NHS
The Leeds Teaching Hospitals NHS Trust

The Leeds Teaching Hospitals NHS Trust

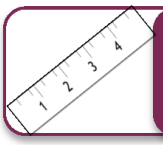
Risk Appetite

Fourth Edition

May 2026

Risk Vision & Strategy
Our vision for risk management and what we need to do to achieve it

The Leeds Way
The values and behaviours that shape our risk decisions



Risk Appetite
How much risk we can take in order to deliver 'Our Strategy'

Policy & Governance
How we organise ourselves, make decisions and take approveds

Risk Assessment & Control
How we understand our risks and limit undesirable outcomes occurring

Incident Management
How we respond when things go wrong and stop the same things happening again

Monitoring & Assurance
How we check that controls are working and highlight when risks require attention

Contents

Foreword

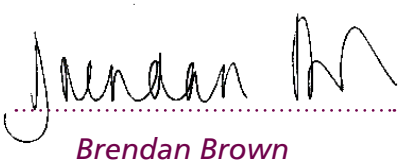
The Leeds Teaching Hospitals NHS Trust provides health and care services for a diverse community across the city of Leeds and delivers highly specialised services for the Yorkshire and Humber region, as well as at a national and international level. We recognise that disciplined risk management is fundamental to the safety of our patients and the wellbeing of our workforce.

Our Risk Management Framework ensures a proactive approach to risk, which is integral to delivering our strategy. By embedding these practices, we aim to protect our patients from avoidable harm, safeguard the Trust from unplanned financial pressures, build greater resilience against operational challenges, and respond to the expectations of our stakeholders and regulators.

The Board and our assurance Committees are fully engaged with this framework, using it routinely to inform our reporting and underpin our decision-making processes. To support this, the Board has established clear risk appetite statements, which are reviewed through our Committee structure. We strive to operate within these defined tolerances, seeking assurance on mitigating and monitoring those risks that fall outside the defined risk appetite limits.

Our Risk Management Framework will remain dynamic, evolving to reflect the strategic goals and priorities set by the Board in collaboration with our senior leaders, colleagues and stakeholders.

Antony Kildare
Trust Chair



Brendan Brown
Chief Executive

SECTION 1: Our Risk Management Framework

Framework Summary

The Risk Management Framework explains how processes fit together to create a consistent and effective way of managing risk across the Trust. The key elements of risk management encompass the activities relating to risk identification, assessment, control, monitoring and reporting of risk. These have been set out in **Appendix A (I)** and each component has been summarised below:

- **Risk Vision and Strategy –** How we articulate the Trust's risk management priorities and how it is aligned to the Trust's strategy.
- **The Leeds Way –** How our risk decisions are shaped by the Leeds Way.
- **Risk Appetite –** The level of risk which the Trust aims to operate
- **Policy and Governance –** How we organise ourselves, make decisions and take approved risks.
- **Risk assessment and control –** How we understand our risks and limit undesirable outcomes from occurring.
- **Incident Management –** How we respond when things go wrong, how we learn and stop the same things happening again.
- **Monitoring and assurance –** How we check that controls are working and highlight when risks require attention.

Common Risk Language

The Trust has defined five Risk Types (known as Level 1 Risk Types). These are the principal risks which arise from the nature of the Trust's operating environment. The Trust has also defined 24 Risk Categories (known as Level 2 Risk Categories), each aligned to one of the five Risk Types. These were determined through aligning the specific risks contained within the Trust's corporate risk register to a broader Risk Category.

Appendix A (II) sets out the list of the agreed Risk Types and Risk Categories.

Appendix A (V) provides the definitions for each Level 2 Risk Category.

When describing a risk within reports, the information that is being presented will describe whether the risk is within the defined appetite or out of the defined risk appetite.

Risk Types

Definitions for each of the five Level 1 Risk Types are set out below:

- **Workforce Risk -** The risk of unsafe or ineffective patient care resulting from inadequate systems and processes associated with the Trust's workforce supply, skills & capacity, performance and retention, within an appropriate culture.
- **Operational Risk -** The risk of direct or indirect loss resulting from inadequate or failed internal processes and systems or from external events.
- **Clinical Risk -** The risk of poor patient experience and outcomes resulting from inadequate systems and processes associated with the Trust's capacity planning, infection prevention & control, patient experience, patient safety & outcomes and research & development.
- **Financial Risk -** The risk of direct or indirect loss resulting from inadequate systems and processes to the Trust's management of its finances, financial reporting, funding and cash management.
- **External Risk -** The risk of direct or indirect loss as a result of a failure to comply with regulation, operate within the Law and deliver on our partnership obligations.

Risk Category Executive Owners

As part of the work to define and agree a set of Level 1 Risk Types and Level 2 Risk Categories, accountabilities for the management and oversight for these relevant risk categories has been agreed. We have worked with the Executive Team to agree a set of broad, consistent accountabilities for each Risk Category Executive Owner.

Appendix A (IV) sets out under each relevant Executive Team member those risk categories for which they have an enterprise-wide accountability for the Risk Category.

SECTION 2: Our Risk Appetite

Background

The development of Risk Appetite in the public sector requires a different approach to that approach by the private sector. This is driven by the priority to provide safe treatment and care to patients, improve experience and outcomes. The measures of successful outcomes are broader and may not be financially focused.

The Trust's Standing Orders state that the Board must approve the Trust's overarching Risk Strategy. The setting of Risk Appetite is a key tool in communicating the Board's assessment of the nature and extent of the principal risks that the Trust is exposed to and is willing to take to achieve its objectives.

Why is Risk Appetite important?

Risk Appetite provides a framework which enables the Trust to make informed planning and management decisions. By defining Risk Appetite, the Trust will be able to clearly set the optimal position in pursuit of its strategy and vision. The benefits of adopting a Risk Appetite include:

- Supporting informed decision-making;
- Reducing uncertainty;
- Improving consistency across governance mechanisms and decision making;
- Supporting performance improvement;
- Focusing on priority areas within the Trust;
- Informing spending review and resource prioritisation processes.

Since budgetary constraints may prevent achievement of Risk Appetite (at least in the short-term), the defining of a Risk Tolerance enables the Trust to clearly set an acceptable position in pursuit of its strategy and vision.

