

**HIF Board of Directors
Tuesday 20 December 2022
Risk Management Paper**

Agenda Item Number:	11.0
Presented for:	Approval
Report of:	Risk Management Update
Author (s):	Quality & Governance Leads
Report History:	None
Publication Under Freedom of Information Act:	
List of HIF's Objectives	
1. Delivering safe, efficient ,compliant, responsive and outstanding quality services	X
2. Being well led and financially sustainable	
3. Embedding Business Modernisation and service development throughout the Company	
4. Growing our future Business Development opportunities	
5. Being an employer of choice, developing our staff, being an outstanding place to work and delivering our services with pride	
6. Delivering our services sustainability, minimising our impact on the environment	
Recommendation:	
The Board is asked to consider and approve the approach to risk management as outlined in the paper.	

HIF Risk Management

1. Review of Risk Management

- 1.1. It had been identified that the current Risk Management processes and structures for HIF required improvement and work has commenced to review the Risk Management structure in HIF.
- 1.2. The Company has recently undertaken an internal review of the risk management position and a Board of Director's workshop, in addition to an Internal Audit Review have taken place assessing the current HIF Risk and Governance arrangements.
- 1.3. The outcome of the above work resulted in 'limited assurance' and an action plan has been developed to address and improve the current structure.
- 1.4. The purpose of this paper is to detail the process and actions to ensure a high-quality, robust Risk Management system for HIF.

2. Risk Appetite and Process for Change

- 2.1. Attached at **Appendix A** is the proposed 'Improved Risk Management Process for HIF' document detailing the reviewed structures and processes that HIF will adopt regarding Risk Management.
- 2.2. The Company has approved the development of a dedicated HIF Risk Management Policy and Annual Statement of Risk Appetite to improve our risk management processes.
- 2.3. It is proposed that the changes will support significant improvement in how the Company manage, devolve, escalate, monitor and audit risk at all levels throughout HIF.

3. Risk Management Policy

- 3.1. A dedicated Risk Management Policy is proposed for the Company and work is underway regarding the development of this Policy.
- 3.2. The draft policy will be reviewed and ratified at SMT and Board of Directors meeting in January 2023, following internal approvals.

4. Board Assurance Framework (BAF)

- 4.1. Following the HIF Board of Director's dedicated risk workshop in September 2022, it was agreed that a BAF would be developed.
- 4.2. A meeting with HIF and HDFT has been scheduled for January 2023 to develop a dedicated HIF BAF. It is proposed that this will be finalised in February 2023.
- 4.3. The BAF will be shared and accountable to HIF Board of Directors, HIF Governance & Compliance Committee and HDFT Audit Committee.

4.4. The Risk Appetite paper, attached at **Appendix A** (item 3.0), details the full requirements for the inclusion in the HIF BAF.

5. Risk Register – Datix and Cloud Update

5.1. The Company continues to manage all service and Company risks on monthly basis through our HIF SMT.

5.2. All risks scored at a level 9 or above (high risks) have now been migrated to the Datix software and are monitored alongside the Trust's risks.

5.3. All HIF risks on Datix have timeframes, leads and actions plans identified to ensure the risk is actively managed and reduced.

5.3. It has been identified that the current Datix system was not fulfilling the functionality requirements and the Trust have purchased Datix Cloud IQ, to be implemented in May/June 2023.

5.4. The Datix Cloud IQ system is a cloud replacement of the current existing modules. The project will include the design, build, testing and implementation of the following modules in partnership with stakeholders throughout the HIF and the Trust:

- Incidents
- Claims
- Investigations
- Feedback
- Dashboards
- Mortality Review
- Enterprise Risk Manager
- Safety Alerts
- Safety Learning
- Recommendations & Controls
- Business Intelligence

5.5. HIF will transfer all risks to the Datix Cloud IQ system when implemented.

6. Risk Reporting

6.1. It is vital to ensure risks are appropriately reviewed and shared at committees and groups, across both HIF and HDFT.

6.2. All risks are presented monthly to HIF SMT, HIF Board of Directors and HDFT Corporate Risk Review Group as part of the HIF Integrated Board Report (IBR).

6.3. A HIF risk report is shared bi-monthly to HIF Governance and Compliance Committee.

6.4. All risks are able to be reviewed at any time on the Datix software and reports created.

7. Recommendation

7.1. The Board is asked to note the ongoing work and approve the future approach to risk management as outlined in the paper.

Appendix A – Improved Risk Management Process for HIF

1.0 Executive Summary

- 1.1 The HIF Governance and Compliance Committee is asked to consider and approve the development of a dedicated HIF Risk Management Policy and Annual Statement of Risk Appetite to improve our risk management processes.
- 1.2 The changes will support significant improvement in how we manage, devolve, escalate, monitor and audit risk at all levels throughout the company.
- 1.3 HIF is a Limited Company and as such would benefit from a dedicated Risk Management Policy that matches our strategic goals. HIF strategic aims will differ significantly from the Trust given we do not provide regulated activities or direct patient care.

The key areas of change are listed below:

- Develop a dedicated HIF Risk Management Policy
- Introduction of Risk Appetite as a concept and an annual Risk Appetite Statement
- Continue to use Datix as a single risk management database for all company risks
- Development of a Datix risk form that captures the escalation process in Section 5 and the Risk Appetite Categories in Appendix 1
- Ensure that our risk governance policies and procedures embed the three lines of defence model (Service, Internal Audit / Board, Ext Audit)
- Be clear on when and how risk should be escalated
- Define BAF and CRR to streamline the process
- Links to Audit Committee and other Quality / Risk Groups

2.0 Dedicated Risk Management Policy

- 2.1 To achieve the necessary level of organisational change, a dedicated Risk Management Policy is proposed for Harrogate Integrated Facilities Ltd. This will include the adoption of risk appetite as a key driver to the risk management process. Risk appetite will support both strategic and operational risks. This piece of work is expected to be completed within 3 months.

