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|---|---|--|--|
| <b>TRUST BOARD IN PUBLIC</b>  |   | <b>Date: 26<sup>th</sup> June 2014</b><br><b>Agenda Item: 4.1</b>                    |  |
| <b>REPORT TITLE:</b>  |   | Board Assurance Framework  |  |
| <b>EXECUTIVE SPONSOR:</b>   |   | Gillian Francis-Musanu<br>Director of Corporate Affairs                              |  |
| <b>REPORT AUTHOR:</b>   |   | Colin Pink<br>Corporate Governance Manager   |  |
| <b>REPORT DISCUSSED PREVIOUSLY:</b><br>(name of sub-committee/group & date)   |   | Board Seminar 27 <sup>th</sup> May 2014<br>Executive Team 26 <sup>th</sup> June 2014 |  |
| <b>Action Required:</b>   |   |  |  |
| <b>Approval (√)</b>   | <b>Discussion (√)</b>   | <b>Assurance (√)</b>   |  |
| <b>Summary of Key Issues</b>  |   |  |  |
| <p>The BAF highlights potential risks to the Trust's strategic objectives and mitigating actions at the start of the financial year, and the implementation of its programme of objectives for year one of the five year plan.</p> <p>The Board is asked to discuss and approve the report and consider the following:</p> <ul style="list-style-type: none"> <li>• Confirm and approve the risk appetite for the year 14/15</li> <li>• Does the Board agree with the proposed controls and assurances</li> <li>• Does the Board agree with the proposed risk score and target scores.</li> </ul> <p>The Significant Risk Register details all risks on the Trust risk register system that are recorded as significant and the links to the Board Assurance Framework.</p> |   |  |  |
| <b>Relationship to Trust Strategic Objectives &amp; Assurance Framework:</b>  |   |  |  |
| <b>SO1:</b> Safe -Deliver safe services and be in the top 20% against our peers<br><b>SO2:</b> Effective - Deliver effective and sustainable clinical services within the local health economy<br><b>SO3:</b> Caring – Ensure patients are cared for and feel cared about<br><b>SO4:</b> Responsive – Become the secondary care provider and employer of choice for the catchment populations of Surrey & Sussex<br><b>SO5:</b> Well - led  |   |  |  |
| <b>Corporate Impact Assessment:</b>   |   |  |  |
| <b>Legal and regulatory implications</b>  | The report is a requirement for all NHS organisations.  |  |  |
| <b>Financial implications</b>   | As discussed in sections 5 (Income generation linked to activity referred to throughout the document) |  |  |
| <b>Patient Experience/Engagement</b>  | Patient experience and engagement is one of the Trusts strategic objectives. .                        |  |  |
| <b>Risk &amp; Performance Management</b>  | These are highlighted throughout the report.  |  |  |
| <b>NHS Constitution/Equality &amp; Diversity/Communication</b>  | Discussed throughout the report but with the greatest detail in objective 3.                          |  |  |
| <b>Attachments:</b>   |   |  |  |
| 4.1a June 2014 BAF and 4.1b June 2014 SRR   |   |  |  |

## TRUST BOARD REPORT – 26<sup>th</sup> June 2013 BOARD ASSURANCE FRAMEWORK and SIGNIFICANT RISK REGISTER

### 1. Proposed Risk Appetite for 2014/15

The Board of Directors has developed and agreed the principles of risk that the Trust is prepared to accept, seek and tolerate whilst in the pursuit of its objectives.

The Board actively encourages well-managed and defined risk management, acknowledging that service development, innovation and improvements in quality requires risk taking. This position is based on the expectation that there is a demonstrated capability to anticipate and manage the associated risks as well.

