REPORT TO:	**NHS SOMERSET INTEGRATED CARE BOARD** **ICB Board Part A**	**ENCLOSURE:**	**F**
DATE OF MEETING:	**24 July 2025**		
REPORT TITLE:	**Risk Management Strategy**		
REPORT AUTHOR:	**Kevin Caldwell, Head of Information Governance and Risk**		
EXECUTIVE SPONSOR:	**Jade Renville, Director of Corporate Services and Affairs**		
PRESENTED BY:	**Jade Renville, Director of Corporate Services and Affairs**		

PURPOSE	DESCRIPTION	SELECT
Approve	To formally receive a report and approve its recommendations, (authorising body/committee for the final decision)	☒
Endorse	To support the recommendation (not the authorising body/committee for the final decision)	☐
Discuss	To discuss, in depth, a report noting its implications	☐
Note	To note, without the need for discussion	☐
Assurance	To assure the Board/Committee that systems and processes are in place, or to advise of a gap along with mitigations	☐

LINKS TO STRATEGIC OBJECTIVES
(Please select any which are impacted on / relevant to this paper)

☒ Objective 1: Improve the health and wellbeing of the population

☒ Objective 2: Reduce inequalities

☒ Objective 3: Provide the best care and support to children and adults

☒ Objective 4: Strengthen care and support in local communities

☒ Objective 5: Respond well to complex needs

☒ Objective 6: Enable broader social and economic development

☒ Objective 7: Enhance productivity and value for money

PREVIOUS CONSIDERATION / ENGAGEMENT

The ICB adopted the former CCG Risk Management Strategy.

There has been considerable engagement on the risk process and its development since the establishment of the ICB. This has taken place via stakeholders across the ICB workforce in relation to the development of the revised risk management strategy with feedback and input from groups and individuals including:

- ICB Board
- Management Board
- Executive Director team
- ICB Committees
- ICB Committee Chairs
- Risk Champions
- Risk team

ICB Management Board and Audit Committee have both reviewed the risk management strategy and the recommendation from both groups is for Board to approve the strategy.

REPORT TO COMMITTEE / BOARD

Since establishment the ICB has developed and adapted its risk management approach to align with its core purposes to:

1. Improve population health and healthcare
2. Tackle inequalities in outcomes, experience and access
3. Enhance productivity and value for money
4. Help the NHS support broader social and economic development

A risk management strategy is a key document in the system of control for the ICB and provides a comprehensive framework to support effective management of risks to delivery of the ICB strategic aims.

This Risk Management Strategy sets out the approach that the ICB will take to identify, assess, manage, and monitor risk that may impact delivery of its core purpose, strategic aims and broader organisational functions, as well as ensuring compliance with relevant regulatory frameworks and NHS standards.

Following further engagement with Management Board and Audit Committee, the ICB Board are invited to approve the Risk Management Strategy.

IMPACT ASSESSMENTS – KEY ISSUES IDENTIFIED
(please enter 'N/A' where not applicable)

Reducing Inequalities/Equality & Diversity	N/A
Quality	N/A
Safeguarding	N/A
Financial/Resource/ Value for Money	N/A
Sustainability	N/A
Governance/Legal/ Privacy	The risk management strategy has been aligned with the ICB constitution and its assurance committee terms of reference.
Confidentiality	N/A
Risk Description	N/A

RISK MANAGEMENT STRATEGY

Version:	1.1 (Draft for approval)
Ratified by:	
Date Ratified:	
Name of Originator/Author:	Kevin Caldwell, Head of Information Governance and Risk
Name of Responsible Committee/Individual:	ICB Board
Date issued:	
Review date:	
Target audience:	All ICB workforce

RISK MANAGEMENT STRATEGY

CONTENTS

RISK MANAGEMENT STRATEGY AND POLICY

VERSION CONTROL

Document Status:	Draft
Version:	1.0

DOCUMENT CHANGE HISTORY		
Version	**Date**	**Comments**
1.0	Feb 2025	New document drafted to replace CCG Risk Management Strategy document reflecting ICB approach to risk management.
1.1	Jul 2025	Minor amendments following feedback from Management Board and Audit Committee.

