

## Board of Directors Item 4.3

**Subject:** Board Assurance Framework (Q4 update)  
**Date of Meeting:** 29<sup>th</sup> March 2023  
**Presented by:** Karan Wheatcroft, Director of Risk and Improvement  
**Purpose of Report:** For Approval

BAF Ref	Impact on BAF
All	<p>This report sets out the principal risks associated with delivery of the Trust's strategic objectives and regulatory compliance.</p> <p>The report provides assurance to the Board in respect of BAF review and update in line with the Trust's BAF Policy.</p>

<b>Level of assurance (please tick one)</b> <i>To be used when the content of the report provides evidence of assurance</i>					
<input checked="" type="checkbox"/>	<b>Acceptable assurance</b> Controls are suitably designed, with evidence of them being consistently applied and effective in practice	<input type="checkbox"/>	<b>Partial assurance</b> Controls are still maturing – evidence shows that further action is required to improve their effectiveness	<input type="checkbox"/>	<b>Low assurance</b> Evidence indicates poor effectiveness of controls

### 1. Executive Summary

The Executive Team have undertaken a full review and update of the Board Assurance Framework (BAF) for Q4. In summary:

- i) There are two residual risk scores that are above the agreed risk appetite tolerance. The recovery plan (BAF 2) and 5 year capital programme (BAF 3). It should be noted that BAF 2 and BAF 3 have a reduced risk appetite tolerance for 2022/23.
- ii) There have been no changes to residual risk scores.
- iii) Actions are progressing across all risks.

The BAF will be reset for 2023/24 to reflect the strategic objectives for 2023/24, alongside a

focus on internal and external factors. This will be discussed with Executive and Non Executive Directors prior to review by the Board of Directors in April 2023.

The Board is asked to review the Q4 report and approach to developing the 2023/24 BAF.

## 2. Background

The Board Assurance Framework (BAF) is an important component of the Trust's corporate governance and risk management framework. It is a monitoring tool used by the Board to assess the organisation's capacity to achieve its strategic objectives, and to ensure it has appropriate oversight of the Trust's risk profile and risk management arrangements. A properly used BAF will also drive the forward work plan and agendas for the Board and its Committees.

The BAF is a standing item on all Board agendas with a full quarterly review undertaken. Extracts of the BAF are also reviewed at the relevant assurance committees.

## 3. Principal risks in relation to Strategic Objectives

The following table provides an overview of the Trust's risk profile in relation to strategic objectives. Principal risks may have an impact on more than one objective. The scores shown below are the residual risk scores, taking account of the controls applied and assurances received. The indicative risk exposure for each strategic objective reflects the highest scoring risk impacting on the objective.

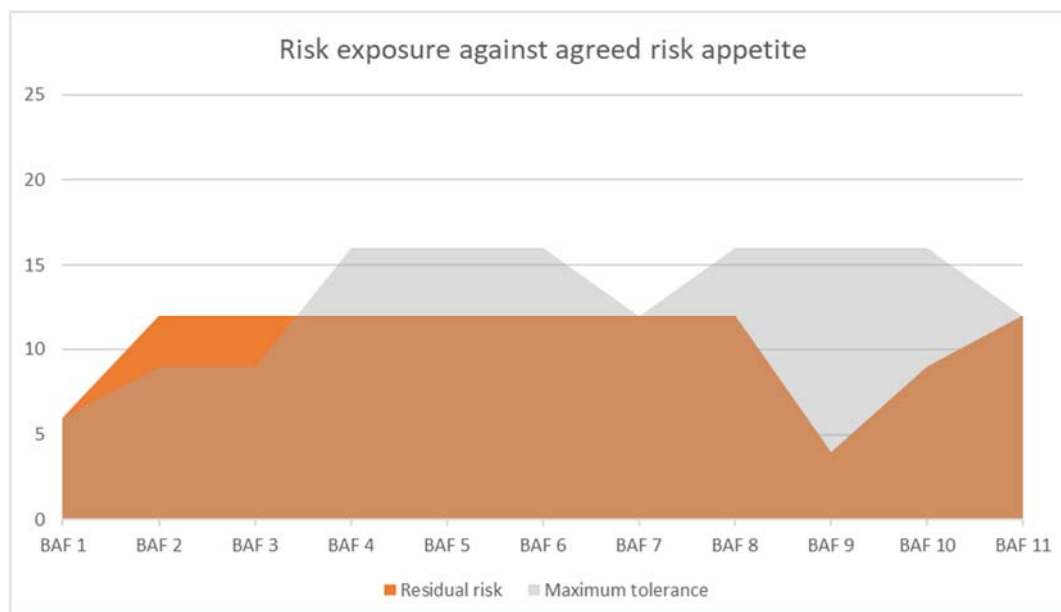
Principal Risk	Strategic Objective						
	Risk Score (I x L)	World Class Care	Advancing Quality & Innovation	Increasing Value	Developing People	Leading through Collaboration	Population Health
	Movement						
<b>BAF1.</b> Failure to maintain <b>safety and quality</b> and avoid harm would result in poorer patient & family experience	3x2=6 ↔						
<b>BAF2.</b> Inability to <b>recover operational services</b> in line with 22/23 planning guidance could result in poorer patient outcomes, inability to address the backlog of patients waiting and deliver financial consequences to the Trust	4x3=12 ↔						
<b>BAF3.</b> Inability to achieve the five year <b>capital programme</b> within a challenging and uncertain operating environment and deliver an Estates Strategy that supports the provision of outstanding services	4x3=12 ↔						
<b>BAF4.</b> A deterioration in the physical and mental <b>wellbeing of our workforce</b> would hinder our ability to provide the best possible care, experience and outcomes for patients	3x4=12 ↔						
<b>BAF5.</b> If delivery of <b>people development programmes</b> continues to be constrained, workforce morale and quality of care may suffer	3x4=12 ↔						

