

Risk Management Strategy

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Contributor(s):	Members of the Trust Board & Senior Leadership Team
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Strategy is:	Trust-wide
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Version History Log

Version	Date Published	Details of key changes
5.0		Completely revised and updated to document the adoption of a new Enterprise Risk Management (ERM) approach. Replaces Risk Management & Assurance Strategy v4.1

Version	Date Published	Details of key changes
4.1	March 2018	At the Quality Governance Committee meeting on 13 February 2018 an extension to the review date (1 May 2018) was agreed.
4.0	November 2014	Reviewed and updated in line with current practice within and out with the Trust.
3.0	December 2012	Updates to reflect changes in committee structures, wording of purpose section and addition of amendment log.
2.0	June 2010	Updates to reflect changes to committee structures and management.
1.0	June 2007	New

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Summary

This Risk Management Strategy describes the approach that United Lincolnshire Hospitals NHS Trust will take in managing risks to the achievement of its objectives through a formalised structure that encompasses strategic, corporate and operational risks.

The Trust has decided to adopt an Enterprise Risk Management (ERM) framework, based on the principles and techniques outlined in the international standard for risk management (ISO 31000). This approach will enable the Trust Board, its committees and senior management to consider the potential impact of all types of risk on its objectives and support well-informed strategic and operational decisions.

1. Purpose

- 1.1 The purpose of this Risk Management Strategy is to describe the approach the Trust will take to managing risk at corporate and operational levels.

2. Context

- 2.1 The Trust Board recognises that an effective approach to risk management is a key component of its governance arrangements and system of internal control.
- 2.2 A clearly defined Risk Management Strategy that is implemented throughout the organisation will support the Trust in ensuring that the most significant risks to the achievement of its objectives are understood and managed in the most efficient and effective way possible, within the constraints of available resources and the operational environment.
- 2.3 It is supported by a Risk Management Policy, which defines the mandatory requirements for risk management activity within the Trust.

3. Objectives

- 3.1 The primary objective of this Strategy is to provide a clear direction for the application of risk management principles and techniques within the Trust.
- 3.2 Consistent implementation of this Strategy will support the Trust in demonstrating its effectiveness as part of the 'well led' elements of inspections by the Care Quality Commission (CQC).
- 3.3 An effective risk management strategy will also enhance the confidence that both internal and external audit have in the strength of the Trust's internal control framework and governance arrangements.

4. Scope

- 4.1 This Strategy applies to all formal risk management activity that takes place through the use of risk registers within the Trust. This includes the management of strategic risks within the Board Assurance Framework (BAF) as well as corporate and operational risks that are managed at directorate level.
- 4.2 This principles described within this Strategy are also applicable to the management of risks within improvement programmes and projects, and for individual risk assessments. However, these types of risk are not recorded on the Trust's risk register (Datix). Separate risk registers and appropriate scoring criteria will need to be developed that are tailored to the objectives of specific programmes, projects and activities.

5. Compliance

- 5.1 NHS Trusts are not required to comply with the United Kingdom Corporate Governance Code. Requirements for the Trust's Annual Governance Statement (AGS) are instead set by NHS Improvement.
- 5.2 The AGS forms part of the Trust's annual reporting requirements as set out in chapter 2 of the Department of Health's Group Accounting Manual (paragraph 2.30).
- 5.3 Amongst the key elements to be covered by the AGS are a description of the risk and control framework and a summary of major and newly identified risks.
- 5.4 Consistent implementation of this Strategy will support the Trust in complying with these regulatory requirements.

6. Roles and Responsibilities

- 6.1 The **Trust Board** is responsible for:
 - Providing strategic leadership and direction for risk management throughout the Trust
 - Maintaining oversight of the management of corporate risks through the Board Assurance Framework (BAF)
 - Maintaining an effective Audit Committee with responsibility for the evaluation of the internal control framework
 - Maintaining effective assurance committees with responsibility for oversight of the management of specific corporate risks as defined within the BAF
 - Leading by example in creating and embedding a culture of risk awareness throughout the organisation

