

Board Assurance Framework – Standard Operating Procedure

Purpose of the Board Assurance Framework

The term 'Board Assurance Framework' (BAF) is used to refer to a document that brings together in one place all of the relevant information on the risks relating to the Board's Strategic Objectives. This is one element of a suite of mechanisms which the Board uses to assure itself that it is delivering against its strategic objectives including the Integrated Performance Report, the outcomes of Go See Visits¹, 'Alert, Advise and Assure' (Triple A) escalation reports from Committees and deep dives into specific areas of the business of the Trust.

The effective application of board assurance arrangements to produce and maintain a BAF, help management and the Board to jointly consider the process of securing assurance using a formal process that promotes good organisational governance and accountability. The specific benefits include:

- Gaining a clear and complete understanding of the risks faced by the organisation in the pursuit of its strategic objectives, the types of assurance currently obtained, and consideration as to whether they are effective and efficient;
- Identifying areas where assurance activities are not present, or are insufficient for their needs (assurance gaps);
- Identifying areas where assurance is duplicated, or is disproportionate to the risk of the activity being undertaken (i.e. there is scope for efficiency gains, reduction of duplication of effort and/or a freeing up of resource);
- Identifying areas where existing controls are failing and as a consequence the risks that are more likely to occur;
- The ability to better focus existing assurance resources; and
- Providing an evidence base to assist the organisation in the preparation of its annual governance statement.

Where the Board is of the view that there is strong assurance in place, the BAF allows the Board and its Committees to take a view on the controls in place to mitigate the risks, their appropriateness and effectiveness.

¹ See separate Go See Framework for details of what this encompasses

This document sets out:

1. The structure of the BAF document
2. The process for reviewing and updating the document, including the links to the operational risk register
3. The annual process for updating the Strategic Objectives to be considered within the BAF

1. The Structure of the Board Assurance Framework Document

The Board Assurance Framework (BAF) consists of two sections – a front sheet and a detailed review of the Strategic Objectives. The BAF template can be found as Appendix A to this procedure.

The front sheet details:

The in-year Strategic Objectives, aligned to the overarching Strategic Priorities of the Trust, and for each Strategic Objective;

- the key risks associated with the objective;
- the Risk Appetite for each risk;²
- the initial risk score, current risk score and target risk score for that risk – the initial risk score and target risk score will remain static for as long as the risk is 'live'. The current risk score is updated to reflect changes in the risk environment and improved controls
- the Lead Executive responsible for owning the mitigation of each risk and delivery of the Strategic Objective³; and
- the Lead Committee³ responsible for overseeing progress in delivering the Strategic Objectives.

The front sheet also allows the risk score to be tracked over time to allow Committees / Board to assure itself that the mitigation of the risk is having an impact.

Detailed review of Strategic Objective details

For each Strategic Objective, the following information is provided:

- A **description** of the main risks to achieving that objective – i.e. *what* are the things that might potentially impact on the Trust's ability to deliver its objectives;
- The **cause** of the risk - this is a description of *why* something could go wrong;
- The **impact** of the risk – this is the *consequence* should the risk occur;

² The Trust has an annual process for reviewing its Risk Appetite which is described in the Risk Management Strategy

³ Whilst a Lead Executive / Lead Committee is nominated as responsible for driving and overseeing activity, it is recognised that the work of implementing controls and assurance will potentially encompass a spectrum of activity across multiple Director / Committee portfolios and so Directors are required to work together to understand the detail and commission activity to address gaps.

