

NHS Greater Glasgow and Clyde	Paper No. 25/24
Meeting:	NHSGGC Board Meeting
Meeting Date:	25 February 2025
Title:	Risk Appetite Statement
Sponsoring Director:	Colin Neil, Director of Finance
Report Author:	Katrina Heenan, Chief Risk Officer

1. Purpose

The purpose of the attached paper is to:

Provide the Board with the output of the Risk Appetite Statement following the Board Seminar for discussion and approval.

2. Executive Summary

The annual review of the Risk Appetite Statement was carried out at the Board Seminar on the 4 February 2025. This included engagement and discussion on the Risk and Tolerance levels with all Board members participating in the discussion.

Feedback and comments from the Board Seminar have been reflected within the attached paper. The main changes are:

- the creation of two Risk Appetite levels for Compliance; ensuring that legislative compliance and best practice have separate and well-defined appetite and tolerance levels
- the Appetite and Tolerance statement for Strategic Transformation reflects the increased levels required in order to deliver the Strategic intent of NHSGGC.
- Changes to appetite statements to tighten definition based on feedback.

3. Recommendations

Further consideration is to be given by the Board on Transformation and Innovation Appetite and Tolerance Levels. In addition, Board Members are invited to propose any other changes following reflection from the Board Seminar on the proposed Risk Appetite Statement.

The Board is asked to review the Risk Appetite and Tolerance Statement and provide approval.

4. Response Required

This paper is presented for **approval**.

5. Impact Assessment

The impact of this paper on NHSGGC's corporate aims, approach to equality and diversity and environmental impact are assessed as follows:

- | | |
|------------------------|-------------------------------|
| • Better Health | <u>Positive</u> impact |
| • Better Care | <u>Positive</u> impact |
| • Better Value | <u>Positive</u> impact |
| • Better Workplace | <u>Positive</u> impact |
| • Equality & Diversity | <u>Positive</u> impact |
| • Environment | <u>Positive</u> impact |

6. Engagement & Communications

The issues addressed in this paper were subject to the following engagement and communications activity:

Stakeholder group	Status
Risk Champions	Complete
Short Life Working Group	Complete
Risk Management Steering Group	Complete
Audit & Risk Committee	Complete
Corporate Management Team Members	Complete
NHS GGC Board Seminar	Complete
NHSGGC Board	Pending

7. Governance Route

The content of this paper has been previously considered by the following groups as part of its development:

- NHSGGC Board Seminar

8. Date Prepared & Issued

Prepared on 13 February 2025

Issued on 17 February 2025

RISK APPETITE STATEMENT

Lead Manager:	Chief Risk Officer
Responsible Director:	Director of Finance
Approved by:	NHSGGC Board
Date Approved:	February 2025
Date for Review:	February 2026
Replaces Previous Version:	Risk Appetite Statement Version V3.0 Approved by NHSGGC Board December 2023

CONTENTS

1. Introduction	3
2. Definitions	3
3. Risk Appetite Approach	3
4. Application of Risk Appetite and Tolerance Levels	4
5. Appetite and Tolerance Statements	6
6. Identifying Risk Appetite and Tolerance for Risks	6
7. Risk Appetite and Tolerance Worked Examples	6
8. Process to Follow If Risk Exceeds Risk Appetite and/or Tolerance	7
9. Reporting	7
Appendix 1 - Risk Appetite and Tolerance Statements	8
Appendix 2 - Risk Appetite and Tolerance Summary Levels	15
Appendix 3 – Risk Appetite and Tolerance Level Review Process	16

1. Introduction

The UK Orange Book – Management of Risk, Principles and Concepts (2023) highlights that in order for Public Sector Organisations to be successful they cannot be Risk Averse. Risk Management should be an integral part of decision making in order to create a balanced view on the management of risk and opportunities. In order to be effective Risk Management should be integrated into the way that NHS Greater Glasgow and Clyde Lead, Direct, Manage and Operate. To support this there requires to be a Risk Appetite Statement, agreed by the NHS Greater Glasgow and Clyde Board, which creates a Framework for the risks that will be accepted in order to ensure the focus remains on the priorities to deliver the NHS Greater Glasgow and Clyde Corporate Objectives.

