

# Annual Governance Statement for Year ended 30 September 2019

## 1. Introduction and Context

NHS organisations have been required to publish an 'Annual Governance Statement' since 2012. The accountable and accounting officers of NHS organisations are required to give assurance about the stewardship of their organisations to the NHS Chief Executive and to include a Governance Statement in their annual report and accounts.

East Coast Community Healthcare C.I.C (ECCH) as a Community Interest Company is not required to produce a Governance Statement, but has elected to do so (in a form tailored to ECCH's situation) in order to:

- provide the Board with assurance that ECCH has an effective system of internal control and can demonstrate good governance;
- provide assurance to shareholders and commissioners;
- provide assurance to regulators, such as the CQC and Monitor (NHS Improvement).

The Governance Statement records the stewardship of the organisation to supplement the accounts and its production is timed to co-incide with that of the approval and publication of the accounts. It gives a sense of how successfully the organisation has coped with the challenges it faced during the reporting year and of how vulnerable performance is or might be. This statement draws together position statements and evidence on governance, risk management and control, to provide a more coherent and consistent reporting mechanism.

## 2. East Coast Community Healthcare C.I.C.

East Coast Community Healthcare CIC (ECCH) is an employee-owned not-for-profit Social Enterprise (Community Interest Company) that provides a wide range of high quality community focused health and well-being services for adults and children, their families and carers, in Norfolk and Suffolk, primarily in the Great Yarmouth and Waveney area, commissioned primarily by the NHS and local authorities.

From September 2018 to April 2019 ECCH's services included community matrons, district nursing, Out-of-Hospital (admission prevention) teams, physiotherapy, occupational therapy, specialist nursing care, palliative care services, community hospital in-patient services, speech & language therapy and primary care. As well as services to adults, ECCH provided universal and targeted children's services in Waveney, comprising health visiting, Family Nurse Partnership and school nursing, and children's speech & language therapy and specialist stop smoking services across the whole of Norfolk.

From April 2019 onwards ECCH ceased providing Healthy Child Programme services, and its community services were brought in line with the Primary Care Networks and became four Primary Care Home teams with clinicians based in the community continuing to work closely alongside GP practice staff to provide joined-up care. The Primary Care Home teams are made up of groups of GP practices who are working together closely with community services, mental health, social care, hospitals and the voluntary sector to improve the services their patients receive. The networks aim to bring different providers into one place so that it is easier for patients to access the right service to meet their needs, closer to home. As well as services to adults, ECCH continued to provide a Looked After Children service

across Norfolk and Suffolk, children's speech & language therapy in Norfolk and also provided a specialist stop smoking services across the whole of Norfolk.

ECCH is owned by its employees. Staff can choose to become shareholders by purchasing a £1 share and 82% of the staff are now shareholders. They receive no dividend, but they have a strong voice in the organisation through the two Staff Directors elected by shareholders who sit on the ECCH Board and through the Shareholder Council.

### **3. Scope of Responsibility**

As Chief Executive Officer, 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 the company's funds and assets, which are largely derived from public sources, for which I am personally responsible.

I am responsible for ensuring that the organisation is administered prudently and economically and that resources are applied efficiently and effectively, safeguarding financial propriety and regularity.

### **4. Compliance with the UK Corporate Governance Code**

Although not required to formally "comply or explain" to regulators, ECCH is cognisant of the Code and seeks to adhere to its ethos and values as a social enterprise. ECCH intends to undertake a review of its compliance against the principles and provisions of the Code during 2018/19.

### **5. Governance Framework**

The overarching governance of ECCH is described in its Articles of Association (as amended 25 April 2018) which sets out the powers and responsibilities of, and the framework of operation for, the directors and shareholders within the terms required of a CIC and ECCH's own objects. The Governance Framework (see Appendix 1) and the terms of reference of the Board and the Board sub-committees describe the specific structure of the governance arrangements for ECCH. The Company conforms to the requirements of the Companies Act 2006 and the Companies (Audit, Investigations and Community Enterprise) Act 2004 and the Community Interest Company Regulations 2005 (as subsequently amended). ECCH is licenced as a provider of NHS services by Monitor (NHS Improvement) and regulated by the Care Quality Commission (CQC).

