United Lincolnshire Hospitals **NHS**

NHS Trust

To:	**Trust Board**
From:	Kevin Turner, Deputy Chief Executive
Date:	7 June 2016

Title:	**Report on developing Risk Management**

Responsible Director: Kevin Turner, Deputy Chief Executive

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Purpose of the Report:
- The purpose of this report is to provide an update to the Trust Board on how strategic risk management processes will be improved and embedded in the Trust.

The Report is provided to the Board for:

Decision		Discussion	✓
Assurance	✓	Information	✓

Summary/Key Points:
To provide the Trust Board with an overview of the approach and intended outcomes:
- **Initial Phase**: to improve and embed strategic risk management and assurance processes in the Trust.
- **Delivery Phase**: to provide an overview of the new management of risk from the 1st of July 2016, when risk transfers to the Deputy Chief Executive from the Director of Human Resources.
- **Review Phase**: an overview of the improvements to the management and assurance requirements that will form part of an annual review process.

Recommendations:
- That the Trust Board notes the progress made to refreshing the approach to strategic risk Management governance, assurance and accountability for identifying, managing, mitigating and monitoring risks.

Strategic Risk Register	Performance KPIs year to date
The refreshed governance for Strategic Risk Management will be introducing a Strategic Risk Management Group to manage the Corporate Risk Register and any escalations to the Trust Committees and Board, together with managing the Board Assurance Framework (BAF).	The Strategic Risk Register will identify the key risks to delivering the Integrated Annual Operational Plan and the Medium Term Plan for the Trust.

Resource Implications (e.g. Financial, HR)
The Trust currently has in place a Risk Validation Group, supported by Risk Handlers, the group co-ordinates the identification, monitoring and management of the risks, escalating to the Clinical Executive Committee (CEC), Trust Committees and Trust Board. The introduction of the Strategic Risk Management Group, introduces a group to manage the Corporate Risk Register and alignment to the Board Assurance Framework (BAF), which then escalates to the Strategic Risk Register and BAF for the CEC, Trust Committees and Board, which strengthens our current management and assurance risk processes. This approach also strengthens our risk accountability, ensuring that Clinical Directors

(x15) and Corporate Directors (x8) all have service risk registers that feed into corporate and the strategic risk registers. It is intended that the Risk Management Team will migrate to the Deputy Chief Executive from the 1st July 2016.

Assurance Implications

To ensure the delivery of the Strategic Risk Register and supporting BAF there will be work to go through all our existing registers, ensure that we have up to date service registers aligned to Clinical and Corporate Directors that align to our organisational vision, aims and objectives. The Strategic Risk Management Group will be responsible for managing, monitoring and reporting on the Strategic Risk Register and refreshing the BAF on behalf of the Trust, to present to the Audit Committee together with reporting to the CEC, Trust Committees and Trust Board to provide assurance.

Patient and Public Involvement (PPI) Implications

The risk management process covers all Clinical and Corporate Directors who will have service risk register, that will feed up into the Corporate Risk Register and the Strategic Risk Register, which will be managed by the Strategic Risk Management Group.

Equality Impact

There is work being undertaken within the Trust to develop Equality Analysis, which will be captured by the Risk Management process and will support further work to refresh the strategy and policies to reflect the new governance, accountabilities and responsibilities being developed.

Information exempt from Disclosure – Yes

Requirement for further review? Yes

1.   Purpose of the Report

1.1   The purpose of this report is to provide an update to the Trust Board on how strategic risk management processes will be improved and embedded in the Trust.

1.2   At the 19th April 2016 Trust Board Development Session, there was a presentation given on the way the Trust can take forward strategic risk management with recommendations for improvements to both internal risk management and assurance processes.

1.3   The improvements will strengthen the risk governance, assurance and accountability, building on the existing mechanisms across the Trust for identifying, managing, mitigating and monitoring risks, building in national best practice standards.

