

Board of Directors' Meeting 12 September 2024

Agenda item	141/24		
Report Title	Risk Appetite Statement 2024/25		
Executive Lead	Anna Milanec, Director of Governance		
Report Authors	Deborah Bryce, Head of Corporate Governance & Compliance; and James Webb, Head of Risk Management		
CQC Domain:			
	Link to Strategic Goal:	Link to BAF / risk:	
Safe	√	Our patients and community	√
Effective	√	Our people	√
Caring	√	Our service delivery	√
Responsive	√	Our governance	√
Well Led	√	Our partners	√
			All BAF risks
			Trust Risk Register id:
			N/A
Consultation Communication	Board risk appetite seminar held on 25 April 2024. Audit & Risk Assurance Committee meeting – 13 May 2024		
Executive summary:			
Executive summary:	<p>1. The Board held a seminar on 25 April 2024 to discuss and consider its risk appetite for 2024/25 and upper tolerance levels for risk.</p> <p>2. In this latest version of the risk appetite statement, risks are aligned to strategic risk categories, rather than strategic goals.</p> <p>3. <i>Appendix 1</i> is the draft risk appetite statement, based on the output of the seminar discussions.</p>		
Recommendations to the Board:	<p>The Board is asked to:</p> <ul style="list-style-type: none"> Consider the contents of this paper, including the points of debate from the recent Board risk appetite seminar. Agree the risk appetite levels/descriptions, to be placed within the Risk Management Strategy. Approve the content of the risk appetite statement for 2024/25. 		
Appendices:	<i>Appendix 1: Risk Appetite Statement 2024/25</i>		

1.0 Introduction

- 1.1 A Board seminar was held on 25 April 2024 for the Board to discuss and consider, at length, its risk appetite.
- 1.2 By defining a risk appetite statement, the Board is able to set the optimal position in pursuit of its strategy and vision and the upper tolerances for reporting/escalation.
- 1.3 A risk appetite statement also informs all those responsible for identifying and managing risk at SaTH of the context to use when assessing how a risk should be evaluated. It will form an appendix to the Risk Management Policy when it is updated in 2024.
- 1.4 It is best practice for the Board to review its risk appetite annually.

2.0 Changes since the June 2023 risk appetite statement

- 2.1 Since the June 2023 version, it is proposed that the risk appetite statement is shown by risk category, in line with best practice. Risk categories are easily recognisable in relation to strategic risks and easy for staff to interpret/understand.
- 2.2 Upper risk tolerance levels are proposed within the risk appetite statement for each risk category, aligned to agreed risk appetite descriptors.
- 2.3 It is proposed that upper risk tolerance levels will replace 'target' risk scores within the Board Assurance Framework, from quarter 1, 2024/25.

3.0 Significant points from the 25 April 2024 Board seminar debate

- 3.1 The Board recognised that the Trust is not currently operating within normal circumstances, for example, due to post-Covid waiting list backlogs, bed blocking due to lack of patient flow, being in regular 'escalation' position, pressures within the health system, the financial position, and direction from NHS England in relation to the achievement of national targets. The Board acknowledged that tolerance levels may need to be stretched in 2024/25 due to the presence of these factors.
- 3.2 The Board agreed at its seminar to further reflect on the risk appetite level for the financial risk category and whether this should be reduced from 'open' to 'cautious', with the consequent upper tolerance level reducing from 12 to 9 due to the challenging 2024/25 operating plan. The Board may wish to further consider this (note: risk appetite level is currently proposed as 'open' within Appendix 1).
- 3.3. There was a discussion on the quality, safety and patient experience risk category and whether patient experience should be assigned into its own risk category with a higher upper risk tolerance level, as there may be a higher impact on patient experience due to the current situation in which the Trust is operating. It was concluded at the seminar to maintain patient experience within the same risk category as quality and safety but to acknowledge that the Board recognises that they may have to tolerate a higher impact within the patient experience domain and greater levels of risk escalation.

4.0 Risk appetite levels and descriptions

4.1 It is proposed that the following risk appetite levels and descriptions are used and placed within the next version of the Risk Management Strategy (due for review in 2024), based upon the definitions within *The Orange Book: Management of Risk – Principles and Concepts* (UK Government) definitions:

Averse – Avoidance of risk and uncertainty in achievement of key deliverables or initiatives is the key objective. Activities undertaken will only be those considered to carry virtually no inherent risk.

Minimal - Preference for very safe organisational 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/return. 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.

5.0 Recommendation

5.1 The Board is asked to:

- Consider the contents of this paper, including the points of debate from the recent Board risk appetite seminar.
- Agree the risk appetite levels/descriptions, to be placed within the Risk Management Strategy.
- Approve the content of the risk appetite statement for 2024/25.

