The Good Governance Guide for NHS Wales Boards

Doing it right, doing it better
Acknowledgements

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About the guide

The guide is in two parts: first guidance on the characteristics of good governance in public service as a whole; second, a detailed exposition of corporate governance in the NHS in Wales. The framework for the guide is based on the Welsh Government’s Citizen-Centred Governance Principles, which apply to all public bodies in Wales. These principles integrate all aspects of governance and embody the values and standards of behaviour expected at all levels of public services in Wales. The guide will support public service organisations in defining and implementing their governance arrangements. It provides direction, guidance and support to Board members and staff to enable them to fullfil their own responsibilities and ensure their organisations meet the standards of good governance set for the public service in Wales. In doing so, it demonstrates how the standards set for governing all public sector bodies in Wales are being applied in practice.

We hope you find the information in this guide useful. The content will evolve on a regular basis as information is added and updated to reflect the evolution of public service governance in general, and the development of the NHS in Wales.

For those working alongside NHS bodies or just simply interested in the work of the NHS, it provides a valuable insight into the way in which the NHS is organised and governed across Wales

This guide is designed to assist public service organisations in Wales develop robust governance and assurance arrangements that meet the standards of good governance set for all public services in Wales - supporting the delivery of high quality and safe healthcare services to citizens.
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Foreword

2011 saw the launch of our five-year vision for the NHS in Wales ‘Together for Health’. The challenge is to make demonstrable, significant improvements, giving Wales a health service comparable with the best.

Key areas for action include:
• Improving health as well as treating sickness,
• One system for health,
• Hospitals for the 21st century as part of a well designed, fully integrated network of care,
• Aiming at excellence everywhere,
• Absolute transparency on performance,
• A new partnership with the public,
• Making every penny count.

This guide has been developed to provide the latest evidence and methodologies supported by practical guidance on what is required to work at Board level. It describes the roles, responsibilities and accountability of all Board members and sets out recommended actions to enable new ways of thinking and working.

To support successful and effective delivery, Boards need to ensure a core set of procedures and mechanisms are in place. These include:
• Code of conduct,
• Independent scrutiny and monitoring to support internal systems to ensure high standards of behaviour and performance,
• Guidance and education to support dissemination of ethical standards.

I am pleased to be supporting the launch of this Good Governance Guide as one of a series of resources designed to support Board members to succeed in their roles, enabling them to effectively shape the organisations they lead.

David Sissling
Chief Executive NHS Wales, Director General, Health & Social Services
Delivering for Wales

NHS Boards are leading their organisations in a particularly demanding environment. Severe constraints on resources and the drive to improve efficiency, whilst protecting quality and safety, present a daily challenge. To add to this mix, the long-predicted impact of demographic change and the substantial increase in people living with long term conditions intensifies the demand for services.

NHS leaders are increasingly aware that high quality and sustainable healthcare depends on Boards and organisations that are capable of building and maintaining mature, sophisticated partnerships across the complex, multi-faceted local health and social care landscape. While Boards and staff of NHS organisations demonstrate daily their deep commitment to providing effective, safe, compassionate care, instances of serious failure have provided very painful lessons and have undermined public trust.

Good governance provides the foundation for organisational high performance. Securing good governance needs to be a core focus for governing bodies. This must be accompanied by the pursuit of the underpinning principles of accountability, transparency, probity, and long-term sustainability, alongside the ‘Nolan principles’ of public life. Good governance leads to good management, good performance, good stewardship of public money, good public engagement and, ultimately, good outcomes.

This guide brings the main ethical, competence and code of conduct frameworks into one place for ease of reference. It will allow those serving on Boards to evaluate individually and collectively their effectiveness and standards of behaviour.

The guide describes the roles of Board members and the interactions they have with each other. These have clear links with the accountability and development frameworks. The guide also provides advice on the development of Boards and their members.

Individual and organisational learning has never been more important in helping to equip Board members and others to fulfil their responsibilities to the highest possible standards. It is a privilege to commend this guide as NHS organisations work with partners and the public to provide the best possible health and healthcare for the communities they serve.

Helen Birtwhistle
Director, Welsh NHS Confederation
Key Points to Remember

“The main lesson I take from the problems experienced at Mid-Staffs – that in future, we must never separate quality and financial data. They are always two sides of the same coin.”

Former Secretary of State for Health, Andy Burnham MP (p.143)

Organisations need people who think both strategically and operationally. It is the Board’s role to think strategically and oversee the strategic plan. The Board employs “strategic intelligence” that synthesizes research, experience and future outlooks to create the big picture. (p.21)

What is governance?

Governance is a wide-ranging term that means different things to different people. It encompasses concepts such as leadership, stewardship, accountability, ethical behaviour and control. As a result it is difficult to provide one all embracing definition that satisfies all those with a view on the matter. For the NHS in Wales, governance is defined as:

“A system of accountability to citizens, service users, stakeholders and the wider community, within which healthcare organisations work, take decisions and lead their people to achieve their objectives.”

In simple terms, it refers to the way in which public service bodies ensure that they are doing the right things, in the right way, for the right people, in a manner that upholds the values set for the Welsh public sector. The effectiveness of governance arrangements has a significant impact on how well organisations meet their aims and objectives. Welsh Government (2014)

Throughout this guide the basic characteristics of good and effective governance have been summarised and discussed. None of this is new, yet there have been worrying and regular examples where the theory has not been fully or effectively put into practice. There is no excuse for this, especially when we need to earn the trust of service users and the public both in the quality and safety of the services we provide, and the use of taxpayer’s money. The guide discusses a number of recent reports that highlight where things have gone wrong. We have a duty to learn from these failures in governance to avoid similar mistakes in the future. (p.137)

Effective governance provides a focus on:

Vision – a shared understanding of what it is the organisation is trying to achieve and the difference it intends to create.
Strategy – the planned achievement of the vision.
Leadership – the means by which strategy will be taken forward.
Assurance – comfort and confirmation that the organisation is delivering the strategy to plan, manages risk to itself and others, works within the law, delivers safe, quality services and has a proper grip on resources of all kinds for which it is accountable.
Probity – the organisation is behaving according to proper standards of conduct and acts in an open and transparent manner.
Stewardship – the organisation applies proper care to its own resources and opportunities or those belonging to others for which it is responsible, or can effect. (Ref Good Governance Institute et al 2012)
The role of the Board member focuses on four key areas: (p.49)

**Strategy**
- To contribute to strategic development and decision-making.

**Performance**
- To ensure that effective management arrangements and an effective team are in place at the top level of the organisation.
- To help to clarify which decisions are reserved for the Board and then ensure that the rest are clearly delegated.
- To hold management to account for its performance in meeting agreed goals and objectives through purposeful challenge and scrutiny; and to monitor the reporting of performance.

**Risk**
- To ensure that financial information is accurate and that financial controls and systems of risk management and assurance are robust and defensible.

**Behaviour**
- To live up to the highest ethical standards of integrity and probity and comply fully with the Code of Conduct. Board members should demonstrate through their behaviour that they are focusing on their responsibilities to citizens, the organisation and its stakeholders.

*Board members hold 18 core accountabilities:* (p.51)

1. Learn and practice your role
2. Hold the vision
3. Ensure your Board sets a definite direction
4. Ensure clarity and action
5. Ensure probity and governance
6. Hold managers to account
7. Use your experience to contribute
8. Be objective and logical
9. Be disciplined and methodical
10. Use time well
11. Be skilful
12. Do your own due diligence
13. Be diligent and probing
14. Guard against your own conflict of interest
15. Bring equality and respect diversity
16. Separate your role from that of managers
17. Collaborate with partners
18. Develop yourself and your colleagues

Risk Culture - Ten Questions a Board Should Ask Itself: (p.28)

- What tone do we set from the top? Are we providing consistent, coherent, sustained and visible leadership in terms of how we expect our people to behave and respond when dealing with risk?
- How do we establish sufficiently clear accountabilities for those managing risks and hold them to their accountabilities?
- What risks does our current corporate culture create for the organisation, and what risk culture is needed to ensure achievement of our corporate goals? Can people talk openly without fear of consequences or being ignored?
- How do we acknowledge and live our stated corporate values when addressing and resolving risk dilemmas? Do we regularly discuss issues in these terms and has it influenced our decisions?
- How do the organisation’s structure, processes and reward systems support or detract from the development of our desired risk culture?
- How do we actively seek out information on risk events and near misses – both ours and those of others - and ensure key lessons are learnt? Do we have sufficient organisational humility to look at ourselves from the perspective of stakeholders and not just assume we’re getting it right?
- How do we respond to whistleblowers and others raising genuine concerns? When was the last time this happened?
- How do we reward and encourage appropriate risk taking behaviours and challenge unbalanced risk behaviours (either overly risk averse or risk seeking)?
- How do we satisfy ourselves that new joiners will quickly absorb our desired cultural values and that established staff continue to demonstrate attitudes and behaviours consistent with our expectations?
- How do we support learning and development associated with raising awareness and competence in managing risk at all levels? What training have we as a Board had in risk?
PART 1: Governance in Public Service
1.1 The Principles of Public Life

In its fourteenth report, the Committee on Standards in Public Life (2013) emphasises that standards of behaviour matter and are particularly important where public money is being spent on public services or public functions. Citizens have a right to expect that holders of public office who take decisions which affect their lives should do so with impartiality, should be truthful about what they are doing and should use public money wisely. The key message is that while much of the basic infrastructure to support high standards is now in place, the evidence gives no grounds for complacency, not least from recent events. High standards of behaviour need to be understood as a matter of personal responsibility, embedded in organisational processes and actively and consistently demonstrated, especially by those in leadership positions. Organisations in every sector benefit from greater legitimacy when the public has confidence in their integrity.

Rather than introducing new principles, more codes or additional regulators, the Committee felt that the current requirement is to ensure that ethical standards are addressed actively at an organisational level across the public sector, and more widely to:

- **Embed ethical principles in the policies, practices and culture of each organisation, reinforced by peer pressure** - High standards cultures constantly convey the message that behaving ethically is essential and failing to live up to principles is unacceptable. Codes need to be supported by appropriate induction and training, reflected in appraisal and reinforced by rewards and sanctions.

- **Ensure robust, effective leadership** - It is the leaders of any organisation who are best placed to set an appropriate tone and promote the right culture. Elected representatives, Board members and managers at all levels should exemplify the high standards of behaviour they require of others. Organisations need to make sure they grow or recruit leaders with the necessary values.

The maintenance of high standards is primarily the personal responsibility of individuals. However, individuals need to be supported by the culture of their organisations. Ethical standards should be deeply embedded in governance and other organisational processes so that they become an integral part of “the way things are done around here” with individual behaviour that does not meet those standards being challenged. While many public service organisations believe they do this already, the Committee on Standards in Public Life believes there is scope for most to do it more systematically. All organisations should:

- Monitor and regularly review how well they measure up to best practice in ethical behaviour.
- Ensure that standards issues feature regularly on Board agendas; and
- Make certain that standards risks feature appropriately on their risk registers, with mitigating strategies in place and actively monitored.

The Committee recognised that a combination of political philosophy and economic pressure is currently driving the development of a number of new ways of delivering public services. Often new service models are intended to deliver greater efficiency, effectiveness or responsiveness. Careful thought needs to be given in each case as to how best to maintain high standards of ethical behaviour under the new circumstances they present. Unless individuals and organisations genuinely take responsibility for their own standards, remaining vigilant to ensure they are upheld, they risk failing to meet the standards to which they aspire. The basic building blocks for promoting high standards remain much as identified by the original Nolan Committee — a set of broadly expressed values which everyone understands, codes of practice elaborating what the principles
mean in the particular circumstances of an organisation, effective internal processes to embed a culture of high standards, leadership by example and proportionate, risk-based external scrutiny.

The Committee emphasized the need for ethical standards issues to be addressed actively at organisational level. High standards do not occur automatically, nor should they be taken for granted. High standards are everyone’s personal responsibility.

Personal behaviour is shaped by organisational culture and high standards need to be driven actively by leadership and example. Ethical issues should feature regularly on the agendas of the Boards of public bodies and, where appropriate, on risk registers.

All Boards should consider whether ethical risks have been adequately addressed and actively monitor standards of behaviour throughout their organisations, either themselves, or through their audit and risk committees. Chief executives of all public service organisations should take personal responsibility for ethical standards in their organisations and certify annually in their annual report or equivalent document that they have satisfied themselves about the adequacy of their organisation’s arrangements for safeguarding high standards.

1.2 Seven Principles of Public Life

The Committee on Standards in Public Life (2013) made the following recommendations regarding the revised descriptions of Nolan’s seven principles:

<table>
<thead>
<tr>
<th>Principle</th>
<th>Description</th>
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<tbody>
<tr>
<td><strong>Selflessness</strong></td>
<td>Holders of public office should act solely in terms of the public interest.</td>
</tr>
<tr>
<td><strong>Integrity</strong></td>
<td>Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.</td>
</tr>
<tr>
<td><strong>Objectivity</strong></td>
<td>Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.</td>
</tr>
<tr>
<td><strong>Accountability</strong></td>
<td>Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.</td>
</tr>
<tr>
<td><strong>Openness</strong></td>
<td>Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.</td>
</tr>
<tr>
<td><strong>Honesty</strong></td>
<td>Holders of public office should be truthful.</td>
</tr>
<tr>
<td><strong>Leadership</strong></td>
<td>Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.</td>
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1.3 Citizen Centred Governance

Citizen Centred Governance is defined as putting the citizen at the heart of everything and focusing on their needs and experiences; making the organisation’s purpose the delivery of a high quality service. The Welsh Government has developed a unique set of Citizen Centred Governance Principles against which alignment can be matched. The principles concern the way that public service bodies direct their activity and engage with the communities they serve: governance here encompasses culture and values as well as systems and processes.

The Welsh Government’s Citizen Centred governance principles embody what the Welsh Government wants public services to be - focused on the needs of citizens - with citizens who are engaged and involved in the development of services and who receive services which are efficient, effective and innovative in their design and implementation. The principles of Citizen Based Governance are:

1. **Putting the citizen first** - Putting the citizen at the heart of everything and focusing on their needs and experiences; making the organisation’s purpose the delivery of a high quality service

2. **Knowing who does what and why** - Making sure that everyone involved in the delivery chain understands each other’s roles and responsibilities and how together they can deliver the best possible outcomes

3. **Engaging with others** - working in constructive partnerships to deliver the best outcome for the citizen

4. **Living public sector values** - being a value-driven organisation, rooted in Nolan principles and high standards of public life and behaviour, including openness, customer service standards, diversity and engaged leadership

5. **Fostering innovative delivery** - being creative and innovative in the delivery of public services - working from evidence, and taking managed risks to achieve better outcomes

6. **Being a learning organisation** - always learning and always improving service delivery

7. **Achieving value for money** - looking after taxpayers’ resources properly, and using them carefully to deliver high quality, efficient services.
1.4 What is Corporate Governance?

The Audit Commissioner (2003) defined corporate governance as:

“The framework of accountability to users, stakeholders and the wider community, within which organisations take decisions, and lead and control their functions, to achieve their objectives.”

Mervyn King (2009), has said that “Good corporate governance is about ‘intellectual honesty’ and not just sticking to rules and regulations”.

Corporate governance is the process by which top managers execute their responsibilities and authority and how they account for that authority in relation to those that have entrusted them with assets and resources. In particular it is concerned with the potential abuse of the power and the need for openness, integrity and accountability in the decision-making processes of the organisation. Clearly, this is equally relevant to any organisation, regardless of whether it is in the public or private sector. Fundamental to effective corporate governance is having the means to verify the effectiveness of this direction and control. The principles for corporate governance apply equally to all organisations. However organisations within the public sector are subject to an array of different legislative requirements and are significantly more diverse in terms of their structure, scope and objectives.

The key characteristics that define public services and distinguish them from the private sector are:

- The level and nature of services are determined by political choices.
- Public service bodies have to satisfy a more complex set of political, economic and social objectives than a commercial company, and are thus subject to a different set of external constraints and influences.
- Public service bodies are subject to forms of accountability to their various stakeholders, including the community at large and higher levels of government, that are different to those which a company owes to its shareholders.
- Public service bodies are expected to manage their affairs in accordance with a public service ethos, based on a distinct set of values and the highest ethical standards of probity and propriety, which apply in particular to the handling of public money.
- In most areas of the public services, auditors have a wider range of responsibilities for reporting on the activities of organisations than is the case in the corporate sector, covering not only the financial statements, but ‘value for money’ and public interest issues.

1.5 Characteristics of Good Governance in the Public Sector

The Audit Commissioner (2003) has said that good corporate governance combines the ‘hard’ factors – robust systems and processes – with the ‘softer’ characteristics of effective leadership and high standards of behaviour. It incorporates both strong internal characteristics and the ability to scan and work effectively in the external environment.

The internal combination of ‘hard’ and ‘soft’ characteristics involves:

* The King Report on Corporate Governance is a ground-breaking code of corporate governance in South Africa issued by the King Committee on Corporate Governance. Three reports were issued in 1994 (King I), 2002 (King II), and 2009 (King III).
• Leadership that establishes a vision for organisations, generates clarity about strategy and objectives, roles and responsibilities, and fosters professional relationships;
• Culture based on openness and honesty, in which decisions and behaviors can be challenged and accountability is clear;
• Supporting accountability through systems and processes, such as risk management, financial management, performance management and internal controls. They must be robust and produce reliable information to enable better decisions to be reached about what needs to be done in order to achieve objectives; and
• External focus on the needs of service users and the public, reflecting diverse views in decision making, producing greater ownership among stakeholders and maintaining clarity of purpose.

Externally, an effective and strategic regulatory regime can promote better corporate governance, with appropriate targets, freedoms and flexibilities for organisations based on comprehensive information about their performance and capacity. How well the internal characteristics are balanced is important; public sector organisations operate in complex legislative, political and local contexts, in which they have to make difficult decisions. Well-governed organisations balance their different responsibilities and use information to decide where to allocate effort and resources to meet competing demands. Good governance supports effective decision making; poor governance is often seen (in hindsight) as creating the climate, structures and processes that lead to poor decisions.

The importance of effective leadership in ensuring good governance is clear from inspection reports and from other reports generated across the public sector. Ultimately, leaders are responsible for achieving the right balance of hard and soft factors and are accountable for the decisions they take, or fail to take. They set the strategy for organisations and give it a sense of direction and purpose. The relationships between those carrying out executive and non-executive roles are fundamental to setting the tone for the cultural aspects of organisations that can never be codified or set out in detailed guidance, but which are immediately recognisable to those who work in or deal with them.

The quality of corporate governance is often reflected in the quality of decision-making. Public sector bodies must combine reliable information produced by ‘hard’ systems and processes with the ‘softer’ issues of openness and integrity, to inform their judgement on key decisions. The more open and honest organisations are with themselves about their performance, the more open and honest they can be with service users and the public. This honesty is the foundation for deciding appropriate action to remedy poor performance. Better quality services are then more likely; improved performance and being more open will increase public trust.

Decision-making always involves risk, although this risk is reduced when an open culture exists in which challenge is accepted and supported. This challenge and openness must be underpinned by robust performance, financial and information management systems, the effective use of risk management and an accountability framework that is based on a clear communication and understanding across the organisation of roles and responsibilities.
1.6 Principles of Good Governance in the Public Sector

The Good Governance Standard for Public Services (OPM and CIPFA, 2004) is intended as a guide to help everyone concerned with the governance of public services not only to understand and apply common principles of good governance, but to assess the strengths and weaknesses of current governance practice and improve it.

The Standard focuses on the ways different functions of governance can support each other. Governance is dynamic; good governance encourages the public trust and participation that enables services to improve; bad governance fosters the low morale and adversarial relationships that leads to poor performance or even, ultimately, to dysfunctional organisations.

The standard comprises six core principles of good governance, each with its supporting principles:

1. **Focusing on the organisation’s purpose and on outcomes for citizens and users:**
   - How clear are we about what we are trying to achieve as an organisation? Do we always have this at the front of our minds when we are planning or taking decisions? How well are we doing in achieving our intended outcomes?
   - To what extent does the information that we have about the quality of service for users help us to make rigorous decisions about improving quality? Do we receive regular and comprehensive information on users’ views of quality? How could this information be improved? How effectively do we use this information when we are planning and taking decisions?
   - To what extent does the information that we have on costs and performance help us to make rigorous decisions about improving value for money? How effectively do we use this information when we are planning and taking decisions? How well do we understand how the value we provide compares with that of similar organisations?

2. **Performing effectively in clearly defined functions and roles:**
   - Do we all know what we are supposed to be doing?
   - Is our approach to each of the governing body’s main functions clearly set out and understood by all in the governing body and the senior executive? What does the size and complexity of our organisation mean for the ways in which we approach each of the main functions of governance?
   - How clearly have we defined the respective roles and responsibilities of the non-executives and the executive, and of the chair and the chief executive? Do all members of the governing body take collective responsibility for the governing body’s decisions?
   - How well does the organisation understand the views of the public and service users? Do we receive comprehensive and reliable information about these views and do we use it in decision making?
3. **Good governance means promoting values for the whole organisation and demonstrating the values of good governance through behaviour:**

- What are the values that we expect the staff to demonstrate in their behaviour and actions? How well are these values reflected in our approach to decision making? What more should we do to ensure these values guide our actions and those of staff?

- In what ways does our behaviour, collectively as a governing body and individually as governors, show that we take our responsibilities to the organisation and its stakeholders very seriously? Are there any ways in which our behaviour might weaken the organisation’s aims and values?

4. **Taking informed, transparent decisions and managing risk:**

- How well do our meetings work? What could we do to make them more productive and do our business more effectively?

- Have we formally agreed on the types of decisions that are delegated to the executive and those that are reserved for the governing body? Is this set out in a clear and up-to-date statement? How effective is this as a guide to action for the governing body and the executive? How well do we explain the reasons for our decisions to all those who might be affected by them?

- Is the information we receive robust and objective? How could the information we receive be improved to help improve our decision making? Do we take professional advice to inform and support our decision making when it is sensible and appropriate to do so?

- How effective is the organisation’s risk management system? How do we review whether this system is working effectively? Do we develop an action plan to correct any deficiencies in the system? If so, do we publish this each year?

5. **Developing the capacity and capability of the governing body to be effective:**

- What skills have we decided that governors must have to do their jobs effectively? How well does our recruitment process identify people with the necessary skills and reach people from a wide cross-section of society? What more could we do to make sure that becoming a governor is practical for as many people as possible?

- How effective are we at developing our skills and updating our knowledge? How effective are our arrangements for reviewing the performance of individual governors? Do we put into practice action plans for improving our performance as a governing body?

- What is our approach to finding a balance between continuity of knowledge and renewal of thinking in the governing body? What are our reasons for this approach? Do we need to review it?
6. **Engaging stakeholders and making accountability real:**

- Who are we accountable to and for what? How well does each of these accountability relationships work? Do we need to take steps to clarify or strengthen any relationships? Do we need to negotiate a shift in the balance between different accountability relationships?

- What is our policy on how the organisation should consult the public and service users? Does it explain clearly the sorts of issues on which it will consult which groups and how it will use the information it receives? Do we need to review this policy and its implementation?

- What is our policy on consulting and involving staff and their representatives in decision making? Is this communicated clearly to staff? How well do we follow this in practice? How effective are systems within the organisation for protecting the rights of staff?

- Who are the institutional stakeholders that we need to have good relationships with? How do we organise ourselves to take the lead in developing relationships with other organisations at the most senior level?

**1.7 The Role of Boards**

The role of Boards is described below and is illustrated in Figure 1.

![Diagram of Board roles and Building Blocks](image-url)
The NHS Leadership Academy (2013) (NHSLA) describes the three key roles through which effective Boards demonstrate leadership within their organisations:

- **Formulating strategy.**
- **Ensuring accountability by holding the organisation to account for the delivery of the strategy and through seeking assurance that systems of control are robust and reliable.**
- **Shaping a positive culture for the Board and the organisation.**

Underpinning these three roles the NHSLA describes three building blocks that allow Boards to exercise their role.

**Effective Boards:**

- Are informed by the external context within which they must operate.
- Are informed by, and shape, the intelligence which provides trend and comparative information on how the organisation is performing together with an understanding of local people’s needs, market and stakeholder analyses.
- Give priority to engagement with key stakeholders and opinion formers within and beyond the organisation; the emphasis here is on building a healthy dialogue with, and being accountable to, patients, the public, and staff, including clinicians.

### 1.7.1 Formulating Strategy

The NHSLA points out that in general, an effective strategic process ensures that:

- The strategy, including identification of strategic options, is demonstrably shaped and owned by the Board;
- It provides for the active involvement of and influence by staff;
- There have been open, transparent, accountable consultation and involvement processes;
- There has been collaborative engagement with partners;
- The consultation and involvement processes help to identify strategic choices, risks and proposed ways forward;
- It is underpinned by regular strategic discourse in the Board, throughout the year; and
- It is dynamic in responding to changes in the external environment.

**Some of the hallmarks of an effective strategy include:**

- A compelling vision for the future underpinned with clear strategic objectives that are reflected in an explicit statement of desired outcomes and key performance indicators.
- An organisational vision that puts quality and service user/patient safety at its heart
- A clear statement of the organisation’s purpose.
- An approach that takes appropriate account of the external context in which the organisation is operating.
• A perspective which balances the priority given to national and local performance indicators and targets.
• Evidence that the strategy has been shaped by the ‘intelligence’ made available to the Board.
• A longer term view (with at least a 3 to 5 year planning horizon)
• A long term financial model and risk analysis.
• A long term workforce model that sets out the organisational arrangements required to deliver the strategy and identifies the workforce implications of strategic choices.
• Demonstrable links to the needs of service users, patients and communities.
• An integrated approach to prevention and health promotion.
• Inclusion at its heart so that services that are commissioned or delivered produce accessible, fair and equitable services and outcomes for all sections of the population served.
• Commitment to treating, service users and staff with equity
• Explicit attention paid to the ability to implement the strategy successfully.

It is vital that the Board articulates a clear picture of what they want the future to look like in as much detail as possible. This is not only restricted to being just about the shape and style of the organisation, but about what is happening in the outer world and how the organisation’s facilities and services are interacting with those of partner organisations.

The vision once agreed and fully articulated is the reference point against which present and proposed performance is measured. So we can ask questions like: How far have we got towards delivery so far? What else needs to be done to get us the rest of the way as easily, effectively and quickly as possible?

Strategic decision-making is an integral part of the Board’s role in formulating strategy. Good practice here includes:

• Strategic decisions which are aligned to overall strategic direction, and are expressly identified as such.
• A formal statement that specifies the types of strategic decisions, including levels of investment and those representing significant service changes that are expressly reserved for the Board, and those that are delegated to committees or the executive.
• Early involvement of Board members in debating and shaping strategic decisions and appropriate consultation with internal and external stakeholders.
• For significant strategic decisions: consideration by the Board of options and analyses of those options.
• Criteria and rationale for decision making that are transparent, objective and evidence based.
1.7.2 Strategic Versus Operational Thinking at the Board Level

Ultimately, the Board of directors is responsible for success. Two approaches - strategic and operational thinking-are most often used by Boards of directors to plan and react to various situations and map a path forward.

While strategic and operational planning both offer beneficial aspects, there are some key differences that should be understood. Strategic planning is the formal process of defining the requirements for delivering high payoff results, and for identifying what, and how, to get from current realities to future ones that add value to the organisation. It is not rigid, but rather a self-correcting set of defining requirements and relationships for stating “what is” in terms of results, and moving ever closer to “what should be” the results and payoffs.

Operational or tactical-level thinking and planning deals with how to make systems, people and processes more efficient and effective. Organisational effectiveness means performing similar activities better. The strategic agenda is the right place for defining a position, making clear trade-offs and tightening fit. It demands discipline and continuity; distraction and compromise are its enemy. In contrast, the operational agenda involves continual improvement and constant change. Failure to do this will result in failure, even with a good strategy in place. Flexibility and relentless effort are required to achieve best practices.

Organisations need people who think both strategically and operationally. It is the Board’s role to think strategically and oversee the strategic plan. The Board employs “strategic intelligence” that synthesizes research, experience and future outlooks to create the big picture.

1.8 Ensuring Accountability

The NHSLA describes the second core role of Boards as ensuring accountability, the main aspects of which are:

- Holding the organisation to account for the delivery of the strategy
- Being accountable for ensuring the organisation operates effectively and with openness, transparency and candour
- Seeking assurance that the systems of control are robust and reliable

Holding the organisation to account for its performance in the delivery of strategy

This aspect is at the heart of the Board’s role in pursuing high performance for its organisation. It is important that Boards are not too readily assured or reassured. Where issues arise they need to be addressed – swiftly, decisively and knowledgeably – by the whole corporate Board. A robust but fair approach is important, particularly where there are problems of underperformance. Effective Boards recognise that ‘the buck stops with the Board’.

Assurance: being assured because the Board has reviewed reliable sources of information and is satisfied with the course of action.

Reassurance: being told by the executive or staff that performance or actions are satisfactory.
The fundamentals for the Board in holding the organisation to account for performance include:

- Drawing on timely Board intelligence - to monitor the performance of the organisation in an effective way and satisfy itself that performance is continually improving and that appropriate action is taken to remedy problems as they arise.
- Looking beyond written intelligence to develop an understanding of the daily reality for patients and staff, to make data more meaningful.
- Seeking assurance that staff are clear about their responsibilities and accountabilities and how these fit with the organisation’s vision and purpose.
- Triangulation which ensures that Board members are able to ‘test’ the intelligence and seek assurance by looking at more than one source and type of information, including through direct engagement with the services.
- Seeking assurance of sustained improvement where remedial action has been required to address performance concerns
- Offering appreciation and encouragement where performance is excellent or improving
- Taking account of, and positively encouraging, independent scrutiny of performance.
- Rigorous but constructive challenge from all Board members, executive and non-executive as corporate Board members.

1.9 Assurance

As expectations of organisations increase and available resources become more restricted, so do the constraints under which they operate and the risks that they face. The Treasury’s guidance (HM Treasury, 2012) on the assurance framework advises on how assurance can best support Accounting Officers and Boards in central government departments and their arm’s length bodies in the leadership of their organisations and in meeting their corporate governance obligations. It illustrates how risk and assurance arrangements can be directed to meet the delivery and accountability needs of the Accounting Officer and Board, providing evidence-based assurances on the management of risks that threaten the successful achievement of public service delivery objectives.

It is essential that there is an effective and efficient framework in place to give sufficient, continuous and reliable assurance on organisational stewardship and the management of the major risks to organisational success and delivery of improved, cost effective, public services.

There are many sources of assurance in an organisation that can be harnessed to provide the body of evidence required to support the continuous assessment of the effectiveness of the management of risk and internal control. Understanding the sources of assurance and their scope means internal audit can focus most effectively on the riskier areas. The structured mapping of assurances is one of the fundamental steps in building an assurance framework.
The Accounting Officer, supported by the Board, is responsible for ensuring that there are robust governance, risk management and internal control arrangements across the whole organisation, including any sponsored bodies. Authority, in terms of accountability and respective delegations, needs to be appropriately and clearly established and monitored.

Advice on and scrutiny of key risks is a matter for the Board. The Board will routinely monitor the mitigation of certain strategic risks. These will include risks of a sufficient magnitude to threaten organisational success and reputation, or a scenario of combined risks that would have a similarly devastating impact. This supports the Accounting Officer in ensuring that there is regular and timely assurance on the things that are important to organisational success; in particular, the proportionate management of risks that threaten the successful achievement of business outcomes and objectives.

Whilst the Board will most closely monitor its key risks, it will otherwise delegate the monitoring of assurance to an Audit and Risk Assurance Committee (ARAC), or appropriate equivalent body in the organisation, made up of independent Non Executive Directors. This is not a substitute for management's responsibility for the mitigation of risks. On behalf of the Board, the ARAC will examine the arrangements in place to provide comprehensive and reliable assurance. This involves identifying the assurance need, how it will be met, whether there are any assurance gaps or overlaps, how these can best be filled and whether this will provide the sufficient, relevant, reliable assurance that it needs. These arrangements should be monitored throughout the year to ensure that sufficient assurance is being planned and delivered to avoid surprises and to enable early decisions and action to be taken on risk and control issues. This will help to routinely validate assurance. A good framework is required to support the governance process.

