

Appendix C - Risk Appetite

Lancashire and South Cumbria Integrated Care Board Risk Appetite Statement

NHS Lancashire and South Cumbria Integrated Care Board recognises the challenging circumstances it is currently operating within and has finite resources in terms of staff, equipment and finances available to it in the commissioning and delivery of healthcare services; however, patient safety, quality of service and organisational viability are extremely important.

The Board further recognises it needs to **transform** ways of working and this will require considered risks to be taken with strong controls in place. Particularly, where the long-term benefits outweigh any short-term losses if there are **opportunities** for invest to save projects and to deepen integrated working with partners.

In line with the ICB's Risk Management Policy the Board supports **mature**, well managed risk taking and will ensure that the skills, ability, and knowledge are in place to support innovation and to maximise opportunities to further improve services.

The ICB will seek to **minimise** risks that could impact negatively on the health outcomes and safety of patients or in meeting the legal requirements and statutory obligations of the ICB. We will also seek to **minimise** any risks that may impact on our ability to demonstrate high standards of probity and accountability.

The ICB's risk appetite is not fixed; the Board will have the freedom to vary the amount of risk it is prepared to take, depending on the circumstances at the time. It is expected that the levels of risk the ICB is willing to accept are subject to regular review.

The ICB has utilised the following risk appetite levels which are based on the GGI appetite matrix:

Risk Appetite Level	Description	Risk Tolerance (#Target Risk Score Range)
Minimal	Preference for very safe delivery options that have a low degree of inherent risk and only a limited reward potential. *	1-5
Cautious	Preference for safe delivery options that have a low degree of residual risk and only a limited reward potential. *	4-10
Open	Preference for safe delivery options that have a low degree of residual risk and only a limited reward potential. *	8-15
Seek	Eager to be innovative and to choose options offering higher business rewards (despite greater inherent risk). *	15-20
Significant	Confident in setting high levels of risk appetite because controls, forward scanning and responsive systems are robust. *	25

*Good Governance Institute Risk Appetite Level Definitions

It should be noted that there is some crossover on the risk tolerance ranges as the scores are dependent on whether the impact or likelihood score is higher (i.e. C1 x L5) is cautious vs. (C5 x L1) is minimal, for more information on risk scoring see the 'risk evaluation' section on page 17.

The below table outlines the target risk score range across five risk domains; the target risk score being the acceptable level of risk that is able to be tolerated by the ICB. A target risk score will be agreed for each risk and mitigating actions identified as appropriate.

Risk Appetite Domain	Risk Appetite Level	Target Risk Score Range				
		1-5	4-10	8-15	15-20	25
<p>Finance - Willing to consider all potential delivery options and choose while also providing an acceptable level of reward.</p> <p>We are prepared to accept some financial risk as long as appropriate controls are in place. We have a holistic understanding of VFM with price not the overriding factor.</p> <p>Alignment to ICB Risk Categories: Finance including claims, business objectives and projects – relates to budget slippages.</p>	Open			↔		
<p>Regulatory – Willing to consider all potential delivery options and choose while also providing an acceptable level of reward.</p> <p>We are prepared to accept the possibility of some regulatory challenge as long as we can be reasonably confident, we would be able to challenge this successfully.</p> <p>Alignment to ICB Risk Categories: Statutory duty and inspections</p>	Open			↔		
<p>Quality – Preference for safe delivery options that have a low degree of residual risk and only a limited reward potential.</p> <p>Our preference is for risk avoidance. However, if necessary, we will take decisions on quality where there is a low degree of inherent risk and the possibility of improved outcomes, and appropriate controls are in place.</p> <p>Alignment to ICB Risk Categories: Quality, complaints, audits, service/ business interruption and impact on safety of patients, staff and the public.</p>	Cautious	↔				
<p>Reputational –Willing to consider all potential delivery options and choose while also providing an acceptable level of reward.</p> <p>We are prepared to accept the possibility of some reputational risk as long as there is the potential for improved outcomes for our stakeholders.</p> <p>Alignment to ICB Risk Categories: Adverse publicity, reputation and environmental impact.</p>	Open			↔		
<p>People – Eager to be innovative and to choose options offering higher business rewards (despite greater inherent risk).</p> <p>We will pursue workforce innovation. We are willing to take risks which may have implications for our workforce but could improve the skills and capabilities of our staff. We recognize that innovation is likely to be disruptive in the short term but with the possibility of long-term gains.</p> <p>Alignment to ICB Risk Categories: Human resources/ organisational development, staffing and competence</p>	Seek				↔	