**Corporate Governance – a perspective by David Seabrooke**

**“Governance is grip” -** Good governance is achieved via a collective effort. The opposite of “grip” is a climate of permissiveness and individual action. It also refers to the idea that the organisation is bigger than and above the individuals who lead it.

To succeed over time, leaders need to have in place:

**Planning** refers to the organisation’s future oriented activity: strategy development, horizon-scanning for new opportunities, innovations, where applicable what the competition is doing, regulatory requirements and sector policy direction, with the evaluation of intelligence to inform the organisation’s choices about its future direction. A set of informed, widely shared aspirations with planned, resourced actions to achieve them is a positive sign of good governance.

**Governance** traditionally associated with CoSec rolesa set of rules and procedures, some written, many not, consistently applied – good decisions taken at the right time and place by the right person with clear guidance on responsibility and accountability. The rules help define what is routine (and should be dealt with as such) and what is new, different or an exception, requiring more explanation or escalation. Governance includes a record of what happened or was decided. Governance links to risk management – looking at what *could* happen and how to prevent or at least reduce a risk.

Procurement is a good example of an area where many organisations have invested in a strong system of governance (as opposed to a series individual actions) mainly to improve effectiveness/value for money – but with the added advantages in handling product recalls, better management of supply lines; supplier disputes, poor practice and fraud all much reduced. Another example would be managing a hospital building over years – e.g. recording the layout of the services and fixtures, repairs, upgrades and alterations and maintenance/ replacement schedules, saving a lot of guesswork in the future.

**Culture** there won’t be a pre-set rule to determine the handling of everything that arises. “The *way* we do things around here” is every bit as important in the running of the organisation as a constitution, the management structure, standing orders or delegation limits. There may be a set of organisational values, which people can get behind and is actively promoted. A healthy organisational culture influences what it is like to work for and to be cared for by that organisation. Organisational development (O.D.) is the set of interventions made to shape the culture – building on strengths.

**The quality and quantity of reporting to board and committees**

We often focus on decision-making and monitoring as representing governance.

Monitoring is about knowing what you intended to deliver in a reporting period. The monitoring system records what was delivered – e.g. units of activity, delivered product, cost, customer and staff feedback. Compare the two to see where there are risks and potential gaps.

Decision-making – at board level, decision-making is programmed and well-informed. Programmed refers to knowing what issues over time require decisions, what issues are arising in the organisation – a continuous SWOT analysis is one way to think of this. Informed is discussed further below in terms of report writing.

Board and committees need to be clear on what information they require from the Executive and should reject information that falls short of this. The dividing line needs to be clear between what gets dealt with at executive level, and what needs to come to Board, and in what state of development. The processing power of the Executive may need some attention to get this right. The issue should be dealt with executive level – the NED role usually is to gain assurance through scrutiny:

Reports arriving at Board should be addressing a *significant* issues and:

* Purpose: clear on what is new and different – what prompted the report?
* Be focused on assurance, where it is needed; what are the risks?
* Clear on what issue is being addressed and how it is expected to improve quality, resilience, etc?
* Supported by facts and analysis including risks, benefits, mitigations, costs –where a proposal is being made
* Clear on the effects on and engagement with stakeholders
* Clear on what the “ask” from the author to the Board is

The Trust’s policy and strategy framework will help define what is *significant*. The Board needs to monitor progress with delivery of its strategy, but an item is less likely to come to board if it is within accepted parameters, e.g. within the agreed policy framework. In general, this will also usually mean an issue affecting a substantial or mission-critical part of the business and/or of some lasting duration. The risk framework will give a sense of this too. An individual stakeholder may be *significant* and the organisation’s reputation may well be. More later on how committees can help (and hinder).

The diagram below shows the main ingredients for good reporting to occur, although wrapped around this is the clarity of the Trust’s objectives, discussed above.

The NHS is not short of subject matter expertise and communication skills: reports typically fail because *Purpose* was not clear:

**A practical point: board bandwidth**

The capacity or bandwidth of a system of governance is finite: it must be used wisely and there is an opportunity cost if it is not. There is a useful descriptor from the former Audit Commission: “a sustained focus on what matters.”

The mechanism to de-escalate an issue or a risk from the board needs to work as well as the escalation to it.

Over many years, centrally driven issues have arisen – e.g. junior doctors’ working hours, the numbers of nurses on shift, car parking, 7 day services - each setting out an expectation that the Board will scrutinise the issue regularly, along-side established factors such as regular performance management, emerging activity around inter-agency working, statutory duties such as radiation protection, fire and health & safety.

Many pundits also promote board visibility in the organisation. Alongside all the foregoing, there needs to be a percentage of board-level capacity set aside for the developmental and future-oriented development activity, already described.

Potentially, the list is overwhelming and there seems to be a lack of clear ground rules about how to manage this in practice. Is it enough to say it’s about judgement and does judgement in effect refer to what will not be noticed if it is not done? It is rare indeed that previous requirements are ever explicitly stood down.

