

## Board of Directors (in Public) Item 4.2

**Subject:** Board Assurance Framework 2025/26  
**Date of Meeting:** 23<sup>rd</sup> September 2025  
**Presented by:** Ben Vinter, Director of Risk and Corporate Governance  
**Purpose of Report:** For Approval

BAF Ref	Impact on BAF
All	Assurance that the BAF is actively managed and reviewed on a cyclical basis by executive leads and reflects delivery against objectives for 2025/26.

<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"/>
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.	<input type="checkbox"/>
Substantial	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"/>
Moderate	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"/>
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.	<input type="checkbox"/>
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.	<input type="checkbox"/>

### 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 Board Assurance Framework (BAF) has been fully reviewed with risks, controls and actions updated where appropriate to reflect impacts and mitigations on the strategic objectives for 2025/26 in the current period.

It is important to note that Trust delivery and performance remains significantly influenced and impacted by the operating environment and external factors: for example, the C&M system is subject to intervention given its financial performance. Associated actions, mitigations and controls arising from this system context, may further inhibit Trust action, activity or intentions in ways that are not yet known or possible to anticipate. Similarly our divisions are being asked to do more with less, such scenarios increase risk and the nature of a compounded risk effect on objectives, This makes the Trust's use and reliance on a Board Assurance Framework especially challenging.

Nevertheless three 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 these objectives are especially affected by external factors which are not fully within the Trust's control but we continue to take actions to reduce the risks).

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, or change, in the residual risk scores on the BAF.
- ii) 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) notwithstanding an increase in risk appetite set by the Board in this area for the year, failure to deliver financial plans (BAF 5) and digital transformation and service delivery resilience (BAF 9). BAF 9 is also multifactorial and subject to an independent review given these characteristics and the potential impact on key controls.
- iii) 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

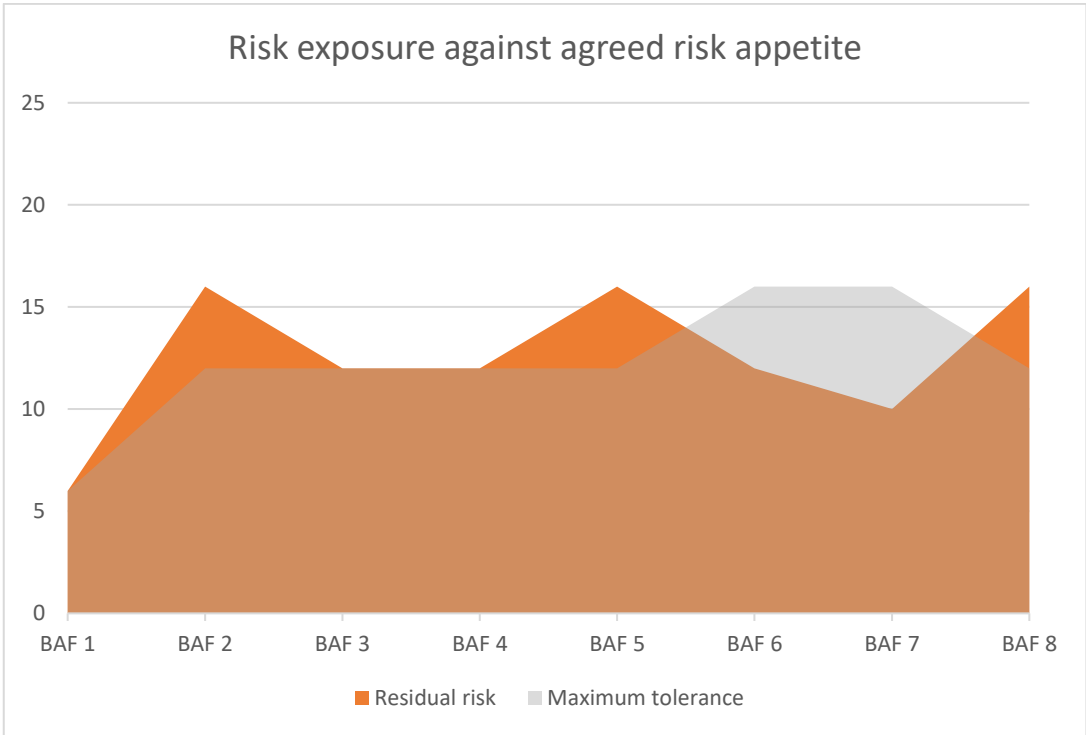
assurances received. The indicative risk exposure for each strategic objective reflects the highest scoring risk impacting on the objective.

Strategic Objective							
Principal Risk	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.	4x4=16 ↔						
<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	4x4=16 ↔						
<b>BAF6.</b> Inability to delivery the <b>Research and Innovation</b> agenda to exploit future opportunities	3x4=12 ↔						
<b>BAF7. System architecture</b> - System working and provider landscape changes may present challenges in ensuring heart and lung care is clinically led and optimised in the best way for patients through Liverpool and with priorities aligned to system partners across Cheshire & Merseyside and beyond.	4x2=10 ↔						
<b>BAF8.</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 a 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 5 out of 8 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>BAF 2 Inability to deliver 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>Risk score: 16</b> <b>Risk Appetite: 12</b>
The risk appetite for the theme of operational excellence was increased to maximum score of 12 at the end of 2024/5 in view of the planning environment and the impact on operating context. The risk was above the maximum risk tolerance score across 2024/25 and this remains the case despite an increase in risk appetite given the referred to operating environment. Nevertheless the board considered that there are strong keys 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 Trust is committed to reducing the residual risk albeit within the challenges of capacity, demand and staffing.	

<b>BAF 5</b> Failure to deliver financial plans and changes in the funding regime and commissioning landscape could impact sustainability for the Trust and system partners	<b>Risk score: 16</b> <b>Risk Appetite: 12</b>
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The risk appetite for the theme of finance remained constant through 2024/25 and going into 2025/6. Whilst this risk appetite is felt to be accurate the current scoring is in response to the planning environment and stretch being placed upon the organisation. It is expected, over time, that the extent of controls and mitigation will reduce the residual score. There are strong keys controls and assurances in place within the Trust to mitigate this risk which will be strengthened as processes are enhanced and productivity and efficiency schemes are identified. The risk appetite remains appropriate given the importance of system and organisational financial performance.

<b>BAF 8</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.	<b>Risk score: 16</b> <b>Risk Appetite: 12</b>
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The risk appetite for the theme of digital remained constant during 2024/25 and into 2025/6. Whilst this risk has continued to be above maximum risk tolerance score for the second half of 2024/25, there are developing controls and stronger assurances in place within the Trust to increasingly mitigate this risk. The main challenges relate to an identified and required investment trajectory which has now been planned but requires time to be implemented. iDigital disaggregation has been undertaken which provides a clearer way forward supporting integration with UHLG and across LAASP.

## 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;
- 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.