The key following principles further define this stance with an opinion from the Board:

**Quality:** The quality of our services, measured by clinical effectiveness, safety, experience and responsiveness is our core business. We will only put the quality of our services at risk only if, upon consideration, the benefits of the risk improve quality are justifiable and the management controls in place are well defined and practicable. **Target: Green**

**Innovation:** The Trust is highly supportive of service development and innovation and will seek to encourage and support it at all levels with a high degree of earned autonomy. We recognise that innovation is a key enabler of service improvement and drives challenge to current practice. **Target: Amber**

**Well Led:** The Board acknowledges that healthcare and the NHS operates within a highly regulated environment, and that it has to meet high levels of compliance expectations from a large number of regulatory sources. It will endeavour to meet those expectations within a framework of prudent controls, balancing the prospect of risk reduction and elimination against pragmatic operational imperatives. **Target: Green**

**Financial:** The Trust is prepared to invest for return and minimise the possibility of financial loss by managing risk to a tolerable level. The Board will take decisions that may result in an adverse financial performance rating in the face of opportunities that balance safety and quality and are of compelling value and benefit to the organisation. There will be an expectation of aggressive risk reduction strategies and increased scrutiny of mitigating actions. **Target: Amber**

**Reputation:** The board is prepared to take decisions that have the potential to bring scrutiny of the organisation, provided that potential benefits outweigh the risks and by prospectively managing any reputational consequences. **Target: Green**

**Workforce:** The good will of our staff is important to the Trust. Any decision that places at risk staff morale and has the potential to adversely affect any aspect of

the working life of our employees will be balanced very carefully against any potential consequent benefits and will only be considered if the inherent risk is low.  
**Target: Amber/Green**

## 2. Board Assurance Framework

The Board Assurance Framework (BAF) describes the principal risks that relate to the organisation's strategic objectives and priorities.

It is intended to provide assurances to the Board in relation to the management of risks that threaten the ability of the organisation to achieve these objectives. The Trust has identified five main strategic objectives for 2014/15:

- 1) Safe: Deliver safe services and be in the top 20% against our peers
- 2) Effective: Deliver effective and sustainable clinical services within the local health economy
- 3) Caring: Ensure patients are cared for and feel cared about
- 4) Responsive to people's needs: Become the secondary care provider and employer of choice for the catchment populations of Surrey & Sussex
- 5) Well led

These objectives are broken down into specific areas and the BAF details the key risks that the Trust faces to the delivery of these priorities as discussed at the board seminar of the 27<sup>th</sup> May 2014. Each risk details the controls that are in place, the sources and effects of assurance and mitigating actions to reduce the likelihood of the impact of the risk materialising. (Some priorities have more than one associated risk)

The Significant Risk Register (SRR) details the highest rated operational risks that have been raised by the Executive Team and Divisional Management. The SRR is regularly reviewed and moderated by the Executive Team to ensure alignment with the BAF and other key risks to the Trust.

## 3. Current status

At the board seminar on the 27<sup>th</sup> May the 2013/14 BAF was reviewed to consider which risks to the Trust's strategic objectives should be carried forward to the 2014/15 BAF. Once these had been agreed the 2014/15 strategic objectives document was reviewed to identify which risks should be included in the 2014/15 BAF. The Executive leads were then tasked with updating the risks which fell within their portfolios.

The 14/15 BAF (attached) details a total of 19 risks to the 5 Trust strategic objectives which are scored as follows:

| Objective  | Red (15-25) | Amber (8-12) | Green (1-6) |
|--|-------------|--------------|-------------|
| 1.Deliver safe services and be in the top 20% against our peers  | 0           | 2            | 0           |
| 2.Deliver effective and sustainable clinical services within the local health economy                        | 0           | 1            | 1           |
| 3.Ensure patients are cared for and feel cared about   | 0           | 2            | 1           |
| 4.Become the secondary care provider and employer of choice for the catchment populations of Surrey & Sussex | 0           | 4            | 0           |
| 5. Well Led  | 5           | 3            | 0           |
| <b>Total</b>   | <b>5</b>    | <b>12</b>    | <b>2</b>    |

One of the purposes of the BAF is to ensure that all risks are mitigated to an appropriate or acceptable level. It is expected that not all risks will be able to have mitigating controls that reduce the risk to green (low impact, low likelihood).The tables below highlight the predicted swing in risk rating.

