

<b>NHS Greater Glasgow and Clyde</b>	<b>Paper No. 22/84</b>
<b>Meeting:</b>	<b>NHS Board Meeting</b>
<b>Meeting Date:</b>	<b>25 October 2022</b>
<b>Title:</b>	<b>Risk Appetite Statement</b>
<b>Sponsoring Director:</b>	<b>Colin Neil, Director of Finance</b>
<b>Report Author:</b>	<b>Andrew Gibson, Chief Risk Officer</b>

## 1. Purpose

**The purpose of the attached paper is to:** seek Board approval of the attached Risk Appetite Statement.

## 2. Executive Summary

**The paper can be summarised as follows:**

### **Background**

The current Risk Appetite Statement was approved by the Board in October 2021 where it was agreed that the statement would be reviewed and updated on an annual basis. The enclosed document represents the annual update to the Risk Appetite Statement.

### **Updates to the Risk Appetite Statement**

The proposed updates to the Risk Appetite Statement can be summarised as follows:

- An additional Risk Type for Property has been included
- Appetite levels – the previous statement had 5 defined appetite levels, the new statement has 4 levels which simplifies the overall process and enables planned future developments to map risk appetite to the Board's risk assessment matrix more closely. The narrative to explain what each of these levels represents was also reviewed and updated as required.
- Appetite levels for each Risk Type have been reviewed and updated

### 3. Recommendations

The NHS Board is asked to consider the following recommendations:

- Note the work undertaken to update the Risk Appetite Statement
- Note the ongoing annual review process
- Approve the enclosed Risk Appetite Statement v2.0 as recommended by Audit and Risk Committee

### 4. Response Required

This paper is presented for approval.

### 5. Impact Assessment

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

- Better Health Positive
- Better Care Positive
- Better Value Positive
- Better Workplace Positive
- Equality & Diversity Positive
- Environment Positive

### 6. Engagement & Communications

The update to the Risk Appetite Statement was subject to a detailed review process, including the following engagement and communications activity:

Stakeholder group	Activity	Timetable
Operational Risk Leads	Review and endorsement	July 2022
Risk Management Steering Group	Review and endorsement	July 2022
CMT	Review, refinement and endorsement	August - September 2022
Audit & Risk Committee members	Informal review and endorsement by a small cohort of ARC member prior to final submission	August 2022
Full Audit & Risk Committee	Review and endorsement	September 2022

### 7. Governance Route

This paper has been previously considered by the following groups as part of its development:

As above

**8. Date Prepared & Issued**

Prepared on 11 October 2022  
Issued on 18 October 2022

# RISK APPETITE STATEMENT

Lead Manager:	Chief Risk Officer
Responsible Director:	Director of Finance
Approved by:	NHSGGC Board
Date Approved:	TBC
Date for Review:	October 2023
Replaces Previous Version:	Risk Appetite Statement V1.0 Approved by NHSGGC Board 21 September 2021

## **Board Risk Appetite Statement**

### **Introduction**

Setting a risk appetite helps an organisation establish a threshold of impacts they are willing and able to absorb in pursuit of 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. Decisions must be taken about where to allocate finite resources in order to maximise the chance of achieving objectives and delivering for patients. The more resource that is put in to minimising risk, the less resource is left to take opportunities. As such it is essential that NHS Greater Glasgow and Clyde clearly sets out the levels of risk-taking that are acceptable – these are captured in our risk appetite statements.

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 Greater Glasgow & Clyde (NHSGGC)**

The NHSGGC 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 NHSGGC tailored version of the risk appetite models outlined in the *Orange Book – Management of Risk, Principles and Concepts 2019 Risk Appetite Guidance Note*.

### **Definitions**

**Risk Appetite** is the amount and type of risk that NHSGGC is willing to seek or accept in the pursuit of its objectives.

**Risk Appetite Levels** have been developed using the UK Government Orange Book Risk Appetite Guidance and tailored to NHSGGC.

## NHSGGC Risk Appetite Levels:

- **Averse:** Avoidance of risk and uncertainty is a key organisational objective. Exceptional circumstances are required for any acceptance of risk. Almost no appetite for this type of risk.
- **Cautious:** Requirement for ultra-safe delivery options that have a low degree of inherent risk and only a limited reward potential. Minimal appetite for this type of risk
- **Moderate:** Preference for safe delivery options that have a low degree of inherent risk and may only have a limited reward potential. However, there is acceptance that a level of risk may be required to pursue objectives, or that a higher level of risk must be tolerated in this area.
- **Open:** Willing to consider all potential delivery options and choose the one most likely to result in successful deliver while also providing an acceptable level of reward (and VFM). Eager to be innovative and confident in setting high level of risk appetite where controls are robust. Acceptance that risk must be more actively taken in the pursuit of innovation / transformation or that a very high level of risk must be tolerated.

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

**Operating risks** – 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.

**Legal risks** – 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).

**Financial/Commercial risks** – 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. 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.

**Clinical risks** – 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.

**People/Workforce risks** – Risks arising from ineffective leadership and engagement, suboptimal culture, inappropriate behaviours, the unavailability of sufficient capacity and capability, industrial action and/or non-compliance with relevant employment legislation/HR policies resulting in negative impact on performance.

**Reputational risks** – 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.

**Property risks** – Risks related to long term Estates strategies and programmes, including purchase, rental, disposal, construction and refurbishment that ensures a value for money, fit for purpose estate. Also relates to risks arising from property deficiencies or poorly designed or ineffective / inefficient safety management resulting in non-compliance and/or harm and suffering to employees, contractors, patients, service users or the public.

## **NHSGGC – Risk Appetite Levels 2022/23**

NHSGGC'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 and families, our staff and our partners and underpinned by our values: Care and Compassion, Dignity and Respect, Openness, Honesty, Quality and Teamwork.

