

NHS Grampian Risk Appetite Statement - Appendix 2

Background

The NHS Grampian Board is responsible for enabling wellness within the Grampian population by improving health and preventing ill health, and for responding to illness by delivering the required healthcare.

The Board recognises that it is not possible to eliminate all risks that are inherent in the delivery of healthcare, and is therefore willing to accept a certain degree of risk where it is considered to be in the best interest of patients, carers, the public, staff members and the Board.

To support the effective assessment and management of risk within NHS Grampian, a Risk Appetite Statement is used to communicate the amount and type of risk that the organisation aims to seek, accept or tolerate in pursuit of achieving its strategic objectives.

Definitions

Risk Appetite:

'The total amount (level and type) of risk an organisation **aims** to accept in pursuit of its objectives'

Risk Tolerance:

'The total amount (level and type) of risk an organisation is **willing** to accept in pursuit of its objectives'

NHS Grampian's risk appetite reflects the boundaries in which the organisation aims to work within to achieve its strategic objectives as set out in Plan for the Future, NHS Grampian's strategy for 2022-2028.

Risk Appetite Setting

NHS Grampian's Risk Appetite Statement will:

- Complement current risk management processes
- Support the balance of risks and opportunities
- Provide clarity regarding risks that require mitigation and those that are to be tolerated
- Ensure that resources are prioritised and allocated where they are most needed to support the management of risk
- Enable the provision of proportionate and specific responses

The Board accepts that there may be occasions where the organisation is able to deal with more risk than is thought prudent to pursue, and that constraints may prevent the short-term achievement of risk appetite. Therefore, a degree of flexibility exists for responsible managers within the boundaries of the risk appetites, allowing for a balanced judgement of both risk and reward.

In such situations, the organisation will operate within acceptable tolerance levels, with the aim of steering back to achieving risk appetite.

Such exceptions will be assessed against their consistency with strategic objectives and context of the Risk Appetite Statement, and any breaches of accepted risk tolerances will be addressed with an appropriate corrective action plan.

Risk Categories

NHS Grampian has a differential approach to risk management, where categories of risk are considered individually. This approach allows for a strong link between risk appetite and risk categories, while informing decision-making and escalation procedures, especially in relation to risks that breach acceptable tolerance levels.

High-level risk categories used within this statement are adapted from NHS Scotland Core Risk Assessment Matrices, a tool used within NHS Grampian to implement risk management processes, providing consistency of terms and methodology. These categories describe the direct impact that an associated risk may have.

Appendix A provides descriptions of the risk categories.

Risk Appetite Level

Level definitions have been adapted from the UK Government's 'Orange Book Risk Appetite Guidance Note' and aim to describe the approach of each risk appetite level.

Each risk appetite level has an individual corresponding Risk Evaluation Matrix. Individual risks have a determined risk rating (based on impact and likelihood) which is applied to the Risk Evaluation Matrix for the corresponding appetite level. This application provides a net risk assessment that indicates the required response: action, monitoring or accept.

Appendix B provides descriptions of the risk appetite levels and corresponding matrices.

Risk Appetite Statements by Risk Category

As a highly regulated public body, NHS Grampian has a reasonably conservative approach to risk, although it accepts that it is not practical or desirable to avoid all risk. The Board recognises the challenging environment in which it operates and that a degree of risk must be accepted and/or pursued in order to achieve transformative ambitions set out in Plan for the Future. The Board will continue to provide safe, high quality services with integrity, maintain strong ethical standards and adhere to all applicable legal and regulatory requirements.

The Board will act in accordance of these Risk Appetite Statements to achieve its strategic objectives.

The table below, using the risk categories and risk appetite levels, provides information regarding the Board's target risk appetite within core risk areas.

Appendix C sets out each risk appetite level for each risk category.

