



The Leeds
Teaching Hospitals
NHS Trust

The Leeds Teaching Hospitals NHS Trust

Risk Appetite

Second Edition

March 2023





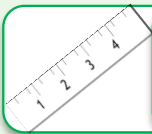
Risk Vision & Strategy

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 approved risks



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



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Foreword

The Leeds Teaching Hospitals NHS Trust provides high quality and effective hospital services for our community in Leeds. We also provide highly specialised services for the population of Leeds, Yorkshire and the Humber, nationally and beyond. We recognise that for the Trust to deliver on our vision, effective risk management is essential.

We have developed a Risk Management Framework in order to support robust and efficient risk management, which has an important and integral role in supporting the Trust to:

- Deliver our strategy in 'The Leeds Way';
- Protect our patients from avoidable harm;
- Protect the Trust from unplanned financial outcomes;
- Have greater resilience to operational risks; and
- Meet stakeholder and Regulators' expectations.

We are confident in our risk management capabilities and have spent a significant amount of time with our Board over the last seven years maturing individual components of our framework.

Under the Board's sponsorship, a 'Task & Finish Group' was established in October 2020 to continue to evolve our Risk Management Framework and particularly the Trust's approach to setting and embedding an appropriate Risk Appetite. This group included members of our Executive Team, Non-Executive Directors, other risk specialist functions from across the Trust and an external risk consultant. This 'Task & Finish Group' also engaged with senior risk management professionals across organisations within Financial Services, the Civil Service and other NHS Trusts.

Since the last version of this document was published, the Board have reviewed the Trust's risk categories and Risk Appetite Statements to consider whether any changes were needed. The Risk Appetite Statements were reviewed against the risk categories that had been aligned to the relevant Board Committees. Proposed amendments received from Committee chairs were subsequently presented to the Board in January 2023.

This guidance document provides a summary of our refreshed Risk Management Framework as well as details of our updated Risk Appetite Statements that we will continue to embed across the Trust's risk management decision making bodies.

Looking ahead, we will continue to mature our Risk Management Framework through using established quality, safety and performance metrics to inform our Risk Appetite Statements, engaging with our system colleagues to increase alignment between the risk management approaches across the wide Leeds health & care system. 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.

We hope you find this document helpful and plan to keep our Risk Management Framework in line with relevant good practice and commensurate with the types of risk that we face.



Dame Linda Pollard
DBE DL Hon LLD
Trust Chair



Prof Phil Wood
Chief Executive

SECTION 1: Our Risk Management Framework

Framework Summary

The Risk Management Framework explains how a variety of 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 the risk identification, assessment, control, monitoring and reporting of risk. These have been set out in **Appendix B (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** – How much risk we can take in order to deliver the Trust’s strategy while ensuring we provide safe and effective patient outcomes
- **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 twenty-five 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, industry-recognised Risk Category.

Appendix B (II) sets out the list of the agreed Risk Types and Risk Categories. **Appendix B (V)** provides the definitions for each Level 2 Risk Category.

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, we have also agreed enterprise-wide accountabilities for the management and oversight for these relevant risk categories. We have worked with the Executive Team to agree a set of broad, consistent accountabilities for each Risk Category Executive Owner.

Appendix B (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 slightly different approach to that approach by the private sector. This is driven by shorter term funding approaches and the measures of successful outcomes are broader and may not be financially focussed.

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; and
- 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

