

To: The Board

For meeting on: 29 April 2015

Agenda item: 7

Report by: Philippa Harding, Board Secretary

Report on: Governance Review

Summary

1. At its meeting on 28 April 2011 the Board agreed that the Rules of Procedure and other appropriate governance documents should be reviewed at the end of each financial year, with the outcome of this review brought to the Board for agreement each April. This paper provides information about the outcome of this annual governance review.

Recommendation

2. The Board is asked to confirm it is content with the proposals set out in this paper.

Objectives of the governance review

3. Based upon the approach followed in previous years, which was established according to the appropriate aspects of guidance circulated by the Chartered Institute of Public Finance and Accountancy (CIPFA), the governance review has focussed upon the following objectives:

Objective 1 – establish that effective corporate governance arrangements are embedded across the organisation;

Objective 2 – identify principal risks to achievement of objectives;

Objective 3 – identify and evaluate key controls to manage principal risks;
and

Objective 4 - obtain assurance on the effectiveness of key controls.

4. Achievement of these objectives provides the Board with assurance that Monitor's governance framework is fit for purpose. In considering the assurance required in relation to these objectives, thought has also been given to any changes that might improve Monitor's suite of governance documents.

Findings of the governance review

5. Annex A sets out the assurance that was sought in relation to each of the objectives of the governance review and the nature of the evidence that was used to support this assurance. It also sets out detailed findings in relation to each of the objectives of the governance review.
6. The review confirms that Monitor has a clear and well established governance framework in place which conforms where appropriate to the best practice requirements and principles set out in the UK Corporate Governance Code and the Corporate Governance in Central Government Departments Code of Good Practice. This is, of course, a self assessment and ExCo and Board members are invited to test the assurances provided in Annex A to this report.

Changes to be made to Monitor's governance documents

7. As a result of the work undertaken for the governance review it is proposed that only a few minor amendments are made to Monitor's Rules of Procedure. The proposed amendments can be found highlighted in the Rules of Procedure attached to this report. They are as follows:
 - Paragraph 4.1.3 to be amended to reflect that a schedule of Board meetings will be prepared for the next calendar, rather than financial, year;
 - Paragraph 4.9.6 to be amended to ensure Monitor's website address is correct;
 - Code of Ethical Practice references to supporting policies updated to ensure that policy names are correct; and
 - Audit and Risk Committee attendees list updated.
8. Appended to the Code of Ethical Practice (Appendix C) is the Statement of Common Purpose that was adopted by key healthcare bodies in response to the findings of the Mid Staffordshire NHS Foundation Trust. Board members are asked to consider whether this should continue to be appended to the Code of Ethical Practice.
9. Monitor's Standing Financial Instructions (SFIs) were reviewed by the Internal Finance team against those of other organisations and Monitor's sector guidance in September 2014. They were also subject to internal and external audit review at this time, with the resulting proposed amendments agreed by the Board at its meeting on 24 September 2014. It is not proposed to make any further amendment to the SFIs at this time; however, it may be possible that in following up the implementation of their recommendations, the internal auditors propose further amendments. Should this be the case, it will be brought to the attention of the ExCo, the Audit and Risk Committee and the Board.

CONCLUSION

10. Monitor's governance framework continues to operate appropriately. The governance review has enabled the identification of a number of minor

amendments to be made to the Rules of Procedure (as set out under paragraph 7).

Philippa Harding
Board Secretary

Public Sector Equality Duty:

Monitor 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). It is anticipated that the recommendations of this paper are not likely to have any particular impact upon the requirements of or the protected groups identified by the Equality Act.

Exempt information:

None of this report is exempt under the Freedom of Information Act 2000.

GOVERNANCE REVIEW ASSURANCES SOUGHT AND EVIDENCE

a) Objective 1 – establish that effective corporate governance arrangements are embedded across the organisation

Assurance	Can be evidenced by	Monitor Governance Review 2015 finding
Code of corporate governance adopted	<ul style="list-style-type: none"> Principles of relevant code of corporate governance embedded within corporate governance frameworks and processes Awareness of the relevant code of corporate governance 	<ul style="list-style-type: none"> The Governance Framework agreed by the Board on 31 October 2012 clearly references the UK Corporate Governance Code throughout. The Main Principles of the UK Corporate Governance Code have been provided to all Board and ExCo members.
Review and monitoring arrangements in place	<ul style="list-style-type: none"> Corporate governance arrangements are regularly reviewed There are clear arrangements for monitoring compliance with corporate governance frameworks and processes An annual report on compliance with corporate governance best practice is reviewed by non-executives Regular internal audit reviews of corporate governance frameworks and processes take place Any corporate governance weaknesses are identified and an action plan is prepared to address them 	<ul style="list-style-type: none"> The organisation's corporate governance arrangements are reviewed formally on an annual basis. In 2012, a wholesale review was undertaken and significant changes agreed in light of Monitor's move to a unitary Board and the new functions that it would be taking on in April 2013. The Annual Governance Statement (AGS) which sets out Monitor's compliance with its own corporate governance frameworks and with the UK Corporate Governance Code is supported by an annual governance review. Monitor's internal auditors review its corporate governance arrangements on a regular basis. The last review took place in 2014. The organisation's governance arrangements will be covered by a review of legal services in 2015. The Board Secretary takes the operational lead on identifying and addressing any areas for development in corporate governance weaknesses.
Committee charged with governance responsibilities	<ul style="list-style-type: none"> Responsibility for overseeing corporate governance has been formally delegated to an appropriate committee Committee terms of reference clearly 	<ul style="list-style-type: none"> The Audit and Risk Committee (ARC) of the Board has delegated authority for the oversight of corporate governance. At the executive level the Executive Committee (ExCo) takes the lead. The Terms of Reference of the ARC adhere to the best practice set out in the UK Code of Corporate Governance and guidance provided by the Treasury and the

Assurance	Can be evidenced by	Monitor Governance Review 2015 finding
	<p>demonstrating responsibility for corporate governance issues have been approved by the Board</p> <ul style="list-style-type: none"> • Terms of reference are sufficiently comprehensive to ensure that all appropriate aspects of corporate governance are covered • Agenda and minutes from the committee charged with corporate governance responsibility indicate that the responsibility is being discharged adequately 	<p>National Audit Office. They clearly set out the Committee's responsibilities in relation to financial reporting; internal controls, risk management systems and corporate governance; whistleblowing and fraud; internal audit; and external audit.</p> <ul style="list-style-type: none"> • Reports of ARC meetings are provided to the Board by the Chair of the Committee after each meeting. The Board is also made aware of the forward plan for agendas of each meeting and received the minutes of each meeting in order to receive assurance that the Committee is discharging its duties adequately. The agendas, appropriate reports and minutes of the ARC are published on Monitor's website for full public scrutiny.
<p>Governance advice and training available to key executives and non executives</p>	<ul style="list-style-type: none"> • Induction training for key new executive and all non-executives incorporates suitable coverage on corporate governance issues according to responsibilities • Ongoing awareness training is provided as appropriate to key staff and all members to ensure that there is an appropriate awareness of the organisation's corporate governance frameworks and processes 	<ul style="list-style-type: none"> • An induction plan is in existence for all new Board members. It is updated ahead of each new appointment and new members are made aware of it when they join Monitor. It includes meetings with the Chair and the Board Secretary who provide information and advice on individuals' corporate governance responsibilities. • Information about Monitor's corporate governance framework is included in Monitor's induction programme. Induction meetings with the Board Secretary are organised for key new members of staff. • Information about Monitor's corporate governance framework is available to all staff on the intranet. • The Board Secretary and Committee Secretaries provide information about the operation of Monitor's corporate governance framework as necessary.

b) Objective 2 – identify principal risks to achievement of objectives

Assurance	Can be evidenced by	Monitor Governance Review 2015 finding
<p>There is a written strategy and policy in place for managing risk which:</p> <ul style="list-style-type: none"> - Has been formally approved at board (or equivalent) level - Is reviewed on a regular basis - Has been communicated to all relevant staff 	<ul style="list-style-type: none"> • Existence of approved strategy and policy document • Evidence of formal approval (e.g. board/committee minutes) • Evidence of formal review (e.g. board/committee minutes, document version number and date) • Evidence of communication strategy, possibly covered in strategy document • Examples of dissemination e.g. induction, briefings, awareness sessions, policy and strategy published on intranet, strategic diagnostic questionnaire results 	<ul style="list-style-type: none"> • Monitor’s Risk Management and Performance Management Framework was developed in 2014. This document outlines Monitor’s commitment to risk management and the processes to be followed. It is due to be published by the end of Q1 2015/16. The ARC and the Board have been significantly involved in this work and are regularly updated about its progress. This can be evidenced by reports to the ARC and the Board (including a Board Workshop on Risk) and minutes of the meetings where these reports have been considered. • The Risk and Performance team have been working with individual directorates to disseminate the new approach and ensure awareness of the ongoing work in this area.
<p>Clear structures and processes for risk management which are successfully implemented and:</p> <ul style="list-style-type: none"> - Board sees risk management as a priority and support it by personal interest and input - Decision making considers risk - A senior manager has been appointed to “champion” risk management - Roles and responsibilities for risk management have been defined - Risk management systems are subject to independent assessment - Risk management is considered in the annual business planning process 	<ul style="list-style-type: none"> • Board/committee minutes • Internal audit reports and external audit comments on risk management system • Annual business plans • Link between internal audit and risk management functions is clearly defined in terms of reference of internal audit • Responsibility for risk management function is set at appropriate senior level • Committee reports setting out options for change include an appropriate risk assessment, including the ‘no change’ option • The corporate business plan and financial plan assess risks as appropriate and in particular take account of new and emerging risks facing the organisation 	<ul style="list-style-type: none"> • The ARC and Board review Monitor’s high level risks on a quarterly basis. • Internal Audit reports and External Auditors’ comments are presented to the ARC at each appropriate meeting. • The Internal Audit Strategy is based upon the risks identified through Monitor’s risk register. • The ExCo takes a collective responsibility for reviewing risk reports on a quarterly basis ahead of their submission to the ARC and the Board. • The Managing Director of Sector Development is the senior executive responsible for the risk management function. • There has always been a clear link between the organisation’s business planning and its risk reporting. This continues in the development of Monitor’s business plan following the finalisation of its strategy.

Assurance	Can be evidenced by	Monitor Governance Review 2015 finding
<p>The organisation has developed a corporate approach to the identification and evaluation of risk which is understood by all staff</p>	<ul style="list-style-type: none"> • Systematic procedures for risk identification and evaluation have been agreed and published in a policy document and are consistently applied across all business units and partnerships • Examples of dissemination e.g. induction, briefings, awareness sessions, strategic diagnostic questionnaire results 	<ul style="list-style-type: none"> • The procedures for risk identification and evaluation are identified within Monitor's Risk Management Framework. • The use of new consolidated directorate level risk registers enables deeper engagement and more focused discussions of the risks within the directorates, with the majority of directorates submitting their updated and signed-off registers by the due date.
<p>The organisation has well defined procedures for recording and reporting risk</p>	<ul style="list-style-type: none"> • Evidenced by review of risk management strategy and policy • Examination of corporate and partnership risk registers • Key risk indicators have been determined and there is evidence of monitoring against these risks • Evidence of regular and frequent reporting of risk to political and management board level • Evidence of risk based auditing being carried out • Evidence of risks not properly addressed identified in internal audit reports etc being fed into the risk management process • Environmental scanning reports are fed into the risk management process so as to identify new and emerging risks 	<ul style="list-style-type: none"> • The quality of the risk descriptions has improved. There is greater alignment to the Board risks, as well as the performance reporting, and the mitigating controls and further actions are more defined and increased accountability from the directorates. • Bottom up risks are reviewed by the ExCo or other appropriate executive committee with a view to determining whether they are either appropriately covered in the Board top 15 risks or addressed via mitigating actions within the directorate level risk registers.
<p>The organisation has developed a programme of risk management training for relevant staff</p>	<ul style="list-style-type: none"> • Training programme for risk management • Training needs analysis (both specialist staff development and general awareness) • Regular newsletter or other means of communicating risk management issues to staff • Induction programme includes risk management • Appropriate responsibilities for risk management incorporated into job descriptions and appraisals 	<ul style="list-style-type: none"> • Relevant senior individuals receive briefings. This occurs both as part of their induction process and on an ongoing basis.

Assurance	Can be evidenced by	Monitor Governance Review 2015 finding
<p>The committee responsible for risk management adds value to the risk management process by:</p> <ul style="list-style-type: none"> - Advising and supporting management team on risk strategies - Identifying areas of overlapping risk - Driving new risk management initiatives - Communicating risk management and sharing good practice - Providing and reviewing risk management training - Regularly reviewing the risk register(s) - Coordinating the results for risk reporting 	<ul style="list-style-type: none"> • Risk management committee's terms of reference • Minutes of corporate risk management board • Reports to corporate management team • Low incidence of avoidable risk events occurring 	<ul style="list-style-type: none"> • The ARC gives quarterly consideration to the corporate risk register and reports its conclusions to the Board. • Internal Audit makes its own regular reports to the ARC, based on its own work programme. The Board discusses the most significant risks and the actions identified to mitigate them. On an annual basis, the ARC evaluates the effectiveness of the risk management framework and approves the Annual Internal Audit Plan for the following year. • The following methodology is used by individual directorates for providing assurance over the management of their current risks: <ul style="list-style-type: none"> • Review and update the current consolidated directorate risk registers • Identify and record any new/emerging risks • Consider the Board top 15 risks and align to directorate level risks (updating risk registers and mitigating actions where appropriate) • Consider their current mitigating controls and whether any further action that should be taken • Determine whether any risks or actions require escalation to the ExCo. • Provide assurance that the risk registers had been reviewed and signed off at the appropriate level Director. • A Board workshop on risk was held in December 2014.
<p>Managers are accountable for managing their risks</p>	<ul style="list-style-type: none"> • Evidence of manager involvement in risk identification and analysis process • Risk owners detailed in corporate /departmental risk register(s) • Risk owners assigned in relation to key partnerships • Job descriptions of managers outline their risk management responsibilities • Evidence of (at least) annual review of risk at service/operational levels and of partnership risks • Analysis of completed control and risk self-assessment questionnaires 	
<p>Risk management is embedded throughout the organisation</p>	<ul style="list-style-type: none"> • Evidence of a general risk management culture at all levels • Risk management training programme • Evidence of managers involvement in risk management aspects of business planning • Results of strategic diagnostic survey to ascertain the extent to which risk management is understood by each category of officer (senior management, operational managers etc) and members 	

c) Objective 3: Identify and evaluate key controls to manage principal risks

Example of assurance	Evidenced by	Monitor Governance Review 2015 finding
<p>There are written financial regulations in place which have been formally approved, regularly reviewed and widely communicated to all relevant staff.</p>	<ul style="list-style-type: none"> • Financial regulations and instructions exist & are reviewed & updated regularly • Evidence of formal approval • Examples of dissemination e.g. induction, briefings, awareness sessions, accessible in finance manuals and/or on intranet site • Reports to audit committee or equivalent confirming compliance or identifying extent of non-compliance with regulations and instructions 	<ul style="list-style-type: none"> • Standing Financial Instructions and delegated authorities are incorporated within the Rules of Procedure, which are reviewed and approved by the Board on an annual basis. Updated Standing Financial Instructions were submitted to the Board in September 2014 for approval. • These documents are available publicly on the Monitor website and to all members of staff on the organisation's intranet. • Where delegations are to specific individuals they are provided with formal written information about this. • Reports on these regulations are provided to the ExCo, the ARC and the Board on an ad hoc basis and annually as part of the governance review.
<p>There is a whistle blowing policy in place which has been formally approved, regularly reviewed and widely communicated to all relevant staff</p>	<ul style="list-style-type: none"> • Whistle blowing policy exists and has been reviewed and updated regularly. • Evidence of formal approval • Examples of communication and dissemination e.g. induction, briefings, awareness sessions, accessible on website and intranet site • Evidence of effectiveness of policy (e.g. reports on incidence of usage, evidence on annual declarations on fraud) 	<ul style="list-style-type: none"> • Monitor's whistleblowing policy was approved by the ExCo and is published on the website. • It is referenced in the Code of Ethical Practice, which has been the subject of an all staff briefing. • A review of the operation of the organisation's internal and external whistleblowing policies was undertaken on behalf of the ARC in 2014. This review concluded that the policies were appropriate and recommended a number of actions that could be taken to improve the systems supporting them.
<p>There is a counter fraud and corruption policy in place which has been formally approved, regularly reviewed and widely communicated to all relevant staff</p>	<ul style="list-style-type: none"> • Counter fraud and corruption policy exists and has been reviewed and updated regularly • Evidence of formal approval • Examples of dissemination (briefings, induction, awareness sessions, accessible on website and intranet site) • Evidence of effectiveness of policy (e.g. reports on identified frauds; annual AF70 returns to Audit Commission, reports on results of National Fraud Initiatives) • Review of register of gifts and hospitality 	<ul style="list-style-type: none"> • Monitor's fraud policy was approved by the Management Committee and is published on the website. • It is referenced in the Code of Ethical Practice, which has been the subject of an all staff briefing. • Gifts and Hospitality registers are reviewed on a quarterly basis.

