



GROUP RISK MANAGEMENT POLICY

POLICY IMPLEMENTATION CHECKLIST	
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Author:	Director of Finance & Governance
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Diversity compliant:	Yes
Equality Impact Assessment required:	Yes
Data Protection compliant:	Yes
Health & Safety compliant:	Yes
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KPIs / reporting arrangements implemented:	N/A
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Posted on website:	
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and in a variety of languages

1.0 RISK POLICY STATEMENT

The Caledonia Group is committed to maintaining the long term health of the organisation in terms of financial stability, management of resources and the quality of service provision. The Group recognises that risk is an inevitable part of our work, however we will seek to proactively identify, understand and manage risk to encourage a responsible and informed approach to risk. Effective risk management optimises the balance between risk and control.

2.0 DEFINITION OF RISK

2.1 Risk is the uncertainty of outcome, whether positive opportunity or negative threat, of actions and events which could adversely affect the Group's ability to achieve its corporate objectives.

3.0 RISK APPETITE

3.1 The Caledonia Group has assessed and documented its risk appetite in accordance with the guidance and methodology set out in the HM Treasury Orange Book Guide.

This is set out in the following table :

Risk Category	Risk Appetite Score and Description
Financial	3 – Cautious Preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward.
Operational and Strategy & Planning	4 - Open Willing to consider all potential delivery options and choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward (and value for money etc.)
Development	4 - Open Willing to consider all potential delivery options and choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward (and value for money etc.)
Compliance / Regulatory	1 – Averse Avoidance of risk and uncertainty is a key organisational objective

- 3.2 The Caledonia Group's risk appetite is supported via the Assessment and Evaluation of Risk as set out in section 8. All risks are measured on the basis of impact of the risk crystallising and the likelihood of this happening. This results in a "risk score" (the product of the impact score and the likelihood score) which governing bodies must then assess against the stated risk appetite for each category of risk.
- 3.3 The desired or acceptable level of risk will be determined having regard to the risk appetite applying to each category of risk. The tables in section 9 evidence how risk scores are prioritised or ranked, and the 'accepted' or 'desired' level of risk relevant to each risk appetite statement. Where risks are assessed with a score which is greater than the relevant risk appetite, appropriate mitigating actions should be agreed and implemented.

4.0 RISK MANAGEMENT PROCESS

- 4.1 The management of risk is an ongoing and iterative process that is linked to the annual business cycle and quarterly reporting cycle of the organisation. Appendix 1 sets out the risk management framework and timetable for implementation of risk management.

5.0 ROLES AND RESPONSIBILITIES

- 5.1 The Management Board of Caledonia HA and the Management Committee at Cordale HA have a responsibility to promote effective risk management through the adoption of a robust risk management framework to support the identification, management and review of key risks – specifically Management Board of Caledonia HA and the Management Committee at Cordale HA need to be aware of and have a good understanding of key risks and their impact. The governing bodies have delegated certain responsibilities for Risk Management to the Group Audit & Risk Management Committee as set out in its terms of reference.
- 5.2 The Management Team has responsibility for implementing the risk management process through:
- at least annual risk appraisal and production of a risk map for each Directorate and at Corporate level
 - management and control of risks through action plans
 - monitoring and reporting through quarterly reports to the Executive Management Team and Group Audit & Risk Management Committee on progress
 - risk appraisal of new projects or business
- 5.3 Staff have a responsibility to undertake work as directed by the Management Team to effect robust risk management. Risk management will be embedded throughout the organisation through a staff appraisal system.

5.4 It is the role of the Director of Finance & Governance to facilitate the overall risk management process. This will ensure that the following actions are undertaken:

- identification and prioritisation of risk
- preparation of action plans and risk maps
- formal reporting of risk and progress with action plans on a quarterly basis to the Group Audit & Risk Management Committee

This role as 'risk sponsor' does not negate the responsibilities identified at 5.1 – 5.3.

6.0 RISK MANAGEMENT REPORTING

6.1 The following reports on risk management will be prepared:

- review and update of Risk Map at each Group Audit & Risk Management Committee meeting
- quarterly progress reports on action plans
- a summary overview of key changes to the Corporate Risk Map
- *ad hoc* reports as requested on new business or projects

7.0 RISK MANAGEMENT PROCEDURE

7.1 Identification of Potential Risks

In identifying potential risks the aim is to identify as many risks as possible that could impact on the Group and narrow these down to the major risks through a process of assessment and evaluation. However, identification of potential risks is the key task in risk management. To provide a more structured approach to risk identification and analysis, a template has been prepared, see Appendix 2.