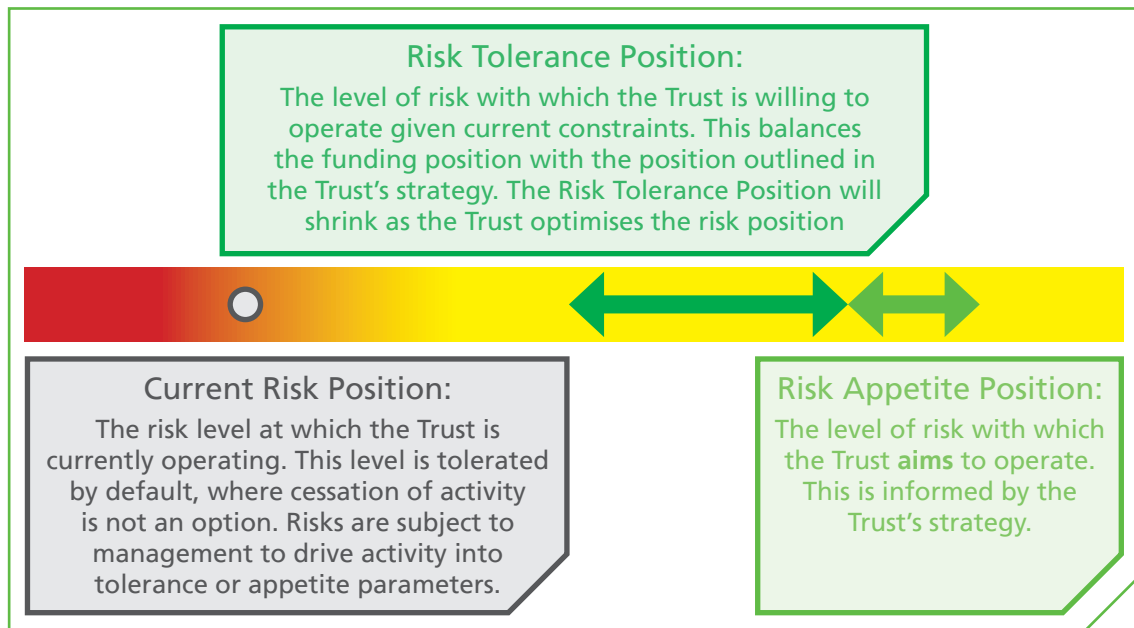
The Trust has adapted definitions for Risk Appetite and Risk Tolerance from the 'Orange Book – Risk Appetite guidance note', Government Finance Function (October 2020), which are stated below:

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.

It is worth noting that these terms should not be used interchangeably.

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 'Task & Finish Group' 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.
- **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 consultation with the Executive Team and 'Task & Finish Group', we have agreed to utilise the following Risk Appetite scales that broadly show the different appetites an organisation could have to meet its strategic objectives. See **Appendix B (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 in an iterative manner between the Board, its Committees, Executive Team, specialist risk functions from across the Trust and an external risk consultant. Involvement from these key stakeholders will make future iterations of the Trust's Risk Appetite easier to embed across the organisation. It is intended that the approach will become more sophisticated over time.

The Trust has set out the Risk Appetite level for each Risk Type in **Appendix B (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.

2023 Risk Appetite Statements by Risk Category

a) Workforce Risk

Workforce 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 supporting the 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 its 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 the effective management of 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 measured 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 agreed minimum research and innovation priorities with health, social care, voluntary, education and private sectors.	Open

Please note: 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
Change Risk	We will deliver change aligned to the Trust's strategy on time and to budget with benefits achieved and no significant adverse impacts, focussing on the delivery of large-scale capital developments and waste reduction programmes, overseen by Building the Leeds Way Board and the Programme Management Office.	Cautious
Counter-Fraud Risk	We will adopt a zero-tolerance approach to workforce 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, aiming to at least break even, with no material variances to forecast.	Cautious
Financial Reporting Risk	We will deliver sound financial management and reporting for the Trust, with no material misstatements or variances to forecast.	Minimal
Revenue Funding & Cash Management Risk	We will retain a minimum balance of £3m in line with requirements for a Trust of our size.	Cautious
Supply Chain Risk	We will manage suppliers in a manner that protects the Trust's interests and service to our patients.	Cautious

e) External Risk

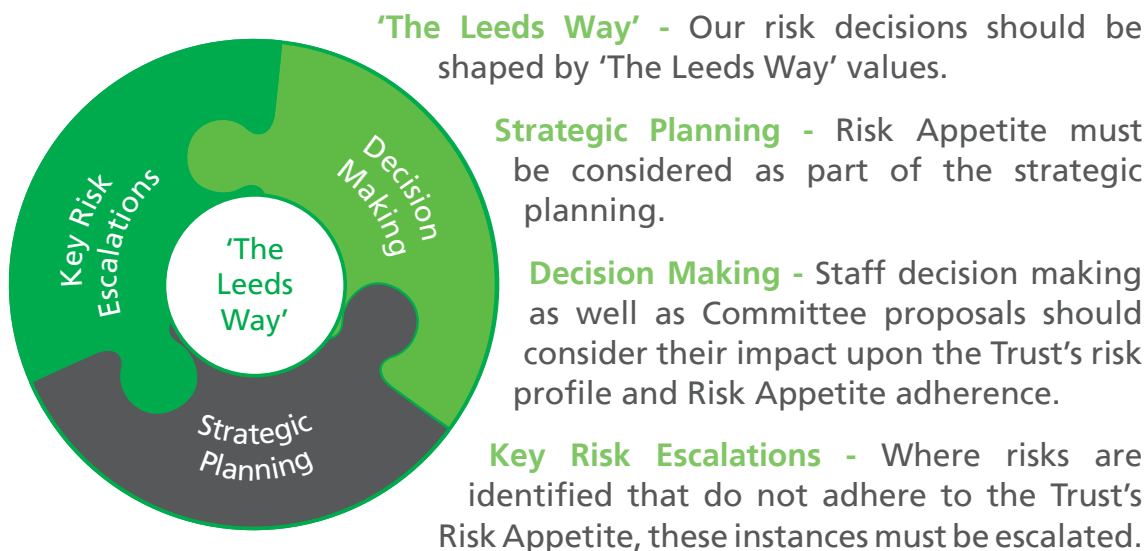
External Risk is ‘the risk of direct or indirect loss as a result of a failure to comply with regulation, operate within the law and deliver on our partnership obligations’.

