NHS
Lancashire and South Cumbria
Integrated Care Board

Risk Management Policy

March 2024 – March 2027

Ref:	LSCICB_Corp12
Version:	V3
Purpose	This document sets out the Risk Management Policy for Lancashire and South Cumbria Integrated Care Board. It provides a systematic and consistent integrated framework and the guiding principles for the implementation and delivery of risk management across the organisation, whilst seeking opportunities to enable the achievement of the ICB's strategic aims and objectives.
Supersedes:	V2
Author (inc Job Title):	Debra Atkinson Company Secretary/ Director of Corporate Governance
Ratified by: (Name of responsible Committee)	Reviewed and supported by the Audit Committee Ratified by the Board of the ICB
Cross reference to other Policies/Guidance	Lancashire and South Cumbria Integrated Care Board Anti-Fraud, Bribery and Corruption Policy and Response Plan
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Review date:	3 years from date ratified.
Target audience:	This policy applies to all employees, board members, contractors and partners of the ICB. The policy is relevant to all matters that affect the ICB including transformation programmes with partner organisations and other jointly hosted arrangements

This policy can only be considered valid when viewed via the ICB website or ICB staff intranet. If this document is printed into hard copy or saved to another location, you must check that the version number on your copy matches that of the one published.

Document control:		
Date:	**Version Number:**	**Description of Changes**
March 2024	2	*Policy fully reviewed and updated.*
November 2024	2	*Minor amendments made to reflect MIAA audit findings.*
26 Sep 25	3	*Minor amendments following board approval of refreshed BAF and Risk appetite statements on 25 September 2025:* • *Reference to Executive Management Team amended to Executive Committee (throughout).* • *Annual review of risk appetite statements updated and moved into Appendix C* • *Frequency of review of the BAF and operational risks scored over 20 by the board amended from at least bi-annually to quarterly throughout .* • *Section 16: Training – updated reference to dedicated risk management intranet page in place with a range of resources to support staff available.* • ***Appendix C:** Overarching Annual Risk Appetite Statement and Risk appetite statements by domain –replaced with updated version aligned to revised risk appetite statements.* • ***Appendix D:** Three lines of defence model updated to reflect 4th line (external audit/regulators)*

Contents

1. Introduction

The Integrated Care Board is a statutory organisation which forms part of the wider Lancashire and South Cumbria Integrated Care System (ICS) working in partnership to shape the long term, viable plan for the delivery of the duties and objectives of the ICB and wider health and care system.

Strategic aims

The ICB will be guided by four strategic aims; these are drawn directly from the fundamental purposes of integrated care systems as set out in the ICS Design Framework (June 2021)[1]. The strategic aims are:

- Improve outcomes in health and healthcare;
- Tackle inequalities in outcomes, experience and access;
- Enhance productivity and value for money;
- Help the NHS support broader social and economic development.

The ICB recognises that risk management is an essential business activity that underpins the achievement of its objectives.

This policy demonstrates the ICB's commitment to its total risk management function and has been developed to ensure that risk management is fundamental to all of the Lancashire and South Cumbria (LSC) Integrated Care Board's (ICB's) activities and understood as the business of everyone. It provides a systematic and consistent integrated framework and guiding principles for risk management across the organisation, whilst seeking opportunities to enable the achievement of the strategic objectives of the ICB.

Strategic objectives

Strategic objectives whilst broad and directional in nature, they need to be specific enough that their achievement can be assured, and progress measured.

The board will set its strategic objectives, and review annually. The objectives describe a set of clear organisational goals that help establish priority areas of focus and clarify what success looks like for service users, staff, partners and board members.

The ICB's strategic objectives are aligned to the Board Assurance Framework (BAF). The BAF is a key framework that is based on the ICB's delivery of its strategic objectives and is central to the risk management policy.

2. Purpose

This policy describes the approach to the management of strategic and operational risks across the ICB and the management structure, accountabilities and responsibilities in relation to risk management; the policy details the systems and processes involved to

[1] Integrated Care Systems: design framework - NHSI website (england.nhs.uk)

support this. It also specifies the maintenance of the assurance framework, risk registers and associated action plans.

The policy not only requires the identification any threats, but also opportunities to achieving the objectives, with assurances provided in relation to delivery and achievement of the objectives, and controls to mitigate any potential, emerging or actual risks; the Board utilises the Board Assurance Framework (BAF) to this end.

Increasingly the ICB will want to form aligned risk management approaches across the ICS with a view to developing arrangements for the management of system risks that increase the levels of collaboration and integration between system partners. These arrangements will develop and mature over time.

3. Scope

This policy applies to all employees, board and committee members, appointees of the ICB, and any individuals within the ICB in a temporary capacity (hereafter referred to as 'individuals')

The policy is relevant to all matters of risks to the delivery of the ICB's strategic objectives, including transformation programmes with partner organisations and other jointly hosted arrangements.

4. Guiding Principles

The Orange Book Management of Risk – Principles and Concepts (HM Government)[2] sets out an approach to support the consistent and robust identification and management of risks. This approach has been adopted and forms the guiding principles the ICB will take in the management of risks to achieve the organisation's strategic objectives:

- **Governance and leadership**
  The ICB will create organisational cultures that support openness, transparency, and constructive challenge. There will be clear reporting and governance arrangements in place both within the ICB and its places. As the integrated care system matures the risk management structures will develop and look to integrate with the Integrated Care Partnership (ICP), Provider Collaborative and beyond including alignment with the Regional Quality Groups.

- **Integration:**
  Risk management will be integral to all organisational activities and support decision making, where appropriate organisations will take a shared ownership of risk.

- **Collaboration**:
  Risk Management will be collaborative and supported by strong partnership working and intelligence sharing across organisations including alignment with Regional Quality Groups and Integrated Care Partnerships, to support system quality governance and risk management.

- **System Risk Management**

[2] Orange Book - GOV.UK (www.gov.uk)

As the ICS continues to mature, Lancashire and South Cumbria ICB, with its system partners, will begin to work towards a system risk management approach. **Appendix E** describes a series of guiding principles that have been produced to support this and they will be used to underpin future risk management developments across LSC.

5. Definition of Risk Management Terms

The following terms are used throughout this document:

Assurance
Providing confidence that the intended agreed is delivered. Evidence that controls are working effectively. Assurance can be internal (e.g. committee oversight) or external (e.g. internal audit reports).

Assurance Framework
The Assurance Framework is the key source of evidence that links the organisation's strategic objectives to risk, controls and assurances and is the main tool a Board should use in discharging its responsibility for internal control.

