

BOARD MEETING: 23 November 2018

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GOVERNANCE SELF-ASSESSMENT PROPOSALS

Recommendation/action required:

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| The Board is invited to comment on and approve the proposals outlined in paragraphs 6-10 for the NHS Health Scotland Governance Self-Assessment. |
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Author:

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14 November 2018

Governance Self-Assessment Proposals

Purpose

1. This paper proposes a process by which NHS Health Scotland responds to the “NHS Scotland Blueprint for Good Governance” (Appendix 1) and other governance benchmarks. This process aims to be proportionate, given that NHS Health Scotland has entered into our last year as a Board, producing a document that highlights governance good practice and learning for consideration by Public Health Scotland and identifies if there are any major areas for immediate attention and improvement for the NHS Health Scotland Board.

Background

2. There has been a lot of attention around NHS governance recently. A number of reports and documents have been published or circulated as listed below. NHS governance has been the topic of discussion at the NHS Board Chairs and NHS Board CEOs meetings and is one of the Cabinet Secretaries four priorities.
 - The Health and Sport Committee report: “The Governance of the NHS in Scotland – ensuring delivery of the best healthcare for Scotland” was published 2 July 2018. An NHS Health Scotland Board member briefing was issued to Board members on 30 July 2018. The full report can be accessed [here](#)
 - The response from the Cabinet Secretary to the Health and Sport Committee report can be found [here](#)
 - The first stage of work from which the “Blueprint for Good Governance” emerged was conducted with NHS Highland and the report can be found [here](#)
 - The Audit Scotland NHS in Scotland 2018 published in October can be found [here](#). The main summary points are included in Appendix 2 of this paper
 - The final version of the NHS Scotland Blueprint for Good Governance was issued to Board Chairs on 17 October 2018 and is included as Appendix 1 of this paper.
3. At this time there isn't a set of self-assessment questions relating to the Blueprint for Boards to use. These are currently being piloted in NHS Glasgow and Clyde Board.
4. A Corporate Governance Steering Group has recently been established including membership from Board Chairs, Scottish Government and Board Secretaries. The first meeting will be 21 November 2018.
5. It is presently unclear if NHS Boards will be required to continue to use the diagnostic tool and self-assessment questions to prepare a Board Development Plan. However as NHS Health Scotland is currently in a transition period we have already agreed as a Board and with our sponsor division that we will not be using the diagnostic tool;

conducting another Board Development self-assessment and producing a new action plan.

Proposals

6. It is proposed that NHS Health Scotland uses the Blueprint corporate governance **function** headings and the Health and Sport Committee Staff Governance and Clinical Governance main themes to self-assess ourselves against. It is suggested that these themes would be as follows:
 - Setting the Direction
 - Holding to Account
 - Assessing Risk
 - Engaging Stakeholders
 - Influencing Culture
 - Workforce Planning
 - Direct Engagement with Staff
 - Eliminating Bullying, Discrimination and Harassment - Whistleblowing
 - Complaints, Serious Adverse Events and Duty of Candour
7. A draft strategic top line self-assessment document would be prepared for the Board to discuss and develop as part the Board Seminar session on 7 December 2018. This would focus on current good practice, highlight any gaps and frame learning for consideration by Public Health Scotland. Unless this process identifies any areas that need urgent attention and improvement, it is not proposed that we will develop an improvement plan as we are in the last year of our life as an NHS Board.
8. The final version of the NHS Health Scotland Governance self-assessment would come to 15 February 2019 Board meeting for approval.
9. The Board considered and approved the Board Effectiveness Review at the 28 September 2018 Board meeting and asked for a report in 2019 on wider NHS Health Scotland governance processes and lessons learnt instead of a 2019 Board Annual Effectiveness Review. It is proposed that this Governance Self-Assessment Report would fulfil that function.

Finance and Resource Implication

10. There are no specific resource implications associated with this paper

Staff Partnership

11. There are no specific staff partnership implications associated with this paper

Communication and engagement

12. There are no specific communication and engagement implications associated with this paper, other than those referred to in connection with the external Corporate Governance Steering Group and the on-going involvement with the NHS Chairs, NHS CEOs and NHS Board Secretaries Groups

Corporate Risk

13. There are no risks currently associated with this paper, however if any improvement areas emerge they will be considered in terms of risk.

Issues Associated with Transition

14. The main issues associated with transition are in relation to taking a proportionate approach by conducting a strategic top line self-assessment. Unless this self-assessment reveals areas requiring significant improvement, an improvement plan will not be developed. The final report will however include lessons learnt, which may be helpful to Public Health Scotland.

Promoting Fairness

15. The principles and values of human rights and fairness are embraced within the working of the Health Scotland Board and the Board governance processes.

Sustainability and Environmental Management

16. We continue to apply an approach to Board and Committee business that uses electronic devices as opposed to paper copies to contribute to environmental targets.

