2019/20 Provider Board Assurance Frameworks

A Benchmarking Exercise

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Introduction and Key Messages

In September 2018 we reported on our first Board Assurance Framework (BAF) benchmarking exercise. This provided a resource for organisations to understand the risks facing other, similar organisations and how these risks had been scored and monitored.

This year, we reviewed 19 Provider organisation BAFs from across the East Midlands, South Yorkshire, North Yorkshire and West Yorkshire. We only included BAFs which have been updated since April 2019 to ensure that we were considering the current risk environment organisations face.

This year, we have considered:

- the strategic objectives to which risks in BAFs relate;

- the risks themselves, including formulation, number/frequency, scoring and category;

- the Finance and Workforce risk areas in further detail due to these scoring high across all organisations; and

- how Assurance Frameworks have been designed to reflect the maturity of the risk management systems within organisations.

Key Messages

- Not all organisations have clear, distinct objectives which set out how success will be achieved. Often objectives are vague, and do not provide clarity on how success will be measured. For example, "To Provide Outstanding Care" is a common theme, but by itself may not be easily measured. This can affect the clarity of the risks identified.

- The description of risks is often unclear, not distinguishing between cause, uncertain event and impact/effect. This is likely to affect the ability to determine the most effective controls in mitigation.

- As noted last year, the number of risks being monitored by Providers at Board level ranges greatly, from 4 to 32. Too many risks may mean they are not monitored appropriately, and too few may mean they don't genuinely capture all the principal risks the organisation faces.

- In categorising the risks as part of this exercise, 'governance risks' (relating to the leadership, preparation and decision making systems of organisations) are the biggest proportion of risks. This indicates that Providers are becoming more cognisant of the impact that poor governance can have on achieveing their objectives.

- Risk Appetite and/or Risk Tolerances are rarely recorded on organisations' Assurance Frameworks. Without this, it is hard to demonstrate the rationale for decision-making around risk treatment options.

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Strategic Objectives

It is important for all organisations to have a clear idea of what they seek to achieve. The objectives clarify the organisation's purpose, priorities and the actions through which they seek to achieve success.

The Assurance Framework is primarily a tool through which an organisation assesses and manages the principal risks to these objectives. Therefore, each risk on an Assurance Framework should be explicitly linked to an objective (or more than one objective). If a risk does not have an impact on the objectives of an organisation, then it is not a risk to that organisation.

Before considering the types and quantity of risks which have been identified within Providers, we first sought to understand the objectives of Providers within the NHS which have been referenced on the Board Assurance Frameworks.

Given the similar purpose and operating environment of Providers in the NHS, most strategic objectives identified are equally similar across organisations. We have categorised these into the following:

Estates and Infrastructure	Research and Education	IMT
Financial Sustainability	Staff Capacity and Wellbeing	Patient Care and Safety
Integrated Care/Partnership Working	Governance	Other*
Performance Targets	Transformation	

Some organisations did not link their risks to explicit objectives

We then determined how many risks have been assigned to these categories within the Assurance Frameworks, as a measure of how exposed to risk Providers consider these objectives to be.

Number of Risks per Objective
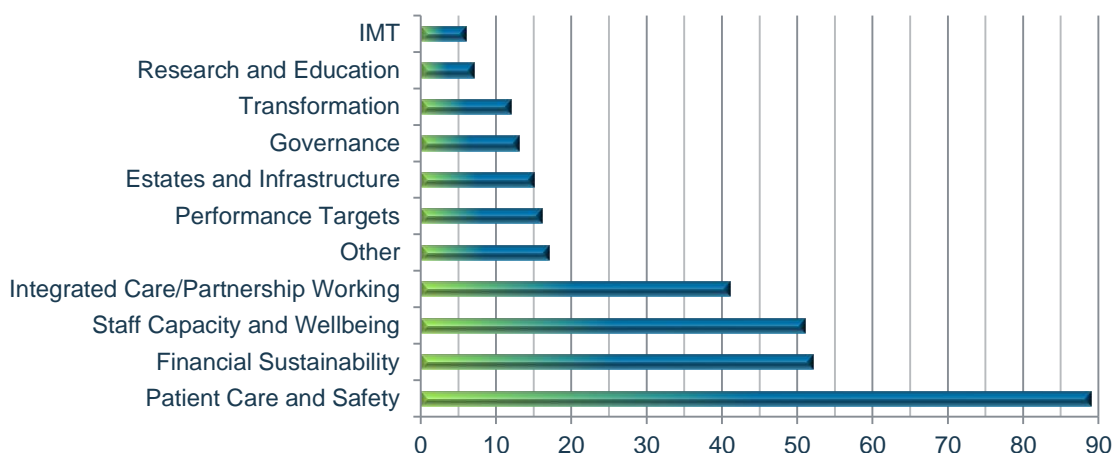
Patient Care and Safety is the objective which organisations consider to be most at risk. Financial and Staff related objectives are also identified as being highly exposed to risk.

