

## Board of Directors Item 5.2

**Subject:** Board Assurance Framework (Q4 update covering Q3)  
**Date of Meeting:** 25<sup>th</sup> March 2025  
**Presented by:** Ben Vinter, Director of Risk and Corporate Governance  
**Purpose of Report:** For Approval

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

<b>Level of Assurance (please tick)</b> To be used to provide the Board / Committee with a guide on the extent of assurance and evidence of assurance provided within the report		<input checked="" type="checkbox"/>
<b>Level of Assurance</b>	<b>Description</b>	
<b>High</b>	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.	<input type="checkbox"/>
<b>Substantial</b>	There is a good system of internal control designed to meet the system objectives, and that controls are generally being applied consistently.	<input checked="" type="checkbox"/>
<b>Moderate</b>	There is an adequate system of internal control, however, in some areas weakness in design and/or inconsistent application of controls puts the achievement and some aspects of the system objectives at risk.	<input type="checkbox"/>
<b>Limited</b>	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.	<input type="checkbox"/>
<b>No</b>	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.	<input type="checkbox"/>

## 1. Executive Summary

The Executive Team have undertaken a periodic review and update of the Board Assurance Framework (BAF). This follows and supplements a full Board review of the BAF and proposed Trust objectives for 2025/6 which it is envisaged will become operation from April 2025. The outputs of the executive, in year, review and any movement over the last period are summarised as follows:

- i) During the last reporting period and since the last Board meeting there has been no increase in the residual risk scores on the BAF.
- ii) A dynamic and live risk review of BAF 5 (ability to deliver 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 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, in year, 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 previous reporting cycles 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 an independent review given these characteristics and the potential impact on key controls.
- 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 for this financial year in 30<sup>th</sup> April 2024. A comparable review looking toward 2025/6 was undertaken in February 2025 and is appended to this report for consideration by the Board
- v) 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.

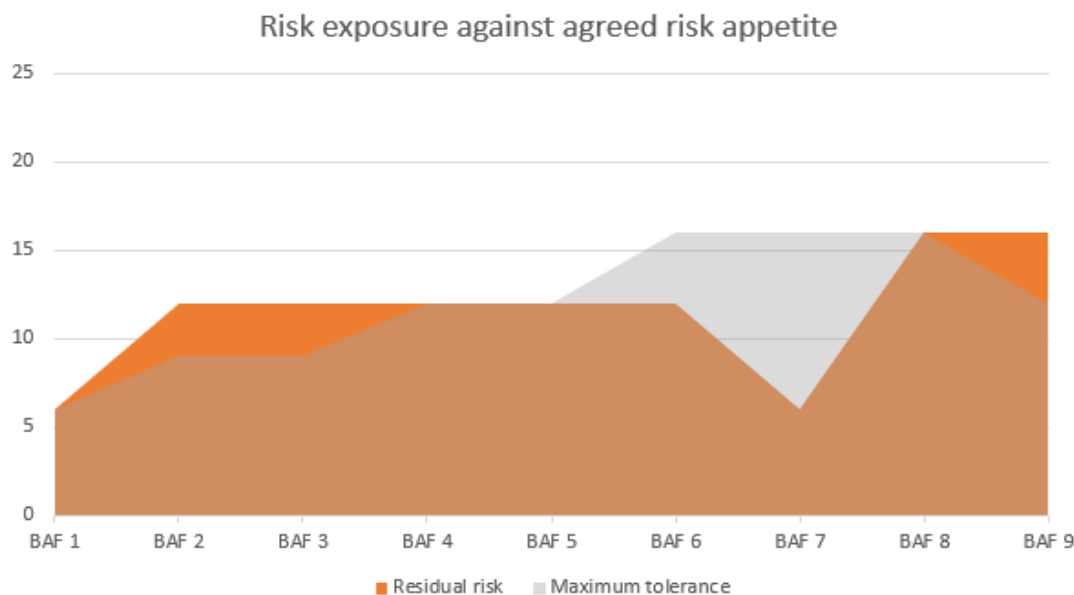
Principal Risk	Strategic Objective						
	Risk Score (I x L)	World Class Care	Advancing Quality & Innovation	Increasing Value	Developing People	Leading through Collaboration	Population Health
	Movement						
<b>BAF1.</b> Failure to maintain <b>safety and quality</b> and avoid harm would result in poorer patient & family experience	3x2=6 ↔						
<b>BAF2.</b> Inability to 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 ↔						
<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> 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 ↔						
<b>BAF5.</b> Failure to deliver <b>financial plans</b> and changes in the funding regime could impact sustainability for the Trust and system partners	3x4=12 ↔						
<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	2x3=6 ↔						
<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.	4x4=16 ↔						

<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	4x4=16 ↔						
<b>Indicative risk exposure by Strategic Objective</b>		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. This reported position also includes an unchanged description for BAF9 until any changes are considered by the Board.

