

REPORT TO THE BOARD OF DIRECTORS (PRIVATE)

REPORT TITLE	Annual Review of Risk Appetite Statement
AUTHOR	Taff Gidi, Company Secretary
EXECUTIVE SPONSOR	Caroline Walker, Chief Executive
DATE OF MEETING	14 June 2022
PRESENTED FOR	Discussion
ITEM PREVIOUSLY CONSIDERED BY	Board of Directors Strategy Workshop – 10 May 2022

Presented For: Definitions

Information	For information only. Not to be discussed at meeting unless members have specific questions.
Discussion	For discussion and possibly future decision. This includes items presented for assurance.
Decision	For approval and/or when any other decision is required

PURPOSE OF THE REPORT

For the Board to conduct an annual review of the Trust's Risk Appetite Statement and approve the revised risk appetite statement in Appendix A.

RISKS RELEVANT TO THE PAPER

Risk ID	Risk Description
N/A	All Strategic Risks.

RISK APPETITE RELEVANT TO THE PAPER

DOMAIN	TRUST RISK APPETITE LEVEL	DESCRIPTION OF RISK APPETITE
Compliance/ Regulatory	Minimal (ALARP) - (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	Want to be very sure we would win any challenge. Similar situations elsewhere have not breached compliances.

THE BOARD IS ASKED TO:

1. Note that the Quality Outcomes domain and Reputation domain are still operating outside the agreed risk appetite levels as shown in <u>Appendix A</u> as reviewed at the May 2022 workshop.
2. Note the risk appetite level for Staff Experience/Outcomes domain which has been permanently increased from level 2 (Cautious) to level 3 (Open) as agreed at the May 2022 workshop.
3. Approve the addition of the new Strategic Intent domain to the risk appetite statement and the proposed risk appetite level of 4 (Seek) which was endorsed by the Executive.
4. Approve the revised risk appetite statement in <u>Appendix A</u> to be appended to the Risk Management Policy.

STRATEGIC GOALS THIS REPORT SUPPORTS *(Check all that apply)*

Delivering outstanding care and experience	<input checked="" type="checkbox"/>
Recruiting developing and retaining our workforce	<input checked="" type="checkbox"/>
Improving and developing our services and infrastructure	<input checked="" type="checkbox"/>
Working together with local health and social care providers	<input checked="" type="checkbox"/>
Delivering financial sustainability	<input checked="" type="checkbox"/>

OTHER IMPLICATIONS OF THE PAPER

Legal/ Regulatory Relevance:	Health and Social Care Act 2008 (Regulated Activities) Regulations 2014: Regulation 17 – Good Governance
NHS Constitution Delivery	N/A
Freedom of Information Release	This report can be released under the Freedom of information Act 2000

Equality and Diversity Implications *(Check all that apply)*

Age	Gender	Ethnicity	Disability	Pregnancy/ Maternity	Marriage/ Civil Partnership	Religion/ Belief	Sexual Orientation	Gender Reassignment
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Additional comments</i>								

1. EXECUTIVE SUMMARY

1.1 This paper provides an update to the Board on the assessment undertaken by the Board in December 2021 on whether the Trust was operating within its stated risk appetite levels across the different domains and seeks approval from the Board on the revised Risk Appetite Statement.

1.2 The Trust's Risk Management Policy states that *"the Board is responsible for defining and monitoring the risk appetite of the Trust when pursuing its strategic objectives"*. This paper gives the Board an opportunity to perform its monitoring function.

1.3 In addition, the Trust's risk appetite statement empowers the Executive to conduct dynamic risk assessments in response to the operating environment as detailed below:

"Where risk appetite is not explicitly defined in the matrix below, authority shall rest with the Executive Directors to conduct a dynamic assessment to determine the level of acceptable risk appetite."

