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| HIGH LIFE HIGHLAND  REPORT TO BOARD OF DIRECTORS  23 April 2014 | AGENDA ITEM  REPORT No HLH /14 |

## **RISK REGISTER UPDATE - Report by Chief Executive**

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| **Summary** This report provides an update on High Life Highland’s Risk Register.  It is recommended that Directors:-   1. note the updates to the Risk Register; and 2. following discussion add any risks to the Register that the Board identify at the meeting. | | |
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| **1.**  1.1 | **Business Plan Contribution**   |  | | --- | | This report supports all the Business Outcomes from the High Life Highland (HLH) Business Plan:  **1. A positive company image**  **2. A growing company**  **3. Delivery of the contract with THC**  **4. Increased awareness of HLH products and services**  **5. Increased customer satisfaction**  **6. Increased financial sustainability**  **7. Increased internal collaboration**  **8. Increased staff satisfaction**  **9. Safety & environmental compliance** | |
| **2.** | **Background** |
| 2.1  2.2  2.3 | The Company Financial Standing orders require that the Risk Register is reviewed annually by the HLH Board. The last such review was on 28 March 2013.  In addition, the Finance and Audit Committee review the Risk Register on a quarterly basis.  The Risk Register is also regularly reviewed by the Senior Management Team (SMT) and by the Quarterly Management Team which includes area based staff. Further, members of that team have been instructed to discuss risk at team meetings and to ensure that the Risk Register reflects these discussions either by contacting the Head of Resources or by raising matters at the regular quarterly risk review. |
| **3.** | **The Risk Register** |
| 3.1 | The Risk Register is included at **Appendix A**. The SMT undertook a major review of risks in March 2014 and at the request of the Finance and Audit Committee the Register version included shows the risks considered to be no longer applicable, as well as the new risks identified. |
| **4.** | **Risk Management Plans** |
| 4.1 | Risks scored as being “above the line” require risk management plans. Two new risks have been identified, HLH05 and HLH 19 that fall into this category and the management plans for these are included in **Appendix B.** |
| **5.** | **Risk Implications** |
| 5.1 | There are no new risks resulting from the recommendations of this report. |
| **Recommendation** It is recommended that Directors:-   1. note the updates to the Risk Register; and 2. following discussion add any risks to the Register that the Board identify at the meeting. | | |

Signature:

