



REPORT TO: East Lothian IJB - Audit and Risk Committee

MEETING DATE: 6 December 2022

BY: Chief Finance Officer

SUBJECT: Risk Strategy and Risk Policy, December 2022

1 PURPOSE

- 1.1 This paper lays out the recently reviewed and updated IJB Risk Strategy and Risk Policy documents for approval by the Committee.

2 RECOMMENDATIONS

- 2.1 The Committee is asked to:
- i. Approve the IJBs Risk Strategy; and
 - ii. Approve the IJBs Risk Policy

3 BACKGROUND

- 3.1 Back in September the Audit & Risk Committee through an informal session reviewed both the IJBs Risk Strategy and Risk Policy documents.
- 3.2 Following this the documents have now both been reviewed and updated and require approval from the Committee.
- 3.3 These documents will be reviewed again in 3 years and published on the IJBs website.

4 ENGAGEMENT

- 4.1 The IJB makes its papers and reports available on the internet

5 POLICY IMPLICATIONS

5.1 This paper is covered within the policies already agreed by the IJB.

6 INTEGRATED IMPACT ASSESSMENT

6.1 There are no implications for health inequalities or general equality and diversity issues arising directly from the issues and recommendations in this paper.

7 RESOURCE IMPLICATIONS

7.1 Financial – there are none.

7.2 Personnel – there are none.

8 BACKGROUND PAPERS

8.1 None

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DATE	December 2022

Appendices

1. Risk Strategy December 2022
2. Risk Policy December 2022

East Lothian Integration Joint Board Risk Management Strategy

East Lothian
Integration Joint Board



Risk Management Strategy

December 2022

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1. BACKGROUND

East Lothian Integration Joint Board has been delegated a range of Health and Social Care functions by NHS Lothian and East Lothian Council.

Although the responsibility for the operational delivery of these functions continues to rest with the partners (NHS Lothian and East Lothian Council) the responsibility for preparing and delivering a Strategic Plan, rests with the IJB. The IJB must then consider a risk management strategy to identify and manage the risks associated with the preparation and delivery of the Strategic Plan.

When risk is well managed it often goes unnoticed. If it is poorly managed or not managed at all the consequences can be significant and high profile. Effective risk management is needed to prevent such failures.

2. POLICY STATEMENT

The members of the Integration Joint Board and the members of the Health & Social Care Health & Social Care Partnership management team who support them are encouraged to develop new initiatives, improve performance and achieve their goals safely, effectively and efficiently by consistent application of tried and tested methodologies for identifying and managing opportunity and risk

In doing so the IJB aims to make the most of opportunities to:

- achieve high standard of performance;
- deliver high quality services for service users;
- support the partners in providing an environment that meets Health & Safety requirements for the people it employs;
- Support the partners to protect assets and liabilities against potential losses, and
- minimise uncertainty in achieving its goals and objectives.

3. SCOPE

The Chief Officer has overall accountability for risk management.

The IJB's risk management will centre on the business of the IJB. That is the preparation and delivery of the IJB's Strategic Plan. The IJB's risk register will not contain operational risks unless these risks may impact on the business of the IJB including delivery of directions and Strategic Plan.

Operational risks, that is the risks around service delivery managed by the partners and implemented through the IJB's directions, will continue to be managed by the appropriate partner. The appropriate partner being the partner delivering the service or the East Lothian Health and Social Care Health & Social Care Partnership if the service is being delivered by both partners.

The Chief Officer, Chief Finance Officer, Chief Internal Auditor, members of the IJB and Health & Social Care Partnership staff who support the IJB will be responsible for identifying any operational risks that are sufficiently significant to impact upon the business of the IJB and which can then be entered on the IJB's risk register. However, such a risk will continue to be managed by the appropriate partner(s) and the IJB will require the partner(s) for assurance around the management of that risk.

The IJB is signatory to an Internal Audit information sharing agreement between NHS Lothian, Edinburgh IJB, West Lothian IJB and Midlothian IJB. This agreement will also provide intelligence to the IJB around any other operational or IJB specific risks which can then be added to the IJB's risk register as required.

