To:	Trust Board
From:	Chief Executive
Date:	30 May 2013
CQC regulation:	N/A

Title:	**DRAFT ANNUAL GOVERNANCE STATEMENT 2012/13**

Author/Responsible Director:
Director of Corporate and Legal Affairs/Chief Executive

Purpose of the report: To invite the Board to adopt the draft annual governance statement 2012/13

The Report is provided to the Audit Committee for:

Decision	√	Discussion	
Assurance		Endorsement	√

Summary:
The Board is invited to adopt the draft annual governance statement 2012/13

Recommendations:
To adopt the draft annual governance statement 2012/13

Strategic Risk Register: N/A	**Performance KPIs year to date:** N/A

Resource implications (e.g. Financial, HR):
N/A

Assurance implications: The draft annual governance statement has been reviewed by the Audit Committee (on 28 May 2013) ahead of its eventual submission to the Trust Board for consideration and approval, accompanying the annual accounts 2012/13

Patient and Public Involvement (PPI) implications:
N/A

Equality impact:
N/A

Information exempt from disclosure:
N/A

Requirement for further review:
N/A

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

ANNUAL GOVERNANCE STATEMENT 2012/13

Scope of Responsibility

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

The Governance Framework of the Organisation

Trust Board Composition and Membership

The Trust Board comprises 13 members: a Chairman, seven Non-Executive Directors and five Executive Directors, one of whom is the Chief Executive who joined the Trust in January 2013. This was the only substantive change to Board membership in 2012/13. Mr J Birrell served as Interim Chief Executive between July and December 2012. A new Non-Executive Director, Dr Sarah Dauncey, has been recruited to succeed Mr David Tracy, who resigned with effect from 31 March 2013.

The Board is supported in its work by the Director of Marketing and Communications , Director of Corporate and Legal Affairs and Director of Strategy.

Performance Management Reporting Framework

To ensure that the Board is aware to a sufficient degree of granularity of what is happening in the hospitals, a comprehensive quality and performance report is reviewed at each monthly public Board meeting.

The monthly report:

- is structured across six domains: preventing death; positive experience of care; timely care; safe environment; staff experience/workforce; and value for money;

- includes a summary section, 'UHL at a Glance', which provides an overview of both in-month and year to date performance, and trends;

- includes performance indicators rated red, amber or green;

- includes data quality indicators, measured against four key data quality components to assist the Board in gaining assurance;

- is complemented by commentaries from the accountable Executive Directors identifying key issues to the Board and, where necessary, corrective actions to bring performance back on track.

A Clinical Divisional heat map, identifying individual Divisional and Clinical Business Unit performance across all of the domains is also available to the Board.

This formal Board performance management reporting framework is accompanied by a series of measures to achieve a more interactive style of governance, moving beyond paper reporting. Examples include:

- patient stories, which are presented in public at Board meetings every quarter. These shine a light on individual experiences of care provided by the Trust and act as a catalyst for improvement;

