



## Risk Management Policy

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## **CONTENTS**

<b>Policy – the risk management approach</b> .....	2
<b>Implementing the policy</b> .....	4
1. Introduction .....	4
2. Risk management process .....	4
3. Application of good risk management across the IJB activities .....	5
<b>Realising the risk management vision</b> .....	6
4. Risk management vision and measures of success .....	6
<b>Risk leadership and accountability</b> .....	6
5. Governance, roles and responsibilities .....	6
<b>Resourcing risk management</b> .....	7
6. Resourcing the risk management framework .....	7
7. Resourcing those responsible for managing specific risks .....	7
<b>Training, learning and development</b> .....	8
8. Risk management training and development opportunities .....	8
<b>Monitoring activity and performance</b> .....	8
9. Monitoring risk management activity .....	8
10. Monitoring risk management performance .....	8
<b>Communicating risk management</b> .....	9
11. Communicating, consulting on and reviewing the risk management framework .....	9
<b>Appendix 1 Risk Matrix</b> .....	10

Document Title:	Risk Management Policy and Strategy	Owner:	Chief Officer
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Date Effective:	00/00/0000	Review Date:	00/00/0000

# Policy – the risk management approach

1.1 The Midlothian Integration Joint Board is committed to a culture where its workforce is encouraged to develop new initiatives, improve performance and achieve goals safely, effectively and efficiently by appropriate application of good risk management practice.

1.2 In doing so the Joint Board aims to provide safe and effective care and treatment for patients and clients, and a safe environment for everyone working within the Joint Board and others who interact with the services delivered under the direction of the Joint Board.

1.3 The Integration Joint Board believes that appropriate application of good risk management will prevent or mitigate the effects of loss or harm and will increase success in the delivery of better clinical and financial outcomes, objectives, achievement of targets and fewer unexpected problems.

1.4 The Joint Board purposefully seeks to promote an environment that is risk 'aware' and strives to place risk management information at the heart of key decisions. This means that the Joint Board can take an effective approach to managing risk in a way that both address significant challenges and enable positive outcomes.

1.5 In normal circumstances:

- Any very low or low risk is acceptable without further action to prevent or mitigate risk,
- Any medium risk is tolerable – control measures implemented or introduced must be cost effective,
- Any high risk may be tolerable – providing the Council is assured regarding the adequacy and effectiveness of the control measures in place. Any further control measures implemented or introduced must be cost effective in relation to the risk.
- Any critical risks is considered unacceptable and measures must be taken to terminate, transfer or treat these risks to a tolerable position.

1.6 This can be seen clearly in the following matrix:

LIKELIHOOD	Consequent Impact				
	1 Insignificant	2 Minor	3 Moderate	4 Major	5 Critical
5 Almost Certain	5	10	15	20	25
4 Likely	4	8	12	16	20
3 Possible	3	6	9	12	15
2 Unlikely	2	4	6	8	10
1 Remote	1	2	3	4	5

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- 1.7 The Joint Board promotes the pursuit of opportunities that will benefit the delivery of the Strategic Plan. Opportunity-related risk must be carefully evaluated in the context of the anticipated benefits for patients, clients and the Joint Board.
- 1.8 The Joint Board will receive assurance reports (internal and external) not only on the adequacy but also the effectiveness of its risk management arrangements and will consequently value the contribution that risk management makes to the wider governance arrangements of the Joint Board.
- 1.9 The Joint Board, through the following risk management strategy, has established a Risk Management Framework, (which covers risk policy, procedure, process, systems, risk management roles and responsibilities).

Document Title:	Risk Management Policy and Strategy	Owner:	Chief Officer
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# Implementing the policy

## 1. Introduction

1.1 The primary objectives of the policy will be to:

- promote awareness of risk and define responsibility for managing risk within the Integration Joint Board;
- establish communication and sharing of risk information through all areas of the Integration Joint Board;
- initiate measures to reduce the Integration Joint Board's exposure to risk and potential loss; and,
- establish standards and principles for the efficient management of risk, including regular monitoring, reporting and review.

1.2 This policy takes a positive and holistic approach to risk management. The scope applies to all risks, whether relating to the clinical and care environment, employee safety and wellbeing, business risk, opportunities or threats.

