

Board Effectiveness and Governance Review

2014-15

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**Summary of the draft internal audit report undertaken by
Health Group Internal Audit Services (HGIAS)**

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1 Background

This paper sets out a summary of the emerging issues following the completion of HGIAS interviews and a review of corporate documentation.

It is important to note that the review is not yet fully completed and there have been no discussions with management on the findings, these will take place prior to issuing the final report. This includes the preliminary points (1 – 14) identified in this summary, which will be considered, modified and agreed.

Consequently, the recommendations identified in this summary paper may be subject to amendment or withdrawal.

2 Composition, Leadership and Structure

Key Elements:

- Statutory duties and obligations; and roles and responsibilities.
- Board size, right blend of skills and expertise
- Appointment of Board members
- Chairmanship and leadership of the Board

The Corporate Governance Manual sets out the corporate governance rules applying to the Health and Social Care Information Centre (HSCIC).

Governance Framework:

The HSCIC is led by a Board which is the senior decision making structure in the organisation and which is accountable to Parliament and the Secretary of State for Health. The Board is led by the Chair and comprises non-executive and executive members.

Point 1: There is currently a gap on the Board with regards to Social Care expertise.

The organisation is managed on a day to day basis by an executive team led by the Chief Executive who is the Accounting Officer and is accountable to the Secretary of State and to Parliament for the performance of all functions and for meeting statutory duties.

Point 2: The incumbent CEO was appointed in April 2014. Potentially the respective roles of the Chair and CEO intersect in some areas.

Point 3: There is a gap at executive level in relation to the vacant posts of the Director of Information and Analytics and the Director of Strategy. Currently executive portfolios have been shared to address these gaps, which are actively being recruited to.

Board composition:

In accordance with Schedule 18 of the Health and Social Care Act 2012, the Board must comprise:

- At least six non-executive members including the Chair.
- Not more than five other executive members who are employees of the HSCIC one of whom must be appointed as the Chief Executive.

The non-executive directors each bring a blend of skills and experience to the Board. The Chief Executive is very experienced and it is worth noting the other executive directors are relatively new to their roles (with the exception of the HR director).

Appointment:

Appointments of the Chair and non-executive Board members, as laid out in Schedule 18 of the Health and Social Care Act 2012 are made by the Secretary of State, for periods of up to four years. Executive appointments are made by the Chief Executive and Chair.

Point 4: It would be beneficial for the HSCIC to consider how the appointment of NEDs could involve the executive directors. Appointments are currently made by the Secretary of State and there may be scope for HSCIC to provide helpful input to the process.

Chairmanship and leadership of the Board:

Point 5: The Chair may want to solicit views from Board members on potentially varying perceptions of that role.

3 Roles and Responsibilities

Key Elements:

- Subcommittees of the Board have clear and appropriate schemes of delegation
- Roles and responsibilities and lines of accountability are clear
- Escalations processes

The following subcommittees are in place:

- Assurance and Risk Committee (ARC) – chaired by Dr Sarah Blackburn
- Information Assurance and Cyber Security Committee (IACSC) - chaired by Sir Ian Andrews
- Remuneration Committee – this committee is chaired by the Chair, Kingsley Manning

There are Terms of reference (ToR) in place for each subcommittee.

4 Board Focus

Key Elements:

- Strategic direction and performance management
- Financial management and performance
- Risk management and assurance
- Key developments and emerging issues

Meetings: The Board meets at least 6 times a year in public. The Board may also meet in private session in order to transact commercial in confidence or other confidential business.

Minutes: Board papers and the list of Board members etc. are published on the Internet (except private sessions). <https://www.gov.uk/government/organisations/health-and-social-care-information-centre/about/our-governance>

The agenda usually includes the following items:

1. Declaration of interest;
2. Transparency and Governance;
3. Business and Performance Reporting;
4. Supporting the Health and Social Care System;
5. Strategic and Policy items;
6. Any other Business.

At the end of minutes there is a table listing all action points and who is responsible together with the deadlines when applicable.

In addition Board Strategy Sessions are held every other month to the statutory public Board meetings, approximately five meetings per year. These are non-statutory meetings of the Board i.e. the HSCIC is not required to hold these meetings, and there are no observers in attendance i.e. they are not open to the public to attend.

The purpose of these sessions is for the Board to discuss in detail items of developing strategy and emerging policy. In particular these sessions enable the Board to provide its strategic steer on matters at a relatively early stage of development that may come to a subsequent public session of the Board once fully formulated. Board strategy sessions therefore have more time assigned to each agenda item to enable strategic discussion, constructive challenge and the sharing of ideas.

