

**Board Meeting 25<sup>th</sup> NOVEMBER 2016**

**RISK APPETITE AND RISK MANAGEMENT UPDATE**

**Recommendation/action required:**

The Board is asked:

1. Approve the risk management statement
2. To note the timeline of next steps in the Risk Management Improvement Process

**Author:**

**Sponsoring Director:**

**Jacqueline Cosgrove**  
**Senior Risk and Policy Officer**

Cath Denholm  
Director, Strategy

**November 2016**

RISK APPETITE AND RISK MANAGEMENT UPDATE	Page 1 of 10	Version:
	Date: 17/11/2016	Status:

## Risk Appetite and Risk Management Update

### Purpose of Paper

1. The Board is asked to:
  - Approve the Risk Management Statement
  - Note the timeline of next steps in the Risk Management Improvement Process

### Background

2. From December 2015 to December 2016 we have been improving NHS Health Scotland's approach to risk by testing ideas for changes to how we manage and govern it. The outcome for this project is that:
 

By December 2016, CMT, the Board and staff who use our corporate and master risk registers are more likely to:

  - Recommend NHS Health Scotland's approach to risk to a colleague
  - Feel our risk registers accurately reflect the most important uncertainties and issues to manage in the current time frame
  - Feel our approach helps us successfully anticipate uncertainty
3. The Board's risk appetite was last formally assessed in 2014. On 7 October 2016 the Board held a seminar discussion to consider its current position with regard to risk appetite. This paper follows directly from that discussion.

### Risk Management Statement

4. At the October seminar the Board expressed that it continues to have an overall high appetite for risk. We would summarise this as, given the ambitions of the Board, our aims are unlikely to be achieved if we do not actively seek new opportunities, try new approaches and remain 'bold and confident' in the messages we give.
5. Equally, the Board re-emphasised that the very high level of influence and impact it wants to see will only be achieved if the reputation of the organisation is strong. Therefore a high risk appetite requires high quality mitigation. The Board then went on to have a detailed discussion about some of the current issues and context that emphasise the need for that high level of influence and impact and the barriers that may lie in the way. A summary of the notes taken during that discussion is attached as Appendix 3

RISK APPETITE AND RISK MANAGEMENT UPDATE	Page 2 of 10	Version:
	Date: 17/11/2016	Status:

6. Taking into account this discussion, we have drafted a new Risk Management Statement for the Board that we hope frames our approach in a way that captures the Board's reflections and is fit for the purpose of sharing with staff and stakeholders what our overall approach to risk will be in taking forward the vision of A Fairer Healthier Scotland. The draft Risk Management statement is attached as appendix 1.
7. The Board will note that in this draft the overall expression of appetite level has not significantly changed. However, we have updated how it is articulated and how it expressed within each risk category (which we have also reviewed and revised). The overall intention is to allow for clearer links between the risk process and the overall ambition and vision of the organisation. The previous risk appetite is attached in appendix 2 for comparison.

### Risk Improvement and Progress

8. The table below summarises the improvement steps undertaken since April 2016 and the actions planned for the remainder of the business year.

Action	Date
Agreed governance and reporting arrangements for new CRR	April 2016
Determine Risk Scores for new CRR	May 2016
Improve link between the vision of Health Scotland and Risk management <ul style="list-style-type: none"> <li>• Provide clearer guidance on strategic risks and operational risks</li> <li>• Review and refresh the MRR that provides a direct link between business planning and risk management</li> </ul>	May – December 2016
Review Board's Appetite for Risk by: <ul style="list-style-type: none"> <li>• Conducting analysis of current risk appetite against organisational performance</li> <li>• Seminar discussion with the Board</li> </ul>	October 2016
Review, Link (Planning) and Refine overall risk management process Revise Risk Policy and Protocols	November - December 2016
Embed into the organisation the revised risk approach in line with new strategy and delivery plan	Jan – March 2017

**Finance and Resource Implications**

- 9. There are no direct resource or finance implications. The risk management statement should however guide and inform the organisation on the level of finance and resource risk that should be taken in achieving our vision.

**Partnership**

- 10. Upon approval from the Board the risk management statement will be taken to all relevant staff forums for discussion, including the Partnership Forum.

**Communications**

- 11. Upon approval from the Board the risk management statement will be communicated with the full workforce of Health Scotland.

**Risk**

- 12. The risk management statement is a key component to the overall management of risk and should provide the board with reassurance that the organisation are operating within expected limits.

