South Staffordshire NHS
Primary Care Trust

Enclosure 14

Risk Management Strategy, and Policy

This Strategy and Policy will be reviewed in line with the Trust review process, and therefore subject to review/revision in response to legislation, standard requirement or audit recommendations. There is therefore no time constraint on this process.

Date adopted by Trust:

Signature:

Date for Review:

Signature:

Policy Ref No:

C:\Documents and Settings\soukar\Local Settings\Temporary Internet Files\OLK80\Enclosure 14~Risk Management Strategy and Policy.doc

CONTENTS

	Page No.
Strategy / Policy Statement	3
Background	3
Scope	3
Principles and Aims of Risk Management	3-4
Rationale for Managing Risk	4
Quality	4
Local Delivery Plan	5
Operational Risk	5
Identification of Risk	5-6
Illustrative Example of Common Sources of Information	7
Assurance Framework	8-9
Standards for Better Health	9-10
NHSLA Standards	10
Governance	10
Structural Arrangements	10-11
Processes and Risk Management Tools	11-16
Communication	16
Resources	16
Training	17
Independent Verification	17-18
Appendix A – Organisational Structure	19
Appendix B – Specific Roles and Responsibilities	20
Appendix C – Reporting Structure	21

Strategy/ Policy Statement

The South Staffordshire Primary Care Trust believes that risk management is an integral part of good management practice, supporting good corporate governance, and that responsibility for implementation is accepted at all levels of the organisation. The Organisation is taking a whole system matrix approach to its management of Risk, to ensure that all risk is appropriately managed, and progress monitored effectively.

Background

This PCT provides local healthcare services through a range of functions.

This document sets out the aims and objectives of risk management within the PCT. It illustrates how risk management sits within the PCTs governance framework and demonstrates the links between corporate governance, clinical governance and Standards for Better Health/Annual Health check.

It provides direction, and communicates the PCTs intentions and commitment to risk management across the organisation.

Scope

This strategy and policy is intended for use by all directly employed staff, agency/bank staff and all contractors when working for the PCT. It takes account of both the audit handbook and the governance handbook, which provide specific guidelines to Trusts in relation to risk management.

Principles and Aims of Risk Management

The aim of the Strategy is to ensure that risk management is embedded in the organisation as an integral part of good management. The principles and aims of risk management are as follows:

- To protect patients, the local population, personnel, visitors and assets of the PCT.
- Identify and assess risks that could harm the local population, disrupt services, impact on Health and Safety or lead to pecuniary or other loss, damage or impaired reputation.
- Maintain or introduce cost effective risk control measures to eliminate or modify risks to acceptable and manageable levels, as far as is reasonably practical.
- To establish robust recovery procedures to cater for possible “disaster” scenarios.
- To raise an awareness of risk management within the Primary Care Trust.
- To monitor the implementation and adoption of standards and procedures that control risks
- To link clinical governance with the Standards for Better Health, and the annual health check.
- To link the assurance framework to both the Standards for Better Health and the day to day risk activity and monitoring, undertaken by the Trust.

- To ensure that all staff and users are involved.
- To integrate all of the Trusts functions under the Strategy.
- To consolidate and rationalise the Primary Care Trusts risk management across the organisation under a single framework.
- To ensure that risk management is a continual process.
- To encourage an open and "blame free" culture.

Rationale for Managing Risk

Risk management is recognised as an integral part of first-class management practice.

The PCT applies the term "risk management" to a logical and systematic method of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risks associated with any activity, function or process in a way that will enable the organisation to minimise losses and maximise opportunities.

The PCT acknowledges that healthcare is, by its nature, a high risk activity and expects that risk management is fully utilised to ensure that judgements are made from a range of fully identified options and from a sound knowledge of the impact and likely outcome.
The PCT will adopt the following approach: -

- Application of a standard risk management methodology based on the Australian/New Zealand Risk Management standard. This is licensed for use throughout the National Health Service.
- Identification and monitoring of strategic and financial risks through appropriate management processes.
- Identification and monitoring of national standards/issues i.e. Standards for Better Health by the nominated officer for each of the standards with regular reports to the Clinical Governance Sub Group, of the Board.
- Departmental involvement for identification and ownership of day-to-day risk issues across financial, organisational and clinical areas.
- Continuous development of a comprehensive risk register encompassing financial, organisational and clinical risks.
- Utilising an assurance framework for identifying, recording and monitoring strategic risks.