Action/ Recommendations

17. The Board is invited to comment on and approve the proposals outlined in paragraphs 6-10 for the NHS Health Scotland Governance Self-Assessment.

Della Thomas

Executive and Governance Lead

14 November 2018



A BLUEPRINT FOR GOOD GOVERNANCE

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1. Introduction

The Review

- 1.1 The purpose of this report is to provide the Scottish Government and the NHS Chairs Group with the findings of the latest review of best practice in corporate governance and includes details of a refreshed corporate governance blueprint for NHS Scotland.
- 1.2 The scope of this review did not include the governance arrangements of the integrated health and social care system or the delivery of the national and regional planning initiatives being developed to deliver the NHS Scotland Health and Social Care Delivery Plan. These issues are key to the success of the Delivery Plan and are the subject of other initiatives currently being taken forward by NHS Scotland, working in partnership with COSLA as appropriate.
- 1.3 As the principles and framework that the governance blueprint offers can equally be applied to the Integration Joint Boards and the arrangement currently being developed to implement regional service planning, this report will be shared with colleagues considering those challenges.

Describing Corporate Governance

- 1.4 The UK Corporate Governance Code defines corporate governance as the system by which organisations are directed and controlled.
- 1.5 While this definition remains relevant today, the Independent Commission on Good Governance in Public Services emphasised that effective governance also leads to good management, good performance, good stewardship of public money, good public engagement and ultimately good outcomes.
- 1.6 The Commission also stated that weak or ineffective governance fosters low morale and adversarial relationships that lead to poor performance or even, ultimately, to dysfunctional organisations. Therefore, effective governance is essential in addressing the challenges the NHS faces in Scotland.
- 1.7 The purpose of corporate governance is to facilitate effective, innovative and prudent management that can deliver the long-term success of the organisation.
- 1.8 In the NHS corporate governance includes not only financial, staff and information governance but also clinical and care governance and the governance of clinical education and training.
- 1.9 Corporate governance is about what the Board does and should be distinguished from the day-to-day operational management of the organisation by the Executive Leadership Team. A good governance system helps individuals avoid the tension and conflict that can arise in an organisation where these boundaries are not clear.
- 1.10 Corporate governance involves setting strategic aims; holding the executive to account for the delivery of those aims; determining the level of risk the Board is willing to accept; influencing the organisation's culture; and reporting to stakeholders on their stewardship.

Leadership and Corporate Governance

- 1.11 When considering the importance of good governance, and the place of the Board in achieving this, it is important to acknowledge that securing high quality, effective and efficient organisational performance also relies on the leadership skills of Board Members and members of the Executive Team.
- 1.12 If the NHS is to achieve the ambitions of the Scottish Government, then work on developing leadership capability and capacity must be carried out in parallel to work on enhancing governance. This work is being taken forward by NHS Education Scotland and includes initiatives on Board leadership, executive leadership and clinical leadership.

2. The Corporate Governance Blueprint

Constructing the Blueprint

- 2.1 To construct a blueprint that clearly defines an effective corporate governance system, the review team considered multiple sources of evidence, including governance frameworks, models and codes of conduct, such as that of the Care Inspectorate, CIPFA and the UK Corporate Governance Code.
- 2.2 The NHS Chairs Group's Quality Portfolio Committee's work and publications on improving Board effectiveness were also considered in the construction of the blueprint. As was the Scottish Parliament Health and Sport Committee's review of the governance of the NHS in Scotland.
- 2.3 The review team also systematically sourced academic literature and grey literature, for example, Parliamentary Audit Committee Reports from both the UK and Scottish Parliaments and other governance codes. A list of the research material examined by the review team is included as **Appendix One**.
- 2.4 Finally, the team also looked at other lessons learned from positive governance initiatives and failures across the UK public sector.

Using the Blueprint

- 2.5 By creating a corporate governance blueprint for NHS Scotland, the review team expect to not only create a shared vision of what a good governance system looks like but also to support the following activities:
- Setting standards for corporate governance in NHS Scotland by defining the functions, enablers and support required of an effective governance system.
 - Contributing to the development of the policies and processes required by the Scottish Government's Public Appointments Team by describing the skills, experience and diversity required by NHS Board Members to deliver the corporate governance functions.
 - Improving the induction training, targeted education and the development activities available to Board Members by highlighting the skills required to deliver their roles and responsibilities.
 - Supporting the Board in holding the NHS executive leadership to account by providing a template for the design of assurance information systems.

- Ensuring administration arrangements effectively support the operation of the governance system by describing the Board's expectations of the Board Administrator and their support team.
- Facilitating the performance appraisal of Board Members by clearly describing their roles and responsibilities and the values and standard of behaviours expected of them, individually and collectively.