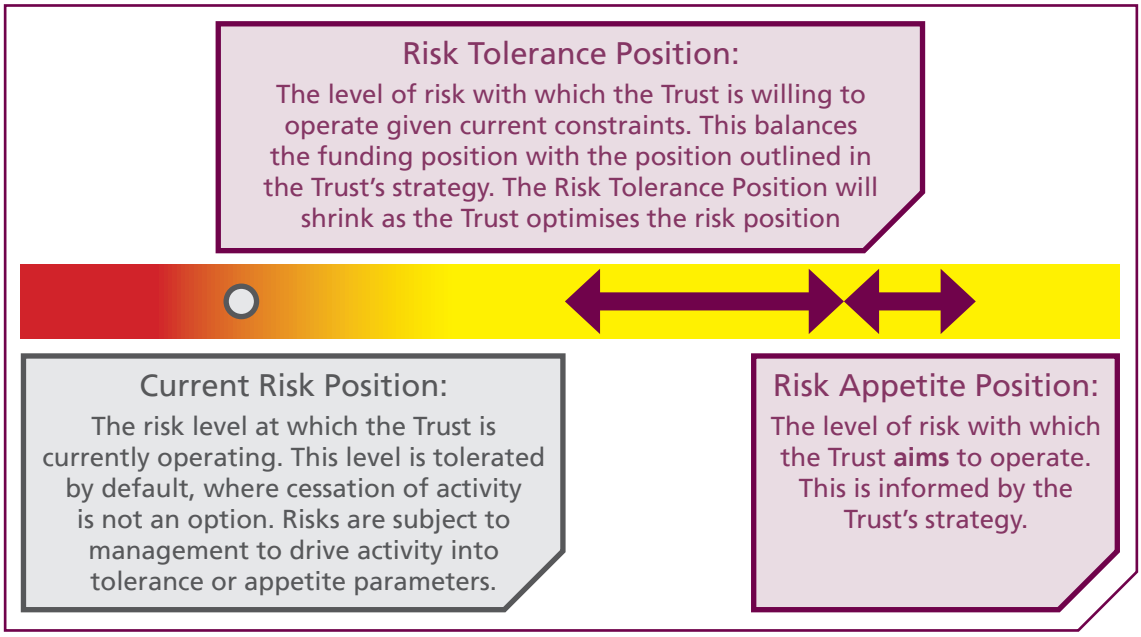
Definitions

The Trust has adapted definitions for Risk Appetite and Risk Tolerance from the 'Orange Book – Risk Appetite guidance note', Government Finance Function (October 2020), which are stated below:

Risk Appetite: the level of risk with which the Trust **aims** to operate.

Risk Tolerance: the level of risk with which the Trust is **willing** to operate.

The diagram below demonstrates the interaction between these two concepts:



Source: The Orange Book - Risk Appetite Guidance, Government Finance Function (October 2020)

Risk Appetite Setting

The Board has agreed certain operating principles around which a set of Risk Appetite statements have been established. These Risk Appetite Statements will:

- **Be outcome-based and support decision making -** Risk Appetite Statements recognise that it is not possible, and not financially affordable, to remove all uncertainty from a decision. However, Risk Appetite Statements will be used to prioritise and allocate resources where they are most needed to support the management of risks to achieving objectives.
- **Be aligned to our common risk language -** Risk Appetite Statements have been set out to describe the Trust's attitude, at a point in time, to accepting risk in each of our Level 1 Risk Types and Level 2 Risk Categories. These statements include a Risk Appetite and tolerance position within their descriptions.
- **Follow an iterative approach -** Risk Appetite Statements have been developed iteratively with the Board, Executive Team, specialist risk functions from across the Trust and an external risk consultant. Senior-level buy-in has been achieved through holding facilitated sessions and ensuring that all statements have been approved by relevant Executive Team members and the Board.

- **Comply with our Risk Management Framework -** Risk Appetite Statements have been developed to reflect the context in which the Trust is currently operating. Any significant changes to this context would require them to be reviewed. These are reviewed annually by the Board.
- **Use a consistent set of definitions that describe our appetite -** Risk Appetite Statements have been set out with reference to a five-point scale, with descriptors for each Level 1 Risk Type. This five-point scale demonstrates and reinforces a range of Risk Appetite and Tolerance levels applicable for each individual Risk Type.

Risk Appetite Scales

Based upon Risk Appetite guidance provided within the 'Orange Book' and following agreement with the Board the following Risk Appetite scales that broadly show the different appetites an organisation could have to meet its strategic objectives. See **Appendix A (VII)**:

1. **Averse -** Avoidance of risk and uncertainty is key objective.
2. **Minimal -** Preference for safe options that have a low degree of inherent risk.
3. **Cautious -** Preference for safe options that have a low degree of residual risk.
4. **Open -** Willing to consider all options and choose one that is most likely to result in successful delivery.
5. **Eager -** Willing to be innovative and to choose options that suspend previous held assumptions and accept greater uncertainty.

Appetite Levels by Risk Category

The Trust has developed its Risk Appetite with the Board, its Committees, Executive Team, specialist risk functions from across the Trust and an external risk consultant. The Trust has used this approach since 2021.

The Trust has set out the Risk Appetite level for each Risk Type in **Appendix A (VII)**. While the matrix adopts the five-point scale for all Risk Types the definition of what constitutes an 'averse' Risk Appetite will differ across Risk Types.

2026 Risk Appetite Statements by Risk Category

a) Workforce Risk

Workforce People? Risk is 'the risk of unsafe or ineffective patient care resulting from inadequate systems and processes associated with the Trust's workforce supply, skills and capacity, performance and retention, within an appropriate culture'.

The Trust's appetite for workforce risk is **cautious**. Our workforce decisions are heavily scrutinised by NHS England, Regulators and the Media. We will accept only limited risks if by taking them they could lead to improvements to patient care and outcomes within the Trust, but we will not accept such risks where this is not the case.

Workforce Risk	Statement	Risk Appetite Scale
Workforce Supply Risk	We will deliver safe and effective patient care through having adequate systems and processes in place to ensure the Trust has access to appropriate levels of workforce supply.	**Cautious**
Workforce Deployment Risk	We will deliver safe and effective patient care through the deployment of resources with the right mix of skills and capacity to do what is required.	**Cautious**
Workforce Retention Risk	We will deliver safe and effective patient care, through providing a supportive culture, training development and health and wellbeing of our staff to retain the appropriate level of resource to continue to meet the patient demand for our clinical services.	**Cautious**
Workforce Performance Risk	We will deliver safe and effective patient care through having the right systems and processes in place to manage performance of our workforce.	**Cautious**

b) Operational Risk

Operational Risk is 'the risk of direct or indirect loss resulting from inadequate or failed internal processes and systems or from external events'.

The Trust's appetite for operational risk is **cautious**. The management of our operational risks requires our ongoing commitment to meet minimum good practice standards across applicable risk management disciplines, such as information governance. Capabilities that require upgrades should be prioritised as part of the Trust's change agenda. We will not accept operational risks that could directly impact upon the safe and effective delivery of patient services.

Operational Risk	Statement	Risk Appetite Scale
Business Continuity Risk	We will develop and maintain stable and resilient services, operating to consistently high levels of performance.	**Cautious**
Health & Safety Risk	We will protect the health and wellbeing of our patients and workforce by delivering services in line with or in excess of minimum health & safety laws and guidelines.	**Minimal**
Information Governance Risk	We will appropriately manage information management risk through the collection, transmission, storage, management and maintenance of information. As a minimum we will meet data protection and healthcare information governance requirements.	**Cautious**
Information Security Risk	We will ensure the confidentiality, integrity and availability of information, and it's appropriate and legitimate use.	**Cautious**
Information Technology Risk	We will develop and maintain stable, secure and resilient services, operating to consistently high levels of performance.	**Cautious**
Physical Assets Risk	We will optimise patient and workforce experience through effective management of our medical equipment and devices, IT equipment, as well as our buildings and estates.	**Cautious**

c) Clinical Risk

Clinical Risk is 'the risk of poor patient experience and outcomes resulting from inadequate systems and processes associated with the Trust's capacity planning, infection prevention and control, patient experience, patient safety & outcomes and research & development'.

