Good Governance Handbook

March 2021

Contents

Introduction: Good Governance in the NHS

Governance:

A framework for assurance, decision-making, accountability, and optimal use of resources, which provides a safe and supportive environment for delivery of high quality care to patients, service users, and citizens.

Good Governance

Good governance enables those leading NHS organisations to provide assurance to patients, service users, carers, citizens, and stakeholders around quality and safety, and the effective use of resources. The Health and Social Care Act[1] requires those leading healthcare organisations to use their governance systems to provide assurance of the quality and safety of care, reinforced by Regulation 17: Good governance.[2]

Governance covers the culture, vision, values, structures, policies, processes and over-arching assurance framework that support an organisation to take decisions and meet agreed strategic objectives.

All NHS organisations are required by law to take account of the NHS Constitution[3] in their decisions and actions. The Constitution establishes core principles and values, and rights and pledges, to which the NHS is committed, together with responsibilities to ensure that the NHS operates fairly and effectively. Similarly, the NHS People Promise[4] sets out expectations for those working within the NHS, in support of compassion, inclusivity, diversity, safety, recognition, and learning, which should be observed as part of good governance.

Integrated Care Systems

Via Integrated Care Systems[5] (ICSs) that span health and social care, the wider NHS focus is on promotion of population health and wellbeing as outlined within the NHS Long Term Plan.[6] Successful ICS partnerships are underpinned by mutually-agreed system governance arrangements, clear collective decision-making processes, and the efficient and transparent sharing of information.

Reducing Bureaucracy

The Department of Health and Social Care report, 'Busting Bureaucracy',[7] underlines the need for a reduction in excess, duplicative, or disproportionate assurance systems, supporting integration locally, regionally, and nationally. NHS England and NHS Improvement[5] also acknowledge that levels of hierarchy in a system increase the likelihood of excess bureaucracy, noting that ICS partners have the potential to reduce this through increased collaboration, leaner oversight via streamlined assurance structures, smarter data-sharing agreements, and collective decision-making – all of which support good governance.

1. *Health and Social Care Act* (UK Government, 2012)
2. *Regulation 17: Good governance - Health and Social Care Act (Regulated Activities)* (UK Government, 2014)
3. *The NHS Constitution for England* (Department of Health and Social Care, 2021)
4. *Our NHS People Promise* (NHS England, 2020)
5. *Integrating Care* (NHS England and NHS Improvement, 2020)
6. *NHS Long Term Plan* (NHS England, 2019)
7. *Busting Bureaucracy: Empowering Frontline Staff by Reducing Excess Bureaucracy in the Health and Care System in England* (Department of Health and Social Care, 2020)

Digital Transformation

Smart technology can support robust business intelligence for good governance. It can reduce bureaucracy (as outlined by the Department of Health and Social Care[7] and NHS England and NHS Improvement[5,6]),and drive effective health and care system integration. Analytics can improve decision-making via actionable, near real-time insights with validated data, enabling system-wide transparency on quality, performance, outcomes, workforce, finance, and planning. Such integrated data enables responsive quality improvement, to reimagine care pathways, coordinate care across boundaries, and identify the capacity and skills needed – in support of population health and wellbeing.

Key Elements of Good Governance

This handbook describes 10 key elements of good governance for NHS organisations, and can be read in parallel with the accompanying HQIP/GGI Clinical audit guide for NHS Boards and partners,[8] and the governance tools prepared by GGI for CCGs,[9] sponsored by NHS England.

A Governance Maturity Matrix is included at Appendix 1 of this guide, to enable NHS organisations to complete a self-assessment of the maturity of their governance arrangements.

All materials are freely available to use – we only ask that you acknowledge sources.

10 Key Elements of Good Governance

Figure 1. 10 Key Elements of Good Governance

This guide sets out 10 key elements of good governance that support the delivery of high quality care for patients, service users, citizens, and stakeholders, ensuring optimal use of resources.

The following pages of this handbook will focus on each element in turn.

8. *Clinical Audit: A Guide for NHS Boards and Partners* (HQIP and GGI, 2021)
9. *CCG Governance* (GGI and NHS England, 2015)

1 Clarity of Purpose, Roles & Behaviours

1.1 Purpose

To govern effectively, NHS Boards and Governing Bodies must first articulate organisational purpose through clearly defined strategic objectives that capture their vision.

Strategic objectives should:

- Provide a shared understanding of organisational aims
- Describe the difference the organisation will make
- Be measurable for annual review.

1.2 Roles

Those in leadership roles need clarity around their required contribution to governance, to support strategic thinking and decision-making aligned to organisational purpose.

An organogram that sets out the roles and responsibilities of people across the organisation, illustrating divisions and departments, should be available to all.

Similarly, a flowchart depicting all organisational Committees, their reporting lines, roles, responsibilities, and terms of reference should also be available to all.

1.3 Behaviours

Behaviours aligned to purpose should be agreed, to support good governance.

These may incorporate values such as:

- Respect for one another
- Valuing each other's contributions
- Trusting each other's positive intent
- Welcoming constructive challenge to support assurance on quality, safety, and performance
- Working as one team to improve experience and outcomes for patients, service users, and citizens
- Sharing, learning, and improving together.