Quality

It is recognised that effective risk management plays a pivotal role in ensuring that the PCT provides a high quality, safe service to the local population from an environment that is safe for staff and visitors both within Trust property and the community. It also helps to eliminate or reduce unnecessary costs and reduces potential or actual harm to the Trust's property, budgets and reputation. Part of our commitment to quality is our self monitoring through our internal audit programme, and our monitoring of Core and Development standards for Standards for Better Health.

Local Delivery Plan

The Risk Management processes as set out in this document will be applied to achieving the PCT objectives as identified in the Local Delivery Plan. Strategic aims and objectives will be specifically identified within the Trusts risk register.

Operational Risk

Any risk associated with the direct delivery of services by the PCT i.e. risk arising from operational activities. This will be a “bottom up” approach undertaken by the staff in the sections concerned.

Clearly, where “operational” issues raise questions over the strategic objectives of the PCT, the Risk Management Committee and the Executive Team will consider these in detail.

Identification of Risk

The first part of any risk identification process is the how?

It is essential that the hazard/risk identification process is both wide-ranging and comprehensive.
This identification process will be uniformly applied throughout the organisation.
All new projects will be as fully risk assessed as possible, in addition to the options analysis developed in association with them. If the new project has significant risk attached to it, and the Board accept this level of risk, this will be recorded within the risk register, and action plans monitored by the risk team.

Any priorities identified will be distorted if the sources of information on risk are limited in either breadth or depth, therefore risk identification needs to be carried out at all levels of the organisation. There are many sources of information, both reactive and proactive, which can be used for identifying hazards and risks, such as:

- Complaints, Incidents, Claims
- Internal/External Audit Reports
- ‘Housekeeping’ hazard check sheets
- NHSLA (RPST/ CNST) HSE, IWL Reports
- Healthcare Commission reports/Annual Health check declaration
- National initiatives
- MHRA/NPSA Notices and alerts
- National Enquiry Reports
- Mandatory/Statutory Targets
- Benchmarking
- Organisation Objectives

- Organisational Data
- Team meetings
- Reviewing Minutes of various groups

Through the Trusts Integrated Governance Committee, the aggregated reports on claims, incidents, and complaints will be reviewed at least quarterly, and any emergent trends and themes identified, and where appropriate subjected to further investigation.

