The Clatterbridge Cancer Centre NHS Foundation Trust
Board Review of Governance Arrangements

Introduction

This report was commissioned by the Chair and Chief Executive in response to the recommendation of Deloitte as part of the Well Led Review carried out in March 2016.

The report sets out the very high level findings of the review and recommendations for the further development of governance arrangements at the Trust.

The formal recommendations are by nature process and structure orientated but it is worth noting that success in improving governance will come from cultural change and success should be measured on the basis of those cultural change outcomes and in particular the extent to which the principles of good governance practice have become embedded in the day to day functioning of management and the Board.

Scope of Review

The scope of this time limited review focussed on the effectiveness and efficiency of Board and executive level governance arrangements for the current business as usual and transformation agenda.

The management structures and supporting systems of internal control as well as governance at departmental level were specifically outside of the scope of the review. However, inevitably the two are inextricably linked and co-dependent so reference is made to management structures and systems to the extent that they impact governance.

Review Process

The following activities formed part of the review process: -

- Desk top review of documentation, systems, processes;
- Observation of meetings;
- One to One discussion/exploration of governance arrangements with executive directors, non-executive directors, selected key senior managers;
- In depth review of current information flows and mapping/testing against the risk profile of an NHS provider organisation/customisation to CCC;
- Workshops/ working groups with the members of the board and management groups.

Background

In March 2016 Deloitte had found there to be no significant issues of concern in relation to governance arrangements in place at the Trust, which had been adequate for the current operational activity to date. They had however flagged that the arrangements might not be fit for purpose for a future organisation following planned organisational changes.

Since completion of the review little traction had been achieved in getting a revised structure in place. It was clear from initial discussions that one of the underlying reasons for this had been lack of a compelling argument around the need for change given that CCC is an 'outstanding' organisation and that there had been no recent experience of the crystallisation of any significant risks.

The understanding of corporate governance and its distinct and different role from management was also not well developed in the organisation, although those same principles that underpin Clinical Governance and Financial Governance are well established at the Trust. However the operating environment was changing and the Board recognised that the recent and rapid growth of the Trust, the introduction of new corporate structures, a large transformation and new build programme and the potential for cross organisational boundary governance with potential new strategic alliances would require a different approach to governance.

Governance

It is worth reflecting for a moment on what we mean by governance in this context, as language seems to be one of the contributing factors to the lack of clarity in expectations. In terms of governance process and structure we are concerned with the combination of three underpinning themes.

Governing – the systems, processes and behaviours by which the Trust sets direction and assures itself that it will achieve the strategic values, goals and objectives.

Compliance – the requirement to meet all the Trust policies and procedures through embedding of effective management systems that ensure compliance with external regulation and the law.

Assurance – the ability to have confidence through consistent provision of evidence that the Trust is compliant with the law/regulation, operating effectively, achieving desired outcomes and delivering on strategic vision.

Findings	Recommendation
1. The governance arrangements have been fit for purpose for the journey so far. The arrangements are likely to be adequate and manageable to keep the organisation safe for the current period however as the organisation grows and the development agenda expands this comes at a cost. The cost is the lost opportunity of the management, and in particular the executive devoting more of their time, energy and expertise to the growth/development agenda and this is a risk. In order to ensure that the organisations governance is fit for the future then a more systemic governance regime needs to be embedded at sub-committee level. This is not untypical of organisations of this size that are experiencing growth or change and where governance has historically been managed through executive span of control, which can be a valid operating model, however CCC is reaching the tipping point where good process and systemic governance will support step change.	An exercise to map the information requirements against a generic risk map of an NHS provider organisation, adjusted to reflect the business specific to CCC, has been undertaken and provides a clear picture of the nature and frequency of reporting required at Board, Board Committee and sub-committee level in order to appropriately discharge the responsibilities for governance at each level. This has determined that a revised governance structure is needed.
2. The governance meeting structure at Board and Committee level is fit for purpose. However, the information flows need to be developed on the basis of layered information in order to provide more robust assurance, address agenda creep and balance the focus of time for those meetings between strategy and stewardship and to facilitate discharge of the NED role at third line of defence or assurance.	The information flow is based on the principle of layered information and follows the established principles of three lines of assurance from first line (closest to point of delivery) through second line of management scrutiny (Executive level) to third line (Board level) of triangulation and independent testing. The Board must satisfy itself that the level of detail this kind of reporting will provide is supported by the necessary systems maturity in the areas of performance, assurance and risk reporting.
3. The governance structure at sub-committee level needs to be developed to ensure a more formalised and systematic filter at second line of defence or assurance in order to facilitate the conversion of data through analysis to intelligence for presentation at the committee of the board level. The lines between governance and management now need to be separated and clearer as governance at this level is more formalised. The current arrangements are fulfilled by a fortnightly senior management team meeting, which is confused in purpose and does not provide a robust governance function at this critical level of aggregation, scrutiny and challenge.	A new range of governance meetings at sub Board level will be introduced in place of the current fortnightly Management Group meeting. This will focus governance activity to ensure that the full range of assurance is cycled throughout the year and the governance responsibility is fully discharged. These meetings will be: • Quality & Safety – monthly • Workforce – quarterly • Governance & compliance – 4 times a year linked to issue of key pieces of guidance • Finance – quarterly • Ops Delivery and Service Improvement – monthly • Infrastructure – quarterly These meetings will be chaired by an Executive Director and membership will be made up of executive directors, the Chief Executive who will have a

