

**Executive Summary**  
**Report to the Board of Directors**  
**Held on 28 March 2023**

<b>Subject</b>	Review of Risk Appetite Statement
<b>Supporting TEG Member</b>	Sandi Carman, Assistant Chief Executive
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<b>Status</b>	Discuss

**PURPOSE OF THE REPORT**

To ask the Board of Directors to discuss and agree any changes needed to the Trust's Risk Appetite Statement and approve an agreed statement for adoption.

**KEY POINTS**

**Background**

The purpose of a Risk Appetite Statement is to articulate what risks the Board of Directors is willing or unwilling to take in order to achieve the Trust's Strategic Aims. A Risk Appetite Statement that is clearly articulated by the Board and appropriately communicated to staff adds value by:

- Supporting decision making
- Providing clarity over the risks the Trust is willing to take
- Potentially, supporting effective use of resources, ie by prioritising risks

The Board of Directors developed a Risk Appetite Statement in February 2019 and has included a regular review of this statement on the Board's annual workplan. Its application to decision-making processes during peak waves of Covid-19 involved more frequent review of the statement. This reflects good practice in terms of monitoring and reviewing the risk appetite routinely and /or following any significant changes or events.

Well Led guidance<sup>1</sup> references regular review of the Board's risk appetite and tolerance as part of evidence that there are clear and effective processes for managing risks, issues and performance (KLoE 5).

This paper supports a routine review of the Risk Appetite Statement, the scheduling of which has accounted for the need to prioritise Board focus on the introduction of a new Board Assurance Framework (BAF).

**Changes for consideration and rationale**

The Risk Appetite Statement is structured around a set of risk domains. These closely align to the themes used by the Board to describe Strategic Risks entered onto the BAF. To inform the Board's review of the statement, discussion has been held with TEG to give initial consideration to whether the descriptions / narrative for each risk domain reflect appetite for risk within the context of the Trust's current strategic landscape and operational position.

<sup>1</sup> NHSI, Developmental reviews of leadership and governance using the well-led framework: guidance for NHS trusts and NHS foundation trusts; June 2017.

Proposed changes to the Risk Appetite Statement as highlighted within the redrafted statement presented as Appendix A are summarised below with the rationale.

**Clinical Effectiveness / Outcomes**

To be increased from **MINIMAL** to **CAUTIOUS**

When reviewing risk appetite during peak waves of Covid-19, it was noted that a greater degree of risk was being tolerated across this risk domain due to cancellation of activity / delays in patient treatment. While accepting that the Trust was operating outside its risk appetite it was deemed that this was due to exceptional circumstances and was not therefore reflected in a change being made to the level of risk appetite. The current volume of Extreme Risks on the Corporate Risk Register Report relating to demand / capacity issues and delays in treatment evidences this position extending post the end of the pandemic.

**Regulation / Compliance**

To be lowered from **CAUTIOUS** to **MINIMAL**

The Trust's current regulatory position can be shown to be impacting on the Board's risk appetite for this domain through an increased demand for assurance and greater focus on evidencing compliance.

**Partnerships**

To be increased from **OPEN** to **SEEK**

Under the new legislative framework (The Health and Care Act 2022) there is a duty on the Trust to actively collaborate with partners. Amending risk appetite aligns with emphasis placed by NHSE on trusts *actively seeking* opportunities to collaborate via partnership arrangements.

**Sustainability – NEW**

**OPEN**

Since last the Board's last review of the statement, an additional Strategic Aim relating to Sustainability has been developed. As such there is a need for this to be reflected as a risk domain.

In its review, TEG discussion prompted additional consideration being given to whether decisions being made around managing waiting lists using an increased range of delivery models reflected increased risk appetite for the domain of patient experience. Following subsequent reflection including a review of the current narrative (i.e. acceptance of patient experience risks to safeguard patient safety), there is no proposal to amend the risk appetite definition for this risk domain at this point, but to monitor this going forward.

