

## CQC's Risk tolerance statement 2018-19

### Introduction

The CQC Board are responsible for setting the risk tolerance for the organisation. Some organisations define risk appetite which is about the pursuit of risk whereas at CQC we are concerned with understanding and controlling the amount of risk the organisation can bear.

CQC faces a broad range of risks reflecting our responsibilities as a regulator. These include those risks which impact providers of health and social care services as well as the day to day delivery of our operations. Risk can never be completely eliminated in an organisation but high performing organisations ensure that they focus on the right risks and use consideration of risk to drive the decisions they make.

In terms of risks which CQC can manage, we generally have a low tolerance for risk (risk averse). The risks we face, were they to materialise, would have a significant impact on the public and therefore we take them very seriously. We also accept that we will increase risk to ourselves by being prepared to speak out about poor care and where there is potential or actual harm to people using services. This is something we accept as being key to maintaining our independent voice.

We also have finite financial and people resources with which to manage our risks but we will divert resources within the organisation to areas of highest risk and those risks that exceed our risk tolerance. This risk tolerance statement considers the most significant types of risks to which CQC is exposed and provides an outline of how we would expect to manage these risks. This statement will inform all CQC plans which must be consistent with it. The Board will review this risk tolerance statement and agree any changes on an annual basis, unless it requires revision in response to any significant risks being realised. The Audit and Corporate Governance Committee oversee the organisation's risk management processes and approves any changes to CQC's risk management framework.

The range of risks which CQC often faces fall into five major categories of risk – **public confidence**, **operational**, **regulatory & legal**, **information** and **financial**, risks. These risks can impact us strategically or operationally and they are not distinct. For example, taking risks to maintain public confidence in us as a regulator may expose us to legal risk.

The sections below explain these risk categories and different types of risk which CQC manages within them, and assigns a risk tolerance to them.

Risk categories	Tolerance	Description
<p><b>1. Public Confidence Risk</b> CQC is directly accountable to the Department of Health but also aims to ensure that there is public (as well as political and professional) confidence in CQC. We do not actively manage our reputation but prefer a strong reputation to be the outcome of our stakeholders having confidence in us as a regulator. The Care Act 2014 gave CQC more independence from government to allow us to 'act fearlessly as the nation's chief whistle-blower on health'. The Board will determine the level of independence we need to maintain in given situations.</p>	<p><b>Low</b></p>	<p>We will adopt a low tolerance to ensure we maintain our independence and ensure high levels of confidence in our organisation.</p>
	<p><b>Medium</b></p>	<p>In certain circumstances we encourage our staff to be prepared to take risks in order to protect the public as we recognise that they often have to make judgements based on sometimes limited but concerning information – in this scenario therefore we have a medium risk tolerance.</p>
<p><b>2. Operational Risk</b> CQC's Operating model (role) includes delivering Registration; Monitoring; Inspecting and Rating; Enforcement and our Independent Voice functions. We also carry out transformational change activities – including Digital Development; Quality Improvement and development a high performing culture. And we manage our organisation – its finances; people; policies and assets.</p>	<p><b>Low</b></p>	<p>As part of our role we collect and use information relating to <b>safeguarding, concerns and whistleblowing</b>. We have a low tolerance to this activity as we must not miss the opportunity to capture key information about poor care and safety concerns and take appropriate action.</p>
	<p><b>Low</b></p>	<p>We will adopt a low tolerance to risks to the <b>health, safety and well-being of our staff</b>.</p>
	<p><b>Medium</b></p>	<p>We can <b>encourage improvement, and take action where we find poor care</b>, but we do not control the resources providers have to deliver care and we know lack of resources limits the abilities of providers to deliver quality care.</p>
	<p><b>Medium</b></p>	<p>Within our work to <b>monitor the quality of providers</b>, we will adopt an overall tolerance of medium because our Insight model will never be 100 per cent effective as no system of detection is perfect.</p>