<b>BAF6.</b> Challenges in <b>retaining and recruiting a high quality, diverse and inclusive workforce</b> would affect our ability to deliver world class care	3x4=12 ↔						
<b>BAF7.</b> Failure to deliver <b>financial plans</b> and changes in the funding regime could impact sustainability for the Trust and system partners	4x3=12 ↔						
<b>BAF8.</b> Inability to drive the <b>Research and Innovation</b> agenda to exploit future opportunities	3x4=12 ↔						
<b>BAF9.</b> Failure to be recognized as an <b>Anchor Institution</b> , demonstrating social value, sustainable green strategy and contribution to population health may increase costs in the longer term and disappoint public, staff and regulatory expectations	2x2=4 ↔						
<b>BAF10.</b> The priorities of the <b>ICS</b> are developing and may present tensions for our strategic plans and collaborations and divert leadership capacity	3x3=9 ↔						
<b>BAF11.</b> Failure to ensure strong <b>digital transformation</b> and <b>IT service resilience</b> could erode LHCH's position as a world-class provider of specialist care delivering services for patient needs	4x3=12 ↔						
<b>Indicative risk exposure by Strategic Objective</b>		High	High	High	High	Medium	High

The table above reflects an overall reduction in risk exposure to strategic objectives following a reduction in individual BAF residual risk scores.

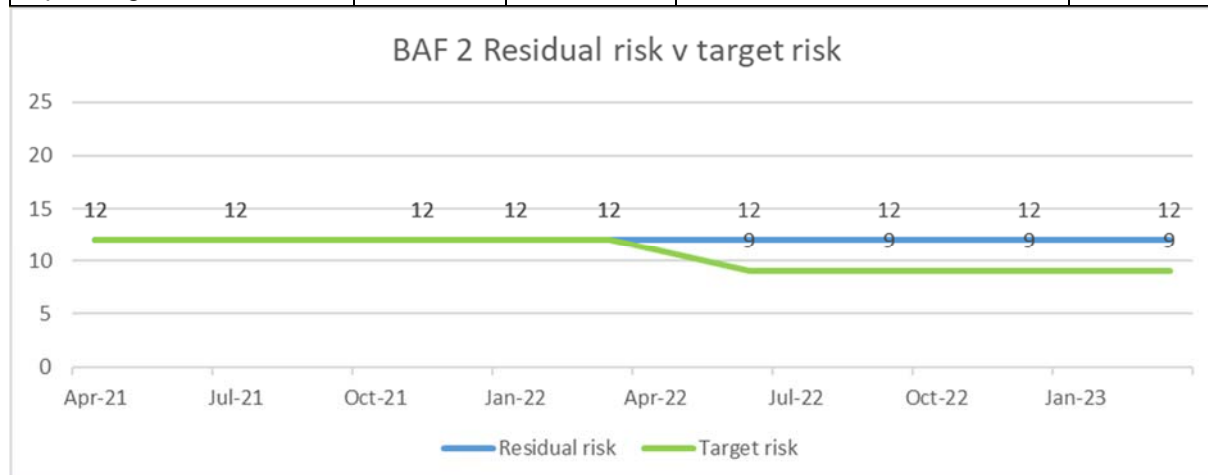
#### 4. Overview of principal risk residual risk scores vs risk appetite

The following chart shows the current risk exposure compared with the maximum risk appetite tolerance limit.

