**Agenda Item 13B**

# NHS Highland

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| **Meeting:** | **NHS Highland Board Meeting** |
| **Meeting date:** | **27 November 2025** |
| **Title:** | **NHS Highland Board Risk Appetite Statement** |
| **Responsible Executive/Non-Executive:** | **David Park, Deputy Chief Executive Officer** |
| **Report Author:** | **Gil Paget, Project Manager, Strategy and Transformation** |

**Report Recommendation:**

The Board are recommended to continue with the current risk appetite strategy and review it in line with the Risk Policy review due in November 2026

## 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)**

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|---|---|---|---|---|---|---|---|
| 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 Board with an overview extract from the NHS Highland Board risk register in line with the current agreed risk appetite statement. This report covers board risks that are reported through Finances, Resources and Performance Committee (FRPC), and Staff Governance Committee (SGC) for governance and oversight.

## 2.1 Situation

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.

## 2.2 Background

The agreed Risk Appetite is as follows:

| Risk Type | Risk Appetite |
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| **Operating** | **3 – Open** – in relation to innovation and change which supports the effective delivery of corporate objectives. |
| **Legal** | **1 – Minimal** - vital to ensure the board fully meets all legal and regulatory requirements, including adherence to internal Standing Financial Instructions. |
| **Financial / Commercial** | **3 - Open** - prepared to accept the possibility of some limited financial loss. Value for money is still the primary concern but willing to consider other benefits or constraints. Resources generally restricted to existing commitments. |
| **Clinical** | **1 - Minimal** – core services - preference for delivery options of a safe nature with a low degree of inherent risk. |
| **People/Workforce** | **2 – Cautious** - defined as willing to accept a higher degree of risk however still being within a cautious approach. |
| **Reputational** | **2 – Cautious** - defined as willing to accept a higher degree of risk however still being within a cautious approach. |

These were taken from the following information:

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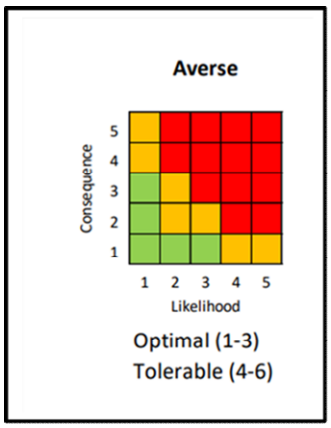


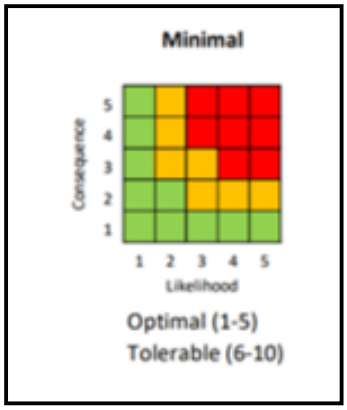


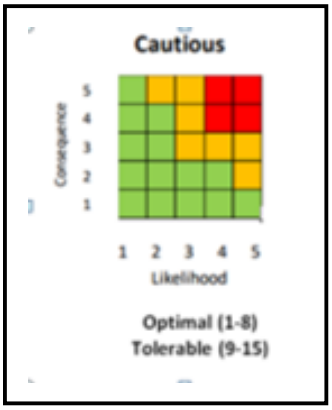


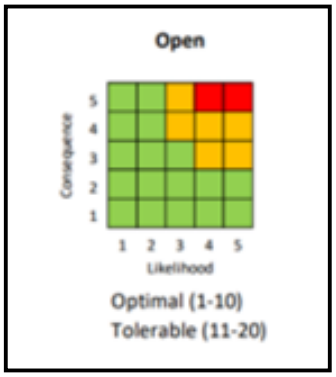


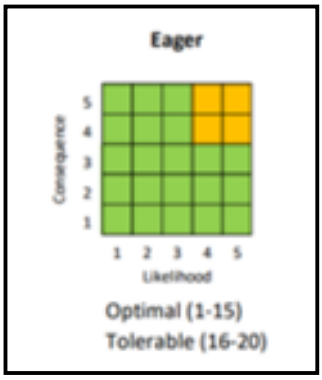


| Risk Appetite Level<br><br>Risk Types | **0 – Averse** Avoidance of risk is a key organisational objective | **1 – Minimal** Preference for very safe delivery options that have a low degree of inherent risk and only a limited reward potential | **2 – Cautious** preference for safe delivery options that have a low degree of inherent 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 – Eager** Eager to be innovative and to choose options offering higher business rewards (despite greater inherent risk) |
|---|---|---|---|---|---|
| **Operational risks** – definition requires to be improved | 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. |
| **Strategic Risks** | 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 |

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| **Legal/regulatory risks** | 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. |
| **Financial risks** | 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. |
| **Commercial Risks** | 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. |
| **Clinical and care risks** | 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 |
| **People/Workforce risk** | 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 |

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| **Culture Risk** | 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 - 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 |
| **Reputational risks** | 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. |

## 2.3 Board Risk Appetite Grades

The following section is presented to Board for an overview of the risks contained within the NHS Highland Board Risk Register and how they meet the current risk appetite.

Each risk required to be Risk Appetite Graded according to the agreed NHS Highland Risk Appetite. The Boxes below show the grading matrix for each Appetite. It should be noted that the current information is taken from the current risk grading, rather than appetite grading, which was last carried out in March 2025, but should be reflective of the appetite. Where there are blank boxes for the March appetite grading, then the risk is newly onto the risk register. It should be noted that risk 1254 has been replaced by risk 1375.