All risk will be analysed in terms of impact on the IJB, the functions delegated to it and the likelihood of occurrence. This analysis will produce an evaluation of risk as being Low, Medium, High or Very High. The IJB's response in relation to adverse risk, or 'risk appetite' is such that:

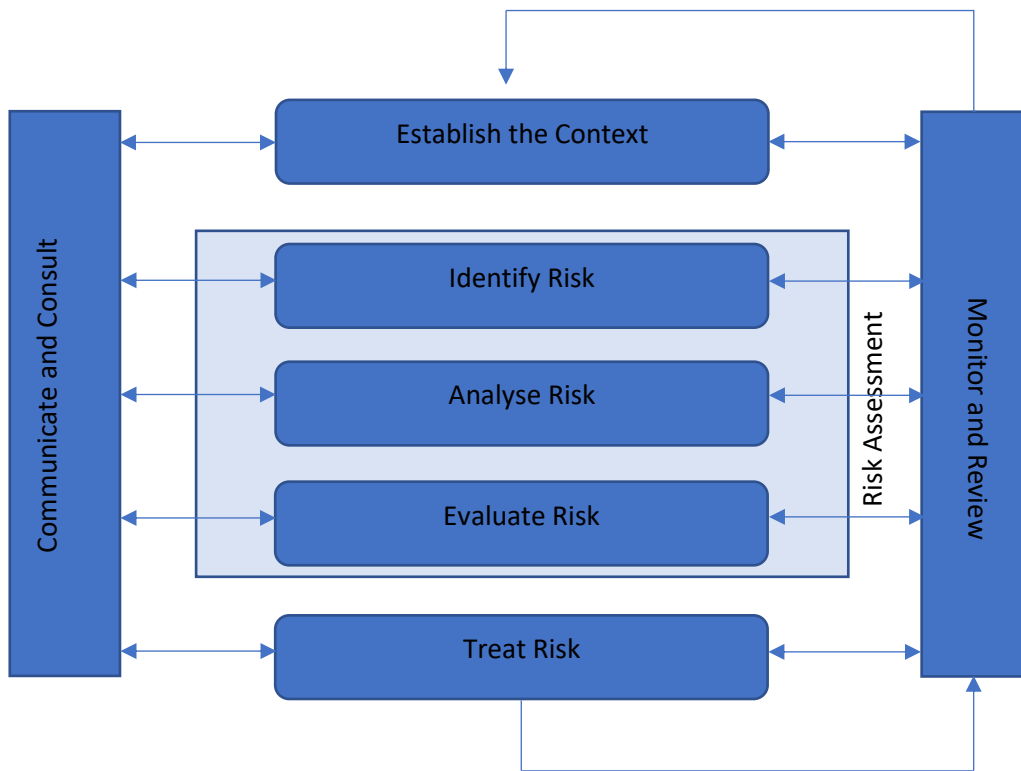
- 'Low' risk is broadly acceptable without any further action to prevent or mitigate risk;
- 'Medium' risk is tolerable with control measures that are cost effective;
- 'High' risk may be tolerable providing the IJB is assured that adequate and effective control measures are in place; and,
- 'Very High' risk is unacceptable and measures should be taken to reduce, transfer or treat the risk to a more tolerable position.

High and Very High risk will be subject to closer scrutiny by the Audit and Risk Committee.

4. RISK MANAGEMENT PHILOSOPHY AND OBJECTIVES

Risk Management is about the culture, processes and structures that are directed towards realising potential opportunities whilst managing adverse effects¹. 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 to play in ensuring that defensible and beneficial 'risk-aware' not 'risk-averse' decisions are made. It ensures that the IJB support its partners to provide high quality services and all staff are aware that every effort has been made to maximise their opportunities to succeed.

The IJB uses the risk management process shown below².



Risk Management Objectives

The specific risk management objectives of the IJB are to:

- integrate governance and risk management into the planning and oversight of the operational delivery of the functions delegated to the IJB;
- create a consistent approach to risk across all services using the adopted process;
- promote practical measures to reduce the IJB's exposure to risk and
- define clear lines of responsibility for the management of risk.
- provide a system for monitoring the effectiveness of the risk management framework;
- provide a system for feedback on the management of key risks to the IJB;
- comply with legislative requirements; and
- comply with the requirements of Corporate Governance

The fundamental principles of Risk Management are to:

- ensure that the Risk Management process takes account of and links to the IJB's Strategic Plan and Directions;
- to keep the IJB and appropriate senior managers advised of any significant risk management issues;
- to promote an open and fair reporting culture;
- agree clear roles and definitions relating to the accountability, management, escalation and communication of key risks; and
- approach the assessment of risks and opportunities consistently.