The (Board) Assurance Framework is a structured means of identifying and mapping the main sources of assurance in an organisation, and co-ordinating them to best effect.

Controls
A set of methods and strategies put in place to minimise, mitigate or manage the risks

Operational Risks (previously known as Corporate Risks)
Operational risks which relate to the delivery of the ICB's statutory duties, functions and/or objectives.

Operational Risk Management Risk management processes which focus on 'live' operational risks which the organisation is potentially facing. It relies upon the identification of risks, which are 'dynamic' in nature and are managed via additional mitigations. Operational risk management processes are centred around the Operational Risk Register.

Operational Risk Register The Operational Risk Register (ORR) is a tool for recording 'live' operational risks which are identified during the day-to-day running of the ICB and monitoring actions against them. This may include a broad spectrum of risks e.g. financial (including fraud), legal, regulatory quality, reputational, service/business plan delivery.

Current (or Residual) risk score
The numerical assessment of the risk (impact vs. likelihood) after taking into consideration any controls and/or actions that can be put in place.

Initial risk score
The numerical assessment of the risk (impact vs. likelihood) prior to considering any additional mitigating controls and/or actions. All risks are scored using a standard 5x5 risk matrix (Appendix A).

Risk

Is the effect of uncertainty on objectives. Risk is usually expressed in terms of causes, potential events, and their consequences. It is measured in terms of impact and likelihood.

Risk appetite
Is the level, amount or type of risk that an organisation is willing to take in order meet its strategic objectives. A range of appetites exist for different risk domains, and these may change over time.

Risk Assessment
An examination of the possible risks that could occur during an activity.

Risk management
Is the co-ordinated activities designed and operated to manage risk and exercise internal control within an organisation.

Risk maturity
The relative measure of the systems and process in place for managing risk.

Risk Treatment
The process of selecting and implementing suitable measures to modify the risk.

Strategic objectives
Strategic objectives describe a set of clear organisational goals that help establish priority areas of focus. Whilst broad and directional in nature, they need to be specific enough that their achievement can be assured, and progress measured. They should have direct alignment with the (Board) Assurance Framework.

Strategic Risks
Potential, significant risks that are pro-actively identified and threaten the achievement of strategic objectives.

Strategic risk management
Risk management processes which support the achievement of the organisation's strategic objectives. It focuses on the proactive identification of 'high level' risks which are managed by an established control framework and planned assurances. Strategic risk management processes are centred around the (Board) Assurance Framework.

Target risk score
The numerical level of risk exposure that the ICB is prepared to tolerate following completion of all the mitigating actions.

Four lines of defence model

A risk governance framework that splits responsibility for operational risk management across four functions: level 1 individuals/ management, level 2 corporate oversight and committee reporting, level 3 independent assurance such as internal audit and level four independent assurance such as external audit or regulators See **Appendix D**.

6. Roles and Responsibilities

Integrated Care Board

The Integrated Care Board has overall accountability for risk management and, as such, needs to be satisfied that appropriate arrangements are in place and that internal control systems are functioning effectively. The Board determines the ICB's risk appetite and risk tolerance levels and is also responsible for establishing the risk culture.

Audit Committee

The Audit Committee provides assurance to the board on the adequacy and effectiveness of the system of integrated governance, risk management and internal control across the whole of the ICB's activities that support the achievement of its objectives and to highlight any areas of weakness to the board.

The committee's role is to ensure that the approach to risk management is effective and meaningful.

ICB Committees

Committees are responsible for monitoring those risks on the BAF and ORR related to their delegated duties as outlined within their respective Terms of Reference. This will include monitoring the progress of actions, robustness of controls and timeliness of mitigations. They are also responsible for identifying risks that arise during meeting discussions and ensuring that these are captured on the ORR.

Risks cannot always be addressed in isolation from each other. Risks may have different facets (e.g., finance and quality) and management actions may impact on different areas of the ICB. Where this is the case, risks may be scrutinised by more than one committee.

Quality Risk Response and Escalation in Integrated Care Systems

The ICB's Quality and Outcomes Committee will have oversight of system quality risk escalation, utilising the National Quality Board (NQB) guidance "Quality Risk Response and Escalation in Integrated Care Systems"[3] which brings together the NQB Guidance on Risk Summits and NHS England Quality Escalation Framework and Trigger Tool and aligns with the NHS Oversight Framework.
A summary of the ICB's risk management approach to this framework is included at **Appendix B**

Executive Committee

The Executive Committee (EC) is responsible for approving, in line with the Board's risk appetite statement, the following:

- New risks to be held on the BAF or ORR
- Proposals to close open risks,
- Proposals for changing current risk score, target score or target date.

[3] B1497-nqb-guidance-on-quality-risk-response-and-escalation-in-ics.pdf (england.nhs.uk)

The EC receive a monthly risk exception report to provide a status update that all risks(ORR or BAF) are being regularly reviewed and updated.

Additionally, the EC will receive a quarterly report providing assurance in relation to any risks they are responsible for having oversight of. The Board will receive assurance the risks assigned to the EC are being effectively managed and reported via the Board's BAF report.

7. Individual roles and responsibilities

Chief executive
The chief executive has responsibility for maintaining a sound system of control that supports the achievement of the ICB's aims and objectives. This includes having an effective risk management system in place within the ICB.

The chief executive is responsible for signing the Annual Governance Statement of behalf of the ICB, which outlines the internal controls have been in place or any gaps in assurances.

Chief finance officer
The chief finance officer is the executive lead for corporate governance and risk and assurance systems across the ICB. This includes promoting the ICB's risk culture within the Executive Team, wider directorates and across system partners.

ICB Non-Executive Members
As members of the Board and committees, Non-Executive Members will ensure an impartial approach to the ICB's risk management activities and should satisfy themselves that systems of risk management are robust and defensible.

Executive directors
Executive directors are responsible for ensuring effective systems of risk management are in place, and commensurate with this policy, within their respective Directorates.

The executive directors will have collective oversight of risks from a strategic perspective and will provide assurance to board and committees. They will also provide guidance in relation to whether risk mitigations, controls and assurances deliver the Board's expectations in line with the risk appetite statement and tolerances. An executive will be assigned to each risk held on the Assurance Framework and ORR, determined by which strategic objective the risk could potentially impact.

Senior Leadership Team
The Senior Leadership Team are responsible for leading risk management arrangements within their teams, which includes, but is not limited to, ensuring that:

- Risks are captured on the operational risk register
- Operational risks rated as medium or lower (see appendix A scoring matrix) are managed and overseen by an appropriate Senior Responsible Officer and Risk Owner
- Operational risks determined to be risk rated as 'high' (see appendix A scoring matrix) are appropriately escalated, for corporate oversight through executive and committee reporting
- Mitigating actions are in place to manage risks in line with the ICB's risk appetite statement; and
- Staff are suitably trained in relation to risk management.

