Risk Management Framework

Version	Date	Status (draft, approved, signed off	Author	Change Description
1.0	30 November 2018	Final	Fiona Easton	Agreed at A&P Committee
2.0	July 2019	Final	Fiona Easton	Amended the Priority Reporting Framework in respect of frequency.

Document Control

Risk Management

Risk management is an indispensable element of good management. As such, its implementation is crucial to the Perth and Kinross Health and Social Care Partnership (PKHSCP) and essential to its ability to discharge its responsibilities. It is about improving the PKHSCP ability to deliver outcomes by managing our threats, enhancing our opportunities and creating an environment that adds value and is a key part of corporate governance. Good risk management will help identify and deal with key risks facing the PKHSCP in the pursuit of its goals and not simply a compliance exercise.

As part of good corporate governance an organisation is required to demonstrate that risk management is an integral part of its activity. This requires risk management to be embedded within the culture of the Partnership.

The **Risk Management Strategy** presents a broad outline of the roles and agreed arrangements that are needed to ensure the effective management of risk across the Partnership.

e Risk Management Process

To allow the Partnership to meet their objectives, risk requires to be proactively managed. A typical risk management process will involve five stages:

- IDENTIFICATION - Recognise the risks and potential risks at all levels. Some of these risks will be immediately identifiable, others may be less recognisable.
- ASSESSMENT - Once the risks have been identified, the next stage is to analyse and evaluate those risks. Measurement is defined by how serious the risks are in terms of consequence and relative frequency of occurrence.
- PLANNING - The next stage is to determine the controls of those risks. This can include many actions such as the use of proactive measures, special training, new policy and procedures.
- IMPLEMENTATION AND MONITORING - The fourth stage in preparing and agreeing the risk management control plan is to ensure that an action plan is available to meet the impact of any proposed/additional actions and measures that have been identified in order to avoid the potential risks.
- CONTINUOUS IMPROVEMENT - The fifth stage is to establish a system where all the risks have a review process and defined reassessment timetable. This will ensure that the risk management process is dynamic and continuous. The review process includes the addition of new risks as they develop.

Stage 1

➤ **Recognise the risk**

This stage sets out to identify the risks facing the Partnership and to understand its unique risk position. When complete, this exercise will determine the broad risk areas, in terms of risk control and resource requirements
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➤ **Identifying the Context**

The starting point for risk management is a clear understanding of what the Partnership is trying to achieve and how this fits into the wider organisation or community. Risks will be considered under the following categories:
- Strategic: risks which potentially impact upon the Partnership ability to achieve its corporate objectives

- Programme / Project: those risks related to programmes of change and specific Transformation projects

- Operational: risks which impact upon the Localities to deliver its services and support functions in support of the Partnership strategic objectives

Risk management is about managing the threats that may hinder delivery of our strategic objectives and operational services, and maximising the opportunities that will help to deliver them. Therefore, effective risk management should be clearly aligned to the PKHSCP Strategic Commissioning Plan.

➤ **Identify key risks**

Leadership and direction is fundamental to the development of a risk management framework. The risk assessment will initially be a top down approach looking at the significant risks and controls at strategic level, then cascade through the Partnership. An individual may identify risks, but the assessment of any risk is a team or group activity – preferably at grass roots level. An important feature at this stage is to focus on the full range

of risks across the Partnership objectives. This exercise will also identify current controls and present initiatives to examine the gaps and overlaps. Not every risk can be controlled at an acceptable level. The risks should be stated explicitly and must be communicated to Strategic Boards and relevant user groups.