1.9.1 Benefits

There are significant benefits to improved co-ordination of assurance. Fundamental to these is the provision of streamlined and synchronised information on organisational performance and the management of associated risks, helping the organisation to operate efficiently and effectively.

More specifically, an effective assurance framework:

- Provides timely and reliable information on the effectiveness of the management of major strategic risks and significant control issues;
- Facilitates escalation of risk and control issues requiring visibility and attention by senior management, by providing a cohesive and comprehensive view of assurance across the risk environment;
- Provides an opportunity to identify gaps in assurance needs that are vital to the organisation, and to plug them (including using internal audit) in a timely, efficient and effective manner;
- Can be used to raise organisational understanding of its risk profile, and strengthen accountability and clarity of ownership of controls and assurance thereon, avoiding duplication or overlap;
- Provides critical supporting evidence for the production of the Governance Statement;
- Can clarify, rationalise and consolidate multiple assurance inputs, providing greater oversight of assurance activities for the Board/Audit & Risk Assurance Committee in line with the risk appetite; and
- Facilitates better use of assurance skills and resources.
1.9.2 Principles

There are many mechanisms within an organisation that can help to provide information on how well performance and the associated risks to delivery are being managed. An assurance framework is a good mechanism for managing this in a structured, visible format, ensuring that the disparate assurance mechanisms are harnessed and focused to provide the best results in a proportionate and effective manner. Pre-requisites for successful creation of an assurance framework include:

- Support and direction from the Accounting Officer and ownership for the framework at Board level;
- Clarity on what you want it to achieve (particularly encompassing Board and Accounting Officer needs);
- Building the framework first within a manageable boundary (beginning with the high level strategic and key process risks);
- Simplicity – do not try to cover too much in a single assurance map (some organisations have different maps at different levels or separate maps for planning and evaluation); and
- Avoid technical jargon; processes should aim to foster a common clearly understood language.

The assurance framework should be owned by the Accounting Officer and used to assist him/her in meeting their personal obligations to maintain a sound system of risk management and internal control, which is affirmed in the Governance Statement. The Board will usually take on oversight and may delegate the regular monitoring of assurance to the Audit and Risk Assurance Committee. The framework should be a core part of an organisation’s arrangements for managing risk, rather than a separate exercise and should be integral to the risk management framework used for the effective delivery of the organisation’s outcomes and objectives. There are different types of assurance that may have different strengths and may be best used in different ways. The Audit and Risk Assurance Committee can therefore play a key role in seeking an optimum mix of assurance. The Three Lines of Defence model (below) can help in this respect.

Management will already have several sources of assurance over the key risks and an assurance framework is designed to bring these assurances together so that they are obtained more efficiently and effectively. The work will require collaborative input from the relevant parts of the organisation, with designated support to establish and maintain the associated frameworks and individual assurance maps. Risk managers and internal auditors are well placed to advise on structures and to provide content to update the maps, although ownership and compilation best resides within the management chain. Arrangements could vary depending on organisational structure, this could, for example, reside with a strategic or governance function, particularly where associated support is provided to the Board or Audit and Risk Assurance Committee. The important point is that the arrangements are owned by the Board and management.
1.9.3 Three Lines of Defence

Assurance can come from many sources within an organisation. A concept for helping to identify and understand the different contributions various sources can provide is the Three Lines of Defence model. By defining the sources of assurance in three broad categories, it helps to understand how each contributes to the overall level of assurance provided and how best they can be integrated and mutually supportive. For example, management assurances could be harnessed to provide coverage of routine operations, with internal audit activity targeted at riskier or more complex areas. It is likely to be helpful to adopt a common assurance “language” or set of definitions across the three lines to ease understanding, for example, in defining what is an acceptable level of control or a significant control weakness.

First line - Within the ‘front-line’ or business operational areas, there will be many arrangements established that can be used to derive assurance on how well objectives are being met and risks managed; for example, good policy and performance data, monitoring statistics, risk registers, reports on the routine system controls and other management information. This comes direct from those responsible for delivering specific objectives or operation; it provides assurance that performance is monitored, risks identified and addressed and objectives are being achieved. This type of assurance may lack independence and objectivity, although its value is that it comes from those who know the business, culture and day-to-day challenges.

Second line - This work is associated with oversight of management activity. It is separate from those responsible for delivery, although not independent of the organisation’s management chain. This could typically include compliance assessments or reviews carried out to determine that policy or quality arrangements are being met in line with expectations for specific areas of risk across the organisation; for example, purchase to pay systems, health and safety, information assurance, security and the delivery of key strategic objectives.

The developing discipline of Portfolio Management may be of particular use in supporting the second line regarding the assurance of major business change. Portfolio Management aims to provide a co-ordinated approach to enable the most effective balance of organisational change and business as usual. It seeks to take a strategic viewpoint, focused on key issues, to build on and better co-ordinate existing processes such as strategic planning, investment appraisal and project and programme management.

The assurance provides valuable management insight into how well work is being carried out in line with set expectations and policy or regulatory considerations. It will be distinct from and more objective than first line assurance.

Third line - This relates to independent and more objective assurance and focuses on the role of internal audit, which carries out a programme of work specifically designed to provide the Accounting Officer with an independent and objective opinion on the framework of governance, risk management and control. Internal audit will place reliance upon assurance mechanisms in the first and second lines of defence, where possible, to enable it to direct its resources most effectively, on areas of highest risk or where there are gaps or weaknesses in other assurance arrangements. It may also take assurance from other independent assurance providers operating in the third line, such as those provided by independent regulators, for example.
As an additional line of assurance, sitting outside of the internal assurance framework and the Three Lines of Defence model, are external auditors, who are external to the organisation with a statutory responsibility for certification audit of the financial statements. It is important that internal audit and external audit work effectively together to the maximum benefit of the organisation and in line with international standards.

Independent of the first and second lines of defence, internal audit operates to professional and ethical standards in carrying out its work, independent of the management line and associated responsibilities. External audit operates similarly and reports mainly to the Welsh Government.

1.9.4 Key Involvement in the Process

Assurance mapping requires good engagement across the business, including senior managers, risk owners and/or functional heads and should therefore not just be in the domain of risk and assurance practitioners. The mapping outputs need to be useful and be seen to be so, for example, in driving efficiencies in assurance activities and helping to focus management attention on areas of risk or control requiring specific intervention to ensure delivery of key business strategies.

Mapping outputs will help with the early identification of issues that might need to be addressed, or reflected within the Governance Statement, and provide specific examples of effective control and well managed risk for inclusion. This can place the Audit and Risk Assurance Committee in a good position to determine whether the Governance Statement represents a fair and balanced assessment and is underpinned by sufficient evidence.

1.9.5 Regular Reporting on Assurance and Risk

The Accounting Officer and the Board will need to ensure that they are receiving sufficient and timely assurance information on the management of risk to enable them to exercise good oversight. This activity may take the form of reporting against a coordinated Assurance Plan or Programme. Information provided should include routine reporting on assurance arrangements and the body of evidence that supports this, together with any key points needing to be escalated to the Board. A particular focus should be on the key strategic risks directly owned by the Board, any major “routine” system and process risks should also be included.

A key component of the information required by the Board will include reports from the Audit and Risk Assurance Committee. This group can use assurance maps, their associated reports and other outputs to routinely monitor the assurance environment and challenge the build-up of assurance on the management of key risks across the year. This will ensure that the Accounting Officer and Board are sighted on significant issues in a timely fashion. From time to time, this may call for intervention to re-focus attention and implement corrective action when necessary.
Both first and second line assurances provide valuable information that informs directors’ assurance/stewardship reporting. When drawn together with the third line assurances and, in particular, the Head of Internal Audit’s opinion on governance, risk and control, they provide the main information to support the Accounting Officer’s Governance Statement. Where the Accounting Officer, Board, or Audit and Risk Assurance Committee identify that assurance information is conflicting, or out of line with the organisation’s risk appetite, performance or risk assessment information, they should investigate further. Such action will benefit from direct discussion with senior managers and key assurance providers.

The production of interim Governance Statements during the year helps to validate the process and gives time to remedy any issues identified. Where significant areas of responsibility and/or funds flow are handled by an arm’s length body, or other delivery partner, the associated risks should feature at a high level in the departmental assurance map, with linkages to more detailed risk and assurance mapping in the related body. The related body or delivery partner should in turn be encouraged to follow the guidance within this document.

Similar governance and control arrangements, proportionate to managing the delegated risks, should operate by nature of local risk and assurance frameworks, with suitable reporting and escalation processes in place. This should be reviewed as part of the sponsorship and other oversight arrangements put in place on behalf of the Accounting Officer and Board. Similar and proportionate oversight and assurance reporting arrangements should be put in place in respect of services outsourced to external suppliers, including shared service arrangements.

The Institute of Risk Management (2012) say that an effective risk culture is one that enables and rewards individuals and groups for taking the right risks in an informed manner.

A successful risk culture would include:

• A distinct and consistent tone from the top, from the Board and senior management in respect of risk taking and avoidance (and consideration of tone at all levels)
• A commitment to ethical principles, reflected in a concern with the ethical profile of individuals and the application of ethics and the consideration of wider stakeholder positions in decision making
• A common acceptance through the organisation of the importance of continuous management of risk, including clear accountability for and ownership of specific risks and risk areas
• Transparent and timely risk information flowing up and down the organisation with bad news rapidly communicated without fear of blame
• Encouragement of risk event reporting and whistle blowing, actively seeking to learn from mistakes and near misses
• No process or activity too large or too complex or too obscure for the risks to be readily understood
• Appropriate risk taking behaviours rewarded and encouraged and inappropriate behaviours challenged and sanctioned
• Risk management skills and knowledge valued, encouraged and developed, with a properly resourced risk management function and widespread membership of and support for professional bodies. Professional qualifications supported as well as technical training
• Sufficient diversity of perspectives, values and beliefs to ensure that the status quo is consistently and rigorously challenged

• Alignment of culture management with employee engagement and people strategy to ensure that people are supportive socially but also strongly focused on the task in hand.

Take any public meltdown (for example, MPs’ expenses, press standards, LIBOR manipulation, Enron, the space shuttle disasters) and many of these features will be notably absent.

1.10 Risk Culture - Ten Questions a Board Should Ask Itself:

- What tone do we set from the top? Are we providing consistent, coherent, sustained and visible leadership in terms of how we expect our people to behave and respond when dealing with risk?
- How do we establish sufficiently clear accountabilities for those managing risks and hold them to their accountabilities?
- What risks does our current corporate culture create for the organisation, and what risk culture is needed to ensure achievement of our corporate goals? Can people talk openly without fear of consequences or being ignored?
- How do we acknowledge and live our stated corporate values when addressing and resolving risk dilemmas? Do we regularly discuss issues in these terms and has it influenced our decisions? When was the last time this happened?
- How do the organisation’s structure, processes and reward systems support or detract from the development of our desired risk culture?
- How do we actively seek out information on risk events and near misses – both ours and those of others - and ensure key lessons are learnt? Do we have sufficient organisational humility to look at ourselves from the perspective of stakeholders and not just assume we’re getting it right?
- How do we respond to whistleblowers and others raising genuine concerns? When was the last time this happened?
- How do we reward and encourage appropriate risk taking behaviours and challenge unbalanced risk behaviours (either overly risk averse or risk seeking)?
- How do we satisfy ourselves that new joiners will quickly absorb our desired cultural values and that established staff continue to demonstrate attitudes and behaviours consistent with our expectations?
- How do we support learning and development associated with raising awareness and competence in managing risk at all levels? What training have we as a Board had in risk?

Institute of Risk Management (2012)
1.10.1 Risk Appetite

The Institute of Risk Management (2011) points out that no organisation, whether in the private, public or third sector can achieve its objectives without taking risk. The only question is how much risk do they need to take? And yet taking risks without consciously managing those risks can lead to the downfall of organisations. This is the challenge that has been highlighted by the latest UK Corporate Governance Code issued by the Financial Reporting Council in 2010. The following key principles have underpinned our work on risk appetite:

Risk appetite:

- **Can be complex.** Excessive simplicity, while superficially attractive, leads to dangerous waters: far better to acknowledge the complexity and deal with it, rather than ignoring it.

- **Needs to be measurable.** Otherwise there is a risk that any statements become empty and vacuous. The IRM are not promoting any individual measurement approach but fundamentally it is important that directors should understand how their performance drivers are impacted by risk. Shareholder value may be an appropriate starting point for some private organisations; stakeholder value or ‘Economic Value Added’ may be appropriate for others. The IRM also anticipate more use of key risk and control metrics which should be readily available inside or from outside the organisation. Relevant and accurate data is vital for this process and IRM urge directors to ensure that there is the same level of data governance over these metrics as there would be over routine accounting data.

- **Is not a single, fixed concept.** There will be a range of appetites for different risks which need to align and these appetites may well vary over time: the temporal aspect of risk appetite is a key attribute to this whole development.

- **Should be developed in the context of an organisation’s risk management capability,** which is a function of **risk capacity and risk management maturity.** Risk management remains an emerging discipline and some organisations, irrespective of size or complexity, do it much better than others. This is in part due to their risk management culture (a subset of the overall culture), partly due to their systems and processes, and partly due to the nature of their business. However, until an organisation has a clear view of both its risk capacity and its risk management maturity it cannot be clear as to what approach would work or how it should be implemented.

- **Must take into account differing views at a strategic, tactical and operational level.** In other words, while the UK Corporate Governance Code envisages a strategic view of risk appetite, in fact risk appetite needs to be addressed throughout the organisation for it to make any practical sense.

- **Must be integrated** with the control culture of the organisation.
In summary, there are five tests that Directors should apply in reviewing their organisation’s risk appetite framework:

1. Do the managers making decisions understand the degree to which they (individually) are permitted to expose the organisation to the consequences of an event or situation? Any risk appetite framework needs to be practical, guiding managers to make risk-intelligent decisions.

2. Do the executives understand their aggregated and interlinked level of risk so they can determine whether it is acceptable or not?

3. Do the Board and executive leadership understand the aggregated and interlinked level of risk for the organisation as a whole?

4. Are both managers and executives clear that risk appetite is not constant? It may change as the environment and business conditions change. Anything approved by the Board must have some flexibility built in.

5. Are risk decisions made with full consideration of reward? The risk appetite framework needs to help managers and executives take an appropriate level of risk for the business, given the potential for reward.

On risk appetite, Boards might ask themselves:

- What are the significant risks the Board is willing to take? What are the significant risks the Board is not willing to take?
- What are the strategic objectives of the organisation? Are they clear? What is explicit and what is implicit in those objectives?
- Is the Board clear about the nature and extent of the significant risks it is willing to take in achieving its strategic objectives?
- Does the Board need to establish clearer governance over the risk appetite and tolerance of the organisation?
- What steps has the Board taken to ensure oversight over the management of the risks?

1.11 Shaping Culture

The NHSLA describe the third core role of the Board is shaping a positive culture for the Board and the organisation. This recognises that good governance flows from a shared ethos or culture, as well as from systems and structures. The Board takes the lead in establishing and promoting values and standards of conduct for the organisation and its staff.

There is now widespread recognition that the Board does indeed have a key role in shaping the culture of a healthcare organisation. It is important for Boards to develop a good understanding of the current values, behaviours and attitudes operating within the organisation, and to work with the staff to shape the desired values, behaviours and attitudes. The challenge then is how to achieve change.
What we do know is that the ‘how’ is less about exhorting the adoption of a culture, and more about leaders of organisations being mindful of the cultural messages that they send, intentionally or passively. For example: by the Board’s agenda; by the nature of the debate in the Board; by the relative emphasis given to different performance criteria; by how visible Board members are in the organisation; by where leaders choose to invest time and resource. All of these things are culture-shaping activities. We also know that how to achieve change includes an active process of dialogue and engagement with staff and service users.

The extent to which common aspects of ‘culture’ can be defined, identified and then deliberately changed is hotly contested within the literature on organisational culture. There is however some consensus about the value of encouraging explicit and open exploration of ‘culture’ at every level and in every corner of organisations. Boards have a key role in prioritising, valuing and supporting this work within the organisation.

Effective Boards shape a culture for the organisation which is caring, ambitious, self-directed, nimble, responsive, inclusive and encourages innovation. A commitment to openness, transparency and candour means that Boards are more likely to give priority to the organisation’s relationship and reputation with service users, the public and partners as the primary means by which it meets policy and/or regulatory requirements. As such it holds the interest of patients and communities at its heart.

- **Openness**: enabling concerns to be raised and disclosed freely without fear and for questions to be answered
- **Transparency**: allowing true information about performance and outcomes to be shared with staff, service users and the public
- **Candour**: ensuring that service users harmed by a service are informed of the fact and that an appropriate remedy is offered, whether or not a complaint has been made or a question asked about it

If shaping the culture of the organisation is a vital role for Boards, then embedding the culture, so that it becomes a lived reality, is equally important and arguably the most challenging part of the role. Embedding a healthy culture across an organisation requires sustained effort and consistency of approach, often over a number of years. Boards should consider adopting a culture shaping process that involves active but focused dialogue and engagement with staff and service users. This approach has a great deal to offer Boards as they seek to shape organisational culture and, in turn, use their learning from staff and user experience to set strategy and ensure accountability.

As Boards undertake their strategy development role, this approach should involve interactive engagement with key stakeholders, staff, members and service users, at key stages in the strategy development process. It ensures that the Board as a whole is listening, learning and shaping, rather than just receiving draft strategies for approval. It is more likely to achieve a viable and responsive direction, build commitment and buy in, enrich Board discussion and challenge Board ‘group think’.

Similarly, when ensuring accountability, a more interactive style of governance could move beyond paper reporting. Examples could include patient safety walk rounds, hearing service user stories at the Board and staff focus groups.
While the importance of Board visibility in the organisation has long been recognised, a more interactive process allows Board members, staff and users to shape organisational values and culture through direct engagement. It ensures that Board members take back to the Boardroom an enriched understanding of the lived reality for staff, service users and partners. An outward looking Board leadership culture that actively embraces change, fosters innovation, encourages learning and maintains an unswerving commitment to quality and safety of patients offers the best prospect of navigating effectively through a demanding and rapidly changing environment.

The Board needs to be seen as a champion of these values in the way the Board itself operates and behaves. There are a number of facets to this. Effective Boards and their members:

- Prioritise service quality and safety
- Behave consistently in line with Nolan’s seven principles of public life
- Model an open approach to learning
- Invest time to develop constructive relationships around the Board table
- Reflect a drive to challenge discrimination, promote equality, diversity, equity of access and quality of services. They respect and protect human rights in the treatment of staff, service users, their families and carers, and the wider community
- Ensure that their approach to strategy, accountability and engagement are consistent with the values they seek to promote for the organisation
PART 2: 
The Building Blocks of Good Governance
2. The Building Blocks of Good Governance

2.1 Context

The NHSLA advises that the first building block requires Boards to have a comprehensive understanding of the external national and regional context in which they operate.

While many of the fundamental principles of good governance are common across a range of different types of organisations (both private and public sector), the complexity of the statutory, accountability and organisational context in which public service Boards operate is a key difference that must be fully understood by all Board members. Boards operate in a demanding environment. Some of the challenges are illustrated here in figure 2. In addressing these challenges it is important that Boards listen to the voices of citizens and service users.

Figure 2 - NHS Leadership Academy, 2013. Modified from the Healthy NHS Board

Figure 2 - NHS Leadership Academy, 2013. Modified from the Healthy NHS Board
The areas that the Board will need to consider when developing an understanding of context are set out below:

**Policy:** It is important for Boards to have a good understanding of the current and emerging policy direction, and the strategies for their organisation and its key partners.

**Economy:** Boards need to be aware of information on the economic environment for public services, and the wider economy. This assists Boards in understanding the implications for future funding as well as the potential impact of economic changes on the health of the public and the demand for services.

**Legislation:** Public Service Organisations are subject to a wide range of legislation, from central government and from the European Union.

**Institutional landscape:** An understanding of the structures and institutions within the public service family is essential for Boards to undertake their role effectively. This includes central and local government, the NHS and other public and voluntary services which contribute to health and wellbeing.

**Regulation:** Public service organisations are subject to oversight from several regulators. Developing a good understanding of the most significant regulators and their requirements and expectations will greatly assist Boards as they steer the organisation.

**Public Expectations:** Expectations of all public services are rising; arguably this is most pronounced in relation to the NHS. Even the most stretching national targets and standards have struggled to keep pace with mounting public expectations. The most effective Boards energetically develop their own understanding of trends in public and patient expectation and ensure that this actively informs their strategic choices.

**An understanding of the wider determinants of health and wellbeing:** It is important for Boards to develop an understanding of the wide range of factors that impact on health status. These include poor housing, neighbourhood deprivation, limited employment and educational opportunities, as well as the effects of affluence. This understanding helps inform the Board’s strategic response and shapes its whole system and partnership working.

### 2.2 Intelligence

The NHSLA point out that intelligence is the second key building block. It includes performance information, which can be both quantitative (such as performance metrics) and qualitative (such as staff, service user and stakeholder perspectives). It also includes information on the external local environment. Intelligence that Boards need to consider falls under two headings – performance and intelligence on the external environment.
2.2.1 Performance Information

This describes how the organisation is performing both strategically and operationally. The key requirement here is that the intelligence:

- Allows the Board to arrive at judgments about organisational performance in the delivery of strategy.
- Allows the Board to scrutinise operational performance ‘in the round’ – bringing together its appraisal of organisational performance in relation to operational activity, quality, finance and the workforce.

**Intelligence about strategic performance needs to:**
- Be structured around an explicit set of strategic goals.
- Show trends in performance in terms of quality; the experience and satisfaction of service users’ business development; workforce and finance.
- Provide forecasts and anticipate future performance issues
- Encourage an external focus.
- Enable comparison with the performance of similar organisations, for example through benchmarking.

**Intelligence about operational performance needs to:**
- Provide an accurate, timely and balanced picture of current and recent performance – including service user, professional, regulatory, staffing and financial perspectives.
- Focus on the most important measures of performance, and highlight exceptions.
- Be appropriately standardised in order to take account of known factors that affect outcomes, such as the age and deprivation profile of patients and communities served.
- Integrate informal sources of intelligence from staff and patients.
- Include consideration of assessments from key regulators including comparator information.
- Enable comparisons with the performance of similar organisations.
- Include key workforce indicators, including workforce capacity and capability to deliver future strategy, intelligence on values, behaviours and attitudes, key HR indicators including equality and diversity, performance appraisal, training and development, leadership and management development (including talent management).

It is helpful for Boards to receive performance information in a clear, easily digestible format, using graphic overviews, trend analysis and brief commentary. Data can be presented in the form of dashboards or scorecards, where performance on key measures is presented against nationally or locally established benchmarks. High quality Board papers are not purely descriptive – they include analyses that will actively direct the Board members’ attention to the key issues, implications and consequences.
2.2.2 Focus on Quality

While significant progress has been made in shaping and sharpening the finance and activity information generally available to Boards, progress has been slower in relation to information that will allow Boards to scrutinise the ‘quality’ of services. Quality reports, intelligence and data is significantly important for Boards. Service user experience is a significantly important ingredient here. As with other organisational priorities, Boards should receive this information in an easily digested summary. The closer the data is to ‘real time’ the greater its value.

2.2.3 Intelligence on the External Local Environment

Board members have a key role to play in actively shaping and designing the sort of intelligence they wish to receive. The research evidence supports the view that the provision of too much or too little information can be a significant risk to effective Board functioning, so the key is to strike a balance between providing sufficient and meaningful information without overloading Board members.

Intelligence on the local environment should be as important to Boards as performance information. It includes:

- **Stakeholder mapping:** One of the key challenges facing public services is the complex stakeholder and accountability landscape. Boards need to have a clear grasp of the entire system within which they operate. This includes an understanding of who are the key local stakeholders, their agendas, priorities and perspectives.

- **Market analysis:** It is important for Boards to build their knowledge of the performance of other organisations within the wider public service and in the independent and voluntary sectors. This should include an understanding of their relative strengths and weaknesses. Considering comparative benchmarks about performance, especially on quality measures is of strategic importance. Market analysis can also inform potential integrated care pathways.

- **Health and wellbeing needs and demography including diversity and equality issues:** This includes intelligence to assist Boards to understand the local population, its demographic, economic, health and wellbeing profile, particularly health status, care needs, behaviours and aspirations; and the key equality gaps experienced by different groups within the community, both in relation to each other and compared to similar groups in other localities. This aspect of intelligence should be based on shared analysis and monitoring with and between public service partners.

2.2.4 The Intelligent Board

Board members have limited time available to perform all their roles and responsibilities. It is, therefore, crucial that the information they receive covering the key areas of the organisation’s work, is kept to a manageable level, but is comprehensive and easily understood. Typically, members will receive regular reports at the Board on the financial and operational performance of their organisation, but this information can be difficult to assimilate and understand. Members will receive a significant amount of information from outside sources and many Board members complain about information overload.
So members need to be proactive in getting the information they want, in the format they want, when they want it. The key questions members need to consider are:

- Do they receive sufficient, timely, robust and accurate performance information?
- What information do they really need?

The challenge is to select, from the hundreds of statistics produced in the organisation, those that are relevant, and to identify what additional information is required. The end result should be a schedule of performance reports that the Board wishes to see. This decision should be made by the full Board, not by executive directors. It may be more useful to implement exception reporting only for some indicators. Getting to grips with the finances of public service organisations can be daunting, but failing to do so puts them at risk of marginalisation during decision making.

Dr Foster in the paper *The Intelligent Board* (2006) asserts that the key tests of the success of any information resource for the Board will be the extent to which it:

- Prompts relevant and constructive challenge.
- Supports informed decision-making.
- Is effective in providing early warning of potential financial or other problems.
- Develops all directors’ understanding of the organisation and its performance.

Higgs (2003) in his report said that “Non-executive directors should satisfy themselves that they have appropriate information of sufficient quality to make sound judgements. Information must be provided sufficiently in advance of meetings to enable non-executive directors to give issues thorough consideration and must be relevant, significant and clear. Some stressed the dangers of data-overload, which could lead to important issues being overlooked.”

Dr Foster tells us that good governance is underpinned by intelligent information, which enables the Board to:

- Set an appropriately challenging, but achievable, strategic direction.
- Identify the strategic issues that require discussion or decision, and distinguish these issues from operational detail.
- Provide constructive challenge.
- Make sure that tax payers are receiving value for money.
- Identify trends in performance.
- Enable comparisons with the performance of similar organisations.
- Understand the needs, views and experiences of users and non-users from all backgrounds and communities.
- Make sure that users are receiving high-quality services.
- Anticipate the potential impact of key policy, technological and socio-economic developments.
- Assure themselves that the organisation is complying with standards and other regulatory requirements.
Dr Foster observes that a frequent complaint is that Board members often suffer from information overload. In too many cases, quantity wins out over quality when it comes to Board papers. Moreover, the habit of responding to issues with a request for more information is widespread. Using information intelligently means that Boards need to address these issues. They need to distinguish between:

- Issues that need to be reported routinely to the Board at a certain level of detail.
- Issues that need to be reported only if there is demonstrably a problem, for example, where performance significantly diverges from that achieved by peer organisations.
- Issues that change relatively slowly and that should therefore be looked at only on a quarterly or six-monthly basis.

### 2.2.5 Information Governance

Information Governance is the way organisations handle information. In public services, this is particularly in relation to the personal and sensitive information of service users and employees. It allows organisations and individuals to ensure that personal information is dealt with legally, securely, efficiently and effectively, in order to deliver the best possible care. It provides a framework for bringing together the requirements, standards and best practice that apply to the handling of information and has four fundamental aims:

- To support the provision of high quality services by promoting the effective and appropriate use of information.
- To encourage responsible staff to work closely together, preventing duplication of effort and enabling more efficient use of resources.
- To develop support arrangements and provide staff with appropriate tools and support to enable them to discharge their responsibilities to consistently high standards.
- To enable organisations to understand their own performance and manage improvement in a systematic and effective way.

A final, and important, thought on intelligence: there is an increasing recognition that paper based intelligence can only take the Board so far. Appropriate interaction between the Board and key stakeholders underpins the development of strategy, gives ‘texture’ to ensuring accountability and shapes a culture of openness and dialogue within the organisation.

### 2.3 Engagement

The effective Board gives priority to engaging with key stakeholders and opinion formers within and beyond the organisation. Engaging effectively is an important way that a Board and organisation demonstrates its openness and transparency and ultimately its accountability. There are some circumstances where there is a legal obligation to involve the public. Engagement informs and supports the Board in formulating strategy, shaping culture, and even aspects of ensuring accountability. The range of internal and external stakeholders with which Boards engage includes: service users and the public; staff; partners in delivery (e.g. NHS organisations, local authorities, third and independent sector partners); and key institutional stakeholders (ranging from other public service organisations to regulators).
Engagement in public services is not new, and has long been a priority of senior leaders in public service organisations. Recent research has however begun to identify the role that direct interaction between the Board professional staff, service users and the public can play in effective governance. Boards as a whole generally receive and consider the results of these processes in the form of reports and papers.

2.3.1 Service User and Public Engagement

A wide range of guidance is available for Boards on patient and public engagement. The three main aspects for Boards to consider are:

**Empowering people:** Service users and the public want to be able to influence both their own healthcare and the organisations that provide this care.

**Putting service user experience centre stage:** Organisations need to ensure the routine, systematic collection and analysis of feedback from people who use services (including real time patient feedback and an understanding of the perspectives of minority and hard to reach groups). Crucially, Boards need to demonstrate that this feedback, alongside intelligence on the effectiveness and safety of services provided or commissioned, actively informs Board priority setting, resource allocation and decision-making.

**Accountability to local communities:** Engagement with service professionals and staff is an important means by which the organisation’s leaders shape organisational culture. It can help Boards drive culture change, for example in encouraging staff to feed into the risk management system or engage in quality improvement.

**Engagement with Staff:** A recent review (MacLeod and Clarke, 2009) of how best to engage staff suggests that the use of established approaches, such as surveys seeking staff opinion, are deficient in this area as they leave engagement as an ‘add-on’. Ideally, Boards should aim to achieve ‘transformational engagement’, where staff are integral to developing and delivering organisational strategy. Boards can project a ‘human face of leadership’ through direct engagement including holding ‘Question Time’ style events and participating in web-chats. Clinicians and senior health and social care professionals might be engaged in leading improvement and innovation work as ‘change agents’; to provide input and leadership on quality committees; and as a key source of ‘wisdom’ in an engaging approach to governance.

**Key partners:** Boards are advised to develop a coherent strategy for engagement with key institutional stakeholders. These include Local Health Boards and NHS Trusts, local government, universities and further education, the voluntary sector, independent sector and of course regulators. This stakeholder engagement is most often led by the chair and chief executive. While this is sound, it must form part of a systematic and agreed approach that allows other directors to be engaged in a targeted way. A number of Boards choose to hold Board-to-Board meetings with key institutional stakeholders. Properly focused, this can be an important part of building understanding of, and relationships with, stakeholders.
2.4 System governance

The NHSLA point out that public services exist within a crowded organisational landscape that includes a range of public, private and community organisations all serving broadly the same citizens. To deliver their core purpose of building public and stakeholder confidence in public service, NHS Boards need to see beyond the boundaries of their individual organisations.

In a financially constrained environment this becomes particularly pertinent, as Boards consider options for strategic partnerships, joint management arrangements, outsourcing, major service reconfigurations, and potential mergers. Whatever the economic environment, the need to develop an effective community of governance is important because:

- Service users travel across organisational boundaries to receive services and tend to see the NHS as one organisation
- Approaches to health and wellbeing, as well as tackling inequalities by taking a whole community perspective
- Public service organisations share responsibility for ensuring that they get the very best value for the taxpayer resources invested in the services provided
- Public service bodies have a legal duty to co-operate on improving local health outcomes

All in the public sector understand the need to work together, although this often produces tensions at organisational boundaries. In these ‘white spaces’ it can be unclear where accountability lies and who is in charge or responsible. The public interest is best served when all actors in the system reach agreement about:

- Local needs.
- A shared vision including outcomes.
- The ‘rules of engagement’ – how players within the system will work together, including the development of a culture of cooperative transparency.
- Mutual understanding of, and respect for, individual organisational interests and constraints.