**Operationalising the Risk Appetite Statement**

Once updated / approved, the Risk Appetite Statement will be applied to the BAF by referencing and comparing agreed risk appetite definitions to ratings for each Strategic Risk. This will prompt deep dive discussions to further reflect on the adequacy of actions plans and support maturing risk management discussion through the second cycle of operation of the BAF.

In doing so, this will evidence progress in addressing recommendation 17 of the Well-led developmental review report which states that the Trust should consider how it operationalises risk appetite.

There are further opportunities to evidence how the Board uses the Risk Appetite Statement. Focus will be given to supporting the Board to incorporate within its decision-making reflection on how it is guided by risk appetite. Examples of where decisions and culture are currently innately guided by risk appetite include:

- Business planning and the agreement of cost pressures and quality impact assessment of efficiency savings;
- Equality impact assessments of service developments / changes and policy decisions;
- Board and Committee administration - agreement of workplans and agenda management to ensure appropriate balance of focus; and
- Development of the Trust's Strategic Aims placing emphasis, through articulation of our Vision and Proud Values and Behaviours, on putting patients at the heart of what we do.

## IMPLICATIONS

AIM OF THE STHFT CORPORATE STRATEGY		TICK AS APPROPRIATE
1	Deliver the Best Clinical Outcomes	✓
2	Provide Patient Centred Services	✓
3	Employ Caring and Cared for Staff	✓
4	Spend Public Money Wisely	✓
5	Develop a Sustainable Organisation	✓
6	Deliver Excellent Research, Education and Innovation	✓

## RECOMMENDATIONS

The Board of Directors is asked to discuss and agree proposed changes to the Risk Appetite Statement and approve an updated statement for adoption.

## APPROVAL PROCESS

Meeting	Date	Approved Y/N
TEG	08.03.23	
Board of Directors	28.03.23	

## Risk Appetite Statement

### 1.1 General principles

Methods of controlling risks must be balanced. The Trust may accept some high risks either because of the cost of controlling them, or to deliver innovation or use resources creatively when this may achieve substantial benefit.

As a general principle the Trust has a low tolerance for, and will therefore seek to control, all risks which have the potential to:

- Expose patients, staff, visitors and other stakeholders to harm
- Compromise the Trust's ability to deliver operational services
- Adversely impact the reputation of the Trust
- Have severe financial consequences which may impact on the Trust's future viability
- Cause non-compliance with law and regulation.

### 1.2 Risk appetite definitions

Definitions for levels of risk appetite are set out in table 1, below.

These have been adopted from the Good Governance Institute's Risk Appetite for NHS Organisations Matrix<sup>2</sup>. (Appendix A)

Risk Levels (consequence)	
<b>AVOID</b>	Avoidance of risk and uncertainty is a key organisational objective ALARP (As little as reasonably possible)
<b>MINIMAL</b>	Preference for ultra-safe delivery options that have a low degree of inherent risk and only for limited reward potential
<b>CAUTIOUS</b>	Preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward
<b>OPEN</b>	Willing to consider all potential delivery options and choose while also providing an acceptable level of reward and Value for Money (VfM)
<b>SEEK</b>	Eager to be innovative and choose options offering potentially higher business rewards despite greater inherent risk
<b>MATURE</b>	Confident in setting high levels of risk appetite because controls, forward scanning and responsiveness systems are robust

Table 1: Risk Appetite Levels

<sup>2</sup> Good Governance Institute, Risk Appetite for NHS Organisations: A Matrix to support better risk sensitivity in decision taking. Jan 2012

