NHS Lancashire and South Cumbria Integrated Care Board

Risk Management Strategy and Policy

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1 Introduction

NHS Lancashire and South Cumbria Integrated Care Board (ICB) is part of an Integrated Care System (ICS), working in partnership to shape the long term, viable plan for the delivery of the duties and objectives of the ICB and for the stewardship of public money.

The ICB has a mutual accountability with its partners around the triple aims for systems:

- better health for everyone
- better care for all, and
- efficient use of NHS resource.

This document sets out the Risk Management Strategy and Policy which provides a systematic and consistent integrated framework and guiding principles for the implementation and delivery of risk management across the ICB, whilst seeking opportunities to enable the achievement of the strategic aims and objectives of the ICB.

2 Scope

This strategy and policy applies to all employees, board and committee members, contractors and partners of the ICB. The strategy is relevant to all matters that affect the ICB including transformation programmes with partner organisations and other jointly hosted arrangements.

3 Aims

This strategy provides a systematic and consistent integrated framework for the implementation and delivery of risk management across the ICB. The board recognises that risk management is an integral part of good management practice, and to be most effective should become part of the organisation's culture.

Risk management supports the achievement of the ICB's objectives by enabling risks to be prioritised, informing effective decision making and allowing the ICB to direct resources efficiently for risk management. As part of this the ICB undertakes to ensure that adequate provision of resources, including financial, workforce and information technology, is as far as reasonably practicable, made available.

The strategy outlines the management structure, accountabilities and responsibilities in relation to risk management; the policy details the systems and processes involved to support this. It also specifies the maintenance of the assurance framework, risk registers and associated plans.

The ICB's strategic objectives are central to the risk management strategy. The strategy not only requires the identification any threats, but also opportunities to achieving the objectives, with assurances provided in relation to delivery and achievement of the objectives, and controls to mitigate any potential, emerging or actual risks; the Board utilises the Board Assurance Framework (BAF) to this end.

4 Principles

The Orange Book Management of Risk – Principles and Concepts (HM Government) sets out an approach to support the consistent and robust identification and management of risks. This approach has been adopted and forms the guiding principles the ICB will take in the management of risks to achieve the organisation's strategic objectives:

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- **Governance and leadership**
    - The ICB will create organisational cultures that support openness, transparency and constructive challenge. There will be clear reporting and governance arrangements in place both within the ICB and its places. As the integrated care system matures the risk management structures will develop and look to integrate with the Integrated Care Partnership (ICP), Provider Collaboratives and beyond including alignment with the Regional Quality Groups.

- **Integration:**
    - Risk management will be integral to all organisational activities and support decision making; where appropriate organisations will take a shared ownership of risk.

- **Collaboration**:
    - Risk Management will be collaborative and supported by strong partnership working and intelligence sharing across organisations including alignment with Regional Quality Groups and Integrated Care Partnerships, to support system quality governance and risk management.

4.1 System quality governance and risk management

The ICB risk management strategy will adopt the National Quality Board guidance "Quality Risk Response and Escalation in Integrated Care Systems" which advocates that risk should be managed as close to the point of care as possible, and only where successful mitigation is not possible, should they be escalated to the next level within a designated framework for risk management**.**