Example of assurance	Evidenced by	Monitor Governance Review 2015 finding
There are codes of conduct in place which have been formally approved and widely communicated to all relevant staff	<ul style="list-style-type: none"> • Codes of conduct have been agreed, including national schemes (e.g. police officers) • Evidence of formal approval • Examples of dissemination e.g. induction, briefings, awareness sessions, accessible on intranet site 	<ul style="list-style-type: none"> • The Board approved the Code of Ethical Practice at its meeting on 27 March 2013. This is based upon best practice set out by the Committee on Standards in Public Life, the Cabinet Office and the Financial Services Authority. • The Code was the subject of an all staff briefing in 2013. It is available on Monitor's website and intranet.
A register of interests is maintained, regularly updated and reviewed	<ul style="list-style-type: none"> • Inspection of register of interests (members and staff) • Evidence of regular updating and review by senior officer(s) 	<ul style="list-style-type: none"> • The Board Secretary maintains a register of interests which is reviewed on a quarterly basis. • Updates to the register should be provided by Board and ExCo members on a regular basis and formal requests for updates are circulated quarterly. • It is referenced in the Code of Ethical Practice, which was the subject of an all staff briefing.
Where a scheme of delegation has been drawn up, it has been formally approved and communicated to all relevant staff	<ul style="list-style-type: none"> • Scheme of delegation incorporates adequate controls and sanctions • Evidence of formal approval • Examples of communication and dissemination e.g. induction, briefings, awareness sessions, accessible on intranet site • Regular reports on the operation of the scheme (e.g. compliance, budget monitoring, year-end balances) 	<ul style="list-style-type: none"> • The Scheme of Delegation is incorporated within the Rules of Procedure. It has been further expanded in light of experience of operating Monitor's corporate governance framework. • This is reported on an annual basis as part of the annual governance review. • It is available on Monitor's website and its intranet.
A corporate procurement policy has been drawn up, formally approved and communicated to all relevant staff	<ul style="list-style-type: none"> • Procurement policy exists and has been reviewed and updated regularly to take account of new initiatives e.g. drive towards wider consortia arrangements, shared services • Evidence of formal approval • Examples of dissemination e.g. induction, briefings, awareness sessions, accessible on intranet site • Evidence of effectiveness of policy (e.g. benchmarking results, best value review, internal/ external audit review) 	<ul style="list-style-type: none"> • A procurement policy exists which was approved by the Management Committee. • Monitor has a Controls Committee for the approval of expenditure, in line with cross government expenditure controls and flexibilities granted to Monitor by the Department of Health. • Information about the Procurement Policy and the efficiency controls can be found on Monitor's intranet.
Business/service continuity plans have been drawn up for all critical service areas and the plans:	<ul style="list-style-type: none"> • Current business/service continuity plans exist covering all critical service areas and are readily accessible • Evidence of regular testing • Evidence of regular review in the light of the results of testing 	<ul style="list-style-type: none"> • Business continuity plans exist which have been reviewed by the ExCo. The ExCo has approved the organisation's approach to business continuity, which establishes individuals' responsibilities in this area.

Example of assurance	Evidenced by	Monitor Governance Review 2015 finding
<ul style="list-style-type: none"> - Are subject to regular testing - Are subject to regular review 	<p>and for changes in structures, procedures, information systems, responsibilities etc</p>	
<p>The corporate/departmental risk register(s) includes expected key controls to manage principal risks</p>	<ul style="list-style-type: none"> • Risk register sets out principal risks and sets out appropriate key controls to manage them. • Key controls are monitored, reviewed and updated regularly • Use of risk management workshops to underpin the process and review of register and key controls • Risk owners are assigned to manage principal risks • Partnership risks are considered 	<ul style="list-style-type: none"> • See section on risk management above.
<p>Key risk indicators have been drawn up to track the movement of key risks and are regularly monitored and reviewed.</p>	<ul style="list-style-type: none"> • Appropriate key risk indicators are documented • Evidence of regular monitoring • Evidence of changes in risk indicators (and reasons for change) emanating from appropriate information sources (e.g. where internal audit findings are used to change the perceived level of risk) 	<ul style="list-style-type: none"> • See section on risk management above.
<p>The authority's internal control framework is subject to regular independent assessment</p>	<ul style="list-style-type: none"> • Internal audit plans and reports • Annual report/opinion of Head of Internal Audit • External audit reports 	<ul style="list-style-type: none"> • See section on risk management above.
<p>A corporate health and safety policy has been drawn up, formally approved, is subject to regular review and has been communicated to all relevant staff</p>	<ul style="list-style-type: none"> • Health & safety policy exists and has been reviewed and updated regularly • Policy covers partnerships • Evidence of formal approval • Examples of dissemination e.g. induction, briefings, awareness sessions, inclusion of policy on website and intranet site • Evidence of effectiveness of policy e.g. number of cases investigated by Health & Safety Executive – and the number of 	<ul style="list-style-type: none"> • A health and safety policy exists which was approved by the Management Committee. This is reviewed on an annual basis.

Example of assurance	Evidenced by	Monitor Governance Review 2015 finding
	cases proven <ul style="list-style-type: none"> • Review of number of reported • incidences and 'near misses' 	
A corporate complaints policy/procedure has been drawn up, formally approved, communicated to all relevant staff, the public and other stakeholders is regularly reviewed	<ul style="list-style-type: none"> • Complaints policy/procedure exists and has been reviewed and updated regularly • Procedure is compliant with all relevant statutory requirements • Evidence of formal approval • Examples of dissemination e.g. <ul style="list-style-type: none"> • induction, briefings, awareness sessions, inclusion of policy on website and intranet site • Leaflets/posters highlighting complaints procedure • Complaints files • Committee reports summarising complaints dealt with analysed by outcome 	<ul style="list-style-type: none"> • A complaints policy exists which was approved by the Executive Committee. Information about this was presented to the Board at its meeting on 30 April 2014.

d) Objective 4: Obtain assurance on the effectiveness of key controls

Example of assurance	Evidenced by	Monitor Governance Review 2015 finding
The organisation has determined appropriate internal and external sources of assurance	<ul style="list-style-type: none"> • Minutes of committee at which report on assurances was considered • Sources of assurance are appropriate to the organisation 	<ul style="list-style-type: none"> • This is the responsibility of the ARC. Consideration of these issues takes place at each meeting of the Committee.
Appropriate key controls on which assurance is to be given have been identified and agreed	<ul style="list-style-type: none"> • Briefing notes, guidance, instructions etc given to appropriate managers regarding what is expected of them 	<ul style="list-style-type: none"> • Information about the organisation's key controls can be found on the intranet.
Departmental assurances are provided	<ul style="list-style-type: none"> • Departmental heads sign off on adequacy of controls (i.e. provide annual governance assurance statements) <ul style="list-style-type: none"> • Supporting documentation provided by departmental heads re review and monitoring arrangements that key controls have been in operation for the period and will continue to operate until accounts signed off. • Structured process and standard documentation to ensure consistency of coverage and common understanding of level of assurance given. • Completed Control & Risk Self- Assessment questionnaires • Annual governance assurance statements evaluated by officer team or committee charged with the responsibility of preparing the AGS. Evaluation to include 'reality checking' of sample of assurance statements 	<ul style="list-style-type: none"> • The Chief Executive requires direct reports to provide an annual statement of assurance on the adequacy of controls, which is incorporated into the Annual Governance Statement. • Information about the operation of key controls is gathered through the Risk Assurance Framework. • An assurance mapping exercise is in progress, with the support of internal audit.
Internal Audit Arrangements	<ul style="list-style-type: none"> • Reports of Head of Internal Audit to audit committee or equivalent throughout the year • Annual report of Head of Internal Audit, including opinion on internal control and risk management framework 	<ul style="list-style-type: none"> • The ARC receives regular reports from the Internal Auditors and an annual report from the Head of Internal Audit.

Corporate Governance Arrangements	<ul style="list-style-type: none"> • Annual corporate governance assurance statement • Internal or external audit review of corporate governance arrangements • Monitoring reports to committee on delivery of action plans in response to reviews of corporate governance 	<ul style="list-style-type: none"> • There is an annual review of governance which feeds into the drafting of the organisation's Annual Governance Statement.
Performance monitoring arrangements	<ul style="list-style-type: none"> • Annual and in-year reports on delivery of key performance indicators by internal and/or external review agencies 	<ul style="list-style-type: none"> • ExCo and the Board receive quarterly reports on the organisation's performance alongside the quarterly risk reports.

Monitor

Making the health sector
work for patients

RULES OF PROCEDURE

CONTENTS

Introduction

1. Definitions
2. Statutory Framework
3. The Board of Monitor and Exercise of Statutory Powers
4. Meetings and Proceedings of the Board
 - 4.1 Meetings of the Board
 - 4.2 Admission of the Public and the Press
 - 4.3 Board Meeting Agendas and Papers
 - 4.4 Special Meetings of the Board
 - 4.5 Power to call Meetings of the Board
 - 4.6 Chairing of Meetings
 - 4.7 Procedure at Meetings of the Board
 - 4.8 Quorum of the Board
 - 4.9 Minutes of the Board
 - 4.10 Emergency Powers
 - 4.11 Delegation of Powers
 - 4.12 Role of Accounting Officer and Standing Financial Instructions
 - 4.13 Personal Conflicts of Interest
 - 4.14 Allowances for Non-Executive Members of the Board
5. Meetings and Proceedings of Committees
 - 5.1 Appointment of Committees
 - 5.2 Meetings of a Committee
 - 5.3 Special meetings of a Committee
 - 5.4 Attendance at Committee Meetings
 - 5.5 Chairing of Committee meetings
 - 5.6 Quorum of Committees
 - 5.7 Minutes of Committees
 - 5.8 Prohibition on Delegation of a Committee's Function

- Annex A Schedule 8, Health and Social Care Act 2012
- Annex B Code of Ethical Practice
- Annex C Matters Reserved to the Board
- Annex D Scheme of Delegation
- Annex E Standing Financial Instructions
- Annex F Committee Terms of Reference:
- (i) Audit & Risk Committee
 - (ii) Remuneration Committee
 - (iii) Nomination Committee
 - (iv) Technology Assurance Committee

RULES OF PROCEDURE

INTRODUCTION

Monitor, the Independent Regulator of NHS Foundation Trusts, came into being under the provisions of the Health and Social Care (Community Health and Standards) Act 2003. The Health and Social Care Act 2012 (the 2012 Act) established Monitor as the sector regulator for health, with a primary duty to protect and promote the interests of people who use health care services by promoting provision of health care services which is:

- (a) economic, efficient and effective; and
- (b) maintains or improves the quality of services.

Monitor, in the exercise of powers under paragraph 10(1) of Schedule 8 to the 2012 Act, has made these Rules of Procedure (“Rules”) to establish the Board and to regulate its procedures and that of its Committees (Schedule 8 to the 2012 Act is set out in full at Annex A).

1. DEFINITIONS

- 1.1. Any expression to which a meaning is given in the 2012 Act or Regulations or Orders made under it shall have the same meaning in these Rules, unless the context otherwise requires and in addition:

“Accounting Officer” is the person appointed by the Secretary of State to assume responsibility for Monitor’s use of resources in carrying out its functions, as set out in Chapter 3 of *Managing Public Money*. Monitor’s Chief Executive acts as its Accounting Officer.

“Board” means the Members of the Board, as constituted at paragraph 2 below.

“Chairman” is the person appointed by the Secretary of State as Chairman of Monitor.

“Chief Executive” is the person appointed by Monitor’s Board.

“Committee” means a Committee appointed by the Board.

“Committee Chair” means the Chair of a Committee or a Sub-Committee, as the context requires, whether or not he or she is also a member of Monitor.

“Committee Member” means a member of the Committee or a Sub-Committee, as the context requires, whether or not he or she is also a member of Monitor.

“Employee” means an interim or permanent member of staff, a member of staff who is on secondment to Monitor, and a contracted external consultant or adviser.

“Executive Committee” means Monitor’s Chief Executive and other senior executive directors.

“Executive Member” means a Member of Monitor who has responsibility for overseeing the organisation’s management.

“Member of the Board” means a Member (whether Executive or Non-Executive) of Monitor, as defined in paragraph 2.1 below.

“Monitor” means the body corporate known as the Independent Regulator of NHS Foundation Trusts, which is to be known as “Monitor” pursuant to Part 3, Chapter 1, paragraph 61 of the 2012 Act.

“Non-Executive Member” means a Member of Monitor who does not have any management responsibilities.

“Regulator” means Monitor.

“Secretary” means the member of Monitor’s staff appointed as Secretary to the Board.

“Secretary of State” means the Secretary of State for Health.

“Sub-committee” means a sub-committee appointed by the Board to report to a Committee.

“Sub-committee Chair” means the Chair of a sub-committee.

“Sub-committee Member” means a Member of a sub-committee, whether or not he or she is also a Member of Monitor.

- 1.2 References to any statute or statutory provision include a reference to that statute or statutory provision as from time-to-time is modified or re-enacted.
- 1.3 All generalised reference to the male gender should read as equally applicable to the female gender, and vice-versa.
- 1.4 In these Rules, unless the contrary intention appears, words in the singular include the plural and words in the plural include the singular.
- 1.5 These Rules shall not be amended, revoked or replaced except by a resolution passed at a meeting at which at least three members are present.

2. STATUTORY FRAMEWORK

- 2.1. Monitor consists of:
 - (a) A Chairman appointed by the Secretary of State;
 - (b) At least four other Non-Executive Members so appointed; and
 - (c) The Chief Executive and other Executive Members appointed by the Non-Executive Members (with the consent of the Secretary of State for Health). The number of Executive Members must be less than the number of Non-Executive Members.
- 2.2. The constitution and proceedings of Monitor are governed by Schedule 8 to the 2012 Act.
- 2.3. The functions of Monitor are set out in Part 3, Chapters 1 to 6 of the 2012 Act.

- 2.4. The principal office of Monitor is Wellington House, 133-155 Waterloo Road, London SE1 8UG.

3. THE BOARD OF MONITOR AND EXERCISE OF STATUTORY POWERS

- 3.1. Paragraph 10(1) of Schedule 8 to the 2012 Act provides that Monitor may regulate its own procedure and make any arrangements it considers appropriate for the discharge of its functions.

- 3.2. The Board shares responsibility for:

- (i) ensuring that high standards of corporate governance are observed and encouraging high standards of propriety;
- (ii) establishing the strategic direction and priorities of Monitor within the statutory framework in the 2012 Act;
- (iii) the effective and efficient delivery of Monitor's plans and functions;
- (iv) promoting quality in Monitor's activities and services;
- (v) monitoring performance against agreed objectives and targets;
- (vi) ensuring effective dialogue with the Department of Health and other stakeholders to best promote the continued success and growth of NHS Foundation Trusts and other aspects of the health care sector; and
- (vii) ensuring that Board members personally, and Monitor corporately, observe the seven principles of public life set out by the Committee on Standards in Public Life:
 - (a) Selflessness: holder of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family or other friends;
 - (b) Integrity: holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.
 - (c) Objectivity: in carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit;
 - (d) Accountability: holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office;
 - (e) Openness: holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict

information only when the wider public interest clearly demands;

(f) Honesty: holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest; and

(g) Leadership: holders of public office should promote and support these principles by leadership and example.

- 3.3. The Board will take collective responsibility for the decisions made by it. A Member of the Board must obtain the prior approval of the Chairman or in his absence, the Deputy Chairman, before making public statements to the media on behalf of Monitor.
- 3.4. Members of the Board and Committee members shall be subject to the Code of Ethical Practice set out at Annex B.
- 3.5. Any member of the Board who significantly or persistently fails to adhere to these Rules of Procedure may be judged as failing to carry out the duties of their office. Such failure might result in their removal from office further to paragraph 3(3)(a)-(b) of the Schedule 8 to the 2012 Act.

4. MEETINGS AND PROCEEDINGS OF THE BOARD

4.1. Meetings of the Board

- 4.1.1. Subject to paragraph 4.1.3 below, the Board shall hold meetings at such regular intervals as may be determined by the members of the Board.
- 4.1.2. The Board may invite any person to attend all or part of a Board meeting.
- 4.1.3. The Secretary to the Board will propose each September a schedule of meetings for the following calendar year for the Board's approval.
- 4.1.4. Meetings will normally be held at Monitor's principal office, but may take place at any other convenient location.
- 4.1.5. Members of the Board are expected to attend not less than eight Board meetings (whether formal meetings or workshops) in any twelve month period.

4.2. Admission of the Public and the Press

- 4.2.1. The Board will operate in an open and transparent fashion, except where confidentiality requirements are concerned.
- 4.2.2. The Chairman will give such directions as he thinks fit with regard to the arrangements for meetings and accommodation of the public and members of the press, such as to ensure that the Board's business may be conducted without interruption or disruption. Depending upon the confidential nature of the business to be transacted, the public may be required to withdraw to allow the Board to complete its business in private.

- 4.2.3. Members of the public, or representatives of the press, shall not record proceedings in any manner whatsoever, other than in writing, or make any oral report of the proceedings as they take place, without the prior agreement of the Board.
- 4.2.4. Members of the public and press are not admitted to meetings of Committees, except by specific invitation.