The risk assessor must consider:

- ➢ The nature and characteristics of the risk
- ➢ The extent and category of the risk regarded as acceptable
- ➢ The likelihood of the risk materialising
- ➢ The Partnerships ability to reduce the impact and frequency on service delivery should the risk materialise
- ➢ The cost/benefit of controls in relation to identified risks

The activity, objective or outcome has to be assessed for risks that present as threats or opportunities with the aim of minimising threats and maximising opportunities. There are a number of different types of risks that the Partnership may face including financial loss, failure of service delivery, physical risks to people, and damage to the Partnerships' reputation. Whilst this list is not exhaustive, for the purposes of our Risk Management Framework, our most common risk factors relate to:-

- **Procurement & Commissioning**
- **Governance**
- **Public Protection & Political**
- **Environment**
- **Economy / Financial**
- **Partnership & Collaboration**
- **Communication and Engagement**
- **HR and Workforce**
- **Leadership**
- **Technology/IT/ Data & Performance**

Risks should be identified from the activities of the Partnership. For example, the risks should be considered and assessed across the potential impacts of:

- Failure to meet objectives
- Cost
- Service provision impact
- Schedule – result of operational delays
- Loss of reputation – accountability review

Describing the risk is equally important to ensure that risks are fully understood, and to assist with the identification of actions, the cause and effect of each risk must also be detailed. Typical phrases used to do this include:

Cause – is the source of the risk	Risk Event is the area of uncertainty	Effect
as a result of … due to … because of ...	Risk of … Failure to … Failure of … Lack of … Loss of … Uncertainty of … Delay in … Inability to … Development of … Damage to ...	may lead to … may result in …

Stage 2

- ➢ **Analyse the risks**

Having assessed our risk appetite and identified the risks, it is necessary to assess which are going to pose the greatest threat by considering the **likelihood (frequency)** of the risk actually happening and then identify the

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potential consequences/impacts this event would have on the Partnership, individual partners, service users and care providers and considering the proximity of when the event may impact producing the overall risk score.

These scores are not intended to provide precise measurements of risk but to provide a useful basis for identifying vulnerabilities to ensure that any necessary actions are undertaken. The Partnership has used a standard risk methodology to score risks and it is intended to help deliver consistent, meaningful scores that can be used to assess risks.

The risk management process requires each risk to be assessed twice – inherent and residual risk levels.

The **first assessment** (the 'inherent' risk level) is the exposure arising from a risk **before** control and action has been taken. It is assessed on the basis that there are no controls or action being taken to manage the identified risk.

The **second assessment** (the 'residual' risk level) considers the risk after the controls are applied. This provides a residual score that determines what further action, if any is to be taken.

> **Likelihood**

This will be based on the frequency of the event occurring, e.g. the probability/likelihood of the event. The likelihood score should be selected from the following table: (only one score may be selected) –

Score	Descriptor	Frequency of event occurring	Timescales Guide
1	Remote	Can't believe this event would happen	Unlikely
2	Unusual	Not expected to happen but might	Once a year
3	Possible	May occur occasionally	Quarterly or 6 monthly
4	Probable	Could occur several times	Monthly
5	Almost certain	Could occur frequently	Daily/weekly / happening

> **Consequences**

Once the likelihood is decided the consequences or impact on the Partnership must be determined. The establishment of accurate severity categories is fundamental to the risk management exercise. In identifying the score, the worst case scenario consequence will have priority.

A simple banding is explained in the following table: (only one score may be selected)

Impact Score	Descriptor	Objectives	Cost	Affect on Client Group or Users	Schedule	Reputation
1 Green	*Negligible / insignificant*	Minimal Impact – no disruption	Minimal financial loss	None	Minimal	No interest to the Strategic Board
2 Green	*Minor*	Minor impact on provision	Moderate financial loss	Non permanent	Minor impact on project progress	Evoke some interest by the Strategic Board
3 Amber	*Moderate*	Objectives partially achievable – lost time	Possible significant financial loss	Semi permanent	Moderate impact on progress	Significant interest Strategic board Urgent inquiry by the Organisation
4 Red	*Major*	Significant impact on progress	Major financial loss	Extensive	Temporary halt	Loss of confidence in the Organisational lead. Executive interest.
5 Red	*Critical*	Unable to fulfil obligations	Severe financial loss	Major and unredeemable	Closure	Highly damaging adverse publicity. Major loss of confidence in the Organisation. Possible Executive interest

Consequences →

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> **Risk Exposure Rating**

The likelihood and consequences scores are multiplied together to give a figure that represents *potential inherent risk exposure rating.* This rating determines whether a risk is categorised as Red, Amber or Green.

