

Northumberland, Tyne and Wear NHS Foundation Trust

Board of Directors Meeting

Meeting Date: 24th May 2017

Title and Author of Paper:
Annual Governance Statement 2016 -17 Final

Executive Lead:
John Lawlor

Paper for Debate, Review

Key Points to Note:

- The Annual Governance Statement has been considered by the Audit Committee and reviewed by External Audit.

Risks Highlighted:
N/A

Does this affect any Board Assurance Framework/Corporate Risks?
Yes – A statement of the controls and Governance in place throughout the year

Equal Opportunities, Legal and Other Implications:
N/A

Outcome Required: Approve the Annual Governance Statement

Link to Policies and Strategies:
Corporate Governance Manual.

ANNUAL GOVERNANCE STATEMENT 2016-17

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the NHS foundation trust's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me. I am also responsible for ensuring that the NHS foundation trust is administered prudently and economically and that resources are applied efficiently and effectively. I also acknowledge my responsibilities as set out in the *NHS Foundation Trust Accounting Officer Memorandum*.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of Northumberland, Tyne and Wear NHS Foundation Trust, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Northumberland, Tyne and Wear NHS Foundation Trust for the year ended 31 March 2017 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Executive Director of Commissioning and Quality Assurance has overall lead responsibility for performance risk management within the Foundation Trust. While the Executive Director of Commissioning and Quality Assurance has a lead role in terms of reporting arrangements, all directors have responsibility for the effective management of risk within their own area of direct management responsibility, and corporate and joint responsibility for the management of risk across the organisation.

Structures and systems are in place to support the delivery of integrated risk management, across the organisation. A wide range of risk management training has continued to be provided throughout the Foundation Trust during the year. This includes providing training for all new staff as well as training specific to roles in areas of clinical and corporate risk. Delivery of training against planned targets is monitored by the Board of Directors, and managed through the Trust Corporate Decisions Team and devolved management structures. The Foundation Trust has a Board of Directors approved Risk Management Strategy in place.

Committees of the Board of Directors are in place both to ensure effective governance for the major operational and strategic processes and systems of the Foundation Trust, and also to provide assurance that risk is effectively managed. Operations for the Foundation Trust are managed through an organisational structure, with operations divided into three Groups, and each has governance committees in place for quality and performance and operational management. Risk registers are maintained and reviewed by each Group and reviewed through the Foundation Trust-wide governance structures. The Quality and Performance Committee consider Group top risks and the Assurance Framework and Corporate Risk Register regularly. The Corporate Decisions Team and its Risk Sub-Group also undertake this review from an operational perspective to ensure that risks are recorded effectively and consistently and that controls in place are appropriate to the level of risk. The Audit Committee considers the systems and processes in place to maintain and update the Assurance Framework, and considers the effectiveness and completeness of assurances that documented controls are in place and functioning effectively. The Mental Health Legislation Committee has delegated powers to ensure that there are systems, structures and processes in place to support the operation of mental health legislation, within both inpatient and community settings and to ensure compliance with associated codes of practice and recognised best practice.

The risk and control framework

The Foundation Trust continually reviews its risk and control framework through its governance and operational structures. It has identified its major strategic risks, and these are monitored and maintained and managed through the Board of Directors Assurance Framework and Corporate Risk Register, supported by Group and Directorate risk registers. The Foundation Trust's principal risks and mechanisms to control them are identified through the Assurance Framework, which is reviewed by the Board of Directors regularly. These risks are reviewed and updated through the Foundation Trust's governance structure. Outcomes are reviewed through consideration of the Assurance Framework to assess for completeness of actions, review of the control mechanisms and on-going assessment and reviews of risk scores.

The principal risks are considered as those rated over 15 at a corporate level on the standard 5 by 5 risk assessment measure. The Assurance Framework and Corporate Risk Register was the subject of a review during the early part of 2016-17 to reflect best practice and the table below summarises those risks and the key controls, as reported to the Board in the Assurance Framework in March 2017. All risks identified below are considered as in year and future risks relating to the Strategic Objectives pertinent to 2016-17.