Ownership of the Blueprint

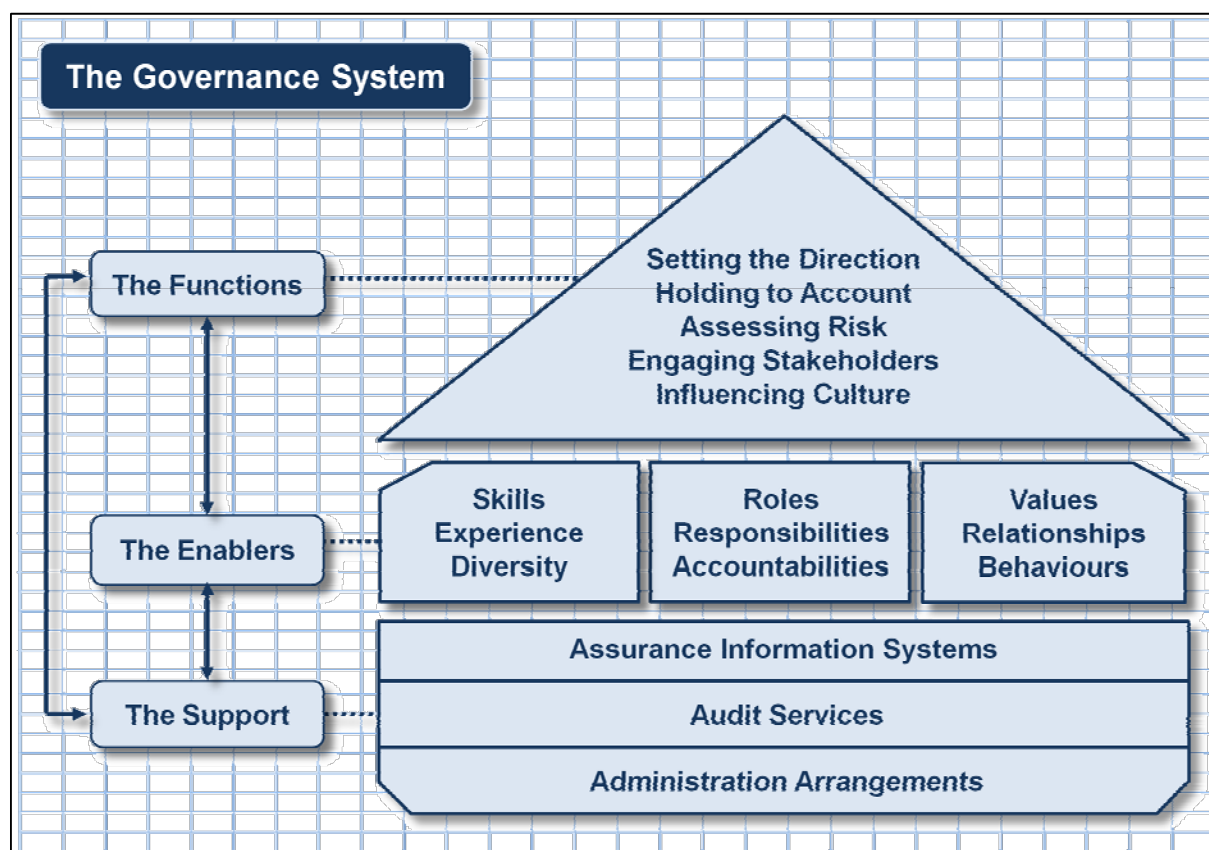
2.6 Ownership of the corporate governance blueprint rests with the Cabinet Secretary for Health & Sport, the Scottish Government and the NHS Scotland Chairs Group. To discharge this responsibility, a forum is required to provide the necessary leadership, support and guidance to the development of NHS Scotland's approach to corporate governance. The terms of reference and membership of this steering group have still to be finalised but they should include the following remit:

- To set the standards for corporate governance in NHS Scotland by approving the framework and blueprint to be applied across all 22 NHS Boards. The blueprint will define the functions, enablers and support required of an effective governance system.
- To input to the development of the policies and processes required by the Scottish Government's Public Appointments Team to ensure NHS Boards have the appropriate skills, experience and diversity to deliver their functions.
- To commission and approve the induction and skills training and the development activities required to support Board Members in delivering their roles and responsibilities.
- To commission and approve an appropriate assurance information system to support Boards in holding the NHS executive leadership to account. This to include introducing national systems to report on service delivery, human resources, finance and risk.
- To oversee the arrangements for the procurement, delivery and evaluation of the Internal and External Audit services being delivered to NHS Boards.
- To commission and approve effective administration arrangements for NHS Boards, including templates for Standing Instructions, Schemes of Delegation, Sub-Committee Terms of Reference, etc.
- To agree the Non-Executive resources required to deliver the governance functions and recommend the appropriate level of remuneration for the variety of Non-Executive roles across NHS Scotland.
- To determine and roll out an effective performance appraisal system for Board Members that reflects the functions and roles described in the governance blueprint.
- To determine and roll out an appropriate system for reviewing Board effectiveness, including annual self-assessments by Boards and external validation of these assessments at regular intervals.
- To commission and approve written guidance on corporate governance arrangements in NHS Scotland.

