

# NHS Ayrshire & Arran



**Meeting:** Ayrshire & Arran NHS Board

**Meeting date:** Monday 08 December 2025

**Title:** Risk Appetite Statement

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## 1. Purpose

This is presented to the Board for:

- Decision

This paper relates to:

- NHS Board Strategy

This aligns to the following NHS Scotland quality ambition(s):

- Safe
- Effective
- Person Centred

## 2. Report summary

### 2.1 Situation

The purpose of this paper is to present the revised Risk Appetite Statement to the Board for approval.

### 2.2 Background

Risk Appetite is the amount and type of risk an organisation is willing to seek or accept in the pursuit of its objectives. Utilising risk appetite principles can help an organisation identify and set appropriate thresholds for risks.

The Risk Appetite Statement was due for review in October 2024 and this was an area of focus for the Board workshop in August 2024. Approval was then given to extend the existing Risk Appetite Statement in order to fully explore and develop a revised statement to provide a tool that would strengthen NHS Ayrshire & Arran's approach to managing risk.

A short life working group was formed to revise the Risk Appetite Statement and agree on levels for both risk appetite and risk tolerance.

## **2.3 Assessment**

The revised Risk Appetite Statement is detailed in appendix 1. The proposed approach focuses on the risk domains used within the risk matrix in order to identify the type of risk. A risk appetite level and risk tolerance level, alongside supporting statements, have been developed for each domain within the risk matrix.

It is anticipated that revised approach will provide a framework for managing risks, ensuring the focus remains on the priorities to deliver the NHS Ayrshire and Arran corporate objectives.

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

The feedback of the NHS Ayrshire & Arran Board members across the workshop and the work of the short life working group have been instrumental to the development of the revised Risk Appetite Statement. 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**

The paper provides assurance that consideration to risk impact on the workforce has been considered and an appropriate risk appetite level has been agreed and will be monitored closely.

### **2.3.3 Financial**

The paper outlines the consideration of the financial impact of identified risks. The risk appetite level for finance has been carefully considered with a realistic level being agreed taking account of the current challenges.

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

This paper demonstrates the planned approach to the assessment and management of risks through the adoption of the revised risk appetite and tolerance levels. The approach will further enhance the management of risks within NHSAA.

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

This paper demonstrates the risk appetite level associated with risks related to health inequalities and equality and diversity.

### **2.3.6 Other impacts**

This paper provides assurance that Best Value has been demonstrated, both in the stakeholder engagement undertaken to develop the revised Risk Appetite Statement and the final documents and the positive impact they will have for NHS Ayrshire & Arran, across all Best Value criteria:

- Vision and Leadership
- Effective Partnerships
- Governance and accountability
- Performance management to manage strategic risks in organisation

The paper also demonstrates alignment of the Risk Appetite with the Corporate Objectives in support of the Risk Management strategy.

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

Engagement with key internal stakeholders in the development of this paper has been undertaken in the form of the Board workshop and short life working group for development of the document. Consultation and scoping externally was also undertaken to understand the approaches adopted by other health boards. Shared with the Risk and Resilience Scrutiny and Assurance Group, Corporate Management Team and Audit and Risk Committee for endorsement.

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

This paper has been presented and endorsed at the following groups:

- |  |                   |
|--|-------------------|
| • Board workshop                                   | 20 August 2024    |
| • Short life working group                         | 15 September 2025 |
| • Risk and Resilience Scrutiny and Assurance Group | 24 October 2025   |
| • Audit and Risk Committee                         | 20 November 2025  |
| • Corporate Management Team meeting                | 25 November 2025  |

## **2.4 Recommendation**

For decision. Members are asked to note the 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 and awareness of staff across NHS Ayrshire & Arran involved in the management of risks on the risk register to ensure consistency in understanding the relevancy of Risk/Risk Appetite in their roles and how application of the Risk Appetite Statement can help us achieve objectives, make decisions and be used to assist with delivery of services.

## **3. List of appendices**

The report consists of one appendix:

- Appendix 1 details the revised Risk Appetite Statement

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# RISK APPETITE STATEMENT

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Version No:	05.0
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Prepared By:	Risk Management Team
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Effective From:	Awaiting Board Approval (December 2025)
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Lead Reviewer:	Dr Crawford McGuffie Executive Medical Director
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## **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 Ayrshire and Arran lead, direct, manage and operate. To support this there requires to be a Risk Appetite Statement, agreed by the NHS Ayrshire and Arran 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 Ayrshire and Arran Corporate Objectives.