Boards and Governing Bodies should invest time to design and agree their strategic objectives and behaviours, involving staff across the organisation, patients, service users, and citizens in their development. Once agreed, they should be shared frequently to reiterate, and may be included as ongoing checkpoints within related Board, Governing Body, and committee papers, staff surveys, and focus groups.

2 Oversight & Administration Principles

The following are fundamental principles of a robust system of oversight and administration for good governance:

Principle 1. Entity

An organisation is a discrete, legally constituted entity. It is a corporate body that must observe duties of care and comply with requirements that are separate from those of organisational leadership.

NHS Foundation Trusts are different entities to NHS Trusts – their Boards of Directors have more autonomy to make financial and strategic decisions.[10] However, they remain subject to legal requirements, with a duty to exercise their functions effectively, efficiently, and economically, to maximise benefit to patients.

Each NHS Clinical Commissioning Group (CCG) is governed by a CCG Constitution.[11] A Governing Body ensures the CCG fulfils its duties as required by the Health and Social Care Act,[1] and works within the framework of its Constitution. The Governing Body is usually led by either a GP member or a lay member of the Governing Body, with meetings held in public, so that everyone is welcome to attend.

The Corporate Manslaughter and Corporate Homicide Act 2007[12] permits an NHS organisation to be prosecuted if required, as a corporate entity, where failures in the management of health and safety lead to a death.

10. *NHS Foundation Trusts: Code of Governance* (Monitor, 2014)

11. *NHS CCG Constitution Template* (NHS England, 2018)

12. *Corporate Manslaughter and Corporate Homicide Act* (UK Government, 2007)

Principle 2. Accountability

Those who direct an organisation must be readily identifiable. This enables all stakeholders and interested parties to understand who is accountable for the organisation and with whom to engage. Directors have responsibilities in law to look after the interests of the organisation and its stakeholders. They should be competent to fulfil their roles and meet formal duties around their accountability and conduct. Good governance ensures Directors act collectively via a Board – an accountable group of Directors.

Principle 3. Stakeholders

All stakeholders require consideration in good governance, including those not immediately apparent. Stakeholders include:

- Patients, service users, carers and citizens
- Staff and volunteers
- Beneficiaries
- The wider community and environment
- Owners and investors, creditors and partners
- Regulators who use governance systems to support their work.

The conduct of those within an organisation can have significant effects on many. As such there are legal duties for healthcare and other public bodies to take into account the views of stakeholders.

NHS organisations are custodians of public funds, credit, private investment via private finance initiatives and resources belonging to individuals. Stakeholders may rely on regulators to ensure their interests are safe, therefore healthcare regulators have a material interest in how an organisation is governed.

Principle 4. Governance & Management

In addition to their governance responsibilities, Directors may also have a portfolio of operational management responsibilities. Directors should separate themselves from their management role when acting as part of the organisational Board and as a guardian of stakeholder interests.

Governance includes:

- **Vision** – Organisational purpose and the difference that will make
- **Strategy** – The plan by which an organisation delivers its vision, set out as measurable strategic objectives
- **Leadership** – Those delivering the strategy
- **Assurance** – Confirmation that the organisation is delivering its strategic objectives as agreed
- **Probity** – Standards of openness and transparency, acting with integrity and in good faith – and in the public sector, observing the Nolan Principles[13] – ethical standards expected of public office holders
- **Stewardship** – Responsibility for public resources.

Management includes:

- **Review** – Issue identification and data collection
- **Analysis** – Data scrutiny and option appraisal
- **Recommendations** – To Directors after consultation
- **Quality Improvement** – Plans implemented and monitored.

The NHS Standard Contract[14] requires that providers consider and respond to the recommendations arising from any audit, serious incident report or patient safety incident report and must implement and/or respond to all relevant recommendations:

- Made in any report by a relevant regulatory or supervisory body; or
- Agreed with the National Audit Office or a local auditor following any audit; or
- Of any appropriate clinical audit; or
- That are otherwise agreed by the provider and the co-ordinating commissioner.

Governance and management have separation of powers in terms of decision-making and responsibilities, whereby those managing an organisation are accountable to those who govern. This ensures that decisions are taken in the broader interests of the organisation and its stakeholders. Directors take decisions, and at that point move from being responsible to accountable.

13. *The 7 Principles of Public Life (Nolan Principles)* (UK Government Independent Committee on Standards in Public Life, 1995)
14. *NHS Standard Contract* (NHS England, 2021)

Those governing an organisation should ensure recruitment of a suitably skilled team to manage the organisation successfully.

An NHS Chief Executive is ultimately accountable for organisational decisions taken, whilst an NHS Chair ensures that the Chief Executive and Board of Directors are effective in setting and implementing organisational strategy. The Chair has a unique role in leading an NHS Board – combining the duties to ensure effective governance consistent with Nolan Principles and NHS values and to secure a long-term vision and strategy for the organisation.[15]

Principle 5. The Board & Constructive Challenge

Directors take decisions and shape policy jointly as a Board, considering the interests of the organisation and its stakeholders, using all relevant information and advice pertinent to each decision to consider options and consequences. Constructive challenge is required, whereby ideas, beliefs, facts and recommendations are tested in order to verify, confirm or overturn as appropriate.

Non-Executive Directors or Independent Directors, who do not hold management positions, are recruited for their specific skills and experience – to constructively challenge the Board to arrive at sound decisions by scrutinising proposals and plans. It is important to note that holding a portfolio of responsibilities confounds the ability of Non-Executives to independently challenge proposals.

