensure that good governance is embedded. We find constructive challenge hard at times, but it does lead to us making better decisions and being more certain about assuring ourselves around quality and safety
Department	The operational plan spells out what is expected of us each year. Our performance reports reinforce these expectations and tell us when we are going off track	Working at our level, it is hard to lift our minds out of operational delivery and think what the overall purpose of the organisation is, but we nevertheless try and do this each year. This has proved useful as it helps us understand how we fit in to the overall mission of the organisation as well as appreciate what others are doing too

## Principles of governance and why they are important

The 2012 GGH identified a series of principles for good governance. Each of these reflects Alpa's<sup>7</sup> premise that principles should be of fundamental value; understood by users as the essential characteristics of the system and reflect the system's designed purpose. They build on the nine principles we published in 2012, and which we have tested and found robust in our work with boards and governing bodies. In this edition of the handbook we offer an additional principle that we feel helps distinguish good governance: competence.

These principles will help boards and those developing governance systems to decide what is most appropriate for the specific needs of their organisation.

### Principle 1. Entity

An organisation is a discrete entity and a legal personality. Thus the organisation as a corporate body owes duties of care and needs to observe responsibilities and compliances that are separate from those of the organisation's owners or those controlling the organisation. An entity needs to be real and tangible, and have a discrete legal form.

#### Entity: why it is important

Often governance issues arise when one is uncertain about what the entity is dealing with, such as in a network, across a service continuum or when services are delivered through a partnership or contract arrangement. It is important that the entity concerned is identifiable and that it is clear who is accountable. The entity concerned should be legally constituted, and those steering it should be aware of their responsibilities and accountabilities

### Principle 2. Accountability: the controlling mind

Organisations are run by people, and those who direct an organisation and act as the organisation's controlling mind need to be readily identifiable. This enables all stakeholders and interested parties to understand who is accountable for the control of the organisation and who can enter into engagements on the organisation's behalf. Where the organisation has been separated from its owners (i.e. is not a sole trader or a partnership where the principals are singly and jointly liable for the control of the business entity) and is a body corporate; then those who act as the controlling mind are usually termed *directors*. Directors have responsibilities in law for looking after the interests of the organisation and all stakeholders. How this is executed will change as the organisation encounters different opportunities and challenges. Good governance means directors acting collectively in what is usually termed as a board, the overall accountable group that comprises the controlling mind.

#### Accountability: why it is important

All legal entities should be controlled by identifiable individuals who can be brought to account for their actions. They should be competent to fulfil this role. Within an organisation, it is important to be able to distinguish between those who are accountable for the organisation and those who are not. This is important for both internal control, and to ensure that external parties understand with whom they can make binding arrangements on behalf of the organisation. Those controlling an organisation need to be formally required to look after all stakeholder interests. They should have formal duties around their conduct and accountability.

The Corporate Manslaughter and Corporate Homicide Act 2007,<sup>8</sup> which came into effect on 6 April 2008, disposed of the need to identify a single individual as the controlling mind – meaning that a trust can now be prosecuted as a corporate body.

7. Alpa, Guido *General Principles of Law*, Annual Survey of International & Comparative Law: Vol. 1: Iss. 1, Article 2 1994

8. [www.legislation.gov.uk/ukpga/2007/19/pdfs/ukpga\\_20070019\\_en.pdf](http://www.legislation.gov.uk/ukpga/2007/19/pdfs/ukpga_20070019_en.pdf)

### Principle 3. Stakeholders

Governance needs to consider all stakeholders, even those who may not be immediately apparent. Stakeholders will typically include:

- owners of the enterprise
- investors (who may or may not be the owners)
- customers
- clients (who may be different from the customers)
- beneficiaries (who in healthcare organisations may be different from customers and clients)
- those whose money the organisation uses or is steward to, including creditors or partners and bankers
- regulators, who increasingly use governance systems to help support their work
- staff
- the wider environment and community

#### Stakeholders: why it is important

It is important to recognise that in a complex world the conduct of an organisation can have significant effects on many, and as such those organisations need to pay formal consideration to those who their actions might affect. In healthcare, it is important to be able to separate out responsibilities that in other industries would be congruent, such as to customers, clients and beneficiaries. There are legal duties for healthcare and other public bodies to take into account the views of stakeholders when taking decisions that extend beyond the usual governance requirements of boards.

NHS organisations are custodians of public funds, credit, private investment in the form of PFIs<sup>9</sup> as well as resources belonging to individuals. As in any high-risk industry, stakeholders increasingly rely on regulators to ensure their interests are looked after and so the many regulators in healthcare have a material interest in how an organisation is governed.

9. Private finance initiatives

10. [www.learn-to-be-a-leader.com/nolan-principles.html](http://www.learn-to-be-a-leader.com/nolan-principles.html)

### Principle 4. Governance and management

Directors may in addition to their governance responsibilities also have a portfolio of management responsibilities, these being the duties to manage and operate the enterprise from day-to-day. Directors need to separate themselves from their management role when they are acting as part of the controlling mind of the organisation and as overall guardian to stakeholder interests.

Governance concerns:

- **Vision** – being certain why the organisation exists in the first place, its purpose and what difference it intends to make
- **Strategy** – the planned means by which the organisation delivers the vision
- **Leadership** – how the organisation is able to deliver the strategy over time
- **Assurance** – that the organisation does what it says it will do and behaves in the manner it has agreed.
- **Probity** – that the organisation meets standards of openness and transparency, acts with integrity and in good faith. In the public sector, taking note of the Nolan principles of public life<sup>10</sup>
- **Stewardship** – that the organisation is responsible with resources, especially other people's resources (such as credit)

The purpose of governance is to ensure better decisions. We separate governance from management by the role each has in decisions. Management makes (or crafts) decisions. By this we mean management identifies an issue, gathers and analyses the data, identifies and weighs options consults and comes up with recommendations. Directors in their governance role then take decisions, and move at that point from being responsible to accountable.

## Governance and management: why it is important

Governance works on the basis of a separation of powers, so that those running the organisation day-to-day are internally accountable to themselves and others who have a focused governing role. This ensures that the broader interests of the organisation, investors, owners and other stakeholders are balanced and that the organisation is not run in the interests of those staffing it. Those governing an organisation are additionally charged with ensuring that they recruit a skilled team to run the organisation successfully. The board has privy knowledge of the organisation that is unique and so is the best forum for ensuring that the way the organisation is managed meets the requirements of all stakeholders.

It is now generally recognised that a corporate governance structure with separate representatives in the roles of chair and chief executive “resolves inherent conflicts of interest and clarifies accountability – the chair to the shareholders and the chief executive to the board.”<sup>11</sup>

Fred Steingraber (AT Kearney), reflecting on the fact that it is far more common in North America than Britain for companies to combine the role of chair and chief executive has said that:

“British companies were often better placed than American groups to respond to business challenges, such as succession planning, because the separation of the role of chairman and chief executive meant that the chairman was free to offer oversight to the board.”<sup>12</sup>

### Principle 5. The board and constructive challenge

Directors come together as a board to shape policy and take decisions. They need to consider the interests of the organisation and of all stakeholders. In order to take the best decisions the board will need all relevant information and advice pertinent to a decision.

The board will need to consider options and consequences. In order to do this efficiently and effectively the board will go through a process of constructive challenge, where ideas, beliefs, facts and recommendations will be tested in order to verify, confirm or overturn as appropriate.

Larger organisations with more complex accountabilities to multiple stakeholders will do this by having some directors who do not hold management positions as part of the board. These are termed non-executive or independent directors. Independent directors may be drawn from significant investors or recruited for specific skills and experiences. Their role is to constructively challenge thereby helping the board arrive at sound decisions. It is important to note that holding a portfolio of responsibilities confounds the ability of non-executives to independently challenge proposals.

In trustee boards all members of the board are usually without benefit or pay, and so will usually be non-executive.

In smaller commercial organisations all directors will usually hold a paid position within the organisation and have a portfolio of responsibilities. In larger commercial and most public corporations the board is comprised of both executive and non-executive directors and this is termed a unitary board. Whether executive or non-executive, the responsibility of all directors for the organisation’s and stakeholders’ interests remain the same. The need to participate in constructive challenge likewise remains the same. In aspirant NHS Foundation Trusts (FTs) and in companies seeking charity, PLC-AIM or PLC<sup>13</sup> status, the experience of non-executives will be carefully scrutinised as key elements of the good governance of the organisation.