The Trust's appetite for clinical risk is **minimal**. Our clinical decisions are heavily scrutinised and monitored by NHS England, Regulators, patients and the media. We will accept only very limited clinical risks if it is essential to patient care and outcomes, aims to optimise patient experience and capacity demand for elective and non-elective admissions and ensure the lowest possible levels of infection and transmission within our hospitals. We will not accept any risks that may threaten our standing with our Regulators and the public.

Clinical Risk	Statement	Risk Appetite Scale
Capacity Planning Risk	We will ensure that capacity is planned to meet the demand for elective and non-elective (acute) admissions to our hospitals, managing this risk to provide safe treatment and care to our patients.	**Cautious**
Infection Prevention & Control Risk	We will manage the risks related to infection prevention and control to reduce the transmission of infection in our hospitals.	**Minimal**
Patient Experience Risk	We will comply with or exceed minimum patient experience targets.	**Minimal**
Patient Safety & Outcomes Risk	We will provide high quality services to patients and manage risks that could limit the ability to achieve safe and effective care for our patients.	**Minimal**
Research, Innovation & Development Risk	We will deliver, as a minimum the agreed research and innovation priorities with health, social care, voluntary, education and private sectors.	**Open**

Whilst the Trust has assessed its risk appetite for certain clinical risk categories as 'minimal' overall, these categories may contain appetite differences between those constitutional standards that make up the category. These lower-level differences will not be set out in this document but may be referenced at the discretion of the Chair of the Risk Management Committee.

d) Financial Risk

Financial Risk is 'the risk of direct or indirect loss resulting from inadequate systems and processes to the Trust's management of its finances, financial reporting, funding and cash management'.

The Trust's appetite for financial risk is **cautious**. Our financial decisions are heavily scrutinised, with value for money and patient care and outcomes being a key factor in decision making. We will accept risks that may result in limited financial impacts or losses on the basis that there may be upside opportunities with the safe and effective delivery of patient care and outcomes, but we will not accept risks that may lead to material variances to forecast, reporting misstatements or unplanned overspend against our agreed revenue control target. We also adopt a zero-tolerance approach to fraud.

Financial Risk	Statement	Risk Appetite Scale
Counter-Fraud Risk	We will adopt a zero-tolerance approach to fraud through the maintenance of an anti-fraud culture, investigating all reported instances of fraud and following disciplinary and criminal proceedings.	**Averse**
Financial Management & Waste Reduction Risk	We will deliver sound financial management and reporting for the Trust whilst seeking to deliver against Waste Reduction targets but always with a focus on maintaining and enhancing patient safety.	**Cautious**
Financial Reporting Risk	We will deliver sound financial management and reporting for the Trust with no material misstatements or variances to forecast. Any variance too forecast that materialises will be well signalled and socialised with key stakeholders.	**Minimal**
Revenue Funding & Cash Management Risk	We regard less than 10 days operating cash as a trigger for enhances risk management and will at least retain a minimum balance of £3m in line with the requirements of a Trust of our size.	**Cautious**
Supply Chain Risk	Given on going global events and changing macro environments we will proactively manage suppliers in a manner that protects the Trust's interests and services to our patients taking into account supply chain risk business continuity.	**Cautious**

e) External Risk

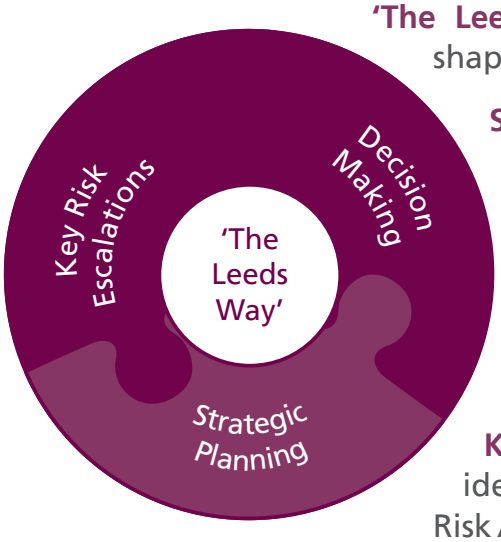
External Risk is 'the risk of direct or indirect loss as a result of a failure to comply with regulation, operate within the law and deliver on our partnership obligations'.

The Trust's appetite for external risk is **averse**. Given that the Trust is only able to deliver safe and effective patient care and outcomes with the support of the Regulator, we have zero appetite for any management decisions that present risks to the Trust maintaining its CQC registration, compliance with the law and any risks that may cause an adverse impact to the reputation of the Trust or wider NHS.

External Risk	Statement	Risk Appetite Scale
Legal & Governance Risk	We will operate the Trust in compliance with the Law and UK Corporate Governance Code, where applicable.	**Averse**
Partnership Working Risk	We will maintain well-established stakeholder partnerships which will mitigate the threats to the achievement of the organisation's strategic goals.	**Open**
Regulatory Risk	We will comply with or exceed all regulations, retain its CQC registration and always operate within the law.	**Averse**
Strategic Planning Risk	We will deliver Our Vision "to be the best for specialist and integrated care" through the delivery of a set of Strategic Goals and operating in line with Our Values.	**Cautious**

SECTION 3: Applying Risk Appetite

The Trust aims to embed its approach to Risk Appetite into day-to-day management, decision-making, strategic planning and the provision of assurance to the Board and its Committees.. Key processes, where it is important for Risk Appetite considerations to be taken into account, are as follows:



'The Leeds Way' - Our risk decisions should be shaped by 'The Leeds Way' values.

Strategic Planning - Risk Appetite must be considered as part of the strategic planning.

Decision Making - Staff decision making as well as Committee proposals should consider their impact upon the Trust's risk profile and Risk Appetite adherence.

Key Risk Escalations - Where risks are identified that do not adhere to the Trust's Risk Appetite, these instances must be escalated.

Strategic Planning

It is important that risk management and Risk Appetite considerations are properly reviewed as part of the strategy setting process. If a review of the Trust's strategic risks is not properly undertaken, financial and non-financial risks resources to mitigate these risks may not be allocated, leading to unacceptable clinical risks and adverse patient outcomes.

The mitigation of such risk exposures, part way through the strategic planning cycle could be more difficult to achieve, compared to if risk remediation plans are agreed and funded at the outset. Therefore, we will ensure that Executive Directors, accountable for the management and oversight of each Risk Category, continue to be involved with the development of the Trust's strategy.

The Board Assurance Framework (BAF), which sets out the longer-term strategic risks that impact on the Trust's goals and the associated assurances. The risks associated with the delivery of the Trust's strategic vision are identified and these are linked to the Trust's long-term goals. These are used to inform the development of the BAF, which considers the context of the risk categories and risk appetite statements and alongside the high-level risks set out in the Corporate Risk Register (CRR).

