

CYFARFOD BWRDD PRIFYSGOL IECHYD UNIVERSITY HEALTH BOARD MEETING

DYDDIAD Y CYFARFOD: DATE OF MEETING:	30 January 2025
TEITL YR ADRODDIAD: TITLE OF REPORT:	Risk Appetite Statement
CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:	Professor Philip Kloer, Chief Executive
SWYDDOG ADRODD: REPORTING OFFICER:	Joanne Wilson, Director of Corporate Governance 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 Executive Team in November 2024, the Board is asked to formally approve the annual refresh of the Health Board's Risk Appetite Statement, originally approved by Board at its meeting in January 2024. The Risk Appetite Statement underpins and informs the Health Board's Risk Management Framework, and a detailed review will be undertaken alongside the refresh of the Health Board's strategic objectives.

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 is a strategic driver at Board level, detailing 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

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.

At its meeting in November 2024, the Executive Team reviewed the Risk Appetite statement, with minimal changes, using the risk appetite matrix from the [Orange Book Risk Appetite Guidance Note](#).

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 refreshed Risk Appetite Statement is included at Appendix 1, with changes noted in red text.

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 Organisation Development (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.

By defining risk appetite, it will enable 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. The Risk Appetite will form part of the Health Board’s Integrated Impact Assessment to provide assurance to the Board that it has been taken into account when strategic decisions or proposals are considered.

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:	Included within the body of the report
Parthau Ansawdd: Domains of Quality Quality and Engagement Act (sharepoint.com)	7. All apply
Galluogwyr Ansawdd: Enablers of Quality: Quality and Engagement Act (sharepoint.com)	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: Hyperlink to HDdUHB Well-being Objectives Annual Report 2021-2022	10. Not Applicable

Gwybodaeth Ychwanegol: Further Information:	
Ar sail tystiolaeth: Evidence Base:	Corporate Risk Register
Rhestr Termau: Glossary of Terms:	<p>Current risk score – Existing level of risk taking into account controls in place.</p> <p>Target risk score - The ultimate level of risk that is desired by the organisation when planned controls (or actions) have been implemented.</p> <p>Risk appetite can be defined as ‘the amount of risk that an organisation is willing to pursue or retain’ (ISO Guide 73, 2009).</p> <p>ISO (2009) define risk tolerance as ‘the organisation’s readiness to bear a risk after risk treatment in order to achieve its objectives’, however it can be simpler to see it as a series of limits such as lines in the sand beyond which the organisation does not wish to proceed.</p>
Partïon / Pwyllgorau â ymgynhorwyd ymlaen llaw y Cyfarfod Bwrdd Iechyd Prifysgol: Parties / Committees consulted prior to University Health Board:	Executive Team

Effaith: (rhaid cwblhau) Impact: (must be completed)	
Ariannol / Gwerth am Arian: Financial / Service:	No direct impacts from report however impacts of each risk are outlined in risk description of individual risks.
Ansawdd / Gofal Claf: Quality / Patient Care:	No direct impacts from report however impacts of each risk are outlined in risk description of individual risks.
Gweithlu: Workforce:	No direct impacts from report however impacts of each risk are outlined in risk description of individual risks.
Risg: Risk:	No direct impacts from report however impacts of each risk are outlined in risk description of individual risks.
Cyfreithiol: Legal:	No direct impacts from report however impacts of each risk are outlined in risk description of individual risks.
Enw Da: Reputational:	No direct impacts from report however impacts of each risk are outlined in risk description of individual risks.
Gyfrinachedd: Privacy:	No direct impacts from report however impacts of each risk are outlined in risk description of individual risks.
Cydraddoldeb: Equality:	No direct impacts from report however impacts of each risk are outlined in risk description of individual risks.

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 Matrix¹:

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 ²	Risk Appetite
Quality and Safety	We have a cautious 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 open 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.

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

² [Risk matrix.docx \(sharepoint.com\)](#)

Performance	We are open to considering all options, including the associated risks, to deliver the ministerial priorities and are eager 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"> • cautious 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 • open to attracting skilled healthcare professionals, actively seeking new and innovative ways to maximise our recruitment reach. • open 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.
Statutory Duty or Inspections	We have a minimalist 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 cautious 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 open to considering receiving adverse publicity.
Business Objectives or Projects	We are eager to considering innovative opportunities to achieve our strategic objectives aligned to our wider risk appetite. We need to ensure we maximise our impact and demonstrate value for money, therefore we have a cautious 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"> • Averse 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. • Cautious 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 open 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.
Service/business interruption/ disruption	We have a minimalist stance for business continuity risks that impact essential core services however we are open in our appetite to our approach to mitigating those risks. We are averse 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 cautious risk appetite in our approach on actions that may increase health inequity, however we have an open 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.

RISK APPETITE	RISK APPETITE DEFINITION	ACTIVITY
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.	<ul style="list-style-type: none"> • <i>Financial governance risks</i> • <i>Systems outages risks</i>
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.	<ul style="list-style-type: none"> • <i>Legal, regulatory and compliance risks</i> • <i>Business continuity risks impacting on essential core services</i>
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.	<ul style="list-style-type: none"> • <i>Quality and Safety risks</i> • <i>Staff risks (e.g. workload)</i> • <i>Organisational reputation</i> • <i>Development to environment, digital and equipment</i> • <i>Financial risks that increase expenditure or reduce income</i> • <i>Increasing health inequity</i>
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.	<ul style="list-style-type: none"> • <i>Innovation/improvement to quality and safety</i> • <i>Ministerial performance targets</i> • <i>Recruitment and workforce redesign</i> • <i>Workforce environment and development</i> • <i>Adverse publicity to achieve our objectives</i> • <i>Innovations to reduce deficit</i> • <i>Approach to the mitigation of business continuity risks</i> • <i>Interventions to reduce health inequities</i>
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.	<ul style="list-style-type: none"> • <i>Non-ministerial performance targets</i> • <i>Innovative opportunities</i>