



**CYFARFOD BWRDD PRIFYSGOL IECHYD  
UNIVERSITY HEALTH BOARD MEETING**

<b>DYDDIAD Y CYFARFOD: DATE OF MEETING:</b>	25 January 2024
<b>TEITL YR ADRODDIAD: TITLE OF REPORT:</b>	Risk Appetite Statement
<b>CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:</b>	Steve Moore, Chief Executive Officer
<b>SWYDDOG ADRODD: REPORTING OFFICER:</b>	Joanne Wilson, Director of Corporate Governance/Board Secretary Charlotte Wilmshurst, Assistant Director of Assurance and Risk

**Pwrpas yr Adroddiad (dewiswch fel yn addas)  
Purpose of the Report (select as appropriate)**

Ar Gyfer Penderfyniad/For Decision

**ADRODDIAD SCAA  
SBAR REPORT**

**Sefyllfa / Situation**

Following discussion at the Board Seminar on 14 December 2023, the Board is asked to formally approve its Risk Appetite Statement.

**Cefndir / Background**

Risk appetite can be defined as *'the amount of risk that an organisation is willing to pursue or retain'* (ISO Guide 73, 2009). Organisations will have different risk appetites depending on their sector, culture and objectives. A range of appetites exist for different risks, and these may change over time.

Risk appetite will be a strategic driver at Board level (how much risk the organisation can take to achieve its objectives). It will likely be an operational constraint at line-manager level (as line-managers will be expected to operate within the risk appetite set by the Board), and it will act as a behaviour regulator at individual level. It should provide staff with guidance as to the boundaries on risk that are acceptable and how risk and reward are to be balanced, and provide clarification on the level of risk the Health Board is willing to accept in pursuit of its objectives. Risk Appetite must also be integrated with the control culture of the organisation, as well as the nature of the regulatory environment the organisation operates within.

The benefits of adopting a risk appetite include:

- Supporting informed decision-making
- Reducing uncertainty
- Improving consistency across organisation mechanisms and decision-making (One voice)
- Supporting performance improvement
- Focusing on priority areas within an organisation
- Informing resource prioritisation processes

In August 2023, as part of the Health Board’s recovery response, the Executive Risk Group (ERG) started work on refreshing its risk appetite. As part of this work, the ERG considered the risk capability of the organisation to manage the level of risk its is carrying. Risk capability is a function of risk capacity: the ability to carry risks, and the risk management maturity to manage them.

The Risk Appetite has been developed using the [Orange Book Risk Appetite Guidance Note](#) which has been developed to provide key considerations for organisations to apply when formalising and strengthening their existing practices to support and inform decision-making.

### Asesiad / Assessment

Public sector organisations cannot be culturally risk averse and be successful. Effective and meaningful risk management in government remains more important than ever in taking a balanced of risk and opportunity in delivering public services. Risk management is an integral part of good governance and corporate management mechanisms. An organisation’s risk management framework harnesses the activities that identify and manage uncertainty, allows it to take opportunities and to take managed risks not simply to avoid them, and systematically anticipates and prepares successful responses. A key consideration in balancing risks and opportunities, supporting informed decision-making and preparing tailored responses is the conscious and dynamic determination of the organisation’s risk appetite.

The concept of risk appetite is challenged in public sector organisations by the need to demonstrate, often over a spending period, that public funds achieve value for money. Risk appetite helps organisations establish a threshold of impacts they are willing and able to absorb in pursuit of objectives, which may include but is not limited to financial loss. If properly applied and maintained, however, understanding risk appetite can result in improved organisational health, as trade-offs are made allowing resources to be prioritised and allocated where most needed to support the management of risks to achieving objectives, whilst maintaining performance and demonstrating value for money.

By defining risk appetite, it will help operational staff respond to new risks as though a member of the Executive Team was standing at their shoulder and staff will understand how they should react and when they should escalate.

At its Board Seminar on 14 December 2023, the Board held a workshop to consider the Risk Appetite Statement developed by the Executive Risk Group using the risk appetite matrix from the [Orange Book Risk Appetite Guidance Note](#).

