

Governing Body (public) meeting

DATE: 29 May 2014

Title	Self-Assessment of compliance with the UK Corporate Governance Code issued by the Financial Reporting Council	
Recommended action for the Governing Body	That the Governing Body: DISCUSS AND AGREE the self-assessment as laid out in the attached report	
Executive summary	<p>As part of the annual reporting requirements the Governing Body are required to undertake a Self-Assessment of compliance with the UK Corporate Governance Code issued by the Financial Reporting Council.</p> <p>This is in addition to the systems and process in place to assure the effectiveness of the governing body that the CCG already has in place (annual appraisal and skills audit)</p> <p>The self-assessment has been prepared and was discussed at the Audit and Integrated Assurance Committee on 22nd April 2014. The members of that committee have commented on the assessment and proposed changes, the final draft is therefore presented to the governing body for discussion and agreement.</p> <p>The Audit and Integrated Assurance Committee consider that the CCG meets the requirements of the code, except in three areas where the code is intended to support commercial organisations, rather than NHS organisations.</p>	
Which objective does this paper support?	Patients: Improve the health and wellbeing of people in Bexley in partnership with our key stakeholders	
	People: Empower our staff to make NHS Bexley CCG the most successful CCG in (south) London	
	Pounds: Delivering on all of our statutory duties and become an effective, efficient and	

Clinical Commissioning Group

	economical organisation		
	Process: Commission safe, sustainable and equitable services in line with the operating framework and which improves outcomes and patient experience		✓
Organisational implications	Key risks <small>(corporate and/or clinical)</small>	Risk of being non-compliant would related to NHS England having no assurance of the CCG in domains 4 and 6 (Does the CCG have robust governance arrangements & does the CCG have strong and robust leadership	
	Equality and diversity	None	
	Patient impact	None	
	Financial	None	
	Legal issues	Other than statutory functions and compliance none	
	NHS constitution	None	
Consultation (public, member or other)	None		
Audit (considered/approved by other committees/groups)	Audit and Integrated Assurance Committee 22 nd April 2014		
Communications plan	Incorporated with the annual report to members, the public and NHS England		
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Date	13 th May 2014		

NHS Bexley CCG

Self-Assessment of compliance with the UK Corporate Governance Code issued by the Financial Reporting Council

Introduction

The code was introduced in response to a number of high profile failures in the private sector, but has resonance with how public sector boards can and should behave

The Director of Governance and Quality has undertaken an assessment of the Governing Body against the main principles of the code, which has been reviewed by the Audit and Integrated Assurance Committee

The first version of the UK Corporate Governance Code (the Code) was produced in 1992 by the Cadbury Committee. Its paragraph 2.5 is still the classic definition of the context of the Code:

Corporate governance is the system by which companies are directed and controlled. Boards of directors are responsible for the governance of their companies. The shareholders' role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place. The responsibilities of the board include setting the company's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship. The board's actions are subject to laws, regulations and the shareholders in general meeting.

For the CCG shareholders are synonymous with members.

Corporate governance is therefore about what the governing body does and how it sets the values of the organisation, and is to be distinguished from the day to day operational management by full-time executives.

The Code is a guide to a number of key components of effective board practice. It is based on the underlying principles of all good governance: accountability, transparency, probity and focus on the sustainable success of an entity over the longer term.

Comply or Explain

The "comply or explain" approach is the trademark of corporate governance in the UK. It has been in operation since the Code's beginnings and is the foundation of the Code's flexibility. It is strongly supported by NHS England and has been widely admired and imitated internationally.

The Code is not a rigid set of rules. It consists of principles (main and supporting) and provisions. The principles are the core of the Code and the way in which they are applied should be the central question for a board as it determines how it is to operate according to the Code.

It is recognised that an alternative to following a provision may be justified in particular circumstances if good governance can be achieved by other means. A condition of doing so is that the reasons for it should be explained clearly and carefully to members, who may wish to discuss the position with the CCG and whose voting intentions may be influenced as a result. In providing an explanation, the CCG should aim to illustrate how its actual practices are consistent with the principle to which the particular provision relates, contribute to good governance and promote delivery of business objectives. It

should set out the background, provide a clear rationale for the action it is taking, and describe any mitigating actions taken to address any additional risk and maintain conformity with the relevant principle. Where deviation from a particular provision is intended to be limited in time, the explanation should indicate when the CCG expects to conform with the provision.