A Board comprised of both Executive and Non-Executive Directors is termed a Unitary Board. Whether Executive or Non-Executive, the responsibility of all Directors for organisational and stakeholder interests remains the same, along with the need to offer and participate in constructive challenge.

NHS Foundation Trusts are 'owned' by their Members and have a Council of Governors to represent the views of patients, public, staff, and partners to the Board of Directors, which is responsible for preparing the Trust's strategy and running the organisation.[16] Governors hold the Board of Directors to account in relation to the Trust's performance in accordance with the terms of its authorisation. Members of the public including patients, service users, carers, and staff of the Trust can become Members – who vote to elect Governors, and can also stand for election themselves.

In Clinical Commissioning Groups (CCGs) Lay Members[17] ensure that governance is maintained, and the best possible decisions made, by constructive challenge. Though Lay Members may hold specific roles or particular functional responsibilities such as those relating to Patient and Public Involvement or Audit, so not entirely Non-Executive, they are part of a Unitary Board and, as such, are jointly accountable with other members for CCG business.

Principle 6. Delegation & Reservation

Boards set out how they will govern through a system of delegation and reservation, agreeing the decisions they reserve to take, and those they will delegate. Boards may delegate to the Accountable Officer, Executive Directors and Senior Management. Boards may also delegate to official sub-committees of the Board, advisors and partners. Boards will formally set out and agree the limits of all delegations, authority and reservations.

The Board Assurance Framework (BAF)[18] – which includes the organisational strategic objectives, risks to achieving these, associated mitigations and risk appetite – should be regularly reviewed and updated by the Board, and should inform the programme of work of sub-committees that report into the Board.

---

15. *NHS Provider Chair Development Framework* (NHS England and NHS Improvement, 2019)
16. *Your Duties: A Brief Guide for NHS Foundation Trust Governors* (Monitor, 2014)
17. *Maximising the Lay Member Role in CCGs* (NHS Clinical Commissioners, 2016)
18. *Board Assurance Frameworks - A Simple Rules Guide for the NHS* (Good Governance Institute, 2009)

Required Board sub-committees include the Audit Committee and the Remuneration and Appointments Committee. Other sub-committees will focus on assurance in key areas such as Quality, Performance, Workforce, and Finance.

Committee meetings should follow an annual programmed business cycle and support the Board to discharge its duties of stewardship with transparency. A committee organogram demonstrating reporting structures should distinguish between Board sub-committees and management groups.

Temporary task and finish groups may also be set up by the Board. These take on a delegated, specific and time-limited responsibility, usually around a particular task, or provide the Board with specific advice.

- **Audit Committee** – A sub-committee of the Board comprising Non-Executive Directors, but not the Board Chair or Vice Chair, who will assure the Board that governance systems and processes are working. The Audit Committee works closely with internal and external auditors including both financial and clinical audit. Executive Directors may be invited to attend and participate in meetings. Good practice includes at least one closed Audit Committee meeting each year without management present, to candidly discuss the auditors' relationships with management and the adequacy of governance controls. The Audit Committee have an ongoing role to assure the Board that governance systems are working and delivering added value.[19]
Clinical audit is a dynamic measure of clinical process and outcomes, and through the Audit Committee, Boards should seek assurance that they have a robust clinical audit and improvement programme in place. The programme should support the delivery of high quality care and proactively identify issues before they impact on health and care outcomes.

- **Remuneration and Appointments Committee** – A sub-committee of the Board overseeing appointments to the Board and all matters relating to remuneration and pay for Board members. The Committee must demonstrate due process to explain why appointments have been made to the Board, and why particular rewards packages have been agreed.

Principle 7. Openness & Transparency

Organisations should have confidence that their business and decision-making processes can withstand public scrutiny. Decisions taken should be auditable and evidence-based. A Duty of Candour[20] requires providers of health and social care to be open and transparent with people who use services (and others acting lawfully on their behalf), in relation to care and treatment.

The Seven Principles of Public Life[13] (also known as the Nolan Principles) apply to anyone who works as a public office-holder, including in health and social care, whereby all public office-holders are both servants of the public and stewards of public resources. The principles state that 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, acting and taking decisions in an open and transparent manner.

Principle 8. Board Roles

A Board will operate via various key roles, including:

- **Chief Executive, or CCG Accountable Officer** – The accountable Executive Officer who leads the organisation and is responsible for managing the Executive Directors.

- **Directors** – Jointly comprise the Unitary Board, are ultimately responsible for an organisation, and include:

  - **Executive Directors** – in addition to their Director responsibilities, they hold a management portfolio.

  - **Non-Executives Directors** – independent from management, they apply constructive challenge and scrutiny.

---

19. *NHS Audit Committee Handbook* (Healthcare Financial Management Association, 2018)
20. *Regulation 20: Duty of Candour - Health and Social Care Act* (Regulated Activities) (UK Government, 2014)

- **Chair** – Leads the Board, Non-Executive Directors, and in Foundation Trusts the Council of Governors, with a duty to ensure effective governance consistent with the Nolan Principles and NHS values, and secure a long-term organisational strategy and vision.[21]

  The Chair is independent and has a role in shaping tone, encouraging improvement and innovation, diversity, and an inclusive, compassionate, patient-centred culture. To facilitate this the Chair develops meeting agendas, requests and accepts reports and papers to support the organisational strategy, and chairs meetings to drive debate and scrutiny. The Chair will ensure an annual evaluation of the Board/Council's performance, the Board's Committees, and the Directors/Governors in respect of their Board/Council contribution and development needs, acting on the results of these evaluations to support personal development planning.