#### **5.1 The Board**

The Board is collectively accountable for developing and monitoring the strategy of the organisation, its financial and business reporting and for reviewing the effectiveness of the system of internal control, ensuring that the organisation complies with such generally accepted principles of good governance as are relevant to a not for profit social enterprise.

The Chair is responsible for the leadership of the Board and ensuring the appropriate level of constructive challenge.

Over the year, the Board has reviewed the quality and patient safety of its services, scrutinised operational and financial performance against national priorities and ensured the risks to their delivery are well managed.

The Board benefits from an appropriate balance of skills, experience, independence and knowledge. The Chair of the Board and the non-executive directors are appointed by approval of staff shareholders. The Chair is responsible for the appointment of the Chief Executive and the Board and the Chief Executive appoint the executive directors. There are

four non-executive directors, four executive directors, one GP Director and two staff directors. The staff directors are elected to the Board by the staff shareholders.

Board meetings are held monthly in private and our annual general meeting is a shareholder meeting.

The Board regularly reviews its own effectiveness through the culture change programme, 'Evolve', which ECCH commenced in late 2017, based on the belief that at the core of any successful organisation is a strong culture based on its values and signature behaviours.

Pulse-UK was appointed to support the programme and to conduct staff surveys three times a year to assess team perceptions of signature behaviours being demonstrated, providing ECCH with a measure to monitor progress. The programme also incorporates an in-depth review of how the Board is operating and how well it leads the organisation in accordance with agreed values and objectives. The 24 point questionnaire completed by the Board assesses performance against the CQC's 'Well-Led' Framework. The Board has completed this self-assessment every 4 months since October 2017 and actively reflected on the outcomes each cycle to improve the effectiveness of the Board.

## **5.2 Committees of the Board**

During 2018/19 the ECCH Board operated four sub-committees: the Audit Committee, the Integrated Governance Committee and the Remuneration Committee, each chaired by a non-executive director, and the Shareholder Council, which was chaired by the staff directors.

### **5.2.1 Remuneration Committee**

The Remuneration Committee is responsible for making decisions on behalf of the Board about the remuneration of the executive directors, remuneration policy for the company and appraising the performance of the Executive Team.

### **5.2.2 Audit Committee**

The Audit Committee holds responsibility for all corporate governance within the social enterprise. It has a key role to ensure all structures, systems and processes are in place to ensure high standards of audit, risk management and internal control on behalf of the Board. It has oversight of the Corporate Risk Register and the Board Assurance Framework. It determines the audit strategy, receives audit reports and monitors implementation of improvement action and oversees the counter fraud strategy and programme. The Committee undertook a self-assessment of its effectiveness and its processes in 2018 in line with the NHS Audit Committee Handbook. The final versions of these assessments were signed off by the Committee in February 2019.

### **5.2.3 Integrated Governance Committee (IGC)**

The Committee oversees the quality and patient safety agenda for ECCH, including patient and public involvement, patient feedback (complaints, Friends & Family Test), clinical risk management, strategic workforce & organisational development and training, clinical policies, safeguarding, medicines management, infection control, research & audit and information governance.

The Health & Safety Committee reports to the IGC. The Health, Safety & Risk Manager is the competent Health & Safety person within ECCH to advise and support in the management of risks at all levels in the organisation to ensure statutory compliance.

### **5.2.4 Shareholder Council**

The purpose of the Shareholder Council is to provide a medium for dialogue between the shareholders and the leadership of ECCH and a means for consultation on issues,

opportunities and challenges affecting the organisation. The Council exists to promote employee ownership within ECCH, to enable shareholders to engage as owners of the enterprise and to promote ECCH core values and signature behaviours throughout the organisation.