	<b>Medium</b>	CQC's <b>Market Oversight scheme</b> is responsible for assessing the financial sustainability of the largest adult social care providers and where it is judged that service cessation as a result of business failure is probable, CQC is required to provide a notification to local authorities so that they can invoke their contingency planning arrangements. This is a subjective judgement and the reality of pegging the notification criteria to 'service cessation as a result of business failure', is that any notification is very much back-ended, then there will always be a risk that such judgements will be challenged or that CQC is considered to have failed to fully discharge its regulatory responsibilities because service user disruption has not been completely avoided.
	<b>Low</b>	In our work to deliver our <b>Digital &amp; Intelligence Priorities</b> we will invest in new digital services that will be delivered in an 'agile' manner. The agile approach is in line with Cabinet office guidance. We will adopt a low tolerance to the risk that we do not develop services or products that deliver the outcome CQC expects, in order to deliver its purpose and role as set out in its Strategy.  At key stages of the agile delivery of those digital projects, where we will adopt different tolerances depending on the phase of the project:
	<b>High</b>	<b>Discovery phase.</b> At this stage in an agile project we are exploring the art of the possible and seeking to identify what improvements will deliver the highest benefits. We will adopt a high tolerance during this phase as the purpose of discovery is to explore the best way to achieve the <i>outcome</i> before investing greater levels of resource.
	<b>Medium</b>	<b>Alpha phase.</b> As we move into the Alpha phase we are testing the viability of a shorter list of options. In many ways this phase of agile delivery is specifically focussing on minimising risk later in the project by testing what is functionally achievable. We will adopt a medium tolerance to the risk in this phase.
	<b>Low</b>	<b>Beta phase.</b> Throughout Beta we are developing a working solution that can be put into live operation at the point where it can begin to deliver benefits. We will therefore adopt a low tolerance to risks at this stage in agile projects - for instance relating to quality, particularly with regards to how we manage data that we collect; timeliness, because key business activity may be dependent on these improvements; and cost, because demonstrating how we have delivered value for money will have a huge bearing on ongoing improvement in these areas.
	<b>Low</b>	Concerning the management of risks relating to <b>IT disaster recovery and cyber</b>

		<b>security</b> we will adopt a low tolerance to risks regarding our planning and scenario testing, and essential protective work.
	<b>Medium</b>	Our work to <b>develop a high performing culture and embed our values</b> involves a variety of activities a number of which respond to feedback we receive from staff about their experiences of working for CQC. Whilst we have achieved a great deal, there are still areas we need to, and are working on. Whilst our aspiration is to move to a low tolerance for this risk, at present, we feel a medium tolerance is realistic. This will be reviewed annually, in the light of staff survey results and other information.
	<b>Medium</b>	We will adopt a medium risk appetite to other aspects of operational risk not specified in this statement
<b>3. Regulatory and Legal Risk</b>	<b>Low</b>	CQC has legal duties which it must deliver. If we do not deliver these duties effectively then we expose ourselves to other potential risks. CQC could have its regulatory judgements challenged as a result of poor quality control and assurance or because providers do not agree with our view of them. We must ensure that we can defend our policies, procedures and decisions. We must be able to demonstrate that we have complied with the law and made the best decision based on the information and evidence we had at the time. We will adopt a low tolerance to regulatory and legal risk.
<b>4. Information Risk</b>	<b>Low</b>	CQC relies on information to be an effective regulator. We must manage this information well and ensure it is secure. Information received is often highly sensitive. For example, information relating to the health conditions and care needs of people who use regulated services must be kept confidential. The organisation has a Senior Information Risk Owner to oversee our approach to information risk management. Except where stated otherwise in this category we will adopt a low tolerance to information risk.
	<b>Medium</b>	In some circumstances we may carry out exploratory analysis to test if we can improve the way we use information in our regulatory approach or to encourage improvement. This may involve using existing or new sources of data in different ways than intended. In this circumstance we will adopt a medium tolerance to risk. At the point that we would seek to operationalise the output of any exploratory work, we will undertake appropriate governance to ensure the benefits of the approach significantly outweigh the risk of using the data in that way. Our aim is to be transparent with the public and stakeholders about how we are using data in order to mitigate any risks.

<p><b>5. Financial Risk</b>  In terms of financial risks, we recognise that we are spending taxpayers' money and therefore need to manage our finances prudently as well as achieving value for money. We will not take financial risks which would result in us overspending the budget which we have been allocated. CQC therefore needs to manage its finances in an open and transparent way, complying with procurement controls and meeting accounting standards.</p>	<b>Low</b>	CQC has low tolerance for any fraud or corruption perpetrated by its staff and takes all allegations of suspected fraud or corruption seriously.
	<b>Medium</b>	Financial controls and governance are in place to manage our financial risks. We will adopt a medium tolerance to other areas of financial risk. For example, some projects may cost more than originally intended but still deliver or exceed the expected benefits.

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