  The statutory NHS Foundation Trust Code of Governance,[10] which is based upon the UK Corporate Governance Code,[22] also requires an external evaluation of the suitability of Board governance arrangements at least every three years.

  A CCG Chair will share responsibility as part of the Governing Body to ensure that the CCG exercises its functions effectively, efficiently, economically, with good governance and in accordance with the terms of the CCG's Constitution as agreed by its member GP Practices.

- **Board/Company Secretary** – Ensures due process is followed, decisions are properly made, Board responsibilities are discharged to the required standards, and plans the annual cycle of business and the agenda and papers for Board meetings with the Chair and the Chief Executive.

- **Senior Independent Director (SID)** – Available to Members of an NHS Foundation Trust and to Governors if they have concerns unresolved through the usual channels. They will conduct the annual Trust Chair appraisal and act as a sounding Board and source of advice for the Chair.

21. *NHS Chair Role Description* (NHS England and NHS Improvement, 2019)
22. *UK Corporate Governance Code* (Financial Reporting Council, 2018)
23. *HM Government Public Appointments* (UK Cabinet Office, 2021)

Principle 9. Understand Context & Landscape

Those leading an organisation have a duty to understand the context of the organisation they are responsible for, and the landscape in which it operates, to enable consideration of different options, anticipate the consequences of their decisions, provide constructive challenge and confidently manage risk.

A Board must be assured of regulatory compliance, and that the organisation remains fit for purpose. Boards must ensure they are aware of opportunities and risks, and have systems in place to horizon scan, identify and assure themselves around national guidance arising, changes to legislation, and national audit and inquiry reports. There should be agreement around when and how management should bring matters to the attention of the Board.

Specific governance systems should be in place in order to routinely monitor quality, provide assurance, and identify and mitigate emerging risks – such as the Board Assurance Framework, risk register, decision tracker, CLIP (Complaint, Litigation, Incident, and Patient Advice and Liaison Service) reports, performance reports, audit plans and reports, patient stories at Board meetings, walkabouts, and briefing seminars.

Principle 10. Competence

Decision takers must be competent. This requires a combination of the relevant knowledge, skills and experience to hold office, actively participate in debate, and declare and manage any conflict of interest. NHS Improvement appoints Chairs and Non-Executive Directors of NHS Trusts via the public appointments process.[23]

Decisions of public bodies are open to judicial review and processes by which decisions are taken may need to be demonstrated if challenged. Legal and/or professional advice should be sought where required decisions fall outside of the competence of leadership, are complex, or have significant implications.

Under the Health and Social Care Act Regulation 5: Fit and Proper Persons: Directors,[24] providers must ensure that Board Directors, Board Members, and individuals who perform equivalent functions are of good character with the qualifications, competence, skills and experience necessary for the position – in order to fulfil their role of ensuring that providers meet relevant regulatory requirements.

3 Leadership & Strategic Direction

Diverse and inclusive[3] leadership and clear strategic direction are fundamental to good governance. Boards and Governing Bodies should turn their vision into an implementable strategy, assign the appropriate leadership to deliver, and seek ongoing assurance of progress and delivery. Organisations operating reactively without a clear, articulated strategic direction may experience reduced quality of care and both internal and external scrutiny should be used to sufficiently test strategy implementation.[25]

Strategy should inform the divisional and department agenda, and Board and Governing Body leadership may seek assurance of implementation in practice through ongoing reporting and routine visits to, for example, wards and clinics, to observe strategy in action and liaise with staff, patients, carers and service users on successes and required improvements. It is essential that an organisational culture of learning is developed to support effective strategy implementation.

4 Effective External Relationships

Serving the interests of all stakeholders is central to good governance. Within health and social care, key external stakeholders are patients, service users, and citizens – those for whom such public sector organisations exist. Stakeholders should therefore be involved in decision-making, especially when decisions will impact upon them.

The NHS Constitution[3] asserts:

- The right for patients, service users, and citizens to be involved, directly or through representatives, in the planning of healthcare services commissioned by NHS bodies, the development and consideration of proposals for changes in the way those services are provided, and in decisions to be made affecting the operation of those services.

- That the NHS is accountable to the public, communities and patients that it serves, and that a system of responsibility and accountability for taking decisions in the NHS should be transparent and clear to the public, patients and staff.

- That NHS services must reflect, and should be coordinated around and tailored to the needs and preferences of patients, their families and their carers.

- The right to expect the NHS to assess the health requirements of each community and to commission and put in place the services to meet those needs as considered necessary, and in the case of public health services commissioned by local authorities, to take steps to improve the health of the local community.

This reflects international ISO 9001 quality management system standards,[26] whereby service user focus is central to quality management within an organisation, and involves determining and meeting service user requirements so as to achieve their satisfaction.

