

# The Highland Council

Agenda Item	7
Report No	AS/17/24

**Committee:**                    **Audit Committee**

**Date:**                         **13 June 2024**

**Report Title:**                **Risk management update**

**Report By:**                    **Interim Executive Chief Officer, Performance and Governance**

## **1. Purpose/Executive Summary**

- 1.1 The Corporate Risk Register identifies the Council's key strategic risks and the actions being taken to mitigate these. It is regularly reviewed by the Corporate Management Team (CMT) and presented to the Audit Committee for scrutiny.
- 1.2 Since the Corporate risks were last reported to Committee in November 2023, the Council's new Risk Management Policy and the Operational Delivery Plan have been approved by the Council. The report describes the work being carried as a result of these changes.

## **2. Recommendations**

- 2.1 The Committee is asked to approve the approach being undertaken in relation to applying the new Risk Management Policy, and the reassessment of the existing Corporate risks with the appropriate links being made with the Operational Delivery Plan.

## **3. Implications**

- 3.1 Resource - Having a robust approach to risk management will continue to help the Council minimise future financial risks and implications. It will also prevent reputational damage.
- 3.2 Legal - The Corporate Risk Register supports the Chief Audit Executive (the Strategic Lead (Corporate Audit & Performance)) to provide an annual internal audit opinion that concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- 3.3 Community (Equality, Poverty, Rural and Island) - Having a Council which is resilient to risk means that it is better positioned to support its communities. Some of the actions detailed on the register will reduce the likelihood and potential impact of risks affecting our communities.
- 3.4 Climate Change / Carbon Clever - The Council recognises the need to adapt to the potential impacts of climate change and build resilience in its own operations and in its

communities as well as the need to rationalise property assets and to make sure buildings are fit for purpose, which will reduce the Council's carbon emissions. These are strategic risks which will be analysed using the new risk management process.

- 3.5 Risk - The corporate risk management process reduces the Council's exposure to risk by ensuring that corporate risks are identified and monitored regularly.
- 3.6 Health and Safety (risks arising from changes to plant, equipment, process, or people) Health and safety risks are identified in number of corporate risks and with associated mitigating actions.
- 3.7 Gaelic - There are no Gaelic implications identified at this time.

#### **4. Updated Risk Management Process**

- 4.1 The Council's risk management process has been updated as a result of the new Risk Management Policy which was approved at Council on 14 March 2024. Under this process, the likelihood and impact of a risk is assessed in stages.
- 4.2 The inherent (gross) risk is assessed first, with the assumption that no steps have been taken to mitigate the risk. This enables the risk and its potential impacts to be clearly understood and an initial score to be agreed. This provides the inherent risk rating.
- 4.3 Then the existing controls which the Council already has in place are considered to assess whether these reduce the likelihood and impact of the risk sufficiently. This is scored again to provide the residual risk rating. This residual risk rating can then be compared to the Council's risk appetite and if it is within the tolerance of the relevant risk appetite statement no further mitigating actions will be required. If the residual risk rating is above the acceptable appetite score, then further actions will need to be considered.
- 4.4 This approach integrates risk management, operational management and reporting so that actions and their impact can be measured once and reported to different audiences. This reduces the burden associated with risk management and reporting.
- 4.5 As part of the new risk management process, a risk management SharePoint site has been created with templates for risk analysis to enable full details of risk assessment and mitigating actions to be captured and an audit trail to be maintained. This enables officers to see the details of all risk analysis in one place and to agree the reporting level for each risk. Once the initial analysis is completed, the risks and mitigating actions are monitored live on our Performance & Risk Management System (PRMS). New online training for officers has also been developed for the new Risk Management process and is available on Traineasy.
- 4.6 Council officers are now in the process of reassessing existing service risks and the risks associated with each of the projects within the Council's Operational Delivery Plan 2024-27 using the new process. Once agreed, the Delivery Plan risks will be reported to the relevant portfolio boards.

#### **5. Review of the Corporate risks**

- 5.1 As part of this exercise, the Corporate Risk Register has been reviewed in order to determine which risks will continue to be managed as Corporate risks and reported to the Audit Committee.