Designation: Chief Executive

Date: 7 April 2014

**APPENDIX A**

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| **Risk No** | **Risk Rating** | **Above  the Line** | **Risk Description/Short Name** | **Vulnerability** | **Trigger** | **Consequences** | **Owner** | **Lead officer** | **Date added** |
| HLH03 | **D3** | No | Estate condition/building failure | Failure of a building/s | Long term poor PR - damage to reputation | Local reputation damage | **Board / SMT** | **GW** | Dec-11 |
| HLH04 | **E2** | No | System failures, such as IT | Failure of a major system | Inability to deliver contract | Reputational damage | **SMT** | **GW** | Dec-11 |
| HLH05 | **C2** | Yes | Over reaching/over commitment | Failure of significant projects | Long term poor PR - damage to reputation | Staff stress, missed deadlines | **Board / SMT** | **IM** | Dec-11 |
| HLH06 | **C3** | No | Changes to the political landscape | Lack of understanding / agreement on respective roles | Missed opportunities to work in partnership | Missed opportunity for service development | **Board** | **IM** | Dec-11 |
| HLH07 | **E2** | No | Poor or ineffective working relationship between the Council and the HLH Board | Lack of partnership approach | Missed opportunities to work in partnership | Missed opportunity for service development | **Board** | **IM** | Dec-11 |
| HLH08 | **E3** | No | Poor working relationship between HLH SMT and Council service staff | Lack of partnership approach | Missed opportunities to work in partnership | Missed opportunity for service development | **SMT** | **IM** | Dec-11 |
| HLH09 | **E2** | No | Poor or ineffective working relationship between the HLH Board and SMT | Lack of understanding / agreement on respective roles | Inappropriate allocation of responsibilities | Ineffective strategic management of HLH | **Board / SMT** | **IM** | Dec-11 |
| HLH10 | **F2** | No | Ineffective governance of HLH by the Board | Failure to establish effective code of corporate governance | Failure to control expenditure and to achieve income targets | Financial insolvency and delivery of CLL services reverts to the Council | **Board** | **IM/MM** | Dec-11 |
| HLH14 | **D2** | No | Future changes to the legislation that the removes the benefit of the NNDR saving attributable to the Council | No control over political direction that could influence decision | Change to legislation | Cuts to front line CLL services | **SMT** | **IM** | Dec-11 |
| HLH15 | **E2** | No | Major health and safety breach | failure of health and safety systems | Major health and safety incident dealt with inappropriately | Reputational damage | **SMT** | **GW** | Dec-11 |
| HLH17 | **D3** | No | Poor project planning and management (see projects) | Failure of significant projects | Missed opportunities to work in partnership | Minor financial impact | **SMT** | **GW** | Dec-11 |
| HLH18 | **E2** | No | Breakdown in management/staff relations | Industrial action | Inability to deliver contract | Delivery of CLL services reverts to the Council | **SMT** | **IM** | Dec-11 |
| HLH19 | **C2** | Yes | Non achievement of income, expenditure and participation targets | Failure to control expenditure and to achieve income targets | Inability to deliver contract | Service Delivery Contract | **SMT** | **GW** | Dec-11 |
| HLH20 | **E1** | No | Pension deficit continues to grow | Pension scheme fails to recover it financial position | Regular pension review | Financial viability of company affected | **SMT** | **GW** | Dec-11 |
| HLH21 | **E3** | No | Failure to achieve skill set required for the Board | Retiral process fails to fill skills gaps | Poor number and quality of applicants | Increased reliance on external advice plus impact on decision making | **Board** | **IM** | Dec-11 |
| HLH22 | **D2** | No | Insufficient succession planning | Inability to appoint and gaps in the management team | Critical vacancy infilled | Temporary loss of efficiency | **SMT** | **IM** | Dec-11 |
| HLH24 | **C2** | Yes | Legionella outbreak or a failed inspection | Lack of control of the management/ timescale of the project | HSE inspection or outbreak of legionella | reputational damage to HLH | **SMT** | **GW** | 07-Dec-12 |
| HLH25 | **C3** | No | Failure to implement the Data protection Policy results in action by the Data protection Commissioner | Lack of control of data management | Identified failures, complaints or inspection by Data Comissioner | Prosecution, fine, damage to reputation | **SMT** | **GW** | Dec-12 |
| HLH26 | **E3** | No | Breach of implementation of the sponsorship policy | Reputation of High Life Highland is affected. | Public complaints or press articles | reputational damage to HLH | **SMT** | **FH** | Dec-12 |