The BAF is aligned with the applicable risk category and risk appetite scale. Strategic issues discussed at the Board and its Committees will be cross-referenced to the BAF and the controls and assurances updated where required.

Our Risk Management Framework will continue to be reviewed and adapted to reflect the refreshed strategic goals and priorities agreed by the Board in conjunction with our senior leaders and staff.

Decision Making

The Trust's Risk Appetite approach enables staff to understand the level of risk the Trust is willing to take to achieve its objectives, as set by the Board. This will manifest itself in the day- to-day decisions that staff take, and support compliance with policies that are required to ensure risks are managed.

Risk management assurances and decisions are also taken by the Trust's Board and its Committees. The Board receives summary reports at each formal meeting to inform them of the most significant risks, the nature of controls and action plans. The Audit Committee scrutinises assurances related to the risk management system and overarching framework to ensure it remains fit for purpose and, at the Committee's discretion, will examine assurances on the operation of controls for all significant risk exposures or any other risk of interest to the Committee.

As part of the Committee and Board report template, the author is requested to set out any implications that the proposal has on the Trust's risk profile, cross-referencing this to the Risk Categories that are set out in **Appendix A (III)**.

Guidance for this section has been provided below:

1. This section should explain where the proposal sits in relation to the Trust's Risk Appetite and specifically include any risks, or potential risks in relation to the recommendation or information or state that there is no such impact. In particular, consider:
   - Whether the proposal is within the existing Risk Appetite? If not, how the change has been justified.
   - Whether the internal or external environment is conducive to taking risks associated with the proposal and whether the appropriate risk capability exists to manage this.
   - What the key risk (including Workforce, Operational, Clinical, finance and external) considerations are.
2. An explanation of any impacts the proposal may have in relation to any legal and/or regulatory requirements should also be included, such as adherence to constitutional standards.

Key Risk Escalations

As set out within the Risk Management Policy, the Trust has a Risk Management Process that has been implemented and embedded across the CSUs and Corporate Functions, as follows:

Determine Objectives - It is essential to be clear about objectives for each service. Priorities will be determined by Board and expressed through CSU, Corporate Functions, service and personal objectives.

Identify Risk - Risk identification involves the anticipation of failure and is based upon the consideration of strengths, weaknesses, opportunities or threats.

Assess Risk - The magnitude of the risk will be assessed by multiplying the impact by the likelihood of the risk occurring. The risk scoring matrix is provided in Appendix A (VI).

Respond to the Risk - There are different options for responding to a risk. These options are referred to as risk treatment: Modify; Accept; Avoid; Transfer; Seek; and Treatment.

Reporting Risk - Key outputs of the risk management process will be reported through a number of governance committees and meetings.

Review Risk - CSUs and Corporate Functions review risk at a frequency that is commensurate with the residual risk.

The Risk Register is maintained by CSUs and Corporate Functions on DatixWeb, which provides a mechanism for recording details of each risk within a database so that risk records can be analysed and facilitate effective oversight of risk management at all levels within the Trust.

Key Risks:

Key outputs from the Risk Management Process will be reported to relevant Committees depending on the residual risk scores, as follows:

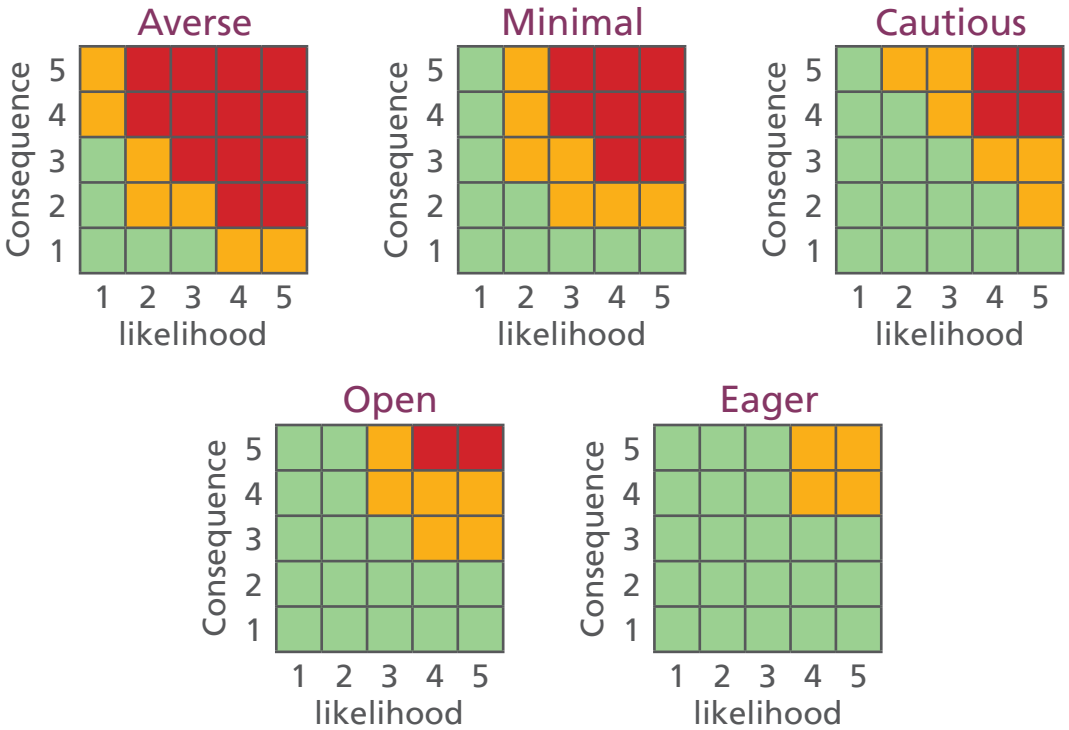
- >15 – Board;
- >10 – CSU and Risk Management Committee; and
- >8 – Specialty/CSU Governance meeting/ward/departmental management.

The risk score is an indication of the effectiveness of controls and mitigating actions that are being taken to reach the target score that has been agreed, based on the 5x5 likelihood and impact matrix. The risk score is not be the only determining factor in escalation, this will also take into account the risk appetite and tolerance when discussing risks at the Risk Management Committee and Board Committees. The Board receives the Corporate Risk Register (CRR) at each meeting with a summary report setting out the key changes for that period, including risks that have been added to the CRR and emerging risks that have been identified.

Risk Appetite Breaches:

Appendix A (VII) sets out the appetite definitions for each Risk Type. While the matrix adopts the five-point scale for all Risk Types the definition of what constitutes an 'averse' Risk Appetite will differ across Risk Types. Each appetite definition by Risk Category has also been aligned to the applicable residual risk score range, as per the Risk Scoring Matrix.

Illustrative Risk Appetite matrices have been set out below to show residual risk scores for the Risk Appetite scale, within Risk Appetite (Green), within Risk Tolerance (Amber) and outside of Risk Appetite and Tolerance (Red).



