

Portsmouth Hospitals NHS Foundation Trust Governance Framework

1. INTRODUCTION

Foundation Trust status brings greater responsibilities for governance in Trusts. This requires robust organisational and management arrangements, supporting structures, and processes.

The Framework sets out the governance arrangements in place in the Trust in an updated form for approval by the Board. It clarifies the structures needed to support it.

2. DEVELOPING GOVERNANCE IN THE NHS

The Health Act 1999 placed a duty on Trusts to develop and maintain arrangements for monitoring and improving the quality of its services. This influenced the development of Clinical Governance structures in NHS Trusts. Further to this a Combined Code on Corporate Governance was published in July 2003 particularly addressing the role effectiveness of Non Executive Directors.

The specific definitions embracing these duties are:

Clinical Governance: *'A framework through which National Health Service organisations are accountable for continuously improving the quality of care by creating an environment in which excellence in clinical care will flourish.'*

Corporate Governance *'A process designed to provide evidence that NHS bodies are doing their reasonable best to manage themselves so as to meet their objectives and protect patients, staff, the public and other stakeholders against risks of all kinds'*

In principle the following principals form the basis of a system of internal control necessary to ensure that NHS Boards have the information necessary to determine the extent to which the Trust can meet its objectives and, by applying these principals, ensure that their Clinical and Corporate Governance duties are fulfilled:

- Determination of Corporate Objectives
- Identification of Critical Success Factors relating to these objectives
- Identification and prioritisation of risks relating to the delivery of objectives
- Determination of necessary management actions and controls to mitigate identified risks
- Determination of necessary management information (performance and key risk indicators)
- Determination of necessary independent assurances
- Monitoring the effectiveness of internal control and progress with required outcomes
- Determination of any corrective action necessary to ensure objectives are met

3. THE KERNEL OF THE GOVERNANCE FRAMEWORK

To fulfil their Governance duties the Trust Board must rely upon three sound platforms from which to draw its assurance that all relevant governance issues are identified and that they are addressed.

1. A rigorous process of capturing such issues; and
2. An accountability framework that addresses them all.
3. A mechanism by which they can be confident that the above two have and are happening.

The first and third of these bases are tackled by the Trust's Assurance Framework, and the second by clear statements of accountability for Trust Executives (and particularly Executive Directors), together with a committee structure, populated by relevant members to consider items of governance brought to each committees attention.

4. THE ASSURANCE FRAMEWORK AND RISK

Given its purpose is to support and underpin good governance the Assurance Framework is driven from the strategic objectives of the Trust. It sets out the key controls (e.g. what controls and systems are in place to secure the delivery of the objective) and provides confirmation that each control is working effectively. It addresses policies, procedures and structures to manage the risk, gaps in control, and hence any gaps in Assurance that the Board, and the Non Executive Directors of the Board in particular should pursue with vigour.

Such matters are crystallised in a template forming a monthly Board report and, therefore, a vehicle that guarantees Board consideration of these items at monthly meetings.

The Framework is a living document, and hence, as requirements change it is updated and, if necessary expanded to take account of this.

Recent examples of this would be:

- The incorporation of the Trusts Integrated Business plan to source the key Trust objectives and drivers.
- The principle core and development objectives from "Standards for Better Health".

For each risk a rating, determined by the consequence and likelihood of the risk is determined and an aggregated score is highlighted through a traffic light approach. The rating mechanism has been updated and is now compliant with Monitor's Compliance Framework methodology.

For each risk the appropriate committee to oversee compliance and the Executive Director responsible for developing an action plan and pursuing compliance is identified.

An annual review by the Department of Health, and Internal and External Audit compliments these processes, ensuring that the Trust Board has sufficient appropriate assurance to sign off the Statutory Accounts, and any other corporate statements of compliance that may be required from time to time.

The Risk Register

Underpinning the identification of risks is the Risk Register. It is populated at Divisional level from their own Divisional Risk Registers. It is a mandatory item on each monthly performance meeting agenda. Thus the Board can be assured that all risks are being discussed and if judged to be material in any way find a place in the register. It is the register that populates the Assurance Framework brought each month to the Board with its traffic lighted risk-rating format.

The Committee Structures

- The Committees identified in the Assurance Framework have delegated authority from the Trust Board to oversee the action plans and provide progress reports to both the Executive Lead and Trust Board. Each Committee will determine an annual plan of work, which clearly sets out the agenda and provides appropriate levels of monitoring and reporting on the

aspects of the Assurance Framework. The Governance Committee will ratify each Committees annual plan and subsequently this will be ratified by Trust Board.

- The Governance Committee has the overall responsibility for overseeing the implementation of the action plans arising from the Assurance Framework and ensuring that it is being operationally driven by the appropriate Committee.
- The Audit Committee as a sub committee of the Board has responsibility for ensuring that the Assurance Framework provides an appropriate level of internal control and is utilised as the key tool for informing the annual audit plans and providing appropriate levels of assurance to the Board.

The methodology described here and the way in which it links into the committee structure created to ensure compliance for the Board, is shown diagrammatically in Appendix 1

5. THE ACCOUNTABILITY FRAMEWORK.

Crucial to the Governance Framework is the recognition of Directors' Accountability roles compatible with issues raised by the Assurance Framework element of it. Key points are:

1. Directors must understand the part each of them plays in this process. In summary this is:
 - Every Board member, both Executive and Non Executive, has a responsibility for all governance items, be they clinical or corporate.
 - Non Executive Directors have a specific responsibility to keep under constant review the way in which committees associated with the Trust's governance duties are populated. Should they have any concerns in this area they should raise those concerns with, in the first instance, the Chairman and then the full Board as necessary.
 - There are distinctly identified Board members whose personal job or background expertise indicates that they should be considered to be specialists in these different areas. **It is the duty of all to ensure the advice of such specialists is sought appropriately**
 - Such specialists are:
 - Clinical matters – Medical Director; Director of Clinical Services.
 - Corporate matters – Chief Executive; Chairman of the Audit Committee; Director of Finance; Director of HR; Chairman.
2. Although the Risk Register and Assurance Framework are designed to deliver a fully comprehensive set of items identified as needing bringing to the Board's attention as potential risks, these are not to be regarded as all encompassing.
3. Any risk items judged to be material and needing early attention should be brought immediately to the attention of the Chairman or Chief Executive as judged relevant by the Director. This is a key part of the framework.

6. EXTENDED GOVERNANCE

Foundation Trust Governance extends to incorporate the wider interests of stakeholders through its membership base and through stakeholder organisations such as commissioners, partners and other organisations with significant roles in the constituencies covered by the Trust.

The governance arrangements must extend, therefore to incorporate the Trust's duty to support governance issues for the Council of Governor who in turn must embrace these governance principles for the benefit of the constituencies and members they represent.

Such appropriate extension will be created, in consultation with the Council, as to which governance reports they wish to receive, and at what frequency. The Company Secretary will then develop and monitor and review this extension.

7. CONCLUSION.

The Assurance Framework coupled with the Accountability Framework as proposed here will, when implemented fully, provide the Trust Board with comprehensive and relevant information to assure the Trust's compliance with its governance duties.

The framework has sufficient flexibility within it to be able to respond to governance requirements as called for or called for development by the Council of Governors.

The Board is asked, after discussion and appropriate amendment as necessary, to endorse this Framework as policy for implementation.

June 2007

Appendix 1

Risk Management Process and Structure