1.3 **Strategic risks** represent the potential for the Integration Joint Board (IJB) to achieve (opportunity) or fail to meet (threat) its desired outcomes and objectives as set out within the Strategic Plan, and typically these risks require strategic leadership in the development of activities and application of controls to manage the risk.

1.4 **Operational risks** represent the potential for impact (opportunity or threat) within or arising from the activities of an individual service area or team operating within the scope of the Joint Board's activities. Parent bodies will retain responsibility for managing operational risks as operational risks will be more 'front-line' in nature and the development of activities and controls to respond to these risks can be led by local managers and team leaders. Where a number of operational risks impact across multiple service areas or, because of interdependencies, require more strategic leadership, then these can be proposed for escalation to 'strategic risk' status for the IJB.

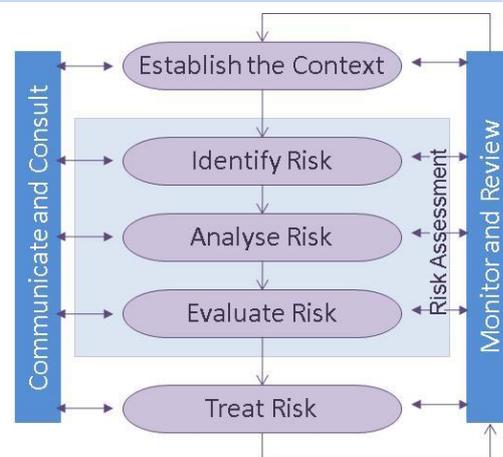
1.5 All risks will be analysed consistently with an evaluation of risk using the risk matrix shown in Appendix 1.

1.6 This document represents the risk management framework to be implemented across the Joint Board and will contribute to the Joint Board's wider governance arrangements.

## 2. Risk management process

2.1 Risk Management is about the culture, processes and structures that are directed towards realising potential opportunities whilst managing adverse effects<sup>1</sup>. It is proactive in understanding risk and uncertainty, it learns and builds upon existing good practice and is a continually evolving process that has an important role in ensuring that defensible and beneficial decisions are made.

2.2 The IJB will embed risk management practice by consistent application of the risk management process shown in the diagram on the right, across all areas of service delivery and business activities.



<sup>1</sup> Australia/ New Zealand Risk Management Standard, AS/NZS 4360: 2004

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### 3. Application of good risk management across the IJB activities

- 3.1 Standard procedures (3.1.1 – 3.1.10) will be implemented across all areas of activity that are under the direction of the IJB in order to achieve consistent and effective implementation of good risk management.
- 3.1.1 Full implementation of the risk management process. This means that risk management information should (wherever possible) be used to guide major decisions in the same way that cost and benefit analysis is used.
- 3.1.2 Identification of risk using standard methodologies, and involving subject experts who have knowledge and experience of the activity or process under consideration.
- 3.1.3 Categorisation of risk under the headings below:
- Strategic Risks: such as risks that may arise from Political, Economical, Social, Technological, Legislative and Environmental factors that impact on the delivery of the Strategic Plan outcomes.
  - Operational Risks: such as risks that may arise from or impact on Clinical Care and Treatment, Social Care and Treatment, Customer Service, Employee Health, Safety & Well-being, Business Continuity/ Supply Chain, Information Security and Asset Management.
- 3.1.4 Appropriate ownership of risk. Specific risks will be owned by/ assigned to whoever is best placed to manage the risk and oversee the development of any new risk controls required.
- 3.1.5 Consistent application of the agreed risk matrix to analyse risk in terms of likelihood of occurrence and potential impact, taking into account the effectiveness of risk control measures in place. The risk matrix to be used is attached in Appendix 1.
- 3.1.6 Consistent response to risk that is proportionate to the level of risk. This means that risk may be terminated; transferred elsewhere (ie to another partner or third party); tolerated as it is; or, treated with cost effective measures to bring it to a level where it is acceptable or tolerable for the Joint Board in keeping with its appetite/ tolerance for risk. In the case of opportunities, the Joint Board may 'take' an informed risk in terms of tolerating it if the opportunity is judged to be worthwhile pursuing and the Joint Board is confident in its ability to achieve the benefits and manage/ contain the associated risk.
- 3.1.7 Implementation and maintenance of risk registers as a means of collating risk information in a consistent format allowing comparison of risk evaluations, informed decision-making in relation to prioritising resources and ease of access to information for risk reporting.
- 3.1.8 Reporting of strategic risks and key operational risks to the Audit & Risk Committee on a quarterly basis and to the IJB on a 6 monthly basis, unless the quarterly reporting to the Audit & Risk Committee identifies a risk the IJB needs to be made aware of immediately.
- 3.1.9 Operation of a procedure for movement of risks between strategic and operational risk registers will be facilitated by **Joint Management Team** .
- 3.1.10 Routine reporting of risk information within and across teams and a commitment to a 'lessons learned' culture that seeks to learn from both good and poor experience in order to replicate good practice and reduce adverse events and associated complaints and claims.