The size of the organisation’s board pack is a useful barometer – it is a frequent complaint from board members that quantity is winning out over quality in reports and there is not enough time to read them all properly.

The Board should have an annual forward planner of its business – there needs to be a balance between the routine/timetabled items and other issues that arise along the way. As well as for practical diary purposes, the planner answers the question “when/where do we talk about *x* issue?” A good question for leaders is “where is that conversation held? How do we get to hear about it or influence it?”

**The connection with risk**

Arguably, the management of risk is part of everyday life and part of everyday management activity. Technically, you are either assured, or it’s a risk. For mitigations, if *x* happens, we do *y* until *x* is fixed. A control prevents *x* from happening.

Yet it has become separate and at times technocratic in a way that can reduce the level of engagement with this important agenda. An organisation needs to be able to explain to itself, its stakeholders and its auditor what its approach to risk management is.

NHS organisations are required to operate a Board Assurance Framework (BAF) as well as a system of risk registers up to corporate level. There should be a correlation between the major items on the BAF and what the Board is discussing.

The scope of the BAF is identifying and mitigating the risks to achieving the organisation’s objectives – so the BAF will always struggle if those objectives are not clearly defined, or if the BAF isn’t in step with what people are actually focusing on. One way to look at it: if the corporate strategy is the PRINCE project plan, then the BAF is the project risk register. The organisation’s objectives will probably include the delivery of business as usual, which means the BAF may overlap with the corporate risk register. If in practice the achieving of corporate objectives is confined to just a few people, the BAF will struggle to differentiate itself from the corporate risk register.

The corporate risk register will include risks that have a total score over a particular threshold, usually 12, 15 or 16, but boards also need to be sighted from time to time on lower scored risks, e.g. affecting specific areas of the business, those where the mitigated score is furthest away from target and those that have not been reviewed, or scores unchanged for a long period. The process of escalation of risks from say divisional registers to the Board or committees cannot rely on the scores alone, as they will be made from different perspectives.

The adding of new risks and their scoring needs oversight from a dedicated risk team. Risks are frequently confused with issues – the risk always needs to describe what could happen next – some sudden occurrence, like a power or ICT outage, or the worsening of an existing challenging situation.

Because, when a calamity strikes, one of the questions is “was this on the risk register?” there then is tendency to include too broad a spread – with the consequence that it is becomes harder to determine from the registers what really is (or is not) considered to constitute a risk.

Many risks are there for the long-term – such as nurse staffing for hospitals and the board needs to be clear how frequently the risk registers should be routinely reviewed and whether it is realistic to expect some risks to be closed-out.

**The use of committees – mixed blessings**

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members to get really engaged with a particular set of issues.

The *problem* with committees is that they allow a small group of board

members to get really engaged with a particular set of issues.

It needs to be clear what approach to a particular issue is required. Some things just need managerial leadership, some an occasional task and finish approach, others may need a governance body.

A meeting should be run by a three-way partnership of the Chair, the Secretary and the leading officers of the Trust.

The Board should exert grip on its committees and reduce the tendency for them to acquire too much of a life of their own as follows:

• Committee Membership should be determined by the Board and reviewed annually

• Attendance should be fixed, rather than fluid

• Delegation limits, the Terms of reference and the business done should match

• The Board should be sighted on the committee’s annual work plan

• The Board should receive a high-quality report from the committee every time

The last point is the most effective way to ensure the committee is doing what the board needs it to. Although an annual report from non-statutory committees is optional, the Board should set out its requirements for committee’s annual self-review of effectiveness.

The “too many meetings” syndrome will typically manifest itself as follows:

Minute-taker: “That item went on for 20 minutes – I don’t think anything was decided. I don’t know what I’m going to write.”

Committee Chair: “it is not always clear who, if anyone, is attending for an item and who is ultimately responsible for what issue.”

Executive Director: “I attend *x* committee as well as Executive Group and Board, and I have now had this same conversation on three different occasions.”

Non-executive director: “I do not attend *x* committee and am concerned about what it is doing.”

NED committee member: “I do not understand what is being asked of us some times, nor what difference we have made to anything after a two hour meeting.”

Governance lead: “three groups of NEDs now think that they are leading on temporary staffing – the cost, how to fill the vacancies, the effect on quality; there’s an audit coming out next month, so that will make four.”

Agenda item owner “I have no idea: let’s see what the minutes say”

Divisional head: “No-one can tell me how or where to get a decision on my business case”

Exec PA: “She’s double or triple-booked back-to-back most days – take this afternoon – she’s got Committee 2 to 4.30, the Region want her on a call at 3.30, and there’s an ICP meeting across town at 5. If you want to speak to her, she’s driving to Bristol a week on Thursday, so I could put in you in for a ‘phone call”