**Equality and Diversity**

- 13. The proposals in this paper have no impact on our public sector equality duty and therefore have not been impact assessed.

**Sustainability and Environmental Management**

- 14. The proposals in this paper have no impact on sustainability or the environment.

**Action/ Recommendations**

- 15. The board is asked to:
  - 1. Approve the new risk management statement
  - 2. Note the timeline of next steps in the Risk Management Improvement Process

RISK APPETITE AND RISK MANAGEMENT UPDATE	Page 4 of 10	Version:
	Date: 17/11/2016	Status:

## Appendix 1

### **NHS Health Scotland Risk Management Statement**

NHS Health Scotland has set an ambitious vision for a Scotland where all people and communities have a fairer share of the opportunities and resources to live longer, healthier lives. To achieve it, we need to be prepared to act in new ways and try new things, some of them untested, and to be prepared for some of them to be contested. In other words, our general appetite for risk has to be high.

Our overall approach to managing risks is to seek to identify and mitigate the level of negative impact and maximise the opportunities in all ongoing and new activities.

### **Governance**

We have well managed governance arrangements in place to manage our risk exposure. The risks are included on the corporate risk register and managed through the appropriate governance committees.

### **Risk Categories and Appetite**

We define our risks under the following four Categories. We do not assign each Category with a fixed appetite for risk as we believe this could falsely curtail the opportunities arising within that activity area. However, we do use the statements below as the starting point to guide the assessments we would make about any risk falling into that individual category.

#### ***Business***

We encourage innovation and creativity in order to have impact in delivering A Fairer Healthier Scotland. This means we want to be open to exploring opportunities to improve current services, taking on new roles and also being prepared to move away from roles and services that no longer have impact.

#### ***Finance and Governance***

We encourage innovation and recognise that resources and decision making needs to support that. However, we also expect the activities to be carried out within the financial and regulatory parameters set.

#### ***Workforce***

Our people are critical to achieving our vision. We therefore encourage initiatives and opportunities which support and empower our staff to be innovative and influential, whilst ensuring that we retain a safe and well governed working environment.

#### ***Reputation and Quality***

We strive to have profound influence over how our stakeholders think and act to reduce inequalities in health. We therefore encourage messages that are bold, challenging of the status quo and designed to achieve change. However, we know that we can only achieve that level of influence if we have and retain a reputation for high quality, factual and useful information and engagement.

RISK APPETITE AND RISK MANAGEMENT UPDATE	Page 5 of 10	Version:
	Date: 17/11/2016	Status:

## Appendix 2

### Previous Risk Topics and Board Risk Appetite

<b>Topic</b>	<b>Description</b>	<b>Appetite</b>
Reputational	Strategic risks; stakeholder perception	Open
Financial & Planning	Scottish Government funding; value for money; Efficacy of spend	Cautious
Compliance / Regulatory	Health and safety; Freedom of Information; Business Continuity Planning; Human Resources; Data Protection	Minimalist
Operational	Projects; innovation; quality; outcomes	Open

**Appendix 3**

Notes from Board Seminar on Risk 7 October 2016

*What are the issues in which you need to have confidence in order that our strategic ambitions are delivered?*

From the notes recorded to that question, we have summarised and grouped the feedback below.

Staff	<ul style="list-style-type: none"> <li>• Consistency of line management so that all staff receive consistent messages about what is expected of them</li> <li>• Developing the skills and confidence of our whole workforce to be highly influential (and checking that post functional realignment we have made the shifts we need to)</li> <li>• Ensuring staff have the opportunity to influence</li> <li>• Ensuring staff feel they have the authority to influence</li> <li>• Making sure our own staff really understand the local context.</li> </ul>
Impact	<ul style="list-style-type: none"> <li>• The work that we need needs to be recognised as effective and essential</li> <li>• We need to be crystal clear in our communications about what we do and why</li> <li>• We need to be very selective about what we do and focused on best impact</li> <li>• We need to be able to describe our impact over long term problems and the effect that health inequalities has on other services</li> <li>• We need to be clearer in our aims for impact e.g. should we have a measurable target to reduce health inequalities by 2022?</li> <li>• The agenda isn't just ours – we have the privilege of attempting to deliver it – it should be shaped and informed by those experiencing health inequalities</li> <li>• 'More bang for our buck' – lesser focus on fewer key areas that directly impact inequality</li> </ul>