<b>Risk Appetite</b>	<b>Description</b>
Averse	Avoidance of risk and uncertainty in achievement of key deliverables or initiatives is key objective. Activities undertaken will only be those considered to carry virtually no inherent risk.
Minimalist	Preference for very safe business delivery options that have a low degree of inherent risk with the potential for benefit/return not a key driver. Activities will only be undertaken where they have a low degree of inherent risk.
Cautious	Preference for safe options that have low degree of inherent risk and only limited potential for benefit. Willing to tolerate a degree of risk in selecting which activities to undertake to achieve key deliverables or initiatives, where we have identified scope to achieve significant benefit

	and/or realise an opportunity. Activities undertaken may carry a high degree of inherent risk that is deemed controllable to a large extent.
Open	Willing to consider all options and choose one most likely to result in successful delivery while providing an acceptable level of benefit. Seek to achieve a balance between a high likelihood of successful delivery and a high degree of benefit and value for money. Activities themselves may potentially carry, or contribute to, a high degree of residual risk.
Eager	Eager to be innovative and to choose options based on maximising opportunities and potential higher benefit even if those activities carry a very high residual risk.

The Risk Appetite Statement at Appendix 1 is the result of the group discussions led by Executive Directors at December’s Board Seminar.

The Health Board does not have a single risk appetite but has agreed appetites across the range of its activities (and which align to the Health Board Risk Scoring Matrix):

- Quality and Safety
- Performance
- Workforce and OD
- Statutory Duty and Inspections
- Adverse Publicity or Reputation
- Business Objectives or Projects
- Finance
- Service/Business interruption/disruption
- Health Equity

Appetite levels will vary – in some areas, we may be cautious; in others, we may be open to risk and willing to carry risk in the pursuit of important objectives.

An implementation plan is in the process of being developed and will be presented to the Executive Risk Group for approval in February 2024. This will be used as part of the planning process for 2024, cascaded to Directorate/Service leads, and be included in risk management training, and other tools and templates. However, it will also need to be reinforced by the Board and its committees by challenging whether matters presented are within the Health Board’s risk appetite.

The Board agreed at its Board Seminar in December 2023 that the Risk Appetite Statement should be reviewed after 3 months.

**Argymhelliad / Recommendation**

The Board is asked to **APPROVE** the attached Risk Appetite Statement.

**Amcanion: (rhaid cwblhau)**

**Objectives: (must be completed)**

Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol:  
Datix Risk Register Reference and Score:

Not applicable

Parthau Ansawdd: Domains of Quality <a href="#">Quality and Engagement Act (sharepoint.com)</a>	Not Applicable
Galluogwyr Ansawdd: Enablers of Quality: <a href="#">Quality and Engagement Act (sharepoint.com)</a>	6. All Apply
Amcanion Strategol y BIP: UHB Strategic Objectives:	Not Applicable
Amcanion Cynllunio Planning Objectives	Not Applicable
Amcanion Llesiant BIP: UHB Well-being Objectives: <a href="#">Hyperlink to HDdUHB Well-being Objectives Annual Report 2021-2022</a>	10. Not Applicable

<b>Gwybodaeth Ychwanegol: Further Information:</b>	
Ar sail tystiolaeth: Evidence Base:	Institute of Risk Management The Orange Book, 2018
Rhestr Termiau: Glossary of Terms:	Contained in report.
Partïon / Pwyllgorau â ymgynhorwyd ymlaen llaw y Cyfarfod Bwrdd Iechyd Prifysgol: Parties / Committees consulted prior to University Health Board:	Executive Risk Group Board Seminar

<b>Effaith: (rhaid cwblhau) Impact: (must be completed)</b>	
<b>Ariannol / Gwerth am Arian: Financial / Service:</b>	A sound system of internal control, including financial risk management, enacts robust financial control, safeguards public funds and the Health Board's assets.
<b>Ansawdd / Gofal Claf: Quality / Patient Care:</b>	Effective risk management identifies risks which can have an impact on quality and safety.
<b>Gweithlu: Workforce:</b>	Effective risk management identifies risks which can have an impact on the workforce.
<b>Risg: Risk:</b>	Risk appetite needs to be decided to establish the risk management strategy of the organisation and what it wants to achieve from risk management, as well as provide guidance to management and staff on the level of risk that is considered acceptable.

<b>Cyfreithiol: Legal:</b>	Without a robust process in place for managing and mitigating its risks, there is a potential for the Board to be unaware of its key risks. Proactive risk management including learning from incidents and events contributes towards reducing/eliminating recurrence of risk materialising and mitigates against any possible legal claim with a financial impact.
<b>Enw Da: Reputational:</b>	Poor risk management could affect the reputation of the organisation and reduce confidence of stakeholders.
<b>Gyfrinachedd: Privacy:</b>	No direct impacts
<b>Cydraddoldeb: Equality:</b>	Has EqIA screening been undertaken? No Has a full EqIA been undertaken? No

## Risk Appetite and Tolerance Statement

Public sector organisations cannot be culturally risk averse and be successful, therefore understanding and setting a clear risk appetite is essential to achieving a consistent risk response, in line with a shared vision for risk and an effective risk management framework.

