

# NHS Highland



**Meeting:** NHS HIGHLAND BOARD MEETING

**Meeting date:** 28 November 2023

**Title:** NHS Highland Board Risk Appetite Statement

**Responsible Executive/Non-Executive:** Dr Boyd Peters, Board Medical Director

**Report Author:** Grace Barron, Programme Manager

## 1 Purpose

**This is presented to the Board for:**

- Assurance

**This report relates to a:**

- Legal requirement

**This aligns to the following NHS Scotland quality ambition(s):**

- Safe
- Effective
- Person Centred

**This report relates to the following Corporate Objective(s)**

Start Well		Thrive Well		Stay Well		Anchor Well	
Grow Well		Listen Well		Nurture Well		Plan Well	
Care Well		Live Well		Respond Well		Treat Well	
Journey Well		Age Well		End Well		Value Well	
Perform Well		Progress Well		All Well Themes	X		

## 2 Report summary

This report is to provide the Board with an overview of the NHS Highland (NHS) risk appetite statement, which is a requirement NHS Scotland boards must fulfil as part of instating the [Blueprint for Good Governance \(4.21\)](#).

## 2.1 Situation

NHS Highland currently does not have a Board-approved risk appetite statement. In order to risk assess decisions in pursuit of meeting strategic objectives set by NHSH's 5-year strategy, Together We Care, NHSH requires a risk appetite statement to be in place and reviewed at the start of each financial year.

## 2.2 Background

Risk management is an integral part of good governance and corporate management mechanisms. The Board's Risk Management approach is based on the [NHS Scotland Health Boards – Blueprint for Good Governance](#) and [Orange Book – Management of Risk, Principles and Concepts](#). 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 organisation's risk appetite.

Almost all processes, procedures and activities carried out by the NHS carry with them a degree of risk. Therefore, it is necessary for NHSH to agree the level of risk with which it aims to operate, based on what it considers to be justifiable and proportionate to the impact of patients, service users, the public, the workforce and the Board. Consequently, communicating the Board's risk appetite is a fundamental step in enabling an effective risk management system.

## 2.3 Assessment

The following section is presented to the Board for consideration of the NHSH risk appetite statement. The risk appetite levels and risk types are based on descriptors contained within [The Orange Book Guidance](#).

## NHS Highland Risk Appetite Summary

Risk Type	Risk Appetite Level (0 – 4)	Risk Appetite Level Description
<b>Operational Risks</b>	4	Innovation pursued – desire to ‘break the mould’ and challenge current working practices. High levels of devolved authority – management by trust / lagging indicators rather than close control.
<b>Strategic Risks</b>	4	Guiding principles or rules in place that welcome considered risk taking in organisational actions and the pursuit of priorities. Organisational strategy is refreshed at 1-2 year intervals
<b>Legal/Regulatory Risks</b>	2	Want to be reasonably sure we would win any challenge.
<b>Financial Risks</b>	2	Seek safe delivery options with little residual financial loss only if it could yield upside opportunities. Tendency to stick to the status quo, innovations generally avoided unless necessary. Decision making authority generally held by senior management.
<b>Commercial Risks</b>	4	Prepared to invest for best possible benefit and accept possibility of financial loss (controls must be in place). Innovation pursued – desire to ‘break the mould’ and challenge current working practices. High levels of devolved authority – management by trust / lagging indicators rather than close control.
<b>Clinical and Care Risks</b>	3	Focus on delivering core clinical services safely and effectively. Innovation in service delivery supported, with clear demonstration of benefit / improvement in patient outcomes. Responsibility for non-clinical decisions may be devolved
<b>People &amp; Workforce Risks</b>	4	Eager to pursue workforce innovation. Willing to take risks which may have implications for the workforce but could improve the skills and capabilities of our staff. Recognise that innovation is likely to be disruptive in the short term but with the possibility of long term gains
<b>Culture Risks</b>	2	Prepared to take limited risks with regards to the workforce. Where attempting to innovate, would seek to understand where similar actions have been successful elsewhere before taking any decision
<b>Reputational Risks</b>	4	Appetite to take decisions which are likely to bring additional governmental / organisational scrutiny only where potential benefits outweigh risks.