1.4   The key changes to the current risk management approach for the Trust will be programme managed through the following phases which will align to the business planning cycle:

Phase 1: Initiation
- **Governance** - strengthening the risk governance with the introduction of a Strategic Risk Management Group with clear Terms of Reference, attached at **Appendix A**, and refreshing the current Risk Validation Group with Terms of Reference attached at **Appendix B**.
- **Assuranc**e – provide the Trust and Committees, with the governance changes to improve the alignment of the Strategic Risk Register and the Board Assurance Framework (BAF)**.**
- **Accountability** – improving ownership and accountability across the Trust, with Clinical and Corporate Directors being responsible for their service risk registers, together with developing those service risk registers that do not currently feed into the Trust wide approach. These require aligning to the business planning cycle and the service Operational Plans and the Trust's Integrated Annual Operational Plan and developing Medium Term Plan.

Phase 2: Delivery

- Transferring responsibility for Risk Management from the Director of Human Resources to the Deputy Chief Executive.
- Implementing the new ways of working for the Strategic Risk Management Group and the Risk Validation Group, together with ensuring that the Clinical and Corporate Directorates have their service risk registers in place.
- Redesigning of the risk management reporting and registers.

Phase 3: Review
- Review of risk appetite, national best practice standards and risk architecture (strategy, policies and protocols).
- Annual review of the risk management processes.

2.   Recommendations

2.1   That the Trust Board notes the progress made to refreshing the approach to strategic risk Management governance, assurance and accountability for identifying, managing, mitigating and monitoring risks.

3.   Reasons for Recommendations

3.1   To strengthen the current risk management processes through improving our risk governance, assurance and accountability. This will enable the Trust to manage the delivery of the objectives and identification of priorities for the Integrated Annual Operational Plan and the Medium Term Plan, together with ensuring robust management, mitigation and monitoring of risks.

4.   Summary of Key Points

Strategic Risk Management

4.1   Risk management is a tool that allows us to manage uncertainties and maximise the likelihood that we achieve our goals set out in our Integrated Annual Operational Plan, Medium Term Plan and core strategies. In a well-run and functioning organisation, risk management is not seen as a separate activity, but is embedded in every-day management activities and aligned with the service and business planning processes.

4.2   To help support the development of the Trust's approach to risk management there has been a self-assessment review conducted using the Monitor Risk Assessment Framework, specifically looking at the strategic risk management processes currently in place. The key areas of improvement for the Trust were identified as needing:

- To co-ordinate the range of current risk management activities across clinical and corporate directorates to capture an organisational whole picture of risk from operational to strategic levels.
- To extend the established risk management process to ensure all parts of the service are captured.
- To ensure risks are assessed and scored consistently across services for prioritisation and escalation.
- To ensure risks and mitigating controls are clearly articulated on risk registers.
- To support staff in understanding and engaging with the risk management process.

- To improve the quality of risk reporting to the Clinical Executive Committee (CEC) the Trust Committees and the Trust Board to support-effective decision-making.

4.3 The key driver of this work has been to ensure that we adopt a continuous improvement approach to risk management and ensure that this is embedded across the Trust as good business practice, with a clear understanding of risk appetite and ambitions to meet national risk standards and best practice.

Programme managing the improvements to further embed risk management

4.4 The delivery of the changes to the Trust's risk management is being managed and aligned to the business planning cycle. The following table provides an outline of key actions to be implemented:

Key Action	Date
Phase 1: Initiation	
Governance Introduce the refreshed governance framework for risk management	June
Assurance Refresh the Risk Validation Group, re book meetings for the 1st week of the month to align decision making.	July
Introduce the Strategic Risk Management Group, draft TOR, first meeting to be booked for July for the 2nd week of the month (this will align with the Committee meetings for the last Tuesday of the month)	July
Accountability Review all Trust risks captured on DATIX	June - July
Review the current BAF (capturing the needs of the Trust and compliance with our internal audit)	June - July
Identify all the Risk Registers required for Clinical Directors and Service Leads	June - July
Phase 2: Delivery	
Transfer responsibility for risk management	July
Refresh the Risk Strategy and policies	September
Refresh the BAF in line with the completed Corporate Risk Register	September
Develop the Risk Training package	September
Refreshed Strategic Risk Register	September
Phase 3: Review	
Establish the risk appetites, national best practice standards and risk architecture (strategy, policies and protocols).	September
Refreshed Reports for CEC, Trust Committees and the Trust Board	September
Annual review of the process as part of monitoring and control	Annual Report