Director of Corporate Governance (supported by the Corporate Governance Team)
The Director of Corporate Governance leads on the implementation of corporate governance and risk and assurance systems across the ICB. This includes the development, implementation, and co-ordination of the ICB's risk management activities, provision of training and advice in relation to all aspects of this policy.

Senior Responsible Officers (SRO)
Senior Responsible Officers are members of the Senior Leadership Team and have responsibility for the oversight of the risk. They will also provide direction and management support where appropriate to the risk owner and they are accountable to the relevant Executive Lead.

SROs are responsible for ensuring operational risks rated medium or lower, in accordance with the ICB's risk scoring matrix (appendix A), have a risk owner assigned and they are appropriately managed.

Risk Owners
Risk owners are responsible for ensuring robust mitigating actions are identified and implemented for their assigned risks and are accountable to the relevant SRO. Risk owners will ensure named action owners are identified to take responsibility for delivery of a specific action to support mitigation of the risk.

Individuals
All individuals are responsible for complying with the arrangements set out within this policy and are expected to:

- Routinely consider risks when developing business cases, commencing procurements or any other activity which could be impacted by unexpected events (undertaking specific risk assessments as necessary).
- Ensure that any operational risks they are aware of are captured on the Operational Risk Register

8. Risk Appetite

Definition

The Good Governance Institute (GGI)[4] defines risk appetite as 'the amount and type of risk that an organisation is prepared to pursue, retain or take in pursuit of its strategic objectives, is key to achieving effective risk management. It represents a balance between the potential benefits of innovation and the threats that change inevitably brings, and therefore should be at the heart of an organisation's risk management strategy.'

Risk appetite levels

The ICB accepts there will always be an element of risk in the pursuit of its aims and objectives. It is has determined, and will assess on at least an annual basis, the nature and extent of the risks that the organisation is exposed to and is willing to take (its risk appetite) to achieve its objectives.

The ICB has utilised the following risk appetite levels which are based on the GGI appetite matrix:

[4] Board guidance on risk appetite | Good Governance (good-governance.org.uk)

Risk Appetite Level	Description	Risk Tolerance (#Target Risk Score Range)
Minimal	Preference for very safe delivery options that have a low degree of inherent risk and only a limited reward potential. *	**1-5**
Cautious	Preference for safe delivery options that have a low degree of residual risk and only a limited reward potential. *	**4-10**
Open	Preference for safe delivery options that have a low degree of residual risk and only a limited reward potential. *	**8-15**
Seek	Eager to be innovative and to choose options offering higher business rewards (despite greater inherent risk). *	**15-20**
Significant	Confident in setting high levels of risk appetite because controls, forward scanning and responsive systems are robust. *	**25**

*Good Governance Institute Risk Appetite Level Definitions
It should be noted that there is some crossover on the risk tolerance ranges as the scores are dependent on whether the impact or likelihood score is higher (i.e. C1 x L5) is cautious vs. (C5 x L1) is minimal, for more information on risk scoring see the 'risk evaluation' section on page 17.

The ICB Board Risk appetite statement is reviewed annually and is attached inf full at **Appendix C.**

9. Risk Tolerance

Whilst risk appetite is about the pursuit of risk, risk tolerance is concerned with the level of risk that can be accepted e.g. it is the minimum and maximum level of risk the ICB is willing to accept reflective of the annual risk appetite statement (appendix C).

To support with applying the agreed risk appetite and tolerance levels to individual risks, **Appendix C** provides supplementary risk appetite statements by each of the five risk domains; the target risk score being the acceptable level of risk that is able to be tolerated by the ICB. A target risk score will be agreed for each risk and mitigating actions identified as appropriate; these will also be reviewed by the board on at least an annual basis.

10. Strategic Risk Management

Strategic risks are high-level risks that are pro-actively identified and threaten the achievement of the ICB's strategic objectives.

The BAF provides the Board with confidence that the ICB has identified its strategic risks and has robust systems, policies and processes and plans in place (controls) that are effective and driving the delivery of their objectives (assurances). Sources of assurance incorporate the three lines of defence, as referenced in Appendix D. It provides confidence and evidence to management that '*what needs to be happening is actually happening in practice.'*

The BAF will support the board to monitor progress against delivery of the ICB's strategic objectives, with a focus on key risks and opportunities, in each of the areas below:

Tiers of responsibility:

Level 1: The **responsibility of the ICB**
Level 2: The role of the ICB for **NHS system oversight**
Level 3: The role of the ICB **as a system partner to support integration**

The BAF plays a key role in informing the production of the Annual Governance Statement and is the main tool that the Board should use in discharging overall responsibility for ensuring that an effective system of internal control is in place.

The Board reviews the fully populated Assurance Framework quarterly to affirm that sufficient levels of controls and assurances are in place in relation to the organisation's strategic risks and delivery of strategic objectives.

The Assurance Framework is reviewed and updated by Executive Directors and the Corporate Governance Team throughout the year. This involves a review of the effectiveness of controls and what evidence (internal or external) is available to demonstrate that they are working as they should (assurances). Any gaps in controls or assurances will be highlighted at this point and actions identified.

The Executive Management Team will undertake an annual review of the BAF, following agreement on the strategic objectives. This review will include horizon scanning to look towards any long-term risks that should be held within the BAF.

The Audit Committee receives assurance reports at least bi-annually to review the adequacy and effectiveness of the system of integrated governance, risk management and internal control across the whole of the ICB's activities that support the achievement of its objectives, and to highlight any areas of weakness to the Board.

11. Operational Risk Management

Operational risks are 'live' risks the organisation is currently facing which are by-products of day-to-day business delivery. They arise from definite events or circumstances and have the potential to impact negatively on the organisation and achievement of its objectives.

Operational risk management relies upon responsive and proactive identification of risks, which are 'dynamic' in nature. Operational risks are managed via additional mitigations and are captured on the ICB's Operational Risk Register (ORR).

The ORR is the central repository for all ICB operational risks. Whilst risks will feature across several of the ICB's processes, it is important that these are captured centrally to provide a comprehensive log of prioritised risks that accurately reflects the ICB's risk profile.

The ORR reflects operational risks relevant to the ICB as a corporate body (operational risks associated with delivery of the ICB's statutory duties) and operational risks associated with the delivery of strategies, priorities and objectives (operational risks associated with the delivery of transformation programmes, for example).