### **5.3 Subsidiary Companies**

ECCH has 3 subsidiary companies:

#### **5.3.1 East Point Business Services Ltd (EPBS).**

This business was established to provide support services to other customers to generate income to support ECCH's core operations. The company has one share which is owned by ECCH. The Directors of EPBS include the Chief Executive Officer and the Executive Director of Finance and Resources of ECCH and, from September 2018, two new appointees, the ECCH Head of Estates and the ECCH Head of ICT. The Directors of EPBS are accountable to, and report directly to, the Board of ECCH for the governance and performance of EPBS.

#### **5.3.2 Big Sky Nurseries Ltd. (BSN)**

This business runs one nursery, which is based in Beccles and which opened in November 2016. The company has one share which is owned by ECCH. The Directors of BSN comprise the Chief Executive Officer and the Executive Director of Finance and Resources of ECCH and, from September 2018, ECCH's Director of Health Improvement and Children's Services. The Directors of Big Sky Nurseries are accountable to, and report directly to, the Board of ECCH for the governance and performance of Big Sky Nurseries.

#### **5.3.3 ECCH Foundation**

ECCH Foundation is company limited by guarantee set up by ECCH for charitable purposes, viz.: "the advancement of health" and "the promotion of the effective use of charitable resources by the provision of services to organisations involved in the advancement of health". The Board comprises three Independent Directors and five ECCH Directors. The company was granted charitable status by the Charity Commissioners in March 2018.

## **6. The Risk Management Framework**

The organisation follows a proactive, systematic process for identifying, evaluating, mitigating and escalating risk (clinical, operational, financial) as outlined in the Risk Management Policy (which incorporates the Risk Management Strategy), which is regularly reviewed. An updated version was approved in December 2018.

As noted in the Internal Audit Report on the 'Assurance Framework and Risk Management' (Nov 19) the organisation has undertaken a considerable amount of developmental work on the assurance framework in 2017/18 resulting in a description of the assurance framework that clearly describes the sources of assurance and how these interact with the committee and governance structure of the organisation (see Appendix 2). This is supported by a risk map which provides a clear overview of risks, controls and sources and provision of assurances. These framework documents are supported by the Corporate Risk Register (CRR), which contains details of all risks scoring over 15 on the risk scoring matrix along with other significant risks (scoring 12). This risk register is subject to regular Executive and Committee review with responsibility for review of clinical risks resting with the Integrated Governance committee whilst the Audit Committee oversees non-clinical risks and provides an overview of the risk management process in its entirety. The CRR is fed by the Datix Incident and Risk Management system which is populated by individuals and teams as risks are identified. The whole process is supported by the Risk Management policy and strategy.

The organisation employs Datix as its risk management system. Risks are recorded on to Datix, managed at the appropriate level, employing the “three lines of defence” model and each risk is assigned a risk owner. Risks are escalated (and de-escalated) to the Corporate Risk Register (CRR) or Assurance Framework/Map in line with the Policy’s escalation chart and in relation to risk appetite.

The Board is responsible for risk management and ensuring sound systems of internal control are in place to manage risks. It reviews risks and assurances of risk mitigation via the CRR, the Assurance Framework/Map and the Strategic Objectives Progress Report and reviews the risk profile of the organisation. It provides leadership and direction to the risk management process. A revised Assurance Framework and Corporate Risk Register were introduced in May 2018.)

The Audit Committee provides independent scrutiny of the risk management processes and is responsible to the Board for ensuring that the organisation’s governance framework is robust. The Audit Committee also has a particular focus on the management of corporate risks.

The Integrated Governance Committee reviews high level operational and clinical risks highlighted via Datix and those escalated to the CRR. It reviews progress, controls and assurances.