Boards and Governing Bodies should systematically liaise with stakeholders in order to understand what is important to them and to co-produce strategy and improvements,[27,28,29] including formal stakeholder reviews of proposals and plans. This is particularly important across developing Integrated Care Systems, whereby NHS provider and commissioner organisations must also work closely with Local Authorities,

24. *Regulation 5: Fit and Proper Persons: Directors - Health and Social Care Act (Regulated Activities)* (UK Government, 2014)

25. *Review into the Quality of Care and Treatment Provided by 14 Hospital Trusts in England: Overview Report* (Professor Sir Bruce Keogh, NHS England, 2013)

26. *ISO 9001 Quality Management System Standards* (International Organisation for Standardisation, 2015)

27. *A Guide to Patient and Public Involvement in Quality Improvement* (Healthcare Quality Improvement Partnership, 2017)

28. *Developing a Patient and Public Involvement Panel for Quality Improvement* (Healthcare Quality Improvement Partnership, 2017)

29. *E-Learning Introduction to Quality Improvement for Patients and the Public* (Healthcare Quality Improvement Partnership, 2015)

Primary Care Networks and the third sector, including charity and voluntary organisations. Where external stakeholders are organisations in their own right, formalised Board to Board and Committees in Common meetings are useful.

⑤ Effective Internal Relationships

Boards and Governing Bodies must understand and respond to the experiences of staff, as key organisational assets. Integral to all operations. It is important to ensure that staff feel valued for their knowledge, skills, and experience – via flat organisational structures without hierarchy, open staff consultations on change proposals and regular programmed interactive Board and Governing Body briefings that seek staff views beyond the NHS Staff Survey.[30] The NHS People Plan[31] requires a continued focus on staff upskilling, expanding capabilities to create more flexibility, boost morale and support career progression to enhance recruitment and retention. Staff induction, training needs analysis, and attendance records should be in place, and monitored to ensure that all staff are trained to carry out their roles.

Staff should feel supported to fulfil their roles to the best of their ability, including the legal requirement for formal assessment of work design that, if not properly managed, can be associated with poor health, lower productivity, increased error, accident and sickness absence rates. Under UK law, employers have a duty of care to protect the health, safety and welfare of all employees while at work, and to complete and act upon an assessment of the risks arising from hazards at work,[32] including excess demand and work-related stress.[33]

NHS employers will need to work with trade unions that represent groups of employees via partnership forums that include management and leadership, staff representatives and union representatives.[34] Staff should feel able to report quality issues and concerns, and assured that corrective action will be taken as a result of their efforts.[25] National Freedom to Speak Up guidance for NHS Trust and NHS Foundation Trust Boards[35] sets out how NHS organisations should support staff who raise concerns, including the appointment of a well-resourced Freedom to Speak Up Guardian, and the need to develop an open and supportive culture that encourages staff to raise any issues of patient care quality or safety. If staff feel unable to talk to someone in their organisation regarding concerns about care provided, they can raise concerns with the Care Quality Commission.[36] As anchor institutions,[37] NHS organisations support local community development through workforce and training, able to advance the welfare of the populations they serve.

⑥ Transparency & Public Reporting

NHS organisations have a responsibility to provide assurance to their many stakeholders – including patients, governors, citizens, commissioners, partners and regulators – to account for their use of public resources, and to give assurance that services are safe, of high quality, and value for money. For example, NHS Trusts are required to publish information on deaths, associated reviews and investigations,[38] via a quarterly agenda item and paper to their public Board meetings, including information on the reviews of care provided to those with severe mental health needs or learning disabilities. Publication is intended to encourage action in relation to identified problems in care, to support Trusts to learn from each other, to highlight innovative practice, and to ensure transparency and openness as part of a publicly funded healthcare system.

30. *NHS Staff Survey* (NHS England Survey Coordination Centre, 2020)
31. *We are the NHS: People Plan 2020/21* (NHS England, 2020)
32. *The Management of Health and Safety at Work Regulations* (UK Government, 1999)
33. *Management Standards* (Health and Safety Executive, 2021)
34. *Working With Trade Unions - Employers* (UK Government, 2021)
35. *Freedom to Speak Up: Guidance for NHS Trust and NHS Foundation Trust Boards* (NHS Improvement, 2019)
36. *Report a Concern if you are a Member of Staff* (Care Quality Commission, 2020)
37. *Building Healthier Communities: The Role of the NHS as an Anchor Institution* (The Health Foundation, 2019)
38. *Implementing the Learning from Deaths Framework: Key Requirements for Trust Boards* (NHS Improvement, 2017)

Healthwatch[39] – the independent national champion for people who use health and social care services – have local branches across England to find out what people like about services and what could be improved. Healthwatch share these views with those who can make change happen, ensuring that those running services, and the government, put user views at the heart of care.

Transparency through clear, episodic, integrated reporting,[40] agreed with stakeholders, and based on their expectations and needs, is essential to add value. An integrated report is concise, communicating how strategy, governance, performance, and prospects, in the context of the whole organisational landscape, create value in the short, medium, and long term. Language should be in lay terms so that content is accessible to all.

Board conflicts of interest should be made clear in reporting, and where required, Board members should absent themselves from related discussions.

Openness builds confidence, and prompt disclosure supports early improvement. A mature organisation will empower and support all staff to welcome feedback and to apologise and take improvement action when things go wrong.[41]

7 Systems & Structures: Quality & Safety

The National Quality Board (NQB) – whose membership includes NHS England and NHS Improvement, the Care Quality Commission, Health Education England, Public Health England, the National Institute for Health and Care Excellence (NICE), the Department of Health and Social Care, Healthwatch England and NHS Digital – are committed to a single shared view of high-quality, person-centred care for all,[42] covering:

- Safety
- Effectiveness
- Positive Experience.