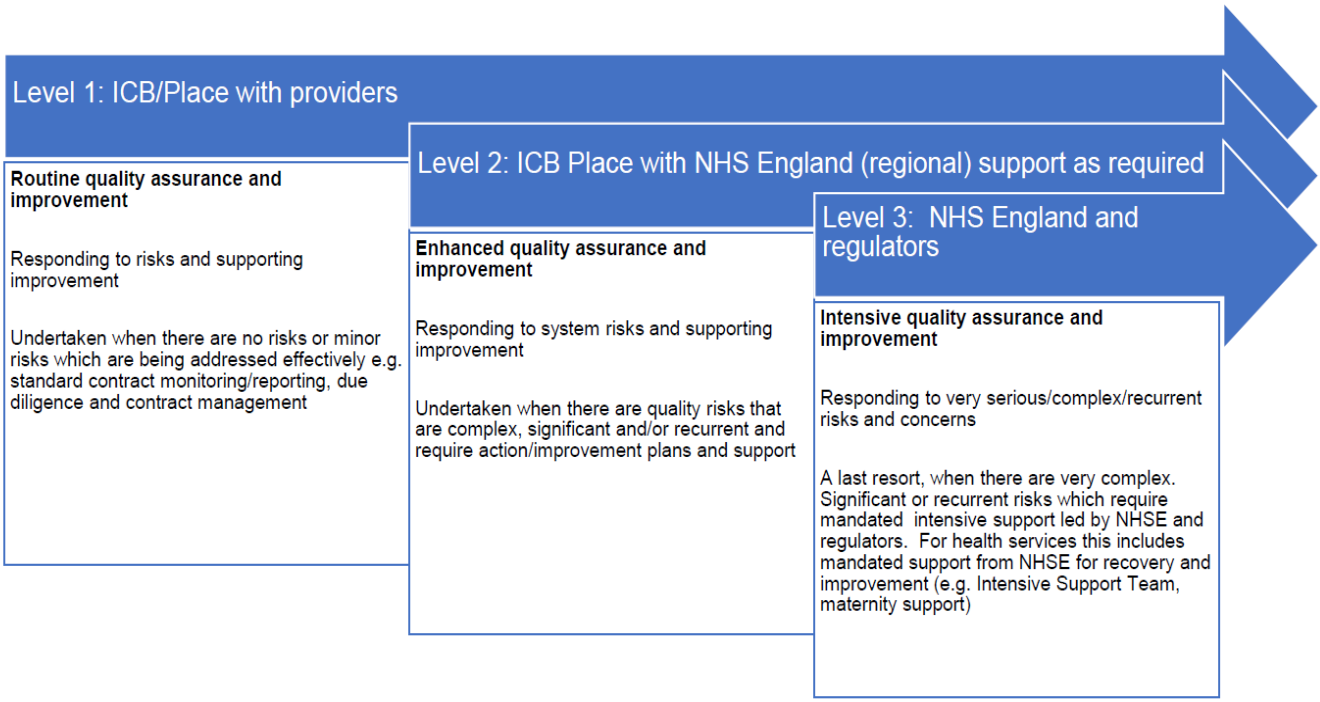
The guidance sets out a clear framework for management of quality risks in integrated care systems including the role of ICBs, working with NHS England and wider partners, in managing quality concerns and risks when there are multiple commissioners e.g. the ICB and local authorities.

The ICB's Quality Committee will advocate this approach by providing assurance to the board on the management of risks that relate to quality, and high-risk operational issues which could impact on care. Risks to health services which require escalation to an enhanced level of assurance will follow the system quality risk escalation approach outlined below.

4.2 Levels of system quality risk escalation

The ICB Quality Committee will follow the 3 stage approach set out below with regards to the management of system-level quality concerns and risks:

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Decisions on how to move through the escalation process will be taken as close to the point of care as possible, reflecting effective risk profiling and accountability arrangements.

The ICB will utilise the Quality Risk Profiling Tool to support a decision to escalate risks to enhanced assurance by the ICB (level 1 to level 2) or to escalate to intensive assurance by NHS England (level 2 to level 3).

Level 1 risk will be managed at project/ programme level utilising existing governance and assurance structures e.g. contract management, Children's Safeguarding Assurance Partnership, Local Safeguarding Adult Boards and case reviews. Learning and improvement will be shared through the System Quality Group (SQG). Minor and moderate concerns *may* be included on the ICB corporate risk register.

Level 2 risks escalated to the ICB for enhanced assurance will be agreed with NHS England regional office; quality risk profiling will inform the support for enhance assurance; NHS Oversight Framework review may be triggered.

Collaborative Rapid Quality Review meetings will be utilised to implement and monitor action/ improvement plans with Quality Improvement Group established when required. The Rapid Quality Review meeting/ Quality Improvement Group will share learning through the SQG and they are accountable to the ICB Quality Committee. Risks being managed at level 2 *will* be on the ICB corporate risk register and will be reported into the ICB Quality Committee. NHS England regional office will be notified, and significant concerns will be shared with Regional Quality Groups.

Level 3 will be utilised as a last resort when there are very significant, complex or recurrent risks which require mandated or immediate support from NHSE for recovery and improvement, including support through the Recovery Support Programme, or from wider regulators. The intensive approach must be agreed based on the quality risk profiling and support needs within the ICB. Collaborative Rapid Quality Review meetings will monitor action and improvement plans and Quality Improvement Groups will be established to support embedding learning and continuous improvement, the ICB Quality Committee will

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hold these groups to account. Risks requiring level 3 management will be on the ICB Board Assurance Framework and will be reported to the Regional Quality Groups for inclusion on regional risk registers and escalated nationally, where appropriate.

5 Definitions

Risk
The chance of something happening that will have an impact upon objectives. It is measured in terms of likelihood and impact.

Risk management
Is the culture, processes and structures that are directed towards effective management of potential opportunities and adverse effects. It supports the achievement of the ICB's objectives by enabling risks to be prioritised, informing effective decision making and allowing the ICB to direct resources efficiently for risk management.

