

## Risk Appetite Statement 2025/26

### Definition

The Good Governance Institute (GGI) defines risk appetite as 'the amount and type of risk that an organisation is prepared to pursue, retain or take in pursuit of its strategic objectives, is key to achieving effective risk management. It represents a balance between the potential benefits of innovation and the threats that change inevitably brings and therefore should be at the heart of an organisation's risk management strategy.'

*Good Governance Institute: Board guidance on risk appetite, 20201*

### Risk appetite levels

The Board accepts there will always be an element of risk in the pursuit of its aims and objectives. It has determined, and will continuously assess, the nature and extent of the risks that the organisation is exposed to and is willing to take (its risk appetite) to achieve its objectives and ensure that planning and decision-making reflects this assessment.

Risk tolerance reflects the boundaries within which the executive team is willing to allow the day-to-day risk profile of the organisation to fluctuate while they are executing strategic objectives in accordance with the agreed risk appetite, in other words the residual risk. The Board has set specific limits (risk ratings) for the levels of risk that the organisation is able to tolerate. In setting these, risk factors in both the external and internal business environments have been considered.

The appetite level informs the target or acceptable level of risk to the organisation. Where risks cannot reasonably be avoided, every effort will be made to mitigate the remaining risk to the lowest possible level that is reasonably practicable.

The risk levels for each category of risk have been defined through the context of existing organisational risks, issues, and consequences and are as follows:

- **For Quality:** we have adopted an **Open** appetite, accepting that the need to be bolder decisions to have the required improvements around patient safety.
- **For Finance & Productivity:** we have adopted a **Cautious** appetite has been reconfirmed, emphasising that value for money is the overriding priority.
- **For Workforce:** we have adopted an **Open** appetite, accepting managed risks where innovation is required to secure long-term sustainability.
- **For Integration:** we have adopted an **Open** appetite has been reconfirmed, recognising that bold innovation and partnership are essential to deliver system benefits.
- **For Infrastructure:** we have adopted a **Seek** appetite, reflecting the ambition to pursue innovation and transformation opportunities in estates and digital while maintaining robust governance.