4.3. Board Meeting Agendas and Papers

- 4.3.1. In normal circumstances, the agenda and any papers for meetings of the Board will be circulated to members of the Board five calendar days in advance of the meeting. The non-receipt of agenda or papers for a meeting by any member of the Board shall not invalidate the meeting or any business transacted at the meeting.
- 4.3.2. The order of business at Board meetings shall follow the agenda issued for that meeting unless otherwise directed by the Chairman, at whose discretion, or at the request of another member of the Board, the order may be altered at any stage.
- 4.3.3. Papers may only be tabled at a meeting of the Board with the permission of the Chairman.
- 4.3.4. No business other than that on the agenda will be taken except where the Chairman considers the item should be discussed.
- 4.3.5. Members of the Board should treat those papers identified as private as confidential to them and not discuss them with persons other than Board members or employees of Monitor, unless this is agreed with the Chairman. If so discussed, members of the Board should ensure that those with whom they have consulted are made aware of, and respect, the need for confidentiality.
- 4.3.6. Members must take care not to leave Board papers identified as private unattended or where others may obtain access to them.

4.4. Special Meetings of the Board

- 4.4.1. Without prejudice to paragraph 4.1, where paragraph 4.5.2 applies or in the event of urgency, the Chairman may determine to hold a meeting to be known as a special meeting at such time and place as he may determine.

4.5. Power to Call Meetings of the Board

- 4.5.1. Where, in the opinion of the Chairman, an urgent matter has arisen, the Chairman may call a meeting of the Board at any time.
- 4.5.2. Where two or more members of the Board submit a signed request for a meeting to the Chairman, the Chairman shall call a meeting in accordance with paragraph 4.5.3.
- 4.5.3. Where paragraph 4.5.2 applies, the Chairman shall, as soon as practicable but no later than seven calendar days from the date the request was submitted, arrange for the meeting to be held within 28 calendar days from the date the request was submitted.

4.6. Chairing of Meetings

- 4.6.1. Subject to paragraphs 4.7.2 to 4.7.10, the procedure at meetings shall be determined by the Chairman presiding at the meeting.
- 4.6.2. The Chairman shall, if present, preside at all meetings of the Board.
- 4.6.3. In the absence of the Chairman, the Deputy Chairman will preside.
- 4.6.4. Paragraph 5.5 sets out the provisions for the chairing of Committee meetings.

4.7. Procedure at Meetings of the Board

- 4.7.1. Subject to the provisions of these Rules, the Board may meet together for the despatch of business, adjourn and otherwise regulate their meetings as Board members think fit.
- 4.7.2. The Chairman or person presiding over a meeting of the Board will:
 - (i) preserve order and ensure that all members of the Board have sufficient opportunity to express their views on all matters under discussion;
 - (ii) determine all matters of order, competency and relevancy;
 - (iii) determine in which order those present should speak;
 - (iv) determine whether or not a vote is required and how it is carried out in accordance with paragraphs 4.7.4 to 4.7.6 below.
- 4.7.3. Written comments on agenda items submitted by any member of the Board who is not present when a particular agenda item is discussed may be circulated to those members of the Board who are present at the meeting and read out at the appropriate point in the meeting.
- 4.7.4. Decisions of the Board will normally be made by consensus rather than by formal vote. Failing consensus, decisions will be reached by means of a vote when:
 - (i) the Chairman presiding at the meeting feels that there is a body of opinion among members of the Board at the meeting who disagree with a proposal or have expressed reservations about it and no clear consensus has emerged; or
 - (ii) when a member of the Board who is present requests a vote to be taken; or
 - (iii) any other circumstances in which the Chairman considers that a vote should be taken.
- 4.7.5. Where a decision of the Board requires a vote it shall be determined by a majority of the votes of the members of the Board present and voting on the question. The Chairman shall declare whether or not a resolution has been carried or otherwise.
- 4.7.6. In the case of an equality of votes, the Chairman, or in his absence the member of the Board presiding, shall have a second casting vote.

- 4.7.7. The minutes of the meeting will record only the numerical results of a vote, showing the numbers for and against the proposal and noting any abstentions. The minutes shall be conclusive evidence of the outcome. Votes will not normally be attributed to any individual member of the Board, but any member may require that their particular vote be recorded, provided that he asks the Secretary immediately after the item is concluded.
- 4.7.8. The Board may agree to defer a decision on an agenda item so that it can be provided with additional information or for any other reason. The decision to defer, together with the reasons for doing so, will be recorded in the minutes of the meeting together with a proposed time for returning the matter to the Board for its consideration.
- 4.7.9. The Board may decide to delegate decisions on agenda items to the Chairman. Any decision to do so shall be recorded in the minutes of the meeting.
- 4.7.10. Where in the opinion of the Chairman, and considering advice from the Chief Executive or any other of Monitor's most senior executive as appropriate, significant operational or other matters require approval by the Board between formal meetings, papers will be circulated by the Secretary for approval by correspondence. Any matter capable of being passed by the Board at a meeting may instead be passed by written confirmation given by a majority of the members of the Board, with the Chairman having the power to cast a second casting vote as provided for in paragraph 4.7.6 above.
- 4.7.11. Only exceptionally, where the process to reach a decision would not benefit from discussion in a meeting at which members' views would inform debate or if the issue is time critical, will a Board decision be reached without a formal meeting.

4.8. Quorum of the Board

- 4.8.1. The quorum for a Board meeting shall be the Chairman (or Deputy Chairman) and four members of the Board. Non-Executive Board members should be in the majority.
- 4.8.2. Participation will usually be in person, but in exceptional circumstances, members of the Board may participate by telephone or video-conferencing facility and be deemed to be present and constitute part of the Board for that meeting.
- 4.8.3. Where a Board meeting:
- (i) is not quorate under paragraph 4.8.1 within half an hour from the time appointed for the meeting; or
 - (ii) becomes inquorate during the course of the meeting,

then the meeting shall either be adjourned to such time, place and date as may be determined by the members present or shall continue as an informal meeting at which no decisions may be taken.

4.9. Minutes of the Board

- 4.9.1. A member of Monitor's staff shall act as Secretary to the Board.
- 4.9.2. The Secretary shall record the minutes of every meeting, or nominate a deputy to do so.

4.9.3. The Secretary shall submit the draft minutes to the Board in advance of its next meeting for agreement, confirmation or otherwise.

4.9.4. The record of the minutes shall include:

(i) the names of:

(a) every member of the Board present at the meeting;

(b) any other person present; and

(c) any apologies tendered by an absent member of the Board;

(ii) the withdrawal from a meeting of any member on account of a conflict of interest; and

(iii) any declaration of interest.

4.9.5. Minutes of any meetings of the Board will record key points of discussion. They will not however attribute comments to specific members unless this is specifically requested by the Board member concerned or required by the Chairman. Where personnel, finance or other restricted matters are discussed, the minutes will describe the substance of the discussion in general terms.

4.9.6. Once agreed, the record of the minutes shall be published on Monitor's website, www.gov.uk/government/organisations/monitor.

4.10. Emergency Powers

4.10.1. The functions exercised by the Board may, in an emergency, be exercised by the Chairman after having consulted the Chief Executive or another Executive Member of the Board.

4.10.2. The exercise of such powers by the Chairman must be reported to the next formal meeting of the Board in public session for ratification. The reasons for why an emergency decision was required must be clearly stated.

4.11. Delegation of Powers

4.11.1. Paragraph 11(2) of Schedule 8 to the 2012 Act provides that:

“Monitor may arrange for the exercise of its functions on its behalf by -

(a) a non-executive member;

(b) an employee (including the chief executive);

(c) a committee or sub-committee.”

4.11.2. The matters listed at Annex C are reserved to the Board. They are generally matters for which it is accountable to Parliament. The fundamental objective is to ensure that the work of Monitor is managed effectively within the policies laid down by the Board.

- 4.11.3. The schedule at Annex D sets out those specific matters which the Board has formally agreed to delegate.
- 4.11.4. The Board remains accountable for all of Monitor's functions, even those delegated to Committees, sub committees, the Chairman, Chief Executive, individual senior executives or employees and will require information about the exercise of delegated functions to enable it to maintain a monitoring role.
- 4.11.5. The list of matters reserved for decision by the Board does not however preclude other matters being referred to the Board for decision. All powers delegated by the Board can be reassumed should the need arise and the Board reserves the right to deal with any matters previously delegated. The Board may also revoke or vary such a delegation.
- 4.11.6. In accordance with paragraph 5.1 of these Rules of Procedure, there is delegated from the Board to each Committee of Monitor the discharge of those functions that fall within their respective Terms of Reference other than any matter reserved to the Board.
- 4.11.7. Any delegation made by the Board may be subject to any conditions the Board may impose and may be revoked or altered by the Board.
- 4.11.8. All powers of Monitor which have not been:
- (i) reserved by the Board under paragraph 4.10.2 of, and Annex C to, these Rules of Procedure;
 - (ii) delegated to a Committee or to named senior executives further to Annex D to these Rules of Procedure; or
 - (iii) implied by the provisions of Monitor's Rules of Procedure, Standing Financial Instructions, and Scheme of Delegation
- shall be exercised on behalf of Monitor by the Chief Executive.
- 4.11.9. The Chief Executive shall prepare a Scheme of Delegation identifying which functions he shall perform personally and which functions have been delegated to Committees, sub committees and individual employees.
- 4.11.10. All powers delegated by the Chief Executive can be re-assumed by him should the need arise.
- 4.11.11. Powers are delegated to the Committees, sub committees and individual employees on the understanding that they will not exercise delegated powers in a matter which in their understanding was likely to be a cause for public concern or which might have an effect on the reputation of Monitor.
- 4.11.12. The exercise of all delegated powers is on the basis that appropriate expert advice will be sought as necessary and that any costs involved can be met within the authorised budget.
- 4.11.13. The Secretary shall keep a record of the powers, authorities and discretions delegated by the Board.

4.11.14. In the absence of an employee to whom powers have been delegated those powers shall be exercised by the relevant Executive Committee member unless alternative arrangements have been approved by the Board. If the Chairman is absent, the powers delegated to him may be exercised by the Deputy Chairman, in relation to the Board, and the Chief Executive (or the Managing Director of Sector Development or Managing Director of Provider Regulation) after taking advice as appropriate from the Board and Executive Committee members.

4.12. Role of Accounting Officer and Standing Financial Instructions

4.12.1. The Chief Executive acts as Monitor's Accounting Officer. As Accounting Officer, he is responsible for ensuring that the public funds for which he is personally responsible are properly safeguarded and are used in line with Monitor's statutory functions and responsibilities, including the duty to exercise functions effectively, efficiently, and economically.

4.12.2. The Standing Financial Instructions, set out at Annex E to these Rules of Procedure, detail the financial responsibilities, policies and procedures to be adopted by Monitor. They are designed to ensure that financial transactions are carried out in accordance with the law and Government policy in order to achieve probity, accuracy, economy, efficiency and effectiveness. They provide a framework of procedures and rules for employees to follow.

4.12.3. All proposed expenditure of above £1m must be formally approved by the Board.

4.13. Personal Conflicts of Interest

4.13.1. If a member of the Board or a Committee or sub-committee member knowingly has any interest or duty which is material and relevant, or the possibility of such an interest or duty, whether direct or indirect and whether pecuniary or not, that, in the opinion of a fair-minded and informed observer would suggest a real possibility of bias in any matter that it brought up for consideration at a meeting of the Board or any Committee or sub-committee of Monitor, he shall disclose the nature of the interest or duty to the meeting. The declaration of interest or duty may be made at the meeting at the start of the discussion of the item to which it relates or in advance in writing to the Secretary. If an interest or duty has been declared in advance of the meeting, this will be made known by the chair of the meeting prior to the discussion of the relevant agenda item. In the event of the person not appreciating at the beginning of the discussion that an interest or duty exists, he should declare such an interest as soon as he becomes aware of it.

4.13.2. If a member of the Board or a Committee or sub-committee member has acted in accordance with the provisions of paragraph 4.12.1 above and has fully explained the nature of their interest or duty, the members of the Board or Committee or sub-committee present will decide unanimously whether and to what extent that person should participate in the discussion and determination of the issue and this will be recorded in the minutes and the extent to which the person concerned had access to any written papers on the matter. If it is decided that he should leave the meeting, the chair may first allow them to make a statement on the item under discussion.

4.13.3. Where the chair of the meeting has a relevant interest then he must advise the Board or the Committee or sub-committee accordingly, and with their agreement and subject to the extent decided participate in the discussion and the determination of the issue. This will be recorded in the minutes and the extent to which he had access

to any written papers on the matter. If it is decided that the chair should leave the meeting because of a conflict of interest, another member or Committee or sub-committee member will be asked to chair the discussion of the relevant agenda item in accordance with the procedure set out in paragraph 4.12.1 above.

4.13.4. Monitor employees who are not members of the Board or a Committee or sub-committee, but who are in attendance at a meeting of the Board or a Committee, should declare interests in accordance with the same procedures as for those who are members of the Board or Committee or sub-committee. Where the chair of a meeting rules that a potential conflict of interest exists, any Monitor employee so concerned should take no part in the discussion of the matter and may be asked to leave the meeting by the chair.

4.13.5. A member of the Board, Committee or sub-committee, or Monitor employee shall be subject to the procedural arrangements for dealing with conflicts of interest as set out in the Code of Ethical Practice at Annex B.

4.14. Allowances for Non-Executive Members of the Board

4.14.1. Non-Executive members of the Board are entitled to seek reimbursement of reasonable expenses incurred in the exercise of the duties in accordance with the policy that was approved by the Board in February 2005, together with any subsequent duly approved changes, a copy of which is available from the Secretary on request, and will be provided to members on joining the Board.

5. MEETINGS AND PROCEEDINGS OF COMMITTEES

Where no specific provisions are specified for Committees, these are the same as the principles and provisions for the Board, as set out above. Where there is any inconsistency between the said provisions and any provisions in the Terms of Reference for any Committee or sub-committee, then the latter shall prevail.

5.1. Appointment of Committees

5.1.1. The Board may establish a Committee for any purpose within its functions and the 2012 Act, and shall determine the powers and functions of any such Committee.

5.1.2. The Board shall appoint members of the Committees.

5.1.3. The Board shall appoint, for every Committee, a chair who shall be a member of the Board, unless there is a specific requirement that the Chief Executive, as Accounting Officer, should be chair.

5.1.4. The Board shall keep under review, the structure and scope of activities of each Committee.

5.1.5. The Board shall set out the Terms of Reference for each Committee.

5.1.6. The Board may at any time amend the Terms of Reference of any Committee or sub-committee.

5.2. Meetings of a Committee

- 5.2.1. Subject to paragraph 5.3 and such indicative schedule of meetings as may be specified by the Board, a Committee or sub-committee shall hold meetings at such regular intervals as may be determined by the members of the Committee or sub-committee.
- 5.2.2. The Committee shall determine the time and place of the meetings to be held under paragraph 5.2.1.

5.3. Special Meetings of a Committee

- 5.3.1. Without prejudice to paragraph 5.2, in the event of urgency, the Committee chair may determine to hold a meeting to be known as a special meeting at such time and place as he may determine.

5.4. Attendance at Committee Meetings

- 5.4.1. Subject to paragraph 5.4.2, a member of the Board may attend and speak, with the permission of the Chair of the Committee, at any meeting of a Committee.
- 5.4.2. A member of the Board who is not a member of the Committee shall not vote on any matter before the Committee.

5.5. Chairing of Committee Meetings

- 5.5.1. Subject to paragraphs 5.5.2 to 5.5.3, the procedure at meetings shall be determined by the Committee chair presiding at the meeting.
- 5.5.2. The Committee chair shall, if present, preside at all meetings.
- 5.5.3. In the absence of the Committee chair, a Non-Executive Board Member who is also a member of the Committee or a Board member nominated by the Committee chair shall preside.

5.6. Quorum of Committees

- 5.6.1. The quorum for a Committee meeting shall generally consist of one half of the total membership of the Committee of which, at least, one Non-Executive Member of the Board is present.

5.7. Minutes of Committees

- 5.7.1. A Member of Monitor's staff shall act as Secretary to all Committees, or nominate a deputy.
- 5.7.2. The Secretary shall record the minutes of every meeting of a Committee or nominate a deputy.
- 5.7.3. The record of the minutes shall be submitted to the Committee at its next meeting for agreement, confirmation or otherwise.
- 5.7.4. Minutes will be circulated to all Board members.

5.8. Prohibition on Delegation of a Committee's Function

- 5.8.1. A Committee shall not delegate its functions to a sub-committee established by the Committee or to any other person unless authorised by the Board in the Committee's Terms of Reference.

MONITOR

Membership

1

- (1) Monitor is to consist of—
 - (a) a chair appointed by the Secretary of State,
 - (b) at least four other members so appointed, and
 - (c) the chief executive and other members appointed in accordance with paragraph 2.
- (2) The number of executive members must be less than the number of non-executive members.
- (3) In this Schedule—
 - (a) references to non-executive members of Monitor are references to the members appointed in accordance with sub-paragraph (1)(a) and (b), and
 - (b) references to executive members of Monitor are references to the other members.

The chief executive and other executive members: appointment and status

2

- (1) The chief executive and the other executive members of Monitor are to be appointed by the non-executive members.
- (2) A person may not be appointed as chief executive or as another executive member without the consent of the Secretary of State.
- (3) The non-executive members may not appoint more than five executive members without the consent of the Secretary of State.
- (4) The chief executive and the other executive members are to be employees of Monitor.

