# Risk appetite

1. Decisions on risk treatment must be informed by an understanding of the extent to which we are prepared to accept the risks associated with the actions we plan to take. This concept is known as ‘**risk appetite**’: the extent to which we will tolerate known risks, in return for the benefits expected from a particular action or set of actions.
2. The Board will determine and annually review NICE’s risk appetite (set out below) and ensure that planning and decision-making reflects this approach.
3. The concept of risk appetite should be used to inform discussions about how much risk we are willing to bear in the pursuit of our objectives. If properly applied, it results in improved outcomes and use of resources, allowing resources to be prioritised to support the management of risks to achieving outcomes/objectives, whilst maintaining performance and demonstrating value for money.
4. It is often not possible to manage all risks at any point in time to the optimal level, but the ‘risk appetite’ discipline provides a means to guide decisions on when risks should be tolerated.
5. The following section sets out our current risk appetite across the different risk areas using the following definitions:

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| * Minimalist | Preference for safe options that have a low degree of residual risk |
| * Cautious | Willing to tolerate a degree of risk where we have identified scope to achieve significant benefit and/or realise an opportunity and the risks can be managed. |
| * Open | Willing to consider all options and choose one that is most likely to result in successful delivery |
| * Eager | Keen to be innovative and to choose options that suspend previous held assumptions and accept greater uncertainty |

1. It is important to note that risks will not necessarily fit neatly into one of these categories and may intersect across these areas. Therefore, it will be important to use this appetite statement as a guide to inform the approach to managing and accepting risks.

## Risk appetite statement

1. NICE’s core purpose is to help practitioners and commissioners get the best possible care to patients fast while ensuring value for the taxpayer. We do this by producing guidance for health and care practitioners and providing rigorous and independent assessment of new health technologies.
2. Historically NICE has had a cautious risk appetite and sought to operate with a low level of risk wherever possible given the impact of our recommendations and need to ensure confidence in our work. However, with the pace of change in the health and care system NICE must adopt a more nuanced risk appetite in which we accept, and seek, a wider degree of risk while remaining committed to robust methods, processes, and internal governance.
3. NICE has an ambitious transformation strategy to ensure we continue to meet the needs of our key users. This includes developing new ways of working to ensure our guidance is more relevant, timely and useable. To achieve these transformation goals, we will maximise opportunities to be more agile, efficient and make the best use of data and new technologies to improve our products and our users’ experience. **We are therefore seeking to accept a greater degree of risk and move towards an open risk appetite across product, process and technology innovation while ensuring the implications of the transformation are managed as set out below**. Our risk appetite is premised on the need to ensure compliance with statutory requirements and our obligations under Managing Public Money as set out in our standing financial instructions.

* **Reputation:** NICE is a globally recognised organisation with a reputation for excellence. Our guidance is scrutinised by a range of stakeholders who look to NICE to provide the highest quality advice. We remain committed to retaining this reputation and seek to maintain a **cautious** appetite for reputational risk in which we recognise the risk of not taking action or changing the way we work.
* **Finance:** NICE is mandated to deliver a balanced budget each year and achieve the best value for money for taxpayers. We are required to demonstrate transparency and probity but also ensure the effective use of public funds and therefore our appetite for financial risk is **cautious**, but **minimalist** to any risk to financial propriety and regularity.
* **Governance:** NICE is a public body, accountable to government, and we aim to operate with the highest standards of probity and in compliance with all relevant legislation. Our appetite for governance risk is therefore **cautious**. However, this is premised on the recognition that the approach to governance must be proportionate as an over-complex or risk averse approach could undermine the effective use of public resources.
* **Legal challenge:** NICE’s guidance programmes operate in line with robust methods and processes to provide rigorous, independent assessments of health technologies and interventions. However, NICE, can and does, face challenge to its recommendations. Our risk appetite in terms of legal challenge in the guidance programmes is **cautious.** This does not prevent new ways of working but recognises the importance of considering the risks of challenge when developing and formulating these new ways of working, in a way that is proportionate to the level of risk of challenge in each particular guidance programme.
* **Workforce:** Our workforce account for the majority of NICE’s expenditure and our staff are central to delivering NICE’s objectives. The recruitment market is challenging and there is competition for many of NICE’s technical roles. Therefore, our wider risk appetite for workforce risks is **open** – reflecting the need to offer working arrangements that enhance recruitment and retention, while supporting delivery of the transformation However as a public sector employer, it is vital that NICE acts in accordance with the law and good practice and therefore our risk appetite is **minimalist** to risks to compliance with the statutory employment legislation.
* **Partnerships:** NICE works with a range of partners in both the public and commercial sectors. Our appetite for risk in partnerships is **open,** but we will remain mindful of the need to consider our reputation and independence, adhere to public procurement regulations and competition law, and protect public funds.
* **IT Security:** A cyber security incident could have significant implications for NICE’s activities and reputation. Our appetite for IT security risks is therefore **minimalist,** and NICE will seek to comply with recognised national standards to mitigate as far as possible any cyber security risks within the available resources. We recognise that it may be necessary to accept a higher level of risk where a particular system/software remains the best available approach to achieving business outcomes.