

To: The Board

For meeting on: 24 November 2016

Agenda item: 9

Report by: Jessica Dahlstrom, Head of Governance

Report on: Corporate Report

Introduction

1. The Corporate Report brings together reports of all of NHS Improvement's Board committees. This report summarises the committees' activity since the last meeting of the Board, which took place on 29 September 2016.

Audit and Risk Assurance Committee – 16 November 2016

2. Internal audit progress report: The Committee noted changes made to the internal audit plan, including the addition of reviews of the Operational Productivity directorate, the Healthcare Safety Investigation Board the production of financial forecasts for the NHS provider sector. The Committee discussed managing the risk of a back-loaded audit plan.
3. Internal audit report: The Committee considered internal audit reports on agency cost controls and governance, which had provided substantial and moderate assurance respectively. The delay in the development of quarterly risk and performance reporting, and mitigating actions, were discussed.
4. Draft Annual Governance Statement: The Committee received a draft Annual Governance Statement for 2016/17, and noted that the Head of Governance would work with the National Audit Office to ensure all legal requirements of Monitor and the NHS TDA were met in the combined Annual Governance Statement for NHS Improvement.
5. 2016/17 Audit planning report (Monitor/TDA): The 2016/17 audit plan for 2016/17 was considered, and the need for key NHS Improvement executives to review separate financial reports for Monitor and the TDA, mapped to the overall budget for NHS Improvement, was discussed.
6. Planned assurances over consolidated NHS foundation trust accounts, and audit

planning report: The Committee approved the proposal to produce consolidated NHS foundation trust accounts in 2016/17, and to move to producing consolidated accounts for the entire sector in 2017/18. It was noted that a detailed combined Q4 report would be produced to provide an overview of financial performance in the sector as a whole. The associated audit plan was discussed.

7. Management of provider financial risk: The Committee considered a paper setting out the approach which had been taken by NHS Improvement in relation to the management of provider financial risk. The Committee considered the likely accuracy of the forecasts that had been provided, and noted that a protocol for producing and amending forecasts had been published.
8. Data security: The Committee discussed data security issues, and a division of responsibilities between this Committee and the Technology and Data Assurance Committee was agreed.
9. Full minutes are attached as Annex A.

Operational Productivity Programme Delivery Group – 16 November 2016, 3 November 2016, 12 October 2016 and 29 September 2016

10. Background: The Operational Productivity Programme Delivery Group is a task and finish group which oversees the implementations of the Carter Review. The Group is chaired by Lord Carter and has met on four occasions since the last meeting of the Board, which took place on 29 September 2016.
11. Further detail on the business considered by this Group is available in the Board paper on Operational Productivity, which is on the agenda for the Board meeting on 24 November 2016.

Technology and Data Assurance Committee – 9 November 2016

12. Update on discussions with NHS England on overarching governance: The Chairman of the Committee provided an overview of recent discussions between NHS Improvement and NHS England with regard to overarching governance for both organisations' joint work on information and technology. It was noted that two senior joint appointments had been made, and that the joint Chief Information Officer and Chief Clinical Information Officer would attend all meetings of this Committee going forward. The joint Chief Information Officer and Chief Clinical Information Officer would also present papers to the NHS Improvement Board as appropriate. The governance arrangements associated with the Paperless 2020 programme were discussed.
13. NHS Improvement's role in enabling transformation through digitalisation: The Committee considered three papers setting out a proposed approach to real time data, NHS Improvement's internal strategy delivery and the requirements to enable business systems delivery. The issue of timely data provision was

discussed, and the Committee considered the role of NHS Digital in this regard.

14. Data security – current issues: The Committee discussed partnership working with the Care Quality Commission (CQC) and other ALBs in relation to data security. A review by the National Data Guardian for Health and Care was considered, and its implications discussed. The division of responsibilities between this Committee and the Audit and Risk Assurance Committee was noted.
15. Full minutes are attached as Annex B.