- To advise and support NHS Scotland colleagues in discussions with COSLA concerning the development of more effective governance arrangements for the integrated health and social care system in Scotland.
- To oversee the conduct of any external, ad-hoc reviews of NHS Boards; ensuring lessons learned are shared across other Boards as appropriate.
- To engage with key stakeholders to ensure that NHS Scotland arrangements continuously improve and reflect best practice in corporate governance in the public sector.
- To promote and share the NHS Scotland approach to colleagues in other parts of the public sector.

The Model

- 2.7 The corporate governance blueprint developed by the review team describes a three-tiered model that defines the functions of a governance system, the enablers and the support required to effectively deliver those functions.



- 2.8 What distinguishes this model from other governance models is its clear acknowledgement of the importance of how the Board approaches the achievement of its strategic aims and objectives as well as its focus on performance and outcomes. Although the model is presented as three distinct sections, they are in reality inter-dependent.
- 2.9 As the values, attitudes and behaviours that individuals demonstrate through their work as Board Members and Executive Team members play a major part in influencing the organisation's culture and ethos, we contend that having positive values, attitudes and behaviours underpin Board success.

The Functions

2.10 The detailed version of the blueprint defines the functions of a corporate governance system as:

- Setting the direction, clarifying priorities and defining expectations.
- Holding the Executive Leadership Team to account and seeking assurance that the organisation is being effectively managed.
- Managing risks to the quality, delivery and sustainability of services.
- Engaging with stakeholders.
- Influencing the Board's and the organisation's culture.

The Enablers

2.11 The enablers identified in the blueprint are:

- Acquiring and retaining the necessary skills, experience and diversity at Board level.
- Defining clear roles, responsibilities and accountabilities for the Board Members and the Executive Leadership Team.
- Creating relationships and conducting business in line with agreed values and standards of behaviour.

The Support

2.12 The blueprint also identifies three categories of the support required for effective governance:

- Assurance information systems that help the Board to hold the Executive Leadership Team to account.
- Audit services that provide the Board with independent assurance.
- Administration arrangements that ensure the smooth operation of the Board and its sub-committees.

3. Delivering the Functions

Setting the Direction

3.1 To set the direction the NHS Board should:

- Provide leadership, support and guidance to the organisation, including determining the organisation's purpose and ambition.
- Approve the strategies and plans to deliver the policies and priorities of the Cabinet Secretary for Health and Sport and the Scottish Government.
- Allocate the budgets and approve the capital investments required to deliver strategic and operational plans.

- Agree aims, objectives, standards and targets for service delivery in line with the Scottish Government's priorities

Holding to Account

3.2 In order to hold the Executive Leadership Team to account the Board should:

- Monitor, scrutinise, challenge and then, if satisfied, support the Executive Leadership Team's management of the organisation's activities in order to ensure that the organisation's aims, objectives, performance standards and targets are met.
- Safeguard and account for public money to ensure resources are used in accordance with Best Value principles.
- Ensure compliance with the requirements of relevant regulations or regulators.
- Ensure the application and implementation of fair and equitable systems of pay and performance management for the Executive Leadership Team.
- Ensure continuous improvement is embedded in all aspects of service delivery, identifying system failures and receiving assurances of remediation action

Assessing Risk

3.3 Assessing risk requires that the Board should:

- Agree the organisation's risk appetite.
- Approve risk management strategies and ensure they are communicated to the organisation's staff.
- Identify current and future corporate, clinical, legislative, financial and reputational risks.
- Oversee an effective risk management system that assesses level of risk, identifies mitigation and provides assurance that risk is being effectively treated, tolerated or eliminated.

Engaging Stakeholders

3.4 To effectively engage with its stakeholders the Board should:

- Involve stakeholders in the development of policies and the setting of priorities.
- Take into account the views of stakeholders when designing services.
- Ensure priorities are clear, well communicated and understood by all stakeholders, including staff, service users and the general public.
- Establish and maintain public confidence in the organisation as a public body.
- Report on stewardship and performance and publish an Annual Report and Accounts.
- Contribute to the development of Scottish Government policies.

