

**HISTORIC SCOTLAND BOARD**

**RISK QUARTER 2 REPORT: JULY TO SEPTEMBER 2008**

**Purpose**

1. To report the key risks to the Board. The risk register is attached at Appendix A.

**Priority**

2. Routine.

**Background**

3. The risk register is reported on a quarterly basis to the Historic Scotland Board. Following the April report work was undertaken to refresh the Group risk register which forms the basis of the hi-level Agency register.

**Key Risks**

4. There are a number of new risks identified this period. These include:
  - Failure to meet the income KPT;
  - Failure to meet the efficiency KPT; and
  - Risk of Agency financial overspend
5. These risks are addressed as part of the reports on the performance on KPTs and finance.
6. In addition to this we have also added the following risk:
  - Pay negotiations – the business case for pay award has been prepared but is now with the Scottish Government. Following this an offer will be made to the TUA and Historic Scotland staff.
7. I am happy to discuss this report further on 4 November 2008.

**Laura Petrie**  
**Director of Finance**

**20 October 2008**

## Historic Scotland Risk Register and Records October 2008

Responsible Business Area	Risk Description	Current Status	Previous Status
<b>Short Term Risks</b>			
Human Resources	8. Major Incident Planning – Pandemic Planning	High	High
Human Resources	9. Failure of Pay Negotiations	High	High
Human Resources	10. Relocation review: Longmore House	High	High
Finance Group	11. Agency overspend	High	High
Finance Group	12. Failure to meet efficiency KPT	Extreme	High
Finance Group	13. Lack of Business Continuity Planning – IT systems	High	High
PIC	14. Income KPT not achieved	Extreme	Moderate
PIC	15. Failure of the retail system	High	High
<b>Long Term Risks</b>			
Chief Executive	16. Loss of reputation	High	High
PIC	17. Damage to historic environment (deterioration, weather, vandalism etc)	High	Moderate

Risk
Failure to develop appropriate contingency plans on staff related issues for a possible Influenza Pandemic

Owner
Head of HR Policy & Operations

Item #
1. Short term HR

Cause
Dependency on Scottish Government to develop contingency plans

Controls
<ul style="list-style-type: none"> <li>Maintain up-to-date knowledge of developments both nationally and internationally</li> <li>Develop information exchange with Scottish Government to help inform what we do</li> </ul>

Assessment
Without proper contingency plans, we will encounter major operational difficulties during a pandemic

Further Actions
<ul style="list-style-type: none"> <li>Develop appropriate plans in consultation with PIC and Corporate Communications Unit (<b>Plans approved by SMT</b>)</li> <li>Consult with SMT (<b>Completed</b>)</li> <li>Maintain links with SG (<b>Ongoing</b>)</li> </ul>

Reporting Mechanism
SMT to receive regular updates

Consequence Assessment				
Insignificant	Minor	Moderate	Major	Catastrophic
			x	

Likelihood Assessment				
Rare	Unlikely	Possible	Likely	Almost Certain
		x		

Overall Risk Rating			
Low	Moderate	High	Extreme
		x	

Risk
Failed Pay Negotiations

Owner
Head of HR Policy & Operations

Item #
2. Short term HR

Cause
<ul style="list-style-type: none"> <li>• Insufficient funding to support an appropriate settlement</li> <li>• Militant Trade Union</li> <li>• Limited bargaining scope</li> <li>• Inadequate planning</li> <li>• Poor negotiation skills</li> </ul>

Controls
<ul style="list-style-type: none"> <li>• Robust paybill model under development</li> <li>• Clear bargaining position will be agreed in advance with Senior Management Team</li> <li>• Proper planning and preparation, including pay remit clearance from SG Admin and Finance</li> <li>• Experienced negotiating team</li> <li>• Good relationship with Trade Union representatives</li> <li>• Communications strategy will be developed with Head of Corporate Communication and SMT.</li> </ul>

Assessment
<ul style="list-style-type: none"> <li>• Current negotiation teams is experienced</li> <li>• Early and informed preparation is underway</li> <li>• SG have not agreed for 2008/09 onwards yet</li> </ul>