In CCG governing bodies there may be GP members who are de facto acting as executive directors (for example, by holding a portfolio lead) and others who have no such management responsibility and who are more akin to non-executives. Lay members on CCGs do hold particular responsibilities around governance and patient experience that separates them from being entirely non-executive.

11. [www.legislation.gov.uk/ukpga/2007/19/pdfs/ukpga\\_20070019\\_en.pdf](http://www.legislation.gov.uk/ukpga/2007/19/pdfs/ukpga_20070019_en.pdf)

12. Steingraber, F. quoted in *Split Blackberry maker's key roles of CEO and chairman, says investor*, The Times, June 14, 2011

13. Public Limited Company or Alternative investment market

## The board and constructive challenge: why it is important

A successful enterprise needs to continually make informed decisions about direction, markets, resource allocation and capacity. Decisions need a form of internal testing to provide a transparent explanation as to why one course of action was agreed over others. Testing such decisions is best done through varieties of constructive challenge whereby assumptions are not allowed to stand without being tested and partial views are tempered by considering alternatives.

### Principle 6. Delegation and reservation

Boards will set out how they govern through a system of delegation and reservation. The board will decide what decisions it reserves (or holds) to itself as a governance responsibility, and those it will delegate elsewhere. The most significant delegation is usually to the accountable officer, the executive directors and senior management. Boards may also delegate to sub-groups, advisors and partners or through other controlled means. Boards will describe the limits and substance of all delegations and reservations in formal terms.

Typical forms of delegation within an organisation, aside that of management, will include formally agreed delegation to board sub-committees. These should be few in number and not confused with management groups which are often, misleadingly, also termed committees. Ideally the programme of work for committees should be linked to the Board Assurance Framework (BAF),<sup>14</sup> with the board commissioning the assurance functions of sub-committees and linking this to the strategic aims of the organisation.

The only required board sub-committees are audit and remuneration and appointments. Many organisations will have a charitable trust committee. Mental health service providers and commissioners will require appropriate structures and assurance for their application of Deprivation of Liberty Safeguards (DOLS)<sup>15</sup> and review.

14. [www.good-governance.org.uk/board-assurance-frameworks-a-simple-rules-guide-for-the-nhs/](http://www.good-governance.org.uk/board-assurance-frameworks-a-simple-rules-guide-for-the-nhs/)

15. [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/300106/DH\\_Note\\_re\\_Supreme\\_Court\\_DoLS\\_Judgment.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/300106/DH_Note_re_Supreme_Court_DoLS_Judgment.pdf) 2014

16. HFMA's Governance and Audit Committee, 2014, *NHS Audit Committee Handbook*

17. Bullivant, J. et al, 2015, *Clinical audit: a guide for NHS boards and partners*

Advice over the years has also recommended clinical governance/quality, investment and risk committees. Various NHS governance tests are predicated on boards having a quality committee or similar.

In more detail:

- Audit committee** – a sub-committee of the board comprising non-executive directors, but not the Chair or Vice Chair, who will assure the board that all the governance systems and processes, including the clinical ones, are working. The audit committee will have a strong working relationship with the internal auditors, and may invite executive colleagues to attend and participate in meetings. Better practice<sup>16</sup> indicates that the audit committee should have at least one closed meeting each year without management present in order to provide feedback and discuss candidly the auditor's relationships with management and the adequacy of resources available. In the spirit of scrutinising all governance systems and processes NHS audit committees will also examine systems for patient safety, complaints, information governance, clinical quality and clinical audit. HQIP and GGI have produced a guide for boards about the use of clinical audit and the role the audit committee can have in using the clinical audit programme for assurance around healthcare delivery itself.<sup>17</sup>
- Remuneration and appointments committee** – will oversee appointments to the board and all matters relating to remuneration and pay for board members. It is very important that the remuneration and appointments committee is able to show proper process to explain why appointments have been made to the board, and why particular rewards packages have been agreed. Committee meetings should follow a formal annual programme and not just be called on an ad hoc basis, and support the board discharge duties around transparency and stewardship.

- **Risk/investment committee** – may look at the prospective risk environment and help the board gauge its appetite for and approach to risk. This committee is rehearsed in the approach taken to governance by Sir David Walker’s review of the banks,<sup>18</sup> and the investment committee recommendations by Monitor.<sup>19</sup> This committee will have a key role in developing the organisation’s risk appetite.
- **Quality committee** – usually established to help the board develop and understand service quality issues. Quality governance has been coined by Monitor to refer to the board’s leadership on quality and their ability to understand the quality of services provided; identify and manage risks to quality; act against poor performance; and implement plans to drive continuous improvement.<sup>20</sup> In an environment of tighter public finances and the need to make significant efficiency savings, it is crucial that all NHS boards are able to identify and manage risks to the quality of their services in the same way they would their financial position.
- **Task and finish groups** – these ad hoc groups will be set up by the board to take on a delegated, specific and time-limited responsibility, usually around a particular task or to provide the board with specific advice. This might include financial or performance turnaround, adoption of a new status or regulatory regime or consideration of mergers and acquisitions.

### Delegation and reservation: why it is important

Governing boards need to formally agree in an open and transparent way what role they will take in the detailed direction of an organisation. This will be different for each organisation and dependent on the level of risk, market forces, the detailed knowledge required to undertake particular tasks and the maturity of management.

The controlling mind of the organisation needs to plan and be explicit about the level of direction it will need to exert itself, and that which it is comfortable to discharge to others, both within and outside the organisation. This will help other stakeholders assess risks and the standard of controls for themselves.

The board must be clear about what authority it delegates to committees. It is unnecessary to include non-governance committees in the trust organogram of governance structures and a clear distinction must be made between board committees and management groups.

### Principle 7. Openness and transparency

Organisations should have confidence that their business and decision-making processes would stand exposure to the public eye. This ensures that organisations meet important legal and compliance requirements, as well as foster good business practice through building reputational and brand value. Decisions and conduct should be auditable and explainable. A duty of candour imposed on all NHS organisations<sup>21</sup> includes a requirement for boards to meet in public and for any service failings to be dealt with in an open and transparent manner.

Nolan says on openness:<sup>22</sup>

“Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.”

18. Walker, D., 2009, *A review of the corporate governance in UK banks and other financial industry entities: final recommendations 26 November 2009* London: HM Treasury.

19. Monitor, 2014, *Risk Assessment Framework*

20. Monitor, 2010, *Quality Governance Framework*

21. [http://www.gmc-uk.org/joint\\_statement\\_on\\_the\\_professional\\_duty\\_of\\_candour\\_FINAL.pdf\\_58140142.pdf](http://www.gmc-uk.org/joint_statement_on_the_professional_duty_of_candour_FINAL.pdf_58140142.pdf)

22. The Nolan Committee, 1995, *First Report on standards in public life*

## Openness: why it is important

Boards and directors should work as if at any time their conduct, decisions and working arrangements could be made open to public scrutiny. Boards of public organisations and the work of their directors concerns public money and services.

The behaviour of boards and individual directors should be of a standard that never compromises the work of the organisation over which they preside through creating reputational damage. Lord Nolan created standards for conduct in public life that apply to all NHS board members, and Baroness Fritchie has developed guidance to help individual board members manage conflict of interest issues.<sup>23</sup>

It is a critical part of being an effective healthcare organisation that the public and service users should trust the organisation concerned, believe advice when it is given and feel confident to seek care for themselves and their families. Openness and transparency are essential components of building this trust.