Reference	Risk	Key Controls
S01.1	That we do not develop & correctly implement service model changes.	Integrated Business Plan. Business Case Tender Process. (PGN) Commissioner Involvement & Scrutiny.
S02.1	That we have significant loss of income through competition, choice and national policy, including the possibility of losing large services & localities.	Integrated Governance Framework. Financial Strategy. Locality Partnerships. Agreed Contracts & Framework.
S02.2	That we do not manage our financial resources effectively to ensure long term financial stability (incl differential between income & inflation, impact of QIPP & the CIP.	Financial Strategy incl FDP. Standing financial instructions. Decision Making Framework. Accountability Framework.
S05.9	That the scale of change & integration agenda across the NHS could affect the sustainability of services & Trust financial position.	Stakeholder & Partner Locality Executive Leads & Reporting processes. Oversight Model. Horizon scanning and Intelligence.
S01.5	That we do not effectively develop, manage and fund the capital development programme, including generating capital & controlling expenditure, in order to deliver 1st class environments.	5 Year strategy & Operational Plan. Trust Treasury Management Policy. Development Group and RBAC. Asset realisation programme.

The governance structures supporting and underpinning this are the Quality and Performance Committee, Resource and Business Assurance Committee (*formerly known as; Finance, Infrastructure and Business Development Committee*), and Mental Health Legislation Committee.

The Trust's governance structures are the subject of periodic review.

The Board established a new sub Group in 2015-16 to support the Board, overseeing the development of the Trust's new Integrated Business Plan (IBP)/Strategy and by providing a strategic forum for environmental and horizon scanning and a review of intelligence to inform and input into the IBP/Strategy and the Trust's decision making.

Each of the committees is chaired by a Non-Executive Director and has Executive Director membership. The Quality and Performance Committee acts as the core risk management committee of the Foundation Trust Board of Directors, ensuring that there is a fully integrated approach to performance and risk management. This Committee provides oversight to the performance and assurance framework, Foundation Trust risk management arrangements for both clinical and non-clinical risk, and has full responsibility for overseeing the Foundation Trust's performance against fundamental standards for quality and safety as part of this role. The Quality and Performance Committee reviews the top risks for each Group, and the Assurance Framework and Corporate Risk Register periodically. The Committee also considers all aspects of quality and performance, in terms of delivery of internal and external standards of care and performance. The Resource and Business Assurance Committee provides assurance that all matters relating to Finance, Estates, Information Management and Technology and Business and Commercial Development are effectively managed and governed.

The Research and Development Committee, a sub Committee of the Quality and Performance Committee, oversees the implementation and review of the Trust's Research and Development Strategy and ensures that the organisation's research governance responsibilities are met, including the cost effective use of research and development income.

Quality Governance arrangements are through the governance structures outlined above, ensuring there are arrangements in place from ward to Board. Review, monitoring and oversight of these arrangements takes place through the following, among others:

1. Trust Board
2. Quality and Performance Committee
3. Group Quality and Performance Committees
4. Corporate Decisions Team meetings and its Quality Sub-Group

The Trust reviews its performance against NHSI's (*formerly Monitor's*) published Quality Governance Framework on a twice yearly basis through the Quality and Performance Committee.

The Trust supports an open reporting culture and encourages its staff to report all incidents through its internal reporting system. The Trust's Incident Policy NTW(0)05 and supporting practice Guidance Notes provides the framework for staff for the reporting, management investigation and dissemination of lessons learnt. The Trust has adopted the principles of the National Patient Safety Agency's "Seven Steps to Patient Safety" and embedded them in day to day practice.

The Trust has a data quality improvement plan in place to ensure continuous improvement in performance information and has made continued advances in this area through 2016-17 with continued development of dashboard reporting from patient and staff level to Trust position. The Trust audit plan includes a rolling programme of audit against all performance and quality indicators.

Registration compliance is managed through the above quality governance structures and is supplemented by a Group Director being responsible for the oversight of all compliance assessments and management of on-going compliance through the Trust CQC Compliance Group. This Group reports into the Corporate Decisions Team. There is a central log of all evidence supporting registration requirements and a process in place through the governance arrangements highlighted above to learn from external assessments and improve our compliance. The CQC Compliance Group undertakes regular reviews of compliance against the CQC Fundamental Standards including undertaking mock visits and identifying Improvement requirements.

This formal governance framework is supplemented by an on-going programme of visits by Executive Directors and members of the Corporate Decisions Team, which are reported through the Corporate Decisions Team, as well as service visits by Non-Executive Directors.