Provider Leadership Committee – 27 October 2016

16. NHS trust cases agreed by NHS Improvement Provider Leadership Committee & Sub-Committee: The Committee received an overview of the NHS trust pay and severance cases that had been submitted to NHS Improvement for consideration during the period 1 July to 30 September 2016. The review process for such cases was discussed.
17. Provider Leadership Sub-Committees: The Committee considered a report setting out the role and responsibilities of the four sub-committees of the Committee, which would consider non-executive appointments and some executive remuneration matters in relation to NHS trusts in the respective regions. It was noted that the Executive Regional Managing Directors had reviewed and were supportive of the proposed sub-committees.
18. Overview of the work of the Non-Executive Appointments Team: The Committee noted the report which provided information on the work of the Non-Executive Appointments Team, and the impact the appointments made have had on the overall diversity of NHS trust non-executive community. The London Diversity Project 2015-16 was discussed.
19. Board Development Strategy: The Committee considered the report which set out the proposed approach to the development of provider boards through the 'Building better boards' programme. Consideration was given to the role of the Committee in implementing the proposed approach. More detail is available in the Board paper on this subject, which is on the agenda for the Board meeting on 24 November 2016.
20. Full minutes are attached as Confidential Annex C.

Nominations and Remuneration Committee – 13 October 2016

21. New arrangements for the remuneration of senior posts in NHS Improvement: The Committee considered proposed new arrangements for the remuneration of senior posts in NHS Improvement, based on the Department of Health's Pay Framework for Executive and Senior Managers in Arm's Length Bodies (the Pay Framework). The Committee agreed to adopt these arrangements going

forward, and Terms of Reference for the Committee were amended to reflect this.

22. Full minutes are attached as Confidential Annex D.

Recommendation

23. The Board is asked to note recent committee activity.

Jessica Dahlstrom
Head of Governance

Public Sector Equality Duty

NHS Improvement has a duty under the Equality Act 2010 to have due regard to the need to eliminate unlawful discrimination, advance equality of opportunity and foster good relations between people from different groups. In relation to the issues set out in this paper, consideration has been given to the impact that the recommendations might have on these requirements and on the nine protected groups identified by the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion and belief, gender and sexual orientation).

As it is for information, it is anticipated that none of the recommendations of this paper will have an impact upon the requirements of or the protected groups identified by the Equality Act.

ANNEX A**MINUTES OF A MEETING OF THE AUDIT AND RISK ASSURANCE COMMITTEE
HELD ON 16 NOVEMBER 2016 AT 10.30am AT WELLINGTON HOUSE, 133-155
WATERLOO ROAD, LONDON SE1 8UG****Present:**

Richard Douglas, Non-Executive Director (Chair)
Laura Carstensen, Non-Executive Director (by telephone)
Sarah Harkness, Non-Executive Director

In attendance:

Bob Alexander, Executive Director of Resources/Deputy CEO
Steve Clarke, Internal Audit (Health Group Internal Audit Service)
Jessica Dahlstrom, Head of Governance
Ian Looker, Head of Internal Audit (Health Group Internal Audit Service)
Mark Newbury, External Audit (National Audit Office)
Naseem Ramjan, External Audit (National Audit Office)
Ian Ratcliffe, Head of Sector Financial Accounting (from item 7)

1. Welcome and apologies

1.1 No apologies were received.

**2. Minutes and matters arising from the meetings held on Friday 16
September 2016 (ARAC/16/32)**

2.1 The minutes of the meeting on Friday 16 September 2016 were approved.

2.2 It was noted that the previous meeting of the Audit and Risk Assurance Committee (the Committee) had been closed early as a result of a fire alarm, and that the Committee did not discuss the internal audit report on the Virginia Mason Institute. The Committee emphasised the importance of ensuring that enough NHS Improvement resource was dedicated to overseeing this programme, and the membership of the programme board was discussed. The Executive Director of Improvement would be invited to present to the Committee at its next meeting on the oversight arrangements of the programme.

ACTION: JD

2.3 The Chair provided an overview of progress made on the development of a strategic risk register for NHS Improvement. The Committee noted that a revised strategic risk register would be circulated to the Committee and to the Executive Committee. A Board development session on risk would take place on 15 December 2016.