The Executive Team reviews the CRR monthly and the Assurance Framework/Map bi-monthly and is accountable for managing risks identified in those reports and will agree any escalation (or de-escalation) of risk.

Comprehensive risk assessments are carried out for service users so that their safety is monitored and maintained. Potential risks are taken into account when planning services. A range of control mechanisms are employed: preventative, directive and detective to manage the organisation’s risks to a reasonable level, in line with its risk appetite.

The Risk Management Policy supports a positive staff attitude to risk management, encouraging staff to identify, assess and report risks. Staff are clear about their personal accountability and responsibilities through appraisal, induction and on-going training.

The organisation promotes a robust incident monitoring reporting system and complaints, patient feedback and early warning indicators are reviewed by the Integrated Governance Committee and inform risk ratings. We follow the Duty of Candour process and notify all patients of any moderate harm caused to them by ECCH, verbally and in writing.

## **7. The Internal Control Framework**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of ECCH, to evaluate the likelihood of those risks occurring and the impact should they occur, and to manage them efficiently, effectively and economically. Mechanisms to support internal control include:

- Clear, up to date Standing Orders, Scheme of Delegation and Standing Financial Instructions and prime financial policies
- Business continuity plans
- Staff policies and a comprehensive training programme

- A Whistleblowing Policy to encourage staff to speak out about concerns
- Control measures to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with
- Environmental Policy and ISO 14001:2015 accreditation in Environmental Management and on-going programme to maintain that standard
- Comprehensive policies and systems to ensure Health & Safety and Fire Safety standards are met
- A robust programme of counter fraud and anti-bribery activity, supported by the Local Counter Fraud Specialist (LCFS) whose annual programme of prevention, deterrence and detection monitored by the Executive Director of Finance and Resources and the Audit Committee.
- Robust information governance processes (as detailed below)
- Business conduct policies and processes such as gifts and hospitality register reviewed by Audit Committee
- Adherence to the Duty of Candour (Health and Social Care Act 2008 (Regulated Activities) Regulations 2014: Regulation 20).

## **7.1 Information Governance and Data Security**

The NHS Information Governance Framework sets the processes and procedures by which organisations providing NHS services handle information about patients and employees, in particular personally identifiable information. It is supported by the Data Security Toolkit and the annual submission process provides assurances to the commissioners, other organisations and to individuals that personal information is dealt with legally, securely, efficiently and effectively.

All staff undertake annual IG training to ensure they are aware of their IG roles and responsibilities and to embed an information risk culture throughout the organisation. ECCH has appointed a Caldicott Guardian (the Director of Quality), a Senior Information Risk Owner (SIRO) (the Executive Director of Finance and Resources) and a Data Protection Officer (DPO).

ECCH recognises the need for a robust framework and rigorous processes around Information Governance, in the light of the growing number of threats to data security, legislative changes and increasing awareness of the risks. The Information Governance Group, which draws together representatives from across all of ECCH's functional areas, provides critical oversight of IG across the organisation, ensuring that all the necessary policies and processes are in place and up-to-date, acting as a communications channel and reviewing any issues relating to information governance that may arise.

The Integrated Governance Committee monitors the implementation of the IG framework, supporting policies and the work of the IG Group. The Audit Committee has responsibility for ensuring that an adequate risk management framework is in place and monitors the Corporate Risk Register and the Assurance Framework.

IG incidents are investigated in line with national guidance and any incidents were assessed according to NHS Digital guidance. Any incidents during the year that required reporting to the Department of Health, the Information Commissioners Office or other regulators were reported in line with guidance.

The organisation published its Data Security Toolkit (2018-19) by the March 30<sup>th</sup> 2019 deadline and achieved standards met.

## **8. Annual Quality Account**

ECCH continuously reviews the quality of care in each of its services and annually reports to the Board, commissioners and regulators via the Annual Quality Account. The report for the year ending March 2019 was published on-line in June 2019. The Quality Account sets out in detail the progress ECCH has made in that year in terms of the three Quality Domains of Clinical Effectiveness, Patient Safety and Patient Experience and describes our priorities for future improvement.

