

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

**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**.

**1. Business Plan Contribution**

1.1 This report supports all the Business Outcomes from the High Life Highland (HLH) Business Plan:

1. **Sustain a high standard of health and safety, and environmental performance**
2. **Implement the Service Delivery Contract with THC**
3. **Improving customer engagement and satisfaction**
4. **Improving staff engagement and satisfaction**
5. **Enhance the positive charity image**
6. **Be a trusted and effective partner**
7. **Achieve sustainable growth across the organisation**
8. **Develop health and wellbeing across Highland communities**
9. **Develop and promote the High Life brand**

**2. Background**

2.1 The Company Financial Standing orders require that the Risk Register is reviewed and approved annually by the HLH Board. The last such review was on 4 September 2018.

2.2 In addition to the annual review by the charity Board, the Finance and Audit Committee reviews the Risk Register on a quarterly basis, most recently at its August 2019 meeting.

2.3 The Risk Register is also regularly reviewed by the Senior Management Team (SMT) and by the Quarterly Management Team (QMT) 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 Performance or by raising matters at the regular risk reviews.

**3. The Risk Register**

3.1 The Risk Register is included at **Appendix A** and the risk profile at **Appendix B** 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 Risks scored as being “above the line” require risk management plans. Two risks have been identified that fall into this category - HLH05 and HLH19 and the management plans for these are included in **Appendix C**.

#### **5. Risk Implications**

- 5.1 Resource Implications – there are no new resource implications arising from the content of this report
- 5.2 Legal Implications – there are no new legal implications arising from the content of this report.
- 5.3 Risk Implications - there are no new risks resulting from the recommendations of this report.

#### **Recommendation**

It is recommended that Directors review and approve the Risk Register at **Appendix A**.

Designation: Chief Executive

Date: 12 August 2019

Appendix A

| Risk No | Risk Description / Short Name  | Vulnerability  | Trigger                                      | Consequences                               | Likelihood      | Impact         | Risk Matrix (DO NOT POPULATE) | Progress / Status R / A / G | Owner     | Lead officer | Date added |
|---------|--|--|--|--|-----------------|----------------|-------------------------------|-----------------------------|-----------|--------------|------------|
| HLH03   | Estate condition/building failure  | Failure of a building/s  | Long term poor PR- damage to reputation      | Local reputation damage                    | C - Significant | III - Marginal |                               |                             | Board/SMT | DW           | Dec-11     |
| HLH04   | System failures, such as IT  | Failure of a major system. Move to new IT infrastructure could lead to failure/ interruption caused by split in contract | Inability to deliver contract                | Reputational damage                        | E - Very Low    | II - Critical  |                               |                             | SMT       | JWM          | Dec-11     |
| HLH05   | Over reaching/over commitment  | Failure of significant projects and pressure on central services   | Long term poor PR - damage to reputation     | Staff Stress, missed deadlines             | C - Significant | II - Critical  |                               |                             | Board/SMT | IM           | Dec-11     |
| HLH06   | Changes to the political landscape   | Lack of understanding/ agreement on respective roles   | Missed opportunities to work in partnership  | Missed opportunity for service development | C - Significant | III - Marginal |                               |                             | Board     | IM           | Dec-11     |
| HLH07   | 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 | C - Significant | II - Critical  |                               |                             | Board     | IM           | Dec-11     |
| HLH08   | 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 | C - Significant | II - Critical  |                               |                             | SMT       | IM           | Dec-11     |
| HLH09   | 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    | E - Very Low    | II - Critical  |                               |                             | Board/SMT | IM           | Dec-11     |