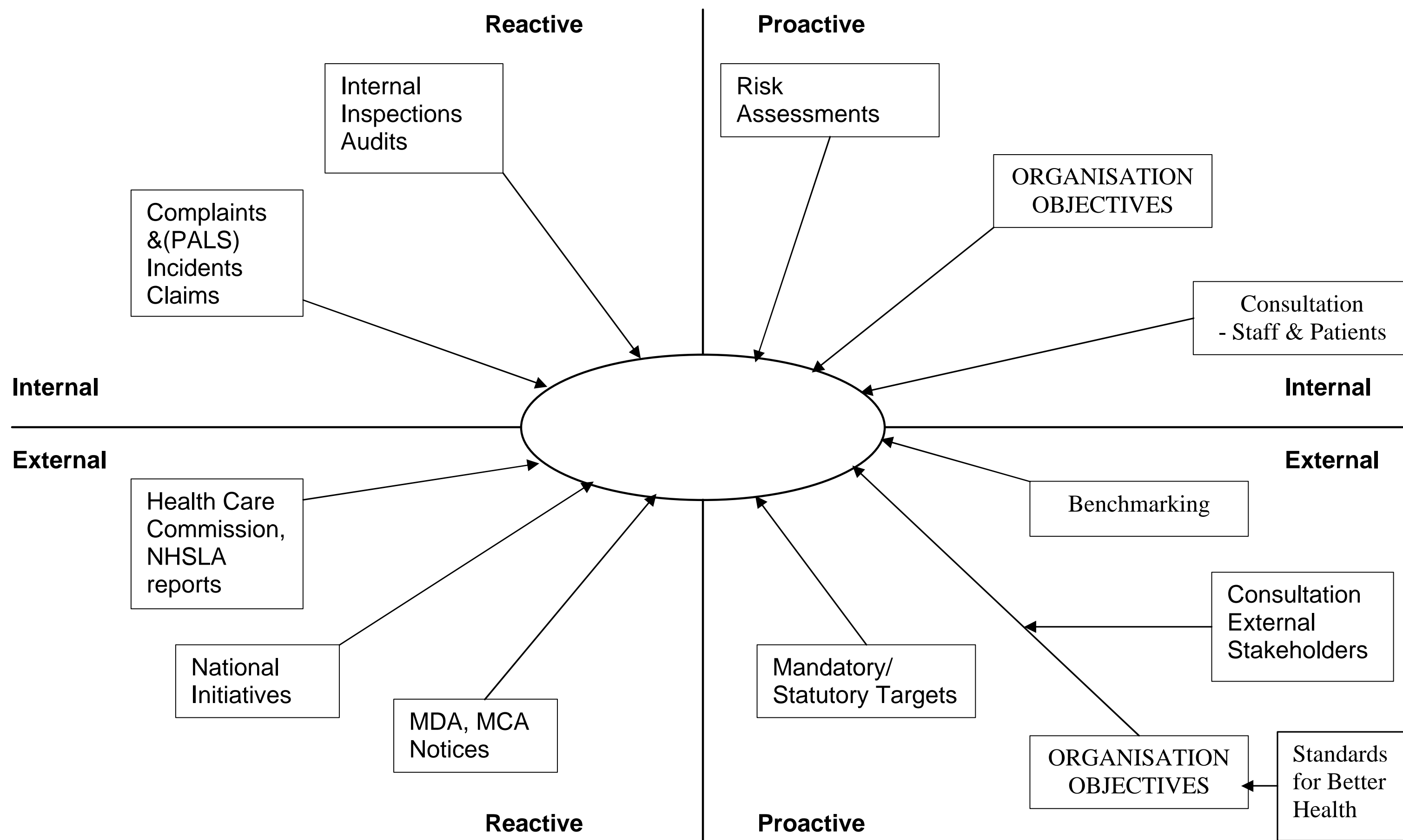
Hazard/risk identification involves viewing all possible sources of risk from differing perspectives and various methods will be used in the identification process:

- Risk Assessments
- SWOT Analysis
- Surveys/Questionnaires
- Brainstorming
- Flow charting/Systems analysis
- Interview/Focus groups
- Personal Experience
- Examination of local experience
- Judgmental

One method alone will be insufficient to address all the hazards and risks faced by the PCT. It is therefore essential that a combination of methods be used during the identification process to ensure that there are no gaps.

Explicit guidance on the purpose and undertaking of risk assessments is given in the Risk Assessment Protocol within Appendix C

An illustrative example of the common sources used in risk identification is shown overleaf:



The common sources of information that are used by NHS organisations to populate their Risk Registers

Original Source: "Making it Happen", NHS Controls Assurance Support Unit, July 2002

Assurance Framework

Boards need to be confident that the systems, policies and people they have put in place are operating in a way that is effective in driving the delivery of objectives by focusing on minimising risk.

In support of that challenge, “Assurance: The Board Agenda” was issued in July 2002 and set out the principles for an assurance framework to give Boards the confidence they need. The additional requirement for all NHS Chief Executive Officers to sign a Statement on Internal Control (SIC), as part of the statutory accounts and annual report, heightens the need for Boards to be able to demonstrate that they have been properly informed about the totality of their risks, both clinical and non clinical.

To do this they need to be able to provide evidence that they have systematically identified their objectives and managed the principal risks to achieving them. The development of an ‘assurance framework’ will fulfil this purpose.

The Assurance Framework will provide the PCT with a simple but comprehensive method for the effective and focused management of the principal risks to meeting their objectives. It also provides a structure for the evidence to support the Statement on Internal Control.

For the assurance framework to be effective, the following approach will be adopted:

- Board and Executive Team to establish principal objectives (strategic & directorate).
- Identification of principal risks that may threaten the achievement of these objectives.
- Identification and evaluation of the design of key controls intended to manage these principal risks.
- Arrangements for obtaining assurance on the effectiveness of key controls across all areas of principal risk to be set out
- Evaluation of the assurance across all areas of principal risk
- Identification of positive assurances and areas where there are gaps in controls and / or assurances
- Plans put in place to take corrective action where gaps have been identified in relation to principal risks
- Maintain dynamic risk management arrangements including, crucially, a well-founded risk register.

