

## Board of Directors

### Item 5.2

**Subject:** Board Assurance Framework (Q4 update)  
**Date of Meeting:** 9<sup>th</sup> April 2024  
**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>

#### Level of assurance (please tick one)

*To be used when the content of the report provides evidence of assurance*

<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
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### 1. Executive Summary

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

- There are two residual risk scores that continue to be above the agreed risk appetite tolerance. The delivery of planned activity, performance activity and backlog recovery (BAF 2) and the 5 year capital programme (BAF 3) remain above appetite as in previous months. It should be noted that the BAF 3 risk has been mitigated in year (2023/24) but the challenge remains in terms of clarity of longer term system funding. BAF 2 continues to be impacted by a range of factors including in year industrial action, staffing shortages and cancellations all impacting on activity.
- The workforce risk (BAF 4) has been reduced to a residual risk of 12 with successful recruitment to key Board and senior leadership posts.
- There have been a number of changes to assurance levels moving to acceptable following the completion of actions and a number of actions removed following

the confirmation of completion in the Q3 BAF.

iv) Actions are continuing to progress across all risks.

Looking ahead, the Board of Directors reviewed the risk appetite statement and key risks at the 6<sup>th</sup> March 2024 Board Strategy Day. The 2024/25 BAF will be developed and presented to the Board of Directors on 30<sup>th</sup> April 2024.

The Board is asked to review the updated BAF position at Q4.

## 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.

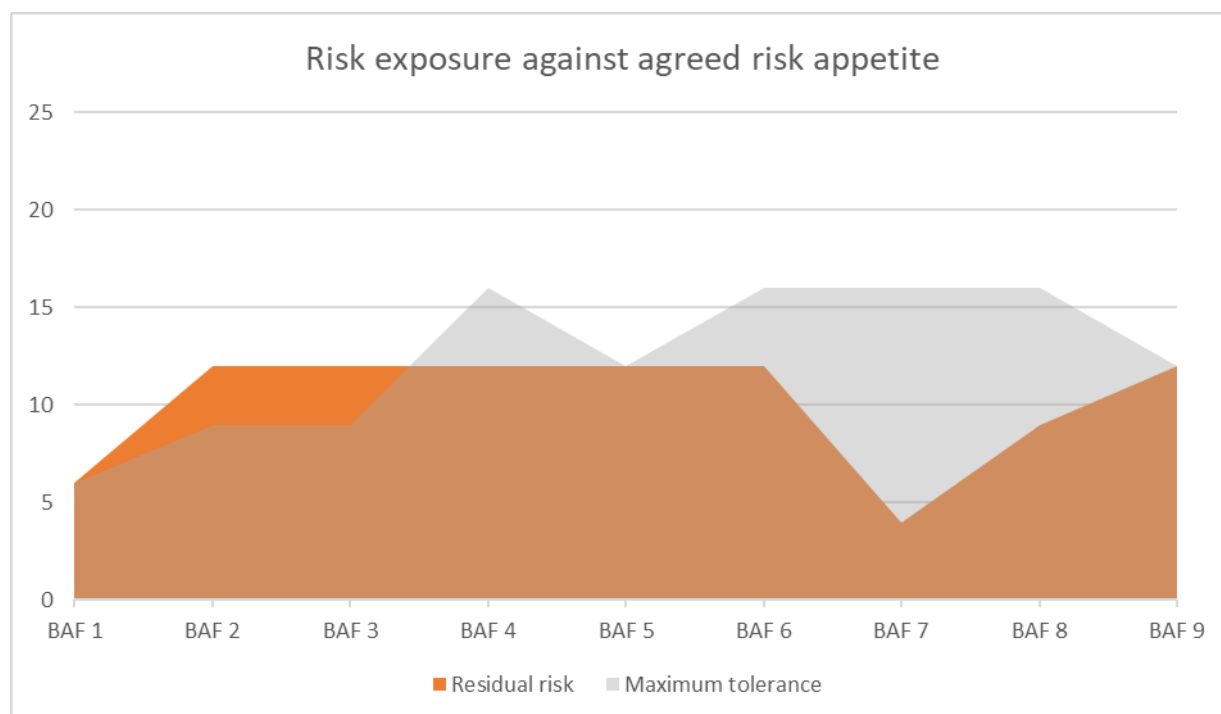
Principal Risk	Strategic Objective						
	Risk Score (I x L)	World Class Care	Advancing Quality & Innovation	Increasing Value	Developing People	Leading through Collaboration	Population Health
	Movement						
BAF1. Failure to maintain <b>safety and quality</b> and avoid harm would result in poorer patient & family experience	3x2=6 ↔						
BAF2. Inability to deliver <b>annual planning activity and performance targets</b> could result in poorer patient outcomes, inability to address the backlog of patients waiting and result in financial consequences to the Trust.	4x3=12 ↔						
BAF3. 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 ↔						
BAF4. Challenges in recruiting, developing, retaining and ensuring the wellbeing of a high quality, diverse and inclusive <b>workforce</b> would affect our ability to deliver world class care.	4x3=12 ↓						
BAF5. Failure to deliver <b>financial plans</b> and changes in the funding regime could impact	3x4=12 ↔						

