

## Board of Directors' Meeting Report – 4 December 2018

### Agenda item 72/18

<b>Title</b>	Trust Risk Appetite
<b>Sponsoring Director</b>	Yvonne Blucher, Managing Director
<b>Author(s)</b>	Brinda Sittapah, Company Secretary
<b>Purpose</b>	The purpose of this report is to present the Trust Risk Appetite approved by the Board in May 2017 for review
<p><b>Executive Summary</b></p> <p>The UK Corporate Governance Code states that ‘the board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives.’</p> <p>Risk Appetite is defined as ‘the amount of risk the organisation is prepared to accept, tolerate, or be exposed to at any point in time.’ It allows the board to take considered risks and to seek assurance that risks of any grade in areas of low tolerance are being managed, rather than focussing predominately on high rated risks.</p> <p>A Risk Appetite Statement was subsequently developed and approved by the Board in May 2017 and it was agreed that the Board will review its Risk Appetite at least annually, to ensure that the risk tolerance levels are acceptable.</p> <p>The Risk Appetite Statement has been reviewed by the Site Leadership team and is considered fit for purpose as it stands.</p>	
<b>Date Reviewed by Execs</b>	22 November 2018
<b>Related Trust Objective</b>	Excellent Patient Outcomes Excellent Patient Experience Engaged and Valued Staff Financial and Operational Sustainability – Financial, Operational, Estate
<b>Related Risk</b>	All BAF Risks
<b>Essex Success Regime</b>	Does this proposal have any implications for the other Trusts within the Essex Success Regime (BTUH and MEHT) or for the Mid and South Essex health economy as a whole?
<b>Legal implications / regulatory requirements</b>	To ensure the Trust complies with recommended good governance practice.
<b>Quality impact assessment</b>	By recognising risk and ensuring appropriate controls are in place to both monitor and respond to those risks will improve our standards and ensure we provide the best possible experience for our patients and their families.
<b>Equality impact assessment</b>	As far as can be ascertained this paper has no detrimental impact for the 9 protected characteristics under the Equality Act 2010.
<p><b>Recommendations:</b></p> <p>The Board is asked to review and approve the Risk Appetite statement.</p>	

## **Risk Appetite Statement 2018**

The Trust Board is responsible for determining the nature and extent of the risks it is willing to accept to enable Trust objectives are successfully achieved. Risk in day-to-day Trust activity is unavoidable and the Board seek to manage risks to a tolerable level. The risk appetite of the Trust is the amount of risk it is willing to accept, tolerate or justify.

The Board will review its Risk Appetite at least annually, to ensure that the risk tolerance levels are acceptable and to ensure that the Board and staff consistently undertake Trust activity. The risk appetite will also be reviewed if there are actual or proposed significant changes to the local healthcare environment.

The Trust risk appetite is scored utilising the CGI Risk Appetite for NHS Organisations (2012) (see Appendix 1).

### **Financial / Value For Money (VFM) – recommended Level 2 ‘Cautious’**

In light of the current financial climate in the health economy, the Trust Board position for 2018/19 is to adopt a cautious approach with a minimal risk appetite. The Trust Board will focus on meeting its statutory duties of maintaining expenditure within strict resource limits and adherence to financial controls. The primary concern of the Trust board is Value for Money (VfM).

### **Compliance / Regulatory – recommended Level 2 ‘Cautious’**

The Trust Board position for 2018/19 is to adopt a cautious approach to compliance / regulatory issues. The Board want to be confident that the Trust is able to meet any regulatory requirements and is able to demonstrate robust processes underpinning its compliance.

### **Quality and Outcomes – recommended Level 3 ‘Open’**

An open approach is adopted with a willingness to develop systems to optimise operational delivery and demonstrate improvement in patient safety, patient experience and staff engagement. The Board accepts that the responsibility for non-critical decisions may be devolved. The Trust is willing to try new ways of working.

### **Innovation– recommended Level 4 ‘Seek’**

A seek approach is adopted with the desire to challenge current working practices. High levels of devolved authority are required.

### **Reputation – recommended Level 3 ‘Open’**

The Trust Board position for 2018/19 is to adopt an open approach to the management of the Trust’s reputation. The board has a willingness to take decisions that are likely to bring scrutiny of the Trust but where potential benefits outweigh the risks.

## Appendix 1

# 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>	