## 2.4 Proposed level of Assurance

This report proposes the following level of assurance:

Substantial	<input checked="" type="checkbox"/>	Moderate	<input type="checkbox"/>
Limited	<input type="checkbox"/>	None	<input type="checkbox"/>

## 3 Impact Analysis

### 3.1 Quality / Patient Care

Ability to deliver services that are clinically effective, safe, efficient and person centred are core to risk management in a healthcare delivery setting. Quality of care delivery is a driver for enacting a risk appetite statement. Risk appetite awareness will help ensure that decisions and strategic/planning activity in the realm of quality, service redesign and patient care delivery are risk balanced and mitigating controls are clinically informed.

### 3.2 Workforce

In order to achieve the Board's necessary workforce objectives in terms of recruitment, training and compliance with regulatory standards, the risk appetite statement lays the foundation on which innovations within workforce/people can be sought whilst recognising exposure to risk. A risk appetite statement will help guide decisions in this area to ensure workforce objectives as described in Together We Care are enabled across the spectrum of NHH services.

### 3.3 Financial

A risk appetite level specific to finance has been included in the NHH Risk Appetite statement. This will help financially inform decisions across services to ensure the progression of strategic objectives have minimal financial impact, demonstrate value for money, and encourage decisions that yield positive investment returns for the Board.

### 3.4 Risk Assessment/Management

A Board-approved risk appetite statement forms the foundation for effective risk management.

### 3.5 Data Protection

The risk appetite statement does not involve personally identifiable information.

### 3.6 Equality and Diversity, including health inequalities

An impact assessment has not been completed because this is a summary report.

### 3.7 Other impacts

No relevant impacts.

### **3.8 Communication, involvement, engagement and consultation**

This is a publicly available document. We aim to share this more widely internally and externally to enable risk management within the system in pursuit of our strategic objectives.

### **3.9 Route to the Meeting**

1. Board March 2022
2. Board Development 25 April 2023
3. Board Development 19 September 2023

## **4 Recommendation**

- **Assurance** – To give confidence of compliance with legislation, policy and Board objectives. The risk management process with alignment to delivering the Together We Care strategy and Blueprint for Good Governance.
- **Decision** – Examine and consider the evidence provided and provide final decisions on the NESH Risk Appetite Statement.

### **4.1 List of appendices**

NHS Highland Risk Appetite Statement: FY 23/24

# NHS Highland

## Board Risk Appetite Statement: FY 23/24

### Introduction

Setting a risk appetite helps an organisation establish a threshold of impacts they are willing and able to absorb in pursuit of strategic objectives.

The concept of calculated risk and acceptable loss can be challenging to reconcile with the essential nature of many public services. However, if properly applied and maintained, understanding risk appetite can result in improved management of risks to achieving objectives, whilst supporting organisations to maintain performance and demonstrate value for money.

Public sector organisations cannot be entirely risk averse and also be successful. Effective and meaningful risk management in the public sector remains vital in order to take a balanced view to delivering public 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 organisation's risk appetite.

Key considerations in risk management:

- It is often not possible to manage all risks at any point in time to the most desirable level;
- Outcomes cannot be guaranteed when decisions are made in conditions of uncertainty;
- It is often not possible, and not financially affordable, to fully remove uncertainty from a decision;
- Decisions should be made using the best available information and expertise;
- When decisions need to be made urgently, the information relied upon and the considerations applied to it should be retained; and
- The risk culture must embrace openness, support transparency, welcome constructive challenge and promote collaboration, consultation and co-operation.

## **NHS Highland Risk Appetite Statement**

The NHS Highland Board is responsible for setting and monitoring its risk appetite when pursuing its strategic objectives. The Board's approach to, and appetite for, risk is summarised below.

All processes, procedures and activities carried out by the Board carry with them a degree of risk. It is necessary for the Board to agree the level of risk that it is willing to accept, based on what it considers to be justifiable and proportionate to the impact on patients, carers, the public, members of staff and the Board.

