Person-centred care

Risk Management Framework

A guide to the reporting, management and escalation of risk within ECL

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Document Control

Version No.	Date Reviewed	Summary of Changes	Changes made by
1		New	Quality and Corporate Governance Team
2	Sept-17	Minor updates to roles. Update to the Risk Appetite	Quality and Corporate Governance Team
3	Feb-20	Minor updates to reflect role changes and risk example.	Quality and Corporate Assurance Team

1. Introduction

The Risk Management Framework will guide ECL in its approach to the management of risk in all its activities and provides a structural framework with clear definitions and roles of responsibility.

The Risk Management Framework enables ECL to have a clear view of the risks affecting the company; how those risks are being managed, the likelihood of occurrence and their potential impact on the successful achievement of the company objectives.

Management of risk is not about eliminating all risks however it highlights concerns, scales and impacts of a risk, therefore allowing informed decisions about how a risk can be managed and minimised. It is not to be viewed or practiced as a separate programme of work and should be embedded within all policies and practices and business plans throughout the company. It is an integral part of any enterprising company that wishes to push boundaries to grow and develop.

2. Framework Statement

ECL is committed to applying effective Risk Management to all of our activities to protect us from unacceptable exposure to risk, adopting best practices in the identification, evaluation and control of risks in order to;

- Integrate risk management into the culture of the company.
- Eliminate or reduce risks.
- Anticipate and respond to changing social, environmental, legislation and contractual requirements.
- Prevent injury and damage and reduce the cost of risk

All employees are required to share this commitment by complying with relevant risk control policy, standards and procedures.

Risks will be reduced and monitored by;

- Providing, managing and maintaining a risk management process to assess the impact and likelihood of risks and considered judgement of what level of risk is tolerable.
- Understanding risks and opportunities associated with the current and projected activities.
- Implementing appropriate mitigating actions to reduce the risks to the lowest practicable level.

All risk registers must comply with this framework.

The Head of Quality and Corporate Assurance (Risk Manager) will maintain the company-wide risk register, producing regular reports to the various groups outlined in the framework.

Risk management systems will be reviewed and developed to ensure that ECL have in place the necessary structures and procedures appropriate to manage risk.

This Framework will be reviewed and agreed by the Audit Committee every two years with Board agreement.

3. Risk Managing Principles

Risk is defined as *an uncertainty of outcome*, and good risk management allows an organisation to; have increased confidence in achieving its desired outcomes; effectively constrain threats to acceptable levels; and take informed decisions about exploiting opportunities.

Good risk management also allows stakeholders to have increased confidence in the company's corporate governance and ability to deliver.

3.1 Risk Appetite Statement

The Institute of Risk Management's definition of Risk Appetite is "the amount and type of risk that an organisation is willing to take in order to meet their strategic objectives". Risk Appetite is a threshold of the amount of risk that the Senior Leadership Team (SLT) and Board are prepared to accept before taking action. As part of the risk management process, all risks identified are evaluated and given a risk rating. The higher the risk level the greater the impact, and as such more controls are required.

Medium and Low 1-4	These represent low levels of threat/impact to the company, and actions shall be limited to contingency planning, rather than active risk management action. Risks shall be recorded on the risk register. Risk level shall be monitored as part of the local service/regional level.
High 6 - 9	These represent medium levels of threat/impact to the company, which may have a short to medium impact on contract and company objectives. Risks in this category shall have actions defined on the risk register or an action plan for risk treatment. Risks shall be recorded and reviewed at appropriate meetings, such as the Senior Leadership Team. The risk levels will be monitored as part of the Audit Committee scrutiny.
Very High 12 - 16	These represent the most critical levels of threat/impact to the company which may have a major or long-term impact on the company objectives or contractual obligations. Risks in this category shall have individual actions for risk treatment, which will be monitored and recorded through the risk register. Risks shall be recorded and reviewed at appropriate meetings, including the Senior Leadership, Audit Committee and Board.

As a large company it is recognised that the appetite for risk will vary according to the activity undertaken and hence different appetites and tolerances to risk apply. ECL aims to be risk aware, but not overly risk averse in all areas, and to actively manage business risks to protect and grow the company.

To deliver our strategic aims, ECL recognises that we will have to take and manage certain business risks. Intolerable risks are those that could:

- Impact on the safety or quality of service provided to our customers and employees
- Have a detrimental effect on the financial position of ECL, giving rise to questions over going concern
- Have a negative impact on our reputation or future operations of ECL.
- Breach or lead to a breach of regulation or law.