Sponsoring Director: **Author(s):**	Jade Renville, Director of Corporate Services and Affairs Kevin Caldwell, Head of Information Governance and Risk
Document Reference:	

RISK MANAGEMENT STRATEGY

1	**INTRODUCTION**
1.1	NHS Somerset Integrated Care Board (ICB) provides system leadership and collaboration to plan and design health services that meet the needs of its population, aligned to its core purposes to: 1. Improve population health and healthcare. 2. Tackle inequalities in outcomes, experience and access. 3. Enhance productivity and value for money. 4. Help the NHS support broader social and economic development.
1.2	This Risk Management Strategy sets out the approach that the ICB will take to identify, assess, manage, and monitor risk that may impact delivery of its core purpose, strategic aims and broader organisational functions, as well as ensuring compliance with relevant regulatory frameworks and NHS standards.
2	**PURPOSE**
2.1	The purpose of this strategy is to: • Establish a clear and consistent framework to ensure that risks are reported, managed and mitigated in a structured and effective way. • Describe our approach to creating an open and collaborative culture of risk management where colleagues feel supported in reporting and managing risk. • Describe the governance arrangements through which risk is reported, considered and controlled, and the assurance mechanisms that are in place. • Promote risk management as an integral part of core business, to supporting improved decision-making. • Ensure compliance with legal, regulatory, and contractual requirements.
3	**SCOPE**
3.1	This strategy applies to all staff, contractors, and any other individuals or organisations working on behalf of NHS Somerset ICB. It covers all areas of activity, including financial, regulatory, quality, reputational and people risks.
4	**RISK MANAGEMENT OBJECTIVES and EXPECTATIONS**
4.1	The ICB aims to:

	• Foster a culture of transparency, openness, and continuous improvement where risk is managed proactively, and the principles of risk management are applied consistently across the ICB. • Proactively identify risks at the earliest opportunity, assess their potential impact, and implement mitigation strategies. • Monitor risks to ensure that mitigation actions are effective, and risks are regularly reviewed. • Ensure that all relevant stakeholders are informed of the risk management process and their role in it. • Establish clear accountability and ownership of risk management at all levels across the organisation. • Utilise the risk register as a reference in defining work programmes such as internal audit.
5	**RISK MANAGEMENT PROCESS**
5.1	The ICB follows a systematic risk management process to identify, assess, and manage risks.
	Risk Identification
5.2	All risks should be identified and documented.
5.3	Risks may be identified through various mechanisms, such as individual or team identification (horizon scanning), incident reporting, audits, assessments, feedback from stakeholders, and external reviews, etc.
	Risk Assessment
5.4	Once risks are identified, they will be assessed based on the likelihood of their occurrence and the potential impact. Risk assessment should be a dynamic, and collaborative process which is carried out iteratively and regularly.
5.5	Risks are rated using a 5x5 risk matrix and risk tables, which provides a framework to categorise risks according to their consequence and likelihood, details of which are included in appendix 1.
	Risk Control and Mitigation
5.6	Following assessment, appropriate risk control measures should be developed and implemented to reduce the likelihood and/or impact of the identified risk.
5.7	Risks will be managed by means of mitigation, transfer, acceptance or avoidance.

5.8	Control measures will be proportionate to the level of risk and may include actions such as process redesign, additional monitoring, or resource allocation.
5.9	Where risks cannot be fully eliminated, they will be monitored, and residual risks will be documented.
	Risk Monitoring and Review
5.10	Risk management should be a live and dynamic process. All risks should be regularly reviewed, refreshed and monitored by risk owners and handlers to ensure that they remain accurately described, and that actions and control measures are effective, as well as ensuring new risks are identified.
5.12	Risks will be overseen and reported via the assurance governance arrangements of the ICB Board.
5.13	Feedback to risk owners and handlers will be given from assurance committees.
	Risk Management Process
5.14	Appendix 3 sets out the risk management process.
6	**BOARD ASSURANCE FRAMEWORK**
6.1	The System Board Assurance Framework (BAF) of the ICB Board serves a dual purpose. It supports the ICB as a legal entity meet its duties by providing oversight and assurance of progress toward achievement of its strategic aims. Additionally, the BAF brings together information from across the Somerset Integrated Care System (ICS) such that all system partners may recognise in the summary the BAF provides, the contribution made by the section of the system they represent.
6.2	The BAF will be presented at ICB Board meetings with oversight at ICB committee meetings in relation to the risks and responsibilities of those committees.
7	**ROLES AND RESPONSIBILITIES**
7.1	The risk management responsibilities of the ICB Board and its assurance committees are defined within the constitutional documents and committee terms of reference.