| Risk No | Risk Description / Short Name  | Vulnerability   | Trigger  | Consequences   | Likelihood            | Impact           | Risk Matrix (DO NOT POPULATE) | Progress / Status R / A / G | Owner | Lead officer | Date added |
|---------|--|---|--|--|-----------------------|------------------|-------------------------------|-----------------------------|-------|--------------|------------|
| HLH10   | 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 | F - Almost Impossible | II - Critical    |                               |                             | Board | IM/SF        | Dec-11     |
| HLH14   | Future changes to the legislation that 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  | D - Low               | II - Critical    |                               |                             | SMT   | IM           | Dec-11     |
| HLH15   | Major health and safety breach   | Failure of health and safety systems                              | Major health and safety incident dealt with inappropriately  | Reputational damage  | E - Very Low          | II - Critical    |                               |                             | SMT   | DW           | Dec-11     |
| HLH17   | Poor project planning and management (see project register)  | Failure of significant projects                                   | Missed opportunities to work in partnership                  | Minor financial impact   | D - Low               | III - Marginal   |                               |                             | SMT   | DW           | Dec-11     |
| HLH18   | Breakdown in management/staff relations  | Industrial action   | Inability to deliver contract                                | Delivery of CLL services reverts to the Council                          | E - Very Low          | II - Critical    |                               |                             | SMT   | IM           | Dec-11     |
| HLH19   | Non achievement of income and expenditure targets and failure to control expenditure to achieve revised targets leading to inability to deliver service contract. Aggressive targets for current financial year. | Failure to control expenditure and to achieve income targets      | Inability to deliver contract                                | Service Delivery Contract  | C - Significant       | II - Critical    |                               |                             | Board | IM           | Dec-11     |
| HLH20   | Pension deficit continues to grow  | Pension scheme fails to recover its financial position            | Regular pension review                                       | Financial viability of company affected                                  | E - Very Low          | I - Catastrophic |                               |                             | SMT   | IM           | Dec-11     |

| Risk No | Risk Description / Short Name   | Vulnerability  | Trigger   | Consequences  | Likelihood      | Impact         | Risk Matrix (DO NOT POPULATE) | Progress / Status R / A / G | Owner     | Lead officer | Date added |
|---------|---|--|---|---|-----------------|----------------|-------------------------------|-----------------------------|-----------|--------------|------------|
| HLH22   | Insufficient succession planning  | Inability to appoint any gaps in the management team           | Critical vacancy unfilled   | Temporary loss of efficiency  | D - Low         | II - Critical  |                               |                             | SMT       | IM           | Dec-11     |
| HLH25   | Failure to implement the Data Protection Policy results in action by the Data Protection Commissioner | Lack of control of data management                             | Changes resulting from introduction of General Data Protection Regulation (GDPR) from May 2018. | Prosecution, fine, damage to reputation   | D - Low         | II - Critical  |                               |                             | SMT       | JWM          | Dec-12     |
| HLH28   | THC savings consultation process leaves HLH vulnerable to criticism                                   | Reputation of HLH is affected                                  | Press and public criticism of HLH with reputational damage                                      | Reputational damage   | D - Low         | II - Critical  |                               |                             | Board/SMT | IM           | Apr-13     |
| HLH29   | THC ICT Transformation Project (2019-2020)  | 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                                      | D - Low         | III - Marginal |                               |                             | SMT       | JWM          | Mar-14     |
| HLH30   | Specific Council decisions impact increasingly on HLH   | Restricts flexibility in HLH decisions                         | Not being consulted on decisions e.g. service points/capital                                    | Missed opportunity for prioritisation   | C - Significant | III - Marginal |                               |                             | SMT       | IM           | Mar-14     |
| HLH31   | Significant changes in Council senior management  | Profile of HLH not understood                                  | New appointments by THC have no awareness of HLH  | Impact on strategy and day to day operation and savings proposals leading to relationship breakdown | C - Significant | II - Critical  |                               |                             | SMT       | IM           | Mar-14     |
| HLH34   | Misuse of social media  | Reputational damage to HLH                                     | Public criticism  | Reputational damage   | E - Very Low    | II - Critical  |                               |                             | SMT       | JWM          | Oct-14     |