Risk Scoring Grid						
Impact	**Critical**	5	10	15	20	25
	Major	4	8	12	16	20
	Moderate	3	6	9	12	15
	Minor	2	4	6	8	10
	Insignificant	1	2	3	4	5
		Very Low / Very remote	Low / Remote	Medium / Possible	High / Probable	Very High / Almost Certain
	Probability					

Risks are prioritised as to where they fall on the Risk Scoring Grid:

- **Priority 1**   Risk remains extreme even after all identified controls and treatments have been applied. There are significant risks, which may have a serious impact on the Partnership and the achievement of its objectives if not managed. Immediate management action needs to be taken to reduce the level of net risk..
- **Priority 2**   There are significant risks, which may have a serious impact on the Partnership or Service Delivery and the achievement of its objectives if not managed. Immediate management action needs to be taken to reduce the level of net risk.
- **Priority 3**   Risk is manageable after controls have been applied. Although usually accepted, these risks may require some additional mitigating to reduce likelihood if this can be done cost effectively. Reassess to ensure conditions remain the same and existing actions are operating effectively**.**
- **Priority 4**   Appropriate controls keep the risk low / negligible. These risks are being effectively managed and any further action to reduce the risk would be inefficient in terms of time and resources. Ensure conditions remain the same and existing actions are operating effectively**.**

Our tolerance toward risk in each of these areas in detailed by our Risk Appetite and any activity or objective should in the first instance be assessed against our risk appetite. Risk tolerance is the black line running through the matrix, where risks fall above this line consideration should be given to controls and contingencies required:

> **SUGGESTED APPETITE**

	Where risk management should focus most of its time
	Where risk management will ensure contingency plans are in place
	Basic mechanisms should be in place
	Where risk is so minimal it does not demand specific attention

Stage 3

The next stage of the process is to prepare specific responses to the risks to reduce the impact or likelihood of risks, not wholly to terminate or transfer.

It is important that a Risk Owner is identified along with the Risk Manager responsible for undertaking the responses to achieve the plan.

The Risk Control is completed and owned by the Risk Owner and updated with any Actions, Action owners and review date.

> **Risk Control**

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Risk response options are one or a combination of the following:

Satisfactory / Take: Accept the risk as it is and take no further mitigation action(s)

Action required / Treat: Avoid a threat by taking action to remove the risk; Controls and actions will be put in place to prevent or reduce the likelihood of the risk materialising

Transfer: Transfer the liability for the consequence(s) of an event to another body, e.g. a contractor or purchase an insurance policy *(note that by transferring the risk only the financial impact will be covered, the risk may still occur!)*

Prevent / Terminate: Opt not to undertake the current or proposed activity because it is too risky

Where you have decided to **TREAT** a risk, you will have to identify all controls that are currently in place or that are required to mitigate the risk.

Consider how the control will affect the risk:
 ➤ *Reduces impact of the consequences should the risk materialise*
 ➤ *Reduces the likelihood of the risk occurring*
The effectiveness of the controls has to be rated to determine any further required actions(s)

The controls within each group should be explored using brief bullet point information. This will help you to determine how much control you have against each group across the following scale;

	Controls		
D	**Significant Controls do not exist or have broken down**	**Will not achieve critical deadlines**	
C	**Significant controls not operating effectively**	**May not achieve critical deadlines**	**Significant concern**
B	**Not all controls are fully effective**		**Watching brief**
A	**Controls are working effectively**	**Will achieve critical deadlines**	

Stage 4

 ➤ **Action Plan for Improvement**

After considering actual control level you are now able to decide whether a targeted action is required i.e. are improvements necessary? If so, then decide the level of action that you need to achieve to arrive at the target control level.

The risk control planning process should also compare the risk exposure costs should the risk materialise with the cost of planned improvements to current controls. Capital and revenue, recurring and non recurring costs must also be considered and identified. It is possible that the impact in cost or resources required might outweigh the actual impact of the risk materialising on the Partnership. The Partnership can then prioritise the risks that require early attention on a cost and benefits basis and address them in the most effective way.