Phase 1: Initiation

4.5 There has been continuing work since the 19th April 2016 Trust Board Development Session to develop the initial proposals to improve and embed strategic risk management.

Governance

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4.6   To strengthen the governance around risk to better inform strategic decisions, successfully deliver change and increase operational efficiency there is a need to:

- Identify risks that can impact on the Trust in the short, medium and long term.

- Ensure that all Clinical and Corporate Directors have risk registers that capture risks in their service risk registers.

- Introduce a Strategic Risk Management Group with clear Terms of Reference, attached at **Appendix A.** This group will be responsible for ensuring that there is an Integrated Corporate Risk Register and Board Assurance Framework (BAF) and escalate risks to the Strategic Risk Register and BAF to the CEC and the Trust's Committees and Trust Board.

- Refresh the current Risk Validation Group with Terms of Reference attached at **Appendix B**. Currently this group validates the risk scoring with Risk Handlers working with local business units to develop their risk registers. This group will now report through to the Strategic Risk Management Group.

The following diagram shows the Governance structure being implemented:
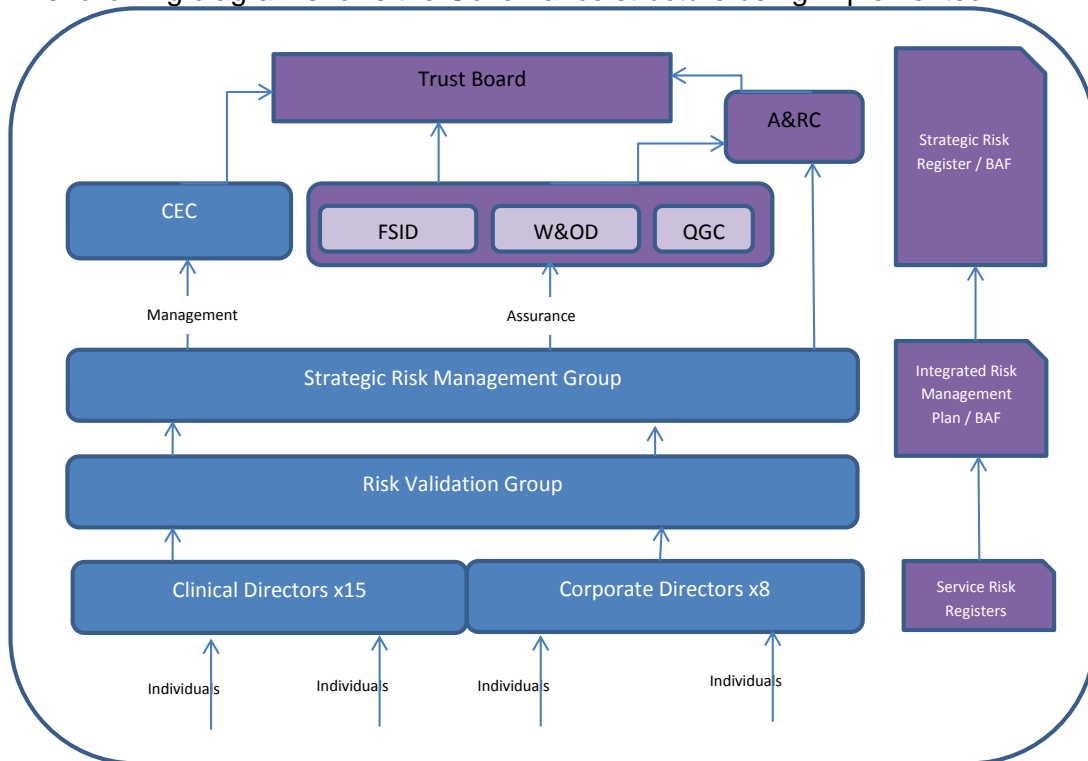
Assurance

