

**HS Paper 30/19**

BOARD MEETING: 21 JUNE 2019

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**ANNUAL RISK REPORT**

Recommendation/action required

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| The Board is asked to note the contents of the paper.  |

Author: Sponsoring Director:

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**11 June 2019**

ANNUAL RISK REPORT

Purpose

1. The purpose of this paper is to report to the Board on the Risk Management arrangements within NHS Health Scotland, to provide assurance that risk is adequately and appropriately managed.

Background

1. The Risk Protocol requires that the annual report includes;
	1. An update on what improvements have been made to risk management.
	2. An update on any changes following review of the risk protocol or policy.
	3. A statement of what further developments are planned for the next year including target dates.
2. The management of risk within NHS Health Scotland has improved year on year. The way in which risk is used continues to mature and is subject to continuous improvement and refinement.
3. There is still work to do to fully embed risk at all levels, but progress continues to be made and risk is currently adequately and appropriately managed. This was reflected in the Internal Audit of Risk Management (April 2017) which categorised NHS Health Scotland Risk Management as B (Broadly Satisfactory).

Key Highlights

1. Key highlights;
	1. We have completed an improvement project for the Master Risk Register (MRR) to improve the usefulness of our approach to risk and the information recorded. This involved a complete refresh of all the risks recorded in the MRR, and moving MRR reporting to the Corporate Planning Tool (CPT).
	2. Our Corporate Risk Register (CRR) is more accurate, better integrated into planning and performance, and the risks more transparently governed, by revising our approach to developing, tracking and reporting on the CRR. Reporting on CRR risks has moved from quarterly to monthly, to ensure the timeliness of information presented in the risk updates, and CRR reporting was also moved to the CPT.
	3. We also dealt with the implications of the Board’s decision to suspend meetings of the Health Governance Committee on the management of risk by agreeing that management of Risk 18-6 (and subsequently Risk 19-6 in 2019/20) is now carried out directly by the Board by direct and regular oversight of the Risk 19-6, which is largely mitigated by the Transition and Influence Plan agreed with the Board in March 2019.

Policy and Protocol

1. The Management of Risk Policy was last reviewed and updated in April 2017. The Policy is reviewed on a biennial basis, and was therefore due for review by May 2019. However, following the approach to policy reviews endorsed by the Partnership Forum and Staff Governance Committee in light of the upcoming Once For Scotland policy approach, it has been agreed that organisational policies will only be reviewed in instances where there is a mandatory/legislative change or under direction from the Partnership Forum and Staff Governance Committee. Therefore we are currently permitting policies to go outwith their review dates (unless as otherwise stated).
2. The Protocol for the Management of Risk was last reviewed in April 2017, and was updated and presented to the Audit Committee for approval on behalf of the Board in June 2017. The Protocol has now been reviewed as scheduled (requiring only minor edits, around risks now being reported and saved on the CPT) and was approved by the Audit Committee as part of the Annual Risk Report in June 2019.
3. The previous updates to both the Management of Risk Policy and Protocol included the recommendation from the Internal Audit to refer to the involvement of CMT and the Board in the process of drafting and approving the CRR. Both documents also now contain the Risk Categories agreed by the Board and associated Risk Appetites. The updated Protocol now includes direction on considering the previous year’s CRR when drafting the new CRR and when refreshing the MRR.

Corporate Risk Register (CRR) 2018/19 and 2019/20

1. In line with the previous decision of the Board, the CRR was reviewed and updated in-year by the nominated leads for each risk. Updates were presented to the meetings of the relevant Governance Committees/Board meetings, and an update to the entire CRR presented to the Board as part of the Quarterly Performance Report, to ensure more regular monitoring and reporting of risk management practices and outcomes.
2. An end of year review of the CRR 2018/19 is included as Appendix 1.
3. As at end of year no risk on CRR 2018/19 has exceeded the Board risk appetite.
4. The Corporate Management Team (29/01/2019, 26/02/2019) developed and agreed a new Corporate Risk Register for 2019/20. The final CRR 2019/20 was approved at the Board meeting on 22/03/2019 (subject to suggested minor amendments) and has been included as Appendix 2.
5. Particular attention has also been paid to ensuring that the reporting of risk to the Board via the CRR and other routes (e.g. through matters normally managed via Directorate MMRs being highlighted in quarterly performance reports as relevant) reflects both risks associated with change and transition and those associated with delivery of core business.