Additional information required to complete the risk control plan:

 ➤ The named risk owner – the person ultimately responsible for the risk
 ➤ The named risk manager – the person actually managing the risk
 ➤ The reporting arrangements for review – the review timescale and the person responsible for that are different from the risk owner. The risk control plans may also be reviewed by the Strategic Board
 ➤ Details of the person recording the information and the date
 ➤ Risk ranking – gives you a suggested order of priority in which to deal with your risks.

> ➤ **Risk Ranking**

This is calculated by the ***actual risk control level*** multiplied by the ***risk exposure rating*** (likelihood x consequence). The highest score should then be converted to first on the list and the lowest score last on the list.
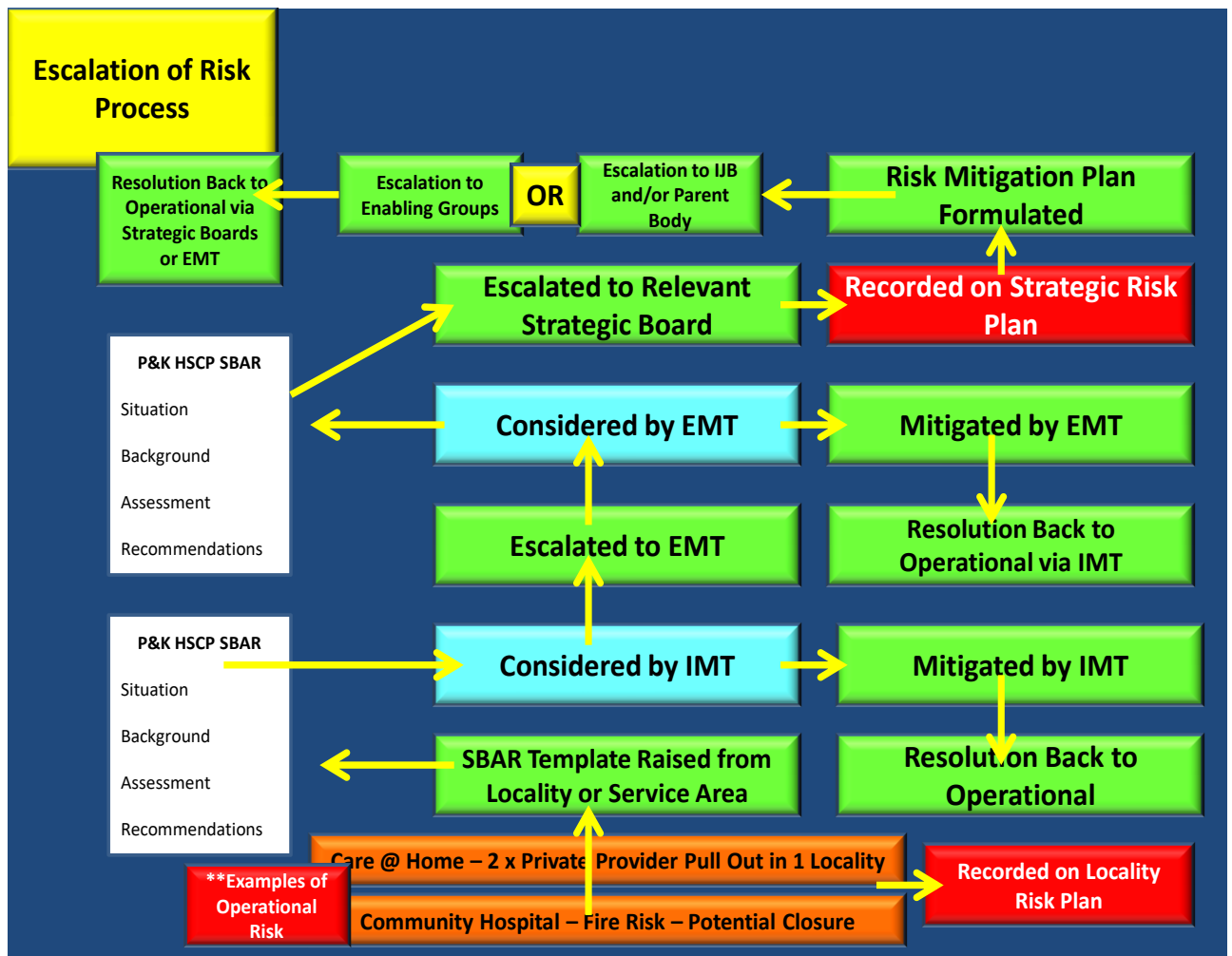
Stage 5