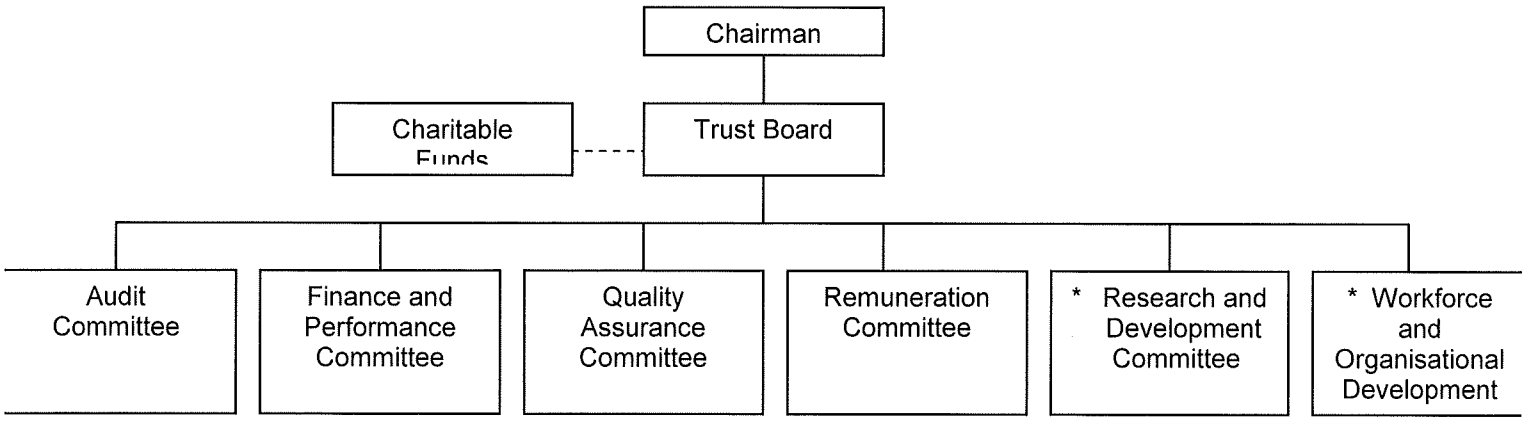
- Board members undertake patient safety walkabouts regularly; and

- four of the Non-Executive Directors are linked to the Clinical Divisions and attend Divisional board meetings.

These arrangements allow Board members to help model the Trust's values through direct engagement, as well as ensuring that Board members take back to the boardroom an enriched understanding of the lived reality for staff, public and patients.

Committee Structure

The Trust has operated a well-established committee structure to strengthen its focus on finance and performance, governance and risk management and workforce and organisational development. The structure has been designed to provide effective governance over, and challenge to, the Trust's patient care and other business activities. The committees have carried out detailed work of assurance on behalf of the Board. A diagram illustrating the Board committee structure is set out below.



With effect from 1 April 2013, these committees are disbanded as Board-level committees. Instead, the Board has agreed to receive reports quarterly on research and development and workforce and organisational matters, with exception reporting as required.

All of the Board committees are chaired by a Non-Executive Director and comprise a mixture of both Non-Executive and Executive Directors within their memberships. The exceptions to this are the Audit Committee and the Remuneration Committee, which comprise Non-Executive Directors exclusively.

The Audit Committee is established under powers delegated by the Trust Board with approved terms of reference that are aligned with the NHS Audit Committee Handbook. The Committee consists of four Non-Executive Directors, has met on five occasions throughout the 2012/13 financial year and has discharged its responsibilities for scrutinising the risks and controls which affect all aspects of the organisation's business.

Attendance at Board and committee Meetings

The attendance of the Chairman, individual Non-Executive Directors, Executive Directors and Corporate Directors at Board and committee meetings during 2012/13 is set out below. The table reflects instances of attendances for either the whole or part of the meeting, and applies to formal members and/or regular attenders as detailed in the terms of reference for each committee.

NAME	TRUST BOARD MAXIMUM - 14	AUDIT COMMITTEE MAXIMUM - 5	FINANCE AND PERFORMANCE COMMITTEE MAXIMUM - 11	QUALITY ASSURANCE COMMITTEE MAXIMUM – 11	RESEARCH AND DEVELOPMENT COMMITTEE MAXIMUM – 7	REMUNERATION COMMITTEE MAXIMUM – 11	WORKFORCE AND ORGANISATIONAL DEVELOPMENT COMMITTEE MAXIMUM - 4
Martin Hindle Chairman	14	N/A	N/A	N/A	7	11	N/A
Kiran Jenkins Non-Executive Director	13	5	N/A	N/A	N/A	6	N/A
Richard Kilner Non-Executive Director	14	5	11	N/A	N/A	11	4
Prakash Panchal Non-Executive Director	13	N/A	N/A	7	7	8	4
Ian Reid Non-Executive Director	14	5	11	1	N/A	10	N/A
David Tracy Non-Executive Director	13	3	N/A	10	N/A	8	3
Jane Wilson Non-Executive Director	12	N/A	11	9	N/A	9	4
David Wynford-Thomas Non-Executive Director	8	N/A	N/A	6	4	7	N/A