	standing invitation to all meetings and senior managers whose presence will add value to the debate or process of the meeting either by virtue of their functional expertise or the impact of an issue on the organisation. The information flow to the Board will be supported by the output from the existing Executive Challenge and Performance Review quarterly meetings that is part of the management meeting structure and is currently being further developed.
4. Not having absolute clarity around information needs, flows and roles in the proper discharge of governance responsibilities impacts governance in that the default is to delegate upwards which clogs agendas at Committee and Board level and again the lost opportunity is the ability to flip and reframe the Board agenda to a 75/25% focus on strategy/stewardship.	The proposed new arrangements sees no changes to the meeting structure at Board and Committee of the Board level maintaining the four committees of the Board; Audit, Quality, Finance and Business Development and Nomination/ Remuneration committees however there are significant changes to the frequency of meetings and the cycles of business/reporting schedules: • It is proposed that the Board should amend its frequency to quarterly formal Board meeting with a further five informal meetings in the intervening periods to support decision making and debate and these will cover areas such as fact-finding/service delivery awareness, strategy discussion and business intelligence- development of thinking and emerging ideas, board development and training. • A monthly information pack should continue to be produced containing performance data and other relevant information and headed up by a Chief Executive Report outlining the 'state of the nation' position, providing important updates highlighting issues and risks contained in the remainder of the pack and providing up to date horizon scanning commentary on the local regional and nation policy position and sector activity. • There will be some changes to frequency of the Committee of the Board meetings. Audit Committee and Nomination/Remuneration Committees will be unchanged meeting as the current programme. Quality Committee and Finance & performance Committee will change to quarterly meetings. Committees of the Board will be Chaired by a NED and its membership will be made up of executive and non-executive members of the Board. Other senior managers may be invited to be in attendance, either on a standing or ad hoc basis, according to the agenda.
5. A key component of holding to account at this highest level is the ability	The strategy refresh needs to ensure that proposed strategic goals are

to articulate and monitor/challenge against outcome measures. There is evidence of a range of outcome measures and realisable benefits relatively easily accessible but this has little visibility at Board level. There are also clear gaps in this type of measurement, due in part to the stage of development of some aspects of the Trusts plan, and this suite of measures now needs to be agreed and supported by data/information flows, which are embedded into the governance structure. Consideration as to what success looks like, how, where and when it will be measured should be built into the strategy refresh and other aspects of the execution of the Trusts annual and medium term plans as applicable, including the Transformation Programme. Over time a balanced scorecard approach should be developed linked to strategic planning and risk and this will improve the effectiveness and efficiency of the governance process and of agenda setting. These measures will enable the tracking of the Golden Thread though the organisation that is difficult to readily identify currently.	supported by a benefits realisation case and recommended measures of success that can be agreed by the Board and incorporated into the reporting schedules under the relevant committee and board cycles of business.
6. There is an emerging need for some joint exploration and learning at unitary Board level around the role of NEDs and Executives in holding to account, the role that systemic and evidence based assurance can provide in improving confidence and the role that embedded risk escalation processes play in triangulation.	The Unitary Board has a role to play and is the culture carrier in the promotion of good governance at the Trust. It is therefore important that the Board examines its own practice in the light of the changes recommended and works to ensure that it holds itself true to the principles of good governance. This will require discipline to be purposeful in any requests for further or more information and to direct inquiry on the basis of risk or the scrutiny of outcome measurement or performance whether in the arena of stewardship or strategy. Of course the wider intelligence and context of the work of the Trust at delivery level is critical to decision making and to confidence in the assurance systems and should also be developed as part of the informal activity of the Board. New ways of working at Board level coupled with improved information flows and a focus on analysis and intelligence in reporting will enable the Board to address the current issues of agenda creep and the imbalance of time spent between stewardship and strategy.
7. The risk system has been enhanced and significantly strengthened in recent times and this is evident in the development of the BAF. However there is still some way to go to ensure escalation of risk in real time. The ability to manage by risk is fundamental to good governance practice and this requires system improvements, process enhancements but most importantly cultural change from first line of assurance (point closest to delivery) through to the Board; so again	