NHS Ayrshire and Arran 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 and subsequently approved by the Corporate Management Team, Risk and Resilience Scrutiny and Assurance Group, Audit & Risk Committee and the NHS Board. This document will be reviewed on a bi-annual basis.

## **2. Definitions**

**Risk Appetite** is the amount and type of risk that NHS Ayrshire and Arran aims to operate within to achieve its objectives.

**Risk Tolerance** is the level of risk that NHS Ayrshire and Arran 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) occurring based upon the current controls in place to mitigate the risk.

## **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 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.

All processes, procedures and activities carried out by NHS Ayrshire and Arran carry with them a degree of risk. It is necessary to agree the acceptable level of risk, based on what is considered to be justifiable and proportionate to the impact on patients, carers, the public, members of staff and the Board. The delivery of public services can be inherently high risk and the concept of applying risk appetite can be challenging.

The Risk Appetite Statement is based upon guidance from the Orange Book – Risk Appetite Guidance Note V2 2021. 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. 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 risk domains 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 Ayrshire and Arran Risk Management Strategy.

The risk impact is assessed against the following domains:

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

Diagram 1 – Risk Scoring Matrix

LIKELIHOOD	SEVERITY				
	1 Insignificant	2 Minor	3 Moderate	4 Major	5 Extreme
5 Almost Certain	5	10	15	20	25
4 Likely	4	8	12	16	20
3 Possible	3	6	9	12	15
2 Unlikely	2	4	6	8	10
1 Remote	1	2	3	4	5

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 risk score 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 risk score 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 Ayrshire and Arran corporate objectives and organisational values. These have been aligned to the domains 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 domain of each risk should be used to identify the Risk Appetite /Tolerance Level. Where there are multiple impacts of the same rating, the risk owner should select the most appropriate domain to identify the Risk Appetite, taking into account the priorities and values of NHS Ayrshire and Arran. When the current risk 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 considered for escalation.

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. 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 Escalation Process detailed in NHS Ayrshire and Arran Risk Register User Guide).



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

## **8. 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 NHSAA are unable to deliver identified Sustainability & Value plan resulting in financial overspend. The risk scoring is:

Domain	Consequence	Likelihood	Risk score
Financial	3	4	12
Service Delivery/Business Interruption	2	2	4
Healthcare Experience	3	1	3

The highest risk domain is 'Financial' therefore we would refer to the risk appetite and risk tolerance for this domain.

Risk Domain	Risk Appetite	Risk Tolerance
Financial	Cautious (risk score 4 – 9)	Moderate (risk score 10 – 16)

As the risk appetite for finance risks is Cautious (risk score 4 – 9) this risk is currently out with risk appetite however it is within the tolerance level. The risk would be assessed by the risk owner to ascertain if this can still be managed with a view to reducing the risk score to within risk appetite in a specific timeframe. If this is not achievable then the risk escalation process would require to be followed.

**Example 2** – Risk of being unable to achieve in year targets which could result in Regulatory Non-Compliance. This risk scoring is:

Domain	Consequence	Likelihood	Risk score
Compliance	3	3	9
Public Confidence	2	2	4
Financial	2	1	2

The highest risk domain is 'Compliance' therefore we would refer to the risk appetite and risk tolerance for this domain.

Risk Domain	Risk Appetite	Risk Tolerance
Compliance	Cautious (risk score 4 – 9)	Moderate (risk score 10 – 16)

As the risk appetite for compliance risks is Cautious (risk score 4 – 9) this risk is currently within appetite therefore the risk would continue to be reviewed on a regular basis in line with the review timescales for the risk score.

## **9. Reporting**

Risk reporting should involve the review of the current risk score against the risk appetite and tolerance levels on a regular basis. Regular review should be carried out and action taken where the current risk level exceeds appetite and/or tolerance levels. The NHS Ayrshire and Arran Risk Management Escalation process should be followed if the risk remains out with tolerance level.

