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| HIGH LIFE HIGHLAND  REPORT TO BOARD OF DIRECTORS  31 August 2022 | AGENDA ITEM 7  REPORT No HLH /22 |

## **RISK REGISTER ANNUAL REVIEW - Report by Chief Executive**

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| **Summary** This report provides the annual update on High Life Highland’s Risk Register.  It is recommended that Directors review and approve the Risk Register at **Appendix A** and the associated supporting documents at **Appendix B, C and D**. | | |
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| **1.** | **Business Plan Contribution** |
| 1.1 | This report supports all 11 of the Business Outcomes from the High Life Highland (HLH) Business Plan:   1. **Seek to continuously improve standards of Health and Safety.** 2. **Commit to the Scottish Government’s zero carbon targets and maintain the highest standards in environmental compliance.** 3. **Use research and market analysis to develop and improve services to meet customer needs.** 4. **Increase employee satisfaction, engagement and development to improve staff recruitment and retention.** 5. **Improve the financial sustainability of the company.** 6. **Value and strengthen the relationship with THC.** 7. **Develop and deliver the HLH Corporate Programme and seek to attract capital investment.** 8. **Use research and market analysis to develop and deliver proactive marketing and promotion of HLH and its services.** 9. **Initiate and implement an ICT digital transformation strategy across the charity.** 10. **Develop and strengthen relationships with customers, key stakeholders and partners.** 11. **Deliver targeted programmes which support and enhance the physical and mental health and wellbeing of the population and which contribute to the prevention agenda.** |
| **2.** | **Background** |
| 2.1  2.2  2.3  2.4  2.4.1  2.5  2.6  2.7  2.8 | The Charity Financial Risk Management Policy requires that the Risk Register is reviewed and approved annually by the HLH Board. The last review was conducted on 21 September 2021.  In addition to the annual review by the HLH Board, the Finance and Audit Committee reviews the Risk Register on a quarterly basis, most recently at its 8 August 2022 meeting. No additional risks have been added since this meeting. However, risk HLH13 - Reliance on individual suppliers / contracts, has had its risk profile changed to RED to reflect the ongoing supply and demand issues around pool chemicals, a risk management plan for HLH13 has been created accordingly. The leisure team are currently dealing with the operational risk of a UK wide supply issue of chlorine, used within swimming pools. However, we can report that sites have not only sourced alternative suppliers but they have invested in their pool plant equipment to enable the pools to be able to operate with alternative chlorine compatible chemicals, minimising the current supply issues. However, this risk will continue to be monitored and reported on.  The risk register presented at the Finance and Audit Committee on 8 August 2022, had undergone a comprehensive review by the Executive Team, facilitated by the Head of Investment and Programme Management. The purpose of this exercise was to review and capture what were the business critical risks and what were in effect, operational, managed risks. This resulted in a number of risks being removed from the register, to enable focus on business critical risks for review by the Finance and Audit committee on behalf of the Board.  The risk register now indicates both pre and post mitigation risk levels. With risks automatically profiled with Red, Amber and Green status based upon a calculated formula. The register incorporated, for the first time, the initial thoughts around a number of specific Trading Company risks and these will be explored further within the Trading Company meeting on 31 August 2022 and subsequent Trading Company meetings, with all risks being reviewed and reported on to the Finance and Audit Committee. Finally, the risk management policy statement and guidance has been amended to reflect the new register and can be found at **Appendix C and D** for review and approval.  The revised layout of the register was very well received by the Finance and Audit Committee with only a few suggestions for consideration for future issues as follows:   * A focus on how best to describe risks, how to indicate what the risk actually was, what the trigger would be and what the mitigation needed to help prevent this risk was - **Ongoing** * A request after the meeting to provide details of the wider risk mitigation already taking place, within the existing risk management plans for HLH06 and HLH09 - **Completed** * HLH02 - Rewording – Recruitment and retention issues – to reflect that this is not only linked to higher wages being paid but a broader recruitment issue – note that HLH is restricted with regards to pay flexibility - **Completed** * HLH03 – an amalgamation of a number of external factors that could affect the ability of HLH to deliver services – Confirmation to the committee and here to the Board, that this is to highlight an overarching risk possibility. Whilst it lists various scenarios, any particular emerging risk that is ‘triggered’ would require a separate entry and risk management plan and as such, the plan was to retain the amalgamated list for the moment and monitor and adjust if necessary – **Closed** * Consideration of including the risk of ‘going concern’ into the register. The Head of Finance is due to meet with the Highland Council regarding the provision of a letter of comfort from them, on 18 August 2022. A verbal update will be provided on the outcome of this discussion at the meeting on 31 August 2022. - **Ongoing**   The Head of Investment and Programme Management has arranged to attend individual meetings with two Finance and Audit Committee members on 17 and 24 August 2022, to consider the above suggestions and also review how other organisations manage risks. The outcome of these discussions will be reflected in the review of the risk register by the Finance and Audit Committee in November 2022.  The risk register continues to be reviewed and challenged regularly at management meetings across HLH, with only the one risk profile change to report since the 8 August 2022, Finance and Audit Committee meeting, as mentioned above.  In the previous year’s review, the board were requested to note an emerging risk incorporated within the then numbered risk HLH19 (now HLH06), relating to the non-achievement of income. The emergent risk, related to the Scottish Government’s decision to remove the fees associated with music tuition. While the SG have fully funded provision for 22/23 they are continuing to monitor the impact of this policy change on service delivery and explore how the service will be delivered in future years.  The Highland Council and HLH are continuing to engage with COSLA and the Scottish Government as part of this process and the risk will continue to be monitored. |
| **3.** | **The Risk Register** |
| 3.1 | The Risk Register is included at **Appendix A** and the Board is asked to identify any risks that are not included in the register and score these and approve the register as part of the annual review. |
| **4.** | **Risk Management Plans** |
| 4.1  4.2 | There are ten risks scored as being “above the line” and requiring risk management plans (RMPs). Within the new format all risks which score 6 or below, will automatically require a RMP and be rated as ‘red’. Please note that HLH05 and 08 share an RMP. The RMPs are available at **Appendix B**   * **HLH01** - Impact of the HLH Capital programme * **HLH02** - Recruitment and retention issues * **HLH03** - Major external issues affecting service delivery * **HLH04** - Changes to the political landscape * **HLH05** - Poor or ineffective working relationship with THC * **HLH06 -** Non achievement of income/inc introduction of Lets charges * **HLH07** – Failure to implement THC ICT Transformation project * **HLH08** - Specific Council decisions impact increasingly on HLH * **HLH09** - SDC not fully understood, or amended by THC without HLH agreement, as THC corporate memory can be lost over time' * **HLH13** – Reliance on individual suppliers / contracts   Seven risks are rated as “amber”. Within the new format all risks which score between 7 and 9, will automatically be rated as ‘amber’.   * **HLH10** – Over reaching / Over commitment * **HLH11** – Insufficient succession planning * **HLH12** – THC savings consultation/ HLH vulnerable to criticism * **HLH14** – War in Ukraine – Impact on service delivery / operations * **HLH15** – Uncertainty of economic climate and cost of living increases * **HLH16** –Non income generating sites – financial losses become unsustainable (Trading Company risk) * **HLH17** – HLH Catering Strategy is not achieved (Trading Company risk)   Risks HLH 18 – HLH24 “green”. Within the new format all risks which score 10 or above, will automatically be rated as ‘green’. |
| **5.**  5.1  **6.** | **THC Corporate Risk Management Group**  HLH is represented on the Council’s Corporate Risk Management Group (CRMG) so that there is a formal way of notifying the Council of risks on the HLH risk register which might have an impact on the Council.  **Risk Implications** |
| 6.1  6.2  6.3  6.4 | Resource Implications – there are no new resource implications associated with the recommendations of this report.  Legal Implications – there are no new legal implications associated with the recommendations of this report.  Risk Implications – the risk implications along with the risk management plans for mitigating the risks are included in **Appendix B**.  Equality Implications – there are no new equality implications associated with the recommendations of this report. |
| **Recommendation** It is recommended that Directors review and approve the Risk Register at **Appendix A** and the associated supporting documents at **Appendix B, C and D**. | | |

Designation: Chief Executive

Date: 16 August 2022

Author: Simon Swanson, Head of Investment and Programme Management