## Principle 8. Board supports

To enable the board to work well, the board will need to work through the various roles and support systems it needs in place. These include:

- **Chief executive** – the executive accountable officer
- **Directors** – jointly comprise the unitary board and who are ultimately responsible for the enterprise
- **Executive directors** – in addition to their director responsibilities hold a management portfolio
- **Non-executives directors** – who are directors kept separate from the management process and can therefore support the success of the organisation by applying constructive challenge and scrutiny to matters brought before them

23. Baroness Fritchie, 2005, *The Commissioner for Public Appointments: Tenth Report 2004-2005*

24. Financial Reporting Council, 2014, *The UK Corporate Governance Code*, [www.frc.org.uk/Our-Work/Publications/Corporate-Governance/UK-Corporate-Governance-Code-2014.pdf](http://www.frc.org.uk/Our-Work/Publications/Corporate-Governance/UK-Corporate-Governance-Code-2014.pdf)

**Chair** – responsible for ensuring that the board has proper information with which to carry out its responsibilities. This will usually be done through agreeing the agenda for meetings and accepting reports and papers to support the agenda. The chair will run meetings in a way that allows proper debate and scrutiny of all matters brought before it. The chair may also have an external ambassadorial role. The chair will appraise all directors – in their role as directors – on an annual basis, and provide feedback on their contribution to the work of the board. The chair can also initiate regular reviews of the collective performance of the board and address any developmental issues. Codes of corporate governance<sup>24</sup> have the expectation that the chair will conduct an annual review of the suitability of the board's governance arrangements each year, and that at least every three years this should be externally facilitated.

**Board/company secretary** – who will ensure that the proper company processes for the board are followed, and will work with the chair and the chief executive to plan the annual cycle of business and the agenda and papers for individual board meetings. The board secretary should be available to advise the board that decisions have been properly made, and that processes enable the board to discharge responsibilities to the required standard.

**Senior independent director (SID)** – who will be available to all board members wishing to informally discuss their role and contribution to the board. They will conduct the annual appraisal and feedback session for the chair. In industry, the SID provides the shareholder-facing role and with increasing application of a membership model in the NHS this may develop as an appropriate SID role. In the NHS the SID has key responsibilities on whistle-blowing and public interest disclosure decisions.

## Board supports: why it is important

A board model of governance requires different individuals to take different roles in order to deliver on the preceding principles of governance. Different actors need to be charged with different parts of the accountability continuum, and there needs to be managed systems to ensure that information, advice and challenge are brought together to arrive at the best decisions for all stakeholders. It is important that the different individuals concerned understand their particular roles in making sure the board governance system works and can respond to future needs.

The National Inquiry into Fit for Purpose Governance (CIHM 2009)<sup>25</sup> found that non-executive board directors were unwilling to openly challenge their executive counterparts; that there is an excessive focus on the relationship between the chief executive and chair to the detriment of other board members; and that there is too much emphasis on the structure of the board, rather than on its processes and dynamics. A proper understanding of the different roles designed into a board governance system helps to address these issues.

## Principle 9. Knowing the organisation and the market

Those acting as the controlling mind of an organisation have a duty to know and understand the organisation they are responsible for, and the market in which they operate. Within the organisation the board needs to understand and be assured that relevant compliances are being met, and that the organisation remains fit for purpose. Externally boards need to understand opportunities and risks.

In order to do this, boards should have in place systematic processes so that they remain informed and assured at all times. The most significant of these will be the organised delegation to management, described above, and the setting of tolerances around when and how management should bring matters to the attention of the board. Other systems boards have in place will be specific governance and information systems, such as: performance reports, the board assurance framework, the risk register, decision tracker, audit plans and professional advice.

The audit committee has a special role in this. They will have an on going assurance role to the board that all relevant governance systems are working and delivering added value. This will include on-going scrutiny of the BAF as the key means by which the board navigates the organisation towards the agreed strategic objectives of the organisation.

Boards need to check continually that their knowledge of their own organisation and of the market is sufficient for purpose, but do so without involving themselves in the management of the organisation itself. In healthcare organisations this will involve mechanisms such as patient stories at board meetings, walkabouts, briefing seminars and attending governor and membership meetings.

Finally, boards and their members have a responsibility to anticipate and respond to the external environment. This is always dynamic and a good board will spend time future-proofing the organisation by paying attention to new (or newly appreciated) risks and opportunities. This can be done by directors evaluating boundary issues and their own instincts.

25. [www.cihm.leeds.ac.uk/wp-content/uploads/2014/05/National-Inquiry-into-Fit-for-Purpose-Governance-in-the-NHS.pdf](http://www.cihm.leeds.ac.uk/wp-content/uploads/2014/05/National-Inquiry-into-Fit-for-Purpose-Governance-in-the-NHS.pdf)

## Knowledge of the organisation and the market: why it is important

Skills alone are not enough to discharge accountabilities to stakeholders. Those running an organisation must have an intimate knowledge of the organisation for themselves before they can assure and act on behalf of other stakeholders. Additionally, those governing an organisation need to understand the external environment in order that they know the consequences of their decisions; can manage risk and are able to anticipate the outcome of different options.

To provide constructive challenge, directors need to understand more than generic business practice. In healthcare, when strategic decisions need to be taken the various options themselves will require a degree of professional insight and confidence in order to challenge and add to an informed debate. Directors who do not familiarise themselves with the market they operate in, are being remiss in regard to their overall responsibilities to stakeholders.

## Principle 10. Competence

Decision takers need to be in a position to be competent to take a decision. With regards to governance, competence requires a combination of relevant skills and experience to hold office, understand the market, possess the knowledge required, actively participate in debates and challenge any key decision, declare and manage any conflict of interest, and hold the decision-taking position itself. This last point is important as the formal appointment to a director role is particularly relevant to those holding public office. To be competent to act as a non-executive director of an NHS organisation involves having gone through the public appointments process, going through annual appraisal and being identifiable to the public and other stakeholders as part of the controlling mind of the organisation. It is especially important to ensure that organisations avoid slipping into situations where they have de facto shadow directors.

## Competence: why it is important

In public bodies, it is important to enable the public and other stakeholders to understand who is accountable for decisions, and have confidence that the correct process was followed when decisions are made. This includes ensuring that the right information was available to those making a decision, and that the context for any decision was properly taken into account. The decisions of public bodies are open to judicial review, and the process by which decisions are taken is one the organisation may need to demonstrate if challenged in this way.

NHS organisations are complex, and a distinction needs to be drawn between different governance forums. Examples would be Councils of Governors in NHS FTs and the FT board, and Councils of Members in CCGs and the CCG governing body. Although the Councils are often described as the 'sovereign' forum within their organisation, they are not the controlling mind, nor are they competent to take decisions in the way that the board or governing body is because their mandate and way of working does not pass the competence tests described above.

Question: do we understand the principles of governance, and why they are important?	Weak answer	Good answer
Board/governing body	Our constitution lays out how our board/governing body is organised and operates. In developing this we were careful to stick to the national guidance as exactly as possible, and then our lawyers reviewed this before we adopted it. Each year we have a clean bill of health from our auditors	We found thinking about the added value that effective governance should bring, stretched us considerably. It has taken several attempts to get the structure right for us. The national guidance was very helpful but we haven't adopted it entirely, because we have local challenges that require us to focus on specific issues. This is hard to explain to the regulators but our rationale has always been accepted in the end
Division	Our structure and reporting were set some time ago and seem to work very well. We are pretty much like other organisations and our way of working seems to deliver what we need. The regular governance meetings we have are prescribed for us by the central team	It has been very interesting to look through the principles of good governance and see where they apply at our level. Understanding what our board is trying to do has helped us craft how we run our own governance and quality meetings. For example, we try and use the principle of constructive challenge to test our reports so that we are sure what we say is robust
Department	These principles do not really apply at our level	It is helpful to understand how we fit into the wider scheme of things, for example, when the non-executive directors visit the service areas. We no longer treat these like Royal visits, we actively encourage staff to speak up if they have concerns or plaudits

### Leadership and strategic direction

Leadership and strategic direction are vital ingredients of good governance. Boards and governing bodies need to turn their goals and vision into an understandable agenda for change and delivery: a strategy. They should then select the leadership to deliver against the strategy and work to hold these leaders to account against agreed assurances.

Without a clear strategic direction and leadership embedded within the governance system, organisations can be successfully reactive, but are also prone to going into organisational free-fall. Professor Sir Bruce Keogh's review into the quality of care and treatment provided by 14 hospital trusts in England found that these organisations did not use external scrutiny sufficiently to test their governance and leadership arrangements, and had out of date or irrelevant strategies.<sup>26</sup> Other healthcare organisations seemed to have forgotten their organisational purpose in order to pursue one goal, such as merger.

Unpicking the board or governing body's role in strategy development and leadership is complex. The board should lead, but let management manage. Management involves both strategic planning and organisational leadership. Boards and governing bodies need to be discerning about the state of organisational maturity in order to exert their leadership in a way that is useful to the organisation. There is no one answer as to how this is done best as it is context specific.