Non-executive members: tenure

3

- (1) A person holds and vacates office as a non-executive member of Monitor in accordance with that person's terms of appointment.
- (2) A person may at any time resign from office as a non-executive member by giving notice to the Secretary of State.
- (3) The Secretary of State may at any time remove a person from office as a non-executive member on any of the following grounds—
 - (a) incapacity,
 - (b) misbehaviour, or
 - (c) failure to carry out his or her duties as a non-executive member.
- (4) The Secretary of State may suspend a person from office as a non-executive member if it appears to the Secretary of State that there are or may be grounds to remove the person from office under sub-paragraph (3).

- (5) A person may not be appointed as a non-executive member for a period of more than four years.
- (6) A person who ceases to be a non-executive member is eligible for re-appointment.

Suspension from office

4

- (1) This paragraph applies where a person is suspended under paragraph 3(4).
- (2) The Secretary of State must give notice of the decision to the person; and the suspension takes effect on receipt by the person of the notice.
- (3) The notice may be—
 - (a) delivered in person (in which case, the person is taken to receive it when it is delivered), or
 - (b) sent by first class post to the person's last known address (in which case, the person is taken to receive it on the third day after the day on which it is posted).
- (4) The initial period of suspension must not exceed six months.
- (5) The Secretary of State may at any time review the suspension.
- (6) The Secretary of State—
 - (a) must review the suspension if requested in writing by the person to do so, but
 - (b) need not review the suspension less than three months after the beginning of the initial period of suspension.
- (7) Following a review during a period of suspension, the Secretary of State may—
 - (a) revoke the suspension, or
 - (b) suspend the person for another period of not more than six months from the expiry of the current period.
- (8) The Secretary of State must revoke the suspension if the Secretary of State—
 - (a) decides that there are no grounds to remove the person from office under paragraph 3(3), or
 - (b) decides that there are grounds to do so but does not remove the person from office under that provision.

5

- (1) Where a person is suspended from office as the chair under paragraph 3(4), the Secretary of State may appoint a non-executive member as interim chair to exercise the chair's functions.
- (2) Appointment as interim chair is for a term not exceeding the shorter of—
 - (a) the period ending with either—
 - (i) the appointment of a new chair, or
 - (ii) the revocation or expiry of the existing chair's suspension, and
 - (b) the remainder of the interim chair's term as a non-executive member.
- (3) A person who ceases to be the interim chair is eligible for re-appointment.

Payment of non-executive members

6

- (1) Monitor must pay to its non-executive members such remuneration and allowances as the Secretary of State may determine.
- (2) Monitor must pay or make provision for the payment of such pensions, allowances or gratuities as it may, with the approval of the Secretary of State, determine to or in respect of any person who is or has been a non-executive member.
- (3) If a person ceases to be a non-executive member and the Secretary of State decides that there are exceptional circumstances which mean that the person should be compensated, Monitor must pay compensation to the person of such amount as the Secretary of State may determine.

Staff

7

- (1) Monitor may appoint such persons to be employees of Monitor as it considers appropriate.
- (2) Employees of Monitor are to be paid such remuneration and allowances as Monitor may determine.
- (3) Employees of Monitor are to be appointed on such other terms and conditions as Monitor may determine.
- (4) Monitor may pay or make provision for the payment of such pensions, allowances or gratuities as it may determine to or in respect of any person who is or has been an employee of Monitor.
- (5) Before making a determination as to remuneration, pensions, allowances or gratuities for the purposes of sub-paragraph (2) or (4), Monitor must obtain the approval of the Secretary of State to its policy on that matter.

Superannuation

8

- (1) Sub-paragraph (2) applies where a person who is an active or deferred member of a scheme under section 1 of the Superannuation Act 1972 is appointed as chair.
- (2) The Minister for the Civil Service may determine that the person's office as chair is to be treated for the purposes of the scheme as service in the employment by reference to which the person is a member (whether or not any benefits are payable by virtue of paragraph 6(2)).
- (3) Employment with Monitor is among the kinds of employment to which a scheme under section 1 of the Superannuation Act 1972 can apply; and, accordingly, in Schedule 1 to that Act (in which those kinds of employment are listed), at the end of the list of "Other Bodies" insert— "Monitor".
- (4) Monitor must pay to the Minister for the Civil Service, at such times as the Minister may direct, such sums as the Minister may determine in respect of any increase attributable to sub-paragraph (2) or (3) in the sums payable out of money provided by Parliament under the Superannuation Act 1972.

Committees

9

- (1) Monitor may appoint such committees and sub-committees as it considers appropriate.
- (2) A committee or sub-committee may consist of or include persons who are not members or employees of Monitor.
- (3) Monitor may pay such remuneration and allowances as it determines to any person who—
 - (a) is a member of a committee or sub-committee, but
 - (b) is not an employee of Monitor,whether or not that person is a non-executive member of Monitor.

Procedure

10

- (1) Monitor may regulate its own procedure.
- (2) The validity of any act of Monitor is not affected by any vacancy among the members or by any defect in the appointment of a member.

Exercise of functions

11

- (1) Monitor must exercise its functions effectively, efficiently and economically.
- (2) Monitor may arrange for the exercise of its functions on its behalf by—
 - (a) a non-executive member;
 - (b) an employee (including the chief executive);
 - (c) a committee or sub-committee.

Assistance

12

- (1) Monitor may arrange for persons to assist it in the exercise of its functions in relation to—
 - (a) a particular case, or
 - (b) cases of a particular description.
- (2) Such arrangements may include provision with respect to the payment of remuneration and allowances to, or amounts in respect of, such persons.

Borrowing

13

- (1) Monitor may, with the consent of the Secretary of State, borrow money temporarily by way of overdraft.
- (2) But subject to that, and subject to sections 145 and 146 (power to borrow for exercising functions in relation to financial assistance and power of Secretary of State to lend etc), Monitor may not borrow money.

Acquiring information

14

- (1) Monitor may obtain, compile and keep under review information about matters relating to the exercise of its functions.

- (2) Where Monitor exercises the power under sub-paragraph (1), it must do so with a view to (among other things) ensuring that it has sufficient information to take informed decisions and to exercise its other functions effectively.
- (3) In exercising the power under sub-paragraph (1), Monitor may carry out, commission or support (financially or otherwise) research.

General power

15

Monitor may do anything which appears to it to be necessary or expedient for the purposes of, or in connection with, the exercise of its functions.

Finance

16

- (1) The Secretary of State may make payments to Monitor out of money provided by Parliament of such amounts as the Secretary of State considers appropriate.
- (2) Payments made under sub-paragraph (1) may be made at such times and on such conditions (if any) as the Secretary of State considers appropriate.

Accounts of NHS foundation trusts

17

- (1) Monitor must prepare in respect of each financial year a set of accounts which consolidates the annual accounts of all NHS foundation trusts.
- (2) The Secretary of State may, with the approval of the Treasury, direct Monitor to prepare a set of accounts in respect of such period as may be specified in the direction which consolidates any accounts prepared by NHS foundation trusts by virtue of paragraph 25(1A) of Schedule 7 to the National Health Service Act 2006 in respect of that period.
- (3) In preparing any consolidated accounts under this paragraph, Monitor must comply with directions given by the Secretary of State with the approval of the Treasury as to—
 - (a) the content and form of the consolidated accounts;
 - (b) the methods and principles according to which the consolidated accounts should be prepared.
- (4) Monitor must send a copy of any consolidated accounts under this paragraph to the Secretary of State and, if the Secretary of State so directs, the Comptroller and Auditor General—
 - (a) accompanied by such other reports or information as the Secretary of State may direct, and
 - (b) within the relevant period.
- (5) In sub-paragraph (4)(b), the relevant period is—
 - (a) in relation to consolidated accounts under sub-paragraph (1), such period after the end of the financial year concerned as the Secretary of State may direct;
 - (b) in relation to consolidated accounts under sub-paragraph (2), such period as the Secretary of State may direct.
- (6) Before giving a direction under sub-paragraph (5), the Secretary of State must consult Monitor.

- (7) The Comptroller and Auditor General must—
 - (a) examine, certify and report on any consolidated accounts sent under this paragraph,
 - (b) if the Secretary of State so directs, send a copy of the report on the accounts to the Secretary of State, and
 - (c) if the Secretary of State so directs, lay copies of the accounts and the report on them before Parliament.
- (8) Monitor must act with a view to securing that NHS foundation trusts—
 - (a) comply promptly with requests from it or the Secretary of State for information relating to their accounts, and
 - (b) otherwise act so as to facilitate the preparation of accounts by the Secretary of State.
- (9) This paragraph does not apply to the financial year specified for the purposes of section 155(7) (which provides for the order that commences section 155, which itself relates to the preparation of the accounts of NHS foundation trusts, to specify the first financial year to which that section will apply) or to the subsequent financial years.

Accounts of Monitor

18

- (1) Monitor must keep proper accounts and proper records in relation to the accounts.
- (2) The Secretary of State may, with the approval of the Treasury, give directions to Monitor as to—
 - (a) the content and form of its accounts, and
 - (b) the methods and principles to be applied in the preparation of its accounts.
- (3) In sub-paragraph (2), the reference to accounts includes Monitor's annual accounts prepared under paragraph 19 and any interim accounts prepared by virtue of paragraph 20.

19

- (1) Monitor must prepare annual accounts in respect of each financial year.
- (2) Monitor must send copies of the annual accounts to the Secretary of State and the Comptroller and Auditor General within such period after the end of the financial year to which the accounts relate as the Secretary of State may direct.
- (3) The Comptroller and Auditor General must—
 - (a) examine, certify and report on the annual accounts, and
 - (b) lay copies of them and the report before Parliament.

20

- (1) The Secretary of State may, with the approval of the Treasury, direct Monitor to prepare accounts in respect of such period or periods as may be specified in the direction ("interim accounts").
- (2) Monitor must send copies of any interim accounts to the Secretary of State and, if the Secretary of State so directs, the Comptroller and Auditor General within such period as the Secretary of State may direct.
- (3) The Comptroller and Auditor General must—

- (a) examine, certify and report on any interim accounts sent by virtue of subparagraph (2),
- (b) if the Secretary of State so directs, send a copy of the report on the accounts to the Secretary of State, and
- (c) if the Secretary of State so directs, lay copies of the accounts and the report on them before Parliament.

Reports and other information

21

- (1) As soon as practicable after the end of each financial year, Monitor must prepare an annual report on how it has exercised its functions during the year.
- (2) The report must, in particular—
 - (a) set out the measures that Monitor has taken to promote economy, efficiency and effectiveness in the use of resources for the exercise of its functions,
 - (b) include a statement of what it did to comply with the duty under section 63(2) (duty to have regard to Secretary of State's guidance on duty under section 62(9)), and
 - (c) include a statement of what it did to comply with the duty under section 66(2)(h) (duty to have regard to Secretary of State's guidance on relevant parts of document on improving quality of services).
- (3) Monitor must—
 - (a) lay a copy of the report before Parliament, and
 - (b) once it has done so, send a copy of it to the Secretary of State.
- (4) Monitor must provide the Secretary of State with—
 - (a) such other reports and information relating to the exercise of Monitor's functions as the Secretary of State may require;
 - (b) such information about NHS foundation trusts that Monitor has in its possession as the Secretary of State may require.

Recommendations by Committees in Parliament

22

Monitor must respond in writing to any recommendation about its exercise of its functions that a Committee of either House of Parliament or a Committee of both Houses makes.

Seal and evidence

23

- (1) The application of Monitor's seal must be authenticated by the signature of the chair or any other person who has been authorised (generally or specifically) for that purpose.
- (2) A document purporting to be duly executed under Monitor's seal or to be signed on its behalf must be received in evidence and, unless the contrary is proved, taken to be so executed or signed.

Status

24

- (1) Monitor must not be regarded as the servant or agent of the Crown or as enjoying any status, immunity or privilege of the Crown.

- (2) Monitor's property must not be regarded as property of, or property held on behalf of, the Crown.

ANNEX B

CODE OF ETHICAL PRACTICE

Introduction

1. Monitor expects the highest standards of its Board members and its staff. It recognises that the seven principles of public life apply to anyone who works as a public office holder. This includes all of those who are appointed to public office and all people appointed to work in Non Department Public Bodies. All public servants are both servants of the public and stewards of public resources. This Code provides a high level statement of the standards of practice expected of Monitor's Board members and its staff. It should be read in conjunction with the relevant organisational policies (as set out in each section), which are developed and agreed in line with the principles set out in this Code.

Statutory context and commitment to the values of the NHS as set out in the NHS Constitution

2. The Health and Social Care Act 2012 states that the main duty of Monitor is to protect and promote the interests of people who use healthcare services, by promoting provision of health care services which is economic, efficient and effective and maintains or improves the quality of the services. In light of this and the findings of the Mid Staffordshire NHS Foundation Trust Public Inquiry, this Code must also be implemented within the framework of the "Statement of Common Purpose" (Appendix C). In particular Monitor's recognises the importance of the principles and values identified within the NHS Constitution and is committed to taking account of the Constitution in its decisions and actions. All of the expectations set out within this Code should be considered within this context.

General Propriety and Public Service Values

3. Monitor's Board members and staff in their activities and actions will have regard to the seven principles of public life (Appendix A) and the following principles of good regulation:
 - Transparency;
 - Accountability;
 - Proportionality;
 - Consistency; and
 - Proper targeting of regulation to achieve defined goals.
4. Everyone at Monitor has duty to act in good faith and in the best interests of Monitor. They should play a full and active role in the organisation and not use their position to promote their personal interests or those of any connected person or organisation.
5. No Board member or employee should engage in activity which is, or could be perceived to be, politically controversial or inappropriate in the context of Monitor's statutory functions and corporate plan.
6. The highest standards of propriety, involving integrity, impartiality and objectivity must be maintained in relation to the stewardship of public funds and the management of Monitor. Any conflict between personal interests and the discharge of public duties must be avoided. No-one to whom this Code applies must seek through the performance of their duties to gain material benefit for themselves, their families or their friends.

7. Suspicion that a decision might be influenced in the hope or expectation of future employment with a particular firm or organisation must be avoided. Accordingly, during their term of office no-one to whom this Code applies must seek any consultancy contracts, directorships or other form of employment in a healthcare sector body that brings them into conflict with their role at Monitor. Any potential conflicts of interests must be managed appropriately.

See Code of Conduct for Board Members (Cabinet Office 2011)

8. Monitor 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 their decision-making, Board members and staff must give consideration to the impact that it 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).

See: Equality and Diversity Policy

9. Monitor has made a clear statement of its Vision, Mission and Values (Appendix B). It has also adopted a behavioural competency framework which is driven by various performance management policies. All members of staff are expected to comply with these policies, which will be reviewed and updated as appropriate.

See: Grievance Policy, Harassment Policy, Discipline Policy etc.

Use of Public Funds

10. Those to whom this Code applies are required to maximise value for money through ensuring that Monitor operates in the most efficient and economical way, within available resources, and with independent validation of performance achieved where practicable.

See: Anti Fraud Policy, Business Expenses Policy

Gifts and Hospitality

11. Those to whom this Code applies have a responsibility to ensure that they are not placed in a position that risks, or appears to risk, compromising their role or Monitor's public and statutory duties. They should not, not should they be perceived to, secure valuable gifts and hospitality by virtue of their role at Monitor. They should not accept or provide any gift or hospitality if this would give the impression that they have been influenced or are deemed to be influencing whilst acting in an official capacity.

See: Gifts and Hospitality Policy

Conflicts and Declarations of Interests

12. It is important for Monitor to:
 - (i) ensure that no member of the Board, Committee member or employee is involved in taking a decision or participates in a discussion on any matter where that person has a conflict of interest;
 - (ii) ensure that those providing information to Monitor can be confident that it will be properly handled; and

- (iii) avoid any impression that any member of the Board, Committee member or employee has used his relationship with Monitor to their personal advantage.
13. Every member of the Board, independent member or employee should avoid situations in which their duties and private interests may conflict or where there would be a suspicion of conflict and ensure that, before he becomes involved in taking a decision or participating in a discussion, there are no conflicts of interest that, in the opinion of a fair-minded and informed observer, would suggest a real possibility of bias.
14. The Health and Social Care Act 2012 requires Monitor to act to ensure that there is neither an actual nor a perceived conflict between the exercise of its functions. All members of staff should bear this in mind and take appropriate action if they think that their involvement in a matter or presence at a decision-making committee might represent such an interest.

See: Rules of Procedure (personal conflicts), Operational or Functional Conflicts and Balancing Competing Regulatory Interests Policy (operational conflicts)

Access to Information

15. Monitor Board members and employees may receive information which is not in the public domain, relating to individuals, organisation or commercial-in-confidence matters. It is the responsibility of each individual to ensure that this information is treated appropriately.

See: Information Security Policy, Data Protection Policy

16. Monitor is committed to identifying and preventing any malpractice or wrongdoing within the organisation. As part of this commitment, Monitor takes whistleblowing very seriously. It recognises and encourages those to whom this Code applies to consider whistleblowing, if necessary, an aspect of good citizenship. It provides Monitor with the chance to identify and investigate concerns and put them right.