1 John Adler Chief Executive	4	0	3	3	0	2	0
2 Jim Birrell Interim Chief Executive	5	0	3	0	0	3	0
Kate Bradley Director of Human Resources	12	N/A	N/A	N/A	N/A	11	4
Kevin Harris Medical Director	12	N/A	4	8	5	N/A	0
Suzanne Hinchliffe Chief Nurse/Deputy Chief Executive	14	2	5	9	N/A	N/A	2
3 Malcolm Lowe-Lauri Chief Executive	5	2	2	2	2	2	1
Andrew Seddon Director of Finance and Business Services	14	5	11	N/A	N/A	N/A	N/A
4 Abi Tierney Director of Strategy	5	N/A	3	N/A	1	N/A	N/A
5 Jez Tozer Interim Director of Operations	6	N/A	4	N/A	N/A	N/A	N/A

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Stephen Ward	13	4	N/A	5	N/A	10	N/A
Mark Wightman	14	N/A	N/A	4	0	N/A	1

1. Joined the Trust as Chief Executive on 7 January 2013
2. Interim Chief Executive July – December 2012
3. Left the Trust on 31 August 2012
4. Took maternity leave from 1st September 2012 and left the Trust on 31st March 2013
5. Interim Director of Operations from October 2012 to 7 June 2013.

Board Effectiveness

On joining the Board, Non-Executive Directors are given background information describing the Trust and its activities. A full induction programme is arranged.

The Board recognises the importance of effectively gauging its own performance so that it can draw conclusions about its strengths and weaknesses, and take steps to improve. The Board therefore undergoes regular assessment using third party external advisers to ensure that it is:

- operating at maximum efficiency and effectiveness;
- adding value; and
- providing a yardstick by which it can both prioritise its activities for the future and measure itself.

The Board's review of effectiveness in 2012/13 has been given added focus by its completion of the Department of Health Board Governance Memorandum self-assessment, a mandatory requirement for aspirant NHS Foundation Trusts.

Outside of its formal meetings, the Board has held development sessions throughout 2012/13. Amongst the topics considered were risk management; and the development of the Trust's Integrated Business Plan; formulating the Trust's quality and safety commitment; and development of the draft Annual Operational Plan 2013/14.

The Chairman of the East Midlands Strategic Health Authority set objectives for the Trust Chairman for 2012/13.

The Trust Chairman set objectives for the Chief Executive and Non-Executive Directors for 2012/13. In turn, the Chief Executive set objectives for the Executive Directors and Corporate Directors in relation to the delivery of the Annual Plan for 2012/13. Performance against objectives is reviewed formally on an annual basis by the Chairman and Chief Executive, respectively.

Corporate Governance

In managing the affairs of the Trust, the Trust Board is committed to achieving high standards of integrity, ethics and professionalism across all areas of activity. As a fundamental part of this commitment, the Board supports the highest standards of corporate governance within the statutory framework.

The Trust has in place a suite of corporate governance policies which are reviewed and updated annually. These include standing orders, standing financial instructions, a scheme of delegation, policy on fraud and code of business conduct.

The Trust Board subscribes to the NHS Code of Conduct and Code of Accountability and has adopted the Nolan Principles, 'the seven principles of public life'.

During 2012/13, the Trust Board adopted a new Code of Conduct : "Standards for NHS Board members and members of Clinical Commissioning Group governing bodies in the NHS in England" (Professional Standards Authority : November 2012).

