

Trust Board

TB2008.42a

From: Mr Chris Hurst, Deputy Chief Executive and Finance Director
Date: May 2008
Subject: **Foundation Trust application - Governance structures**
For: **Information**

Synopsis

We are developing the ORH governance arrangements as part of the Trust's transition to become a Foundation Trust. These arrangements will support us in our ambition to be an outward-facing and a listening organisation, which stays in touch with the needs of its customers and stakeholders, is well-managed, and uses resources to the very best effect.

As part of our preparatory work, we commissioned the Audit Commission to undertake a review of our current governance arrangements and structures, particularly the Board sub-committee structure. We last reviewed our committee structure in detail four years ago. The main objective of this review is to provide guidance on how our current governance structures and arrangements might be developed further, in preparation for FT status. Its outcome helps to inform our FT application and provides the Board with assurance that its sub-committee structure continues to be fit for purpose.

The Board has now considered the outputs from this review, including:

- Proposals for streamlining of the Board sub-committee structure; and
- Revised terms of reference for Board sub-committees.

This report sets out the outcome of the Board's reflections and the decisions it has made to modify its current arrangements.

Financial, legal and risk impact

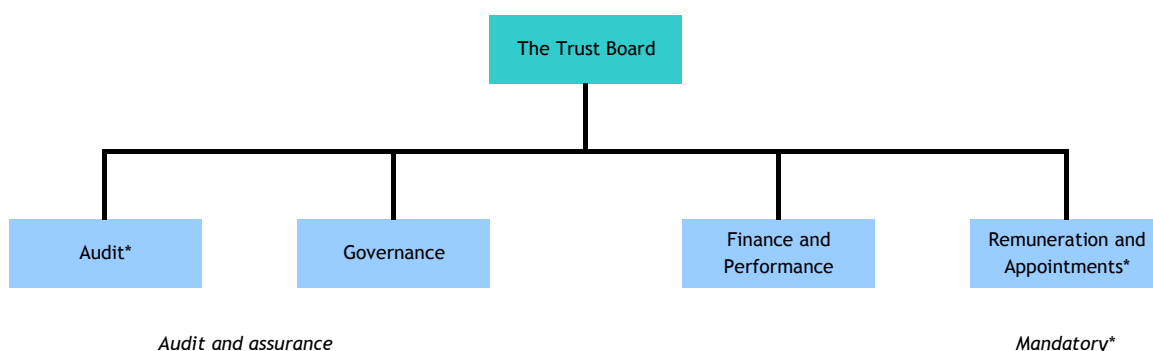
The achievement of FT status in 2008/09 is a key objective for the Trust.

Introduction

1. We are developing our governance arrangements as part of our transition to become a Foundation Trust. Our future governance arrangements must support us in our ambition to be an outward-facing and a listening organisation, which stays in touch with the needs of its customers and stakeholders, is well-managed, and uses resources to the very best effect.
2. As part of the project to develop our FT application we commissioned the Audit Commission to review our current governance arrangements and Board sub-committee structure. The Board last reviewed its committee structure in detail four years ago. This review is regarded as timely, and helps to inform our FT application and provides the Board with assurance that the sub-committee structure continues to be *fit for purpose*.
3. The main objective of the Audit Commission review was to provide guidance on how our current governance structures and arrangements might be developed further, in preparation for FT status. This report sets out the outcome of the Board's subsequent reflections and the decisions it has made to modify its current arrangements.

Streamlining of Board sub-committees

4. Following review and discussion, the Board has agreed to simplify its sub-committee structure as follows:



5. The Board has also agreed that the remit and composition of the sub-committees will be as follows:

Audit Committee

6. The role of the Committee is to:
 - Review the establishment, operation and effectiveness of the Trust's system of internal controls

