

PWYLLGOR CYLLID FINANCE COMMITTEE

DYDDIAD Y CYFARFOD: DATE OF MEETING:	29 June 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

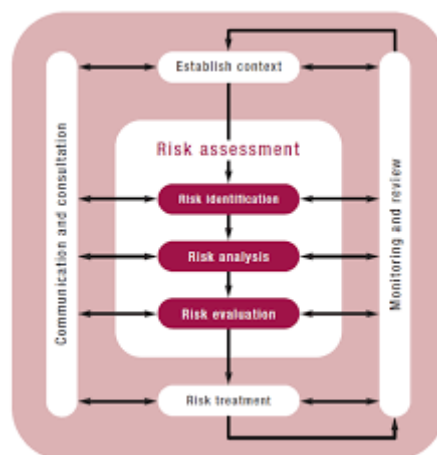
ADRODDIAD SCAA SBAR REPORT

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 Board Assurance Framework and Corporate Risk Register allocated to the Committee (financial risks), and provide assurance to the Board that risks are being managed effectively and that any areas of significant concern are reported e.g. where risk appetite is exceeded, or where there is a lack of timely action.
- 3.4 Recommend acceptance of risks that cannot be brought within the Health Board's risk appetite/ tolerance to the Board through the Committee Update Report.

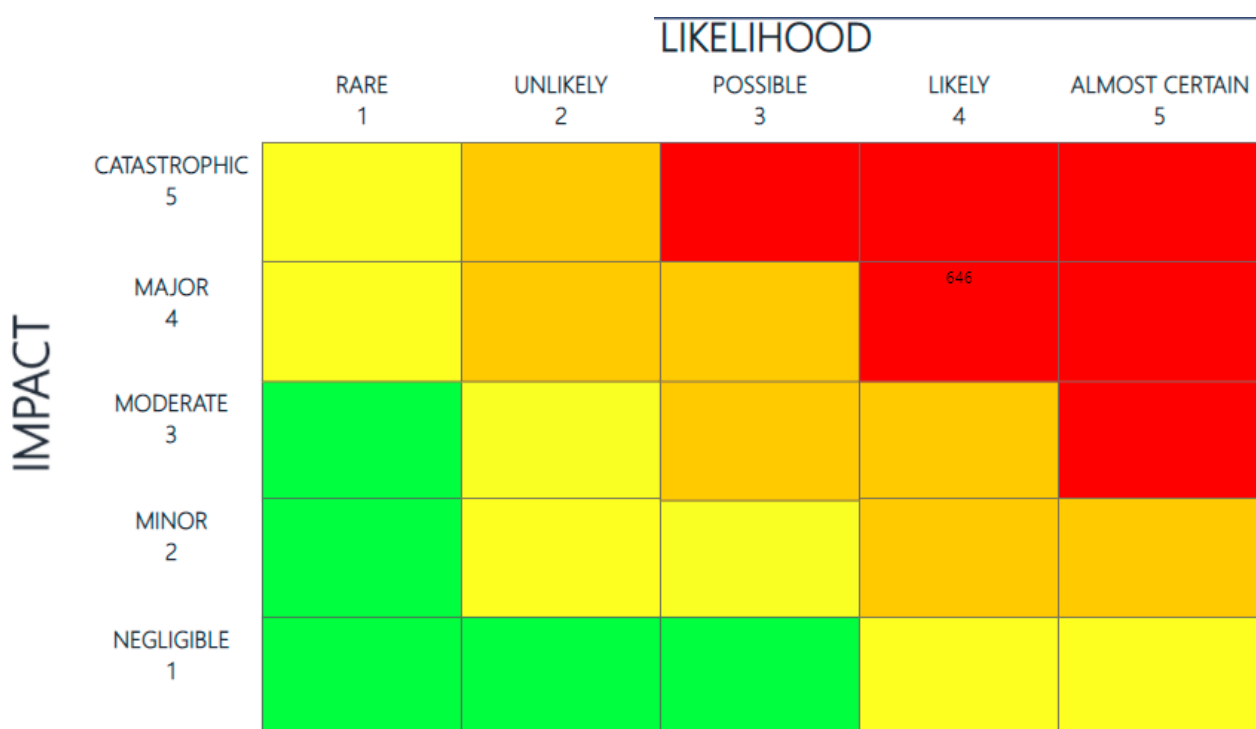
There is 1 risk assigned to the Committee from the 21 currently identified on the CRR. The Executive Team is currently developing principal risks to its strategic objectives which will be included on the BAF.