| Risk No | Risk Description / Short Name  | Vulnerability   | Trigger  | Consequences  | Likelihood      | Impact         | Risk Matrix (DO NOT POPULATE) | Progress / Status R / A / G | Owner | Lead officer | Date added |
|---------|--|---|--|---|-----------------|----------------|-------------------------------|-----------------------------|-------|--------------|------------|
| HLH36   | Ensuring updates from THC on any Health and Safety notifications are received that impact on the Property Agreement                        | Reputational damage and loss of service   | Public criticism   | Reputational damage                                       | E - Very Low    | III - Marginal |                               |                             | SMT   | DW           | Mar-15     |
| HLH39   | Change to formula for Service Delivery Fee from THC  | Unknown pressures   | Unknown pressures materialising  | Further savings/discussions with THC required             | C - Significant | II - Critical  |                               |                             | Board | IM           | Jan-16     |
| HLH42   | Effects of Brexit as yet unknown, low risk at present  | Uncertainty in financial markets leads to reduced public finances. Unknown at present - watching brief  | UK, then Scottish Government Budget reviews                                    | Larger savings target than otherwise predicted            | D - Low         | II - Critical  |                               |                             | SMT   | IM           | Jul-16     |
| HLH43   | Lost income through capital projects   | Income lost through closures for renovations of property not reimbursed by THC  | Previous practice of reimbursement not agreed to                               | In year loss to HLH                                       | C - Significant | III - Marginal |                               |                             | DW    | FH           | Jul-16     |
| HLH44   | Negative publicity associated with services delivery where HLH is incorrectly viewed as being at fault due to the actions of third parties | HLH receives negative publicity for decisions of third parties that impact on property/programmes operated by HLH   | Closure/reduction of THC service which has an impact on HLH delivered services | Negative media and public perception that HLH is at fault | C - Significant | III - Marginal |                               |                             | IM    | JWM          | Jul-16     |
| HLH46   | Breaches - ICT   | Website hacked or threat of "social engineering"* e.g. spoof emails pertaining to be from Chief Executive<br>* Definition - "the use of deception to manipulate individuals into divulging confidential or personal information that may be used for fraudulent purposes" | PR damage and/or data breach related to Risk HLH25                             | Reputational damage and/or prosecution/fine.              | C - Significant | III - Marginal |                               |                             | SMT   | JWM          | Apr-17     |

| Risk No | Risk Description / Short Name  | Vulnerability   | Trigger   | Consequences  | Likelihood      | Impact         | Risk Matrix (DO NOT POPULATE) | Progress / Status R / A / G | Owner | Lead officer | Date added |
|---------|--|---|---|---|-----------------|----------------|-------------------------------|-----------------------------|-------|--------------|------------|
| HLH47   | Rise in the UK terrorism threat level<br><input type="checkbox"/> LOW means an attack is unlikely<br><input type="checkbox"/> MODERATE means an attack is possible, but not likely<br><input type="checkbox"/> SUBSTANTIAL means an attack is a strong possibility<br><input type="checkbox"/> SEVERE means an attack is highly likely<br><input type="checkbox"/> CRITICAL means an attack is expected imminently | HLH sites closed down or suspended - staff diverted to assist response to an incident                         | National threat level raised  | Potential "lock ins" of members of the public until safe to release. Use of HLH facilities as reception buildings | D - Low         | III - Marginal |                               |                             | SMT   | IM           | Apr-17     |
| HLH50   | Reliance on individual suppliers/contracts   | Potential exposure to difficulty in over reliance   | Supplier withdraws service/ cannot provide  | Short term withdrawal or reduction in service   | D - Low         | III - Marginal |                               |                             | SMT   | IM           | Sep-17     |
| HLH51   | Impact of HLH Capital Programme  | Impact of ability to grow and/or building deterioration   | Reduced capital investment  | Inability to grow and meet income targets   | D - Low         | II - Critical  |                               |                             | SMT   | IM           | Feb-18     |
| HLH52   | Failure of THC to enforce EVOLVE   | Failure of offsite excursion systems  | Offsite excursion managed inappropriately   | Reputational damage   | D - Low         | II - Critical  |                               |                             | SMT   | FH           | Apr-18     |
| HLH54   | SDC Contract being ignored by THC  | Savings being imposed which result in unnecessary cuts or closures because of short implementation timescales | Notification of the requirement for savings which do not comply with the agreed funding formula with the Council. | Financial/operational   | C - Significant | II - Critical  |                               |                             | SMT   | DW           | Jan-19     |
|         |  |   |   |   |                 |                |                               |                             |       |              |            |