This shared understanding and agreement can only be reached through regular and ongoing processes of formal and informal dialogue and relationship building. This role is primarily undertaken by the chair and chief executive. Both chair and chief executive play an important role in shaping the climate for inter-organisational engagement and in keeping lines of communication open – especially at times when negotiations may have strained relationships lower down in their organisations. A regular cycle of whole ‘Board to Board’ processes has proved valuable in many health economies. The joint production of an annual health system development plan could also be valuable.

2.4.1 Effective Governance of Formal Partnerships

A summary of research on inter-organisational working proposes that a partnership might be analysed on two dimensions: its breadth – the range of groups it encompasses; and its depth – ranging from information sharing, through coordinating activities, up to a formal merger of partners. Whatever the form or extent of the partnership, effective governance of these partnerships requires attention to the same three roles that have been described above, as the role of the Board. Namely:
• Formulating strategy.
• Ensuring accountability.
• Shaping culture.

It is important to remember that setting up and managing partnerships is about delivering change. Its success depends on: a shared sense of purpose; clear ownership and commitment; strong governance and inter-organisational relationships; jointly owned and focused agendas and business plans; effective interagency and community wide engagement and communications. Even given the supportive rhetoric often surrounding collaboration, one must look out for, and deal with, the barriers that will need to be unlocked or overcome.

Partnership governance arrangements need to give attention to the three elements of formulating strategy described above: the process of developing strategy; the hallmarks of an effective strategy and the approach to strategic decision making.

Research on the governance of partnerships identifies the following additional points:
• Partnership agreements: It is important to set out and agree a clear purpose for the partnership, which can be formalised through the creation of a partnership agreement. A report on partnerships in public services found that the absence of a partnership agreement can lead to increased difficulties, such as reduced achievement of objectives and even breakdown of the partnership.
• Care pathway perspective: for partnerships involved in commissioning or providing health and social services, care and support across organisational boundaries, it is important that the strategy takes a clear service user or care pathway perspective.
• Transparency and openness of strategic decision-making: this is important both to build trust, and to support shared risk taking. It reduces dominance by any single voice.
• Clarity of outcomes and performance indicators: developing a shared agreement on performance measures for the partnership which takes account of the performance expectations of all the constituent partners is key. The aim is to provide assurance that the partnership is operating effectively in terms of its costs and benefits.

2.5 Effective Boards

The behaviour and culture of a Board are key determinants of the Board’s performance. Good Board governance cannot be legislated for but can be built over time. Sonnenfeld (2002) suggests four characteristics of effective Boards are:
• A focus on strategic decision-making.
• Board members who trust each other and act cohesively/ behave corporately.
• Constructive challenge by Board members of each other.
• Effective chairs that ensure meetings have clear and effective processes
It is important for all who serve on Boards to recognise that part of their job is to evolve their effectiveness and impact over time. Because of the size and complexity of public service organisations, it is not possible to have everybody who needs to serve on the Board join as a fully fledged, experienced and skilled Board member. Nor is it reasonable, given the importance of the work of the organisation and its significance to the people it serves, that Boards do not strive with some urgency to evolve their abilities as far as possible in their lifetime and that of their organisation.

The main work of the Board is to provide a clear strategic framework or vision to guide the development of the organisation in line with the Welsh Government’s wider goals and policies.

All public sector organisations have a dual role – to deliver both national and local priorities and targets. It is important that Board members keep the following questions in mind:
• How is your organisation performing?
• How are your public service peers and partners performing?
• Which are the priority areas of performance that you need to improve?
• Is your organisation improving its performance?
• How will you ensure standards of accountability, regularity and propriety are maintained?

2.6 Chairing the Board

Chairing the Board is one of the most important rotes in an organisation. As recent corporate governance enquiries have identified, if the Chair gets their role confused with that of the Chief Executive or if the Executive or Non-Executive members behave in a way that encourages the Chair to behave like the Chief Executive, all sorts of problems can occur.

To function really well an organisation needs an effective Board that does its job and stays in role. The difference this makes to performance can be enormous. It is important that all Board members understand what the Chair needs to be working to achieve so that they can both support the Chair in doing this, as well as understand what they need to do to play their own part in an appropriate way.

2.6.1 Roles and Responsibilities of the Chair

Chairs are accountable for giving leadership to the Board and delivering value for money in terms of quality of service and financial balance. They will:
• Provide leadership to the Board, the other non-executives, the Chief Executive and executive directors; and ensure the effectiveness of the Board in all aspects of its role and agenda; including directing the organisation towards achieving its and the Government’s objectives
• Ensure the provision of accurate, timely and clear information to the Board and directors to meet statutory requirements
• Ensure effective communication with the Board, staff, service users and the public in a changing public service environment
• Arrange the regular evaluation of the performance of the Board, its committees and individual Non-Executives, Directors, and the Chief Executive
• Plan and conduct Board meetings, with the Chief Executive. Facilitate the effective contribution of Non-Executive Directors and ensure constructive relations within the organisation and between executive and Non-Executive Directors.
• Share and use relevant expertise of all members of the Board.

2.6.2 The Skillful Chair

There are four key areas of personal skill that seem to make it much easier for Chairs to be successful:

• Separating their role from that of Chief Executive.
• Ensuring people interact effectively.
• Ensuring the Board maintains a future focus.
• Continuously improving Board and Board member performance.

The first area of skill is to separate their Non-Executive role as Chair from the Executive role of the Chief Executive. The job of the chair is to run and be accountable for the development and performance of the Board, not the organisation. It is the job of the Chief Executive to run and be accountable for the development and performance of the organisation.

This may involve the chair seeking regular feedback from the Chief Executive, other Board colleagues and sometimes external observers about whether they are managing to strike the right balance in the way they discharge their role. There is much in this guide that describes the work that needs to be done by the chair.

However, because of the need to hold the Chief Executive to account and sometimes, when asked, to be a source of guidance and advice to the chief executive, it is easy to begin to stray out of role. The skilful Chair is continuously evaluating their own performance and behaviour in this respect.

The second area of skill is to ensure that people on the Board interact successfully, firstly with each other, and secondly with others outside the Board. This may involve chairs monitoring transactions between individuals within and outside meetings to ensure that they:

• Begin from a position of politeness and colleagueship, understanding that they are working to achieve common goals,
• Establish rapport before attempting to work on an issue to ensure that they are communicating with common understanding of what is said and trust in one another,
• Identify the outcomes each is wishing to achieve from the transaction, and dovetail these so that both participants can be satisfied,
• Agree how, where and when they are going to have that interaction (which may not always be there and then) and then do what they agree to do,
• Before concluding, check outcomes have been achieved for each person to satisfactory extent or agree follow up activity to deliver these.
It is surprising how many people struggle with their interactive skills and in consequence are frequently misunderstood, create abrasive unpleasant situations for one or more parties to transaction or feel unable to contribute for fear of doing or saying something inappropriate.

The skilful chair will be able to intervene to provide structure to transactions in meetings, help people check for understanding, provide guidance to individuals in private and address this within each person’s performance and accountability reviews. Board members need to be able to interact successfully so that they can talk openly and challenge one another’s views to ensure issues are properly explored without creating defensiveness or personal animosity.

The third area of skill is ensuring the Board maintains a future focus and sets the present in context of it. The Board’s principal role is to set the direction and future vision for the organisation. The chair needs to ensure there is a really clear description of what it will be like when success has been achieved by the organisation. Once this picture is laid out by the Board, the chair needs to continually focus the Board on comparing what is happening in the present with what is required in the future, and discerning the most appropriate action needed to realise its delivery. This may involve the Chair in:

- Opening each meeting with a summary of the purpose, vision and priorities of the organisation and a reminder to Board members to look for steps towards its realisation throughout the meeting,
- Ensuring the Board regularly revisits its picture of the future to see if its description can be made more complete, lucid or needs modifying in some way to take account of new thinking and possibilities, or to align more fully with national and regional goals,
- Ensuring that the Board measures progress and performance by the extent to which the required picture of the future is realised to the standards required.

The fourth area of skill is continuously improving Board and Board members’ performance. The Chair needs to find a variety of ways to continuously review performance so that available improvements and higher levels of operating can be secured as soon as possible. This may involve the Chair in:

- Reviewing content and process at the end of each meeting,
- Ensuring the performance accountability and development framework is actively used for each Board member,
- Ensuring Board member knowledge and tools and techniques training is provided to improve the quality of the Board’s work,
- Ensuring that the Board runs regular vision development and performance review workshops to maintain focus.

2.7 Putting in the Board Infrastructure

Chairs need to ensure a number of key infrastructure building blocks are put in place to enable the Board to operate effectively. The following review provides a quick checklist of the obvious and not so obvious components that may need to be considered, including: committee infrastructure; people and skills infrastructure; partnership infrastructure; and physical infrastructure.

Committee infrastructure: One of the more obvious infrastructure issues to which chairs need to pay attention is of course the establishment of the required and optional Board committees. These are described in your Board’s Standing Orders so we will not address them in detail. Building an effective committee infrastructure may involve the Chair in:
• Providing people from within and outside the Board with an opportunity to be involved in doing work for the Board and so having the opportunity to acquire Board level experience.

• Checking that the committees really have the competence to complete whatever work is required by the Board with sufficient rigour, discipline and veracity so that the Board can rely on their findings without having to redo their work.

• Briefing the Chairs of subcommittees about requirements and expectations and setting them clear personal objectives.

**People and skills infrastructure:** In addition (as is dealt with elsewhere in this guide) to developing a full complement of suitably skilled and knowledgeable members around the Board table, the chair may also involve themselves in developing the role of the Board Secretary, and encouraging the involvement of non-Board members to extend the capacity of a Board at appropriate times.

**Partnership infrastructure:** If the organisation really needs to work in partnership with other organisations to be effective, the Chair may be involved in checking to see that:

• Members of the Board from other organisations are attending and actively contributing to Board meetings to help build a joint approach,

• Chief executives, executives and even Boards are meeting together regularly to identify problems, opportunities, dovetail outcomes and agree a joint approach,

• A structured and logical approach is being used to start, build and regularise the partnership, evolve joint plans, develop a joint management approach and a jointly agreed scheme for resourcing,

• Modelling scenario tools are being used to jointly view the current situation and explore possible solutions and their potential effects.

**Physical infrastructure:** Finally, one of the most frequently overlooked aspects of infrastructure is the extent to which rooms and furniture layout constrain or assist the Board in doing its business. To be effective, the Board needs to be able to flex their physical environment to suit the Board’s business. This may involve chairs in:

• Choosing venues that are easy for people to get to and meet the access requirements of the Disability Discrimination Act.

• Finding rooms with good daylight and ventilation in which Board members and the public feel welcome and energised to listen and contribute effectively when asked.

• Choosing rooms in which the furniture can be rearranged to suit the business of the meeting so that for example: all Board members can contribute equally, visitors can see and hear and, if appropriate, contribute, and presentations or scenario modelling can be used to help communicate.
### 2.8 Building the Board Team

Building an effective Board team is one of the key responsibilities of a Chair. A team can be defined in simple terms as a group of people who have agreed to work together in pursuit of a common goal or purpose. The concepts for building an effective team are relatively simple, based on practical advice regarding respect and trust. However, that doesn't mean that it's always easy. Thus, practice, training, and a good understanding of group dynamics is important for enabling people to work together effectively.

All groups benefit from team building, although governance Boards especially need strong teams in view of their function is to shape an organisation’s vision. Boards that provide strategic leadership are part of perpetuating excellence within an organisation, which cannot be done well without teamwork.

So, what is an effective team? An effective team is one that has the skills and capability to work together well to deliver their primary goals and purposes to a high standard and in as short a timescale as possible.

What steps do Chairs take to build an effective team?

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<th>An effective team:</th>
<th>Holders of public office should act solely in terms of the public interest.</th>
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<tr>
<td>Has a clear understanding of their primary purpose and goals and uses this to guide all their activities.</td>
<td>• Ensuring the Board has regular time-outs to be absolutely clear about the fundamental purpose and vision for the organisation.</td>
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<td>• Being clear about the objectives of every meeting and how that contributes to the wider goals.</td>
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<td>• Being clear about what output is required from every agenda item and activity the Board engages in.</td>
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<td>• Being clear about what objectives need to be delivered by each individual and how this fits alongside what other people are doing to deliver the team’s goals.</td>
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<td>Knows one another well enough to understand what strengths in terms of knowledge, skills and personal attributes each person can bring to assist the delivery of the team’s outcomes.</td>
<td>• Providing time, opportunity and appropriate activities, which help people to get to know one another.</td>
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<td>• Finding ways for each person to disclose the knowledge and skills they have and take inventory of the potential contribution each person can make to the team’s activities.</td>
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### An effective team:

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<tr>
<td>Is well led.</td>
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<td>• Making space for activities to be led by the person best equipped to help people deliver the outcomes successfully.</td>
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<td>• Helping people develop the leadership qualities they will need to be successful.</td>
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<td>Has an overall plan of how they are going to use available resources to achieve their outcomes.</td>
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<td>• Engaging the team in regular detailed discussion about what sequence of activities and deliverables will be required to deliver the overall purpose and goals and what personal and other resources the team can use to deliver these.</td>
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<tr>
<td>Identifies crucial breakthrough activities and milestones.</td>
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<td>• Enable people to see the crucial tipping points that they need to achieve to know they are on track to deliver the team’s goals.</td>
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<td>Communicates effectively so that there is a common understanding of what is required in each moment from each person.</td>
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<td>• Helping people communicate skillfully and with understanding.</td>
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<td>• Valuing politeness and objectivity so differences of perspective can be aired to explore alternatives and find the best ways forward.</td>
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<tr>
<td>• Articulating clearly what contribution is needed from each person moment by moment.</td>
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<td>Know who is doing what at any moment to deliver outcomes.</td>
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<td>• Specifying actions clearly and making sure each person’s objectives are clear.</td>
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<td>• Running an up-to-date record of progress available for all to see.</td>
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<td>Regularly reviews their way of working to:</td>
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<td>• See if there are better ways of doing what they are doing</td>
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<td>• Identify and plan how to surmount obstacles and grasp opportunities</td>
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<tr>
<td>• Track their progress and performance in delivering goals.</td>
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<td>• Ensuring the team takes regular time out to examine progress and performance and look for better ways to deliver what is required.</td>
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<tr>
<td>• Encouraging honesty to identify problems and skillful creativity to find ways to overcome them.</td>
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An effective team: | Holders of public office should act solely in terms of the public interest.
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Regularly celebrates its successes to motivate further achievement. | • Creating an expectation of performance and an atmosphere of motivation by creating opportunities for and finding imaginative ways to recognise achievements delivered on time and aligned to the delivery of team’s goals.

### 2.8.1 Separating the Roles of the Chair and Chief Executive

Since the publication of the Cadbury Report (Committee on the Financial Aspects of Corporate Governance, 1992), successive reports and guidance on corporate governance have made clear the absolutely vital need to separate the role of the Chair from that of the Chief Executive.

In essence the accountability of the Chair is to manage the performance and development of the Board whilst the accountability of the Chief Executive is to lead and manage the performance and development of the organisation. The Chair is the figurehead and ambassador for the purpose and vision of the organisation. This means that the Chair can always go out and champion what the organisation stands for and is trying to achieve and when it comes to questions about the performance of the organisation or its detailed implementation plans they can rightly say “you will need to ask the Chief Executive”. This enables the Chair always to stay on the high ground and not be forced onto the defensive. A crucial attribute when representing their organisation to stakeholders and partners.

What has been learned is that it is absolutely vital that somebody is standing back independently and objectively so that ideas, proposals, plans, activities, performance, competence and behaviour can be sensibly and appropriately reviewed in context. It is the job of the Chair to ensure that the quality of this independent viewpoint and objectivity is sustained in all the Board’s activities.

### 2.9 The Roles and Responsibilities of Board Members

The role of the Board member focuses on four key areas:

#### Strategy
- To contribute to strategic development and decision-making.

#### Performance
- To ensure that effective management arrangements and an effective team are in place at the top level of the organisation.
- To help to clarify which decisions are reserved for the Board and then ensure that the rest are clearly delegated.
• To hold management to account for its performance in meeting agreed goals and objectives through purposeful challenge and scrutiny; and to monitor the reporting of performance.

Risk

• To ensure that financial information is accurate and that financial controls and systems of risk management and assurance are robust and defensible.

Behaviour

• To live up to the highest ethical standards of integrity and probity and comply fully with the Code of Conduct. Board members should also demonstrate through their behaviour that they are focusing on their responsibilities to citizens, the organisation and its stakeholders.

When appointed to a Board, members should be provided with an appropriate programme of induction training. This should include guidance on what members have to do and the standards that they must meet.

Specific roles will vary depending on the role of the Board to and the capacity in which you have been appointed, but generally you will be expected to:
• Understand the environment in which your public body operates;
• Contribute to decision-making and share responsibility for the Board’s decisions;
• Attend Board meetings on a regular basis and be well prepared by reading relevant papers in advance and, if necessary, seeking further information;
• Attend training events and keep up-to-date with subjects relevant to the organisations work;
• Contribute to the work of any committees that have been established by the Board; and
• Represent the Board at meetings and events when required.

2.9.1 The Effective Non-Executive Board Member

The Effective Non-Executive Board Member:
• Supports executives in their leadership of the business while monitoring performance
• Questions intelligently, debates constructively, challenges rigorously and debates dispassionately
• Listens sensitively to the views of others, inside and outside the Board
• Gains the trust and respect of other Board members
• Maintains a focus on strategy and performance and is not distracted by detail
2.9.2 Board Member’s Core Accountabilities

As a Board Member there are 18 core accountabilities that you hold:

1. Learn and practice your role
2. Hold the vision
3. Ensure your Board sets a definite direction
4. Ensure clarity and action
5. Ensure probity and governance
6. Hold managers to account
7. Use your experience to contribute
8. Be objective and logical
9. Be disciplined and methodical
10. Use time well
11. Be skilful
12. Do your own due diligence
13. Be diligent and probing
14. Guard against your own conflict of interest
15. Bring equality and respect diversity
16. Separate your role from that of managers
17. Collaborate with partners
18. Develop yourself and your colleagues

Each of these is described in more detail overleaf.
## Hold the vision
- To improve the health and wellbeing of the population of Wales. You need to really understand the Welsh Government’s vision for Wales and to keep drawing your organisation, your Board, your partner organisations and NHS Wales back to the key things we need to do to make it a reality.

## Ensure clarity and action
- Ensure that your executives pull together effective plans and have resources and systems in place to deliver the vision and goals effectively. Ensure that the purpose, vision, goal and objectives are clearly communicated to and engage all who are involved in, or affected by their delivery.

## Ensure probity and governance
- Is appropriately discharged in all corporate, managerial, clinical and financial affairs.

## Do your own due diligence
- Make sure you complete your induction training and understand your organisation, its context, your role and stay alert to your responsibilities and effectiveness.

## Be objective and logical
- With your Board colleagues, you will be responsible for deploying and making decisions about significant amounts of public money and services. Be rational and objective in your approach, evaluate and measure, seek evidence of effectiveness and delivery.

## Be skilful
- Work with all your colleagues on your Board as a team. Continuously develop yourself, your colleagues and your Board so that maximum impact and effectiveness is achieved. This may mean you and your colleagues employ innovative and creative practices and techniques in order to maximise effectiveness and delivery. This is to be encouraged so that we can raise our standards and achieve new levels of competence and delivery.

## Use your experience to contribute
- To strategies where you can and tap into your network of contacts to get things done - though in so doing recognise that you are there as Board members and not representatives of your professional or interest group. You will sometimes need your Board colleagues to help you stay objective and do the due diligence on your activities.

## Bring equality and respect diversity
- Hear the needs of minority groups and find ways to look after and address the needs of the least served and most disadvantaged.

## Ensure your Board sets a definite direction
- By providing clear purpose, vision, goals and priorities to enable your organisation to drive forward improvements in health, improve the quality and availability of services and reduce health inequalities within and between the communities you serve.

## Hold executives and managers to account
- For the delivery of the organisation’s plans, and to help them ensure high standards of regularity, propriety and excellence. Participate skilfully in time-effective clinical, financial, managerial and corporate governance activities in your Board to review their stewardship of the organisation, its practices, and its people.

## Use time well
- Time effectiveness and results focus, preparation and skillfulness are key attributes you will need.

## Be diligent and probing
- Take the time to properly find out and understand what is happening in your organisation and the context in which it is working.

## Be disciplined and methodical
- Use effective methodologies to get results, to evaluate and measure progress, to review your own performance and contribution as a Board.

## Separate your role from that of executives and managers
- Retain the integrity of your role as a Board member and don’t get lost in the work of the organisation, which is the work of your executives. If you were all engaged working in the organisation, who would be working on the organisation?

## Guard against your own conflict of interest
- In the more obvious ways where you have personal gain or vested interest issues that are relevant, but also in the less obvious ways when you have emotional capital or strong opinions that will reduce your objectivity and logic.

## Collaborate with partners
- Collaborate and communicate with all your partners in this endeavour, whether that be with your organisation’s partner organisations, staff, patients or the public. Communicate the vision and what is possible through all of us working together to achieve the common aim of better health, better services and quality of life for all who live in Wales.
Separating your role as Board member from that of executives and managers

All Board members, executives, managers and staff in your organisation need to understand the work of the Board and Board members, and how it is different from the work of executives, managers and staff. The diagram below describes this relationship:

WORK OF THE BOARD  “WHAT”

- Set or agree vision, goals and priorities long and short term
- Test bed to rigourously examine and test strategies before real world implementation
- Approve strategies
- Measure and monitor progress
- Measure and monitor performance
- Ensure accountability and governance and provide ongoing due diligence and probity

WORK OF EXECUTIVE  “HOW”

- Provide strategies to achieve vision, strategic goals and priorities
- Devise and implement detailed plans and objectives
- Revise and update plans to reflect progress
- Implementation
The work of the Board and Executives/Managers can be broadly separated by looking at the Board’s responsibility as to state “what” is required and measuring progress towards its achievement. The Executives/Managers’ and Team’s responsibility is to come up with “how” this can be achieved and then to implement action to achieve it. The flow chart shows the Board’s first task is to provide or approve the strategic vision and goals for the organisation. Board Members must be chosen for their ability to look at the needs, direction and health of the whole entity and not get sidetracked in the specific interests of any one part of the organisation or its environment.

Once the Board has provided or agreed the vision, goals and priorities, they need to be passed to Executives/Managers who are expected to develop the strategy for how this can be achieved. This is a demanding task but Executives/Managers are chosen for their ability to plan and implement change. An effective organisation’s plan can be drawn as a flowchart showing the sequence of who is doing what by when. Once the strategies are prepared they need to be submitted to the Board, which then acts as a test bed to try out the strategies before they are implemented in the real world.

When satisfied that the plans are as good and coherent as they can be, they are approved and passed back to Executives/Managers for the preparation of detailed plans and personal objectives for implementation. The Board’s role, then, is to regularly measure progress and performance:

Progress - did people do what they said they’d do by when they said they’d do it? If not, why not? Have the strategy and the plan been amended to show the new way forward?

Performance - is what is being done by the organisation being completed to the standards and quality required?

It is the Board’s role to see that the plan is regularly amended to keep it up to date.

The Board is there to ensure accountability and governance. Throughout the process it is important that sufficient due diligence and probity is carried out to ensure excellence, regularity, and propriety is maintained to the highest standards.

2.10 Due Diligence

Due diligence is the act of making sure that everything is the way it’s supposed to be. It’s like doing all the necessary homework, background checks, and analyses to identify problems, offer solutions, and document procedures.

2.10.1 The Diligent Dozen

In terms of corporate governance in general, Peter Morgan, former Director General Institute of Directors suggested that the following twelve questions are important for members to assess whether things are as they should be:

- What is the strategic purpose and vision of the organisation?
- What are short, medium and long-term objectives for achievement for us to strive for?
• How are resources allocated to bring it about, in particular, the financial and human resources?
• How is the management organisation geared to the achievement of the strategy?
• Financial controls – how do they work?
• Operational controls – how do they work?
• What are the management priorities in the near, intermediate and long term?
• Past and present performance – what progress has been made towards the achievement of the organisation’s short, medium and long-term goals? How is our performance compared with that of others?
• What specific underlying forces determined those results?
• Constituency protection – what mechanisms are in place to ensure that the interests of all stakeholders are addressed, and that the appropriate statutory or regulatory requirements are met?
• What litigation and disputes risks and arrangements do we have?
• How well are we able to respond to crises, and what contingency plans and processes are in place?

2.10.2 What do you Know or Need to Know?

To help put this into context, non-executive members should ask themselves the following questions:

**Understanding the Organisation**

• Have you received training in the operation of your organisation in the national and local context?
• Have you been required to take yourself through a formal induction/re-induction programme tailored to the needs of the individual so that you can understand your duties and accountabilities?
• Has the Chair outlined your key responsibilities and success criteria with you as a Board member?
• Do you have formal personal objectives and a plan for developing your effectiveness and contribution?
• Is there regular mutual feedback on performance between you and your colleagues and your Chair?
• Are arrangements in place to enable independent members to share experience with counterparts on other Boards?
• Are you encouraged to draw on views from outside the executive group?
• Are you encouraged to have independent access to other partner organisations?
• Do you and other independent members use the audit committee to build good working relationships with their external auditors, enabling auditors to bring problem areas to their attention?
Behaviour

- Does the Chair lead the Board so that it can logically question executives to explore issues and ask them to account for progress made?
- Is there an appropriate balance of contribution between executive directors and non-executive directors?
- Do the Chief Executive and other executive directors welcome questioning and discussion by non-executive directors?
- Does the Chair lead independent members so that they conduct a robust review of performance?
- Does this review take place within the context and the culture of the whole Board working together as a team?
- Is adequate time allowed for discussion at Board meetings, as well as for information giving?
- What mechanisms are in place to enable the Board to monitor the quality of medical care and other work?
- Does the Board receive feedback on the progress and implementation of all major decisions?
- Does the audit committee follow up audit reports to ensure that recommendations are being implemented and action taken?

Board’s Working Practices

- What processes are in place to enable members to be involved in formulating strategy from the start?
- Do independent members in practice influence the allocation of money?
- Do independent members monitor the implementation of the strategy through receiving regular progress reports and weighing up new executive proposals against it?
- Has the Board decided what performance reports to see and how frequently?
- Do financial reports have the five good practice hallmarks?
  - Summaries of finances and activity reported together
  - There is a short written explanation
  - Projections are included
  - Comparisons are made
  - A summary is provided - detail is available

Responsiveness to the Community

- Does the Board have policies for all key components of responsiveness to the community? Informing the public? Taking account of the public’s views? Answering the public?
- Are independent members exposed to a range of views from the community?
• Do independent members ensure that public opinion is taken into account when formulating the strategy? Does the Chair invite independent members to lead a discussion with the Board on the implications for the community of major decisions?
• Do public meetings follow the good practice criteria i.e. Publicity, Venue, Timing, Quality of talks, Participation, Written information?
• Is feedback from public meetings reported to the Board?
• Where public meetings do not provide a forum for Boards to answer to the public, do independent members stimulate discussion of alternative strategies?

2.10.3 Benchmarking

To find out how your organisation’s performance compares with others, you should seek benchmarking data. Benchmarking is important in helping you identify where your performance is different and for questioning why. You should use such information to constructively challenge your executive directors on the performance of your organisation. Without such information, it is extremely difficult to assess the performance of your organisation and to effectively challenge the performance of your directors and services.

2.10.4 Professional Problem Solving

Effectively the Board needs to become a group of professional problem solvers who involve the right people and use the right techniques to:
• Be clear from the start as to the bigger picture and local measurable outcomes and objectives that need to be achieved,
• Get a clear and correct idea of what the current situation is,
• Rigorously analyse the root causes of problems and identify the key issues that need to be addressed,
• Create imaginative options that definitely address the root causes and key issues,
• Use the right tools to select the best option or combination of options,
• Make sure a detailed implementation plan is prepared through the involvement of all affected,
• Check that implementation is completed as intended and modified to take account of new issues that have emerged,
• Review at the end to ensure that intended outcomes have in fact been delivered and that the logical next steps and follow through have been put in place to make the absolute best use of the new arrangements.

To do this well, the Board needs to learn and use the range of logical analysis, critical thinking and personal skills appropriate for the task.
2.11 Building Board Capacity and Capability

Board composition, knowledge and skills

Boards should not be so large as to be unwieldy, but must be large enough to provide the balance of skills and experience that is appropriate for the organisation.

The time commitment required of non-executive directors continues to be a focus of debate. Non-executive directors should be encouraged to look at their time requirements over an annual cycle. There will be a number of situations where more time is required than on average. All directors must be appropriately qualified to discharge their roles effectively, including setting strategy, monitoring and managing performance and nurturing continuous quality improvement.

There is a growing emphasis on the importance of ensuring that prospective directors bring both the appropriate skills and a demonstrable commitment to public service values - and the behaviours that these imply. Over time the strategic challenges facing Boards give rise to the need for specific skills, and this requirement must be kept under review in a systematic way. In order to ensure an effective balance of knowledge, skills and background, Boards should undertake regular skills audits of current Board members.

2.11.1 Whole Board and Individual Board Member Performance Appraisal

It is important that the whole Board creates opportunities to reflect on its own performance and effectiveness. This should include a formal and rigorous annual evaluation of its own performance and that of its committees. Some Boards choose to periodically supplement self-assessment with views obtained from a range of internal and external stakeholders who do not sit on the Board but nonetheless experience its impact. This could include external partners and stakeholders including service user groups and partner organisations.

It is important for Boards to develop a framework of knowledge, skills and competencies that fit their organisational requirements and context and can serve as the basis for whole Board and individual Board member appraisal. Alongside whole Board performance evaluation, Board members should undergo an annual appraisal of their individual contribution and performance. This appraisal should focus on the director’s contribution as a member of the corporate Board; in the case of executive directors this is distinct from their functional leadership role. The appraisal of the Chief Executive by the Chair is particularly important because the effective performance management of the Chief Executive is critical to the success of the organisation and sets the benchmark for other senior managers.

A growing number of Boards are choosing to support the development of individual Board members by undertaking a ‘360º review’. This offers Board members feedback on their approach, performance and contribution from a wide range of colleagues with whom they have regular contact. This can be very helpful, though experience shows that it requires time and commitment from all Board members for the process to be fully effective. It must also be undertaken in a manner that respects and protects confidentiality and trust within the Board. The whole process - especially individual feedback - needs to be handled independently and professionally. 360º review approaches are intended to support individual development rather than to inform re-appointment.
All appraisal processes should culminate in a personal development plan, the delivery of which is actively supported by the organisation.

2.11.2 Learning and Development

**Systematic attention to Board learning and development:** Effective Boards use the performance appraisal processes outlined above as the basis for focused Board development action plans. The plan should include:

a) A structured process for induction of new Board members.
b) Individual Board member opportunities to refresh and update knowledge and skills.
c) Opportunities for the Board to learn together.
d) Opportunities to learn good practice from peers.

Being on a Board in the public service arena requires Board members individually and collectively to have a very wide knowledge base in order for them to be effective. Public services by their very nature requires organisations from local government, health, the third sector, private sector providers, patients/clients, staff and the public to collaborate to deliver the results required. Public services are constantly changing, so staying up to date is a significant task for Boards and Board members.

The pre-requisites of effective and continuous Board development are:

- Chair and CEO commitment
- Board appetite for development
- Good appraisal and personal development planning processes

**Effective Induction:** When Board members first join a Board it is vital that they complete a thorough induction process. Failure to do this might mean they are not able to be effective for months or even at all if they don’t have sufficient understanding. Many Chairs check to see that new Board members are up to speed and able to contribute at one, three, six and 12 month intervals in the first year. The pace of change doesn’t allow for much downtime; new Board members need to get in role as quickly as possible so that they can keep up with the continuous stream of updated information and materials.