Influencing Culture

3.5 To influence the organisation's culture the Board should:

- Determine and promote shared values that underpin policy and behaviours throughout the organisation.
- Demonstrate the organisation's values and exemplify effective governance through Board Members' individual behaviours.
- Develop a cultural blueprint consistent with the organisation's purpose and ambition that describes an organisation where:
 - People are treated fairly, with respect and valued for their individual differences.
 - People are clear about their objectives and are sufficiently challenged.
 - People have an input to how they deliver their responsibilities and are involved in relevant decisions that affect their work.
 - People are well informed and get the right information, at the right time, delivered in the right way.
 - People receive the right training at the right time.
- Encourage a leadership approach where:
 - Leaders are sufficiently visible and give a clear sense of purpose and ambition.
 - Leaders help people understand how they contribute to achieving the Board's purpose and ambition.
 - Leaders recognise good performance and deal with poor performance.
 - Leaders encourage people to challenge and look for ways to improve performance.
 - Leaders help people identify and make best use of development and career opportunities.

4. Describing the Enablers

Skills, Experience and Diversity

- 4.1 Research has shown that Boards require a common set of competences and experience in order to discharge the minimum level of their responsibilities. Clearly having a highly skilled and diverse Board membership, with rich life and work experience would be preferable and beneficial; however, not every member of the Board will require every skill or experience. It is the responsibility of the Chair to ensure across the Board, all necessary skills, experience and diversity are present. This includes determining the Board's requirements during recruitment and the on-going development of the skills of existing Board Members.
- 4.2 The principles and personal attributes that individuals bring to the Board are as important as their skills and knowledge. These qualities enable Board Members to use their skills and knowledge to function well as part of a team and to make an active contribution to effective

governance. The personal attributes that are required to ensure Board Members add value to the Board include being:

- **Committed** - able to devote the required time and energy to the role and being ambitious to achieve best possible outcomes for patients and service users.
- **Confident** - demonstrating an independence of mind, be able to lead and contribute to constructive conversations, to express their opinion and to play an active role on the Board.
- **Critical** - valuing their role as critical friend which enables challenge and support, self-reflection and the pursuit of learning and development opportunities to improve their own and whole Board effectiveness.
- **Creative** - able to challenge conventional wisdom and be open-minded about new approaches to problem-solving; recognising the value of innovation and creative thinking to organisational development and success.

Skills

4.3 To effectively operate an effective governance system Board Members should have the following skills:

- The insight into the organisation and an awareness of its operating environment.
- The capacity to question and challenge constructively.
- The ability to analyse and review complex issues, weighing up conflicting opinions and making evidence-based, well-informed and risk-assessed decisions.
- The interpersonal skills to communicate and engage with a wide range of organisations and individuals.
- The confidence and self-awareness to Chair, or participate as a member of, key committees that support corporate governance.

Board Membership should collectively cover all of these areas and where there are gaps these should be filled by alternative means.

Experience

4.4 Board Members should have experience gained in the public, private, third or voluntary sectors of some of the following:

- Leadership.
- Strategic planning.
- Change management.
- Operations management.
- Financial management.
- Risk management

- Patient/service user experience
- Procurement.
- Capital investment.
- Human Resources management.
- Customer relationship management.
- Digital/Information Technology.
- Media and communications.
- Legal issues.
- Equality and diversity issues.

Diversity

- 4.5 Whilst Board Members do not represent any particular group, it is advantageous to secure a diverse range of people to join Boards. Diversity has been demonstrated as bringing many benefits to Boards. Boards should therefore actively pursue widening access and inclusion initiatives to bring greater diversity to their membership and encourage applications from a wide range of talented people irrespective of their religion or belief, gender, age, gender identity, disability, sexual orientation, ethnic origin, political belief, relationship status or caring responsibilities.
- 4.6 Applications should be particularly welcomed from groups currently under-represented on Scotland's public bodies, such as women, disabled people, those from minority ethnic communities, and people aged under 50. Boards should also be mindful of the Gender Representation on Public Boards (Scotland) Act 2018 which describes the 'gender representation objective' for a public board as having 50% of Non-Executive members who are women.

Roles, Responsibilities and Accountabilities

- 4.7 There should be clarity and a common understanding of the roles and responsibilities and accountability of the groups and individuals involved in the corporate governance system, namely:

The Chair

- 4.8 The Chair is personally responsible for:
- Leadership of the Board, ensuring that it effectively delivers its functions in accordance with the organisation's corporate governance arrangements.
 - Appointing Board Members to Standing Committees, Integration Joint Boards and other roles within the NHS Board and partner organisations.
 - Keeping the organisation's governance arrangements and the Board's effectiveness under review.
 - Setting the agenda, format and tone of Board activities to promote effective decision making and constructive debate.

- Developing the capability and capacity of the Board by advising on the appointment of Board Members; appraisal and reporting on their performance; identifying appropriate training and development opportunities; and ensuring effective succession planning is in place.
- Providing performance management and development opportunities for the Chief Executive.
- Representing the organisation in links with Ministers, the Scottish Parliament and other key stakeholders. (Dual responsibility with the Chief Executive.)