4.7   To improve the Strategic Risk Register and the Board Assurance Framework (BAF).

Introducing the Strategic Risk Management Group (SRMG). This group will:
- Be chaired by the Deputy Chief Executive, supported by Clinical and Corporate representatives as applicable.
- Escalate corporate risks to the Strategic Risk Register and BAF to the CEC and Trust Committees and Trust Board.
- Ensure that the Clinical and Corporate Directors' service risk registers feed into Integrated Corporate Risk Register.

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- Outline the Integrated Strategic Risk Register from the Clinical and Corporate Risks, reporting to the CEC and Trust's Committees and Board on mitigation and management.
- Provide management, monitoring and reporting information to the CEC and assurance to the Trust's Committees and Board that risks are being managed. management.
- Provide assurance improvements to the current BAF to expand the ability for Assurance Mapping.
- Manage the Corporate Risk Register with identifying the strategic risks to the Trust and identifying their mitigation and management.
- Meet monthly, and will ensure that up to date papers are produced for the Trust Board and supporting Committees, so the meetings will be scheduled for the third week of the month.

Refreshing the Risk Validation Group (RVG): This group will:
- Review escalated risks from Operational Areas (local areas / business units and corporate functions with accountability being with Clinical and Corporate Directors, and service leads).
- Validate the assessment and scoring of risks to be recommended to the Strategic Risk Management Group and update the Risk Registers, challenging the mitigation.
- Ensure logged risks on Datix are captured together with other risks across all services and functions in the Trust on their Operational Risk Registers.
- Currently meets monthly on the last Friday of each month. To ensure that this group provides the right information to the Strategic Risk Management Group which feeds into the Trust Board and Committees, the meetings will need to be rescheduled to the second week of the month.

Accountability

4.8 Improving ownership and accountability across the Trust, with Clinical and Corporate Directors being responsible for their risk registers, together with developing those service risk registers that do not currently feed into the Trust wide approach and aligning to their Operational Plans and the Thrust's Integrated Annual Operational Plan and developing Medium Term Plan.

Phase 2: Delivery

4.9 This has included the transferring of responsibility for Risk Management from the Director of Human Resources to the Deputy Chief Executive.

Implementing the new ways of working

4.10 There has been work to identify key new ways of working, which have included:

- Introducing the Strategic Risk Management Group and refreshing the Risk Validation Group.
- Ensuring the Clinical and Corporate Directorates have their service risk registers in place.
- Currently there are Risk Handlers who have been trained to identify risks across the organisation, however, to move forward there is a need to ensure that all Clinical and Corporate Directors are responsible for identifying, managing and mitigating risks in their areas of responsibility, together with escalating through the refreshed governance structure. This will require all operational areas, including business units together with other corporate functions to feed into the risk registers at a service level to be managed. There is a need to ensure that there is clear accountability for risk at all levels of the Trust.

Redesigning risk registers

4.11   It is important to distinguish between the two main types of risk, and how the two areas need to interlink. This has guided activity to work towards integrating the corporate risk register and ensure read across to the BAF.

- **Strategic and corporate risks -** if risks are not managed they could impact detrimentally on the delivery of services to patients or the Trust's overall objectives:

  ➢ **Corporate Risk Register:** Whilst ULHT has a corporate risk register, which is an integral part of the system of internal control and defines the highest priority risks which may impact on the Trusts ability to deliver its objectives, there is a need to ensure that there is an integrated Strategic Risk Management approach that sits over the Corporate Risk Register and BAF and the Service Registers. The Strategic Risk Management Group will provide assurance to the CEC and the Trust's Committees and Board that risks are being managed.