The Assurance Framework and Risk Register must be ‘embedded’, i.e. being used within the organisation, and dynamic, providing regular Board information and not viewed as a year-end exercise.

The integrated governance committee, or dedicated sub group of same, will review the directorate risk registers ensuring that suitable treatment plans are in place to monitor and manage the risk. Decisions relating to risk tolerance and escalation of those risks to the Board will be taken by lead managers, and the executive director responsible for quality.

The Trusts Performance Committee will primarily review strategic and financial risks, ensuring that these treatment plans are reflected to the integrated governance committee, to ensure matrix risk management throughout the organisation.

Standards for Better Health

The standards provide a common set of requirements applying across all health care organisations to ensure that health services are provided that are both safe and of an acceptable quality. Additionally, they provide a framework for continuous improvement in the overall quality of care people receive.

In April 2005, a new performance framework was introduced for the NHS and Social Care, driven by ‘Standards for Better Health’ which set out the level of quality all organisations providing NHS care are expected to meet or aspire to across the NHS.

The document “Assessment for Improvement – the Annual Health Check” introduced a new system for measuring performance by reference to Standards for Better Health. The principles of this new approach will ensure that assessment will be relevant to patients, public and providers.

Each year, the PCT is required to make a declaration on its compliance against the Standards. The process is based on a self-assessment, which states that the PCT Board has received reasonable assurance that the Trust has complied with the standards without significant lapses. Exceptions will be reported where:

1) Standards have not been met
2) Standards for which a lack of assurance leave the Board unclear as to whether there have been significant lapses in meeting the standards.

The PCT will take the following into account for each standard when completing the annual declaration:

Directly Provided Services – where it has reasonable assurance that the services it directly provides are meeting the standards.

Independent Contractors – whether it has taken reasonable steps to ensure that the services provided by Independent Contractors are meeting the Standards.

Commissioned Services – whether it has appropriate mechanisms through which it can identify, and where appropriate, respond to any significant concerns for its commissioned services with regard to the Standards.

In monitoring it's progress toward compliance with these standards the Trust will ensure that is has a robust mechanism to provide assurance to its Board, and the Strategic Health Authority on a quarterly basis, as per letter of requirement, form NHS West Midlands.

NHSLA Standards

Fundamental to the process is the effective involvement of people and functions within the Trust through the application of self-assessment techniques to comply with the NHSLA Standards, and to ensure objectives are met and risks are properly controlled.

The PCT is specifically required to: -

- Demonstrate progress of risk through its treatment plans
- Demonstrate how it implements, monitors and applies recommendations and requirements of external agency visits, inspections, and accreditations.
- Demonstrate it's year on year awareness training on Risk to all managers and key staff.

Governance

The PCT recognises the value of integrated Governance and that for risk management to continue to be effective across the organisation, there is a need to link the 'Governance' work streams.

It is envisaged that the Audit Committee will, in line with the recommendations in the Audit Committee Handbook 2005, establish an effective system of integrated governance, bringing together all the governance areas under one umbrella.

Structural Arrangements

The Chief Executive is ultimately responsible, and with the Executive Team, Audit Committee and Performance Committee takes responsibility for specific risk areas. The entire risk management process is supported throughout the matrix of the organisation by its Risk Management Team. This structure can be seen within Appendix A.

The Board is committed to the comprehensive management of risk and has established a structure, which encompasses a holistic approach to risk across the Trust.

The Trust has designed its structures, systems and procedures to be complementary to each other and allow transfer of ideas and issues across professional boundaries/committees/groups.

The specific roles and responsibilities are outlined within Appendix B.

The reporting structure is outlined within Appendix C.

