**Most recent independent review of governance report and any subsequent action plan (document 6) and most recent independent review of board appraisal (document 7)**

In responding to these two requests, we thought it might be helpful to outline our understanding of the requirements and expectations outlined in the Regulatory Framework, the Code of Practice, and the NHF Code of Governance (our adopted code).

Context for Hexagon’s annual review of Governance

Section 2.1 of the HCA Governance and Viability Standard states that “**Registered providers should assess the effectiveness of their governance arrangements at least once a year”.**

At Hexagon’s Board away day in September 2016, a governance review was carried out with the assistance of Dr. Fiona Underwood, a partner at the Altair consultancy. The format involved all Board members and Executive members (who also attend the Board meetings) to respond to a number of questions. Dr. Underwood then carried out a brief analysis of the results that allowed her to facilitate a discussion on the key themes emerging.

The raw results and the subsequent action plan arising, which the Board agreed in November 2016, are attached in response to document request 5 (Summary report of annual review of board effectiveness).

Context for more comprehensive 3 yearly review

The HCA Code of Practice (Section 13) amplifies the requirement set out in 2.1 by clarifying that **“**an assessment of the effectiveness of governance arrangements may vary in terms of depth and scope in line with the internal and external environment within which the registered provider operates**. Some parts of a governance review may be carried out to a different timescale than an annual review where this helps ensure the quality and effectiveness of the review**. Where this is the case, the annual assessment of the effectiveness of governance arrangements should give assurance on the timescale and progress of work on these areas.”

It was in that context that Hexagon’s self- assessment of compliance with Governance and Financial Standards (document 28), which was approved by the Board in July 2016, confirms that the Board had formally decided to **supplement the annual review of governance with the first of a 3 yearly independent governance review to be undertaken during 2016.**

The further context of the Board’s decision to ensure the reviews are done no less than 3 yearly is contained in the NHF Code of Governance 2015 which introduced a new requirement which clarified that in addition to the requirement for all boards and committees to consider their effectiveness annually and how they conduct their business, that there must also be **a formal review of these matters at least every three years,** to ensure best practice, and that documentation is compliant with the latest legislation and regulation”.

The NHF guidance notes to their Code helpfully clarifies that an annual review of board and committee effectiveness “could take the form of a discussion at a board meeting or away day” whereas a separate more comprehensive “formal review would likely involve more structured consideration, preparation of a report (with or without external assistance) and an action plan to map required changes over time. The board may wish to engage the help of an independent third party to demonstrate transparency and invite challenge to how governance is organised.”

The July 2016 self-assessment of compliance report estimated that a further report would go to the November 2016 Board to progress this exercise by way of outlining a proposed brief for inviting proposals from independent consultants to carry out the review.

The current position

Work on finalising the Board report has been very slightly delayed which meant that the 29 November 2016 meeting did not receive the report. However, good progress has been made and an update on progress with the consultants brief will be provided to the next Board meeting which will be held January 2017.

Taking all of this into context, this note is intended to clarify that full independent governance review should be completed by March 2017.

We were somewhat surprised by the apparent assumption in the document request that such an independent review would necessarily be available at this stage as we had understood that the requirement for a 3 yearly review had only been introduced some 19 months ago by both the revised HCA Regulatory Framework and the NHF Code, which were both effective from April 2015.

Nevertheless, we can assure the HCA IDA team that the annual governance review has been completed and is being actioned, and that the fuller more comprehensive review is currently progressing for completion in this current financial year.

For the avoidance of doubt, the fuller and more comprehensive review will also provide additional scrutiny to the board appraisal process, which was also subject to an in house review earlier this year by the Chair and the HR Manager. This review resulted in several improvements, including a new and improved Performance Review form, improvements in recording the outcomes of the reviews, and a closer tie between the training requests arising from these reviews and the work programme of the Hexagon Learning and Development adviser (a post holder in HR).