there is a sense of journeying about this aspect of the Trusts development.	
8. There is little evidence of a clear and articulated risk appetite statement at Board level and this is important both in developing the managing by risk culture and also in the development of strategy as it underpins the governance process. The Board needs to develop its understanding of its own risk appetite across the variety and range of Trust activity so that this can be disseminated down to the organisation. Often an organisation will perceive that the Board is much more risk averse than is the case and this will be reflected in business development and strategic plans.	One area where the Unitary Board must take a lead is in the development of its risk appetite position. Comments voiced on more than one occasion pertain to the question as to whether the strategic/forward plans are ambitious enough. This is an interesting observation in the context of mixed messages even amongst Board members of the appetite for risk. It is not surprising then that the organisation is cautious in relation to its ambition. It takes time and considerable thought to develop risk position or appetite statements that appropriately guide the organisation and provide clarity around Board support and thinking. Communication is key to success in the application of risk appetite statements. You could be forgiven for espousing a low risk tolerance in the area of clinical practice but that would fly in the face of innovative treatments.
9. The Transformation agenda currently has little visibility at Board and this needs to be firmly embedded into the governance arrangements as business as usual.	There are two elements to the transformation agenda. The 'known knowns' which are captured in the TCC transformation programme and contain the 4 pillars of activity; Clinical Pathways, OD and People, Estate and New Build and IMT & Business Intelligence. The second element is the 'known unknowns' which will arise out of the current strategy refresh once agreed by the Board. In relation to the TCC programme there is currently little visibility at Board or Board committee level of activity or progress against this key area of strategy. What little reporting there has been has largely been in the form of presentations about future intent rather than information by which to scrutinise progress and impact on strategic plans. This in part may be because at least two of the elements, Clinical Pathways and OD & People are still in the formative stages however the plans to support the remaining two pillars are well advanced. An established PMO has oversight of the overall programme at operational level but there is a need to develop effective and appropriate reporting at Board and Board Committee level that focuses on answering the 'so what' question. Is the activity being undertaken achieving the intended benefits and outcomes? This requires a shift in thinking to develop a suite of outcome based measures rather than the traditional input based reporting found at operational level.

	A separate report has been prepared that develops this theme further and a working group has been established to develop the measures of success and establish them into the cycles of business in the proposed governance structure.
10. As the Trust develops its group incorporated structures, corporate reporting arrangements need to be strengthened. The current arrangements have been adequate for PropCare until the point the Partnership Agreement was signed. From that point the relationship changed to one of shareholder/stakeholder and the scrutiny of that business must change accordingly. The same is also true of PharmaC, the JV and (for different reasons) the charity committee. This will free up time in the Finance and Business Development Committee where the nature of reporting and monitoring will change.	Reporting against activity covered by PharmaC and PropCare has to this point been a mixture of corporate and functional reporting. These are now clearly separate legal entities and the reporting relationship needs to change. Corporate reporting should be in accordance with the shareholder/stakeholder agreement and report in directly to the Trust Board. Where there is lack of clarity in the agreement about the level and nature of reporting on corporate activity then a schedule should be agreed. This is likely to focus on issues relating to financial reporting, standing and security, profitability and dividend distribution, risks, business development and plans, corporate governance arrangements and performance of the Board and key officers such as the Chief Executive. Functional reporting against services provided needs to be developed through the internal processes of contract management with performance, assurance and associated risk reporting being directed through the relevant management or governance structures.
11. The current arrangements tend towards silo reporting, attention to layered information will help facilitate aggregated reporting and the identification of interdependent risk categories. This will allow risk-based agenda setting to be established.	The new governance structure will be supported by detailed cycles of business and terms of reference, which together with the emerging risks from the departmental and executive risk registers will direct the agendas. This will enable a much more planned approach to agenda setting and meeting management. There will be clarity about paper content and with very few exceptions papers can be available in a much more timely way enabling Chairs and committee members time to fully consider the issues and triangulate data points prior to discussion.
12. It is not easily evident where the Board gets visibility around horizon scanning other than on an ad hoc basis through elements of the Chief Executives report or how this information is used strategically by the Board. However this is widely discussed in management meetings. Mechanisms to highlight this aspect should be built in to the Chief Executives report as a Part 2 addendum.	
13. The Chair and Chief Executive need to strengthen the agenda setting and meeting processes, practice and disciplines. This is a fundamental aspect of relational governance as it manages expectations, ensures	The process of agenda setting needs to be strengthened with the Chair of the meeting taking a strong lead in the development of the content of the meeting based on the principles and practice of good governance.