### 1.3 Risk Appetite Statement by domain of strategic risk

Clinical effectiveness / Outcomes					
AVOID	MINIMAL	<b>CAUTIOUS</b>	OPEN	SEEK	MATURE
<ul style="list-style-type: none"> <li>The Trust has a <del>risk-averse</del> <b>cautious</b> appetite for risk which compromises the delivery of high quality and safe services and jeopardises compliance with our statutory duties for quality and safety.</li> <li><b>During some circumstances, including and following exceptional operational pressures, and in line with full clinical risk stratification, the Trust will be prepared to accept a slightly higher threshold for risks such delay referral to treatment, limited access to some operations, cancellation of appointments, etc.</b></li> </ul>					
Workforce / Staff engagement					
AVOID	MINIMAL	<b>CAUTIOUS</b>	OPEN	SEEK	MATURE
<ul style="list-style-type: none"> <li>There are few circumstances where we would accept risks that would impact on the achievement of our Strategic Aim to employ caring and cared for staff.</li> <li>We will not accept risks, nor any incidents or circumstances which may compromise the safety of any staff members and patients or contradict our Trust Values.</li> <li>We will only consider accepting risks associated with the implementation of new models of working / changes in the working arrangements of staff where these enhance or improve patient safety, quality of care or service delivery.</li> </ul>					
Patient experience					
AVOID	MINIMAL	<b>CAUTIOUS</b>	OPEN	SEEK	MATURE
<ul style="list-style-type: none"> <li>We will accept risks to patient and service user experience if they are consistent with the achievement of patient safety and quality improvements.</li> </ul>					
Reputation					
AVOID	MINIMAL	<b>CAUTIOUS</b>	OPEN	SEEK	MATURE
<ul style="list-style-type: none"> <li>Tolerance for risk taking is limited to those events where there is little chance of any significant repercussions for the Trust's reputation should there be failure, with mitigation in place for any undue interest.</li> </ul>					
Finance / Value for money					
AVOID	MINIMAL	<b>CAUTIOUS</b>	OPEN	SEEK	MATURE
<ul style="list-style-type: none"> <li>We strive to deliver our services within the budgets set out in our financial plans and will only consider accepting or taking financial risks where this is required to mitigate risks to patient safety or quality of care.</li> <li>We will ensure that all such financial responses deliver optimal value for money.</li> </ul>					

Regulatory / Compliance					
AVOID	MINIMAL	CAUTIOUS	OPEN	SEEK	MATURE
<ul style="list-style-type: none"> <li><del>We are cautious when it comes to compliance and regulatory requirements.</del></li> <li>We have a risk adverse appetite and we will not take any risks which will impact on our ability to meet our regulatory of compliance requirements.</li> <li>Where the laws, regulations and standards are about the delivery of safe, high-quality care, or the health and safety of the staff and public, we will make every effort to meet regulator expectations and comply with laws, regulations and standards that those regulators have set, <del>unless there is strong evidence or argument to challenge them.</del></li> </ul>					
Innovation					
AVOID	MINIMAL	CAUTIOUS	OPEN	SEEK	MATURE
<ul style="list-style-type: none"> <li>The Trust has a risk tolerant appetite to risk where benefits, improvement and value for money are demonstrated.</li> <li>The Trust will not, however, compromise patient safety while innovating service delivery.</li> </ul>					
Partnerships					
AVOID	MINIMAL	CAUTIOUS	OPEN	SEEK	MATURE
<ul style="list-style-type: none"> <li>The Trust is committed to working with its stakeholder organisations to bring value and opportunity across current and future services through system-wide partnership.</li> <li>The Trust will actively seek opportunities to collaborate via partnership arrangements. <del>We are open to developing partnerships</del> with organisations that are responsible and have the right set of values, maintaining the required level of compliance with our statutory duties.</li> </ul>					
Sustainability – NEW RISK DOMAIN					
AVOID	MINIMAL	CAUTIOUS	OPEN	SEEK	MATURE
<ul style="list-style-type: none"> <li>Our approach to environmental sustainability is open and we will consider and prioritise investment towards initiatives that support improvement in environmental sustainability.</li> </ul>					

# Risk Appetite for NHS Organisations

## A matrix to support better risk sensitivity in decision taking



Developed in partnership with the board of Southwark Pathfinder CCG and Southwark BSU – January 2012