ECL has adopted the following appetites to the areas of risk.

Safety and Quality
ECL take a cautious view regarding the risks that it is willing to take in terms of safety and quality, expressing a preference for safe delivery options that have a low degree of risk and which may only have a limited potential for reward.

Compliance
ECL is committed to a high level of compliance with relevant legislation, regulation, code of conduct as well as internal policies and corporate governance principles. It has no appetite for deliberate or purposeful violations of legislative or regulatory requirements.

Innovation
ECL has a keen appetite to pursue innovation and challenge current working practices in support of the use of systems and technology developments as well as new service design within the services it provides. ECL will choose options offering potentially higher business rewards (despite greater inherent risks) where innovation can provide higher rewards, but only where quality and safety risks are not affected.

Financial
ECL appetite to financial risk is of a medium level, with an approach adopted that essentially considers each potential for investment against the possibility of future earnings and costs as a result of the investment required. The biggest caveat against this is that it will not harm the reputation of ECL and/or cause an adverse effect on the quality of the services offered or the safety of the service users.

4. Responsibilities

ECL Board	The Board has overall responsibility for reviewing and accepting the highest risks for the company, whilst agreeing the actions taken to mitigate or transfer the risk. The Board will know about the most significant risks, and possible effects on expected performance, and how the company would manage in a crisis. They will receive assurance that the risk management process is working effectively from reviews undertaken by the Audit Committee. The Board will receive the top risks the company is facing as identified by the Senior Leadership Team at each formal Board meeting.
Audit Committee	The Audit Committee is a sub-committee of the Board with responsibility for providing assurance that risks are being managed. The Audit Committee will review the risk management framework prior to approval by the board and monitor its implementation. The Audit Committee will monitor the management of the ECL Risk Register at each meeting to ensure that risks are being appropriately identified and managed. The Audit Committee will receive the full risk register quarterly, with specific consideration of major and critical risks. They will also review the Risk Framework every two years.

Senior Leadership Team	The Senior Leadership Team will review all risks identified, with specific consideration for major and critical risks. Individual Directors will hold responsibility for all risks identified dependent within their level of control within the company. They will review the risks on an ad-hoc basis as risks have been identified and also formally monthly through the SLT meetings. They are also responsible for confirming that risks can be closed.
Risk Manager (Head of Quality and Corporate Assurance)	The Risk Manager will develop guidance, tools and training to support the company to manage risk effectively in accordance with the risk management framework. They will embed the risk management framework and process to drive consistency in its application. They will provide assurance, support and challenge to the business on all areas of business risk management, producing reports on risk management for the various groups within the company.
Risk Owner	For every risk identified there will be a risk owner who has the overall responsibility to ensure that the risk is reviewed and appropriate action plans are in place to mitigate or transfer the risk. The risk owners are individuals within the teams that are accountable for the management of a particular risk, evaluating, assigning mitigation actions and monitoring of the risks. The risk owner is also responsible for ensuring that risks identified where they are high or critical are escalated appropriately and their responsible director is aware. Risk owners will review their risks for completeness or change monthly, or at appropriately agreed intervals.
All Managers	Managers are responsible for ensuring information on risks are incorporated into the corporate risk register in line with this framework. They are responsible for implementing management plans and actions connected to risks on the risk register, working with direction from the risk owners. They must ensure their staff have appropriate understanding and training on risk management, and champion the benefits of risk management across their teams.
All Employees	All employees are responsible for identifying risks and implementing the risk management processes outlined in this document. Where a risk has been identified they must ensure this is promptly identified to their Head of Service, or equivalent.

5. Risk Management Process

Risk Management is implemented by ensuring that the process is applied at all relevant levels and functions that form part of the company's business processes.

Risk Management consists of four stages;

5.1 Identification of Risk

The first stage is to identify a service, project or contractual objectives and activities and then to identify any risks that may prevent the achievement of the objective.

Risk identification is subjective and therefore it is recommended that identification of risks is not completed in isolation. Where possible an active risk discussion will generate more meaningful risk information allowing the sharing of knowledge and experience.

The senior leadership team will meet with the Risk Manager on a quarterly basis, or as requested in order to discuss potentially or upcoming risks to the company.

