Risk and Issue Management

Update on Progress and next actions

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Background & Context

1. Current risk Management experience across HSCIC is the product of the legacy organisations from which the business was constituted and the consequence of splitting responsibilities of programmes across multiple organisations that previously were within the DH Informatics function.
2. As a result of this, we have been using multiple tools and platforms to hold risk information; we have no single standard for risk data quality, no agreed processes and in many cases unclear governance over the ownership, management and reporting of risks and issues.
3. However it should be noted that in many areas the level of risk management expertise is good, just inconsistent or not uniform across the organisation.
4. The Portfolio Division has been working to address these problems. Our approach has focused on four key areas:
    a. Risk management governance
    b. Risk management quality
    c. Risk management culture, and
    d. Risk management tools.
5. This paper provides the Board with an update on our progress to date.
6. A fundamental principle of our approach has been to focus on methods of ensuring quality outcomes from our risk management practices rather than try and prescribe detailed processes to be followed.
7. Consequently, directorates, divisions, services, programmes and projects are encouraged to manage risks in the way that is most appropriate to them. However, should they need to escalate or report risks to the Executive Management Team, Portfolio Board or HSCIC Board there are certain minimum quality standards that must be complied with.

Risk Management Governance

8. Following the consolidation of the legacy organisations into the HSCIC, there were at least seven different risk and issue management policies being followed by various parts of the business.
9. A single overarching policy that supersedes all legacy policies has been developed in collaboration with a community consisting of the business management leads in all directorates (a subject matter expert group on risk, “the risk management SMEs”), NHS England, the Department of Health and internal Audit.
10. This single policy has been signed-off by the Director of Finance and Corporate Services and has been published on the intranet and communicated to the business management community.

11. To support the implementation of the new policy, a Risk Management Strategy and Framework document has been produced, again in collaboration with the risk management SMEs and wider community outlined above.

12. This document ("the Strategy") describes in detail the principles by which risk and issues should be managed in HSCIC going forward and makes several key changes to previous practices. These changes are:

    a. An updated definition of "risk"

    b. The separation of Corporate (Strategic) and Corporate (Operational) risks

    c. Introducing explicit strategic risk tolerance and appetite levels

    d. The introduction of a comprehensive set of risk categories

    e. Replacing "pre-mitigated" (or "inherent") scoring with "current" scoring

    f. Providing a technique for calculating risk contingency fund levels

    g. Introducing mandatory contingency planning criteria

    h. Introducing a mandatory, severity-based risk review cycle.

13. Underpinning the strategy is a third document, the Risk Management Process and Metrics Guide, "the Process".

14. This document does three things:

    a. It describes the process to be implemented for the management of risks at directorate level

    b. It makes recommendations on how directorates, programmes, divisions and projects should manage their risks I accordance with recognised best practice

    c. It provides a sample set of risk management performance metrics.

15. Both the strategy and the process have been reviewed by the risk management SMEs outlined above and are awaiting some final updates following Internal Audit feed-back before going to the Director of Finance and Corporate Services for sign-off and subsequent publication. It is anticipated that this will happen week commencing 3rd February 2014.

Risk Management Quality

16. The Strategy describes, in some detail, how to articulate and assess risks and issues. In addition, the Policy commits the Corporate Risk Team to delivering awareness and education session across the business to help develop individual and team skills in understanding, capturing and managing risks. This is scheduled to start in early February.

17. To assist with improving the quality of the risk information we hold, we propose to include a Risk Management KPI in the Board Performance Pack. This will be underpinned by a set of performance and quality metrics.

18. Experience in HSCIC where risk management performance metrics are already in use suggests that this approach will deliver a marked improvement in the quality of risk information held and reported in a relatively short period of time.

19. For measurement of risk management performance to work effectively, individuals must be held accountable when their results are below par. Executive Directors will be supported in increasing their management team's understanding of risk management to the successful achievement of HSCIC objectives.

Risk Management Culture

20. The Policy requires an environment where the "the right risks are discussed and mitigated by the right people at the right time." To promote a culture that enables this, four principles have been identified:

    a. We actively promote a "no surprises" culture – when we have concerns about the risks we are managing, we talk about (and seek advice on) them from the management chain.

    b. We do not see risk management as a "tick box" exercise, but a valuable management discipline enabling us to make better informed business decisions.

    c. We are open about our risks; we share and discuss risk information across organisational boundaries (within commercial and confidentiality limitations) and we encourage risk event reporting and whistleblowing, actively seeking to learn from mistakes and near-misses.

    d. We encourage appropriate risk-taking behaviours, promoting individual accountability for managing risks well and challenging inappropriate behaviours.

21. We believe that if these principles are applied rigorously across the business we will develop a culture where risk management becomes part of day-to-day business activity rather than (as it often is at the moment) being seen as an overhead of effort that adds little value.

Risk Management Tools

22. At present, there are several tools and platforms being used to record risk information. These include the Tracking Database, Enterprise Project Management, SharePoint and Excel spread sheets in a variety of formats.

23. Activity is underway outside of the Corporate Risk Team to address corporate tooling (including risk management) in the medium to long term. Short to medium term solutions are currently being examined by the Portfolio Office with a view to implementing tool set standardisation by Q2 of 2014.

24. In the interim, the Corporate Risk Team will be assisting with "cleansing" the risk data held across the various platforms and offer advice on improving the quality of the risk information being held. This will be tied in to our commitment to deliver training to staff.

Risk Appetite

25. Historically, the former HSCIC approach relied upon a residual ("target") risk assessment that indicates what level of risk the owner believes is acceptable.

26. There are several problems with this approach. For example:

    a. Owners are not usually authorised to make decisions around what level of risk exposure the business finds acceptable – this is normally the remit of the Board

    b. As a process, it can be bureaucratic and actually offers relatively little value – in many cases we either do not manage risk down to the target level or we commit too much effort to mitigating a risk because the target assessment has been set too low.

27. The purpose of setting a risk appetite is to overcome such issues and unambiguously state what level of risk is acceptable to the business. The Strategy contains a proposed set of risk appetite and tolerances for a range of impact areas.

28. The Portfolio Risk Team will work with the Executive Team to refine these statements to a point where they believe the Board can accept them. It will then be the responsibility of individual directorates and programmes to define in local risk strategies their local risk appetites. Local risk appetites will not (unless there are exceptional circumstances and only with the explicit agreement of the Board) exceed the corporate risk appetites.

Corporate Strategic and Operational Risks

29. A key change mentioned in changes to strategic approach to risk above, is the separation of Corporate “Strategic” and Corporate “Operational” risks. The intention is for the Board to be accountable for the Corporate Strategic risks (risks will only be owned by Executive members), whilst EMT and the Portfolio Board will be accountable for the Corporate Operational risks.

30. On 23rd January 2014 the Executive Management Team agreed to this approach and conducted a strategic risk capture workshop against the objectives published in the “Strategy for the Health and Social Care information Centre 2013-2015”.

31. The risks captured at this workshop will be fully articulated by the Portfolio risk team and presented back to the EMT for their review and comment. This is expected to be completed by 7th February 2014.

32. Once the EMT is satisfied that the Strategic risk set reflects the true position of HSCIC, these risk will be presented in full to the Board for further consideration.

Recommendations

33. The Board are asked to consider this paper and agree in principle the approach proposed.