- 6.2 The **Audit Committee** of the Trust Board is responsible for:
- Evaluating the appropriateness and effectiveness of the BAF and Risk Management Strategy as key components in the Trust's internal control environment
 - Defining and monitoring the application of the Risk Management Policy
 - Approval of the annual internal audit plan, ensuring that it takes appropriate account of significant areas of corporate risk identified in the BAF
 - Commissioning and review of independent audits of the Trust's risk management arrangements and the BAF
- 6.3 The **assurance committees** of the Trust Board are responsible for:
- Regular review of strategic risks assigned to them within the BAF, taking account of evidence provided by members of the Executive Team as to the effectiveness of existing risk controls and progress with regard to mitigation plans
 - The provision of assurance to the Trust Board regarding the management of corporate and significant operational risks
 - Recommending changes that affect the management of strategic risks recorded within the BAF
 - The escalation to the Trust Board of any areas of risk exposure that represent a significant concern
- 6.4 **Corporate service deputy and associate Directors and clinical directorate triumvirates** (clinical directors, heads of nursing and general managers) are responsible for:
- Directing and monitoring the application of this Strategy within their area of accountability
 - The management of specific risks that have been assigned to them, in accordance with the Risk Management Policy
 - Promoting a risk aware culture amongst their teams and in the course of their duties
 - Maintaining an awareness of the overall level of risk within the organisation
- 6.5 Individual **members of staff** are responsible for:
- The identification and as far as possible the management of risks that they identify in the course of their duties
 - Maintaining an awareness of the primary risks within their service or department
 - Bringing to the attention of their line manager any risks that are beyond their ability or authority to manage

7. Definitions

7.1 The following terms are used in this Strategy:

The Trust	United Lincolnshire Hospitals NHS Trust
Staff	All employees of the Trust, including those managed by a third party organisation on behalf of the Trust
Governance	The arrangements by which the organisation is directed and controlled in order to achieve its objectives
AGS	Annual Governance Statement
AO	Accountable Officer
A risk	An uncertain event which, if it occurred would have an effect on the achievement of objectives
Risk management	The process of identifying and assessing risks, then planning and implementing responses
Risk register	A corporate document used to formally record information about specific risks
BAF	The Board Assurance Framework, a corporate document used by the Trust Board to maintain a focus on the management of significant risks to the strategic objectives of the organisation
Datix	The Datix Risk Management System (also known as Datix Web), is the software application which hosts the Trust risk register
Likelihood	A measure of the probability that a risk event will occur
Severity	A measure of consequence if a risk were to materialise
Risk appetite	The tendency of an individual or group to accept risk in a given situation
Risk control	A system, process or activity that is designed and implemented in order to reduce the level of uncertainty or mitigate the scale of impact associated with a risk
Inherent risk	The extent of risk exposure before any control measures are taken into account
Residual risk	The extent of risk exposure that remains after current controls are taken into account
Acceptable risk	The extent of risk exposure that could be tolerated

Corporate risk	A risk that is wider than a single directorate in its scope and substantial in terms of its potential severity
Strategic risk	A corporate risk that is considered by the Trust Board to be of strategic significance and is therefore recorded on the BAF
Operational risk	A risk within a single directorate that is significant in terms of its severity
Programme risk	A risk to the overall delivery of an established improvement programme (impacting on the timeliness, cost or quality of the programme)
Project risk	A risk to the delivery of an established project (impacting on the timeliness, cost or quality of the project)
KRI	Key Risk Indicator, a statistical measure that informs the assessment of a risk

8. Associated documentation

- 8.1 This Strategy describes the general approach, structure and key responsibilities for the implementation of risk management within the Trust. Its implementation is supported by a Risk Management Policy, which defines the essential requirements for effective risk management at all levels of the organisation.
- 8.2 In addition, there are a number of specialist areas of risk management whose activities are key to the effectiveness of this Strategy. This includes the following areas:
- Corporate, directorate and specialty governance
 - Patient safety
 - Health & safety
 - Fire safety
 - Site security
 - Information governance & security
 - Data quality
 - Emergency planning
 - Business continuity
 - Financial management
 - Communication & engagement
 - Training & development
 - Estates & facilities management
 - Supply chain management
 - Diversity & inclusivity
 - Programme & project management