Risk Appetite Scale	Appetite (by Residual Risk Score)	Tolerance (By Residual Risk Score)
Averse	1 - 3	4 - 6
Minimal	1 - 5	6 - 10
Cautious	1 - 8	9 - 15
Open	1 - 10	12 - 20
Eager	1 - 15	16 - 25

Appetite Statement and/or is not within the score indicated above as within Risk Tolerance, the risk will be reviewed by the Risk Management Committee, in line with the work programme. The Committee will review the risk to validate that the residual risk has been assessed appropriately and if so, the risk owner will consider the adequacy and effectiveness of controls and other mitigating actions to reduce the residual risk with an aim for this to be at least within Risk Tolerance, where this is possible.

A summary of the Trust's Risk Appetite position related to the significant risks described on the Trust's Corporate Risk Register will be provided to the Board through the Chief Executive's with a summary from Risk Management Committee, supported by the CRR.

Future Developments

The Trust's risk appetite comprises a series of qualitative statements that are reviewed by the Board annually. Committee and Board papers require authors to determine the impact of their proposals upon the Trust's risk appetite, the process to determine the extent to which the Trust continues to operate within its risk appetite is based on judgement and also established quality, safety and performance metrics. Committee Chairs and risk category Executive owners are asked to seek assurance on the measures being used to inform the risk appetite statements and to include a summary in the Committee's annual report, to inform the Trust's annual governance statement and support the Audit Committee assurance of the work and function of Board Committees.

The effective management of risk is becoming both more complex and more important as we move into working across health and care systems. Provider Boards will need to be well sighted on system-wide risk, risks accruing from place-based and other collaborations and co-operative ventures in addition to managing risk within their own organisations.

Whilst it has always been the case that changes within a nearby provider presented both risk and opportunities, now the opportunity to work in collaboration and plan together the right set of circumstances to maximise opportunities collectively and to minimise the likelihood and impact of risks. However, system working will also mean increased complexity. It will make it more difficult for Boards to be sufficiently well sighted on all of the

ventures in which they are involved to be confident that they have adequate assurances of the right quality.

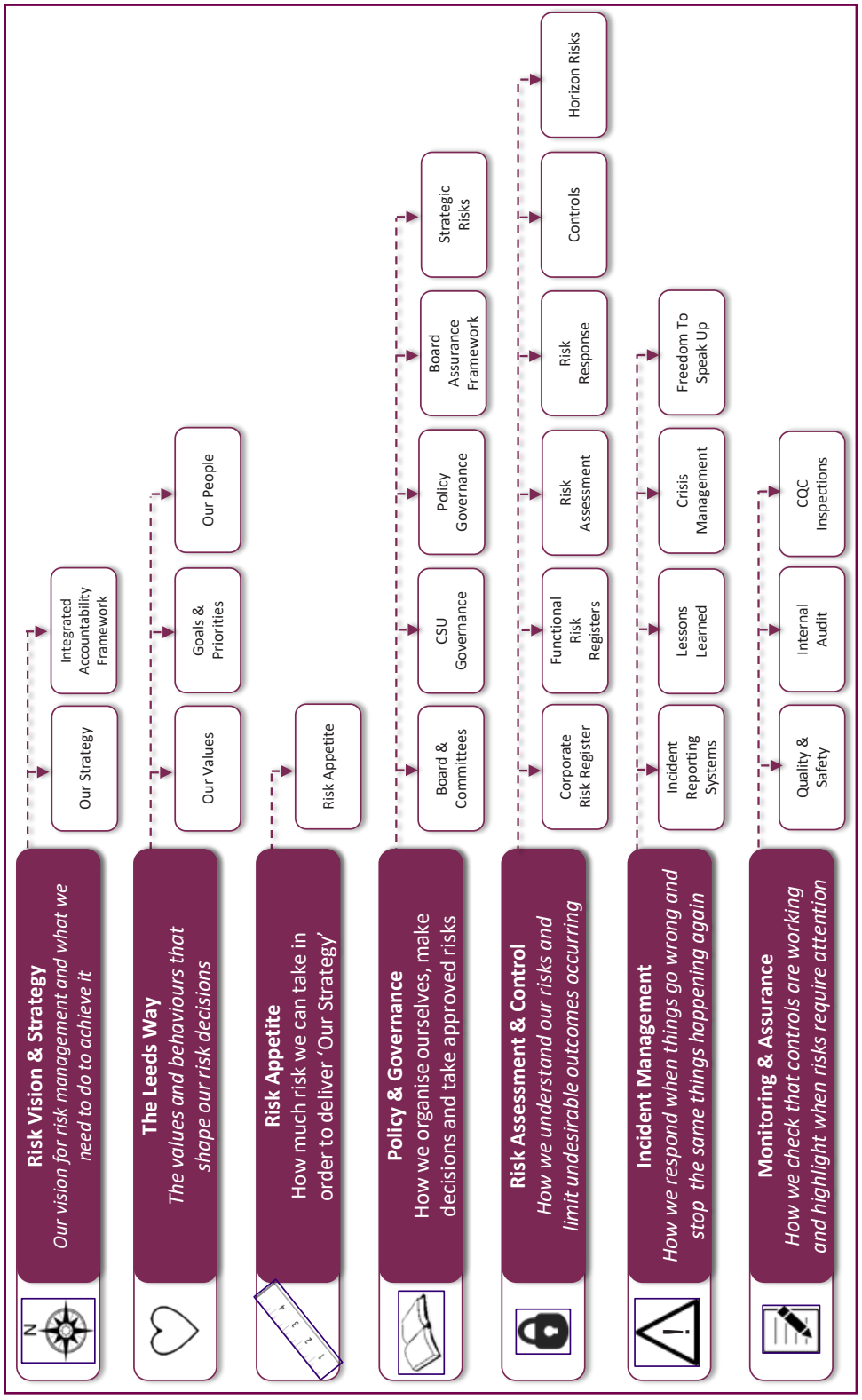
Given this increased complexity, the Trust will engage with system leaders to find ways in which there could be greater alignment between risk management approaches across the health & care system. These should include a common risk language, a consistent approach to risk management escalation and reporting and a shared approach to defining and operating a Risk Appetite Framework to support integrated, system-wide decision-making processes.

A significant amount of work has been undertaken to mature the Trust's Risk Management Framework. We will continue to build on the existing structure and embed these updated risk management processes through engagement with CSUs and Corporate Functions, providing support and training for staff.