1.4 Fig. 1 shows the risk appetite level as assessed by the Board in December 2021 where the Trust was deemed to be operating outside its stated risk appetite levels. The Board was presented an initial assessment from the Executive for consideration. Having reviewed the recommendations, the Board agreed that the Trust was operating beyond its risk appetite level against the 3 risk appetite domains below:

- Quality Outcomes
- Staff Experience/ Outcomes
- Reputation

1.5 Fig. 2 shows the risk appetite domains where the Trust was deemed to be operating outside its stated risk appetite levels as assessed by the Board in May 2022 (highlighted in Amber on the matrix in [Appendix A](#)) mapped against the Board agreed risk appetite level for each domain.

1.6 To be clear, while the Trust is considered to be operating in a significantly more challenging environment resulting in exceeding the Trust's agreed risk appetite levels on 2 domains, the Trust has robust systems in place systems for monitoring decisions that impact on patients, staff and the public and taking action to prevent harm.

1.7 The ongoing mitigation of specific risks related to operating beyond the Trust's normal risk appetite levels is managed through the Trust's day-to-day risk management approach. In particular, the Board receives regular updates on management of strategic risks through the Strategic Risk Register and associated reports.

1.8 The Board is asked to approve the revised risk appetite statement in [Appendix A](#); taking into account that the Quality Outcomes domain and Reputation domain are still operating outside the agreed risk appetite levels as shown and the risk appetite level for Staff Experience/Outcomes domain which has been permanently increased from level 2 (Cautious) to level 3 (Open) following the Board workshop in May 2022.

1.9 The Board is asked to approve the addition of the new Strategic Intent domain to the risk appetite statement and the proposed risk appetite level of 4 (Seek).

2. OPERATING OUTSIDE AGREED RISK APPETITE LEVELS AS AT DECEMBER 2021

2.1 In Fig. 1 below is the Board's assessment of domains where the Trust was operating outside its agreed risk appetite level as at December 2021.

DOMAIN	NORMAL RISK APPETITE LEVEL	RISK APPETITE LEVEL (DEC 2021)
Quality Outcomes	2 - Cautious - Preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward.	3 - Open - Willing to consider all potential delivery options and choose while also providing an acceptable level of reward (and VFM)
	<i>Tolerance for risk taking limited to those events where there is little chance of any significant negative impact on quality or safety of care. Decision making authority generally held by senior clinicians.</i>	<i>Appetite to take decisions with potential to significant negative impact on quality or safety of care. Responsibility for non-critical clinical decisions may be devolved.</i>
Staff Experience/ Outcomes	2 - Cautious - Preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward.	3 - Open - Willing to consider all potential delivery options and choose while also providing an acceptable level of reward (and VFM)
	<i>Tolerance for risk taking limited to those events where there is little chance of any significant negative impact on staff experience or outcomes. Decision making authority generally held by senior managers.</i>	<i>Appetite to take decisions with potential for significant negative impact on staff experience or outcomes. Responsibility for non-critical decisions may be devolved.</i>
Reputation	3 - Open - Willing to consider all potential delivery options and choose while also providing an acceptable level of reward (and VFM)	4 - Seek - Eager to be innovative and to choose options offering potentially higher business rewards (despite greater inherent risk)
	<i>Appetite to take decisions with potential for significant negative impact on staff experience or outcomes. Responsibility for non-critical decisions may be devolved.</i>	<i>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.</i>

Fig. 1

2.2 At its May 2022 strategy session, the Board reviewed the Trust position and agreed that the following domains were still operating outside the Trust's agreed risk appetite levels.

DOMAIN	NORMAL RISK APPETITE LEVEL	RISK APPETITE LEVEL (DEC 2021)
Quality Outcomes	2 - Cautious - Preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward.	3 - Open - Willing to consider all potential delivery options and choose while also providing an acceptable level of reward (and VFM)
	<i>Tolerance for risk taking limited to those events where there is little chance of any significant negative impact on quality or safety of care. Decision making authority generally held by senior clinicians.</i>	<i>Appetite to take decisions with potential to significant negative impact on quality or safety of care. Responsibility for non-critical clinical decisions may be devolved.</i>
Reputation	3 - Open - Willing to consider all potential delivery options and choose while also providing an acceptable level of reward (and VFM)	4 - Seek - Eager to be innovative and to choose options offering potentially higher business rewards (despite greater inherent risk)
	<i>Appetite to take decisions with potential for significant negative impact on staff experience or outcomes. Responsibility for non-critical decisions may be devolved.</i>	<i>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.</i>

Fig. 2

2.3 The Board also reviewed and agreed that the risk appetite level for Staff Experience/Outcomes domain would be permanently increased from level 2 (Cautious) to level 3 (Open).