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

It is now essential that the Trust considers the best way to embed its approach to Risk Appetite into day-to-day planning and management. Key processes, where it is important for Risk Appetite considerations to be taken into account, are as follows:



It is intended that the approach will become more sophisticated over time.

Opportunities for further improvement with regard to how Risk Appetite should be implemented and embedded across the Trust through these risk management processes has been set out below.

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 poor 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 Director, accountable for the management and oversight of each Risk Category, continue to be involved with the development of the Trust's strategy.

We have also refreshed 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 were identified and these were linked to the Trust's five long-term goals. These were then used to inform the development of the BAF, which was considered

within the context of the risk categories and risk appetite statements and alongside the high-level risks set out in the Corporate Risk Register (CRR).

Since the enhancements that have been made to the Trust's Risk Appetite Framework, accountability for the BAF is under the Director of Strategy and each strategic risk set out within the BAF has been aligned with the applicable risk category and risk appetite scale. Looking ahead, the BAF will be subject to ongoing review alongside the Trust's strategic goals through the Board time-out programme. In addition, 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 update made to the Trust's Risk Appetite approach will enable staff to understand and adhere to 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.

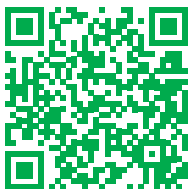
Certain opportunities to improve the information and assurance provided to the Board have been identified. As part of the Committee and Board template, the author will be requested to set out any implications that the proposal has on the Trust's risk profile, cross-referencing this to the Risk Categories that are set out in [Appendix B \(III\)](#).

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 and so on) 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.

This approach was implemented at the Board from Q2 2021/22 and has since been extended to all assurance Committees of the Board along with Risk Management Committee.

During Q4 2022/23, in response to feedback, it was agreed that the template would be further revised to enable the author to determine any risk categories that may be impacted by the proposal contained within the paper, as well as a requirement to indicate whether the proposal is likely to move the Trust towards or away from operating within risk appetite. A copy of the full template can be accessed via the following link:



<https://intranet.leedsth.nhs.uk/our-trust/trust-board/>

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, 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 B (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:

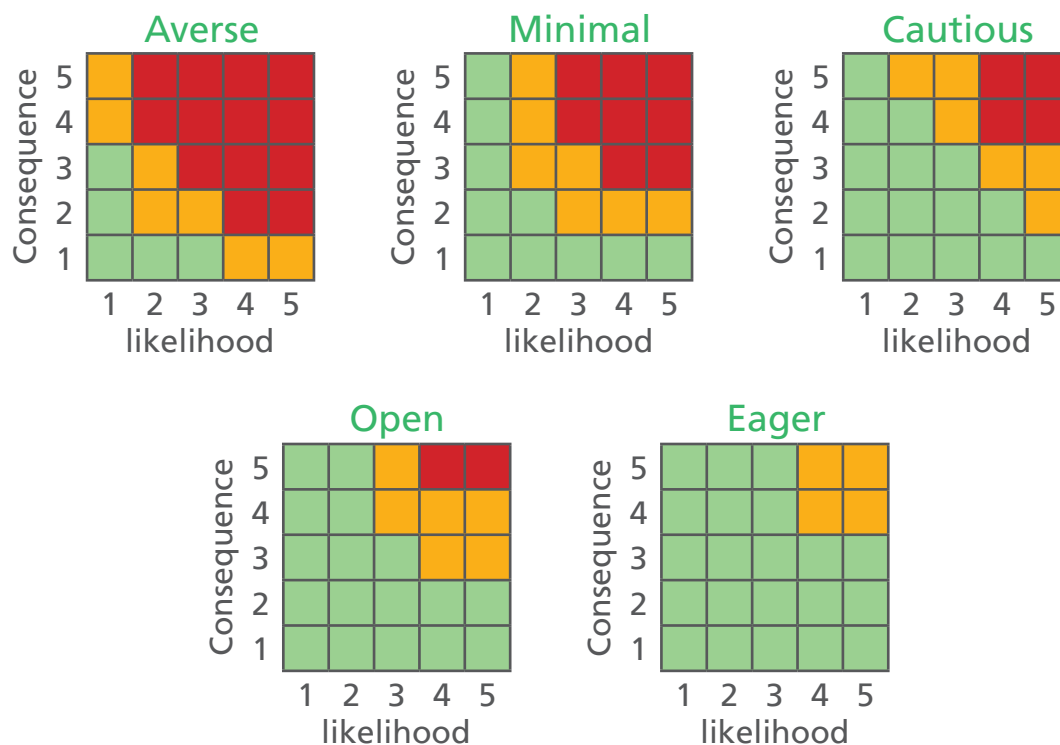
- ≥ 15 – Board;
- ≥ 10 – CSU and Risk Management Committee; and
- ≥ 8 – Specialty/CSU Governance meeting/ward/departmental management.

The Board receives a summary report at each formal meeting to inform them of the most significant risks that are documented in the Corporate Risk Register, the nature of controls and action plans. The risk profile is part of the Chief Executive’s report (as Chair of Risk Management Committee) that covers the risk source, description of the risk, the residual risk, controls, date of review and risk owner. Given the residual risk score, the Board will then ensure that mitigating actions are put in place to reduce the residual risk exposure, if required.

Risk Appetite Breaches:

Appendix B (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

For those risks where the residual risk is > 15, either does not align with the applicable Risk 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 report from Risk Management Committee, supported by an annual review and reflection at the Board time-out.

Future Developments

As the work to enhance the Trust's Risk Appetite approach has been undertaken, certain improvement opportunities to the Trust's Risk Management Framework have been identified. These improvements will include the implementation of risk appetite metrics and a greater understanding of system-wide risk.

The Trust's risk appetite comprises a series of qualitative statements that are reviewed by the Board annually. Committee and Board papers now 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 will be 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 & 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.

While 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 also presents 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 management 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 over the last seven years. 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.

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APPENDIX A – Summary of Changes