The ORR contains details of the risk, the current controls in place and an overview of the actions required to mitigate the risk to the desired level.

The senior responsible officer will ensure that all risks are managed in accordance with their review date.

Risks rated as high will be presented to the EC and relevant committee of the Board in accordance with the agreed risk stratification and management reporting schedule. The relevant committee will seek assurance that the controls are effectively controlling the risk and assurance is acceptable or that progress is being made towards this.

At least bi-annually, the Audit Committee will be presented with an update on organisational risk management processes, and assurance that there is appropriate oversight of the controls and assurances in place to manage the ICB's operational and BAF risks. Where the committee feels more evidence is required the Chair will request a more detailed report.

The Board will be sighted via the quarterly risk management report, on all operational risks assessed as 20+.

12. Risk Management processes

Risk Management is a continual cycle and should follow a systematic approach including:

- Risk identification
- Risk assessment
- Risk evaluation
- Risk treatment
- Risk management oversight and reporting
- Risk Closure

Risk Identification

Risk identification establishes the organisations exposure to risk and uncertainty. Operational risks (those which require adding to the Operational Risk Register) may be identified through an assortment of means, for example by risk assessments, external assessments, audits, complaints, during meetings and through horizon-scanning.

The ICB, its committees, and system forums, all have a key role in the identification of operational risks in response to information presented to, and discussions held, at each meeting. A standing agenda item is included for every meeting to determine if there are any new risks that need to be considered, evaluated and captured on the relevant risk register.

Regular meetings should be held with Executive Directors, members of the Senior Leadership Team to discuss new or evolving risks within their respective portfolios/ teams.

Risk assessment

Risk assessments can be undertaken at the start of any activity and provide a helpful means of anticipating 'what could go wrong' and deciding on preventative actions. For specific risk assessments relating to workplace safety (e.g. use of display screen equipment, lone working, etc.),

Risk Evaluation

The purpose of risk evaluation is to support a detailed consideration of the nature and level

of risk. The ICB has determined that a standard 5x5 risk matrix will be the risk analysis tool used to ensure that each risk is evaluated in a consistent way **Appendix A.**

Risks are scored in relation to the Consequence (C) they would have and the Likelihood (L) of them occurring, taking into account the effectiveness of the controls in place to manage the risk. The consequence score will impact the overall risk rating and affect the application of a risk target score when the risk appetite/ tolerance is considered.

Using the risk matrix and supplementary 'levels of risk' definitions, a RAG rating is established for each risk which also determines the management and reporting.

5x5 Risk Matrix

		Likelihood				
		1 Rare	2 Unlikely	3 Possible	4 Likely	5 Almost Certain
Consequence	5 Catastrophic	**5 (low)**	**10** (medium)	**15** (high)	**20** (high)	**25** (Extreme)
	4 Major	**4 (low)**	**8** (medium)	**12** (medium)	**16** (high)	**20** (high)
	3 Moderate	**3** (very Low)	**6** (Low)	**9**(medium)	**12** (medium)	**15 (medium)**
	2 Minor	**2** (very Low)	**4 (very low)**	**6** (Low)	**8 (low)**	**10 (low)**
	1 Negligible	**1** (very Low)	**2** (very Low)	**3** (very Low)	**4(very low)**	**5 (very low)**

	Levels of Risk
Extreme (25)	An unacceptable level of risk which requires urgent Executive and senior management attention and immediate corrective action. Recorded on the operational risk register with Committee oversight and reported into the ICB Board.
High (15-20)*	An unacceptable level of risk which requires senior management attention and corrective action. Recorded on the operational risk register with Committee oversight; risks scoring 20 + will also be reported into the ICB Board. *A risk could score 15 and be high if the consequence score is high.
Medium (8-15)*	A generally acceptable level of risk but corrective action needs to be taken with Senior Manager/ Director oversight. *A risk could score 8-10 and be 'Medium' if the consequence score is high. A risk could score 15 and be medium if the consequence score is low.
Low (4-10)*	An acceptable level of risk that can be managed at directorate / team / project level (recorded on the operational risk register). *A risk could score 4-5 and be 'low' if the consequence score is high. A risk could score 8-10 and be 'Low' if the consequence score is low.
Very Low (1-5)*	An acceptable level of risk that can be managed at directorate / team / project level (recorded on the operational risk register) *A risk could score 4-5 and be 'very low' if the consequence score is low.

Risk Treatment

Risk treatment (also known as risk control) is the process of selecting and implementing measures to mitigate the risk to an acceptable level. Once risks have been evaluated, a decision should be made as to whether they need to be mitigated or managed through the application of a range of controls as described using the 'four T' risk treatment

model below.

In treating risks, the ICB may take one of the following approaches:

Avoid	Deciding not to proceed with the activity that introduced the unacceptable risk, choosing an alternative more acceptable activity that meets business objectives, or choosing an alternative less risky approach or process.
Treat	Implementing a strategy that is designed to reduce the likelihood of the risk to an acceptable level, where elimination is considered to be excessive in terms of time or expense.
Share or Transfer	Implementing a strategy that shares or transfers the risk to another party or parties, such as outsourcing the management of physical assets, developing contracts with service providers or insuring against the risk. The third-party accepting the risk should be aware of and agree to accept this obligation.
Tolerate	Making an informed decision that the risk is at an acceptable level or that the cost of the treatment outweighs the benefit. This option may also be relevant in situations where a residual risk remains after other treatment options have been put in place. No further action is taken to treat the risk, however, ongoing monitoring is recommended.

Most operational risks should have the ability to reduce in impact and/or likelihood and the relevant risk treatment must be performed to mitigate risks to an acceptable level in line with the ICB's risk appetite.

High and extreme operational risks (those scoring 15 or above) which are not deemed to be treatable will be highlighted to the Executives as part of routine risk reporting.

Risk Management Oversight and Reporting

The ICB has a well-established oversight and reporting framework to ensure the appropriate management and review of all risks held on the BAF and operational risk register:

Operational Risk Management

Risks associated with the day to day running of the ICB managed at directorate level, are held centrally on the operational risk register. SRO's are responsible for ensuring operational risks which are assessed as 'High*' are escalated for corporate oversight and committee reporting, risks with a score of 20+ will also be reported into the ICB Board.

*Risk rating definitions can be found on page 17.

Each committee may undertake a 'deep dive" to facilitate a more detailed assessment against a specific risk. Deep dive reviews help identify whether more directed support or intervention may be required or if there are concerns about the effectiveness of controls or actions planned. They also support the assessment of suitability for a risk to be escalated or de-escalated prior to a recommendation for closure.