Governance structures and mechanisms such as the remuneration and appointments committee and the board assurance framework (BAF) can be immensely valuable tools for boards and governing bodies to use. The remuneration and appointments committee should provide a forum to support the board select top leadership and provide a fair rewards system. The BAF should help the board or governing body unpick the strategic from the operational, and help bring clarity around board/governing body working in terms of focusing efforts on areas of risk and where assurances are most needed.

26. Keogh, B., 2013, *Review into the quality of care and treatment provided by 14 hospital trusts in England*

Question: does our board/governing body ensure strong leadership?	Weak answer	Good answer
Board/governing body	We are very satisfied with our board/governing body team and we are all leaders. We have appraisal and personal development planning systems in place, and are clear about who is in charge of what. Our Chair is well-known in the organisation and contributes to the staff newsletter	As we have progressed as an organisation we have needed to change our thinking about our role in the organisation's leadership. We are now at the stage where we work to set and reinforce the organisation's culture, and are thinking about what skills we will be needing over the coming years and how we succession plan for these. We have heavily involved our remuneration and appointments committee in developing this thinking
Division	The strategic direction of our division is largely determined by the board, and our management follows the board's lead in most decisions. Much of this is also stipulated in our contracts. We have some strong characters in our team who exert more informal leadership	The management of our division provides clear leadership to complement the board's strategic direction with clear guidance specific to our division. We uphold the subsidiarity principle where possible and push decisions down to as near the coalface as possible. This means that mistakes are sometimes made but we try and learn from these and do things better the next time
Department	The management of our department is set by senior management, and we deliver what is asked of us	Board/governing body members are largely known to us, and we meet them at staff events and on their service visits. This organisation has a clear way of doing things and we know what we are doing and what our pressures are. This organisation is one where we trust those in charge to be doing their best

## Effective external relationships – stakeholders, patients and community

Good governance has the interests of all stakeholders at its roots. Those who act as the controlling mind of an organisation are required to act with due regard to their stakeholders interests. In healthcare organisations there are specific duties in law around involving stakeholders in decision making. Especially when such decisions will impact upon them.

Good boards and governing bodies have ensured that leaders are directly engaged in stakeholder relationships and overtly act to ensure constructive dialogue and being well-informed about what is important to stakeholders. Reports often come to boards in the form of chief executive reports, but boards and governing bodies are well advised to buttress this with formal stakeholder reviews from time-to-time. Other exercises to help build good relationships and to understand the pressures others are facing could be board-to-board sessions.

Organisations with good relationships with those using their services and the local community have found this a valuable asset at times when the organisation has been threatened or is going through a rough patch. The Keogh Trusts, with good relationships with their local communities, were more able to maintain public confidence than those where relationships were frayed. Healthcare organisations should remember that they are often the largest local employer and that every staff member is an ambassador in the local community. Boards that focus on building a strong and positive organisational culture are putting themselves at an advantage in terms of engaging with their communities.

Boards and governing bodies should ensure that they use sound social science techniques to understand the views of stakeholders. This should also help boards better understand the risks to their strategic goals, as poor stakeholder relationships are a potent cause of failure to achieve strategic goals such as service reconfiguration or changes in care pathways.

Question: does our board have effective external relationships with stakeholders, patients and the community?	Weak answer	Good answer
Board/governing body	<p>The board engages with other organisations where necessary. We also need to remember that individual departments engage with our patients every day. We observe the required standards for consultation when we make service change. Our senior team is always available to meet with other local health and social care providers and commissioners</p>	<p>We have put a lot of effort into this, and start from trying to understand what our partners, patients and local communities want from us. We have initiated various forums for doing this, and from time-to-time undertake an independent stakeholder review. We have created opportunities for the local media to come and see our services and do our best to help them when they attend board/governing body meetings. When we have had bad news stories we have invited the media in to brief them as far as we are able to. We have developed systems for ensuring we gain stakeholder involvement in key decision making such as service reconfiguration</p>
Division	<p>This is more a responsibility of the central team than of our division. We look at the friends and family test results and discuss issues if they arise, but our focus is on delivering a good service within the division</p>	<p>We have a comprehensive system for data sharing in place, and transparently share information with the community and other NHS organisations. Our well-established procedures ensure close collaboration with commissioners, patients, carers and third sector organisations when a patient is discharged into the community. The division engages regularly with patients and community representatives</p>
Department	<p>The organisation has a PALS and patient and public team who undertake this</p>	<p>We think about this often, and over the years have tried various ways of listening to our patients and their carers. We have held open days, organised visits, gone along and talked at community groups and have various forms of patient information which we regularly update and test with patients and ensure that we respond to feedback so that patients know what has improved because of their input. It seems we can never do enough in this area but we certainly make the effort</p>

## Effective internal relationships – members, service users, staff

The Keogh report reviewed 14 trusts; he raised concerns about workforce and staffing issues impacting the quality of service provision. Some of the issues identified were the lack of good communication between the management and all members of staff; staffing levels, especially of adequately qualified nurses and doctors; and management of overtime and absence levels. These are all signs of a stretched organisation that may be delivering sub-optimal services to patients. Boards and governing bodies need to understand how their own organisation’s internal stakeholders are feeling and acting.

In Everyone Counts,<sup>27</sup> NHS England states that commissioners need to be more proactive in responding to complaints/ concerns from patients, the public and NHS staff expressed through whistleblowing or other means. In 2013/14, the CQC received 9,473 whistleblowing contacts. The CQC now includes metrics around the number of whistleblowing incidents.<sup>28</sup>

Boards and governing bodies should be using systematic processes for considering staff views and beliefs beyond the Friends and Family Test and the national staff survey. Patient feedback, including complaints, should be regarded as an important tool for improvement rather than something that needs to be managed.

Question: does our board have effective internal relationships with members, service users and staff?	Weak answer	Good answer
Board/governing body	We publish the names of board members on our website and advertise board meetings in the same way, and staff are welcome to attend board meetings as are members of the public. Other opportunities include the AGM	The strong visibility of our board underpins our view that good governance is everybody’s business. Our staff are confident that our governance mechanisms are reliable and add value to their everyday work
Division	The management of the division doesn’t specifically engage with junior staff members as these tend to be transient. We hold cascade meetings as they are needed and contribute to the general staff newsletter	The strong visibility of our board underpins our proactive staff governance that encourages ambition and engagement at all levels. Our division takes a proactive role in ensuring effective communication between the different levels of our organisation and involving all members of staff as well as members and service users in these processes. There are a number of patient groups that regularly meet that are relevant to our work in this division, and we do our best to offer them practical support and help. This means that sometimes staff go along to help answer questions or explain changes, and we can usually find a room for them to meet in. At our regular clinical governance meetings we look at patient reported outcome measures
Department	The department focuses on internal communication with staff and patients. We rely on the division management to communicate issues raised by members of staff or service users to the board where necessary	Communication matters to us. Staff are encouraged to attend regular meetings where we talk about how the department is managed and the broader issues affecting the organisation. This is a challenge because of our shift work system and we have needed to be creative in terms of making sure that all team members get a chance to join in

27. NHS England, 2013, *Everyone Counts: Planning for Patients 2014/15 – 18/19*, p. 22

28. [www.cqc.org.uk/content/report-concern-if-you-are-member-staff](http://www.cqc.org.uk/content/report-concern-if-you-are-member-staff)

## Transparency and public reporting

Provider boards have a duty of candour. NHS organisations also have a responsibility to provide assurance to their many stakeholders (including patients, governors, public, commissioners, partners and regulators), to account for their use of public resources, and to give reassurance that services are comprehensively and consistently safe, joined up and are value for money.<sup>29</sup>

However, public reporting has become an anodyne function of meeting compliance requirements<sup>30</sup> rather than informing

stakeholders. We recommend the model of integrated reporting developed by the International Integrated Reporting Council<sup>31</sup> which focuses on adding value to organisations by garnering agreement with stakeholders on their expectations and needs.

The overall principle is that the organisation accepts the need for candour, that openness builds confidence and that early disclosure supports early improvement. A mature organisation will have empowered staff at all levels who welcome comments; apologise when things go wrong and respect users' expectations that we put things right.