Risk Assessment

The Trust operates a risk management process which enables the identification and control of risks at both a strategic and operational level. Central to this is the Trust's Risk Assessment Policy which sets out details of the risk assessment methodology used across the Trust. This methodology enables a suitable, trained and competent member of staff to identify and quantify risks in their respective area and to decide what action, if any, needs to be taken to reduce or eliminate risks. All risk assessments must be scored and recorded in line with the procedure set out in the Risk Assessment Policy. Completed risk assessments are held at Clinical Division and Corporate Directorate level and when they give rise to a significant residual risk must be linked to the Trust's risk register.

A common risk-scoring matrix is used by the Trust to quantify and prioritise risks identified through the risk assessment procedure. It is based on the frequency or likelihood of the harm combined with the possible severity or impact of that harm. The arrangement determines at what level in the organisation a risk should be managed and who needs to be assured management arrangements are in place.

The Trust recognises the importance of robust information governance. During 2012/13, the Director of Strategy and (while the postholder was on maternity leave) Director of Finance and Business Services led on information governance issues as the Trust's Senior Information Risk Owner, supported by a Privacy Manager. The Medical Director continued as the Trust's Caldicott Guardian during 2012/13.

The Trust took further actions during 2012/13 to secure improvement in its information governance arrangements. A Privacy and Information Risk Management Programme Board monitors and oversees compliance with information governance requirements. The Trust has fully supported NHS Midlands and East's information governance awareness campaign to promote secure handling of personal data ('NHS Confidential').

All NHS Trusts are required annually to undertake an information governance self-assessment using the NHS Information Governance Toolkit. This contains 45 standards of good practice. UHL's overall percentage score for 2012/13 was 82%, compared to 84% in 2011/12. This score, measured against more exacting standards in place for 2012/13, is deemed to be a

'satisfactory – minimum level 2' standard across all of the information governance standards.

There were no serious untoward incidents involving lapses of data security which were required to be reported to the Information Commissioner's Office in 2012/13. In respect of other personal data related incidents experienced during 2012/13, the Trust has undertaken investigations to ensure that the root causes are properly understood and addressed; in addition, patients have been contacted to inform them of the lapses and to provide them with assurance about the actions taken by the Trust to prevent recurrence.

The Risk and Control Framework

The Trust's Board-approved Risk Management Strategy describes an organisation-wide approach to risk management supported by effective and efficient systems and processes. The Strategy clearly describes the Trust's approach to risk management and the roles and responsibilities of the Trust Board, management and all staff.

Key strategic risks are documented in the Trust's Board Assurance Framework. Each strategic risk is assigned to an Executive Director as the risk owner and the Executive Team and Trust Board review the Framework on a monthly basis to identify and review the Trust's principal objectives, clinical, financial and generic. Key risks to the achievement of these objectives, controls in place and assurance sources, along with any gaps in assurance, are identified and reviewed.

The Trust's Annual Operational Plan 2013/14 responds to and addresses the strategic risks facing the Trust. The current Board Assurance Framework has been updated to reflect risks in the 2013/14 Plan and will continue to be reviewed at regular intervals by both the Executive Team and Trust Board.

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

Annual Quality Account

The Trust Board is required under the Health Act 2009 and the National Health Service (Quality Accounts) Regulations 2010 (as amended) to prepare Quality Accounts for each financial year. The Department of Health has issued guidance to NHS Trusts on the form and content of annual Quality Accounts which incorporates the above-mentioned legal guidance.

The Director of Clinical Quality, on behalf of the Chief Nurse co-ordinates the preparation of the Trust's Annual Quality Account. This is reviewed in draft form by the Trust's Quality Assurance Committee, ahead of its eventual submission to the Trust Board for final review and adoption. In reviewing the draft Quality Account 2012/13, the Quality Assurance Committee has noted the Trust's internal controls and standards which underpin the Statement of Directors' responsibilities in respect of the Quality Account – which Statement

is to be reviewed and signed by the Chairman and Chief Executive on behalf of the Board on 27 June 2013.