Timely updates and recommendations from committees will be provided to the board through the Committee Escalation and Assurance Reports and verbally to the board through executive leads.

Closing risks

Once a risk has reached its target rating and is at an acceptable level of risk, and all agreed actions have been completed it may be closed.

The decision to close any operational risks will be approved by the Executive Committee Recommendations to close or deescalate a risk to the ICB's strategic objectives will be considered at the appropriate committee, prior to a recommendation to the Board. The committee will have the opportunity to scrutinise decision making and be assured risks are being effectively and appropriately managed via the risk reporting cycle.

Where actions have reduced the risk, but the target risk score remains at a corporate oversight level and it is agreed that no further action can be taken to reduce the risk, the recommendation to close it whilst accepting the risk, must be considered and approved by the Executive Committee

13. ICB Functional Standard GovS 013 - Fraud Risk Assessment

The ICB will manage risks to fraud in accordance with the ICB Anti-Fraud, Bribery and Corruption Policy and Response Plan. This includes the requirement to carry out comprehensive risk assessments to identify fraud, bribery and corruption risks, and have adequate counter fraud provision in place.

The ICB will work in conjunction with Mersey Internal Audit Agency (MIAA) to ensure all necessary action is taken to comply with the NHS Counter Fraud Authority's counter fraud standards.

14. Confidentiality

Where risks are not deemed to be in the public interest, they will be clearly marked as confidential on the Operational Risk Register and reported to the relevant committee/board during its closed session. This should be for a time-limited period only and risk owners and committees are responsible for agreeing when confidentiality no longer applies.

15. Implementation, Monitoring and Review

The policy will be published and maintained in line with the ICB's Policy for Polices.

The policy will be highlighted to new staff as part of the local induction process and made available to all staff through the ICB's internal communication procedures (and intranet).

The ICB's Audit Committee will review the effectiveness of this policy, and its implementation, via bi-annual risk management update and assurance reports.

The ICB board will review the risk appetite on an annual basis.

Independent assurances will be sought when required, through internal audit arrangements, to assess the effectiveness of the ICB's risk management arrangements

and adherence to this strategy, and Internal Audit will report on the implementation of this policy as part of the annual Head of Internal Audit Opinion work programme.

This policy will be reviewed every three years unless an earlier review is required.

16. Training

The Corporate Governance Team will proactively raise awareness of the policy across the ICB and provide ongoing support to committees and individuals.

Training will be made available based on the need of individual roles as appropriate. The corporate team will provide support to all staff in the management of risk. A member of the Corporate Governance Team can be contacted to arrange training and awareness sessions at team meetings (or other forums) by email: Lscicb.governanceteam@nhs.net.

The Corporate Governance Team intranet provides a range of resources including a tool kit on risk management to support the implementation of this policy.

Any individual who has queries regarding the content of the policy or has difficulty understanding how this relates to their role, should contact the ICB's Corporate Governance Team by email: Lscicb.governanceteam@nhs.net.

17. References

National Guidance on Quality Risk Response and Escalation in Integrated Care Systems; National Quality Board (June 2022)

The Orange Book Management of Risk – Principles and Concepts; HM Government (2020)

Board Guidance on Risk Appetite; Good Governance Institute (May 2020)

Risk Management Policy, NHS Nottingham and Nottinghamshire ICB (September 2023)

18. Appendices

Appendix A - Risk Scoring Matrix

Step 1 **Consequence Scoring**	**Consequence Score**				
	1 - Negligible	**2 - Minor**	**3 - Moderate**	**4 - Major**	**5 - Catastrophic**
Impact on the safety of patients, staff or public (physical/psychological harm)	Minimal injury requiring no/minimal intervention. No time off work.	Minor injury or illness. Time off work for >3 days. Increase in length of hospital stay by 1-3 days	Injury requiring professional intervention. Time off work 4-14 days. RIDDOR reportable. Increase in hospital stay 4-15 days. An event which impacts on a small number of patients.	Major injury leading to long term disability/ incapacity. Time off work >14 days. Increase in hospital stay >15 days. Mismanagement of patient care.	Incident leading to death. Multiple permanent injuries or irreversible health effects. Impact on a large number of patients
Quality/ complaints/ audit	Informal complaint/ enquiry Peripheral element of treatment or service suboptimal	Overall treatment or service suboptimal Formal complaint (stage 1). Local resolution. Single failure to meet internal standards Minor implications for patient safety if unresolved. Reduced performance rating if unresolved	Treatment or service has significantly reduced effectiveness. Formal complaint (stage 2) complaint. Local resolution (with potential to go to independent review) Repeated failure to meet internal standards. Major patient safety implications if findings are not acted on	Non-compliance with national standards with significant risk to patients if unresolved Multiple complaints/ independent review Low performance rating Critical report	Totally unacceptable level or quality of treatment/service Gross failure of patient safety if findings not acted on Inquest/ombudsman inquiry Gross failure to meet national standards
Human resources/ organisational development/ staffing/ competence	Short term low staffing level that temporarily reduces service quality (<1 day)	Low staffing level that reduces service quality	Late delivery of key objective/ service due to lack of staff Unsafe staffing level or competence (>1 day) Low staff morale Poor staff attendance for mandatory/key training	Uncertain delivery of key objective/service due to lack of staff Unsafe staffing level or competence (>5 days) Loss of key staff Very low staff morale No staff attending mandatory/ key training	Non-delivery of key objective/ service due to lack of staff Ongoing unsafe staffing levels or competence Loss of several key staff No staff attending mandatory training /key training on an ongoing basis
Statutory duty / inspections	No or minimal impact on breach of guidance.	Breech of statutory legislation. Reduced performance rating if unresolved	Single breach in statutory duty. Challenging external recommendations/ improvement notice	Enforcement action Multiple breaches in statutory duty Improvement notices Low performance rating Critical report	Multiple breaches in statutory duty. Prosecution. Zero performance rating. Complete systems change required. Severely critical report
Adverse Publicity / Reputation	Rumours Potential for public concern	Local media - short term. Reduction in public confidence.	Local media coverage – long term. Reduction in public confidence	National media coverage with <3 days. Service well below public expectation	National media coverage with >3 days service well below reasonable public expectation. MPs concerned (questions in the House). Total loss of public confidence.
Business objectives Projects	Insignificant cost increase/ schedule slippage	<5% over budget, schedule slippage	5-10% over budget, schedule slippage	10-25% over budget, schedule slippage, key objectives not met	>25% over budget, schedule slippage, key objectives not met
Finance including claims	Small loss - risk of claim remote	Loss of 0.1-0.25% of budget. Claim less than £10,000	Loss of 0.25-0.5% of budget. Claims between £10,000 and £100,000	Non-delivery of key objective. Loss of 0.5-1% of budget. Claims between £100,000 and £1 million. Purchasers failing to pay on time.	Non-delivery of key objective/ Loss of >1 per cent of budget Failure to meet specification/ slippage Loss of contract / payment by results Claim(s) >£1 million
Service/ business interruption environmental impact	Loss / interruption of <1 hour. Minimal or no impact on the environment.	Loss / interruption of <8 hours. Minor impact on the environment.	Loss / interruption of <1 day. Moderate impact on the environment.	Loss / interruption >1 week. Major impact on the environment.	Permanent loss of service. Catastrophic impact on the environment.

