

To:	Trust Board
From:	Medical Director
Date:	27 th April 2018

Title:	Board Assurance Framework (BAF) & Strategic Risk Report						
Responsible Director: Dr Neill Hepburn, Medical Director							
Author: Paul White, Risk Manager							
Purpose of the Report:							
The purpose of this report is to enable the Trust Board to:							
<ul style="list-style-type: none"> Consider a proposed new Board Assurance Framework (BAF) for 2018/19, including redefined strategic risks that are aligned with the Trust's new strategic objectives and linked to the corporate risk register 							
The Report is provided to the Board for:							
<table border="1"> <tr> <td>Decision</td> <td>✓</td> </tr> </table>		Decision	✓	<table border="1"> <tr> <td>Discussion</td> <td></td> </tr> </table>		Discussion	
Decision	✓						
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<table border="1"> <tr> <td>Assurance</td> <td></td> </tr> </table>		Assurance		<table border="1"> <tr> <td>Information</td> <td></td> </tr> </table>		Information	
Assurance							
Information							
Summary/Key Points:							
<ul style="list-style-type: none"> This report proposes to the Trust Board a new BAF for 2018/19, with revised strategic risk definitions that are aligned with the Trust's new strategic objectives and linked to the corporate risk register to enable appropriate escalation and delegation of significant risks The BAF is presented in a completely new format, incorporating some important new elements including: <ul style="list-style-type: none"> A direct link between strategic risks and the corporate risk register (which is in turn directly linked to corresponding operational risks that make up directorate risk registers) a statement of risk appetite for each area of corporate risk; the identification and use of Key Risk Indicators (KRIs) as evidence of the level of risk; an active role for assurance committees in rating the level of assurance they can provide to the Board in relation to each area of corporate risk; and the inclusion of internal audit within a '3 lines of defence' assurance model The new strategic risk register will form the top layer of a comprehensive risk framework encompassing strategic, corporate and operational risk registers covering the full range of the Trust's objectives, that will be defined in a new Trust Risk Management Strategy The proposed changes to the BAF structure and management processes address recommendations made in a recent internal audit report 							

<p>Recommendations</p> <p>That the Trust Board:</p> <ol style="list-style-type: none"> 1. Considers the definition of strategic risks presented within the draft BAF and reaches a decision as to whether or not they should be amended or added to in order to create a comprehensive strategic risk register 2. Considers the new format of the BAF and the associated management process as described, and decides whether or not it is fit for purpose as a key component of the Trust's internal control environment (the Board are advised that the Audit Committee is due to consider this aspect of the BAF at its next meeting on 30th April) 	
<p>Strategic Risk Register</p> <p>This report presents a revised strategic risk register to the Trust Board for consideration.</p>	<p>Performance KPIs year to date</p> <p>Appropriate KPIs for risk management will be developed and incorporated within the current review of the Risk Management Policy (which is due to be presented for approval to the next meeting of the Audit Committee).</p>
<p>Assurance Implications</p> <p>The management process described within the proposed BAF is designed to enable the Trust Board's assurance committees to consider evidence provided by members of the executive team and determine the level of assurance that it is able to provide to the Board in relation to each area of corporate risk linked to the strategic risk register.</p>	
<p>Patient and Public Involvement (PPI) Implications</p> <p>The effectiveness of the Trust's risk and corporate governance arrangements is reported through the Annual Governance Statement (AGS) and is included in the opinion of both internal and external audit. As such, it may influence the degree of confidence that patients and members of the public have in the Trust.</p>	
<p>Equality Impact</p> <p>The Trust's Risk Management Policy has been assessed for equality impact and no issues were identified.</p>	
<p>Information exempt from Disclosure – No</p>	
<p>Requirement for further review? No</p>	

1. Purpose of the Report

1.1 The purpose of this report is to enable the Trust Board to:

- Consider a proposed new Board Assurance Framework (BAF) for 2018/19, including redefined strategic risks that are aligned with the Trust's new strategic objectives and linked to the corporate risk register

2. Recommendations

2.1 That the Trust Board:

1. Considers the definition of strategic risks presented within the draft BAF and reaches a decision as to whether or not they should be amended or added to in order to create a comprehensive strategic risk register
2. Considers the new format of the BAF and the associated management process as described, and decides whether or not it is fit for purpose as a key component of the Trust's internal control environment (the Board are advised that the Audit Committee is due to consider this aspect of the BAF at its next meeting on 30th April)