Risk Category	Statement	Risk Appetite Scale
Patient Experience/ Clinical Outcome	<p>Focus on delivering core clinical services safely, with some elements of risk present in pursuit of safe and effective patient care.</p> <p>Aim to optimise patient experience, outcome and quality of care through new ways of working where appropriate.</p> <p>Robust risk assessment and risk mitigation processes in place.</p>	2 - Cautious
Objectives/ Project	<p>Willing to accept a higher degree of risk in relation to innovation and change which supports the effective delivery of strategic objectives.</p>	3 - Open
Injury (physical or psychological)	<p>Focus on delivering core services safely with a high standard of care. Seek a low degree of inherent risk when concerning patient, visitor or staff injury.</p> <p>Service delivery and environment in line with or in excess of minimum health & safety legislation.</p>	1 - Minimalist
Complaints/ Claims	<p>Willing to accept a higher degree of risk however still being within a cautious approach.</p> <p>Want to be reasonably sure NHS Grampian would win any challenge.</p>	2 - Cautious
Service/Business Interruption	<p>Prepared to accept a higher degree of risk, under certain circumstances, that may affect the delivery of operational services within NHS Grampian.</p> <p>Aim to develop and maintain safe, resilient, secure, compliant and high performing services throughout the organisation.</p>	2 - Cautious
Staffing and Competence	<p>Prepared to take some workforce related risk, under certain circumstances, in pursuit of safe and effective patient care delivery.</p> <p>Has the potential to yield opportunity within NHS Grampian, including improved recruitment and retention, enhanced wellbeing, and development opportunities for staff.</p>	2 - Cautious
Financial	<p>Prepared to accept the possibility of some financial loss for the benefit of safe and effective delivery of patient care and outcomes.</p> <p>Resources allocated in order to maximise on opportunities and potential for transformation.</p> <p>Value and benefits considered (not just cheapest price).</p> <p>Risks that may lead to reporting misstatements will not be accepted. Similarly, there is a zero-tolerance approach to fraudulent activity.</p>	2 - Cautious

<p>Inspection/Audit</p>	<p>Prepared to accept the possibility of minor regulatory observations, if deemed essential to safe and effective patient care and outcomes.</p> <p>Very limited appetite for decisions that present risks to NHS Grampian maintaining regulatory and legislative compliance.</p>	<p>1- Minimalist</p>
<p>Adverse Publicity/ Reputation</p>	<p>Willing to accept a higher degree of risk that may result in short term reputational damage but long-term improvements for stakeholders.</p> <p>Prospective management of the organisation's reputation.</p>	<p>3 - Open</p>

Appendix A- NHS Scotland Risk Categories

Patient Experience/Clinical Outcome - Risks relating to the provision of care that arise from inadequate systems and processes associated with patient experience, outcome and safety

Objectives/Project - Risks that arise from the failure to achieve scope, quality or schedule of service or project objectives

Injury (physical or psychological) - Risks that arise from physical or psychological harm to patients, visitors or staff

Complaints/Claims - Risks that arise as a result of public/patient complaints or claims

Service/Business Interruption - Risks that arise from inadequate or failed internal processes and systems, or from external events, which may result in an inability to provide continuity of services

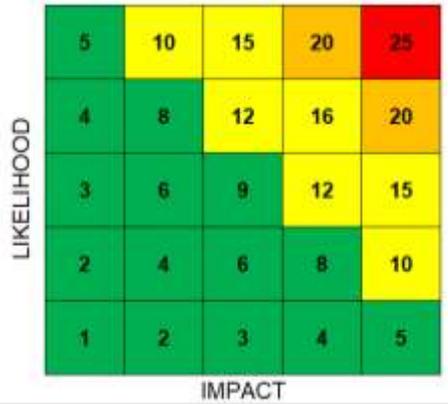
Staffing and Competence - Risks that arise from issues with workforce; supply, skills, performance, competency levels and retention

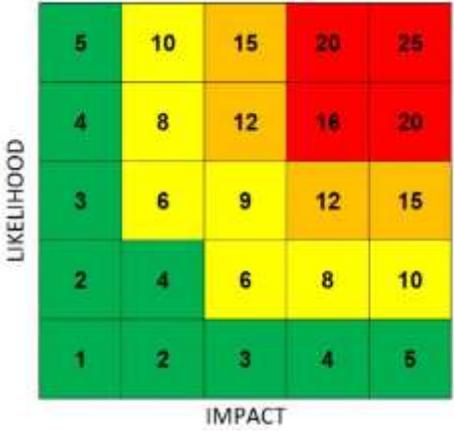
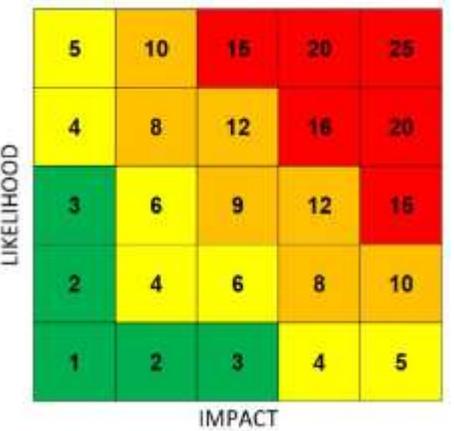
Financial - Risks that arise from organisational direct or indirect financial loss, damage or fraud relating to the management of finances, financial reporting and funding