- The **controls** in place to manage the risk – these are the *actions* that are in place to reduce or eliminate the risks;
- The **gaps in controls** – this is a description of *actions that have not been taken*, or where systems / processes are not in place to manage the risk;
- The **sources of assurance** that the risk is being managed – these are the *mechanisms we have in place to test the controls* are effective and are described in three levels:
 - o Level 1 – operational oversight: the way risks are managed day to day. The assurance comes directly from those responsible for delivering specific objectives and processes.
 - o Level 2 – Board / Committee oversight: the way in which the organisation oversees the control framework so that it operates effectively. The assurance provided at Committee / Board level is separate from those responsible for operational delivery, but not independent of the management chain such as risk or compliance functions.
 - o Level 3 – sources of external (independent) oversight / scrutiny: objective and independent assurance (eg internal audit) or assurance from external independent bodies (eg CQC or external auditors);
- The **gaps in assurance** against each level of assurance – this is where *we do not have the oversight / testing mechanisms in place* to give us the assurance needed to have confidence that risks are being addressed;
- The **mitigating actions** to address gaps in control or assurance – these are the additional *actions we need to take, or mechanisms we need to put in place* to address any gaps we have identified;
- The **ambition** relating to the Strategic Objective – this reiterates *what the objective is trying to achieve*, aligned to the Risk Appetite of the Trust;
- The **linked operational risks** and **comments on management of linked risks** – this allows the Board / Committees to understand *the operational risks which are influencing the strategic risk* described in the BAF and how assured we are that they are being appropriately controlled and managed.

2. The Process for Reviewing and Updating the BAF

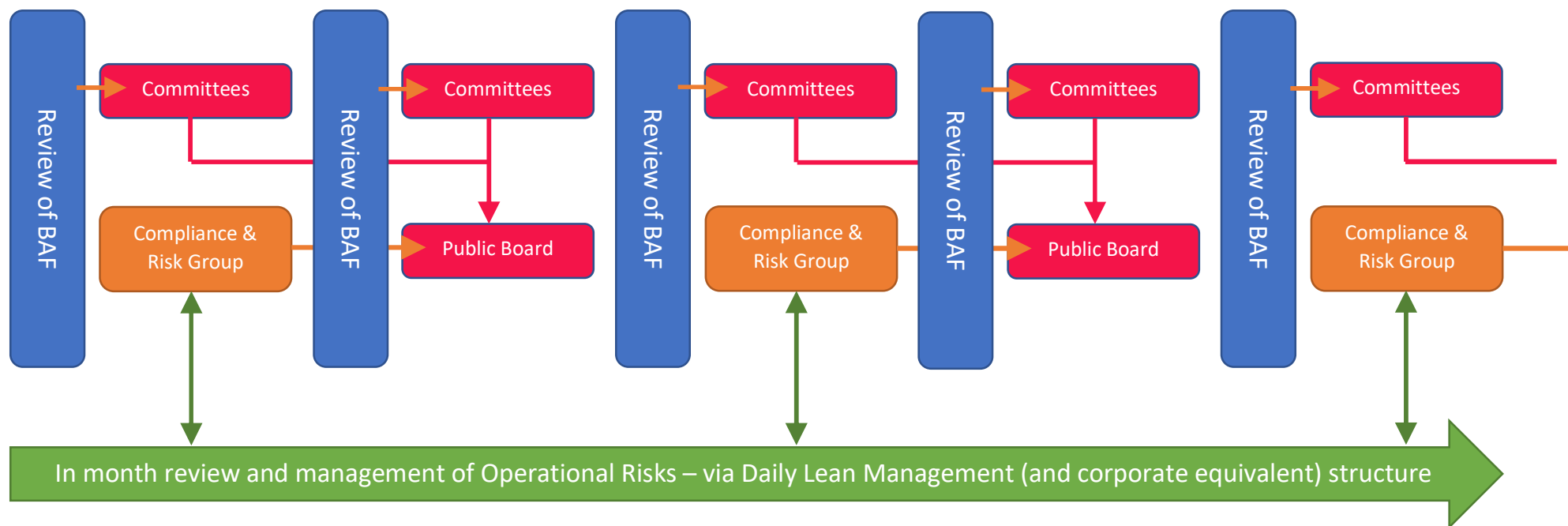
As a formal governance document, the BAF is reviewed and updated by each Strategic Objective Lead Executive on a monthly basis. The review should take into account:

- Any changes in the operating environment that might impact on the likelihood or impact of the risk (links to the operational risks);

- A review of existing controls and assurance mechanisms to identify if they are still in place and remain fit for purpose – and therefore if any additional gaps are identified;
- Updates of any actions to address gaps in controls or assurance.

The process for the review of the BAF and how this links to the process of oversight of the Operational Risk Register is described in the following diagram.