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

The 'heat map' below includes the risks currently aligned to the Finance Committee and has been obtained from the [Risk Performance Dashboard](#). The information reflects the risk information extracted from *Datix* Risk Module as at 10th June 2021.



Note 1 – No change in Current Risk Score

Since the previous report to Finance Committee in March 2021, no change has been made to the current risk score of the corporate risk listed below:

Risk Reference & Title	Previous Risk Report Mar-21 (LxI)	Risk Score Jun-21 (LxI)	Date of Review	Update
646 - Ability to achieve financial sustainability over medium term	4x4=16	4x4=16	03/06/21	Issues have been raised over the ability of the Health Board to plan at a strategic and operational level for a number of years. The Health Board's performance over the past year has demonstrated a

			<p>significant improvement in the ability to operationally plan and a developing maturity within the organisation. However, the Health Board's financial deficit has significantly deteriorated; significant workforce constraints remain; and the planning function remains small with significant opportunities to develop. These issues are exacerbated given the Health Board's financial deficit, with the need to not only shift resources to more appropriate settings, but provide care at considerably lower cost.</p> <p>The Health Board's underlying deficit requires further refinement 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 (WG) in response to the brought forward underlying position from FY21 (due to unidentified savings) has been confirmed on a non-recurrent basis. The WG funding for the direct response to the pandemic and for Elective Recovery plans is currently non-recurrent for FY22. For both, the recurrent funding position remains uncertain.</p>
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New Corporate Risk to be added in relation to FY22 financial delivery

The new risk (in draft) was reviewed during the April 2021 Finance Committee meeting, with suggestions for refinement provided. These were enacted, and the revised risk will now be submitted to the Executive Team for approval on to the Corporate Risk Register.

Risk Reference & Title	Previous Risk Report Mar-21 (Lxl)	Risk Score Jun-21 (Lxl)	Date of Review	Update
<p>Deliver the Financial Plan for 2021/22 by the end of March 2022, despite the financial impact of the COVID-19 pandemic and subsequent Recovery Plans.</p>	<p>n/a – new risk for FY22</p>	<p>3x4=12</p>	<p>03/06/21</p>	<p>Financial planning assumptions have been assessed assuming up to 12 months of COVID-19 prevalence at a level similar to Q3 of 2020/21. Whilst the operational responses and corresponding financial impact of the pandemic during 2020/21 has provided a sound basis for modelling scenarios, it should be acknowledged that the scale and duration of the pandemic and the likely impact on the Health Board is as yet unknown for 2021/22. WG funding streams are partly confirmed, however there will be a reliance on the success of bids for specific funding to support the Health Board's further Elective Recovery Plans, Digital Transformation and enhanced Mental Health service support in response to the pandemic and in the acceleration of the Health Board's Strategy. There is also ongoing WG scrutiny of the opening underlying deficit for 2021/22, and the Health Board has not yet had confirmation from WG that the June 2021 submission of the Financial Plan for 2021/22 will be approved.</p>

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

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.
Partïon / 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

Date Risk Identified:	sep-18		Executive Director Owner:	Thomas, Huw		Date of Review:	jun-21											
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 wellbeing for our individuals and families and our communities and 5. Safe and sustainable and accessible and kind care and 6. Sustainable use of resources		Lead Committee:	Finance Committee		Date of Next Review:	jul-21											
Risk ID:	646	Principal Risk Description:	There is a risk the Health Board not achieving breakeven over the medium term. This is caused by the inability to either: 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.		Risk Rating:(Likelihood x Impact)		<table border="1"> <caption>Risk Rating Data</caption> <thead> <tr> <th>Category</th> <th>Score</th> </tr> </thead> <tbody> <tr> <td>Inherent Risk Score (L x I)</td> <td>4x4=16</td> </tr> <tr> <td>Current Risk Score (L x I)</td> <td>4x4=16</td> </tr> <tr> <td>Target Risk Score (L x I)</td> <td>2x4=8</td> </tr> <tr> <td>Tolerable Risk</td> <td>6</td> </tr> </tbody> </table>		Category	Score	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
Category	Score																	
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Target Risk Score (L x I)	2x4=8																	
Tolerable Risk	6																	
			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														
Does this risk link to any Directorate (operational) risks?	Corporate risk		Trend:	↔														
Rationale for CURRENT Risk Score:	<p>Issues have been raised over the ability of the Health Board to plan at a strategic and operational level for a number of years. The Health Board's performance over the last year has demonstrated a significant improvement in the ability to operationally plan and a developing maturity within the organisation. However, the Health Board's financial deficit has significantly deteriorated; significant workforce constraints remain; and the planning function remains small with significant opportunities to develop. These issues are exacerbated given the Health Board's financial deficit, with the need to not only shift resources to more appropriate settings, but provide care at considerably lower cost.</p> <p>The Health Board's underlying deficit requires further refinement 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 brought forward underlying position from FY21 (due to unidentified savings) has been confirmed on a non-recurrent basis. The WG funding for the direct response to the pandemic and for Elective Recovery plans is currently non-recurrent for FY22. For both, the recurrent funding position remains uncertain.</p>		Rationale for TARGET Risk Score:															
			<p>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.</p> <p>Strategic and operational planning in an integrated Health Board is inherently complex leading to potential disconnections between demand, operational capacity planning; workforce planning and financial planning.</p> <p>Given the challenge in delivering the savings required in FY21, a further (currently unidentified) requirement of £16.1m in FY22, 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.</p>															