Document Title:	Risk Management Policy and Strategy	Owner:	Chief Officer
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## Realising the risk management vision

### 4. Risk management vision and measures of success

*Appropriate and effective risk management practice will be embraced throughout the Integration Joint Board as an enabler of success, whether delivering better outcomes for the people of Midlothian, protecting the health, safety and well-being of everyone who engages with the IJB or for maximising opportunity, delivering innovation and best value, and increasing performance.*

4.1 In working towards this risk management vision the Joint Board aims to demonstrate a level of maturity where risk management is embedded and integrated in the decision making and operations of the IJB.

4.2 The measures of success for this vision will be:

- good financial outcomes for the Joint Board
- successful delivery of the strategic plan,
- successful outcomes from external scrutiny
- fewer unexpected/ unanticipated problems
- fewer incidents/ accidents/ complaints
- fewer claims/ less litigation

## Risk leadership and accountability

### 5. Governance, roles and responsibilities

#### 5.1 Integration Joint board

Members of the Integration Joint Board are responsible for:

- oversight of the IJB's risk management arrangements;
- receipt and review of reports on strategic risks and any key operational risks that require to be brought to the IJB's attention; and,
- ensuring they are aware of any risks linked to recommendations from the Chief Officer concerning new priorities/ policies.

#### 5.2 Chief Officer

The Chief Officer has overall accountability for the IJB's risk management policy, ensuring that suitable and effective arrangements are in place to manage the risks relating to the functions within the scope of the IJB. The Chief Officer will keep the Chief Executives of the IJB's partner bodies informed of any significant existing or emerging risks that could seriously impact the IJB's ability to deliver the outcomes of the Strategic Plan or the reputation of the IJB.

#### 5.3 Chief Financial Officer

The Chief Financial Officer will be responsible for promoting arrangements to identify and manage key business/financial risks and risk mitigation.

#### 5.4 Senior Management Team

Members of the Senior Management Team are responsible for:

- supporting the Chief Officer and Chief Financial Officer in fulfilling their risk management responsibilities;
- arranging professional risk management support, guidance and training from partner bodies;

Document Title:	Risk Management Policy and Strategy	Owner:	Chief Officer
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- receipt and review of regular risk reports on strategic, shared and key operational risks and escalating any matters of concern to the IJB; and,
- ensuring that the standard procedures set out in section three of this strategy are actively promoted across their teams and within their areas of responsibility.

### 5.5 Individual Risk Owners

It is the responsibility of each risk owner to ensure that:

- risks assigned to them are analysed in keeping with the agreed risk matrix;
- data on which risk evaluations are based are robust and reliable so far as possible;
- risks are defined clearly to make explicit the scope of the challenge, opportunity or hazard and the consequences that may arise;
- risk is reviewed not only in terms of likelihood and impact of occurrence, but takes account of any changes in context that may affect the risk;
- controls that are in place to manage the risk are proportionate to the context and level of risk.

### 5.6 Partner Bodies

It is the responsibility of relevant specialists from the partner bodies, (such as internal audit, external audit, clinical and non clinical risk managers and health and safety advisers) to attend meetings as necessary to consider the implications of risks and provide relevant advice. It is the responsibility of the partner bodies to ensure they routinely seek to identify any residual risks and liabilities they retain in relation to the activities under the direction of the IJB.

### 5.7 Senior Information Risk Owner

Responsibility for this specific role will remain with the individual partner bodies.

