

NHS GLOUCESTERSHIRE CLINICAL COMMISSIONING GROUP

REVIEW OF THE CCG'S COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE AND THE NHS CCG CODE OF GOVERNANCE

1. Introduction

1.1 Following a number of separate reports into the causes of various high profile financial scandals the Combined Code on Corporate Governance came into existence in 2003. This was revised in 2006, 2008 and again in 2010.

1.2 The latest version of the UK Corporate Governance Code was published by the Financial Reporting Council (FRC) in September 2012. The Draft CCG Annual Reporting Guidance 2013/14 issued in January 2014 by NHS England requires all CCG's to comply with the principles set out in the Code or to explain where or why the Code has not been followed. The code of governance is available at:

<http://www.england.nhs.uk/wp-content/uploads/2014/01/ccg-ann-rep-guid.pdf>

1.3 An assessment of NHS Gloucestershire's compliance with the FRC Code is at Appendix 1.

1.4 A supplemental Corporate Governance Code specifically for CCGs was published by the Institute of Chartered Secretaries and Administrators (ICSA) in November 2013. It outlines governance principles that support clinicians, and those that work with them, to perform their commissioning activities and help to maintain public trust in clinicians and the NHS.

1.5 The ICSA Code was developed by health service professionals for health service professionals. It is a voluntary document, but CCGs are encouraged to adopt the code's principles to include a statement in their annual report explaining how these principles have been applied. The code of governance is available at:

<https://www.icsa.org.uk/clinical-commissioning-groups-code>

1.6 An assessment of NHS Gloucestershire CCG's compliance with the ICSA Code is at Appendix 2.

2. Report

2.1 The report is in 2 sections: the first section, which is mandatory, is a report on the CCG's compliance with the UK Corporate Governance Code; the second section, which is voluntary, is a report on the CCG's compliance with the NHS CCGs Code of Governance.

2.2 Compliance with the UK Corporate Governance Code: The assessment at Appendix 1 has been considered against the following:

- All 3 domains of Quality (Safety, Quality and Patient Experience;
- Board Assurance Framework/Risk Register;
- Legal/Regulatory;

- People/Staff;
- Financial/Value for Money/Sustainability;
- Information Management and Technology;
- Equality Impact Assessment;
- Freedom of Information.

2.2.1 The gap analysis has identified that induction training, in the Development section under the Principle of Effectiveness, was inconsistent and in some cases inadequate. This is the only area of non-compliance and action is being taken to rectify this lack of training.

2.3 Compliance with the NHS CCGs Code of Governance: The NHS Code is based on 6 principles. Each principle has an explanatory paragraph and a number of suggestions for demonstrating compliance with the individual principle together with a number of key questions that may be asked by and of the CCG to test compliance. The full assessment is at Appendix 2.

2.2.1 A gap analysis has been carried out against the suggested achievement criteria and the key questions and the CCG is able to demonstrate compliance in the majority of areas.

2.2.2 The areas of possible non-compliance are as follows:

- Principle 4: Induction training was inconsistent and in some cases inadequate. This is the same issue as identified above.
- Others to be identified after consultation with the executive.

4. Conclusion

4.1 The IGQC is asked to recommend the assessment of compliance with the UK Corporate Governance Code and the NHS CCG Code of Governance to the Governing Body.

APPENDIX 1

ASSESSMENT OF GLOUCESTERSHIRE CCG'S COMPLIANCE WITH THE FRC UK CORPORATE GOVERNANCE CODE

MAIN PRINCIPLES OF THE UK CORPORATE GOVERNANCE CODE	COMPLIANCE		
	Yes	No	Comments
<u>LEADERSHIP</u>			
<u>The Role of the Board</u> : Every company should be headed by an effective board which is collectively responsible for the long-term success of the company	Y		
<u>Division of Responsibilities</u> : There should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company's business. No one individual should have unfettered powers of decision.	Y		
<u>The Chairman</u> : The chairman is responsible for leadership of the board and ensuring its effectiveness on all aspects of its role.	Y		
<u>Non-executive Directors</u> : As part of their role as members of a unitary board, non-executive directors should constructively challenge and help develop proposal on strategy.	Y		
<u>EFFECTIVENESS</u>			
<u>The Composition of the Board</u> : The board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively.	Y		
<u>Appointments to the Board</u> : There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board.	Y		
<u>Commitment</u> : All directors should be able to allocate sufficient time to the company to discharge their responsibilities effectively	Y		
<u>Development</u> : All directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge.		N	Induction training was inconsistent and in some cases inadequate
<u>Information and Support</u> : The main principle is that the board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.	Y		
<u>Evaluation</u> : The main principle is that the board should undertake a formal and rigorous annual evaluation of its	Y		

own performance and that of its committees and individual directors.			
Re-election: All directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance.	Y		
<u>ACCOUNTABILITY</u>			
<u>Financial and Business Reporting</u> : The board should present a fair, balanced and understandable assessment of the company's position and prospects.	Y		
<u>Risk Management and Internal Control</u> : The board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The board should maintain sound risk management and internal control systems.	Y		
<u>Audit Committee and Auditors</u> : The board should establish formal and transparent arrangements for considering how they should apply the corporate reporting and risk management and internal control principles and for maintaining an appropriate relationship with the company's auditors.	Y		
<u>REMUNERATION</u>			
<u>The Level and Components of Remuneration</u> : Levels of remuneration should be sufficient to attract, retain and motivate directors of the quality required to run the company successfully, but a company should avoid paying more than it is necessary for this purpose. A significant proportion of executive directors' remuneration should be structure so as to link rewards to corporate and individual performance.	Y		IAW NHS England guidelines
<u>Procedure</u> : There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration.	Y		
<u>RELATIONS with SHAREHOLDERS¹</u>			
<u>Dialogue with shareholders</u> : There should be a dialogue with shareholders based on the mutual understanding of objectives. The board as a whole has a responsibility for ensuring that a satisfactory dialogue with shareholders takes place.	Y		
<u>Constructive Use of the AGM</u> : The board should use the AGM to communicate with investors and to encourage their participation.	Y		Board meetings are held in public