2.4 All other domains were assessed to be operating within the agreed risk appetite levels.

3. FACTORS IMPACTING THE BOARD'S MAY 2022 VIEW

3.1 At the time of the December 2021 review, the Board recognised that the Trust was operating in an unprecedented environment due to Covid-19 and had therefore had to take difficult decisions that it may not have taken in normal times in response.

3.2 As the Trust continues on its recovery journey with Covid-19 pressures having significantly receded, the Trust took the opportunity at the May 2022 workshop to consider whether it was now operating within its agreed risk appetite levels across all domains.

3.3 The additional information below provides more clarity on the Board's assessment and decisions in Section 2 above, detailing the reasons leading to operating at appetite levels higher than the normal agreed risk appetite on some domains. The below examples are not exhaustive, but provide a sense of the factors considered.

DOMAIN	EXPLANATION OF THE BOARD'S ASSESSMENT
<p>Quality Outcomes</p>	<p>The Trust faces significant operational pressures including Urgent and Emergency Care, Cancer and Ambulance Waiting Times. This reflected in the Trust's Strategic Risk Register with risks relating to failure to deliver fundamental standards of care and not sustaining effective patient flow currently rated at 20, and the risk relating to post-pandemic restoration of services currently scored at 16.</p>
<p>Reputation</p>	<p>Throughout Covid-19, the Trust had taken decisions to restrict patient visiting and some access at various points to reduce the risk of spreading the infection which had resulted in increased public and media scrutiny for the Trust. However the decision was necessary to control spread of the virus. Visiting restrictions no longer present the same level reputational risk and we anticipate further relaxation in the coming weeks therefore the Board agreed at its May 2022 workshop that this was back to operating in line with normal risk appetite level.</p> <p>However, the Trust has registered its intent to be the Lead Provider in the North ICP. Together with other developments in the ICS, this presents a higher reputational risk to the Trust than the Trust's normal risk appetite level in the interim.</p>

4. CONCLUSION

4.1 In December 2021, the Board acknowledged that the Trust was operating outside its agreed risk appetite levels in the highlighted domains as a result of Covid-19 and other pressures. It was agreed not to revise the risk appetite levels for the longterm. Once the Trust was no longer in an exceptional operating environment, the Trust intended to revert back to operating within the risk appetite levels that had previously been agreed by the Board.

- 4.2 The Board has now conducted another review. Following the May 2022 workshop, the Board is asked to approve the revised risk appetite statement in Appendix A; taking into account that:
- i. the Quality Outcomes domain and Reputation domain are still operating outside the agreed risk appetite levels as shown in Appendix A highlighted in amber; and
 - ii. the risk appetite level for Staff Experience/Outcomes domain which has been permanently increased from level 2 (Cautious) to level 3 (Open).
- 4.3 The Board is also asked to approve the addition of the new Strategic Intent domain to the risk appetite statement and the proposed risk appetite level of 4 (Seek).

APPENDIX A: RISK APPETITE STATEMENT

North West Anglia NHS Foundation Trust Risk Appetite Statement

The aim of North West Anglia NHS Foundation Trust is to provide high quality, effective and safe services which improve the health, wellbeing and independence of the population it serves. The Board recognises risk is inherent in the provision of healthcare and its services, and therefore a defined approach is necessary to identify risk context, ensuring that the Trust understands and is aware of the risks it is prepared to accept in the pursuit of the delivery of the Trust's aims and objectives.

