United Lincolnshire Hospitals NHS Trust

Governance Statement 2015/16

Scope of responsibility

As Accountable Officer, and Chief Executive of this Board, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives whilst safeguarding public funds and the organisation's assets for which I am personally responsible, in accordance with the responsibilities assigned to me. I am also responsible for ensuring that the organisation is administered prudently and economically and that resources are applied efficiently and effectively. I also acknowledge my responsibilities as set out in the Accountable Officer Memorandum which sets out my responsibilities of propriety and regulation of expenditure, and for putting in place effective management systems which safeguard public funds and allow for the keeping of proper accounts.

The Trust is accountable for the delivery of its patient services through the contracts it holds with its commissioners. The majority of ULHT contracted activity is commissioned, by the Lincolnshire Clinical Commissioning Groups and by the Area Team for Specialised Services.

The governance framework of the organisation

The governance framework is designed to manage risk to a reasonable level rather than to eliminate all risk. It therefore provides reasonable rather than absolute assurance of effectiveness. The governance and system of internal control of the organisations is based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of the organisation's policies, aims and objectives
- evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in United Lincolnshire Hospitals NHS Trust for the year ended 31 March 2016 and up to the date of approval of the annual report and accounts.

Trust Board and Committee Structure

The Trust Board meets on a monthly basis and consists of a Chair, 5 voting Executive Directors, including the Chief Executive and 6 Non-Executive Directors. Three non-voting Executive Directors, the Chief Operating Officer, Director of Estates and Facilities, and the Director of Human Resources and Organisational Development also attend meetings of the Trust Board.

The Board has recognised that following some key personnel changes at Executive and Non Executive level including the appointment of a new Chief Executive and Chair that an exercise to assess the effectiveness of the Board is required. This is planned in the Board Development Programme for early 2016/17. The Chief Executive and Chair are currently setting board level objectives for all Trust Board members.

The Trust Board focusses on strategic issues, whilst also receiving assurances in relation to

the Trust performance on quality, the NHS constitutional standards and finance. It achieved this through the following

- Chief Executive and Chair updates on the internal and external environment at Trust Board.
- Planned approach to agenda for key decisions through the year.
- Monthly Board development sessions covering key strategic and development issues.
- Continuous review of committee structure.

The Trust can confirm that the arrangements in place for the discharge of statutory functions have been checked for any irregularities, and that they are legally compliant.

Whilst the detailed provisions of the UK Corporate Governance Code are not mandatory for public sector bodies, compliance with relevant principles of the Code is considered to be good practice. This Governance Statement is intended to demonstrate how the Trust had regard to the principles set out in the Code considered appropriate for Trusts.

Supporting Committee Structures

To support the Trust Board in carrying out its duties effectively, committees reporting to the Board are formally established with Board approved terms of reference. A review of the committee structure was completed in the year to ensure that it continued to deliver robust governance and assurance. Each Assurance committee of the Board has its own agreed sub structures and the Assurance Committees receive reports as outlined within their terms of reference and work programme, Each Committee provides an Assurance and Exception report to each meeting of the Trust Board.

The key committees for governance and assurance are as follows:

Audit Committee - delegated to approve the annual accounts on behalf of the board and provide assurance in relation to Internal and external audit, counter fraud and security management, financial reporting, integrated governance, risk management and internal control, and the annual governance statement. During 2015/16 key areas of work for the committee were:

- Reviewing and approving the annual accounts and annual governance statement
- Receiving the Board Assurance Framework
- Agreeing internal and external audit plans and monitoring progress
- Receiving reports of waivers, losses and compensations
- Monitoring counter fraud investigations
- Assurance on Corporate Risk Register and Risk processes

Quality Governance Assurance Committee –provides assurance to the Trust Board that appropriate and effective governance mechanisms are in place for all aspects of Quality Governance and risk. During 2015/16 key areas of work for the committee were:

- Review of the Board Assurance Framework
- Receiving assurance reports from Health and Safety Committee, Safeguarding Committee, Infection Prevention and Control Committee
- Assurance on the Quality Account
- Review of complaints, patient experience and incidents

Finance, Performance and Investment Assurance Committee (as of March 2016

known as Finance, Service Improvement and Delivery) – provide assurances to the Trust Board on financial and performance issues. During 2015/16 key areas of work for the committee were:

- Assurance on Trust key financial duties
- Scrutiny of savings programme
- Review of progress against capital programme
- Assurance on monitor compliance framework and performance
- Review of recovery actions against key duties

Service Transformation Assurance Committee (as of March 2016 known as Finance, Service Improvement and Delivery) - responsible for overseeing progress against Service Transformation objectives and providing appropriate assurances to the Board. During 2015/16 key areas of work for the committee were:

- Review of progress against transformational projects

Workforce and Organisational Development Assurance Committee - provides the Board with assurance concerning all aspects of workforce and organisational development.