**Statutory Mandatory Training:** An important part of induction is the completion of the training relating to statutory duties that the organisation, the Board and Board members do or may hold. Even the work of some sub committees is bounded by important codes of practice and statutes. It is good practice to keep documentary evidence that this training has been sufficiently completed and that participants have evidenced their competence in some way.

**Policy Updates:** In this fast moving and wide-ranging environment, policy updates, additions and guidance come in at regular intervals. It is important that Board members are cognisant of the latest version rather than out of date policy positions. Briefing sheets, policy documents and, for larger pieces, presentations and training may need to be arranged for Board members.

**Implementation Plans and Activities:** Many previous Board members have reported how hard they find it to understand what is happening and what plans actually mean when they only receive papers at Board meetings. Complex pieces of work and Board papers need to be supported by well structured, properly prepared educational presentations that enable maximum understanding by the Board so that they can ask relevant questions and make decisions in the light of good understanding. Even financial plans and budgets can really benefit from good data display techniques and presentations.
Many Board members have found that it helps to go out into the organisation or the service environment or the community to actually see what they are talking about and chat to people involved. This gives them much better grounded insight and enables them to see for themselves to what extent the Board’s values and the organisation’s vision is being made a reality.

**Progress and Performance Review:** The last area where knowledge based training may be important is in the area of progress and performance review. It can be difficult for Board members to get a good grasp of what is actually happening and to understand the nature and meaning of the information they are looking at.

Training can usefully be completed to enable Board members to understand what information is available and the various formats including graphical and pictorial representations that can be used to present it. This enables the Board to begin to select information they want to see and let go of information they don’t need to see. This often results in less work for executives overall – often a significant benefit in its own right!

**Developing a High Performance Board:** Establishing an effective Board begins with the recruitment and selection of skilled and competent Executive and Non Executive Directors who can bring the required knowledge and expertise needed to provide successful leadership to organisations operating in a complex and constantly changing environment. However irrespective of how competent, experienced or talented individual members of a Board might be, the robust relationships, processes, and working arrangements needed for effective decision making and leadership take time and energy to develop. High performing Boards work hard at developing their effectiveness.

Each Board is unique in its composition of individual skills and attributes, its history and organisational context, so a clear description of the outcomes that a Board wishes to achieve through a development programme is crucial to maximising the benefits of any investment. The following might provide a useful checklist to stimulate thinking about the outcomes wanted by a particular Board at a particular time:

- Opportunities for role appreciation and role negotiation space to explore and agree mutual expectations and agree standards.
- Time and activities which help to build effective working relationships.
- Opportunity to discuss, agree and review decision making processes.
- Space to enable Board members to provide each other with constructive and developmental feedback on their performance and behaviour within the Board team.
- A focus on building the 5 Habits of highly effective Boards:
  - A culture of constructive challenge,
  - A climate of trust and candour,
  - Individual accountability,
  - Fluid portfolio of roles, and
  - Regular review of Board performance.
- Regular opportunities for external Board observation and feedback.
• Sessions which develop the visioning and strategic thinking capabilities of the whole Board and provide regular opportunities to create, recreate and review strategic capabilities in the light of internal and external feedback.

• Horizon scanning and time spent understanding the strategic implications of new policy development and trends.

• A focus on thinking through and enacting appropriate leadership both within the organisation, with partner organisations, and in the wider community, including a review of the effectiveness of the connection between the Board and the organisation it leads and communities it serves.

• Regular consideration of the nature and state of external relationships with key stakeholders and proactive consideration of stakeholder, and reputation management strategies.

• Regular consideration of the nature and state of external relationships with key stakeholders, and proactive consideration of stakeholder, and reputation management strategies.

Some key principles to consider when designing a programme are:

• It is crucial that members are fully engaged in co-designing and developing a Board development programme to ensure it is tailored to their specific context and circumstances.

• Using an external consultant can help provide a fresh pair of eyes and bring constructive challenge and wider knowledge of Board operation in a range of settings, which can greatly enhance the quality of the Board development.

• The process of design is as important as the content of the interventions, involving the whole Board in defining needs and outcomes, and as part of this creating space for issues to be raised in a confidential and anonymous way increasing ownership, engagement and success.

• The development programme should work with realities in the system and in the Board, and address crucial issues in a timely and appropriate fashion.

• The design should be flexible and responsive, capable of tackling emergent issues.

• Early attention is required to agree ground rules for working in order to create a safe space for the frank and robust exploration of key issues.

• A blended approach is most successful, one which combines work on team development and team working, delivering a high quality product and outcomes from thinking and working together on issues crucial to organisational success.

• Robust and regular review of Board development activities should be built into the programme to ensure it is constantly refreshed and improved to provide stretch and support as relationships and organisational and system changes occur.

• Sufficient time should be set aside on a regular basis for Board development, and this should be seen as an ongoing investment in ensuring sustainable high performance.
2.11.3 Enabling Corporate Accountability and Good Social Processes

Boards are ‘social systems’. The most effective Boards invest time and energy in the development of mature relationships and ways of working.

<table>
<thead>
<tr>
<th>Ways of working that support good social process</th>
<th>Ways of working that obstruct good social processes</th>
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</thead>
<tbody>
<tr>
<td>Building and publishing a crystal clear understanding of the roles of the Board and individual Board members</td>
<td>Board members behaving in a way that suggests a ‘master-servant’ relationship between non-executive and executives</td>
</tr>
<tr>
<td>Actively working to develop and protect a climate of trust and candour backgrounds, skills and perspectives</td>
<td>Executive Directors only contributing in their functional leadership area rather than actively participating across the breadth of the Board agenda</td>
</tr>
<tr>
<td>Building cohesion by taking steps to know and understand each other’s backgrounds, skills and perspectives</td>
<td>Demonstrating an unwillingness to consider points of view that are different from individual directors’ starting positions or being disinterested in others</td>
</tr>
<tr>
<td>Encouraging all Board members to raise issues of concern and offer constructive challenge</td>
<td>Challenge primarily coming from non-executive directors, rather than all directors feeling empowered to challenge one another in Board meetings</td>
</tr>
<tr>
<td>Sharing corporate responsibility and collective decision-making</td>
<td>Challenging in a way that is unnecessarily antagonistic and not appropriately balanced with appreciation, encouragement and support</td>
</tr>
<tr>
<td>Ensuring that neither Chair nor Chief Executive power and dominance act to stifle appropriate participation in Board debate</td>
<td>Working in ways that don’t demonstrate overall confidence in the executive and that feed individual anxiety and insecurity about capability</td>
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**Embedding Board disciplines and appropriate delegation:** Competent, systematic Board disciplines form the bedrock of good Board functioning. These disciplines include:

**Giving thoughtful attention to Board agenda planning and management:** The Chair is central in this process, as well as seeking contributions of other Board members in agenda planning. The Chair needs to be vigilant in ensuring that Board agendas maintain a complex range of ‘balances’ between:

- Strategy and performance management
- Quality, activity and finance
- Organisational priorities and the demands of regulators
- Information sharing (presentation) by executives and whole Board discussion
- Formal meeting time and less structured ‘away’ time
Chairs face the challenge of attending to the full breadth of the Board’s role while ensuring that Board meetings do not descend into a test of Board member endurance

**Board and committee year planners and annual programmes of work:** The Board and its committees should be supported by an annual plan that sets out a coherent overall programme for formal Board meetings, Board seminars, away-days and committee meetings. It needs to take account of the organisational and system-wide planning cycle including key ‘watershed events’ such as contract negotiations, budget setting, regulatory returns and so on. It is good practice for the work of every committee of the Board to be shaped by an annual plan.

**Board papers:** The effectiveness of the Board is predicated on the timely availability of Board papers. Increasingly Boards are receiving their papers electronically, for access via personal computer, laptop or tablet. Whether they are sent electronically or on paper, the core disciplines for Board papers should include:

- **Timeliness:** papers provided ideally a week ahead of meetings
- **Cover sheets:** including, for each paper, the name of the author, a brief summary of the issue, the organisational forums where the paper has been considered, the strategic objective or regulatory requirement to which it relates, and an explicit indication of what is required of the Board
- **Executive summaries:** Succinct executive summaries that direct the readers’ attention to the most important aspects.

**Action logs:** Boards and committees can be helped to keep track of actions agreed by maintaining and monitoring a log. The log should show all actions agreed by the Board and for each action the ‘ownership’, due dates, and status.

**Declaration and resolution of conflicts of interest:** Probity requires that the Board maintains an up-to-date register of Board members’ interests. Increasingly, Board agendas include an opportunity for Board members to declare conflicts of interest that may relate to specific agenda items so that these can be managed appropriately.

**Transparency and openness:** There is an important obligation on public services to ensure that they operate in an open and transparent manner. This is partially achieved by holding formal Board meetings in public and the publication of papers. The default position ought to be that business is conducted in the public Board meeting. However, when a compelling case can be made for an item to be considered in private (for example a matter that involves individual confidentiality or commercial sensitivity), there is provision for attending to it in private. Some Boards follow the principles in the Freedom of Information Act in deciding which items are considered in private.

Public Board meetings alone are not a guarantee of transparency, and Boards need to ensure that there is a range of ways for the public to access information about the way in which public resources are deployed. These include clear, informative, jargon-free annual reports, regular updating of an easily navigable website, and the availability of key information in a range of appropriate languages and in forms that are accessible to those with disabilities.
Delegating Appropriately: The Board’s approach to delegation should be consistently set out in:

- Standing Orders which specify how the organisation conducts its business
- Standing Financial Instructions which detail the financial responsibilities, policies and procedures adopted
- The scheme of reservation and delegation. This sets out which responsibilities and accountabilities remain at Board level and which have been delegated to committees and to the executive, together with the appropriate reporting arrangements that ensure the Board has oversight.

Approaches and schemes of delegation must be subject to regular Board review to ensure that the distribution of functions and accountabilities is accurately and appropriately described, and remains appropriate despite changes in the organisation.

The following table lists key checks that a Board should take into account when considering its committee structure.

| • Are the proposed functions of the committee really Board functions or are they executive functions? |
| • Is a standing committee really required - or can the task be undertaken by a short life working group? |
| • Are there good reasons why the proposed functions cannot be carried out by the whole Board? |
| • Is the committee being established because of one major incident or issue - is it a proportionate response? |
| • Does the creation of the committee reduce clarity of role or create lack of alignment between other committees of the Board and the Board itself? |

2.12 Judgement and Dilemmas

NHSLA has already identified exercising judgment as key to building an effective Board. Here a spectrum of dilemmas that many Boards are grappling with are set out, and yet are not amenable to uniform guidance. They are provided here to encourage Boards to set aside the time to debate and explore them as part of their developmental journey.

Paying attention to culture: beyond exhorting a person-centred culture: The emerging consensus about the critical importance of organisational culture in delivering compassionate, high quality services and care is to be welcomed; but prompts a range of questions for Boards:

- Public service organisations are complex and multi-faceted and rarely have a single culture. How does the Board really ‘know’ what the culture is - especially in the light of the lively academic debate about the extent to which culture can be ‘measured’?
- To what extent can the Board really shape culture in a deliberate and purposeful way?
- What sorts of approaches will help the Board to move beyond exhorting the culture that it aims to shape?
The lessons from both success and failure seem to be: Boards can learn a great deal about culture by hearing about the lived daily experience of staff, service users and carers. Boards need to ensure that priority is given to hearing this experience - systematically and directly

- Attending to culture starts with shining a light on it. Which specific tool or framework is used seems less important than the permission, space and priority that is given to having the conversation - whether this is in the Board, the executive, within teams at the frontline or in the feedback given and received in individual appraisal

- There are examples from both inside and outside of public service where culture has been successfully changed over a period of time. Learning the leadership and governance lessons from these case studies may provide important pointers for Boards.

Building trust with local people in a financially constrained environment: Most Boards would wish to support an approach which suggests that ‘if organisations concentrate on quality - the resources will follow’ but evidence of the extent to which this is the case in practice seems inconsistent. Although there are some salutary examples, Boards are often called upon to balance competing priorities where the ‘high quality care can be more cost effective’ mantra is more difficult to see.

In the financially constrained environment within which public service Boards are operating, the challenge is for organisations to work with service users, the local community, and across the public services divide to identify opportunities for service integration and redesign to deliver better outcomes for service users in a more cost effective way in the longer term. More often than not, delivering these longer term improvements will require significant service change and these can trigger anxiety, opposition and concern in the community. It is important that Boards are able to work with partners, local people and local political leaders to help to build understanding of the choices and ‘trade-offs’ and thereby build public trust and confidence.

Difficult service decisions may never be welcome or palatable for local people but the motivation and basis for making them can be more transparent. Boards may want to anticipate and explore which approaches to working with patients and local people are likely to garner their support and enable positive service change to be made. Some approaches include:

- Early and open communication with the local community on the issues and challenges facing public services - a regular process of dialogue based on the evidence.
- A track record of being consistently open and transparent.
- Engaging service users, the community and key staff in early stages of shaping possible solutions, and at key stages throughout the decision making process.
- Potentially using socio technological approaches to decision making which combine value for money with patient involvement.
- Visibility of service professional staff in discussions with the community about service change.

Maintaining the balance between holding to account and being accountable: Boards and organisations devote a great deal of time and resource responding to the demands and expectations of external regulators. This brings the risk that ‘accountability’ comes to mean accounting for what the organisation has done rather than taking meaningful responsibility for the performance of the organisation and its adherence to standards.
Flowing from the findings of recent public service reviews, there is a growing understanding that robust assurance processes begin with the intrinsic motivation of the Board to set, exemplify and monitor organisational values and fundamental standards and support staff to deliver them. External regulation should be seen as a ‘failsafe’ rather than a primary source of assurance. Few Boards would now disagree with this perspective however the capacity of the organisation to provide robust assurance is finite. The requirements of external regulators seldom seem to begin with an assessment of the information and assurance that the organisation routinely generates.

These competing demands are extremely difficult to reconcile. However, it is important that Boards model and encourage an approach that makes it clear and that adherence to external standards is not enough. Rather, staff are expected to give robust and thoughtful attention to the standards of quality, service and conduct that matter most to them, to their patients and to carers - and that this thinking is reflected in the broader suite of standards that are set and monitored in the organisation.

**Achieving a balance between managing risk and encouraging innovation:** A systematic approach to the management of risk is one way that Boards can build public confidence. However, it is clear that the future sustainability of public service values will require creative and innovative solutions. Some of the questions Boards may wish to debate include:

- How do we ensure that risk and innovation aren’t seen as mutually exclusive?
- How do Boards ensure that individuals and teams within the organisation take full and active responsibility for the management of risk without creating a straightjacket of anxiety that stifles creativity?
- How does your Board know about and act on good practice emerging from the literature on encouraging innovation?
- How does your Board engage with the academic networks as well as tapping into other networks as sources of innovative practice?

**Zero tolerance of poor care... in a learning organisation:** The appropriate Board response to flagrantly poor services and care is, hopefully now, beyond debate and prevarication. Arguably more challenging are questions about care that is simply sub-optimal - the services that are persistently mediocre. The dilemma for Boards is to identify the point at which they need to move from working collaboratively to gain improvement on an issue to the ‘zero tolerance’ point - and, having made that judgment, what that means the Board does in practice.

There is a broad consensus that an open culture that encourages transparency and learning in response to adverse events is a key pre-requisite for reliably high quality, safe, compassionate care. How do Boards ensure that in pursuing a policy of ‘zero avoidable harm’ they do not, inadvertently, drive a climate of fear and reduce the likelihood that staff will be open about mistakes so that the learning can be surfaced and disseminated?

If organisations are to respond to resource constraints and encourage innovation, there will be a need for experimentation with new models of care - how do Boards maintain a commitment to ‘zero harm’ whilst allowing space for innovation and experimentation? To what extent are staff rewarded for bringing forward and/or implementing innovative ideas which improve quality?
2.13 Prioritising a People Strategy

Boards are increasingly recognising that an effective Board gives priority to the development of a ‘people strategy’ as a key enabler in meeting organisational strategic goals. The domains include: leadership and management models; training and professional development; workforce models; HR health indicator, values, behaviours and attitudes. In each domain, the Board needs to build its understanding of:

- The current baseline position;
- The position to which the Board and organisation aspire to meet its strategic goals;
- The focused and connected network of Organisational Development (OD) and Human Resource (HR) approaches and developmental interventions that will support moving the organisation and its people towards its aspiration.

A good people strategy will set out the range of focused and connected OD interventions and HR approaches that will support moving the organisation and its people from the baseline position towards its aspiration. The key is one of ‘fit’, i.e. that the people strategies must fit with each other and with the overall organisational strategies for maximum impact.

2.14 Governance in Challenging Economic times

What are the lessons for leading and managing during difficult times? Boards will need to be explicit in their decision making if they are to avoid reputational risk and judicial review. In 2009 Tayside Health Board considered the following principles for disinvestment:

1. The organisation is committed to improving the health of the community and the quality, responsiveness and effectiveness of services.
2. The organisation has limited budgets but will work with others to lever resources from within and outside the community.
3. The organisation will always seek to do the right thing first, and then take resourcing decisions.
4. We will regularly assess our organisation’s position in terms of financial management, service delivery and strategic change.
5. We will seek to speed up system reform and re-engineering.
6. We will scenario plan for the future, exploring the impact of decreasing amounts of growth.
7. We will critically review our organisation’s priorities and develop plan Bs for those we cannot put off.
8. We will engage with our stakeholders and communities in decision-making and share our decisions taken.
9. We will be positive and optimistic.

(Good Governance Institute et al, 2012)

Neil Goodwin’s 10-point plan (2013) is a straightforward method of checking whether an organisation is being proactive:

- Assess your position in terms of financial management, service delivery and strategic change. Where are you delivering and where are you struggling? What are your strengths and weaknesses and those of your key partners?
• Speed up system reform and re-engineering. Do not wait.
• Review your team’s capability and capacity. It needs to be match fit. If you have team weaknesses address them now.
• Assess the strength and depth of your inter-organisational relationships. The first meaningful conversation should not be about the impact of the economic downturn.
• Scenario plan for the future, exploring the impact of decreasing amounts of growth.
• Critically review your organisation’s priorities and develop Plan Bs for those you cannot put off. Start incorporating risk assessment in planning.
• Communicate. Be honest and realistic with staff because above all else they will be looking for leadership. Don’t withhold difficult messages. Staff will want the opportunity to contribute to solutions to wicked problems.
• Seek external help if necessary, but be very specific about the outcomes you want.
• Keep your nerve and maintain a balanced perspective. Do not panic. Plan ahead. Future-gazing is an activity that far too few Boards spend time on.
• Be positive and optimistic. It is OK for leaders to say they do not always have the answers, but negative emotions are infectious in organisations.

2.15 Learning Organisations

A Learning organisation is one that acquires knowledge and innovates fast enough to survive and thrive in a rapidly changing environment. Learning organisations:
• Create a culture that encourages and supports continuous employee learning, critical thinking, and risk taking with new ideas.
• Allow mistakes and value employee contributions;
• Learn from experience and experiment; and
• Disseminate the new knowledge throughout the organisation for incorporation into day-to-day activities.

Principal Features of Learning Organisations

There are five principal features of a learning organisation (Iles and Sutherland, 2001):
• They have managerial hierarchies that enhance opportunities for employee, carer and service user involvement in the organisation.
• All are empowered to make relevant decisions. Structures support teamwork and strong lateral relations (not just vertical).
• Networking is enabled across organisational and hierarchical boundaries both internally and externally.
• They have strong cultures that promote openness, creativity, and experimentation among members.
• They encourage members to acquire, process and share information, nurture innovation and provide the freedom to try new things, to risk failure and to learn from mistakes.
The key characteristics of Learning Organisations include (Social Care Institute for Excellence, 2004):

**Information systems** - learning organisations require information systems that improve and support practice and that move beyond those used in traditional organisations where information is generally used for control purposes. ‘Transformational Change’ requires more sophisticated information systems that facilitate rapid acquisition, processing and sharing of rich, complex information which enables effective knowledge management.

**Human resource practices** - people are recognised as the creators and users of organisational learning. Accordingly, human resource management focuses on provision and support of individual learning. Appraisal and reward systems are concerned to measure long-term performance and to promote the acquisition and sharing of new skills and knowledge.

**Leadership** - like most interventions aimed at securing significant organisational improvement, organisational learning depends heavily on effective leadership. Leaders model the openness, risk-taking and reflection necessary for learning, and communicate a compelling vision of the learning organisation, providing the empathy, support and personal advocacy needed to lead others towards it. They ensure that organisations and work groups have the capacity to learn, change and develop. From these principal features we have developed 12 key characteristics of learning organisations in social care which are outlined on ‘key characteristics’

Researcher and writer Barbara J. Braham (1995) said that: “A learning organisation is an organisation that prioritises learning.” She maintains that a learning organisation is set apart from other organisations in seven distinct ways:

• Learning is integrated into everything people do; it’s a regular part of the job, not something extra you “add on”.
• Learning is a process, not an event.
• Cooperation is the foundation of all relationships.
• Individuals themselves evolve and grow, and in the process transform the organisation.
• The learning organisation is creative; individuals co-create the organisation.
• The organisation learns from itself; employees teach the organisation about efficiency; quality improvement and innovation.
• It is fun and exciting to be part of a learning organisation.

**Benefits of Being a Learning Organisation**

There are many benefits to improving learning capacity and knowledge sharing within an organisation. The main benefits are:
- Maintaining levels of innovation and remaining competitive,
- Being better placed to respond to external pressures,
- Having the knowledge to better link resources to customer needs,
- Improving quality of outputs at all levels,
- Improving corporate image by becoming more people orientated,
- Increasing the pace of change within the organisation.
PART 3: The Governance of NHS Wales in Context
The Governance of NHS Wales in Context

3.1 The Statutory Framework for NHS Bodies in Wales

Local Health Boards (LHBs) and NHS Trusts are corporate bodies and their functions must be carried out in accordance with their statutory powers and duties, which are mainly contained in the **NHS (Wales) Act 2006** (C.42) which is the principal legislation relating to the NHS in Wales. Whilst the **NHS Act 2006** (C.41) applies equivalent legislation to the NHS in England, it contains some legislation that applies to both England and Wales. The NHS (Wales) Act 2006 and the NHS Act 2006 are a consolidation of the NHS Act 1977 and other health legislation which has now been repealed. The NHS (Wales) Act 2006 contains various powers of Welsh Ministers to make subordinate legislation and details how NHS Trusts are governed and their functions.

Local Authorities Partnership Arrangements (Wales) Regulation 2000 (2000/2993) (W.193)) made under section 33 of the NHS (Wales) Act 2006 enable LHBs, NHS Trusts and Local Authorities to enter into any partnership arrangements to exercise certain NHS functions and health related functions as specified in the Regulations. The arrangement can only be made if it is likely to lead to an improvement in the way in which NHS functions and health-related functions are exercised and the partners have consulted jointly with all affected parties and fulfil the objectives set out in the health improvement plan of the relevant health body. Section 72 of the NHS Act 2006 places a duty on NHS bodies to co-operate with each other in exercising their functions. Section 82 of the NHS Act 2006 places a duty on NHS bodies and local authorities to co-operate with one another in order to secure and advance the health and welfare of the people of England and Wales.

The NHS Finance (Wales) Bill gives effect to the Welsh Government’s proposals in ‘Together for Health’ (Welsh Government, 2011b) to introduce a more flexible finance regime. It places a new legal financial duty for Local Health Boards to break even over a rolling 3 financial years rather than each and every year. The Bill places a duty for Local Health Boards to adopt a financial regime to flexibly manage resources, expenditure and approved limits over a rolling 3 year period.

This will enable Local Health Boards and NHS Trusts to focus their service planning, workforce and financial decisions and implementation over a longer, more manageable, period. The intention of the Bill is to allow for better decision making and implementation of optimal solutions in Local Health Boards and removes a significant challenge within the current regime which encourages short term decision making around the financial year.

Section 5 of the Welsh Language Act 1993 (C.38) places a duty on public bodies to implement a Welsh Language Scheme which outlines how NHS Trusts will comply with their statutory responsibility to provide services through the medium of Welsh.
LHBs and NHS Trusts are bound by any other statutes and legal provisions, which govern the way they do business. The powers of LHB and NHS Trust Standing Orders, Reservation and Delegation of Powers established under statute shall be exercised by these bodies meeting in public session, except as otherwise provided by these SOs. In addition to Directions, the Welsh Ministers may from time to time issue guidance, which Local Health Boards and NHS Trusts must take into account when exercising any function.

NHS bodies in Wales must operate within the law in relation to all aspects of its business. This legislative framework extends beyond NHS specific legislation and incorporates Acts that place specific duties on all UK organisations, e.g. the Data Protection Act and Freedom of Information Act, as well as those that place specific duties on NHS bodies, e.g. Mental Health Act and Children’s Act.

3.2 Local Health Boards

There are seven Health Boards in Wales as shown on the map below:

The **principal role** of LHBs is to ensure the effective planning and delivery of the local NHS system, within a robust governance framework, to achieve the highest standards of patient safety and public service delivery, improve health and reduce inequalities and achieve the best possible outcomes for its citizens, and in a manner that promotes human rights.
LHBs were established by the Local Health Boards (Establishment and Dissolution) (Wales) Order 2009 (S.I. 2009/778 (W.66)) and most of their functions are contained in the Local Health Boards (Directed Functions) (Wales) Regulations 2009 (S.I. 2009/1511 (W.147)). The LHB must ensure that all its activities are in exercise of those functions or other statutory functions that are conferred on it. To fulfil this role, the LHB will work with all its partners and stakeholders in the best interests of its population.

The membership of each LHB shall be no more than 20 members comprising the Chair and the Vice Chair (both appointed by the Minister for Health and Social Services), the Chief Executive (appointed by the Board with the involvement of the Chief Executive, NHS Wales) and officer and non-officer members.

There is a total of 9 Executive Directors (including the Chief Executive), appointed by the Board, whose responsibilities include the following areas: Medical; Finance; Nursing; Primary Care and Community and Mental Health Services; Strategic and Operational Planning; Workforce and Organisational Development; Public Health; Therapies and Health Science. Executive Directors may have other responsibilities as determined by the Board and set out in the scheme of delegation to officers. Executive Directors’ tenure of office as Board members will be determined by their contract of appointment.

There is a total of 9 Independent Members appointed by the Minister for Health and Social Services, including: an elected member of a local authority whose area falls within the LHB area; a current member or employee of a Third Sector organisation within the LHB area; a trade union official; a person who holds a post in a University that is related to health; and five other Independent Members who together have experience and expertise in legal; finance; estates; Information Technology; and community knowledge and understanding.

Three Associate Members - a Director of Social Services (nominated by local authorities in the LHB area), the Chair of the Stakeholder Reference Group, and the Chair of the Healthcare Professionals’ Forum - are appointed by the Minister for Health and Social Services, and will attend Board meetings on an ex-officio basis, although will not have voting rights. The Board may appoint an additional Associate Member to assist in carrying out its functions, subject to the agreement of the Minister.

Independent Members and Associate Members appointed by the Minister are appointed for a specified period, although for no longer than 4 years in any one term. These members can be reappointed and may not serve a total period of more than 8 years. All Board members’ tenure of appointment will cease in the event that they no longer meet any of the eligibility requirements, so far as they are applicable.

Local Health Boards must establish a Committee structure that it determines best meets its own needs, taking account of any regulatory or Welsh Government requirements. As a minimum, it must establish Committees which cover the following aspects of Board business: Quality and Safety; Audit; Information Governance; Charitable Funds; Remuneration and Terms of Service; and Mental Health Act requirements.

Local Health Boards have a statutory duty to take account of representations made by persons who represent the interests of the communities it serves, its officers and healthcare professionals. To help discharge this duty, the Board may and where directed by the Welsh Ministers must, appoint Advisory Groups to the LHB to provide advice to the Board in the exercise of its functions. Such Groups include a Stakeholder Reference Group, Healthcare Professionals’ Forum and Local Partnership Forum.
3.3 NHS Trusts

There are three NHS Trusts in Wales:

The Velindre NHS Trust is a statutory body that came into existence on 1st December 1993 under The Velindre National Health Service Trust (Establishment) Order 1993 (1993/2838). This was amended by The Velindre NHS Trust (Establishment) Amendment Order 1999, The Velindre NHS Trust (Establishment) Amendment (No. 2) Order 2002 and the Velindre NHS Trust (Establishment) Amendment Order 2009.

The membership of the Trust comprises the Chair, 6 Independent Members appointed by the Minister and 5 Executive Directors comprising the Chief Executive, the Director of Finance, a medical or dental practitioner (to be known as the Medical Director), a registered nurse or registered midwife to be known as the Nurse Director and 1 other. Executive Directors may have other responsibilities as determined by the Board and set out in the scheme of delegation to officers.

The Welsh Ambulance Services NHS Trust is a statutory body that came into existence on 1st April 1998 under the Welsh Ambulance Services National Health Service (Establishment) Order 1998 (1998/678). The Trust’s principal role is to manage ambulance and associated transport services and such other services (including communications and training) relating to the provision of care as can reasonably be carried out in conjunction with these services. In addition to the establishment order, with effect from 1st April 2007 the functions of NHS Direct Wales were transferred to be an integral part of the Trust and provide: a 24 hour telephone service to provide the public and practitioners with advice, a web-based information service, telephone advice in relation to other agreed services, and a GP out-of-hours services to agreed Local Health Boards.

The membership of the Trust comprises the Chair, 7 Independent Members and 5 Executive Directors that include: a Chief Executive, Executive Director of Medical and Clinical Services, Executive Director of Strategy, Planning and Performance, Executive Director of Finance and ICT, Executive Director of Workforce and Organisational Development. The Minister for Health appoints the Chair and the Independent Members and the Board (with the involvement of the Chief Executive, NHS Wales) appoints the Chief Executive.

The Public Health Wales NHS Trust is a statutory body that was established on 1st August 2009 (and became operational on 1st October 2009) under the Public Health Wales National Health Service Trust (Establishment) Order 2009. The functions of the Trust are to:

- Provide and manage a range of public health, health protection, healthcare improvement, health advisory, child protection and microbiological laboratory services and services relating to the surveillance, prevention and control of communicable diseases;
- Develop and maintain arrangements for making information about matters related to the protection and improvement of health in Wales available to the public; to undertake and commission research into such matters and to contribute to the provision and development of training in such matters;
- Undertake the systematic collection, analysis and dissemination of information about the health of the people of Wales in particular including cancer incidence, mortality and survival; and prevalence of congenital anomalies; and provide, manage, monitor, evaluate and conduct research into screening of health conditions and screening of health related matters.

The Trust Board has 12 members comprising the 5 Executive Directors, appointed by the Board, consisting of the Chief Executive, the Chief Finance Officer, Executive Director of Public Health Services, Executive Director of Public Health Development, and Executive Director of Planning and Performance and non executive directors, and six Independent Members which include: a university nominee; a local authority nominee; an employee or member of a voluntary sector organisation; an officer of a trade union or other employee representative body representing staff of the Trust and two other independent members.

The Minister for Health appoints the Chair and the Independent Members and the Board (with the involvement of the Chief Executive, NHS Wales) appoints the Chief Executive. All the Independent and Executive Members of Trust Boards have full voting rights. There may be associate members who do not have voting rights.

Paragraph 18 of Schedule 23 to the NHS (Wales) Act 2006 provides for NHS Trusts to enter into arrangements for the carrying out, on such terms as considered appropriate, of any of its functions jointly with any Strategic Health Authority, Local Health Board or other NHS Trust, or any other body or individual.

Trust Boards may and, where directed by the Welsh Government must, appoint committees of the Trust either to undertake specific functions on the Board’s behalf or to provide advice and assurance to the Board on the exercise of its functions. Trusts are required to establish a committee structure that it determines best meets its own needs, taking account of any regulatory or Welsh Government requirements. As a minimum, Trusts must establish committees that cover the following aspects of Board business: Quality and Safety; Audit; Information Governance; Charitable Funds; Remuneration and Terms of Service; Mental Health Act Requirements.

