Health & Social Care Information Centre

Board Risk Management Report

Mapping Corporate Risks to Corporate KPIs

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Title: Board Risk Management Report

Risk Mapping to KPIs

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Background

> ***"The Board asked for advice on which risks could be used as leading indicators for the KPIs"***
>
> HSCIC Board, 02 July 2014, Draft Minutes

1. At its meeting of 02 July the HSCIC Board considered a report on corporate risk management. One output of this item was the following action, as recorded in the draft minutes of the meeting: 'The Board asked for advice on which risks could be used as leading indicators for the KPIs.'

2. This paper presents an initial analysis of which risks, if any, could usefully be deployed as leading indicators for a selection of Key Performance Indicators (KPIs). In other words, those risks that have a direct relationship with a KPI such that failure to manage the risk effectively would impact adversely on the achievement and RAG status of the KPI (or, conversely, success in managing the risk well would impact positively on the KPI).

3. It will also allow us to develop an effective set of Key Risk Indicators (KRIs) to provide early warning lead indicators of delivery pressures and performance problems.

4. The Board is asked to note that a full risk update and report on corporate risks will follow the review of these at the Assurance and Risk Committee meeting on 10th September.

Aligning Risks with KPIs

5. At any one time within this organisation hundreds of risks are being actively managed. As of 31 July the organisation's risk management tool, the Risk and Issues database, contained 663 open risks and 141 open issues. Of these, there were 48 corporate risks (20 strategic, 28 operational). The analysis presented in this paper concentrates on these 48 corporate risks and their relationship with corporate KPIs.

6. The KPIs included in this analysis are as follows:

   - Programme Achievement
   - IT Service Performance
   - Organisational Health
   - Financial Management (HSCIC)
   - Reputation
   - Data Quality
   - Information Quality
   - Information Governance Incidents

7 The methodology employed during this exercise is straightforward and features two main steps. The first step was to identify those corporate risks that are related to each KPI included in the analysis. The results of this step are presented in the tables in **Appendix A**, along with some commentary. The second step was to identify which of

these risks, if any, could act as lead indicators for the respective KPIs, such that failure to manage the risk effectively could impact adversely on the achievement and RAG status of the KPI, or at least provide early warning that a performance problem could be forthcoming. The results of this exercise are shown in the table on pages 5 and 6 overleaf, which sets out those risks which could be most usefully deployed as lead indicators for KPIs. These will be further developed during September and October to produce a set of lead Key Risk Indicators (KRIs).

KPI	Risk ID	Risk Description	Impact of the Risk on the KPI
Programmes Achievement	n/a	No individual corporate risk is a useful indicator of potential impact on the Programmes Achievement KPI. There are a number of corporate risks related to individual programmes (e.g. care.data and Spine 2)	The current KPI methodology does not prioritise or weight programmes. As a result, corporate risks associated with an individual programme or with an individual aspect of programmes achievement (e.g. benefits) have little impact on the overall KPI status.
IT Service Provision	14848	Delivering the national services architecture	Risks about delivering the national services architecture, maintaining key systems and loss of key suppliers have the clearest potential impact on the RAG status of this KPI.
	14836	HSCIC experiences a key system failure	
	14948	Failure of a business critical system	
	14825	Loss of a key supplier	
Organisational Health	14835	Securing an appropriate workforce	Securing an appropriate workforce is the primary driver of the RAG status of this KPI.
Financial Management (HSCIC)	14840	Failure to secure the HSCIC budget	Failure to secure sufficient budget to meet projected spend, and the potential impact of pushing expenditure into future years (current year underspend, future year overspend) could have a direct impact on the RAG status of the KPI.
	14944	Unavoidable expenditure pushed into future years	

KPI	Risk ID	Risk Description	Impact of the Risk on the KPI
Data Quality	15369	Information standards: inability to assess data quality	These risks have a bearing on the success of HSCIC in supporting and driving improvements in data quality across the sector, and so have a potential impact on the RAG status of the KPI.
	15373	Misunderstandings about data quality responsibilities	
	15400	Misunderstandings about data quality requirements	
Information Quality	14858	Failure to provide usable and assured indicators	One manifestation of failure to produce usable and assured indicators could be a rise in recorded information quality incidents This could affect the RAG status of the KPI.
Information Governance Incidents	14847	HSCIC security breach or data loss	Failures in these risk areas would impact directly on the internal HSCIC information governance component of the KPI, thereby affecting the RAG status of the KPI.
	14946	Internal HSCIC information governance failure	
Reputation	All of the above risks		Failures in any of the above key performance areas could impact negatively on the reputation of HSCIC. Specific corporate risks about establishing the organisation's reputation and meeting the needs of the system would impact on the KPI. Failure to successfully implement the Partridge Review recommendations could impact on reputation in terms of inability to distance HSCIC from historical practices.
	14940	Establish HSCIC reputation: failure of core functions	
	14839	Failure to meet needs / expectations of the system	
	15403	Effect of the Partridge Review	