sustainability for the Trust and system partners							
<b>BAF6.</b> Inability to delivery the <b>Research and Innovation</b> agenda to exploit future opportunities	3x4=12 ↔						
<b>BAF7.</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>BAF8.</b> <b>System architecture</b> is still maturing and may present tensions for our LHCH leadership role, alignment of priorities with the ICS and system partners, and ensuring wider view to Cheshire & Merseyside and beyond.	3x3=9 ↔						
<b>BAF9.</b> Failure to ensure strong <b>digital</b> transformation and IT service resilience could erode LHCH's position as a world-class provider of specialist care delivering services for patient needs	3x4=12 ↔						
<b>Indicative risk exposure by Strategic Objective</b>		High	High	High	High	High	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.

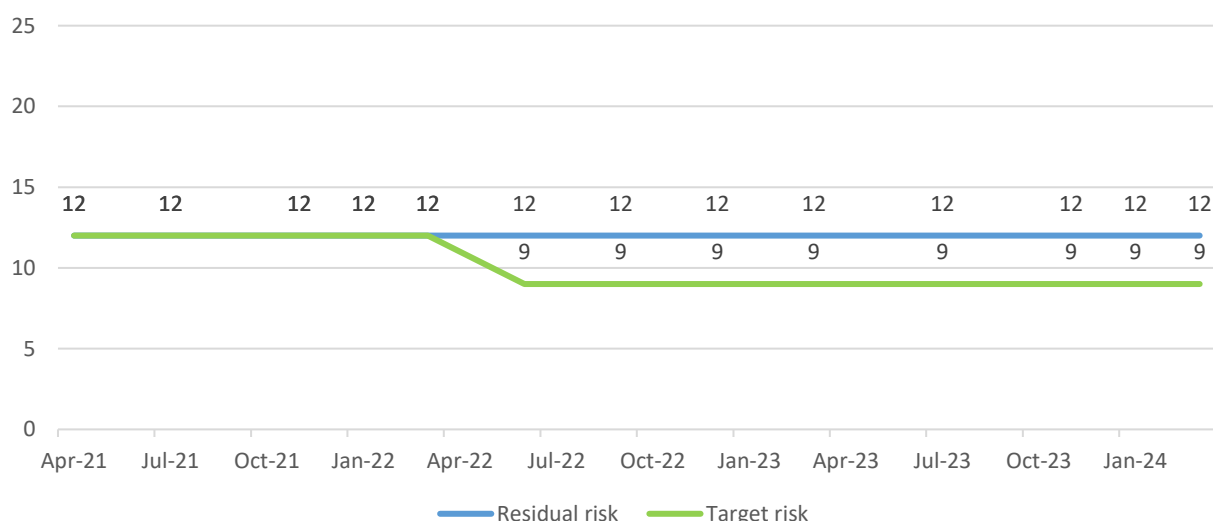


The Trust is currently continuing to manage 7 out of 9 principal risks within the Trust's

agreed risk appetite. The following tables provides a summary for the principal risks that exceeds the agreed risk appetite level.

