Corporate Risk Management

Board Update

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Background and Context

1. Risk management practice across HSCIC to date has been the product of the legacy organisations from which the new organisation was constituted and the consequence of splitting responsibilities of programmes across multiple bodies that previously were within the DH Informatics function. As a result, risk management practice has been characterised by the following features:

    *   there has been no single set of standards for risk and issue data quality.
    *   there has been no single agreed set of processes for reporting of risks and issues.
    *   there has been unclear governance over the ownership and management of risk and issues.
    *   the organisation has been using multiple tools and platforms to hold information about risks and issues.

2. However, against this background it should be noted that in many areas of the organisation levels of risk management expertise and practice standards are good. The problem to be addressed is that expertise and practice standards are inconsistent across the organisation. The Portfolio Division has been working to deliver a standardised set of risk management policies, processes and tools to help resolve these problems. Good progress has been made to date, although further work is required. This paper updates the Board on achievements so far.

Risk Management Governance

3. The Framework Agreement between the Department of Health and the HSCIC (April 2014) requires the HSCIC to "ensure that it deals with the risks that it faces in an appropriate manner, according to best practice in corporate governance, and develop a risk management strategy." The HSCIC Board is ultimately responsible for ensuring that risks are managed effectively across the organisation. The Framework Agreement states that "the Board should ensure that effective arrangements are in place to provide assurance on risk management." In its approach to risk management, the HSCIC is expected to comply with The HM Treasury/Cabinet Office document "*Corporate Governance in Central Government Departments: Code of Good Practice 2011"* ("the Code"). This document states that *"…the board should ensure that there are effective arrangements for governance, risk management and internal control…"*

4. In addition to the overall ownership of risk management, the Board is required to support the Executive Management Team in managing individual areas of risk where the mitigation or management actions require Board decisions or oversight. In this spirit, for example, in recent months two major risks around data security and the care.data programme have been high on the Board's agenda.

5. It is the responsibility of the Assurance and Risk Committee (ARC) to assure the Board that risks are being managed effectively. The Portfolio Division is developing options for a suite of management information (MI) for the ARC. This will allow the ARC to provide the oversight and challenge of the executive, and then to provide assurance to the Board. In addition, a new format for reporting risks to ARC has been developed (see paragraphs 12 to 16 below).

6. The Portfolio Division has produced a suite of documents that set out how HSCIC expects risks to be managed across the organisation. These documents are the Risk Management Policy, the Risk Management Strategy and Framework, and the Risk Management Process Guide and Metrics. Taken together, these documents equip HSCIC with a single set of standards for risk and issue data quality, a single agreed set of processes reporting of risks and issues, and clear governance over the ownership and management of risk and issues. In so doing, these documents address the first three historical problems highlighted in paragraph one of this report.

7. The development of this suite of documents has been approved by the Executive Management Team and published on the HSCIC intranet. The documents were also discussed at the ARC, and the Risk Management Strategy and Framework was circulated to the ARC members for comment.

8. An extensive programme of engagement with staff across the organisation will be delivered in order to raise awareness of the new risk management policy and processes and to embed these in operational practice. Engagement activities will include formal training, informal 'lunch and learn' sessions, coaching and mentoring programmes, and multiple channels of communication.

Management Arrangements

9. During 2013/14 the development of new risk management policy and processes for HSCIC was led by an interim management appointment. A permanent appointment has now been made to the key post of Corporate Risk Manager, based in the Portfolio Division. The new Corporate Risk Manager will commence on 01 July. This appointment strengthens the HSCIC's internal expertise and leadership capacity in the field of risk and issues management. Amongst other things, the Corporate Risk Manager will be expected to quality-assure and further enhance risk management arrangements, and will lead the engagement activity mentioned above. This should ensure that the new approach to risk management in HSCIC is appropriate, represents best practice, and is widely understood and embedded across the organisation. As a result, we expect to see tangible and sustained improvements in risk management practice.