Further Actions
<ul style="list-style-type: none"> <li>• Maintain close links with SG Main and other Agencies/Departments pay negotiations/strategies (<b>Ongoing</b>)</li> <li>• Brief and consult SMT on HS negotiating remit (<b>Ongoing</b>)</li> <li>• Obtain approval from SG on business case (<b>submitted Sept 08</b>)</li> <li>• Formally negotiate with Trades Unions</li> </ul>

Reporting Mechanism
SMT will be kept informed of progress

Consequence Assessment				
Insignificant	Minor	Moderate	Major	Catastrophic
			x	

Likelihood Assessment				
Rare	Unlikely	Possible	Likely	Almost Certain
		x		

Overall Risk Rating			
Low	Moderate	High	Extreme
		x	

<b>Risk</b>
Relocation review: Longmore House

<b>Owner</b>
Head of HR Policy & Operations

<b>Item #</b>
3. Short term HR

<b>Cause</b>
Lease break for Longmore falls in Nov 2009. Relocation policy requires a review.

<b>Controls</b>
Project group Options review Relocation plan if required

<b>Assessment</b>
Project group not yet in place.

<b>Further Actions</b>
Convene project group

<b>Reporting Mechanism</b>
SMT

<b>Consequence Assessment</b>				
<b>Insignificant</b>	<b>Minor</b>	<b>Moderate</b>	<b>Major</b>	<b>Catastrophic</b>
			<b>x</b>	

<b>Likelihood Assessment</b>				
<b>Rare</b>	<b>Unlikely</b>	<b>Possible</b>	<b>Likely</b>	<b>Almost Certain</b>
		<b>x</b>		

<b>Overall Risk Rating</b>			
<b>Low</b>	<b>Moderate</b>	<b>High</b>	<b>Extreme</b>
		<b>x</b>	

Risk
Over spend on budgets

Owner
Director of Finance

Item #
4. Short term Finance

Cause
<ul style="list-style-type: none"> <li>Income reduction</li> <li>Lack of financial management</li> <li>Project slippage</li> <li>Grants programme slippage</li> </ul>

Controls
<ul style="list-style-type: none"> <li>Monthly forecasting</li> <li>Corporate / Operational planning and annual budgets</li> <li>Monthly expenditure and income reporting to SMT</li> <li>Major Projects group monitor project spend</li> <li>Monthly review of grants expenditure</li> </ul>

Assessment
<ul style="list-style-type: none"> <li>Good</li> </ul>

Further Actions
<ul style="list-style-type: none"> <li>Request budget cuts from business areas. (<b>£1.2m identified but further cuts required.</b>)</li> <li>Consider approach to SG for cover if required. (<b>Not required until after New Year</b>)</li> </ul>

Reporting Mechanism
SMT Reports

Consequence Assessment				
Insignificant	Minor	Moderate	Major	Catastrophic
		x		

Likelihood Assessment				
Rare	Unlikely	Possible	Likely	Almost Certain
			x	

Overall Risk Rating			
Low	Moderate	High	Extreme
		x	

Risk
Failure to meet the efficiency KPT

Owner
Director of Finance

Item #
5. Short term. Finance

Cause
<ul style="list-style-type: none"> <li>Failure of Groups to deliver programmed efficiencies</li> <li>Failure of Groups to identify sufficient further efficiencies to address the forecast shortfall</li> </ul>

Controls
<ul style="list-style-type: none"> <li>Efficient Government Programme</li> <li>Ongoing identification of efficiency areas</li> </ul>

Assessment
<ul style="list-style-type: none"> <li>The target is stretching and with 6 months passed in the first year, few of the projects initially identified are yielding efficiencies. The forecast for year 1 now stands at £0.18m.</li> </ul>

Further Actions
<ul style="list-style-type: none"> <li>Identification of further areas for efficiency (<b>Sept 08</b>)</li> <li>SMT meeting to discuss efficiency (<b>Oct 08</b>)</li> <li>Monthly monitoring</li> </ul>

Reporting Mechanism
<ul style="list-style-type: none"> <li>Monthly Programme Board Highlight Reports</li> <li>Quarterly progress and forecasts to SMT</li> <li>Quarterly KPT reporting to HSB</li> <li>Quarterly reporting to SG</li> <li>Quarterly reporting to portfolio</li> </ul>