Review of the Effectiveness of Risk Management and Internal Control

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the Internal Auditors, Clinical Audit and the Executive Managers and Clinical leads within the Trust who have responsibility for the development and maintenance of the internal control framework. I have drawn on the content of the draft Quality Account 2012/13 and other performance information available to me. My review is also informed by comments made by the External Auditors in their management letter and other reports. I have been advised on the implications of the results of my review of the effectiveness of the system of internal control by the Board, the Audit Committee, Finance and Performance Committee and Quality Assurance Committee. During 2012/13, each of these bodies has been involved in a series of processes that, individually and collectively, has contributed to the review of the effectiveness of the system of internal control.

In the Head of Internal Audit Opinion 2012/13, the Head of Internal Audit notes that at UHL there is a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently. However, some weaknesses in the design and/or inconsistent application of controls put the achievement of particular objectives at risk. Where individual audits have resulted in high risk rated reports, action plans have been agreed by management to meet Internal Audit's recommendations and to strengthen internal control.

This is particularly the case in respect of the findings of Internal Audit following the review of the Trust's Business Continuity Management and IT Disaster Recovery arrangements. Here, Internal Audit identified a number of high risk issues : in consequence, the Trust has agreed an action plan which will result in the completion of 'business impact assessments' for all areas of the Trust which are part of critical activities; and the development of business recovery plans for the failure of key third party suppliers. The Trust anticipates that all material actions recommended by the Internal Audit review will have been partially or fully implemented by the end of April 2013.

In response to Internal Audit's findings following a review of waiting lists for imaging procedures, the Trust developed and implemented a comprehensive action plan to strengthen its arrangements in this area : the Audit Committee reviewed the issue in considerable detail and was able to provide assurance to the Trust Board on management's action plan. The action plan focused on improving the policies in place regarding how imaging waiting times should be administered and monitored so that they are clear, consistent and understood by those who use them; and, secondly, to ensure that the policies are applied accurately in practice.

During 2012/13, Internal Audit reviewed the Trust's Cost Improvement Programme. The Trust is committed to acting responsively to the findings of Internal Audit to continue to improve the overall governance arrangements relating to the Cost Improvement Programme.

The Head of Internal Audit's Opinion 2012/13 (which, using the terminology set out in the Department of Health guidance to Head of Internal Audit, equates to "significant assurance") has taken into account the relative materiality of these areas and management's progress in respect of addressing control weaknesses.

The Trust Board is not satisfied that the plan in place at present is sufficient to meet the A&E/4 hour standard on a sustainable basis and so it has commissioned external support to help drive improvements to the emergency care pathway. During 2013/14, Internal Audit is to carry out a review of the adequacy of winter planning arrangements within the Emergency Department and evaluate whether recent changes in the emergency care pathway have resulted in sustained performance improvement.

Using its Board Assurance Framework, the Trust Board has also identified actions to mitigate other risks in 2013/14 in relation to:

(a) the ability to identify sufficient levels of cost reduction and secure the clinical engagement necessary to deliver long-term transformation;

(b) achieving an affordable and sustainable clinical service and site configuration across UHL and the Leicester, Leicestershire and Rutland health economy;

(c) the trajectory relating to the Trust's application for NHS Foundation Trust status, and

(d) the inability to recruit, retain, develop and motivate staff.

In addition to the issues identified above, further work will be undertaken in 2013/14 to review and strengthen the Trust's governance, risk management and internal control systems, policies and procedures. This work will contribute to the Trust's aim of submitting its application for authorisation as an NHS Foundation Trust.

I am of the opinion that the implementation of the actions described above will strengthen the Trust's system of internal control in 2013/14 and beyond.

My review confirms that the Trust has a generally sound system of internal control that supports the achievement of its policies, aims and objectives.

Signed.....

Chief Executive (on behalf of the Trust Board)

Date .....