

## 4.2 APPENDIX 5

### Joint Commissioning Committee Risk Appetite Statement

#### 1. Introduction:

Public sector organisations cannot be culturally risk averse and be successful. Effective and meaningful risk management in the public sector remains more important than ever in taking a balance of risk and opportunity in commissioning and delivering services. Risk management is an integral part of good governance and corporate management mechanisms. An organisation's risk management framework harnesses the activities that identify and manage uncertainty, allows it to take opportunities and to take managed risks not simply to avoid them, and systematically anticipates and prepares successful responses. A key consideration in balancing risks and opportunities, supporting informed decision-making and preparing tailored responses is the conscious and dynamic determination of the organisation's **risk appetite**.<sup>1</sup>

The NHS Wales Joint Commissioning Committee ("JCC") should make a strategic choice about the style, shape and quality of risk management and should lead the assessment and management of opportunity and risk. The JCC should determine and continuously assess the nature and extent of the principal risks that the JCC is exposed to and is willing to take to achieve its objectives - **its risk appetite** - and ensure that planning and decision-making reflects this assessment. Effective risk management should support informed decision-making in line with this risk appetite, ensure confidence in the response to risks and ensure transparency over the principal risks faced and how these are managed.<sup>2</sup>

The challenge for the JCC in managing risk is not underestimated, and the intention of the Risk Appetite Statement is to support an informed risk-based decision.

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<sup>1</sup> Government Finance Function – Risk Appetite Guidance Note – August 2021 – V2.0

<sup>2</sup> The Orange Book – Section A

2. The Joint Commissioning Committee has adopted the following **Risk Appetite Matrix**:

Risk Appetite	Description
<p><b>Averse (None)</b> <b>(1 – 3)</b> Avoidance of risk is a key organisational objective</p>	<p>Avoidance of risk and uncertainty in achievement of key deliverables or initiatives is a key objective. Activities undertaken will only be those considered to carry virtually no inherent risk.</p>
<p><b>Minimal</b> <b>(4 – 6)</b> Preference for very safe delivery options that have a low degree of inherent risk and only a limited reward potential</p>	<p>Preference for very safe business delivery options that have a low degree of inherent risk with the potential for benefit/return not a key driver. Activities will only be undertaken where they have a low degree of inherent risk.</p>
<p><b>Cautious</b> <b>(7 – 9)</b> Preference for safe delivery options that have a low degree of residual risk and only a limited reward potential</p>	<p>Preference for safe options that have low degree of inherent risk and only limited potential for benefit. Willing to tolerate a degree of risk in selecting which activities to undertake to achieve key deliverables or initiatives, where we have identified scope to achieve significant benefit and/or realise an opportunity. Activities undertaken may carry a high degree of inherent risk that is deemed controllable to a large extent.</p>
<p><b>Open</b> <b>(10 -14)</b> Willing to consider all potential delivery options and choose while also providing an acceptable level of reward</p>	<p>Willing to consider all options and choose one most likely to result in successful delivery while providing an acceptable level of benefit. Seek to achieve a balance between a high likelihood of successful delivery and a high degree of benefit and value for money. Activities themselves may potentially carry, or contribute to, a high degree of residual risk.</p>
<p><b>Eager (Seek)</b> <b>(15 - 20)</b> Eager to be innovative and to choose options offering higher business rewards (despite greater inherent risks)</p>	<p>Eager to be innovative and to choose options based on maximising opportunities and potential higher benefit even if those activities carry a very high residual risk.</p>

### 3. The Joint Commissioning Committee's **Risk Appetite Statement:**

The JCC's risk appetite has been defined following consideration of organisational risks, issues and consequences. Appetite levels will vary, in some areas our risk tolerance may be cautious in others we may be eager for risk and willing to carry risk in the pursuit of important strategic objectives.

The JCC will always aim to operate organisational activities at the levels defined below. Where activities are projected to exceed the defined levels, this will be escalated through the appropriate governance mechanisms to the JCC for ratification.

- **Strategic Direction** – the JCC has adopted an **Open** stance, where guiding principles or rules are in place that are receptive to considered risk taking in organisational actions and the pursuit of our priorities. This reflects the uniqueness of the JCC model and provides opportunity to shape the clinical strategy agenda.
- **Health Inequality, Quality, Safety and Outcomes** - the JCC has adopted a **Cautious** stance, with a preference to take decisions that risk an adverse or differential impact on commissioned populations where there is a low degree of inherent risk around patient safety, and the possibility of improved outcomes, and where appropriate controls are in place. Targeting resources to ensure equity of outcome even when this means investing differentially or disinvesting in existing commissioned services and considering options where robust methods for monitoring and measuring impact on outcomes can be established.
- **Financial Stability and Value for Money (VFM)** – the JCC has adopted a **Cautious** stance, being prepared to accept the possibility of limited financial risk with VFM and population outcomes the primary concern for the services commissioned.
- **Innovation and Service Sustainability** – the JCC has adopted an **Open** stance, with a preference to consider some options, including the associated risks, which support the delivery of operational performance targets, with a preference for innovating service delivery, adoption of new technologies and models of service reconfiguration for the benefit of its commissioned population.
- **Governance, Compliance and Statutory Duty** – the JCC has adopted a **Cautious** stance, with a preference to accept the possibility of limited regulatory challenge, seeking to understand where similar actions had been successful elsewhere before taking any decision. The JCC would wish to work towards an **Open** stance as it continues to mature and develop, accepting the possibility of some regulatory challenge as long as it can be reasonably confident around the decisions taken and that challenge would be successful.

- **Confidence, Trust and Reputation** - the JCC has adopted an **Open** stance, being prepared to accept the possibility of some reputational risk provided there is the potential for improved outcomes for stakeholders and the JCC is comfortable with the decisions it has taken.
- **Workforce/People and OD** - the JCC has adopted a **Cautious** stance following the Organisational Change Process (OCP), with a preference to take limited risks with regard to the workforce and whilst the investment of staff development is still in progress. The JCC would wish to work towards an **Open** stance as it continues to develop and mature, with a preference of accepting the possibility of some workforce risk as a direct result from innovation as long as there is the potential for improved recruitment and retention, sustainability and developmental opportunities for staff leading to a healthy experience of work.
- **Data and Information Management** – the JCC has adopted a **Cautious** stance, with a preference to accept the need for operational effectiveness with risk mitigated through careful management, limiting distribution.