Table 1: Current BAF Risk Profile

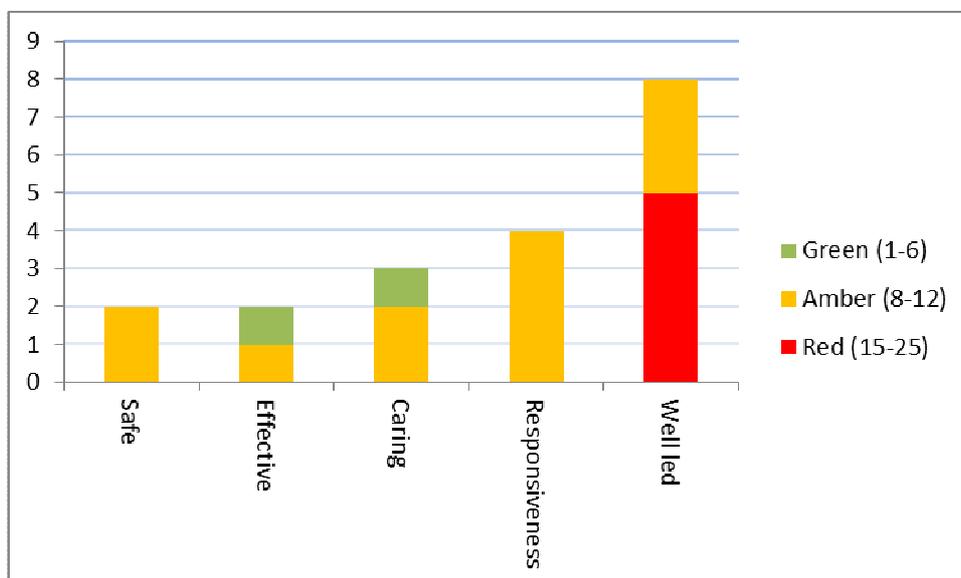
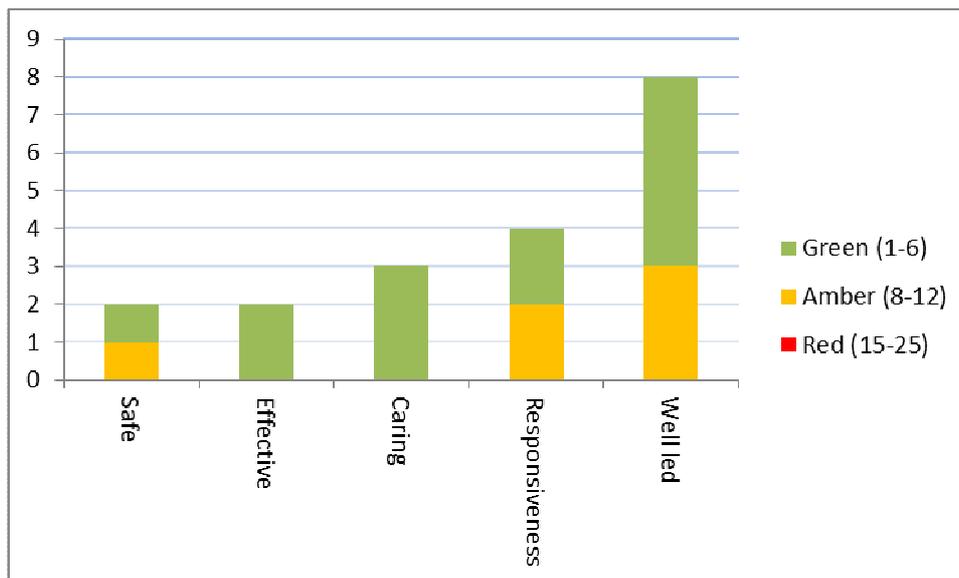


