

# NHS Ayrshire & Arran



**Meeting:** Ayrshire and Arran NHS Board

**Meeting date:** Monday 3 October 2022

**Title:** Risk Appetite Statement

**Responsible Director:** Dr Crawford McGuffie, Executive Medical Director

**Report Authors:** Hugh Currie, Assistant Director for Occupational Health, Safety and Risk Management  
Kate Macdonald, Risk Manager  
Kirsty Gargan, Senior Risk Management Advisor

## 1. Purpose

This is presented to the Board for:

- Decision

This paper relates to:

- Local policy

This aligns to the following NHSScotland quality ambition:

- Safe

## 2. Report summary

### 2.1 Situation

NHS Ayrshire & Arran's Risk Appetite Statement is due for review and the Board is asked to discuss and approve the revised version of Risk Appetite Statement, with supporting Matrix (Appendix 1).

### 2.2 Background

The NHS Board last approved the risk appetite statement at an in-committee meeting of the Board on 15 December 2016. Updates have been made to the Risk Appetite since then and the current version is due for review by 28<sup>th</sup> May 2022. Noting that due to Covid pressures on Service, the Risk and Resilience Scrutiny Assurance Group approved a one year extension to the review, from end May 2021 to end May 2022.

## 2.3 Assessment

### Definitions:

**Risk appetite:** the amount of risk, on a broad level, that NHS Ayrshire & Arran is willing to accept in pursuit of its strategic objectives.

**Risk tolerance** the acceptable level of variability to achieving strategic objectives.

The Risk Appetite Statement has been developed to reflect NHS Ayrshire & Arran's four pillars of performance; Service, Quality, People and Finance, with an underpinning Quality of Reputation, which spans all four Pillars.

In the absence of a standard NHS Scotland Risk Appetite Framework / Matrix and in agreement with the Good Governance Institute (GGI), NHS Ayrshire & Arran have utilised the Institute's Matrix which supports "*better risk sensitivity in decision taking*" and enables a qualitative comparison.

Adaptations have been made to ensure alignment with the needs of NHS Ayrshire & Arran, including changes to language to better fit the organisation, and the addition of the People element to align with the four Pillars approach.

The review has been carried out with stakeholder engagement at its heart through the use of workshops and the establishment of a Short Life Working Group (SLWG). The two workshops were attended by NHS A&A Board members, with a focus on risk perspective and threshold, risk appetite through the internal audit lens and review of the current Statement, capturing feedback from Board members to inform the development of the new version. The SLWG membership comprised Executive and Non-Executive Board members, ensuring a breadth and depth of experience. The Group unanimously agreed from the outset that the GGI's Matrix was still fit for purpose, albeit ensuring that it aligned more closely to NHS Ayrshire & Arran's four Pillars regarding language being updated and the introduction of Reputation, as a new element which would cross-cut all the Pillars.

All members of the SLWG robustly discussed the level of Risk Appetite that it would be prepared to accept for key aspects of the delivery of healthcare across all five Matrix Elements; Service, Quality, People, Finance and Reputation, and there was unanimous agreement it would be set at *High*, notwithstanding compliance with legal and regulatory requirements, and financial governance.

### Examples of *High* Risk Appetite across NHS Ayrshire & Arran:

- **Intermediate Care and Rehabilitation services**  
Our investment in Intermediate Care and Rehabilitation services in the community in the expectation that it would reduce acute hospital demand.
- **Permanent recruitment for Registered staff**  
Our investment in permanent recruitment for registered staff on non-recurring funding to ensure the quality and safety of the service and reducing requirement for supplementary spend
- **Best Medical Workforce Clinical Development Fellow Programme**  
In 2018, we asked the Board to support two components:

1. Right sizing the workforce at a cost of £880k to support ward work, based on a model that had been developed in Ayrshire & Arran in the context of no existing medical workforce tool.
2. Take a financial risk to pre-emptively recruit fellows into predicted NHS Education for Scotland gaps which was running at 15-20% of core allocation. This was a potential financial risk of around £2M if the resultant gaps were not in the predicted specialties.

The fellow numbers went from 25 to 50, then 75, then 100 in subsequent financial years. £1M was then removed from the additional medical spend in consecutive years. This was a risk that was taken to get the workforce right and the financial gains were related to the ability to stop using high cost, variable quality locums. Without the risk appetite we may not have even have realised the potential.

Following agreement of the revised Statement and Matrix, there will be a schedule of educational workshops/seminars for senior staff across NHS Ayrshire & Arran. These will focus on ensuring consistency in understanding the relevancy of Risk/Risk Appetite within their roles, how the Statement can help the Board achieve its objectives and make decisions and how it can be used to assist with delivering of Services. Additionally, a review of the Risk and Quality sections in the Board Paper Template will be progressed to ensure alignment to the Risk Appetite Matrix.