Risk appetite
Is the level, amount or degree of risk that an organisation is willing to take in order meet its strategic objectives

Risk maturity
The relative measure of the systems and process in place for managing risk.

Risk registers
A central repository which captures information such as risk likelihood, consequence and actions to mitigate and manage risk. Risk registers will be maintained and reported at the operational, corporate and strategic levels.

Board Assurance Framework
The board assurance framework (BAF) refers to the organisation's wider arrangements for assurances and controls aligned to the delivery of its strategic objectives, which includes the organisational approach to risk management.

The Board is also presented with a key document referred to as a BAF, which supports the Board to focus on the delivery of its strategic objectives. It encapsulates the controls and assurances in place to mitigate potential, emerging, and actual risks which may compromise the achievement of the strategic objectives.

Corporate Risk Register
The Corporate Risk Register (CRR) captures key operational risks which are identified during the day-to-day running of the ICB and may include a broad spectrum of risks e.g. financial (including fraud), legal, regulatory quality, reputational, service/business plan delivery.

Assurance
Provides confidence or guarantee that a risk is being managed effectively.

Controls
Measures which prevent or reduce the risk; once actions on risk assessments are completed these will become controls.

Risk score
The overall measure of the severity level of a risk. All risks are scored using the National Patient Safety "Risk Matrix for Risk Managers" (Appendix A).

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6. ICB Risk management objectives

The ICB is committed to ensuring risk management is embedded across the organisation and drives the agenda and discussion at board level.

- The ICB will undertake an annual assessment of its risk appetite led by the Director of Corporate Governance and facilitated by internal audit and will determine appropriate action to progress from its current position.

- The ICB aims to ensure both strategic and operational risks are identified and captured on its risk registers and that these are monitored and managed in accordance with this strategy and policy.

7. Core purpose - strategic aims and objectives of the ICB

7.1 The ICB will be guided by four strategic aims. These are drawn directly from the fundamental purposes of integrated care systems as set out in the ICS Design Framework (June 2021). The strategic aims are:

- Improve outcomes in health and healthcare
- Tackle inequalities in outcomes, experience and access
- Enhance productivity and value for money
- Help the NHS support broader social and economic development

7.2 Strategic objectives

The board will set and review its strategic objectives and outcomes annually. The objectives will clarify what success looks like for service users, staff, partners and board members. The board will work through each of the strategic objectives and generate a risk appetite statement, to inform decision making in connection with risk. The BAF will hold the significant risks that could compromise the delivery of those objectives

The board will monitor progress against the achievement of the ICB's strategic objectives, seeking assurance in each of the areas below:

Tiers of responsibility	Description
Level 1	The responsibilities of the ICB as a statutory body
Level 2	The role of the ICB for NHS system oversight
Level 3	The role of the ICB as a system partner to support integration

The ICB will use its resources and powers to achieve demonstrable progress on these aims and strategic objectives and collaborate to tackle complex challenges including:

- Improving the health of children and young people
- Supporting people to stay well and independent
- Acting sooner to help those with preventable conditions
- Supporting those with long-term conditions or mental health issues
- Caring for those with multiple needs as populations age
- Getting the best from collective resources so that people get care as quickly as possible

8. Risk management structure

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8.1 Integrated Care Board

The Integrated Care Board is responsible for:

- Having overall accountability for the management of integrated governance, risk and assurance and determining the strategic approach to risk and setting the risk appetite for the ICB.

- Ensuring and approving the structure and framework for risk management.
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- Considering whether the ICB has implemented an effective system of internal control including appropriate risk management arrangements.

- Owning the Board Assurance Framework and Corporate Risk Register.

- Monitoring the management of significant risks and seeking assurance that management decisions balance performance within appropriate limits defined by the scheme of reservation and delegation and committees' terms of reference.

8.2 Committees of the Board

All committees of the ICB are responsible for reporting and where appropriate monitoring risks which arise from the remit of that committee.

8.2.1 Audit Committee

The Audit Committee is responsible for:

- Providing assurance to the board on the adequacy and effectiveness of the system of integrated governance, risk management and internal control across the whole of the ICB's activities that support the achievement of its objectives and to highlight any areas of weakness to the board.

- Reviewing the adequacy and effectiveness of the assurance process that indicate the degree of achievement of the ICB's strategic objectives, the effectiveness of the management of principal risks.

- Challenging the way in which risk is managed, particularly where there is uncertainty or concerns over the effectiveness of existing arrangements.

- Being accountable to the board for overall assurance on the extent to which the management of risk is effective.

- Receiving the Board Assurance Framework and Corporate Risk Registers during the annual cycle of meetings to ensure the processes used to manage these risks are adequate and effective.