- **Operational risks -** are concerned with the day-to-day risks the Trust faces. These range from everyday Health and Safety risks through to risks around procurement, sustainability, business continuity assets and legal etc.:

  ➢ Operational risks will be discussed and escalated at / from the Risk Validation Group, which brings together the key operational risk areas from across the Trust, and ensures that these are being considered in a joined-up manner. It is important that there is a framework in place that facilitates the escalation of those operational risks that are, or become, strategic / corporate in nature. For example, failure of the Trust's IT network is an operational risk, but could also have a strategic impact on how the Trust functions.

Redesigning reporting

4.12   Strategic / corporate risks will be reported to the Executive through the Strategic Risk Register. The identification and management of the corporate risk will be through both:

- **Top-down approach.** Trust, Committees, Executive through to the Strategic Risk Management Group who will play a key role in identifying and challenging cross-cutting corporate risks, and communicating these to the Clinical and Service Directors; and a

- **Bottom-up approach**. Clinical and Service Directors will be responsible for compiling a risk register for their service area and escalating these through their respective departmental management teams as appropriate. Whilst the majority of these risks will be operational in nature, it will be important to capture any significant operational risks that may be strategic in nature.

Phase 3: Review

4.13   It will be important to provide quarterly reports focusing on the strategic / corporate risks. This provides an opportunity to introduce new reporting formats for the Trust and Committees to be implemented.

4.14   This refreshed governance framework will allow managers to escalate significant operational risks through their Clinical and Corporate Directors up to Strategic Risk Management Group, and where appropriate form part of the Strategic Risk Register.

4.15 Starting at the July meeting of the Strategic Risk Management Group, there will be a periodic requirement for Clinical and Corporate Directorates to present their service risk registers. The group will provide an oversight and challenge role, and will ensure that any significant risks are being escalated and incorporated into the Strategic Risk Register and BAF.

Intended benefits of risk management

4.16 For all types of organisations, there is a need to understand the risks being taken when seeking to achieve objectives and have a clear understanding of the overall level of risk embedded within processes and activities. The outputs from successful risk management include compliance, assurance and enhanced decision-making. These outputs will provide benefits by way of improvements in the efficiency of operations, effectiveness and the efficacy of the strategy of the Trust.

Risk architecture, strategy and protocols

4.17 There will be a requirement to refresh:

- **Risk architecture:** specifies the roles, responsibilities, communication and risk reporting structure.
- **Risk strategy:** risk strategy and risk policy.
- **Risk protocols:** risk guidelines, including rules and procedures, as well as specifying the risk management methodologies, tools and techniques.

Implementing and benchmarking

4.18 Risk assessment is a fundamental part of the risk management process, in order to achieve a comprehensive risk management approach; the Trust needs to undertake suitable and sufficient risk assessments. Internal and external factors can give rise to risks and these should be identified through strategic horizon scanning, together with tactical and operational identification through business planning processes.

Measuring and monitoring

4.19 The risk registers should not become a static record of the significant risks, but viewed more as a risk action plan that includes details of the current controls and details of any further actions that are planned. These further actions should be written as auditable actions that must be completed within a defined timescale by identified individuals. This will enable the internal audit function to monitor the existing controls and monitor the implementation of any necessary additional controls.

4.20 Monitoring and measuring extends to the evaluation of culture, performance and preparedness of the organisation. This includes the monitoring of risk improvement recommendations and evaluation.

Learning and reporting

4.21 Completing the feedback loop on the risk management process involves the important steps of learning from experience, through review and promoting lessons learned.

4.22 There will be an annual review of the risk management framework including the evaluation of the risk architecture, strategy and protocols. It is also important for the Trust to have a risk-based audit plan and undertake appropriate risk reviews.

Success factors

4.23   When risk management is successfully embedded in an organisation it cannot be distinguished from management activities.

Appendix A:

STRATEGIC RISK MANAGEMENT GROUP (SRMG)

DRAFT TERMS OF REFERENCE

1.   Purpose

The purpose of the Strategic Risk Management Group (SRMG) will be to build confidence in strategic risk management through embedding a clear risk management approach linking to operational and strategic business and planning processes.