It is recommended that another review of risk appetite is undertaken ahead of the Risk Policy Review due in November 2026 and that the Board's Risk Appetite statement is reviewed at the same time as the Policy.

| Risk ID | Description | Risk Appetite Category | Risk Appetite Grading March | Current Risk Grading |
|---|---|---|---|---|
| 632 | There is a risk of a poor culture in some areas within NHS Highland due to inadequate leadership and management practice and inappropriate workplace behaviours, resulting in poor organisational performance including colleague and patient experience, staff retention, staff wellbeing and quality of care | People/ workforce – Cautious | 16 | 12 |

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| 706 | There is a risk of insufficient workforce to deliver our strategic objectives due to a shortage of available workforce and failure to attract and retain staff, resulting in failure to deliver new models of health and social care, reduced services, lowered standards of care and performance and increased costs as well as a negative impact on colleague wellbeing, morale and increased turnover levels. | People/ workforce – Cautious | 20 | 20 |
| 1056 | There is a risk of poor practice across cyber-security, information governance, health and safety and infection control due to poor compliance with statutory and mandatory training requirements resulting in possible data breaches, injury or harm to colleagues or patients, poor standards of quality and care, reputational damage, prosecution or enforcement action. | People/ workforce – Cautious | 15 | 20 |
| 714 | BACKLOG MAINTENANCE / FINANCE There is a risk that the amount of funding available to invest in current backlog maintenance will not reduce the overall backlog figure. | Operating – Open | 12 | 12 |
| 1352 | There is a risk that access to timely and appropriate investigations, care or treatment as required in the ADP will not be achieved or fully available in a timely fashion. delivery and efficiency. | Clinical – Minimal | | 16 |
| 1097 | NHS Highland will need to re -design to systematically and robustly respond to this challenges faced. If transformation is not achieved this may limit the Board's options in the future with regard to what it can and cannot do. The intense focus on the current emergency situation may leave insufficient capacity for the long-term transformation, which could lead to us unable to deliver a sustained strategic approach leading to an inability to deliver the required transformation to meet the healthcare needs of our population in a safe & sustained manner and the ability to achieve financial balance. | Operating - open | 16 | 16 |

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| 666 | There is a risk that: NHS Highland could experience a cyber incident that results in loss of access to all or part of the digital infrastructure, devices, systems or data that makes up its digital estate. Such an incident could occur at a board, regional or national level.<br><br>Because: It is impossible to eradicate all opportunities for accidental or deliberate actions that could affect the availability or integrity of the digital estate, or the confidentiality of data processed within it.<br><br>Resulting in:<br><br>Significant disruption to NHS Highlands ability to work normally or at full capacity<br>Critical services being temporarily delivered using business continuity plans that do not rely on the digital estate.<br>Critical business or clinical data being unavailable for an extended period.<br>NHS Highland experiencing negative publicity with loss of public confidence and trust.<br>The potential for extensive recovery costs and equipment replacement.<br>The possibility of regulatory findings and enforcement action. | Clinical – Minimal | 16 | 16 |
| 959 | There is a risk that the vaccination programmes will not be effectively and efficiently delivered leading to reduced population immunity and reputational damage. | Clinical – Minimal | 12 | 12 |
| 1353 | This risk articulates that the sustainability of clinical and social care services across the system may be compromised, impacting the ability of professionals to meet their responsibilities and uphold standards of care reflecting a recurring theme raised through the Clinical Governance Committee. | Clinical – Minimal | | 16 |

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| 1376 | There is a risk that NHS Highland will not deliver its planned position of financial balance within the Adult Social Care delegated budget for 2025/26. | Financial – Open | | 16 |
| 1375 | There is a risk that NHS Highland will not deliver its planned financial position for 2025/26 and that the maximum deficit of £40m agreed with SG will not be achieved. There is currently no brokerage confirmed for 2025/26 therefore there is a risk of a section 22 report may be issued. | Legal – Minimal (I've taken this as our ability to deliver statutory break-even position) | Prev ID 1254<br><br>3 x 4 = 12 | 16 |
| | | Financial – Open | Prev ID 1254<br><br>3 x 4 = 12 | |
| 1388 | There is a risk that the Annual Delivery Plan for 2025/2026 will fail to deliver the outcomes of improving patient quality, care delivery and efficiency due to fragility of services and reliance on additional/ unfounded resource to cope with current levels of demand activity resulting in lack of compliance with Scottish Government Objectives | Operating – Open | | 16 |

## 2.4 Proposed level of Assurance

This report proposes the following level of assurance:

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| Substantial | X | Moderate | |
| Limited | | None | |

## 3 Impact Analysis

### 3.1 Quality/ Patient Care

A robust risk management process will enable risks to quality and patient care to be identified and managed. Assurance for clinical risks will be provided by the Clinical and Care Governance Committee.

### 3.2 Workforce

A robust risk management process will enable risks relating to the workforce to be identified and managed. Assurance for these risks is also provided by the Staff Governance Group and where appropriate to the Staff Governance Committee.

### 3.3 Financial

A robust risk management process will enable financial and performance risks to be identified and managed. Assurance for these risks will be provided by the Finance, Resources and Performance Committee.

### 3.4 Risk Assessment/Management

This paper assesses how well Board risks reflect the agreed Board appetite.

### 3.5 Data Protection

The risk register 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 develop understanding of risks within the system in in line with our strategic objectives and outcomes once strategy is approved.

### 3.9 Route to the Meeting

Through EDG.

## 4 Recommendation

- **Assurance** – To give confidence of compliance with legislation, policy and Board objectives.

## 4.1 List of appendices

N/A