| HLH27 | C2 | Yes | Budget Savings Project | failure to identify efficiency savings in next budget savings round | Failure to complete current review projects, or failure to identify efficiency savings for the 2015/18 budget process | Reputational damage to HLH with Council, increased cuts to services | **SMT** | **GW** | Dec-12 |
| HLH 28 | D2 | No | HC Savings consultations process leaves HLH vulnerable to criticism | Reputation of High Life Highland is affected. | Press and public criticism of HLH with reputational damage | reputational damage to HLH | **Board/ SMT** | **IM** | 26/04/2013 |
| HLH 29 | D2 | No | THC ICT provision project (beyond 2015) | Reputational damage as HLH unable to deliver service ambitions | THC unable/unwilling to deliver HLH ICT requirements | HLH limited to THC ICT systems, contracts and associated costs | **SMT** | **DW** | 05/03/2014 |
| HLH 30 | C3 | No | Specific Council decisions on efficiencies/ savings impact increasingly on HLH | Restricts flexibility in HLH decisions | Not being consulted on decisions e.g. service points | Missed opportunity for prioritisation | **SMT** | **IM** | 05/03/2014 |
| HLH 31 | D2 | No | Significant changes in Council senior management |  | New appointments by HC have no awareness of HLH |  |  | **IM** | 05/03/2014 |
| ~~HLH01~~ | **~~D2~~** | ~~Yes~~ | ~~Central support costs rise beyond those estimated within the Business Case~~ | ~~Full costs of central support service not transferred as part of HLH Services Fee~~ | ~~HLH budget pressures~~ | ~~Reduced quality in the delivery of front line services~~ | **~~SMT~~** |  |  |
| ~~HLH02~~ | **~~B2~~** | ~~Yes~~ | ~~Future Council savings process results in cuts to front line services~~ | ~~Options to achieve savings from central costs limited~~ | ~~Annual savings targets set by Council~~ | ~~Closures of facilities or removal of CLL services to the public~~ | **~~Board / SMT~~** |  |  |
| ~~HLH11~~ | **~~E3~~** | ~~No~~ | ~~Failure to meet the Council's contractual requirements on an ongoing basis by the HLH SMT~~ | ~~Failure to adhere to and deliver PSO specification~~ | ~~Default notices by the ECS Client Manager~~ | ~~Delivery of CLL services reverts to the Council~~ | **~~SMT~~** |  |  |
| ~~HLH12~~ | **~~E3~~** | ~~No~~ | ~~Services Fee insufficient to deliver all contractual requirements~~ | ~~In year savings requested that do not account for full costs of delivering the PSO specification~~ | ~~HLH budget pressures~~ | ~~Cuts to front line CLL services~~ | **~~Board / SMT~~** |  |  |
| ~~HLH13~~ | **~~E2~~** | ~~No~~ | ~~Public perception of no change or improvement~~ | ~~Pressure on Council to take delivery of CLL services back in house~~ | ~~Negative response to Public Consultation processes~~ | ~~Delivery of CLL services reverts to the Council~~ | **~~Board / SMT~~** |  |  |
| ~~HLH16~~ | **~~D3~~** | ~~No~~ | ~~Long term poor PR - damage to reputation~~ | ~~Pressure on Council to take delivery of CLL services back in house~~ | ~~Ongoing poor publicity~~ | ~~Delivery of CLL services reverts to the Council~~ | **~~Board / SMT~~** |  |  |
| ~~HLH23~~ | **~~B2~~** | ~~Yes~~ | ~~Council does not accept HLH budget proposals to achieve savings target~~ | ~~Break in relationship between Council and Board~~ | ~~Council won't engage~~ | ~~Unknown/ potential Board resignations~~ | **~~Board~~** |  |  |
| ~~HLH 29~~ | ~~D3~~ | ~~No~~ | ~~Providing advice to THC regarding Linnhe Leisure~~ | ~~Reputation of High Life Highland is affected.~~ | ~~Press and public criticism of HLH with reputational damage~~ | ~~reputational damage to HLH~~ | **~~SMT~~** | **IM** | 22/05/2013 |
| ~~HLH 30~~ | ~~E3~~ | ~~No~~ | ~~Staff being bribed in relation to external contracts~~ | ~~Breach of the Bribery Act 2010~~ | ~~Information revieved leading to allegation of bribery~~ | ~~Prosecution, fine, damage to reputation~~ | **~~SMT~~** | **~~IM~~** | ~~05/07/2013~~ |
| ~~HLH 31~~ | ~~D3~~ | ~~No~~ | ~~Presentation to full Council on potential of HLH to deliver other aspects of the administration programme~~ | ~~Reputation of High Life Highland is affected.~~ | ~~Press and public criticism of HLH with reputational damage~~ | ~~reputational damage to HLH~~ | **~~SMT~~** | **IM** | 08/07/2013 |
| ~~HLH 32~~ | ~~D2~~ | ~~No~~ | ~~Inappropriate quality of lifeguarding at AHR jeopardises safety of children taking part in HLH swimming lessons~~ | ~~failure of AHR lifeguards to maintain appropriate pool safety standards~~ | ~~drowning incident in pool while HLH lessons are on~~ | ~~safety of swimmers is compromised and reputational damage to HLH by association~~ | **~~SMT~~** | **FH** | 18th Nov 2013 |