Consequence Assessment				
Insignificant	Minor	Moderate	Major	Catastrophic
		x		

Likelihood Assessment				
Rare	Unlikely	Possible	Likely	Almost Certain
			x	

Overall Risk Rating			
Low	Moderate	High	Extreme
		x	

Risk
Inadequate Business Continuity Planning – IT systems

Owner
Head of CD-IMU/ System owners and system custodians for HS business critical systems

Item #
6. Short term ISU

Cause
<ul style="list-style-type: none"> <li>No coherent approach to BCP across HS</li> <li>Lack of plans or plans inappropriate / inadequate (due in large part to uncertainty over requirements)</li> </ul>

Controls
<p>Substantial overhaul of HS approach to Business Continuity Planning is underway. The new approach will comprise:</p> <ul style="list-style-type: none"> <li>Business continuity strategy</li> <li>Incident management plan</li> <li>Recovery team plans and disaster recovery documentation (with initial focus on business critical systems and activities).</li> </ul>

Assessment
Progress is being made and significant improvement should be made during 2008. Business critical systems (along with owners and custodians) have been identified and these form an annex to the Business continuity strategy

Further Actions
BCP and Disaster Recovery Programme has been defined with discrete work packages which will be delivered in 2008-09. These include, for example, BCPs for critical systems, testing of Incident Management Plan, emergency control centre and systems recovery. <b>(Project underway)</b>

Reporting Mechanism
Updates on progress to SMT and HSAC updates through the risk register.

Consequence Assessment				
Insignificant	Minor	Moderate	Major	Catastrophic
			x	

Likelihood Assessment				
Rare	Unlikely	Possible	Likely	Almost Certain
		x		

Overall Risk Rating			
Low	Moderate	High	Extreme
		x	

Risk
Reduced visitor numbers due to external factors (e.g. unforeseen event (9/11), strength of sterling, competitors' marketing etc.) and consequent effect on income

Owner
Fiona Docherty

Item #
7. Short term PIC

Cause
<ul style="list-style-type: none"> <li>World events e.g. 9/11</li> <li>Competition</li> <li>Exchange rate</li> <li>Price of oil/travel</li> <li>VisitScotland's commitment to destination marketing</li> </ul>

Controls
<ul style="list-style-type: none"> <li>Weekly and monthly trading reports (including visitor numbers);</li> <li>Benchmarking against competitors;</li> <li>Regular contact/Scenario planning with VisitScotland;</li> <li>Marketing campaigns; and a review of business activity to spread risk.</li> <li>Competitive benchmarking; (Benchmarking with HPG, ALVA, ASVA)</li> <li>Development Team established</li> <li>Commercial Officer, Head of Development in place</li> </ul>

Assessment
<ul style="list-style-type: none"> <li>Some weaknesses, although controls and monitoring which are in place are appropriate and increasingly benchmarked. Risk rating assessed as Moderate.</li> </ul>

Further Actions
<ul style="list-style-type: none"> <li>Retail and Commercial health checks in place 2007/08</li> <li>Commercial strategy developed 2008</li> <li>Continued benchmarking and liaison with sector</li> <li>Reviewed and increased Marketing and 'offers'</li> </ul>

Reporting Mechanism
<ul style="list-style-type: none"> <li>Through individual business units to Group management teams. Reported quarterly to PIC Management Group and to Board on a regular basis. The income and trading reports are circulated monthly and are reviewed at PICMG. The Board receives, at all its meetings, a finance paper at which income and trading are reported explicitly.</li> </ul>

Consequence Assessment					Likelihood Assessment					Overall Risk Rating			
Insignificant	Minor	Moderate	Major	Catastrophic	Rare	Unlikely	Possible	Likely	Almost Certain	Low	Moderate	High	Extreme
			x						x				x

Risk
Breakdown of technology, such as tills, interrupting HS's core business.