ACTION: JD

3. Internal audit progress report (ARAC/16/33)

- 3.1 The Head of Internal Audit introduced the report, which set out progress made against the internal audit plan for 2016/17. The Committee noted that some changes had been made to the internal audit plan, and that three reviews had been added. These were a review of the Operational Productivity directorate, a review of the Healthcare Safety Investigation Board and a review of the production of financial forecasts for the NHS provider sector.
- 3.2 The Committee expressed some concern with regard to the volume of audits scheduled to take place in the second half of the year, but noted that this was in line with the audit plan and that the burden on management was fairly spread as reviews would take place in a number of different areas of NHS Improvement.
- 3.3 The Committee received assurance from the Head of Internal Audit that, while the objective was to complete the internal audit plan before year end, a small minority of audits being incomplete at year end was unlikely to cause a major concern.

4. Internal audit report: Agency controls (ARAC/16/34(i))

- 4.1 The Committee noted the report, which was a follow-up report on a previous limited assurance report on agency cost controls, and which now provided substantial assurance.
- 4.2 It was noted that significant progress had been made by the agency cost controls team with regard to the development of a strategic plan and key performance indicators. It was also noted that the initial limited assurance review had taken place shortly after the agency cost controls team was created, when plans and process were understandably still being developed.
- 4.3 The Committee discussed the financial impact which agency cost controls had had, and noted that further information on this subject would be made available as part of the Q2 financial and operational performance report which would be published on 17 December 2016.

5. Internal audit report: Governance (ARAC/16/34(ii))

- 5.1 The Committee noted the report, which provided moderate assurance with regard to governance at NHS Improvement. It was noted that the main finding of the report related to a delay in reporting quarterly reporting of risk and performance data.
- 5.2 The Committee noted that this delay was not within the control of the governance team, and therefore the associated action to commence quarterly reporting would be assigned to relevant executives in other parts of NHS Improvement. A discussion took place on the approach to internal audits where multiple NHS

Improvement teams were involved, and the importance of the Health Group Internal Audit Service liaising with all relevant representatives was highlighted.

- 5.3 The Committee commended the work of the governance team in establishing effective governance process for NHS Improvement particularly in light of the challenges posed by integrating two organisations.
- 5.4 Some concern was expressed with regard to the delay in risk and performance reporting, and the Executive Director of Resources/Deputy CEO provided an update on progress made and outlined plans to have quarterly reporting process in place by the end of 2016/17. The importance of ensuring information was reported to the Board in a timely manner in the context of bi-monthly Board meetings was noted.

6. Internal audit action update (ARAC/16/35)

- 6.1 The Committee noted the report, which provided assurance that the root cause of the delay in the implementation of some internal audit actions had now been understood.
- 6.2 The Committee commented that the number of actions now outstanding appeared reasonable, and that the annexe to this paper provided a useful overview and should continue to be provided at each meeting.

7. Draft Annual Governance Statement (ARAC/16/36)

- 7.1 The Head of Governance introduced the report, which included a draft Annual Governance Statement for 2016/17.
- 7.2 The Committee welcomed the early receipt of a draft Annual Governance Statement, and provided a number of suggestions for its further development. These included a request to shorten the statement, and to include more information about NHS Improvement's regional work.
- 7.3 There was a discussion regarding the fact that there was now one Annual Governance Statement covering two separate legal entities, Monitor and the NHS Trust Development Authority (TDA). The Committee requested that the fact that Monitor and the TDA were working as one single entity would be clearly reflected in the language. It was noted that the Head of Governance would work with the National Audit Office to ensure the requirements of the two separate legal entities were met in the Annual Governance Statement.

8. 2016/17 Audit planning report (Monitor/TDA) (ARAC/16/37)

- 8.1 Representatives from the National Audit Office introduced the report, which set out the audit plan for 2016/17. It was noted that separate risks had been

identified for Monitor and the TDA, and that there was also an integration risk associated with financial reporting.