3.4 Legislation

Mental Health Act 1983

The Mental Health Act 1983 covers the detention of people deemed a risk to themselves or others. The Act sets out the legal framework to allow the care and treatment of mentally disordered persons. It provides the legislation by which people suffering from a mental disorder can be detained in hospital to have their disorder assessed or treated against their wishes.

Mental Capacity Act (2005)

The introduction of the Mental Capacity Act in April and October 2007 put into law much of what had previously been seen as ‘good practice’. The Act provides clarity for staff and a protection for them provided they follow its guidance. Staff from care homes for older people and those from domiciliary care agencies need to have a working knowledge of the Act so they can support people in their care who may lack the mental capacity to
make some decisions. They need to have confidence and competence to challenge other people who may not be aware of the legislation, in support of their clients. The Act has relevance in the protection of vulnerable adults.

**Mental Health (Wales) Measure 2010**

The National Assembly for Wales passed the Mental Health (Wales) Measure in November, and it received Royal Approval on 15th December 2010. The Measure is concerned with:

- Local primary mental health support services;
- Care coordination and care and treatment planning within secondary mental health services;
- Assessment of former users of secondary mental health services;
- Independent mental health advocacy.

Hospital managers have a central role in operating the provisions of the Act. For a hospital vested in a Local Health Board, the managers are the Board members and they have the authority to detain patients admitted under the Act, and must ensure that the patient’s treatment and care fully comply with the requirements of the Act. Patients should be informed of, and supported in exercising, their statutory rights.

Hospital managers should also ensure that a patient’s case is dealt with in line with other legislation which may have an impact, including the Mental Capacity Act 2005, the Human Rights Act 1998 and the Data Protection Act 1998.

In practice most hospital managers’ decisions are taken by individuals (or groups of individuals) on their behalf. Panels specifically selected for the role take decisions about discharge from compulsory powers. Section 23 of the Act gives hospital managers the power to discharge certain patients from compulsory powers. The power may be only be exercised by three or more members of a committee or sub-committee formed for that purpose. The committee or sub-committee must not include any employee or officer of the Board, but should include non-officer members (NOMs).

Further guidance on the exercise of the power of discharge is given in the *Mental Health Act 1983 Code of Practice for Wales*. In addition to responsibilities falling to ‘hospital managers’, the LHB also has other responsibilities under the 1983 Act in relation to:

- After-care (under section 117 of the Act)
- Independent mental health advocates
- Approval of approved clinicians
- Approval of section 12(2) doctors

**After-care (section 117)**

Section 117 of the Act requires LHBs and Local Social Services Authorities, in collaboration with non-statutory agencies, to provide after-care for certain categories of detained patients. The duty comes into effect when the patient leaves hospital. Further guidance on after-care is given in Chapter 31 of the *Mental Health Act 1983 Code of Practice for Wales*.
Independent mental health advocates (IMHAs)
IMHAs provide an important safeguard for certain patients treated under the Act, to ensure that they understand the Act and their own rights and safeguards. The Mental Health (Independent Mental Health Advocates) (Wales) Regulations 2008 are concerned with the establishment of IMHA services, and set out the arrangements for commissioning of the services and the requirements for standards in terms of appointment and approval of IMHAs. In Wales it is the responsibility of LHBs to commission IMHA services. More information on IMHAs and their role is given in Chapter 25 of the Mental Health Act 1983 Code of Practice for Wales.

Approval of approved clinicians
Approved clinicians have a number of functions under the Act, although their main purpose is to act as the responsible clinician for a patient subject to compulsion under the Act. LHBs are responsible for making arrangements for the approval process in Wales.

Approval of section 12(2) doctors
Doctors provide medical recommendations for detention in hospital or for reception into guardianship under the Act. Of the two doctors required to complete medical recommendations in this way, one must be approved (under section 12(2) of the Act) as having special experience in the diagnosis or treatment of mental disorder. LHBs are responsible for making arrangements for the approval process of such doctors in Wales.

3.5 The NHS Framework in Wales
In addition to the statutory requirements set out above, LHBs and NHS Trusts must carry out all business in a manner that enables them to contribute fully to the achievement of the Welsh Government’s vision for the NHS in Wales and its standards for public service delivery.

The governance standards set for the NHS in Wales are based upon the Welsh Government’s Citizen Centred Governance principles (Welsh Government, 2014). These principles provide the framework for good governance and embody the values and standards of behaviour that is expected at all levels of the service, locally and nationally. Adoption of the principles will better equip NHS Trusts to take a balanced, holistic view of their organisations and their capacity to deliver high quality, safe healthcare services for all its citizens within the NHS framework set nationally.

The overarching NHS governance and accountability framework incorporates the Standing Orders: the Scheme of Reservation and Delegation of Powers: Standing Financial Instructions, together with a range of other frameworks designed to cover specific aspects. These include the NHS Values and Standards of Behaviour Framework; the ‘Doing Well, Doing Better: Standards for Health Services in Wales’ (Welsh Government, 2010a) formally the Healthcare Standards Framework, the NHS Risk and Assurance Framework and the NHS planning and performance management systems.

The Welsh Assembly, reflecting its constitutional obligations, has stated that sustainable development should be the central organisation principle for the public sector and a core objective for the restructured NHS in all it does.

Full, up to date details of the other requirements that fall within the NHS framework – as well as further information on the Welsh Government’s Citizen Centred Governance principles - are provided on the NHS Wales Governance e-manual which can be accessed at www.NHSWalesGovernance.com. (Welsh Government, 2014)
Directions or guidance on specific aspects of NHS Trusts business are available in hard copy, usually under cover of a Ministerial letter.

3.5.1 Local Health Boards and NHS Trusts

Local Health Boards and NHS Trusts in Wales must agree Standing Orders (SOs) for the regulation of their proceedings and business. They are designed to translate the statutory requirements into day to day operating practice, and, together with the adoption of a Scheme of decisions reserved to the Board; a Scheme of delegations to officers and others; and the annual Delivery Framework they provide the regulatory framework for the business conduct of the LHB and NHS Trust.

These documents form the basis upon which the organisation’s governance and accountability framework is developed and, together with the adoption of its Values and Standards of Behaviour framework, is designed to ensure the achievement of the standards of good governance set for the NHS in Wales.

All LHB and NHS Trust Board members and officers must be made aware of these Standing Orders and, where appropriate, should be familiar with their detailed content. The Board Secretary will be able to provide further advice and guidance on any aspect of the Standing Orders or the wider governance arrangements within the organisation.

The governance and accountability framework of LHBs and NHS Trusts comprises Standing Orders, incorporating schedules of Powers reserved for the Board and Delegation to others, together with the following documents:

- Standing Financial Instructions
- Values and Standards of Behaviour Framework
- Risk Process and Assurance Framework
- Key policy documents approved by the Board

These documents must be read in conjunction with Standing Orders and will have the same effect as if the details within them were incorporated within the SOs themselves. LHBs and NHS Trusts must ensure that an official is designated to undertake the role of the Board Secretary (the role of which is set out below).

The SOs of the LHB and NHS Trust (together with SFIs and the Values and Standards of Behaviour Framework), will, as far as they are applicable apply to meetings of any formal Committees established by the LHB or NHS Trust, including any Advisory Groups, sub-Committees, joint-Committees and joint sub-Committees. These SOs may be amended or adapted for the Committees as appropriate, with the approval of the Board.

All Board members and officers have a duty to report any non compliance to the Board Secretary as soon as they are aware of any circumstance that has not previously been reported. Ultimately, failure to comply with SOs is a disciplinary matter that could result in an individual’s dismissal from employment or removal from the Board.
3.5.2 Specialised and Tertiary Services

In 2010 the seven Local Health Boards (LHBs) in Wales established the Welsh Health Specialised Services Committee (WHSSC) to ensure that the population of Wales has fair and equitable access to the full range of specialised services. This followed a consultation on specialised services for Wales in 2009, which recommended improvements on how the NHS plans and secures specialised services. In establishing WHSSC to work on their behalf, the seven LHBs recognised that the most efficient and effective way of planning these services was to work together to reduce duplication and ensure consistency.

WHSSC is a joint committee of each LHB in Wales, established under the Welsh Health Specialised Services Committee (Wales) Directions 2009 (2009/35). It brings Local Health Boards in Wales together to plan specialised services for the population of Wales and plans, secures and monitors the quality of a range of Specialised Services. The Joint Committee is established as a Statutory Sub Committee of each of the Local Health Boards in Wales. It is led by an Independent Chair, appointed by the Minister for Health and Social Services, and membership is made up of three Independent Members, one of whom is the Vice Chair, the Chief Executives of the Local Health Boards, Associate Members and a number of Officers.

Every year, WHSSC receives funding from the LHBs to pay for specialised healthcare for everyone who lives in Wales and is entitled to NHS care. Our job is to get the best value for this money by spending it wisely on their behalf.

3.5.3 NHS Wales Shared Services Partnership

The LHBs and Trusts in Wales have collaborated over the operational arrangements for the provision of NHS Wales Shared Services Partnership and have agreed the terms of a Co-operation Agreement for NHS Wales Shared Services Partnership setting out how they will work together to ensure that the arrangements are introduced and operate effectively by collective decision making in accordance with the policy and strategy recommended by the NHS Wales Shared Services Partnership Committee. The Director of Shared Services will be responsible for exercising the functions delegated to him in a Shared Services Portfolio including:

- Procurement Services (including sourcing, supply chain, purchasing, accounts payments and capital equipping)
- Primary Care Services
- Employment Services (including payroll, recruitment, pensions, staff expenses payments and lease car administration)
- Workforce, Education and Development Services (workforce planning, information, education contracting, workforce modernisation)
- Student Awards Unit (NHS Bursaries)
- Facilities Services
- Legal & Risk Services
- Welsh Risk Pool Services
- Audit and Assurance Services
- Central Team eBusiness Services
- Counter Fraud Services (National Team)
- Workforce Information Systems (WfIS) Programme
3.5.4 The Healthcare Inspectorate Wales

The Healthcare Inspectorate Wales (HIW) is responsible for ensuring that all registerable providers of private and voluntary healthcare comply with the requirements imposed by the Care Standards Act 2000 and associated regulations (currently the Independent Health Care (Wales) Regulations 2011, the Private and Voluntary Health Care (Wales) Regulations 2002 (SI 2002/325), the Private Dentistry (Wales) Regulations 2008 (SI 2008/1976) and the Registration of Social Care and Independent Health Care (Wales) Regulations 2002 (SI 2002/919). Providers are assessed against and expected to achieve at least the national minimum standards set out in the National Minimum Standards for Independent Healthcare Services in Wales and the National Minimum Standards for Private Dental Services, as applicable. Compliance with these statutory provisions and adherence to the national minimum standards helps ensure services provided to patients meet essential safety and quality standards.

HIW acts as the regulator of healthcare services in Wales on behalf of the Welsh Ministers who, by virtue of the Government of Wales Act 2006, are designated as the registration authority.

HIW has responsibility for:

- the registration of providers (and where required, their managers),
- review and inspection of independent health care services in Wales (in the interests of patients, HIW aims to help services improve, and eliminate bad practice).
- Where service providers fail to meet their legal obligations consideration will be given to taking appropriate enforcement action.

3.6 Health Strategy in Wales

3.6.1 Together for Health

Together for Health (Welsh Government, 2011b) is the five year vision for the NHS. It is based around community services with patients at the centre, and places prevention, quality and transparency at the heart of healthcare. The document outlines the challenges facing the health service and the actions necessary to ensure it is capable of world-class performance.

The document sets out how the NHS in Wales will look in five years time, with primary and community services at the centre of delivery. The main commitments are:

- Service modernisation, including more care provided closer to home and specialist ‘centres of excellence’
- Addressing health inequalities
- Better IT systems and an information strategy ensuring improved care for patients
- Improving quality of care
- Workforce development
- Instigating a ‘compact with the public’; and
- A changed financial regime.
The collective aim is delivery and making significant improvements over the next five years:

**Health will be better for everyone**
- More children will have a good start in life
- The health of the most and least deprived will be more similar
- Obesity, smoking, drug and alcohol abuse will level off or fall
- People will be enjoying more years of high quality life.
- Access and patient experience will be better
- Access to primary care services will be easier
- More services will be provided through local pharmacies
- More services will be available 24 hours a day, 365 days a year
- A greater range of local services will mean less need to travel
- More information on services and on health issues will be available by telephone and on-line.

**Better service safety and quality will improve health outcomes**
- We will guarantee dignity and respect for patients
- Systems for assuring high quality care will match the best in the world
- People will benefit more from healthcare - health ‘outcomes’ will improve
- Every service will have been put on a solid basis for the long term, with access as local as possible
- Specialist hospital care in centres of excellence will match the best
- The NHS in Wales will work with relevant agencies to ensure people’s transport needs to hospitals are addressed
- The best possible communication links will give clinical staff fast, safe and secure access anywhere in Wales to the information needed to help patients
- The NHS in Wales will publish information on the performance of major services in terms of safety, care outcomes and patients’ views.

### 3.6.2 Our Healthy Future

Our Healthy Future (Welsh Government, 2009) sets out the Welsh Government’s commitment to improve the quality and length of life and to ensure that everyone in Wales has a fair chance to lead a healthy life. It sets a long-term vision in which:

- Children and young people are given a good start in life that supports their long-term health and wellbeing.
- Everyone aspires to, and is supported to achieve, a healthy and fulfilling working life.
- Older people have the knowledge, skills or support to make informed choices about living independent and fulfilled lives.
- The health of individuals experiencing greatest disadvantage is improving to the levels found among the more advantaged.
- Healthy sustainable communities – places where people want to live, work, play and flourish – are sought for all.
- Health and social services place greater emphasis on prevention and early intervention.
• Health and wellbeing is a shared goal for all.
• Our public health policies and interventions are based on good evidence and monitored.

To realise this vision, Our Healthy Future aims to: increase the pace of change in improving health in Wales, increase years of healthy life, achieve fairer health outcomes, reduce (or eliminate) barriers to leading a healthy life, and provide the strategic direction for national and local public health. It sets out to do this by focusing on six action areas:

• Health and wellbeing throughout life
• Healthy sustainable communities
• Reduced inequities in health
• Prevention and early intervention
• Health as a shared goal
• Strengthening evidence and monitoring progress

3.6.3 Setting the Direction

‘Setting the Direction’ (Welsh Government, 2010b) recognises the commitment to delivering world-class integrated health care in Wales. This requires a change in the approach to developing both policy and service delivery models for primary and community care. The report made some recommendations building on the strengths and developments within the current system whilst directly tackling some of the existing challenges. The key underlying principles for improvement include:

• Universal population registration and open access to effectively organised services within the community
• First contact with generalist physicians that deal with undifferentiated problems supported by an integrated community team
• Localised primary care team-working serving discrete populations
• Focus on prevention, early intervention and improving public health not just treatment
• Co-ordinated care where generalists work closely with specialists and wider support in the community to prevent ill-health, reduce dependency and effectively treat illness
• A highly skilled and integrated workforce
• Health and social care working together across the entire patient journey ensuring that services are accessible and easily navigated
• Robust information and communication systems to support effective decision-making and public engagement
• Active involvement of citizens and their carers in decisions about their care and wellbeing

3.6.4 Delivering Local Health Care

Delivering Local Health Care – Accelerating the pace of change (Welsh Government, 2013a) aims to build on progress made since the publication of Setting the Direction and sets out to:

• Increase the focus on prevention, with rapid intervention when needed.
• Help people, families and communities influence and support their own health and local services.
• Strengthen locally led service planning, co-ordination and delivery.

As this plan is implemented, Welsh Government will work with Health Boards and other partners to ensure:
• Accelerated adoption of new approaches to the delivery of primary and community care, using advances in technology and enhancing and developing clinical roles.
• Locality networks are developed to really shape local services, with resources to make decisions about how care is developed.
• Greater integration between health and social care, creating a single system of care planning and delivery of services.
• Narrowing of the health inequalities gap through targeted action in areas of greatest need.

3.6.5 A Framework for Delivering Integrated Health and Social Care for Older People with Complex Needs

At the time of writing, the Welsh Government is consulting on their proposals for a Framework for Delivering Integrated Health and Social Care for Older People with Complex Needs. A new pattern of services is needed, building on, adapting and developing the good foundations already in place. Recognising the growing evidence that demonstrates the benefits of integration, this document sets out how the Welsh Government ambition for truly integrated health and social care services for older people is to be implemented. Partners across Wales are expected now to move rapidly on making this model the norm.

A marked change is needed over the next three years. To achieve this, care delivery must be aimed at achieving improved user and patient care through better co-ordination of services. Integration requires a combined set of methods, models and processes that seek to bring about this improved co-ordination.

It should be a consciously planned and managed system. Working closely together to reduce barriers between them, local partners will need to refocus their activities around those receiving care.

It should be built with and for service users and the local community. Services should not be designed and run without reference to the people they serve.

In making the necessary changes, a decision has been made that at this point reforms to structures are ruled out, although there must be change. The requirement therefore is that local bodies now progress along a clearly defined path, linking at each stage their actions to those being delivered in parallel in response to Delivering Local Health Care (Welsh Government, 2013a).

3.6.6 Together for Mental Health

Together for Mental Health (Welsh Government, 2012d) provides a 10-year strategy for improving the lives of people using mental health services, their carers and their families. At the heart of the Strategy is the Mental Health (Wales) Measure 2010, which places legal duties on Health Boards and Local Authorities to improve support for people with mental ill-health. The main themes of Together for Mental Health are:
• Promoting mental wellbeing and, where possible, preventing mental health problems developing.
• Establishing a new partnership with the public, centred on:
  - Improving information on mental health
  - Increasing service user and carer involvement in decisions around their care
  - Changing attitudes to mental health by tackling stigma and discrimination.
• Delivering a well designed, fully integrated network of care. This will be based on the recovery and enablement of service users in order to live as fulfilled and independent a life as possible.
• Addressing the range of factors in people’s lives, which can affect mental health and wellbeing through care and treatment planning and joint-working across sectors.
• Identifying how we will implement the Strategy.

The Strategy is focused around 6 high level outcomes and supported by a Delivery Plan. These set out the actions the Welsh Government and partner organisations will undertake to make the Strategy’s vision a reality. A new national Mental Health Partnership Board will oversee delivery of the Strategy.

3.7 The Workforce

Together for Health (Welsh Government, 2011b) recognises that all staff have a vital role in creating safe and effective care for the people of Wales and in shaping the future of our services. In order to deliver this a “strategic workforce and organisational development framework that secures the right staff and fully supports and engages them in delivering excellent care” is essential. Working Differently – Working Together (Welsh Government, 2012e) provides a framework that will support the development of the right staffing model to reflect our unique and fully integrated healthcare organisations as we continue to transform the way that we deliver healthcare in Wales.

The level of transformation needed to deliver the seven major areas of change identified in Together for Health, leading to world class health services, must be underpinned by shared values and led by inspiring leaders who bring about the cultural change required. Staff will want to see how changes will benefit patients and clients, who are central to all that we do and consider how they can contribute to improving quality.

The focus of this framework is staff directly employed within the NHS although it is recognised that healthcare is delivered in partnership with other stakeholders and in particular primary care services. The Workforce and Organisational Development Framework will therefore encourage all opportunities to engage with our partners in healthcare delivery. The delivery of the vision of Together for Health must be supported by cultural change and visionary leadership, which fully empowers and engages all NHS staff.
Four workforce and organisational development objectives have been created that set out the high level components of what needs to be delivered and the key enabling actions to support Together for Health, these are:

- An engaged workforce aligned and committed to the delivery of the vision for NHS Wales in 2016.
- A sustainable and skilled workforce focused on helping the people of Wales to improve their health as well as treating sickness.
- A redesigned workforce, working together to deliver healthcare for the 21st Century.
- A workforce that aims at excellence everywhere within available resources.

Local organisational plans and programmes together with development opportunities offered through Academi Wales can support the delivery of evidence based workforce and organisation development interventions that support change at an organisation wide, department, work group and individual level.

3.8 The NHS Delivery Framework

Over recent years there has been an international, national and local commitment to develop a more meaningful measurement of what the NHS delivers. The Welsh Government’s Programme for Government (PfG) contained a commitment to measure the impact that the Welsh Government is having on people’s lives, including Health in Wales. Two strategic documents were developed to explore this in more detail - ‘Together for Health’ (Welsh Government, 2011b) and ‘Achieving Excellence, The Quality Delivery Plan’ (Welsh Government, 2012a).

The main purpose of the NHS is to support the public in achieving and maintaining health and well being; it is wider than the management of ill health. It needs to plan and deliver both short and long term aims ensuring integration across services and with partners.

Outcome standards are seen as the future to drive this new focus. It is important however that this is developed in conjunction with, and has ownership by, both NHS staff and the public. This was a key recommendation as highlighted in the Francis Review (February 2013). To develop this outcome approach, stakeholder engagement is essential which will (and should) take time. To allow for this engagement, a two phased approach has been agreed. The first phase is a pragmatic and minimal development of the Delivery Outcome Framework for 2013/14 based upon the current one and the second phase is an engagement process to develop a future framework. A Measures Sub Group of the Executive Team in Department for Health and Social Services is overseeing this process for both phases.

Five quality ‘domains’ have been identified to help provide a more integrated view of NHS delivery:

- **Need and prevention** - Are we meeting need? Are we managing demand? Is prevention improving? Is our focus balanced?
- **Experience and access** - Are services accessible and are users satisfied?
- **Quality and safety** - Are services safe? Are standards and outcomes improving?
- **Integration & partnerships** - Is integration improving?
- **Allocation and use of resources (staff and finance)** - Are services efficient and affordable? Is the workforce engaged? Are we managing supply?
The purpose of this is to measure delivery across a wider area than just acute hospitals and to make a step towards including health and well being across the whole of the NHS and wider partners. The updated Tier 1 will form the high level delivery requirement for the NHS from April 2013 and will outline the key accountability requirements for each NHS Board.

In conjunction with the Delivery Framework, and to support a dialogue about integration a pilot balanced scorecard is proposed. This will include scoring of the domains, two integrated pathways - Planned and Unscheduled Care - and self assessment of progress with improving capability and maturity. However, the balanced scorecard is not intended to form part of the delivery framework for 2013/14 although it is aimed at facilitating a better discussion about integration across the Local Health Boards’ wider portfolio. Scoring is only to establish if there is a trend of improvement.

3.8.1 Delivery and Accountability Arrangements

There may be times when performance within an organisation gives cause for concern and the Welsh Government’s level of involvement will be proportionate to the level of non-delivery. This will be assessed by utilising a risk based approach to performance management, intervening only when there is a level of continued or significant risk of non-delivery. The greater the risk at an organisation level, the more closely the Welsh Government will monitor and intervene. When considering the appropriate level of scrutiny for each organisation Welsh Government will consider the following points to ensure that it is proportionate:

- How to tailor scrutiny to those areas of greatest impact.
- Scrutiny and intervention will be tailored in frequency, intensity and scope.
- The level of scrutiny will be based on the assurance requirements of Welsh Government, and the Minister for Health and Social Services.

The overall objective of the delivery framework will be to ensure successful delivery of the required milestones with assurance of ongoing sustainability. LHBs / NHS Trusts will be required to provide an assurance that they are delivering against the national requirements. This is particularly relevant for non-compliance against standards set although not yet delivered from previous years e.g. access (especially orthopaedics) and unscheduled care. The Welsh Government approach will be proportionate and based on the principle of earned autonomy.

Organisations that do not meet the required standards will be subject to a clear escalation process. This will be in four stages and follows the same process already described in the orthopaedics plan to Chief Executives. Timescales of escalation will be relevant to the reporting timescales of individual indicators. The escalation framework is shown in the following table:
## Escalation within the Delivery Framework

<table>
<thead>
<tr>
<th>Escalation Level</th>
<th>Performance Trigger</th>
<th>Escalation Action</th>
<th>Monitoring</th>
<th>De-escalation</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.</td>
<td>Local delivery of all targets and/or within trajectory.</td>
<td>None required - earned autonomy (including potential for reducing the frequency of Q&amp;DM) and minimal monitoring beyond that required for national returns. Proactive assurance mechanisms.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>Health Boards / Trusts fail to achieve / maintain one deliverables.</td>
<td>Health Boards / Trusts are responsible for remedial action in response to areas of failure. WG indicates the additional monitoring requirements. Plans brought forward to redress the position with immediate effect</td>
<td>WG, in conjunction when necessary with DSU (or other intervention mechanism identified by WG), assures and monitors implementation of plans and effectiveness of solutions. Executive highlight report. Support from other agencies if required.</td>
<td>Immediate removal of escalation action upon achievement of plan and return to improving KPIs.</td>
</tr>
<tr>
<td>2.</td>
<td>Continued failure to achieve / maintain one or more key deliverables.</td>
<td>WG instigates DSU and / or other intervention. WG and DSU (or other intervention mechanism identified by WG) will be actively involved in determining the necessary changes within the HB/Trust to deliver required outcomes through regular meetings/calls.</td>
<td>WG Representatives to join regular meetings/calls and monitor effectiveness of organisational response with DSU and/or other intervention mechanisms.</td>
<td>Sustained improvement of KPIs causes removal of escalation actions.</td>
</tr>
<tr>
<td>3.</td>
<td>Continued failure and/or a failure to maintain an agreed improvement trajectory following intervention.</td>
<td>Issues raised with Chief Executive NHS Wales. Meeting required between HB Chief Executive, NHS CEO and/ or NHS Deputy Chief Executive to determine future requirements and actions.</td>
<td>Regular reporting established between CEO NHS Wales and HB Chief Executives until improving trajectory established.</td>
<td>Maintenance of agreed improvement trajectories causes return to escalation level 2.</td>
</tr>
<tr>
<td>4.</td>
<td>Continued failure to improve performance or failure to engage with the national process despite level 3 escalation.</td>
<td>Actions to be determined by NHS Chief Executive which may include the following:  • Meeting required with Chair, Vice Chair, CEO, Board Secretary and relevant Executives  • Introduction of ‘special measure’ arrangements  • Review of executive effectiveness  • Review of Board effectiveness  • Removal of appropriate funding streams</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
3.8.2 Local Responsibility for Delivery

Patients across Wales need to feel confident that, when they access healthcare services, their local NHS organisation will deliver the services they need in an effective and timely manner "without harm or variation". We all need to be confident that the best possible use is made of the resources invested in healthcare services “without waste” and the Welsh Government need to be confident that NHS organisations are contributing effectively to the achievement of these goals. Local Health Boards / NHS Trusts will therefore need to take ownership for delivery and service modernisation and be accountable through their Boards and the Welsh Government for health services to their local communities.

Chief Executives, as the designated accountable officers, are required to ensure that risks to the achievement of their organisation’s objectives and the fulfilment of their statutory responsibilities are identified; that the significance of the risk is assessed; and that appropriate action is taken. This needs to be communicated and regularly updated as part of internal controls and as part of assurance requirements with Welsh Government. As set out in the requirement for completing the Annual Governance Statement which is published with each organisation’s Annual Report and Accounts and draws together the elements of governance, risk management and control to ensure these aspects are more consistently and coherently reported. The statement is assembled from work through the year to gain assurance about performance and insight into the organisation’s risk profile, its responses to the identified and emerging risks and its success in tacking them. The standards for Health Services in Wales - Doing Well, Doing Better (Welsh Government, 2010a) are the key framework for demonstrating achievement and areas for improvement across areas of the organisation.

The diagram below illustrates how this is likely to work in practice:
3.8.3 Supporting the NHS to Deliver

The Welsh Government’s Delivery Unit undertakes the role of supporting the NHS to develop and deliver continuous improvement and its annual work plan will be closely aligned to the risk assessment process to provide targeted and effective support to assist organisations in delivery. This will be a mixture of mandatory (via the escalation process) and invitational support. Further work on clarifying the respective functions will be concluded shortly. Public Health Wales will play a key role through their policies and strategies to support LHBs/NHS Trusts to deliver their statutory duties in the delivery of public health to their local populations.

3.9 The NHS Planning Framework

Issued in November 2013, the NHS Planning Framework (Welsh Government, 2013b) serves a number of purposes. It:

a) reaffirms the importance the Welsh Government attaches to balanced medium term plans;

b) sets out the evidence that Welsh Government expects to underpin plans and, notwithstanding necessary variations in approach, the characteristics of a robust approach to planning. This includes national requirements;

c) identifies key roles and responsibilities. Notably, the responsibility for Local Health Boards and NHS Trust Boards to approve balanced medium term plans and for the Welsh Government to assure itself that they have followed a robust process;

d) sets out the key stages in the planning cycle and interrelationships with other processes, including projecting workforce numbers and decisions relating to granting increased flexibility (i.e. greater flexibility would not be offered without a robust plan); and

e) identifies the sources of support available to Local Health Boards and NHS Trusts to strengthen their ability to develop and scrutinise plans.

Scrutiny and assurance is a critical component to the planning system outlined in the NHS Planning Framework.

In order for assurances to be given at a national level, and the requisite approval to adjust resourcing limits in line with the NHS Finance (Wales) Bill, plans will need to be subjected to rigorous assessment both locally and nationally.

Key principles underpinning the planning scrutiny and assurance process are:

- **transparency** – a clear assessment methodology with explanation of interventions and escalation process and how they will be applied.

- **standardisation** – around the way in which the nationally significant components of plans are reviewed.

- **proportionality** – a risk based approach reflecting the different starting points and challenges for different organisations (key indicators rather than being an all encompassing audit).

- **flexibility** – an assessment and delivery framework that can be agile to political priorities as well as to maturing organisations.

- **challenge and honesty** – applying rigour to delivery of plans and planning.

- **developmental** – focusing on supporting improvement in Local Health Boards and NHS Trusts.

- **consistency** – with the developing NHS Outcome Framework.
The Planning Framework highlights the key components of the scrutiny and assurance model as:

- effective local scrutiny
- effective national scrutiny
- robust local assurance mechanisms
- robust national assurance mechanism
- national escalation processes

The diagram below shows the interrelationship with the planning cycle:

**Planning & Scrutiny cycles**

Central to the scrutiny and assurance model is the clear expectation that Local Health Boards and NHS Trusts will have appropriate and robust scrutiny and assurance arrangements at a local level. As statutory organisations, Local Health Boards, NHS Trusts and their Boards must take full responsibility and be fully accountable for the approval and delivery of their plans.
Organisations will be required to describe their governance and performance management structures in their Integrated Medium Term Plans. These arrangements should include assurance processes for contractor services as well as for directly provided and commissioned services.

At a local level, partnership arrangements in the scrutiny process must be considered. Whilst there are currently no formal requirements for other partners to scrutinise and approve an NHS organisation’s Integrated Medium Term Plan, there are expectations that critical components of the plans will have been through collaborative mechanisms and those joint elements approved through those recognised and/or mandated structures, for example, Single Integrated Plan priorities, Unscheduled Care Plans, Services for Older People, and Mental Health Partnerships etc.

The escalation process outlined in the NHS Delivery Framework applies equally to planning and can be triggered at either the national scrutiny stage or during ongoing monitoring of delivery of plans.

The NHS Planning Framework recognises that NHS Wales is on a developmental trajectory in terms of integrated medium term planning; however the expectation on Boards is clear. Local Board developmental programmes should reflect the new financial and planning duties of LHBs and NHS Trusts.

Welsh Government is in the process of creating a web portal, intended to enable access through one central point to all key planning guidance documents and other forms of support and advice. It will also act as a signpost to key organisations’ websites. For more information, see [http://wales.gov.uk/topics/health/nhswnes/?lang=en](http://wales.gov.uk/topics/health/nhswnes/?lang=en)

### 3.10 Accountability in the NHS

The accountability structure for the NHS in Wales is designed to facilitate the practice of good governance through an improved system that helps to ensure the right people are in the right roles, doing the right thing, in the right way.

NHS bodies and the individuals working within them will be formally held accountable for both the achievement of agreed outcomes and the way in which those outcomes have been delivered.

#### 3.10.1 Holding NHS Organisations to Account

All NHS bodies in Wales will establish a clear framework of accountability within which they conduct their business internally and work collaboratively with their NHS colleagues and public service partners. They will develop and publish strategic and operational level plans that define agreed outcomes and ways of working with their community partners and public sector partners.