5 Board in Action

Key Elements:

- Timing of board meetings
- Quality of board agenda and papers
- Decision making and achievement of outcomes

In addition, comments from some interviewees indicated that Board reporting could be timelier at times to give Board members enough time to read the papers. Papers are sent via email as individual pdf's meaning Board members are required to either read electronically or arrange to have them printed. This is difficult for those members who do not have ready access to a printer.

Point 6: Papers should be issued at least one week before each Board meeting. Papers should be sent as one pdf document to enable easier reading/printing.

At the Board observation on 28 January 2015 held at City Labs, Manchester it was felt that Board dynamics could be further improved by encouraging an environment that facilitated greater corporate contribution and debate from all its members.

Point 7: The number of people attending Board meetings should be reviewed. Consideration should be given to inviting directors to present on specific items (if applicable).

Point 8: The Chair should actively encourage wider engagement from all Board members.

6 Relationships and Engagement

Key Elements:

- The relationships between the Board members is constructive
- Behavioural values for the Board
- Internal and external stakeholder management

Relationships:

The Board meeting observed on 28 January 2015 was characterised by a high quality of debate amongst a number of attendees. There were robust and probing discussions and no “no-go areas” in both the public and private sessions. Challenge as well as teamwork was observed.

There is an apparent disconnect between the NEDs and executive directors with regards building relationships with some executive directors playing a much more proactive role in building relationships outside of formal meetings.

Issue 9: Outside of formal meetings the executive directors and other directors should proactively engage with the NEDs to further develop relationships and access their areas of expertise.

Behavioural values:

There is no formally documented protocol in place which defines the behavioural values for the Board. This was a recurring theme in the self-assessment returns and interviews.

Point 10: The Board may benefit from defining its own behavioural values setting out how relationships should operate and expectations of each other.

Internal and external stakeholder management:

With regards external stakeholder engagement it is clear from our interviews and the self-assessment returns that there are a number of issues that remain a challenge and that impact on the role of the HSCIC Board.

A Director Customer Relationships was appointed during the latter part of 2014 which meant prior to that stakeholder engagement did not receive the attention it deserved.

Point 11: There is no lack of awareness of the importance of HSCIC's reputation to it delivering its statutory and other functions effectively across the health and social care sector. To this end stakeholder management and relationship building needs to be a priority.

7 Performance and Development

Key Elements:

- Performance and effectiveness of the Board
- Board member performance monitoring
- Induction process
- Training and development
- Succession planning

Performance and effectiveness of the Board:

The HSCIC Board undertook an evaluation of its own effectiveness in late January 2014 / early February 2014. An anonymous questionnaire was distributed to the Non-Executive Directors, Executive Directors and Directors who sit on the HSCIC Board.

From our documentation review it is noted that no action plan was developed following the Board effectiveness exercise. However, recognising that the Board has changed dramatically since then it is not unreasonable.

Point 12: A detailed action plan should be developed following the outcome of the 2014/15 Board effectiveness review.

Board member performance monitoring:

The HSCIC Senior Independent Director is in the process of undertaking an exercise of NED utilisation to verify whether or not NEDs are being effectively utilised. The outcome of this exercise should inform future areas of perceived need. In addition to this the Chair is responsible for performance monitoring of NEDs and the CEO. The CEO performance monitors the executive directors.

Induction process:

There is a three day induction for each Board member.

Training and Development

No issues identified during interviews. Training needs are recognised, for example, cyber security, and crisis management. However, one respondent did comment that there is no ongoing training and development.

Point 13: A training and development plan should be communicated to all Board members so they are aware of what training and development is available.

Succession planning:

Succession planning is a recognised area that needs to be addressed, especially at the executive level. There is a recognised gap (by respondents) between the Chief Executive and other executive directors and a further gap between the other senior managers in the organisation.

Steps have been taken to address the skills gap at senior manager level. Currently, there are two vacant executive positions (Director of Information and Analytics and Director of Strategy). It

may be possible to address these perceived gaps in the recruitment of suitably experienced individuals to the current director vacancies.

Non-executive directors are all relatively new appointees for a four year period. Their appointment is made by the Department of Health and as such is outside of the direct control of the HSCIC. Nonetheless, the NEDs comprise of individuals who have vast experience in their respective fields. There is also a gap due to the recent resignation of a NED with a strong social care background.

Point 14: A succession plan for key Board members and senior managers should be developed.

8 Actions Required of the Board

This is a draft summary paper for discussion only.

The final internal audit report will be presented to a subsequent Assurance and Risk Committee; following which an action plan will be developed, agreed and monitored.