	The Main Principles of the Code	Comply or Explain	Commentary
	Section A: Leadership		
A1	Every company should be headed by an effective board which is collectively responsible for the long-term success of the company. There should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company's business. No one individual should have unfettered powers of decision. The chairman is responsible for leadership of the board and ensuring its effectiveness on all aspects of its role. As part of their role as members of a unitary board, non-executive directors should constructively challenge help develop proposals on strategy.	Comply	<p>There is a clear distinction in the role of the Chief Officer and the Chair in the running of the CCG</p> <p>Decisions are made in public, or reported to the governing body at a meeting held in public</p> <p>There are 13 governing Body members who hold a vote 7 elected 2 executive 6 independent</p> <p>Clinicians have an inbuilt majority on the governing body</p>
	Section B: Effectiveness		
B1	The board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively.	Comply	This is a new governing body, however a development program is in place, and an appraisal system is in place for the Board, an annual skills audit is carried out
B2	There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board.	Comply	All Board members have been appointed following an application and selection process (including elections for the majority of places to represent the membership of the CCG, that has been overseen by an independent body)
B3	All directors should be able to allocate sufficient time to the company to discharge their responsibilities effectively	Comply	Average attendance at Governing Body meetings is at 80% - on target
B4	All directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge.	Comply	An induction process is in place for new members of the governing body, including meetings with the chairman and executive directors. Members of the governing body have regular one-to-one meetings with the chairman where they discuss their performance and objectives. All members of the governing body have an annual appraisal
B5	The board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.	Comply	<p>The Governing Body is presented with full, finance, Quality, Performance and Contracting information at each meeting. Further work is underway to improve the information flows and to highlight specific areas of concern.</p> <p>In addition to the governing body direct scrutiny, sub-committees of the governing body are charged with looking in detail at all performance measures.</p>
B6	The board should undertake a formal and rigorous annual	Comply	The governing body has in place an appraisal system for members and an annual performance

	evaluation of its own performance and that of its committees and individual directors.		assessment of the governing body's effectiveness and skills balance. This was last completed in July 2013
B7	All directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance.	Explain	Constitutionally 7 members of the governing body are elected for fixed terms and subject to a maximum total length of service. Non- executive members of the governing body are appointed for fixed terms. Executive members of the governing body are not appointed for fixed terms, but on nationally agreed NHS terms and conditions (either as Very Senior manager or on Agenda for Change) which preclude fixed term contracts.
Section C: Accountability			
C1	The board should present a fair, balanced and understandable assessment of the company's position and prospects.	Comply	The Board meets regularly in public and the papers are all in the public domain. The governing body takes questions from the public at two points in the meeting.
C2	The board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The board should maintain sound risk management and internal control systems.	Comply	The Governing Body reviews the Risk Register and Board Assurance Framework at each public meeting, lower level risks are reviewed by the Audit and Integrated Assurance Committee and the Executive Management Committee at each meeting
C3	The board should establish formal and transparent arrangements for considering how they should apply the corporate reporting, risk management and internal control principles and for maintaining an appropriate relationship with the company's auditors.	Comply	The company's auditors are present at each Audit and Integrated Assurance Committee and can witness first-hand the level of debate and understanding on the risks faced by the CCG. A recent internal audit report on Risk Management was "green"
Section D: Remuneration			
D1	Levels of remuneration should be sufficient to attract, retain and motivate directors of the quality required to run the company successfully, but a company should avoid paying more than is necessary for this purpose.	Comply	Executive Directors are paid in line with NHS guidance. All other members of the governing body are paid in line with guidance and an annual benchmarking review is carried out by the remuneration committee across South London
D2	A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.	Explain	Executive are paid according to the nationally agreed Very Senior Manager (VSM) and Agenda for Change (AFC) frameworks. Each Executive Director undergoes an annual performance appraisal which is linked to progression through the pay band. The VSM pay is reviewed annually by the remuneration committee.
D3	There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration.	Comply	The remuneration committee meets jointly with NHS Greenwich CCG, undertakes benchmarking across South London and compares to the National Guidance. Members of the committee cannot comment on their own remuneration. No executive is a member of the committee. Executives are NHS nationally agreed frameworks
Section E: Relations With Shareholders / Members			
E1	There should be a dialogue with shareholders based on the mutual	Comply	The members are based in three localities, each of which has two representatives on the governing

	<p>understanding of objectives. The board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place</p>		<p>body. The member representatives attend the locality meetings and the quarterly engagement events, other members of the governing body attend the locality meetings and engagement events. The CCG holds an AGM in September each year</p> <p>The 360 degree survey asked</p> <p>“Overall to what extent, if at all do you feel you have been engaged by the CCG over the past 12 months”</p> <p>Reponses of Great deal/ fair amount by category were:</p> <table data-bbox="884 680 1345 898"> <tr> <td>Members</td> <td>70%</td> </tr> <tr> <td>Health and Wellbeing Boards</td> <td>100%</td> </tr> <tr> <td>Patient Groups</td> <td>67%</td> </tr> <tr> <td>NHS Providers</td> <td>100%</td> </tr> <tr> <td>Other CCGs</td> <td>80%</td> </tr> <tr> <td>Local authorities</td> <td>80%</td> </tr> <tr> <td>Other stakeholders</td> <td>80%</td> </tr> </table> <p>Overall 77%</p>	Members	70%	Health and Wellbeing Boards	100%	Patient Groups	67%	NHS Providers	100%	Other CCGs	80%	Local authorities	80%	Other stakeholders	80%
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E2	<p>The board should use the AGM to communicate with investors and to encourage their participation.</p>	<p>Explain</p>	<p>The CCG holds an AGM in September each year, however members are not shareholders and have no direct financial interest in the CCG. The investor in the CCG is the tax-payer via NHS England. The CCG has regular assurance meetings with NHS England</p>														