2.   Aims and Objectives

The aims of the SRMG are to:

- **Champion** risk management principles and process, on a Trust wide basis to ensure it becomes embedded.
- **Maintain** an integrated and consistent approach to risk management.
- Act as a forum for **developing** risk management solutions through the exchange of views and sharing good practice.

The objectives of the SRMG are to:

- Approve the strategic risk management strategy, policy and guidance of the Trust.
- Monitor and progress the Strategic Risk Register.
- Moderate identified risks for consistency across the Trust.
- Agree the key strategic risks and themes that require top level monitoring.
- Ensure effective monitoring is in place for the key risks.
- Prioritise the high level risks.
- Prepare and submit reports to Executive, Trust Board and relevant Committees on the position and progress of Strategic Risk Management across the Trust.
- Ensure new strategic risks are captured and remove obsolete risks.
- Provide Quality Assurance role for the risk registers of all major cross-cutting projects.
- Maintain, manage and update the risk and Board Assurance Framework for the Management and Trust assurance processes.

3.   Terms of Reference

- To scrutinise risks according to likelihood and impact factors and review the Strategic Risk Register and BAF.
- To report on risk management regularly in the Trust Board's monthly reports and the relevant Committees.
- To regularly review all corporate risks, including projects and partnerships, including horizon-scanning.
- To ensure that the Trust has a suitable risk management framework to address, mitigate and manage risk at all organisational levels, and within projects and partnerships and review annually.

- To ensure a suitable process is in place, to escalate risks into the Strategic Risk Register from lower levels (e.g. service, project, or partnership registers), and equally to move risks down from the Strategic Risk Register.
- To invite Clinical and Service Leads to attend SRMG as required to consider particular risks and issues.
- To review the Terms of Reference when necessary.
- To review, update and monitor the Corporate Risk Registers and maintain clear links with the Board Assurance Framework (BAF).

4. Membership

Chair and Executive Lead
- Deputy Chief Executive

Core Members
- Head of Strategy
- Trust Secretary
- Head of Governance and Quality
- Risk Manager
- Assistant Director of Finance
- Assistant Director of Strategy and Change
- Deputy Director of Human Resources

Other members of staff, including key Clinical and Service Directors and business managers will be invited to join the group at relevant times throughout the business planning cycle.

5. Deputies

Members of SRMG should ensure that if they are unable to attend, someone with the appropriate knowledge and authority is asked to deputise.

6. Quorum

A representative from each of the following is required at each meeting:

- Head of Strategy
- Governance and Quality
- Finance
- Human Resources

7. Clinical Directors / Service Leads responsibilities

- To assess potential risks and escalate to the group as required.
- To manage existing risks in their own service areas, including reviewing risks, monitoring actions and recording outcomes in operational plans.
- To ensure staff understand their role in managing risk.

8. Risk Management Team

- To maintain the risk management framework.

- To work with Clinical Directors and Service Leads to ensure that risks within their Service Area are captured and managed appropriately, in line with the risk management framework.
- To produce reports for Management and the SRMG.
- To compile and maintain a Strategic Risk Register.
- To provide administration services for SRMG.

9. Internal Audit

- To inform the group of corporate risks identified through audits.
- To support SRMG in managing and mitigating corporate risks.
- To be informed of high-level risks, which can feed into future Annual Audit Plans and provide evidence of managing which can be included in the Governance Statement.

10. Board Assurance Framework

To update the group of the Corporate Risk Register and Board Assurance Framework updates.

11. Frequency of Meetings

Held every month, in the third week of the month to ensure there is time to produce update papers for the Trust Board and relevant Committees.

12. Papers

Draft agenda items should be given to the Risk Manager one week before the meeting, with papers circulated two full working days prior to the meeting.

13. Accountability

The SRMG is accountable to the Executive Team, and should ensure that all main risks are either captured at the strategic level or delegated to Service Operational Plans.