Key CONTROLS Currently in Place: (The existing controls and processes in place to manage the risk)			
Understanding the underlying deficit and Opportunities Framework. A pre-COVID-19 assessment has been completed, which will need to be refined as part of the Roadmap to Financial Sustainability.			
Very high level base-case long term financial model.			
A Planning Steering Group is in place to co-ordinate activities across key corporate functions.			
The Planning Team are embedded within the operational management structures across the organisation.			
A Strategic Enabling Group is in place to co-ordinate improvements to the Health Board's key systems to improve systems and processes across the organisation, including:			
Improving together - a programme to embed a quality management system to ensure consistency of approach in addressing quality and service improvement throughout the organisation.			
Agile Digital Business Group - a Group which reports into the Finance Committee which scrutinises business cases on digital investment to allow a rapid allocation, allocate resources promptly, learn from previous business case implementations and disinvest if appropriate.			
Value Based Health and Care Group: which ensures that the Health Board's rollout and deployment of VBHC is in line with plans and will			
ASSURANCE MAP			
Performance Indicators	Sources of ASSURANCE	Type of Assurance	Required Assurance
		(1st, 2nd, 3rd)	Current Level
Operational agreement to underlying deficit	Reporting to Finance Committee .	1st	

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	How and when the Gap in control be addressed Further action necessary to address the controls gaps	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 requires refinement.</p> <p>Assessment not subject to planning scrutiny.</p> <p>Conversion of the Opportunities Framework, Savings Framework and Value for Money Framework into deliverable recurrent savings schemes.</p> <p>Early development of three-year Financial Plan.</p>	Rollout of Improving Together across the organisation, with a feedback loop into relevant Corporate Teams to ensure that improvements are delivered at pace.	Thomas, Huw	Commencing June 2021. Completing April 2024.	Improving Together to be formalised into July 2021 System Engagement Meetings.		
	Rollout of VBHC across the organisation alongside the costing for the work.	Dr Khloer, Phil	31.03.2022	Refer to the VBHaC action and rollout of identified pathways delivery timelines.		
	Rapid deployment of digital solutions to support with better intelligence allowing better local decision-making based on evidence.	Thomas, Huw	31.03.2022	Refer to the Digital Strategy for actions and delivery timelines.		
	The Executive Team are to determine the priority items on the Opportunities Framework to pursue in line with the Strategy and Roadmap to Financial Sustainability. The Finance and Operational teams will then need to convert these opportunities into deliverable recurrent savings schemes.	Thomas, Huw	30.09.2021	The framework has been presented to the Executive Team and is a key area of focus following the submission of the Annual Plan at the end of June.		
Gaps in ASSURANCES						
Control RAG Rating (what the assurance is telling you about your controls)	Latest Papers (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
	N/A	None				