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## Resourcing risk management

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### 6. Resourcing the risk management Policy

- 6.1 Much of the work on developing and leading the ongoing implementation of the risk management Policy for the Joint Board will be resourced through the Senior Management Team's arrangements (referred to in 5.4).
- 6.2 Wherever possible the IJB will ensure that any related risk management training and education costs will be kept to a minimum, with the majority of risk-related courses/ training being delivered through resources already available to the IJB (the partner body risk managers/ risk management specialists).

### 7. Resourcing those responsible for managing specific risks

- 7.1 Where risks impact on a specific partner body and new risk control measures require to be developed and funded, it is expected that the costs will be borne by that partner organisation.
- 7.2 Financial decisions in respect of the IJB's risk management arrangements will rest with the Chief Financial Officer.

Document Title:	Risk Management Policy and Strategy	Owner:	Chief Officer
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## Training, learning and development

### 8. Risk management training and development opportunities

- 8.1 To implement effectively this policy, it is essential for people to have the competence and capacity for managing risk and handling risk judgements with confidence, to focus on learning from events and past experience in relation to what has worked well or could have been managed better, and to focus on identifying malfunctioning 'systems' rather than people.
- 8.2 Training is important and is essential in embedding a positive risk management culture across all activities under the direction of the IJB and in developing risk management maturity. The Senior Management Team will regularly review risk management training and development needs and source the relevant training and development opportunities required (referred to in 5.4).

## Monitoring activity and performance

### 9. Monitoring risk management activity

- 9.1 The Joint Board operates in a dynamic and challenging environment. A suitable system is required to ensure risks are monitored for change in context and scoring so that appropriate response is made.
- 9.2 Monitoring will include review of the IJB's risk profile at Senior Management Team level on a quarterly basis.
- 9.3 It is expected that partner bodies will use IJB risk reports to keep their own organisations updated on the management of the risks, highlighting any IJB risks that might impact on the partner organisation.

### 10. Monitoring risk management performance

- 10.1 Measuring, managing and monitoring risk management performance is key to the effective delivery of key objectives.
- 10.2 Key risk indicators (KRIs) will be linked where appropriate to specific risks to provide assurance on the performance of certain control measures. For example, specific clinical incident data can provide assurance that risks associated with the delivery of clinical care are controlled, or, budget monitoring PIs (Performance Indicators) can provide assurance that key financial risks are under control.
- 10.3 The performance data linked to the Strategic Plan will also inform the identification of new risks or highlight where existing risks require more attention.
- 10.4 Reviewing the Joint Board's risk management arrangements on a regular basis will also constitute a 'Plan/ Do/ Study/ Act' review cycle that will shape future risk management priorities and activities of the Joint Board, inform subsequent revisions of this policy and drive continuous improvement in risk management across the Joint Board.

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## Communicating risk management

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### 11. Communicating, consulting on and reviewing the risk management policy

- 11.1 Effective communication of risk management information across the Joint Board is essential to developing a consistent and effective approach to risk management.
- 11.2 Copies of this policy will be widely circulated via the Senior Management Team and will form the basis of any risk management training arranged by the IJB.
- 11.3 This policy and strategy will be reviewed regularly to ensure that it reflects current standards and best practice in risk management and fully reflects the Integration Joint Board's business environment.

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## Appendix 1 Risk Matrix

### Risk Impact

Risk should be analysed consistently across the IJB in terms of the significance of its impact and the likelihood of occurrence. The Risk Matrix is therefore the tool that is to be used for this purpose.

### Impact

When considering the consequences of a potential risk, all scenarios must be considered. It may even be appropriate to consider the worst case scenario, however, those undertaking the risk analysis must be able to provide a robust rationale and have evidence to support their selection. For example, if 'death' could be the ultimate potential impact in relation to a specific problem, the risk assessors must have knowledge that this outcome has occurred in the past either internal or external to the IJB area of control;

### Likelihood

Similarly when considering the likelihood of occurrence, the risk assessor's judgement must be based on the prevalence of the event/ circumstance and outcome, backed up by experience and data such as relevant incidents/ events.

### Evaluation

As shown in the matrix below, Impact x Likelihood produces an evaluation of the significance of risk, described as 'Low', 'Moderate', 'High' or 'Very High'.

How a risk is evaluated will determine how the risk is then treated:

Very Low (1-3), Low (4-8), Medium (9-15), High (16-20), Critical (25)

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