Through clinical audit, research, incident reporting and monitoring of patient experience, complaints and PALs ECCH ensures it is a learning organisation that aspires to continuously improve our services.

## **9. Review of economy, efficiency and effectiveness of the use of resources**

ECCH operates a strong financial management framework to ensure the lawful and best economic use of its assets. Financial regulations are supported by effective financial procedures set out in the 'Standing Orders, Scheme of Delegation and Standing Financial Instructions' and other finance policies, underpinned by the work of internal and external audit.

The Standing Financial Instructions (SFIs) regulate the conduct of the company's staff, Board and Committee members in relation to all financial matters and incorporate a scheme of delegation approved by the Board. The Executive Director of Finance and Resources oversees the budgetary control framework for the company, which includes the responsibility to monitor financial performance against the budget and business plan with regular reporting to the Board.

The company produces Annual Accounts in accordance with the Companies Act 2006, the Companies (Audit, Investigations and Community Enterprise) Act 2004 and the Community Interest Company Regulations 2005 (as subsequently amended) and describes within the Accounts the benefits to the community ECCH has delivered in fulfilment of its obligations as a CIC. The Company is not established or conducted for private gain: any profits or assets are used principally for the benefit of the community.

All staff, managers, Board and Committee members have a duty to declare any conflicts of interest that arise as part of their roles in line with policy and the Anti-Fraud Policy governs ECCH's actions to counter fraud which include the appointment of a designated Local Counter Fraud Specialist in accordance with the requirements of the NHS Counter Fraud Authority. An effective internal audit function supports the governance framework by meeting Audit Standards, and providing independent assurance to the Audit Committee, CEO and Board. External scrutiny of ECCH's financial management and its annual accounts is provided by the External Auditors, who report their findings to the Audit Committee. The company maintains asset registers for items owned by the company and used in the course of delivering services.

## **10. Review of Effectiveness**

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, clinical audit and the executive managers and clinical leads within the organisation who have responsibility for the development and maintenance of the internal control framework. I have drawn on the content of the quality report and other performance information available to me. My review is also informed by comments made by the external auditors. 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, the Audit Committee,

Integrated Governance Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place. Our assurance framework provides me with evidence that the effectiveness of controls that manage risks to the organisation in achieving its principal objectives have been reviewed.

The organisation is fully compliant with the registration requirements of the Care Quality Commission (CQC). ECCH is required to register with the CQC and its current registration status is unconditional. The last CQC inspection was undertaken in November 2016 and ECCH was given a 'good' rating across the board for its services. ECCH has followed up with action plans for any issues CQC raised and have submitted a number of progress reports against these recommendations.

### 10.1 Internal Audit

ECCH re-procured its internal audit services during 2018/19.

Internal Audit carried out a programme of planned audit work for the year as approved and monitored by the Audit Committee.

The work of internal audit for 2018/19 covered:

Audit Assignment	Status	Audit Sponsor	Assurance Opinion	Number of recommendations		
				High	Medium	Low
Recruitment	Final Report Issued	Deborah French	Reasonable		1	8
Implementation of the Evolve strategy	Terms of reference agreed reschedule until late summer 2019 – further delayed due to absence of lead Director. Fieldwork complete.	Deborah French	<i>Delayed</i>			
Governance processes including Conflicts of Interest	Final Report	Simon Bragg (Director of Finance and Resources)	Reasonable		7	6
Board Reporting (follow up)	Final Report	Simon Bragg (Director of Finance and	Reasonable		2	2



		Resources)				
Penetration Testing	Two reports finalised	Simon Bragg (Director of Finance and Resources)	Optimal for N3 and Web site security	0	0	5
			Substantial for LAN and social engineerin	1	9	2
Non-Purchase Order expenditure	Final Report	Simon Bragg (Director of Finance and Resources)	Requires Improvement	1	1	1

During the year there were 2 reports issued by Internal Audit with a conclusion of 'High Risk'. One report that was issued, Non-Purchase Order expenditure, was rated 'Requires improvement'.