Question: is the public reporting of our governance transparent?	Weak answer	Good answer
<b>Board/governing body</b>	We engage with GPs, Healthwatch and the public to the extent we need to. We manage patient feedback well. The auditors always sign off our annual governance statement	We ensure the organisation engages with GPs, Healthwatch and the public because effective, meaningful communication is at the heart of how we work. We have built on the formal means of reporting our work, such as our annual report, by thinking about the effect the organisation has on the local community, staff and the general health and wellbeing of the local population. We have been making efforts to consider how we impact on the local community as a significant employer and our environmental footprint. We have been making efforts to engage with the Health and Wellbeing Board to work through how we holistically describe what we do beyond the externally reported performance measures – for example, our contribution to research and development. Our risk management reporting systems enable us to ensure that patients are always informed of clinical incidents concerning their care including near misses
<b>Division</b>	We follow the organisation's policies for transparency and ensure all staff record conflicts of interest. Research interests and funding is recorded and we share this if asked	We have held various seminars with staff to discuss how the duty of candour affects us, and what we need to be doing. This has led to some interesting discussions, including how we provide advice for the commissioners around service models. We also spend time with our staff working through how to approach patients and carers where there has been a patient safety incident or a near miss
<b>Department</b>	This issue doesn't affect staff working at our level much. There are policies we need to follow and we are always clear and straightforward with patients when they ask	At department level we have the opportunity to engage with the local GPs in a way that other tiers of the organisation do not, and we take every opportunity to share with them our issues and developments. We have made efforts to be as open as possible where problems occur, such as when an individual patient is involved with an incident or near miss. We feel this materially supports good patient care and builds trust

29. [www.cqc.org.uk/sites/default/files/20141120\\_doc\\_fppf\\_final\\_nhs\\_provider\\_guidance\\_v1-0.pdf](http://www.cqc.org.uk/sites/default/files/20141120_doc_fppf_final_nhs_provider_guidance_v1-0.pdf)

30. [www.grant-thornton.co.uk/Documents/FTSE-350-Corporate-Governance-Review-2013.pdf](http://www.grant-thornton.co.uk/Documents/FTSE-350-Corporate-Governance-Review-2013.pdf)

31. [www.theiirc.org](http://www.theiirc.org)

## Systems and structures: quality and safety, working at and across boundaries

A fundamental purpose of the NHS is to provide services that are of high quality and are safe. NHS England has built on Lord Ara Darzi's three dimensions of quality care<sup>32</sup> to propose this definition:

- Care that is clinically effective — not just in the eyes of clinicians but in the eyes of patients themselves
- Care that is safe
- Care that provides as positive an experience for patients as possible

In governance terms, this means that the organisation must have structures and processes in place to identify and benchmark itself against relevant best practice and to track and report compliance against relevant standards and targets. It must ensure a clear line of sight from the front line of service delivery through to board level on quality and safety. To do that, there must be an explicit framework for:

- Delivering and demonstrating accountability for quality of clinical outcomes
- Quality improvement activity, including innovation and the delivery of excellence
- Measuring improvement and compliance with national and professional standards and tracking performance against national and local targets
- Reporting, recording and escalating risks and concerns about quality
- Monitoring and evaluating actions to reduce risk, improve quality and sustain improvement

This framework must be designed to work at all levels of the organisation and be a critical part of the governance system as it provides assurance that threats to the organisation's strategic objectives are managed. Effective working and communications between operational staff and corporate support functions have been shown to be critical in underpinning all components of the quality system. The quality of data and capability in analysis and presentation of metrics are also essential system enablers.

A mature system will comprise a wide range of methodologies, both quantitative and qualitative, for assessing achievement of each of NHS England's three dimensions of quality care. Key examples for each might be:

- Clinical effectiveness:
  - Quality Improvement projects including national and local clinical audit
  - Implementation of evidence based clinical standards (e.g. NICE Quality standards and indicators)
  - Patient Reported Outcome Measures (PROMs)
- Patient Safety:
  - Risk reporting
  - Incident analysis, including safeguarding
  - Mortality and morbidity reviews
  - Safety Thermometer reporting
- Patient experience
  - Friends and Family Test
  - Complaints
  - Patient surveys
  - Patient Reported Experience measures (PREMs)

Improvement programmes should be aligned with organisational objectives and based on discussions with a range of internal and external stakeholders on health needs and priorities, including staff and patients.

Clinical leaders will be clear about how they assure the board on achievement across the framework and, importantly, how they share information and learn from others both within their own organisation and across the wider health community. Support and development for healthcare staff in quality improvement, particularly at the front line, must not be seen as a luxury but as a pre-requisite for delivering a patient-focused service.

32. Department of Health, 2008, *High quality care for all: NHS next stage review final report*

A key imperative for the NHS as described in the Forward Plan<sup>33</sup> is to move towards an integrated care model where services and pathways of care are organised around the patient. We know that transfer of care and information between organisations, departments or individual staff members can increase the risk

of error and harm. It follows therefore that the mature NHS organisation will seek to ensure that quality processes can operate across boundaries of care, as described in a recent GGI report on integrated care.<sup>34</sup>

Question: does our board ensure that we have systems and structures in place that guarantee quality and safety across boundaries within and beyond the organisation?	Weak answer	Good answer
Board/governing body	Our quality improvement programme is focused on the annual routine clinical audit as set out in national guidelines. Our main concern is quality within our own organisation and that is where we focus our efforts. We have a quality committee that monitors quality and patient safety on behalf of the board	We have clear risk management and mitigations procedures in place using Monitor's Risk Assessment Framework. We are implementing our Sign Up to Safety <sup>29</sup> Improvement Plan. Quality improvement is ensured by cross-departmental and cross-organisational use of information, and a well-established clinically led clinical audit and quality improvement programme. Training in relevant quality improvement methods are available to staff throughout the organisation. The board knows how to get assurance for the quality of clinical performance, and is confident that our management understands this at the level of each department/ward
Division	The organisation has a quality strategy and risk management process that we contribute to through the prescribed divisional reporting templates. Our clinical governance meetings have standard agendas to cover the range of clinical governance activities such as audit activity, numbers of complaints and how quickly we deal with them and incident reporting numbers	We have been building on getting the quality reports right by a greater focus on asking <i>why?</i> to where we have both good results and bad. We have been focusing on completing the audit cycle wherever there has been audit activity, and as well as the suite of national audits we have been working on ensuring that locally determined audits have a clear rationale and that their findings lead to service improvement. Where useful, we share the results with local GPs and others
Department	Our quality improvement programme focuses on the annual clinical audit overseen by the division. An action plan is produced at the end of it to complete the audit process	Our focus has been on building the skills to change services as a result of insight we have been gaining through systematic measurement of quality, such as the clinical audit and quality improvement programme and feedback from patients. We have been sharing these details with other departments and trying to learn from what they are doing as well. We are working on a session with local GPs to discuss concerns across the boundary of care

33. NHS England, 2014, *Five year forward review*

34. Goldberg, D. and Baltruks, D., 2014, *Goldberg III: Can the NHS deliver integrated care? Lessons from around the world*

35. [www.england.nhs.uk/signuptosafety/](http://www.england.nhs.uk/signuptosafety/)

## Challenge on delivery of agreed outcomes

In healthcare, outcomes are complex to identify and measure. It is also hard to pin the failure to achieve an outcome down to the quality of service from one individual organisation. Healthcare outcomes are multifaceted, and healthcare services are delivered through the collaborative efforts of many different teams. However, there are sound tools for helping us understand and measure healthcare outcomes and boards and governing bodies should be well-informed about these and how local performance matches relevant benchmarks. This is all part of the duty of boards and governing bodies to understand the market in which they operate and the organisation over which they preside.

In the last two years, significant emphasis has been placed on mortality as an outcome and healthcare providers that were mortality outliers were identified by the Keogh Review. These organisations were put into special measures and their boards placed under high levels of scrutiny around how they were focusing on quality and patient safety issues. These boards were often asked to account for themselves through undertaking externally validated measures of how they were attending to quality matters such as the Monitor Quality Governance Framework.

Where expected outcomes are not being achieved it is important for boards to understand why. Clinical audit is a dynamic measure of clinical process, and through the audit committee all boards should, at all times, be seeking assurance that they have a robust clinical audit and quality improvement programme in place. The programme should support the delivery of high quality care, and identify problems with processes and structures before these impact on healthcare outcomes. The integrity of the clinical audit function, and how effectively clinical audit is being used, are key to the audit committees work assuring the board that governance processes, in the round, are effective.