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 (encompassed by the risk types) and these are described using our objectives.

Each risk type has been assigned a risk appetite as follows:

<b>Risk type</b>	<b>Risk Appetite</b>
Operating	Open
Legal	Cautious
Financial / Commercial	Moderate
Clinical	Moderate
People/Workforce	Moderate
Reputational	Moderate
Property	Moderate

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 applicable to each risk.

**Refer to Appendix A for detailed risk appetite statements for each Risk type.**

APPENDIX A – RISK APPETITE STATEMENTS

RISK TYPE	RISK APPETITE LEVELS			
	AVERSE	CAUTIOUS	MODERATE	OPEN
Operating	Defensive approach to operational delivery – aim to maintain / protect, rather than create or innovate. Priority for close management controls an oversight with limited devolved authority.	Innovations largely avoided unless essential in order to avoid any disruption to service.	Tendency to stick to the status quo, innovation is supported in circumstances with clear demonstration of benefits. Recognises the requirement to accept greater level of risk and flex delivery model to meet ever-changing demands.	Innovation pursued – desire to 'break the mould' and challenge current working practices.  Prepared to seek benefits to the public and accept possibility of threats to 'business as usual' service.  Resources allocated without firm guarantee of return.
Financial / Commercial	Budgets are significantly constrained and the avoidance of unplanned / unmanaged budget variance is a key objective.  Priority is for close management controls and oversight with limited devolved authority  We are only willing to accept the low cost option.	Budgets are constrained and unplanned / unmanaged budget variance could affect reputation as well as put directorates under strain. Well informed risks can be taken but budget variances are to be minimised and VFM is the primary concern.	We are prepared to accept the possibility of limited unplanned / unmanaged budget variance.  VFM is the primary concern, however innovation is supported in circumstances with clear demonstration of financial benefits. We are willing to consider a higher level risk where other benefits are gained for a limited budget variance.	We are prepared to invest for reward and accept the possibility of budget variance (although controls may be in place).  Innovation is supported with non-financial benefits considered and encouraged (not just lowest cost option).
Clinical	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 and effectively. Innovation in service delivery supported, with clear demonstration of benefit / improvement in patient outcomes. Responsibility for non-critical clinical decisions may be devolved. <b>Refer to Note 1</b>	Innovation pursued – desire to 'break the mould' and challenge current working practices. Delivery of core clinical services safely and effectively still paramount

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RISK TYPE	RISK APPETITE LEVELS			
	AVERSE	CAUTIOUS	MODERATE	OPEN
People / Workforce	<p>Avoidance of decisions that could have a negative impact on workforce development, recruitment and retention.</p> <p>Innovative approaches to workforce recruitment and retention are not a priority</p> <p>Sustainability is primary interest</p>	<p>Avoid all risks relating to the workforce unless absolutely essential. Where attempting to innovate, would seek to understand where similar actions have been successful elsewhere before taking any decision.</p>	<p>Prepared to take limited risks with regards to the workforce. Prepared to accept innovation in workforce planning but seek to manage any downside risk / disruption</p>	<p>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</p>
Reputational	<p>Zero appetite for any decisions with high chance of repercussion for organisations' reputation.</p>	<p>Appetite for risk taking is limited to those events where there is no chance of significant repercussions.</p>	<p>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 and where appropriate steps are taken to minimise exposure.</p> <p>Acknowledgement that the organisation is public-facing and subject to a high level of media and public scrutiny which can flow from informed decision making and implementation of our strategic objectives</p>	<p>Increased appetite to take decisions which are likely to bring additional governmental / organisational scrutiny where potential benefits outweigh risks.</p> <p>Acknowledgement that the organisation is public-facing and subject to a high level of media and public scrutiny which can flow from informed decision making and implementation of our strategic objectives</p>
Property	<p>Obligation to comply with strict policies for purchase, rental, disposal, construction and refurbishment that ensures producing good value for money.</p> <p>Focus on all desirable, important and essential maintenance works – extending down to mitigating low risk, discretionary elements / routine repairs and ensuring full compliance with statutory requirements as part of a maintenance programme.</p>	<p>Recommendation to follow strict policies for purchase, rental, disposal, construction, and refurbishment that ensures producing good value for money.</p> <p>Focus on all important, essential and some desirable works – extending down to mitigating medium-risk elements and ensuring full compliance with statutory requirements as part of a maintenance programme.</p>	<p>Consider benefits of agreed solutions for purchase, rental, disposal, construction, and refurbishment that meeting organisational requirements.</p> <p>Focus on important and essential maintenance works only – extending only down to mitigating high risk elements where there is a non-compliance with legislation that requires prioritised action.</p>	<p>Application of innovative solutions for purchase, rental, disposal, construction and refurbishment that ensures meeting organisational requirements.</p> <p>Focus on essential maintenance works only – extending only down to mitigating very high risk elements where there is a significant breach in legislation that requires immediate action.</p>

**Note 1: Clinical Risk Appetite**

The majority of activity undertaken by NHS Greater Glasgow and Clyde falls in line with the proposed risk appetite levels for Clinical as outlined in the Clinical appetite statement. It is recognised that the nature of some of our clinical activity is inherently risky, however, a suite of controls which include robust clinical governance arrangements with general management accountability across NHSGGC are put in place to effectively manage those risks to an acceptable level. It is important to note that risk appetite statements are not intended to constrain clinicians in circumstances that present unique challenges and decision making is delegated to the appropriate level of seniority to support service delivery and the agreed risk appetite level.

Due to the complexity and diversity of clinical services we accept there may be certain circumstances where higher levels or lower levels of risk appetite for Clinical risk are appropriate in order to achieve positive patient outcomes and / or to continue to deliver service under higher risk conditions / environments.