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We noted many examples in which risks linked to objectives were not worded in such a way that made it obvious why that objective would be put at risk.

Articulation of Risks

Risks should make clear a **Cause**, **Uncertain Event** and the resulting **Effect/Impact** upon the relevant objective(s) of the organisation.

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CAUSE  →  EVENT  →  IMPACT
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Cause – What might trigger the event to occur, e.g. An inability to recruit enough nursing staff.

Event – An unplanned / unintended situation or set of circumstances, e.g. An over-reliance on Agency and Bank workers to maintain safe staffing levels, leading to additional staffing costs above those budgeted.

Impact - How the achievement of an objective could be impacted should the event occur, e.g. The organisation not meeting the agreed control total.

In reviewing each of the 287 risks on the 19 BAFs reviewed (in order to categorise them) we identified a significant number of risks that were missing one or more of these elements or where the seemingly described 'impact' did not match with the strategic objective it had been identified as a risk to.

In addition, we noted a number of risks on Assurance Frameworks that were existent issues (already problems) rather than (future) risks.
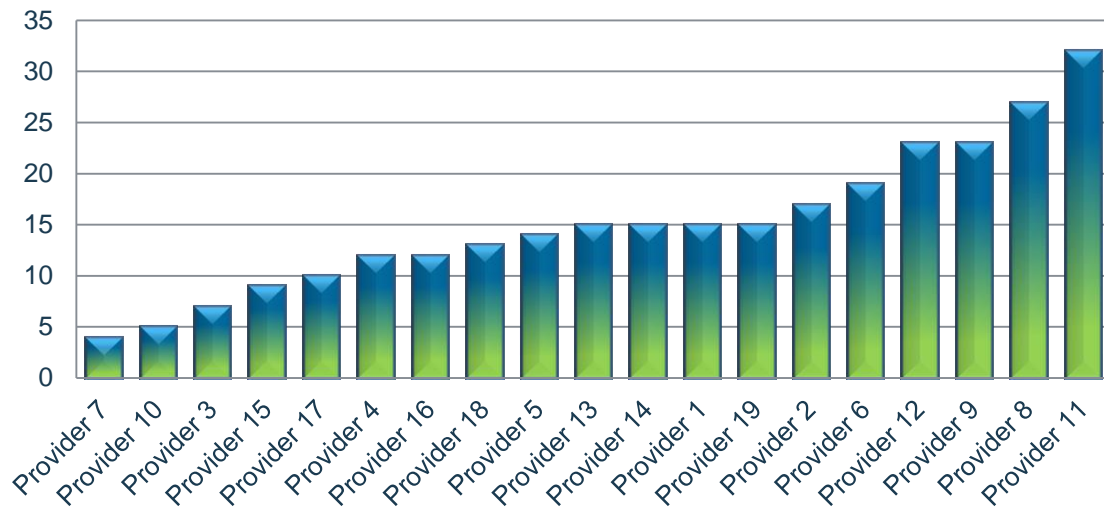
Analysis of Risks

The number and type of risks on an Assurance Framework can give an understanding of the current context in which Provider organisations are operating.

We reviewed BAF reports to identify the number of risks each organisation was reporting to its Board. Most Providers have a majority of moderate and high risks, although some organisations have included lower rated risks in the BAFs.

Organisations reviewed have between 4 and 32 risks on their Assurance Framework, with a median of 15.

