

Integration Joint Board

Agenda item:

Date of Meeting: 25 November 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 there are continuing uncertainties around Covid costs and 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 26 risks have been identified in total, with 16 classified as possible, 5 classified as likely and 1 as almost certain. The remainder have been classed as remote or unlikely. None have been quantified as being over £500,000. Overall these risks have been quantified as potentially amounting to £1.110m. This is significantly reduced from the £2.875m reported to IJB in September. The main changes have been from the removal of the risk regarding the NHS Greater Glasgow & Clyde main SLA following the settlement of this for the current year, and removal of the risks around action 15, ADP, waiting times and PCIF funding and PPE expenditure given recent assurances on these from Scottish Government.
- 1.4 In addition, there is still 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. National Procurement are taking considerable steps to increase stocks centrally to mitigate EU exit risks. 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	3	6	2	0	11
£100k - £300k	0	1	10	3	1	15
£300k - £500k	0	0	0	0	0	0
£500k - £1.5m	0	0	0	0	0	0
>£1.5m	0	0	0	0	0	0
Total	0	4	16	5	1	26

- 3.6 There are 26 risks identified in total with 4 classed as unlikely, 16 classified as possible, 5 classified as likely and 1 as almost certain. None have been identified as over £300k. Quantifying these risks with an expected probability and financial impact gives a total potential adverse impact of £1.110m, very much reduced from the £2.875m previously reported.
- 3.7 Seven risks have been removed, and two new risks have been added. The main changes have been from the removal of the risks re the NHS Greater Glasgow & Clyde main SLA following the settlement of this for the current year, and removal of the risks around action 15, ADP, waiting times and PCIF funding, loss of income due to Covid and PPE expenditure given recent assurances on these from Scottish Government. We have also removed the risks relating to Office 365 costs this year as our budget now seems adequate, and removed the risk around colocation costs as it is unlikely that there will be further changes this financial year to estates.
- 3.8 Two new risks have been identified, relating to workforce establishment setting which is now progressing again following delays due to Covid, and additional cleaning standards which Boards are being advised nationally may be a cost pressure – further information is expected on this as little is known about it at present.
- 3.9 As is normal at this time of year, risks generally have been reduced in terms of likelihood and impact because there is less uncertainty, with all known costs pressures being incorporated into forecasts. These changes are highlighted in Amber on the appendix.
- 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 26 risks identified in total with a potential adverse impact of £1.110m which is not included in the financial forecast. No risks potentially exceed £0.3m.

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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