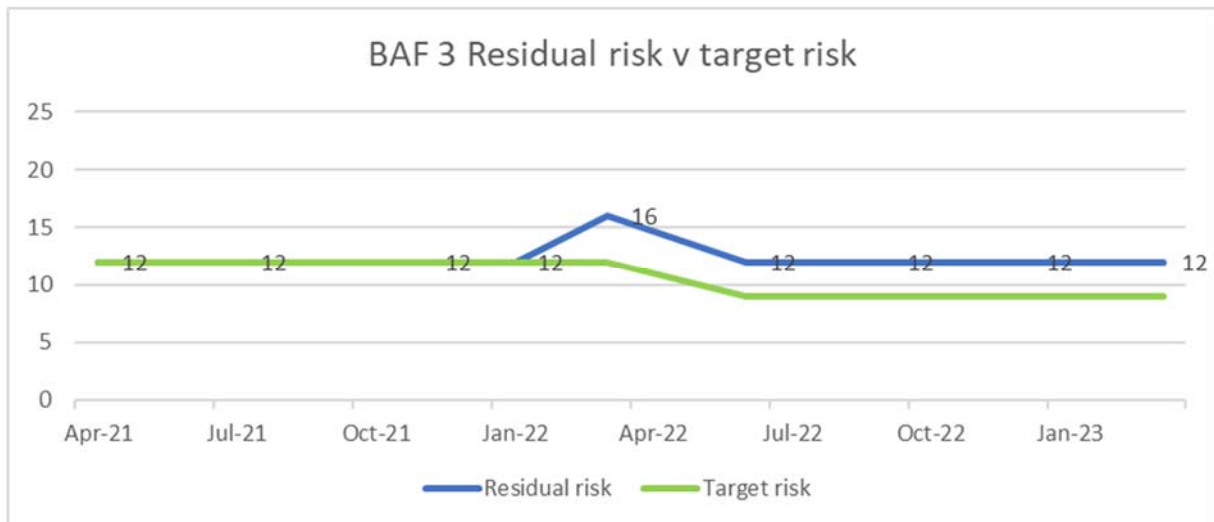


The Trust is currently continuing to manage 9 out of 11 principal risks within the Trust's agreed risk appetite. The following tables provides a summary for the principal risks that exceeds the agreed risk appetite level.

Operational Effectiveness Risk appetite: 9				
Principal Risk	Residual risk level	Assurance level	Matters arising	Target risk level
<b>BAF2</b> Inability to <b>recover operational services</b> in line with 22/23 planning guidance could result in poorer patient outcomes, inability to address the backlog of patients waiting and deliver financial consequences to the Trust  <b>Executive Risk Lead:</b> Jonathan Mathews, Chief Operating Officer	12	Acceptable	<b>Key actions in progress:</b> <ul style="list-style-type: none"> <li>23/24 annual planning progressing for final submission.</li> <li>Dashboard and SOF redesign progressing.</li> </ul>	9



Operational Effectiveness Risk appetite: 9				
Principal Risk	Residual risk level	Assurance level	Matters arising	Target risk level
<b>BAF3</b> Inability to achieve the five year <b>capital programme</b> within a challenging and uncertain operating environment and deliver an Estates Strategy that supports the provision of outstanding services  <b>Executive Risk Lead:</b> Karen Edge, Chief Finance Officer	12	Partial	<b>Key actions in progress:</b> <ul style="list-style-type: none"> <li>Critical infrastructure review progressing to review risk and inform prioritisation for the future capital programme.</li> <li>Ongoing engagement with the ICS on the allocations and risk based prioritisation for future years beyond 2023/24.</li> </ul>	9



## 5. Recommendations

- (i) The Board is asked to review the BAF in respect of:
  - a. the principal risks and the circumstances that give rise to the risks (causes) and the likely consequences;
  - b. controls, assurances, control/assurance gaps, and progress in implementing the actions to address these;
  - c. application of the risk appetite maximum tolerance; and
  - d. residual risk ratings in relation to tolerance and distance to target risk level.
- (ii) The Board is asked to approve the approach to resetting the BAF for 2023/24 to reflect the strategic objectives for 2023/24, alongside a focus on internal and external factors. This will be discussed with Executive and Non Executive Directors prior to review by the Board of Directors in April 2023.

The Board of Directors is asked to **review and approve** the report.