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Number of Risks on BAF per Provider

We assigned a label of Low (<8), Medium (8-12) or High (>12) to all risks based on the current score. It can be seen that there are more medium risks on Board Assurance Frameworks than high risks. In addition, a number of risks assessed as being low risk to achievement of strategic objectives have been included within the Assurance Frameworks, and some which have not been scored at all.
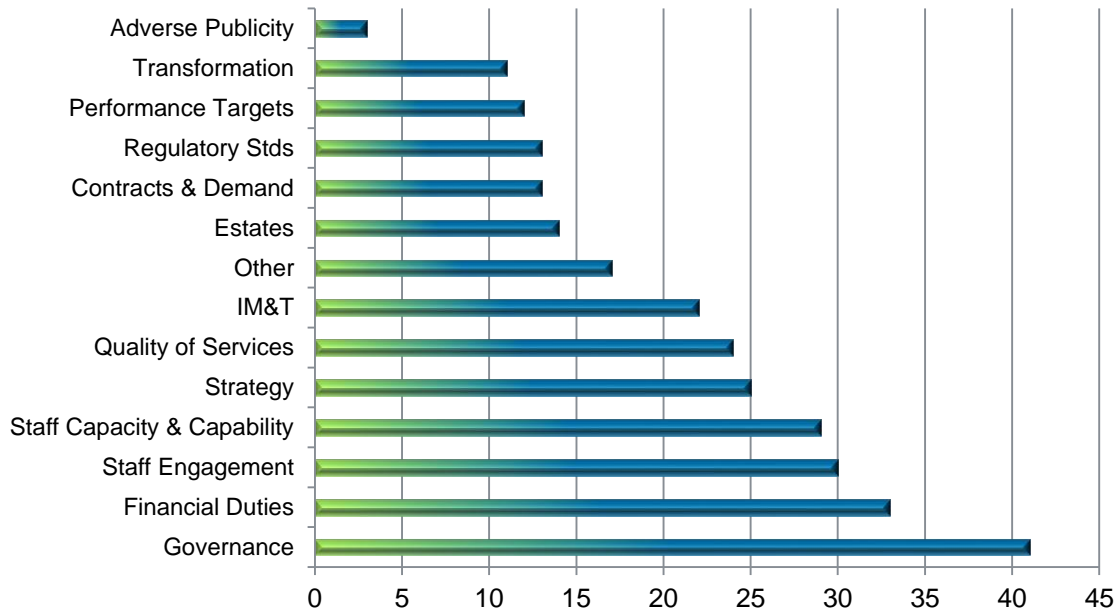
Scoring of Risks on Assurance Frameworks
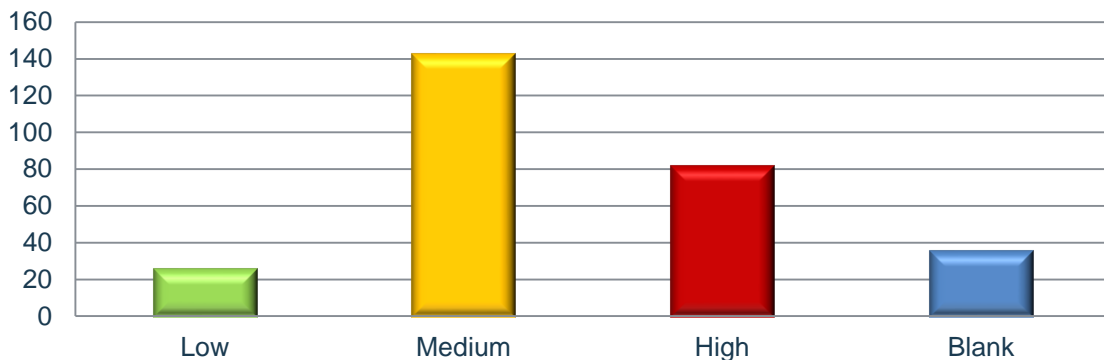
In order to allow us to consider what the risk profiles of organisations looked like, we grouped risks into broad categories. It should be noted that any exercise seeking to do this is inevitably inexact, as risks can cover more than one area, and some risks may not be easily attributable. A significant number of organisations had more than one principal risk in the categories used. However, the exercise is still able to give a broad and useful understanding of the issues that Providers feel are crucial to overcome in order to achieve their objectives.