¹ In the NHS context shareholders are replaced by stakeholders

**ASSESSMENT OF GLOUCESTERSHIRE CCG'S COMPLIANCE WITH THE NHS CCGs
CODE OF GOVERNANCE**

NHS CODE of GOVERNANCE PRINCIPLES: with important questions for Gloucestershire CCG		Yes	No	Comments
<u>PRINCIPLE 1:</u> CCG members and their governing bodies understand and support each other's role in effective decision-making with a view to improving the experiences of patients and the quality of the care commissioned.				
Q1	Do the GP member practices know under what circumstances they can challenge the decisions of the CCG's committees and governing body and hold them to account?			Not sure
Q2	Is there a high degree of GP member practice involvement with the work of the CCG? If so, how is that manifested?	Y		
Q3	Where are the priorities and aims of the CCG stated?	Y		Constitution, 5 Yr strategy and 2 Yr plan and AOP
<u>PRINCIPLE 2:</u> CCGs act collaboratively with a range of interested provider parties to deliver better health outcomes for patients and the public.				
Q1	Do the CCG and its governing body consider the feedback from and about provider organisations and act accordingly? If so, how is that manifested?			Not sure
Q2	Has the CCG put in place robust mechanisms to identify and respond to any patient care or wider quality issues that could have been improved by better co-operation with providers in the past 12 months?	Y		
Q3	Does the CCG have appropriate processes in place to ensure they are aware of, and can act upon, issues raised by regulators in relation to their providers?	Y		
<u>PRINCIPLE 3:</u> CCGs are aware of, and understand, the different relationships to be built and maintained by the CCG when working with other commissioning organisations and regulators in relation to the local and national health economy, and contribute effectively to the greater debate on patient safety, quality and outcomes.				
Q1	Does the CCG maintain full records of delegated decision-making? These records should include both:	Y		
	<ul style="list-style-type: none"> Records of delegations made by the CCG of its decision-making powers. This includes both a register of functions which you have asked other CCGs to 	Y		

	<p>exercise on your behalf and a record of delegated decision-making authority which has been given to your members, employees, governing body, committees or sub-committees – both general delegations in place for categories of person/organisation and any specific authorisations given for particular decisions. The records should include authority given to individual employees, members or others to make decisions on behalf of the CCG in the context of any joint working groups or other collaborative groups, in which two or more CCGs discuss and agree steps to achieve joint exercise of their commissioning functions or other collaborative activities;</p> <p>○ records of the decisions made under these delegation arrangements</p>	Y		
Q2	How often are these records reviewed by the CCG and its committees?			Not sure
PRINCIPLE 4: The CCG and its governing body accept, and act in accordance with, collective accountability to its membership, along with drawing on the strengths and expertise of individual contributions.				
Q1	Has each governing body member undergone a thorough induction programme? Has any further training or development been requested and acted on?		N	Induction training was inconsistent and in some cases inadequate
Q2	Does the governing body understand its role and what is expected of it in terms of decision-making challenge, scrutiny and governance assurance on behalf of the CCG?	Y		
Q3	Does each governing body member understand their collective responsibility and that any disagreements are managed using an agreed process as set out in the constitution?	Y		
Q4	Does the governing body understand the particular responsibilities of the Accountable Officer and are these discussed at least annually by the governing body?			Not sure
Q5	Has counter-fraud awareness training for governing body members been included?	Y		
PRINCIPLE 5: The CCG, through its governing body, ensures that the views of interested parties, including patients, their carers, support groups and the public are actively sought and used to inform commissioning decisions and the likely impact of				

such decisions.

Q1	How did the CCG identify its target audiences and put in place appropriate engagement procedures for each?	Y		Through PPE officers
Q3	What methods does the governing body use to monitor the extent to which public and patients are involved in the business of the CCG?	Y		Through PPE officers and Lay Members and Lay Champions
Q3	Does a description of the CCG's public involvement and engagement appear in the CCG's annual report?	Y		
Q4	Does the CCG publish learning from, and responses to, complaints?			Not sure

PRINCIPLE 6: Governing bodies have robust and effective processes for decision-making, as outlined in their constitution, that support and maintain transparency and accountability at every level.

Q1	What types of decisions have generated most interest from external parties?	Y		Reduction in Cheltenham Hospital A & E opening hours
Q2	Does the governing body receive an annual summary of information that has been made available to the public?			Not sure
Q3	Has the governing body checked that its delegations and schedule of matters reserved are enacted in practice across the CCG? What remedial, if any, action has been taken?	Y		
Q4	Does the governing body regularly review the CCG's actions under Freedom of Information legislation?	Y		
Q5	Has the CCG received any feedback regarding its procurement processes, from interested parties, and if so what actions were taken as a result?			Not sure