NHS Greater Glasgow and Clyde have clearly set out the levels of risk-taking that are acceptable within the risk appetite and tolerance statements detailed in this document.

This Risk Appetite Statement has been subject to development by a Review Group, following approval by the Risk Management Steering Group, Audit & Risk Committee and the NHS Board. This document will be reviewed on an annual basis.

2. Definitions

Risk Appetite Position is the amount and type of risk that NHS Greater Glasgow and Clyde aims to operate within to achieve its objectives.

Risk Tolerance is the level of Risk that NHS Greater Glasgow and Clyde is willing to operate, given the current constraints (e.g. funding). (Note - Tolerance is not the same as a Tolerated risk).

Current Risk is the score of the Risk (Impact vs Likelihood) of the risk occurring based upon the current controls in place to mitigate the risk.

Tolerated Risk is a risk where the Current Risk Score is accepted and no additional action is required to be taken to manage this risk further.

3. Risk Appetite Approach

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, allowing it to take opportunities, managed risks and not to simply avoid them. 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;

- Organisations have finite resources and must manage resources on a risk based approach;
- 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 information and expertise available and rationale for decisions should be documented;
- The risk culture must embrace openness, support transparency, welcome constructive challenge and promote collaboration, consultation and co-operation

NHS Greater Glasgow and Clyde's purpose is; *"protecting and improving population health and wellbeing while providing a safe, accessible, affordable, integrated, person centred and high quality health service."* This purpose is supported through commitments to our service users, families, our staff and our partners and is underpinned by our values: Care and Compassion, Dignity and Respect, Openness, Honesty, Quality and Teamwork.

All processes, procedures and activities carried out by the NHS Greater Glasgow and Clyde carry with them a degree of risk. It is necessary for the NHS Greater Glasgow and Clyde 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 Boards Risk Appetite Statement is based upon Guidance from the Orange Book – Risk Appetite Guidance Note V2 2021 and the Institute of Risk Management (The IRM) Risk Appetite & Tolerance Guidance Paper. The Risk Appetite Statement should be used as a tool by Managers to identify whether enough action is being taken to mitigate a risk or whether additional action is required. Risk Appetite relates to the amount of Risk that Greater Glasgow and Clyde is aiming to work within to achieve its Objectives. Risk Tolerance Statement are clear defined boundaries that NHS Greater Glasgow and Clyde will not move beyond without further approval. This Risk Appetite Statement should be used to support the prioritisation of tasks and resources.

4. Application of Risk Appetite and Tolerance Levels

Risks are assessed using the impact categories from the NHS Scotland Impact Matrix 2025. The Risk Score (Current) is created by selecting the level of Risk Impact (range of 1-5) and multiplying this against the Likelihood of the Risk occurring (range of 1-5), this provides the Risk Score in the range of 1-25. These scores have been divided into four Risk Levels (Low, Medium, High and Very High), as shown in the Diagram 1 below. Further detail on this process is provided in the NHS Greater Glasgow and Clyde Risk Policy and Guidance for Managers.

The Risk Impact is assessed against the following categories –

- Healthcare Experience
- Transformation & Innovation
- Injury/Illness
- Service Delivery/ Business Interruption
- Workforce
- Financial
- Compliance
- Public Confidence
- Health Inequalities

Impact	Extreme 5	Medium 5	High 10	High 15	V High 20	V High 25
	Major 4	Medium 4	Medium 8	High 12	High 16	V High 20
	Moderate 3	Low 3	Medium 6	Medium 9	High 12	High 15
	Minor 2	Low 2	Medium 4	Medium 6	Medium 8	High 10
	Negligible 1	Low 1	Low 2	Low 3	Medium 4	Medium 5
		Rare 1	Unlikely 2	Possible 3	Likely 4	Almost Certain 5
		Likelihood				

Diagram 1 – Risk Scoring Matrix

The following Four categories of Risk Appetite and Tolerance align directly to each of the Risk Score Levels (Low, Medium, High and Very High) as noted in Diagram 1 -

