

PWYLLGOR CYLLID FINANCE COMMITTEE

DYDDIAD Y CYFARFOD: DATE OF MEETING:	23 March 2021
TEITL YR ADRODDIAD: TITLE OF REPORT:	Corporate Risk Report
CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:	Huw Thomas, Director of Finance
SWYDDOG ADRODD: REPORTING OFFICER:	Charlotte Beare, Head of Assurance and Risk

Pwrpas yr Adroddiad (dewiswch fel yn addas)

Purpose of the Report (select as appropriate)

Er Sicrwydd/For Assurance

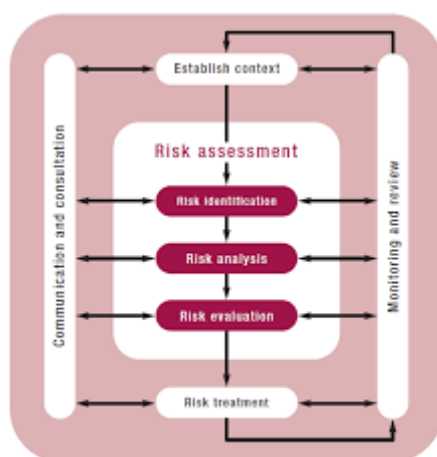
ADRODDIAD SCAA SBAR REPORT

Sefyllfa / Situation

The Finance Committee is asked to request assurance from the identified Executive Director that the corporate risks in the attached report, at Appendix 1, are being managed effectively.

Cefndir / Background

Effective risk management requires a 'monitoring and review' structure to be in place to ensure that risks are effectively identified and assessed, and that appropriate controls and responses are in place.



(Risk Management Process, ISO 31000)

The Board's Committees are responsible for the monitoring and scrutiny of corporate-level risks within their remit. As such, they are responsible for:

- Seeking assurance on the management of principal risks included in the Board Assurance Framework (BAF)/ Corporate Risk Register (CRR) and providing assurance to the Board that risks are being managed effectively, reporting areas of significant concern - for example, where risk appetite is exceeded, lack of action etc;

- Reviewing principal and operational risks over tolerance and, where appropriate, recommending the 'acceptance' of risks that cannot be brought within Hywel Dda University Health Board's (HDdUHB's) risk appetite/ tolerance to the Board through the Committee Update Report;
- Providing annual reports to Audit and Risk Assurance Committee (ARAC) on the effectiveness of the risk management process and management of risks within their remit;
- Identifying through discussions any new/ emerging risks, and ensuring these are assessed by management;
- Signposting any risks outside their remit to the appropriate HDdUHB Committee;
- Using risk registers to inform meeting agendas.

The Executive Team has agreed the content of the CRR. These risks have been identified via a top-down and bottom-up approach.

Each risk on the CRR has been mapped to a Board-level Committee to ensure that they (risks) are being managed appropriately, taking into account gaps, planned actions and agreed tolerances, and to provide assurance regarding the management of these risks to the Board through Committee Update Reports.

The Board has delegated a proportion of its role in scrutinising assurances to its Committees in order to make the most appropriate and efficient use of expertise. Therefore, Committees should also ensure that assurance reports relating to principal risks are received and scrutinised, and an assessment made as to the level of assurance they provide. The reports should take into account the validity and reliability of each assurance in terms of source, timeliness and methodology. Robust scrutiny by its Committees will enable the Board to place greater reliance on assurances, and will provide the Board with greater confidence in the likelihood of achieving strategic objectives, as well as ensuring a sound basis for decision-making. It is the role of Committees to provide challenge where missing or inadequate assurances are identified, and escalate any gaps to the Board.

Asesiad / Assessment

The Finance Committee Terms of Reference state that it will:

- 3.3 Seek assurance on the management of principal risks within the BAF and CRR allocated to the Committee (financial risks), and provide assurance to the Board that risks are being managed effectively and report any areas of significant concern e.g. where risk appetite is exceeded, lack of timely action.
- 3.4 Recommend acceptance of risks that cannot be brought within the Health Board's (HB) risk appetite/ tolerance to the Board through the Committee Update Report.

There is 1 risk assigned to the Committee from the 22 currently identified on the CRR (attached at Appendix 1). The Executive Team are currently developing strategic objectives.