9. Risk management strategy

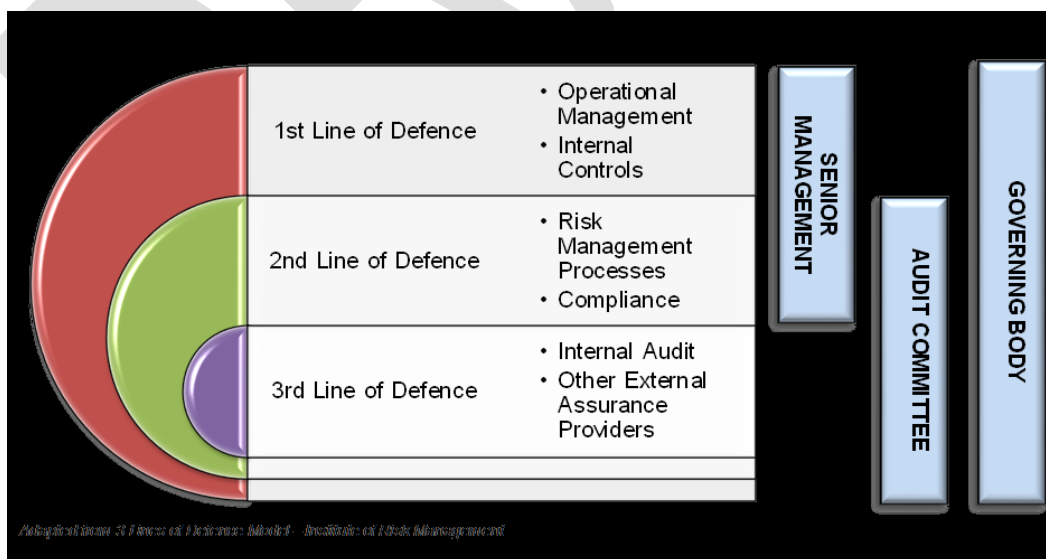
- 9.1 The basic principle at the heart of the Trust's risk management approach is that an awareness and understanding of risk should be used to inform decision making at all levels. This requires not only the active engagement of all staff with risk management activity in practice, but also the integration of risk management principles and techniques within the formal governance arrangements of the organisation.
- 9.2 This approach will enable major strategic, policy, investment and operational decisions to be made with a full and reliable appreciation of the risks associated with them as well as an understanding of any existing risks that those decisions may serve to mitigate.

Risk framework

- 9.3 The Trust has adopted an Enterprise Risk Management (ERM) framework as the basis for the structure of its risk registers. This means that:
- Comprehensive risk registers will be put in place and maintained at corporate and operational (directorate) levels
 - Risk registers will include risks covering the full range of the Trust's core objectives in relation to safety; service continuity; finances; and its reputation (including regulatory compliance)
 - Risk registers will include well-managed risks (those with acceptably low residual risk ratings) as well as those requiring mitigation; this will provide the Trust Board, its committees and senior management teams with assurance that risks of all types continue to be reviewed and managed appropriately
 - The Board Assurance Framework (BAF) will include explicit reference to those corporate risks that the Trust Board considers to be of strategic significance to the achievement of its objectives; these will be referred to as strategic risks and will be aligned with the appropriate objectives within the BAF
 - All defined strategic, corporate and operational risks will be recorded on the Datix system
 - All risks within the Trust's risk registers will be described in accordance with the same methodology, clearly articulating the cause, event and effect of the risk
 - All risks recorded within the Trust's risk registers will be assessed according to criteria specified in the Risk Management Policy
 - Any gaps or weaknesses in the control framework for identified risks will be clearly recorded and have mitigation plans attached to them

Board Assurance Framework (BAF)

- 9.4 The BAF is an important document that enables the Trust Board to maintain effective oversight of the management of risks to its strategic objectives. The Trust Board defines its objectives within the BAF and assigns each of those objectives to a lead assurance committee for routine review and evaluation of risks.
- 9.5 The role of the lead assurance committee is to consider evidence provided by members of the Executive Team, through the provision of regular reports and up to date Key Performance and Risk Indicators (KPIs and KRIs) in relation to each strategic objective. This will enable the committee to make an informed judgement as to the level of assurance that can be provided to the Trust Board regarding current risk treatment strategies and plans and to evaluate the overall extent of risk to each objective.
- 9.6 Each assurance committee will receive a regular report from the Risk Manager detailing all entries from the Corporate Risk Register that fall within the remit of that committee, as well as a summary of any relevant High risks (those scoring 12 or more, in accordance with the Risk Management Policy) from operational risk registers. The committee will then decide which of those risks should be recommended to the Trust Board as strategic risks for inclusion in the BAF, or removed where the committee is suitably assured that there is an appropriate risk management plan in place.
- 9.7 To support lead assurance committees in evaluating the effectiveness of risk treatment strategies and plans, the source of assurance provided in relation to particular corporate risks will be described in terms of the ‘3 lines of defence’ model, as shown in the following diagram published by the Institute for Risk Management (IRM):



- 9.8 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 corporate risk register and lead committees will be able to use the results of those audits to inform their review of the BAF.

- 9.9 The role of the Audit Committee is to consider the appropriateness and effectiveness of the BAF as a key component of the Trust's risk management and internal control arrangements.