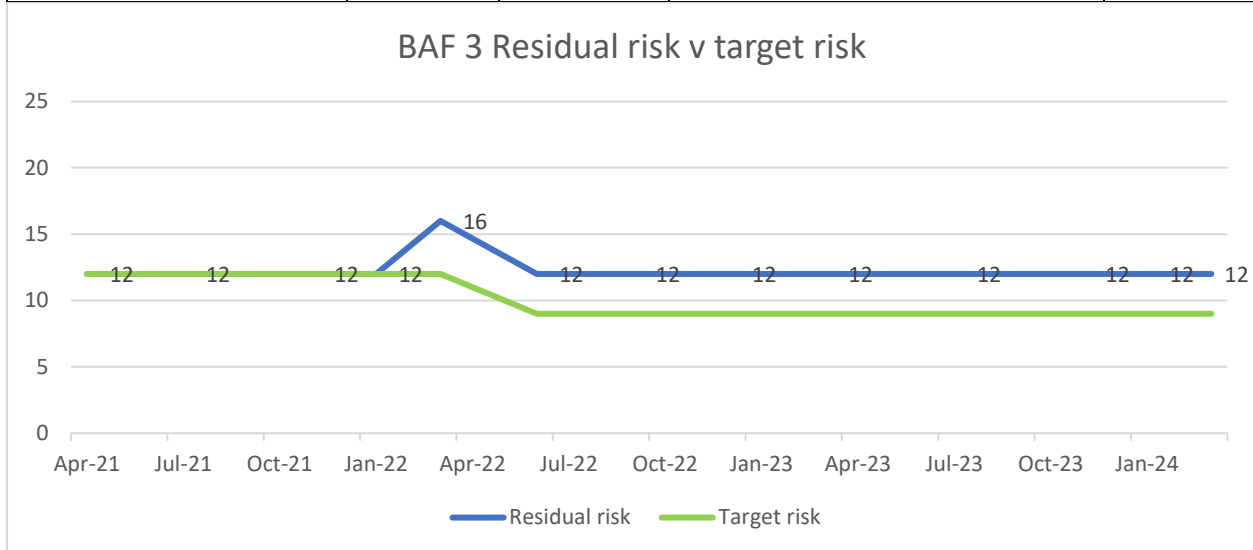
Operational Effectiveness Risk appetite: 9				
Principal Risk	Residual risk level	Assurance level	Matters arising	Target risk level
<b>BAF2</b> Inability to deliver <b>annual planning activity and performance targets</b> could result in poorer patient outcomes, inability to address the backlog of patients waiting and result in 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>Annual planning for 2024/25 commenced in December 2023. National annual planning guidance awaited.</li> <li>Workforce analytics being brought together to support annual planning for 2024/25.</li> <li>Safer waiting list management workstream progressing. Interdependencies of digital projects being reviewed.</li> <li>Significant Risk identified as part of EPRO implementation, mitigating actions progressing and learning to be picked up through PSIRF process.</li> </ul>	9

BAF 2 Residual risk v target risk



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	12	Acceptable	<b>Key actions in progress:</b> <ul style="list-style-type: none"> <li>Ongoing engagement with the ICS on the allocations and risk based prioritisation for future years.</li> </ul>	9

and deliver an Estates Strategy that supports the provision of outstanding services			<ul style="list-style-type: none"> <li>Additional capital allocation of £4M achieved for 23/24 to support development of strategic priorities including Cath Lab 7.</li> <li>Early notification received of initial 2024/25 capital allocation.</li> </ul>	
<b>Executive Risk Lead:</b> James Thomson, Chief Finance Officer				



## 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.

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