## Appendix 1 – Risk Appetite and Risk Tolerance Statements

Domain	Appetite Statement	Appetite level	Tolerance Statement	Tolerance level
Injury/Illness (Physical and psychological) to patient/visitor/s taff	NHSAA objective to protect and improve the health and wellbeing of the population. The 'caring' value underpins this objective, showing concern for others and caring for the health, safety and wellbeing of everyone.	NHSAA accepts that the healthcare has an associated degree of inherit risk therefore has a <b>cautious</b> appetite for risks related to injury/illness to patients/visitors/staff.	The NHSAA objective is to protect and improve the health and wellbeing of the population. NHSAA acknowledges that there should be a safe environment and appropriate working practices that minimise the risk of injury to patients and our people in order to deliver patient care however the benefits should always outweigh the risks. NHSAA will not accept a risk tolerance greater than the risk appetite for these types of risk.	NHSAA has a <b>cautious</b> tolerance for risks related to injury/illness to patients/visitors/staff.
Healthcare Experience (Impact on how our stakeholders experience our organisation)	NHSAA objective to create compassionate partnerships between patients, their families and those delivering health and care services which results in the people using our services having a positive experience of care. Feedback to gauge satisfaction and effectiveness of healthcare experience will be sought through various processes.	NHSAA has a <b>cautious</b> appetite for risks that impact on the healthcare experience of those who engage with our services.	NHSAA is committed to requesting feedback and learning from events ensuring actions are captured to prevent reoccurrence. It is acknowledged that expectations of healthcare experience requires to be managed and delivered appropriately and how people react to situations is out with the organisations control. In order to deliver learning NHSAA acknowledges that additional action may be required following learning events and during this time the risk impact may be higher.	NHSAA has a <b>moderate</b> tolerance for risks that impact on the healthcare experience of those who engage with our services acknowledging the challenges associated with waiting times which has a direct impact on healthcare experience.
Transformation & Innovation (Impact on our ability to deliver change)	NHSAA is committed to deliver transformational change in the provision of health and social care through dramatic improvement and use of innovative approaches.	NHSAA has a <b>moderate</b> appetite for transformation and innovation;	In order to deliver the innovation and research to reform service delivery NHSAA recognises that a higher tolerance level is required during periods of change in order to deliver	NHSAA has an <b>open</b> tolerance for transformation and innovation

Domain	Appetite Statement	Appetite level	Tolerance Statement	Tolerance level
& innovation across our organisation)	However, recognising that the balance against the other impacts (quality and safety) of this requires careful consideration and appropriate plans and frameworks are in place to support.		the strategic intent. NHSAA would accept a higher tolerance level as the boundaries are required to be pushed to foster innovation, however they must include detailed medium term mitigation plans to reduce the risk to within appetite and operate within appropriate governance frameworks.	
Service Delivery / Business Interruption (Impact on our ability to deliver efficient & effective services)	NHSAA 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 and appropriate business continuity plans should be in place to minimise disruptions.	NHSAA has a <b>cautious</b> appetite for risks associated with service delivery/business interruption.	During periods where an event has occurred this may result in initial delays to service whilst plans are implemented, during this time NHSAA would accept a higher level of risk until plans are implemented. Actions will be identified and delivered where performance is out with target.	NHSAA has a <b>moderate</b> tolerance for risks associated with service delivery/business interruption.
Workforce (Impact on our staff wellbeing, competency & levels)	NHSAA workforce related objectives aim to attract, develop, support and retain skilled, committed, adaptable and healthy staff and ensure our workforce is affordable and sustainable. The organisational values centred on workforce exist to ensure staff are valued, respected and developed. The values aim to ensure staff are safe and supported to improve health and wellbeing and are informed, involved and treated fairly and consistently.	NHSAA has a <b>cautious</b> appetite for risks related to staffing, competence and wellbeing.	In order to continuously improve NHSAA recognises that this will involve periods of change and transition which may result in increased risk in order to identify, develop and embed new, innovative ways of working for the benefit of our people and patients. NHSAA will accept an increased risk during times of change and innovation that are backed up by well-defined and risk assessed plans and assurances that staff governance will remain at the forefront of any changes.	NHSAA has a <b>moderate</b> tolerance for risks related to staffing, competence and wellbeing.