The process of reviewing the BAF, aligned to oversight of the Operational Risk Register



A key link between the organisational risk register and BAF is via the Compliance and Risk Group. The purpose of this group in relation to organisational risks is to provide oversight of the management of operational risks across the Trust, including reviewing all risks with an initial or in month score of 15 or above, where this has not yet been mitigated down to the agreed target score.

The discussion at this meeting informs the Lead Executive BAF review, highlighting key operational risks and their current mitigation.

3. Annual Process of Reviewing the Strategic Objectives

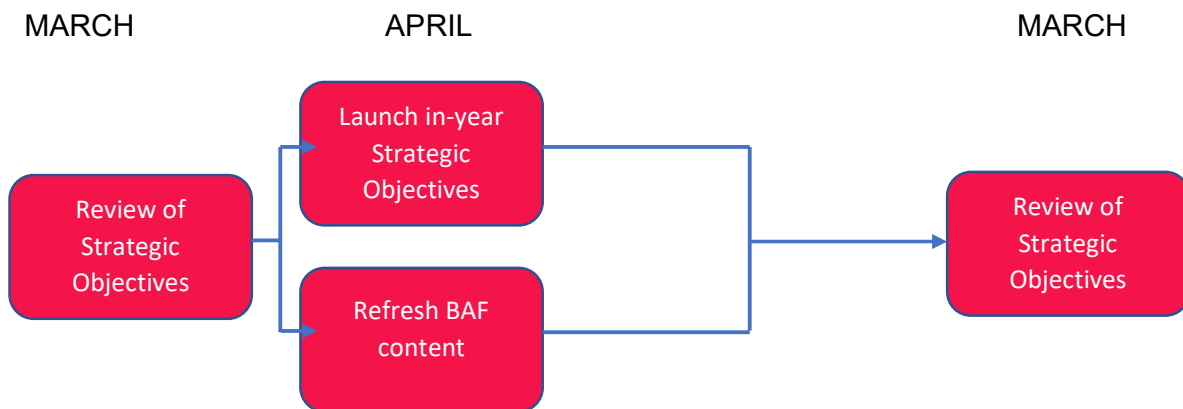
The Trust's 5-year Strategic Priorities are described in its Strategy document – **better lives, together**⁴. The priorities described within this document are:

1. Best Place to Work
2. Best Quality Care
3. Seamless Access
4. Healthy as Possible

The BAF contains the in-year Strategic Objectives which support delivery of the 5-year Strategic Priorities. At the start of each financial year the in-year objectives, set by the Chief Executive, are reviewed and refreshed. At the end of each year, the Trust Board should formally review the progress made in delivering the objectives, cognisant of the ability of the Trust to mitigate the key risks described within the BAF.

Where the BAF review takes place in the context of a review of the Trust's overall Strategy, the Priorities and Objectives held within the BAF will be reviewed in light of any changes to the overall Strategy.

This process is shown below:



The Audit Committee has a key role in overseeing this process as part of its responsibility in overseeing the overall system of risk management for the Trust.

⁴ better lives, together describes the Strategic Priorities of the Trust for 2019- 2024

Appendix A: Board Assurance Framework Summary

Strategic objective		Key risk to achieving the objective				Risk Appetite	Initial Risk Score	Current Risk Score 29/4/21	Target Risk Score	Lead Committee	Lead Executive
STRATEGIC PRIORITY: BEST PLACE TO WORK											
M-12	M-11	M-10	M-9	M-8	M-7	M-6	M-5	M-4	M-3	M-2	Last month
M-12	M-11	M-10	M-9	M-8	M-7	M-6	M-5	M-4	M-3	M-2	Last month
STRATEGIC PRIORITY: HEALTHY AS POSSIBLE											
M-12	M-11	M-10	M-9	M-8	M-7	M-6	M-5	M-4	M-3	M-2	Last month
STRATEGIC PRIORITY: BEST QUALITY CARE											
M-12	M-11	M-10	M-9	M-8	M-7	M-6	M-5	M-4	M-3	M-2	Last month
STRATEGIC PRIORITY: SEAMLESS ACCESS											
M-12	M-11	M-10	M-9	M-8	M-7	M-6	M-5	M-4	M-3	M-2	Last month