- 8.2 The Committee discussed the need for the Chief Executive and the Executive Director of Resources/Deputy CEO to continue to review separate financial reports for Monitor and the TDA, mapped to the overall budget within which NHS Improvement was working. A report containing this information would be produced for Q3, and then again at the end of 2016/17.
- 8.3 The Committee discussed broader risks associated with the integration, including risks associated with staff being employed by two separate organisations, and associated challenges for the approval of budgets and expenses. A paper on this subject would be presented at the next meeting of the Committee.

ACTION: BA

9. Planned assurances over consolidated NHS foundation trust accounts (ARAC/16/39)

- 9.1 The Head of Sector Financial Accounting introduced the paper, which proposed taking a similar approach in 2016/17 to 2015/16, when consolidated accounts had been produced for the NHS foundation trust sector, but these had not been consolidated with the accounts of NHS trusts. It was noted that the intention was to produce consolidated accounts for the sector as a whole, NHS foundation trusts and NHS trusts, from 2017/18 onwards.
- 9.2 The Committee discussed the options which were available to NHS Improvement given the legal requirement to produce consolidated NHS foundation trust accounts, and the difficulty and expense involved in consolidating these with NHS trust accounts.
- 9.3 The desirability of presenting a comprehensive overview of the financial performance of NHS providers was highlighted. It was noted that, although the production of consolidated accounts would be challenging for this year, a detailed combined Q4 report would be produced.

RESOLVED:

- 9.4 The Committee resolved to approve the proposed approach, subject to a detailed combined Q4 report being produced alongside the consolidated NHS foundation trust accounts.

10. 2016/17 Audit planning report (NHS foundation trusts consolidated accounts (ARAC/16/38))

- 10.1 Representatives from the National Audit Office presented the report, which set out the audit plan in relation to NHS foundation trusts consolidated accounts for 2016/17.

- 10.2 The Committee discussed differences in the approach which would be taken to the audit this year following the explanatory report issued by the Comptroller and Auditor-General last year. The role of NHS Improvement and the National Audit Office in relation to this audit was discussed, and it was noted that NHS Improvement did not fulfil the role of management in respect to the consolidated accounts.
- 10.3 The Committee considered the role of local auditors, and noted that it was likely that additional work would be conducted at a local level particularly in light of the creation the Sustainability and Transformation Fund.
- 10.4 The Committee requested that it would be kept up to date with regard to any issues that arose in relation to this audit between now and the end of the financial year.

11. Management of provider financial risk (ARAC/16/40)

- 11.1 The Committee considered the paper, which set out the approach which had been taken by NHS Improvement in relation to the management of provider financial risk. The Executive Director of Resources/Deputy CEO provided a brief overview of the financial position of NHS providers at Q2.
- 11.2 The Committee considered the likely accuracy of the forecasts that had been provided, and noted that a protocol for producing and amending forecasts had been published. The interaction between the basis upon which Sustainability and Transformation Funding was made available and the likely accuracy of forecasts was discussed.
- 11.3 A discussion took place on the integration of financial reporting and management processes between Monitor and the TDA, and it was noted that this had gone well and the new integrated team had been able to assimilate best practice from both organisations to produce robust analysis.

12. Data security (oral item)

- 12.1 The Chair provided an overview of recent discussions at NHS Improvement's Technology and Data Assurance Committee (TDAC) on the subject of data security.
- 12.2 The role that the Audit and Risk Assurance Committee should play in relation to data security at NHS Improvement and for NHS providers was discussed. It was noted that the Committee would:
- 12.2.1 On data security: based on the recommendations in the National Data Guardian for Health review, obtain assurance on processes and culture within NHS Improvement and in provider organisations; and
 - 12.2.2 On governance: obtain clarity on the national governance structures, although TDAC would be in the lead in this area.