8.2.2 Quality Committee

The Quality Committee is responsible for:

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- Providing regular assurance updates to the board that there are effective systems of quality governance and internal control that supports it, to effectively deliver its strategic objectives and provide sustainable, high quality care.

- Reviewing and monitoring those risks on the Board Assurance Framework and Corporate Risk Register which relate to quality and high-risk operational areas which could impact on care.

- Ensuring the board is kept informed of significant risks and mitigation plans in a timely manner.

- Advising the Audit Committee on the adequacy of assurance available and contribute towards the Annual Governance Statement.

- Ensuring adherence to the National Quality Board's 3-stage approach to the management of system level quality concerns and risks (section 4).

- Providing assurance to the ICB Board that quality risks are being well managed at level 1 and 2 in line with the National Quality Board guidance "Quality Risk Response and Escalation in Integrated Care Systems"

- Oversight of action and improvement plans implemented as a result of Rapid Quality Review meetings.

- In conjunction with the System Quality Group, holding Quality Improvement Groups to account in relation to embedding learning and sustained improvement.

8.2.3 People Board

The People Board is responsible for:

- Providing regular assurance updates to the ICB that it is delivering its functions and undertaking its responsibilities to deliver workforce related activities, carried out by the ICB as an employer and working collaboratively with other partners across the integrated care system.

- Reviewing and monitoring those risks on the BAF and CRR on a bi-monthly basis which relate to those activities and identifying operational risks which could impact on care, the delivery of the ten people functions or the achievement of the strategic workforce priorities

- Ensuring the ICB is kept informed of significant risks and mitigation plans in a timely manner.

- Advising the Audit Committee on the adequacy of assurances available and contribute to the Annual Governance Statement.

8.2.4 Primary Care Contracting Group

The Primary Care Contracting Group is responsible for:

- Providing regular assurance updates to the board in relation to the activities within its remit for decision making across the ICB with regards to delegated primary care contracted services.

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- Holding and maintaining a risks and issues register associated with delegated primary care contractors and escalate risks appropriately in alignment with the ICB's Risk Management Framework.

- Advising the Audit Committee on the adequacy of assurances available and contribute to the Annual Governance Statement.

9. Individual roles and responsibilities

9.1 Chief executive

- The chief executive has responsibility for having an effective risk management system in place within the ICB, for meeting all statutory requirements and adhering to guidance issued by the Department of Health in relation to governance.

- The chief executive is responsible for signing the Annual Governance Statement of behalf of the ICB, which outlines that the appropriate strategies and internal controls have been in place and as part of the annual report and accounting process.

9.2 Chief finance officer

The chief finance officer has operational responsibility for the effective implementation of the BAF, CRR and all related systems and processes including those for counter fraud arrangements and the financial stewardship of the ICB's resources.

9.3 Executive directors.

Executive directors are accountable for the management of risk within their areas of responsibility, this includes:

- Ensuring that this strategy and associated policies, procedures and guidelines are implemented within their areas of responsibility.
- Reviewing the BAF and CRR risks relating to their programmes of work
- Ensuring all risks are identified, assessed and included on the risk register.
- Providing assurance to the committees overseeing their risks, as appropriate

9.4 Head of corporate business

The head of corporate business is responsible for supporting the chief finance officer in ensuring there are effective systems and processes in place for the management of risk, including a robust governance framework, BAF and CRRs for the ICB. The head of corporate business will oversee the process of BAF review ensuring that its review is incorporated into the cycle of business of the board and its committees.

9.5 Corporate risk manager

The corporate risk manager is accountable to the head of corporate business for supporting the effective implementation of the ICB's risk management

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objectives. The corporate risk manager will support risk owners if required, in completing the risk assessment process, and will seek updates as required, including progress against mitigating actions and ensuring any changes are recorded on the risk register, and provide associated analysis and reports as required.

9.6 Risk owners

Risk owners will be assigned for each identified risk and will have overall responsibility for the risk and ensuring actions are implemented. For principal risks to the ICB's objectives, this will be an executive director.

9.7 All ICB employees

All employees are responsible for the day-to-day management of risks of all types within their areas of responsibility and control. They are responsible for their own working practice and behaviour in accordance with contracts of employment and job descriptions.

Employees have a duty to comply with the ICB's strategies, policies and procedures.

Staff members who are required to be registered with a professional body must act at all times in accordance with that body's code of conduct and rules.