- **Averse (Low Risk Score of 1 - 3):** Avoidance of risk and uncertainty in achievement of deliverables is a key organisational objective. We will accept the lowest level of risk within this area. This appetite level reduces the potential for opportunities and innovative development.
- **Cautious (Medium Risk Score of 4 - 9):** Requirement for safe proven/tested delivery options that have a low degree of risk and only a limited reward potential. The potential for benefit or return is not a key driver.
- **Moderate (High of 10 - 16):** Preference for balanced options that have a degree of inherent risk is considered appropriate with the potential for some reward. Levels of risk are mostly controllable.
- **Open (Very High 20-25):** Willing to consider all potential delivery options and choose the one most likely to result in successful delivery whilst also providing an acceptable level of reward. Eager to be innovative and confident. Acceptance that a very high level of risk would be actively taken in the pursuit of innovation / transformation. Potential for high degree of residual risk. Levels of risk are not fully/ not mostly controllable.

5. Appetite and Tolerance Statements

Risk Appetite and Tolerance Statements have been created using the NHS Greater Glasgow and Clyde 2024/25 Corporate Objectives and aligning them to the categories within the Risk Impact Matrix. Each Statement has then been assigned a Risk Appetite and Tolerance Level (Averse, Cautious, Moderate, Open) that relate to a Risk Level within the Risk Scoring Matrix. The Risk Appetite and Tolerance Statements can be found in Appendix 1. Appendix 2 contains the Risk Appetite and Tolerance Summary Levels.

6. Identifying Risk Appetite and Tolerance for Risks

In order to identify the Risk Appetite for any Risk, once the risk has been scored the Highest Impact Category of each risk should be used to identify the Risk Appetite /Tolerance Level. Should the risk impact more than one category, then the highest impact is used in the assessment. Where there are multiple impacts of the same rating, the Risk Owner should select the most appropriate Impact Category to identify the Risk Appetite, taking into account the priorities and values of NHS Greater Glasgow and Clyde.

When a Risk Current Score is greater than the Risk Appetite or Tolerance level, this identifies that additional work is required to reduce the level of Risk or the Risk should be escalated through the Risk Hierarchy, as per NHSGGC Risk Management Policy. A Risk Appetite and Tolerance Guidance Flowchart has been provided in Appendix 3, where Risks exceed one or more Levels. These risk appetite levels will be applied to the all risks to ensure that risk owners responsible for the risk and the standing committees responsible for the oversight of each risk consider the overarching risk appetite and tolerance applicable to each risk when assessing additional action required.

7. Risk Appetite and Tolerance Worked Examples

The following are worked examples to assess Risk Appetite and Risk Tolerance -

Example 1 – There is a Risk that NHSGGC are unable to deliver identified Sustainability & Value plan resulting in financial overspend.

The Risk Impact has been assessed as Financial. The current Risk score has been assessed as 12 (Impact = 3 x Likelihood = 4). Using the Risk Statements in Appendix 1 this would give a Risk Appetite Level of Cautious (Risk Score 4-9) and Tolerance of Moderate (Risk Score 10-16) against the Impact Category of Financial. Assessing this Risk Score against the Risk Appetite and Tolerance Levels will provide an indication of whether the Risk is within or outside of Risk Appetite and/or Tolerance.

Example 2 – Risk of being unable to achieve in year targets which could result in Regulatory Non-Compliance.

The Risk has been assessed as Compliance (impact score of 5), Public Confidence (impact score of 3) and Financial (impact score of 2). This Risk has been assessed a score of 2 = Likelihood and 4 Impact, which provides a Risk Score of 8.

The highest impact score is Compliance, therefore this is a Compliance Risk and the Risk Appetite Statement relating to Compliance should be selected for this Risk.

Assessing this Risk Score against the Risk Appetite and Tolerance Levels will provide an indication of whether the Risk is within or outside of Risk Appetite and/or Tolerance.