Inspection/Audit - Risks that arise from a failure to comply with regulatory standards or operate within the law, which could result in enforcement action or prosecution

Adverse Publicity/Reputation - Risks that arise from adverse publicity resulting in a detrimental impact on staff morale and organisational reputation

Appendix B- Risk Appetite Levels

Risk Appetite	Description	Risk Matrix	Risk Response										
<p>4- Courageous</p>	<p>Eager to be innovative and choose options based on maximising opportunities and increasing benefit, even if these activities carry a very high degree of <i>residual</i> risk.</p>	 <p style="text-align: center;">LIKELIHOOD</p> <p style="text-align: center;">IMPACT</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 20%;">Net Risk Assessment</th> <th>Risk Assessment Response</th> </tr> </thead> <tbody> <tr> <td style="background-color: red; color: white;">21-25 Very High</td> <td>Intolerable level of risk exposure which requires immediate action to be taken to reduce risk exposure</td> </tr> <tr> <td style="background-color: orange;">17-20 High</td> <td>Significant level of risk exposure that requires constant active monitoring and action to be taken to reduce exposure</td> </tr> <tr> <td style="background-color: yellow;">10-16 Medium</td> <td>Acceptable level of risk exposure subject to regular risk monitoring measures</td> </tr> <tr> <td style="background-color: green;">1-9 Low</td> <td>Acceptable level of risk exposure on the basis of normal operation of controls in place</td> </tr> </tbody> </table>	Net Risk Assessment	Risk Assessment Response	21-25 Very High	Intolerable level of risk exposure which requires immediate action to be taken to reduce risk exposure	17-20 High	Significant level of risk exposure that requires constant active monitoring and action to be taken to reduce exposure	10-16 Medium	Acceptable level of risk exposure subject to regular risk monitoring measures	1-9 Low	Acceptable level of risk exposure on the basis of normal operation of controls in place
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1-9 Low	Acceptable level of risk exposure on the basis of normal operation of controls in place												
<p>3- Open</p>	<p>Willing to consider all options and choose those that will most likely result in successful delivery and an acceptable level of benefit. Activities may carry, or contribute to, a high degree of <i>residual</i> risk.</p>	 <p style="text-align: center;">LIKELIHOOD</p> <p style="text-align: center;">IMPACT</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 20%;">Net Risk Assessment</th> <th>Risk Assessment Response</th> </tr> </thead> <tbody> <tr> <td style="background-color: red; color: white;">20-25 Very High</td> <td>Intolerable level of risk exposure which requires immediate action to be taken to reduce risk exposure</td> </tr> <tr> <td style="background-color: orange;">13-19 High</td> <td>Significant level of risk exposure that requires constant active monitoring and action to be taken to reduce exposure</td> </tr> <tr> <td style="background-color: yellow;">8-12 Medium</td> <td>Acceptable level of risk exposure subject to regular risk monitoring measures</td> </tr> <tr> <td style="background-color: green;">1-7 Low</td> <td>Acceptable level of risk exposure on the basis of normal operation of controls in place</td> </tr> </tbody> </table>	Net Risk Assessment	Risk Assessment Response	20-25 Very High	Intolerable level of risk exposure which requires immediate action to be taken to reduce risk exposure	13-19 High	Significant level of risk exposure that requires constant active monitoring and action to be taken to reduce exposure	8-12 Medium	Acceptable level of risk exposure subject to regular risk monitoring measures	1-7 Low	Acceptable level of risk exposure on the basis of normal operation of controls in place
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Risk Appetite	Description	Risk Matrix	Risk Response										
<p>2- Cautious</p>	<p>Preference of safe service delivery options that have a low degree of <i>residual</i> risk. Willing to tolerate a degree of risk to achieve key deliverables or objectives where there is potential for significant benefit or opportunity. Any <i>inherent</i> risk is deemed largely controllable.</p>		<table border="1"> <thead> <tr> <th data-bbox="1339 248 1518 320">Net Risk Assessment</th> <th data-bbox="1518 248 2033 320">Risk Assessment Response</th> </tr> </thead> <tbody> <tr> <td data-bbox="1339 320 1518 416">16-25 Very High</td> <td data-bbox="1518 320 2033 416">Intolerable level of risk exposure which requires immediate action to be taken to reduce risk exposure</td> </tr> <tr> <td data-bbox="1339 416 1518 512">11-15 High</td> <td data-bbox="1518 416 2033 512">Significant level of risk exposure that requires constant active monitoring and action to be taken to reduce exposure</td> </tr> <tr> <td data-bbox="1339 512 1518 608">6-10 Medium</td> <td data-bbox="1518 512 2033 608">Acceptable level of risk exposure subject to regular risk monitoring measures</td> </tr> <tr> <td data-bbox="1339 608 1518 703">1-5 Low</td> <td data-bbox="1518 608 2033 703">Acceptable level of risk exposure on the basis of normal operation of controls in place</td> </tr> </tbody> </table>	Net Risk Assessment	Risk Assessment Response	16-25 Very High	Intolerable level of risk exposure which requires immediate action to be taken to reduce risk exposure	11-15 High	Significant level of risk exposure that requires constant active monitoring and action to be taken to reduce exposure	6-10 Medium	Acceptable level of risk exposure subject to regular risk monitoring measures	1-5 Low	Acceptable level of risk exposure on the basis of normal operation of controls in place
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<p>1- Minimalist</p>	<p>Avoidance or preference of safe service delivery options that have a low degree of <i>inherent</i> risk. The potential for benefit/return is not a key driver and activities will only be undertaken when there is a low degree of <i>inherent</i> risk.</p>		<table border="1"> <thead> <tr> <th data-bbox="1339 775 1518 847">Net Risk Assessment</th> <th data-bbox="1518 775 2033 847">Risk Assessment Response</th> </tr> </thead> <tbody> <tr> <td data-bbox="1339 847 1518 943">15-25 Very High</td> <td data-bbox="1518 847 2033 943">Intolerable level of risk exposure which requires immediate action to be taken to reduce risk exposure</td> </tr> <tr> <td data-bbox="1339 943 1518 1038">8-14 High</td> <td data-bbox="1518 943 2033 1038">Significant level of risk exposure that requires constant active monitoring and action to be taken to reduce exposure</td> </tr> <tr> <td data-bbox="1339 1038 1518 1134">4-7 Medium</td> <td data-bbox="1518 1038 2033 1134">Acceptable level of risk exposure subject to regular risk monitoring measures</td> </tr> <tr> <td data-bbox="1339 1134 1518 1230">1-3 Low</td> <td data-bbox="1518 1134 2033 1230">Acceptable level of risk exposure on the basis of normal operation of controls in place</td> </tr> </tbody> </table>	Net Risk Assessment	Risk Assessment Response	15-25 Very High	Intolerable level of risk exposure which requires immediate action to be taken to reduce risk exposure	8-14 High	Significant level of risk exposure that requires constant active monitoring and action to be taken to reduce exposure	4-7 Medium	Acceptable level of risk exposure subject to regular risk monitoring measures	1-3 Low	Acceptable level of risk exposure on the basis of normal operation of controls in place
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Appendix C- NHS Grampian risk categories and risk appetite level descriptions