The Board's Risk Management approach is based on the NHS Scotland Health Boards – Blueprint for Good Governance with the risk appetite model based on an NHS Highland tailored version of the risk appetite models outlined in the Orange Book – Management of Risk, Principles and Concepts 2019 Risk Appetite Guidance Note together with the risk appetite model specifically developed for use by NHS Boards by the Good Governance Institute.

### **Definitions**

**Risk appetite** is the target amount of risk, on a broad level, that NHSH aims to accept in pursuit of its strategic objectives.

### **Risk Appetite Levels used per the Orange Book matrix:**

<b>Risk Appetite Levels used per the Orange Book matrix:</b>	
<b>0 – Averse</b>	Avoidance of risk is a key organisational objective
<b>1 – Minimal</b>	Preference for very safe delivery options that have a low degree of inherent risk and only a limited reward potential
<b>2 – Cautious</b>	Preference for safe delivery options that have a low degree of inherent risk and only a limited reward potential
<b>3 – Open</b>	Willing to consider all potential delivery options and choose while also providing an acceptable level of reward
<b>4 – Eager</b>	Eager to be innovative and to choose options offering higher business rewards (despite greater inherent risk)

### **Development of the Risk Appetite Statement**

This risk statement was developed based on a series of risk categories or types identified through the UK Government's Orange Book ( [The Orange Book – Management of Risk – Principles and Concepts \(publishing.service.gov.uk\)](https://www.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/424241/the-orange-book-management-of-risk-principles-and-concepts-2019.pdf) ) which are relevant to NHS Highland. These risk types were then scored against the risk appetite levels outlined within the Risk Appetite Guidance, a sub-document of the Orange Book ( [Risk Appetite Guidance Note \(publishing.service.gov.uk\)](https://www.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/424241/risk-appetite-guidance-note-2019.pdf) ).

Appendix A details the definition of each risk appetite level for each risk type.

## NHS Highland Risk Types

Good practice guides indicate that organisations should identify a small number of high level risk types. The risk types used for this Risk Statement are those considered most relevant to NHS Highland from the Government Orange Book. These are:

<b>Risk Type</b>	Definition, as described in the Government Orange Book
<b>Operational Risks</b>	Risks arising from inadequate, poorly designed or ineffective/inefficient internal processes resulting in fraud, error, impaired customer service (quality, quantity and/or access to service), non-compliance and/or poor value for money.
<b>Strategic Risks</b>	Risks arising from identifying and pursuing a strategy which results in failures to support the delivery of commitments, plans or objectives due to a changing macro-environment (e.g. political, economic, social, technological, environment and legislative change).
<b>Legal/Regulatory Risks</b>	Risks arising from a defective transaction, a claim being made (including a defence to a claim or a counterclaim) or some other legal event occurring that results in a liability or other loss, or a failure to take appropriate measures to meet legal or regulatory requirements or to protect assets (for example, intellectual property).
<b>Financial Risks</b>	Risks arising from not managing finances in accordance with requirements and financial constraints resulting in poor returns from investments, failure to manage assets/liabilities or to obtain value for money from the resources deployed, and/or non-compliant financial reporting.
<b>Commercial Risks</b>	Risks arising from weaknesses in the management of commercial partnerships, supply chains and contractual requirements, resulting in poor performance, inefficiency, poor value for money, fraud, and /or failure to meet business requirements/objectives.
<b>Clinical and Care Risks</b>	Risks arising from weaknesses in the clinical processes, resulting in poor performance in terms of clinical outcomes, patient safety, wellbeing and patient experience. Failure to deliver services that are clinically effective, safe, efficient and person centred. Failure to meet compliance and regulatory requirements.
<b>People &amp; Workforce Risks</b>	Risks arising from the unavailability of sufficient capacity and capability, industrial action and/or non-compliance with relevant employment legislation/People & Culture policies resulting in negative impact on performance.
<b>Culture Risks</b>	Risks arising from ineffective leadership and engagement, suboptimal culture, inappropriate behaviours, industrial action and/or non-compliance with the relevant employment legislation/People & Culture policies resulting in negative colleague experience.
<b>Reputational risks</b>	Risks arising from adverse events, including ethical violations, a lack of sustainability, systemic or repeated failures or poor quality or a lack of innovation, leading to damages to reputation and or destruction of trust and relations.