10. The Corporate Risk Manager will also oversee ongoing work to enhance the quality of information used by HSCIC to identify and manage risks and issues. As highlighted in paragraph one of this report, this organisation has been using multiple tools and platforms to hold information about risks and issues. In recent months there has been work to migrate all information and risks and issues onto a single database (the 'Risks and Issues Database'). This work is now complete, and as a result HSCIC now has one repository for recording and managing information about risks and issues.

11. Having established a single repository for information about risks and issues, further work is required to improve the quality of information held in this database. The organisation now has an agreed set of quality standards for information recorded about risks and issues. However, at present not all information held in the database complies with these standards. Data quality is on an improvement journey: for instance, the proportion of entries that comply with the new recording processes has risen from 79% in February to 89% in May (against a target to achieve 95% compliance).

Strategic and Operational Risks

12. The full set of corporate level risks identified and managed by HSCIC has been separated into two sets, as follows:

    - Corporate (Strategic): owned and managed by the Board
    - Corporate (Operational) : owned and managed by the Executive Management Team

13. As part of its assurance and oversight duties, the ARC has full visibility of both sets of these corporate risks. The Board is the ultimate point of escalation for operational risks should other levels of the HSCIC management hierarchy not be able to provide adequate control or mitigation to them. The Board will only be asked to review operational risks on an exception basis.

14. As at 19 June 2014 there were 49 risks recorded on the risk register (20 strategic risk, 29 operational risks). To support the Executive Management Team to manage this number of risks in an efficient and coherent manner, these have been organised into a 'Big Seven' risk areas. Ownership of each of the 'Big Seven' is assigned to an Executive Director, as shown in the table below:

	High Level Description of Risk Area	Owner
1	We fail to deliver on our *statutory and legal obligations*.	Director of Finance and Corporate Services
2	We fail to *protect data* and/or succumb to IT/*Cyber security* threats.	Caldicott Guardian and Lead Clinician
3	We fail to secure a positive, responsive and trustworthy *reputation*.	Director of Information and Analytics
4	We fail to demonstrate *delivery of benefits* from the programmes and services we offer.	Director of Programme Delivery
5	We are unable to deliver our commitments due to lack of *capability or capacity.*	Director of Human Resources
6	We fail to maintain *operational continuity of systems* and infrastructure we are charged to deliver.	Director of Operational and Assurance Services
7	We fail to maintain *effective relationships with stakeholders*	Director of Customer Relations

15. A new format for reporting on risk and issues, based on the 'Big Seven', has been developed and the first version of this new report is to be considered by the ARC on 03 July. Members of the ARC committee are invited to provide feedback on the usefulness of the new report format.

16. In addition to the 'Big Seven', there is one further area of risk that is now owned directly by the Chief Executive. This risk concerns the HSCIC strategic direction and alignment within the health sector, and, by extension, the strategic direction of the health informatics sector itself. This area of risk will be refined during the summer as part of a review of HSCIC strategy.

Summary and Next Steps

17. As a result of recent achievements in the area of risk management:

- there is now a single set of standards for risk and issue data quality, and data quality is improving.
- there is now a single agreed set of processes for reporting of risks and issues.
- there is clear governance over the ownership and management of risk and issues.
- the organisation has a single tool to hold information about risks and issues.
- there is a new approach to managing and reporting corporate risks (the 'Big Seven')
- there is greater management expertise and leadership capacity for risk and issues management in the organisation

18. A key area in which further progress is required concerns the HSCIC's risk appetite, as recommended by the Code. An early priority for the new Corporate Risk Manager will be to work with EMT and the Board to help the organisation to understand and articulate its corporate appetite for risk, and to apply this throughout the organisation. A completed risk appetite system is expected to be in place before the end of 2014.

19. The HSCIC's risk management arrangements continue to evolve. The appointment of the Corporate Risk Manager is expected to result in an acceleration of this process. Critical to success in this area will be engagement with staff across the organisation so that the new approach to risk management is understood, embedded, and begins to have demonstrable impact.

Recommendations

20. The Board is requested to:

(i)   Note the progress made in developing the HSCIC's risk management arrangements

(ii)   Endorse the 'Big Seven' approach to managing corporate risks

(iii)   Note that a priority task for the remainder of 2014 is to develop the organisation's risk appetite.