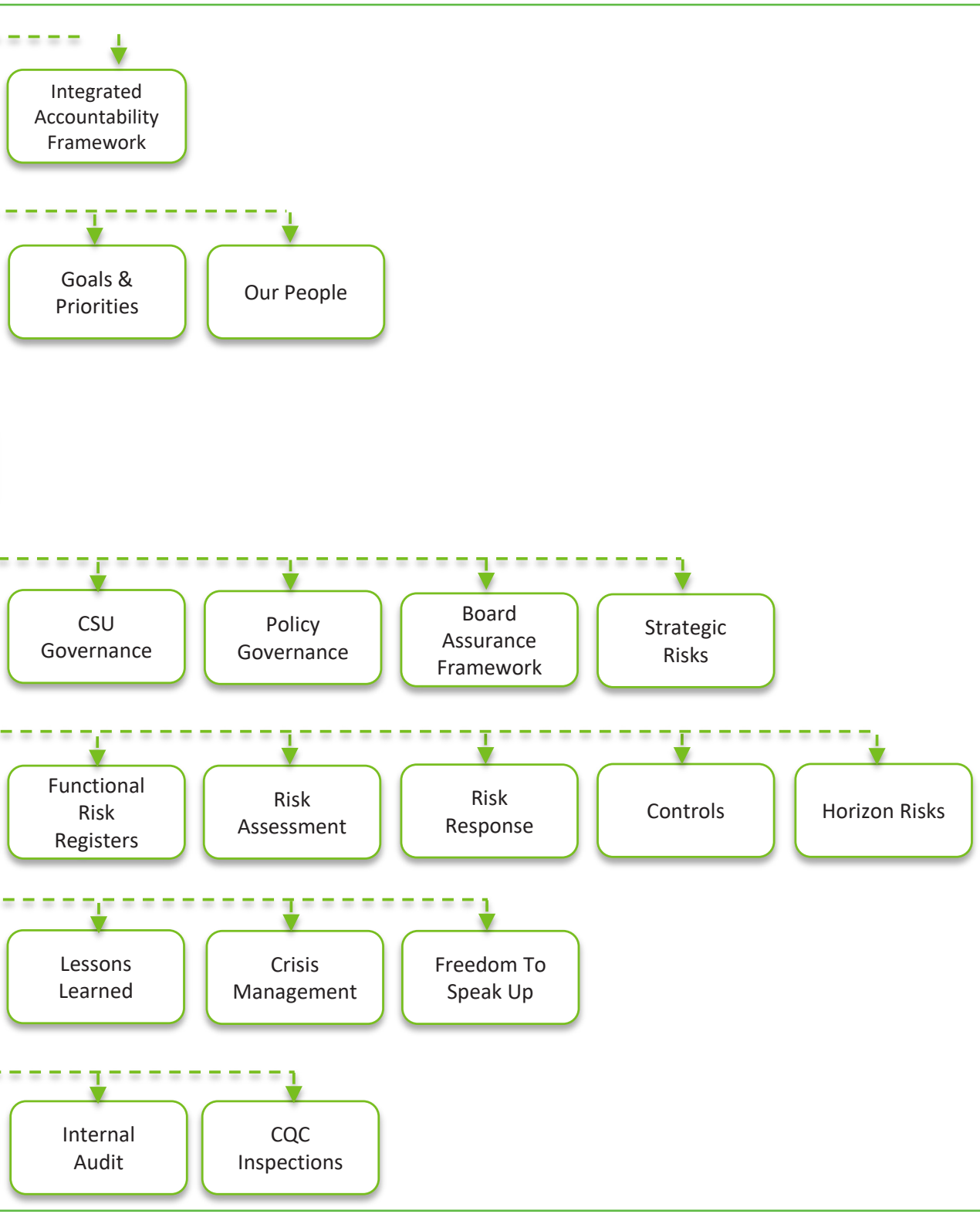
Section	Description of Change (changes indicated by bold text)
Foreword	<ul style="list-style-type: none"> Updated foreword from Dame Linda Pollard and Professor Phil Wood.
Section 1	<ul style="list-style-type: none"> The word liquidity replaced with cash management in the definition for financial risk, as follows: <ul style="list-style-type: none"> “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 word Risk Category Owner has been clarified to ensure it is understood these individuals are members of the Executive team, hence titled as Risk Category Executive Owner.
Section 2	<ul style="list-style-type: none"> The definition of ‘eager’ on the risk appetite scale has been amended, as follows: <ul style="list-style-type: none"> Willing to be innovative and to choose options that suspend previous held assumptions and accept greater uncertainty”. The Risk Appetite Statement for Financial Management & Waste Reduction Risk has been amended, as follows: <ul style="list-style-type: none"> “We will deliver sound financial management and reporting for the Trust, aiming to at least break even, with no material variances to forecast”. The Risk Appetite Statement for Financial Reporting Risk has been amended, as follows: <ul style="list-style-type: none"> “We will deliver sound financial management and reporting for the Trust, with no material misstatements or variances to forecast”. The Risk Appetite Statement for Change Risk has been amended, as follows: <p><i>(To focus on the delivery of large-scale capital developments and waste reduction programmes, overseen by Building the Leeds Way Board and the Programme Management Office (PMO))</i></p> <ul style="list-style-type: none"> “We will deliver change aligned to the Trust’s strategy on time and to budget with benefits achieved and no significant adverse impacts, focussing on the delivery of large-scale capital developments and waste reduction programmes, overseen by Building the Leeds Way Board and the Programme Management Office”. The Risk Appetite Statement for Information Governance Risk has been amended, as follows: <ul style="list-style-type: none"> “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”.