## **NHS Highland Risk Appetite Statement**

NHS Highland's Operational front-line services are provided through two Health and Social Care Partnerships: Highland Health and Social Care Partnership and Argyll & Bute Health and Social Care Partnership. The role of the NHS Highland Board is to make the best use of its allocated resources to deliver high-quality, person-centred care and improve the health and wellbeing of the residents of the Highlands and Argyll and Bute. This purpose is supported through commitments to our service users and families, our staff and our partners and underpinned by our values: Care and Compassion, Dignity and Respect, Openness, Honesty, Quality and Teamwork ([Our values | NHS Highland \(scot.nhs.uk\)](https://www.scot.nhs.uk)).

The Board recognises that it is not possible to eliminate all the risks which are inherent in the delivery of healthcare and that at times higher levels of risk can lead to greater reward. On this basis, the Board is willing to accept a certain degree of risk where it is considered in the best interest of patients. The Board has therefore considered the level of risk it is prepared to accept for key aspects of the delivery of healthcare and these are described using our objectives.

These risk appetites will be applied to the risks within the NHS Highland Board Risk Register to ensure that risk owners and the standing committees responsible for each risk consider the overarching risk appetite applicable to each risk

## Appendix A: NHS Highland Risk Appetite Statement

Risk Appetite Level  Risk Types 	<b>0 – Averse</b> Avoidance of risk is a key organisational objective	<b>1 – Minimal</b> preference for very safe delivery options that have a low degree of inherent risk and only a limited reward potential	<b>2 – Cautious</b> preference for safe delivery options that have a low degree of inherent risk and only a limited reward potential	<b>3 – Open</b> to consider all potential delivery options and choose while also providing an acceptable level of reward	<b>4 – Eager</b> to be innovative and to choose options offering higher business rewards (despite greater inherent risk)
<b>Operational Risks</b>	Defensive approach to operational delivery - aim to maintain/protect, rather than create or innovate. Priority for close management controls and oversight with limited devolved authority.	Innovations largely avoided unless essential. Decision making authority held by senior management.	Tendency to stick to the status quo, innovations generally avoided unless necessary. Decision making authority generally held by senior management. Management through leading indicators.	Innovation supported, with clear demonstration of benefit / improvement in management control. Responsibility for non-critical decisions may be devolved.	Innovation pursued – desire to ‘break the mould’ and challenge current working practices. High levels of devolved authority – management by trust / lagging indicators rather than close control.
<b>Strategic Risks</b>	Guiding principles or rules in place that limit risk in organisational actions and the pursuit of priorities. Organisational strategy is refreshed at 5+ year intervals	Guiding principles or rules in place that minimise risk in organisational actions and the pursuit of priorities. Organisational strategy is refreshed at 4-5 year intervals	Guiding principles or rules in place that allow considered risk taking in organisational actions and the pursuit of priorities. Organisational strategy is refreshed at 3-4 year intervals	Guiding principles or rules in place that are receptive to considered risk taking in organisational actions and the pursuit of priorities. Organisational strategy is refreshed at 2-3 year intervals	Guiding principles or rules in place that welcome considered risk taking in organisational actions and the pursuit of priorities. Organisational strategy is refreshed at 1-2 year intervals
<b>Legal/Regulatory Risks</b>	Play safe and avoid anything which could be challenged, even unsuccessfully	Want to be very sure we would win any challenge	Want to be reasonably sure we would win any challenge	Challenge will be problematic; we are likely to win and the gain will outweigh the adverse impact	Chances of losing are high but exceptional benefits could be realised
<b>Financial Risks</b>	Avoidance of any financial impact or loss, is a key objective. Priority for close management controls and oversight with limited devolved authority	Only prepared to accept the possibility of very limited financial impact if essential to delivery. Appetite for risk taking limited to low scale procurement activity. Decision making authority held by senior management	Seek safe delivery options with little residual financial loss only if it could yield upside opportunities. Tendency to stick to the status quo, innovations generally avoided unless necessary. Decision making authority generally held by senior management	Prepared to invest for benefit and to minimise the possibility of financial loss by managing the risks to tolerable levels. Innovation supported, with demonstration of benefit / improvement in service delivery. Responsibility for non-critical decisions may be devolved	Prepared to invest for best possible benefit and accept possibility of financial loss (controls must be in place). Innovation pursued – desire to ‘break the mould’ and challenge current working practices. High levels of devolved authority – management by trust / lagging indicators rather than close control