5.2 The table below provides the outcome of this analysis.

<b>Risk No.</b>	<b>Risk Name</b>	<b>Outcome</b>
CR1	Financial Sustainability	To be reassessed and retained as a Corporate risk.
CR2	Security and Resilience – Cyber Security	To be reassessed and retained as a Corporate risk.
CR5	Effective Governance in Local Decision Making	To be removed as all actions have been completed and the risk has been addressed.
CR6	Sustainability of the Workforce	To be reassessed and retained as a Corporate risk.
CR7	Climate Change and the Ecological Emergency	To be reassessed and retained as a Corporate risk.
CR8	Demographic Change	To be reassessed and retained as a Corporate risk.
CR9	Safe and Effective Property	To be reassessed and retained as a Corporate risk.
CR10	Condition of our Roads	This is being addressed through a project in the Operational Delivery Plan. The associated project risks will be reassessed. If required, this risk will be transferred to the Place Service's risk register and removed as a Corporate risk.
CR12	NHS Highland Partnership	To be removed as this is already managed within the Highland Health and Social Care Partnership risk log.
CR22	Security and Resilience – Physical Assets and Infrastructure	To be removed as this has been split and combined within CR2 and CR9.
CR23	Refugee Resettlement Programmes	To be transferred to the Place Service's risk register and removed as a Corporate risk.
CR24	Care Home Viability	To be removed as this is already managed within the Highland Health and Social Care Partnership risk log.
CR25	Capital Programme Affordability and Deliverability	To be removed as this is now combined within CR1.
CR26	Managing Long-term Absence	To be removed as this is now combined within CR6.
CR29	Lack of Occupational Health Provider	To be removed as all actions have been completed and the risk has been addressed.
CR30	Ash Dieback	To be transferred to the Place Service's risk register and removed as a Corporate risk.
CR31	Failure to deliver Statutory Services due to staffing levels within Social Work Services	To be removed as this is now combined within CR6.
CR32	Delivery of new Enterprise Resource Planning (ERP) system	This is being addressed through a project in the Operational Delivery Plan. The associated project risks will be reassessed, and a decision made whether this remains as a Corporate risk or if it should be transferred to the Corporate Service's risk register.

- 5.3 This outcome results in a lesser number but more focused set of Corporate risks, many of which link directly to the Delivery Plan. A number of the actions within the Delivery Plan have also been identified as mitigations against existing Corporate risks such as workforce challenges, the condition of our assets and properties, and financial sustainability.
- 5.4 Therefore, the Corporate risks are being reassessed using the new risk management process including consideration of the mitigating actions from the Delivery Plan. To date, this analysis has been completed for the risks associated with staffing and property. **Appendix 1** provides the relevant details and the new reporting format for the Corporate Risk Register.
- 5.5 The next steps will be to reassess the remaining risks detailed in the table at 5.2 and to update the Corporate and Service Risk Registers accordingly. The updated Corporate Risk Register will be reported to the September Audit Committee.

Designation: Interim ECO, Performance & Governance

Date: 23/05/24

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Background Papers: [Report to Audit Committee on 24/01/24](#)

Appendices:

Appendix 1 – revised Corporate Risk Register report

## Appendix 1 – revised Corporate Risk Register report

<b>No:</b> CR6	<b>Title:</b> Sustainable & Adaptable Workforce			<b>Risk Rating</b>	
				<b>Residual</b>	<b>Target</b>
<b>Risk Owner:</b> Assistant Chief Executive - People		<b>Risk Type:</b> Operational & service delivery		<b>16</b>	<b>9</b>
<b>Risk Details:</b>					
<p>There is a risk that we will not have the staff required to meet demand for services and achieve organisational outcomes. This is due to: existing staff lacking required skills; inflexible organisational design which hampers recruitment or moving resource within all levels of the Council; pressure on resources that prevents recruitment either to new posts or to fill vacancies and the lack of skilled potential external candidates.</p> <p>This may result in failure to meet service demand, deliver statutory services and achieve all of the savings and efficiencies outlined in the Council's operational Delivery Plan.</p>					
<b>Controls:</b>					
<ul style="list-style-type: none"> <li>• Senior staff recruitment requirements are monitored to ensure stability in the organisation at an executive level.</li> <li>• Change management arrangements are in place through the organisational restructure in order to minimise impact on individuals in the organisation.</li> <li>• A workforce planning cycle is in place that includes tools for services to develop succession plans</li> <li>• We are supporting 'grow your own' initiatives and Modern Apprenticeship provision, while working with managers to find funding opportunities.</li> <li>• We support managers to maintain effective absence management and address OHSW concerns/challenges by monitoring them at the Central Safety Committee, and daily management through OHSW team.</li> <li>• The social work relief pool has been embedded and expanded, with additional relief workers hired, and is now part of the wider Workforce Strategy.</li> <li>• We have worked with UHI to explore the introduction of a new Social Work course.</li> <li>• Social work and HR have implemented an enhanced recruitment strategy to boost the recruitment of qualified social workers.</li> </ul>					
<b>Mitigating Actions:</b>					
No.	Details		Responsible Officer	Target Date	RAG
CR6.1	We will work with partners to enable more effective talent attraction to the Highland area to address recruitment challenges. [Meeting our Council's Future Workforce Needs project within the Workforce for the Future Portfolio]		Economy and Regeneration Manager	Dec 2024	<b>G</b>
CR6.2	We will structure career pathways to reflect industry demand on a sector-by-sector basis. [Industry Engagement project within the Workforce for the Future Portfolio]		Strategic Lead – Economy and Regeneration	Oct 2024	<b>G</b>