10. Risk management policy and process

Risk Management is a continual cycle and should follow a systematic approach including:

- Risk identification and assessment
- Risk analysis
- Risk evaluation and scoring
- Treating risk
- Risk review and management responsibility

10.1 Risk identification and assessment

Identification of risk is the first part of an effective risk management strategy. Risk identification establishes the organisations exposure to risk and uncertainty. There is no one correct way to identify risks and the use of different methods by different staff groups, is more successful. To support the risk assessment process a template risk assessment proforma is available via the ICB's Corporate Governance Team.

10.2 Risk analysis

Once risks are identified, further evaluation is required to establish the exposure of the ICB to risk and uncertainty. The outcome of the risk analysis is used to rate the significance of the risk and prioritise risk treatment.

10.3 Risk evaluation and scoring

The ICB has determined that the National Patient Safety Agency (NPSA) 5x5 matrix[1]

at Appendix A will be the risk analysis tool used to ensure that each risk is evaluated in a consistent way.

Risks are scored in relation to the Consequence (C) they would have and the Likelihood (L) of them occurring, taking into account the effectiveness of the controls in place to manage the risk.

Using the risk matrix, a 'colour' and 'grade' is established for each risk which also determines the management, reporting and prioritisation ofactions.

			Likelihood				
			1	2	3	4	5
			Rare	Unlikely	Possible	Likely	Almost certain
Consequence	5	Catastrophic	5	10	15	20	25
	4	Major	4	8	12	16	20
	3	Moderate	3	6	9	12	15
	2	Minor	2	4	6	8	10
	1	Negligible	1	2	3	4	5

For each risk not adequately controlled, an action plan to treat the risk isrequired.

10.4 Treating risk

Risk treatment involves developing a range of options for mitigating the risk, assessing those options, and then preparing and implementing actionplans.

In treating risks, the ICB may take one of the following approaches:

- Transfer — implementing a strategy that shares or transfers the risk to another party or parties, such as outsourcing the management of physical assets, developing contracts with service providers or insuring against the risk. The third-party accepting the risk should be aware of and agree to accept this obligation

- Terminate — deciding not to proceed with the activity that introduced the unacceptable risk, choosing an alternative more acceptable activity that meets business objectives, or choosing an alternative less risky approach or process

- Treat — implementing a strategy that is designed to reduce the likelihood or consequence of the risk to an acceptable level, where elimination is considered to be excessive in terms of time or expense

- Tolerate — making an informed decision that the risk rating is at an acceptable level or that the cost of the treatment outweighs the benefit. This option may also be relevant in situations where a residual risk remains after other treatment options have been put in place. No further action is taken to treat the risk, however, ongoing monitoring is recommended. This is supported by the ICB's risk appetite and tolerance statement which can be found in section 9.18 of this strategy

- Accept mitigated — making an informed decision, that despite all of the controls in place to mitigate the risk, and despite the completion of all planned actions, a risk will still remain but will be to a level that the organisation can accept.

10.5 Risk review and management responsibility

Each risk will be assigned a risk owner at the point of input onto the risk register.

All committees of the ICB are responsible for reporting and where appropriate monitoring risks which arise from the remit of each committee as set out in the committee terms of reference held in the ICB Governance Handbook.

Actions to mitigate and further control the risk should be added to the risk assessment. Action owners may be different from the risk owner and will be responsible for ensuring actions are completed in accordance with the agreed timescales.

All updates, including progress against mitigating actions and changes to the risk score will be recorded on the risk register.

The minimum frequency of risk review is determined by the risk rating as follows:

Table 1

Level of Risk	Review frequency
1-3 (low)	Annually
4-6 (moderate)	Annually
8-12 (high)	Quarterly
15-25 (significant)	Monthly

10.6 Closing risks

The risk registers will contain the risks and opportunities to support the achievement of the ICB's strategic objectives and associated work-streams that are being addressed.

Once a risk has reached its target rating and is at an acceptable level of risk, and all

agreed actions have been completed it may be closed.
The decision to close any risks on the CRR must be submitted to the relevant committee by the risk owner.

Where actions have reduced the risk but the residual risk remains at a corporate level and it is agreed that no further action can be taken to reduce the risk, the recommendation to close it whilst accepting the risk must be approved by the relevant committee.

10.7 Managing risks across organisational boundaries

The ICB recognises that risk is increased when working in partnership or across organisational boundaries.

The ICB is committed to working closely and collaboratively with its partner organisations to ensure that clarity of role, responsibility and accountability exists where risks occur.

The ICB will endeavour to involve organisations in all aspects of risk management as appropriate.

Where partnership agreements are developed, risk management will be specifically addressed and the statement will be explicit in detailing how the risk management structures and systems link to the organisation, including how decisions will be made and which partner will lead on all or specific risks.