Using this template potential risks are identified against the four risk categories :

Financial - those risks that are expected to have an impact on the Group's financial performance and ability to meet key financial commitments and objectives (including covenants)

Operational and Strategy and Planning - all risks relating to the day to day operation of the business, and those which relate to the achievement of the strategic objective set out in the Group Business Plan;

Development - risks that relate to development activity and that are usually project related such as risks around poor specification resulting in variation orders etc;

Compliance & Regulatory – those risks relating to achieving compliance with legislation, legal requirements and / or the requirements of relevant regulatory bodies

8.0 ASSESSMENT AND EVALUATION OF RISK

8.1 Once risks have been identified, consideration must be given to the likelihood of the risk occurring and its impact on the organisation both financial and non-financial.

Likelihood: this assessment is based on a subjective judgement of how likely it is that the risk will happen, and therefore will be reliant on the knowledge and understanding of staff.

Impact: this relates to how the risk would affect the organisation financially, reputationally, regulatory and affect service delivery and business continuity.

8.2 Measuring Risk

Whilst assessment and evaluation of risk is subjective, in order to ensure some degree of continuity and prioritisation of risk a scoring system is used to measure likelihood and impact of the risk. This provides some degree of weighting to the identified risks.

Likelihood

Likelihood considerations require an assessment of the likelihood of an event within certain timescales. To ensure consistency in the exercise, the following definitions should be used.

Score	Description	Measure
1	Rare	May only happen once in a period of ten years or more
2	Unlikely	May only happen once between four and ten years
3	Moderate	May only happen once between two and four years
4	Likely	May only happen once between one and two years
5	Almost certain	May only happen once in a year

Each risk will be assessed against the five categories identified and the appropriate score awarded for likelihood.

Impact

Impact definitions generally describe the potential outcomes should a risk event occur. They are broadly described in the following terms:

Reputational: actual or potential impact to the reputation of the Group in the external environment and in the UK. This includes views held by all regulatory bodies that regulate any element of the Group’s business or activities.

Financial: actual or potential loss which will or could impact on the Group (i.e. loss of income or loss of asset)

Operational: actual or potential impact arising from either operational failure or management failure which affects our ability to:

- Provide a quality service to our customers; or
- Execute our Business Plan; or
- Comply with laws, regulations or policies and procedures

External: actual or potential loss arising from risks outwith the control of the Group but could affect operational sustainability and/or financial viability.

Defining impact – ensuring consistency

To ensure consistency in the exercise, the following definitions should be used.

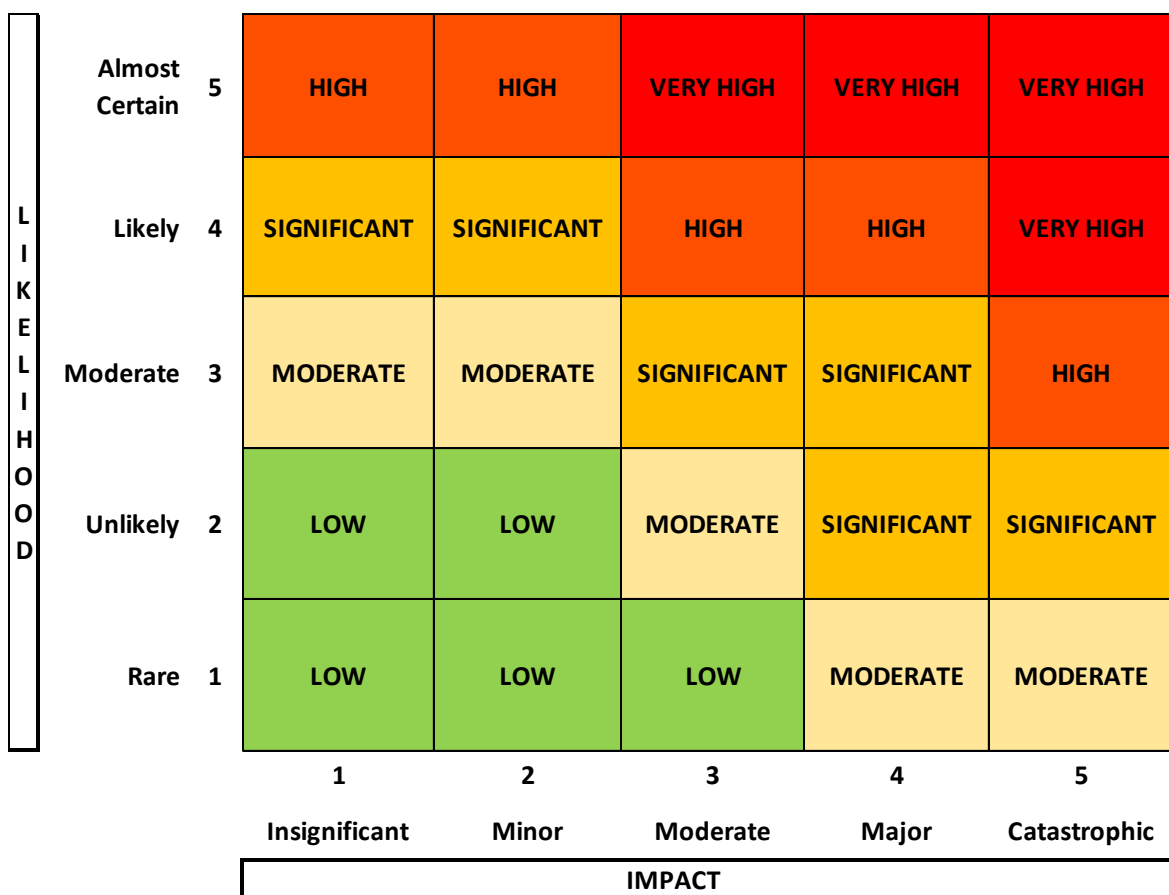
Score	Description of Impact	Reputational	Financial	Operational	External
5	Catastrophic	Sustained national media interest Public outcry	Over £500,000 impact now or within 12 months in the future Any suspected serious fraud	Significant impact on achievement of strategy or operational activities Affecting more than 5% of a business units’ customers or staff Total failure of a supplier / partner Loss of ability to sustain ongoing operation resulting in cessation of activities at business unit level for more than 24 hours	Significant stakeholder and regulatory concern

