

Integration Joint Board

Agenda item:

Date of Meeting: 25 March 2020

Title of Report: Financial Risks 2020-21

Presented by: Judy Orr, Head of Finance and Transformation

The Integration 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 assessment of these risks for 2020/21. No new risks have been added for 2020/21 but 8 reported in 2019/20 have been removed as they have either materialised in 2019/20 and don't impact on 2020/21, the risk has been assessed as being remote or not likely at all, or they have been deemed certain and the 2020/21 budget has been adjusted to accommodate the impact.
- 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 28 risks have been identified in total, with 18 classified as possible, 8 classified as likely and 1 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 £2.130m.
- 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	0	1	6	2	0	9
£100k - £300k	0	0	9	4	1	15
£300k - £500k	0	0	3	1	0	4
£500k - £1.5m	0	0	0	1	0	1
>£1.5m	0	0	0	0	0	0
Total	0	1	18	8	1	28

3.6 There are 28 risks identified in total with 18 classified as possible, 8 classified as likely and 1 as almost certain. Only one risk has been

quantified as being over £500k and classed as almost certain. Quantifying these risks with an expected probability and financial impact gives a total potential adverse impact of £2.130m.

- 3.7 The largest risk quantified as potentially being £500k - £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 2020-21 spend with them. A draft response has been received from NHS GG&C which is estimated at c £1.534m greater than the offer made on the main SLA. A letter has been written from the chair of the IJB and the chair of NHS Highland to the chair of NHS GG&C in order to speed up the conclusion of this dispute, no response has been received yet. If not resolved by the year end, accounting rules require a provision to be made.
- 3.8 The next largest risk relates to the potential use of agency medical staff in psychiatry which totals £200k.
- 3.9 Following a review of the 2019/20 list of financial risks, no new risks have been identified for 2020/21 but 8 reported in 2019/20 have been removed as they have either materialised in 2019/20 and don't impact on 2020/21, the risk has been assessed as being remote or not likely at all, or they have been deemed certain and the 2020/21 budget has been adjusted to accommodate the impact.
- 3.10 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 28 risks identified in total with a potential adverse impact of £2.130m which is not included in the financial forecast. Only one risk is potentially exceeding £0.5m. The next largest risk is classed as potentially in the range of £300-500k and is considered likely to occur during 2020/21.

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 2020-21 (sorted by size of quantified risk)

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