The Board is responsible for defining and monitoring the risk appetite of the Trust when pursuing its strategic objectives. The Board's approach to and appetite for risk is summarised below.

The Trust recognises its work in a healthcare system where there are quality, service and financial challenges. The Trust's stakeholders extend to not only other health and social care providers, but also to suppliers of services to the Trust, the public, the government and government bodies including regulators.

All processes, procedures and activities carried out by the Trust carry with them a degree of risk. It is necessary for the Trust to agree the level of risk that it is willing to accept, based on what it considers to be justifiable and proportionate to the impact on patients, carers, the public, members of staff and the Trust.

Risk appetite describes the amount and type of risk the Trust is prepared to accept to achieve its financial and strategic objectives. The Trust recognises that its risk appetite may vary on specific elements e.g. safety and care of patients, compliance and regulation and finance etc.

Risk tolerance describes the maximum amount or type of risk the Trust is prepared to tolerate above the risk appetite. As with risk appetite risk tolerance will be influenced by a number of factors.

In terms of operational risk, the Trust has determined that all risks rated as significant or high (i.e. score of 12 or above) should be reviewed at Board subcommittee level. In addition, the following matrix shows the Trust's risk appetite against each of the identified domains which will help inform decision making.

NB. Where risk appetite is not explicitly defined in the matrix below, authority shall rest with the Executive Team to conduct a dynamic assessment to determine the level of acceptable risk.

Risk Levels → Domains ↓	0 Avoid <i>Avoidance of risk and uncertainty is a key organisational objective</i>	1 Minimal (ALARP) <i>(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</i>	2 Cautious <i>Preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward</i>	3 Open <i>Willing to consider all Potential delivery options and choose while also providing an acceptable level of reward (and VFM)</i>	4 Seek <i>Eager to be innovative and to choose options offering potentially higher business rewards (despite greater inherent risk)</i>	5 Mature <i>Confident in setting high levels of risk appetite because controls, forward scanning and responsiveness systems are robust</i>
Quality Outcomes	No tolerance for any decisions that could negatively impact on quality or safety of care. Priority for tight management controls and oversight to ensure good quality and safe care.	Tolerance for risk taking limited to those decisions where there is no chance of any significant negative impact on quality or safety of care. Decision making authority held by senior clinicians.	Tolerance for risk taking limited to those events where there is little chance of any significant negative impact on quality or safety of care. Decision making authority generally held by senior clinicians.	Appetite to take decisions with potential to significant negative impact on quality or safety of care. Responsibility for non-critical clinical decisions may be devolved.	Willingness to take decisions that are likely to negatively impact on quality or safety of care. High levels of devolved authority for clinical decisions. Management by trust rather than tight control.	Consistently willing to take decisions that are likely to negatively impact on quality or safety of care. Devolved authority for clinical decisions. Management by trust rather than tight control is standard practice.
Financial/Value for Money (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.
In all circumstances, the Trust has no appetite for fraud and/or other financial crime risk						
Staff Experience/ Outcomes	No tolerance for any decisions that could negatively impact on staff experience or outcomes. Priority for tight management controls and oversight to ensure good staff experience and outcomes.	Tolerance for risk taking limited to those decisions where there is no chance of any significant negative impact on staff experience or outcomes. Decision making authority held by senior managers.	Tolerance for risk taking limited to those events where there is little chance of any significant negative impact on staff experience or outcomes. Decision making authority generally held by senior managers.	Appetite to take decisions with potential to significant negative impact on staff experience or outcomes. Responsibility for non-critical decisions may be devolved.	Willingness to take decisions that are likely to negatively impact on staff experience or outcomes. High levels of devolved authority for decisions. Management by trust rather than tight control.	Consistently willing to take decisions that are likely to negatively impact on staff experience or outcomes. Devolved authority for decisions. Management by trust rather than tight control is standard practice.
APPETITE	NONE	LOW	MODERATE	HIGH	SIGNIFICANT	