<i>Risk Appetite Level</i> <i>Risk Type</i>	1- Minimalist Preference for very safe options that have a low degree of inherent risk and a limited potential for benefit or opportunity within NHS Grampian	2- Cautious Preference for safe options that have a low degree of inherent risk and some potential for benefit or opportunity within NHS Grampian	3- Open Willing to consider all potential options and provide an acceptable level of benefit or opportunity within NHS Grampian	4- Courageous Eager to be innovative and to choose options offering greater organisational benefit or opportunity within NHS Grampian (despite greater inherent risk)
Patient Experience/ Clinical Outcome	Focus on delivering clinical services safely with a low degree of inherent risk. Robust risk assessment & mitigation processes in place. Innovations largely avoided unless essential.	Focus on delivering clinical services safely with some element of risk. Robust risk assessment & mitigation processes in place. Innovations generally avoided however encouraging higher quality patient care through new ways of working.	Focus on delivering clinical services safely and effectively with a higher degree of risk. Innovation in service delivery supported, encouraging higher quality patient care through new ways of working. Risk assessment & mitigation processes in place, however, not always effective.	Delivery of clinical services safely and effectively still paramount, with an increased presence of risk taking, which may result in significant adverse events with harm occurring. Innovation pursued – desire to ‘break the mould’ and challenge current working practices.
Objectives/ Project	Innovations always avoided unless essential or commonplace elsewhere.	Innovations in practice avoided unless necessary.	Innovation supported, with demonstration of proportional improvements in management control.	Innovation pursued – desire to ‘break the mould’ and challenge current working practices.
Injury (physical or psychological)	Focus on delivering services safely with a high standard of care. Seek a low degree of inherent risk when concerning patient, visitor or staff injury. Service delivery and environment in line with or in excess of minimum health & safety legislation.	Focus on delivering services safely with a high standard of care. Seek some innovative activity if deemed beneficial and has a low degree of inherent risk. Service delivery and environment in line with or in excess of minimum health & safety legislation.	Focus on delivering services safely. Focus on improvement with innovation enabled. Service delivery and environment in line with minimum health & safety legislation.	Delivery of services safely and effectively still paramount, however actively seeking new ways of working, which could challenge patient/staff safety. Service delivery and environment may not meet minimum health & safety legislation standards.
Complaints/ Claims	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.
Service/ Business Interruption	Minimal possibility of operational failure. Innovations always avoided unless essential or commonplace elsewhere. Only essential systems / technology developments to protect current operations. Decision making authority held by senior management.	Potential for operational failure in pursuit of innovation when necessary. Systems / technology developments limited to improvements to protection of current operations. Some devolved authority and oversight processes in place.	Exposure to periodic operational failures. Innovation supported, with demonstration of benefit/improvement in service delivery. Systems/ technology developments used routinely to enable operational delivery. Devolved authority and oversight processes in place.	Exposure to regular operational failures. 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 close control.