All audit recommendations are logged and followed up by senior management. The Quality Team has responsibility for maintaining the Audit Tracker and Action Plan to ensure actions are implemented and evidenced and it is reviewed by the Executive Team and Internal Audit. The Audit Tracker is updated and reviewed by the Audit Committee at every meeting.

#### **Head of Internal Audit Opinion**

The Final Head of Internal Audit Opinion for the year 2018/19, was presented to the Audit Committee at its meeting on in May 2020. The overall opinion provided is that "reasonable" assurance can be given. This opinion reflects the outcome of the review of Assurance and Governance Processes and reviews completed in the year. The Assurance Framework (AF) is fundamental to the organisation's risk management process, and as such supports the Annual Governance Statement within the Annual Accounts and aspects of risk management within the Annual Report. An effective AF is essential in demonstrating the active management of risks to the achievement of the organisation's strategic objectives and providing evidence of control and assurance of mitigation of those risks.

The internal audit service was provided by West Midlands Ambulance Services during 2018/19. This was the third year of service provision and was performed in accordance with Public Sector Internal Audit Standards. The opinion was based upon the outcome of the work undertaken in the completion of the 2018/19 Internal Audit plan. In addition the Head of Internal Audit considered management's response and progress in the implementation of agreed recommendations.

The annual opinion is based upon, and limited to, the work performed on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes (i.e. the organisation's system of internal control). This is achieved through a risk-based plan of work, agreed with management and approved by the Audit Committee, which should provide a reasonable level of assurance, subject to the following inherent limitations: (a) The opinion does not imply that Internal Audit have reviewed all risks and assurances relating to the organisation and (b) The opinion is substantially derived from the conduct of

risk-based plans; as such it is one component that the Board takes into account in making its Annual Governance Statement.

## 10.2 Significant issues

The significant issues and risks to ECCH's delivery of its objectives, as identified at the Board in the Corporate Risk Register and the Strategic Objectives Progress Report this year, were:

1. The greatest challenge was to secure a new contract for (Adult) Community Health Services from Great Yarmouth and Waveney CCG in place of the contract due to expire 31 March 2019. ECCH secured the new contract for 5+2 years which commenced in April 2019. ECCH's primary objective was then to prepare for and implement the new contract.
2. Maintaining ECCH's position within the STP; building and sustaining key partnership relationships, especially as the lone social enterprise in an environment of public sector NHS and local authority organisations. Continued active engagement supported ECCH's success with new community contract.
3. Commercial business growth: risk that insufficient business development in the pipeline would impact growth/future viability of the organisation. The time and effort required to defend ECCH's primary contracts limited the organisation's ability to focus on this area, which is now a priority.
4. Managing ECCH's reputation with key stakeholders and ensuring effective communication and engagement especially with stakeholders in primary care.
5. Continuing pressure from increasing costs and reducing income from public sector commissioned services threatening ECCH long term viability. On-going action to reduce costs.
6. Maintaining service quality, e.g. managing risks from system wide staff shortages.
7. Recruiting and retaining a skilled and motivated workforce. A major initiative to improve engagement was ECCH's cultural change programme, Evolve.

## 11. Conclusion

With the exception of the internal control issues that I have outlined above, to which appropriate action has been or is being taken, my review confirms that a sound system of internal control was in place in East Coast Community Healthcare C.I.C. for the year ended 30 September 2019.