10.8 ICB Functional Standard GovS 013 - Fraud Risk Assessment

The ICB will manage risks to fraud in accordance with the ICB Anti-Fraud, Bribery and Corruption Policy and Response Plan. This includes the requirement to carry out comprehensive risk assessments to identify fraud, bribery and corruption risks, and have adequate counter fraud provision in place.

The ICB will work in conjunction with Mersey Internal Audit Agency (MIAA) to ensure all necessary action is taken to comply with the NHS Counter Fraud Authority's counter fraud standards.

11. Risk appetite and tolerance

Risk appetite is the level, amount or degree of risk that an organisation is willing to tolerate in order to meet their objectives. The ICB utilises the Good Governance Institute (GGI) matrix for risk appetite (Appendix B).

12. Risk registers

A risk register is a tool used by the ICB to effectively capture, manage and escalate those risks which have been identified and may prevent the delivery of the ICB Strategic Objectives and delivery plans. The ICB holds two key registers which are:

- Board Assurance Framework

- Corporate Risk Register

12.1 Board Assurance Framework

The BAF is an integral part of the ICB's system of internal control which records significant principal risks that could impact on the achievement of the ICB's strategic objectives.

It summarises the sources of control that are in place or are planned to mitigate against the risks. Gaps are identified where key controls and assurances are not robust and actions to address these are implemented.

The BAF will support the board monitor progress against delivery of the ICB's strategic objectives, with a focus on key risks and opportunities, in each of the areas below:

Tiers of responsibility	Description
Level 1	The responsibilities of the ICB as a statutory body
Level 2	The role of the ICB for NHS system oversight
Level 3	The role of the ICB as a system partner to support integration

12.1.1 Monitoring and reporting

- The BAF will hold the significant, principal risks and key opportunities to support the achievement of the ICB's strategic objectives. Each risk identified will have an executive director assigned as the risk owner.

- The BAF will be reviewed and updated by the relevant executive director and presented to the board on a quarterly basis. Prior to presentation at the board it will be presented and discussed at the ICB executive team meeting.

- The BAF will be presented to the Audit Committee at each meeting for scrutiny of the process and assurances.

12.2 Corporate Risk Register

The Corporate Risk Register captures operational risks which are identified during the day-to-day running of the ICB and may include a broad spectrum of risks e.g. financial (including fraud), legal, regulatory quality, reputational, service/business plan delivery.

12.2.1 Monitoring and reporting

- The CRR will be reviewed, monitored, challenged and reported at the appropriate committee in accordance with table 1.

- The corporate risk manager will ensure that all risks are managed in accordance with their review date

- Risks relevant to each of the committees of the board will be presented to the specific committee, in accordance with their review date for scrutiny. The relevant group/committee will seek assurance that the controls are effectively controlling the risk and assurance is acceptable.

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- The CRR will be presented to the Audit Committee for scrutiny of the process and assurances every quarter. Where the committee feels more evidence is required the Chair will request a more detailed report.

13. Implementation and distribution

The Risk Management Strategy and Policy will be available via the ICB's website and intranet following approval.

14. Training

Training to ensure competency at all levels is recognised as one of the most cost-effective controls for good risk management.

Training will be made available based on the need of individual roles as appropriate. The corporate team will provide support to all staff in the management of risk.

15. Monitoring and review

This policy will be reviewed annually unless an earlier review is required. This will be led by the ICB head of corporate business and supported by the corporate risk manager. The board will approve the ICB Risk Management Strategy and Policy on recommendation from the Audit Committee.

Independent assurances will be sought when required, through internal audit arrangements, to assess the effectiveness of the ICB's risk management arrangements and adherence to this strategy.

16. Links to other strategies and policies

- Lancashire and South Cumbria Integrated Care Board Anti-Fraud, Bribery and Corruption Policy and Response Plan (September 2022)

17. References

National Guidance on Quality Risk Response and Escalation in Integrated Care Systems; National Quality Board (June 2022)

NHS England Guidance on System Quality Risk Management (awaited)

The Orange Book Management of Risk – Principles and Concepts; HM Government (2020)

Board Guidance on Risk Appetite; Good Governance Institute (May 2020)

Integrated Care System Design Framework; NHS England (June 2021)