	Risk Owner
7.2	The risk owner is the Director accountable for risks within their portfolio, ensuring they maintain appropriate oversight, control and approval of risks in their remit.
7.3	They are responsible for encouraging an open risk culture within their area and promoting the identification and management of risk.
	Risk Handler
7.4	Each identified risk will have a designated risk 'hander' who is responsible for ensuring appropriate risk management measures are identified and put in place and that the risk is monitored. This will often be a Deputy Director or other senior manager of the ICB.
7.5	Ensure that all risks they are responsible for are reviewed and updated on a regular basis.
7.6	Risk handlers should attend relevant committees, as required, to answer questions and discuss any risk they are responsible for.
	All Staff
7.7	All staff, regardless of position, have a responsibility to contribute to the identification and management of risks.
7.8	Staff should report any risks they identify, participate in risk assessments, and follow mitigation strategies as required.
	Risk Team
7.9	The risk team have a responsibility to lead and coordinate the risk management process.
7.10	Promotion of a positive risk management culture.
7.11	Provision of a reporting function for risk across the ICB.
7.12	Providing risk training
7.13	Maintenance of the risk management strategy on behalf of the Board.
8	**RISK APPETITE AND TOLERANCE**
8.1	The ICB defines its risk appetite as the level of risk it is willing to accept in pursuit of its objectives. In setting its risk appetite, the ICB will seek to balance the need to take risk to achieve objectives against the need

	to minimise exposure to high level risks that could compromise the achievement of organisational aims and objectives.
8.2	Risk appetite is developed against risk categories used to describe risk. A scale for describing risk appetite is used mirroring the standard 5 by 5 risk matrix from 0 to 25 where 0 to 6 is no or minimal appetite across a range to 20-25 significant. Details of risk appetite definitions and model used are included in appendix 4.
8.3	Risk appetite is reviewed annually by the ICB Board or sooner if conditions change.
9	**TRAINING AND AWARENESS**
9.1	The ICB will ensure that all staff receive appropriate training on risk management principles and practices. This includes understanding how to identify and report risks, how to assess risks, and how to participate in the development and implementation of mitigation strategies.
10	**REPORTING AND COMMUNICATION**
10.1	The ICB will maintain a clear system for reporting risks at all levels of the organisation. The arrangements are described in Appendix 2.
10.2	A comprehensive risk register will be kept and regularly updated.
11	**ASSURANCE AND AUDIT**
11.1	The effectiveness of the risk management process will be subject to regular internal and external audits. The ICB will use these audits to assess the adequacy of the risk management framework, identify areas for improvement, and ensure compliance with legal and regulatory requirements.
12	**POLICY REVIEW**
12.1	This policy will be reviewed every two years or following significant changes to ICB operations, regulatory requirements, or identified risks.

APPENDIX 1: RISK MATRIX AND RISK GRADING

Choose the most appropriate domain for the identified risk from the Risk Severity Matrix (based on the '*A risk matrix for risk managers, National Patient Safety Agency, 2008)* table below along the left-hand side of the table. Then work along the columns in the same row to assess the severity of the risk on the scale of 1-5 based on the consequences described. Next, refer to the Risk Likelihood Matrix as shown below.

When selecting the likelihood take into consideration the controls currently in place. The likelihood score reflects how likely it is that the consequence described in your selection will occur either by frequency (how many times will the adverse consequence being accessed actually be realised?) or probability (what is the chance the adverse consequence will occur in a given reference period?). Likelihood cannot be based on how often the consequence will materialise. It must be based on the probability that it will occur at all in a given period e.g. likelihood of consequences occurring within the project's time frame, or a patient care episode or within a national target's remaining time during which the target is measured.