<b>Commercial Risks</b>	Avoidance of any financial impact or loss, is a key objective. Priority for close management controls and oversight with limited devolved authority	Only prepared to accept the possibility of very limited financial impact if essential to delivery. Appetite for risk taking limited to low scale procurement activity. Decision making authority held by senior management	Seek safe delivery options with little residual financial loss only if it could yield upside opportunities. Tendency to stick to the status quo, innovations generally avoided unless necessary. Decision making authority generally held by senior management	Prepared to invest for benefit and to minimise the possibility of financial loss by managing the risks to tolerable levels. Innovation supported, with demonstration of benefit / improvement in service delivery. Responsibility for non-critical decisions may be devolved	Prepared to invest for best possible benefit and accept possibility of financial loss (controls must be in place). Innovation pursued – desire to ‘break the mould’ and challenge current working practices. High levels of devolved authority – management by trust / lagging indicators rather than close control
<b>Clinical and Care Risks</b>	Defensive approach to clinical delivery - aim to maintain/protect, rather than create or innovate. Priority for close management controls and oversight with limited devolved authority	Focus on delivering core clinical services safely. Innovations largely avoided unless essential. Decision making authority held by senior management	Focus on delivering core clinical services safely. Tendency to stick to the status quo, innovations generally avoided unless necessary. Decision making authority generally held by senior management. Management through leading indicators	Focus on delivering core clinical services safely and effectively. Innovation in service delivery supported, with clear demonstration of benefit / improvement in patient outcomes. Responsibility for non-clinical decisions may be devolved	Innovation pursued – desire to ‘break the mould’ and challenge current working practices. Delivery of core clinical services safely and effectively still paramount
<b>People &amp; Workforce Risks</b>	Avoidance of decisions that could have a negative impact on workforce development, recruitment and retention. Sustainability is primary interest	Avoid all risks relating to the 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	Prepared to take limited risks with regards to the workforce. Where attempting to innovate, would seek to understand where similar actions have been successful elsewhere before taking any decision	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 development opportunities for staff	Eager to pursue workforce innovation. Willing to take risks which may have implications for the workforce but could improve the skills and capabilities of our staff. Recognise that innovation is likely to be disruptive in the short term but with the possibility of long term gains
<b>Culture Risks</b>	Avoidance of decisions that could have a negative impact on workforce development, recruitment and retention. Sustainability is primary interest	Avoid all risks relating to the workforce unless 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 - Culture	Prepared to take limited risks with regards to the workforce. Where attempting to innovate, would seek to understand where similar actions have been successful elsewhere before taking any decision	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 development opportunities for staff	Eager to pursue workforce innovation. Willing to take risks which may have implications for the workforce but could improve the skills and capabilities of our staff. Recognise that innovation is likely to be disruptive in the short term but with the possibility of long term gains
<b>Reputational Risks</b>	Zero appetite for any decisions with high chance of repercussion for organisations’ reputation.	Appetite for risk taking is limited to those events where there is no chance of significant repercussions	Prepared to accept the possibility of limited reputational risk if appropriate controls are in place to limit any fallout	Willing to take decisions that are likely to bring scrutiny of the organisation. Outwardly promote new ideas and innovations where potential benefits outweigh the risks	Appetite to take decisions which are likely to bring additional governmental / organisational scrutiny only where potential benefits outweigh risks.

