

## Board of Directors (in Public)

### Item 5.6

**Subject:** Board Assurance Framework 2023/24  
**Date of Meeting:** 26<sup>th</sup> April 2023  
**Presented by:** Karan Wheatcroft, Director of Risk and Improvement  
**Purpose of Report:** For Approval

BAF Ref	Impact on BAF
All	Assurance that the BAF has been reviewed and reset for 2023/24 and the Board Risk appetite statement confirmed.

<b>Level of assurance (please tick one)</b> <i>To be used when the content of the report provides evidence of assurance</i>					
✓	<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 Board Assurance Framework sets out the risks facing the Trust in delivering its strategic objectives and is a key tool to focus actions and assurance against these risks. The Trusts risk appetite statement supports the framework as it sets out the appetite for risk themes and the maximum tolerance for risks.

The risk appetite statement has been reviewed and there are no proposed changes.

The Board Assurance Framework (BAF) has been fully reviewed with risks updated to reflect the strategic objectives for 2023/24, as well as the operating environment and external factors. Two risks remain above the Trust maximum tolerance and these have been evaluated to ensure that the Trust is taking appropriate action to mitigate these risks (it should be noted that both risks are affected by external factors which are not fully within the Trust's control but we continue to take actions to reduce the risks).

The Board of Directors is asked to approve the risk appetite statement and opening BAF for 2023/24.

## 2. Background

The Trust recognises that its long term success depends upon the delivery of its strategic objectives. To be successful, the Trust must take risks, but in a managed way and to a level which is deemed acceptable. The BAF is a key tool for the Board in identifying and managing the risks that could prevent the Trust from achieving its strategic objectives. The establishment of the risk appetite statement and the setting of risk appetite levels provides a clear framework within which risk is managed and mitigated.

The Risk Appetite Statement and BAF is approved by the Board annually. The BAF is reported at each Board meeting, with a full update presented on a quarterly basis. Assurance Committees also receive and review extracts of the BAF relevant to their responsibilities.

## 3. BAF Risks 2023/24

The Board Assurance Framework (BAF) has been fully reviewed with risks updated to reflect the strategic objectives for 2023/24, as well as the operating environment and external factors.

The key changes include:

- Additional controls have been added including clinical strategy, finance strategy, estates strategy, research strategy, People Strategy, EDIB strategy, recruitment and retention strategy, academic expertise, and health inequalities workstream.
- Bringing together the three people related risks into one overarching risk, whilst ensuring a continued focus through the controls, assurances, gaps and actions.
- System implications continue to be recognised within specific risks, with those most prominent in finance and operational effectiveness themes. A separate risk in respect of the system architecture and LHCH leadership continues to be included, and this has been updated to reflect system developments.

The full BAF is provided at Appendix B.

## 4. Risk Appetite

The risk appetite statement has been reviewed and no changes are proposed (refer Appendix A).

Two risks within the BAF continue to be above the Trusts risk appetite, with both in the theme of operational excellence. Details of these are provided below along with a narrative to support the position.

<b>BAF 2</b> Inability to deliver annual planning activity and performance targets could result in poorer patient outcomes, inability to address the backlog of patients waiting and result in financial consequences to the Trust.	<b>Risk score: 12</b> <b>Risk Appetite: 8</b>
The risk appetite for the theme of operational excellence was reduced to maximum score of 9 in 2022/23. Whilst this risk has been above maximum risk tolerance score across 2022/23, there are strong key controls and assurances in place within the Trust to mitigate this risk.	

The Trust has performed well against its performance trajectories and also compared to regional and national performance. That said the Trust continues to be focused on reducing referral to treatment waiting times to pre-pandemic levels, eradicating long waiters and ensuring safe waiting list management. The risk appetite remains appropriate given the impact of this risk on patients and the Trust is committed to reducing the residual risk albeit within the challenges of capacity, staffing, and industrial action.