See: Whistleblowing Policy

Media, public speaking and use of social media

17. Special care should be taken about any invitation to speak publicly, including speaking to journalists. Care must also be taken in the publication of any articles or expression of views on social media. In any such instance, the Chairman and/or the Chief Executive should be informed in good time before such an article is submitted, or, in their absence, the Director of Strategic Communications, as appropriate. The Chairman, Board members and independent members are not however restricted from access to the media in their personal non-Monitor capacity, or in pursuit of a professional interest, for example, as experts. These considerations should not prevent any member of staff or Board member from exercising their whistleblowing rights or their duty of candour, should they be aware of poor quality care being provided to patients.

April 2015

THE SEVEN PRINCIPLES OF PUBLIC LIFE

Selflessness

Holders of public office should act solely in terms of the public interest.

Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

Honesty

Holders of public office should be truthful.

Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

MONITOR'S VISION, MISSION AND VALUES

Monitor's mission is to make the health sector work for patients.

Our values

Our mission describes in simple terms what we're trying to achieve. Our strategy describes what we plan to do to achieve our mission. Our values, however, are more fundamental. They describe the sort of organisation we want to be in the long term. They serve to remind ourselves and others what we see as of central importance to Monitor.

In the light of Monitor's much expanded responsibilities and the significant changes to the architecture of the health system in England we have redefined what we want our values to be:

Patients first

Our primary duty - and therefore our mission - focuses on patients. This is a significant and welcome emphasis for Monitor. Making a difference for patients will govern all that we do. It means we will be guided by what the evidence shows works for patients, not by ideology. We will not enforce rules for their own sake but because we believe they will lead to better outcomes for patients. Similarly, when we need to balance the use of different levers – for example, improving sector efficiency through the tariff and securing the viability of individual FTs, or maintaining patient choice and consolidating services for improved quality – our guiding principle will be to do what is in the best interests of the people who use the services.

Work with partners

The new architecture of the NHS means that responsibilities are divided amongst many bodies. This is not necessarily a bad thing. Making explicit, even public, the inevitable trade-offs between different responsibilities can lead to better decisions. Exposing for all to see how well different parts of the system are working together should make us all work together better. To be an effective organisation Monitor must reach out to and work closely with our many partner organisations, in particular NHS England, the NHS Trust Development Authority, the Care Quality Commission (CQC), the Competition and Markets Authority (CMA) and the Department of Health. Not only must we work together collaboratively, we must also have a common vision for what we're trying to achieve and a shared approach for how we will get there. Consistent with this, everyone in Monitor should have a network of collaborators from partner bodies and other stakeholders.

Support the front line

Monitor does not deliver care. It is our job to support those who do – the nurses, doctors, carers, managers and many more who work inside and beyond the NHS. This means recognising and respecting the challenges they face every day and their commitment to do the best for their patients. It means helping them do the right thing rather than waiting for them to do the wrong thing. It means giving them as much freedom as possible to do what they are good at; to innovate and make changes at a local level that are in the best interests of the people they serve.

One team

Even within Monitor there are many different levers we can pull to play our part in helping to ensure that patients and service users get the best possible care, delivered as efficiently as possible. So we too must work together, establishing a culture of collaboration and support that values helping a colleague achieve their objectives and develop as much as taking personal accountability for achieving our own goals. This will help us focus on what is best for patients as we look for the right balance between the different levers we can pull.

Professional

At Monitor we are proud of our reputation for being professional in the way we do things. We don't want this to change. We will bring evidence, analytical rigour and objectivity to bear on all our decisions. We will be open and transparent about how we make decisions. We will focus on what works, being pragmatic in pursuit of the patients' interests. We will always try to make sure people understand what we intend to do, and then do it. We will try to do all of this whilst consuming as little of the NHS's resources as possible.

STATEMENT OF COMMON PURPOSE

In the light of the findings of the report into the Mid Staffordshire NHS Foundation Trust Public Inquiry, we the undersigned make the following commitments.

1. We renew and reaffirm our personal commitment and our organisations' commitment to the values of the NHS, set out in its Constitution:

- **Working together for patients**¹. Patients come first in everything we do. We fully involve patients, staff, families, carers, communities, and professionals inside and outside the NHS. We put the needs of patients and communities before organisational boundaries. We speak up when things go wrong.
- **Respect and dignity.** We value every person – whether patients, their families or carers, or staff – as an individual, respect their aspirations and commitments in life, and seek to understand their priorities, needs, abilities and limits. We take what others have to say seriously. We are honest and open about our point of view and what we can and cannot do.
- **Commitment to quality of care.** We earn the trust placed in us by insisting on quality and striving to get the basics of quality of care – safety, effectiveness and patient experience – right every time. We encourage and welcome feedback from patients, families, carers, staff and the public. We use this to improve the care we provide and build on our successes.
- **Compassion.** We ensure that compassion is central to the care we provide and respond with humanity and kindness to each person's pain, distress, anxiety or need. We search for the things we can do, however small, to give comfort and relieve suffering. We find time for patients, their families and carers, as well as those we work alongside. We do not wait to be asked, because we care.
- **Improving lives.** We strive to improve health and well-being and people's experiences of the NHS. We cherish excellence and professionalism wherever we find it – in the everyday things that make people's lives better as much as in clinical practice, service improvements and innovation. We recognise that all have a part to play in making ourselves, patients and our communities healthier.
- **Everyone counts.** We maximise our resources for the benefit of the whole community, and make sure nobody is excluded, discriminated against or left behind. We accept that some people need more help, that difficult decisions have to be taken – and that when we waste resources we waste opportunities for others.

2. We apologise to every individual affected by this deeply disturbing and tragic failing in a service that means so much to us all. What happened in Mid

¹ As the tragic events the Inquiry investigated occurred in a hospital, this statement refers to "patients". These principles and commitments apply equally to all people in other care settings

Staffordshire NHS Foundation Trust was, and is, unacceptable and collectively we take responsibility for putting things right. We recognise that while the depth, scale and duration of the failings at this hospital were unprecedented every day the NHS is responsible for care that is poor as well as care that is good or excellent. **Our commitment to the NHS and our pride in the good that it does each day will not blind us to its failings.** It compels us to resolve them.

3. **We will put patients first**, not the interests of our organisations or the system. **We will listen to patients**, striving to ensure the quality of care that we would want for ourselves, our own families and our friends.
4. **We will listen most carefully to those whose voices are weakest and find it hardest to speak for themselves.** We will care most carefully for the most vulnerable people – the very old and the very young, people with learning disabilities and people with severe mental illness.
5. **We will work together**, collaborating on behalf of patients, combining and coordinating our strengths on their behalf, sharing what we know and taking collective responsibility for the quality of care that people experience. **Together, we will be unflinching in rooting out poor care and unflinching in promoting what is excellent.**
6. Whilst this poor care was in a hospital, poor care can occur anywhere across the health and social care system. Whether in a care home, at the family doctor, in a community pharmacy, in mental health services, or with personal care in vulnerable people's homes, **we will ensure that the fundamental standards of care that people have a right to expect are met consistently, whatever the settings.**
7. **Every one of us commits to ensuring a direct connection to patients and to the staff who care for them.** We will ensure that our organisations and our staff look outwards to the people they serve, taking decisions with patients and local communities at the forefront of their minds. **We will shape care in equal partnership with the people who depend on it.** We will do the business of the patient, before that of our organisation or the system.
8. **We will work together to minimise bureaucracy, enabling time to care and time to lead, freeing up the expertise of NHS staff and the values and professionalism that called them to serve.** Caring is demanding as well as rewarding, and depends on the personal and professional values of everyone who works in the NHS. We know well-treated staff treat patients well, so as the NHS become busier we need to ensure time to care and time to recover from caring. We will recruit, appraise and reward staff for their care, as well as their skills and their knowledge.
9. Healthcare is complex and we are part of a complicated system. Building on a foundation of fundamental and inviolable standards, **we will build a single set of nationally agreed and locally owned measures of success, focussed on what matters most to patients.** They must be credible and independently assessed so that patients, the public, Parliament and those who work for NHS patients have a single version of the truth about local services and organisations and their staff have a single set of standards of care to which they aspire. **Blind adherence to targets or finance must never again be allowed to come before the quality of care.** We need to use public money well and we need to be efficient and productive, but these are a means to an end – safe, effective and respectful care, compassionately given.

We will be balanced in what we do and what we expect, with the patient interest at the heart of it. We must all do our best to maintain and raise quality within the resources we have.

10. We believe that patients are best served and our values nurtured by a spirit of candour and a culture of humility, openness, honesty and acceptance of challenge. Things do go wrong, but when they do we must learn from mistakes, not conceal them. **We will seek out and act on feedback, both positive and negative.** We will listen to patients who raise concerns, respond to them and learn from them. We will listen to staff who are worried about the quality of care, praising them for speaking up, even if a concern was misplaced. **We have a duty to challenge ourselves and each other on behalf of patients and we will do so.**
11. Signing up to principles in offices in national organisations is easy. **Changing ourselves, our behaviour, individually and institutionally, is difficult, but we pledge to do so.** Health and care is not like any other job. It touches the hearts of people's lives, can do immense good but also immense harm – it is a matter of life or death. This is both a privilege and a great responsibility. Together, we will make ourselves accountable and responsible for what we do, not what we say, in striving to make real, for every patient, the values to which we recommit ourselves today. Over the coming months, each of us will set out our plans for making these commitments a reality. In delivering those plans, we will be judged by the difference that they make to the people whom we serve.
12. The organisations signing this pledge have different responsibilities within our healthcare system, but whatever our role we pledge to learn the lessons from Mid Staffordshire NHS Foundation Trust, help to build better care for every patient and do everything in our power to ensure it does not happen again. We invite all organisations in the health and care system to join us in signing up to this statement of common purpose.



David Prior, Chair,
Care Quality Commission



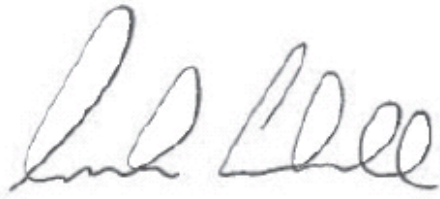
Una O'Brien, Permanent Secretary,
Department of Health




Professor Sir Peter Rubin, Chair,
General Medical Council



Sir Keith Pearson, Chair,
Health Education England



Sir Merrill Cockell, Chair,
Local Government Association



Dr David Bennett, Chair,
Monitor



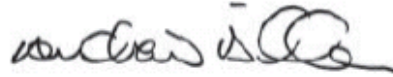
Professor Malcolm Grant, Chair,
NHS Commissioning Board



Michael O'Higgins, Chair,
NHS Confederation & NHS Employers



Jan Sobieraj, Managing Director,
NHS Leadership Academy



Sir Andrew Dillon, Chief Executive,
National Institute for Health
and Clinical Excellence



Sir Peter D Carr, Chair,
NHS Trust Development Authority



Mark Addison, Chair,
Nursing and Midwifery Council



Alan Perkins, Chief Executive,
Health and Social Care Information Centre



Professor David Heymann, Chairman,
Public Health England

Matters Reserved for Board Decision

Strategy and Management

- The establishment and maintenance of Monitor's strategic direction – reviewing, contributing to and approving Monitor's vision, mission and values.
- The approval of Monitor's Corporate and Business Plans, including the distribution of Monitor's financial allocation as set out in the annual business plan and any subsequent material change to this.
- The approval of Monitor's risk management strategy/framework, including the determination of Monitor's risk appetite
- The approval of all of Monitor's significant regulatory policies prior to consultation with stakeholders and any material amendments following responses received in response to consultation
- The review of performance in light of Monitor's strategy, objectives, business plans and budgets with a view to ensuring that any necessary corrective action is taken
- The continuous appraisal of the affairs and effective management of Monitor by means of the receipt of reports from committees and officers, including the review of the top level /strategic risks facing Monitor and their mitigations.

Operational decision-making

- The determination of any operational decision considered to be policy-determining (i.e. having strategic implications) and/or very high risk

Organisation and internal controls

- The approval of Monitor's high-level organisational design and control structure
- The approval of any significant change to the level and nature of insurance cover held by Monitor
- The approval of corporate policies
- The approval of all proposed expenditure of above £1m
- The approval of the instigation, or defence of legal proceedings
- The approval of the opening or closing of any bank account*

- The approval of audit arrangements and the receipt of reports from the Audit & Risk Committee meetings with a view to taking any appropriate action*
- To consider and approve Monitor's Statutory Annual Report and Accounts (paragraphs 19 and 21 of Schedule 8 to the 2012 Act)*
- The determination of the remuneration policy for executive members of the Board, subject to cross-Government controls***

Board governance, committee membership and other appointments

- The approval of Monitor's Rules of Procedure (including the schedule of matters reserved for board decisions) and Standing Financial Instructions (Paragraph 10 of Schedule 8 to the 2012 Act)
- The establishment of formal committees and sub-committees, agreeing Terms of Reference and membership thereof (Paragraph 9 of Schedule 8 to the 2012 Act)
- The receipt of reports detailing the decisions and recommendations made by Monitor's formal committees and sub-committees (as appropriate)
- The approval of the delegation of the Board's powers (Paragraph 11(2) of Schedule 8 to the 2012 Act)
- The division of responsibilities between the Chair, the Chief Executive and other executive directors, which should be put in writing
- The evaluation of the performance of the Board at least once a year, including a review of Monitor's overall governance arrangements
- The review of succession planning for the Board and senior management, with a view to ensuring its adequacy**
- (Non-executive Board members only) The appointment of the Chief Executive and the other executive members of the Board (with the consent of the Secretary of State) (Paragraph 2 of Schedule 8 to the 2012 Act)**
- The approval of recommendations to the Secretary of State with regard to changes to the structure, size and composition of the Board**
- The appointment of the Senior Independent Director
- The appointment of Monitor's principal professional advisers

* Indicates that the matter is the responsibility of the Audit and Risk Committee, with final decision taken by the Board as a whole

** Indicates that the matter is the responsibility of the Nomination Committee, with final decision taken by the Board as a whole

*** Indicates that the matter is the responsibility of the Remuneration Committee, with final decision taken by the Board as a whole

Scheme of Delegation (DS)

Delegations to Board Committees and sub-Committees:

Audit and Risk Committee

- The approval of the annual set of accounts which consolidates the annual accounts of all NHS foundation trusts (paragraph 17 of Schedule 8 to the 2012 Act)
- The approval of Monitor's annual and long-term internal audit programme

Delegations to the executive (subject to the caveat that the Board has reserved to itself the determination of any operational decision considered to be policy-determining (i.e. having strategic implications) and/or very high risk):

The Chief Executive Officer

All responsibility for the day-to-day management of Monitor is delegated to the Chief Executive. Where a matter is not specifically reserved to the Board, the Chief Executive has authority to act.

Responsibilities to be exercised by the Chief Executive include:

(Where appropriate, through the Executive Committee)

Corporate Governance:

- Acting as Monitor's Accounting Officer (as appointed by the Principal Accounting Officer of the Department of Health);
- The development and approval of operational policies and business processes; and
- Approval of Monitor's detailed financial policies.

Strategy:

- Approval of the organisation's Strategic Plan for recommendation to the Board; and
- Oversight of the successful delivery of the programme of work required by the strategic objectives set out in Monitor's Corporate and Business Plans

Business Plans and Budget:

- Preparation of the annual Business Plan and budget and determination on budget and planning assumptions in advance of each financial year;
- Approval of the medium term financial plan for recommendation to the Board;

- Variations to the approved budget within limits delegated by the Board (less than £1m, or if recurring expenditure less than £250,000); and
- Approval of directorate business plans to deliver the Strategic Plan.

Annual Report and Accounts:

- Approval of annual accounts and annual report for Board consideration, and signing the annual accounts.

Performance Management:

- Approval of corporate targets for recommendation to the Board.

Risk Management:

- Approval of the Statement on Internal Control; and
- Approval of overall risk management arrangements for Board consideration.

Human Resources:

- Making recommendations on the remuneration of senior executives to the Remuneration Committee;
- Approval of all major human resources policies; and
- Approval of overall establishment and staff terms and conditions for recommendation to the Board.

Publications and Communications:

- Identification of significant publications requiring Board approval and discussion of these with the Chairman;
- Approval of reports and publications by Monitor and Monitor's responses to major consultations, where appropriate for recommendation to the Board;
- Approval of press releases and press statements where the release or statement is of public, political or reputational significance; and
- Approval of evidence to Parliamentary Committees.

The Board may choose to delegate to the Chief Executive specific matters which would otherwise be reserved to the Board (as set out in the Matters Reserved to the Board).

The Chief Executive may appoint another of Monitor's executives to act on his behalf.

(Where appropriate, through the Provider Appraisal Executive)

- Decisions on applications for NHS FT status (where the decision is not considered to be a marginal one);
- Decisions on the risk ratings of significant transactions proposed by NHS FTs; and
- Delivery and development of Monitor's high level assessment policy and processes.

(Where appropriate, through the Provider Regulation Executive)

- Decisions on proposed enforcement action in relation to breaches by NHS FTs of their licence conditions; and
- Delivery and development of Monitor's high level provider regulation policies and processes.

(Where appropriate, through the Pricing Executive)

- Decisions on Monitor's response to provider applications and provider and commissioner requests for Local Modifications;
- Delivery and development of the annual National Tariff; and
- Determining breaches by NHS FTs of their pricing-related licence conditions.