Risk Levels → Domains ↓	0 Avoid <i>Avoidance of risk and uncertainty is a key organisational objective</i>	1 Minimal (ALARP) <i>(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</i>	2 Cautious <i>Preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward</i>	3 Open <i>Willing to consider all Potential delivery options and choose while also providing an acceptable level of reward (and VFM)</i>	4 Seek <i>Eager to be innovative and to choose options offering potentially higher business rewards (despite greater inherent risk)</i>	5 Mature <i>Confident in setting high levels of risk appetite because controls, forward scanning and responsiveness systems are robust</i>
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.
Continuous Quality Improvement/Innovation	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.
APPETITE	NONE	LOW	MODERATE	HIGH	SIGNIFICANT	

<p>Risk Levels →</p> <p>Domains ↓</p>	<p>0</p> <p>Avoid</p> <p><i>Avoidance of risk and uncertainty is a key organisational objective</i></p>	<p>1</p> <p>Minimal (ALARP)</p> <p><i>(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</i></p>	<p>2</p> <p>Cautious</p> <p><i>Preference for safe delivery options that have a low degree of inherent risk and may only have Limited potential for reward</i></p>	<p>3</p> <p>Open</p> <p><i>Willing to consider all Potential delivery options and choose while also providing an acceptable level of reward (and VFM)</i></p>	<p>4</p> <p>Seek</p> <p><i>Eager to be innovative and to choose options offering potentially higher business rewards (despite greater inherent risk)</i></p>	<p>5</p> <p>Mature</p> <p><i>Confident in setting high levels of risk appetite because controls, forward scanning and responsiveness systems are robust</i></p>
Estates	No tolerance for any decisions that could negatively impact on the safety of our estate. Priority for tight management controls and oversight to ensure the safety of our estate.	Tolerance for risk taking limited to those decisions where there is no chance of any significant negative impact on the safety of our estate. Decision making authority held by senior managers.	Tolerance for risk taking limited to those events where there is little chance of any significant negative impact on the safety of our estate. Decision making authority generally held by senior managers.	Appetite to take decisions with potential for significant negative impact on the safety of our estate. Responsibility for non-critical decisions may be devolved.	Willingness to take decisions that are likely to negatively impact on the safety of our estate. High levels of devolved authority for decisions. Management by trust rather than tight control.	Consistently willing to take decisions that are likely to negatively impact on the safety of our estate. Devolved authority for decisions. Management by trust rather than tight control is standard practice.
Information Risk	Defensive approach. Priority for tight management controls and oversight with limited devolved decision taking authority. General avoidance of decisions that may present information risks.	Decisions that may present information risks always avoided unless essential or commonplace elsewhere. Decision making authority held by senior management.	Tendency to avoid decisions that may present information risks unless essential or commonplace elsewhere. Decision making authority generally held by senior management.	Appetite to take decisions with potential to present significant information risks. Responsibility for non-critical decisions may be devolved.	Willingness to take decisions with potential to present significant information risks. High levels of devolved authority. Management by trust rather than tight control.	Consistently willing to take decisions with potential to present significant information risks. Devolved authority. Management by trust rather than tight control is standard practice.
In all circumstances, the Trust has no appetite for breach of personal data and sensitive data as defined under GDPR and Data Protection Act 2018.						
Strategic Intent	Defensive approach to strategic intent. Aim to maintain or protect, rather than to create or innovate. General avoidance of systems/ technology investments.	High-risk strategic intent always avoided unless essential or commonplace elsewhere. Only essential systems/ technology investments to protect current operations.	Tendency to avoid high-risk strategic intent unless really necessary. Systems / technology developments limited to investments to protect current operations.	Strategic intent sometimes directed towards potentially high-risk, high-reward long-term goals. Systems/ technology investments used routinely to improve operational delivery.	Strategic intent often directed towards potentially high-risk, high-reward long-term goals. New technologies viewed as a key enabler of operational delivery.	Strategic intent consistently directed towards high-risk, high-reward long-term goals. Investment in new technologies as catalyst for operational delivery.
APPETITE	NONE	LOW	MODERATE	HIGH	SIGNIFICANT	