Step 2 **Likelihood Scoring**

How likely is this to happen, taking into account the controls already in place to prevent or mitigate the harm?

Frequency	**Likelihood**	**Score**
Not expected to occur for years	<1% - Will only occur in exceptional circumstances	**1** Rare
Occur at least annually	1-5% - Unlikely to occur	**2** Unlikely
Occurs at least monthly	6-20% - Reasonable chance of occurring	**3** Possible
Occur at least weekly	21-50% - Likely to occur	**4** Likely
Occur at least daily	>50% - More likely to occur than not	**5** Almost Certain

Step 3 **Establishing Overall Score and Rating**

Using the appropriate score for Consequence, and the appropriate score for Likelihood, follow the table below to obtain the overall Incident / Risk severity rating.

		Likelihood				
		1 Rare	**2** Unlikely	**3** Possible	**4** Likely	**5** Almost Certain
Consequence	**5** Catastrophic	**5 (low)**	**10** (medium)	**15** (high)	**20** (high)	**25** (Extreme)
	4 Major	**4 (low)**	**8** (medium)	**12** (medium)	**16** (high)	**20** (high)
	3 Moderate	**3** (very Low)	**6** (Low)	**9**(medium)	**12** (medium)	**15 (medium)**
	2 Minor	**2** (very Low)	**4 (very low)**	**6** (Low)	**8 (low)**	**10 (low)**
	1 Negligible	**1** (very Low)	**2** (very Low)	**3** (very Low)	**4(very low)**	**5 (very low)**

Appendix B – System quality governance and risk management

The ICB risk management policy will adopt the National Quality Board guidance "Quality Risk Response and Escalation in Integrated Care Systems" which brings together the NQB Guidance on Risk Summits and NHSE Quality Escalation Framework and Trigger Tool and aligns with the NHS Oversight Framework (NHSOF), Perinatal Quality Surveillance Model and Patient Safety Incident Response Framework. "Quality Risk Response and Escalation in Integrated Care Systems" advocates that risk should be managed as close to the point of care as possible, and only where successful mitigation is not possible, should they be escalated to the next level within a designated framework for risk management.

The guidance sets out a clear framework for management of quality risks in integrated care systems including the role of ICBs, working with NHS England and wider partners, in managing quality concerns and risks when there are multiple commissioners e.g., the ICB and local authorities.

The ICB's Quality Committee supports the ICB in delivering its statutory quality functions so as to secure continuous improvement in the quality of services. It will advocate this approach by providing assurance to the board on the management of risks that relate to quality, and high-risk operational issues which could impact on care, ensuring that appropriate and effective mitigating actions are in place. Risks to health services which require escalation to an enhanced level of assurance will follow the system quality risk escalation approach outlined below.

Levels of system quality risk escalation

The ICB Quality Committee will follow the 3-stage approach set out below with regards to the management of system-level quality concerns and risks:

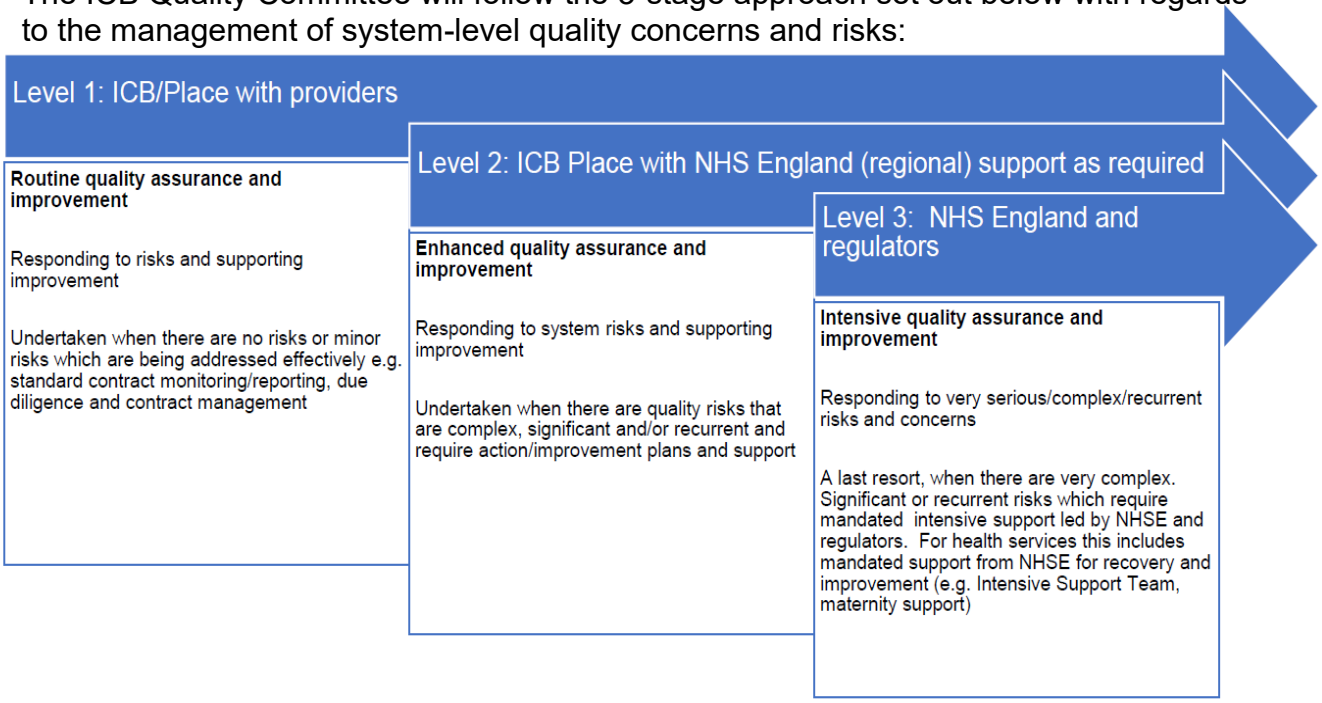


Figure 1, National Guidance on Quality Risk Response and Escalation in Integrated Care Systems, (June 2022)

Decisions on how to move through the escalation process will be taken as close to the point of care as possible, reflecting effective risk profiling and accountability arrangements.