8. Process to Follow If Risk Exceeds Risk Appetite and/or Tolerance

Should a Risk exceed Risk Appetite and/ or Tolerance then Management review is required to carry out the following –

- Review the risk score and confirm it is correct,
- Review controls in place and identify if they are effective. Implement changes to controls as required to reduce the risk.
- Review additional actions and identify any additional actions required to reduce the risk.
- Re-score the risk following the completion of the above actions. Should the Risk remain out with Tolerance then this risk should be escalated. (See NHS Greater Glasgow and Clyde Risk Escalation Process).

Appendix 3 contains a Risk Appetite and Tolerance Review process to follow where a Risk exceeds Appetite and/or Tolerance.

9. Reporting

Risk reporting should involve the review of the Current Risk score against the Risk Appetite and Tolerance levels on a regular basis, as defined in the Greater Glasgow and Clyde Risk Management Policy for Managers. Regular review should be carried out and action taken where Risk exceeds Appetite and/or Tolerance levels. The NHS Greater Glasgow and Clyde Risk Management Escalation process should be followed.

Appendix 1 - Risk Appetite and Tolerance Statements

Descriptor	Risk Appetite / Optimal Risk	Appetite Level	Tolerance (does not mean Tolerate risk)	Tolerance Level
Healthcare Experience COBC9 COBC10	NHSGGC are committed to delivering person centred care through a partnership approach built on respect, compassion and shared decision making. Our focus is to continually improve the quality of care, engaging with our patients and our people to ensure healthcare services meet their needs. NHSGGC recognises that there is an element of risk and this will involve learning from experiences in order to continuously improve.	The Risk Appetite is CAUTIOUS (4-9 score)	The strategic intent of NHSGGC is to reform Healthcare service to meet the needs of the public within the available financial envelope. NHSGGC is committed to requesting feedback and learning from events ensuring actions are captured to prevent reoccurrence. In order to deliver learning NHSGGC acknowledges that additional action may be required following learning events and during this time the risk impact may be higher. However this would only be appropriate for a short period of time, requiring detailed action plans to be delivered and subject to regular management review until implemented.	The Risk Tolerance is MODERATE (10-16 score)

Descriptor	Risk Appetite / Optimal Risk	Appetite Level	Tolerance (does not mean Tolerate risk)	Tolerance Level
Transformation and Innovation COBC13, COBC14, COBV15, COBH1, COBH2, COBH3, COBH4, COBH5, COBC11	NHSGGC Strategic intent is to deliver change and service reform to serve the needs of patients, visitors and staff whilst ensuring cost efficiencies to deliver within budget. In order to drive change there will be elements of risk and NHSGGC will work within a higher level of risk in order to drive successful change. This will include areas for research, transformation of assets, strategies to improve population health and service delivery in order to support the reform of Healthcare.	The Risk Appetite is MODERATE (10-16 score)	<p>In order to deliver the innovation and research to reform service delivery NHSGGC recognises that a higher tolerance level is required during periods of change in order to deliver the strategic intent.</p> <p>NHSGGC would accept a higher tolerance level, however they must include detailed medium term mitigation plans to reduce the risk to within Appetite.</p>	The Risk Tolerance is OPEN (20-25 risk score)
Injury/Illness COBC7	The objective of NHSGGC is to deliver a safe environment and appropriate working practices that minimise the risk of injury to patients and our people. In order to deliver improvements to patient care the benefits should outweigh the risks. We will not accept or tolerate physical or psychological impact to our Patients, Visitors or Staff. Any event that occurs must have clear defined action plans in place to prevent reoccurrence.	The Risk Appetite is AVERSE (1-3 score)	The objective of NHSGGC is to deliver a safe environment and appropriate working practices that minimise the risk of injury to patients and our people. In order to delivery patient care however the benefits should always outweigh the risks. NHSGGC will not accept a Risk Tolerance greater than the Risk Appetite Statement of Averse.	The Risk Appetite is AVERSE (1-3 score)