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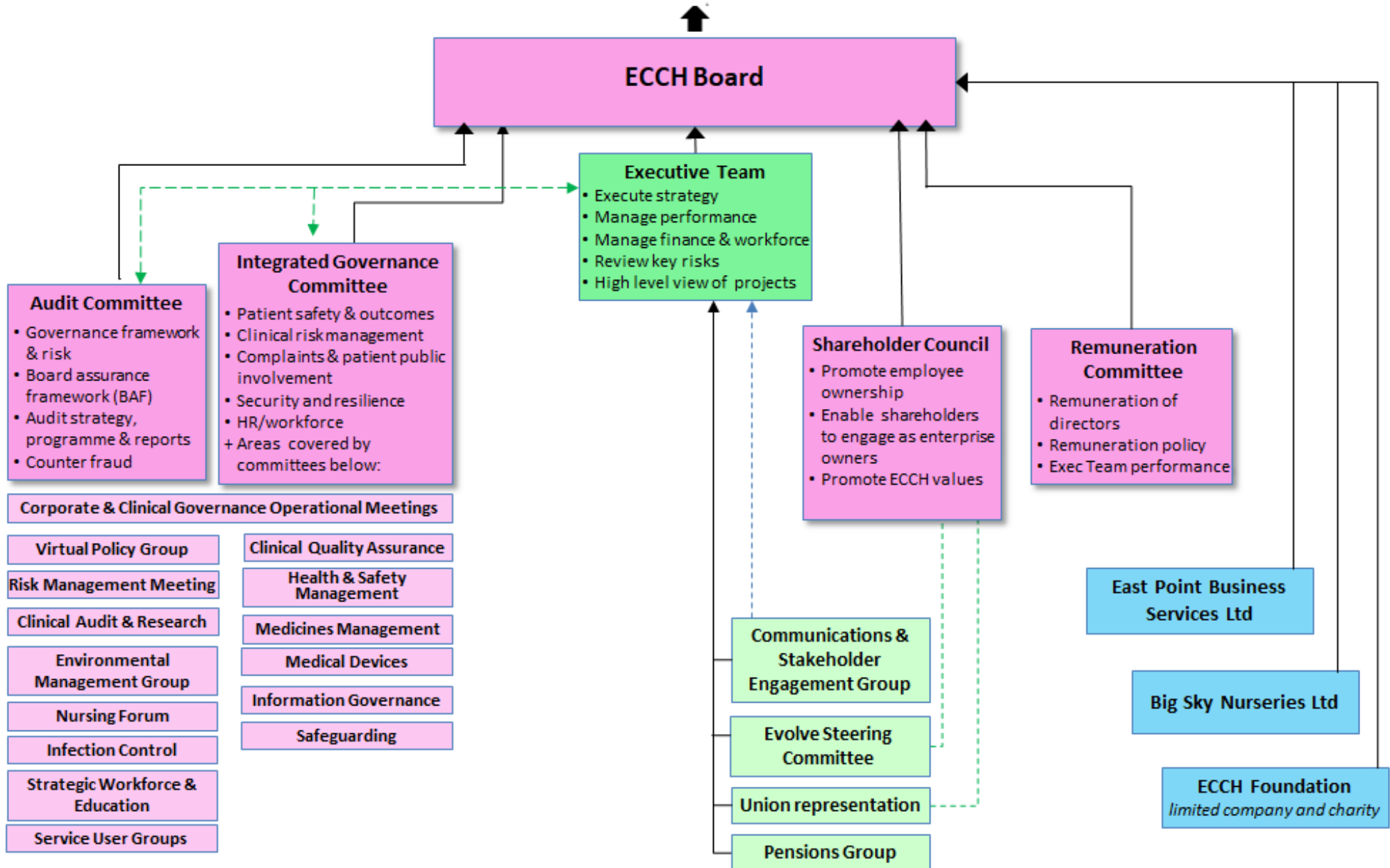


Date: 7<sup>th</sup> November 2020

# Our Governance Structure

All areas relating to quality are monitored by our Integrated Governance Committee and reported to our Board and our Commissioners.

Shareholders = Employee Owners



# Our Assurance Framework