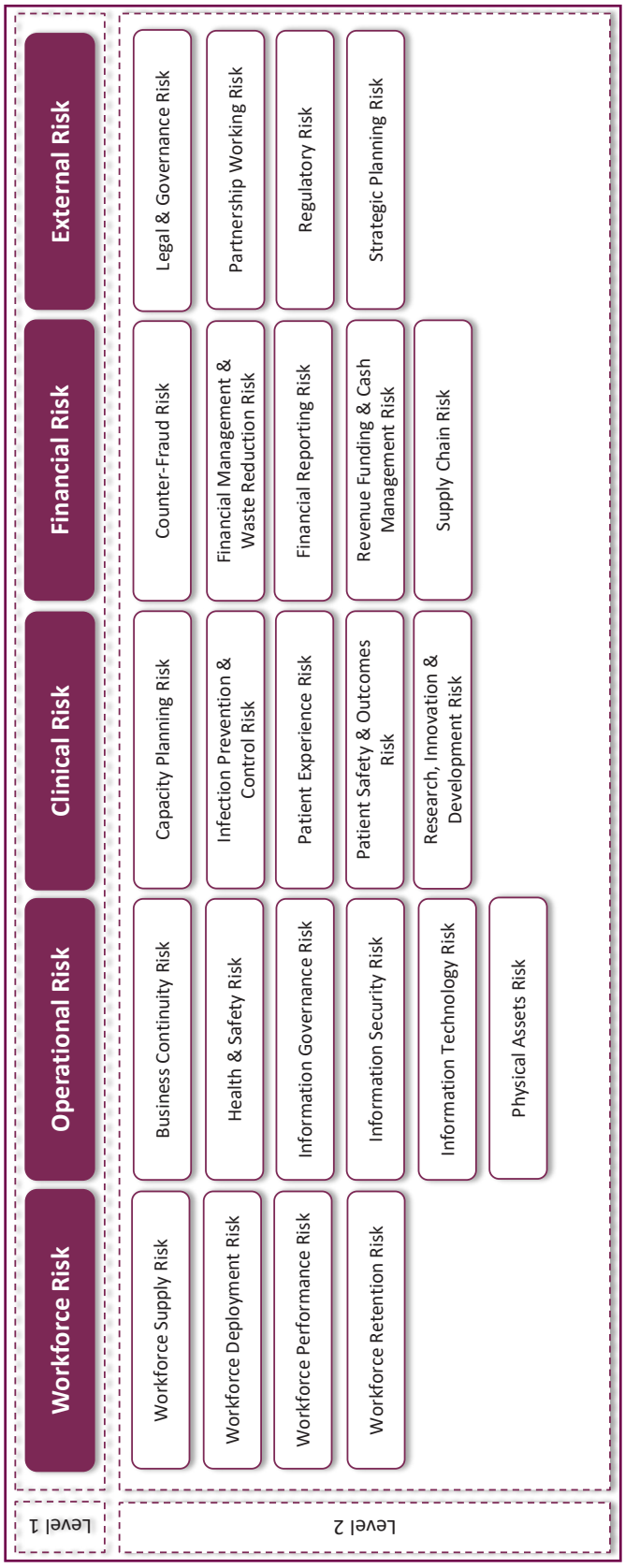
APPENDICES

APPENDIX A - Risk Appetite Tools

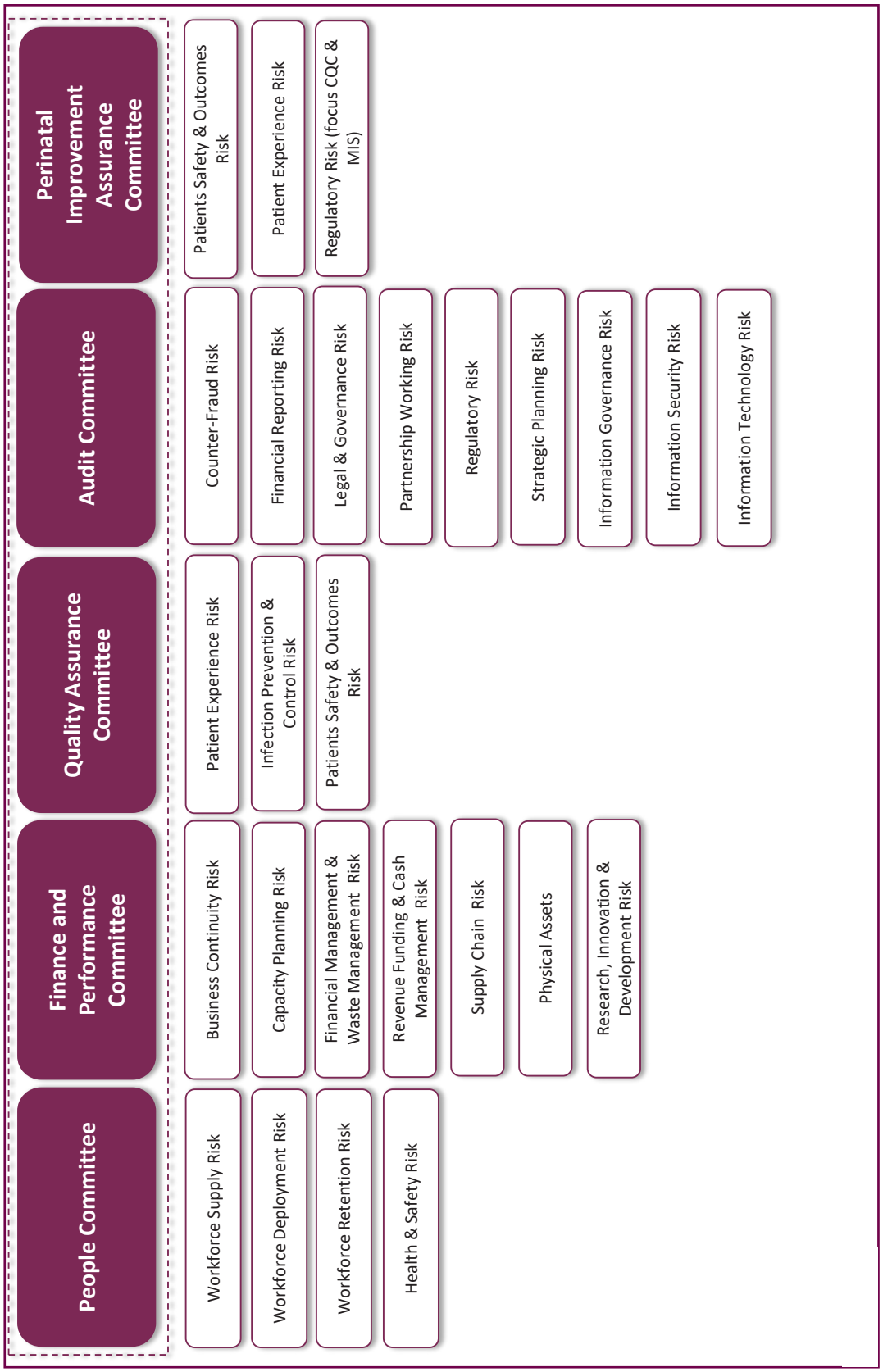
I. Risk Management Framework Summary



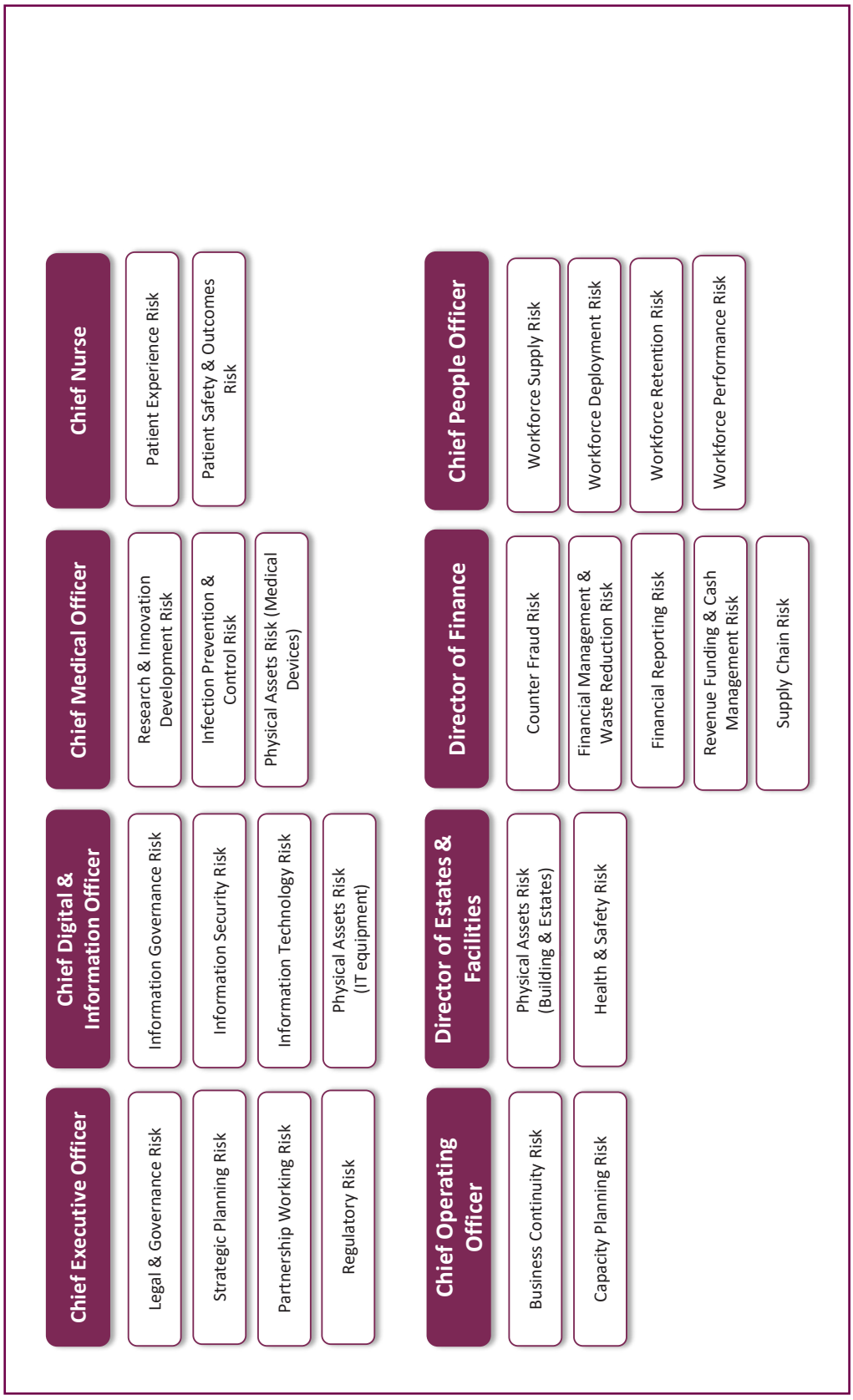
II. Risk Types & Risk Categories



III. Risk Categories aligned to Board Committees



IV. Risk Category Executive Owners



Level 1 Risk Category	High-Level Risk Appetite Statement	Risk Appetite
Workforce Risk	The Trust's appetite for workforce risk is **cautious**. Our workforce decisions are heavily scrutinised by Public Health England, Regulators and the Media. We will accept only limited risks if by taking them they could yield improvements to the Trust's patient care and outcomes elsewhere within the Trust, but we will not accept such risks where this is not the case.	**Cautious**
Operational Risk	The Trust's appetite for operational risk is **cautious**. The management of our operational risks requires our ongoing commitment to meet or exceed minimum industry good practice standards across applicable risk management disciplines, such as information management and information security. Capabilities that require upgrades should be prioritised as part of the Trust's change agenda. We will not accept operational risks that could directly impact upon the safe and effective delivery of patient services.	**Cautious**
Clinical Risk	The Trust's appetite for clinical risk is **minimal**. Our clinical decisions are heavily scrutinised and measured by Public Health England, Regulators, Patients and the Media. We will accept only very limited clinical risks if essential to patient care and outcomes, aim to optimise patient experience and capacity demand for elective and non-elective admissions and ensure the lowest possible levels of infection and transmission within our hospitals. We will not accept any risks that may threaten our standing with our Regulators and the Public, in particular our CQC registration.	**Minimal**
Financial Risk	The Trust's appetite for financial risk is **cautious**. Our financial decisions are heavily scrutinised, with value for money and patient care and outcomes being a key factor in decision making. We will accept risks that may result in limited financial impacts or losses on the basis that there may be upside opportunities to deliver the safe and effective delivery of patient care and outcomes, but we will not accept risks that may lead to material variances to forecast, reporting misstatements or unplanned overspend against our agreed revenue control target. We also adopt a zero tolerance approach to fraud.	**Cautious**
External Risk	The Trust's appetite for external risk is **averse**. Given that the Trust is only able to deliver safe and effective patient care and outcomes with the support of the Regulator, we have zero appetite for any management decisions that present risks to the Trust maintaining its CQC registration, compliance with the law and any risks that may cause an adverse impact to the reputation of the Trust or wider NHS.	**Averse**

Consequence