Corporate risk register

- 9.10 A corporate risk is defined as a risk that is wider than a single directorate in its scope and significant in terms of its potential severity.
- 9.11 The corporate risk register will be comprised of risks to each objective with a Severity rating of 4, in accordance with the scoring criteria defined in the Risk Management Policy. Corporate risks are owned by the appropriate member of the lead directorate senior management team.

Operational risk registers

- 9.12 An operational risk is defined as a risk to the objectives of a single directorate. Operational risks will have a Severity rating of 3 and will be managed at directorate level, assigned to a suitable member of the directorate management team.
- 9.13 Standardised risk registers will be put in place for each clinical and corporate directorate, in order to provide clarity and consistency regarding the definition of risks to the Trust's core objectives. 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 (physical or psychological)
Delayed patient diagnosis or treatment*	Harm (physical or psychological)
Delayed patient discharge or transfer of care*	Harm (physical or psychological)
Health, safety & security of staff, patients and visitors	Harm (physical or psychological)
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

Risk title	Risk type (consequence)
Quality of patient experience	Reputation
Compliance with regulations & standards	Reputation
Exceeding annual budget	Finances

Risk appetite

- 9.14 A statement of risk appetite describes the tendency of an organisation to take risk in any particular situation, so as to provide managers and stakeholders with guidance that informs a consistent approach to risk-based decision-making at all levels.
- 9.15 The Trust's risk appetite will vary depending upon the specific circumstances and the type of risk being assessed. This Strategy defines the general approach to establishing a risk appetite in relation to specific objectives and different types of risk. The Trust Board will set its risk appetite through a published **Risk appetite statement (Appendix I)** which will be kept under regular review and updated when necessary.
- 9.16 When making a statement of risk appetite in relation to a specific objective, the Trust will use the following descriptors:
- **Averse** (any degree of uncertainty is intolerable; the aim should be to avoid risk entirely)
 - **Minimal** (a small amount of uncertainty can be tolerated; there is an insistence on low risk options and a low level of residual risk exposure)
 - **Cautious** (a degree of uncertainty is to be expected; there is a strong preference for low risk options wherever possible, whilst accepting that a moderate level of residual risk exposure may remain)
 - **Open** (a high degree of uncertainty is expected; the organisation is prepared to choose higher risk options and accept a greater degree of residual risk exposure than usual, in pursuit of potential benefits)

Risk reporting and escalation

- 9.17 Clear and effective reporting on risk exposure and risk management performance is essential in ensuring that the Trust Board and senior management teams are appropriately sighted on the level of risk within the Trust at any particular time and that they are given the opportunity to review, evaluate and where necessary intervene to support risk treatment strategies and plans.
- 9.18 Reporting requirements with regard to specific areas of risk, in addition to those detailed above in relation to the assurance committees of the

Trust Board, will be defined in the terms of reference of the committee or management group with responsibility for those areas of risk.

- 9.19 All reports on risk should, as a minimum:
- Make clear and explicit reference to the relevant entry or entries in the corporate or operational risk register;
 - Explain the rationale for the current risk rating; and
 - Summarise the risk treatment plan, including the anticipated impact on the risk if and when the plan is delivered
- 9.20 Details of any relevant risks with a current (residual) rating of High or Very High (those with a score of 12 or more, rated according to the criteria in the Risk Management Policy) should always be included in risk reports. This will provide an opportunity for significant operational and corporate risks to be escalated beyond their usual level of management, thereby improving the extent of risk awareness and the timeliness of risk management responses within the organisation.

10. Implementation, Monitoring and Review

- 10.1 This Strategy will be published on the Trust website and on the intranet, where it will be accessible to all staff.
- 10.2 Training in risk management and the use of risk registers on Datix will be incorporated within the Trust's Leadership Programme as a Core Management Skill (M3 – Improving Services). This will include the provision of classroom based training sessions and e-learning that is made available through the Trust intranet.
- 10.3 Additional training and support will be made available on request from the Risk Management team.
- 10.4 A range of guidance documents will also be published on the intranet to support the implementation of this policy and the use of the Datix system.
- 10.5 The Trust uses the Risk module within the Datix Risk Management System as its risk register. This carries an annual licence and support cost which will be included within the Risk Management budget.
- 10.6 A number of Key Performance Indicators (KPIs), which will be used to monitor the effectiveness of this strategy are defined in the table below. These will be reported routinely to the Audit Committee of the Trust Board along with the results of regular internal audits of risk management.