| Risk No | Risk Description / Short Name   | Vulnerability                | Trigger   | Consequences   | Likelihood | Impact         | Risk Matrix (DO NOT POPULATE) | Progress / Status R / A / G | Owner | Lead officer | Date added |
|---------|---|------------------------------|---|--|------------|----------------|-------------------------------|-----------------------------|-------|--------------|------------|
| HLH55   | Charity at risk of fraud  | Failure of internal controls | Controls not applied consistently                             | Financial and reputational damage.   | D - Low    | III - Marginal |                               |                             | SMT   | IM           | Jan-19     |
| HLH56   | Change in senior management leads to change in High Life membership financial model | Loss of members              | Alteration to pricing model and make up of membership package | Reduction in income that undermines the financial viability of the company | D - Low    | II - Critical  |                               |                             | SMT   | IM           | May-19     |



**Risk Profile (updated 250719)**

**Appendix B**

|            |   |  |  |       |   |
|------------|---|--|--|-------|---|
| Likelihood | A |  |  |       |   |
|            | B |  |  |       |   |
|            | C | HLH03<br>HLH06<br>HLH30<br>HLH43<br>HLH44<br>HLH46 | HLH05<br>HLH07<br>HLH08<br>HLH19<br>HLH31<br>HLH39<br>HLH54          |       |   |
|            | D | HLH17<br>HLH29<br>HLH47<br>HLH50<br>HLH55          | HLH14<br>HLH22<br>HLH25<br>HLH28<br>HLH42<br>HLH51<br>HLH52<br>HLH56 |       |   |
|            | E | HLH36  | HLH04<br>HLH09<br>HLH15<br>HLH18<br>HLH34                            | HLH20 |   |
|            | F |  | HLH10  |       |   |
|            |   | IV   | III  | II    | I |
|            |   | Impact   |  |       |   |

- A - Very High
- B - High
- C - Significant
- D - Low
- E - Very Low
- F - Almost Impossible

- I - Catastrophic
- II - Critical
- III - Marginal
- IV - Negligible

## Appendix C

|   |                    |  |
|---|--------------------|--|
| <b>Risk No:</b>   | <b>Risk Score:</b> | <b>Owned By: (e.g. SMT; HoS; Board etc.)</b> |
| HLH05   | C2                 | SMT  |
| <b>Description (of project and list of risks)</b>   |                    |  |
| <p>Over-reaching/ over-commitment leading to failure of significant projects and damage to reputation; increase in stress amongst staff and missed deadlines. The External Auditors have raised the issue of additional management of facilities being transferred from THC without additional central management and administration resources and that this may become an issue in future.</p>   |                    |  |
| <b>Controls Already in Place</b>  |                    |  |
| <p>The Board set the annual Work Plan and work is regularly reviewed by the senior management team. A project register is maintained and absences where stress is a factor are recorded and managed.</p> <p>The Board have authorised and instructed that, where applicable and possible, a figure of 5% for central management and administration costs be added to any future cost negotiations with THC for the transfer of new facilities and services.</p> |                    |  |
| <b>Effectiveness of these Controls</b>  |                    |  |
| <p>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.</p>  |                    |  |
| <b>New Actions Required</b>   |                    | <b>Who is Responsible?</b>                   |
| Monitor the need for further review of the current levels of stress of staff  |                    | Head of Development                          |