	Patient	Reputational	Financial	Workforce	Legal / Regulatory*
5 **Catastrophic**	**Prolonged failure or severe disruption** of **multiple** services. Multiple deaths caused by an event**; major impact on** patient experience	**Widespread permanent loss of patient trust and public confidence** threatening the Trust's independence / sustainability Hospital closure	**>£5m** directly attributable loss / unplanned cost / reduction in change related benefits	Workforce experience / engagement is **fundamentally undermined** and the Trust's reputation as an employer damaged	Breach of regulation Trust put into Special Administration / Suspension of CQC registration Civil/Criminal **Liability > £10m**
4 **Severe**	**Prolonged failure or severe disruption** of a **single** patient service Severe permanent harm or death caused by an event* **Significant impact** on patient experience	**Prolonged** adverse social / local/national media coverage with **serious impact** on patient trust and public confidence	**£1m - £5m** directly attributable loss / unplanned cost / reduction in change related benefits	**Widespread material impact** on workforce experience / engagement	Breach of regulation likely to result in enforcement action Civil/Criminal **Liability < £10m**
3 **Moderate**	**Operation of a number** of patient facing services is disrupted. Moderate harm where medical treatment is required up to 1 year* Temporary disruption to one or more CSUs Resulting in a poor patient experience	**Sustained** adverse social / local/national media coverage with **temporary impact** on patient trust and public confidence	**£100k - £1m** directly attributable loss / unplanned cost / reduction in change related benefits	**Site material impact** on workforce experience / engagement	Breach of regulation or other circumstances likely to affect our standing with our regulators. Civil/Criminal **Liability < £5m**
2 **Minor**	**Operation of a single** patient facing service is disrupted. Minor harm where first aid required up to 1 month* **Temporary service restriction** **Minor impact** on patient experience	**Short lived** adverse social/ local/national media coverage which **may impact** on patient trust and public confidence in the short term	**£50k - £100k** directly attributable loss / unplanned cost / reduction in change related benefits	**Department / CSU material impact** on workforce experience / engagement	Breach of regulation or other circumstances that may affect our standing with our regulators, with minor impact on patient outcomes. Civil/Criminal **Liability < £2.5m**
1 **Limited**	**Service continues with limited/no patient impact**	**Short lived** adverse social/ local/traditional national media coverage with **no impact** on patient trust and public confidence	**£Nil - £50k** directly attributable loss / unplanned cost / reduction in change related benefits	**Material impact** on workforce experience / engagement for a **small number of colleagues**	Breach of regulation or other circumstances with limited impact on patient outcomes. Civil/Criminal **Liability < £1m**

