

# **CÙRAM IS SLÀINTE NAN EILEAN SIAR INTEGRATION JOINT BOARD**



## **RISK MANAGEMENT STRATEGY**

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## 1. Introduction

As a separate legal entity (as defined in the arrangements of Public Bodies (Joint Working) (Scotland) Act 2014), the Integration Joint Board (IJB) is required to have an approved Risk Management Strategy which ensures processes are in place to identify Strategic Risks faced by the IJB.

This strategy has been produced with reference to the Corporate Risk Management Strategies of NHS Western Isles and Comhairle nan Eilean Siar alongside benchmarked good practice. The aim of the strategy is to ensure that there is a robust and effective framework in place to manage strategic risks.

The strategy and supporting documentation alongside the Corporate Risk register will:

- Be proactive in understanding risk through a process of risk identification and management
- Build upon existing good practice through benchmarking/review
- Support strategic decisions through a robust understanding of potential risks and their likely impact
- Be integral to all decision making, planning, performance reporting and delivery processes.

This Risk Management Strategy forms part of the wider framework for corporate governance and internal control within the Integration Joint Board. The Integration Joint Board will broadly face two types of risks: those which relate to its operation as a separate legal entity (described as strategic risks); and those which relate to the quality of service delivery which are experienced by commissioned services across the Health and Social Care Partnership.

For the latter risks the IJB depends in the mainly on these risks being identified, assessed and treated by the parent organisations for commissioned services (NHS Western Isles and Comhairle nan Eilean Siar).

## 2. Risk Management

A 'risk' can be described as an uncertainty of outcome. Risk is defined as the threat that an action or event will adversely affect an organisation's ability to achieve its objectives (CIPFA). Conversely a control is an action or event taken to reduce the likelihood of a risk occurring, or to limit its adverse consequences.

There are several factors that can influence risk management, examples of which are outlined below:

- Individual Factors – such as competence, capability, skills, knowledge, stress levels, motivation, emotional health, cultural background etc
- Group Factors – including interpersonal issues, leadership style, hierarchical power, communication approach, coordination, supervision, empowerment, task focus etc
- Organisational Factors – like corporate ethos, policies, standards, previous experience, market positioning, senior management style, systems and procedures etc

Risk however can never be eliminated in its entirety. Managing risk can also be a catalyst for change and service improvement, albeit with appropriate control measures in place.

The IJB's risk management objectives are to:

- Anticipate and respond to changing social, environmental, and legislative, requirements
- Prevent injury and/or harm, damage, and losses through
  - a. Comply with health and safety and legislative requirements
  - b. Safeguard the public, NHSO and OIC Board/Elected Members, employees, service users and all persons to whom the IJB has a duty of care
- Preserve and enhance delivery of delegated services
- Maintain effective control of public funds
- Maintain and enhance the IJB's reputation
- Safeguard and enhance the quality of Western Isles diverse natural environment

### **3. Corporate responsibility**

The IJB has corporate responsibility for this Risk Management Strategy and for ensuring that significant risks are adequately controlled, as outlined in the Corporate Risk Register. The Audit and Risk Committee has a responsibility for overseeing the operation of this Risk Management Strategy (as distinct from the management of specific risks).

The Chief Officer has overall accountability for risk management. The Chief Officer has delegated responsibility for reporting on risk to NHS WI Risk Manager. The Risk Manager is responsible for formally reporting on a quarterly basis to the Board on the development, and progress, of risk management, and for ensuring that the Risk Management Strategy is implemented and evaluated effectively with the support of lead officers.

The voting members have a collective responsibility as a Board of Governance to ensure that the risk management processes are provide the Board's with appropriate assurances. In addition, voting members are responsible for ensuring that they are adequately equipped with the knowledge and skills to fulfil this role. The Board has received training and support in the arena of risk management alongside the development of a risk appetite statement for the IJB.

## 4. Risk management

The IJB Risk Register is the mechanism to identify and manage the high level strategic risks facing the Board and the wider Health and Social Care Partnership. The function of the risk register is to identify the overarching risks and define as the parent organisations' have their own individual Corporate Risk Registers.

A risk can best be defined as an uncertain future event that could affect the Board's ability to deliver its strategy and obligations.

Risks are evaluated in terms of both likelihood and impact utilising a 5\*5 matrix (originally defined by Garvey, P.R. and Lansdowne, Z.F. (1998)).

Using this matrix risks are evaluated on a score of 1 to 5 where 1 is very low likelihood or very low impact and 5 represents very high likelihood or significant impact. A simple matrix is used to classify risks as very low, low, moderate or high. It is important to note that a risk register should contain a narrative that enables the Board to understand what gives rise to the particular strategic risks and how the scoring is derived.