Causes which may trigger consideration of risk could be

Operational	▪ High staff turnover ▪ Loss of key staff or key members of the Board ▪ Increased complaints from staff or customers ▪ Accidents or incidents or significant insurance claims ▪ Loss of contracts/grants/trading revenue ▪ Failure to adhere to internal controls ▪ Significant number or severity of safeguards
Strategic	▪ Loss of contracts or contracts due for re-tender ▪ Contractual or KPI failings ▪ Significant issues arising from internal or external audit ▪ Breaches of regulatory requirements
Finance	▪ Cash-flow failings, including late payments of suppliers ▪ Reporting and management accounting issues. ▪ Increased reliance on overdrafts or reserves falling ▪ Incident of fraud or material error.

When identifying a risk, the following needs to be included:

Risk **cause/trigger**	The event or situation that gives rise to the risk (setting the context)
Risk **event**	The area of uncertainty in terms of the threat (or opportunity)
Risk **consequence**	The effect or impact the risk would have if it occurs – it may be cost, time.

e.g. "As a result of <**existing condition**>, <**uncertain event**> may occur, which would lead to <**effect on objectives**>".

Areas of risk may include; staff absence, workforce development, reputation, Information Governance, CQC compliance, inability to delivery on contracts etc. As well as known risks, there may be emerging risks, which are known about, but the impact is mostly unknown.

Example of risk identification with the cause and impact.

Due to the high level of information security related incidents and failure to meet the company compliance of 85% training for information governance refresher training, there are concerns about staff understanding their responsibilities under the General Data Protection Regulation (GDPR), Data Protection Act (DPA), Caldicott Principles, and compliance with company policies and procedures. The impact of this may lead to customer or staff information being incorrectly processed, lost or inappropriately shared with third parties. ECL could incur monetary penalties (up to €20, 000, 000) from the Information Commissioners Office for a breach of the DPA. ECL may receive adverse publicity and reputational damage. Level of complaints and claims received may increase. Could also result in breach of contract requirements or denial of service.

5.2 Assessment and Analysis

Risk Categories

Strategic	**These risks arise from the overall strategic positioning of the company in its environment.** Some strategic positions give rise to greater risk exposures than others. Because strategic issues typically affect the whole of an organisation and not just one or more of its parts, strategic risks can potentially concern very high stakes – they can have very high consequences, or high returns.
Operational	Operational risks refer to **potential losses arising from the normal business operations**. Accordingly, they affect the day-to-day running of operations and business systems in contrast to strategic risks that arise from the company's strategic positioning.
Financial	Financial risks refer to the financial controls of the company, its budget and cash flow management. They may also refer to the long term financial sustainability/viability of the company.
Projects	These risks are associated with the delivery or implementation of a project, considering stakeholders, dependencies, timelines, cost, and other key considerations. They would not be captured within the ECL corporate risk register, unless they were a significant risk to the operations of the company, and the project manager would inform the Risk Manager of these. Project risks

will be incorporated within specific programme/project management risk registers, and maintained by the Head of Programme Management Office or relevant project managers.

Assessment and analysis require the evaluation and classifications of risks. Risks are evaluated by scoring them using the matrix shown below with a more detailed matrix provided in Appendix One.

Likelihood	**Consequence**			
	Minor 1	**Moderate 2**	**Major 3**	**Critical 4**
Unlikely 1	**1**	**2**	**3**	**4**
Possible 2	**2**	**4**	**6**	**8**
Likely 3	**3**	**6**	**9**	**12**
Almost Certain 4	**4**	**8**	**12**	**16**

Example:
Applying this matrix to the example regarding Information Governance, the initial risk rating would be detailed as:

Likelihood:	**Likely - 3** Will probably happen/recur but it is not a persisting issue.
Consequence:	**Major -3** (Statutory duty: Enforcement action. Human resources, company development, staffing and competence, no staff attending mandatory/key training.)
Risk Rating	Total Score **9**

5.3 Implementation and Management

Having assessed the risks, these then need to be managed effectively by putting in place mitigating controls. It is important to plan the responses to reduce risk and decide on the appropriate actions required to address the root causes of the risk. Agreed actions to mitigate the risk should be recorded within the risk register, with appropriate action owners and completion dates.

Example
Referring back to the Information Governance risk: knowing what the risk and potential consequences are, it is possible to examine the mitigation action/controls that can be taken to reduce or eliminate the risk.

Mitigating Action:

- Review training needs analysis for all staff regarding safe information handling and governance.
- Weekly alerts on non-compliance of training issued to all line managers through RADAR.
- Draft active communications campaign to be issued and used in the weekly newsletter, intranet and within team meetings.
- Attend ad-hoc meetings team meetings.
- Complete team/site Information Governance audits.