This risk has been entered onto a '*risk on a page*' template, which includes information relating to the strategic objective, controls, assurances, performance indicators, and action plans to address any gaps in controls and assurances.

Changes since Previous Report

Total Number of Risks	1	
New risks	0	
Increase in risk score ↑	0	
No change in risk score →	1	See Note 1
Reduction in risk score ↓	0	
De-escalated/Closed	2	See Note 2

Note 1 – Increase/ Decrease in Current Risk Score

Since the previous report to Finance Committee in December 2020, the following changes have been made to the current risk score of the corporate risks listed below:

Risk Reference & Title	Previous Risk Report Dec-20 (LxI)	Risk Score Mar-21 (LxI)	Date of Review	Update
646 - Ability to achieve financial sustainability over medium term	4x4=16	4x4=16	03/03/21	The HB has not developed a full long-term financial base-case model, which can then be used to assess the impact of <i>A Healthier Mid and West Wales</i> and other medium-term changes. The HB's underlying deficit also requires further work to fully explore and understand the opportunities for improvement which can be realised over the medium term. The forecast financial impact of COVID-19 on the underlying position is currently informed by modelling intelligence due to the fluid nature of the pandemic and the multitude of unknown variables inherent in such a situation. Furthermore, while funding from Welsh Government (WG) in response to the pandemic in FY21 has been confirmed on a non-recurrent basis, the recurrent funding position remains uncertain.

Note 2 – Risks de-escalated or closed

Since the previous report to Finance Committee in December 2020, risks 856 (*Risk to delivery of the Financial Plan for 2020/21*) and 956 (*Risk that the Health Board will breach its Capital Resource Limit in 2020/21*) have been de-escalated to Directorate level.

Risk	Lead Director	Closed/ De-escalated	Date	Reason
856 - Risk to delivery of the Financial Plan for 2020/21	Director of Finance	De-escalated	03/03/21	The Executive Team agreed to de-escalate the risk as the HB is forecast to deliver a planned deficit of £25m.
956 - Risk that the Health Board will breach its Capital Resource Limit in 2020/21	Director of Finance	De-escalated	03/02/21	The Executive Team agreed to de-escalate the risk as the risk has now been reduced within tolerance. Detailed work undertaken with the Operational Teams has enabled the prioritised set of COVID-19 schemes deliverable by 31st March 2021 to be agreed and progressed.

The Committee is asked not to devolve its responsibility for seeking assurances on corporate risks; however, it can reassign risks to another Board level Committee if it is agreed that it fits better within their remit.

Argymhelliad / Recommendation

The Committee is asked to seek assurance that:

- All identified controls are in place and working effectively;
- All planned actions will be implemented within stated timescales and will reduce the risk further and/ or mitigate the impact, if the risk materialises;
- The Committee is requested to challenge where assurances are inadequate.

This in turn will enable the Committee to provide the necessary assurance to the Board, through its Committee Update Report, that HDdUHB is managing these risks effectively.

Amcanion: (rhaid cwblhau)	
Objectives: (must be completed)	
Committee ToR Reference: Cyfeirnod Cylch Gorchwyl y Pwyllgor:	Contained within the report
Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:	Contained within the report
Safon(au) Gofal ac Iechyd: Health and Care Standard(s):	Governance, Leadership and Accountability
Amcanion Strategol y BIP: UHB Strategic Objectives:	All Strategic Objectives are applicable

Amcanion Llesiant BIP: UHB Well-being Objectives:	Not Applicable
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Gwybodaeth Ychwanegol: Further Information:	
Ar sail tystiolaeth: Evidence Base:	Underpinning risk on the Datix Risk Module from across HDdUHB's services reviewed by risk leads/ owners
Rhestr Termiau: Glossary of Terms:	Explanation of terms is included in the main body of the report.
Partion / Pwyllgorau â ymgynhorwyd ymlaen llaw y Pwyllgor Cyllid: Parties / Committees consulted prior to Finance Committee:	Not Applicable




