When governance goes wrong –
lessons learnt from the UK National Health Service

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Session Outline

• Introduction to CIPFA
• CIPFA/IFAC International Framework: Good Governance in the Public Sector
  – Key Definitions
  – Principles
  – Embedding good governance
• Mid Staffordshire NHS Trust
  – Rising tide of concerns
  – Diagnosing the governance failures
• Conclusions
Background: CIPFA

- Only professional accountancy body to specialise in public services
- Influences and shapes public finance landscape, promoting strong Public Financial Management (PFM) globally
- Supporting improved PFM and Governance
- The professional body for people in public finance
CIPFA support for public sector

Practical support for professionals and their organisations

Educating and training professionals

PFM & Governance
- Advocacy & advice
- Standards & guidance
Why the IFAC/CIPFA International Framework?

- Importance of public sector
  - Role and economic significance
- Effective governance drives:
  - better decisions
  - use of resources
  - accountability
- Previous work by both IFAC and CIPFA
- Update to reflect developing experience and thinking
International Framework: Aims

- Establish a benchmark for good governance
- Serve as a reference point for those developing or reviewing national codes
- Help public sector organizations continually improve governance systems
- Where no code/guidance exists, provide:
  - A shared understanding of what constitutes good governance
  - A powerful stimulus for positive action
Governance and the <IR> Framework

Source: IIRC (2013) Consultation draft of the international <IR> framework
PFM as part of good governance: Whole System Approach

Outcomes
Sustainable social benefit

Delivery of services and products

Institutional Framework

Public Financial Management

Enablers

Governance

Demand for services and projects

Stakeholder consultation

www.cipfa.org/policy-and-guidance/articles/pfm-a-whole-system-approach
International Framework: Structure

Framework:
- Foreword by Mervyn King (Chair, IIRC, and King Report, South Africa)
- Definitions
- Principles-based to maximize relevance, applicability
- Sub-principles and supporting guidance to provide explanation

Supplement:
- Examples
  - Provide practical experience and aid understanding
- Evaluation questions to consider
- Further reading
Key Definitions: Governance

The arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved

Arrangements include:
- Political
- Economic
- Social/environmental
- Administrative
- Legal
Key Definitions: Governing Body

The person(s) or group with primary responsibility for overseeing an entity’s strategic direction, operations, and accountability

- Applicable to different structures:
  - All levels – use of term ‘entity’
  - Different executive and non-executive structures
  - Separate legislature and executive branches
Good Governance in the Public Sector

The fundamental function of good governance in the public sector is to ensure that entities achieve their intended outcomes while acting in the public interest at all times.

• Good governance tied to:
  – Acting in the public interest at all times
  – Achieving intended outcomes
International Framework: Good Governance in the Public Sector

Achieving the Intended Outcomes
While Acting in the Public Interest at all Times

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

B. Ensuring openness and comprehensive stakeholder engagement

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

D. Determining the interventions necessary to optimize the achievement of the intended outcomes

E. Developing the entity’s capacity, including the capability of its leadership and the individuals within it

F. Managing risks and performance through robust internal control and strong public financial management

G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability
International Framework Principles

Acting in the public interest requires:

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

B. Ensuring openness and comprehensive stakeholder engagement
International Framework Principles

Achieving good governance in the public sector requires:

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

D. Determining the interventions necessary to optimize the achievement of the intended outcomes

E. Developing an the entity’s capacity, including the capability of its leadership and the individuals within it
International Framework Principles

Achieving good governance in the public sector requires:

F. Managing risks and performance through robust internal control and strong public financial management

G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability
International Framework: Embedding good governance

- Dissemination via CIPFA, IFAC, and IFAC member bodies
- Revision of CIPFA publications e.g. ‘Delivering Good Governance in Local Government’
- CIPFA Governance Mark of Excellence
  - Accreditation based on independent assessment
  - Report and recommendations
  - Action plan and follow-up support
  - 2-year monitoring and evaluation
## Mid Staffordshire: Rising tide of concerns (1)