Score	Description of Impact	Reputational	Financial	Operational	External
4	Major	Local/national media interest Any event which may affect our standing with regulators Significant loss of confidence	£150,000 - £500,000 where impact now or 12 months in future Any suspected fraud	Significant impact on achievement of strategy or operational activities Affecting up to 5% of a business units' customers or staff Partial failure of a supplier / partner Operational or system failure for up to 24 hours	Significant stakeholder concern
3	Moderate	Local media interest Any event which may tarnish our reputation with a specific customer, group or third party	£50,000-£150,000 where impact now or 12 months in future	Moderate impact on achievement of strategy or operational activities Affecting a small number of customers or staff Deteriorating performance of a supplier / partner Operational or system failure for more than 8 hours	Moderate stakeholder concern
2	Minor	Managed incident Limited customer impact	£10,000 - £50,000	Minor impact on achievement of strategy or operational activities Small Deterioration in performance of a supplier / partner Operational or system failure for less than 1 hour	Limited stakeholder concern

Score	Description of Impact	Reputational	Financial	Operational	External
1	Insignificant	Managed incident No customer impact	Less than £10,000	Low impact on achievement of strategy or operational activities	Low stakeholder concern

9.0 PRIORITISATION OF ASSESSED RISKS

The next stage in the process is to prioritise the risk to action those with the greatest likelihood and most severe impact. A convenient method of segregating risks for action is to plot the impact and likelihood of each risk as shown.



Risk Appetite	Accepted or desired level of risk	Colour
5 - Hungry	VERY HIGH	
4 - Open	HIGH	
3 - Cautious	SIGNIFICANT	
2 - Minimalist	MODERATE	
1 - Averse	LOW	

10.0 RESPONDING TO RISK

The Caledonia Group will:

- not undertake an activity with an uncertain outcome where the sole intended purpose is to make financial gain.
- assess the risk of any new activity or development. Where the risk is unacceptable and there is no means of reducing the risk to an acceptable level, the project will be rejected.
- where it is cost effective to do so, minimise the impact of risks via appropriate insurance cover or other indemnity.
- seek to strike a balance between taking little or no risk and taking too much risk, and thereby imperilling the Group.
- seek to control risks through prevention, detection and correction.

RISK MANAGEMENT FRAMEWORK AND TIMETABLE

TIMESCALE	ACTION	RESPONSIBILITY	OUTCOME
Monthly	Management Review of risk map and consideration of emerging risks	EMT	Proposed amendments to the risk map
Quarterly	Quarterly review and assessment of key risks including evaluation of controls and monitoring	Group Audit & Risk Management Committee	Revised and updated Risk Map
November – January	Preparation of Business Plan and budgets, finalisation of risk action plans	Management Team	Draft Business Plan, budget, Risk Map approval sought from Management Board
Ongoing	Implementation of action plans and monitoring of action taken	Risk owner	Quarterly reports to Management Team Audit Committee and Board/Committee to monitor progress of risk action plans
Ongoing	New projects and/or new business ventures to be appraised for risk	Project/business owner	Audit Committee and Board/Committee reports for approval to include risk appraisal
Annual	Annual internal audit planning and reporting	Internal Auditors	Approved audit plan reflecting Group risk profile

RISK MAP TEMPLATE

RISK:					Responsible Officer:			Risk Category :					
Strategic Objective	Consequences	Risk Score			Risk Status	<i>Mitigation Action Score</i>			<u>Target Score</u>			<u>Target Status</u>	
		L	I	Total		L	I	Total		L	I	Total	
Risk Review & Target Status Update													
Action to Prevent and Mitigate Risk													
Control Evidence													