Effaith: (rhaid cwblhau) Impact: (must be completed)	
Ariannol / Gwerth am Arian: Financial / Service:	No direct impacts from report, however impacts of each risk are outlined in risk description.
Ansawdd / Gofal Claf: Quality / Patient Care:	No direct impacts from report, however impacts of each risk are outlined in risk description.
Gweithlu: Workforce:	No direct impacts from report, however impacts of each risk are outlined in risk description.
Risg: Risk:	No direct impacts from report, however organisations are expected to have effective risk management systems in place.
Cyfreithiol: Legal:	No direct impacts from report, however proactive risk management including learning from incidents and events contributes towards reducing/eliminating recurrence of risk materialising and mitigates against any possible legal claim with a financial impact.
Enw Da: Reputational:	Poor management of risks can lead to loss of stakeholder confidence. Organisations are expected to have effective risk management systems in place and take steps to reduce/mitigate risks.
Gyfrinachedd: Privacy:	No direct impacts from report, however impacts of each risk are outlined in risk description.
Cydraddoldeb: Equality:	Has EqIA screening been undertaken? No Has a full EqIA been undertaken? No

CORPORATE RISK REGISTER SUMMARY MARCH 2021

Risk Ref	Risk (for more detail see individual risk entries)	Included on BAF	Risk Owner	Domain	Tolerance Level	Previous Risk Score	Risk Score Mar-21	Trend	Target Risk Score
646	Ability to achieve financial sustainability over medium term.	1,2,3,4,5,6	Thomas, Huw	Finance inc. claims	6	4x4=16	4x4=16	→	2x4=8

Assurance Key:

3 Lines of Defence (Assurance)		
1st Line	Business Management	Tends to be detailed assurance but lacks independence
2nd Line	Corporate Oversight	Less detailed but slightly more independent
3rd Line	Independent Assurance	Often less detail but truly independent

Key - Assurance Required		<i>NB Assurance Map will tell you if you have sufficient sources of assurance not what those sources are telling you</i>
	Detailed review of relevant information	
	Medium level review	
	Cursory or narrow scope of review	

Key - Control RAG rating	
LOW	Significant concerns over the adequacy/effectiveness of the controls in place in proportion to the risks
MEDIUM	Some areas of concern over the adequacy/effectiveness of the controls in place in proportion to the risks
HIGH	Controls in place assessed as adequate/effective and in proportion to the risk
INSUFFICIENT	Insufficient information at present to judge the adequacy/effectiveness of the controls

Date Risk Identified:	Sep-18
Strategic Objective:	1. Putting people at the heart of everything we do and 2. Working together to be the best we can be and 3. Striving to deliver and develop excellent services and 4. The best health and

Executive Director Owner:	Thomas, Huw	Date of Review:	Mar-21
Lead Committee:	Finance Committee	Date of Next Review:	Apr-21

Risk ID:	646	Principal Risk Description:	<p>There is a risk the Health Board not achieving breakeven over the medium term. This is caused by the inability to either:</p> <ol style="list-style-type: none"> 1. Develop a sufficiently robust financial plan which shows an achievable improvement trajectory, 2. Manage the impact of the COVID-19 pandemic within available funding, 3. Manage the impact on the underlying deficit of resulting non-delivery of the recurrent savings requirement, 4. Recover the unmet demand arising as a result of actions taken and the financial implications, especially regarding RTT and Mental Health, or 5. Identify and implement opportunities in such a way that the financial gains are realised and an improvement trajectory is achieved. This could lead to an impact/affect on a significant long term detrimental impact on the Health Board's financial sustainability.
Does this risk link to any Directorate (operational) risks?			Corporate risk

Risk Rating:(Likelihood x Impact)	
Domain:	Finance inc. claims
Inherent Risk Score (L x I):	4x4=16
Current Risk Score (L x I):	4x4=16
Target Risk Score (L x I):	2x4=8
Tolerable Risk:	6
Trend:	↔

Month	Current Risk Score	Target Risk Score	Tolerance Level
Jul-19	12	8	6
Nov-19	12	8	6
Jan-20	12	8	6
Feb-20	12	8	6
May-20	12	8	6
Jun-20	12	8	6
Sep-20	12	8	6
Nov-20	16	8	6
Feb-21	16	8	6

Rationale for CURRENT Risk Score:

The Health Board has not developed a full long term financial base-case model, which can then be used to assess the impact of A Healthier Mid and West Wales and other medium term changes. The Health Board's underlying deficit also requires further work to fully explore and understand the opportunities for improvement which can be realised over the medium term. The forecast financial impact of COVID-19 on the underlying position is currently informed by modelling intelligence due to the fluid nature of the pandemic and the multitude of unknown variables inherent in such a situation. Furthermore, the funding from Welsh Government in response to the pandemic in FY21 has been confirmed on a non-recurrent basis; the recurrent funding position remains uncertain.