They will be held accountable for their performance in delivery of these plans in a variety of ways. They will be required to publish regular reports on activity and performance, including publication of an Annual Report and an Annual Quality Statement. Health organisations will also be subject to scrutiny at community and national levels, including:

- Internal and external assurance work carried out by auditors, inspectors, regulators and others, e.g., Healthcare Inspectorate Wales (HIW), Wales Audit Office, etc;
- Independent scrutiny of activities by Community Health Councils (CHCs) on behalf of patients, and others such as the Public Service Ombudsman;
• Public sector partners, e.g., Local Authorities with regard to Health, Social Care and Well Being Strategies, Local Service Boards and other ways within which public sector providers currently demonstrate accountability to each other and to citizens within their communities; and ongoing performance management led by the National Delivery Group

Taking all this into account, the Minister for Health and Social Services will hold an annual accountability meeting with each individual NHS body, and this meeting will be held in public.

3.10.2 External Organisations Involved in Scrutiny of NHS Organisations

Wales Audit Office - The Wales Audit Office’s work covers all devolved public sector organisations in Wales - including health and social care, local and central government, fire service, national parks, agriculture, education and community councils. Its aim is that the people of Wales know whether public money is being managed wisely, and public bodies in Wales understand how to improve outcomes. The Auditor General and the auditors he appoints in local government are the independent statutory external auditors of most of the Welsh public sector. They are responsible for the annual audit of the majority of public money spent in Wales, including the NHS

Community Health Councils - There are eight Community Health Councils in Wales:
• Brecknock and Radnor Community Health Council
• Montgomeryshire Community Health Council
• Aneurin Bevan Community Health Council
• Abertawe Bro Morgannwg Community Health Council
• Betsi Cadwaladr Community Health Council
• Cardiff and Vale of Glamorgan Community Health Council
• Cwm Taf Community Health Council
• Hywel Dda Community Health Council

It is the duty of each of the eight Community Health Councils in Wales to scrutinise the operation of the health service in its district, to make recommendations for the improvement of that service and to advise relevant Local Health Boards and NHS Trusts upon such matters relating to the operation of the health service within its district as the Council thinks fit. The Board of CHCs is a statutory body established in 2004 by the Welsh Assembly Government to advise CHCs with respect to the performance of their functions; to represent collective views of councils on an all-Wales basis; and to promote collaborative working and information sharing.

In October 2012, the Minister for Health and Social Services published a written statement announcing the release of the consultation document on the future of Community Health Councils in Wales - Patients’ Voice for Wales, which sought responses to the Welsh Government’s proposals for the future development of Community Health Councils. The review of the functions and role of Community Health Councils suggested more can be done to ensure they operate effectively and efficiently to make the best use of the talents and resources available. Subsequently, the Board of Community Health Councils was asked to produce a plan on ways of increasing the diversity of its membership for submission to the Welsh Government.
Public Services Ombudsman for Wales - The Public Services Ombudsman for Wales has legal powers to look into complaints about public services in Wales. He/she investigates complaints that members of local government bodies have broken their authority’s code of conduct. The Ombudsman is independent of all government bodies and his/her purpose is:

- To consider complaints about public bodies.
- To put things right. When he/she can, he will try to put people back in the position they would have been in if they had not suffered an injustice, and work to secure the best possible outcome where injustice has occurred.
- To recognise and share good practice so that public bodies can learn the lessons from our investigations and put right any systemic weaknesses identified, leading to continued improvement in the standards of public services in Wales.
- To help people send their complaint to the right public service provider or complaint handler.
- To consider complaints that members of local authorities have broken the code of conduct.
- To build confidence in local government in Wales by promoting high standards in public life.

3.10.3 Commissioners

The Older People’s Commissioner and the Children’s Commissioner for Wales act as independent champions and have regular interface with NHS organisations in Wales:

The Older People’s Commissioner for Wales is an independent champion for older people across Wales. To make sure that those who are vulnerable and at risk are kept safe and to make sure that all older people have a voice that is heard, that they have choice and control, that they don’t feel isolated or discriminated against and that they receive the support and services they need. The Older People’s Commissioner:

- Promotes awareness of the rights and interests of older people in Wales.
- Challenges discrimination against older people in Wales.
- Encourages best practice in the treatment of older people in Wales.
- Reviews the law affecting the interests of older people in Wales.

The Children’s Commissioner for Wales’ role is to stand up and speak up for children and young people. He/she works to make sure that children and young people are kept safe and that they know about and can access their rights. In exercising his functions, the Children’s Commissioner for Wales must have regard to the United Nations Convention on the Rights of the Child and young people must feel that he/she is their champion; the person who always respects their position and fights their corner. Children and young people must see the Commissioner as someone who:

- Fights for and protects their rights;
- Makes sure that their views are heard and understood, about everything that affects them;
- Makes sure that they can complain effectively;
- Is always available to offer advice and information or is able to tell children and young people where to find it;
- Can assist children and young people directly if the issues involved are complicated or very important, for example by investigating a particular complaint or helping with the costs of going to court.
3.10.4 Holding Individuals to Account in NHS Wales

Individuals will be held accountable - on behalf of citizens living in Wales - for both the achievement of agreed outcomes and the way in which they have been delivered by the NHS:

The **Minister for Health and Social Services** will be held accountable for the performance of NHS Wales through the conduct of business within the National Assembly for Wales. The Minister for Health and Social Services has responsibility for, and is accountable to the National Assembly for Wales for the exercise of all the powers in his portfolio. Supported by officials, he/she:

- Sets the policy and strategic framework within which the NHS in Wales should operate;
- Agrees in Cabinet, as part of collective discussion, the overall resource framework for the NHS in Wales;
- Determines the strategic distribution of overall NHS resources;
- Sets the standards and performance framework for the NHS in Wales; and
- Holds NHS leaders to account.

The **Chief Executive, NHS Wales** holds a combined role as Chief Executive, NHS Wales & **Director General, Health & Social Services (DHSS)** within the Welsh Government (WG). He/she is designated by the Permanent Secretary, Welsh Government as the Accounting Officer for the NHS in Wales, and is an Additional Accounting Officer in respect of his role as Director General. As Director General, he/she is a member of the Strategic Delivery and Performance Board, chaired by the Permanent Secretary, and reports directly to the Permanent Secretary in relation to this personal performance and the way in which DHSS is run. As Chief Executive, NHS Wales, he/she is accountable to the Minister for Health and Social Services. The **National Delivery Group** supports the Chief Executive, NHS Wales in exercising his/her role in providing the Minister for Health and Social Services with policy advice and exercising strategic leadership and management of the NHS.

**Chairs, Vice-Chairs and other Independent members** on NHS Boards will be more formally held to account for their personal performance in fulfilling their roles and responsibilities through the introduction of annual accountability agreements linked to the conduct of personal performance management arrangements.

**Chief Executives & Executive Directors** of NHS bodies will be formally held to account for their personal performance by their Boards, and - in relation to the Chief Executive’s role as Accountable Officer - to the Chief Executive, NHS Wales. Chief Executives are required to produce an Annual Governance Statement.

For **individuals within NHS bodies**, their responsibilities and accountability will be formally defined within a clear framework of delegation, and their performance formally reviewed and reported upon through an NHS wide personal performance management system.

**Professional staff** working across the NHS will be accountable to their professional bodies in respect of their professional roles.
3.11 Monitoring and Reviewing Performance of NHS Wales

The Welsh Government is reviewing the process for monitoring and reviewing the performance of NHS Wales.

Currently the Welsh Government monitors the performance of the NHS through various measures and standards. One of the ways the Welsh Government achieves this is by issuing a Delivery Framework each year.

3.11.1 Balanced Scorecard

The Balanced Scorecard is an agreed set of measures that provide a comprehensive, although timely view of an organisation’s performance. Adopting a scorecard enables a wide consideration of performance as it focuses on four components of performance:

- **Stakeholders** – public, patients, politicians, NHS staff identify and measure the key outcomes that are required from health and social care in Wales.
- **Management Processes** – identify and measure the key management processes needed to achieve these outcomes.
- **Resource Utilisation** – identify and measure available resources and whether they are being used to best effect.
- **Innovation and Learning** – identify and measure the elements which ensure the organisation is continually improving and developing.

Within the Balanced Scorecard there is a logic that links the areas together. Assessing performance using this approach, the Welsh Government will be able to assess health and health services by asking:

- Stakeholders – public, patients, politicians, NHS staff identify and measure the key outcomes that are required from health and social care in Wales.
- Management Processes – identify and measure the key management processes needed to achieve these outcomes.
- Resource Utilisation – identify and measure available resources and whether they are being used to best effect.
- Innovation and Learning – identify and measure the elements which ensure the organisation is continually improving and developing.

In this way, each area of performance is linked to the others. Strong performance in any one area is unlikely to be sustained if there is poor performance in the others. Similarly, focusing all effort in one area will ultimately prove counter-productive, if it is done at the expense of the others. Only balanced performance across all four areas can lead to sustainable improvements in health and health service delivery.
The Balanced Scorecard is designed to facilitate continuous review and improvement. Results from the scorecard can be interpreted in a way that combines an assessment of current performance with an analysis of the potential for improvement. The potential for improvement includes the capacity for improvement within the organisation and the scope for improvement within its environment.

3.11.2 Outcomes Based Accountability

Outcomes Based Accountability (OBA), also known as results based accountability, is a conceptual approach to planning services and assessing their performance that focuses attention on the results – or outcomes – that the services are intended to achieve (Pugh, 2008). It is seen as much more than a tool for planning effective services. It can become a way of securing strategic and cultural change: moving organisations away from a focus on ‘efficiency’ and ‘process’ as the arbiters of value in their services, and towards making better outcomes the primary purpose of their organisation and its employees. Further distinguishing features of the approach are:

- The use of simple and clear language;
- The collection and use of relevant data;
- The involvement of stakeholders, including service users and the wider community, in achieving better outcomes;
- The distinction between accountability for performance of services or programmes on the one hand, and accountability for outcomes among a particular population on the other.

As with all frameworks, OBA defines terminology in a particular way – it warns against ill-disciplined use of language. The glossary of terms is:

- **Population Accountability** - is about the wellbeing of whole populations.
- **Outcomes** - are particular conditions of wellbeing for these whole populations.
- **Outcome Indicators** - are the measures we use to help quantify the achievement of an Outcome. They give us insight into how well we are doing.
- **Performance Accountability** - is about the wellbeing of a service user population i.e. the individuals served by a specified service, project or programme. This is the means by which individual services make a contribution to the population level Outcomes.
- **Performance Measures** - are used to evaluate how well a service, project or programme is working. They are designed around asking three questions: how much did we do? How well did we do it? Is anyone better off? The last question is the most important as it focuses on the difference that the service made to an individual. But, it is often hard to control this impact as well as measure it.
- **Turning the Curve** - is a process for turning talk into action. It starts with baseline measurement information and invites partners to explore the story behind this information; the partners we need moving forward; and, knowledge of what works in order to inform the development of an action plan. Turning the Curve can be carried out:
  - By a partnership - focusing on population level accountability, an outcome and its indicators
  - By an individual service or project - focusing on performance level accountability and the service’s performance measures
3.12 The Welsh Language

The Welsh Government is committed to delivering high quality health, social services and social care services that are centred on users’ needs. *More than just words* (Welsh Government, 2012b) provides a strategic framework, which is built on the principles that all users should be treated with dignity and respect and should receive accurate assessments and appropriate care.

It is important for people working in health, social services and social care to recognise that many people can only communicate their care needs effectively through the medium of Welsh. For many Welsh speakers being able to use your own language has to be seen as a core component of care, not an optional extra.

Many service users are very vulnerable, so placing a responsibility on them to ask for services through the medium of English is unfair. It is the responsibility of service providers to meet these care needs.

Organisations are expected to mainstream Welsh language services as an integral element of service planning and delivery. Public services in Wales are committed to providing citizen centred services. Health, social services and social care focus on caring for people as individuals, placing the user at the centre of care. Many people can only communicate and participate in their care as equal partners effectively through the medium of Welsh. Service providers have a responsibility to meet these care needs.

There are four good reasons for getting this right:

• Improving the quality of care – it is important to recognise the concept of language need. For many Welsh speakers, language is an integral element of their care e.g. some people with dementia, or who have suffered a stroke, and children under the age of five.

• Maintaining professional standards – numerous professional standards in health and social care list effective communication as a key requirement and highlight the need to maintain respect and dignity

• Meeting the language need of users – organisations have a responsibility to recognise and accept responsibility to respond to language need as an integral element of care. In the strategic framework we refer to this as the “Active Offer”

• Complying with legal and statutory requirements – organisations in the public sector have a responsibility to comply with the new Welsh Language (Wales) Measure. This will create standards regarding Welsh, which will result in rights being established that will ensure Welsh speakers can receive services in Welsh.

The Strategic Framework provides a means to achieve this. The policy document provides the evidence for change, an overview of current provision and the strategic direction to improve services. Our vision is for Welsh speakers to receive services that meet their needs as a natural part of their care.

The Strategic Framework outlines six key objectives that all organisations need to work towards:

• Implementing a systematic approach to Welsh language services as an integral element of service planning and delivery

• Building on current best practice and planning, commissioning and providing care based on the “Active Offer” service
• Increasing the capability of the workforce to provide Welsh language services in priority areas and language awareness among all staff
• Creating leaders who will foster a supportive ethos within organisations, so that Welsh speaking users receive language sensitive services as a natural part of their care
• Providing education, learning and development programmes which reflect the services’ responsibility to plan and provide Welsh language services
• Ensuring that all national strategies, policies and leadership programmes mainstream Welsh language services.

The Strategic Framework is supported by three-year Action Plans – one for the NHS and one for Social Services. While they are complementary and some of the actions should be taken forward in partnership, they reflect the very different accountability systems and processes within both sectors. The action plans detail the practical steps needed to achieve this, starting in April 2013. In November 2015 a second cycle of action plans will be published.

Achieving progress in the first year is crucial to ensure the foundations are in place for the future, to initiate immediate impact and to reflect the determination of the Welsh Government to meet the needs of Welsh speakers. Key expectations during this period include strengthening leadership, mapping the workforce and starting the process of accepting responsibility for meeting users’ language needs by increasing awareness of the “Active Offer” principle.
PART 4: Governing NHS Wales
4.1 Governance in the NHS

Governance is a wide-ranging term that means different things to different people. It encompasses concepts such as leadership, stewardship, accountability, ethical behaviour and control. As a result it is difficult to provide one all embracing definition that satisfies all those with a view on the matter. In simple terms, it refers to the way in which NHS bodies ensure that they are doing the right things, in the right way, for the right people, in a manner that upholds the values set for the NHS and the Welsh public sector as a whole. The effectiveness of governance arrangements has a significant impact on how well NHS organisations meet their aims and objectives.

The purpose of NHS Boards

The purpose of NHS Boards is to govern effectively and in doing so to build public and stakeholder confidence that their health and healthcare is in safe hands. This fundamental accountability to the public and stakeholders is delivered by building confidence:

• In the quality and safety of health services.
• That resources are invested in a way that delivers optimal health outcomes.
• In the accessibility and responsiveness of health services.
• That the public can appropriately shape health services to meet their needs.
• That public money is spent in a way that is efficient and provides value for money.

NHS Boards need to gain assurance on the extent to which their organisations are operating effectively, delivering their strategic vision and meeting the strategic objectives they have set by managing their risks - maximising opportunities and mitigating the threats they face – in a manner that upholds the highest standards of public sector delivery and in accordance with all legal and other requirements.

4.2 The NHS Wales Governance Framework

The Welsh Government’s Citizen Centred Governance principles establish the standards of good governance for the NHS in Wales and are designed to ensure:

• **clarity** for everyone working within the NHS system, those working in partnership with the NHS, those receiving NHS services themselves; and carers and relatives of those receiving NHS services;
• **responsibility** is placed with those who are best equipped to meet those responsibilities;
• **recognition** for those achieving their objectives; and
• **action** to ensure activities remain on track.
The extent to which individual NHS organisations are able to demonstrate their alignment with the citizen centred governance principles will contribute to the Minister for Health and Social Services' annual review of NHS bodies' performance. NHS bodies will need to take account of these principles when developing their governance and assurance arrangements and in evaluating their effectiveness.

**What is assurance?**

The concept of ‘assurance’ can be a source of misunderstanding and mismatched expectations within NHS organisations. Most definitions of assurance centre around common themes of confidence and certainty: freedom from doubt; something said or done to inspire confidence, as a promise or guarantee; sureness; certainty; a measure of confidence; or as described by one Chief Executive in the NHS “it’s about being able to sleep at night”.

NHS organisations are required to produce an annual, formal statement of assurance known as the Annual Governance Statement, signed by the Chief Executive on behalf of the organisation, and published as part of its annual accounts. The statement on internal control provides citizens and other stakeholders with a level of confidence on the way in which an organisation is led, the efficiency and effectiveness of its operations and ultimately, its ability to deliver its strategic vision, aims and objectives. However, Boards need to recognise that any assurance, whatever its source, will not be a guarantee that offers absolute certainty, and that they must look to gain ‘reasonable’ assurance that their organisation’s ways of working enable it to perform effectively across the full range of its activities and to deliver the strategic direction they have set.

**Who needs assurance?**

Citizens across Wales need to feel confident that, when they access healthcare services, their local NHS organisation is working in their best interests to ensure that the services they need will be effective - available to them when they need it, where they need it and how they need it “without harm or variation”. As taxpayers, citizens need to be confident that the best possible use is made of the resources invested in healthcare services on their behalf “without waste”.

Boards’ local partners and other stakeholders also need to be confident of the organisation’s ability to perform well and play its full part in achieving shared aims and objectives, in accordance with any agreements you may have reached.

At a national level, the Welsh Government needs to be confident that organisations are contributing effectively to the achievement of its strategic vision for the NHS as well as the wider public service improvement programme for Wales. Welsh Government will also seek assurances that Boards are effectively scrutinising plans and delivery of plans at a local level.

**What do Boards need assurance on?**

Boards need to be satisfied that organisations (and those organisations or individuals who are carrying out functions on their behalf), are both capable of, and are on track to achieve their purpose and strategic vision. They need to be confident that they are working towards fulfilling their aims and objectives in a manner that upholds the highest standards of public service delivery and supports sustainable performance improvement.
In particular the assurance system will need to cover:
- Compliance with relevant legislation, regulation, standards and other directions and requirements set by the Welsh Government and others;
- The reliability, integrity, safety and security of the information collected and used by the organisation;
- The efficiency, effectiveness and economic use of resources; and the extent to which the organisation safeguards and protects all its assets, including its people to secure the provision of high quality, safe healthcare for its citizens.
- This assurance extends not only to your organisation’s own arrangements (including that of your Board itself), but to e.g., working jointly, in partnership or through the provision of shared services.

4.2.1 Establishing an Effective Governance Framework

The way in which your organisation is led is critical to its likelihood of achieving success in the manner required - and responsibility for this lies firmly with your Board. Before Boards are able to seek assurance on how well others are delivering on their behalf, they must first establish an effective governance framework within their organisation that meets the standards set for the NHS in Wales. The resulting framework should ensure a strong focus on the culture and behaviours necessary for success as well as the introduction and operation of the rights systems and processes:

- **Establish a clear strategic vision for the organisation, described within meaningful strategic aims and objectives** that are clearly cascaded and understood throughout the organisation. This is a principal role for Boards, and should set out what they are trying to achieve and where they are heading in the future.

- **Put in place a sensible scheme of delegation to the executive, committees and others** in line with the requirements set out in its Standing Orders.

- **Establish and embed a clear, organisation wide focus on actively identifying and managing risks** (both strategic and operational) so that the organisation is able to maximise its opportunities and at the same time mitigate any threats to the achievement of its purpose, aims and objectives.

Where should your Board get its assurance?

NHS Boards may seek and receive assurance from a wide range of sources within their organisation, both directly and through the operation of its committees, notably those responsible for Audit & Quality and Safety. The key challenge for Boards is understanding each link in the assurance chain, what part it plays in the overall framework of assurance, and the value they should place on it.

The Audit Commission (2009b) describes an approach to internal assurance as a “three lines of defence” assurance model:

**First line of defence:** Responsibility lies with healthcare staff and teams working at the ‘frontline’ to understand their roles and responsibilities and to carry them out properly and thoroughly. If working practices (the “systems and processes”) are well
designed, and staff are equipped to follow them, compliance with the arrangements should mean risks in day to day activities are routinely managed.

**Second line of defence:** This typically comprises executive/management arrangements established to ensure compliance with the standards, policies and working practices set through active oversight of the operation of the first line of defence. Typically, this includes holding them to account for the effectiveness of their activities, and may include routine assessment, inspection and review activity to ensure the achievement of standards and compliance with policies and procedures.

**Third line of defence:** This is independent internal review, designed to assess the overall adequacy and effectiveness of the first and second lines of defence. The key source of this ‘independent’ assurance is through internal audit although there are other sources of independent review that can be used as well.

### 4.2.2 Key Sources of Internal Assurance

**Self Assessment:**

The *‘Doing Well, Doing Better: Standards for Health Services in Wales’* (Welsh Government, 2010a) are designed to support healthcare organisations to identify and work towards providing consistently higher standards of care and provide a framework that enables Boards to look at the range of services their organisations provides in an integrated way (see the Quality Assurance Framework below). Linked to the Board’s self assessment against the standards of good governance set for public sector bodies in Wales – embodied within the Citizen Centred Governance Principles - this overarching framework of self assessment should provide comprehensive evidence to demonstrate to citizens and other stakeholders how well the organisation is doing in the areas that matter most to them.

**Compliance framework: Clinical Audit & other Improvement Activities**

Clinical audit can be an effective source of measurement and consequently, a key source of assurance within the organisation and to the Board. Within a broader framework of improvement activity, incorporating actions driven by programmes such as ‘1000 Lives Plus’*, can be a strong driver for improvement in the quality and safety of healthcare across the organisation, plus national and local learning from other reviews and enquiries such as those undertaken by Healthcare Inspectorate Wales (and Confidential Enquiries).

**Independent review: Internal Audit**

Internal Audit is a key source of independent internal assurance to Boards and Chief Executives (as Accountable Officers) of individual NHS bodies. A strong, independent internal audit function is important in assuring the Chief Executive, NHS Wales of his ability to place reliance on the information provided by individual NHS bodies. To set a clear framework for the effective provision of Internal Audit within the new NHS, the Welsh Government has produced a number of key documents. These reflect the latest best practice developments in the profession of internal auditing as embodied within International Internal Auditing (IA) Standards and HM Treasury guidance. The documents include:

* The 1000 Lives Plus Campaign aims to improve patient safety and increase the quality of healthcare across Wales.
• Internal Audit Standards for the NHS in Wales (incorporating a professional code of ethics);
• A model Charter for Internal Audit;
• A standard template for the Head of Internal Audit’s annual audit opinion
• NHS Wales Audit Committee Handbook (Welsh Government, 2012c)

This framework sets a benchmark for Internal Audit within the NHS. For NHS Boards, it will contribute to their development of a clear, cohesive assurance framework that explicitly links assurance activity to organisations’ risk profiles. NHS Boards must ensure their Internal Audit providers operate within this framework, in accordance with the requirements set out in Standing Orders. In particular, Boards need to:
• Approve the Internal Audit Charter (incorporating the definition of internal audit) and
• Adopting the Internal Audit Standards and Code of Ethics;
• Ensure the Head of Internal Audit communicates and interacts directly with the Board, facilitating direct and unrestricted access;
• Require Internal Audit to confirm its independence annually, and
• Ensure the Head of Internal Audit reports periodically to the Board including its purpose, responsibility, authority and performance. Such reporting should include governance issues and significant risk exposures

The work of internal audit is overseen by the Audit Committee set up by the Board to consider audit matters, and this committee is responsible for advising the Board on the effectiveness of the internal audit function. The work of this committee should itself follow the standards set out in the NHS Audit Committee Handbook (Welsh Government, 2012c)

‘Policy Statement on Inspection, Audit and Regulation of Public Services in Wales’: This Statement sets out the Welsh Government’s expectations on how the inspection, audit and regulation of public services in Wales can contribute most effectively to the delivery of high-quality services to citizens, emphasising particularly the following key principles:
• The value of strong, well-planned and independent inspection, audit and regulation;
• The need for citizen-focused inspection, audit and regulation activity;
• A proportionate approach to inspection, audit and regulation;
• A more collaborative approach to planning of activity, and more collaborative judgements across services where they are delivered in partnership;
• Inspection, audit and regulation more clearly placed in the context of more effective performance management, a strengthened role for self-assessment and scrutiny, and a clearer role for inspection, audit and regulation to enhance public accountability;
• Inspection, audit and regulation linking more effectively to existing improvement capacity.
Counter Fraud and Corruption: The NHS Wales counter fraud strategy published in September 2001 aims to: reduce fraud to an absolute minimum, hold it permanently at that level, and thus release resources for better patient care. The strategy involves a joint working relationship between the Welsh Government and the NHS Counter Fraud & Security Management Service (CFSMS) in England. This led to the recruitment in 2001 of a specialist Counter Fraud Service (CFS) Wales Team that investigates large-scale fraud and corruption issues in NHS Wales. CFS Wales are funded by the Welsh Government and managed via CFSMS.

The Directions stipulate that NHS Wales’ health bodies must nominate a suitable person to act as the Local Counter Fraud Specialist (LCFS). The LCFS investigates smaller value fraud cases at their health bodies and work closely with CFS Wales to develop a robust counter fraud culture and secure criminal, civil and disciplinary sanctions when appropriate.

Other sources of Internal Assurance: Your Board will have access to a wide range of other potential sources of internal assurance readily available. The list below identifies some of these. As well as this, you may also choose to commission work to provide you with specific assurance where you have identified a particular need. Boards should seek to identify, map and evaluate these sources so that they are able to make the best use of the information available to them.

External Assurance: External assurance activity may be in two forms, that which is mandated and that which has been commissioned. There is an important distinction between the two, as outlined below. The principal aim of independent external assurance activity, through audit, regulation or inspection carried out by organisations such as the Wales Audit Office, Healthcare Inspectorate Wales, etc., is not to assure the Board. It is designed to provide assurance to citizens and other stakeholders on how well organisations are performing. The value Boards can receive from external assurance activity should not be under estimated, and they will need to consider and take effective action in response to the reports received from these sources.

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Sources of internal Assurance

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<td>• Incident reporting and SUI reports</td>
<td>• Welsh Language Board</td>
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<td>• Feedback, comments and Complaints records</td>
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Co-ordinating your assurance activity: Once the Board has set its strategic direction, delegated powers, identified its risks, determined action to manage those risks, and agreed the level and type of assurance its needs, it will need to make effective arrangements to receive that assurance in a co-ordinated way.

Assurance activity should be proportionate: Assurance activity requires an investment of resources. In determining your programme of assurance, Boards will need to take care that they are making the best use of the information they have available to them so that the resources invested in assurance activity is proportionate, taking account of the overall impact on the organisation should an identified ‘threat’ be realised. Boards must be clear about their ‘risk appetite’ and keep it under regular review i.e. a clear determination on what level of risk it is prepared to accept for each different kind of risk it may face.

4.3 Quality assurance and Clinical Governance

As illustrated in the Francis Report (2013), failure to deliver the fundamentals of care can bring down an NHS Board faster than failures of either finance or performance, and there have been recent examples of this. Despite this, there are still serious concerns about the lack of attention some NHS Wales Boards pay to the quality of clinical care. Such emphasis poses particular challenges for Nurse Executives. On the one hand, they are well placed to help Boards assure themselves about the quality of clinical care. Yet when there are high-profile failings in patient care, it is often Nurse Executives who are blamed for failing to champion quality and patient safety at Board level.

The Board has a key role in safeguarding quality, and therefore needs to give appropriate scrutiny to the three key facets of quality – effectiveness, patient safety and patient experience. Effective scrutiny relies primarily on the provision of clear, comprehensible summary information to the Board, set out for everyone to see.
Good practice suggests that:

- All Board members need to understand their ultimate accountability for quality.
- There is a clear organisational structure that clarifies responsibility for delivering quality performance from the Board to the point of care and back to the Board.
- Quality is a core part of main Board meetings both as a standing agenda item and as an integrated element of all major discussions and decisions.
- Quality performance is discussed in more detail regularly by a quality committee with a stable, regularly attending membership.
- The Board becomes a driving force for continuous quality improvement across the full range of services.

Research suggests that governance of quality can be improved if Board members periodically step outside of the Boardroom to gain first-hand knowledge of the staff and patient experience. It is important to ensure that clinical leaders are properly empowered to lead on issues relating to clinical quality. Boards benefit from regular opportunities both to take advice from clinical leaders and to reflect on innovative practice in relation to quality improvement. Through its National Governance Framework to enable high quality care in NHS Wales (Welsh Government, 2013c), the Welsh Government’s vision is to ensure our system is:

- Providing the highest possible quality and excellent patient experience
- Improving health outcomes and helping reduce inequalities
- Getting high value from all our services

Whilst complex and multi-faceted, the one defining characteristic is that the Welsh NHS will put the patient, the family, the citizen, the community at the centre of all our work. We will listen to those who use our services, we will engage with them as we plan improvements, we will address their concerns and we will respond to their personal as well as clinical needs. Our vision is one of a Welsh NHS, which is safe and compassionate.

4.3.1 Delivering High Quality Care

The consistent delivery of safe, high quality care relies on contributions from a wide range of organisations, individuals and stakeholders. Everyone who works in or for the NHS is there, first and foremost to serve the public. Therefore, everyone at every level has a part to play in driving up standards of safe, effective, patient-centred care. It is about always putting patients and patient safety central to decision making and with every individual member of staff must be committed to providing the highest standards of care, ensuring every patient is treated with dignity and respect at all times. This means caring for patients in the most respectful and compassionate way. This must be intrinsic in all that we do, whatever the service and wherever it is provided.

Services need to be driven by patients and the public. A range of mechanisms need to be in place to ensure their voices are heard. They must have easy access to information about the availability and quality of services. Actively seeking the views of patients and citizens to measure their satisfaction with services and the experience of care received must be a priority for all organisations. This is essential to ensure services meet standards and to drive improvements where needed.
The Board of each NHS Organisation in Wales is accountable for ensuring the quality and safety of all services it provides and commissions. This includes promoting an open and supportive organisational culture where patients, staff and stakeholders can have their voice heard.

4.3.2 Quality Assurance Roles

**THE QUALITY ASSURANCE SYSTEM**

**Patients / Public Families & Carers**
- Clarify expectations
- Express (dis)satisfaction
- Seek improvement
- Engage

**Commissioners**
- Public Service Ombudsman
  - Investigate
  - Demand improvement

**Patient Groups**
- Represent
- Advocate
- Inspect

**Community Health Council**
- Advocate
- Represent
- Inspect

**As Healthcare Commissioners**
- Local Health Boards
- WHSSC
- Some NHS Trusts

**As Healthcare Providers**
- Local Health Boards
- NHS Trusts
- Independent Contractors

**NHS Organisation**
- Work with parents
- Engage with stakeholders

**Welsh Government**
- Set & Review Standards
- Develop policy
- Develop capability
- Allocate resources
- Scrutinise performance
- Support and intervene
- Hold to account

**Inspectors and Regulators**
- Welsh Government
  - Set & Review Standards
  - Develop policy
  - Develop capability
  - Allocate resources
  - Scrutinise performance
  - Support and intervene
  - Hold to account

**Listen & Act**
- Undertake research
- Communicate with the public
- Publish data / information
All NHS organisations in Wales are required to have a Quality and Safety Committee to ensure sufficient focus and attention is given to such matters. This must be served by its independent members and report directly to the Board. This process needs to be underpinned by a robust quality assurance framework.

**Audit, Inspection and Regulation Bodies** play a key role in assessing the quality of services to ensure standards are met and resources are being used effectively. This includes bodies such as Healthcare Inspectorate Wales (HIW), Wales Audit Office (WAO) and the Health & Safety Executive and in partnership with Care & Social Services Inspectorate Wales (CSSIW) for social care.