|  |                    |                            |
|--|--------------------|----------------------------|
| <b>Risk No:</b>  | <b>Risk Score:</b> | <b>Owned By:</b>           |
| HLH19  | C2                 | SMT                        |
| <b>Description</b>   |                    |                            |
| Non-achievement of income and expenditure targets and failure to control expenditure to achieve revised targets leading to inability to deliver service contract. Aggressive targets means a greater requirement for scrutiny. |                    |                            |
| <b>Controls Already in Place</b>   |                    |                            |
| Monthly budget monitoring process<br>Scrutiny by Finance and Audit Committee<br>Finance reports to HLH Board   |                    |                            |
| <b>Effectiveness of these Controls</b>   |                    |                            |
| Effective in 2018/19 resulting in c. £100K positive variance to budget.  |                    |                            |
| <b>New Actions Required</b>  |                    | <b>Who is Responsible?</b> |
| Continuation of a formal budget savings and targets review mechanism at monthly SMT  |                    | Chief Executive            |

|   |   |                  |
|---|---|------------------|
| <b>Risk No:</b>   | <b>Risk Score:</b>  | <b>Owned By:</b> |
| HLH07   | C2  | Board            |
| <b>Description</b>  |   |                  |
| Poor or ineffective working relationship between the Council and the HLH Board.   |   |                  |
| <b>Controls Already in Place</b>  |   |                  |
| <p>There is a legal framework in place between HLH and the Council which includes a Service Delivery Contract, Property Agreement and Service Level Agreements (where HLH buys back services such as grounds maintenance from the Council). The purpose of the legal agreements are to ensure: that HLH delivers the services which are required of it by the Council; and that HLH can operate as a charity and can therefore deliver services at a lower cost than would be possible if the Council were to directly deliver those same services itself.</p> <p>HLH reports twice yearly to the Council's Care, Learning and Housing Committee and the Council is formally asked to consider whether HLH has met the terms of the Service Delivery Contract when it considers the HLH update reports submitted to those meetings. The Committee has always agreed that HLH has met the terms of the Contract.</p> |   |                  |
| <b>Effectiveness of these Controls</b>  |   |                  |
| <p>Given that the contracts between HLH and the Council are signed legal agreements and that when the six monthly HLH update reports have been considered by the Council it has agreed that the terms of the contract have been met, the controls listed above should be sufficient.</p> <p>However, in setting its 2019/20 budget it became clear that Council officers and members have disregarded the funding agreement and viewed it as not being legally binding and have not approached HLH to propose a change. The current funding formula was a change from the original arrangement which transferred the risks of Scottish Government funding reductions and staff salary increases to HLH which the Council asked HLH to agree to and was signed in 2017.</p>  |   |                  |
| <b>New Actions Required</b>   | <b>Who is Responsible?</b>                                |                  |
| It is recommended that a workshop for key Council and HLH personnel be facilitated by an expert in charity law to determine the status of the legal arrangements between the Council and HLH.   | HLH Chief Executive and the Council's Director of Finance |                  |

|  |   |                  |
|--|---|------------------|
| <b>Risk No:</b>  | <b>Risk Score:</b>  | <b>Owned By:</b> |
| HLH08  | C2  | SMT              |
| <b>Description</b>   |   |                  |
| Poor working relationship between HLH SMT and Council Service staff  |   |                  |
| <b>Controls Already in Place</b>   |   |                  |
| There is a fortnightly meeting between the HLH Chief Executive and the Council's Care and Learning Service Head of Resources (the Council's HLH client officer) and a standing invitation to the Council's client officer to attend the weekly HLH Heads of Service meeting. |   |                  |
| <b>Effectiveness of these Controls</b>   |   |                  |
| The above controls should be sufficient with either of the above forums being appropriate for raising matters relating to budget savings targets or proposed changes to the funding formula.   |   |                  |
| <b>New Actions Required</b>  | <b>Who is Responsible?</b>                                |                  |
| Seek agreement with the Council that important matters, particularly those pertaining to: budget savings targets; and matters which might require contractual changes, be raised with HLH at the earliest opportunity by the Council's client officer.                       | HLH Chief Executive and the Council's Director of Finance |                  |