### **2.3.1 Quality/patient care**

The feedback of the NHS Ayrshire & Arran Board members across the two workshops and the work of the SLWG has been instrumental to the development of the Risk Appetite Statement and Matrix. Both documents will be used by senior managers as a cornerstone to continue the improvement of quality and patient care across the organisation.

### **2.3.2 Workforce**

Our People Strategy identifies the current and anticipated future workforce challenges the Board needs to address, defines the kind of organisation and employer the Board aspires to be, and outlines our commitments and objectives to our people and, reciprocally, what the Board expects from its people.

This paper provides assurance that the outputs from the workshops and the SLWG meetings have identified, discussed and reviewed the consequences of the Risk Appetite being *High* for workforce, and are subsequently satisfied that this reflects the current state.

### **2.3.3 Financial**

The Board spends about £1 billion a year of taxpayer funding for which we are accountable for financial governance and delivering value for money. Internal and external audit report to the Audit and Risk Committee, however management are responsible for designing and maintaining the systems for internal control within the Board.

This paper provides assurance that the financial impact of the Risk Appetite being *High* for Finance, still ensures compliance with financial governance.

#### **2.3.4 Risk assessment/management**

There are legal, regulatory and governance risks to the organisation affecting Service, Quality, People, Finance and Reputation, if the Risk Appetite Statement is not reviewed regularly.

Good planning and effective governance will be required to prioritise and ensure this work is taken forward within required timescales.

#### **2.3.5 Equality and diversity, including health inequalities**

An impact assessment has not been completed because this is an update to the Board.

#### **2.3.6 Other impacts**

This paper provides assurance that Best Value has been demonstrated, both in the stakeholder engagement taken place in the development of the Statement and Matrix, but also in the final documents and the positive impact they will have for NHS Ayrshire & Arran, across all Best Value criteria (below), as they address all four Pillars, plus the additional Element of Reputation:

- Vision and Leadership
- Effective Partnerships
- Governance and accountability
- Use of resources
- Performance management

The revised Statement and Matrix demonstrates compliance with the all five Corporate Objectives:

- Deliver transformational change in the provision of health and social care through dramatic improvement and use of innovative approaches.
- Protect and improve the health and wellbeing of the population and reduce inequalities, including through advocacy, prevention and anticipatory care.
- Create compassionate partnerships between patients, their families and those delivering health and care services which respect individual needs and values; and result in the people using our services having a positive experience of care to get the outcome they expect.
- Attract, develop, support and retain skilled, committed, adaptable and healthy staff and ensure our workforce is affordable and sustainable.
- Deliver better value through efficient and effective use of all resources

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

There is no duty on the Board to involve and engage external stakeholders in developing/updating the Board's risk appetite statement. Engagement with internal stakeholders has taken place as described through Board Workshops and the Short Life Working Group.

#### **2.3.8 Route to the meeting**

This has been previously considered by the following groups as part of its development. The groups have either supported the content, or their feedback has informed the development of the content presented in this report.

- Board workshops on 13 June and 25 August 2022
- Risk Appetite Short Life Working Groups on 20 July and 6 September 2022

- Risk and Resilience Scrutiny Assurance Group on 13 September 2022
- Audit and Risk Committee on 20 September 2022

## **2.4 Recommendation**

For Decision. Members are asked to recognise the broad stakeholder engagement that has taken place to review and revise the Risk Appetite Statement and supporting Matrix and approve the revised Statement and Matrix.

Members are also asked to note and be assured of plans for education of senior staff across NHS Ayrshire & Arran to ensure consistency in understanding the relevancy of Risk/Risk Appetite in their roles and how the Statement can help us achieve objectives, make decisions and be used to assist with delivery of Services.

## **3. List of appendices**

The following appendix is included with this report:

- Appendix No. 1 - Risk Appetite Statement with Matrix



---

# RISK APPETITE STATEMENT

---

Version No: Draft for Approval

4.0

Prepared By:

Hugh Currie, Kate Macdonald and Kirsty Gargan

Effective From:

Review Date:

Lead Reviewer:

Crawford McGuffie  
Medical Director

Dissemination Arrangements:

- Notification via Chief Executive Note
- Published via Intranet / AthenA

All of our publications are available in different languages, larger print, Braille (English only), audio tape or another format of your choice. Contact the Communications Department on 01563 826111 for further information.

## **Introduction**

**Risk appetite** is described as the amount of risk, on a broad level, that NHS Ayrshire & Arran is willing to accept in pursuit of its strategic objectives.