Domain	Appetite Statement	Appetite level	Tolerance Statement	Tolerance level
Financial (Impact through unplanned cost/reduction of available finances)	<p>NHSAA objective related to finance strives to deliver better value through efficient and effective use of all resources.</p> <p>It is recognised that there are significant financial challenges, budgets are under close scrutiny and we are subject to close external monitoring. The challenges associated with delivering the expected budget could impact on NHSAA ability to meet statutory requirements.</p>	<p>NHSAA has a <b>cautious</b> appetite for financial risk at the present time. However, it should be acknowledged that the longer term aim would be to work towards an averse appetite for financial risk.</p>	<p>NHSAA 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 and this supports the ethos of reforming/reconfiguring services to deliver on the budget set out for NHSAA. However we recognise there is a level of risk associated with this approach and it is vital to balance cost versus quality and safety of healthcare.</p>	<p>NHSAA has a <b>moderate</b> tolerance for financial risk.</p>
Compliance (Impact on business controls to comply with industry rules, regulations and sustainability)	<p>NHSAA is committed to ensuring compliance with legislation and regulatory requirements. Regular audits and inspections are essential to achieve compliance and NHSAA acknowledge that there will be audit recommendations and actions required, however these must be managed to ensure compliance. NHSAA recognise that there is a financial challenge and as such areas require to be prioritised, however the focus must remain on delivery of the compliance agenda across all topics.</p>	<p>NHSAA has a <b>cautious</b> appetite for risks impacting on compliance with regulations, legislation and industry rules.</p>	<p>NHSAA are committed to ensuring compliance with changes to legislation and accept that there may be periods of change that result in actions requiring implementation. Financial challenges associated with these actions may impact on our ability to deliver. During this period NHSAA are willing to tolerate an increased level of risk however detailed actions plans are required to be delivered to support compliance challenges.</p>	<p>NHSAA has a <b>moderate</b> tolerance for risks impacting on compliance with regulations, legislation and industry rules.</p>

Domain	Appetite Statement	Appetite level	Tolerance Statement	Tolerance level
	NHSAA also recognise the importance of the consideration of compliance with best practice guidance and standards. Although this is desirable, compliance with regulation would be prioritised over best practice or guidance.			
Public Confidence (Impact on public confidence of the organisation)	NHSAA 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. Communication plans will be essential parts of our strategy to build Public Confidence.	NHSAA has a <b>cautious</b> appetite for risks impacting on public confidence.	NHSAA recognise that change can bring a period of uncertainty until plans are fully embedded. In order to achieve change there will be some unpalatable decisions being made leading to periods of uncertainty and questions from the Public and through the Media. A robust communications strategy is essential to engage with key stakeholders and also keeping the public informed. During this time NHSAA are willing to accept a higher level of risk in order to drive and implement change that will benefit patient care and service delivery.	NHSAA has a <b>moderate</b> tolerance for risks impacting on public confidence.
Health Inequalities (Impact could create/increase Health Inequalities)	In order to deliver equity of care across the population of Ayrshire and Arran, NHSAA aims to protect and improve the health and wellbeing of the population through advocacy, prevention and anticipatory care. This will reduce	NHSAA has a <b>cautious</b> appetite for risks related to health inequalities.	NHSAA are committed to delivering equity of care across the population of Ayrshire and accept that there may be periods of change that result in actions requiring implementation. This will be essential in pursuit of tackling inequalities both in terms of	NHSAA has a <b>moderate</b> tolerance for risks related to health inequalities.

Domain	Appetite Statement	Appetite level	Tolerance Statement	Tolerance level
across the Population)	inequalities and will include ensuring our services are timely and available to the population we serve. NHSAA recognise the close link with this domain to finance and healthcare experience.		access and giving back healthy lives. During this period NHSAA are willing to tolerate a limited increase level of risk in order to deliver the strategic intent of NHSAA.	

## Appendix 2 – Risk Appetite and Risk Tolerance Level Summary

Risk Domain	Risk Appetite	Risk Tolerance
Injury/Illness	Cautious	Cautious
Healthcare Experience	Cautious	Moderate
Transformation & Innovation	Moderate	Open
Service Delivery / Business Interruption	Cautious	Moderate
Workforce	Cautious	Moderate
Financial	Cautious	Moderate
Compliance	Cautious	Moderate
Public Confidence	Cautious	Moderate
Health Inequalities	Cautious	Moderate

### Appendix 3 – Risk Appetite and Risk Tolerance Level Review Process