In addition, the NQB states providers should ensure they are:

- Well-Led
- Sustainably Resourced
- Equitable for All.

Patient safety is integral to quality in healthcare – the NHS Patient Safety Strategy[43] and the Patient Safety Incident Response Framework[44] describe the cultures, systems and behaviours necessary to respond to patient safety incidents ensuring learning and improvement. The Healthcare Safety Investigation Branch,[45] funded by the Department of Health and Social Care and hosted by NHS England and NHS Improvement, undertake patient safety incident investigations, working with patients, families and healthcare staff affected in order to provide meaningful safety recommendations – focused on learning without attributing blame to individuals. They welcome reports of patient safety concerns from everyone, including patients and their families, the public, NHS staff and organisations.

Clinical effectiveness is the impact of care and treatment on health and wellbeing. NHS healthcare providers must strive for the best possible outcomes by complying with evidence-based guidelines such as those produced by NICE[46] and Royal Colleges. Clinical audit[47] is an essential tool to ensure the delivery of effective care against required standards, measure performance and clinical outcomes, and make improvements, innovating where standards are not met. Participation in the National Clinical Audit and Patient Outcomes Programme

---

39. *Healthwatch* (Healthwatch, 2021)
40. *An overview of integrated reporting for Chartered Secretaries and Chartered Governance Professionals* (Chartered Governance Institute and International Integrated Reporting Council, 2020)
41. *Saying Sorry* (NHS Resolution, 2018)
42. *Shared Commitment to Quality* (National Quality Board, 2017)
43. *National Patient Safety Strategy* (NHS England and NHS Improvement, 2019)
44. *Patient Safety Incident Response Framework* (NHS England and NHS Improvement, 2020)
45. *Healthcare Safety Investigation Branch* (Healthcare Safety Investigation Branch, 2021)
46. *NICE* (NICE, 2021)
47. *Best Practice in Clinical Audit* (HQIP, 2020)

(NCAPOP)[48] is a requirement of the NHS Standard Contract[14] for providers – including making clinical audit data available to support quality improvement and quality assurance.

Patient reported experience measures (PREMs), developed with patients, are important to understand their experience of care and treatment. Patient experience is also overseen through complaints which must be managed in line with legislation,[49] Patient Advice and Liaison Services (PALS), the Friends and Family Test,[50] surveys and compliments received – which should be celebrated, with notable practice shared as part of learning and improvement.

The Well-Led Framework[51] focuses on strong integrated governance and leadership across quality, finance, operations and Developing People – Improving Care.[52] It places emphasis on organisational culture, continuous improvement and system working.

A quality management strategy is required to enable the Board to monitor all of the above, ensuring a clear line of sight to services delivered, measuring compliance with national and professional standards, tracking performance against national and local targets, reporting and escalating incidents, risks, concerns, and evaluating actions taken to reduce risk, improve quality and sustain improvement. Agreed metrics, data quality and analysis are essential quality and safety management system enablers.

8 Delivery of Agreed Outcomes

Measurable outcomes or KPIs (key performance indicators) are required in order to monitor the achievement of organisational strategic objectives, through regular Board review and challenge.

Outcomes-based care[53] should bring together commissioners, providers, other professionals, patients, service users, and carers, to determine:

- Defined population and scope
- Desired outcome indicators
- Service model redesign
- Financial analysis and defined budget
- Agreed contract, incentives, and risks
- Engagement of service providers.

Where expected outcomes are not being achieved it is important for Boards to understand why, and implement and monitor quality improvement plans accordingly.

The NHS Outcomes Framework[54] is a set of indicators developed by the Department of Health and Social Care to monitor the health outcomes of adults and children in England. The Framework provides an overview of how the NHS is performing against an agreed data set.[55]

9 Risk Management & Compliance

Risk management[56] is fundamental to effective strategic oversight in an NHS organisation, providing a systematic process for identifying and managing the risks to achieving strategic objectives. An organisational risk register should be established – a log of risks faced by an organisation, graded and prioritised using a risk scoring matrix, with risk owners, and mitigating actions in place and planned. Risks may be mitigated as follows:

- **Treat** – act to reduce the risk to an acceptable level
- **Transfer** – for example, outsource to a third party

48. *NCAPOP* (HQIP, 2021)
49. *NHS Complaints Regulations* (UK Government, 2009)
50. *NHS Friends and Family Test* (NHS England, 2020)
51. *Well-Led Framework* (NHS England and NHS Improvement, 2017)
52. *Developing People - Improving Care* (National Improvement and Leadership Development Board, 2016)
53. *Delivering an Outcomes-based NHS: Creating the Right Conditions* (Office of Health Economics, 2017)
54. *NHS Outcomes Framework* (NHS Digital, 2020)
55. *NHS Outcomes Framework Indicators* (NHS Digital, 2020)
56. *The Orange Book - Management of Risk - Principles and Concepts* (HM Government, 2020)

- **Terminate** – remove the risk
- **Tolerate** – accept, within risk appetite.