5. BENEFITS OF EFFECTIVE RISK MANAGEMENT

Effective risk management will contribute to delivering significant benefits for the IJB. The primary benefit is that appropriate, defensible, timeous and best value decisions are made. Such 'risk-aware' decisions should be based on a balanced appraisal of strengths, weaknesses, opportunities and threats, and should enable acceptance of a certain level of risk in order to achieve a particular goal or reward.

Defensible decision-making means that:

- all reasonable steps in the decision-making process will have been taken;
- all relevant information will have been collected and thoroughly evaluated;
- reliable assessment methods will have been used;
- decisions (and supporting rationales) will have been clearly documented, and
- processes will have been put in place to monitor the effectiveness of the decision outcomes.

Other benefits would include:

- high achievement of Strategic Plan and Directions;
- better use and prioritisation of the IJB's resources;
- high levels of user experience/ satisfaction with a consequent reduction in adverse incidents, claims and/ or litigation within our Partners organisations;
- avoid duplication of Risk Management issues which affect the partners and bring them together to benefit from good practice.

6. STANDARD PROCEDURES

Standard procedures should be fulfilled in order to achieve a consistent approach to effectively implementing risk management.

Full implementation of the continuous risk management process, embedding risk management within IJB's processes so that an assessment of risk as well as costs and benefits becomes routine wherever possible.

Identification of risk using standard methodologies and involving managers throughout the service with detailed knowledge of the service and the environment in which it operates.

Routine reporting of risk information to the Audit and Risk committee with appropriate escalation to the IJB as required.

Periodic re-assessment of individual risks, proportionate to significance of risks (i.e. low and medium risks fully reassessed every two years and significant [high and very high] risks annually) including routine audit of robustness of measures implemented to control risks.

Fully document the risks in the risk register and to monitor and carry out an annual review of corporate and service risk registers to ascertain progress and to check for contextual changes affecting the risks.

Ongoing proactive identification of new and/or potential risks as a general responsibility of all service areas specifically those where risk is inherently discussed as part of their remit.

Formal Groups

The IJB will receive a report from the Audit and Risk committee annually laying out the risk register, the risks and the management actions to mitigate them and confirmation that this process is providing an appropriate level of assurance.

Audit and Risk Committee will scrutinise and review the effectiveness of the implementation of the risk management processes within the IJB. It will also scrutinise and review the Risk Register.

Internal Audit is an independent appraisal function within the IJB. Internal Audit will:

- review, appraise and report on the adequacy and effectiveness of Risk Management arrangements within the IJB, and
- take into account the IJB's Risk Register when identifying areas to be included in the Annual Audit Plan.

7. STRUCTURAL ARRANGEMENTS AND RESPONSIBILITIES

Individuals

Chief Officer

The Chief Officer has ultimate responsibility for ensuring that there are suitable and effective arrangements in place to manage the Council's risks.

IJB Members

All IJB members should be encouraged to be involved at all levels in identifying current and potential risks where they work.

Health & Social Care Partnership Officers

All Health & Social Care Partnership officers supporting the IJB should be encouraged to be involved at all levels in identifying current and potential risks where they work. They should make every effort to be aware of situations which place themselves or others at risk, report identified hazards and implement risk reduction measures developed by their service. Risk assessments should encompass all facilities used to deliver services and be completed using the knowledge and experience of all relevant staff and where appropriate service users.

This approach will support the formal risk review conducted annually by all services and enable staff to:

- understand the risks that relate to their roles and their activities;
- understand their accountability for particular risks and how they can manage them;
- understand how they can contribute to continuous improvement of risk management;
- understand that risk management is a key part of the IJB's culture;
- report systematically and promptly to the Chief Officer any perceived new risks or failures of existing control measures

8. RISK REGISTERS

The Chief Officer will establish a Risk Register and they will have responsibility for maintaining the Register.

The information to be contained in both the Corporate Risk Register and the respective Service Risk Registers will be:

- risk identification number;
- risk title;
- risk description (linked to the achievement of business objectives);
- controls in place;
- risk level /rating current;
- risk level/rating target;
- risk owner;
- risk handler;
- date opened;
- date risk reviewed;
- action description;
- action progress;
- action start date;
- action due date;
- action done date

9. STRATEGY IMPLEMENTATION AND COMMUNICATION AND REVIEW

The IJB's Risk Management Strategy was first discussed by the IJB's Audit and Risk Committee at its December 2017 meeting and presented to the IJB at its February 2018 meeting. The Strategy was reviewed by the Audit & Risk Committee during September 2022 and was approved at the Audit & Risk Committee in December 2022. The Strategy accurately represents arrangements for managing risk within the IJB at the time of approval. Implementation of this strategy will be underpinned by Risk Management Guidance and the Risk Management Action Plan.