8. This exercise to align corporate risks with KPIs should not be regarded as definitive: it is a preliminary analysis carried out as a first step towards developing a more rigorous set of risk lead indicators. This further work will be progressed during the autumn as part of a wider programme to strengthen the management of risk and performance across the organisation. Having noted this caveat, the initial analysis does suggest it is possible to align a small number of corporate risks to most of the selected KPIs, such that the risks represent lead indicators for those KPIs. Failure to manage those risks well could impact negatively on the achievement and RAG status of the KPI, and so problems highlighted in these risk areas could act as an early warning of potential performance issues. There are two exceptions to this, namely, the Programme Achievement KPI and the Reputation KPI. These are discussed in the following paragraphs.

Programme Achievement KPI

9. The headline RAG status for the Programme Achievement KPI derives from the 'overall delivery confidence' score across all 32 programmes on the HSCIC programme delivery dashboard. The KPI methodology treats all 32 programmes as equal: there is no allowance for the possibility that some programmes could be more important than others. This suggests that we cannot objectively conclude that risks associated with one programme carry more weight in respect of the KPI than risks associated with any other programme. So, if a risk becomes an issue for a 'high priority' programme this would have the same impact on the KPI as the equivalent scenario applied to a 'lesser' or 'lower priority' programme. Intuitively this position does not feel entirely right: we might reasonably expect the status of a high priority programme to have greater impact on the Programme Achievement KPI than the status of a lower priority programme.

10. Work is ongoing to develop a prioritisation model that will provide an objective means to evaluate the relative priority of programmes. This prioritisation model will allow the organisation to move away from an implied position of ‘all programmes are equal’. This model could support a differentiated approach to the Programme Achievement KPI in which the delivery confidence scores for high priority programmes carry greater weight than the equivalent scores for lower priority programmes. Likewise, this could support a means to weight the risks associated with individual programmes: risks associated with high priority programmes could carry greater weight than those associated with low priority programmes. So, a high severity (Red) risk or a risk becoming an issue for a high priority programme would have greater potential impact on the Programme Achievement KPI than the equivalent scenarios applied to a low priority programme.

10. At present, for the reasons stated above concerning the KPI methodology, it is not possible to establish that any particular corporate risk would be useful as a predictor of impact on the achievement or RAG status of the Programme Achievement KPI.

Reputation KPI

11. The majority of our corporate risks directly concern HSCIC reputation and failure to manage these risks well could impact directly on the Reputation KPI. For instance, Risk 14940 explicitly concerns the potential impact on HSCIC reputation of the failure of its key core functions. Similarly, Risk 14839 concerns the impact on the organisation’s reputation of the failure to meet the needs and expectations of the health and social care sector.

12. In addition, however, many of the corporate risks aligned to other KPIs have a reputational element such that failure to manage those risks would have a bearing on HSCIC reputation. For instance, failure to manage risks around IT Service Performance could damage HSCIC's reputation in respect of its role in providing a stable and secure systems environment for the health and social care sector. Likewise, failure to manage risks around Information Governance could damage the HSCIC's reputation in respect of being trusted to manage sensitive data securely. So although it is possible to identify two corporate risks that are useful lead indicators for the Reputation KPI (see paragraph 10), this needs to understood in the context of most other corporate risks having potential impacts on HSCIC reputation.

13. The set of corporate risks aligned to stakeholder relationships is likely to provide additional risks that will be useful in monitoring the Reputation KPI. These will be reviewed once the new Director of Customer Relationships is in post.

Next Steps

14. Finalise the development of a full set of risks aligned with KPIs and associated Key Risk Indicators (KRIs). Subject to progress in defining a programme prioritisation model, we expect to complete this by the end of October.

15. Proactive identification of lessons learned from incidents may enable us to define further indicators, as incidents are in effect risks that have occurred and a review of incident data will enable us to examine whether they were identified as risks before they occurred; and if they were whether they were managed as planned. We will therefore consider if we can define further KRIs from incident data as the new Cherwell tool is implemented, as this will give us a single view of all incidents.

Actions Required of the Board

16. Comment upon and endorse the approach being taken and advise if additional risks should be considered in the development of KPI lead indicators.