Processes and Risk Management Tools

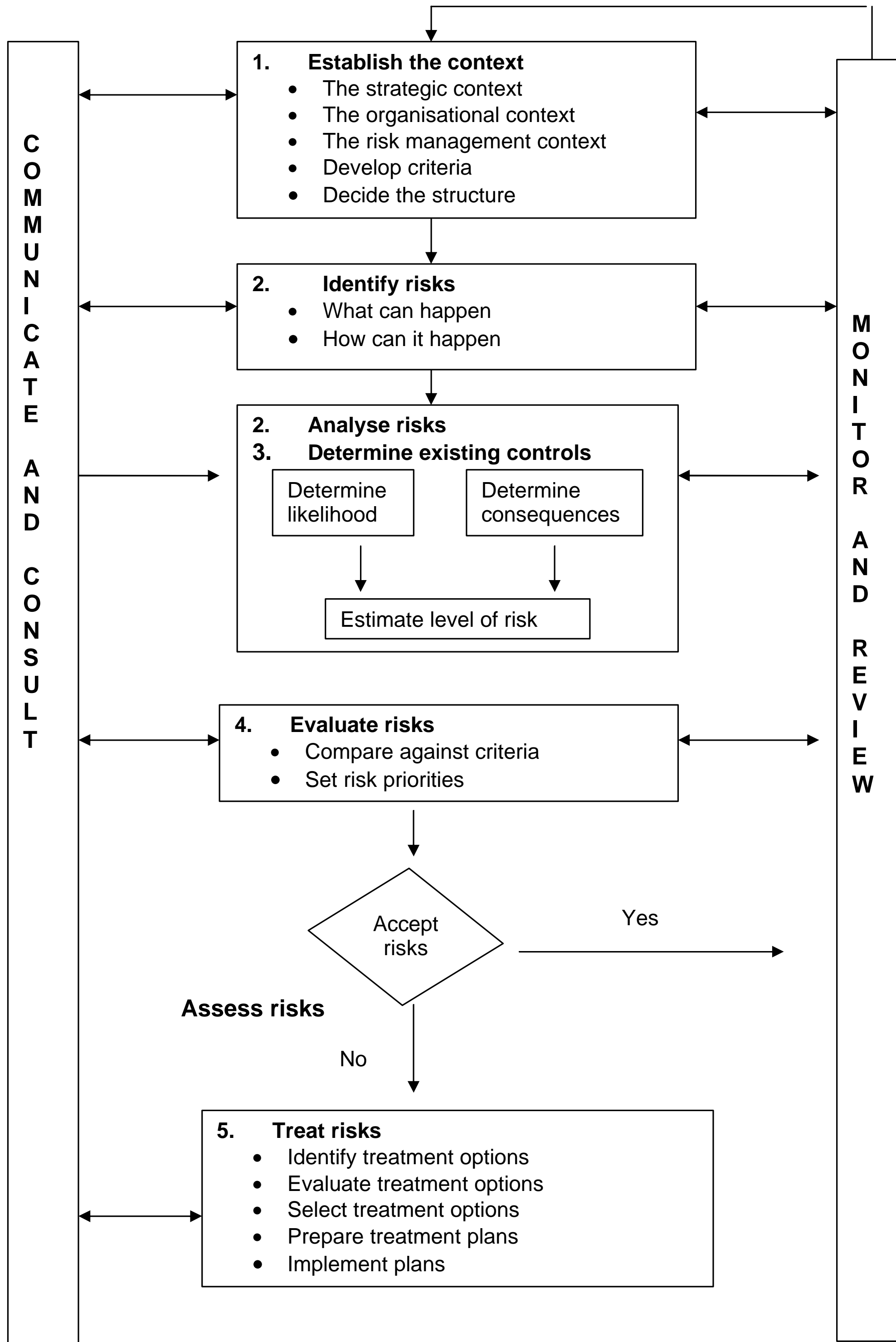
This document sets out an approach to the assessment of risk and the development of an integrated framework for risk management for the PCT.

Management of risk is an integral part of the management process. Risk management is a multifaceted process, appropriate aspects of which are often best carried out by a multi-disciplinary team. It is an iterative process of continual improvement. The methodology is based around AS/NZS 4360:1999.

The main elements of the risk management process are shown in Figure 1 overleaf.

The Trust monitors and manages its risk using an integrated performance monitoring tool, which is presented to the Board on a monthly basis.

Figure 1



The context can include the financial, operational, competitive, political (public perceptions/image), social, client, cultural and legal aspects of the PCTs functions.

