

## Risk Appetite Statement 2023/24

### Definition

The Good Governance Institute (GGI) 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.'

*Good Governance Institute: Board guidance on risk appetite, 2020<sup>1</sup>.*

### Risk appetite levels

NHS North East and North Cumbria Integrated Care Board (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 continuously assess, 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 and ensure that planning and decision-making reflects this assessment.

Risk tolerance reflects the boundaries within which the executive team is willing to allow the day-to-day risk profile of the organisation to fluctuate while they are executing strategic objectives in accordance with the agreed risk appetite, in other words the residual risk. The Board has set specific limits (risk ratings) for the levels of risk that the organisation is able to tolerate. In setting these, risk factors in both the external and internal business environments have been considered.

The ICB has applied the following risk appetite levels which are based on the UK Government's The Orange Book, Management of Risk – Principles and Concepts<sup>2</sup> and its supporting Risk Appetite Guidance Note, 2021<sup>3</sup>:

<b>Appetite level</b>	<b>Definition</b>
<b>Averse</b>	All precautions and mitigations in place with very low appetite for risk (likelihood of risk is rare but not impossible).
<b>Cautious</b>	Preference for safe delivery options that have a low degree of inherent risk, and which may only have limited potential for reward.
<b>Balanced</b>	Accepting that there is a degree of risk in activities and prepared to put resource in place to monitor and mitigate risks where the benefits of the activities outweigh the risk.
<b>Open</b>	Receptive to activities which carry a degree of risk where these will result in successful delivery and measurable improvements while also providing value for money.

The appetite level informs the target or acceptable level of risk to the organisation. Where risks cannot reasonably be avoided, every effort will be made to mitigate the remaining risk to the lowest possible level that is reasonably practicable.

As a minimum, the ICB will aim to operate organisational activities at the defined levels. Where activities are projected to exceed the defined levels, these will be addressed through appropriate governance mechanisms and a decision made whether to halt the

<sup>1</sup> [Board guidance on risk appetite | Good Governance \(good-governance.org.uk\)](https://www.good-governance.org.uk/)

<sup>2</sup> [The Orange Book – Management of Risk – Principles and Concepts \(publishing.service.gov.uk\)](https://www.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/100000/the-orange-book-management-of-risk-principles-and-concepts.pdf)

<sup>3</sup> [20210805 - Risk Appetite Guidance Note v2.0.pdf](https://www.nhs.uk/medicines/20210805-risk-appetite-guidance-note-v2.0.pdf)

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activities or identify additional resources required to manage the risk to an acceptable level.

The risk levels for each category of risk have been defined through the context of existing organisational risks, issues, and consequences and are as follows:

- **Finance:** We have adopted a **cautious** stance for financial risks, seeking safe delivery options with little residual risk that only yield some upside opportunities.
- **Information sharing:** Where the lawful sharing of information is necessary to perform key functions and facilitate appropriate partnership working, we have adopted a **balanced** stance to risks that might arise from information sharing.
- **Information security:** We have adopted an **averse** stance to risks that could lead to the wrongful disclosure of information whether through human error, malice or as the result of cyber threats.
- **Legal and regulatory compliance:** We have adopted a **cautious** stance for compliance, seeking a preference for adhering to responsibilities, and safe delivery options with little residual risk.
- **Partnership working:** We have adopted an **open** stance to risks with partnership working which is essential to delivering improvements in health improvements and outcomes of our patients and public.
- **Patient safety and quality of commissioned services:** We have adopted an **averse** stance to risks which compromise patient safety and quality in the services that we commission.
- **People and workforce development:** We have adopted an **open** appetite to invest in our people and their development where it supports the organisational aims and strategy.
- **Reputational risks:** We have adopted a **cautious** stance for reputational risks, with a preference for safer delivery options, tolerating a cautious degree of residual risk whilst choosing the option most likely to result in successful delivery of high quality, cost-effective services to the public.
- **Research and innovation:** We have adopted an **open** stance for innovation risks that will result in improvements to health and to health and care services. The Board accepts that there will be a degree of risk when introducing new systems, processes and ways of working however where these are and is receptive to these activities.
- **Security and health and safety:** We have adopted an **averse** stance for risks which may compromise our people's safety and wellbeing or potentially cause loss, harm or reputational damage to the physical and technical infrastructure and assets, or use of technology within the organisation.