14. Secretariat

Risk Management to provide the secretariat support to the SRMG.

15. Openness

Minutes will not be published but actions will be taken. The SRMG will receive regular progress reports detailing the delivery of the Strategic Risk Register and the BAF.

16. Effectiveness

The effectiveness of the group will be measured by:

- Updated Strategic Risk Register
- Annual self-assessment against the Terms of Reference.

Appendix B:

RISK VALIDATION GROUP (RVG)

DRAFT TERMS OF REFERENCE

1. Purpose

The Risk Validation Group (RVG) is a non-executive group of United Lincoln Hospitals NHS Trust (ULHT), and has no executive powers. The Group reports to the Strategic Risk Management Group, who provide the Trust Board and supporting Committees with up to date strategic risk registers and any risk management issues.

2. Aims and Objectives

The aims of the RVG is to:

- Advise on all significant risks arising from all operational activities within the Trust that have been captured on the Trust Risk Register system.

The objectives of the RVG are to:

- Monitor the risk, control and assurance processes established in the Trust.
- Review them and report on any weaknesses identified to ensure that the Trust has in place effective systems for the reporting of risk, and the management of Risk Registers (Specialty, Business Unit and Corporate) and the Board Assurance Framework (BAF).
- Co-ordinate training across the organisation on risk management.

3. Terms of Reference

- To coordinate all recorded clinical and non-clinical Risk Register issues affecting the Trust, making recommendations to, and advising the Strategic Risk Management Group.
- To ensure that a detailed review of all the Trust's risks is undertaken working with Clinical Directors and Service leads to establish a clear picture of risk across the whole of the Trust.
- To ensure that the risk management activities of the Trust are measured against the requirements of the NHSLA Risk Management Standards for Acute Trusts, the Care Quality Commission regulations, and other internal and external audit requirements.
- To comply with the Risk Management and Assurance Strategy and supporting procedural documents.
- To review, update and monitor the Risk Registers and maintain clear links with the Board Assurance Framework (BAF).
- To monitor and progress identified actions and non-compliance from Risk Register's and treatment plans.
- To determine the escalation and de-escalation of risks from/to the Risk Register's to ensure significant risks are appropriately prioritised.
- Group members (risk leads) to scrutinise the structure and management of risk registers within their local management area and/or representative forums.
- Each group member is required to report verbally at each monthly meeting with progress on Risk Registers and treatment plans by exception.

- To analyse risks, highlighting progress on risks and areas of concern, by exception. The Group will review the reports and make suggestions for action accordingly.
- To complete an annual self-assessment process relating to the effectiveness of the group.
- To undertake any other activities as directed by the Quality Governance Committee.

4. Membership

Chair
Head of Strategy

Core Members

- Risk Manager
- Health & Safety Manager
- Quality & Safety Manager
- Staff side.

Business Unit representatives from:

- Lincoln
- Pilgrim
- Grantham
- Finance and Corporate Affairs Directorate
- Estates & Facilities
- Human Resource and Organisational Development

5. Deputies

Nominated deputies will attend in the absence of a Group member.

6. Attendance

Members should endeavour to attend all Group meetings and 75% attendance is required to meetings per calendar year.

7. Quorum

A minimum of four members or their specifically nominated deputies are required before any business of the Group can be transacted.

8. Frequency of Meetings

The RVG will meet on a monthly basis with a minimum of 10 meetings per year.

9. Meeting Arrangements

- All meetings will be planned prior to each calendar year providing all members with a minimum of three months' notice of the meeting dates and times.
- Members will be notified of the meeting venues when the dates of the meeting are published.
- Members wishing to include items for discussion must notify the Chair via email no later than seven working days prior to the meeting.

10. Meeting Minutes

Minutes for this meeting will not be taken, but a record of attendance and actions from meetings shall be formally recorded, as this Group is concerned with outputs and escalation as described within the Risk Management Policy and Procedures. The actions will be distributed to all members of the Group following each meeting.