- **Monitoring and Review**

All identified risks and the associated actions must be monitored and reviewed on an ongoing basis. A risk control plan that does not change very often would probably indicate that risk is merely being identified, but not being managed or controlled.

A key element to ensure adequate follow up is a monitoring process which is able to provide reasonable assurance to the IJB / Partnership that there are appropriate control procedures in place for all significant risks and that these procedures are being followed. In addition, there should be formal procedures in place for reporting challenges and for ensuring corrective action.

Reviewing and Reporting Framework	
Risk Level and Score	**Frequency of Risk Reviews (applies to all Risk registers)**
Priority 1 <16	Risk remains extreme even after all identified controls and treatments have been applied. There are significant risks, which may have a serious impact on the Partnership and the achievement of its objectives if not managed. Immediate management action needs to be taken to reduce the level of net risk. **As a minimum review 4 weekly**
Priority 2 10 - 15	There are significant risks, which may have a serious impact on the Partnership or Service Delivery and the achievement of objectives if not managed. Immediate management action needs to be taken to reduce the level of net risk. **As a minimum review 8 weekly**
Priority 3 6 - 9	Although usually accepted, these risks may require some additional mitigating to reduce likelihood if this can be done cost effectively. Reassess to ensure conditions remain the same and existing actions are operating effectively. Risk is manageable after controls have been applied. **As a minimum review 12 weekly**
Priority 4 1 - 5	These risks are being effectively managed and any further action to reduce the risk would be inefficient in terms of time and resources. Ensure conditions remain the same and existing actions are operating effectively. Appropriate controls keep the risk low / negligible. **As a minimum review 6 monthly**

The escalation of risk process is shown below:

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Escalation of Risk Process

Resolution Back to Operational via Strategic Boards or EMT	← Escalation to Enabling Groups **OR** Escalation to IJB and/or Parent Body ← **Risk Mitigation Plan Formulated**

Escalated to Relevant Strategic Board → **Recorded on Strategic Risk Plan**

P&K HSCP SBAR

Situation

Background

Assessment

Recommendations

← **Considered by EMT** → **Mitigated by EMT**

Escalated to EMT → **Resolution Back to Operational via IMT**

P&K HSCP SBAR

Situation

Background

Assessment

Recommendations

→ **Considered by IMT** → **Mitigated by IMT**

← **SBAR Template Raised from Locality or Service Area** → **Resolution Back to Operational**

**Examples of Operational Risk

Care @ Home – 2 x Private Provider Pull Out in 1 Locality

Community Hospital – Fire Risk – Potential Closure

→ **Recorded on Locality Risk Plan**

Risk Register example

Risk Number	Category	Risk Description	Risk Owner	Inherent Risk			Current Controls	Residual Risk			Risk Treatment	Treatment Actions	Risk Manager	Status	Due date
				Impact Value	Probability Value	Inherent Score		Impact Value	Probability Value	Residual Score					
SR01	Strategic	The potential for reductions in budget and increased wage settlements, creates a risk to our medium financial plan that may result in our ability to deliver core services	Chief Executive	3	3	9	Financial Plan BMIPs	3	3	9	Reduce				
SR02	Strategic	Failure to generate sufficient income creates a risk to the medium financial plan that may effect our ability to deliver services		4	3	12				0					

Risk Response Plan

RISK RESPONSE PLAN						
Risk ID	Category	Date Raised	Status	Treatment	Date Due	Last Review date
Risk Description						
Risk Owner						
Action	Description	Risk Manager	Date Due	Update		
1						
2						

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