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Appendix A

Risk Matrix

Quantitative Measure of Risk – Consequence Score

	Consequence score (severity levels) and examples of descriptors				
	1	2	3	4	5
Domains	**Negligible**	**Minor**	**Moderate**	**Major**	**Catastrophic**
Impact on the safety of patients, staff or public (physical/psychological harm)	Minimal injury requiring no/minimal intervention or treatment. No time off work	Minor injury or illness, requiring minor intervention Requiring time off work for >3 days Increase in length of hospital stay by 1-3 days	Moderate injury requiring professional intervention Requiring time off work for 4-14 days Increase in length of hospital stay by 4-15 days RIDDOR/agency reportable incident An event which impacts on a small number of patients	Major injury leading to long-term incapacity/disability Requiring time off work for >14 days Increase in length of hospital stay by >15 days Mismanagement of patient care with long-term effects	Incident leading to death Multiple permanent injuries or irreversible health effects An event which impacts on a large number of patients
Quality/complaints/audit	Peripheral element of treatment or service suboptimal Informal complaint/inquiry	Overall treatment or service suboptimal Formal complaint (stage 1) Local resolution Single failure to meet internal standards Minor implications for patient safety if unresolved Reduced performance rating if unresolved	Treatment or service has significantly reduced effectiveness Formal complaint (stage 2) complaint Local resolution (with potential to go to independent review) Repeated failure to meet internal standards Major patient safety implications if findings are not acted on	Non-compliance with national standards with significant risk to patients if unresolved Multiple complaints/ independent review Low performance rating Critical report	Totally unacceptable level or quality of treatment/service Gross failure of patient safety if findings not acted on Inquest/ombudsman inquiry Gross failure to meet national standards
Human resources/ organisational development/staffing/ competence	Short-term low staffing level that temporarily reduces service quality (< 1 day)	Low staffing level that reduces the service quality	Late delivery of key objective/ service due to lack of staff Unsafe staffing level or competence (>1 day) Low staff morale	Uncertain delivery of key objective/service due to lack of staff Unsafe staffing level or competence (>5 days) Loss of key staff	Non-delivery of key objective/service due to lack of staff Ongoing unsafe staffing levels or competence Loss of several key staff

			Poor staff attendance for mandatory/key training	Very low staff morale No staff attending mandatory/ key training	No staff attending mandatory training /key training on an ongoing basis

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Statutory duty/ inspections	No or minimal impact or breech of guidance/ statutory duty	Breech of statutory legislation Reduced performance rating if unresolved	Single breech in statutory duty Challenging external recommendations/ improvement notice	Enforcement action Multiple breeches in statutory duty Improvement notices Low performance rating Critical report	Multiple breeches in statutory duty Prosecution Complete systems change required Zero performance rating Severely critical report
Adverse publicity/ reputation	Rumours Potential for public concern	Local media coverage – short-term reduction in public confidence Elements of public expectation not being met	Local media coverage – long-term reduction in public confidence	National media coverage with <3 days service well below reasonable public expectation	National media coverage with >3 days service well below reasonable public expectation. MP concerned (questions in the House) Total loss of public confidence
Business objectives/ projects	Insignificant cost increase/ schedule slippage	<5 per cent over project budget Schedule slippage	5–10 per cent over project budget Schedule slippage	Non-compliance with national 10–25 per cent over project budget Schedule slippage Key objectives not met	Incident leading >25 per cent over project budget Schedule slippage Key objectives not met
Finance including claims	Small loss Risk of claim remote	Loss of 0.1–0.25 per cent of budget Claim less than £10,000	Loss of 0.25–0.5 per cent of budget Claim(s) between £10,000 and £100,000	Uncertain delivery of key objective/Loss of 0.5–1.0 per cent of budget Claim(s) between £100,000 and £1 million Purchasers failing to pay on time	Non-delivery of key objective/ Loss of >1 per cent of budget Failure to meet specification/ slippage Loss of contract / payment by results Claim(s) >£1 million
Service/business interruption Environmental impact	Loss/interruption of >1 hour Minimal or no impact on the environment	Loss/interruption of >8 hours Minor impact on environment	Loss/interruption of >1 day Moderate impact on environment	Loss/interruption of >1 week Major impact on environment	Permanent loss of service or facility Catastrophic impact on environment

Qualitative measure of risk – Likelihood score

Likelihood score	**1**	**2**	**3**	**4**	**5**
Descriptor	**Rare**	**Unlikely**	**Possible**	**Likely**	**Almost certain**
Frequency How often might it/does it happen	This will probably never happen/recur	Do not expect it to happen/recur but it is possible it may do so	Might happen or recur occasionally	Will probably happen/recur but it is not a persisting issue	Will undoubtedly happen/recur, possibly frequently

Quantification of the Risk – Risk score

	Likelihood				
Consequence	**1**	**2**	**3**	**4**	**5**
	Rare	**Unlikely**	**Possible**	**Likely**	**Almost certain**
5 Catastrophic	5	10	15	20	25
4 Major	4	8	12	16	20
3 Moderate	3	6	9	12	15
2 Minor	2	4	6	8	10
1 Negligible	1	2	3	4	5