Risk Severity Matrix

	1	**2**	**3**	**4**	**5**
Domains	**Negligible**	**Minor**	**Moderate**	**Major**	**Catastrophic**
A. Impact on the safety of patient, staff or public (physical / psychological harm)	Minimal injury requiring no / minimal intervention or treatment. No time off work required.	Minor injury or illness requiring minor intervention. Requiring time off work for <3 days. Increase in length of hospital stay by 1-3 days.	Moderate injury requiring professional intervention. Requiring time off work for 4-14 days. Increase in length of hospital stay by 4-15 days. RIDDOR/agency reportable incident. An event which impacts on a small number of patients.	Major injury leading to long-term incapacity / disability. Requiring time off work for >14 days. Increase in length of hospital stay by >15 days. Mismanagement of patient care with long-term effects.	Incident leading to death. Multiple permanent injuries or irreversible health effects. An event which impacts on a large number of patients.

	1	2	3	4	5
Domains	**Negligible**	**Minor**	**Moderate**	**Major**	**Catastrophic**
	Incorrect medication dispensed but not taken. Incident resulting in a bruise / graze. Delay in routine transport for patient.	Wrong drug or dosage administered, with no adverse effects. Physical attach such as pushing, shoving or pinching, causing minor injury. Self-harm resulting in minor injuries. Grade 1 pressure ulcer. Laceration, sprain, anxiety requiring occupational health counselling (no time off work required).	Wrong drug or dosage administered with potential adverse effects. Physical attack causing moderate injury. Self harm requiring medical attention. Grade 2/3 pressure ulcer. Healthcare – acquired infection (HCAI). Incorrect or inadequate information / communication on transfer of care. Vehicle carrying patient involved in a road traffic accident. Slip / fall resulting in injury such as a sprain.	Wrong drug or dosage administered with adverse effects. Physical attack resulting in serious injury. Grade 4 pressure ulcer. Long-term HCAI. Retained instruments / material after surgery requiring further intervention. Haemolytic transfusion reaction. Slip / fall resulting in injury such as dislocation / fracture / blow to the head. Loss of a limb. Post-traumatic stress disorder. Failure to follow up and administer vaccine to baby born to a mother with hepatitis B.	Unexpected death. Suicide of a patient known to the service in the past 12 months. Homicide committed by a mental health patient. Large-scale cervical screening errors. Removal of wrong body part leading to death or permanent incapacity. Incident leading to paralysis. Incident leading to long-term mental health problem. Rape / serious sexual assault.
B. Quality / complaints / audit	Peripheral element of treatment or service sub-optimal. Informal complaint / inquiry.	Overall treatment or service sub-optimal. Formal complaint (stage 1). Local resolution. Single failure to meet internal standards. Minor implications for patient safety if unresolved. Reduced performance rating if unresolved.	Treatment or service has significantly reduced effectiveness. Formal complaint (stage 2). Local resolution (with potential to go to independent review). Repeated failure to meet internal standards. Major patient safety implications if findings are not acted on.	Non-compliance with national standards with significant risk to patients if unresolved. Multiple complaints / independent review. Low performance rating. Critical report.	Incident leading to totally unacceptable level or quality of treatment / service. Gross failure of patient safety if findings not acted on. Inquest / ombudsman inquiry. Gross failure to meet national standards.