Descriptor	Risk Appetite / Optimal Risk	Appetite Level	Tolerance (does not mean Tolerate risk)	Tolerance Level
Service Delivery/ Business Interruption COBC8	NHSGGC Objectives are to ensure services are timely and accessible to all parts of the community we serve. Whilst it is not always possible to eliminate risk, the focus is on ensuring services are available. Business continuity plans are in place, however NHSGGC would not accept a service interruption that would result in unacceptable impact on patient care.	The Risk Appetite is CAUTIOUS (4-9 score).	NHSGGC understand that there is the potential for service delays to occur due to risks emerging, however business continuity plans are essential to mitigate risks and ensure service delivery. During periods where an event has occurred this may result in initial delays to service whilst plans are implemented, during this time NHSGGC would accept a higher level of risk until plans are implemented. Actions will be identified and delivered where performance is out with target.	The Risk Appetite is MODERATE (10-16 score)
Workforce COBC7, COBW22, COBW21, COBW19, COBW20, COBH6, COBW17, COBW18	NHSGGC is focussed on working in partnership to provide a continuously improving and safe working environment. To support this we will promote the health and wellbeing of our people. This includes providing training, development, information and ensuring that our people are informed in decisions that affect them. In order to achieve this a focus on Equality, Diversity	The Risk Appetite is AVERSE (1-3) score	In order to continuously improve NHSGGC recognises that this will involve periods of change and transition which may result in increased risk in order to identify, develop and embed new ways of working for the benefit of our people and patients. NHSGGC will accept an increased risk during times of	The Risk Appetite is CAUTIOUS (4-9 score).

Descriptor	Risk Appetite / Optimal Risk	Appetite Level	Tolerance (does not mean Tolerate risk)	Tolerance Level
	and Inclusion across the Healthcare system will be promoted. Throughout this our focus is to ensure that our people are treated fairly and consistently, with dignity and respect, and work in an environment where diversity is valued. We recognise that to continuously improve there will be an element of risk however the impact to our people should be minimised.		change and innovation that are backed up by well-defined and risk assessed plans.	
Financial COBV12, COBV13	NHSGGC is committed to ensuring effective financial planning is in place across the healthcare system that supports financial sustainability and balanced budgets. This is to reduce cost variation, delivery recurring savings, improve productivity and eliminate waste through a robust system of efficiency savings management. We recognise that there are financial challenges, budgets are constrained and that the inability to meet a balanced budget could result in failure to meet statutory requirements.	The Risk Appetite is CAUTIOUS (4-9 score).	NHSGGC recognise that budgets are challenging and there is ongoing financial challenge both in Revenue and Capital. We will support a spend to save approach where there is clear defined benefit to the Board. However we recognise the requirement to deliver a balanced budget and recognise that there is a level of risk associated with this. The Risk would be tolerated at this level with clear Sustainability and Value to be delivered and subject to continuous review.	The Risk Tolerance is MODERATE (10-16 score)

Descriptor	Risk Appetite / Optimal Risk	Appetite Level	Tolerance (does not mean Tolerate risk)	Tolerance Level
Compliance - a) Regulations and Legislation COBV16	<p>NHSGGC is committed to ensuring compliance with legislation and regulatory requirements and will not accept areas of non-compliance with Regulations.</p> <p>Regular audits and inspections are an essential to achieve compliance and NHSGGC acknowledge that there will be audit recommendations and actions required, however these must be managed to ensure compliance. NHSGGC recognise that there is a financial challenge and as such areas require to be prioritised for improvements, however the focus must remain on delivery of the compliance agenda across all topics.</p>	The Risk Appetite is AVERSE (1-3) score	<p>NHSGGC are committed to ensuring compliance with changes to legislation and accept that there may be periods of change that result in actions requiring implementation and may be lead to overspend.</p> <p>During this period NHSGGC are willing to tolerate a limited increased level of risk where changes bring compliance challenges and increased financial requirements. However detailed actions plans are required to be delivered to support compliance challenges.</p> <p>NHSGGC will not however accept an increased level of Tolerance for non-compliance with established Legislation and Regulations.</p>	The Risk Appetite is CAUTIOUS (4-9 score).
Compliance – b) Best practice, guidance and (non-legislative) standards	<p>NHSGGC recognise that there are also areas of best practice, guidance and high standards that would be desired, however compliance with regulation would be prioritised over best practice or guidance – a higher risk appetite and tolerance would be</p>	The Risk Appetite is CAUTIOUS (4-9 score).	<p>NHSGGC would accept a higher level of tolerance for Policies aiming to deliver best practice recognising resource constraints.</p> <p>NHSGGC are committed to delivering environmentally</p>	The Risk Tolerance is MODERATE (10-16 score)