Risk levels ▶	0	1	2	3	4	5
Key elements ▼	<b>Avoid</b> Avoidance of risk and uncertainty is a Key Organisational objective	<b>Minimal (ALARP)</b> (as little as reasonably possible) Preference for ultra-safe delivery options that have a low degree of inherent risk and only for limited reward potential	<b>Cautious</b> Preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward.	<b>Open</b> Willing to consider all potential delivery options and choose while also providing an acceptable level of reward (and VfM)	<b>Seek</b> Eager to be innovative and to choose options offering potentially higher business rewards (despite greater inherent risk).	<b>Mature</b> Confident in setting high levels of risk appetite because controls, forward scanning and responsiveness systems are robust
Financial/VfM	Avoidance of financial loss is a key objective. We are only willing to accept the low cost option as VfM is the primary concern.	Only prepared to accept the possibility of very limited financial loss if essential. VfM is the primary concern.	Prepared to accept possibility of some limited financial loss. VfM still the primary concern but willing to consider other benefits or constraints. Resources generally restricted to existing commitments.	Prepared to invest for return and minimise the possibility of financial loss by managing the risks to a tolerable level. Value and benefits considered (not just cheapest price). Resources allocated in order to capitalise on opportunities.	Investing for the best possible return and accept the possibility of financial loss (with controls may in place). Resources allocated without firm guarantee of return – ‘investment capital’ type approach.	Consistently focussed on the best possible return for stakeholders. Resources allocated in ‘social capital’ with confidence that process is a return in itself.
Compliance/regulatory	Play safe, avoid anything which could be challenged, even unsuccessfully.	Want to be very sure we would win any challenge. Similar situations elsewhere have not breached compliances.	Limited tolerance for sticking our neck out. Want to be reasonably sure we would win any challenge.	Challenge would be problematic but we are likely to win it and the gain will outweigh the adverse consequences.	Chances of losing any challenge are real and consequences would be significant. A win would be a great coup.	Consistently pushing back on regulatory burden. Front foot approach informs better regulation.
Innovation/Quality/Outcomes	Defensive approach to objectives – aim to maintain or protect, rather than to create or innovate. Priority for tight management controls and oversight with limited devolved decision taking authority. General avoidance of systems/technology developments.	Innovations always avoided unless essential or commonplace elsewhere. Decision making authority held by senior management. Only essential systems / technology developments to protect current operations.	Tendency to stick to the status quo, innovations in practice avoided unless really necessary. Decision making authority generally held by senior management. Systems / technology developments limited to improvements to protection of current operations.	Innovation supported, with demonstration of commensurate improvements in management control. Systems / technology developments used routinely to enable operational delivery. Responsibility for non-critical decisions may be devolved.	Innovation pursued – desire to ‘break the mould’ and challenge current working practices. New technologies viewed as a key enabler of operational delivery. High levels of devolved authority – management by trust rather than tight control.	Innovation the priority – consistently ‘breaking the mould’ and challenging current working practices. Investment in new technologies as catalyst for operational delivery. Devolved authority – management by trust rather than tight control is standard practice.
Reputation	No tolerance for any decisions that could lead to scrutiny of, or indeed attention to, the organisation. External interest in the organisation viewed with concern.	Tolerance for risk taking limited to those events where there is no chance of any significant repercussion for the organisation. Senior management distance themselves from chance of exposure to attention.	Tolerance for risk taking limited to those events where there is little chance of any significant repercussion for the organisation should there be a failure. Mitigations in place for any undue interest.	Appetite to take decisions with potential to expose the organisation to additional scrutiny/interest. Prospective management of organisation’s reputation.	Willingness to take decisions that are likely to bring scrutiny of the organisation but where potential benefits outweigh the risks. New ideas seen as potentially enhancing reputation of organisation.	Track record and investment in communications has built confidence by public, press and politicians that organisation will take the difficult decisions for the right reasons with benefits outweighing the risks.
<b>APPETITE</b>	<b>NONE</b>	<b>LOW</b>	<b>MODERATE</b>	<b>HIGH</b>	<b>SIGNIFICANT</b>	