1 - 4	Very Low Risk	No additional controls are required but any existing risk controls or contingency plans should be documented. The line manager should at least annually review whether controls are effective.
5 - 8	Low Risk	Further action shall be taken to reduce the risk, but the cost of control will probably be modest. The line manager will document that the risk controls or contingency plans are effective. The service manager will twice annually seek assurance that these continue to be effective.
9 - 12	Moderate Risk	Further action must be taken to reduce risk, possibly urgently, and possibly requiring significant resources. The line manager must document that the risk controls or contingency plans are effective. The relevant Manager or Chief Officer will seek assurance at least quarterly that these continue to be effective and confirm that it is not reasonably practicable to do more
15 - 25	High Risk	Given the gravity of the risk, the Chief Officer and relevant stakeholders must be explicitly informed. The Chief Officer must either urgently divert all possible resources to reduce the risk; suspend the situation presenting the risk until the risk can be reduced; abandon or significantly revise the threatened objective; or explicitly authorise that the risk is worth taking.

In addition to the risk matrix it is helpful to understand the most common treatments options when reviewing individual risks. The summary is outlined below.

- **Decrease the risk** – this option is the most common, and it includes implementation of safeguards (controls)
- **Avoid the risk** – stop performing certain tasks or processes if they incur such risks that are simply too big to mitigate with any other options. This maybe an option in certain circumstances however given the statutory obligations of the IJB this may not be possible
- **Share the risk** – this means you transfer the risk to another party. For certain of the delegated services it may be possible to adopt a risk sharing approach
- **Retain the risk** – this is the least desirable option, and it means that the board accepts the risk without doing anything about it. This option should be used only if the mitigation cost would be higher than the damage an incident would incur.

Good practice indicates that there are positive advantages to developing a risk management framework. One possible approach is to adopt Enterprise Risk Management (ERM) which is a framework implemented to embed the boards appetite towards risk. ERM allows the Board to respond to issues as they arise.

Given the dynamic operating environment in which the Health and Social Care Partnership delivers service this approach is recommended.

The IJB currently adopts this approach through management oversight, internal audit and external audit i.e. Audit Scotland. This approach can be described as lines of defense with the 1<sup>st</sup> line of defense being operational activity through management controls, the 2<sup>nd</sup> management oversight, 3<sup>rd</sup> internal audit and 4<sup>th</sup> external audit.

Alongside the above it is important to allocate ownership of the identified risks and determine the 'inherent' risk score for each of the risks using the matrix outlined earlier

## 5. Risk appetite

No Partnership/Organisation can achieve its strategic objectives without a degree of risk, however it is of fundamental importance to consciously manage the risks.

The Board's risk appetite is about determining:

- What risks are acceptable/desirable
- What risks the Board is not prepared to take

The IJB will consider its risk appetite for each of the categories of risk as set out below:

- Hungry (eager to be innovative and to choose options offering potentially bigger rewards despite greater inherent risk)
- Open (willing to consider all options and choose the one that is most likely to result in success, while also providing an acceptable level of reward)
- Cautious (preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward)
- Minimalist (preference for ultra-safe business delivery options that have a low degree of inherent risk and only have a potential for limited reward)
- Averse (avoidance of risk and uncertainty is a key organisational objective).

The Strategic Risk Register should be reviewed at least six monthly and the risk appetite should be determined for the next 12-month period.

## Appendix

### Risk Qualification Criteria

Severity					
Catastrophic (5)	Low	Moderate	High	High	High
Major (4)	Low	Low	Moderate	High	High
Moderate (3)	Very Low	Low	Moderate	Moderate	High
Minor (2)	Very Low	Low	Low	Low	Medium
Negligible (1)	Very Low	Low	Low	Low	Low
Likelihood	Rare (1)	Unlikely (2)	Possible (3)	Likely (4)	Almost Certain (5)

When considering the scoring matrix good practice indicates that the likelihood and severity scores should be supported with a richer descriptor which helps inform the risk rating. Therefore it is recommended that the following descriptors will help inform the total risk score:

Likelihood	Rare	Unlikely	Possible	Likely	Almost Certain
Probability	0-15%	16-35%	36-60%	61-80%	81-100%
Chance of occurrence	Hard to imagine	Unlikely to happen	Reasonable chance of occurring	More likely to occur than not	Hard to imagine not happening
Timeframe	Greater than 5 years	Between 3-4 years	Likely between 2-3 years	Likely between 1-2 years	Likely within 6-12 months

Impact	Negligible	Minor	Moderate	Major	Catastrophic
Effect on outcomes	Minimal Impact	Minor short term effect	Part failure to achieve outcomes	Significant failure to achieve outcomes	Unable to meet delegated service delivery
Reputational damage	None	Minor	Moderate loss of confidence locally	Major loss of confidence nationally/ adverse publicity	Severe loss of confidence. Significant damaging/adverse public outcry
Regulatory Impact	Verbal guidance /advice	Formal recommendation from regulator(s)	Improvement notice/ Findings Audit Scotland	Failure in duty of care/ Remedial order	Corporate Homicide (Scotland 2007)