Section	Description of Change
Section 2	<ul style="list-style-type: none"> • The Risk Appetite Statement for Information Technology Risk has been amended, as follows: <ul style="list-style-type: none"> • “We will develop and maintain stable, secure and resilient services, operating to consistently high levels of performance”. • The Risk Appetite Statement for Supply Chain has been amended from open to cautious <ul style="list-style-type: none"> • “We will manage suppliers in a manner that protects the Trust’s interest’s and services to our patients”
Section 3	<ul style="list-style-type: none"> • A link to the Board and Committee template has been added. • Updates have been made to the future developments section, to include implementation of risk appetite metrics and the development of a greater understanding of system-wide risk.
Appendices	<ul style="list-style-type: none"> • Revenue Funding & Liquidity Risk has been amended to Revenue Funding & Cash Management Risk - Appendix B (II). • The Change risk category has been moved from under Operational Risk to Financial Risk - Appendix B (II). • Risk Categories have been aligned to the relevant Board Committees - Appendix B (III).

APPENDIX B - Risk Appetite Tools

I. Risk Management Framework Summary





II. Risk Types & Risk Categories



Operational Risk

Financial Risk

External Risk

Strategic Planning Risk

Change Risk

Legal & Governance Risk

Information Prevention & Control Risk

Counter-Fraud Risk

Partnership Working Risk

Human Experience Risk

Financial Management & Waste Reduction Risk

Regulatory Risk

Safety & Outcomes Risk

Financial Reporting Risk

Strategic Planning Risk

Research, Innovation & Development Risk

Revenue Funding & Cash Management Risk

Supply Chain Risk

Assurance
Committee

Audit Committee

Risk Management
Committee

Operational Risk

Financial Risk

External Risk

Safety Risk

Counter-Fraud Risk

Legal & Governance Risk

Prevention &
Control Risk

Financial Reporting Risk

Partnership Working Risk

Reputation Risk

Regulatory Risk

Quality & Outcomes
Risk

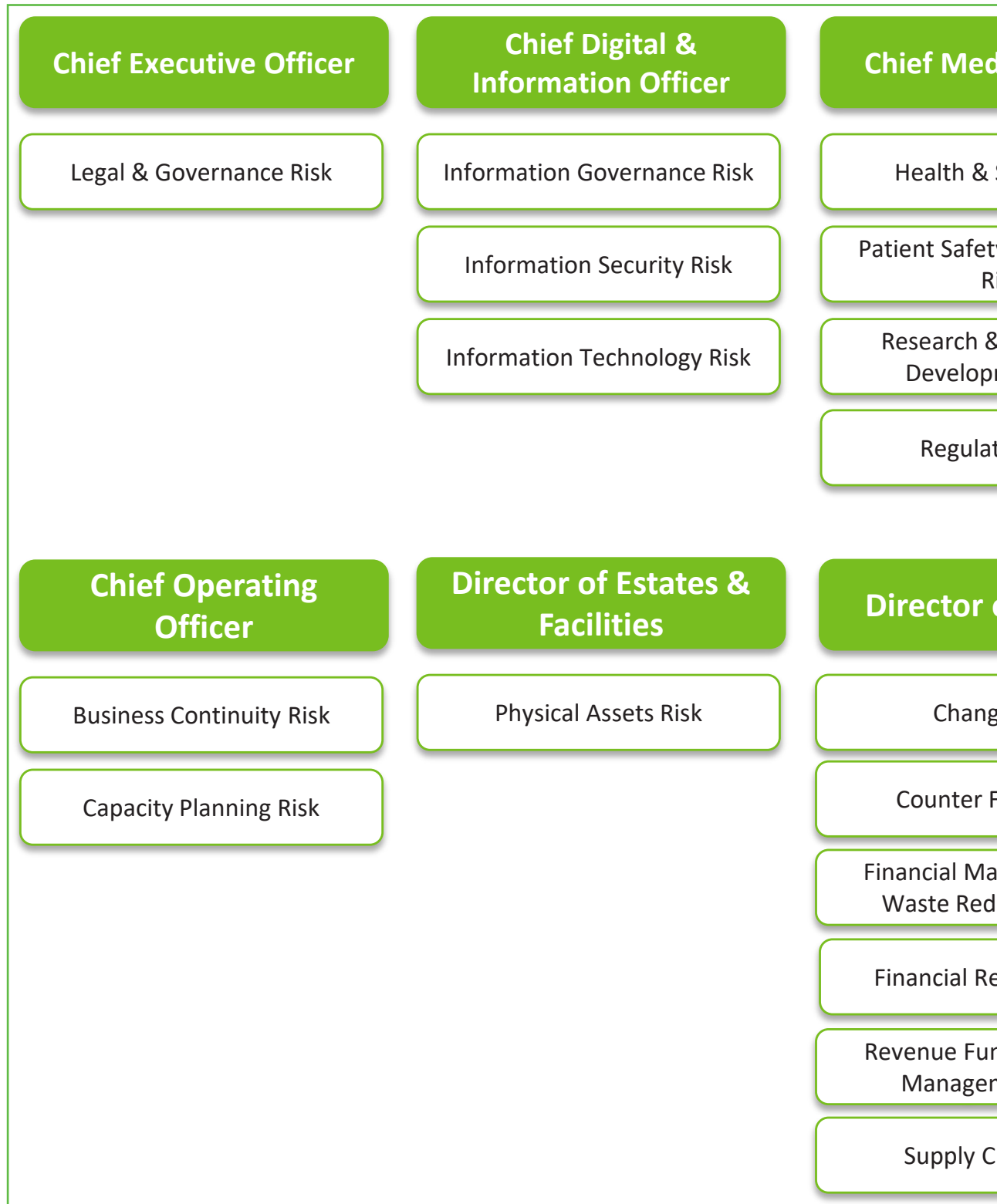
Strategic Planning Risk

B & D Committee

ID Committee

Change Risk

IV. Risk Category Executive Owners



Medical Officer

Safety Risk

Quality & Outcomes Risk

Research & Innovation Management Risk

Regulatory Risk

Chief Nurse

Infection Prevention & Control Risk

Patient Experience Risk

Director of Finance

Financial Risk

Fraud Risk

Management & Production Risk

Reporting Risk

Funding & Cash Management Risk

Supply Chain Risk

Director of HR & OD

Workforce Supply Risk

Workforce Deployment Risk

Workforce Retention Risk

Workforce Performance Risk

Director of Strategy

Strategic Planning Risk

Partnership Working Risk

VI. Risk Category Definitions

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.
Workforce Supply Risk	To ensure the Trust attracts the right people with the right skills at the right cost.