The Vice Chair

4.9 In addition to that of a normal Board Member, the role of the Vice Chair to:

- Deputise for the Chair as required in any of his/her duties.
- Chair key Committees.
- Provide support and assistance to the Chair in carrying out his/her responsibilities.
- Act as a 'sounding board' and 'critical friend' to the Chair, Board Members and members of the Executive Team.
- Provide an alternative route for other Board Members to raise issues or concerns if they are unable to do so with the Chair. This is an important part of the checks and balances within governance and accountability and is analogous to the role of Senior Independent Governor recommended in the UK Code of Corporate Governance.

The Board Members

4.10 Board Members are personally responsible for:

- Ensuring the Board keeps focus on developing and maintaining its strategic direction in order to deliver the Scottish Government's policies and priorities.
- Providing effective scrutiny, challenge, support and advice to the Executive Leadership Team on the delivery of the organisation's aims, objectives, standards and targets.
- Contributing to the identification and management of strategic and operational risks.
- Bringing independence, external perspectives and impartial judgement to the business of the Board to support evidence-based, well-informed and risk-assessed decision making at Board meetings.
- Upholding the highest standards of integrity and probity and acting in accordance with the principle of collective and corporate responsibility for Board decisions. (No member is appointed on a representative basis for any body or group.)
- Undertaking ongoing personal development activities.
- Understanding and promoting diversity and equality.
- Engaging with stakeholders, including service users, the public, managers and staff.

In addition to discharging the above responsibilities, Board Members may also be required to support the business of the Board by chairing committees and meetings.

These responsibilities apply to all Board Members, including Non-Executive, Executive and Stakeholder Members.

The Chief Executive

4.11 In addition to their responsibilities as a Board Member, the Chief Executive is personally responsible for:

- Developing the policies, strategies and plans required to deliver the organisation's purpose and ambition.
- Building the organisational capability and capacity necessary to deliver the agreed outcomes and objectives.
- Leadership of change where required to improve services, including development of joint working with other organisation involved in the delivery of health and social care on a local, regional and national basis.
- Leadership and day-to-day management of the organisation and its staff, ensuring the Board's decisions are implemented and the organisation's aims, objectives, standards and targets are met.
- Proper management of public funds and for ensuring the regularity, propriety and value for money in the management of the organisation. Accountability for this function is directly to the Scottish Parliament under Section 15 of the Public Finance and Accountability (Scotland) Act 2000.
- Introducing an appropriate management structure and recruiting, training and developing an Executive Leadership Team that will deliver an appropriate and effective leadership and management approach for the organisation.
- Representing the organisation in links with Ministers, the Scottish Parliament and other key stakeholders. (Dual responsibility with the Chair.)

The Executive Leadership Team

4.12 Members of the Executive Leadership Team are personally responsible for:

- Providing advice and support to the Board to assist in the development of strategies and policies to deliver the Scottish Government's priorities.
- Developing strategic and operational delivery plans and processes to implement the Board's decisions.
- Monitoring progress towards aims, objectives, performance standards and targets for service delivery and providing the Board with appropriate information on performance, expenditure, issues, risks and successes.
- Developing the organisation's capability and capacity to meet the Board's current and future expectations.

The Board Secretary

4.13 The Board Secretary is personally responsible for:

- Leading the continuous development and implementation of the Board's corporate governance system, providing expert advice and support to the Chair, Chief Executive, Board Members and other stakeholders on governance matters as required.
- Providing advice and guidance to ensure the Board acts within its legal authority and statutory powers and that its Members comply with the Ethical Standards in Public Life (Scotland) Act (2000) and the Model Code of Conduct for Members of Devolved Public Bodies (2014).
- Ensuring that Board business is conducted in a spirit of openness and transparency.
- Managing the administrative and secretarial support to the Board and other appropriate governance Committees to deliver effective administration support to Board business.
- Providing personal support and guidance to the Chair and Chief Executive and managing the business of their private office, including the handling of Parliamentary Questions and enquiries from Ministers and other elected representatives,

Values Relationships and Behaviours

4.14 Board Members should consider what is expected of them individually and collectively in terms of demonstrating the values, conducting the relationships and demonstrating the behaviours expected of a NHS Board.

Values

4.15 Board Members are expected to demonstrate and uphold the core values of NHS Scotland, as published in the 2020 Workforce Vision Everyone Matters in June 2013. These values are:

- Care and compassion.
- Dignity and respect.
- Openness, honesty and responsibility.
- Quality and teamwork.

Behaviours

4.15 The standards of behaviour expected from Board Members are laid down in the Model Code of Conduct for Members of Devolved Public Bodies (2014). This document describes the key principles underpinning public life in Scotland as:

- Duty.
- Selflessness.
- Integrity.
- Objectivity.