13. Any other business

13.1 There was no other business.

Close

ANNEX B**MINUTES OF A MEETING OF THE TECHNOLOGY AND DATA ASSURANCE COMMITTEE HELD ON 9 NOVEMBER 2016 AT 3.30pm AT WELLINGTON HOUSE, LONDON SE1 8UG****Present:**

Sigurd Reinton, Non-Executive Director (Chairman)
Richard Douglas, Non-Executive Director
Paul Willer, Independent Member

In attendance:

Bob Alexander, Executive Director of Resources/Deputy Chief Executive
Graham Binns, Enterprise Architect
Jessica Dahlstrom, Head of Governance
Peter Sinden, Chief Technology Officer
William Smart, Chief Information Officer, NHS Improvement and NHS England
Ian Wallen, Director of Information and Analytics

1. Welcome and apologies

- 1.1 Apologies for absence had been received from Peter Hill (Associate Director of Technology and Data), Keith McNeil (Chief Clinical Information Officer of NHS Improvement and NHS England) and Ted Woodhouse (Independent Member).
- 1.2 It was noted that the possibility of adding an additional Non-Executive Director as a member would be discussed with the Chairman of NHS Improvement.

2. Declarations of interest

- 2.1 No interests were declared.

3. Minutes and matters arising from the meeting held on Monday 4 July 2016 (TDAC/16/02)

- 3.1 The minutes of the meeting held on 4 July 2016 were discussed. The Committee commented that the minutes were insufficiently detailed, and requested that more comprehensive minutes would be taken going forward. It was noted that these would be circulated to the Committee for review immediately upon completion and review by the Committee Chairman.

ACTION: JD

4. Update on discussions with NHS England on overarching governance (oral item)

- 4.1 The Independent Members had raised a number of concerns with regard to progress made by NHS Improvement in relation to information and technology matters. These concerns had been set out in an email to the Chairman of the Committee on 9 November 2016, and the email had been circulated to key attendees of the Committee.
- 4.2 The Chairman of the Committee provided an overview of recent discussions between NHS Improvement and NHS England with regard to overarching governance for both organisations' joint work on information and technology. It was noted that two senior joint appointments had been made, and that the joint Chief Information Officer and Chief Clinical Information Officer would attend all meetings of this Committee going forward. The joint Chief Information Officer and Chief Clinical Information Officer would also present papers to the NHS Improvement Board as appropriate.
- 4.3 The Committee discussed the practical implications of these new governance arrangements, and expressed a desire to ensure that the appointments were truly joint, and that NHS Improvement would be able to direct the work of the joint appointees.
- 4.4 The Paperless 2020 programme, the strategy for which had been determined by the National Information Board, was considered. The importance of having a clear framework setting out accountabilities and responsibilities of the Arms-Length Bodies (ALBs) involved was emphasised.
- 4.5 It was noted that the Paperless 2020 programme contained ten domains and a total of 33 work programmes. Each programme had been assigned a Senior Responsible Officer with responsibility for delivery, and a Business Domain Sponsor to ensure that what was delivered would meet the changing requirements across health and social care.
- 4.6 The importance of defining the role of NHS Improvement in relation to the Paperless 2020 programme was highlighted, and the Committee noted that an executive forum was being established for this purpose within NHS Improvement. This forum would be chaired by the Executive Director of Resources/Deputy CEO, and include representation from the regions and other parts of NHS Improvement as appropriate.
- 4.7 The Committee also considered NHS Improvement's role as a regulator, and noted that any requirements for providers resulting from the Paperless 2020 programme were incorporated in planning guidance and contracts, and that NHS Improvement's regulatory role would include ensuring planning guidance and contracts were adhered to. It was noted that there should be a clear separation

between the general regulation of trusts, and the oversight of the Paperless 2020 programme.

- 4.8 The Committee requested further clarity on the Paperless 2020 programme and NHS Improvement's role, and the Chief Information Officer undertook to circulate a matrix setting out NHS Improvement's accountabilities and responsibilities. It was noted that this matrix would also make clear how NHS Improvement would be involved in those areas for which it was not responsible.

ACTION: WS

- 4.9 The need to define this Committee's role in relation to overseeing the Paperless 2020 programme was discussed, and the importance of not duplicating assurance processes was emphasised.