This risk appetite and tolerance statement sets out how the Health Board balances risks and opportunities in pursuit of achieving its objectives to support informed decision-making by making it clear where it is prepared to tolerate more or less risk across its activities. The challenge of balancing quality and safety, workforce and OD, Statutory duty and its financial duties cannot be underestimated, and this risk appetite and tolerance statement seeks to support operational and investment decision making by detailing how much risk the Health Board is willing to take to achieve its objectives, whilst setting the boundaries within which risks are managed on a day to day basis.

The Health Board has adopted the following Risk Appetite Matrix<sup>1</sup>:

Risk Appetite	Description
Averse	Avoidance of risk and uncertainty in achievement of key deliverables or initiatives is key objective. Activities undertaken will only be those considered to carry virtually no inherent risk.
Minimalist	Preference for very safe business delivery options that have a low degree of inherent risk with the potential for benefit/return not a key driver. Activities will only be undertaken where they have a low degree of inherent risk.
Cautious	Preference for safe options that have low degree of inherent risk and only limited potential for benefit. Willing to tolerate a degree of risk in selecting which activities to undertake to achieve key deliverables or initiatives, where we have identified scope to achieve significant benefit and/or realise an opportunity. Activities undertaken may carry a high degree of inherent risk that is deemed controllable to a large extent.
Open	Willing to consider all options and choose one most likely to result in successful delivery while providing an acceptable level of benefit. Seek to achieve a balance between a high likelihood of successful delivery and a high degree of benefit and value for money. Activities themselves may potentially carry, or contribute to, a high degree of residual risk.
Eager	Eager to be innovative and to choose options based on maximising opportunities and potential higher benefit even if those activities carry a very high residual risk.

The Health Board does not have a single risk appetite but has agreed appetites across the range of its activities. Appetite levels will vary, in some areas, we may be cautious in others we may be open for risk and are willing to carry risk in the pursuit of important objectives:

The Health Board will always aim to operate organisational activities at the levels defined below.

Risk Impact Domain <sup>2</sup>	Risk Appetite
Quality and Safety	We have a <b>cautious</b> stance to risks which compromise the quality and safety of the care we deliver, and which could result in non-compliance with operational standards, professional practice and regulation, and the delivery of care pathways. Our services aspire to be underpinned by clinical and professional excellence, and whilst we have a cautious stance to considering safety risks, we have an <b>open</b> stance to consider risks that would drive innovation and improvement, both of which will require completion of quality impact assessments for review by the lead executive.

<sup>1</sup> [The Orange Book – Risk Appetite Guidance Note \(August 2021\)](#)

<sup>2</sup> [Risk matrix.docx \(sharepoint.com\)](#)

Performance	We are <b>open</b> to considering all options, including the associated risks, to deliver the ministerial priorities and are <b>eager</b> in relation to other operational performance targets, with a preference for innovating service delivery, adoption of new technologies and models of service reconfiguration for the benefit of its patients and population.
Workforce & OD	We have a duty to our workforce and our risk appetite is: <ul style="list-style-type: none"> <li>• <b>cautious</b> for staff risks, with a preference for consideration of the impact on the well-being, including insufficient staffing numbers, unmanageable workload, or any safety risks, tolerating a cautious degree of residual risk and choosing the option most likely to result in a positive, healthy experience of work, while also balancing service provision to our population</li> <li>• <b>open</b> to attracting skilled healthcare professionals, actively seeking new and innovative ways to maximise our recruitment reach.</li> <li>• <b>open</b> to providing a working environment in which all employees are able to progress, develop and thrive, working positively and constructively to maximise their potential and career development.</li> </ul>
Statutory Duty or Inspections	We have a <b>minimalist</b> stance for legal, regulatory and compliance risks, seeking a preference for adhering to responsibilities and safe delivery options with little residual risk. The Board will receive assurance that compliance regimes are in place.
Adverse Publicity or Reputation	We have an overall <b>cautious</b> risk appetite with regard to our reputation as this is key to securing the engagement, support and trust of our population and stakeholders to achieve our objectives. However, where we believe it is necessary for the achievement of one or all of our objectives, we are <b>open</b> to considering receiving adverse publicity.
Business Objectives or Projects	We are <b>eager</b> to considering innovative opportunities to achieve our strategic objectives aligned to our wider risk appetite. We need to ensure we maximise our impact and value for money, therefore we have a <b>cautious</b> approach to the development and enhancement of our environment, digital and equipment infrastructure, including new uses of technology.
Finance including claims	We are: <ul style="list-style-type: none"> <li>• <b>Averse</b> to risks which affect financial governance. This includes risks in relation to the integrity of financial reporting and associated processes; and risks relating to financial impropriety and fraud. We will maintain robust controls to prevent and detect incidents of financial impropriety, fraud or error; and will ensure appropriate remedial actions or sanctions are imposed where instances are identified.</li> <li>• <b>Cautious</b> for financial risks which may increase our expenditure or reduce our income. Our financial deficit means that robust controls are required to manage our exposure to risks which might increase our expenditure. Some degree of financial risk is inherent in achieving our goals and in reducing the impact of the contributory factors to our deficit. Consequently, while we are cautious to risks at an overall portfolio level, after balancing the needs of the short term with long term sustainability; we are <b>open</b> to individual evidence-based innovations which will reduce the impact of the contributory factors on our deficit, provided these are considered in line with our financial governance arrangements.</li> </ul>
Service/business interruption/ disruption	We have a <b>minimalist</b> stance for business continuity risks that impact essential core services however we are <b>open</b> in our appetite to our approach to mitigating those risks. We are <b>averse</b> to risks relating to systems outages and we ensure robust preventative measures are in place to protect our networks and disaster recovery arrangements are in place should outages occur.
Health Equity	We have a <b>cautious</b> risk appetite in our approach on actions that may increase health inequity, however we have an <b>open</b> risk appetite to interventions to reduce health inequity across our services and our population. We strive to improve health equity, recognising that each person, group or community has a different starting position in terms of health needs. Therefore, services and opportunities need to be allocated based on these needs, rather than just providing the same service which will perpetuate unequal outcomes.