<i>Risk Appetite Level</i> <i>Risk Type</i>	1- Minimalist Preference for very safe options that have a low degree of inherent risk and a limited potential for benefit or opportunity within NHS Grampian	2- Cautious Preference for safe options that have a low degree of inherent risk and some potential for benefit or opportunity within NHS Grampian	3- Open Willing to consider all potential options and provide an acceptable level of benefit or opportunity within NHS Grampian	4- Courageous Eager to be innovative and to choose options offering greater organisational benefit or opportunity within NHS Grampian (despite greater inherent risk)
Staffing and Competence	Prepared to accept the possibility of very limited workforce risk impacts if essential to safe and effective patient care and outcomes. Innovative approaches to workforce recruitment and retention are not a priority.	Prepared to take limited workforce risks in pursuit of safe and effective patient care delivery that may yield opportunity, including improved recruitment and retention and development opportunities for staff.	Prepared to take workforce risk that may yield opportunities including improved recruitment and retention and development opportunities for staff but with the potential for exposure to sub-optimal patient care and outcomes.	Eager to pursue workforce opportunities. However, exposure to sub-optimal patient care and outcomes may be likely. Recognise that innovation is likely to be disruptive in the short term but with the possibility of long-term gain.
Financial	Only prepared to accept the possibility of limited financial loss and very limited reporting misstatements.	Prepared to accept the possibility of some limited financial loss for the benefit of patient care and outcomes. Only prepared to accept the possibility of very limited financial reporting misstatements. Value and benefits considered (not just cheapest price).	Prepared to invest for benefit and/or accept financial loss for the benefit of patient care and outcomes. Value and benefits considered (not just cheapest price).	Investing for the best possible return and accept the possibility of financial loss (with controls in place).
Inspection/ Audit	Prepared to accept the possibility of minor regulatory observations, if deemed essential to safe and effective patient care and outcomes.	Prepared to accept the possibility of moderate regulatory observations/judgements, as long as there is confidence that the challenge could be managed.	Prepared to accept the possibility of significant regulatory observations/judgements, but any impacts to patient care and outcomes are likely to be limited.	Prepared to accept the possibility of significant regulatory observations/judgements, if the decisions can be justified and potential benefit and opportunity outweigh the risk.
Adverse Publicity/ Reputation	Risk taking limited to those events where there is no chance of any significant repercussion for the organisation.	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.	Decisions taken with the potential to expose the organisation to additional scrutiny / interest. Prospective management of the organisation's reputation.	Willingness to take decisions that are likely to bring scrutiny of the organisation but where potential benefit and opportunity outweigh the risk. New ideas seen as potentially enhancing reputation of organisation.