**Risk tolerance** is the acceptable level of variability to achieving strategic objectives.

The Risk Appetite Statement has been developed to reflect NHS Ayrshire & Arran's four pillars of performance; Service, Quality, People and Finance, with an underpinning Quality of Reputation, which spans all four Pillars.

In the absence of a standard NHS Scotland Risk Appetite Framework/ Matrix, in agreement with the Good Governance Institute (GGI), NHS Ayrshire & Arran has utilised "a matrix developed to support better risk sensitivity in decision taking". This can be seen as a 'cornerstone' to base our Risk Appetite on. Adaptations have been made to ensure alignment with the needs of NHS Ayrshire & Arran including changes to language to better fit our organisation, and the addition of the People element to align with our four Pillars approach.

Language contained within the statement has been shaped to ensure a best fit between our requirements and that of the matrix. This is reflected in the addition of the 'People' element to the Matrix and although 'Service' is a Pillar, this Element crosscuts the three remaining Pillars, which from a Risk Appetite perspective, better reflects the needs of the organisation. Additionally, the statement includes footnotes to assist the reader in addition to the need refer to the matrix.

Further information can be obtained from the Assistant Director for Occupational Health, Safety and Risk Management



## **NHS Ayrshire and Arran – Risk Appetite Statement**

*NHS Ayrshire and Arran's purpose is 'Working together to achieve the healthiest life possible for everyone in Ayrshire and Arran.' This purpose is supported through commitments to our service users and families, our staff and our partners and underpinned by our Values: Caring, Safe and Respectful.*

*The Board recognises that it is not possible to eliminate all the risks which are inherent in the delivery of healthcare. The Board has therefore considered the level of risk that it is prepared to accept for key aspects of the delivery of healthcare and these are described using our four Pillars of performance. However, a fifth Element has been added to the Risk Appetite Statement which covers Reputational risk. This has been added, as we are aware that reputational risk can be found in all of the four Pillars of Performance.*

### **Service**

*We acknowledge that healthcare operates within a highly regulated environment and that we have to meet high levels of compliance expectations from a range of regulatory sources. We will endeavour to meet those expectations within a framework of prudent controls, balancing the prospect of risk elimination against pragmatic operational imperatives.*

We have a **High level of Risk Appetite to Service**, as detailed below (See Appendix 1 for Risk Matrix): *"Any opposition would be problematic but we are likely to win it. We would always comply with legal and regulatory requirements and would be able to evidence this. The gain will outweigh the adverse consequences."*

### **Quality**

*The quality of our services, measured by clinical outcome, patient safety, wellbeing and patient experience is at the heart of everything we do. We are committed to a culture of quality improvement and learning, ensuring that quality of care and patient safety is above all else.*

We have a **High level of Risk Appetite to Quality** (See Appendix 1 for Risk Matrix): *"Innovation is supported whilst maintaining compliance, and demonstration of commensurate improvements in management control. Systems / technology developments used routinely to enable operational delivery. Responsibility for non-critical decisions may be devolved."*

### **People**

*Our People Strategy identifies the current and anticipated future workforce challenges the Board needs to address, defines the kind of organisation and employer the Board aspires to be, and outlines our commitments and objectives to our people and, reciprocally, what the Board expects from its people.*

We have a **High level of Risk Appetite to People** (See Appendix 1 for Risk Matrix) and are



*“Prepared to accept the possibility of some staffing risk, as a direct result from innovation as long as there is the potential for improved recruitment and retention and development opportunities for staff.”*

### **Finance**

The Board spends about £1 billion a year of taxpayer funding for which we are accountable for financial governance and delivering value for money. Internal and external audit report to the Audit and Risk Committee, however management are responsible for designing and maintaining the systems for internal control within the Board.

We have a **High level of Risk Appetite to Finance** (See Appendix 1 for Risk Matrix) and are *“Prepared to invest for return and minimise the possibility of financial challenge by managing the risks to a tolerable level, whilst maintaining financial governance. Value and benefits considered (not just cheapest price). Resources allocated in order to capitalise on opportunities.”*

### **Reputation**

It is recognised and accepted that the elements of Quality, People, Finance and Service have reputational risk associated with them and in turn the subsequent requirement to always safeguard it.