(Where appropriate, through the Co-operation and Competition Executive)

- Delivery and development of Monitor's high level co-operation and competition-related policies and processes; and
- Determining breaches by NHS FTs of their co-operation and competition-related licence conditions.

Managing Director Provider Regulation

- The operation of the monitoring, compliance and intervention regime for NHS FTs

Managing Director Sector Development

- The development and maintenance of a fit-for-purpose regulatory framework for Monitor
- The development of a coherent, long term pricing strategy, including building operational capability in this area

Executive Director of Provider Appraisal

- The assessment of applications from NHS trusts for NHS FT status
- The assessment of proposed mergers and major transactions involving NHS FTs

Executive Director of Co-operation and Competition

- The prevention of anti-competitive behaviour in those organisations regulated by Monitor through the enforcement of licence conditions, commissioning regulations and competition law
- The promotion of effective commissioning through the enforcement of commissioning regulations

Executive Director of Legal Services

- Ensuring that Monitor is a legally compliant organisation, in all internal and external undertakings

Executive Director of Organisational Transformation

- The provision of a best in class working environment for Monitor staff (including corporate policies, office environment, facilities and ways of working) to support a high performing culture and effective organisation delivery

Executive Director of Strategic Communications

- The delivery of the objectives identified within Monitor's communications strategy

Executive Director of Patient and Clinical Engagement

- The development and management of strong and effective clinical and patient engagement activities across all of Monitor's regulatory functions

ANNEX E

Standing Financial Instructions

Contents

1. Introduction	2
1.1. General	2
1.2. Terminology	2
1.3. Roles, Responsibilities and Delegation.....	3
2. Audit.....	5
2.1. Audit & Risk Committee.....	5
2.2. External Audit.....	5
2.3. Internal Audit	5
3. Business planning, budgets, budgetary control and monitoring	6
3.1. Preparation and approval of business plans and budgets.....	6
3.2. Budgetary control and monitoring.....	6
4. Approval of expenditure.....	7
4.1. Regularity of expenditure.....	7
4.2. Business case approval – non-pay controls.....	7
4.3. Business case approval – staff controls.....	8
4.4. High value business cases	9
4.5. Losses and special payments.....	9
5. Annual Accounts and Reports	10
6. Banking arrangements	10
7. Payroll	10
8. Non-pay expenditure	11
8.1. Delegation of Authority	11
8.2. Tendering and Contract Procedure	11
8.3. Payment and invoices	11
8.4. Capital expenditure	12
8.5. Asset disposals	12
8.6. Insurance	12
9. Gifts and hospitality	12
10. Risk management and Annual Governance Statement.....	13
11. Retention of Documents.....	13

1. Introduction

1.1. General

- 1.1.1. These Standing Financial Instructions (SFIs) detail the financial responsibilities, policies and procedures adopted by Monitor. They are designed to ensure that financial transactions are carried out in accordance with the law and Government policy in order to achieve probity, accuracy, economy, and effectiveness. They provide a framework of procedures and rules for staff to follow.
- 1.1.2. These SFIs identify financial responsibilities applying to Monitor employees. They do not provide detailed procedural advice. These statements should therefore be read in conjunction with detailed financial procedures, which have developed by Internal Finance. Related policies of particular relevance are the [Budgetary Responsibility Policy](#), [Business Expenses Policy](#) and [Procurement Policy](#), all of which are available on Monitor's intranet.
- 1.1.3. For any item or circumstance not covered by these SFIs, principles on handling and reporting public expenditure contained in Managing Public Money (the Treasury's guidance and instruction manual), the Treasury's Financial Reporting Manual and the Civil Service Management Code should be followed.
- 1.1.4. Failure to comply with these SFIs is a disciplinary matter and could result in dismissal.

1.2. Terminology

- 1.2.1. In these SFIs:

"Accounting Officer" means the Chief Executive of Monitor (or whoever is so appointed by the Secretary of State).

"the Act" means the National Health Service Act 2012

"Authorising Officer" means a member of staff who has been given written authority to authorise commitments or payments for specific budgets.

"Board" means the Board of Monitor.

"Budget" means a resource, expressed in financial terms, allocated by Monitor's Board for the purpose of carrying out, for a specific period, any or all of Monitor's functions.

"Budget holder" means an Executive Committee member or employee who has been delegated responsibility to manage a budget.

"Budget manager" means an employee who has been delegated day to day responsibilities for managing a budget.

“Employee” means a permanent member of staff, a member of staff who is on secondment to Monitor, or a contracted external consultant or adviser.

“ExCo” refers to the Executive Committee of Monitor’s Board.

1.3. Roles, Responsibilities and Delegation

Accounting Officer

1.3.1. The Accounting Officer exercises financial supervision and control by:

- (i) defining specific responsibilities;
- (ii) delegating specific financial responsibilities;
- (iii) agreeing the financial strategy;
- (iv) requiring the submission and approval of budgets within specified limits; and
- (v) defining and approving essential features in respect of financial control procedures and financial systems.

1.3.2. The Accounting Officer is personally accountable to Parliament for the stewardship of Monitor’s funds, for the good management of the organisation, and for ensuring that Monitor meets its obligation to perform its functions within the financial limits set.

1.3.3. The Accounting Officer is responsible for signing off Monitor’s accounts, including an Annual Governance Statement.

1.3.4. The Accounting Officer will, as he deems appropriate, delegate his detailed responsibilities to named individuals but remains accountable for financial control. Delegations must always be in writing.

1.3.5. The Accounting Officer must ensure that ExCo members and employees and all new appointees are notified of and understand their responsibilities within these Standing Financial Instructions.

Managing Director of Provider Regulation

1.3.6. The Managing Director of Provider Regulation is the Board member responsible for finance. Day to day responsibility for financial oversight rests with the Finance, Reporting and Risk Director.

Finance, Reporting and Risk Director

1.3.7. The Finance, Reporting and Risk Director is responsible for internal financial controls and policies, in particular:

- (i) implementing the Monitor’s financial policies and for coordinating any corrective action necessary to further these policies;

- (ii) maintaining an effective system of internal financial control including ensuring that detailed financial procedures and systems are prepared, documented and maintained to supplement these instructions;
- (iii) ensuring that sufficient records are maintained in order to disclose, with reasonable accuracy, the financial position of Monitor at any time;
- (iv) ensuring the provision of financial advice to the Accounting Officer, the Board and ExCo;
- (v) the design, implementation and supervision of systems of internal financial control;
- (vi) ensuring that SFIs are kept up to date; and
- (vii) the preparation and maintenance of such accounts, certificates, estimates, records and reports as Monitor may require for the purpose of carrying out its statutory duties.

1.3.8. The Finance, Reporting and Risk Director is responsible for the procurement of goods and services including:

- (i) preparation, implementation and review of a Procurement Policy;
- (ii) ensuring goods and services are procured in accordance with best practice at the lowest cost commensurate with the defined level of quality;
- (iii) ensuring goods and services are procured in accordance with the Government's good practice guidance; and
- (iv) ensuring that employees engaged in procurement are appropriately trained.

Other responsibilities

1.3.9. All Board members, ExCo members and employees, severally and collectively, are responsible for:

- (i) the security of the property of Monitor;
- (ii) avoiding loss;
- (iii) exercising economy and efficiency in the use of resources; and
- (iv) conforming with the requirements of Monitor's Rules of Procedure, these SFIs, any limitations on delegation of authority to them, and financial procedures.

1.3.10. All budget holders are responsible for ensuring that budget managers and employees are trained appropriately to manage their financial responsibilities.

1.3.11. All employees are responsible for the proper stewardship of the resources delegated to them. They must:

- (i) abide by all conditions of the delegation;
- (ii) ensure that they and their employees are aware of their responsibilities within these SFIs;
- (iii) ensure that proper financial control arrangements are in place in their teams;

- (iv) ensure that all expenditure is legal and proper and that allotted sums are spent solely for the purpose intended;
- (v) ensure that budget allocations are not overspent and that planned and actual expenditure takes full account of the need to achieve value for money in terms of efficiency, effectiveness and economy; and
- (vi) maintain financial records and discharge their duties to the satisfaction of the Finance, Reporting and Risk Director.

2. Audit

2.1. Audit & Risk Committee

- 2.1.1. Monitor's Board has established an Audit & Risk Committee and its terms of reference are set out at Annex F to Monitor's Rules of Procedure.

2.2. External Audit

- 2.2.1. The external audit of Monitor is undertaken by the National Audit Office (NAO).
- 2.2.2. The National Audit Office's powers to obtain documents and information were consolidated in the NAO Act 1983. This legislation provides that the Comptroller and Auditor General shall have a right of access at all reasonable times to all such documents as he may reasonably require for carrying out examination and shall be entitled to require from any person holding or accountable for any such document such information and explanation as are reasonably necessary for that purpose.
- 2.2.3. These rights of access extend to the annual audit of all systems, establishments and processes associated with the Authority's functions.

2.3. Internal Audit

- 2.3.1. The Accounting Officer is responsible for ensuring that there are arrangements to measure, evaluate and report on the adequacy and effectiveness of internal control and efficient use of resources by the establishment of an adequate Internal Audit service.
- 2.3.2. Monitor shall appoint a Head of Internal Audit who will have overall responsibility for the internal audit function.
- 2.3.3. The terms of reference of Internal Audit are set by the Audit and Risk Committee as set out in its terms of reference.
- 2.3.4. The Board Secretary is responsible for:
 - (i) ensuring that there are arrangements to review, evaluate and report on the effectiveness of internal financial controls and effective use of resources by establishing or contracting for an adequate internal audit function;

- (ii) ensuring that an annual internal audit report is prepared for the consideration of the Audit & Risk Committee. The report must cover:
- a. progress against plan including agreed performance indicators over the previous year;
 - b. major internal financial control weaknesses discovered;
 - c. progress on the implementation of internal audit recommendations;
 - d. strategic audit plan covering the coming three years;
 - e. a detailed plan for the coming year; and
 - f. a clear statement on the effectiveness of internal control.
- 2.3.5. Whenever any matter arises which involves, or is thought to involve, irregularities concerning cash or property or any suspected irregularity in the exercise of any function of a pecuniary nature, the Finance, Reporting and Risk Director must be notified immediately.
- 2.3.6. In accordance with the Terms of Reference of the Audit & Risk Committee, representatives of internal and external audit will attend Audit & Risk Committee meetings and have right of access to all Audit & Risk Committee Members, the Chairman and any other director.
- 2.3.7. The reporting system for internal audit will be agreed between the Finance, Reporting and Risk Director, the Board Secretary, the Audit & Risk Committee and the Partner of the Internal Audit firm from time-to-time. The agreement will be in writing and will comply with Government accounting rules.

3. Business planning, budgets, budgetary control and monitoring

3.1. Preparation and approval of business plans and budgets

- 3.1.1. The Finance, Reporting and Risk Director on behalf of the Accounting Officer will compile and submit to the Board an annual plan and budget.
- 3.1.2. The budget should be compiled alongside the business plan which is prepared by the Director of Strategy.
- 3.1.3. Business plans and budgets should be submitted to the Board before the start of the financial year, subject to agreement of Monitor's budget allocation with the DH.
- 3.1.4. All budget holders must provide information as required by the Finance, Reporting and Risk Director to enable budgets to be compiled.

3.2. Budgetary control and monitoring

- 3.2.1. The Finance, Reporting and Risk Director will:
- monitor financial performance against budget and plan and report to ExCo and the Board;

- devise and maintain systems of budgetary control in line with government accounting guidance;
 - ensure that all regular monitoring returns required by external parties are appropriately submitted; and
 - review all manual journal entries above £100k.
- 3.2.2. The Accounting Officer may delegate the management of a budget to permit the performance of a defined range of activities. This delegation must be in writing and be accompanied by a clear definition of:
- (i) the amount of the budget;
 - (ii) the purpose(s) of each budget heading;
 - (iii) individual and group responsibilities; and
 - (iv) the provision of regular reports.
- 3.2.3. Budget holders and managers must not exceed the budgetary total limits set. If budget managers are concerned that budgets might be exceeded, they should report it to ExCo as soon as possible. If budgets are exceeded, both the reasons and proposed remedial actions must be reported to ExCo immediately.
- 3.2.4. Each Budget holder is responsible for ensuring that:
- (i) expenditure is kept within budget;
 - (ii) the amount provided in the approved budget is not used in whole or in part for any purpose other than that specifically authorised, subject to the rules of budget transfer; and
 - (iii) proper records are kept of all financial transactions.

4. Approval of expenditure

4.1. Regularity of expenditure

- 4.1.1. Any expenditure by Monitor which falls outside the coverage of Parliament's approval or Monitor's delegated authorities is "irregular" unless specific approval has been given by the Treasury. Irregular expenditure cannot legally be met from funds granted by Parliament.
- 4.1.2. Monitor's delegated authorities are governed in many cases by external spending controls imposed by Cabinet Office, Treasury or the Department of Health. Any expenditure which is not appropriately authorised is likely to be considered irregular.

4.2. Business case approval – non-pay controls

- 4.2.1. To ensure adherence to internal policy and external spending controls, a business case approval process is in place and must be adopted for all areas of controlled spend.

4.2.2. The main controls covering Monitor expenditure relate to:

- Consultancy;
- Legal services;
- Communications and marketing activity; and
- ICT spend, including digital projects.

4.2.3. The scope and definitions of controlled spend, and the associated delegated limits are subject to external review and change therefore are not replicated in full in this document. Up to date guidance on the limits in place for which business cases are required can be found in the [Budgetary Responsibility Policy](#).

4.2.4. Business cases are considered and approved by Monitor's Controls Committee within the framework of applicable external spending controls; the [terms of reference](#) for which can be found on the intranet. There is additional governance for high value business cases detailed later in these instructions.

4.2.5. Each business case submission to Controls Committee must:

- be in the latest template format as approved by the Finance, Reporting and Risk Director;
- contain a unique reference allocated by the Head of Internal Finance;
- be subject to a quality review by the relevant budget holder; and
- contain confirmation that the Head of Internal Finance has reviewed the case to ensure the proposed spend is within budget.

4.2.6. Monitor has delegated authority to approve certain spend internally, via a business case to Controls Committee. However Monitor remains subject to a number of external approval processes. The Head of Internal Finance will confirm any requirement for external approvals.

4.3. Business case approval – staff controls

4.3.1. Controls Committee approval is required for:

- Engagements of staff on a day rate, whether the appointment is to a permanent or temporary role;
- Creation or extension of a temporary role outside the agreed organisation design, regardless of how this is filled.

4.3.2. Approval from the Department of Health and in some cases HM Treasury is required for appointment with high salaries or day rates. The latest limits are contained in the [Budgetary Responsibility Policy](#).

4.3.3. Proposals for additional permanent roles require approval by the Executive Director of Organisation Transformation and the Finance, Reporting and Risk Director in the first instance.

4.3.4. Proposals with a wider business or budgetary impact require additional approval from the Accounting Officer. Wider impact will generally be more than five additional posts.

4.4. High value business cases

4.4.1. Before being submitted to Controls Committee or the Board for approval, all business cases with a value in excess of £500,000 (excluding VAT) must be reviewed by, as a minimum:

- the appropriate budget holder;
- the Finance, Reporting and Risk Director (to assure the quality of the business case, procurement route and value for money of the proposal); and
- the Director of Strategy (to assure adequate links to the business plan).

4.4.2. Consideration should be given as to whether approval is additionally required from the relevant executive committee (either the directorate executive committee or ExCo). Advice can be obtained from the Board Secretary.

4.4.3. Board approval is required if the value of the business case exceeds the Chief Executive's delegated limit (as stated in the [Budgetary Responsibility Policy](#)).

4.4.4. Following appropriate approval of a business case, this does not require further approval before contract signature unless:

- the expected costs exceed the initially approved value;
- the scope of the work or procurement route materially change; or
- Controls Committee or the Board specifically require that further approval is sought before contracts are awarded.

4.4.5. A material change is deliberately not defined here; where there is a proposed departure from the approved business case the Finance, Reporting and Risk Director and Board Secretary should be consulted.

4.5. Losses and special payments

4.5.1. Losses (including fraud and theft), or certain types of payment are deemed 'special payments', for example ex gratia, extra contractual, compensation or severance payments. Such payments should be avoided wherever possible.

4.5.2. If there are any such payments which are considered, suspected or discovered, the Finance, Reporting and Risk Director and the Accounting Officer should be informed immediately.

- 4.5.3. Monitor has limited delegated authority over losses and special payments. The Finance, Reporting and Risk Director is responsible for ensuring the appropriate approvals from the Department of Health or HM Treasury are obtained and retained for audit purposes.
- 4.5.4. Further guidance on fraud is contained in Monitor's [anti-fraud policy](#) available on the intranet.

5. Annual Accounts and Reports

- 5.1.1. The Finance, Reporting and Risk Director will:
- (i) prepare financial returns in accordance with HM Treasury's Financial Reporting Manual (FReM);
 - (ii) prepare, approve and submit annual financial reports to the Board; and
 - (iii) submit financial returns and annual accounts to Parliament for each financial year as required by the Act.
- 5.1.2. Monitor will publish an Annual Report as required by the Act and lay his before Parliament which will include Monitor's annual accounts prepared in accordance with the appropriate Accounts Direction.