|   |   |                  |
|---|---|------------------|
| <b>Risk No:</b>   | <b>Risk Score:</b>  | <b>Owned By:</b> |
| HLH31   | C2  | SMT              |
| <b>Description</b>  |   |                  |
| Significant changes in Council Senior Management.   |   |                  |
| <b>Controls Already in Place</b>  |   |                  |
| <p>There is a fortnightly meeting between the HLH Chief Executive and the Council's Care and Learning Service Head of Resources (the Council's HLH client officer) and a standing invitation to the Council's client officer to attend the weekly HLH Heads of Service meeting.</p> <p>The HLH Chief Executive was included in the induction programme for the Council's new Chief Executive where information on the services which HLH provides on the Council's behalf and the contractual arrangement/relationship that are in place to ensure that the Council's governance of the arrangement is appropriate and effective was provided.</p> <p>There has been contact and discussion between the HLH Chief Executive and the Council's Acting Director of Care and Learning on various topics including HLH updates to the Care, Learning and Housing Committee.</p> |   |                  |
| <b>Effectiveness of these Controls</b>  |   |                  |
| While the relationship between HLH and the Council seems to have been understood in principle, it has become clear that in relation to budgets and budget setting that the Council wanted to be able to impose savings and influence how those savings are made without discussion with HLH.  |   |                  |
| <b>New Actions Required</b>   | <b>Who is Responsible?</b>                                |                  |
| As per risk <b>HLH07</b> , it is recommended that a workshop for key Council and HLH personnel be facilitated by an expert in charity law to determine the status of the legal arrangements between the Council and HLH.  | HLH Chief Executive and the Council's Director of Finance |                  |

|  |                    |   |
|--|--------------------|---|
| <b>Risk No:</b>  | <b>Risk Score:</b> | <b>Owned By:</b>  |
| HLH39  | C2                 | Board   |
| <b>Description</b>   |                    |   |
| Change to formula for Service Delivery Fee from THC.   |                    |   |
| <b>Controls Already in Place</b>   |                    |   |
| There is a change control procedure contained within the Service Delivery Contract with the Council.   |                    |   |
| <b>Effectiveness of these Controls</b>   |                    |   |
| The Service Delivery Contract is a formal legal contract and this, should, therefore be an effective control for this risk.  |                    |   |
| <b>New Actions Required</b>  |                    | <b>Who is Responsible?</b>                                |
| New or additional control measures are difficult when the funding partner chooses to act as if the contract has not been signed and it is, therefore recommended, as per risk <b>HLH07</b> , that a workshop for key Council and HLH personnel be facilitated by an expert in charity law to determine the status of the legal arrangements between the Council and HLH. |                    | HLH Chief Executive and the Council's Director of Finance |

|   |    |   |
|---|----|---|
| HLH54   | C2 | SMT   |
| <b>Description</b>  |    |   |
| Service Delivery Contract being ignored by THC.   |    |   |
| <b>Controls Already in Place</b>  |    |   |
| NA – it would not have been reasonably foreseeable that the Council would ignore (particularly when reminded) signed legal documents which were based on expert legal advice which it had developed and agreed through its then Education Culture and Sport Committee and full Highland Council meetings in the run up to it establishing a wholly owned charity. |    |   |
| <b>Effectiveness of these Controls</b>  |    |   |
| NA.   |    |   |
| <b>New Actions Required</b>   |    | <b>Who is Responsible?</b>                                |
| As per risk HLH07, it is recommended that a workshop for key Council and HLH personnel be facilitated by an expert in charity law to determine the status of the legal arrangements between the Council and HLH.  |    | HLH Chief Executive and the Council's Director of Finance |