- Accountability and stewardship.
- Openness.
- Honesty.
- Leadership.
- Respect.

4.16 Board Members must also comply with the Board's rules regarding remuneration; allowances; expenses; gifts and hospitality; lobbying; registration of interests; and the confidentiality of information.

Relationships

4.17 Board Members should apply the values of NHS Scotland and the principles of the Model Code of Conduct for Members of Devolved Public Bodies to their dealings with fellow members of the Board, its employees and other stakeholders.

4.18 Board Members should also observe the principles of this Model Code in dealings with the public when performing duties as a member of the Board.

4.19 Board Members must respect the Chair, colleagues and management and staff in meetings and comply with rulings from the Chair in the conduct of the business of Board meetings.

5. Providing the Support

5.1 To support the Board in delivering good governance, the organisation needs to provide suitable assurance information systems, effective audit services and efficient administrative arrangements.

Assurance Information Systems

5.2 The Board should commission assurance information systems that deliver the necessary information to assist them in obtaining assurance on the delivery of the organisation's strategic, operational and financial plans.

5.3 The assurance information systems should be designed to provide frequent and informative performance and financial reports to assure the Board that it is delivering safe, accessible, quality, affordable and sustainable services. These systems should deliver relevant, accurate and timely information on:

- Performance Management.
- Quality Management.
- Financial Management.
- Human Resource Management.
- Change Management.

- Risk Management.
- Information Management.

5.4 The assurance information systems should also measure the organisation's performance by benchmarking results against those of similar organisations.

Audit Services

5.5 The corporate governance system includes the audit services required to provide the Board and key stakeholders with assurance that the system of internal controls is functioning as intended.

Internal Audit

5.6 The role of the internal audit team should include:

- Reviewing accounting and internal control systems.
- Reviewing the economy efficiency and effectiveness of operations.
- Assisting with the identification of significant risks.
- Examining financial and operating information.
- Special investigations.
- Reviewing compliance with legislation and other external regulations.

To ensure that internal audit is an independent objective assurance activity, the Board should ensure that the internal auditors are independent of executive management and should not have any involvement in the operations or systems they audit. The Head of Internal Audit should report directly to the Audit Committee and the Chief Executive, but also have direct access to the Board Chair.

External Audit

5.7 Boards employ external auditors primarily to give an independent opinion on the annual report and accounts. The role of the external auditors also includes reviewing and reporting on the arrangements within NHS Boards to manage their performance, regularity and use of resources such as money, staff and assets. In doing this, external auditors add value by supporting improvement and accountability

Audit Committee

5.8 The Board's Audit Committee has a key role in ensuring the effectiveness of the internal audit functions including:

- Overseeing the selection process for new internal auditors.
- Reviewing and agreeing the annual internal audit work plan.
- Ensuring recommendations are actioned by the Executive Leadership Team.
- Disseminating audit reports to the relevant Board Committees.

- Encouraging the use of audit reports as improvement tools.
- Monitoring and assessing the effectiveness of the audit team.
- Approving the appointment and termination of the Head of Internal Audit.

The Audit Committee is also responsible for oversight of the Board's relations with the external auditors, including reviewing the scope of the annual audit plan.

Administration Arrangements

5.9 The administration arrangements required to support the Boards consist of:

- Development of a strategic planning cycle that clearly indicates where the Board is involved in considering options, debating risk, giving approval and thereafter in monitoring delivery of the Board's strategic plans.
- An integrated annual work programme and coordinated timetable for Board meetings, Board seminars and Committee meetings. This programme should not only ensure that strategic planning is co-ordinated and the appropriate level of scrutiny is delivered, but also that decisions are taken in a logical sequence.
- A standard template and guidance on writing papers and reports, including setting the requirements for financial assessment and risk assessment of the impact of options presented to the Board.
- Secretariat support for meetings.

6. Assessing Effectiveness

- 6.1 In order to assess the effectiveness of a corporate governance system and report appropriately, it is important to have a consistent and systematic approach to assessing the Board's current arrangements.
- 6.2 Using the corporate governance blueprint to support the systematic audit of the current status of the functions, enablers and systems that make up the governance system will ensure that the criteria against which an assessment is being made is valid, reliable and transparent and that it represents best practice in corporate governance.

Self-assessment

- 6.3 The Board should annually assess the effectiveness of the corporate governance system, conducting a self-assessment to review progress with the development plan and identify any new and emerging issues or concerns.
- 6.4 Therefore the self-assessment questionnaire used by NHS Boards should be drafted to include questions on the delivery of the functions, enablers and support described in the corporate governance blueprint.

Independent Reviews

- 6.5 The self-assessment should be validated and enhanced by the Board commissioning a tri-annual independent review of their corporate governance system.