We have sorted risks into 13 overarching categories (plus 'other'), as seen below:

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Risks per Category

'Governance risks', meaning those risks which relate to the leadership, preparation, and decision making systems of organisations, are the biggest proportion of risks. This indicates that as the operating environment of Providers becomes more complex, the need for effective and strong governance is being recognised. It is interesting to note that few organisations recorded risks explicitly against a specific governance objective, suggesting that goverance risks are deemed to impact a wide range of strategic objectives.

Financial and staff risks are the next most common. This is in line with what we have seen in previous years, as national issues with recruitment and financial pressures are reflected within individual Providers.

The table below compares the top 10 categories in 2019 by volume of risks (for Providers), with the top categories identified in previous years (in 2018 by 360 Assurance/ Audit Yorkshire and for previous years by Mersey Internal Audit Agency (MiAA)). Please note that although MiAA carried out a similar exercise, and the results from their exercise are useful in our understanding of changing risks over recent years, the risks listed for 2015 – 2017 relate to a different cohort of organisations to those analysed for 2018 and 2019.

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|	2019	2018	2017	2016	2015
1	Governance and Strategic Leadership	Quality of Services & Patient Safety	Financial Duties, Continuity of Services & CIP	Quality of Services & Patient Safety	Transformation & Redesign of Service
2	Financial Duties, Continuity of Services & CIP	Staff Capacity & Capability (including Leadership)	Staff Capacity & Capability (including Leadership)	Staff Capacity & Capability (including Leadership)	Staff Capacity & Capability (including Leadership)
3	Staff Engagement/Culture	Financial Duties, Continuity of Services & CIP	Quality of Services & Patient Safety	Financial Duties, Continuity of Services & CIP	IMT, Data Quality & New Systems Implementation
4	Staff Capacity & Capability (including Leadership)	Strategy & Partnership Working	IMT, Data Quality & New Systems Implementation	Transformation & Redesign of Service	Financial Duties, Continuity of Services & CIP
5	Strategy & Partnership Working	Regulatory Standards & Compliance	Transformation and Redesign of Services	Regulatory Standards	Performance Targets
6	Quality of Services & Patient Safety	Estates (including H&S & Maintenance)	Performance Targets	IMT, Data Quality & New Systems Implementation	Quality of Services & Patient Safety
7	IMT, Data Quality & New Systems Implementation	IMT, Data Quality & New Systems Implementation	Regulatory Standards	Contracts & Demand	Regulatory Standards
8	Performance Targets	Transformation and Redesign of Services	Contracts & Demand	Performance Targets	HR, OD & Employment Framework
9	Estates (including H&S & Maintenance)	Governance and Strategic Leadership	Strategic Partnerships & Partnership Working	Patient Experience, Feedback & Complaints	Business Development and Growth
10	Contracts and Demand	Staff Engagement/Culture	Staff Engagement/ Culture	Staff Engagement/ Culture	Estates (including H&S & Maintenance)

Finance and Workforce Risks

Last year we noted that finance and workforce risks were some of the highest areas of risks for NHS organisations.

This year, we have sought to understand in greater detail the make-up of these risks.

Workforce Risks

The 59 risks relating to workforce (either Staff Capacity or Staff Engagement) have been further broken down into the following sub-categories.

Sub-categories for Provider Workforce Risks
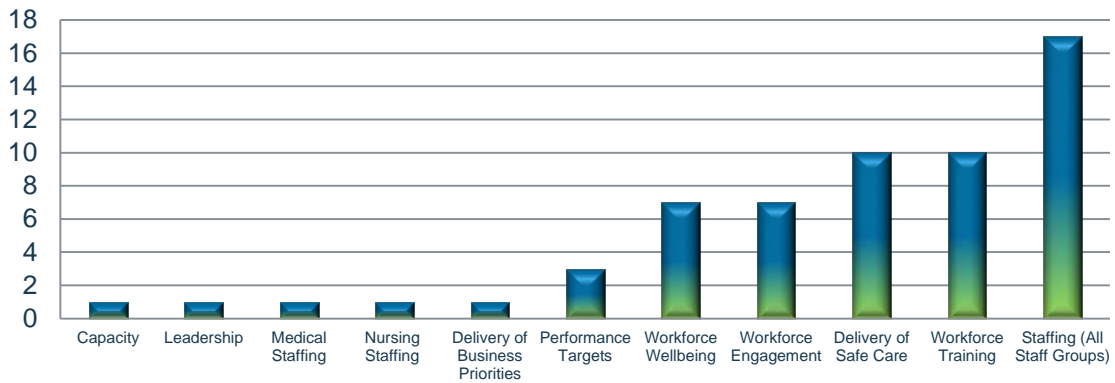
It is noticeable that within the scope of workforce capacity and engagement, organisations have a range of concerns, including the wellbeing and training of staff. However, the largest concern for Providers is the risk that vacancies will not be filled to ensure a sufficient workforce is in place across all areas of the organisation.