Descriptor	Risk Appetite / Optimal Risk	Appetite Level	Tolerance (does not mean Tolerate risk)	Tolerance Level
	accepted for compliance with standards and best practice than for compliance with legislation and regulations. In addition NHSGGC are committed to ensuring that services are environmentally sustainable meeting targets and legislative Policy towards achieving net zero by 2045.		sustainable services that deliver against target. Financial constraints are in place that will require prioritisation of deliverables e.g. This includes decarbonisation plans at the pace of financial capability.	
Public Confidence COBC8, COBC9, COBV14.	NHSGGC Objectives focus on delivering patient centred care which is timely and accessible to ensure wider stakeholder confidence. To achieve this it is essential that feedback from a variety of sources / staff and members of the Public is received and responded to in order to deliver service improvements and build Public Confidence. There is a cautious appetite for risks that could result in reduced Public Confidence, however this will be balanced against the strategies and plans developed to drive improvements in patients care across our services. Communication plans will be essential parts of our strategy to build Public Confidence.	The Risk Appetite is CAUTIOUS (4-9 score).	NHSGGC recognise that change can bring a period of uncertainty until plans are fully embedded. A significant number of the NHSGGC objectives focus on driving improvements in Healthcare and Care in the Community across Partnerships. In order to achieve change there will be periods of uncertainty and questions from the Public and through the Media. During this time NHSGGC are willing to accept a higher level of risk in order to drive and implement change that will benefit patient care and service delivery. All changes will include action planning and	The Risk Tolerance is MODERATE (10-16 score)

Descriptor	Risk Appetite / Optimal Risk	Appetite Level	Tolerance (does not mean Tolerate risk)	Tolerance Level
			communication strategies to provide assurance to the Public through periods of change. Communication will be based upon honesty and transparency, which may during these periods result in increased impact on Public Confidence.	
Health Inequalities COBH2, COBC8, COBH3, COBH6	In order to deliver equity of care across the population NHSGGC aims to reduce the health inequalities through advocacy and community planning. This will involve delivering plans in line with the Strategic intent to reform Healthcare. This will including ensuring that our services are timely and available to the communities that we serve. The impact on Health Inequalities will be assessed as part of strategic change.	The Risk Appetite is CAUTIOUS (4-9 score).	NHSGGC are committed to ensuring compliance with legislation and accept that there may be periods of change that result in actions requiring implementation and may lead to overspend. During this period NHSGGC are willing to tolerate a limited increase level of risk in order to deliver the strategic intent of NHSGGC. However detailed actions plans are required to reduce the impact on Health Inequalities.	The Risk Tolerance is MODERATE (10-16 score)

Appendix 2 - Risk Appetite and Tolerance Summary Levels

Risk Impact Type	Risk Appetite	Risk Tolerance
Healthcare Experience	Cautious (Risk Score 4-9)	Moderate (Risk Score 10-16)
Transformation and Innovation	Moderate (Risk Score 10-16)	Open (Risk score 20-25)
Injury/Illness	Averse (Risk Score 1-3)	Averse (Risk Score 1-3)
Service Delivery/ Business Interruption	Cautious (Risk Score 4-9)	Moderate (Risk Score 10-16)
Workforce	Averse (Risk Score 1-3)	Cautious (Risk Score 4-9)
Financial	Cautious (Risk Score 4-9)	Moderate (Risk Score 10-16)
Compliance - a - Regulations and Legislation	Averse (Risk Score 1-3)	Cautious (Risk Score 4-9)
b – Best practice, guidance	Cautious (Risk Score 4-9)	Moderate (Risk Score 10-16)
Public Confidence	Cautious (Risk Score 4-9)	Moderate (Risk Score 10-16)
Health Inequalities	Cautious (Risk Score 4-9)	Moderate (Risk Score 10-16)

Appendix 3 – Risk Appetite and Tolerance Level Review Process