* As set out in duty of candour regulations

1	2	3	4	5
Extremely Unlikely	**Unlikely**	**Possible**	**Somewhat Likely**	**Very Likely**

Likelihood

	Averse	Minimal	Cautious	Open	Eager
Workforce	**Avoidance of any workforce risks** that threaten the delivery of safe and effective patient care and outcomes, is a key objective.	Only prepared to **accept the possibility of very limited workforce risk** impacts if essential to safe and effective patient care and outcomes.	Seek options to deliver safe and effective patient care and outcomes **with limited workforce risks** only if it could yield patient care opportunities elsewhere within the Trust.	Appetite to take workforce management decisions that may give rise to opportunities, but with the **potential to expose** the Trust to **sub-optimal patient care and outcomes**.	Appetite to take workforce management decisions that may give rise to opportunities, but which are **likely to expose** the Trust to **sub-optimal patient care and outcomes**.
Operational	**Defensive approach** to **operational service** delivery – aim to invest in current risk management capabilities to protect service. Priority for close management controls, with governance & oversight.	Legacy technologies and sub-optimal risk management capabilities **largely avoided or prioritised as part the Trust's change programme**. Decision making authority held by senior management.	Risk management capabilities in place to **meet regulatory standards** to deliver safe and effective patient services. Robust oversight processes in place.	Appetite to take investment decisions in areas which are likely to expose the Trust to **periodic operational service failures** to elective patient services.	Appetite to take investment decisions in areas which are likely to expose the Trust to **regular operational service failures** to non-elective patient services.
Clinical	**Zero appetite** for any decisions with a high chance of adverse impacts upon patient care and outcomes and/or the Trust's clinical reputation.	Appetite for taking **very limited clinical risks** if essential to patient care and outcomes. Such risks are properly assessed with mitigating controls in place.	Appetite for taking **moderate clinical risks** if essential to patient care and outcomes. Such risks and properly assessed with mitigating controls in place.	Appetite for taking **significant clinical risks if essential** to patient care and outcomes. Mitigating controls are not fully implemented.	Appetite for taking **significant clinical risks** that may result **in serious events, never events or formal regulatory action.** Mitigating controls are not fully implemented.
Financial	**Avoidance of** any **financial impacts or losses, variances to forecast, reporting misstatements or workforce fraud events**, are key objectives.	Only prepared to **accept the very limited possibility** of **material financial impacts or losses** or **reporting misstatements** if essential to safe and effective patient care and outcomes.	**Limited financial impacts or losses** are accepted if they yield upside opportunities elsewhere within the Trust. Minimum cash **balance retained in excess of £3m**.	**Prepared to invest** and/or accept **financial impacts or losses** for the benefit of patient care and outcomes. At points during the year, minimum cash **balance of less than £3m.**	Prepared to invest and/or accept **financial impacts or losses** for the benefit of patient care and outcomes. At points during the year, the Trust has a **negative cash balance.**
External	**Zero appetite** for any decisions that present risks to the Trust maintaining its CQC registration and complying with the law.	Only prepared to accept the possibility of minor regulatory observations, if related actions are essential to the safe and effective patient care and outcomes.	**Moderate regulatory observations/judgements** are reported within the periodic CQC inspection report.	**Significant regulatory observations/judgements** are reported within the periodic CQC inspection report, but any **impacts to patient care and outcomes are likely to be limited**.	**Significant regulatory observations/judgements** are reported within the periodic CQC inspection report or **other regulatory notification.**

APPENDIX B - Acknowledgements

Leeds Teaching Hospitals NHS Trust thanks Robert Kurau from Yorkshire Building Society for the support he has provided in updating the Risk Management Framework and Risk Appetite document (Third Edition).

APPENDIX C - References

1. BS ISO 31000:2018(E) - Risk management – Guidelines

2. COSO Enterprise Risk Management – Integrated Framework
https://www.coso.org/Pages/erm-integratedframework.aspx

3. Enterprise Risk Management Framework, Yorkshire Building Society (2022)

4. Orange Book Management of Risk – Principles and Concepts
https://www.gov.uk/government/publications/orange-book

5. Risk Appetite Statements – Institute of Risk Management
https://www.theirm.org/media/4666/0926-irm-risk-appetite-12-10-17-v2.pdf

6. Risk Appetite Guidance Note
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/929385/Risk_Appetite_Guidance_Note_v1.0_FINAL.pdf

7. Risk Management Policy, Leeds Teaching Hospitals NHS Trust (2021)

APPENDIX D - Glossary

A cause is an element which alone or in combination has the potential to give rise to risk.

An event is an occurrence or change of a set of circumstances and can be something that is expected which does not happen or something that is not expected which does happen. Events can have multiple causes and consequences and can affect multiple objectives.

Board Assurance Framework is a document which records the threats to the strategic objectives (goals) of the Trust.

Control is a measure to mitigate or fully address the cause of the risk.

Corporate Risk Register is the document which records the most serious operational risks faced by the Trust.

Governance is the system by which organisations are directed and controlled. It defines accountabilities, relationships and the distribution of rights and responsibilities among those who work with and in the organisation, determines the rules and procedures through which the organisation's objectives are set, and provides the means of attaining those objectives and monitoring performance. This includes establishing, supporting and overseeing the risk management framework.

Risk is the effect of uncertainty on objectives. Risk is usually expressed in terms of causes, potential events, and their consequences.

Risk Acceptance is required when, no mitigating actions are available to reduce the risk exposure, or such actions that are available are not considered cost effective and /or would have a disproportionate impact upon patient safety and outcomes.

Risk Appetite is the level of risk with which the Trust aims to operate.

Risk Management is the co-ordinated activities designed and operated to manage risk and exercise internal control within an organisation.

Risk Owner is the person or entity with the specific accountability and authority for managing the risk and any associated risk treatments.

Risk Register is a record of information about identified risks maintained by CSU's and corporate functions.

Risk Tolerance is the level of risk with which the Trust is willing to operate.

The consequences should the event happen – consequences are the outcome of an event affecting objectives, which can be certain or uncertain, can have positive or negative direct or indirect effects on objectives, can be expressed qualitatively or quantitatively, and can escalate through cascading and cumulative.

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