Workforce Deployment Risk	To ensure the Trust deploys effectively the right mix of skills and capacity.
Workforce Retention Risk	To ensure the Trust retains the right people with the right skills.
Workforce Performance Risk	To ensure the Trust optimises people performance within the right culture.

Operational Risk	the risk of direct or indirect loss resulting from inadequate or failed internal processes and systems or from external events.
Business Continuity Risk	To ensure the Trust is able to maintain key patient services during, as well as after, significant failures of systems, cyber-attacks or security breaches, failure of critical and important third party suppliers or an environmental disaster, such as a fire or flood, impacts to workforce supply.
Health & Safety Risk	To ensure that the management of Health and Safety and is designed to prevent harm to patients, staff, visitors, volunteers and property.
Information Governance Risk	To ensure that the Trust has the right processes and systems for collecting, storing, managing and maintaining information (includes archiving and deletion) in all its forms in order to support business needs and comply with regulations.
Information Security Risk	To ensure that the management of information security is designed to protect confidential, private and sensitive information or data from unauthorised access, use, misuse, disclosure, destruction, modification, or disruption.
Information Technology Risk	To ensure the Trust has appropriate processes in place to manage the use, ownership, operation, involvement, development and adoption of IT to prevent unplanned business disruption.
Physical Assets Risk	To ensure that the management of the Trust's physical assets related to buildings and infrastructure is designed to prevent harm to patients, staff, visitors, volunteers and property.

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.
Capacity Planning Risk	To ensure the Trust has effective processes in place for planning and providing capacity to treat elective, non-elective, and clinically urgent patients to maintain patient safety and meet constitutional standards.
Infection Prevention & Control Risk	To ensure the Trust has effective processes in place for the management of infection prevention and control to reduce the transmission of infection in hospital and maintain patient safety.
Patient Experience Risk	To ensure the Trust has effective processes in place to monitor feedback from patients and use this to improve services and patient experience.
Patient Safety & Outcomes Risk	To ensure the Trust has effective processes in place for monitoring patient safety and outcomes, including learning from patient safety incidents and audit findings.
Research & Innovation Development Risk	To ensure the Trust has an effective research and innovation strategy and a robust structure in place for research governance.