3.0 Board Assurance Framework

- 3.1 The Board Assurance Framework (BAF) documents the key risks to achieving the Company's strategic objectives. The changes to the risk management process will re-evaluate what constitutes a BAF risk in line with the following:

- A strategic risk
- Company or Trust Wide (Not service specific)
- Breaches risk appetite generally but not always
- The BAF will not normally consist of 10 risks or fewer
- BAF risks require regular audit and evidence that controls are working
- BAF risks are assessed by the exec team / board as a top down exercise.
- Only the Board can add or remove BAF risks.
- Reported to Trust, Audit, Risk and Governance Committee's

4.0 Corporate Risk Register

4.1 The Corporate Risk Register (CRR) documents the key operational risks that breach the agreed risk appetite. The Corporate Risk Register (CRR) may hold up to 50 risks or more and meet the following criteria:

- Risk may be trust / company-wide or service specific
- Breaches the agreed risk appetite
- Outside Directorate level control or requires additional services or resource
- Only controls are evidenced. Evidence on the effectiveness of controls is not normally requested.
- Risks are identified in a Bottom Up process.
- Operational committees below board level can add or remove risks such as the Risk Management Group.

5.0 Risk Escalation Procedure

5.1 Risks will be managed at their lowest and most appropriate level. Escalation levels are shown in the table below and the Risk escalation Flow Chart in Appendix 2.

Risk Level	Risk Owner	Escalation
Speciality	Operational Managers, Service Managers	Directorate / Divisional 1 st Stage
Directorate / Divisional 1 st Stage	Heads of Service	Directorate / Divisional 2 nd Stage
Directorate / Divisional 2 nd Stage	Dep. Director	CRR
CRR	Board of Directors	Board of Directors

5.2 Risk escalation will be defined in the HIF Risk Management Policy

5.2 Where a risk is outside the current risk owner's control, or, if additional resource, funding or support is required to reduce the risk to the target score, the risk is to be escalated to the next level.

5.4 Risk that breach the risk appetite for a given category in line with Appendix 1 are to be escalated to the CRR

6.0 Risk Appetite

6.1 Risk Appetite is key to achieving effective risk management and is defined as the amount of risk an organisation is prepared to pursue, retain, or take in pursuit of its strategic objectives.

The concept of risk appetite is an effective risk management tool where:

- The Board can review and set risk appetite and risk tolerance levels on an annual basis or sooner if required
- Provides increased risk intelligence rather than a blanket approach to 12+ risks or 15+ being part of Board oversight and regular review
- An annual statement of risk appetite can be produced to support Governance Arrangements and Audit
- Risk appetite supports both risk threat and risk opportunity and determines a tolerable level of risk against achievement of the company's strategic objectives
- Risks can be managed, devolved and communicated throughout the organisation and free up the Board to concentrate on CRR and BAF
- If a risk is within the risk tolerance, it can be managed at Service / Speciality, Divisional or Directorate Level without escalation to the CRR

6.2 The Board of Directors are generally responsible for setting an organisation's risk appetite and are asked to consider, amend and approve the risk appetite and risk tolerance matrix detailed in Appendix 1.

7.0 Recommendation

7.1 The Board of Directors are generally responsible for setting an organisation's risk appetite and are asked to consider, amend and approve the risk appetite and risk tolerance matrix detailed in Appendix 1.

7.2 The Governance and Compliance committee and Board of Directors are asked to consider, amend and subsequently approve the proposed changes to the risk management process and delegation of risk throughout the company.

Appendix 1 – Good Governance Institute Exemplar Risk Appetite Matrix

<u>Risk Appetite Statement</u>		
<p>Harrogate Integrated Facilities Ltd recognises that its long-term sustainability depends upon the delivery of its strategic ambitions and its relationships with its service users, carers, volunteers, staff, members of the public and partners. As such, Harrogate Integrated Facilities Ltd will not accept a risk level that has a negative impact on quality, safety or business continuity.</p> <p>Harrogate Integrated Facilities Ltd does acknowledge that in order to achieve its strategic goals a greater risk appetite is required where anticipated gains are in the best interest of our shareholders. This is in relation to Commercial Opportunities, Partnerships, Innovation, Financial / Value for Money and Reputational Risk</p>		
Category	Risk Appetite	Risk Tolerance Score
Innovation	HIF has a MODERATE risk appetite for Clinical Innovation that does not compromise quality of care.	12-16
Commercial	HIF has a MODERATE risk appetite for Commercial gain whilst ensuring quality and sustainability for our service users.	12-16
Compliance/Regulatory	HIF has a LOW risk appetite for Compliance/Regulatory risk which may compromise compliance and statutory requirements.	6-10
Financial/Value for money	HIF has a MODERATE risk appetite for financial/VfM which may grow the size of the organisation whilst ensuring we minimise the possibility of financial loss and comply with statutory requirements.	12-16
Reputation	HIF has a MODERATE risk appetite for actions and decisions taken in the interest of ensuring quality and sustainability which may affect the reputation of the organisation.	12-16
Quality Effectiveness / Business Continuity	HIF has a LOW risk appetite for risk that may compromise the delivery of outcomes for our service users.	6-10
Quality Experience	HIF has a LOW risk appetite for risks that may affect the experience of our service users.	6-10
Quality Safety	HIF has a LOW risk appetite for risks that may compromise safety.	6-10

Climate and Ecological Sustainability	HIF has a LOW risk appetite for risks that may result in the harm to the environment, in turn affecting our service users, staff, visitors and the local population.	6-10
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Appendix 2 – Risk Escalation Flow Chart