	1	2	3	4	5
Domains	**Negligible**	**Minor**	**Moderate**	**Major**	**Catastrophic**
C. Human resources / organisational development / staffing / competence	Short-term low staffing levels that temporarily reduces service quality <1 day	Low staffing level that reduces service quality.	Late delivery of key objectives / service due to lack of staff. Unsafe staffing level or competence (>1 day). Low staff morale. Poor staff attendance for mandatory / key training.	Uncertain delivery of key objectives / service due to lack of staff. Unsafe staffing level or competence (>5 days). Loss of key staff. Very low staff morale. No staff attendance for mandatory / key training.	Non-delivery of key objectives / service due to lack of staff. Ongoing unsafe staffing levels or competence. Loss of several key staff. No staff attending mandatory training / key training on an ongoing basis.
D. Statutory duty / inspections	No or minimal impact or breech of guidance / statutory duty	Breech of statutory legislation. Reduced performance rating if unresolved.	Single breech of statutory duty. Challenging external recommendations / improvement notice.	Enforcement action. Multiple breeches in statutory duty. Improvement notices. Low performance rating. Critical report.	Multiple breeches in statutory duty. Prosecution. Complete systems change required. Zero performance rating. Severely critical report.
E. Adverse publicity / reputation	Rumours. Potential for public concern.	Local media coverage – short-term reduction in public confidence. Elements of public expectation not being met.	Local media coverage – long-term reduction in public confidence.	National media coverage with <3 days service well below reasonable public expectation.	National media coverage with >3 days service well below reasonable public expectation. MP concerned (questions in the House). Total loss of public confidence.
F. Business objectives / projects	Insignificant cost increase / schedule slippage	<5 per cent over project budget. Schedule slippage.	5-10 per cent over project budget. Schedule slippage.	Non-compliance with national 10-25 per cent over project budget. Schedule slippage. Key objectives not met.	Incident leading >25 per cent over project budget. Schedule slippage. Key objectives not met.
G. Finance including claims	Small loss. Risk of claim remote.	Loss of 0.1-0.25 per cent of budget. Claim less than £10,000	Loss of 0.25-0.5 per cent of budget. Claim(s) between £10,000 and £100,000	Uncertain delivery of key objective / loss of 0.5-1.0 per cent of budget. Claim(s) between £100,000 and £1 million. Purchasers failing to pay on time.	Non-delivery of key objective / loss of >1 per cent of budget. Failure to meet specification / slippage. Loss of contract / payment by results. Claim(s) >£1 million.

	1	**2**	**3**	**4**	**5**
Domains	**Negligible**	**Minor**	**Moderate**	**Major**	**Catastrophic**
H. Service / business interruption Environmental impact	Loss / interruption of >1 hour. Minimal or no impact on the environment	Loss / interruption of >8 hours. Minor impact on environment.	Loss / interruption of >1 day. Moderate impact on environment.	Loss / interruption of >1 week. Major impact on environment.	Permanent loss of service or facility. Catastrophic impact on environment.
I. Commissioning and Contracting	Contract signature delay < 1 month Minimal inequitable service across Somerset	Contract signature delay < 2 month Minor inequitable service	Contract signature delay < 3 month Moderate inequitable service	Contract signature delay < 6 month Major inequitable service	Contract signature delay < 9 month Catastrophic inequitable service

Risk Likelihood Matrix

Likelihood Score	1	2	3	4	5
Descriptor	Rare	Unlikely	Possible	Likely	Almost Certain
Probability	This will probably never happen / recur. Not expected to occur for years	Do not expect it to happen / recur but it is possible it may do so. Expected to occur at least annually.	Might happen or recur occasionally. Expected to occur at least monthly.	Will probably happen / recur, but it is not a persisting issue / circumstances. Expected to occur at least weekly.	Will undoubtedly happen / recur, possibly frequently. Expected to occur at least daily.
Probability	<0.1 % probability. of failing is <0.1 %	0.1-1 % probability. of failing is between 0.1-1%	1-10 per cent probability; of failing is between 1-10 %	10-50 per cent probability; of failing is between 10-50 %	>50 % probability; of failing is greater than 50 %
Control completeness	All controls are strong with no control gaps – if risk was to materialise, it	The controls have <10% of their control gaps outstanding - if risk was to	The controls have 10% to 50% of their control gaps outstanding.	The controls have 51% to 70% of their control gaps outstanding.	The controls have 71% to 100% of their control gaps outstanding.

	may be likely as a result of external circumstances outside of our control or external factors not known to the organisation.	materialise, it may be likely to be caused by external factors not known to the organisation.			
Strength of controls	All controls are effective	Majority of controls are effective.	Majority of controls are mostly effective.	Majority of controls are partially effective.	Majority of controls are not effective

Risk RAG Rating

The table x below shows the 5 x 5 numerical and colour coded grading which form a RAG rating.

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

Risk Grading

For grading risk, the scores obtained from the risk matrix are assigned grades as follows:

1-3 Low	Lowest level of threat, no risk plan required but monitoring required.
4-6 Moderate	Enough threat for a risk plan to be required and risk monitoring required.
8-12 High	Pronounced threat with a mandatory risk plan to be required and risk monitoring required.
15-25 Extreme	Excessive a mandatory risk plan to be required and risk monitoring required.

