

Integrated Joint Board

Agenda item:

Date of Meeting: 27 November 2019

Title of Report: Financial Risks 2019-20

Presented by: Judy Orr, Head of Finance and Transformation

The Integrated Joint Board is asked to:

- Consider the updated financial risks identified for the Health and Social Care Partnership.
- Note that financial risks will continue to be reviewed and monitored on a two monthly basis and reported to the Board.

1. EXECUTIVE SUMMARY

- 1.1 The report to the IJB on 27 March 2019 introduced a process of identifying and reporting financial risks to the Board on a regular basis. The IJB at its meeting on 7 August requested that these risks be quantified according to the likelihood and impact and this has now been added. This report provides an updated assessment of these risks. No new risks have been added. Commentary has been added to highlight the changed assessments since the previous update presented to IJB on 25 September 2019.
- 1.2 Each risk has been classified as to its likelihood and also has been quantified within a financial range. Each risk also notes any current mitigations in place to keep the risk from being realised.
- 1.3 37 risks have been identified in total, with 21 classified as possible, 5 classified as likely and 6 as almost certain. The remainder have been classed as remote or unlikely. Only one risk has been quantified as being over £500,000 which relates to the service level agreement dispute with NHS Greater Glasgow & Clyde. Overall these risks have been quantified as potentially amounting to £2.8m, reduced from the previous assessment of £3.5m. Risks are reducing as we are later through the year and where known, all costs are included in the forecast already.
- 1.4 Financial risks will continue to be reviewed and monitored on a two monthly basis and will be reported to the Board as part of the pack of financial reports.

2. INTRODUCTION

2.1 This report updates the Board on the financial risks facing the organisation which have not been reflected in the forecast of the financial outturn.

3. DETAIL OF REPORT

3.1 For each risk, the likelihood has been assessed based on what is a relatively standard risk matrix:

	Likelihood	Probability applied
1	Remote	0%
2	Unlikely	10%
3	Possible	25%
4	Likely	50%
5	Almost Certain	75%

3.2 Each financial risk has been quantified into ranges as follows:

Range	Quantified as:
Less than £100,000	£50k
Between £100,000 and £300,000	£200k
Between £300,000 and £500,000	£400k
Between £500,000 and £1.5m	£1.0m
Over £1.5m	£2.5m

3.3 Alongside each risk identified there is a note of any current mitigations that are in place to keep the risk from being realised. There are some risks where monitoring can take place but it is difficult to mitigate the risk due to Scottish Government policy directions and the introduction of new drugs.

3.4 The UK withdrawal from the European Union could lead to additional financial risks. However, at the current time it is not possible to quantify what these may be or when they might impact the IJB. We will continue to monitor developments.

3.5 The individual financial risks are detailed in Appendix 1 and are summarised in the table below.

Likelihood Range	Remote	Unlikely	Possible	Likely	Almost certain	Total
<£100k	2	3	7	2	5	19
£100k - £300k	0	0	11	2	1	14
£300k - £500k	0	0	3	0	0	3
£500k - £1.5m	0	0	0	0	0	0
>£1.5m	0	0	0	1	0	1
Total	2	3	21	5	6	37

3.6 There are 37 risks identified in total with 21 classified as possible, 5 classified as likely and 6 as almost certain. Only one risk has been quantified as being over £1.5m and classed as likely. Quantifying these risks

with an expected probability and financial impact gives a total potential adverse impact of £2.790m, well reduced from the previous estimate of £3.537m.

- 3.7 The largest risk quantified as potentially exceeding £1.5m relates to the service level agreement with NHS Greater Glasgow and Clyde where the payment for the last financial year remains under dispute and any settlement is likely to have a knock on effect on charge for 2019-20 spend with them. A draft response has been received from NHS GG&C which is c £1.5m greater than the offer made. The next largest risk relates to re-grading claims which may need to be back dated to 2017. It is now extremely likely that a financial provision will be required for these claims in this year. The risk relating to looked after children (where a small number of new cases has the potential to increase costs significantly above current levels) has been reduced as no such cases have yet been identified and we are now later in the year.
- 3.8 No new risks have been identified and no risks have been removed since the last update. Nineteen of the continuing risks have had revisions to their likelihood and impact. These are highlighted in amber and comments provided for the reason for the change. The descriptions of 2 risks have also been amended slightly and these are similarly highlighted in amber. In general, risks are reducing as we are now later in the financial year. All known pressures are included in the forecast.
- 3.9 Financial risks will be reviewed and monitored on a two monthly basis and will be reported to the Board as part of the pack of financial reports.

4. RELEVANT DATA AND INDICATORS

- 4.1 Financial risks have been identified based on previous and current year cost pressures and those areas of the budget where spending is more volatile. Financial risks have been classified as to their likelihood and an estimate of the potential financial impact.

5. CONTRIBUTION TO STRATEGIC PRIORITIES

- 5.1 Financial risks are identified based on delivery of service to meet the strategic priorities.

6. GOVERNANCE IMPLICATIONS

- 6.1 Financial Impact – Each financial risks has been assessed as to its estimated financial impact.
- 6.2 Staff Governance – None.
- 6.3 Clinical Governance – None.

7. PROFESSIONAL ADVISORY

- 7.1 There are no recommendations from this report which require to be consulted on with Professional Advisory leads.

8. EQUALITY AND DIVERSITY IMPLICATIONS

8.1 None directly from this report.

9. GENERAL DATA PROTECTION PRINCIPLES COMPLIANCE

9.1 None directly from this report.

10. RISK ASSESSMENT

10.1 Risks are detailed within the report.

11. PUBLIC AND USER INVOLVEMENT AND ENGAGEMENT

11.1 None directly from this report.

12. CONCLUSIONS

12.1 This report summarises the key financial risks facing the Health and Social Care Partnership. There are 37 risks identified in total with a potential adverse impact of £2.8m which is not included in the financial forecast. Only one risk is potentially exceeding £1.5m. The next largest risks are classed as potentially in the range of £300-500k and whilst possible, none of these are classed as likely.

13. DIRECTIONS

Directions required to Council, NHS Board or both.	Directions to:	tick
	No Directions required	√
	Argyll & Bute Council	
	NHS Highland Health Board	
	Argyll & Bute Council and NHS Highland Health Board	

APPENDICES:

Appendix 1 – Financial Risks 2019-20 (sorted by size of quantified risk)

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