The ICB will utilise the Quality Risk Profiling Tool to support a decision to escalate risks to enhanced assurance by the ICB (level 1 to level 2) or to escalate to intensive assurance by NHS England (level 2 to level 3).

Level 1 risk will be managed at project/ programme level utilising existing governance and assurance structures e.g. contract management, Children's Safeguarding Assurance Partnership, Local Safeguarding Adult Boards and case reviews. Learning and improvement will be shared through the System Quality Group (SQG). Minor and moderate concerns *may* be included on the ICB operational risk register.

Level 2 risks escalated to the ICB for enhanced assurance will be agreed with NHS England regional office; quality risk profiling will inform the support for enhance assurance; NHS Oversight Framework review may be triggered.

Collaborative Rapid Quality Review meetings will be utilised to implement and monitor action/ improvement plans with Quality Improvement Group established when required. The Rapid Quality Review meeting/ Quality Improvement Group will share learning through the SQG and they are accountable to the ICB Quality Committee. Risks being managed at level 2 *will* be on the ICB operational risk register and will be reported into the ICB Quality Committee. NHS England regional office will be notified, and significant concerns will be shared with Regional Quality Groups.

Level 3 will be utilised as a last resort when there are very significant, complex or recurrent risks which require mandated or immediate support from NHSE for recovery and improvement, including support through the Recovery Support Programme, or from wider regulators. The intensive approach must be agreed based on the quality risk profiling and support needs within the ICB. Collaborative Rapid Quality Review meetings will monitor action and improvement plans and Quality Improvement Groups will be established to support embedding learning and continuous improvement, the ICB Quality Committee will hold these groups to account. Risks requiring level 3 management will be on the ICB Board Assurance Framework and will be reported to the Regional Quality Groups for inclusion on regional risk registers and escalated nationally, where appropriate.

Appendix C – NHS Lancashire and South Cumbria Overarching Risk Appetite

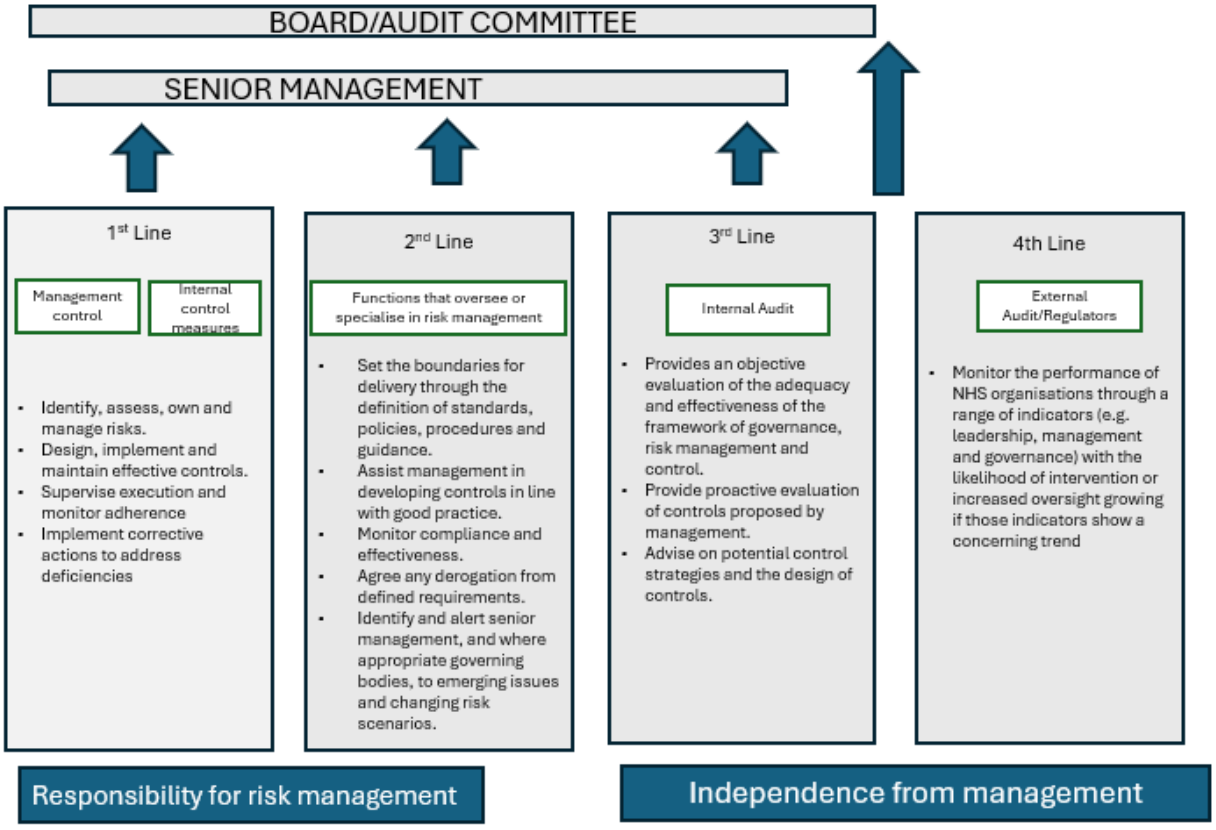
Lancashire and South Cumbria Integrated Care Board Risk Appetite Statement
NHS Lancashire and South Cumbria Integrated Care Board recognises the challenging environment it is currently operating within. National policy to reframe the role and purpose of ICBs and implementation of the Model ICB blueprint; the publication of the NHS 10 Year Plan and the requirement to improve productively, reduce waste and tackle unwarranted variation will bring both challenges and opportunities. Collectively these will contribute to ensuring services are fit for the future with neighbourhood models of care in the community, making use of digital tools to drive the shift from analogue to digital and addressing inequalities with a shift towards secondary prevention. The Lancashire and South Cumbria System face significant financial challenges, with the ICB having been placed into the National Recovery Support Programme. Innovation is required to meet the demands on services, the allocation of limited resources, and ensure that quality care and experiences are provided to all in the most appropriate ways and settings. This will support the delivery of the key national priorities for improving patient outcomes by reducing the time people wait for elective care, improving A&E waiting times and ambulance response times, improving patients' access to general practice and access to urgent dental care and improving access to children and young peoples' mental health services The ICB Board recognises the need to transform services through redesign and rationalisation, and this will require considered risks to be taken with strong controls in place. Particularly, where the long-term benefits outweigh any short-term losses; however, patient safety, quality of service and organisational viability are extremely important. The ICB board has reviewed and reassessed the overall level of risk it feels acceptable to tolerate in the pursuit of its objectives, within the current operating environment. This is demonstrated through the individual statements set out below and these will provide the guiding principles for decisions taken both at strategic and operational levels for the forthcoming year. The ICB's risk appetite is not fixed; the Board will have the freedom to vary the amount of risk it is prepared to take, depending on the circumstances at the time. It is expected that the levels of risk the ICB is willing to accept are subject to regular review. The board will maintain oversight of level of risk held through its review of the Board Assurance Framework and where necessary, take decisions to adjust its risk appetite if required.
Approved: 25 September 2025