HIW’s core role is to review and inspect NHS and independent healthcare organisations in Wales to provide independent assurance for patients, the public, the Welsh Government and healthcare providers that services are safe and good quality. If necessary, HIW will undertake special reviews and investigations where there appear to be systemic failures in delivering healthcare services to ensure that rapid improvement and learning takes place.

**The National Quality and Safety Forum** provides oversight and strategic direction on all aspects of quality and safety. It will determine areas that need national focus and attention, facilitate shared learning across NHS Wales, and track progress with the implementation of the actions set out in the Quality Delivery Plan. (Welsh Government, 2012a)

**The Welsh Government**, through the **Minister for Health and Social Services** is responsible for setting policy, and standards to promote high quality, safe services based on population health need. It sets out its expectations in respect of planning and performance and the assurance it seeks from NHS organisations through its planning, delivery and compliance frameworks. Performance is monitored internally through the Integrated Delivery Board, drawing on data and feedback from a number of sources.

### 4.3.3 Assurance in NHS Wales

In recent years the term **Clinical Governance** has been used to describe the range of systems that need to be in place to provide assurance on the quality and safety of services. This is defined as: the system through which NHS organisations are accountable for continuously improving the quality of their services and safeguarding high standards of care, by creating an environment in which clinical excellence will flourish. (Welsh Office, 1999)

However experience has shown that it is not just systems, but the culture, values and behaviours that organisations and staff exhibit which are equally important. It is this which has the greatest impact in ensuring all patients and service users get the very best standards of care. It is the responsibility of the Board to ensure an appropriate culture exists and is cultivated within the organisation, reflecting the core values of NHS Wales:

- **Putting quality and safety above all else**: providing high value evidence based care for our patients at all times
- **Integrating improvement into everyday working** and eliminating harm, variation and waste
• **Focusing on prevention, health improvement and inequality** as key to sustainable development, wellness and wellbeing for future generations of the people of Wales

• **Working in true partnerships** with partners and organisations and with our staff

• **Investing in our staff** through learning and development, enabling them to influence decisions and providing them with the tools, systems and environment to work safely and effectively

The *Quality Delivery Plan* (Welsh Government, 2012a) sets out a range of actions to help achieve this and has a dual purpose – driving quality improvement and providing assurance. These two goals have much in common. Each requires a strong commitment to do the right thing and to do it well, although both are essential to ensure good governance.

Actions to drive quality improvement and ensure high standards of care set within a system to provide robust quality assurance include:

• Ensuring that staff and teams have access to learning and development to enable them to fulfil their roles safely and effectively. This includes being skilled in quality improvement methodology, with opportunities to put this into practice. Continuously striving to improve what we do needs to be an integral part of everyone’s job, including that of Board members. The 1000 Lives Plus programme is supporting the NHS in its efforts to continuously improve quality and safety.

• Listening to patients by having ways to understand and measure their experience and satisfaction and acting on it.

• Listening to staff and students to understand the concerns and challenges they face in delivering care and identify excellence in practice which can be disseminated.

• Participating in national clinical audit and clinical outcome reviews so that we can benchmark ourselves with others and see where we need to improve.

• Sharing good practice, participating in research and encouraging innovation and use of new technologies.

• Making good use of data and information to drive service improvement.

### 4.3.4 Seeking and Providing Assurance

There is no simple way for an organisation to gain assurance about the quality and safety of care across the range of health services, including those provided in primary care, the third sector or any of the specialist services that are commissioned. Information to provide assurance must be drawn from a number of sources, not just reliant on quantitative data but on qualitative feedback as well.

The key is to be able to triangulate this information in order to form a clear view of how good a service is, or if there may be some cause for concern. This must be threaded through each organisation at every level so that it is possible to know that everyone is
doing their best for their communities, patients and service users and that staff feel well supported to do a good job.

The local organisational assurance framework must include ways to seek assurance not just about the services it provides directly, but those it commissions from others. This is especially necessary within Local Health Boards to reflect their responsibility for providing integrated services.

### 4.3.5 Clinical Audit

Clinical Audit is the systematic critical analysis of the quality of care involving the procedures and processes used for diagnosis, interventions and treatment, the use of resources and the resulting outcome and quality of life as assessed by both professionals and patients. It answers the question:

- What are we trying to do?
- How well are we doing?
- How do we know?
- How do we do it better?

It should consist of the use of quality cycles in which standards, as far as possible evidence based, are set and practice measured against these standards. Action must be taken to bring practice up to these standards and then practice re-assessed. Standards need to be regularly reviewed to ensure that they reflect new evidence.

Evidence for standards based on research may be available from National Institute for Health and Clinical Excellence (NICE) guidance, National Service Frameworks (NSF), guidance from professional bodies or direct from research. Audit must be regarded as tool within the armoury of clinical governance and effectiveness that must lead to improved patient care and improved efficiency and effectiveness. While it will be part of education and professional development, its main purpose must be improved quality of care.

When audits are carried out in local divisions or directorates in NHS Wales organisations there are likely to be lessons learned that will be applicable elsewhere in the organisation or in the wider NHS. There should be mechanisms that encourage the sharing of learning. The Board must ensure that a programme of clinical audit is in place. In deciding what to audit, priority should be given to:

- Situations identified as high risk by risk assessment, incident reporting, complaints and litigation;
- Situations where poor practice and poor outcomes have been identified;
- New services, technologies and treatment methods;
- Publication of new NICE guidance;
- National priorities, and
- Participation in National Clinical Audits.

Clinical Audit should be reported through the organisation’s structures to the Board and should form part of the way in which the Board exercises its responsibility for quality of care and patient safety.

### 4.3.6 Standards for Health Services in Wales

The Standards framework (Welsh Government, 2010a), made up of 26 specific standards, sets out the governance and accountability framework for the NHS in Wales.
This is designed to enable the assessment of whether services are: “doing the right thing, in the right way, in the right place, at the right time and with the right staff”. The Standards framework covers all aspects of health care services. It is underpinned by comprehensive guidance for each standard setting out expectations on compliance. The schedule of Standards includes:

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Clear, stretching standards are fundamental in our approach to driving continuous improvement. They set out what citizens and patients have a reasonable right to expect from NHS services. Organisations must test their practice and show they are meeting and continuously improving standards across all services. The Standards framework therefore forms the cornerstone of the overall quality assurance system, enabling Boards to provide demonstrable evidence of meeting and improving standards.
4.3.7 Compassionate Care

All our work to ensure safety and to enable satisfactory clinical outcomes must go alongside a drive to consistently provide care which is compassionate and sensitive to personal need. So we not only need to be concerned about the quality of treatment but also the quality of care. We know our staff will work with great professionalism and commitment to achieve this, often in very demanding circumstances. To support them we will:

- Foster a culture and workplace which promotes dignity and compassionate care
- Ensure staff receive the learning and development they need to fulfil their roles
- Remove unnecessary bureaucracy to ensure staff spend as much possible time caring for their patients, building on the achievements of the Transforming Care Programme
- Build on the Fundamentals of Care audit and look at where further improve
- Ensure an overall focus on how well we meet patient expectation

Sadly there will be occasions when patients and their families are not satisfied with the care and treatment they have received. All organisations must have easily accessible and effective arrangements in place to listen to patients and their families and respond to their concerns. Openness and learning are at the heart of the Putting Things Right arrangements for dealing with concerns (Welsh Government, 2011a).

These arrangements include the need for organisations to have processes in place for staff to report patient safety incidents locally for action and to the National Reporting and Learning System, to ensure that national themes are identified to facilitate the development of national solutions to improve patient safety. Serious patient safety incidents must be reported to the Welsh Government, so that they can be assured that the incident has been thoroughly investigated and the appropriate action taken. All organisations must have robust arrangements in place to investigate and resolve concerns in an open, timely and meaningful way, with a focus on learning and improvement.

4.3.8 Being Open and Transparent About Quality and Performance

Managing risk effectively and being able to seek assurance that services are patient-centred, evidenced-based, safe and good quality requires reliable and robust information, which must be thoroughly understood at all levels in the organisation. A lack of information can lead to a tolerance of unknown risks and sub-standard care. Robust risk management is an essential element of good governance. The publication of an Annual Quality Statement by all NHS organisations and the need to proactively track quality indicators through the introduction of ‘Quality Triggers’ as an early warning system will be an important addition to the governance framework for NHS Wales. Key trigger questions provide a structure to triangulate information from a variety of sources, which cover all dimensions of quality:

Are we -
- Providing safe care?
- Meeting required standards of effective care?
- Improving user experience?
- Providing efficient services within resources?
Using quality triggers effectively will enable all organisations to demonstrate that they are truly listening and learning through strong and visible leadership of quality and safety. Ensuring Board reports integrate all elements of performance so it can be clearly demonstrated if standards, experience and outcomes are improving and high value is being achieved within available resources. This is essential to show that no financial decisions or workforce considerations are made without considering the impact on service quality and safety.

Publishing an Annual Quality Statement is first and foremost for the public. It provides an opportunity for Boards to routinely assess and inform their public and other stakeholders in an open and transparent way about:

- How well they are doing across all their services, including primary and community care and those provided by other organisations, including the third sector, on their behalf
- Good practice that they wish to promote and share
- Areas that need to improve
- Progress made over the past year
- Priorities and commitments going forward.

The Board is accountable for the organisation’s statement and must assure itself that the information it publishes is accurate, accessible and representative across the breadth of its services.

Using the mechanisms described above should enable organisations to pick up any areas where standards are falling and take rapid improvement action. Depending on the nature of the concern, organisations may determine that they need to seek independent advice or review of a service. Where concerns may seriously impact on quality and safety of care and there is little evidence of improvement Welsh Government may intervene in accordance with its escalation framework. Alternatively regulators such as HIW may decide to intervene through undertaking unannounced or planned reviews.

In discharging their assurance role, Boards and individual Board members need to ensure that they have the required skills to fulfil their responsibilities. Effective Board development should therefore be considered an essential ingredient within the organisation’s assurance framework and journey to being a truly quality-driven organisation.

### 4.3.9 Clinical Assurance and the Patient Experience

The King’s Fund (2009) report From Ward to Board identified good practice in the business of caring. The issues discussed in the report and their implications for Board and skills development include:
• How does a Board assure itself of the quality of clinical care?
• What is the importance of context?
• What is the right clinical information?
• What are the key relationships in the Boardroom?
• What is the right balance between effective Board relationships and robust governance structures?
• What difference can the nurse executive make?
• When are Board members ready to hear bad news?

4.4 The Berwick Report

Following the publication of the Francis Report (2013) into the breakdown of care at Mid Staffordshire Hospitals, in his review, Professor Don Berwick (2013) highlights the main problems affecting patient safety in the NHS and makes recommendations to address them. The following are some of the problems that he identified:
• Patient safety problems exist throughout the NHS as with every other health care system in the world.
• NHS staff are not to blame – in the vast majority of cases it is the systems, procedures, conditions, environment and constraints they face that lead to patient safety problems.
• Incorrect priorities do damage: other goals are important, but the central focus must always be on patients.
• In some instances, including Mid Staffordshire, clear warning signals abounded and were not heeded especially the voices of patients and carers.
• When responsibility is diffused, it is not clearly owned: with too many in charge, no-one is.
• Improvement requires a system of support: the NHS needs a considered, resourced and driven agenda of capability-building in order to deliver continuous improvement.
• Fear is toxic to both safety and improvement.

To address these issues the report says that the system must:
• Recognise with clarity and courage the need for wide systemic change
• Abandon blame as a tool and trust the goodwill and good intentions of the staff
• Reassert the primacy of working with patients and carers to achieve health care goals
• Use quantitative targets with caution - they should never displace the primary goal of better care
• Recognise that transparency is essential and expect and insist on it
• Ensure that responsibility for functions related to safety and improvement are established clearly and simply
• Give NHS staff career-long help to learn, master and apply modern methods for quality control, quality improvement and quality planning
• Make sure pride and joy in work, not fear, infuse the NHS

The report states that the most important single change in the NHS in response to this report would be for it to become, more than ever before, a system devoted to continual learning and improvement of patient care, top to bottom and end to end. The report contains specific recommendations around this point, including the need for improve learning and education, and for NHS England to support a network of safety improvement collaboratives to identify and spread safety improvement approaches across the NHS.
Berwick’s ten recommendations are:

- The NHS should continually and forever reduce patient harm by embracing wholeheartedly an ethic of learning.

- All leaders concerned with NHS healthcare – political, regulatory, governance, executive, clinical and advocacy – should place quality of care in general, and patient safety in particular, at the top of their priorities for investment, inquiry, improvement, regular reporting, encouragement and support.

- Patients and their carers should be present, powerful and involved at all levels of healthcare organisations from wards to the Boards of Trusts.

- Government, Health Education England and NHS England should assure that sufficient staff are available to meet the NHS’s needs now and in the future. Healthcare organisations should ensure that staff are present in appropriate numbers to provide safe care at all times and are well-supported.

- Mastery of quality and patient safety sciences and practices should be part of initial preparation and lifelong education of all health care professionals, including managers and executives.

- The NHS should become a learning organisation. Its leaders should create and support the capability for learning, and therefore change, at scale, within the NHS.

- Transparency should be complete, timely and unequivocal. All data on quality and safety, whether assembled by government, organisations, or professional societies, should be shared in a timely fashion with all parties who want it, including, in accessible form, with the public.

- All organisations should seek out the patient and carer voice as an essential asset in monitoring the safety and quality of care.

- Supervisory and regulatory systems should be simple and clear. They should avoid diffusion of responsibility. They should be respectful of the goodwill and sound intention of the vast majority of staff. All incentives should point in the same direction.

- We support responsive regulation of organisations, with a hierarchy of responses. Recourse to criminal sanctions should be extremely rare, and should function primarily as a deterrent to wilful or reckless neglect or mistreatment.

4.5 The Keogh Review

Keogh (2013) identified some common themes or barriers to delivering high quality care in the trusts in England selected for review for which he believes are highly relevant to wider NHS. These include:

- The limited understanding of how important and how simple it can be to genuinely listen to the views of patients and staff and engage them in how to improve services. For example, we know from academic research that there is a strong correlation between the extent to which staff feel engaged and mortality rates;
The capability of hospital Boards and leadership to use data to drive quality improvement. This is compounded by how difficult it is to access data, which is held in a fragmented way across the system. Between 2000 and 2008, the NHS was rightly focused on rebuilding capacity and improving access after decades of neglect. The key issue was not whether people were dying in our hospitals avoidably, but that they were dying whilst waiting for treatment. Having rebuilt capacity and improved access, it was then possible to introduce a much more systematic focus on quality. But more clearly needs to be done to equip Boards with the necessary skills to grip the quality agenda;

The complexity of using and interpreting aggregate measures of mortality, including the Summary Hospital-Level Mortality Index (SHMI) or the Hospital Standardised Mortality Ratio. The fact that the use of these two different measures of mortality to determine which trusts to review generated two completely different lists of outlier trusts illustrates this point. However tempting it may be, it is clinically meaningless and academically reckless to use such statistical measures to quantify actual numbers of avoidable deaths. Robert Francis himself said, ‘it is in my view misleading and a potential misuse of the figures to extrapolate from them a conclusion that any particular number, or range of numbers of deaths were caused or contributed to by inadequate care’;

The fact that some hospital trusts are operating in geographical, professional or academic isolation. As we’ve seen with the 14 trusts, this can lead to difficulties in recruiting enough high quality staff, and an over-reliance on locums and agency staff;

The lack of value and support being given to frontline clinicians, particularly junior nurses and doctors. Their constant interaction with patients and their natural innovative tendencies means they are likely to be the best champions for patients and their energy must be tapped not sapped; and

The imbalance that exists around the use of transparency for the purpose of accountability and blame rather than support and improvement. Unless there is a change in mindset then the transparency agenda will fail to fulfils its full potential. Some Boards use data simply for reassurance, rather than the forensic, sometimes uncomfortable, pursuit of improvement.

4.6 The Winterbourne Review*

On 31 May 2011, an undercover investigation by the BBC’s Panorama programme revealed criminal abuse by staff of patients at Winterbourne View Hospital near Bristol. After the broadcast, the Government set up its own Review (Department of Health, 2012). Drawing on the Serious Case Review, as well as reports from the police, the CQC and the local NHS, the Review drew the following conclusions:

• Patients stayed at Winterbourne View for too long and were too far from home.
• There was an extremely high rate of ‘physical intervention’.
• Multiple agencies failed to pick up on key warning signs.
• There was clear management failure at the hospital.
• A ‘closed and punitive’ culture had developed.

The Review also exposed wider concerns about how people with learning disabilities or autism and with a mental health condition or challenging behaviours were being treated in England, which included: inappropriate placements; inappropriate care models; and poor care standards.

* The Winterbourne Review - An interim report was published in June 2012, followed by the full Government response to Winterbourne View in December 2012.
The Government has proposed a series of measures in England to improve care for people with challenging behaviour in a new Programme of Action. These include:

- An end to all inappropriate placements by 2014 – so that every person with challenging behaviour gets the right care in the right place.
- Tighter regulation and inspection of providers.
- Improving quality and safety standards, including more staff training and better leadership in care settings.
- Greater local planning and national support.
- Greater transparency and strong monitoring of progress.

4.7 Putting Things Right

New regulations aimed at streamlining the handling of concerns about the Welsh NHS came into force on 1st April 2011. Under the Putting Things Right arrangements (Welsh Government 2011a), the NHS in Wales aims to “investigate once, investigate well”, ensuring that concerns are dealt with in the right way, the first time round.

The National Health Service (Concerns, Complaints and Redress Arrangements) (Wales) Regulations 2011 set out the common arrangements and duties that will apply to NHS organisations in Wales in respect of the investigation and handling of situations where something has gone wrong.

The regulations also introduced the concept of redress, drawing on powers set out in the NHS Redress (Wales) Measure 2008. Organisations will also have to show how they have learnt lessons from the investigations they undertake.

The key aspects of the regulations are:

- The ability of any patient to make a complaint with proper support (this includes children and young people);
- A simplified process of local resolution followed by referral to the Public Services Ombudsman for Wales, which puts the complainant at the heart of the process;
- A single common method of investigation of concerns to include complaints, claims and reported patient safety incidents – proportionate to the issue raised;
- Local Health Boards to be able to investigate primary care complaints, rather than, as now, merely to facilitate resolution of complaints;

The concept of NHS redress places a duty on NHS bodies in Wales to consider, when investigating a concern, whether there is a qualifying liability in tort in respect of a service which they have provided. The duty to consider liability does not apply to concerns raised and investigated relating to primary care practitioners.

- The aim is to provide a single, more integrated and supportive process for people to raise concerns which:
  - Is easier for people to access;
  - People can trust to deliver a fair outcome;
  - Recognises a person’s individual needs (language, support, etc.);
- Is fair in the way it treats people and staff;
- Makes the best use of time and resources;
- Pitches investigations at the right level of detail for the issue being looked at; and
- Can show that lessons have been learnt.

• The person raising the concern needs to know that they are being listened to and that their concern is being taken seriously. If people feel that staff are not being honest or appear to be covering up the truth, this can often be worse than the original issue. In these instances, people are more likely to resort to legal action to obtain information and explanations, when there really should be no need for such action.

• The way a concern is initially handled can have an impact on everything that happens afterwards, so being open and providing a sympathetic and listening approach may often be all that is needed to satisfy the person raising a concern.

• The principles of Being Open are at the heart of the Putting Things Right arrangements and support improvements in the management of concerns (Welsh Government, 2011a).

• The benefits of the approach adopted in Learning from concerns leading to better quality and standards of care are:
  - Reduced incidence of similar issues arising again;
  - Improved patient safety;
  - Better experience for people wishing to raise a concern;
  - Reduced number of concerns that are escalated;
  - Better focus of specialist advice;
  - Potential reduction in the cost of legal fees and
  - Increased public confidence in the services provided by the NHS.

4.8 Handling Complaints

Recent research published by the Health Service Ombudsman for England shows NHS Boards believe use of complaints information needs to get better (IFF Research, 2013). The majority of leaders of NHS hospital trusts believe that they are failing to use information from complaints as well as they should, because the data Boards receive lacks the right quality and detail, according to new research. While this research focuses on the NHS in England, it contains important messages for all NHS organisations.

Of 165 respondents from 94 NHS Trusts from across England who were surveyed:

• Only 20% review learning from complaints and take resulting action to improve services;
• Less than half measure patient satisfaction with the way complaints are handled;
• Less than two thirds use a consistent approach to reviewing complaints data; and even where they did use a consistent approach, metrics vary significantly from trust to trust suggesting there is no recognised standard of complaints analysis for NHS Boards; and
• Around a fifth said the information they received was “ineffective” in identifying and reducing risks to patient safety.

The Health Service Ombudsman pointed out that the results of the research suggests that too many Boards are not considering the kind of analysis they need in order to understand patient experience and use information from patient complaints to improve safety and care. From ward to Board level, learning from complaints needs to improve.
Respondents also highlighted a number of barriers to effective complaints handling including:
• a defensive culture which refutes complaints is a barrier to effective complaint handling;
• the effectiveness of complaints processes is not tested;
• are not aware of having key practices in place to encourage complaints; and
• complaints information is not effectively shared across NHS trusts and complaints cannot be effectively benchmarked.

While the research also highlighted a number of welcome areas of good practice, the Health Service Ombudsman did call for:
• Analysis which enables Boards to consider trends and themes as well as responses to individual complaints;
• Assessments on whether real organisational learning and service improvements have taken place as a result of complaints;
• Feedback on the patient experience of complaining, in order to plan improvements to hospital complaints procedures; and
• Consistent measures to test the effectiveness of complaints handling overall.

In a recent report, the Patients Association (2013) gives a list of criteria that was developed to identify good practice in Trusts’ complaint-handling systems and procedures. The criteria were developed following a literature review of the relevant complaints regulations and obligations and considering the recommendations of the Healthcare Commission and the 2010 Francis inquiry into Mid Staffordshire NHS Foundation Trust. The Patients Association say that representativeness of these sources gave them the confidence that these criteria would be appropriate and objective.

The Patients Association List of criteria indicating best practice with regard to the management of complaints

1) Trusts must be open when it comes to complaints. They are accountable to the public, so they must be thoroughly transparent.

2) Trusts must have an exhaustive internal policy relating to complaints.
   - This policy must be up-to-date and regularly updated.
   - It must clearly state all responsibilities with regard to complaints.
   - It must list all the steps in the complaints handling process.
   - It must provide a list of all reporting mechanisms to the Board – e.g. Annual report, Quality Account Complaints report, Integrated Performance report, etc.

3) Trusts must have their complaints system explained on their website for the use of patients and the public – e.g. in the form of a plain and accessible leaflet or a dedicated webpage.

4) All complaints must be reported to the Trust Board, so that the Board can take all the necessary measures in a timely fashion.
5) Information relating to complaints must be presented to the Board at each Board meeting.
- All documents discussed during the public part of the Board meeting must be published in the relevant section of the Trust’s website. The discussion of complaints must always be carried out during the public part of the Board meeting.
- Complaints trends and data must be discussed at every Board meeting. This could be presented as a separate Complaints report or as part of other reports - e.g. the nursing, the risk management or the integrated performance report.

6) Trusts must produce regular dedicated Complaints reports and provide access to these on their website.
- These could be tailored according to the Trust practice, but should generally include: statistics, trend analysis, department performance, lessons learned, actions taken, as well as performance comparisons (e.g. with previous month, quarter and year).

7) Trusts must publish Annual reports and Quality accounts each year.
- These must be available for download from the Trust’s website and must be accessible and user-friendly.

8) Trusts must invest in staff training/support with regard to complaints.
- Staff must be aware of complaints-handling regulations and complaints-handling mechanisms within the Trust.
- Staff mentioned in, or in any way involved into, a patient complaint must be informed of the complaint and urged to consider/re-consider their practice/behaviour.

9) Trusts must take complaints very seriously and ensure that every cause of concern is reported and closely investigated, so that incidents never reoccur.

10) Trusts must be characterised by an open learning culture.
- They must create and disseminate functioning mechanisms for ensuring that lessons are learned following complaints.
- Each response to a complaint must state the necessary action that the Trust will take in response to the complaint. The complainant must later receive an update on this action.
- Each Annual report, Quality account and Complaints report must dedicate a section on actions taken and lessons learned following complaints.
- Trusts must take pride in realised improvements and publicise them widely.
4.9 Engagement

Engagement is discussed above in the context as a key governance role

With regard to the NHS, The King’s Fund (2012) has said that:

- Recent research has highlighted that NHS leaders favour ‘pace-setting’ styles focused more on the delivery of targets than engaging patients and staff.
- Rising to the challenges that lie ahead requires a more nuanced style, with NHS leaders giving greater priority to patient and staff engagement; the involvement of doctors, nurses and other clinicians in leadership roles; and leadership across organisations and systems of care.
- The business case for leadership and engagement is compelling: organisations with engaged staff deliver better patient experience, fewer errors, lower infection and mortality rates, stronger financial management, higher staff morale and motivation and less absenteeism and stress.
- Patient engagement can deliver more appropriate care and improved outcomes.
- There is specific evidence that links medical engagement with organizational performance both from the NHS and other health care systems.
- The contribution of staff at an early stage of their careers to leadership and service improvement needs to be valued and recognised.
- The increasing recognition of the importance of integrated care, and the new structures put in place by the NHS reforms, require leaders to be effective across systems, including engagement outside the NHS.
- To support this, leadership development programmes should bring together leaders from different professions and different organisations within and outside health care.
- NHS Boards should value patient and staff engagement and pay attention to staff health and wellbeing, for example by acting on the results of the NHS staff surveys.
- Every NHS organisation needs to support leadership and engagement in delivering its objectives, for example through effective appraisals, clear job design and a well-structured team environment.
- The role of team leaders in hospitals and the community is critical in creating a climate that enhances staff well-being and delivers high-quality patient care.

4.10 Risk Management in the NHS

Risk management is discussed above in the context of public sector governance in general. Risk is the threat that an event or action will adversely affect an organisation’s ability to achieve its objectives and to execute its strategies successfully.

Health and social care is, by its very nature, a risk activity. It is important that Board decisions are taken using all available information on possible outcomes – this is risk management. Without this, there is a very real danger that patient care will suffer and, as a consequence, give rise to the potential for adverse publicity and, for example, medical negligence cases.
There are different types of risk, but they are usually classified under the following main headings:

- **Financial risks** – for example, not having sufficient funding to meet all your commitments, possibly resulting in deficit at year end.
- **Clinical risks** – for example, resulting from mistakes in the treatment of patients.
- **Reputational risks** – for example, arising from adverse publicity about a failing within your organisation.
- **Legal risks** – for example, due to a lack of understanding or implementation of legislation, or being sued by a patient.

The role of the Board in risk management is twofold:

- **First**, within the Board itself an informed consideration of risk should underpin organisational strategy, decision-making and the allocation of resources.
- **Second**, the Board is responsible for ensuring that the organisation has appropriate risk management processes in place to deliver the annual plan/commissioning plan and comply with the registration requirements of the quality regulator. This includes systematically assessing and managing its risks. These include financial, corporate and clinical risks.

Risk management by the Board is underpinned by four interlocking systems of control:

a) **The Board Assurance Framework**: This is a document that sets out strategic objectives, identifies risks in relation to each strategic objective along with controls in place and assurances available on their operation. The most effective Boards use this as a dynamic tool to drive the Board agenda. Formats vary but the framework generally includes:
   - Objective
   - Principal risk
   - Key controls
   - Sources of assurance
   - Gaps in control/assurance
   - Action plans for addressing gaps.

b) **Organisational: Risk Management**: Strategic risks are reflected in the Board Assurance Framework. A more detailed operational risk register will be in use within the organisation. The Board needs to be assured that an effective risk management approach is in operation within the organisation. This involves both the design of appropriate processes and ensuring that they are properly embedded into the operations and culture of the organisation.

c) **Audit**: External and internal auditors play an important role in Board assurance on internal controls. There needs to be a clear line of sight from the Board Assurance Framework to the programme of internal audit. While clinical audit is primarily a management tool, the advice in ‘Taking it on Trust’ (Audit Commission, 2009b) suggests that ‘it would be reasonable to expect it to appear (in the Board Assurance Framework) as a significant source of assurance’.

d) **The Annual Government Statement**: This is signed by the Chief Executive as Accountable Officer and comprehensively sets out the overall organisational approach to internal control. It should be scrutinised by the Board to ensure that a robust body of evidence supports the assertions within it.
The approach to risk management needs to be systematic and rigorous. However, it is crucial that Boards do not allow too much effort to be expended on processes. What matters substantively is recognition of, and reaction to, real risks – not unthinking pursuance of bureaucratic processes.

4.11 Committees of the Board that Support Accountability

The corporate governance framework for health and social care organisations requires them to have certain procedures in place to govern the behaviour of independent members and staff and this contributes to the management of financial risks. It might appear that the structures and processes are over-elaborate and bureaucratic. However, Board members are accountable to the public in a stewardship role and these measures help to protect Board members by ensuring there is openness and honesty in the business dealings of NHS organisation.

The task of producing many of the registers and documents is made easier by good practice guidelines developed by the Government, but these will only go some way to producing safeguards for NHS organisations. For corporate governance to be fully effective, organisations need to go beyond just putting policies and structures in place. The Board must create the right culture for by being seen to operate in a spirit of openness. In order to enable accountability, Boards are statutorily required to establish a range of committees:

4.11.1 The Audit Committee

The Audit Committee supports the Board by critically reviewing governance and assurance processes on which the Board places reliance. At the corporate level these will include a risk management system and a performance management system underpinned by an effective system of assurance.
No Audit Committee can afford to limit itself to focus on internal financial control matters. The importance of financial scrutiny has not diminished but the need for rigorous control over all activities requires a wider focus. The Committee has a relatively broad role, encompassing:

- A focus on the key purpose of the organisation to deliver safe and effective services and to meet the broad range of stakeholder needs;
- Internal control matters;
- The maintenance of proper accounting records; and
- Reviewing the overall assurance mechanism of the organisation, both clinical and non-clinical.

There are two key areas on which the Audit Committee should provide assurance to the Board on the organisation’s assurance system; and on the public disclosure statements that flow from the assurance processes, including the Annual Governance Statement and the Annual Quality Statement.

The Committee’s work will predominantly focus upon the risks, controls and related assurances that make up the assurance system which underpins the delivery of the organisation’s objectives. Therefore it has a pivotal role to play in seeking and providing assurance on the organisation’s activities, and delivery of its objectives. In particular this covers the Governance Statement, which should come to the Committee before being submitted for approval and sign-off to the Board.

4.11.2 Quality and Safety Committee

The purpose of the Quality and Safety Committee is to:

- Provide accurate, evidenced (where possible) and timely advice to the Board to assist it in discharging its functions and meeting its responsibilities with regard to the quality and safety of healthcare; and
- Seek assurance in relation to the organisation’s arrangements for safeguarding and improving the quality and safety of healthcare and subsequently provide assurance to the Board.

4.11.3 Information Governance Committee

The purpose of the Information Governance Committee is to provide evidence based and timely advice to the Board to assist it in discharging its functions and meeting its responsibilities with regard to the: quality and integrity; safety and security; and appropriate access and use of information (including patient and personal information) to support its provision of high quality healthcare; and assurance to the Board in relation to the LHB’s arrangements for creating, collecting, storing, safeguarding, disseminating, sharing, using and disposing of information in accordance with its: stated objectives; legislative responsibilities, e.g., the Data Protection Act and Freedom of Information Act; and any relevant requirements and standards determined for the NHS in Wales.
4.11.4 Charitable Funds Committee

The purpose of the Charitable Funds Committee is to ensure that within the budget, priorities and spending criteria determined by the LHB as trustee are consistent with the requirements of the Charities Act 1993, Charities Act 2006 (or any modification of these acts).

The Board, and Board Members, when they meet as Trustees have a clear and distinctive role that is completely independent of their normal role as Board and Board Members of the LHB or Trust.