In this context, the management of risk will be approached from two facets:-

Business Plan and Strategic Risk – associated with the achievement of aim and objectives of the PCT. This will be a "top down" approach, undertaken collectively by the members of the Performance Management Committee, and the Management Team. The issues arising from the achievement/non-achievement of the objectives of the PCT will be considered.

Operational Risk – associated with the direct delivery of services by the PCT i.e. risk arising from operational activities. This will be a "bottom up" approach undertaken by the staff in the sections concerned.

Clearly, where "operational" issues raise questions over the strategic objectives of the PCT, these will be considered in detail by the Integrated Governance Committee, or its nominated sub committee, the Management Team, and the Performance Management Committee.

It is essential that the risk identification process is both wide-ranging and comprehensive and needs to be carried out at all levels of the organisation. There are many sources of information that can be used for risk identification:

- Complaints, Incidents, Claims
- Internal Audit Reports
- Health Care Commission, NHSLA, HSE Reports.
- National Initiatives
- MDA Notices
- National Enquiry Reports
- Mandatory/Statutory Targets
- Benchmarking
- Organisation Objectives
- Organisational Data

Various methods will be used in risk identification and will include the following:

- Risk Assessments
- SWOT Analysis
- Surveys/Questionnaire
- Flow charting/Systems analysis
- Interview/Focus groups
- Personal Experience
- Examination of local experience
- Judgmental

A simple scoring mechanism can be utilised when comparing the issues raised. This is outlined below:

Figure 2

IMPACT		
Level	Descriptor	Description
0	Negligible	No impact on the operations of the Trust. No financial loss.
1	Minor	Little significant impact on the operations of the Trust. Low financial loss.
2	Moderate	Primary impact is on the internal operations of the Trust. Moderate financial loss.
3	High	A significant impact on the operations of the Trust leading to loss of reputation & service quality. High financial loss.
4	Very high	Seriously damaging the Trust's ability to provide services. Major impact on the operation of the Trust.
5	Extreme	Life threatening; the Trust would not survive if this happened.

(Figure 3)

PROBABILITY	
Score	Definition
5	Almost certain – highly likely, could occur on a regular basis (i.e. several times a year)
4	Likely – could occur on a sporadic basis (i.e. at least once a year)
3	Possible – could occur, but infrequently (i.e. not more than once in 12 months)
2	Unlikely – (i.e. an event that is unlikely to occur more than once every few years)
1	Rare – highly unlikely, (i.e. a one off event)
0	Never – will never happen

Operationally staff would be expected to determine risk by level or risk and level or probability on the 1 to 5 scales, apportioning ratings of low, moderate, high, very high and extreme. The traffic light system is used for ease of compliance, and low would be referenced green, moderate, amber, with high, very high and extreme attracting a red colour code, requiring greater monitoring by the risk team.

The risk rating is calculated my permutating the level of impact by the level of probability and qualified using the diagram below: -

Figure 4

QUALITATIVE RISK ASSESSMENT MATRIX-LEVEL OF RISK
(Based on the AS/NZS 4360:1999 Risk Management Standard)

		Probability					
Consequence		Impossible 0	Rare 1	Unlikely 2	Moderate 3	Likely 4	Certain 5
	Negligible -0	0	0	0	0	0	0
	Minor – 1	0	1	2	3	4	5
	Serious – 2	0	2	4	6	8	10
	Major – 3	0	3	6	9	12	15
	Fatality – 4	0	4	8	12	16	20
	Multiple fatalities – 5	0	5	10	15	20	25

No Risk	0	Low Risk	1-3	Moderate Risk	4-6	Significant Risk	8-12	High Risk	15-25

All individuals and organisations face risk. Whilst it may not always be possible to avoid risk, measures can be taken to minimise the chances of specific risks occurring, and to minimise their impact if they do occur.

In general terms the action taken to deal with a risk will fall into one of the following categories -

- Accept it – where the risk is regarded as one that the organisation can legitimately bear and is often merely part of doing business. Decision taken by appropriate Manager
- Manage it – where the risk is unacceptable but can be managed within risk tolerances. Establishment of control procedures to reduce the risk to acceptable levels and monitor. Decision taken by appropriate Manager in conjunction with the Management Team.
- Modify it – changing the way the organisation carries out its business with a view to reducing the risk. Decision taken by appropriate Manager in conjunction with the Management Team.
- Eliminate it – where the risk is unacceptable and the organisation does not believe it can or wants to manage it down to an acceptable level e.g. withdrawing from a service. Recommendation made by appropriate Manager in conjunction with the Management Team and the PCT Board.