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Good Governance Institute

Applying risk appetite matrix

RISK APPETITE LEVEL ▶ / RISK TYPES ▼	0 NONE Avoidance of risk is a key organisational objective.	1 MINIMAL Preference for very safe delivery options that have a low degree of inherent risk and only a limited reward potential.	2 CAUTIOUS Preference for safe delivery options that have a low degree of residual risk and only a limited reward potential.	3 OPEN Willing to consider all potential delivery options and choose while also providing an acceptable level of reward.	4 SEEK Eager to be innovative and to choose options offering higher business rewards (despite greater inherent risk).	5 SIGNIFICANT Confident in setting high levels of risk appetite because controls, forward scanning and responsive systems are robust.
FINANCIAL **How will we use our resources?**	We have no appetite for decisions or actions that may result in financial loss.	We are only willing to accept the possibility of very limited financial risk.	We are prepared to accept the possibility of limited financial risk. However, VFM is our primary concern.	We are prepared to accept some financial risk as long as appropriate controls are in place. We have a holistic understanding of VFM with price not the overriding factor.	We will invest for the best possible return and accept the possibility of increased financial risk.	We will consistently invest for the best possible return for stakeholders, recognising that the potential for substantial gain outweighs inherent risks.
REGULATORY **How will we be perceived by our regulator?**	We have no appetite for decisions that may compromise compliance with statutory, regulatory of policy requirements.	We will avoid any decisions that may result in heightened regulatory challenge unless absolutely essential.	We are prepared to accept the possibility of limited regulatory challenge. We would seek to understand where similar actions had been successful elsewhere before taking any decision.	We are prepared to accept the possibility of some regulatory challenge as long as we can be reasonably confident we would be able to challenge this successfully.	We are willing to take decisions that will likely result in regulatory intervention if we can justify these and where the potential benefits outweigh the risks.	We are comfortable challenging regulatory practice. We have a significant appetite for challenging the status quo in order to improve outcomes for stakeholders.
QUALITY **How will we deliver safe services?**	We have no appetite for decisions that may have an uncertain impact on quality outcomes.	We will avoid anything that may impact on quality outcomes unless absolutely essential. We will avoid innovation unless established and proven to be effective in a variety of settings.	Our preference is for risk avoidance. However, if necessary we will take decisions on quality where there is a low degree of inherent risk and the possibility of improved outcomes, and appropriate controls are in place.	We are prepared to accept the possibility of a short-term impact on quality outcomes with potential for longer-term rewards. We support innovation.	We will pursue innovation wherever appropriate. We are willing to take decisions on quality where there may be higher inherent risks but the potential for significant longer-term gains.	We seek to lead the way and will prioritize new innovations, even in emerging fields. We consistently challenge current working practices in order to drive quality improvement.
REPUTATIONAL **How will we be perceived by the public and our partners?**	We have no appetite for decisions that could lead to additional scrutiny or attention on the organisation.	Our appetite for risk taking is limited to those events where there is no chance of significant repercussions.	We are prepared to accept the possibility of limited reputational risk if appropriate controls are in place to limit any fallout.	We are prepared to accept the possibility of some reputational risk as long as there is the potential for improved outcomes for our stakeholders.	We are willing to take decisions that are likely to bring scrutiny of the organisation. We outwardly promote new ideas and innovations where potential benefits outweigh the risks.	We are comfortable to take decisions that may expose the organisation to significant scrutiny or criticism as long as there is a commensurate opportunity for improved outcomes for our stakeholders.
PEOPLE **How will we be perceived by the public and our partners?**	We have no appetite for decisions that could have a negative impact on our workforce development, recruitment and retention. Sustainability is our primary interest.	We will avoid all risks relating to our workforce unless absolutely essential. Innovative approaches to workforce recruitment and retention are not a priority and will only be adopted if established and proven to be effective elsewhere.	We are prepared to take limited risks with regards to our workforce. Where attempting to innovate, we would seek to understand where similar actions had been successful elsewhere before taking any decision.	We are prepared to accept the possibility of some workforce risk, as a direct result from innovation as long as there is the potential for improved recruitment and retention, and developmental opportunities for staff.	We will pursue workforce innovation. We are willing to take risks which may have implications for our workforce but could improve the skills and capabilities of our staff. We recognize that innovation is likely to be disruptive in the short term but with the possibility of long term gains.	We seek to lead the way in terms of workforce innovation. We accept that innovation can be disruptive and are happy to use it as a catalyst to drive a positive chan.

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