

Integration Joint Board

Date of Meeting: 31 January 2024

Title of Report: Strategic Risk Register Review

Presented by: James Gow, Head of Finance and Transformation

The Integration Joint Board is asked to:

- Note that the Strategic Risk Register has been reviewed by the Audit & Risk Committee and Strategic Leadership Team in December 2023.
- Review and approve the Risk Appetite.
- Review and approve the Strategic Risk Register.

1. EXECUTIVE SUMMARY

- 1.1 An important aspect of effective Risk Management is to regularly review the Strategic Risk Register. The Audit & Risk Committee undertake this on behalf of the IJB and reviewed the Strategic Risk Register at its meeting on 19th December 2023. This report summarises the outcome of that review and provides the IJB with an opportunity to further scrutinise the register as part of its commitment to do this twice per year. The IJB is also asked to approve the risk appetite for the HSCP which was developed during the workshop held in October 2023 and then reviewed by the Audit & Risk Committee.
- 1.2 The environment continues to be relatively high risk. Following review by the Audit & Risk Committee, the Scottish Government published its draft budget for 2024/25, this outlines a more challenging situation than anticipated. As a consequence, several risks are perceived to be increasing whilst accepting that further analysis of the implications of the budget is required. The financial challenge relates to local pressures in some services, pressures in NHS Highland which are impacting on resources available to the HSCP and the potential withdrawal of capital resource. As is normal over the winter, systems pressures are also increased. The risks associated with the sustainability of service providers and socio-economic situation also continue to be of concern, it is anticipated that some commissioned support services will close in early 2024 and service providers continue to be under financial pressure. This situation has multiple strands, many of which are not within the control or influence of the HSCP.
- 1.3 This report also summarises the outcome of the risk appetite workshop. Once agreed, further work is required to map the risk appetite to the risks on the register. It is also suggested that there may be some scope to streamline the Strategic Risk Register and reduce the number of risks being reported.

2. INTRODUCTION

- 2.1 The purpose of this report is to provide the Integration Joint Board with the opportunity to review the Strategic Risk Register and consider suggested changes. The report also seeks approval for the risk appetite.

3. DETAIL OF REPORT

- 3.1 The Risk Register is used to identify risks and assess their perceived likelihood and impact. It is a dynamic document and is reviewed by the IJB at least twice per year. The current version is attached as appendix 1. The Strategic Risk Register describes 23 strategic risks facing the HSCP and the table below summarises the perceived residual risk relating to these:

Residual Risks	Very High	High	Medium	Total
May 2021	2	9	9	20
December 2021	4	13	6	23
June 2022	4	14	6	24
November 2022	7	12	5	24
June 2023	4	13	7	24
January 2024	4	14	5	23

Following consideration by the leadership team and Audit and Risk Committee it was agreed that the specific Covid-19 risk should be removed. This is due to reduced prevalence, the vaccination programme and the current national approach which means that there is limited surveillance in place. General winter planning risks are adequately covered in the Safety of Services and Business Continuity and Resilience risks.

The draft Scottish Budget was published in December 2023, there are a number of risks are likely to be revised upwards as the implications become clearer. These include:

- Financial Sustainability - the uplifts are less than previously communicated for the NHS in particular;
- Industrial Relations and Workforce – the budget indicates reductions in the public sector workforce and restricted funds for 2024/25 pay awards;
- Sustainability of Partners – funding settlements across the public sector are challenging with some sectors facing cash terms cuts and there are no uplifts for NHS non-staff costs; and
- Infrastructure – the capital programme is being reduced, there are suggestions that existing projects may be cancelled or delayed and business case work should cease.

At the time of writing the implications for the HSCP are not entirely clear but are adverse.

- 3.2 In respect 'Very High' risks:

Financial Sustainability (SSR01)

The budget gap for next year is substantial and the most recent financial planning outlines a series of risks relating to funding and costs as well as

severe challenges facing public funding, the outlook has been described as 'bleak'. It is recommended that this risk remains very high. A separate risk, SSR019(b) has been added to reflect the slightly more favourable short term assessment due to reserves generated during 2022/23. The financial position of NHS Highland also remains a risk to the HSCP.

The Audit & Risk Committee expressed a concern that the mitigations in place relating to the budget and financial risk require to be strengthened further. A series of actions are now being put in place to introduce new controls on spend along with the financial planning processes that are now underway for 2024/25. The HSCP is working with NHS Highland in this regard.