With mitigation actions, there may also be costs that will be incurred through this, and these should be referenced within the controls.

With the mitigation action documented above, this would be the release of staff to attend training.

5.4 Monitor and Review

It is important that all risks are monitored and reviewed on a regular basis. This will provide assurance to the relevant governance groups that risk management has been embedded in the services and teams, and appropriate action is being taken to reduce the risks for the company. The reporting of risks is further described in the section Governance Framework and Reporting.

The review periods set should be reflective of the risk rating and mitigation controls, some risks may require updating on a weekly basis, others may only need to be completed monthly or quarterly.

The Head of Quality and Corporate Assurance will issue, on a monthly basis, a list of all current risks to the Risk Owners identified on the Corporate Risk Register, for them to be able to review, provide commentary on the risks. This will then be updated on the main ECL Risk Register for onward reporting (See section 7).

6. Risk Registers

The company will maintain risk registers that hold all risks that are attributed to a defined area, either within the company, a dedicated project or new commercial venture.

Corporate Risk Register

Each area/team holds responsibility for ensuring that their risks on the corporate risk register are maintained and up-to-date. All risks on the risk register will be subject to the agreed risk rating formula outlined in Appendix One.

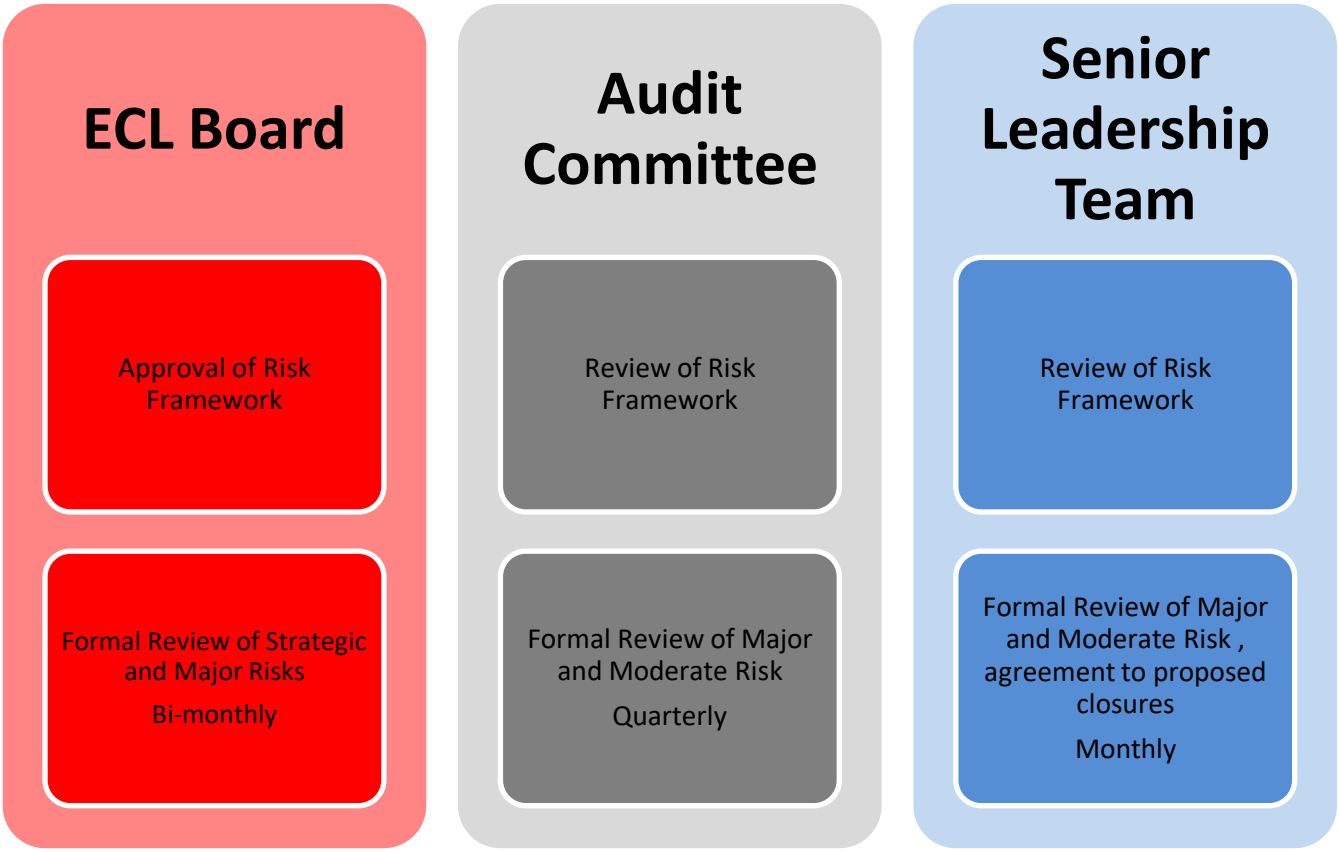
The risk register will include information on (but not exclusively to): category of risk, risk description, initial risk score, mitigation actions and control measures, current risk rating, review date and owner.