The Foundation Trust is registered with the CQC and has maintained full registration, with no non-routine conditions, from 1st April 2010. The CQC conducted a full comprehensive inspection during 2016 and rated the Trust as 'Outstanding'.

As described above the Trust has robust arrangements for governance across the Trust. Risks to compliance with the requirements of NHS Foundation Trust condition 4 (FT governance) are set out where appropriate within the Assurance Framework and Corporate Risk Register. The Board has reviewed its governance structures and the Board and its Committees undertake an annual self-assessment of effectiveness and annual review their terms of reference.

The Corporate Decisions Team is responsible for the co-ordination and operational management of the system of internal control and for the management of the achievement of the Foundation Trust's objectives agreed by the Board of Directors. Operational management, through the Foundation Trust's directors, is responsible for the delivery of Foundation Trust objectives and national standards and for managing the risks associated with the delivery of these objectives through the implementation of the Foundation Trust's risk and control framework. Governance groups have been in place across all areas throughout this accounting period, with each directorate, and then Group having in place an Operational Management

Group, and a Quality and Performance Group. To fulfil this function the Corporate Decisions Team reviews the Assurance Framework and Corporate Risk Register, as well as reviewing Group top risks. It also receives and considers detailed reports on performance and risk management across the Foundation Trust.

The Risk Management Strategy, the associated Risk Management Policy and the governance structure identified above have been developed in line with nationally identified good practice and assurance of this have previously been received through independent assessment of performance against standards assessed through the National Health Service Litigation Authority scheme, where the Foundation Trust had Level 1 compliance, with 100% delivery against all standards. The Assurance Framework and arrangements for governance were subjected to external review through the Foundation Trust application process, including review by Monitor, the Department of Health and independent auditors during 2009, and are subject to on-going review through Internal Audit.

The Trust undertook an external assessment of its governance arrangements using the Well Led Framework through 2015-16, supported by Deloitte, in line with Monitor's recommendations relating to foundation trusts. Deloitte provided feedback to the Board at a Board Development Session in December 2015 and the Board of Directors reviewed the final report, including the recommendations in January 2016.

The independent review confirmed that there were no material governance concerns.

As part of CQCs comprehensive inspection during 2016 the trust governance arrangements came under further external scrutiny. The Trust achieved an 'Outstanding' rating for Well-led in addition to its overall rating.

The Foundation Trust involves public stakeholders in identifying and managing risks to its strategic objectives in a number of ways. These include:

- Working with partners in health and social services in considering business and service change. The Foundation Trust has a framework for managing change to services agreed as part of its contracts with its main commissioners across the North East. The Foundation Trust also has good relationships with Overview and Scrutiny Committees, with an excellent record of obtaining agreement to significant service change.
- Active relationships with Healthwatch and user and carer groups, and works with these groups on the management of service risks.
- A Deputy Director, Communications and Corporate Relations reporting directly into the Chief Executive for sustaining effective relationships with the key public stakeholders.
- Active engagement with governors on strategic, service, and quality risks, including active engagement in the preparation of the Annual Plan, Quality Accounts and the setting of Quality Priorities.

The foundation trust is fully compliant with the registration requirements of the Care Quality Commission.

As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments into the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.

Control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with.

The foundation trust has undertaken risk assessments and Carbon Reduction Delivery Plans are in place in accordance with emergency preparedness and civil contingency requirements, as based on UKCIP 2009 weather projects, to ensure that this organisation's obligations under the Climate Change Act and the Adaptation Reporting requirements are complied with.