*Deborah Bryce, Head of Corporate Governance & Compliance; and
James Webb, Head of Risk Management
August 2024*

Risk appetite statement 2024/25

Purpose: By defining a risk appetite statement, the Board is able to set the optimal position in pursuit of its strategy and vision and the upper tolerances for reporting/escalation.

Definitions:

'Risk appetite' is the level of risk within which Shrewsbury and Telford Hospital NHS Trust aims to operate (the optimal position).

'Risk Tolerance' is the level of risk within which the Trust is willing to operate, after risk treatment, to achieve its objectives.

Making this understandable for our staff

Table 1 shows the possible risk appetite levels, with the associated upper risk tolerance levels. Risk appetite level descriptions will be provided in full within the Trust's *Risk Management Strategy*.

Table 1

Risk appetite level	Upper Tolerance Level
Averse	3
Minimal	6
Cautious	9
Open	12
Eager	16

Table 2 details each risk category, along with associated risk appetite level and risk appetite statement. The upper tolerance level shown represents the maximum risk tolerance for each type of risk and provides guidance for managers to use in managing their risks. It provides an easy way of conveying to our operational front-line colleagues what the Board's appetite is for risk and will provide a focus for targeting the review of risks outside of tolerance by the Risk Management Committee and Audit & Risk Assurance Committee.

Table 2

Risk Category	Risk Appetite Level	Risk appetite statement	Upper tolerance level
1. Quality, Safety of Care and patient experience	Minimal	SATH has a minimal risk appetite for risks that may compromise safety and the achievement of better outcomes and experience for patients. We are willing to consider actions which present a low risk to quality and safety priorities and objectives. We recognise, however, that we may have to tolerate a higher impact within the patient experience domain and greater levels of escalation.	6
2. Operational performance/ effectiveness	Cautious	SATH is cautious and prefers not to take risks to the achievement of internal and external performance standards where there is likely to be adverse consequences.	9
3. Workforce and staff engagement	Open	SATH is open to explore innovative solutions to future staffing requirements, our ability to retain staff and to ensure we are an employer of choice. We are prepared to invest in our people to create an innovative mix of skills. Responsibility for noncritical decisions may be devolved.	12
4. Financial	Open	SATH is open to pursue options which will benefit the efficiency and effectiveness of services whilst ensuring we minimise the possibility of financial loss and potential regulatory action to tolerable levels.* (*Note: In all circumstances, the Trust has no appetite for fraud and/or other financial crime risk)	12
5. Compliance and Regulation	Minimal	SATH has a minimal appetite to compromise legal and regulatory standards. We are only prepared to accept the possibility of very limited deviation from compliance during exceptional circumstances.	6
6. Digital/ Technology	Open	SATH is open to transform its digital systems to support better outcomes and experience for our patients and public. New technologies are viewed as a key enabler of operational delivery, productivity and efficiency (including clinical) following thorough assessment and testing.	12

7. Information Security (Cyber & Information Governance)	Minimal	Whilst digital innovation will transform systems to support better outcomes, SATH has a minimal risk appetite in relation to cyber security and information governance compliance due to the impact on our patients and colleagues. Risk of loss or damage to information will be minimised through stringent security measures and business continuity planning.	6
8. Innovation	Open	SATH is open to seek original/creative/pioneering delivery options and to accept the associated significant risk levels to secure successful outcomes and transformation reward/return. Clinical innovation and improvement should not compromise the quality of care.	12
9. Property/Estate	Open <i>(Open to transform)</i>	Recognising the current position with the Trust's estate, SATH is open to transforming its buildings/infrastructure to support better outcomes and experience for our patients and public. We will consider benefits and solutions which meet organisational requirements and ensure a safe environment.	12
10. Partnership and collaborative working	Eager	SATH is keen/eager to form collaborations and partnerships which will ultimately provide a clear benefit and improved outcomes for the people we serve. Guiding principles or rules will be in place that welcome considered risk taking in organisational actions and the pursuit of, for example, partnership and collaborative working priorities.	16
11. Climate/ Environment	Minimal	SATH has a minimal risk appetite for risks which compromise the sustainability of the environment. Guiding principles or rules will be in place that minimise risk in organisational actions and the pursuit of priorities - e.g. reductions in waste and Co2 emissions and ensuring sustainable travel.	6
12. Reputation	Open	SATH has an open appetite to take decisions with the potential to expose the organisation to additional scrutiny, but only where appropriate steps are taken to ensure transparency, and where the potential benefits clearly outweigh the risks. We will do everything we can to minimise harm and maintain quality, safety and effectiveness.	12