

## 3.4 / Appendix 2

### Risk appetite statement

#### Introduction

The Board acknowledges that risk is a component of change and improvement and therefore does not expect the absence of risk or consider this as a necessarily positive position. As such it recognises that risks present both challenges and opportunities and should not be considered solely in terms of their potential financial consequences.

Our risk appetite statement helps our staff and our stakeholders understand the level of risk that we are prepared to accept across the CCG. It describes the levels of risk we are prepared to tolerate and how they will be treated and by whom.

#### Risk treatment

We require all staff to take responsibility for the treatment of identified risks. Identifying and reporting a risk does not end the responsibility of the individual staff member. We expect all reported and registered risks to be managed using the following risk treatment options:

- **TREAT:** implementing controls and action plans to contain, minimise or mitigate
- **TERMINATE:** removing the risk completely
- **TRANSFER:** transferring the uncertainty of the risk (for example by insurance)
- **TOLERATE:** making a decision to tolerate the risk in line with this risk appetite statement.

We believe that the majority of our risks will need to have controls implemented to reduce the likelihood or severity of the risk. Existing control mechanisms/activities and the level of confidence in these existing controls must be considered when identifying options for additional control measures.

The cost-effectiveness of the control needs to be considered to ensure that the risk reduction benefits outweigh the cost of the control. We will, where necessary, tolerate overall levels of risk that are classified as high risk (scoring 12 or lower) where actions to mitigate that risk is not cost effective or reasonably practicable.

#### Risk tolerance

Our risk appetite is mapped in the following table which shows the level of risk we will tolerate against the categories of risk we face across all business areas.

We will not accept levels of risk rated critical (scored 15 or above on the risk matrix) and will ensure that plans are put into place to lower the level of risk whenever a critical risk has been identified. Likewise, we will not tolerate any of the different types of risk at a rating greater than those shown in the table. Plans to reduce the risk to a rating that will be tolerated will be put in place.

Willingness to accept risk		
Category of risk	Classification	Risk rating
Public, patient and staff safety	Low	1-6
Quality/patient experience	Low	1-6
Finance	Moderate	8-10
Capacity and capability	Moderate	8-10
Business management and reputation	Moderate	8-10
Information governance	Low	1-6
Key NHS constitutional targets	Low	1-6
Staff wellbeing	Moderate	8-10
Corporate governance	Low	1-6

### Delegation and authority

We have clear lines of delegation and authority associated with the treatment of risks for all business areas and these are shown in the table below.

Level	Authority / Ownership	Action
<b>Low risk</b> <b>1-6</b>	Individuals	<ul style="list-style-type: none"> <li>Individuals should manage low risks by maintaining routine procedures and taking proportionate action to implement any additional new control measures to reduce risk where possible. Individuals must escalate higher levels of risk.</li> <li>The CCG Executive team reviews all risks.</li> </ul>
<b>Moderate risk</b> <b>8-10</b>	Managers	<ul style="list-style-type: none"> <li>Managers must ensure that an action plan is identified to reduce risk or remove the risk. The risk must be entered on the risk register. Managers must escalate higher levels of risk.</li> <li>The CCG Executive team reviews all risks.</li> </ul>
<b>High risk</b> <b>12</b>	Senior Managers	<ul style="list-style-type: none"> <li>Senior Managers must prepare an action plan for high risks. Appropriate management assurance must evidence and control the risk and oversee the action plan to reduce the risk. Senior Managers must consider any developing implications of the risk and report to Directors if appropriate. The risk must be reported on the risk register.</li> <li>The Audit Committee reviews all risks scored 12 and above.</li> </ul>
<b>Critical risk</b> <b>15-25</b>	Directors	<ul style="list-style-type: none"> <li>Management action is required to ensure immediate risk treatment, in line with the context of the risk. Action plans must be overseen by a responsible lead, who will ensure that the risk is reported on the Corporate Risk Register or BAF. The risk will be monitored at the Audit Committee.</li> <li>The CCG Board reviews risks scored 15 and above.</li> </ul>

### Review

Our statement of risk appetite is dynamic and represents an iterative process that reflects the challenging environment facing the CCG and the wider NHS. We will review our risk appetite at least biennially.