Clinicians in management have a key role in helping lay non-executives understand the quality assurance and improvement processes that should be in place in healthcare organisations, including clinical audit. They should help their colleagues on the board understand the significance of outcome data as it is discussed, and help the board frame appropriate and useful challenge or assurance questions. Boards should have regular seminars to ensure that all board members are empowered to discharge their duties over the quality and safety of patient care.

Question: are agreed outcomes reviewed and critically assessed regularly?	Weak answer	Good answer
Board/governing body	Processes rather than outcomes are what we are able to engage with. We measure performance against contract, and as part of overall performance management. We have not been told that our outcomes are of concern	This has been very hard to do indeed, but we have been working with the commissioners and other local providers to try and see how outcomes for groups of patients are improving. We have tried to ensure that we look at outcomes that are harder to measure as well as those where measurement is straight forward, and we have joined a formal benchmarking service to compare our outcomes with those of others. Our board is well-informed about areas where we are an outlier
Division	Outcomes are of concern to the commissioners, and we focus on running a tight ship and delivering the activity that is required of us. We provide management with the quality data they ask for	The quality of outcomes is internally and externally assured. KPIs at ward-level are used intelligently. Safe staffing is a key priority to guarantee high quality care at all times
Department	Our KPIs focus on processes and outputs	We have been working with both the division and the central function to help develop a better view about outcomes. We try our best to make sure that at least one team member is able to attend important national meetings where outcomes for our type of service are discussed, and find ways for them to share in any new knowledge

## Risk and compliance

Healthcare organisations work to a broad range of compliance regimes, and it is the job of management to ensure compliance with these at all times. Breaches in compliance represent significant risks to organisations in many ways, and boards and governing bodies need to be assured that management is acting in accordance with compliances and where there are any material risks of breaches.

For boards and governing bodies, their own conduct will form part of compliance regimes. In other words, how the board operates is a key element of requirements such as the CQC well-led domain.<sup>36</sup> This stipulates how boards of healthcare organisations need to carry out their work, keep informed and take decisions.

As part of maintaining CCG authorisation and achieving and maintaining NHS Foundation Trust status, there are a range of frameworks for testing the compliance of boards with perceived

governance best practice. These build on a *comply or explain* approach. We prefer the *apply and explain* approach promoted by Professor Mervyn King of the King Commission,<sup>37</sup> where boards develop their own governance approach that is fit for purpose based on sound governance principles, and then explain to stakeholders how these are appropriate.

The risk system used by healthcare organisations should properly alert both management and boards around any risk to maintaining compliances, and of the consequences of any breaches to compliances. As compliance, registration and regulation regimes have grown in complexity, there is an increased use of information technology to maintain and monitor compliances. Compliance systems should be tested regularly, and usually this will include them being the focus of internal audit studies. As part of on-going assurance around governance processes audit committees should be looking at compliance and risk systems.

36. (Monitor) well led framework, [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/312990/Well-led\\_framework\\_statement\\_of\\_intent\\_1\\_.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/312990/Well-led_framework_statement_of_intent_1_.pdf) – Monitor, CQC, NHS Trust Development Authority, 2014

37. <http://african.ipapercms.dk/IOD/KINGIII/kingiiicode/>

Question: does our risk system tell us when we have compliance issues?	Weak answer	Good answer
Board/governing body	<p>We have all the usual policies and procedures for risk and compliance. The board sees the high-level risks on the risk register and our board / company secretary keeps an assurance framework. Our governance team looks after our CQC compliance</p>	<p>Our risk system includes the explicit consideration of compliances as an important element of managing the organisation. We do not equate achieving compliances with our own quality assurance. It is the management's role to ensure compliances are in place, and as part of our overall governance assurance process we test this through various means. Risks to breaches of compliances are well-represented within the risk system, and managed appropriately</p>
Division	<p>Compliance standards are the bedrock of our quality system, and the standards form the focus for our quality assurance work. Risk registers that follow the standard format are very much part of our compliance system</p>	<p>To ensure that compliances are embedded, our division puts effort into ensuring that all staff understand the various compliances requirements and know how to raise concerns where they feel there may be a potential breach. We have included potential compliance breaches as reportable incidents, and ensure that staff who do raise issues, receive feedback. As part of our on-going clinical governance activity, we regularly reinforce and test compliances. However, our quality management is not led by the external compliance requirements. Our quality system is based on what we believe is important for the patients we care for</p>
Department	<p>We have various templates to complete around CQC compliance and one of the administrative team sees to that. We keep details of the paperwork to support our compliances carefully filed away</p>	<p>We have an active part in supporting the divisional awareness-raising around compliances and readiness for CQC inspections. We encourage all team members to speak up if they have concerns rather than wait for an inspection. We have been finding out how one can become a CQC inspector as the process sounds interesting and an opportunity to learn about other organisations</p>

## Organisational effectiveness: adding value

GGI's work with NHS England<sup>38</sup> has focused on what the actual outcomes or results of good governance are. Although this work was developed for CCGs, the programme is highly relevant to healthcare providers too as it describes the added value that comes from governance itself rather than how good governance improves commissioning activity.

The benefits of good governance are often described as the absence of problem issues and the avoidance of the consequences of failure. Organisations should be able to describe real benefits to the work of their boards and governing bodies, and the investment of time and resources to governance activity. In particular, there is work to be done with clinicians to provide a convincing narrative that time spent on governance activity adds value to healthcare organisations.

Boards and governing bodies should regularly discuss what value they can add to their organisation and frame their annual cycle of business around this. Governance covers a range of activities including; identifying a vision; ensuring a strategy

is in place to achieve the vision, selecting and supporting a leadership to deliver on the strategy, assurance that progress is being made; the stewardship of resources; guardianship of quality and safety, and doing all this to a high standard of probity and transparency.

Boards and governing bodies should be thinking about how all these activities are executed, and how their contribution to this adds more to what would be happening if they did nothing. Boards and governing bodies should also be looking backwards to the achievements of the past year, and learning lessons so that their working approaches, structures, systems and behaviours can be developed for the coming year. It is best practice for this annual consideration of the fitness for purpose of the local governance approach and board working should be externally facilitated every three years. This is now required by Monitor for NHS FTs.

This requirement by Monitor has been instituted after research into common factors found in organisations that fell into special measures. It was heavily consulted on before being instituted in 2014.

<sup>38</sup>. NHS England & GGI, *Helping CCGs to develop governance arrangements that are as effective as possible*, [www.ccgovernance.org/resources/](http://www.ccgovernance.org/resources/)

Question: do our governance activities add value to the organisation?	Weak answer	Good answer
Board/governing body	We have an annual cycle of business that includes a timetable of all the things we are asked to do, such as approve the accounts and confirm our CQC registration. Our governance system protects us from risks, and keeps us safe	Each year we look back at the last twelve months and try to honestly appraise how we have added value to the organisation. We plan what we intend to achieve in the coming year. With the BAF, we use this discussion to help us organise our annual cycle of business as well as any changes to our board/governing body working methods. We carry out SWOT analysis <sup>39</sup> as part of our decision making process for new ideas
Division	Our governance activity is largely centrally prescribed or required by regulators and we diligently cover the ground we are asked to. Our central governance team is happy with how we conduct our affairs	Time spent on management is time away from patient care, but good patient care depends on us managing our affairs well. Clinical governance is critical to us managing an effective and safe service and so we try and evaluate how effective our time spent on clinical governance is, what information we find the most useful and what impact all this has on the care of our patients and ensuring the effectiveness of our organisation
Department	We contribute to the clinical governance programme of the division. We always manage to fill in the required templates and reports on time so we are confident we are doing a good job. Everyone seems happy with what we do	Our organisation is one where we are given the responsibility to ensure that our knowledge of our service and speciality helps us set the clinical governance expectations. We are actively encouraged to comment on the clinical governance programmes of other departments

39. SWOT Analysis – Humphrey, A., 2005

## **Conclusion: governance in challenging economic times, maintaining fitness for purpose**

Care services are under pressure. Despite ever-more inventive ways of providing health and social care and increasing efficiencies for both commissioners and providers, the service is faced with an incoming tsunami of need. The model for acute care in the late 20th century is increasingly out of date to deal with the increasing numbers of frail elderly and people living with long term conditions. Services need to transform, integrate and become more appropriate to up and coming patterns of need.