Risk appetite is the amount of risk an organisation is prepared to accept. It should be agreed and described, along with the risk management system, within an organisational risk management strategy. Risks and incidents should be graded using the same organisational risk matrix to integrate proactive and reactive risk management. Risks may be graded using matrices that quantify the likelihood and consequence of an occurrence. Risks to achieving strategic objectives, that together comprise the Board Assurance Framework (BAF),[18] should be drawn directly from the organisational risk register.

Regulatory compliance breaches present significant risks and the organisational risk register and BAF can be used to support Board oversight and provide assurance of compliance, escalating any breaches for mitigating action. Through the Audit Committee, Boards should seek assurance that they have a robust risk management system in place.

The Care Quality Commission monitor, inspect and regulate services to make sure they meet Fundamental Standards[57] of quality and safety, supported by Regulations for Service Providers and Managers[58] – publishing findings and performance ratings. Compliance with other legislative requirements should also be monitored, for example the Data Protection Act[59] and the UK General Data Protection Regulation (GDPR)[60] which apply to organisations that control or process personal data. Another example is the Civil Contingencies Act[61] that sets out requirements for those organisations involved in emergency planning, resilience and response and the publication of conflicts of interest[62] to protect patients, staff, and taxpayers. It is for NHS Boards and Governing Bodies to identify and ensure compliance with all relevant regulatory requirements.

10 Effectiveness & Added Value

Organisational effectiveness and added value result from good governance. Boards and Governing Bodies should plan their annual cycle of business to include a timetable to meet all business requirements, including confirmation of registration and licensing, Board and Board Committee agendas, and development and approval of the annual organisational accounts and Quality Account.[63]

A Quality Account is a report about the quality of services offered by an NHS healthcare provider, published annually and available to the public. It demonstrates patient safety, the effectiveness of treatments patients receive, shares patient feedback about the care provided, and and improvements that have been made. The Department of Health and Social Care requires providers to submit their Quality Account to the Secretary of State.

Annual Board review of organisational effectiveness and added value, covering the previous twelve months, is important in order to monitor the achievement of agreed strategic objectives, identify successes and plan improvements.

Good governance supports efficient and effective control and direction to optimise:

- Planning
- People
- Systems - for best value decisions
- Enhanced reputation
- Staff retention
- Excellence in delivery.

In this way good governance will provide high quality care for patients, service users and citizens.

---

57. *The Fundamental Standards* (Care Quality Commission, 2017)
58. *Regulations for Service Providers and Managers* (Care Quality Commission, 2017)
59. *Guide to Data Protection* (Information Commissioner's Office, 2021)
60. *Guide to the UK General Data Protection Regulation* (Information Commissioner's Office, 2021)
61. *Civil Contingencies Act* (UK Government, 2004)
62. *Managing Conflicts of Interest in the NHS* (NHS England, 2017)
63. *About Quality Accounts* (NHS England, 2019)

Appendix 1 – Governance Maturity Matrix

Progress Level 0–6 →	0 None	1 Basic Level – Principle Accepted and Commitment to Action	2 Early Progress – In Development	3 Firm Progress – In Development	4 Results being Achieved	5 Maturity – Comprehensive Assurance in Place	6 Exemplar
Key Elements of Good Governance:							
Clarity of Purpose, Roles & Behaviours	None	The members of the Board/Governing Body have agreed that a formal statement of organisational purpose, values, and priorities needs to be developed, and have plans for doing so.	National targets and local priorities have been agreed with stakeholders. Purpose and vision is affirmed in public and partnership documents.	The Board/Governing Body has agreed cultural and ethical values and strategic objectives, combined with a robust mechanism for developing care services and settings against these.	Evidence that national targets and local priorities are being met. Regular reviews of strategy in line with strategic objectives.	Annual Board/Governing Body debate on in-year achievements against strategic objectives, issues impacting achievements, re-affirming or adjusting strategic objectives for the coming year.	Success has allowed both the Board/Governing Body and the organisation to redefine/extend its purpose and roles.
Oversight & Administration Principles	None	The Board/Governing Body is actively reflecting on how they work and how governance is structured, and is testing whether what is in place makes the best use of these underlying principles.	As a result of discussion around these principles, changes have started to be made to the governance of the organisation.	The annual review of governance and developing cycle of Board/Governing Body business planning will be used to test these principles, and where required, change governance arrangements.	Using these principles has helped Board/Governing Body members to better understand their roles in governance. Governance activities that provide little value and do not meet the principles have been stopped.	As the organisation develops, these principles have led to improvements in governance arrangements to efficiently and effectively support new challenges.	Other organisations have referred to the structure and systems of the organisation, to understand the application of these principles and support similar changes.
Leadership & Strategic Direction	None	The roles of all Board/Governing Body members are clear, agreed and specified.	A Board/Governing Body succession plan is in place for both Executive and Non-Executive Directors/Lay Members. Board/Governing Body diversity is valued.	An induction and development programme is in place for Board/Governing Body and aspirant members. Diversity is embedded in the approach.	The organisation is recognised by partner organisations as a leader in the local health and wellbeing system.	The Board/Governing Body is leading, rather than following, national and local agendas.	The Board/Governing Body is recognised as a national thought leader.
Effective External Relationships	None	Engagement and consultation policies are in place and consistent with the NHS Constitution. Service users, staff, and the public are recognised as a resource to help design and deliver service improvement.	A system of accountability to and involvement of the local community is in place to design and deliver service improvement.	Effective citizen involvement is in place, and evidenced by improvement initiatives that are put into operation as a result.	Effective citizen co-production is in place and evidenced through improvements made as a result.	Effective citizen co-production has led to improved outcomes. A review against the NHS Constitution shows our organisation is trusted by patients, service users, and citizens.	Co-production has led to tangible operational and strategic benefits, as well as measurable improved outcomes for the population.
Effective Internal Relationships	None	Staff and other internal stakeholder engagement strategies are developed and these include feedback mechanisms.	The Board/Governing Body receives reports about staff and internal stakeholder engagement, including actions taken as a result of findings.	The organisation prioritises staff and internal stakeholder involvement, and formal and informal input and feedback from all staff, new staff, and leavers, is sought and valued.	The Chair, Non-Executive Directors, Members, and Governors are effective ambassadors for the organisation, involving all staff and internal stakeholders and partners in organisational development.	Governor/Governing Body elections are competitive and reputational audit finds that staff and internal stakeholder involvement is an asset to robust organisational development.	The organisation can demonstrate they are an employer of choice, and staff retention is high.