Strategic Priority: Best Quality Care		Strategic Objective 1:		Lead Committee: Executive Lead:			
Risk to Objective	Risk 1:			Initial risk	Current	Target	
	Cause of Risk			Impact / consequence of risk			
Management of Risk	What controls are in place to manage the risk?			What gaps in controls are there?			
Assurance of effectiveness of controls	Sources of Assurance			Gaps in Assurance			
	Level 1: Operational oversight						
	Level 2: Reports / metrics overseen						

Mitigating Actions to address gaps in control and assurance	by Board / Committee		
	Level 3: Sources of external oversight / scrutiny		
	Actions	Progress	

Ambition:						
	0 – None	1 – Minimal	2 – Cautious	3 – Open	4 – Seek	5 - Significant
Quality	We have no appetite for decisions that may have an uncertain impact on quality outcomes.	We will avoid anything that may impact on quality outcomes unless absolutely essential. We will avoid innovation unless established and proven to be effective in a variety of settings.	We prefer risk avoidance. But, if necessary, we will take decisions on quality where there is a low degree of inherent risk and the possibility of improved outcomes, and appropriate controls are in place.	We are prepared to accept the possibility of a short-term impact on quality outcomes with potential for longer-term rewards. We support innovation.	We will pursue innovation wherever appropriate. We are willing to take decisions on quality where there may be higher inherent risks but the potential for significant longer-term gains.	We seek to lead the way and will prioritize new innovations, even in emerging fields. We consistently challenge current working practices in order to drive quality improvement.
Reputation	We have no appetite for decisions that could lead to additional scrutiny or attention on the organisation.	Our appetite for risk taking is limited to those events where there is no chance of significant repercussions.	We are prepared to accept the possibility of limited reputational risk if appropriate controls are in place to limit any fallout.	We are prepared to accept the possibility of some reputational risk as long as there is the potential for improved outcomes for our stakeholders.	We are willing to take decisions that are likely to bring scrutiny of the organisation. We outwardly promote new ideas and innovations where potential benefits outweigh the risks.	We are comfortable taking decisions that may expose us to significant scrutiny or criticism as long as there is a commensurate opportunity for improved outcomes
People	We have no appetite for decisions that could have a negative impact on our workforce development,	We will avoid all risks relating to our workforce unless absolutely essential. Innovative approaches to recruitment and retention are	We are prepared to take limited risks with regards to our workforce. Where attempting to innovate, we would seek to understand	We are prepared to accept the possibility of some workforce risk, as a direct result from innovation as long as there is the potential for	We will pursue workforce innovation. We are willing to take risks which may have implications for our workforce but could improve their skills	We seek to lead the way in terms of workforce innovation. We accept that innovation can be disruptive and are happy to

	recruitment / retention. Sustainability is our primary interest.	not a priority and will only be adopted if established and proven to be effective elsewhere.	where similar actions had been successful elsewhere before taking any decision.	improved recruitment and retention, and developmental opportunities for staff.	/capabilities. We recognise innovation is likely to cause short term disruption with the possibility of long-term gains.	use it as a catalyst to drive a positive change.
Finance	We have no appetite for decisions or actions that may result in financial loss.	We are only willing to accept the possibility of very limited financial risk.	We are prepared to accept the possibility of limited financial risk. However, VFM is our primary concern.	We are prepared to accept some financial risk as long as appropriate controls are in place. We have a holistic understanding of VFM with price not the overriding factor	We will invest for the best possible return and accept the possibility of increased financial risk. SK	We will consistently invest for the best possible return for stakeholders, recognising that the potential for substantial gain outweighs inherent risks.
Regulatory	We have no appetite for decisions that may compromise compliance with statutory, regulatory or policy requirements.	We will avoid any decisions that may result in heightened regulatory challenge unless absolutely essential.	We are prepared to accept the possibility of limited regulatory challenge. We would seek to understand where similar actions had been successful elsewhere before taking any decision.	We are prepared to accept the possibility of some regulatory challenge as long as we can be reasonably confident we would be able to challenge this successfully	We are willing to take decisions that will likely result in regulatory intervention if we can justify these and where the potential benefits outweigh the risks. SK	We are comfortable challenging regulatory practice. We have a significant appetite for challenging the status quo in order to improve outcomes for stakeholders.

Linked Operational Risks	Comments on management of linked risks