*Breaches of risk appetite and tolerance, or tensions from its application, should be dealt with by the Executive Risk Group, as appropriate, and this may reflect a need to review the risk appetite and tolerance statement.*

<b>RISK APPETITE</b>	<b>RISK APPETITE DEFINITION</b>	<b>ACTIVITY</b>
<b>AVERSE</b>	Avoidance of risk and uncertainty in achievement of key deliverables or initiatives is key objective. Activities undertaken will only be those considered to carry virtually no inherent risk.	<ul style="list-style-type: none"> <li>• <i>Financial governance risks</i></li> <li>• <i>Systems outages risks</i></li> </ul>
<b>MINIMALIST</b>	Preference for very safe business delivery options that have a low degree of inherent risk with the potential for benefit/return not a key driver. Activities will only be undertaken where they have a low degree of inherent risk.	<ul style="list-style-type: none"> <li>• <i>Legal, regulatory and compliance risks</i></li> <li>• <i>Business continuity risks impacting on essential core services</i></li> </ul>
<b>CAUTIOUS</b>	Preference for safe options that have low degree of inherent risk and only limited potential for benefit. Willing to tolerate a degree of risk in selecting which activities to undertake to achieve key deliverables or initiatives, where we have identified scope to achieve significant benefit and/or realise an opportunity. Activities undertaken may carry a high degree of inherent risk that is deemed controllable to a large extent.	<ul style="list-style-type: none"> <li>• <i>Quality and Safety risks</i></li> <li>• <i>Staff risks (e.g. workload)</i></li> <li>• <i>Organisational reputation</i></li> <li>• <i>Development to environment, digital and equipment</i></li> <li>• <i>Financial risks that increase expenditure or reduce income</i></li> <li>• <i>Increasing health inequity</i></li> </ul>
<b>OPEN</b>	Willing to consider all options and choose one most likely to result in successful delivery while providing an acceptable level of benefit. Seek to achieve a balance between a high likelihood of successful delivery and a high degree of benefit and value for money. Activities themselves may potentially carry, or contribute to, a high degree of residual risk.	<ul style="list-style-type: none"> <li>• <i>Innovation/improvement to quality and safety</i></li> <li>• <i>Ministerial performance targets</i></li> <li>• <i>Recruitment and workforce redesign</i></li> <li>• <i>Workforce environment and development</i></li> <li>• <i>Adverse publicity to achieve our objectives</i></li> <li>• <i>Innovations to reduce deficit</i></li> <li>• <i>Approach to the mitigation of business continuity risks</i></li> <li>• <i>Interventions to reduce health inequities</i></li> </ul>
<b>EAGER</b>	Eager to be innovative and to choose options based on maximising opportunities and potential higher benefit even if those activities carry a very high residual risk.	<ul style="list-style-type: none"> <li>• <i>Non-ministerial performance targets</i></li> <li>• <i>Innovative opportunities</i></li> </ul>