Although the risks assessed here have been primarily workforce based, these risks often crossover with quality, financial and performance risks.

Finance Risks

The 33 financial risks within the Assurance Frameworks have been broken down into the following sub-categories:
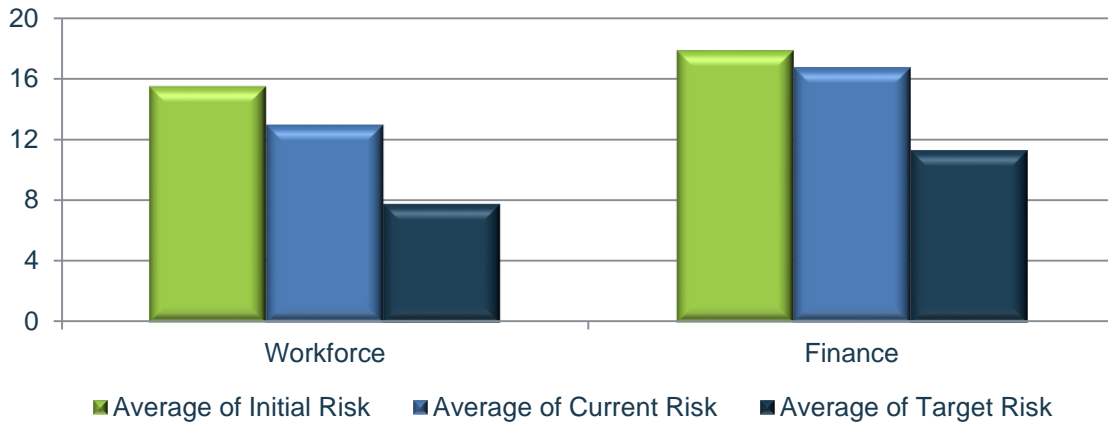
Sub-categories of Finance risks listed by Providers
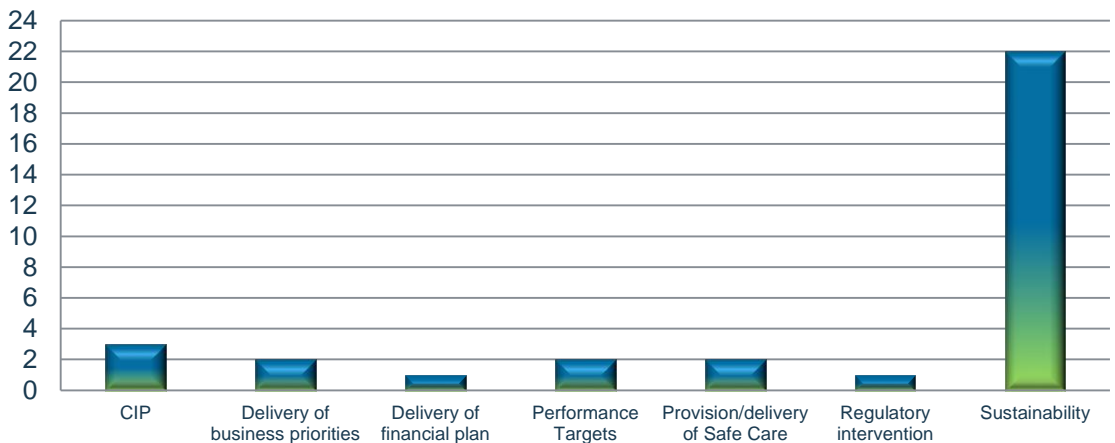
Although financial risks considered by organisations do occasionally relate to specific areas such as CIPs, or performance targets, they are much more concerned with the risk that long term financial sustainability may not be achievable, and the resulting impact this would have on all areas.

The graph below compares the average targeted movement in risk between finance and workforce risk, for those organisations which include an initial, current and target numerical risk score within their BAFs.