- 6.6 The approach recommended for independent reviews involves using the governance blueprint to structure and facilitate the external review, is qualitative in nature and involves three strands:
- Initial desk research exercise to consider relevant NHS Board documents.
 - Face-to-face interviews with Board Members and members of the Executive Leadership Team using a semi-structured interview technique based on the corporate governance blueprint described above. These interviews should be conducted under Chatham House Rules and ensure all aspects of the governance system are discussed whilst still allowing interviewees to contribute their personal insights into the effectiveness of corporate governance.
 - Observation of Board and Standing Committee meetings.
- 6.7 This approach not only allows the external review to triangulate data and strengthen the validity of findings but also is designed to not place undue pressures on busy NHS Boards and Executive Leadership Teams, nor require duplication of activity with other assurance frameworks.
- 6.8 Once all the evidence gathering and assessment stages have been completed, any recommendations for improvement in the delivery of the governance functions can then be described in terms of developments to the enablers and systems in the governance blueprint. A development plan can then be agreed to prioritise and deliver any actions necessary to meet these development needs, with scheduled reporting on progress to the NHS Board and the Scottish Government.
- 6.9 Recognising that governance is a system which extends beyond the immediate corporate Board, the views of key stakeholders (including the Scottish Government) should also be gathered by the review team.
- 6.10 Self-evaluation and tri-annual independent review should be supported by ad hoc thematic reviews of areas identified by the Board, for example, where governance issues have been identified in other sectors.

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| Appendix One: Research Material |
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Appendix 2

NHS in Scotland 2018, Audit Scotland (October 2018)

Key facts

139,918:

Whole time equivalent staff employed by the NHS

£13.1 billion:

Total Scottish Government health budget in 2017/18

£50.7 million:

Brokerage provided by Scottish Government in 2017/18

£449.1 million:

Total savings made by NHS boards in 2017/18

1:

Key national performance target met

0:

Number of boards meeting all key national performance targets

Summary

Decisive action is required to secure the future of the NHS in Scotland

Key messages

1. To meet people's health and care needs, the NHS urgently needs to move away from short-term fire-fighting to long-term fundamental change. The type of services it offers, and the demand for those services, have changed significantly over the 70 years since the NHS was created. The challenges now presented by an ageing population means further and faster change is essential to secure the future of the NHS in Scotland.
2. The NHS in Scotland is not in a financially sustainable position. NHS boards are struggling to break even, relying increasingly on Scottish Government loans and one-off savings. The Scottish Government's recent health and social care medium-term financial framework and other measures are welcome steps but

more needs to be done.

3. The pressure on the NHS is increasing. Performance against the eight key national performance targets continues to decline. No board met all of the key national targets. Only three boards met the 62-day target for cancer referrals. The number of people on waiting lists also continues to increase. The only target met nationally in 2017/18 was for drug and alcohol patients to be seen within three weeks.
4. The scale of the challenges means decisive action is required, with an urgent focus on the elements critical to ensuring the NHS is fit to meet people's needs in the future. These include being clear about how the NHS is governed, multiple planning layers exist at local and national level, it is unclear how regional planning will operate in the future and health and social care integration continues to develop.
5. Ensuring effective leadership is also critical. Much more engagement and information is needed about how new forms of care will work, what they cost and the difference they make to people's lives. Without this, it will continue to be difficult to build support among the public and politicians to make the decisions needed to change how healthcare is delivered in Scotland.

Recommendations

The Scottish Government should:

- develop a robust and transparent financial management system for managing and monitoring NHS boards' new year-end flexibility and three-year break-even arrangement
- ensure NHS governance arrangements are clear and robust by making sure roles and responsibilities are explicit and lines of accountability are clear at each planning level
- report publicly on the progress of the Health and Social Care Delivery Plan, including measures of performance covering all parts of the healthcare system to show progress towards delivering more healthcare in the community.

The Scottish Government, in partnership with NHS boards, should:

- strengthen board-level governance arrangements, including developing an improved national approach to induction, training, and assessment for non-executive directors
- identify why NHS leadership posts are difficult to fill and develop ways to address this.

The Scottish Government, in partnership with NHS boards and integration authorities, should:

- develop a national capital investment strategy to ensure capital funding is strategically prioritised
- continue to develop a comprehensive approach to workforce planning that: reflects forecasts of future staffing and skills requirements to deliver changing models of healthcare provision at regional, local and community level provides a clear breakdown of transitional and future costs to meet projected demand through additional recruitment and training.

The Scottish Government, NHS boards and integration authorities should:

- work together to develop a clearer understanding of demand for services, and capacity and activity trends within primary and secondary care and use this to inform medium to long-term service and workforce planning
- publish clear and easy to understand information on how the health funding system works, including how much funding was provided, what it was spent on, and the impact it has on people's lives
- put NHS staff, local communities, and the public at the heart of change and involve them in planning and implementing changes to how services are accessed and delivered.