Improvements to the Master Risk Register (MRR)

1. A full refresh of the entire NHSHS MRR was completed in 2018, by Directorate, a process which started with the Strategy Directorate. Once MRR risks were identified and accurately described following work with the relevant teams, they were added to the Corporate Planning Tool (CPT), and time agreed with users to show them how to report on risks using the CPT. This enabled reporting on the MRR by staff to occur on the CPT rather than on excel documents (which we previously used).
2. Reporting on the CPT continues to reduce the time taken for risk reporting, has removed version control issues with the excel spreadsheets previously used for reporting and enabled more useful live MRR information to be available to staff through the CPT.
3. In 2019, following consideration of Business As Usual risks at the Directors meeting on 7th May 2019, it was agreed these risks were adequately covered by the MRR (rather than the CRR). However, Directors have agreed to further risk sessions at their Directorate Management Team meetings in the near future to review and refresh their MRR as applicable, in the context of Business As Usual risks.

Finance and Resource Implications

1. There are no identified finance or resource implications.

Staff Partnership

1. There are no identified staff partnership implications.

Communication and Engagement

1. There are no identified communications or engagement implications, with the Corporate Risk Register published annually on the NHS Health Scotland website and the Source.

Corporate Risk

1. This annual report provides assurance to the Audit Committee that risk within the organisation is being managed appropriately and we continue to improve the management of risk.

Issues Associated with Transition

1. This Annual Risk Report includes an end of year summary of the CRR 2018/19, and the approved CRR 2019/20, both of which include risks resulting from the transition to Public Health Scotland. We will be discussing and aligning approaches to risk management with other Boards to ensure smooth transition to the new body.