#### 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.

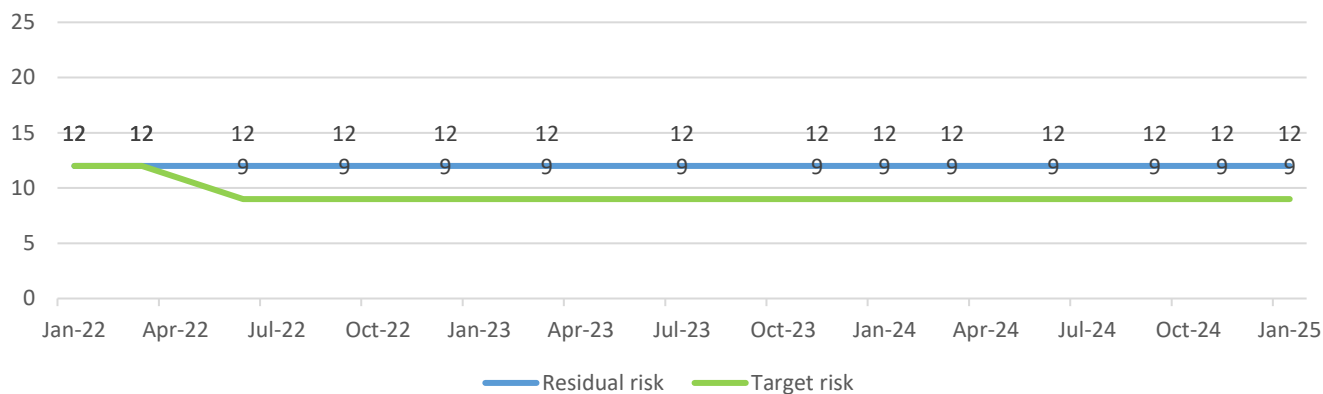


The Trust is currently managing 6 out of 9 principal risks within the Trust's agreed risk appetite. The following tables provides a summary for the principal risks that exceeds the agreed risk appetite level.

<b>Operational Effectiveness</b>				
<b>Risk appetite: 9</b>				
<b>Principal Risk</b>	<b>Residual risk level</b>	<b>Assurance level</b>	<b>Matters arising</b>	<b>Target risk level</b>
<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.	12	Acceptable	<b>Key actions in progress:</b> <ul style="list-style-type: none"> <li>Strong performance against regional and national targets. Ongoing challenges for surgical long waiters and cancer diagnostics with action plans in place to progress. Annual plan implementation for 2025/26 started in November, subject to national guidance.</li> </ul>	9

<b>Executive Risk Lead:</b> Jonathan Mathews, Chief Operating Officer			• Trust and Divisional plans to be developed as part of annual planning.	
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BAF 2 Residual risk v target risk