Monitoring Compliance

Minimum requirement to be monitored –monitoring against standards set out in policy	Process for monitoring e.g. audit	Responsible individuals/ group/ committee	Frequency of monitoring/ audit/ reporting	Responsible individuals/ group/ committee for review of results and determining actions required
Board Assurance Framework (BAF) including relevant corporate & operational risks	Review	Lead assurance committees / Risk Manager	Monthly	Trust Board
Evaluation of the Board Assurance Framework (BAF) as an internal control	Review	Audit Committee	Annual	Trust Board
Risk management annual report	Self-assessment	Risk Manager	Annual	Audit Committee
Independent review of risk management (specific aspects to be determined in the Annual Internal Audit Plan)	Audit	Internal audit	Annual	Audit Committee
Trust risk profile (risk distribution by type and rating; significant risk analysis)	Report	Risk Manager	Monthly	Lead assurance committees

Appendices

Appendix I – Risk appetite statement (August 2018)

Equality Analysis: Initial Assessment Form

Title: <i>of the function to which the Equality Analysis Initial Assessment applies</i>
Risk Management Strategy

Describe the function to which the Equality Analysis Initial Assessment applies:		
<input type="checkbox"/> Service delivery	<input type="checkbox"/> Service improvement	<input type="checkbox"/> Service change
<input type="checkbox"/> Policy	<input checked="" type="checkbox"/> Strategy	<input type="checkbox"/> Procedure/Guidance
<input type="checkbox"/> Board paper	<input type="checkbox"/> Committee / Forum paper	<input type="checkbox"/> Business case
<input type="checkbox"/> Other (please specify)		

Is this assessment for a new or existing function?	Existing
Name and designation of function Lead professional:	Paul White, Risk Manager
Business Unit / Clinical Directorate:	Corporate / Risk Management

<p>What are the intended outcomes of this function? (<i>Please include outline of function objectives and aims</i>):</p> <p>To provide clear direction to staff carrying out risk management activities throughout all areas of the Trust.</p>		
Who will be affected? Please describe in what manner they will be affected?		
Patients / Service Users:	Staff:	Wider Community:
May encounter risk management information published or released by the Trust.	Will be required to follow the policy when carrying out risk management activities in the course of their employment.	May encounter risk management information published or released by the Trust.

<p>What impact is the function expected to have on people identifying with any of the protected characteristics (below), as articulated in the Equality Act 2010? (Please tick as appropriate)</p>
--

	Positive	Neutral	Negative	Please state the reason for your response and the evidence used in your assessment.
Disability		X		This is an internal management strategy that describes the functioning of aspects of the Trust's internal control framework and as such does not differentiate between individuals nor have the potential to impact on those with protected characteristics.
Sex		X		As above.
Race		X		As above.
Age		X		As above.
Gender Reassignment		X		As above.
Sexual Orientation		X		As above.
Religion or Belief		X		As above.
Pregnancy & Maternity		X		As above.
Marriage & Civil Partnership		X		As above.
Carers		X		As above.
Other groups identified (please specify)		N/A		As above.

If the answer to the above question is a predicted negative impact for one or more of the protected characteristic groups, a full Equality Analysis must be completed. (The template is located on the Intranet)

Name of person/s who carried out the Equality Analysis Initial Assessment:	Paul White
Date assessment completed:	16th April 2018
Name of function owner:	Jeanette Hall, Interim Director of Governance
Date assessment signed off by function owner:	16th April 2018
Proposed review date (please place in your diary)	16th April 2021

As we have a duty to publicise the results of all Equality Analyses, please forward a copy of this completed document to tim.couchman@ulh.nhs.uk.

Referenced Documents

References

AIRMIC, ALARM, IRM [2010] *A structured approach to Enterprise Risk Management (ERM) and the requirements of ISO 31000.*

https://www.theirm.org/media/886062/ISO3100_doc.pdf

360 ASSURANCE [2016] *an introduction to the 3 lines of defence: Briefing Paper*

<http://www.360assurance.co.uk/sites/default/files/files/Three%20lines%20of%20defence.pdf>

IFAC / CIPFA [2015] *International Framework: Good Governance in the Public Sector*

OGC [2010] *Management of Risk (M_o_R) Guidance for Practitioners – 3rd Edition*

NPSA [2008] *A Risk Matrix for Risk Managers*

HM Treasury [2004] *The Orange Book: Management of Risk – Principles & Concepts*

Signature Sheet

Names of people consulted about this strategy:

Name	Job title	Department
		All members of the Executive Team & deputies / associates
		All members of clinical directorate triumvirates
		Quality & Risk management teams
		Quality & Safety Officers
		Programme Management team
		Health & Safety management team
		Research management team
		Specialists in: security; information governance; business continuity / emergency planning; fraud

Names of committees which have approved the strategy	Approved on
Trust Board	August 2018 (tbc)