

Bundle Finance Committee 26 May 2020

3.1

Corporate Risks

Presenter: Huw Thomas

3 1 Finance Committee Corporate Risk Report May 2020.docx

3 1 Appendix 1 Finance Corporate Risk Register May 2020.xlsx

PWYLLGOR CYLLID FINANCE COMMITTEE

DYDDIAD Y CYFARFOD: DATE OF MEETING:	26 May 2020
TEITL YR ADRODDIAD: TITLE OF REPORT:	Corporate Risk Report
CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:	Mr Huw Thomas, Executive Director of Finance
SWYDDOG ADRODD: REPORTING OFFICER:	Mrs 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

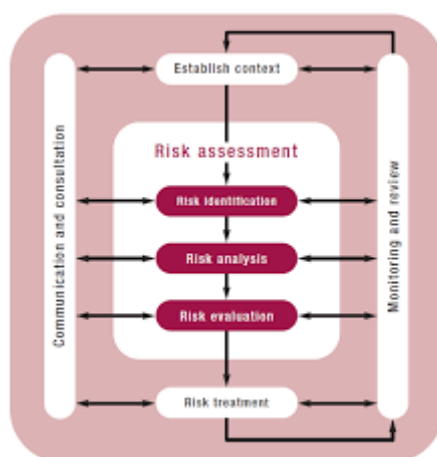
ADRODDIAD SCAA SBAR REPORT

Sefyllfa / Situation

The Finance Committee is asked to request assurance from listed Executive Directors 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 on 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, and are either:

- Associated with the delivery of the objectives set out in the Annual Plan 2019/20; or
- Significant operational risks escalated by individual Directors and agreed by the Executive Team as being of significant concern and requiring corporate oversight and management.

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:

- 5.3 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.
- 5.4 Recommend acceptance of risks that cannot be brought within the Health Board's risk appetite/tolerance to the Board through the Committee Update Report.

There are 2 risks assigned to the Committee from the 28 currently identified on the CRR (attached at Appendix 1). Objectives for 2020/21 have yet to be agreed by the Health Board.

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

Note 1 – New Corporate Risks

Since the previous report to Finance Committee in March 2020, the following risk has been approved/escalated CRR:

Risk	Risk Owner	New /Escalated	Date	Reason
Risk 856 - Risk to delivery of the Financial Plan for 2020/21	Executive Director of Finance	New	20/05/20	This risk will replace the previous corporate risk (735) relating to the delivery of the Financial Plan 2019/20. This new risk reflects the risk to deliver the new financial plan in 2020/21.

Note 2 - De-escalated/Closed Corporate Risks

Since the previous report to Finance Committee in March 2020, the following 2 corporate risks have been closed/de-escalated:

Risk	Lead Director	Close/De-escalated	Date	Reason
Risk 730 - Failure to realise all the efficiencies and opportunities from the Turnaround Programme in 2019/20	Executive Director of Finance	Closed	20/05/20	Risk was closed as it related to 2019/20 Turnaround Programme. A new risk re delivery of the 2020/21 Financial Plan has assessed (Risk 856 - above) which incorporates delivery of savings plans as part of the risk statement.
Risk 735 - Ability to deliver the Financial Plan for 2019/20 affecting the whole Health Board.	Executive Director of Finance	Closed	20/05/20	Risk was closed as it relates to 2019/20 financial plan. A new risk re delivery of the 2020/21 Financial Plan has assessed (Risk 856 - above).

The Committee is asked not to devolve its responsibility for seeking assurances on corporate risks to its Sub-Committee structure. 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;
- 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: Hyperlink to HDdUHB Well-being Statement	Not Applicable

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:	Not Applicable
Partion / Pwyllgorau â ymgynhorwyd ymlaen llaw y pwyllgor cyllid:	Not Applicable

Parties / Committees consulted prior to Finance Committee:	
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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 MAY 2020

Risk Ref	Risk (for more detail see individual risk entries)	Included on BAF	Risk Owner	Domain	Tolerance Level	Previous Risk Score	Risk Score May-20	Trend	Target Risk Score	Risk on page no...
856	Risk to delivery of the Financial Plan for 2020/21	TBA	Thomas, Huw	Statutory duty/inspections	6	N/A	4x5=20	NEW	2x4=8	2
646	Ability to achieve financial stability over the medium term	TBA	Thomas, Huw	Finance inc. claims	6	3x4=12	3x4=12	→	2x3=6	5