CR6.3	We will build accelerated pathways to qualifications with partners and employers to enable more effective area wide workforce planning. [Pathways, Packages and Partnerships project within the Workforce for the Future Portfolio]	Head of Education, Lifelong Learning & Gaelic Services	Sep 2024	<b>G</b>
CR6.4	The Developing the Workforce project within the Person-Centred Solutions Portfolio will help to address the acute issues stemming from difficulties recruiting Social workers, which have serious, high-level impacts and are currently likely to occur due to national and local staffing shortages.	Strategic Lead – Child Health	June 2025	<b>G</b>

**Notes:**

Controls – The Controls listed here focus on work the Council has done internally to lower the impact & likelihood of this risk occurring, with policies in place to support resilience in the workforce, address key areas such as the Social Work staffing pool, and support the organisation dealing with changing demographics. However, additional work is required particularly in areas of external pressures such as a lack of skills availability to address specific recruiting challenges.

Mitigating Actions - Data for 6.1 – 6.4 will come from the relevant Delivery Plan project milestones. The projects listed in the Delivery Plan and referenced in our mitigating actions here address the areas of Impact and likelihood that come from external recruitment challenges by increasing the pathways for individuals in the Highlands to gain the skills needed for the workforce, and increasing the Council’s ability to recruit people to the Highlands who already have the skills we need.

<b>No:</b> CR9	<b>Title:</b> Risk to provision of Safe and Effective Property			<b>Risk Rating</b>	
				<b>Current</b>	<b>Target</b>
<b>Risk Owner:</b> Assistance Chief Executive - Place		<b>Risk Type:</b> Compliance & regulatory		<b>15</b>	<b>4</b>
<b>Risk Details:</b>					
<p>There is a risk that our properties will become unsafe and/or unsuitable for the delivery of the Council services for which they are intended. This is caused by: a lack of maintenance; fabric deterioration; changes in building regulations and other statutory requirements, changing business needs/ Council policy.</p> <p>This may result in the following: loss/injury through unsafe conditions, impact to provision of services to the required standards, loss of income to the Council, and a reduction in the value of the Council's property assets.</p>					
<b>Controls:</b>					
<ul style="list-style-type: none"> <li>• Service contracts are in place for cyclical statutory inspections and maintenance.</li> <li>• Periodic structural surveys are undertaken of aging building components/systems.</li> <li>• Purchase of Computer Aided Facilities Management and Integrated Workplace Management systems.</li> <li>• Maintenance requests can be logged through a helpdesk.</li> <li>• Maintenance performance reports.</li> <li>• Rolling reinspection programme of Asbestos containing materials is in place.</li> <li>• There is a 5-year rolling programme of building surveys in place.</li> <li>• A Corporate Fire Risk Assessment programme is in place.</li> <li>• Targeted insurance inspections are undertaken by the Council's insurer.</li> </ul>					
<b>Mitigating Actions:</b>					
No.	Details	Responsible Officer	Target Date	RAG	
CR9.1	A programme of preventative maintenance activities to be resourced and implemented. [This action forms part of the Highland Investment Plan workstream project to "Improve Asset Condition/Reduce Risk for General Fund Assets"]	Head of Property and Facilities Management	April 2025	<b>G</b>	
CR9.2	The Reconfiguring our Asset Base portfolio is designed to mitigate this risk through the Highland Investment Plan and the Single Property Service.	Head of Property and Facilities Management	April 2026	<b>G</b>	
<b>Notes:</b>					
<p>Controls – The Controls listed reduce the likelihood of an incident occurring, but do not reduce the impacts. The cost to replace a large primary school or a secondary school, for example, far exceeds the £20M financial risks threshold.</p> <p>Mitigating Actions – Data for these mitigating actions will come from the relevant delivery plan project milestones. These projects will mitigate the remaining impacts should the risk to our properties occur.</p>					