5. NHS Improvement's role in enabling transformation through digitalisation (TDAC/16/03)

- 5.1 The Committee considered three papers which had previously been discussed at NHS Improvement's Executive Committee, setting out a proposed approach to real time data, NHS Improvement's internal strategy delivery and the requirements to enable business systems delivery.

- 5.2 The Committee noted that in relation to data, timeliness was a key issue, and the ability to deliver data in a timely manner had been influenced to some extent by the timetable for publishing Official Statistics. It was noted that this issue was being addressed by NHS Digital and that the new SUS platform which was being created was scheduled to deliver data within four to six weeks rather than three months which had been the previous lead time.

- 5.3 The importance of distinguishing between data which was valuable to receive in real time and data which could be received with some delay was highlighted. The Committee discussed a pilot programme which was currently being conducted with providers involved in the Emergency Care Improvement programme for the automated extraction of real time data. NHS Improvement was working on this pilot together with NHS Digital, who would be in the lead on automated data extraction going forward.

- 5.4 The role of NHS Digital was considered, and it was noted that at the same time as the rebranding from the Health and Social Care Information Centre to NHS Digital, the organisation had taken on additional responsibilities.

- 5.5 The Committee noted that Unify, which had been the main system for the collection of performance data, was being decommissioned and future plans were being developed jointly across NHS England, NHS Improvement, NHS Digital and the Department of Health. It was also noted that NHS Improvement was consolidating systems used to collect financial data.

- 5.6 The Committee requested a paper on real time secondary use of data and any associated information governance issues.

ACTION: WS

6. Data security – current issues (oral item)

- 6.1 The Committee noted the responsibilities allocated to the Care Quality Commission (CQC) in relation data security in the NHS and noted that the CQC was working in partnership with other ALBs on this matter. The approach taken by the CQC was discussed, and it was noted that an assurance process had been designed which providers were expected to follow in relation to their own data security.
- 6.2 The Committee considered a review by the National Data Guardian for Health and Care, and discussed its implications. It was noted that a consent model was being developed, and that the duty to share data had been given additional weight as a result of the review. The importance of sharing data in the context of delivering integrated care and improving the service of the NHS as a whole was discussed.
- 6.3 The Chief Technology Officer provided detail on the consent model that was being developed, and the concept of ‘anonymous in context’ was considered.
- 6.4 The Committee noted that a public consultation on the proposals by the National Data Guardian was scheduled to take place in December 2016. It was noted that the recommendations of the review had been accepted by the Government in principal subject to consultation, and that an Information Governance Toolkit was being extended. The Committee requested that NHS Improvement’s Audit and Risk Assurance Committee (ARAC) take on responsibility for ensuring appropriate processes and culture are in existence both within NHS Improvement and within providers to ensure effective controls are in place and evidenced through the Information Governance toolkit. A paper for ARAC would be prepared by the Chief Technology Officer.

ACTION: PS

- 6.5 The Committee noted the likely financial implications of the requirement to upgrade hardware and software within providers to mitigate data security risks. It was noted that non-financial issues were also likely to arise, for example around the ability of certain programmes, such as Electronic Staff Records, being linked to out of date software. The need to influence relevant stakeholders in this regard was emphasised.
- 6.6 The Committee discussed the recent cyberattack in Northern Lincolnshire and Goole NHS Foundation Trust, and asked for a paper setting out the details of the event to be circulated to the Committee in correspondence.

ACTION: WS

7. Any other business

- 7.1 The Committee noted that an update from the joint Chief Information Officer and Chief Clinical Information Officer would be a standing item on the agenda.
- 7.2 The Committee discussed delays to the implementation of the internal strategy, and noted progress made in recent weeks in relation to engagement with directorates across NHS Improvement regarding business systems. It was noted that the delays had been the result of the restructuring process associated with the creation of

NHS Improvement, which caused a delay in filling key posts across the business, and limited the business's ability to work with Information Services on the implementation of the internal technology strategy.