Strategic Objective:		6. Sustainable use of resources		Executive Director Owner:		Thomas, Huw		Date of		jun-21	
				Lead Committee:		Finance Committee		Date of		jul-21	
Risk ID:	TBC	Principal Risk Description:	There is a risk to the delivery of the Health Board's draft interim Financial Plan for 2021/22 of a £25.0m 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).			Risk Rating:(Likelihood x Impact)		No trend as new risk			
				Domain:		Statutory duty/inspections					
				Inherent Risk Score (L x I):		4x5=20					
				Current Risk Score (L x I):		3x4=12					
				Target Risk Score (L x I):		2x4=8					
				Tolerable Risk:		6					
Does this risk link to any Directorate (operational) risks?			yes			Trend:		N/A			
Rationale for CURRENT Risk Score:						Rationale for TARGET Risk Score:					
Financial planning assumptions have been assessed assuming up to 12 months of COVID-19 prevalence at a level similar to Q3 of 2020/21. Whilst the operational responses and corresponding financial impact of the pandemic during 2020/21 has provided a sound basis for modelling scenarios, it should be acknowledged that the scale and duration of the pandemic and the likely impact on the Health Board is as yet unknown for 2021/22. WG funding streams are partly confirmed, however there will be a reliance on the success of bids for specific funding to support the Health Board's further Elective Recovery Plans, Digital Transformation and enhanced Mental Health service support in response to the pandemic and in the acceleration of the Health Board's Strategy. There is also ongoing WG scrutiny of the opening underlying deficit for 2021/22, and the Health Board has not yet had confirmation from WG that the June submission of the Financial Plan for 2021/22 will be approved.						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 actual activity in the Health Board manifests, the level of risk may be considered to be reduced, however the impact of the mass vaccination programme and risk of new variants is as yet unknown. As further 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)			Gaps in CONTROLS								
			Identified Gaps in Controls : (Where one or more of the key controls on which the organisation is relying is not effective,		How and when the Gap in control be addressed		By Who	By When	Progress		
			Further action necessary to address the controls gaps								
1. Modelling of anticipated patient flows, and the resultant workforce, equipment and operational requirements is managed through operational teams.			The costs of addressing the Health Board's local needs may exceed available funding. This is in relation to the direct response to COVID-19, the continuation of essential services and delivery of the Recovery Plan.		Alignment of strategic response to current demand modelling indicators between Welsh Government, Gold Command and operational teams.		Carruthers, Andrew	01.07.2021	A refreshed Annual Plan will be submitted to Welsh Government in June 2021, as required by WG. The Board will be asked to approve the Plan at the June 2021 meeting. The dataset required includes activity, workforce and financial KPIs and will be driven by the Operational modelling.		
2. Financial modelling and forecasting is co-ordinated on a regular basis.											
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.											
4. Oversight arrangements in place at Board level and through the Executive Team structure.											
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.			Identification and assessment of sustainable opportunities arising from cost reductions due to changes in activity levels or other service changes in response to COVID-19.		Feedback/clarity from Welsh Government as to levels of additional revenue and capital funding available		Thomas, Huw	01.07.2021	A level of Sustainability Funding for 2021/22 has been confirmed by Welsh Government (WG), with a further tranche to be assumed but not confirmed. Guidance has been received from WG to assume funding in respect of the programme responses to the pandemic such as the mass COVID-19 vaccination programme, Test Trace and Protect, adult social care provider support, enhanced cleaning standards and PPE. Further clarifications are anticipated following the submission of the Financial Plan, however WG are unable to provide clear timelines at this stage. The Health Board has received approval of funding bids to WG in respect of Elective Recovery Plans on a non-recurrent basis. WG have also advised the Health		
6. Opportunities Framework and Roadmap to Financial Sustainability, refreshed to identify alternative ways of working in response to COVID-19 that may result in cost reductions/formal savings schemes identified.											
7. Accountability statements in relation to the Opening Directorate Budgets underpinning the draft interim Financial Plan for 2021/22 were issued to all budget holders in April 2021. The letters clarify that it is expected that all budget holders manage their services within their allocated budgetary envelope; that it is incumbent on all to ensure that expenditure, including the operational response to COVID-19, represents best value; and, that there is the expectation that these operational needs can be clearly demonstrated and that additional costs will reduce as and when decision making through the command structure allows.											
8. Performance against plan monitored through System Engagement Meetings with Services, including Performance, Quality and Financial information. To be improved through Improving Together.					Implementation of the Digital Strategy		Tracey, Anthony	31.03.2022	Please refer to the Digital Strategy for required Actions and specific timescales.		
9. Implementation of systems for efficiency (Malinko, WellSky, Nurse Documentation system) are driving financial systems for control (Symbiotics, Caf M in Facilities and Estates, Allocate), alongside the Digital Strategy improving grip and control.					Implementation of Improving Together		Evans, Catherine	31.07.2021	To replace current System Engagement meetings with formalised Improving Together meetings.		

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
Performance against planned response to COVID-19 In-month financial monitoring	Performance against plan monitored through System Engagement Meetings with Services	1st	Blue	Yellow	* Mth 12 Finance Report - Finance Committee April 2021	None				
	Executive Performance Reviews	2nd	Pink							
	Finance Committee oversight of current performance	2nd	Pink							
	Transformation & Financial Report to Board & BPPAC	2nd	Pink							
	WG scrutiny through monthly monitoring returns	3rd	Blue							
	WG scrutiny through revised monthly Monitoring Returns (specific COVID-19 template) and through Finance Delivery Unit	3rd	Pink							
	Audit Wales Structured Assessment 2021	3rd	Pink							