We have a **High level of Risk Appetite to Reputation** and have an (See Appendix 1 for Risk Matrix) *“Appetite to take decisions with potential to expose the organisation to additional examination / interest. Prospective management of organisation’s reputation.”*



# Risk Appetite Matrix



	NONE	LOW	MODERATE	HIGH	VERY HIGH	
Service	Play safe, avoid anything which could be opposed, even unsuccessfully.	Want to be very sure we would win any opposition. Similar situations elsewhere have not breached compliances.	Limited tolerance for exposure to risk whilst maintaining compliance. Want to be reasonably sure we would win any opposition.	Any opposition would be problematic but we are likely to win it. We would always comply with legal and regulatory requirements and would be able to evidence this. The gain will outweigh the adverse consequences.	Chances of losing any opposition are real and consequences would be significant. A win would be a great achievement as compliance may have been compromised if the risk was realised.	Consistently pushing back on regulatory burden. Assertive approach informs better regulation.
Quality	Defensive approach to objectives – aim to maintain or protect, rather than to create or innovate. Priority for tight management controls and oversight with limited devolved decision taking authority. General avoidance of systems / technology developments.	Innovations always avoided unless essential or commonplace elsewhere. Decision making authority held by senior management. Only essential systems / technology developments to protect current operations.	Tendency to stick to the status quo, innovations in practice avoided unless really necessary. Decision making authority able to be delegated beyond senior management in a limited way. Systems / technology developments limited to improvements to protection of current operations.	Innovation is supported whilst maintaining compliance, and demonstration of commensurate improvements in management control. Systems / technology developments used routinely to enable operational delivery. Responsibility for non-critical decisions may be devolved.	Innovation pursued – desire to 'break the mould' and challenge current working practices. New technologies viewed as a key enabler of operational delivery. High levels of devolved authority – management by trust rather than tight control.	Innovation the priority – consistently 'breaking the mould' and challenging current working practices. Investment in new technologies as catalyst for operational delivery. Devolved authority – management by trust rather than tight control is standard practice.
People	Avoidance of decisions that could have a negative impact on staff development, recruitment and retention. Sustainability is primary interest	Avoid all risks relating to the staff unless absolutely essential. Innovative approaches to staff 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 staff. 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 staffing 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	
Finance	Avoidance of financial challenge and investing is a key objective. We are only willing to accept the low cost option as Value for Money is the primary concern.	Only prepared to accept the possibility of very limited financial challenges and investing if essential. Value for Money is the primary concern.	Prepared to accept possibility of some limited financial challenge and investing. Value for Money is still the primary concern, but willing to consider other benefits or constraints. Resources generally restricted to existing commitments.	Prepared to invest for return and minimise the possibility of financial challenge by managing the risks to a tolerable level, whilst maintaining financial governance. Value and benefits considered (not just cheapest price). Resources allocated in order to capitalise on opportunities.	Investing for the best possible return and accept the possibility of financial challenge (with controls may in place). Resources allocated without firm guarantee of return – 'investment capital' type approach.	Consistently focussed on the best possible return for stakeholders. Resources allocated in 'social capital' with confidence that process is a return in itself.
Reputation	No tolerance for any decisions that could lead to examination of, or indeed attention to, the organisation. External interest in the organisation viewed with concern.	Tolerance for risk taking limited to those events where there is no chance of any significant repercussion for the organisation. Senior management distance themselves from chance of exposure to attention.	Tolerance for risk taking limited to those events where there is little chance of any significant repercussion for the organisation should there be a failure. Mitigations in place for any undue interest.	Appetite to take decisions with potential to expose the organisation to additional examination / interest. Prospective management of organisation's reputation.	Willingness to take decisions that are likely to lead to examination of the organisation but where potential benefits outweigh the risks. New ideas seen as potentially enhancing reputation of organisation.	Track record and investment in communications has built confidence by public, press and politicians that organisation will take the difficult decisions for the right reasons with benefits outweighing the risks.
Risk Levels	<b>0 - Avoid</b> Avoidance of risk and uncertainty is a Key Organisational objective	<b>1 - Minimal</b> Preference for ultra-safe delivery options that have as low degree or as low as reasonably possible, of inherent risk and only for limited reward potential	<b>2 - Cautious</b> Preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward	<b>3 - Open</b> Willing to consider all potential delivery options and choose while also providing an acceptable level of reward and maintaining compliance	<b>4 - Seek</b> Eager to be innovative and to choose options offering potentially higher business rewards (despite greater inherent risk)	<b>5 - Mature</b> Confident in setting high levels of risk appetite because controls, forward scanning and responsiveness systems are robust

\*'Good is only good until you find better' – Maturity Matrices © are produced under licence from the Benchmarking Institute. [www.good-governance.org.uk](http://www.good-governance.org.uk) Published by and © GGI Limited Old Horsmans, Sedlescombe, near Bate, East Sussex TN33 0RL UK. ISBN 978-1-907610-12-7