

Board of Directors Item 5.4

Subject: Board Assurance Framework (Q2 update)
Date of Meeting: 26th November 2024
Presented by: Ben Vinter, Director of Risk and Corporate Governance
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) <i>To be used when the content of the report provides evidence of assurance</i>					
<input checked="" type="checkbox"/>	Acceptable assurance Controls are suitably designed, with evidence of them being consistently applied and effective in practice	<input type="checkbox"/>	Partial assurance Controls are still maturing – evidence shows that further action is required to improve their effectiveness	<input type="checkbox"/>	Low assurance Evidence indicates poor effectiveness of controls

1. Executive Summary

The Executive Team have undertaken a periodic review and update of the Board Assurance Framework (BAF). The outputs of this review and any movement over the last period can be summarised as follows:

- i) During the last reporting period and since the last Board meeting there have been no increase in the residual risk scores on the BAF.
- ii) A dynamic and live risk review of BAF 5 (ability to delivery financial plans) and BAF 4 (workforce) continues to regularly evaluate ongoing system financial risk requirements. Currently, these risks are considered to remain accurate, both in terms of description and score, regarding LHCH financial and workforce plan targets. However, a different risk profile arises when considering the impact of the system's financial position and recent ICB requirements to support system risks through increased CIP and implement additional resource controls where relevant.

As the Board has previously discussed the anticipated LHCH contributions to these additional targets has the potential to impact delivery of LHCH resource plans, both directly and indirectly. This may in-turn impact upon our workforce objectives if expanded ICS wide workforce controls are introduced or strengthened. Such actions may affect the ability of the organisation to deliver its desired outcomes through changes to staff mix or staff capacity, which could in turn impact operational performance, morale and well-being. Furthermore, any such constraints on the Trust's ability to act and deliver its plans may ultimately impact on quality and safety. This combined risk score and profile is considered to be greater than individual risk scores or their respective risk appetite (12 4x3) with a combined position likely to be 16 (4x4) as previously noted by the Board.

When discussing this matter in September the Board agreed to review and to report this system risk, with potential LHCH implications, at this level of narrative Board reporting.

- iii) In addition there remain three residual risk scores that continue to track above the agreed risk appetite tolerance. The delivery of planned activity, performance activity and backlog recovery (BAF 2), the 5-year capital programme (BAF 3) and digital transformation and service delivery resilience (BAF 9) remain above appetite as in previous months. It should be noted that the BAF 3 risk is mitigated in year (2024/25) 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. BAF 9 is also multifactorial and subject to review by the Audit Committee given these characteristics and the potential impact on key controls which may impact on areas under the remit of this committee.
- iv) The Board will note and be aware that in addition to regular reviews of the BAF, the Trust's risk appetite, per risk domain, was undertaken and signed off on 30th April.
- v) Following a discussion at the Audit Committee and further discussions led by the Audit Chair it has been proposed (and is reflected in this report) that LHCH adopt MIAA assurance descriptions and definitions for use within the BAF, as follows

Level of Assurance	Description
High	There is a strong system of internal control which has been effectively designed to meet the system objectives, and that controls are consistently applied in all areas reviewed.
Substantial	There is a good system of internal control designed to meet the system objectives, and that controls are generally being applied consistently
Moderate	There is an adequate system of internal control, however, in some areas weaknesses in design and/or inconsistent application of controls puts the achievement of some aspects of the system objectives at risk.
Limited	There is a compromised system of internal control as weaknesses in the design and/or inconsistent application of controls puts the achievement of the system objectives at risk.
No	There is an inadequate system of internal control as weaknesses in control, and/or consistent non- compliance with controls could/has resulted in failure to achieve the system objectives.

- vi) Actions are progressing across all risks.

The Board is asked to review the updated 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.