Supplementary risk appetite statements by risk domain

Risk Appetite Domain	Risk Appetite Level	Target Risk Score Range				
		1-5	4-10	8-15	15-20	25
Finance - Preference for safe delivery options that have a low degree of residual risk and only a limited reward potential. We are prepared to accept the possibility of limited financial risk. However, VFM is our primary concern. **Alignment to ICB Risk Categories*:** Finance including claims, business objectives and projects – relates to budget slippages.	Cautious					
Regulatory – Preference for safe delivery options that have a low degree of residual risk and only a limited reward potential. We are prepared to accept the possibility of limited regulatory challenge. We would seek to understand where similar actions had been successful elsewhere before taking any decision. **Alignment to ICB Risk Categories*:** Statutory duty and inspections	Cautious					
Quality - Preference for safe delivery options that have a low degree of residual risk and only a limited reward potential. Our preference is for risk avoidance however, if necessary, we will take decisions on quality where there is a low degree of inherent risk and the possibility of improved outcomes and appropriate controls are in place. **Alignment to ICB Risk Categories*:** Quality, complaints,	Cautious					

audits, service/ business interruption and impact on safety of patients, staff and the public.						
Reputational – We are willing to consider all potential delivery options and choose while also providing an acceptable level of reward. We are prepared to accept some reputational risk as long as there is the potential for improved outcomes for the public and our partners. **Alignment to ICB Risk Categories*:** Adverse publicity, reputation and environmental impact.	Open					
People – Eager to be innovative and to choose options offering higher business rewards (despite greater inherent risk). The board may be willing to pursue workforce innovation and to take risks which may have implications for our workforce but could improve the skills and capabilities of our staff, with the possibility of long-term gains. The board recognises that innovation is likely to be disruptive in the short term, but with the possibility of long-term gains. **Alignment to ICB Risk Categories*:** Human resources/ organisational development, staffing and competence	Open-Seek					

Appendix D - Four Lines of Defence Model



First line of defence

Under the "first line of defence," management have primary ownership, responsibility and accountability for identifying, assessing and managing risks. Their activities create and/or manage the risks that can facilitate or prevent an organisation's objectives from being achieved.

The first line 'own' the risks and are responsible for execution of the organisation's response to those risks through executing internal controls on a day-to-day basis and for implementing corrective actions to address deficiencies.

Through a cascading responsibility structure, managers design, operate and improve processes, policies, procedures, activities, devices, practices, or other conditions and/or actions that maintain and/or modify risks and supervise effective execution.

There should be adequate managerial and supervisory controls in place to ensure compliance and to highlight control breakdown, variations in or inadequate processes and unexpected events, supported by routine performance and compliance information.

Second line of defence

The second line of defence consists of functions and activities that monitor and facilitate the implementation of effective risk management practices and facilitate the reporting of adequate risk related information up and down the organisation. The second line should support management by bringing expertise, process excellence, and monitoring alongside the first line to help ensure that risks are effectively managed.

The second line should have a defined and proportionate approach to ensure requirements are applied effectively and appropriately. This would typically include compliance reviews or assurance mapping lead or coordinated by the Corporate Governance Team (corporate oversight) to determine that standards, expectations, policy and/ or regulatory considerations

are being met in line with expectations across the organisation, with the findings and regular risk reporting into committees or the ICB Board (as appropriate).

Third line of defence

Internal audit forms the organisation's "third line of defence." An independent internal audit function will, through a risk-based approach to its work, provide an objective evaluation of how effectively the organisation assesses and manages its risks, including the design and operation of the "first and second lines of defence."

It should encompass all elements of the risk management framework and should include in its potential scope all risk and control activities.

Internal audit may also provide assurance over the management of cross organisational risks and support the sharing of good practice between organisations, subject to considering the privacy and confidentiality of information.

External / Fourth line of defence

Sitting outside of the organisation's own risk management framework and the three lines of defence, are a range of other sources of assurance that support an organisation's understanding and assessment of its management of risks and its operation of controls.

The tend to be external independent bodies such as the external auditors and regulators.

External bodies may not have the existing familiarity with the organisation that an internal audit function has, but they can bring a new and valuable perspective. Additionally, their outsider status is clearly visible to third parties, so that they can not only be independent but be seen to be independent.

Appendix E - System risk management Principles

System risk management is different to, and does not replace, organisational risk management. Rather it is a value-added activity, with a focus on collective identification, assessment and mitigation of risks related to the achievement of shared outcomes across system partners.

The ICB recognises that risk is increased when working in partnership or across organisational boundaries and is committed to working closely and collaboratively with its partner organisations.

To support this approach, a set of core System Risk Management Principles have been co-developed in partnership with ICBs, with expert input provided by the Good Governance Institute. The principles take account of learning from ICBs that have already started to develop their approaches to system risk management and reflect the fact that systems have started at different points in relation to the maturity of partnership arrangements:

1. **Continually grow trust across the system and build relationships**: to provide a strong basis for sharing accountabilities and responsibilities for system risk management.

2. **Communicate proactively and effectively:** to ensure all partners share an understanding of the risks the system faces and their role in managing them.

3. **Use the ICS 4 core aims as a reference point:** to ensure the system can deliver against its shared aims and objectives.

4. **Continually evolve system risk management:** to put learning and experience into practice with a view to maturing system risk management arrangements and increasing alignment.

5. **Clarify roles across organisations:** to ensure system risk management arrangements are collaborative, aligned, and streamlined.

6. **Respond collectively:** to enable all partners to contribute appropriately to the management of system risks.

7. **Have collective oversight and mutual accountability:** to ensure the arrangements and practice in relation to system risk management are effective and non-duplicative.

Increasingly the ICB will want to form aligned approaches across the ICS with a view to developing arrangements for the management of system risks that increase the levels of collaboration and integration between system partners. These arrangements will develop and mature over time.