The general public is anxious about reforms to healthcare, and politicians find service reconfigurations hard to take accountability for. This means that boards and governing bodies have to take complex, difficult decisions on behalf of current and future users of services. Ensuring a strategic focus to shaping future services, the careful stewardship

of resources, strong clinical leadership and accountable decision-making have never been more important. This is the bread and butter of good governance.

This publication from HQIP and GGI aims to empower those governing healthcare organisations to better understand the task before them and how to use the governance process to achieve better outcomes. Boards and governing bodies can add value to their organisation's mission and significantly help communities have better health and social care services available to them. This will not happen without a clear understanding of how good governance works, the principles upon which it works and the thoughtful application of these to the local situation. In particular, clinicians in board positions have a significant role to play to help all those on boards and governing bodies reextend the governance discipline around the healthcare process and ensure safe, effective and relevant services are developed and maintained for generations of NHS customers over the coming decades.

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## Assurance questions, with possible answers

### Board level

	Example assurance question	Unacceptable answer	Acceptable answer
1	<b>Do we ensure clarity about the purpose, roles and desired behaviours of our board?</b>	Our board/governing body members understand this. We have used the various templates available to organise how our board operates and have appointed experienced individuals who know what to do	Our governance procedures and activities are focused on outcomes and the quality of care we provide. Good governance is of concern to everyone in our team, with the board providing strong support and assurance to our stakeholders
2	<b>Does our board understand and apply each of the principles of good governance in its day-to-day workings?</b>	Our constitution lays out how our board/governing body is organised and operates. In developing this we were careful to stick to the national guidance as exactly as possible, and then our lawyers reviewed this before we adopted it. Each year we have a clean bill of health from our auditors	We found thinking about the added value that effective governance should bring, stretched us considerably, it has taken several attempts to get structure right for us
3	<b>Does our board ensure strong leadership and a clear strategic direction developed with input from all team members within the organisation?</b>	We are very satisfied with our board/governing body team and we are all leaders. We have appraisal and personal development planning systems in place, and are clear about who is in charge of what. Our Chair is well-known in the organisation and contributes to the staff newsletter	As we have progressed as an organisation we have needed to change our thinking about our role in the organisation's leadership. We are now at the stage where we work to set and reinforce the organisation's culture, and are thinking about what skills we will be needing over the coming years and how we succession plan for these. We have heavily involved our remuneration and appointments committee in developing this thinking
4	<b>Does our board have effective external relationships with stakeholders, patients and the community?</b>	The board engages with other organisations where necessary. We also need to remember that individual departments engage with our patients every day. We observe the required standards for consultation when we make service change. Our senior team is always available to meet with other local health and social care providers and commissioners	We have put a lot of effort into this, and start from trying to understand what our partners, patients and local communities want from us. We have initiated various forums for doing this, and from time-to-time undertake an independent stakeholder review. We have created opportunities for the local media to come and see our services and do our best to help them when they attend board/governing body meetings. When we have had bad news stories we have invited the media in to brief them as far as we are able to. We have developed systems for ensuring we gain stakeholder involvement in key decision making such as service reconfiguration
5	<b>Does our board have effective internal relationships with members, service users and staff?</b>	We publish the names of board members on our website and advertise board meetings in the same way, and staff are welcome to attend board meetings as are members of the public. Other opportunities include the AGM	The strong visibility of our board underpins our view that good governance is everybody's business. Our staff are confident that our governance mechanisms are reliable and add value to their everyday work

	Example assurance question	Unacceptable answer	Acceptable answer
6	<b>Is the public reporting of our governance transparent?</b>	We engage with GPs, Healthwatch and the public to the extent we need to. We manage patient feedback well. The auditors always sign off our annual governance statement	We ensure the organisation engages with GPs, Healthwatch and the public because effective, meaningful communication is at the heart of how we work. We have built on the formal means of reporting our work, such as our annual report, by thinking about the effect the organisation has on the local community, staff and the general health and wellbeing of the local population. We have been making efforts to consider how we impact on the local community as a significant employer and our environmental footprint. We have been making efforts to engage with the Health and Wellbeing Board to work through how we holistically describe what we do beyond the externally reported performance measures – for example, our contribution to research and development Our risk management reporting systems enable us to ensure that patients are always informed of clinical incidents concerning their care including near misses
7	<b>Does our board ensure that we have systems and structures in place that guarantee quality and safety across boundaries within and beyond the organisation?</b>	Our quality improvement programme is focused on the annual routine clinical audit as set out in national guidelines. Our main concern is quality within our own organisation and that is where we focus our efforts. We have a quality committee that monitors quality and patient safety on behalf of the board	We have clear risk management and mitigations procedures in place using Monitor's Risk Assessment Framework. We are implementing our Sign Up to Safety improvement plan. Quality improvement is ensured by cross-departmental and cross-organisational use of information, and a well-established clinically led clinical audit and quality improvement programme Training in relevant quality improvement methods are available to staff throughout the organisation The board knows how to get assurance for the quality of clinical performance, and is confident that our management understands this at the level of each department/ward
8	<b>Are agreed outcomes reviewed and critically assessed regularly?</b>	Processes rather than outcomes are what we are able to engage with. We measure performance against contract, and as part of overall performance management. We have not been told that our outcomes are of concern	This has been very hard to do indeed, but we have been working with the commissioners and other local providers to try and see how outcomes for groups of patients are improving. We have tried to ensure that we look at outcomes that are harder to measure as well as those where measurement is straight forward, and we have joined a formal benchmarking service to compare our outcomes with those of others. Our board is well-informed about areas where we are an outlier
9	<b>Does our risk system tell us when we have compliance issues?</b>	We have all the usual policies and procedures for risk and compliance. The board sees the high-level risks on the risk register and our board/company secretary keeps an assurance framework. Our governance team looks after our CQC compliance	Our risk system includes the explicit consideration of compliances as an important element of managing the organisation. We do not equate achieving compliances with our own quality assurance. It is the management's role to ensure compliances are in place, and as part of our overall governance assurance process we test this through various means. Risks to breaches of compliances are well-represented within the risk system, and managed appropriately
10	<b>Does our board ensure organisational effectiveness and added value?</b>	We have an annual cycle of business that includes a timetable of all the things we are asked to do, such as approve the accounts and confirm our CQC registration. Our governance system protects us from risks, and keeps us safe	Each year we look back at the last twelve months and try to honestly appraise how we have added value to the organisation. We plan what we intend to achieve in the coming year. With the BAF, we use this discussion to help us organise our annual cycle of business as well as any changes to our board/governing body working methods. We carry out SWOT analysis <sup>39</sup> as part of our decision making process for new ideas

39. Humphrey, A., 2005 – *SWOT Analysis*

## Assurance questions, with possible answers

### Division level

	Themes	Unacceptable answer	Acceptable answer
1	<b>Do we ensure clarity about the purpose, roles and desired behaviours of our division?</b>	An organogram describes how our divisions are organised and who does what. There is a committee structure chart that shows all this too	We spend time on discussing organisational purpose, and regularly test this out with staff through surveys and discussion groups. We understand that good governance needs working at and there are different roles team members need to play to ensure that good governance is embedded. We find constructive challenge hard at times, but it does lead to us making better decisions and being more certain about assuring ourselves around quality and safety
2	<b>Does our division apply each of the principles of good governance in its day-to-day workings?</b>	Our structure and reporting were set some time ago and seem to work very well. We are pretty similar to other organisations and our way of working seems to deliver what we need. The regular governance meetings we have are prescribed for us by the central team	It has been very interesting to look through the principles of good governance and see where they apply at our level. Understanding what our board is trying to do has helped us craft how we run our own governance and quality meetings. For example, we try and use the principle of constructive challenge to test our reports so that we are sure what we say is robust
3	<b>Does the management of our division provide strong leadership and clear strategic direction?</b>	The strategic direction of our division is largely determined by the board, and our management follows the board's lead in most decisions. Much of this is also stipulated in our contracts. We have some strong characters in our team who exert more informal leadership	The management of our division provides clear leadership to complement the board's strategic direction with clear guidance specific to our division. We uphold the subsidiarity principle where possible and push decisions down to as near the coalface as possible. This means that mistakes are sometimes made but we try and learn from these and do things better the next time
4	<b>Does our division have effective external relationships with stakeholders, patients and the community?</b>	This is more a responsibility of the central team than of our division. We look at the friends and family test results and discuss issues if they arise, but our focus is on delivering a good service within the division	We have a comprehensive system for data sharing in place, and transparently share information with the community and other NHS organisations. Our well-established procedures ensure close collaboration with commissioners, patients, carers and third sector organisations when a patient is discharged into the community. The division engages regularly with patients and community representatives
5	<b>Does our division have effective internal relationships with members, service users and staff?</b>	The management of the division doesn't specifically engage with junior staff members as these tend to be transient. We hold cascade meetings as they are needed and contribute to the general staff newsletter	The strong visibility of our board underpins our proactive staff governance that encourages ambition and engagement at all levels. Our division takes a proactive role in ensuring effective communication between the different levels of our organisation and involving all members of staff as well as members and service users in these processes. There are a number of patient groups that regularly meet that are relevant to our work in this division, and we do our best to offer them practical support and help. This means that sometimes staff go along to help answer questions or explain changes, and we can usually find a room for them to meet in. At our regular clinical governance meetings we look at patient reported outcome measures