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| **High Life Highland** | | |  |  |  |  |  |  |
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| **Risk Profile** | | |  |  |  |  |  |  |
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| Likelihood | **A** |  |  |  |  |  | A  B C D E F | - Very High  - High  - Significant  - Low  - Very Low  - Almost Impossible |
|  | **B** |  |  |  |  |  |  |  |
|  | **C** |  | HLH06 HLH25 HLH30 | HLH05 HLH19 HLH24 HLH27 |  |  |  |  |
|  | **D** |  | HLH03 HLH17 | HLH14 HLH22 HLH28 HLH29 HLH31 |  |  | I II III IV | - Catastrophic  - Critical  - Marginal  - Negligible |
|  | **E** |  | HLH08 HLH21 HLH26 | HLH04 HLH07 HLH09 HLH15 HLH18 | HLH20 |  |  |  |
|  | **F** |  |  | HLH10 |  |  |  |  |
|  |  | **IV** | **III** | **II** | **I** |  |  |  |
|  |  | Impact |  |  |  |  |  |  |
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**APPENDIX B**

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| **Risk No:** | **Risk Score:** | **Owned By:** | |
| HLH05 (NEW) | C2 | SMT | |
| **Description** | | | |
| Over-reaching/over-commitment leading to failure of significant projects and damage to reputation, increase in stress amongst staff, and missed deadlines | | | |
| **Controls Already in Place** | | | |
| The Board set the annual workplan and work is regularly reviewed by the Senior Management Team. A project register is maintained. | | | |
| **Effectiveness of these Controls** | | | |
| Both opportunities for, and demands on, HLH are increasing. At this strategic stage of development many of the opportunities require to be followed up if reputational damage is to be avoided. Anecdotally staff are reporting increased workload and stress. | | | |
| **New Actions Required** | | | **Who is Responsible?** |
| Review of the current levels of stress of staff | | | Head of Resources |

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| **Risk No:** | **Risk Score:** | **Owned By:** | |
| HLH19 (NEW) | C2 | SMT | |
| **Description** | | | |
| Non-achievement of income and expenditure targets and failure to control expenditure to achieve revised targets leading to inability to deliver service contract. | | | |
| **Controls Already in Place** | | | |
| Monthly budget monitoring process  Scrutiny by Finance and Audit Committee  Finance reports to HLH Board | | | |
| **Effectiveness of these Controls** | | | |
| Generally effective, however financial pressures resulted in a small budget overspend in 2013/14 | | | |
| **New Actions Required** | | | **Who is Responsible?** |
| Spend reduction plan including; less travel; reduced photocopying and stationery costs; and controls on discretionary expenditure  An emergency plan for use if required including delaying recruitment to save on staff costs and a freeze on discretionary expenditure | | | Chief Executive |

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| **Risk No:** | **Risk Score:** | **Owned By:** |
| HLH24 | C2 | SMT |
| **Description** | | |
| The breach of legionella legislation leads to a legionella outbreak or a failed inspection | | |
| **Controls Already in Place** | | |
| * A timetable for to check all HLH properties has been agreed with HaPS. Phase 1, to check all high priority HLH properties was completed on time, by the end of October. *Phase II is underway*. * After this a contract will be placed similar to others, such as gas safety, to monitor and control legionella bacteria. This will ensure that HLH is compliant with legislation. *17/02/14 – A contract to monitor and control legionella is now in place.* | | |
| **Effectiveness of these Controls** | | |
| Providing the timetable is adhered to these controls will be effective | | |
| **New Actions Required** | | **Who is Responsible?** |
| Monitor timetables | | Head of Operations |

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| **Risk No:** | **Risk Score:** | **Owned By:** |
| HLH27 | C2 | SMT |
| **Description** | | |
| Failure to identify efficiency savings for financial years 2015-18, leading to possible closures and redundancies. If these prove necessary the process must be nanaged with least impact on the company. | | |
| **Controls Already in Place** | | |
| Efficiency reviews are being undertaken.  The Finance and Audit Committee have a new scrutiny role for proposed savings. | | |
| **Effectiveness of these Controls** | | |
| It is unlikely that the efficiency reviews will identify all the required savings | | |
| **New Actions Required** | | **Who is Responsible?** |
| Establish a working group of the Finance and Audit Committee to examine budget savings options and report to the Board by August 2014 | | Head of Resources |