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Targeted Movement in Risk for Workforce and Finance Risks

The current risk scores for workforce risks range from 6 to 20, and the most common score is 12. This indicates that although there are a large number of risks recorded, the likelihood and/or impact of these risks are relatively moderate.
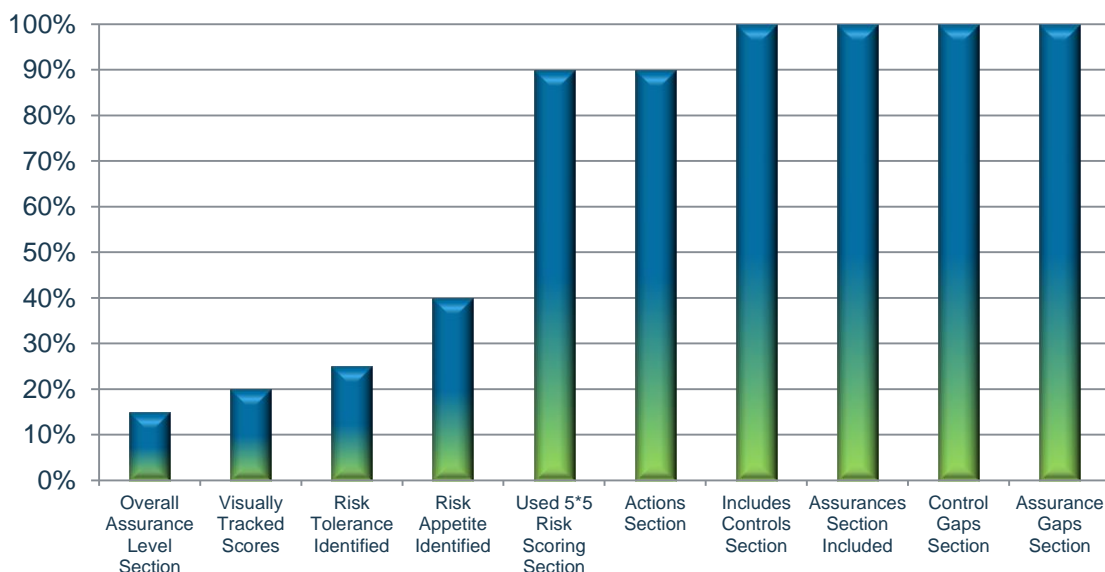
Finance risks were usually scored quite highly, with risks most commonly scored as 16 or 20.

Target risk scores have only been recorded for 22 out of the 33 finance risks, but it is noticeable that some of the target scores are quite ambitious. This may indicate that organisations are recording what their preferred risk level would be, rather than the risk level to which they are realistically seeking to mitigate the risk to.

Assurance Frameworks

We reviewed the format and general content of Assurance Framework reports to identify the differences in how organisations are choosing to review and report on the principal risks to their strategic objectives.

BAF Content

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Our analysis showed that although some sections are standard across the clients reviewed, only some organisations have a clear Risk Tolerance or Risk Appetite identified.

It is important for organisations to have a clear understanding of how much risk they can bear (Risk Tolerance) and how much risk they are prepared to take (Risk Appetite) in relation to the achievement of their objectives.

Phrase	Meaning
Risk appetite	The amount of risk that an organisation is willing to seek or accept in the pursuit of its long term objectives.
Risk tolerance	The boundaries of risk taking outside of which the organisation is not prepared to venture in the pursuit of its long term objectives.
Risk universe	The full range of risks which could impact, either positively or negatively, on the ability of the organisation to achieve its long term objectives.

Institute of Risk Management

If these have not been agreed, then the target mitigation level of principal risks is unlikely to be consistent with the organisation's strategy or risk management methodologies.

However, 6 out of the 19 Assurance Frameworks reviewed did not document a target risk, suggesting that a significant proportion of Providers are not clear on what effect they seek to achieve with their mitigating controls.

Few Assurance Frameworks report on the overall assurance gained in relation to the risk.

Only a limited number of organisations have visually tracked the rating of their principal risks over time or even include a date on which the risk was originally identified. This enables users to understand how a risk has developed over time, and increased or decreased in line with historical events. Without this, the Assurance Framework is not a source of monitoring the effectiveness of risk management systems and processes.

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