**BAF 3** Inability to achieve the **five year capital programme** within a challenging and uncertain operating environment and deliver an Estates Strategy that supports the provision of outstanding services

**Risk score: 12**

**Risk Appetite: 8**

The risk appetite for the theme of operational excellence was reduced to maximum score of 9 in 2022/23. Whilst this risk has been above maximum risk tolerance score across 2022/23, there are strong key controls and assurances in place within the Trust to mitigate this risk. Additional actions were also taken in 2022/23 including the establishment of the estates strategy. The main challenge for capital is the longer term uncertainty regarding the system capital envelope and prioritisation resulting in a continued risk regarding the five year capital plan. This risk is mitigated for 2023/24 and actions continue to be taken to prioritise future capital pressures. The allocation of capital funding and future plans is a system risk and the Trust continues to work collaboratively to mitigate this across the wider system. The risk appetite remains appropriate given the importance of system and organisation financial performance.

## 5. Recommendations

The Board of Directors is asked to

- (i) note the report
- (ii) approve the Board risk appetite statement
- (iii) review and approve the opening 2023/24 BAF

## Appendix A – Board Risk Appetite Statement

### LHCH Board Risk Appetite Statement

*“The risk appetite set by the Board of Liverpool Heart and Chest Hospital NHS Foundation Trust is necessarily more open than in previous years. This reflects the unprecedented challenges that the NHS has, and is, experiencing, the healthcare reforms taking place at national and local levels, and fast paced societal and technological changes.*

*During this time of change and uncertainty we will continue to protect the Quality and Safety of Care and minimise risks that may have a detrimental effect on the Patient and Family Experience.*

*We have a cautious attitude to risk in relation to Operational Effectiveness, with a more open attitude to Finance as we look to develop new opportunities to ensure future sustainability and investment. We acknowledge that restoration of services continues to be challenging across our healthcare system. Our strategic plans are underpinned by improvement and additions to our estate and we accept that finding ways to invest in and managing such programmes carries higher levels of risk.*

*Transforming services to ensure their future sustainability will require changes in staffing models and an agile, resilient workforce. We have a risk seeking approach to our workforce challenges as we look at new and innovative ways to recruit, retain and support our people to adapt and thrive.*

*Investment decisions will reflect our ambitions to be at the forefront of innovation and maintain a leading position in the delivery of world class specialist services.*

*To achieve our aims of providing world class care and leading in the diagnosis and treatment of cardiovascular disease, we have a risk-seeking approach to Innovation and System Working. Clinical research and innovation are vital to our position as a world class specialist healthcare provider and we accept that such pursuits carry a higher level of inherent risk. We will seek the opportunities that healthcare reform may present; we have a keen desire to take a leading role in the collaborative arena and implement new ways of working through a range of partnerships.*

*Our open attitude to the digital agenda will underpin clinical innovation and the transformation of services to become more efficient and effective. While we are prepared to accept some level of risk to implement changes for longer term benefit, we will ensure that data protection is a priority.”*

### Making this Real for Staff

*The following table shows the risk appetite level for each risk domain with the associated risk tolerance limits. This represents the maximum risk tolerance for each type of risk and provides guidance for Managers to use in managing their risks. It provides an easy way of conveying to the operational front line what the Board’s appetite is for risk, and will provide a focus for targeting the review of risks outside of tolerance by the Risk Management Committee.*

Risk domain	Risk appetite level	Risk score upper tolerance limit
Quality, Patient & Family Experience	Minimalist	6
Operational Effectiveness	Cautious	9
Workforce	Seek	16
Finance	Open	12
Innovation	Seek	16
System Working	Seek	16
Digital	Open	12

***Risk Appetite levels and upper tolerance levels***

Appetite level	Averse	Minimalist	Cautious	Open	Seek
<b>Description</b>	Avoidance of risk and uncertainty	Preference for ultra-safe delivery options that have a low degree of inherent risk and only have potential for limited reward	Preference for safe delivery options that have a moderate degree of inherent risk and may have limited potential for reward	Willing to consider all potential delivery options and choose the ones most likely to result in successful delivery while also taking some risks whilst providing an acceptable level of reward	Eager to be innovative and to choose options offering potentially higher rewards despite greater inherent risk
<b>Tolerance</b>	<b>Max score 3</b>	<b>Max score 6</b>	<b>Max score 9</b>	<b>Max score 12</b>	<b>Max score 16</b>