Project Risk Register

Alongside the Corporate Risk Register, the Head of Programme Management/relevant project managers will also maintain dedicated ‘project’ risk registers. These will be administered by the allocated Project Manager and reported as required through project meetings. Where a risk has been identified by a project which directly and significantly impacts on the operations of the

company, this will also be included within the Corporate Risk Register, for full visibility and reporting.

7. Governance Framework and Reporting



8. Escalation of Risk

Where a risk is identified that is critical (red rating 12-16), the risk owner must inform the responsible Director immediately, so they are aware in advance of the monthly report to the Senior Leadership Team.

9. Closing Risk

When a risk can be deemed that it no longer poses a threat to the company, a recommendation can be made to close it from the active risk register. Proposed closures will be presented to the Senior Leadership Team monthly to seek their agreement. The risk will then be removed from the active register and archived. Copies of all old (the last three years) risk registers are available through the Quality and Corporate Assurance Team.

10. Further information and references

The following websites provide useful support and knowledge in the management of risks and treatment plans.

https://www.theirm.org/knowledge-and-resources/

http://www.nrls.npsa.nhs.uk/resources/patient-safety-topics/risk-assessment-management/

The following documents are also available on the ECL intranet.
Health and Safety policies, guidance and risk assessment documents
Serious Untoward Incident policy and procedures
Business continuity and risk management policies, guidance and documents
⇧⇧⇧⇧⇧

Above links to be updated once approved)

11. Appendix One:

Consequence score[i]

Choose the most appropriate domain for the identified risk from the left hand side of the table, then work along the columns in the same row to assess the severity of the risk on the scale of 1 to 4 to determine the consequence score, which is the number given at the top of the column.

	Minor - 1	Moderate - 2	Major - 3	Critical - 4
Impact on safety of customers, staff and public.	Injuries or stress with no workdays lost or minimal medical treatment.	Injuries or stress level requiring some medical treatment, potentially >14 days off work RIDOOR/agency reportable incident. An event which impacts on a small number of customers.	Serious injuries or stressful experience requiring medical many workdays lost. May lead to long-term incapacity/disability. Requiring <14 days off work	Life threatening or multiple serious injuries or prolonged work place stress. Incident leading to death or multiple permanent injuries or irreversible health effects. An event which impacts on a large number of customers.
Human resources, company development, staffing and competence.	Low staffing level that reduces the service quality. No impact on staff morale.	Unsafe staffing level or competence, which continues for >3 days. Late delivery of key objectives or contracts due to lack of staff. Poor staff attendance on mandatory/key training. Potential impact on morale & performance on teams rather than by individual case (i.e. not isolated).	Unsafe staffing levels or competence which continues for <4 days Uncertain delivery of key objectives or contracts due to lack of staff. Loss of key staff. No staff attending mandatory/key training. Major impact on morale & performance of more than 100 staff. Local strike action.	Ongoing unsafe staffing levels or competence. Non-delivery of key objectives or contracts due to lack of staff. Loss of several key staff/ No staff attending mandatory training/key training on an ongoing basis. Severe impact on morale & service performance – companywide. Mass strike actions etc