Strategic Objective:	Deliver the Financial Plan for 2020/21 by the end of March 2020/21, despite the financial impact of the COVID-19 pandemic (to be agreed)
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Executive Director Owner:	Thomas, Huw	Date of Review:	May-20
Lead Committee:	Finance Committee	Date of Next Review:	Jun-20

Risk ID:	856	Principal Risk Description:	There is a risk to the delivery of the Health Board's Financial Plan for 2020/21 of a £25m deficit. This is caused by 1. Costs of addressing our local COVID-19 needs may exceed funding available from UHB, Regional and WG sources. 2. Unidentified savings schemes included in the Financial Plan are also at risk of non-delivery due to both the operational focus being diverted to respond to COVID-19 and where identified schemes are not supportive of the response needed (e.g. bed closures). This could lead to an impact/affect on the Health Board's deficit position, reduction in stakeholder confidence and increased scrutiny from WG.
Does this risk link to any Directorate (operational) risks?			Yes

Risk Rating:(Likelihood x Impact)		No trend information available.	
Domain:	Statutory duty/inspections		
Inherent Risk Score (L x I):	4x5=20		
Current Risk Score (L x I):	4x5=20		
Target Risk Score (L x I):	2x4=8		
Tolerable Risk:	6		
Trend:	New		

Rationale for CURRENT Risk Score:
The scale of the pandemic and the likely impact on the Health Board is as yet unknown, however the financial impact in Month 12 2019/20 and Month 1 2020/21 was significant and current demand modelling and corresponding forecast would suggest that the Health Board's existing revenue and capital funding streams would be insufficient.

Rationale for TARGET Risk Score:
The Health Board needs to demonstrate that it is able to manage its financial position effectively, cognisant of the risks which are inherent in the delivery of safe and timely care.
As the demand modelling matures, informed by actual activity in the Health Board or in other Health Boards in Wales, the level of risk may be considered to be reduced, however current indications are that the pandemic will continue for the remainder of the financial year. As clarity is provided by partner organisations and Welsh Government as to funding arrangements, the risk of unfunded activity may be reduced.
Given the challenge in delivering the financial position this year, 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)
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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	How and when the Gap in control be addressed	By Who	By When	Progress
	Further action necessary to address the controls gaps			

<p>1. Modelling of anticipated patient flows, and the resultant workforce, equipment and operational requirements is managed through Gold command.</p> <p>2. Financial modelling and forecasting is co-ordinated on a regular basis.</p> <p>3. Timely financial reporting to Directorates, Finance Committee, Board and Welsh Government on local costs incurred as a result of Covid-19 to inform central and local scrutiny, feedback and decision-making.</p> <p>4. Oversight arrangements in place at Board level and through the command structure.</p> <p>5. Exploration of a number of funding streams being explored, including: Local Health Board funding arrangements; Funding arrangements through the Regional Partnership Board and Local Authority partners. Funding from Welsh Government's own sources or from HM Treasury via Welsh Government.</p> <p>6. Opportunities Framework, refreshed to identify alternative ways of working in response to COVID-19 that may result in cost reductions/formal savings schemes identified.</p>	<p>The costs of addressing the Health Board's local needs may exceed available funding.</p> <p>Finance support is not currently sufficient.</p> <p>Responsiveness and accountabilities need to be reinforced.</p> <p>Processes to become embedded and refined.</p>	<p>Alignment of strategic response to current demand modelling indicators between Welsh Government, Gold Command and operational teams.</p>	<p>Carruthers, Andrew</p>	<p>30/06/2020</p>	<p>A Q1 Operational Plan has been submitted to Welsh Government in May 2020, as agreed by Gold Command. The Board will be asked to approve the Plan at the May 2020 meeting following the submission deadline.</p>	
		<p>Clarity as to what current escalation measures can be safely and appropriately de-escalated/decommissioned and which ceased/deferred services/activities can be recommenced.</p>	<p>Carruthers, Andrew</p>	<p>30/06/2020</p>	<p>A Q1 Operational Plan has been submitted to Welsh Government in May 2020, as agreed by Gold Command. The Board will be asked to approve the Plan at the May 2020 meeting following the submission deadline.</p>	
			<p>Refine Finance structure following review of effectiveness and efficiencies of function following OCP.</p>	<p>Spratt, Andrew</p>	<p>3/8/2020</p>	<p>Final transitional arrangements in progress to transfer and process improve workstreams from Business Partnering to Process Improvement, and to create distinct Management Accounting function with clear remit.</p>
			<p>Accountability statements in relation to Budget 2020/21 replaced with a Delegations and Finance Delivery letter, in light of the COVID-19 pandemic.</p>	<p>Thomas, Huw</p>	<p>Completed</p>	<p>Letters issued May 2020, clarifying continuation of existing financial control principles and the importance of existing governance processes and frameworks. Also stating the significance of decision making in response to, and the accurate recording of the financial impact of, COVID-19.</p>
			<p>Feedback/clarity from Welsh Government as to levels of additional revenue and capital funding available.</p>	<p>Thomas, Huw</p>	<p>1/7/2020</p>	<p>Initial guidance, at a high level, has been received from Welsh Government. Further clarifications are anticipated following the Month 1 reporting cycle.</p>