Risk Assurance RAG

For selecting the assurance RAG:

GREEN - Full assurance provided over the effectiveness and delivery:
- Complete listed for assurance
- KPIs defined against the risk and are being populated.
- Actions to deliver the gaps in assurance are on time and within budget
- List of assurances are fit for purpose.

AMBER
- Some gaps in list for assurance
- Some KPIs defined against the risk and are being populated.
- Some actions to deliver the gaps in assurance are on time and within budget
- List of assurances are partially fit for purpose.

RED

- incomplete item listed for assurance i.e. item identified for assurance is not in place or is antiquated (may not be something that the CCG provides so may not be on the action list)
- no KPIs defined against the risk
- actions to deliver the gaps in assurance are 2 months over timescale, >20% over budget
- List of assurances are not fit for purpose.

APPENDIX 2 – RISK REPORTING SUMMARY

Risk review cycle

1.1 Risk review should be a live and dynamic process. All risks should be regularly reviewed, refreshed and monitored by risk owners and handlers to ensure that they remain accurately described, and that actions and control measures are effective, as well as ensuring new risks are identified. The formal review cycle for risks by risk owners and handlers and their teams is on a two monthly basis. There is an expectation for each risk documented in the ICB risk system to be fully reviewed and refreshed at this point. If no updates are needed, then to record that there has been no change since the previous review.

Risk Reporting

1.2 ICB executive directors and their deputies receive a two-monthly listing of all risks within the ICB risk system which are allocated to them and the functions within their portfolios. The reports provide the opportunity to have open discussions within teams on the risk profile.

1.3 Assurance Committees of the ICB Board, and also some system groups, are responsible for overseeing and monitoring progress with an allocated portfolio of risks relevant to their remit, graded at all levels from the ICB risk register. Reports are presented on a periodic basis as agreed with each committee.

1.4 The Audit Committee reviews the effectiveness of the ICB risk process at each meeting monitoring whether risks are being regularly reviewed and whether actions taken in mitigation are improving risk ratings.

1.5 The format of risk reporting is standardised across the ICB to provide a consistent approach bringing a level of familiarity and like for like conversations across all committees.

Corporate Risk Register

1.6 The ICB Corporate Risk Register is produced on a quarterly basis. It focuses on risks which are rated at 15 or above and the changes since the previous reporting period.

1.7 The Corporate Risk Register is received by both Audit Committee and Management Board on a quarterly basis.

Board Assurance Framework

1.8 The ICB Board Assurance Framework is updated on a quarterly basis for the ICB Board providing an overview of progress against achievement of the organisation strategic aims. It provides a link with the ICB risk register by reference to CRR level risks impacting on delivery of the ICB strategy.

1.9 The BAF is received by the ICB Board on a quarterly basis.

APPENDIX 3 - RISK MANAGEMENT PROCESS

Risk Identified

- Risks are identified through various mechanisms such as individual or team identification (horizon scanning), incident reporting, audits, assessments, feedback from stakeholders and external reviews that could impact any aspect of the ICB and delivery of its strategy and business.

Risk Assessment

- Once risks are identified, they will be assessed based on the likelihood of their occurrence and the potential impact. Risk assessment should be a dynamic, and collaborative process which is carried out iteratively and regularly.
- Risks are rated using the 5 x 5 risk matrix and tables, which provide a framework to categorise risks according to their consequence and likelihood (see appendix 1).

Risk Control

- Following assessment, appropriate risk control measures should be developed and implemented to reduce the likelihood and/or impact of the identified risk. Risks will be managed by means of mitigation, transfer, acceptance or avoidance.
- Control measures will be proportionate to the level of risk and may include actions such as process redesign, additional monitoring or resource allocation.

Risk Monitoring

- Where risks cannot be fully eliminated, they will be monitored and residual risks will be documented. All risks should be regularly reviewed on a two-monthly cycle by risk owners and handlers to ensure they remain accurately described and rated, and that actions and control measures are effective.
- Risks will be overseen and reported via the assurance governance arrangements of the ICB Board. Feedback to risk owners and handlers will be given from assurance committees.

Risk Reporting

- Risks are reported periodically to various committees, as described in Appendix 2 of this Strategy document.