6. Banking arrangements

- 6.1.1. The Finance, Reporting and Risk Director is responsible for managing Monitor's banking arrangements, including accounts held with the Government Banking Service, and for advising staff on the provision of banking services and operation of accounts.
- 6.1.2. The Audit & Risk Committee on behalf of the Board will approve the banking arrangements. The latest banking arrangements can be found within the [Finance policies](#) on the intranet.

7. Payroll

- 7.1.1. Monitor's Board has established a Remuneration Committee, the terms of reference for which are set out at Annex F to Monitor's Rules of Procedure.
- 7.1.2. The Executive Director of Organisational Transformation is responsible for managing the payroll, including:
- (i) specifying timetables for submission of properly authorised time records and other notifications;
 - (ii) making payment on agreed dates; and

- (iii) agreeing method of payment.
- 7.1.3. The Executive Director of Organisational Transformation must be satisfied that the chosen method of Payroll Service is supported by appropriate (contracted) terms and conditions; adequate internal controls; and audit review procedures: and that suitable arrangements are made for the collection of payroll deductions and payment to appropriate bodies.
- 7.1.4. Further information and the latest payroll guidance can be found within the [HR policies](#) section on the intranet.

8. Non-pay expenditure

8.1. Delegation of Authority

- 8.1.1. The Accounting Officer will determine the level of financial delegation to budget holders and budget managers.
- 8.1.2. The Finance, Reporting and Risk Director will establish:
- (i) a list of managers (and their signatures) who are authorised to place requisitions and official orders for the supply of goods and services;
 - (ii) the maximum level of each requisition or official order and the system for authorisation above that level; and
 - (iii) an ongoing review of the authorised signatory listing.

8.2. Tendering and Contract Procedure

- 8.2.1. Monitor's [Procurement Policy](#), which is available on the intranet, must be complied with at all times.
- 8.2.2. Budget holders must set out in writing a list of employees who are authorised to commit non-pay expenditure (for example, by requisition for the supply of goods and services) and the conditions to be followed in requisitioning goods and services, including the maximum level of expenditure to be incurred. Employees authorised to requisition items (e.g. stationery) should aim for best value for money and follow government guidance on procurement.

8.3. Payment and invoices

- 8.3.1. The Finance, Reporting and Risk Director will:
- (i) be responsible for designing and maintaining a system of verification, recording and payment of all amounts payable. The system shall provide for certification that goods or services invoiced were supplied in the time and manner and to the standard ordered before correct payment is made;

- (ii) establish a timetable and system for submission of accounts for payment in line with the Public Sector Payment Policy; and
- (iii) issue instructions to staff regarding the handling and payment of accounts.

8.3.2. Budget holders and managers have a responsibility to ensure that invoices received for validation are returned quickly to the payments team.

8.3.3. Budget holders and budget managers are responsible for ensuring that all debts are recorded, that all money due to Monitor is recorded, that appropriate action is taken to recover these sums promptly, and that they have systems in place to achieve this. Any overpayments should be prevented; if any are made they should be detected and recovery initiated immediately.

8.4. Capital expenditure

8.4.1. The Finance, Reporting and Risk Director will maintain a register of non-current assets, and record the values and depreciation of these assets in accordance with the applicable accounting standards.

8.4.2. Forecasts of future capital requirements should be maintained by the Chief Information Officer (for ICT assets), and Executive Director of Organisation Transformation (for Facilities related assets).

8.5. Asset disposals

8.5.1. If any Monitor asset requires disposal, the relevant budget holder (normally the Chief Information Officer or Executive Director of Organisation Transformation) must formally authorise the disposal, which must be reviewed by the Finance, Reporting and Risk Director.

8.5.2. The [form for authorising a disposal](#) which must be retained by Finance is available on the intranet.

8.6. Insurance

8.6.1. Managing Public Money discourages public bodies from taking out commercial insurance unless there is a particular risk to be covered.

8.6.2. Where purchase of commercial insurance is proposed, this should be approved by the Accounting Officer.

9. Gifts and hospitality

9.1.1. All employees must comply with Monitor's policy on [gifts and hospitality](#), which is published on Monitor's intranet.

10. Risk management and Annual Governance Statement

10.1.1. The Accounting Officer is responsible for approving and monitoring Monitor's programme of risk management. This should include:

- (i) a process for identifying and quantifying risks and potential liabilities;
- (ii) engendering among all employees a positive attitude towards the control of risk;
- (iii) management processes to ensure all significant risks and potential liabilities are addressed including effective systems of internal control and decisions on the acceptable level of retained risk;
- (iv) contingency plans to offset the impact of adverse events;
- (v) audit arrangements; and
- (vi) arrangements to review the risk management programme.

10.1.2. These arrangements will provide a basis to make a comprehensive Annual Governance Statement within the Annual Report and Accounts.

10.1.3. The Director of Strategy is responsible for operational oversight of risk management.

11. Retention of Documents

11.1.1. The Accounting Officer is responsible for ensuring systems are in place to maintain archives for all documents required to be retained in accordance with the appropriate guidance.

11.1.2. Monitor's latest [records management](#) policy can be found on the intranet.

ANNEX F(i)

AUDIT AND RISK COMMITTEE TERMS OF REFERENCE

1. Purpose

- 1.1. The purpose of the Committee is to support the Board and the Chief Executive (as Accounting Officer) by reviewing the comprehensiveness, reliability and integrity of the assurances provided to the Committee regarding Monitor's internal controls, risk management and governance processes. On the basis of the assurance provided to it, the Committee will form an overall view on the state of risk management, governance and internal control at Monitor, which it will report to the Board and the Accounting Officer.

2. Membership

- 2.1. The Committee shall comprise at least three members. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee, in consultation with the Chairman of the Board.
- 2.2. At least two members of the Committee shall be non-executive directors. In addition to the non-executive directors, there may be a non-voting member who is independent of the Monitor Board. At least one of the Committee members shall have recent and relevant financial experience. The Chairman of the Board shall not be a member of the Committee.
- 2.3. Only members of the Committee have the right to attend Committee meetings. Other individuals, such as the Chairman of the Board, the Chief Executive, the Finance and Reporting Director, other directors, those with risk responsibilities and representatives of Monitor's internal auditors may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 2.4. Representatives of the National Audit Office (Monitor's external auditor) will be invited to attend meetings of the Committee.
- 2.5. Appointments to the Committee shall be for a period of up to three years, which may be extended for further periods of up to three years, provided the individual still meets the criteria for membership of the Committee.
- 2.6. The Board shall appoint the Committee chair, on the recommendation of the Nomination Committee, who shall be a non-executive director.

3. Secretary

- 3.1. The Board Secretary or their nominee shall act as the secretary of the Committee.

4. Quorum

- 4.1. The quorum necessary for the transaction of business shall be two members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in, or exercisable, by the Committee.

5. Frequency of Meetings

- 5.1. The Committee shall meet at least four times a year at appropriate times in the reporting and audit cycle and otherwise as required.

6. Notice of Meetings

- 6.1. Meetings of the Committee shall be called by the secretary of the Committee at the request of any of its members, the Board, the Accounting Officer or at the request of Monitor's external or internal auditors, if they consider it necessary.
- 6.2. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be circulated to each member of the Committee, any other person required to attend and all other non-executive directors, no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

7. Minutes of Meetings

- 7.1. The secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.
- 7.2. Draft minutes of the Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board, unless it would be inappropriate to do so.

8. Conduct of Meetings

- 8.1. Except as outlined above, meetings of the Committee shall be conducted in accordance with the relevant provisions of Monitor's Rules of Procedure.

9. Duties

- 9.1. The Committee should carry out the duties below.

Financial reporting

- 9.1.1. The Committee shall monitor the integrity of Monitor's internal and external financial statements, reviewing significant reporting issues and judgements which they contain.
- 9.1.2. In particular the Committee shall review and constructively challenge where necessary:
 - 9.1.2.1. Assurances about the financial systems which provide the figures for Monitor's accounts and the quality of the controls over their preparation;
 - 9.1.2.2. The consistency of, and any changes to, accounting policies on a year on year basis;
 - 9.1.2.3. The methods used to account for significant or unusual transactions where different approaches are possible;
 - 9.1.2.4. Whether Monitor has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the NAO (as external auditor);
 - 9.1.2.5. Whether there were any disputes arising between those responsible for preparing the accounts and the auditors;
 - 9.1.2.6. The clarity of disclosure in Monitor's financial reports and the context in which statements are made; and
 - 9.1.2.7. All material information presented with the financial statements, such as the management commentary, the statement of Accounting Officer's responsibilities, the statement of financial impact and the annual governance statement.
- 9.1.3. The Committee shall carry out these same duties with regard to the production of Monitor's own financial reporting and financial reporting associated with the consolidation of NHS foundation trusts' accounts.

Internal controls, risk management systems and corporate governance

- 9.1.4. The Committee shall:
 - 9.1.4.1. Keep under review the adequacy and effectiveness of Monitor's internal controls and risk management systems;
 - 9.1.4.2. Consider whether appropriate internal controls and risk management systems are in place to support the Annual Governance Statement;
 - 9.1.4.3. Keep under review the adequacy and effectiveness of Monitor's core regulatory processes, with a view to determining whether these are sufficiently robust to manage the risks faced by the organisation;
 - 9.1.4.4. Assess the corporate governance requirements of the organisation and assurances as to whether these are being met.

Whistleblowing and fraud

9.1.5. The Committee shall:

- 9.1.5.1. Review the adequacy and security of Monitor's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- 9.1.5.2. Review Monitor's procedures for detecting fraud and receive reports of any instances; and
- 9.1.5.3. Review Monitor's systems and controls for the prevention of bribery and receive reports of any non-compliance.

Internal audit

9.1.6. The Committee shall:

- 9.1.6.1. Monitor and review the effectiveness of Monitor's internal auditor service in the context of the organisation's overall risk management system;
- 9.1.6.2. Agree the appointment of Monitor's internal auditor service;
- 9.1.6.3. Consider and approve the remit of the internal auditor service and ensure that they have appropriate access to information to enable them to perform their function effectively and in accordance with Government Internal Audit Standards. The Committee shall also ensure that the internal audit service has an appropriate standing within Monitor, and is free from management or other restrictions;
- 9.1.6.4. Review and assess the internal audit strategy and annual work plans to ensure that the scope is appropriate and that relevant areas of work are prioritised;
- 9.1.6.5. Review reports from the internal audit service;
- 9.1.6.6. Review and monitor management responsiveness to the findings and recommendations of the internal audit service; and
- 9.1.6.7. Meet with the Head of Internal Audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the Head of Internal Audit shall be given the right of direct access to the Chairman of the Board and to the Committee.

External audit

9.1.7. The Committee shall:

- 9.1.7.1. oversee the relationship between Monitor and the National Audit Office, its external auditor, including:

- 9.1.7.1.1. Recommendations on their remuneration, whether fees are for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;
 - 9.1.7.1.2. Approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - 9.1.7.1.3. Assessing annually their independence and objectivity, taking in account relevant UK professional requirements and the relationship with the auditor as a whole, including the provision of non-audit services;
 - 9.1.7.1.4. Monitoring their compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by Monitor and other related requirements;
 - 9.1.7.1.5. Assessing annually their qualifications, expertise and resources and the effectiveness of the audit process, which shall include a report from the NAO on their own internal quality procedures; and
 - 9.1.7.1.6. Seeking to ensure their co-ordination with the activities of the internal audit function.
- 9.1.7.2. Meet regularly with the NAO, including at the planning stage before the audit and after the audit, at the reporting stage. The Committee shall meet the NAO at least once a year, without management being present, to discuss the external auditor's remit and any issues arising from the audit;
- 9.1.7.3. Review and approve the annual external audit plan;
- 9.1.7.4. Review the findings of the external audit with the NAO, including:
- 9.1.7.4.1. A discussion of any major issues which arose during the audit;
 - 9.1.7.4.2. Any accounting and audit judgements;
 - 9.1.7.4.3. Levels of errors identified during the audit; and
 - 9.1.7.4.4. The effectiveness of the audit.
- 9.1.7.5. Review any management representation letters requested by the NAO before they are signed;
- 9.1.7.6. Review the management letter and management's response to the NAO's findings and recommendations;
- 9.1.7.7. Review any other relevant reports by the NAO;
- 9.1.7.8. Where there is need to do so, develop and implement a policy on the supply of non-audit services by the NAO, taking into account any relevant ethical guidance on the matter.

10. Reporting Responsibilities

- 10.1. The Committee's chair shall report formally in writing to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 10.2. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 10.3. The Committee shall provide the Board with an annual report on its activities, timed to support to support the finalisation of the accounts and the Annual Governance Statement, summarising its conclusions from the work it has done during the year.

11. Other matters

- 11.1. The Committee shall:
 - 11.1.1. Have access to sufficient resources in order to carry out its duties, including access to the Board Secretary for assistance as required;
 - 11.1.2. Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
 - 11.1.3. Give due consideration to relevant legislation, Treasury guidance (in particular the Audit Committee Handbook) and other corporate governance best practice as appropriate;
 - 11.1.4. Oversee any instigation of activities which are within its terms of reference;
 - 11.1.5. Arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure that it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval;
 - 11.1.6. Consider any other matters where requested to do so by the Board.

12. Authority

- 12.1. The Committee is authorised:
 - 12.1.1. To seek any information it requires from any employee of Monitor in order to perform its duties;
 - 12.1.2. To obtain, at Monitor's expense, outside legal or other professional advice on any matter within its terms of reference (subject to budgets agreed by the Board);

- 12.1.3. To call any of Monitor's employees to be questioned at a meeting of the Committee as and when required; and
- 12.1.4. To have published in Monitor's annual report details of any issues that cannot be resolved between the Committee and the Board.

April 2015

AUDIT AND RISK COMMITTEE MEMBERSHIP AND ATTENDEES

Members:

- Audit and Risk Committee Chair (and Remuneration Committee member) – Keith Palmer
- Non-executive Directors – Sigurd Reinton and Iain Osborne

Attendees:

- Chairman;
- Chief Executive;
- Managing Director of Provider Regulation;
- Finance and Reporting Director;
- Managing Director of Sector Development;
- Risk and Performance Director;
- Board Secretary

INFORMATION REQUIREMENTS OF THE AUDIT AND RISK COMMITTEE

For each meeting, the Audit and Risk Committee will be provided with:

- a report summarising any significant changes to the organisation's risk register;
- a progress report from the Head of Internal Audit summarising:
 - work performed (and a comparison with work planned);
 - key issues emerging from Internal Audit work;
 - management response to audit recommendations;
 - changes to the periodic plan; and
 - any issues affecting the delivery of Internal Audit objectives;
- a progress report from the External Audit representative summarising work done and emerging findings.

As and when appropriate, the Committee will also be provided (as a minimum) with:

- proposals for the Terms of Reference of Internal Audit;
- the Internal Audit Strategy;
- the Head of Internal Audit's Annual Opinion and Report;
- quality assurance report on the Internal Audit service;
- Monitor's draft accounts;

- Monitor's draft Annual Governance Statement;
- a report on any changes to accounting policies;
- external audit's management letter;
- a report on any proposals to tender for audit functions; and
- a report on co-operation between internal and external audit.

CORE WORK PROGRAMME OF THE AUDIT AND RISK COMMITTEE

Subject	Spring (Feb)	Summer (May)	Summer (July)	Autumn (Sept)	Winter (Nov)
Financial reporting					
Agreement of final account timetable and plan					X
Comment on the accounts (both Monitor and consolidation of NHS foundation trust accounts) for the year just finished prior to their finalisation and submission for audit		X			
Review and consider the annual report and accounts (both Monitor and consolidation of NHS foundation trust accounts)			X		
Internal controls, risk management systems and corporate governance					
Review summary of any significant changes to Monitor's risk register	X	X	X	X	X
Advise on the content of the Annual Governance Statement for the year just finished, to be presented alongside the finalised accounts	X				
Discuss the implications of the result of the Accounting Officer's review of effectiveness of the system of internal control in relation to the Annual Governance Statement		X			
Advise on areas for focus in review of key corporate governance documentation (Rules of Procedure, Standing Financial Instructions etc)	X				

Subject	Spring (Feb)	Summer (July)	Summer (July)	Autumn (Sept)	Winter (Nov)
Whistleblowing and fraud					
Review Monitor's Fraud Risk Profile (including data and information security issues)	X				
Internal audit					
Review progress report from the Head of Internal Audit and report on progress of outstanding actions	X	X	X	X	X
Review Internal Audit's finalised periodic work plan for the financial year just about to begin	X				
Consider Internal Audit opinion for the financial year just finished			X		
Consider any residual actions arising from the previous year's work of internal audit.				X	
Advise on the Internal Audit strategy and the periodic work plan for the beginning of the new financial year					X
Private discussion with Internal Audit	X	X	X	X	X
External audit					
Review progress report from the External Audit representative summarising work done and emerging findings	X	X	X	X	X

Consider the External Audit strategy proposed in respect of the current year's accounts	X				
Consider (emerging) External Audit opinion for the financial year just finished, in order to advise the Accounting Officer on signing the accounts and Annual Governance Statement			X		

Subject	Spring (Feb)	Summer (July)	Summer (July)	Autumn (Sept)	Winter (Nov)
Consider the External Audit management letter for the previous year, any emerging findings from the current interim/ in-year work of External Audit, and External Audit's approach to their work				X	
Re-visit emerging findings from auditors and review actions in response to the External Audit management letter					X
Private discussion with External Audit	X	X	X	X	X
Other matters					
Consider areas in which the Committee will particularly promote co-operation between auditors and other review bodies in the coming year					X
Consider the Committee's effectiveness in its work					X
Agree the Audit and Risk Committee's annual report for the Board and Accounting Officer	X				

Review any changes to accounting policies				X	

ANNEX F(ii)

REMUNERATION COMMITTEE TERMS OF REFERENCE

1. Purpose

- 1.1 The purpose of the Committee is to ensure that Monitor operates a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. The Committee also has a role in ensuring that Monitor is able to recruit and retain a high performing workforce.