Table 2: Target BAF Risk Profile



### 3.1 Headline information by objective (BAF)

| Objective 1 - Safe Deliver safe services and be in the top 20% against our peers   | Current Risk Rating: Severity x Likelihood | Target Risk Score |
|--|--|-------------------|
| 1.A.1 There is a risk that the Trust will not meet its objective to deliver continuous improvement in reducing avoidable harm, if all national and local standards are not embedded within divisions and specialties, supported by robust monitoring mechanisms (Page 1) | S4 x L3 = 12                               | S3 x L2 = 6       |
| 1.A.1 Failure to maintain systems to control rates of HCAI will effect patient safety and quality of care (Page 2)   | S4 x L3 = 12                               | S5 x L2 = 10      |

| Objective 2 - Effective –Deliver effective and sustainable clinical services within the local health economy  | Current Risk Rating: Severity x Likelihood | Target Risk Score |
|---|--|-------------------|
| 2.A.1 There is a risk that patient outcomes will not continue to improve if monitoring and benchmarking outcomes are not utilised and implemented appropriately across divisions and specialties (Page 3) | S3 x L2 = 6                                | S2 x L2 = 4       |
| 2.B.1 There is a risk of a loss of elective business to outside provider if we do not align our activity to local commissioning priorities (Page 4)   | S4 x L3 = 12                               | S4 x L1 = 4       |

| Objective 3 - Caring – Ensure patients are cared for and feel cared about  | Current Risk Rating: Severity x Likelihood | Target Risk Score |
|--|--|-------------------|
| 3.B.1 Failure to recruit and retain clinical staff may result in excessive usage of agency and may impact negatively on Trust's quality of care provided to patients (Page 5)  | S3 x L3 = 9                                | S3 x L2 = 6       |
| 3.B.2 If the Trust does not put into place systems to assess, monitor and evaluate nursing staffing levels there may be negative impact on Trust's quality of care provided to patients (Page 6)                                 | S3 x L3 = 9                                | S3 x L1 = 3       |
| 3.D.1 There is a Risk that the Trust may not deliver continuous improvement to patient experience if the wider care and compassion strategy, vision and values are not embedded and sustained with all members of staff (Page 8) | S2 x L3 = 6                                | S2 x L1 = 2       |

| Objective 4 – Responsiveness – Become the secondary care provider and employer of choice for the catchment populations of Surrey & Sussex   | Current Risk Rating: Severity x Likelihood | Target Risk Score |
|---|--|-------------------|
| 4.A Failure to maintain Emergency Department performance because of lack of capacity in health system to manage winter pressures has a significant impact on the Trust's ability to deliver high quality care (Page 9)                          | S3 x L4 = 12                               | S3 x L3 = 9       |
| 4.A.2 As readmission rates are an indicator of high quality care, failure to improve the Trust's rate poses a risk to this objective (Page 10)  | S3 x L3 = 9                                | S3 x L2 = 6       |
| 4.D There is a risk that the Trust may not realise the benefits of service development opportunities which are fully appropriate for the local community unless partnership working and links between strategic partners are improved (Page 11) | S4 x L3 = 12                               | S4 x L2 = 8       |
| 4.E There is a risk that if That recruitment and retention strategies are not effective in attracting and retaining staff which will impact on our ability to develop and maintain services (Page 12)   | S3 x L3 = 9                                | S3 x L2 = 6       |

| Objective 5 – Well Led   | Current Risk Rating: Severity x Likelihood | Target Risk Score |
|--|--|-------------------|
| 5.A.1 Failure to deliver income plan (Page 13)   | S5 x L3 = 15                               | S4 x L2 = 8       |
| 5.A.2 Failure to stop divisional overspending against budget (Page 14)   | S5 x L3 = 15                               | S3 x L2 = 6       |
| 5.A.3 Unable to provide realistic medium term financial plan (Page 15)   | S5 x L3 = 15                               | S4 x L2 = 8       |
| 5.A.4 Liquidity: Inability to pay creditors / staff resulting from insufficient cash due to poor liquid position (Page 16)   | S5 x L3 = 15                               | S4 x L3 = 12      |
| 5.B There is a risk that Clinical leadership efforts will not be embedded if staff do not feel empowered and supported in order to make positive changes regarding care pathways within specialties and directorates (Page 17) | S4 x L2 = 8                                | S4 x L1 = 4       |

|  |              |              |
|--|--------------|--------------|
| 5.E.1 There is a risk that staff do not take up opportunities to participate in developmental programmes which could further impact upon staff development and missed opportunities to improve quality of care (Page 18)   | S3 x L3 = 9  | S3 x L2 = 6  |
| 5.G.2 If the Trust does not progress and deliver its Foundation Trust plans it is unlikely to be able to successfully authorised. This could leave the Trust without local autonomy and could lead to an alternative organisational form being imposed on the Trust. Which could reduce choice and focus on local health provision (Page 19) | S4 x L2 = 8  | S4 x L1 = 4  |
| 5.F. There is a risk that the Trust will not fully realise the benefits available from well embedded IT systems (Page 20)  | S5 x L3 = 15 | S5 x L2 = 10 |