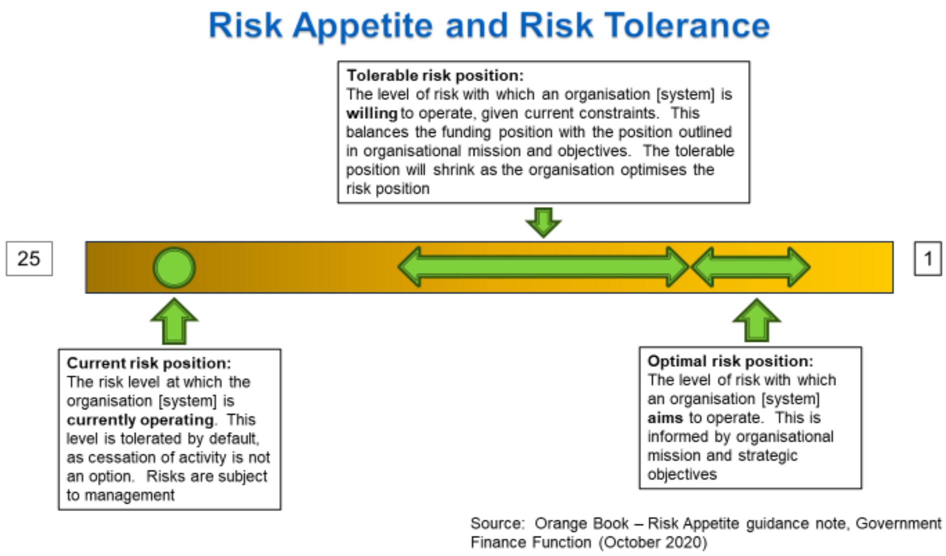
Risk Closure

- If the risk is evaluated as being fully mititgated or if it has already materialised, it can be closed on the risk register, documenting the rationale for closure. Closed risks are highlighted to committees for approval of closure.

APPENDIX 4
SOMERSET INTEGRATED CARE BOARD (ICB)
RISK APPETITE APPROACH

The Good Governance Institute defines risk appetite as 'the amount and type of risk that an organisation (ICB/ICS) is prepared to pursue, retain or take', against an optimal and tolerable risk position, where:

- Optimal risk position –the level of risk within which the system (ICB/ICS) **aims** to operate.
- Tolerable risk position –the level of risk within which the system is **willing** to operate.



Importance and benefits of using risk appetite in decision-making.

Benefits of adopting and maintaining a risk appetite include:

- Provides a structure (decision-making framework) to work within.
- Improving consistency across governance mechanisms.
- Supporting performance improvement.
- Describes the organisation's typical challenges and the basis on which different outcomes are justified.
- Visibility for the Board when deviating outside of our optimal and tolerable risk position, focusing attention on priority areas.
- Informing spending review and resource prioritisation processes.
- Drives thinking about results and outcomes the organisation seeks to realise.

Application of risk appetite

Risk appetite must be dynamic and updated as necessary to reflect any significant changes in the context the organisation operates within, e.g. societal, economic or political changes.

The following Good Governance Institute model describes an approach for organisations applying risk appetite, the principles of which have been adopted by the ICB.

Risk appetite definitions

RISK APPETITE					
NONE	**MINIMAL**	**CAUTIOUS**	**OPEN**	**SEEK**	**SIGNIFICANT**
(0-3)	(3-6)	8-10)	(12)	(15-16)	(20-25)
Avoidance of risk is a key organisational objective	(As little as reasonably possible) Preference for ultra-safe delivery options that have a low degree of inherent risk and may only offer a limited reward potential	Preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward	Willing to consider all potential delivery options while also providing an acceptable level of reward (Value for money)	Eager to be innovative and to choose options offering potentially higher business rewards (despite greater inherent risk)	Confident in setting high levels of risk appetite because controls, forward scanning and responsiveness systems are robust. Uncertainty is a key organisation objective

The table above provides the scale for describing risk appetite used by the ICB. These levels are used to set a risk appetite of both optimal and tolerable positions against each risk type or domain. Where risks are reported to the ICB Board and assurance committees the risk appetite for each is shown to provide an indication of those within appetite, within tolerance or outside of appetite and tolerance.

Good Governance Institute

Applying risk appetite matrix

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