Review of economy, efficiency and effectiveness of the use of resources

The Foundation Trust has a Financial Strategy, which is approved by the Board of Directors, and which was reviewed and approved by the Board of Directors in March 2013, updated in May 2013, and approved again as part of the Operational Plan in March 2014, March 2015 and March 2016. The Financial Strategy has been considered by the Finance Infrastructure and Business Development Committee, and adopted by the Trust Board. The Financial Strategy as adopted in March 2013 supported the updated five year Integrated Business Plan, which was formally approved by the Board in September 2012, and identified clear plans for the longer term use of resources to meet the organisational objectives and the financial demands generated by the prevailing economic climate. This Strategy was most recently updated as part of the submission of the 2016-17 Operational Plan, and now includes detailed plans for delivery of service and financial objectives to March 2017. The financial position is reviewed on a monthly basis through the Resource and Business Assurance Committee, through the Corporate Decisions Team and through the Board of Directors. The Financial Delivery Plan is reviewed on a quarterly basis by the Resource and Business Assurance Committee, for both the deliverability and impact of the overall plan and individual schemes. The Trust Board receives an update on the Financial Delivery Plan at each meeting. On-going plans for financial delivery have been developed through Operational Groups, and reviewed through the Corporate Decisions Team and the Trust Board. An integrated approach has been taken to financial delivery with resources allocated in line with the Trust Service Development Strategy. Financial and Service Delivery Plans are integrally linked with Workforce Development Plans, which are in place for each Group. Each Group reviews its own performance on its contribution to the Trust Financial Delivery Plan at its monthly Operational Management Group. The Foundation Trust actively

benchmarks its performance, through a range of local, consortium based and national groups.

Internal Audit provides regular review of financial procedures on a risk based approach, and the outcomes of these reviews are reported through the Audit Committee. The Internal Audit Plan for the year is approved on an annual basis by the Audit Committee, and the Plan is derived through the consideration of key controls and required assurances as laid out in the Trust Assurance Framework. The Audit Committee have received significant assurance on all key financial systems through this process.

Information governance

The Foundation Trust also has effective arrangements in place for Information Governance with performance against the Information Governance Toolkit reported through the Caldicott Health Informatics Group, Quality and Performance Committee and the Corporate Decisions Team. The Foundation Trust has put in place a range of measures to manage risks to data security. Version 14 of the Toolkit was released in June 2016 and the Trust has met the required standard of level 2 across all key standards in the Information Governance Toolkit.

The Trust has not reported any Information governance incidents in 2016/2017 which were classified at level 2 in the HSCIC Governance Incident Reporting Tool.

Annual Quality Report

The directors are required under the Health Act 2009 and the National Health Service (Quality Accounts) Regulations 2010 (as amended) to prepare Quality Accounts for each financial year. NHS Improvement (in exercise of the powers conferred on Monitor) has issued guidance to NHS foundation trust boards on the form and content of annual Quality Reports which incorporate the above legal requirements in the NHS Foundation Trust Annual Reporting Manual.

2016-17 is the 8th year of developing of Quality Accounts/Report for Northumberland, Tyne and Wear NHS Foundation Trust. The Trust has built on the extensive work undertaken to develop the Trust Integrated Business Plan and has drawn on the various guidance published in relation to Quality Accounts.

The Trust has drawn upon service user and carer feedback as well as the Council of Governors to inform the Quality Account/Report. We have also listened to partner feedback on areas for improvement and our response to these are incorporated in the 2016-17 Quality Account.

Whilst the national requirement is to set annual priorities the Trust has established 3 overarching Quality Goals which span the life of the Integrated Business Plan, ensuring our annual priorities enable us to continually improve upon the three elements of quality: Patient Safety, Clinical Effectiveness and Patient Experience as shown in the table below.

Goal	Description
Safety	Reduce incidents of harm to patients
Experience	Improve the way we relate to patients and carers
Effectiveness	Ensure the right services are in the right place at the right time for the right person

Our Quality Governance arrangements are set out in section 4 of the Annual Governance Statement. The Executive Director of Commissioning and Quality Assurance has overall responsibility to lead the production and development of the Quality Account/Report. A formal review process was established, the Quality Account/Report drafts were formally reviewed through the Trust governance arrangements (Corporate Decisions Team, Quality and Performance Committee, Audit Committee, Council of Governors and Board of Directors) as well as being shared with partners.

The Trust has put controls in place to ensure the accuracy of the data used in the Quality Account/Report. These controls include:

- Trust policies on quality reporting, key policies include:
 - o NTW (O) 05 Incident Policy (including the management of Serious Untoward Incidents)
 - o NTW (O) 07 Comments, Compliments and Complaints Policy
 - o NTW(O)09 - Management of Records Policy
 - o NTW(O)26 - Data Quality Policy
 - o NTW(O)28 – Information Governance Policy
 - o NTW(O)34 - 7 Day Follow Up
 - o NTW(O)62 - Information Sharing Policy
- Systems and processes have been further improved across the Trust during 2016-17 with the continued expansion of the near real-time dashboard reporting system, reporting quality indicators at every level in the Trust from patient/staff member to Trust level.
- The Trust has training programmes in place to ensure staff have the appropriate skills to record and report quality indicators. Key training includes:
 - o Electronic Patient Record (RiO)
 - o Trust Induction
 - o Information Governance
- The Trust audit plan includes a rolling programme of audits on quality reporting systems and metrics.