Promoting Fairness

1. There are no identified promoting fairness issues.

Sustainability and Environmental Management

1. There are no identified sustainability and environmental management issues.

Action/Recommendations

1. The Board is asked to note the contents of the paper.

Duncan Robertson

**Senior Policy, Risk and Data Protection Officer**

11 June 2019

**Appendix 1 – NHS Health Scotland Corporate Risk Register 2018/19 End of Year Report**

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| No. | Description | End Of Year (2018/19) Narrative |
| 18-1 | As our core funding reduces, there is a risk that we cannot deliver everything we want or our funders expect in 2018/19. | * Budget setting process for 18/19 in place in March 2018.
* Original budgets identified unallocated budget and contingencies.
* Commissioner tasked with identifying bids v shortfalls in business/operating plan.
* CMT reviewed unallocated budgets each week v demands/operational issues.
* Management Accounts produced each month.
* y/e Forecasts produced.
* Target savings of £270k in 2019/20 to come from workforce savings.
* Efficiency savings of £325k taken in 2018/19 and a further £75k in 2019/20 taken as recurring as part of £15m across the National Boards. No further contribution other than self-funding collaboration savings to be taken.
* Pay award in year for afc staff > 1% provided at £237k recurring in the year.
* Additional employer contributions of 6% to be funded by the Scottish Government to all Boards. Confirmed at National DoFs meeting 11 April 19.
* Risk 18-1 revised for 2019/20 reflecting changing circumstances.
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| 18-2 | As a result of needing more of our resources than anticipated to manage the transition to the new public health body, there is a risk we do not deliver all our commitments for 2018/19. | * Commissioners reviewed business plan including deliverables each month.
* CMT/COG reviewed demands across the organization on an ongoing basis.
* Controls in place will help in delivering our commitments for 2019/20
* Additional funding available subject to case being submitted and approved should deliverables not be delivered due to lack of finance.
* Risk 18-2 revised for 2019/20 reflecting changing circumstances.
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| 18-3 | As a result of the transition of governance to the new public health body or a lack of contingency planning for a delayed start date, there is a risk there are gaps in accountability, resulting in reputational damage. | * While working on the assumption that the Health Scotland Board will cease to exist in November 2019, we agreed to plan for a full financial year.
* The Board approved a suite of plans in March 2019 which incorporated the Delivery Plan, Workforce Plan and PAMS, as well as the Financial plan 2019/20 and workforce planning assumptions.
* The process for approving the 2019/20 annual accounts is being explored and proposals will come to Audit Committee.
* The risks in potential delay to public health reform on governance issues were very regularly discussed and contingency plans in place as needed.
* Risk 18-3 carried over into 2019/20.
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| 18-4 | As a result of issues in the process of creating the new public health body, there is a risk that the different cultures and practices of the legacy bodies become an impediment to the effectiveness of the new body. | * Current strong commitment to iMatter, Turas, Partnership working, governance structures, financial and performance reporting.
* Culture of the new organisation considered within the Organisational Development Commission.
* Joint meetings between the senior management teams of Health Scotland and PHI established to run through the course of 2019/20.
* Risk 18-4 revised for 2019/20 reflecting changing circumstances.
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| 18-5 | As a result of changes to the new public health body and shared services, there is a risk of an impact on productivity and staff turnover, and so we do not deliver all our commitments for 2018/19.  | * Impact on productivity monitored monthly and reported through quarterly reporting and staff turnover is monitored monthly through HR and reported through Partnership Forum.
* The Commissioning Group monitored overall progress against strategic priorities and delivery commitments with the responsibility to reallocate available spend to struggling delivery commitments.
* Operational plan encouraged staff to provide some unallocated delivery time to help with delivery and unexpected demands.
* Risk 18-5 revised for 2019/20 reflecting changing circumstances.
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| 18-6 | As a result of not engaging local authority and third sectors in creating the new public health body, key perspectives are not heard, reducing its credibility. | * Stakeholder strategy approved by the Board and subsequently revised as Transition and Influence plan.
* Stakeholder engagement captured weekly at Directors meetings and highlights reported to the Board via quarterly performance reports and a mid year refresh of the Stakeholder Engagement Plan, which subsequently led to this being revised as the Transition and Influence Plan for 2019/20.
* Risk 18-6 revised for 2019/20 reflecting changing circumstances.
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**Appendix 2 – NHS Health Scotland Corporate Risk Register 2019/20**

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| **CRR 2019/20 Risk Description** | **Category** | **Owner** | **Response Coordinator** | **Governance Committee** |
| 19-1. As a result of uncertainties in the funding arrangements for Public Health Scotland from 01/12/19, there is a risk that the commitments made in this Delivery Plan will not be fully achieved. | Finance and Governance | Director of Strategy | Head of People and Improvement / Head of Finance and Procurement  | Audit Committee |
| 19-2. As a result of needing more of our resources than anticipated to manage the transition to Public Health Scotland, and particularly senior management resource, there is a risk either that we do not deliver all our commitments for 2019/20 or that errors are made in the quality control of our outputs. | Finance and Governance | Director of Strategy | Head of People and Improvement / Head of Finance and Procurement  | Audit Committee |
| 19-3. As a result of issues in the transition of governance to Public Health Scotland or a lack of contingency planning for a delayed start date, there is a risk there are gaps in accountability, resulting in reputational damage. | Finance and Governance | CEO | Organisational Lead for Executive and Governance | Audit Committee |
| 19-4. As a result of the complex process of creating Public Health Scotland from different legacy organisations, there is a risk that the cultures and practices which Health Scotland have built up and believe to be important to the mission of fairer, healthier improvement are diluted or lost.  | Workforce | Director of Strategy | Head of People and Improvement  | Staff Governance Committee |
| 19-5. As a result of the impacts or perceived impacts on staff of the changes planned through the creation of Public Health Scotland and associated arrangements, there is a risk of an impact on productivity and staff turnover, and so we do not deliver all our commitments for 2019/20.  | Workforce | Director of Strategy  | Head of People and Improvement  | Staff Governance Committee |
| 19-6. As a result of not retaining influence with and support from important stakeholders in the transition year, there is a risk that our key messages and core agenda are not carried over as powerfully into Public Health Scotland, reducing its credibility and impact in reducing health inequalities. | Business | Director of Strategy | Organisational Lead for Communications | Board |