Sustainability of Commissioned Service Providers (SSR7)

This risk remains very high as a number of service providers continue to struggle to recruit staff and deliver the services they are contracted to. Several are also requesting unaffordable uplifts in contract values. Work is on-going to provide additional support and change ways of working, particularly for care at home services. There are service providers who have indicated that services are at risk in the near term, service management are considering the potential implications.

Workforce Recruitment and Retention (SSR10)

The HSCP continues to experience difficulty in recruiting staff to a wide variety of roles. Staffing resource is the main constraint on service delivery in many areas. This risk is both a local and a national issue but the ageing and reducing population and the housing emergency provide a particularly difficult local context. The Workforce Strategy group is in place and is in the process of implementing the Workforce Strategy.

Socio-Economic Situation (SSR24)

It is suggested that this risk also remains 'Very High'. It has multiple strands and is largely outwith the influence of the HSCP. It is expected that high inflation will continue to increase poverty and service demand. The HSCP is also experiencing increased costs and reduced real terms value of resourcing. The ability of the Scottish Government to fund these pressures is a concern. Recent public health publications support this evaluation of the risk.

- 3.3 Trend arrows indicate the management perception in respect of the scoring of the risks, these do not necessarily mean the risk rating has changed. There are a number of risks which are perceived to be increasing following the publication of the draft budget.
- 3.4 Risk management within the HSCP relies heavily upon processes and procedures within the partner organisations, particularly in respect of cyber security, data protection and financial processes and systems. It is also recognised that further work is required to ensure that the Strategic Risk Register is integrated effectively with service owned risk registers. Work on this aspect of risk management and training is progressing with oversight by the Strategic Leadership team and the Contingency Risk and Resilience Committee.

3.5 Risk Appetite

An IJB development workshop was held in October 2023 specifically to develop a risk appetite for the HSCP. The main purpose is to ensure that the management understanding of risk appetite aligns with the IJB's. Once the Risk Appetite is approved, the next stage will be to align this with the strategic risks.

Appendix 2 provides the risk appetite framework and summaries where members of the IJB who took part in the workshop considered the risk appetite to sit. The Audit & Risk Committee reviewed this in December 2023 and requested that the appetite for Development and Innovation be increased from 3 to 3.5 and is summarised below:

	RISK APPETITE RATING							
Risk Grouping	0	1	1.5	2	2.5	3	3.5	4
Operational Risks								
Strategic Risk								
Legal / Regulatory								
Financial								
Development & Innovation								
Clinical & Care								
People & Workforce								
Reputational								

The risk appetite ratings quantitatively indicate that there is a willingness within the board to accept higher levels of risk relating to strategic change, innovation and workforce. This reflects a recognition through the IJB and HSCP that there are significant drivers for change and transformation. It is also clear that the IJB has a lower appetite for clinical, legal / regulatory and financial risks. Subject to approval, the risk appetite framework contributes to a shared understanding of where there is a willingness to accept risk to enable change.

4. RELEVANT DATA AND INDICATORS

4.1 The identification and rating of risk is based on internal and external data and indicators as well as a wider environmental scan.

5 CONTRIBUTION TO STRATEGIC PRIORITIES

5.1 Robust risk management is an important aspect of the overall strategic management of the HSCP.

6. GOVERNANCE IMPLICATIONS

6.1 Financial Impact – None

6.2 Staff Governance – None

6.3 Clinical Governance – None

7. EQUALITY & DIVERSITY IMPLICATIONS

7.1 None arising directly from the contents of this report.

8. GENERAL DATA PROTECTION PRINCIPLES COMPLIANCE

8.1 None.

9. RISK ASSESSMENT

9.1 This report provides a detailed review of the perceived strategic risks facing the HSCP.

10. PUBLIC & USER INVOLVEMENT & ENGAGEMENT

10.1 None arising directly from this report.

11. CONCLUSIONS

11.1 Overall the risk environment facing the HSCP remains extremely challenging and the draft Scottish Budget increases a number of risks further. It is suggested that the Strategic Risk Register is reviewed by the IJB once the implications of the budget are confirmed and there is greater certainty in respect of capital investment and funding for pay settlements. The financial outlook combined with service pressures and workforce challenges continue to create significant risk. There are system wide drivers for change which are, if anything, more acute locally due to demographic change. The draft risk appetite hopefully helps to set out a tolerance for increased risk to help enable change and innovation.

Recent communication in respect of the National Care Service suggests that the level of structural change within the health and social care system is likely to be less than initially proposed.

12. 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	

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APPENDICES:

- Appendix 1: Strategic Risk Register
- Appendix 2: Risk Appetite