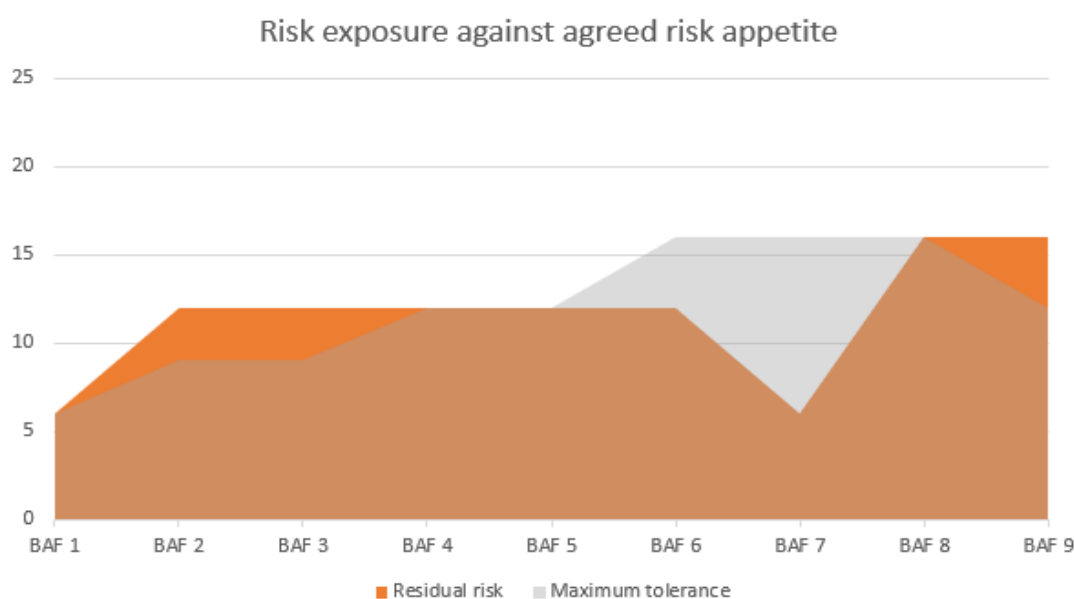
Principal Risk	Strategic Objective						
	Risk Score (I x L)	World Class Care	Advancing Quality & Innovation	Increasing Value	Developing People	Leading through Collaboration	Population Health
	Movement						
BAF1. Failure to maintain safety and quality and avoid harm would result in poorer patient & family experience	3x2=6 ↔						
BAF2. 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.	4x3=12 ↔						
BAF3. 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	4x3=12 ↔						
BAF4. Challenges in recruiting, developing, retaining and ensuring the wellbeing of a high quality, diverse and inclusive workforce would affect our ability to deliver world class care	4x3=12 ↔						
BAF5. Failure to deliver financial plans and changes in the funding regime could impact sustainability for the Trust and system partners	3x4=12 ↔						
BAF6. Inability to delivery the Research and Innovation agenda to exploit future opportunities	3x4=12 ↔						
BAF7. Failure to be recognized as an Anchor Institution , demonstrating social value, sustainable green strategy and contribution to population health may increase costs in the	2x3=6 ↑						

longer term and disappoint public, staff and regulatory expectations							
BAF8. System architecture 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.	4x4=16 ↑						
BAF9. Failure to ensure strong digital transformation and IT service resilience could erode LHCH's position as a world-class provider of specialist care delivering services for patient needs	4x4=16 ↑						
Indicative risk exposure by Strategic Objective		High	High	High	High	High	High

The table above reflects an evolving overall consistent position in risk exposure to strategic objectives from the last reporting period.

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.

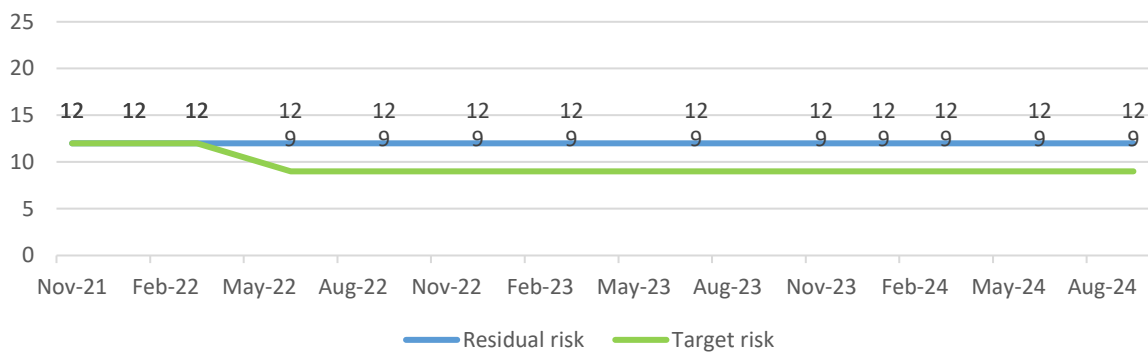


The Trust is currently managing 6 out of 9 principal risks within the Trust's agreed risk appetite. The following tables provides a summary for the principal risks that exceeds the agreed risk appetite level.