	Minor - 1	Moderate - 2	Major - 3	Critical - 4
Impact on Compliance, Quality, Complaints and Reputation	Informal complaint or inquiry. Single failure to meet internal standards.	Formal Complaint. Repeated failure to meet internal standards. Minor implications for customer safety if unresolved.	Multiple complaints or independent review. Non-compliance with national standards with major risk to customers if unresolved. Critical report.	Gross failure to meet national standards. Totally unacceptable level of quality of service. Gross failure of customer safety if findings not acted on. Inquest.
Statutory duty/ inspections	No or minimal impact or breach of guidance/statutory duty.	Single breach in statutory duty. Improvement notice.	Multiple breaches in statutory duty. Enforcement action. Critical report.	Multiple breaches in statutory duty. Prosecution. Complete system change required. Severely critical report.
Adverse publicity/reputation	Unlikely to have impact on the corporate image. Local media coverage – short term reduction on public confidence. Elements of public expectations not being met.	Local media coverage – long term reduction on public confidence.	Prolonged local media coverage or national media coverage.	National media coverage with service well below reasonable public expectation.
Service, or business delivery	Minor errors in systems/operations or processes requiring action or minor delay without impact on overall schedule. Handled within normal day to day routines.	Significant short-term disruption of noncore activities. Loss or interruption of one day or less. .	Significant disruption of core activities. Key targets missed, some services compromised. Loss or interruption of less than one week.	Cessation of core activities. Loss or interruption of more than one week.

	Minor - 1	Moderate - 2	Major - 3	Critical - 4
Commercial, Financial and Budgetary Impacts including claims	Minimal financial loss – minimal effect. Claim less than £10 000. Contract relating to current work loss of annual profit expected less than £10,000 and or £100,000 of annual turnover.	Medium financial loss - Small increase on budget/cost: (Handled within the team) Negligible effect on total Budget or **<5-10%** of Budget. Claim(s) between £10 000 and £100 000.	High financial loss Significant increase on budget/cost: More than **15 to 25 %** of the departmental budget. Commissioners failing to pay on time. Claim(s) between £100 000 and £1 million. Loss of current contract work with an annual expected profit of between £100,000 and £250,000 or annual turnover of between £100,000 and £250,000.	Major financial loss - Large increase on budget/cost: More than **25 to 35%** of the departmental budget. Impact the whole company. Claim(s) over £1 million. Loss of current contract work with an annual profit value of greater than £250,000 or annual turnover greater than £2,500,000
Impact on Projects	Time: Negligible delays. Cost: < **5%** of project spend/scope. Quality: Minor deviations from project specification; does not affect final benefits.	Time: Minor delays with some uncertainties; potential to cause more major impacts Cost: < **10%** of project spend/scope. Quality: Notable change to project specification, handled within the change control process.	Time: Significant Delays in project implementation and benefits realisation Cost: > **10%** of project spend/scope Quality: Potential for reduced quality of end Product/Service.	Time: Project Benefits will not be realised Cost: Punitive costs that require financial re-planning and service cuts elsewhere or project no longer sustainable. Quality: Product/Service not fit for Purpose.

Likelihood of Occurrence
What is the likelihood of the consequence occurring?

Unlikely	Possible	Likely	Almost Certain
Low but not impossible: 1% to 20%	Fairly likely to occur: 21% to 50%.	More likely to occur than not: 51% to 80%	The event is expected to occur in most circumstances > 80%

Do not expect it to happen/recur but it is possible it may do so.	Might happen or recur occasionally.	Will probably happen/recur but it is not a persisting issue.	Will undoubtedly happen/recur, possibly frequently.

Total risk scores

Level of Risk	Consequences	Action Required
Very High 12 - 16	**Disastrous (negative) impact.** **Unacceptable threat.**	**Treatment/Mitigation Action(s) required to minimise threat(s)**
High 6 - 9	**Severe (negative) impact.** **Considerable threat**	**Treatment/Mitigation Action(s) required to minimise threat(s)**
Medium 3 - 4	**Medium (negative) Impact.** **Manageable threat**	**Managed via contingency plans.** **Treatment/Mitigation Action(s) required to minimise threat(s)**
Low 1 - 2	**Relatively light negative impact.** **Acceptable threat**	**ECL is content to accept this risk, but threat(s) should be reviewed regularly**

		Yes/No	Comment
1	**Does the Policy/guidance affect one group less or more favourably than another on the basis of:**		
	Age	No	
	Disability	No	
	Gender Reassignment	No	
	Marriage and Civil Partnership	No	
	Pregnancy and Maternity	No	
	Race	No	
	Religion and belief	No	
	Sex	No	
	Sexual Orientation	No	
2	**Is there any evidence that some groups are affected differently?**	No	
3	**If you have identified potential discrimination, are any exceptions valid, legal and/or justifiable?**	No	
4	**Is the impact of the policy/guidance likely to be negative?**	No	
5	**If so, can the impact be avoided?**	No	
6	**What alternatives are there to achieving the policy/guidance without the impact?**	No	
7	**Can we reduce the impact by taking different action?**	No	

Equality Impact Assessment for Risk Management Framework, reference RM1