Rationale for TARGET Risk Score:

Achieving financial balance on a three-year rolling basis is a statutory requirement for the Board, and a clear requirement from the Board and Welsh Government.

Given the challenge in delivering the financial position in FY21 and the implications of this in the medium term, it is unlikely that the Health Board will achieve a risk which is in line with the tolerable risk for the year. Consequently, the target risk score exceeds the tolerable risk at this point. This is not an acceptable position, and further work is ongoing to manage this risk.

Key CONTROLS Currently in Place: (The existing controls and processes in place to manage the risk)
<p>Understanding the underlying deficit. A pre-COVID-19 assessment has been completed, which will need to be reviewed in light of the impact of the pandemic.</p> <p>Very high level base-case long term financial model.</p>

Gaps in CONTROLS				
Identified Gaps in Controls : (Where one or more of the key controls on which the organisation is relying is not effective, or we do not have evidence that the controls are working)	How and when the Gap in control be addressed	By Who	By When	Progress
<p>Actions in response to external review of underlying deficit calculation largely superseded by necessary shift in focus in response to COVID-19.</p> <p>Assessment of impact of COVID-19 on underlying deficit not yet undertaken.</p> <p>Assessment not subject to planning scrutiny.</p> <p>Development of the Opportunities Framework, Savings Framework and Value for Money Framework.</p> <p>Early development of three-year Financial Plan.</p>	<p>Action Plan to be reviewed and re-prioritised to pursue those supportive of the response to COVID-19.</p>	<p>Thomas, Huw</p>	<p>Completed</p>	<p>Reviews have been undertaken, however operational and clinical focus continues to be on service management and prioritisation of patient care. The Q3&4 Operational Plan submitted to WG in mid October focused on addressing patient care. This included looking at embedding new ways of working that have been necessary to meet the pandemic challenge.</p>
	<p>Assessment refreshed to quantify likely impact of COVID-19 on the underlying deficit, focusing on both the adverse impact such as non-delivery of recurrent savings, and the opportunities arising due to service changes in response to COVID-19.</p>	<p>Thomas, Huw</p>	<p>Completed</p>	<p>Early assessments are being conducted as part of the forecasting process, however the fluidity of the situation as the pandemic evolves provides limited information as a basis at this time. The position is kept under review but remains too volatile to make a definitive assessment at this time.</p>
	<p>Refine the Frameworks and embed these into the monthly reporting and Committee cycles as appropriate.</p>	<p>Thomas, Huw</p>	<p>Completed</p>	<p>Existing Frameworks have been refined and are now embedded into the reporting and Committee cycles.</p>

		Early iterations of the three-year Financial Plan for discussion at Finance Committee.	Thomas, Huw	30/09/2020 31/01/2021 31/03/2021	A Principles Paper and timetable have been completed and shared with the Finance Delivery Unit (FDU). The FDU feedback has been reflected. Alignment of the operational planning and financial planning cycles is underway with a Planning Steering Group established. The focus will be on 2021/2022, with the Health Board looking to sign post actions for years 2 and 3. A monthly reporting cycle is in place to the Finance Committee.
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ASSURANCE MAP				Control RAG Rating (what the assurance is telling you about your controls)	Latest Papers (Committee & date)	Gaps in ASSURANCES				
Performance Indicators	Sources of ASSURANCE	Type of Assurance (1st, 2nd, 3rd)	Required Assurance  Current Level			Identified Gaps in Assurance:	How are the Gaps in ASSURANCE will be addressed Further action necessary to address the gaps	By Who	By When	Progress
<p>Operational agreement to underlying deficit assessment.</p> <p>Welsh Government accepting of impact of COVID-19 on underlying deficit.</p> <p>Plan in place to develop a long term financial plan.</p> <p>High level financial assessment of A Healthier Mid and West Wales in place.</p>	Reporting to Finance Committee .	1st			N/A	None				