<table>
<thead>
<tr>
<th>Year</th>
<th>Description</th>
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<tbody>
<tr>
<td>2001</td>
<td>• Stafford Primary Care Group critical report on management and leadership</td>
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<tr>
<td>2002</td>
<td>• Commission for Health Improvement highly critical report of low staffing levels, poor quality of clinical data and poor standards of cleanliness</td>
</tr>
<tr>
<td>2003</td>
<td>• Peer review report into care for critically ill and injured children raised serious concerns about Accident &amp; Emergency department</td>
</tr>
<tr>
<td>2004</td>
<td>• Healthcare Commission zero star rating after three star rating previous year</td>
</tr>
<tr>
<td>2005</td>
<td>• Barry Report into whistleblowing complaints</td>
</tr>
</tbody>
</table>
| 2006 | • Trusts requests £1m for redundancies on two occasions  
     • Peer review of critical children’s services and A&E department raised serious safety concerns  
     • Auditors raise concerns over risk management and assurance |
<table>
<thead>
<tr>
<th>Year</th>
<th>Events</th>
</tr>
</thead>
</table>
| 2007 | • National report on mortality rates – MS second worst outlier  
      • Mortality alerts for a number of conditions raise Healthcare Commission concerns  
      • Royal College of Surgeons report – dysfunctional surgical dept. |
| 2008 | • Mid Staffordshire NHS Trust awarded Foundation Trust status  
      • Healthcare Commission launched full investigation into Trust |
| 2009 | • Healthcare Commission report published:  
      – Chronic nursing staff shortage  
      – Equipment problems  
      – Poor weekend medical cover  
      – Bullying culture  
      – Targets overrode quality  
      • Health Secretary announced independent inquiry into Trust failings following further reports and calls for full public inquiry |
Mid Staffs - governance failures: Principle A

*Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law*

- Negative culture and self promotion rather than critical analysis
- Ineffective Trust whistleblowing policy warning sign of serious problems
- Regulator fiercely guarding its independence rather than fostering good relationships with others
- Local medical community failed to raise concerns until too late
Mid Staffs - governance failures: Principle B

*Ensuring openness and comprehensive stakeholder engagement*

- No culture of openness or stakeholder engagement so instances of poor care not addressed
- Staff and patient surveys continually gave signs of dissatisfaction but no effective action taken
- Problems indicated by formal assurance systems ignored and put down to poor record keeping
- Insufficient priority given to communication with regulatory and supervisory bodies
Mid Staffs - governance failures: Principle C

Defining outcomes in terms of sustainable economic, social, and environmental benefits

- The Trust pursued the wrong priorities and prioritized finances and Foundation Trust application over care quality
- Regulator focused on corporate governance and financial control without properly considering issues of patient safety and poor care
Mid Staffs - governance failures: Principle D

*Determining the interventions necessary to optimize the achievement of the intended outcomes*

- Board permitted mismatch between resources allocated and the needs of the services to be delivered
- No detailed scrutiny by oversight body regarding the impact of the trust’s financial plan and associated staff cuts on patient care
Mid Staffs - governance failures: Principle E

*Developing an the entity’s capacity, including the capability of its leadership and the individuals within it*

- Trust lacked sense of collective responsibility for ensuring quality of care
- Poor leadership, recruitment of staff and training leading to declining professionalism and tolerance of poor standards
- Trust Board took false assurance from good news and tolerated/explained away bad news
- Senior clinical staff disengaged from leadership
Mid Staffs - governance failures:
Principle F

Managing risks and performance through robust internal control and strong public financial management

- Priority given to ensuring the Trust’s books were in order for FT application
- Purchaser/commissioning function reorganised and risk management system not put in place
- Metrics focused on patient safety and outcome based performance measures replaced with more indirect ones
- Unclear who had responsibility for following up peer review recommendations
Mid Staffs - governance failures: Principle G

Implementing good practices in transparency, reporting, and audit, to deliver effective accountability

- Regulator relied on Trusts assurances regarding quality issues
- External agency responsibilities and accountabilities not well defined resulting in ‘regulatory gaps’
- Serious concerns raised by auditors not picked up by regulator and Department of Health
- Local scrutiny committees failed to appreciate seriousness of signs of Trust’s serious deficiencies
When Governance goes wrong: Conclusions

• Organisational culture critical
• Adverse impact of targets – financial vs patient safety
• No smoke without fire
• Delays in addressing concerns by management and regulators compounded problems
• International Framework helpful in diagnosing problems
• Widespread adoption and monitoring could help prevent and/or mitigate future potential governance failures
Questions and discussion

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