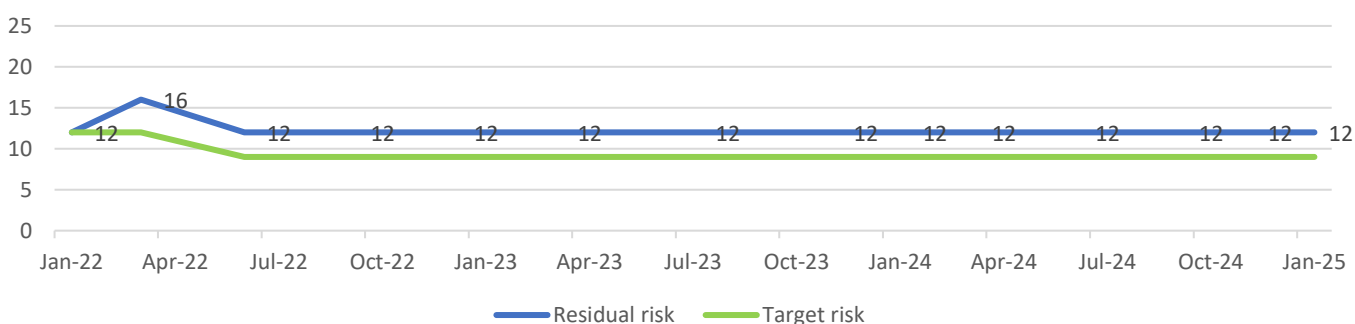


### Operational Effectiveness

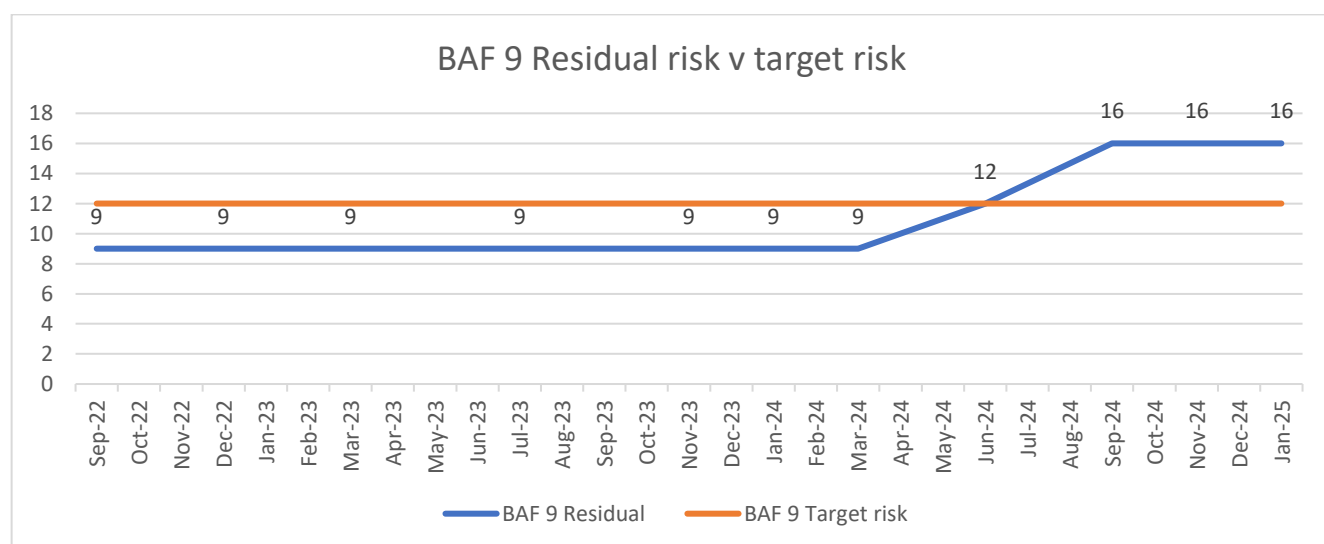
Risk appetite: 9

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 and deliver an Estates Strategy that supports the provision of outstanding services  <b>Executive Risk Lead:</b> James Thomson, Chief Finance Officer	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> <li>Early notification received of initial 2024/25 allocation and discussions continue with ICB.</li> </ul>	9

BAF 3 Residual risk v target risk



Digital Risk appetite: 12				
Principal Risk	Residual risk level	Assurance level	Matters arising	Target risk level
<p><b>BAF9</b> Failure to ensure sufficient development and adoption of digitisation across the Trust, combined with increasing cyber threats, could constrain service improvements, reduce patient benefits, and result in major security breaches that disable the Trust's systems and lead to significant data loss.</p> <p>Executive Risk Lead: Sarah Barr, Chief Digital &amp; Information Officer</p> <ul style="list-style-type: none"> <li>The reported position includes an unchanged description for BAF9 until any changes are considered by the Board.</li> </ul>	16	Partial	<p><b>Key actions in progress:</b></p> <ul style="list-style-type: none"> <li>Review of programme portfolio and strategic ambition to be undertaken in line with LAASP</li> <li>Review of data and analytics priorities</li> <li>Review of IG/Cyber priorities</li> <li>Staffing plan in place post April 25</li> <li>Review of requirements in line with LAASP, C&amp;M Digital and data strategy and National requirements</li> <li>Development of DMA plans for 2025 submission</li> <li>Achievement of cyber essential plus external accreditation. Review of internal governance to manage Security posture.</li> </ul>	12



## 5. Recommendations

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
- e) note the relevant annex summarising the actions taken forward by the executive on behalf of the Board following its deliberations on risk appetite for 2025/6

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.