Performance Indicators	Sources of ASSURANCE	Type of Assurance (1st, 2nd, 3rd)	Required Assurance	Rating (what the assurance is telling you about your controls)	(Committee & date)	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
			Current Level							
Performance against planned response to COVID-19	Performance against plan monitored through HTA meeting with Services				* Month 12 Finance Report - Board April 2020	None				
In-month financial monitoring	Executive Performance Reviews				* COVID-19 Reporting Principles Paper - Finance Committee April 2020					
	Finance Committee oversight of current performance									
	Transformation & Financial Report to Board & BPPAC									
	WG scrutiny through revised monthly Monitoring Returns (specific COVID-19 template) and through Finance Delivery Unit									
	WAO Structured Assessment 2020									

Strategic Objective:	Achieve a breakeven position over the medium term, being 2021/22 to 2023/24.(to be agreed)
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Executive Director Owner:	Thomas, Huw	Date of Review:	May-20
Lead Committee:	Finance Committee	Date of Next Review:	Jun-20

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 or 4. 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):	3x4=12
Target Risk Score (L x I):	2x3=6
Tolerable Risk:	6
Trend:	

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 limited modelling intelligence due to the early stages of the pandemic and the multitude of unknown variables inherent in such a situation.


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.

Key CONTROLS Currently in Place:
 (The existing controls and processes in place to manage the risk)

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.

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	How and when the Gap in control be addressed	By Who	By When	Progress
Actions in response to external review of underlying deficit calculation largely superseded by necessary shift in focus in response to COVID-19	Further action necessary to address the controls gaps Action Plan to be reviewed and re-prioritised to pursue those supportive of the response to COVID-19.	Thomas, Huw	31/07/2020	The review is in progress


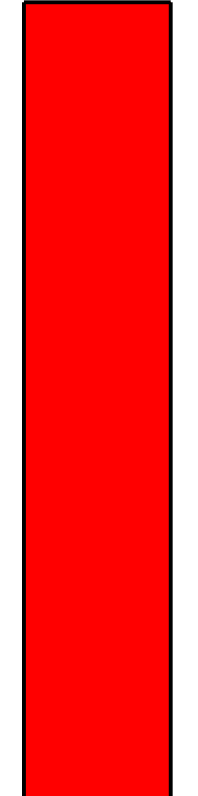
Very high level base-case long term financial model.	COVID-19. Assessment of impact of COVID-19 on underlying deficit not yet undertaken. Assessment not subject to planning scrutiny.	Assessment refreshed to quantify likely impact of COVID-19 on the underlying deficit, focusing on both the adverse impact such as non-delivery of recurrent savings, and the opportunities arising due to service changes in response to COVID-19.	Thomas, Huw	30/09/2020	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.
	Development of the Opportunities Framework, Savings Framework and Value for Money Framework.	Refine the Frameworks and embed these into the monthly reporting and Committee cycles as appropriate.	Thomas, Huw	31/07/2020	Existing Frameworks are in the process of being refined before being embedded into the reporting and Committee cycles.
	Early development of three-year Financial Plan.	Early iterations of the three-year Financial Plan for discussion at Finance Committee.	Thomas, Huw	30/09/2020	Scoping discussions are underway.

ASSURANCE MAP			
Performance Indicators	Sources of ASSURANCE	Type of Assurance (1st, 2nd, 3rd)	Required Assurance  Current Level

Control RAG Rating (what the assurance is telling you about your controls)




Latest Papers (Committee & date)

Gaps in ASSURANCES				
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>	<p>Reporting to Finance Committee .</p>	<p>1st</p>			<p>N/A</p>	<p>None</p>				
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Assurance Key:

3 Lines of Defence (Assurance)		
1st Line	Business Management	Tends to be detailed assurance but lack 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