3. Reasons for Recommendations

3.1 These recommendations are made to the Trust Board for the following reasons:

1. Strategic risks within the proposed BAF for 2018/19 have been redefined, aligned with the objectives of the Trust's 2021 Strategy and linked to the corporate risk register
2. The proposed format and management process for the Trust's 2018/18 BAF is significantly different from the current version, taking account of feedback from members of the Trust Board and advice from Northumbria Healthcare NHS Foundation Trust as well as recommendations made in a recent internal audit report

4. Summary of Key Points

The Board Assurance Framework (BAF)

- 4.1 The BAF is an important document that enables the Trust Board to maintain effective oversight of strategic risk management with the organisation. The Trust Board identifies and defines strategic risks to its objectives and assigns each of those risks to a lead non-executive assurance committee for routine review and evaluation.
- 4.2 The role of the lead assurance committee is to consider evidence provided by members of the Executive Team in relation to relevant corporate risks, to enable the committee to make an informed judgement as to the level of assurance that can be provided to the Trust Board and assess the overall extent of strategic risk exposure at that time.
- 4.3 The role of the Audit Committee is to consider the appropriateness and effectiveness of the BAF as a key component of the Trust's internal control arrangements.
- 4.4 Following feedback from members of the Trust Board, and with support from Northumbria Healthcare NHS Foundation Trust, the structure and format of the BAF have been redesigned (based on a model developed at Sherwood Forest Hospitals NHS Foundation Trust) and the management process clarified. The aim of this revision has been to provide the Board with a clearly defined strategic risk register that is supported by an efficient and effective process that links the management of risk at all levels with an understanding of performance information and the utilisation of internal audit as a source of assurance.

- 4.5 The proposed strategic risk register that has been used to populate the draft BAF for 2018/19 includes the following strategic risks each assigned to a lead assurance committee:

Ref	Strategic risk title	Lead assurance committee
SR1	Standards of safety & quality of care	Quality Governance
SR2	Public, regulator & commissioner confidence	Quality Governance
SR3	Overwhelming demand	FSID
SR4	Financial sustainability	FSID
SR5	Infrastructure & supply chain failure	FSID
SR6	Workforce capacity & capability	Workforce & OD
SR7	Workforce culture	Workforce & OD

- 4.6 A copy of the draft BAF 2018/19 is attached to this report as **Appendix I**. The Trust Board is invited to consider the definition of these strategic risks and reach a decision as to whether or not they should be amended or added to in order to create a comprehensive strategic risk register.
- 4.7 Each strategic risk has an inherent Severity rating of 5, which equates to a catastrophic impact in terms of either harm; service disruption; reputation or finances. The corporate risk register will be comprised of risks with a Severity rating of 4, whilst the operational (directorate) risk register will include those with a severity of 3. The use of this framework approach will facilitate analysis of the risk profile and appropriate escalation or delegation of risks without losing context or perspective. It will also support proactive risk management and assurance reporting by ensuring that well-managed risks remain on the appropriate agenda and are kept under regular review.
- 4.8 Beneath each strategic risk are several key component corporate risks, to enable specific areas of concern to be highlighted to the lead committee where necessary. Work is still taking place to complete the definition of the corporate risk register, although some identified corporate risks have been used to populate the draft BAF and are included in this draft for illustrative purposes.
- 4.9 The third layer of this new risk framework is comprised of corresponding operational risks, which will be managed at directorate level. The standard directorate operational risk register will include the following risks (with only clinical directorate risk registers including patient care risks):

Risk title	Risk type (consequence)
Safety & effectiveness of patient care	Harm
Delayed patient diagnosis or treatment	Harm
Delayed patient discharge or transfer of care	Harm
Health, safety & security of staff, patients and visitors	Harm
Workforce capacity & capability	Service disruption
Availability of essential equipment	Service disruption
Availability of essential information	Service disruption
Access to essential areas of the estate	Service disruption
Confidentiality & integrity of personal information	Reputation
Quality of patient experience	Reputation
Compliance with regulations & standards	Reputation
Exceeding annual budget	Finances

- 4.10 Using this approach the committees of the Trust Board will also be able to direct the work of internal audit, through the Annual Internal Audit Plan, to review and provide assurance on specific areas of concern within the BAF and lead committees will be able to use the results of those audits to inform their review of strategic risks.
- 4.11 Full details of this risk framework and the management processes that support it will be described in a revised Risk Management Strategy, which is due to be presented to the Audit Committee for approval on 30th April, along with a revised Risk Management Policy that clearly defines the requirements for effective risk management throughout the Trust.
- 4.12 The development of this Strategy and Policy will also address the recommendations made by internal audit in recent reports covering Risk Management and the BAF.