2. Membership

- 2.1 The Committee shall comprise at least three members, all of whom shall be non-executive directors. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee and in consultation with the chair of the Remuneration Committee. The Chairman of the Board may also serve on the Committee as an additional member if they were considered to be independent on their appointment as Chairman.
- 2.2 Only members of the Committee have the right to attend Committee meetings. However, other individuals, such as the Chief Executive, the Executive Director of Organisation Transformation and external advisers may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 2.3 Appointments to the Committee are made by the Board and shall be for a period of up to three years, which may be extended for further periods of up to three years, provided the director still meets the criteria for membership of the Committee.
- 2.4 The Board shall appoint the Committee chair who shall be a non-executive director.

3. Secretary

- 3.1 The Board Secretary or their nominee shall act as the secretary of the Committee.

4. Quorum

- 4.1 The quorum necessary for the transaction of business shall be two members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in, or exercisable, by the Committee.

5. Frequency of Meetings

- 5.1 The Committee shall meet at least once a year and otherwise as required.

6. Notice of Meetings

- 6.1 Meetings of the Committee shall be called by the secretary of the Committee at the request of the Committee chair.
- 6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be circulated to each member of the Committee, any other person required to attend and all other non-executive directors, no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

7. Minutes of Meetings

- 7.1 The secretary shall minute the proceedings and resolutions of all Committee meetings, including recording the names of those present and in attendance.
- 7.2 Draft minutes of the Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board, unless it would be inappropriate to do so.

8. Conduct of Meetings

- 8.1 Except as outlined above, meetings for the Committee shall be conducted in accordance with the relevant provisions of Monitor's Rules of Procedure.

9. Duties

- 9.1 The Committee shall:
- 9.1.1 Determine and agree with the Board the framework or broad policy for the remuneration of Monitor's chief executive, executive directors and other members of the organisation's senior executive management, to be proposed for Secretary of State for Health approval. The remuneration of the Chairman and the non-executive members of the Board is determined by the

Secretary of State for Health. No executive shall be involved in any decisions as to their own remuneration;

- 9.1.2 In determining such policy, take into account all factors which it deems necessary including relevant legal and regulatory requirements, Treasury guidance and other best practice as appropriate. The objective of such policy shall be to ensure that Monitor's senior executives are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the organisation;
- 9.1.3 Within the terms of the agreed policy and in consultation with the Chairman of the Board and the Chief Executive, as appropriate, determine the total individual remuneration package of each of Monitor's senior executives including bonuses and incentive payments. In determining such arrangements give due regard to any relevant legal requirements and Treasury guidance;
- 9.1.4 Ensure that contractual terms on termination, and any payments made are fair to the senior executive involved, and Monitor, so that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- 9.1.5 Review the ongoing appropriateness and relevance of the organisation's remuneration policy for Monitor's senior executives;
- 9.1.6 Obtain reliable, up-to-date information about remuneration in other organisations similar to Monitor. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help fulfil its obligations;
- 9.1.7 Consider and advise on initiatives to address specific recruitment and/or retention issues;
- 9.1.8 Determine and agree with the Board the design of, and the targets for, any performance related pay schemes operated by Monitor as well as the total annual payments made under such schemes;
- 9.1.9 Agree Monitor's policy on staff remuneration and associated conditions of service, benefits and compensation commitments (including pension rights) on early termination;
- 9.1.10 Review and note annually the remuneration trends across Monitor;
- 9.1.11 Oversee any major changes in employee benefits structures across Monitor;
and
- 9.1.12 Agree the policy for authorising claims for expenses from the directors.

10. Reporting Responsibilities

- 10.1 The Committee's chair shall report formally in writing to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 10.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 10.3 The Committee shall produce a report to be included in Monitor's annual report about its activities and Monitor's remuneration policy and practices.

11. Other matters

11.1 The Committee shall:

- 11.1.1 Have access to sufficient resources in order to carry out its duties, including access to the Board Secretary for assistance as required;
- 11.1.2 Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 11.1.3 Give due consideration to relevant legislation, Treasury guidance and other best practice as appropriate;
- 11.1.4 Oversee any instigation of activities which are within its terms of reference;
- 11.1.5 Arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure that it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval;
- 11.1.6 Consider any other matters where requested to do so by the Board.

12. Authority

- 12.1 The Committee is authorised to obtain, at Monitor's expense, outside legal or other professional advice on any matter within its terms of reference (subject to budgets agreed by the Board).

March 2014

REMUNERATION COMMITTEE MEMBERSHIP AND ATTENDEES

Members:

- Remuneration Committee Chair (and Nomination Committee member) – Iain Osborne
- Audit and Risk Committee Chair – Keith Palmer
- Non-executive Director – Heather Lawrence

Attendees:

- Chief Executive (with the exception of discussions on own remuneration)
- Director of Organisation Transformation (with the exception of discussions on own remuneration)
- Board Secretary

INFORMATION REQUIREMENTS OF THE REMUNERATION COMMITTEE

For each meeting, the Remuneration Committee will be provided with:

- A report summarising any significant changes to Monitor's remuneration policies and relevant changes to legislation.

As and when appropriate, the Committee will also be provided (as a minimum) with:

- Any internal or external audit reports containing information relevant to the work of the Committee.

CORE WORK PROGRAMME OF THE REMUNERATION COMMITTEE

Subject	Autumn (Oct)	Ad hoc
Determine and agree with the Board the framework or broad policy for the remuneration of Monitor's chief executive, executive directors and other members of the organisation's senior executive management, to be proposed for Secretary of State for Health approval.		X
Determine the total individual remuneration package of each of Monitor's senior executives including bonuses and incentive payments.		X
Review the ongoing appropriateness and relevance of the organisation's remuneration policy for Monitor's senior executives;	X	
Determine and agree with the Board the design of, and the targets for, any performance related pay schemes operated by Monitor as well as the total annual payments made under such schemes	X	
Agree the policy for authorising claims for expenses from the directors.	X	

ANNEX F(iii)

NOMINATION COMMITTEE TERMS OF REFERENCE

1. Purpose

- 1.1. The purpose of the Committee is to provide counsel to Monitor's Board with respect to Board and Committee structure and membership. The Committee should lead the Monitor process for Board appointments, by evaluating the balance of skills, knowledge and experience in existence amongst Board members.

2. Membership

- 2.1. The Committee shall comprise at least three members. A majority of the members of the Committee shall be non-executive directors.
- 2.2. Only members of the Committee have the right to attend Committee meetings. However, other individuals, such as the Chief Executive (if not already a member of the Committee), the Executive Director of Organisation Transformation and external advisers may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 2.3. Appointments to the Committee are made by the Board and shall be for a period of up to three years, which may be extended for further periods of up to three years, provided the director still meets the criteria for membership of the Committee.
- 2.4. The Board shall appoint the Committee chair, who should be either the Chairman of the Board or a non-executive director. The Chairman of the Board shall not chair the Committee when it is dealing with the matter of succession to the chairmanship. In such cases the remaining members present should elect one of themselves to chair the meeting from those who would qualify under these terms of reference to be appointed to that position by the Board.

3. Secretary

- 3.1. The Board Secretary or their nominee shall act as the secretary of the Committee.

4. Quorum

- 4.1. The quorum necessary for the transaction of business shall be two members, both of whom must be non-executive directors. A duly convened meeting of the

Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in, or exercisable, by the Committee.

5. Frequency of Meetings

5.1. The Committee shall meet at least once a year and otherwise as required.

6. Notice of Meetings

6.1. Meetings of the Committee shall be called by the secretary of the Committee at the request of the Committee chair.

6.2. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be circulated to each member of the Committee, any other person required to attend and all other non-executive directors, no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

7. Minutes of Meetings

7.1. The secretary shall minute the proceedings and resolutions of all Committee meetings, including recording the names of those present and in attendance.

7.2. Draft minutes of the Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board, unless it would be inappropriate to do so.

8. Conduct of Meetings

8.1. Except as outlined above, meetings of the Committee shall be conducted in accordance with the relevant provisions of Monitor's Rules of Procedure.

9. Duties

9.1. The Committee shall:

9.1.1. Regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make

recommendations to the Board and the Department of Health (on behalf of the Secretary of State for Health) with regard to any changes;

- 9.1.2. Give full consideration to succession planning for executive directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing Monitor, and the skills and expertise needed on the Board in the future;
 - 9.1.3. Keep under review the leadership needs of Monitor, both executive and non-executive, with a view to ensuring the continued ability of the organisation to operate effectively;
 - 9.1.4. Take the lead in relation to Monitor's process for Board appointments. The Committee has the following roles in relation to senior appointments at Monitor:
 - 9.1.4.1. advising the Board on the appointment of executive Board members;
 - 9.1.4.2. liaising with the Department of Health (on behalf of the Secretary of State for Health) on the recruitment of non-executive Board members; and
 - 9.1.4.3. providing input to the Chief Executive's decisions to appoint members of staff who report directly to him but are not Board members.
 - 9.1.5. Facilitate the provision of appropriate training and development opportunities for Monitor's senior executives;
 - 9.1.6. Before any appointments are made to the Board, evaluate the balance of skills, knowledge, experience and diversity on the Board and, in light of this evaluation, comment on a description of the role and capabilities required for a particular appointment; and
 - 9.1.7. Ensure that on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside Board meetings.
 - 9.1.8. Review the results of the Board performance evaluation process that relate to the composition of the Board.
- 9.2. The Committee shall also make recommendations to the Board concerning:
- 9.2.1. Formulating plans for succession for both executive and non-executive directors and in particular for the key roles of Chairman of the Board and Chief Executive;
 - 9.2.2. Suitable candidates for the role of senior independent director;

- 9.2.3. Membership of the Audit and Risk Committee and the Remuneration Committee, in consultation with the chairs of those Committees and the Chairman of the Board;
- 9.2.4. The re-appointment of any non-executive director at the conclusion of their specified term of office, having given due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;
- 9.2.5. Any matters relating to the continuation in office of any director at any time, including the suspension or termination of service of an executive director as an employee of Monitor, subject to the provisions of the law and their service contract; and
- 9.2.6. The appointment of any director to executive or other office.

10. Reporting Responsibilities

- 10.1. The Committee's chair shall report formally in writing to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 10.2. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 10.3. The Committee shall produce a report to be included in Monitor's annual report about its activities.

11. Other matters

- 11.1. The Committee shall:
 - 11.1.1. Have access to sufficient resources in order to carry out its duties, including access to the Board Secretary for assistance as required;
 - 11.1.2. Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
 - 11.1.3. Give due consideration to relevant legislation, Treasury guidance (in Managing Public Money) and other best practice as appropriate;
 - 11.1.4. Oversee any instigation of activities which are within its terms of reference;
 - 11.1.5. Arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure that it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval;

11.1.6. Consider any other matters where requested to do so by the Board.

12. Authority

12.1. The Committee is authorised to obtain, at Monitor's expense, outside legal or other professional advice on any matter within its terms of reference (subject to budgets agreed by the Board).

April 2014

NOMINATION COMMITTEE MEMBERSHIP AND ATTENDEES

Members:

- Nomination Committee Chair (and Remuneration Committee member) – Heather Lawrence
- Remuneration Committee Chair – Iain Osborne
- Chief Executive – David Bennett

Attendees:

- Director of Organisation Transformation
- Board Secretary

INFORMATION REQUIREMENTS OF THE NOMINATION COMMITTEE

At each regular meeting, the Nomination Committee will be provided with:

- Monitor's succession plan for directors and other senior executives
- Information about the structure size and composition of the Board and its Committees

As and when appropriate, the Committee will also be provided (as a minimum) with:

- Proposed role descriptions and capability requirements for Board appointments

CORE WORK PROGRAMME OF THE NOMINATION COMMITTEE

Subject	Spring (Mar)	Ad hoc
Give full consideration to succession planning for directors and other senior executives	X	
Board Committee membership	X	
Review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes	X	X
Review the leadership needs of Monitor, both executive and non-executive	X	X
Identify and nominate candidates to fill Board vacancies as and when they arise		X
Before any appointments are made to the Board, evaluate the balance of skills, knowledge, experience and diversity on the Board and, in light of this evaluation, prepare a description of the role and capabilities required for a particular appointment		X
Review constitution and terms of reference to ensure that the Committee is operating at maximum effectiveness and recommend any changes considered necessary to the Board for approval	X	

ANNEX F(iv)

TECHNOLOGY ASSURANCE COMMITTEE (TAC) TERMS OF REFERENCE

1. Purpose

- 1.1. The purpose of the TAC is to support Monitor's Board and Executive Committee (ExCo) by providing independent assurance on Monitor's information strategy and associated project proposals. On the basis of the information provided to it, the Committee will provide assurance to the Board and ExCo on key decisions or recommendations which have critical strategic significance or would materially impact risk.

2. Membership

- 2.1. The TAC shall comprise up to five members. Members of the TAC shall be appointed by the Board, in consultation with the Chief Executive and the Audit and Risk Committee.
- 2.2. A member of the Audit and Risk Committee shall act as the Chair of the TAC. At least two members of the Committee shall be independent of Monitor and have recent and relevant information technology experience. The TAC should also be attended by an executive member of the Monitor Board.
- 2.3. Only members of the TAC have the right to attend TAC meetings. Other individuals, such as the Chairman of the Board, the Managing Director of Sector Development, the Managing Director of Provider Regulation and the Knowledge Management Director may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 2.4. Appointments to the TAC shall be for a period of up to two years, which may be extended for further periods of up to two years, provided the individual still meets the criteria for membership of the TAC.

3. Secretary

- 3.1. The Board Secretary or their nominee shall act as the secretary of the Committee.

4. Quorum

- 4.1. The quorum necessary for the transaction of business shall be three members. A duly convened meeting of the TAC at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in, or exercisable, by the TAC.

5. Frequency of Meetings

- 5.1. The TAC shall meet at least four times a year at appropriate times in the reporting and audit cycle and otherwise as required.

6. Notice of Meetings

- 6.1. Meetings of the TAC shall be called by the secretary of the TAC at the request of any of its members, if they consider it necessary.
- 6.2. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be circulated to each member of the TAC, any other person required to attend and all other non-executive directors, no later than five working days before the date of the meeting. Supporting papers shall be sent to TAC members and to other attendees as appropriate, at the same time.

7. Minutes of Meetings

- 7.1. The secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.
- 7.2. Draft minutes of the TAC meetings shall be circulated promptly to all members of the TAC. Once approved, minutes should be circulated to all members of the Board, unless it would be inappropriate to do so.

8. Conduct of Meetings

- 8.1. Except as outlined above, meetings for the TAC shall be conducted in accordance with the relevant provisions of Monitor's Rules of Procedure.

9. Duties

- 9.1. The TAC should carry out the duties below:
 - 9.1.1. oversee the programme of work to deliver Monitor's Information and IT strategy and assure the Audit and Risk Committee and Board that it is on track and meeting its objectives
 - 9.1.2. test specific project proposals and strategy recommendations and provide assurance on major technology decisions taken
 - 9.1.3. oversee the resourcing and sourcing arrangements and provide assurance that Monitor has the appropriate complement of internal skills and experience and access to the required external service partners
 - 9.1.4. assure the Board that the Information and IT strategy is aligned to Monitor's business strategy and annual plans
 - 9.1.5. assure the Board that risks associated with the Information and IT strategy are appropriately managed and mitigated.

10. Reporting Responsibilities

10.1. The TAC's chair shall report formally in writing to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

10.2. The TAC shall make whatever recommendations to the Board and the ExCo it deems appropriate on any area within its remit where action or improvement is needed.

11. Other matters

11.1. The TAC shall:

- 11.1.1. have access to sufficient resources in order to carry out its duties, including access to the Board Secretary for assistance as required;
- 11.1.2. be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 11.1.3. give due consideration to relevant legislation, Treasury guidance and other corporate governance best practice as appropriate;
- 11.1.4. oversee any instigation of activities which are within its terms of reference;
- 11.1.5. consider any other matters where requested to do so by the ExCo, the Audit and Risk Committee or the Board.

12. Authority

12.1. The TAC is authorised:

- 12.1.1. to seek any information it requires from any employee of Monitor in order to perform its duties;
- 12.1.2. to obtain, at Monitor's expense, outside legal or other professional advice on any matter within its terms of reference (subject to budgets agreed by the Board); and
- 12.1.3. to call any of Monitor's employees to be questioned at a meeting of the TAC as and when required.

April 2015