4.11.5 Remuneration and Terms of Service Committee

The purpose of the Remuneration and Terms of Service Committee is to provide:
- **Advice** to the Board on remuneration and terms of service for the Chief Executive, Executive Directors and other senior staff within the framework set by the Welsh Assembly Government;
- **Assurance** to the Board in relation to the LHB’s/Trust’s arrangements for the remuneration and terms of service, including contractual arrangements, for all staff, in accordance with the requirements and standards determined for the NHS in Wales; and to perform certain, specific functions on behalf of the Board. The Committee has no powers to develop or modify existing pay schemes.

4.11.6 The Mental Health Act Monitoring Committee

The purpose of the Mental Health Act Monitoring Committee is to assure the Board that those functions of the Mental Health Act 1983, as amended, which they have delegated to officers and staff are being carried out correctly; and that the wider operation of the 1983 Act in relation to the LHB’s area is operating properly.

4.11.7 Committee Membership

All Board committees normally have an Independent Member as chair. Audit Committee members are all non-executive directors with executives in attendance as appropriate. At least one member of the Audit Committee must have a financial background.

Checks and balances need to be maintained in committee membership. So, for example, the Board Chair cannot be a member of the Audit Committee, nor can the Audit Committee Chair be the senior independent director. Best practice suggests that the vice chair of the organisation should not chair the Audit Committee in order to avoid potential conflicts of interest. Effective Boards minimise the number of standing Board committees. However, Boards may establish other committees. Examples include investment committees, risk committees and Charitable Funds Committees.

4.12 Integrated governance

Integrated governance can be defined as:

‘Systems and processes by which health organisations lead, direct and control their functions in order to achieve organisational objectives, safety, and quality of services, and in which they relate to the wider community and partner organisations.’ (Deighan and Cullen, 2004)
In order that the Board may discharge its duties with due rigour it has to be assured that the systems in place relating to integrated governance are closely intertwined. Each decision has to focus closely on the requirements of the different aspects of governance, in particular clinical governance, corporate governance, research governance, information governance, and financial governance.

The main features of an integrated governance model are:

• Integrating risk assessment with the initial objective setting process - this should be followed by incorporating risk management within the control systems, for example financial risk within the finance system and risk to clinical objectives within the clinical governance system.

• Developing a process for reporting progress against objectives - this should be accompanied by selecting key indicators or Board assurance products to provide intelligent information. This will have utility at operational and Board level and can be used to measure improvement over time.

• Aligning the various governance systems so that they complement each other without overlap. The opportunity can be taken to develop clinical governance as the primary quality assurance framework for the organisation and to align it with the achievement of the ‘core’ and ‘development standards’. Clinical governance can be interpreted widely to embrace everything in the organisation which impacts on the service given to patients (for example clinical outcomes, staff, premises, communications etc.) and with the management of every interface with other organisations or systems of care. Risk management is an essential part of any quality assurance programme and needs to be seen at an operational level as part of the clinical governance activity.

• Developing an effective assurance framework - This should provide essential assurance on the effectiveness of the governance systems so that the Board can have confidence in the systems. It needs to be seen as a tool to govern the executive rather than to govern the organisation and it needs to be aligned to the governance systems rather than vice-versa.

• Overhauling the committee structure - In some organisations there are a range of committees which may only serve to preserve the silo nature of the separate activities. Careful and well considered rationalisation would not detract from or reduce the level information presented to the Board but would ensure that governance information was properly integrated, and presented to the Board as a coherent whole.

4.13 NHS Boards

The Board comprises:

• The Chair whose role is to manage and develop the Board
• The Chief Executive whose role is to be the Accountable Officer and to be the leader of the organisation
• The Executive Directors who have a dual role as Board Members and as Executives who lead their parts of the organisation.
• The Independent Members, whose role is to provide independent thinking, objectivity, governance and expertise.
• The Associate Members attend Board meetings on an ex-officio basis, although do not have voting rights.
4.13.1 Roles of Board Members

All Board members share corporate responsibility for formulating strategy, ensuring accountability and shaping culture. They share responsibility for ensuring that the Board operates as effectively as possible. The Chair and Chief Executive have complementary roles in Board leadership. These are set out in more detail below, although it is helpful to identify the essence of these two roles, which are:

The Chair leads the Board and ensures the effectiveness of the Board; the Chief Executive leads the executive and the organisation. However, there are distinct roles for different Members of the Board, and indeed there are distinct roles depending on the type of NHS organisation.

<table>
<thead>
<tr>
<th>Formulate Strategy</th>
<th>Chair</th>
<th>Chief Executive</th>
<th>Independent Members</th>
<th>Executive Director</th>
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<tbody>
<tr>
<td></td>
<td>Ensures Board develops vision, strategies and clear objectives to deliver organisational purpose</td>
<td>Leads the organisation in the delivery of strategy</td>
<td>Brings independence, external perspectives, skills, and challenge to strategy development</td>
<td>Takes lead role in developing strategic proposals - drawing on professional and clinical expertise (where relevant)</td>
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<table>
<thead>
<tr>
<th>Ensures Accountability</th>
<th>Chair</th>
<th>Chief Executive</th>
<th>Independent Members</th>
<th>Executive Director</th>
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<td></td>
<td>Makes sure the Board understands its own accountability for governing the organisation</td>
<td>Establishes effective performance management arrangements and controls</td>
<td>Holds the executive to account for the delivery of strategy</td>
<td>Leads implementation of strategy within functional areas.</td>
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<td></td>
<td>Ensures Board committees that support accountability are properly constituted</td>
<td>Acts as Accountable Officer</td>
<td>Offers purposeful, constructive scrutiny and challenge.</td>
<td>Manages performance within their area and deals effectively with suboptimal outcomes</td>
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<td></td>
<td>Holds CEO to account for delivery of strategy</td>
<td>Chairs or participates as member of key committees that support accountability</td>
<td>Chairs or participates as member of key committees that support accountability</td>
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Chairs or participates as member of key committees that support accountability.
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<th>Chair</th>
<th>Chief Executive</th>
<th>Independent Members</th>
<th>Executive Director</th>
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<tr>
<td><strong>Shape Culture</strong></td>
<td>Provides visible leadership in developing a healthy culture for the organisation, and ensures that this is reflected and modelled in their own and in the Board’s behaviour and decision-making</td>
<td>Provides visible leadership in developing a healthy culture for the organisation, and ensures that this is reflected in their own and the executive’s behaviour and decision-making</td>
<td>Actively supports and promotes a positive culture for the organisation and reflects this in their own behaviour.</td>
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<tr>
<td>Leads and supports a constructive dynamic within the Board, enabling grounded debate with contributions from all directors</td>
<td></td>
<td>Provides visible leadership in developing a healthy culture so that staff believe NEDs provide a safe point of access to the Board for raising concerns</td>
<td>Nurtures good leadership at all levels, actively addressing problems impacting staff’s ability to do a good job</td>
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<tr>
<td><strong>Context</strong></td>
<td>Ensures all Board members are well briefed on external context</td>
<td>Ensures all Board members are well briefed on external context</td>
<td>Mentors less experienced NEDs where relevant</td>
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<tr>
<td>Intelligence</td>
<td>Chair</td>
<td>Chief Executive</td>
<td>Independent Members</td>
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<tr>
<td></td>
<td>Ensures requirements for accurate, timely and clear information to Board / Directors are clear.</td>
<td>Ensures provision of accurate, timely and clear information to Board / Directors.</td>
<td>Satisfies themselves of the integrity of financial and quality intelligence including getting out and about, observing and talking to patients and staff.</td>
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</tbody>
</table>

| Engagement | Plays key role as an ambassador, and in building strong partnerships with:  
- Patients and public  
- All staff  
- Key partners  
- Regulators | Plays key leadership role in effective communication and building strong partnerships with:  
- Patients and public  
- All staff  
- Key partners  
- Regulators | Ensures Board acts in best interests of patients and the public. | Leads on engagement with specific internal or external stakeholder groups. |

| Building Capacity and Capability | Ensures that the Board sees itself as a team, has the right balance and diversity of skills, knowledge and perspective, both NED and ED, and the confidence to challenge on clinical as well as other intelligence and service plans. | Ensures that the executive team has the right balance and diversity of skills, knowledge and perspectives.  
Supports the Chair in, ensuring that development programmes are in place for Board members. | | |
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<thead>
<tr>
<th>Building Capacity and Capability</th>
<th>Chair</th>
<th>Chief Executive</th>
<th>Independent Members</th>
<th>Executive Director</th>
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<tbody>
<tr>
<td></td>
<td>Ensures that directors have a full induction and continually update their skills, knowledge and familiarity with the organisation. Arranges regular evaluation of performance of the Board, and its committees. Conducts regular performance reviews of the NEDs, the CE and executive directors in relation to their Board contribution. Acts on the results of these evaluations, including supporting personal development planning.</td>
<td>Uses the Board performance evaluations as the basis for determining individual and collective professional development programmes for executive directors relevant to their duties as Board members.</td>
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</table>
4.14 The Complementary Responsibilities of the Chair and Chief Executive

The Chair and the Chief Executive have discrete, complementary responsibilities. The Chair has overall responsibility for the organisation and its governance, while the Chief Executive is the accountable officer and responsible for executing policy:

- The Chair is responsible for providing strong, effective and visible leadership, and is accountable for maintaining the highest standards of clinical care. The Chair is ultimately accountable for LHB or NHS trust performance.
- The Chief Executive is responsible for the delivery of policy as agreed by the Board. As the accountable officer, the Chief Executive needs to ensure that the systems and structures of the LHB or NHS Trust are fit for purpose and ensure the highest standards of executive control.
- The Chair directly holds the Chief Executive to account, and ensures that there is proper stewardship for resources for which the Board is accountable.
- External ambassadorial functions of the LHB or NHS Trust will include the Chair working directly with community partners.
- Responsibility for ensuring the LHB/NHS Trust is governed effectively within the framework and standards set by the NHS in Wales resides with the Chair.
- Ensuring that Board members have the right information available to them to discharge their responsibilities is a crucial role for the Chair.

4.15 Responsibilities of Executive Directors

All Executive Directors have a dual set of roles and responsibilities:

1. Firstly, as a result of their management relationship to their Chief Executive. In this respect, their accountability is defined by their job description and by the personal objectives and standards of performance they have agreed with their Chief Executive.

2. Secondly, as a result of being a Board Member. In this respect, when they are operating in the Board they are also accountable to the Chair for the same 18 accountabilities as other Board Members.

Moving from a senior manager role to an Executive Director role is one of the most significant steps in a manager’s career. To be successful the Executive Director must be able to operate from multiple perspectives.

Executive Directors must be able to view both their own and the organisation’s work from above, as an independent objective observer. This enables them to rigorously and objectively scrutinise all proposals, offer dispassionate comments and identify potential improvements to all areas of work, including their own.

In practice, this transition from senior manager to Board Member can be difficult both for the new Executive Director and for his or her colleagues, who are used to seeing that person in their managerial role.
Some possible approaches are:

1. Executive Directors never present management work; instead they delegate it to their deputies. This has two advantages:
   a. Firstly, it makes it easier for the Executive Director to stay in their Board Member role
   b. Secondly, it begins to prepare others for Board level activities and aids succession planning
2. Chairs can remind Executive Directors to assume their Board Member role when necessary
3. Other Board Members can offer greater tolerance for Executive Directors who are reviewing their own work.
4. Executive Directors can explicitly state whether they are operating as a Board Member or a manager at any given moment.
5. Team building activities can build relationships and individuals’ skills to enable full, open and honest exchanges between Board Members.
6. Chair and Chief Executive can arrange personal coaching development to help new Executive Directors to move effectively into their new role.
7. Regular feedback on performance in both aspects of their role is an essential tool in building an effective Board.

4.16 Responsibilities of Independent Members

Key points for Independent Members to remember

Independent members must:
- Ensure that they understand the role of the organisation and the sector within which it operates.
- Support the Chair in being clear about the information they need in order to discharge their role, including assurance and scrutiny.
- Aside from attending Board and committee meetings, always ensure they have read all papers they are sent and have a good understanding of the work of the organisation.
- Actively participate in all aspects of assurance and scrutiny and not absent themselves from particular discussions.
- Properly declare all areas of potential or perceived conflict of interest.
- Discuss matters they feel uncomfortable with or uncertain about with the chair.
- Go through an annual development appraisal discussion with the chair.
- Undertake their important ambassadorial role for their organisations.

Independent members are appointed to bring a particular perspective, skill or area of expertise to the Board. They are not appointed to directly represent the particular interests of any one group or sector, and all individual members are responsible for contributing across the breadth of the Boards responsibilities.
4.16.1 Board Members’ Champion Roles

Over the last few years, there has been an increasing focus on the designation of Board Champions on LHB and NHS Trust Boards and nominated leads designed to engender Board level commitment and focus around key areas of service development or delivery. For the Boards’ Independent members this has provided an opportunity to gain a deeper level of insight and knowledge around these key areas with the aim of better equipping them and the whole Board to fulfill its role.

The Welsh Government is reviewing the design and designation of these roles so that their purpose within the new NHS in Wales is properly focused and supported through the provision of clear guidance. These roles include: Cleaning; Hygiene and Infection; All schemes which have an impact on the patient environment; Welsh Language; Older People; Violence and Aggression; Armed Forces and Veterans; Children and Young People’s Services; Public and Patient Involvement; Emergency Planning; Patient Information; Sustainable Development; Fire Safety.

4.16.2 Independent Members Responsibilities under the Mental Health Act 1983

Hospital managers have a central role in operating the provisions of the Act. For a hospital vested in a Local Health Board, the managers are the Board members and they have the authority to detain patients admitted under the Act, and must ensure that the patient’s treatment and care fully comply with the requirements of the Act. Patients should be informed of, and supported in exercising, their statutory rights. Hospital managers should also ensure that a patient’s case is dealt with in line with other legislation which may have an impact, including the Mental Capacity Act 2005, the Human Rights Act 1998 and the Data Protection Act 1998.

In practice most hospital manager’s decisions are taken by individuals (or groups of individuals) on their behalf. Panels specifically selected for the role take decisions about discharge from compulsory powers. Section 23 of the Act gives hospital managers the power to discharge certain patients from compulsory powers. The power may be only be exercised by three or more members of a committee or sub-committee formed for that purpose. The committee or sub-committee must not include any employee or officer of the Board, but should include non-officer members (NOMs).

The Mental Health Act 2003 and the Mental Health (Wales) Measure 2010 are discussed in more detail later in this guide. Further guidance on the exercise of the power of discharge is given in the Mental Health Act 1983 Code of Practice for Wales.

4.16.3 Independent Members Time Commitment

Chairs, in their Board leadership role, have a key responsibility to plan and manage the time commitment required of Independent Members (IMs) in line with their role on the Board in relation to strategy, accountability and culture. Some tasks that IMs are asked to do can be undertaken by other, appropriately selected and trained lay people (for example chairing appeals panels). Experience has shown that the higher the time commitment expected of non-executive directors, the less likely Boards are to attract and retain candidates with a diverse background (such as people who are younger, of black and minority ethnic origin, women).
There is a balance to be struck between developing a good understanding of the organisation and how it is functioning, and getting too involved in operational matters. It is important that IMs maintain objectivity and independent scrutiny. Newly appointed non-executive directors may find that they need and want to spend more time initially as they learn about the organisation, its people and its context. In times of significant organisational or service change, more time is likely to be required of non-executive directors for a limited period.

4.16.4 Independent Member’s Performance Appraisal

The process within NHS Wales for Independent Members’ performance appraisal and review is under development, although is likely to be built on the following:

Objective Setting

Every Board member of an NHS Board must agree personal performance objectives with their Chair and for executives with their Chief Executive. Although the process of managing the performance of an individual Board member may vary and involve a separate “home” organisation to whom they also report, the principles for performance management can be established from the following components:

The Chair’s general expectations of all Board members: It is usually helpful if the Chair lays out their general expectations of all Board members for example to:

- Complete their induction/re-induction to health and social care in Wales, always come to Board meetings properly prepared, briefed, having read their papers and to contribute effectively,
- Observe the Code of Conduct, and comply with Standing Orders and Standing Financial Instructions,
- Adopt the behaviour protocol for public meetings.

Specific objectives for individuals arising from the operation of the Board: These objectives arise from what needs to be done to operate the Board and its committees and sub-committees. So, for example, objectives might be set for an individual to chair or be a member of a subcommittee and, within that, set evidence based objectives, for example to:

- a) assess and report on quality and safety,
- b) report on senior management effectiveness,
- c) measure compliance with equality and diversity requirements.

Specific objectives for individuals arising from the work of the organisation: As the vision, the Board’s work programme and the organisation’s action plans become clearer, it may become helpful to ask individual Board members, without losing their strategic perspective, to:

1 Assess and report on the two way communication and overall engagement with citizens and the community,
2 Measure and report on progress and/or performance of a particular project or part of the organisation’s action plan by a specified date,
3 Contribute by participating in a task and finish group over a specified time to deliver particular outcomes.
4.16.5 Performance Review and Appraisal

Arrangements are currently being developed by the Welsh Government for Board members. The details set out here reflect the current system, although will give independent members an indication of the possible shape and characteristics of performance review and appraisal. It is important to note that any performance appraisal activity undertaken by the chair of the LHB/NHS Trust will be carried out on behalf of the Minister.

Performance review and development processes usually include a formal review and report at least once a year. Chairs will normally give feedback to individual Board members as the year progresses. So for instance:

- If an individual performs particularly well or poorly during Board activities they may be spoken to and given feedback following the event.
- An informal mid-year review discussion may be arranged.

Chairs and Board members also need to participate in more structured reviews:

- Self Assessment: As the year progresses, each Board member should be expected to review their own performance and keep a portfolio of evidence detailing how they are addressing their accountabilities and the objectives they have agreed with their Chair.
- Annual Review of Performance: At the end of each year, the individual’s portfolio of evidence should be passed to the Chair for review. Using this, the Chair, with input from the Chief Executive as appropriate, will then prepare their comments for inclusion in the individual’s portfolio. The annual appraisal session for the Board member can then be used to discuss their performance and identify areas for development.

4.16.6 Continuing Personal Development (CPD) Plan

In the portfolio, Board members will be asked to write up their personal development plan and CPD priorities for sign off by the Chair and/or Chief Executive.

4.17 The Role of the Board Secretary

The Board Secretary has a pivotal role within LHBs and Trusts in Wales. As principal advisor to the Board and the organisation as a whole on all aspects of governance, the Board Secretary - on behalf of the Chair and Chief Executive - leads the design and ongoing development of a governance and assurance framework for the organisation and ensures that it meets the standards of good governance set for the NHS in Wales.

The Board Secretary promotes and helps sustain these standards by:

- Keeping under review legislative, regulatory and governance developments that impact on the LHB’s/NHS Trust’s activities and ensuring that the Board is appropriately briefed on them;
- Winning the confidence of the Board - acting as ‘wise counsel’ providing a confidential sounding Board to the Chair and individual Board members on all aspects of Board business including issues of concern;
- Guiding the Board in the responsible and effective conduct of its role, providing, where appropriate, a discreet, challenging and independent voice in relation to Board deliberations and decision making;
- Ensuring that in all its dealings, the Board acts fairly, with integrity, and without prejudice or discrimination; and
- Contributing to the development of an organisational culture that embodies NHS values and standards of behaviour.

In doing so, the Board Secretary will play a key role in protecting and enhancing the reputation of the LHB/NHS Trust and NHS Wales. As advisor to the Board, the Board Secretary is not a Board member, and the role does not affect the specific responsibilities of Board members for governing the organisation.

### 4.18 The Disconnect Between Governance Best Practice and Reality in the NHS

Throughout this guide the basic characteristics of good and effective governance have been summarised and discussed. None of this is new, yet there have been worrying and regular examples where the theory has not been fully or effectively put into practice. There is no excuse for this, especially when we need to earn the trust of patients and the public both in the quality and safety of the services we provide, and the use of taxpayer’s money. Below are a number of recent reports that highlight where things have gone wrong. We have a duty to learn from these failures in governance to avoid similar mistakes happening in the future.

The ‘Mapping the gap’ research project (Institute of Chartered Secretaries and Administrators, 2011) was initiated to examine the degree to which Trust Boards in the NHS in England understood issues of governance, and the extent to which actual Boardroom behaviour reflected guidance on best practice. This is an important area because Trust Boards are the governing bodies of the NHS and are the primary vehicle by which Government policy is translated into local action for the benefit of NHS stakeholders. The lessons learnt here are very relevant to NHS Boards in Wales.

Success in delivering stated outcomes is dependent upon the Board ordering its decision-making processes in a way that maximises the likelihood that strategic objectives will be achieved. The aim of the research was, amongst other things, to establish whether current Board governance arrangements increased, or decreased, the likelihood of strategic objectives being met. In summary, the research demonstrates that Board members were aware of the importance of good governance and understood notions of best practice, although there was a gap between the theory and the reality in a number of key areas: strategy, decision making, clinical and quality matters, probity and transparency.

Goldberg (2012) gave some useful insights into his experience with regard strategic planning in the NHS:
- Boards do not use strategic plans to evaluate the effectiveness of executive teams and the success/ failure of their organisations.
• Boards do not evaluate nor align policy initiatives from elsewhere (even within the UK).
• Boards that do not have strong and clear strategy are often sidetracked by central directives and initiatives.
• Boards are often overwhelmed with lofty aspirations that have little chance of being accomplished.
• Board members (particularly non-executive directors) do not know what questions to ask in order to gain assurance that progress is being made on the strategic goals of their organisation.

The findings from the research confirm that there is a gap between the theory associated with good governance and the reality of Board practice in the NHS. Against the background of the commonly-held view that NHS systems are weak, the research points to governance arrangements inside the NHS Trust Board as one of the main reasons why this might be so. This conclusion has implications for the way in which the NHS is currently governed, and for the design of governance systems under the NHS, which will emerge.

On the basis of their research, the Institute of Chartered Secretaries and Administrators (2011) makes the following recommendations:
- NHS Boards should adopt a more strategic approach to Board meetings that closely match organisational needs and development. Board content should balance strategic leadership with performance monitoring and ensuring organisational compliance.
- All NHS entities should re-examine the composition of their Board agendas and ensure that their content reflects the importance of clinical and quality issues. Board papers should focus on strategic decision-making.
- The Board should regularly review the information it requires and receives, remaining alert to achieving an appropriate balance between historical oversight, horizon-scanning and strategic analysis.
- NHS entities should commit time and resources to developing and training all directors and governors on their legal duties and on good practice governance. Such development activities should include whole Board exercises and bespoke training for individual directors and/or governors.
- To encourage meaningful transparency to stakeholders at open Board meetings, NHS entities should ensure that up-to-date and accurate information is publicly available and that the meeting environment is conducive to the purpose.
- NHS entities should consider a range of ways of improving meaningful public engagement and effective accountability that maximises its audience reach and outcomes.
- NHS Boards should promote transparency and accountability by declaring conflicts (real and perceived) in accordance with the organisation’s agreed policies on managing conflicts of interest, accepting gifts and hospitality and anti-bribery guidance. Corresponding registers should be publicly available.
- All NHS governing bodies should regularly review information available about the governance arrangements of the organisation and how it makes decisions.
4.19 The Francis Report

The final report of the Mid Staffordshire NHS Foundation Trust Public Inquiry from Robert Francis (2013) has now been published. Whilst its findings are based on the care delivered by one NHS organisation – its conclusions have far reaching consequences and application for every organisation and individual involved in providing care.

The final report provides detailed and systematic analysis of what contributed to the failings in care at the trust. It identifies how the extensive regulatory and oversight infrastructure failed to detect and act effectively to address the trust’s problems for so long, even when the extent of the problems were known. It builds on the first independent inquiry, chaired by Robert Francis QC. Its three volumes and an executive summary run to 1,782 pages, and is structured around:

- Warning signs that existed and could have revealed the issues earlier
- Governance and culture
- Roles of different organisations and agencies
- Present and future.

It recognises that what happened in Mid Staffs was a system failure, as well as a failure of the organisation itself. Rather than proposing a significant re-organisation of the system, the report concludes that a fundamental change in culture is required to prevent this system failure from happening again, and that many of the changes can be implemented within the current system. It stresses the importance of avoiding a blame culture, and proposes that the NHS – collectively and individually – adopt a learning culture aligned first and foremost with the needs and care of patients.

The report makes 290 recommendations, which focus primarily on securing a greater cohesion and culture across the system, which ‘will not be brought about by further “top down” pronouncements, but by the engagement of every single person serving patients’. However, no single recommendation should be regarded as the solution to the many concerns identified.

The report highlights the importance of establishing a shared positive safety culture that permeates all levels of the healthcare system, which aspires to prevent harm to patients and provide where possible, excellent care and a common culture of caring, commitment and compassion.

This requires:

- Shared values in which the patient is the priority of everything done,
- Zero-tolerance of substandard care, and empowering frontline staff with the responsibility and freedom to deliver safe care
- Strong and stable cultural leadership and organisational stability
- Comparable data on outcomes
- Expectations of openness, candour and honesty.
Leaders of organisations are expected to adopt the shared culture themselves, and be seen to do so. This should be supported by measures such as open Board meetings, personally listening to complaints, and an open and honest admission where there is an inability to offer a service. At a system level, this should be demonstrated by constantly considering how the wellbeing of patients is protected or improved by proposed measures.

However, a positive culture will not emerge through the good intentions of those working in the system. It needs to be defined, accepted by those who are to be part of it, and continually reinforced by leadership, training, personal engagement and commitment. This will be the principal means to ensure uniformity of the standard of care and treatment. The inquiry recommends that the NHS, and all who work for it, adopt and demonstrate a shared culture in which the patient is the priority in everything done. This requires:

- A common set of core values and standards shared throughout the system
- Leadership at all levels from ward to the top of the Department of Health, committed to and capable of involving all staff with those values and standards
- A system which recognises and applies the values of transparency, honesty and candour
- Freely available, useful, reliable and full information on attainment of the values and standards
- A tool or methodology, such as a cultural barometer, to measure the cultural health of all parts of the system.

The Report includes detailed recommendations on:

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<td>Medical training and education.</td>
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<td>Fundamental standards of behaviour.</td>
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4.20 The Betsi Cadwaladr Report

Closer to home, in their Joint Overview of Governance Arrangements in the Betsi Cadwaladr University Health Board the Healthcare Inspectorate Wales and the Wales Audit Office (2013) reported that they had significant concerns that over a period of 12 months, a number of factors have combined to compromise the effectiveness of the Board. Their concerns centred around:

a. A breakdown in working relationships between senior leaders in the Health Board.
b. Lack of cohesion and consensus amongst the Executive.
c. The way information is presented to the Board.
d. A need for a greater mutual appreciation of the respective roles of executive and independent Board members.
e. A need for better planning of the agenda for Board meetings.

The report underlines that the issues raised reaffirm the importance of the Board’s role across three key areas; setting the Health Board’s strategic vision and direction; establishing and upholding the organisation’s overall governance framework and supporting culture; and scrutinising the Executive’s performance in delivering safe, high quality services day to day.

The Board has a key role to play in setting the right culture for the organisation. Challenges associated with pace and urgency of change, and ensuring more robust approaches to accountability and line management of senior staff must be addressed. Crucially there must be a continued focus on getting staff to move beyond the loyalties they have to predecessor organisations, so that there is a consistent approach to delivering care across the Health Board and an intolerance to unacceptable variations in practices and procedures.

The report emphasises that as the Board looks to address these issues, the Chair and Chief Executive must together develop a culture that is open, transparent and willing to be challenged, at all levels of the organisation. The role of the Board Secretary in supporting the Chair and Chief Executive to achieve this is critical in ensuring that the Board is properly equipped to fulfil its responsibilities.

The relationship between the Chair and the Board Secretary is a fundamental one. This was recognised when the role of the Board Secretary was first introduced in 2009, and established within the Health Board’s own Standing Orders. The relationship should be protected by a clear and direct line of accountability from the Board Secretary to the Chair.

The Chair must set the Board’s agenda in conjunction with the Chief Executive, and manage its business appropriately, in accordance with its own Standing Orders. In doing so, account must be taken of the priorities facing the Health Board and the planned annual cycle of Board business. The Chair should encourage individual Board members to influence the Board’s agenda and submit specific requests for matters to be placed on the Agenda sufficiently in advance of Board meetings.

To facilitate proper scrutiny by the Board, members must be properly informed and equipped, both individually and collectively to play their full part in Board business.
This report highlights a number of key areas to which the Board must now give priority:

- Achieving cohesion and consensus
- Planning and Risk Management
- Board Meetings
- Capacity of Independent Members
- Use of information
- Quality and Safety arrangements
- Strengthening financial management and stability
- Strategic vision and service reconfiguration

The report concludes that those with responsibility for management and oversight of the NHS in Wales should reflect and learn from the issues raised in this report. In our view, greater clarity is needed over the respective roles and responsibilities of NHS Boards, the Welsh Government and External Review bodies, specifically in relation to escalation and intervention arrangements.

Given the seriousness of the joint overview report’s findings, the National Assembly for Wales’ Public Accounts Committee considered it appropriate to conduct a short inquiry into issues raised by the report (National Assembly for Wales, 2013). The Committee’s recommendations to the Welsh Government were to:

1. Review and where necessary strengthen the performance management and appraisal process arrangements for Chief Executives and Chairs of NHS organisations to ensure that they are appropriately robust, clearly understood and implemented to ensure senior leaders are held to account.

2. Undertake an urgent review of the training available to Board members across all Welsh NHS bodies. The outcome of this review should inform the development and delivery of a national training programme for Board members, participation in which should be a condition of Board membership. The programme should develop core competencies, clarify requirements and include training specifically developed for newly appointed Board members to attend as part of their induction into Board membership.

3. Issue directive guidance to all Boards on the importance of both individual and collective Board development, and reviewing any such guidance regularly to ensure it is fit for purpose.

4. Review the time commitment required for Independent Members to ensure that it is adequate to allow them to fully discharge the functions expected of them.

5. Take action to enable a more robust and consistent system of appraisal for Independent Members of Welsh Health Boards, including the identification of personal training and development needs, and the development of a peer mentoring scheme.

6. Ensure that the importance of the separation and accountability of the Board Secretary role is clearly understood by all NHS organisations.

7. Consider providing statutory protection for the role of Board Secretary.

8. Ensure that all Health Boards review their meeting procedures, to ensure that Board members are presented with all papers in a timely manner and that non-restricted papers are published in the public domain in the same timescales.
The Good Governance Institute and the Healthcare Quality Improvement Partnership (2012) stated that, in line with the Government’s approach, governance thinking has been moving on from the ‘comply or explain’ model to that promoted by the King Committee on Corporate Governance in South Africa in their King III report (King, 2009). Professor Mervyn King has been developing the ‘apply and explain’ model, which encourages organisations to develop the governance system that suits them best and then explain to all stakeholders why this delivers added value. Indeed, Sir Adrian Cadbury himself has described the King III Report as ‘the future of corporate governance’.

The Good Governance Institute goes on to explain that in healthcare, there are elements of good governance that require special emphasis. Healthcare is a high-risk industry. It is also going through significant change. Aside from the Government’s changes to the organisational architecture of the NHS, medical science is advancing at a rapid pace. At the same time, the needs of the ‘customer base’ (patients) are dramatically changing too. Population morbidity is moving towards one with a significant burden of treatable chronic illness, and the implications of organisational changes to meet these needs are significant. Extra resources will need to be found within the system in order to meet the known demands placed on the NHS by advances in medicine and changes in demography and morbidity. This all provides Boards with a significant challenge over the next decade.

When considering safety and quality, Boards need to be mindful of the enquiries and concerns around governance evidenced by Mid Staffordshire NHS Foundation Trust (Francis, 2013), Winterbourne View (CQC, 2011) and (differently), the night nurse incidents in Airedale and the insulin incidents in Stockport. Other incidents typifying the issue around quality and safety would include the continuing fallout from the Baby Peter case (Laming, 2009). These all imply shifts in the locus and significance of governance. King III also commends integrated reporting. This is reinforced in a telling quote about Mid Staffordshire from former Secretary of State for Health, Andy Burnham MP:

“The main lesson I take from the problems experienced at Mid-Staffs – that in future, we must never separate quality and financial data. They are always two sides of the same coin.”
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