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.
Change Risk	To ensure change which is centrally managed/overseen is strategically aligned, prioritised and implemented with maximum positive benefits and efficiencies achieved and any negative effects on stakeholders (internal and external) are kept to a minimum.
Counter Fraud Risk	To ensure that the Trust's Systems and Controls are designed to detect, prevent and deter organisations and individuals (internal and external) from committing acts of fraud against the Trust and its patients.
Financial Management & Waste Reduction Risk	To ensure that financial information reported internally is accurate and complete, including waste reduction programme, and enables the Trust to manage its financial position appropriately, on an ongoing basis.
Financial Reporting Risk	To ensure that financial information reported externally is correct, true and fair and does not contain material misstatement. Also, to ensure that the tax position of the Trust is understood, appropriately managed and reported correctly.
Revenue Funding & Cash Management Risk	To ensure that the Trust's funding sources are adequately managed, held in the required state and available as the business requires.

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.
Supply Chain Risk	To ensure that the selection, ongoing management and termination of third party suppliers are managed appropriately to protect the Trust's patients, assets, operations and finances.

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.
Legal & Governance Risk	To ensure that the Trust controls and manages legal risk in accordance with Risk Appetite and operates an effective Corporate Governance Framework.
Partnership Working Risk	To ensure the Trust has effective partnership working arrangements in place, working in conjunction with health, social care, voluntary and private sectors.
Regulatory Risk	To ensure the Trust has effective processes in place for monitoring performance and progress against regulatory standards, including constitutional standards as set out in the national Contract, liaising with local and specialist commissioners.
Strategic Planning Risk	To ensure the Trust has a clear strategic plan that is agreed by the Board.

VII. Risk Scoring Matrix

Consequence	5 Catastrophic	<p>Patient</p> <p>Prolonged failure or severe disruption of multiple services. Multiple deaths caused by an event; major impact on patient experience</p>	<p>Reputational</p> <p>Widespread permanent loss of patient trust and public confidence threatening the Trust's independence / sustainability Hospital closure</p>	>£50m / u i
	4 Severe	<p>Prolonged failure or severe disruption of a single patient service Severe permanent harm or death caused by an event* Significant impact on patient experience</p>	<p>Prolonged adverse social / local/national media coverage with serious impact on patient trust and public confidence</p>	at c
	3 Moderate	<p>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</p>	<p>Sustained adverse social / local/national media coverage with temporary impact on patient trust and public confidence</p>	at c
	2 Minor	<p>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</p>	<p>Short lived adverse social/ local/national media coverage which may impact on patient trust and public confidence in the short term</p>	at c
	1 Limited	<p>Service continues with limited/no patient impact</p>	<p>Short lived adverse social/ local/traditional national media coverage with no impact on patient trust and public confidence</p>	at c
<p>* As set out in duty of candour regulations</p>		1 Extremely Unlikely	2 Unlikely	

Financial	Workforce	Legal / Regulatory*
£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
£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
£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
£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
£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

3
Possible

4
Somewhat Likely

5
Very Likely

Likelihood

VIII. Appetite Levels by Risk Category

	Averse	Minimal	Caution
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 and effective outcomes workforce could yield opportunities within the T
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 regulatory deliver safe patient service oversight p
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 clinical risks patient care. Such risks assessed with controls in
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 as they yield opportunities within the T cash balance excess of
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 are reported periodic CQC report.

Cautious	Open	Eager
<p>ns to deliver safe ve patient care and with limited risks only if it patient care es elsewhere Trust.</p>	<p>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.</p>	<p>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.</p>
<p>gement in place to meet standards to e and effective vices. Robust processes in place.</p>	<p>Appetite to take investment decisions in areas which are likely to expose the Trust to periodic operational service failures to elective patient services.</p>	<p>Appetite to take investment decisions in areas which are likely to expose the Trust to regular operational service failures to non-elective patient services.</p>
<p>r taking moderate risks if essential to e and outcomes. and properly with mitigating place.</p>	<p>Appetite for taking significant clinical risks if essential to patient care and outcomes. Mitigating controls are not fully implemented.</p>	<p>Appetite for taking significant clinical risks that may result in serious events, never events or formal regulatory action. Mitigating controls are not fully implemented.</p>
<p>financial impacts are accepted if upside es elsewhere Trust. Minimum cash retained in £3m.</p>	<p>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.</p>	<p>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.</p>
<p>regulatory observations/judgements d within the QC inspection</p>	<p>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.</p>	<p>Significant regulatory observations/judgements are reported within the periodic CQC inspection report or other regulatory notification.</p>

APPENDIX C - 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 (Second Edition).



APPENDIX D - 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 E - 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 objectives⁸ 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.



Board approved V2 - March 2023