- Assurance on key workforce priorities
- Monitoring on work to achieve agency cap
- Review of output from staff surveys
- Consideration of learning and development strategies

Attendance at Board and Committees (Voting Membership)

Board/ Committee	Attendance
Trust Board	**80%**
Audit Committee	**92%**
Quality Governance Committee	**73%**
Finance, Performance and Investment Committee	**85%**
Service Transformation Committee	**72%**
Workforce and OD Committee	**87%**

Risk assessment

Overall responsibility for risk management rests with all members of the Board. The Director of Human Resources and Organisational Development has overall Executive level responsibility for the risk management strategy and processes within the organisation. The Director of Finance has specific responsibility for financial risks within the Trust, whilst the Medical Director holds specific responsibility for the management of clinical risks. There is a defined structure for the management and ownership of governance, through the risk register and assurance framework which is regularly monitored in the Board committees and at Trust Board level. The Trust operates and maintains an approved Risk Management Strategy and Policies and Procedures that identifies the levels of accountability and responsibility for all staff within the organisation.

The Trusts Risk Management Strategy and Policy and Procedures define the types of risks that may impact the Trust and the overall Trust approach to risk assessment. The strategic risks are captured in the Board Assurance Framework and form the basis of the Boards risk management agenda, supported by the Corporate Risk Register and Business Unit Risk Registers. Operational risks are captured within the Business Unit.

Risks are identified in the Trust by managers and the management of those risks identified is determined by the risk rating. The risk rating, defined in the Trusts Risk Management Policy and Procedures, is derived from evaluating the likelihood and severity of an occurrence that may impact on the Trusts objectives.

A review of the risks recorded in the Trusts Risk Register over the last year has seen the number of extant risks reduced considerably and the risk rating of the remaining risks has a lower aggregated value. This review has seen certain categories of risk reduced e.g. health and safety. Risks are reviewed through a Risk Validation Group, which challenges and agrees risk ratings and ownership.

The major risks to the Trust relate to finance, the agreement of a system wide long term financial model and delivery of the clinical strategy. The risks to achieving workforce plans are nursing recruitment and nurse and medical staffing levels to achieve the reduced use of agency staff. The major clinical risks relate to the management of care relating to the incidence of harmful falls, reduction of mortality with particular emphasis on sepsis and improvement of safeguarding and infection control.

During 2015/16 the Board devoted a Board Development workshop to a review and consideration of the corporate risk register. Discussing and challenging the risks to the organisations 2015/16 strategic objectives. Following this the Board has now asked for a further review of the risk management process following gaps in assurance highlighted by the Audit Committee. This has commenced and is being overseen by the Board.

Emergent risks are identified from a variety of sources within ULHT: learning from adverse events; the Quality Performance Improvement Committee; the Integrated Performance Report, various Dashboards; Quality Impact Assessments and Internal Review Audits. Clinical risks and actions in response are predominantly managed through the Trust Patient Safety and Quality Governance Committees.

The Trust reported two data security breaches to the Information Commissioner in 2015/2016; both have now been closed with the agreement of the ICO. The Trust remains compliant overall with level 2 of the IG toolkit.

The risk and control framework

Managing risk is the responsibility of all employees and not just the role of specialists, managers or the Trust Board. All employees are responsible for identifying, reducing and eliminating risk where possible. A key element of the Trust's Risk Management Strategy is the integration of risk management into both the strategic and routine operational decision making processes within the Trust. The strategy is designed for prevention and mitigation of risks, and the Board are committed to minimising risk through the use of the risk register and Board Assurance Framework.

The Trusts Risk Management Policy and Procedures are in place which encourage staff to report adverse incidents and near misses in order to minimise risk and take action to prevent recurrence. During the year 2015/16 incident reporting and analysis has been reviewed and improved, with detailed 3-level training programmes introduced for clinical incident investigators. The Trust has also introduced, in addition to weekly Serious Incident review meetings chaired by clinical executives, a monthly Incident Review Group which documents and tracks all action plans and lessons to be shared.

The structure of Trust Risk Registers is under development to better capture strategic, operational and local risks This gives key managers at all levels the facility to identify, manage and escalate (where necessary) the main risks in their area of work. Risk assessments contribute to the Trust's risk register and encompass both clinical and non-clinical risks.

For all risks recorded on the risk registers; the controls currently in place to manage the risk are described, as are the gaps in those controls to reduce the risk to as low as reasonably practicable. An action plan with a nominated "risk lead" is developed for every action to address those mitigations measures required and a review date for each action. The timeliness for the completion of actions is linked to the level of the risk score.

Risk Management training commences at induction with further training in risk management provided through the mandatory training programme. The training reinforces individuals' accountabilities with respect to incident reporting and risk management and enables staff to assess and manage risks within their sphere of responsibility.

