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| HIGH LIFE HIGHLAND  REPORT TO BOARD OF DIRECTORS  31 August 2023 | AGENDA ITEM  REPORT No HLH /23 |

## **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:   1. identify any risks which may not be included in the register 2. review and approve the Risk Register at **Appendix A** | | | | |
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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 | | The Charity Financial Risk Management Policy requires that the Risk Register be reviewed and approved annually, by the HLH Board. The last review was conducted on 31 August 2022, with the risk register being approved as presented.  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 7 August 2023 meeting. No amendments have been made since this meeting.  The risk register 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 also incorporates a number of specific Trading Company risks which are reviewed at the Trading Company quarterly meetings, with all risks reviewed and reported on to the Finance and Audit Committee.  The risk register, is a live document, which continues to be reviewed and challenged regularly at management meetings across HLH. The most recent of which being the Performance Board meeting on 27 July 2023 and the Finance and Audit Committee meeting on 7 Aug 2023. | |
| **3.**  3.1 | | **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. | |
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| **4.**  4.1 | | **The Risk Register**  The Risk Register and management plans is included at **Appendix A** and the Board is asked to approve the register as part of the annual review, but also to identify any risks which may not be included in the register, and score these for inclusion, prior to the review/approval. | |
| **5.** | | **Risk Management Plans** | |
| 5.1 | | There are 10 risks scored as being “above the line” and requiring risk management plans (RMPs). All risks which score 6 or below, will automatically require a RMP and be rated as ‘red’.   * **HLH01** - Impact of the HLH Capital programme * **HLH02** – Recruitment and Retention * **HLH05** – Poor and or ineffective working relationships with the HC * **HLH06** -Non achievement of income/inc introduction of Lets charges * **HLH06B** – Use of reserves * **HLH07** – Failure to implement THC ICT Transformation project * **HLH08** – Specific HC decisions impact on HLH * **HLH09** - SDC not fully understood, or amended by THC without HLH agreement, as THC corporate memory can be lost over time' * **HLH16**- Non income generating catering sites - financial losses become unsustainable * **HLH17**- HLH Catering strategy is not achieved leading to increased budget pressures | |
| 5.2 | | Eight risks are rated as “amber.” All risks which score between 7 and 9, will automatically be rated as ‘amber’.   * **HLH03** - Major external issues affecting service delivery * **HLH04** - Changes to the political landscape * **HLH10** - Over reaching / Over commitment * **HLH11** - Insufficient succession planning * **HLH12** - THC savings consultation process leaves HLH vulnerable to criticism * **HLH15** – Uncertainty of economic climate and cost of living increase * **HLH20** – Major H&S Breach * **HLH23** – Donations Strategy does not deliver targets | |
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| 5.3  5.4 | | Risks HLH 18, 19, 22, 24 and 25 are “green”. All risks which score 10 or above, will automatically be rated as ‘green’.  The proposed actions to mitigate these risks can be seen in the RMPs. **Please note that for ease, these have been incorporated into a tab within the excel spreadsheet.**  **Horizon Scanning**  Whilst reporting an improved position with regards to the overall risk situation, there are still a number of strategic challenges ahead:   * THC is due to review the budget position specifically with regards to the use of reserves during the fiscal year – likely to be September 2023; * THC Capital review – Although September 2023 is the planned date, realistically, based on historical delays with regards to the most recent capital programme reviews, it could well be the next FY before the details are known; * COSLA pay award offer (5% with additional variable in year increase from 1 January 2024) – already minimum 1% higher than budget which was 4% – only offer at this stage with unions recommending rejection. Each 1% = c £250k. Mitigation will be through negotiation within the SDC discussions to have all future pay awards covered by THC; * SDC review – THC corporate plan aimed to have this completed by September. Realistically this could take the remainder of this FY, if not longer to complete. * Historically, the lead up to the last Scottish Independence Vote, did not present any risk changes to the operations of the charity. However, should Independence be voted for in the future, with the majority voting ‘Yes,’ then this would have operational implications as yet unknown but the situation will continue to be monitored and risks created and or amended if necessary * The delivery model for Sport, Leisure and Cultural activities may well be reviewed either as part of the SDC review, or a wider THC strategic delivery model review. A possible outcome could be the insourcing of direct delivery of Culture, Sport and Leisure services currently provided by HLH. However, senior officers within THC currently believe that this is out of scope but acknowledge that this could change should members request this to be in scope. | |
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| **6.**  6.1  6.2  6.3  6.4  6.5 | | **Year to date**  Overall, the risk register has continued to be developed to reflect the changing needs of both the strategic and operational risk management needs but also the administrative and governance reporting needs of the Board, Trading Company and the Finance and Audit Committee.  The present version is considered to be suitable and sufficient for the needs of all users, including the operational staff, who use this as a management tool within their own staff mtgs.  That said, it does remain a live tool and it will continue to be maintained and, if necessary enhanced.  The last 12 months have seen a number of risks become high profile whether that be due to supply issues linked to the ongoing war in Ukraine, or specialist chemical supplies hampered, due to overseas factory fires preventing the usual supply of certain pool chemicals.  Moreover, staff recruitment and retention issues, were also of concern within the more rural locations. However, throughout this period, both the risk register and the risk management plans have provided the necessary framework to manage and mitigate these and other such risks, whilst enabling staff to provide our services and the charity to operate without any major/long lasting impacts.  This is also a testament to the quality of staff we employ who are always looking for solutions to enable their services to not just operate, but to operate effectively and efficiently.  **Next Steps**  Throughout the next reporting period, it is anticipated that the main risks facing the Charity will be focussed on the Service Delivery Contract review and also the HLH/HC relationships and how they develop and hopefully strengthen under the new leadership of the HC CEO, as the outcomes of both of these factors will determine the overall strategic and operational risks facing the charity. | |
| **7.** | | **Risk Implications** | |
| 7.1  7.2  7.3  7.4 | | 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 A**.  Equality Implications – there are no new equality implications associated with the recommendations of this report. | |
| **Recommendation** It is recommended that Directors:   1. identify any risks which may not be included in the register; 2. review and approve the Risk Register at **Appendix A** | | | | |

Designation: Chief Executive

Date: 17 August 2023

Author: Simon Swanson, Head of Investment and Programme Management