	Themes	Unacceptable answer	Acceptable answer
6	<b>Is the governance of our division and public reporting transparent?</b>	We follow the organisation's policies for transparency and ensure all staff record conflicts of interest. Research interests and funding is recorded and we share this if asked	We have held various seminars with staff to discuss how the duty of candour affects us, and what we need to be doing. This has led to some interesting discussions, including how we provide advice for the commissioners around service models. We also spend time with our staff working through how to approach patients and carers where there has been a patient safety incident or a near miss
7	<b>Does our division/directorate ensure that our systems and structures guarantee quality and safety across boundaries within and beyond the organisation?</b>	The organisation has a quality strategy and risk management process that we contribute to through the prescribed divisional reporting templates. Our clinical governance meetings have standard agendas to cover the range of clinical governance activities such as audit activity, numbers of complaints and how quickly we deal with them and incident reporting numbers	We have been building on getting the quality reports right through a greater focus on asking <i>why?</i> to where we have both good results and bad. We have been focusing on completing the audit cycle wherever there has been audit activity, and as well as the suite of national audits, we have been working on ensuring that locally determined audits have a clear rationale and that their findings lead to service improvement. Where useful, we share the results with local GPs and others
8	<b>Are agreed outcomes reviewed and critically assessed regularly?</b>	Outcomes are of concern to the commissioners, and we focus on running a tight ship and delivering the activity that is required of us. We provide management with the quality data they ask for	The quality of outcomes is internally and externally assured. KPIs at ward-level are used intelligently. Safe staffing is a key priority to guarantee high quality care at all times
9	<b>Does our risk system tell us when we have compliance issues?</b>	Compliance standards are the bedrock of our quality system, and the standards form the focus for our quality assurance work. Risk registers that follow the standard format are very much part of our compliance system	To ensure that compliances are embedded, our division puts effort into ensuring that all staff understand the various compliance requirements and know how to raise concerns where they feel there may be a potential breach. We have included potential compliance breaches as reportable incidents, and ensure that staff who do raise issues receive feedback. As part of our on-going clinical governance activity, we regularly reinforce and test compliances. However, our quality management is not led by the external compliance requirements. Our quality system is based on what we believe is important for the patients we care for
10	<b>Does our division ensure organisational effectiveness and added value?</b>	Our governance activity is largely centrally prescribed or required by regulators and we diligently ensure that we cover the ground we are asked to. Our central governance team is happy with how we conduct our affairs	Time spent on management is time away from patient care, but good patient care depends on us managing our affairs well. Clinical governance is critical to us managing an effective and safe service, and so we try and evaluate how effective our time spent on clinical governance is, what information we find the most useful, and what impact all this has on the care of our patients and ensuring the effectiveness of our organisation

## Assurance questions, with possible answers

### Department level

	Themes	Unacceptable answer	Acceptable answer
1	<b>Do we ensure clarity about the purpose, roles and desired behaviours of our department?</b>	The operational plan spells out what is expected of us each year. Our performance reports reinforce these expectations and tell us when we are going off track	Working at our level, it is hard to lift our minds out of operational delivery and think what the overall purpose of the organisation is, but we nevertheless try and do this each year. This has proved useful as it helps us understand how we fit in to the overall mission of the organisation as well as appreciate what others are doing too
2	<b>Does our department apply each of the principles of good governance in its day-to-day workings?</b>	These principles do not really apply at our level	It is helpful to understand how we fit into the wider scheme of things, for example, when the non-executive directors visit the service areas. We no longer treat these like Royal visits, we actively encourage staff to speak up if they have concerns or plaudits
3	<b>Does the management of our department provide strong leadership and clear strategic direction?</b>	The management of our department is set by senior management, and we deliver what is asked of us	Board/governing body members are largely known to us, and we meet them at staff events and on their service visits. This organisation has a clear way of doing things and we know what we are doing and what our pressures are. This organisation is one where we trust those in charge to be doing their best
4	<b>Does our department have effective external relationships with stakeholders, patients and the community?</b>	The organisation has a PALS and patient and public team who undertake this	We think about this often, and over the years have tried various ways of listening to our patients and their carers. We have held open days, organised visits, gone along and talked at community groups and have various forms of patient information which we regularly update and test with patients and ensure that we respond to feedback so that patients know what has improved because of their input. It seems we can never do enough in this area but we certainly make the effort
5	<b>Does our department have effective internal relationships with members, service users and staff?</b>	The department focuses on internal communication with staff and patients. We rely on the division management to communicate issues raised by members of staff or service users to the board where necessary	Communication matters to us. Staff are encouraged to attend regular meetings where we talk about how the department is managed and the broader issues affecting the organisation. This is a challenge because of our shift work system and we have needed to be creative in terms of making sure that all team members get a chance to join in

	Themes	Unacceptable answer	Acceptable answer
6	<b>Is the governance of our department and public reporting transparent?</b>	This issue doesn't affect staff working at our level much. There are policies we need to follow and we are always clear and straightforward with patients when they ask	At department level we have the opportunity to engage with the local GPs in a way that other tiers of the organisation do not, and we take every opportunity to share with them our issues and developments. We have made efforts to be as open as possible where problems occur, such as when an individual patient is involved with an incident or near miss. We feel this materially supports good patient care and builds trust
7	<b>Does our department ensure that our systems and structures guarantee quality and safety across boundaries within and beyond the organisation?</b>	Our quality improvement programme focuses on the annual clinical audit overseen by the division. An action plan is produced at the end of it to complete the audit process	Our focus has been on building the skills to change services as a result of insight we have been gaining through systematic measurement of quality, such as the clinical audit and quality improvement programme and feedback from patients. We have been sharing these details with other departments and trying to learn from what they are doing as well. We are working on a session with local GPs to discuss concerns across the boundary of care
8	<b>Are agreed outcomes reviewed and critically assessed regularly?</b>	Our KPIs focus on processes and outputs	We have been working with both the division and the central function to help develop a better view about outcomes. We try our best to make sure that at least one team member is able to attend important national meetings where outcomes for our type of service are discussed, and find ways for them to share in any new knowledge
9	<b>Does our risk system tell us when we have compliance issues?</b>	We have various templates to complete around CQC compliance and one of the administrative team sees to that. We keep details of the paperwork to support our compliances carefully filed away	We have an active part in supporting the divisional awareness –raising around compliances and readiness for CQC inspections. We encourage all team members to speak up if they have concerns rather than wait for an inspection. We have been finding out how one can become a CQC inspector as the process sounds interesting and an opportunity to learn about other organisations
10	<b>Does our department ensure organisational effectiveness and added value?</b>	We contribute to the clinical governance programme of the division. We always manage to fill in the required templates and reports on time so we are confident we are doing a good job. Everyone seems happy with what we do	Our organisation is one where we are given the responsibility to ensure that our knowledge of our service and speciality helps us set the clinical governance expectations. We are actively encouraged to comment on the clinical governance programmes of other departments



The Good Governance Handbook summary and further information is available at: [www.hqip.org.uk](http://www.hqip.org.uk) and [www.good-governance.org.uk](http://www.good-governance.org.uk)  
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