Progress Level 0-6 →	0 None	1 Basic Level – Principle Accepted and Commitment to Action	2 Early Progress – In Development	3 Firm Progress – In Development	4 Results being Achieved	5 Maturity – Comprehensive Assurance in Place	6 Exemplar
Key Elements of Good Governance:							
Transparency & Public Reporting	None	Board/Governing Body members absent themselves from discussions due to conflicts of interest; public reporting takes place when required.	The conflicts of interest register is updated by the Board/Governing Body monthly and identified conflicts are reviewed and appropriate actions taken; edited performance reports are publicly shared.	The Board/Governing Body publicly demonstrates conflicts are examined and covered within contracts; integrated public reporting is central to organisational finance, quality, and performance management.	Identified conflicts are publicly addressed; patients, service users, citizens, and staff are involved in developing integrated finance, quality, and performance metrics.	Integrated finance, quality and performance reports steer organisational development, with public oversight and input into required improvements.	Demonstrable improvements have been made due to public involvement in integrated reporting.
Systems & Structures: Quality & Safety	None	A quality strategy which includes safety, clinical audit and effectiveness, and patient experience, is in development.	A Board/Governing Body approved quality strategy which includes safety, clinical audit and patient effectiveness, and patient experience, is in use.	Quality strategy implementation demonstrates improvements in safety, clinical effectiveness, and patient experience.	Integrated quality reports demonstrate quantifiable improvements in safety, clinical effectiveness, and patient experience.	Cash released through effective quality, safety, and patient experience improvement programmes can be identified.	Significant resources are invested in continuous innovation and improvement, with measurable returns.
Delivery of Agreed Outcomes	None	The Board/Governing Body has agreed how outcome measures will be used in performance reports, including benchmarking data and key performance indicators.	Performance reports including benchmarking data and key performance indicators are in development.	There are no surprises when the organisation is inspected or otherwise challenged, as there is full awareness of performance and action plans are in place for improvements as required.	The Board/Governing Body is fully satisfied that its strategic objectives have been met, as a result of performance monitoring and action.	Board/Governing Body members report confidence in using integrated reporting to support constructive challenge where required.	Demonstrable improvements have been made as a result of the delivery of agreed outcomes.
Risk Management & Compliance	None	A process is in place to proactively evaluate risk, and a Board Assurance Framework is organised to promote focused discussion on key business issues.	A risk appetite statement has been agreed, and built into the Board Assurance Framework, which covers the risks to achieving strategic objectives, including quality, performance, finance, and activity, aligned to targets, standards, and local priorities.	Regular review of the Board Assurance Framework supports the management of risks to achieving strategic objectives, and an annual exercise ensures review of the organisation's Emergency and Business Continuity Plan.	The Board Assurance Framework is central to the management of risks to achieving strategic objectives, with a quarterly update and annual action planning to drive business. Emergency and Business Continuity Plans are improved through a range of scenario tests in year.	The Board/Governing Body is confident that it is aware of risks faced, including risks associated with compliance, these are managed, and required actions are prioritised and planned.	The organisation has proactively identified and managed all known risks and opportunities, and successfully meets its strategic objectives.
Effectiveness & Added Value	None	More effective practices are being adopted. A review of governance mechanisms is agreed.	The Board/Governing Body has reviewed governance practices for efficiency savings, and agreed improvements to add value.	The annual cycle of business is planned and the Board Assurance Framework is used by the Board/Governing Body to identify opportunities for increased effectiveness and added value.	The annual cycle of business is planned and the Board Assurance Framework and integrated reports are used by the Board/Governing Body to identify opportunities for increased effectiveness and added value.	The annual cycle of business is planned, the Board Assurance Framework and integrated reports are used by the Board/Governing Body to identify opportunities for increased effectiveness and added value, and external governance reviews demonstrate improvements.	Demonstrable savings and efficiencies have been made as a result of streamlined governance arrangements.

HQIP Healthcare Quality
Improvement Partnership

The Good Governance Handbook and further information is available at: www.hqip.org.uk and www.good-governance.org.uk

ISBN NO 978-1-907561-04-7

Dawson House, 5 Jewry Street, London, EC3N 2EX

T 020 3857 5030
E communications@hqip.org.uk

www.hqip.org.uk

March 2021