This strategy will be reviewed at periodic intervals of at least every 3 years to ensure that it reflects current standards and best practice in risk management and fully reflects the rapidly changing environment in local government.

This Strategy, having been adopted by the IJB, will be published on the IJB's website.

10. OUTPUTS AND BENEFITS OF THE RISK MANAGEMENT STRATEGY

Embedding a Risk Management culture throughout East Lothian IJB is vital to the success of this strategy. The anticipated outputs and benefits of the Risk Management Strategy are:

- Improved service delivery;
- Better value for money;
- Improved corporate governance and compliance systems;
- Improved decision making;
- Enhanced understanding of the IJB's vulnerabilities;
- Improved use of resources;
- Enhanced strategic awareness;
- Compliance with legislation/ regulation;
- Adds value to the activities of the organisation, and
- Increases the probability of success in achieving business objectives.

These outputs and benefits will protect and enhance East Lothian IJB's reputation, which will in turn increase public trust.

East Lothian
Integration Joint Board



RISK MANAGEMENT POLICY

Version 1.0 - Draft

RISK MANAGEMENT POLICY Executive Summary

Key elements

The aim of this policy is to embed Risk Management within the IJB and ensure effective Risk Management structures are in place, including:-

- A consistent approach to the identification, assessment and management of risk
- Assurance that all risk control and mitigation measures will be effective, appropriate, proportionate, affordable and flexible. Risk controls will not be implemented where the cost and effort is disproportionate to the expected benefits.
- The requirement of all members of the IJB and staff supporting the IJB to take responsibility for effective management of risk in all aspects
- The promotion of an open and transparent culture to promote the positive identification and management of risk in the organisation.

Minimum Implementation Standards

The IJB shall have a record of its Risks (a risk register) and the Chief Officer is responsible for implementing this policy. The Chief Officer will ensure:-

- There is a process to systematically consider the relevance and management of existing and new risks in their area.
- That all members of the IJB and any officers supporting the IJB are clear of their roles and responsibilities in regard to implementing this policy.

Why is Risk Management Important?

Risk Management can be defined as the processes involved in identifying, assessing and judging risks, assigning ownership, taking actions to mitigate or anticipate them, and monitoring and review progress.

What is a Risk?

Risk can be defined as the combination of the probability of an event and its consequences (ISO/IE Guide73) and how the threat of that event or action will adversely affect the IJB's ability to achieve its objectives, perform its duties or meet the expectations of its stakeholders. Inherent risk, for the purpose of this document, can be defined as the exposure arising from a specific risk before any action is taken to manage it and residual risk the exposure arising from a specific risk after action has been taken to manage it and making the assumption that the action is effective.

Risk exists where there is uncertainty of outcome, either in terms of the assurance on the processes the IJB has in place, or in the IJB's achievement of its performance on Directions set by the Strategic Plan.

What Should Risk Management Achieve?

Risk Management is a central part of any organisation's strategic management. It is the process whereby organisations methodically address the risks attaching to their activities, with the goal of achieving sustained benefit within each activity and across the portfolio of all activities.

Risk Management protects and adds value to the IJB and its partners by improving decision making, planning and prioritisation by structured understanding of business activity, opportunity, and threat.

The IJB and those officers who support it must be aware that when they have treated the risk, they have a responsibility to manage the residual risk through effective systems of controls and monitoring.

RISK MANAGEMENT POLICY

- The IJB shall have a record of its risks – a risk register.
- The IJB shall prioritise its response to its risks in a manner that recognises the Strategic Plan and Directions of the IJB, and the nature and significance of the risks that are presented.
- The Audit and Risk committee shall regularly monitor the current risks, and seek assurance that action is being taken to manage the risks.
- The IJB receives assurance that monitoring of the IJB's Risk Register is undertaken by its Audit & Risk Committee through their annual report to the IJB.
- The IJB shall maintain an open and transparent culture to promote the positive identification and management of risk in the organisation.
- The risks with a rating of high and very high (12 and above) will be routinely reported to the Audit & Risk Committee. With a the full IJB's Risk Register presented on an annual basis.
- The IJB Audit & Risk Committee will receive the Health & Social Care Partnership's Risk Register on an annual basis for information.