preparedness, reduces 'surprises' and significantly improves efficiency in the servicing of meetings. Clarity about the flow of information and the natural cycle of business will help planning for future agendas. Document standardisation and setting and enforcing agreed standards would also support this.	A Governance Manual should be developed that sets out the corporate standard for all meetings within the governance structure to ensure consistency of approach to reporting, assurance evaluation and assessment escalation of issues/risks, referral to other committees or Board for further discussion or decision, minutes and evaluation of committee performance. Whilst not specifically covered by the review scope, there would be benefit in the Board considering its forward programme in relation to training and Board development. In particular there is scope for improvement in the non-executive director induction programme. Similarly investment in programmes to develop the way the unitary Board works together as an effective leadership team would support the implementation of new governance ways of working.
14. Function must always follow form and in terms of setting frequency of meetings this is an underpinning principle. However, intuitively for the size and complexity of organisation the meeting schedule seems to be heavy and the volume of detailed information being presented currently drives this. Clarity of purpose around agenda items and the discharge of roles under revised governance structures will inform the right level of information flow and as a result the frequency and timings of meetings.	The new governance arrangements will see the frequency of meetings at Board and Board committee reduced. A forward schedule of meetings should be produced for approval of the Board that ensures the meeting dates are aligned to the points in the calendar when the most up to date performance data is available. A schedule of the lead in time from agenda setting to production and issue of papers should also be produced to ensure that all contributors meet the deadlines that will be imposed. There should be a zero tolerance policy to late papers other than in exceptional circumstances agreed with the relevant chair.
15. Whilst management systems and structures were not specifically part of the brief the interdependency between management and governance is inextricable. There are some management processes and systems that need to be reviewed and or strengthened in order to support effective and efficient governance. Of particular note (but not a comprehensive position statement) are: • Planning – specifically the integration of planning with the governance, performance and the risk agenda and the cascade of objectives and agreed measures of success from strategic and annual plans; • Risk – specifically the embedding of management by risk, risk escalation processes and the development of risk registers as a	

tool for driving focussed agendas; • Performance – specifically Board reporting to enable a sense of current operational performance in the context of overall strategy and stewardship (consider a balanced scorecard approach); • Internal control – specifically the development of the Scheme of Delegation to provide a clear and accessible Accountability Framework and a Decision Rights Framework, especially in relation to complex areas such as approval of business cases v service improvement and the role of the PMO in major project delivery. • Other areas for further development would be contract management of significant contractors such as Propcare and PharmaC.	
16. Comments on other management processes that touch on governance arrangements would be: - • The development of holding to account through the Executive Performance Review (quarterly) is a WIP. There is strong leadership around this function with clear vision about the direction of travel and the mechanisms to achieve a robust high accountability; high support performance evaluation regime. There is also a healthy recognition that the pace of change and development to some extent has to be matched with the organisations ability to adjust culture and embed new ways of working as 'the way we do things around here"	

• The Executive Team Meeting (weekly) works well with a real focus on; strategy execution, stakeholder management, horizon scanning, partnership working, sector positioning, strategic risk and resourcing including development of people and skill gaps. What is less clear is how the outcomes of that discussion/debate feed into the wider system and risk management arrangements • Whilst the current Senior Management Forum does not adequately meet the governance requirements as outlined above, there remains a need for engagement with this key body of staff in a collective leadership role and thought should be given to how this can be developed in conjunction with the OD plans.	

Benefits

The benefits of the proposed changes are:

- There will be a more planned approach to reporting and decision making across all activity areas of the trust on a cyclical basis aligned to the relevant business cycle. This will enable a systematic and comprehensive assurance programme to be developed;

- Assurance will, as far as is possible and practical, be evidence based drawn from first line of assurance and tested and triangulated with other data points;

- As the organisation grows in both size and complexity the locus of control and governance reporting at senior level in the Trust will become risk led. Risk systems and reporting will be enhanced to provide clarity around issues in the context of the overall risk profile of the organisation;

- The focus on forward planning, risk and layered information will promote more effective agenda setting, reduce agenda creep and allow a focus on the important and not just the immediate;

- Clarity of roles and development of the accountability framework will help to improve the efficiency of the organisation helping issues to be addressed and dealt with at the lowest appropriate level but within a high accountability high support operating environment;

- There will be consistency of approach and standards in relation to governance structures and processes making it much easier to establish a golden thread of issues.

- Developing structures and processes on the back of good principles and practice will ensure sustainability in a changing operating environment.

Risks

The following potential risks have been identified against which the Board should seek to establish that appropriate mitigation has been put in place:

- Sufficient resource/prioritisation to implement the change programme is not committed;

- Supporting systems are not developed in line/pace with the changes to reporting outlined in the programme;

- Governance at department level is not developed/aligned to the new structures and the golden thread 'ward to board' cannot be followed during transition.

- The pace of cultural change is not managed in the organisation

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6th August 2017