- Ensure that there are effective internal audit arrangements in place to meet mandatory NHS Internal Audit Standards and provides independent assurance to the Committee
 - Review the work and findings of the External Auditor and provide a conduit through which their findings can be reviewed, tested and monitored at Board level; and
 - Review the Annual Accounts and related financial statements before submission to the Board.
7. The Audit Committee consists of three non-executive directors. Its work is supported by (in a reporting capacity); the Deputy Chief Executive & Finance Director, senior members of the finance team and by the Assistant Director of Governance. Two of the three non-executive members have significant financial knowledge and experience. The chair of the Audit Committee is a qualified accountant.
8. The Committee meets five times a year to discharge its responsibilities and holds a sixth meeting to review the Annual Accounts, Statement on Internal Control, and the internal and external auditors' annual reports. It makes a recommendation to the Trust Board on the adoption of the Annual Accounts.
9. The Committee is responsible for monitoring performance against the Auditors Local Evaluation (ALE) standards.
10. The Audit Committee has reviewed the financial regime and compliance framework, in preparation for Foundation Trust status, as part of the overall Board Development Programme. This has ensured that all Board members are familiar with and understand the governance and compliance requirements laid down for FTs by the Monitor's, and the associated risk based performance monitoring requirements.
11. Minutes of the Audit Committee are reported to public meetings of the full Board and the Chair of the Audit Committee produces and presents an Annual Report on the work of the Committee to the Board.
12. At each meeting, the Committee has the opportunity to meet in private with or without the internal and external auditors present. The Chair of the Audit Committee presents the minutes and any key issues to meetings of the Board of Directors.

Governance Committee

13. The role of the Committee is to:
- Assess strategic risks and ensure the Board regularly reviews strategic risks and its risk management arrangements, throughout the development, review and presentation of the Board Assurance Framework.
 - Review the Trust's Risk Register and receive regular reports during the year

- Assess the adequacy of risk management controls and processes for different types of risk, receiving and reviewing reports which assess the likelihood and impact of risks facing the Trust.
 - Review and approve standards for the Trust's risk control framework, and, where necessary, commission updates of relevant policy statements, also taking into account the requirement of the Healthcare Commission and Monitor.
 - Ensure that the Trust complies with standards laid down by risk assurance bodies (eg. the NHSLA); and
 - Review the Clinical Governance Programme, monitoring progress and ensuring the requirements of the Healthcare Commission and Public Safety Agencies are met.
14. This Committee consists of three non-executive directors, and meets quarterly with executive directors and divisional medical directors present. The Chairman of the Board also attends the meetings, reflecting the importance placed by the Board on the continued development of the governance, quality, and risk management.
15. The agenda covers quality and risk, corporate governance, information governance and research governance. Quality and risk includes; infection control, child and adult protection and complaints, as well as reports on divisional quality and risk arrangements. The Chair of the Governance Committee presents the minutes and any key issues to meetings of the Board of Directors.

Finance and Performance Committee (F&PC)

16. The Finance and Performance Committee (F&PC) provides an opportunity for Board members to undertake a more detailed review of financial and other performance metrics prior to review and decision-making at the full Board of Directors meetings.
17. The role of the Committee is to:
- Discuss and review budgets and strategic financial plans for submission to the Board and recommend to the Board changes in financial strategy.
 - Review the monthly *performance dashboard*, both current indicators and underlying trends, and review the coverage and content of the dashboard to ensure it meets the on-going information requirements of the Board.
 - Review the delivery of annual Cost Improvement Programme.
 - Ensure that timely and appropriate action is taken to address any adverse trends in performance.
 - Ensure that the Board is aware of the principal requirements included in the Trust's contracts with its commissioners, and review performance against these contracts
 - Review the reports submitted to Monitor.

Remuneration and Appointments Committee (R&A)

18. The Remuneration and Appointments Committee (R&A) is chaired by the Chairman of the Board, and membership comprises all non-executive directors.
19. The Committee meets at least once each year to consider the performance and remuneration of the Chief Executive and other executive directors.
20. The terms of reference of the Committee have been reviewed to ensure congruence with the provisions of Monitor's NHS Foundation Trust Code of Governance.

Commercial and Human Resources committees

21. Following the recommendations of this review, the Board has agreed that the Commercial Committee and the Human Resources Committee will cease to be part of the Board's assurance arrangements. In future, these committees will undertake an executive function.

Sponsor: Chris Hurst, Deputy Chief Executive & Finance Director

Author: Jane Dudley, Foundation Trust Project Director