Specialised risk management training is provided to staff who have been identified as Risk Handlers to enable them to aggregate risks across their business Unit or Specialty and consider its impact upon the Trust's Strategic Objectives.

The Board is responsible for setting the organisation's aims and objectives and ensuring that an Assurance Framework identifies the principal risks to the organisation meeting these aims and objectives, as well as confirming the key controls in place to manage these risks.

The Board Assurance Framework identifies the source of independent assurance in relation to each objective and risk. The framework is dynamic to reflect changes in priorities and developments in the external environment. It is a strategic management tool to support the annual governance statement, not designed to show every risk, but to focus attention on those which are most significant.

The Audit Committee assess the overall adequacy of the Assurance Framework on behalf of the Accountable Officer and the Board, and advise the Board in relation to the systems, processes and controls in place in order to have co-ordinated and effective risk mitigation in achieving the Trust's objectives. This enables the Board to discharge its responsibilities for governance and understand the balance of clinical, operational and financial risk.

Throughout 2015/16, the Board has identified and monitored against key objectives within its Board Assurance Framework. The controls and assurances in relation to the objectives' risks were received by the Board during the year. In addition, each Assurance Committee reviews at every meeting the parts of the Board Assurance Framework relevant to their terms of reference and then reports to the following Trust Board meeting in an Assurance Report. The framework identified gaps in control for some financial, operational and clinical measures and the Trust has taken and continues to take remedial action to address them.

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 is informed in a number of ways. The Head of Internal Audit provides me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of Internal Audit's work. The Overall Head of Internal Audit Opinion gave a limited assurance. The Trust is continuing to work to improve control in those areas highlighted by audit and to strengthen the effectiveness of the Board Assurance Framework. Executive Directors within the organisation who have responsibility for the development and maintenance of the system of internal control provide me with assurance. The Assurance Framework itself provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives have been reviewed.

My review is also informed by

- Care Quality Commission visits
- Delivery of Internal and External Audit Plans
- Friends and Family Test
- Staff Survey results
- TDA governance reviews
- Independent external reviews of finance and workforce

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, Audit Committee and the Assurance Committees. A plan to address weaknesses and ensure continuous improvement of the system is in place.

The Internal Audit reviews undertaken during 2015/16 led to the Head of Internal Audit providing a limited assurance opinion on the system of internal control in the Trust. In reaching this opinion the review assessed

- the design and operation of the assurance framework and supporting processes and the status or preparedness of the organisation with respect to risk management, control and review processes that it had in place for 2015/16

- The range of individual opinions arising from risk based audit assignments

The Trust has produced a Quality Account, and has taken steps to assure itself of the accuracy of this document by referencing Information Services within the organisation, the Quality Governance Assurance Committee and Internal and External audit processes.

A detailed internal review of risk and incident management was conducted in June 2015 and the actions in improvement tracked through Trust Governance systems. Improvements in analysis of and response to incidents have been implemented, the risk management team has been strengthened through further training and structural problems with the underlying database corrected.

Significant Issues

During the year the Trust identified the following significant control issues.

During February 2015 the CQC carried out a follow up inspection and found that the Trust had undertaken significant action to address areas highlighted from their 2014 inspection. As a result of this the Trust was removed from Special Measures. The CQC did highlight following this review some areas which still required improvement

- Sufficient qualified and experienced staff to care for patients needs
- System to monitor and address patients in partial booking system
- Governance process in surgical and outpatients department at Louth.
- Safeguarding traning

These areas have been a focus for actions by the Trust during 2015/16 and a further inspection is expected imminently.

During the year the Trust has faced significant financial challenges, which are expected to continue during 2016/17. The Trust is operating in a difficult health economy and is working with commissioners, local health and social care partners and local authorities to review care pathways and explore alternative models of care in an attempt to address these challenges and deliver a sustainable five year plan.

Workforce remains a significant strategic challenge. Plans for 2016/17 and beyond are focussing on improving retention, making Lincolnshire a more attractive place to work and reducing dependency on agency staff.

The Trust Internal Auditors provided the Trust with a limited assurance from the Head of Internal Audit Opinion for 2015/16 and highlighted the number of their reviews which had resulted in a limited assurance being provided. Three high level risks were identified in these reviews relating to nursing rosters, financial risk attached to implementing the digital strategy and the lack of service line reporting models in the Trust. Actions have been agreed to address these issued.

With the exception of the issues that I have outlined in this statement, my review confirms that United Lincolnshire Hospitals NHS Trust has a system of internal controls that supports the achievement of its policies, aims and objectives and that those issues highlighted have been or are being addressed.

Accountable Officer : Mr Jan Sobieraj, Chief Executive

Organisation: United Lincolnshire Hospitals NHS Trust

Signature

Date