#### 4. Key risks Strategic risks Identified

The BAF highlights the following 5 key red risks to the Trust objectives that have been identified at time of updating the framework. These are:

| Risk description   | Current rating | Target risk score | Page |
|--|----------------|-------------------|------|
| 5.A.1 Failure to deliver income plan (Page 13)   | S5 x L3 = 15   | S4 x L2 = 8       | P13  |
| 5.A.2 Failure to stop divisional overspending against budget (Page 14)   | S5 x L3 = 15   | S3 x L2 = 6       | P14  |
| 5.A.3 Unable to provide realistic medium term financial plan (Page 15)   | S5 x L3 = 15   | S4 x L2 = 8       | P15  |
| 5.A.4 Liquidity: Inability to pay creditors / staff resulting from insufficient cash due to poor liquid position (Page 16) | S5 x L3 = 15   | S4 x L3 = 12      | P16  |
| 5.F. There is a risk that the Trust will not fully realise the benefits available from well embedded IT systems (Page 20)  | S5 x L3 = 15   | S5 x L2 = 10      | P20  |

#### 5. Significant Risk Register

Following the moderation exercises that have been carried out during quarter four of the financial year there are 7 risks on the Trust significant risk register. Each is in date and has mitigating actions to reduce the level of risk to an acceptable level.

As the Executive Committee and its subcommittees are reviewing the risk register and the SRR once a month it is believed that this will improve the quality of the SRR and the Board will be able to draw greater assurance that the SRR is both effective and accurate.

##### 5.1 SRR Breakdown

| ID   | Title  | Initial Rating | Current Rating | Residual Rating | Next Review |
|------|--|----------------|----------------|-----------------|-------------|
| 1055 | Inpatients are at risk of moderate to major harm injury following a fall | 20             | 16             | 4               | 30/09/2014  |

|      |  |    |    |    |            |
|------|--|----|----|----|------------|
| 1601 | Failure to deliver income plan   | 15 | 15 | 8  | 01/09/2014 |
| 1602 | Failure to stop divisional overspending against budget   | 15 | 15 | 12 | 01/09/2014 |
| 1603 | Unable to provide realistic medium term financial plan   | 15 | 15 | 8  | 01/09/2014 |
| 1604 | Liquidity: inability to pay creditors/staff resulting from insufficient cash due to poor liquid position   | 15 | 15 | 12 | 01/09/2014 |
| 1605 | There is a risk that the Trust will not fully realise the benefits available from well embedded IT systems | 15 | 15 | 10 | 01/09/2014 |
| 1545 | Risk that clinical systems do not promote rapid identification of potential child abuse                    | 15 | 15 | 5  | 31/07/2014 |

## 5.2 Risks removed from SRR (closed or mitigated)

| ID   | Title  | Initial Rating | Current Rating | Residual Rating | Next Review |
|------|--|----------------|----------------|-----------------|-------------|
| 1346 | Insufficient chemotherapy trained nurses on Goldstone ward | 12             | 16             | 12              | 14/04/14    |
| 1447 | Risk to achieving consistent standards of care on Godstone | 16             | 16             | 6               | 21/04/14    |
| 1473 | Risk of sub optimal NIV service (Non-invasive ventilation) | 16             | 16             | 8               | 31/03/14    |

## 6. Discussion/Action

This report brings together the proposed risk appetite for 14/15 and an overview the BAF and SRR into one report

The Board is asked to:

- 1) Confirm and agree the 14/15 risk appetite
- 2) Discuss and form an opinion on whether the risks to the strategic objectives are being appropriately managed.
- 3) Confirm and agree proposed risk ratings on the BAF.

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June 2014

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