

Integration Joint Board

Agenda item:

Date of Meeting: 31 March 2021

Title of Report: Financial Risks 2021-22

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 2021/22. Two new risks have 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 29 risks have been identified in total, with 17 classified as possible, 5 classified as likely and 1 as almost certain. The remainder have been classed as unlikely. One has been quantified as being over £500,000 and relates to the uplift in the service level agreement (SLA) with NHS Greater Glasgow & Clyde (GG&C) which is now under negotiation. Overall these risks have been quantified as potentially amounting to £1.698m. This is increased from the £895k reported to IJB in January as we are now looking at the risks for the full financial year.
- 1.4 In addition, there is still considerable uncertainty around levels of Covid funding from Scottish Government for next year 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 budget for the next financial year.

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 some risks due to Scottish Government policy directions and the introduction of new drugs.

- 3.4 The UK withdrawal from the European Union has led to additional financial risks in relation to supplies even though a trade agreement has been put in place. National Procurement have taking considerable steps to increase stocks centrally but there is still risk over price increases. 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	4	5	1	0	10
£100k - £300k	0	2	12	3	1	18
£300k - £500k	0	0	0	0	0	0
£500k - £1.5m	0	0	0	1	0	1
>£1.5m	0	0	0	0	0	0
Total	0	6	17	5	1	29

- 3.6 There are 29 risks identified in total with 6 classed as unlikely, 17 classified as possible, 5 classified as likely and 1 as almost certain. One has been identified as over £500k. Quantifying these risks with an expected probability and financial impact gives a total potential adverse impact of £1.698m, increased from the £895k previously reported.
- 3.7 No risks have been removed, and three new risks have been added. The main changes have been from increasing the likelihood and value of risks as we are at a start of a new financial year. The new risks are for potential of unbudgeted uplift in the SLA with NHS GG&C where this is now under negotiation across the west of Scotland, and for an increase in rates for Social Work Emergency Standby Service where the union is threatening to lodge a petition for SJC social work rates to be paid rather than national standby rates. The third one is that pay settlements may exceed what has been budgeted for as negotiations are still continuing and there were changes to the public sector pay policy after funding announcements were made. These changes are highlighted in Yellow on the appendix.
- 3.8 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 29 risks identified in total with a potential adverse impact of £1.698m which are not included in the financial outlook / budget for next year. The largest risk is in relation to the SLA with NHS GG&C which is quantified as in the range of £500k to £1.5m. The budget has included an uplift of 1.5% which is the nationally agreed uplift for all NHS Boards for next year and is the base point for these negotiations which have recently commenced.

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 2021-22 (sorted by size of quantified risk)

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