

Integration Joint Board

Agenda item:

Date of Meeting: 16 September 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 the uncertainties around Covid funding which are described in more detail in a separate report.
- 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. This report provides an updated assessment of these risks for 2020/21. One new risk has been added.
- 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 31 risks have been identified in total, with 12 classified as possible, 13 classified as likely and 3 as almost certain. The remainder have been classed as remote or unlikely. Two risks have been quantified as being over £500,000. One relates to the service level agreement dispute with NHS Greater Glasgow & Clyde and the other relates to the uncertainty of certain funding streams from Scottish Government which might be diverted to funding Covid costs. Overall these risks have been quantified as potentially amounting to £2.875m. This is little changed from the £3.000m reported to IJB in August.
- 1.4 In addition, there is considerable uncertainty around levels of Covid funding from Scottish Government and there is a separate report on the agenda about that risk which is not included in this summary.

1.5 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	1	1	5	4	1	12
£100k - £300k	0	1	3	6	2	12
£300k - £500k	0	0	4	1	0	5
£500k - £1.5m	0	0	0	2	0	2
>£1.5m	0	0	0	0	0	0
Total	1	2	12	13	3	31

- 3.6 There are 31 risks identified in total with 1 classed as remote, 2 classed as unlikely, 12 classified as possible, 13 classified as likely and 3 as almost certain. Two risks have been quantified as being over £500k and one classed as almost certain. Quantifying these risks with an expected probability and financial impact gives a total potential adverse impact of £2.875m, very similar to the £3.000m previously reported.
- 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 to the sum of £1.324m and any settlement is likely to have a knock on effect on charge for 2020-21 spend with them. This year's SLA cost was due to be provided by end of July but is still awaited. Their preference is to continue utilising complexity factors, but there are added complications this year and the fall back proposal is a 3% increase to last year's disputed value. We have requested a reduction to this which is still being negotiated. We increased the budget by £1.1m above inflation, but there is still a further financial risk outwith the forecast.
- 3.8 The next largest risk (quantified similarly) relates to uncertainties around a number of funding streams where there is a possibility that the expected funding for this year might be re-directed by Scottish Government to meet Covid additional costs, and we already have staff employed based on previously advised funding.
- 3.9 The next two highest risk is the potential increase in cystic fibrosis drug costs following a new drug being made available probably from 1 September. The likelihood for physical disability demand has decreased again back to previous assessment.
- 3.10 Following a review of the financial risks, one new risk has been identified, relating to potential claim for a new job evaluation for social work assistants which would have to work through the usual HR processes. No risks have been removed but one has been downgraded to remote.
- 3.11 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 31 risks identified in total with a potential adverse impact of £2.875m which is not included in the financial forecast. Two risks potentially exceed £0.5m. The next largest risk is classed as potentially in the range of £300-500k and is also 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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