- Implement a recovery plan – where a disaster scenario exists and it may not be possible to adequately reduce the risk. Therefore a plan is needed to recover the situation as soon as possible. Recommendation made by appropriate Manager in conjunction with the Management Team and the PCT Board.

The performance of the risk management system need to be monitored and reviewed taking into account any changes that will affect it. The Risk Committee will require regular updates from the relevant lead on the risks identified.

Risks will be systematically identified, assessed and analysed on a continuous basis and recorded in the risk register. Risks will be classified under the seven domains within the Standards for Better Health, and linked via the risk register to the principle Objectives.

Standards for Better Health Domains

1. Safety
2. Clinical and Cost Effectiveness
3. Governance
4. Patient Focus
5. Accessible and Responsive Care
6. Care Environment and Amenities
7. Public Health

Effective internal and external communication and consultation is important to ensure that those responsible for implementing risk management, and those with a vested interest understand the basis on which the decisions are made and why particular actions are required.

Communication

Effective internal and external communication and consultation is important to ensure that those responsible for implementing risk management, and those with a vested interest understand the basis on which the decisions are made and why particular actions are required.

Consideration will be given to the external bodies and the PCT has documented its stakeholders and will ensure the Strategy is made available to them.

Resources

The organisation needs to ensure that the risk management process is adequately resourced in order to fulfil requirements.

Training

An appropriate training programme is an important means of achieving competence and can help to ensure compliance with safe working practices, additionally, it can contribute to the organisation's risk management culture.

In order to implement the Risk Management Strategy successfully and deliver the Standards for Better Health and Clinical Governance agendas, staff at all levels in the PCT must have the necessary understanding, knowledge and skills in order to fulfil their particular role in the process and to bring about cultural change. Therefore the PCT will assess and deliver the level of risk management training that is needed throughout.

All new staff, regardless of grade or profession, will receive a formal induction to the PCT. To ensure a consistent approach across specialities and to ensure key topics are addressed, the PCT will set minimum standards for the local induction programme. This will include risk management, patient safety and complaints.

To supplement the induction programme, a Risk Management induction pack will be issued to all new staff. The delivery of the induction programme will be in line with the PCT Induction policy.

Local inductions relevant to the area in which staff operate will also take place. As part of the process, all PCT employed staff will need to acquaint themselves of the current PCT approach to managing risk within its business, and to make themselves familiar with other policies and procedures of the PCT which relate to this process.

Independent Verification

a) Internal Audit

As part of their responsibilities, NHS Internal Auditors are required to provide assurances about the effectiveness of controls in place across all of the organisation's activities.

To fulfil their function, they will review the overall arrangements the Board has in place for securing adequate assurances, and provide an opinion on those arrangements to support the Statement on Internal Control. This will entail reviewing the way in which the Board has identified objectives, risks, controls and sources of assurances on those controls and assessed the value of assurances obtained. In addition they will provide specific assurances about the areas covered in their audit plan, as approved by the Audit Committee, and will work alongside other professionals wherever possible to advise on systems of control and assurance arrangements.

b) External Audit

External auditors are appointed by the Audit Commission and are required to undertake their audits in accordance with the Commission's Code of Audit Practice. The Code is approved by Parliament and expects auditors to comply with best professional practice. This provides for consistency of audit across all Audit Commission appointments in both the NHS and local government.

The code requires external auditors to plan their audits on the basis of risk, focusing on three areas: the accounts; financial aspects of corporate governance; and performance management. Their work will entail considering the arrangements the body has put in place to, for example, manage risk, ensure value for money, and give appropriate assurances to directors and senior management.

External Audit will also review the work of Internal Audit in this area to provide further objective advice.

c) Other review bodies

The Healthcare Commission, National Health Service Litigation Authority, Health and Safety Executive etc. may also provide independent verification on the robustness of the risk management system.