Operational Effectiveness				
Risk appetite: 9				
Principal Risk	Residual risk level	Assurance level	Matters arising	Target risk level
BAF2 Inability to deliver annual planning activity and performance targets could result in poorer patient outcomes, inability to address the	12	Acceptable	Key actions in progress: • Strong performance against regional and national targets. Ongoing challenges for surgical long waiters and cancer diagnostics with	9

backlog of patients waiting and result in financial consequences to the Trust.			action plans in place to progress. Annual plan implementation for 2024/25 progressing. <ul style="list-style-type: none"> • Waiting lists continue to be clinically prioritised for long waiters and urgent patients. Interdependencies of digital projects being reviewed. Quarterly updates to Operational Board.. 	
Executive Risk Lead: Jonathan Mathews, Chief Operating Officer				

BAF 2 Residual risk v target risk

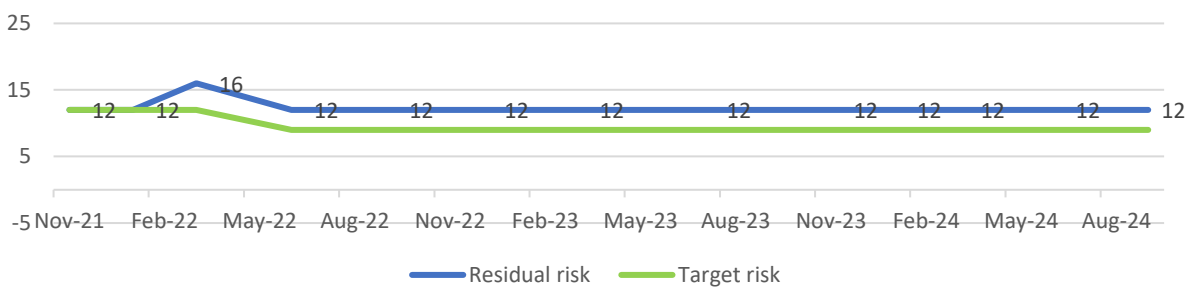


Operational Effectiveness

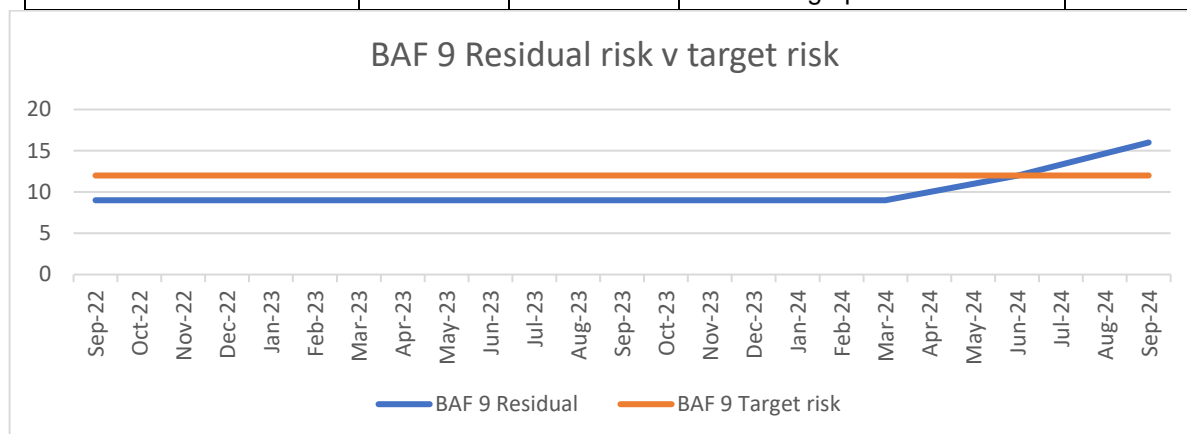
Risk appetite: 9

Principal Risk	Residual risk level	Assurance level	Matters arising	Target risk level
BAF3 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 Executive Risk Lead: James Thomson, Chief Finance Officer	12	Acceptable	Key actions in progress: <ul style="list-style-type: none"> • Ongoing engagement with the ICS on the allocations and risk based prioritisation for future years. • Early notification received of initial 2024/25 allocation and discussions continue with ICB. 	9

BAF 3 Residual risk v target risk



Digital Risk appetite: 12				
Principal Risk	Residual risk level	Assurance level	Matters arising	Target risk level
BAF9 Failure to ensure strong digital transformation and IT service resilience could erode LHCH's position as a world-class provider of specialist care delivering services for patient needs Executive Risk Lead: Sarah Barr, Chief Digital & Information Officer	16	Partial	Key actions in progress: <ul style="list-style-type: none"> Digital Excellence Strategy refresh in 2024/25. Refreshed iDigital Partnership Board and contractual arrangements supporting BAU governance. Actions in relation to retention and talent management in place. Staff turnover is within Trust target. Further review on vacancies and turnover planned Progress continues with regards to cyber priorities and defences. A review of infrastructure and planned accreditations in progress. Data analytics and BI plan approved by DEC with regular highlight reporting. Review of internal governance with wider Trust governance to manage prioritisation. 	12



5. Recommendations

The Board is asked to review the BAF in respect of:

- the principal risks and the circumstances that give rise to the risks (causes) and the likely consequences;
- 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 **noting** the enhancements made to descriptions and definitions of assurance statements contained within the BAF.