<p>Influence</p>	<ul style="list-style-type: none"> <li>• Influencing partners requires the NHS to walk the talk too, but we need to consider how significant our influence is over the NHS</li> <li>• Are our influencing skills sufficient?</li> <li>• Is our voice loud enough?</li> <li>• We believe that the inequality agenda is as important as the 'blue light' 'illness' service in terms of saving lives. How do we get that across?</li> </ul>
<p>Stakeholder engagement</p>	<ul style="list-style-type: none"> <li>• Are we targeting the right organisations/groups/individuals?</li> <li>• Do we need a clearer hierarchy about the people/groups we want to influence?</li> <li>• Do we fully understand Scottish Government's own appetite for risk? And do we understand where it differs from ours on certain things?</li> <li>• Do we do enough joint planning with Scottish Government so that our priorities are sufficiently aligned?</li> <li>• Is Health Scotland's contribution visible enough?</li> <li>• How do we gain the confidence/respect of our partners in new areas of work where we can make a difference but have no established trade records?</li> <li>• Are we maximising on potential partners and sharing our expertise widely enough?</li> <li>• Is our authorising environment right, and do we have enough 'big ticket' allies?</li> <li>• If we could find a clear way of articulating our achievements to the wider public, we'd be able to articulate them to anyone.</li> </ul>
<p>Execution</p>	<ul style="list-style-type: none"> <li>• We need to speed up decision making</li> <li>• We still find it difficult to exit work that no longer has impact</li> <li>• Make best practical use of our knowledge base</li> <li>• Become better at describing the solutions (rather than the problem)</li> <li>• We need to be very clear about and maintain our licence to operate</li> </ul>



	<ul style="list-style-type: none"> <li>• We need to learn from our mistakes, but we also need to shake off historical expectations that get in the way</li> </ul>
Service Delivery	<ul style="list-style-type: none"> <li>• We need to see and describe our contribution as distinct</li> <li>• Knowing when to stop analysing – 80/20 rule</li> <li>• In the areas of greatest inequalities what specific actions are needed to address the issues and how are we supporting this reform</li> <li>• Achieve a better balance right between spending our time internally/externally (although it is good that we are measuring it now which is important)</li> <li>• Keep up to date with a fast changing environment – more flexible, respond faster</li> <li>• Get the timing right</li> <li>• We still need to get better at prioritising</li> </ul>
Strategy	<ul style="list-style-type: none"> <li>• Ensure that we are investing in areas that make a difference</li> <li>• Ensure we are specific in our goals</li> <li>• Aim to punch above our weight</li> <li>• Describe impact and expected outcome in a five year period – Health Scotland can do this well. Use our expertise and evidence</li> <li>• Set a specific target to narrow the inequalities gap</li> <li>• Check we are we doing right things and amount</li> <li>• We should be prepared to ‘wing it’ a bit more in areas of greatest potential gain – with appropriate risk tolerance</li> <li>• Agree the drivers for us to take more risks. The real risk might be that no-one is going to hold us accountable if we stay risk adverse and overly cautious</li> <li>• Be bold, creative and innovative in shaping policy</li> <li>• Get the balance right – upstream v downstream – internal assurance vs external relationships – production of knowledge vs translation into action</li> </ul>

	<ul style="list-style-type: none"> <li>• Ensure that the strategic input from non-execs is used by execs to carry out their operational role</li> <li>• Be prepared to challenge publicly in order to prioritise what we consider would make the biggest difference to health</li> <li>• Don't delude ourselves just by being busy and generating activity. Make sure that what we are doing achieves change.</li> </ul>
<p>Controls and Systems</p>	<ul style="list-style-type: none"> <li>• Avoid over reliance on inappropriate systems/processes rather than judgement/ ownership – empowerment</li> <li>• Do we use the non-exec team to best advantage, or do we concentrate too much on process discussion rather than outcome, strategy and vision?</li> <li>• Be alert to changes in our authorising environment</li> <li>• Avoid the language of risk management leading people to be cautious. Find a way of communicating clearly what we want to see happen as a board and exec team.</li> </ul>
<p>Quality of Evidence</p>	<ul style="list-style-type: none"> <li>• Trust in evidence</li> <li>• Consistent quality of evidence/presentation of knowledge in a useful way</li> <li>• We need to act as politically 'astute' v political poodles</li> </ul>