- The Internal Audit Plan is fully aligned to the Trust's Corporate Risk Register and Assurance Framework, and integrates with the work of clinical audit where this can provide more appropriate assurance.
- The Quality and Performance Committee reviews performance against Monitor's published Quality Governance Framework on a twice yearly basis .
- The Foundation Trust has a near real-time reporting system which connects all our business critical systems. The system presents information at varying levels enabling board to patient drill down. It is accessible by all Trust staff.

Through the engagement and governance arrangements outlined above the Trust has been able to ensure the Quality Account/Report provides a balanced view of the Organisation and appropriate controls are in place to ensure the accuracy of data.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, clinical audit and the executive managers and clinical leads within the NHS foundation trust who have responsibility for the development and maintenance of the internal control framework. I have drawn on the content of the quality report attached to this Annual report and other performance information available to me. My review is also informed by comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the board, the audit committee, and the Foundation Trust governance committees and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Performance and Assurance Framework provide me with evidence that the effectiveness of controls in place to manage the risks associated with achieving key organisational objectives have been systematically reviewed. Internally I receive assurance through the operation of a governance framework as described above, including the Trustwide Governance Structure, Group level governance structures, internal audit reviews and the Audit Committee.

My review is also informed by (i) On-going registration inspections and Mental Health Act reviews by the Care Quality Commission (ii) the National Health Service Litigation Authority, having achieved 100% at Level I for the Risk Management Standards for Mental Health and Learning Disability, (iii) External Audit, (iv) NHS England (v) NHS Improvement's ongoing assessment of the Foundation Trust's performance, (vi) on-going review of performance and quality by our Commissioners and (vii) the external assessment of the Trust's governance arrangements using the Well Led Framework through 2015-16, supported by Deloitte.

Throughout the year the Audit Committee has operated as the key standing Committee of the Trust Board with the responsibility for assuring the Board of Directors that effective processes and systems are in place across the organisation

to ensure effective internal control, governance and risk management. The Audit Committee is made up of three Non-Executive Directors, and reports directly to the Board of Directors. The Committee achieves its duties through:

- Consideration of the systems and processes in place to maintain and update the Assurance Framework, and consideration of the effectiveness and completeness of assurances that documented controls are in place and functioning effectively.
- Scrutiny of the corporate governance documentation for the Foundation Trust.
- The agreement of external audit, internal audit and counter fraud plans and detailed scrutiny of progress reports. The Audit Committee pays particular attention to any aspects of limited assurance, any individual areas within reports where particular issues of risk have been highlighted by internal audit, and on follow up actions undertaken. Discussions take place with both sets of auditors and management as the basis for obtaining explanations and clarification.
- Receipt and detailed scrutiny of reports from the Foundation Trust's management concerning the governance and performance management of the organisation, where this is considered appropriate.
- Review of its own effectiveness against national best practice on an annual basis. The terms of reference for the committee were adopted in line with the requirements of the Audit Committee Handbook and Monitor's Code of Governance.

The Trust Board itself has a comprehensive system of performance reporting, which includes analysis against the full range of performance and compliance standards, regular review of the Assurance Framework and Corporate Risk Register, ongoing assessment of clinical risk through review of complaints, SUIs, incidents, and lessons learned. The Quality and Performance Committee receives a regular update on the performance of clinical audit. The Board of Directors also considers periodically a review of unexpected deaths which includes a comparison with national data, when available.

There are a number of processes and assurances that contribute towards the system of internal control as described above. These are subject to continuous review and assessment. The Assurance Framework encapsulates the work that has been undertaken throughout the year in ensuring that the Board of Directors has an appropriate and effective control environment. This has identified no significant gaps in control and where gaps in assurance have been identified, actions are in place to ensure that these gaps are addressed.

Conclusion

My review confirms that Northumberland, Tyne and Wear NHS Foundation Trust has a generally sound system of internal control that supports the achievement of its policies, aims and objectives. No significant internal control issues have been identified.