Owner
Fiona Docherty

Item #
8. Short term PIC

Cause
<ul style="list-style-type: none"> <li>Power supply failure or similar leads to site shutdown over a prolonged period.</li> <li>Outdated IT systems being utilised, particularly at busy sites.</li> </ul>

Controls
<ul style="list-style-type: none"> <li>Management arrangements at most sites.</li> <li>Back up supplies at major sites.</li> <li>Trained staff.</li> <li>Regular review of and investment in IT systems</li> <li>New Admissions System being installed for Edinburgh castle to replace old/outdated system.</li> </ul>

Assessment
<ul style="list-style-type: none"> <li>This would be an unlikely occurrence for any period that could substantially injure the business. Responses that are in place are adequate. (Linked to disaster preparedness)</li> </ul>

Further Actions
<ul style="list-style-type: none"> <li>Improvements being made to internal/external IT support for our current systems. (Staff member to be appointed 2008)</li> <li>Develop HS-wide business-critical systems response plan.</li> <li>Appoint VSBD-based IT Manager</li> <li>PID prepared for new Retail IT system</li> <li>Business case to be completed.</li> </ul>

Reporting Mechanism
<ul style="list-style-type: none"> <li>To Group level. Avenues open to take it to PICMG level if risk heightens. Business critical systems will have continuity plans in place.</li> </ul>

Consequence Assessment					Likelihood Assessment					Overall Risk Rating			
Insignificant	Minor	Moderate	Major	Catastrophic	Rare	Unlikely	Possible	Likely	Almost Certain	Low	Moderate	High	Extreme
			x				x					x	

<b>Risk</b>
Loss of reputation

<b>Owner</b>
Chief Executive

<b>Item #</b>
9. Long Term CEGS

<b>Cause</b>
<ul style="list-style-type: none"> <li>• Targeted media campaign</li> <li>• Failure to engage effectively with stakeholders.</li> <li>• Decisions by the Inspectorate.</li> <li>• Decisions to award/not award grant funding.</li> <li>• Targeted campaigns by pressure/interest groups or individuals.</li> </ul>

<b>Controls</b>
<ul style="list-style-type: none"> <li>• C&amp;M attends Policy Group and Inspectorate management meetings to identify potential risks.</li> <li>• Head of C&amp;M (HC&amp;M) sits on the Senior Management Team</li> <li>• Stakeholder Management Group chaired by HC&amp;M.</li> <li>• Programme of awareness raising at a local level through exhibitions and local history bodies.</li> <li>• Web – major platform for the agency to counter misinformation.</li> <li>• Regular contact between C&amp;M and members of agency staff involved in the decision-making process.</li> </ul>

<b>Assessment</b>
<ul style="list-style-type: none"> <li>• Most actions and decisions made by the agency have the potential to damage reputation.</li> <li>• Head of C&amp;M attends SMT, but not HSB. This is a potential weak spot, which could result in failure to identify risk.</li> <li>• C&amp;M has a number of separate mechanisms in place to identify and deal with potential risk to reputation. These mechanisms work in support of each other to minimise risk.</li> </ul>

<b>Further Actions</b>
<ul style="list-style-type: none"> <li>• Open and transparent communication</li> <li>• A high degree of public involvement</li> <li>• Proportionate and consistent decision-making</li> <li>• Ensuring that communication is integrated into policy-making and working to improve involvement of the public in policy-making.</li> <li>• Recognising the role of communications in building trust and managing the risks to reputation, and making links between communications and overall strategic aim.</li> <li>• Working towards increased openness and transparency in communicating with the public.</li> </ul>

**Reporting Mechanism**

Members of the Communications team attend meeting of the Policy Group and Inspectorate management groups to identify potential areas of risk. Any potential risk is brought to the attention of SMT, either by HC&M at meetings of the SMT or immediately if the matter is urgent.

Consequence Assessment				
Insignificant	Minor	Moderate	Major	Catastrophic
			x	

Likelihood Assessment				
Rare	Unlikely	Possible	Likely	Almost Certain
		x		

Overall Risk Rating			
Low	Moderate	High	Extreme
		x	

Risk
Damage to historic environment

Owner
Sarah Morris

Item #
10. Long term PIC

Cause
<ul style="list-style-type: none"> <li>• Deterioration;</li> <li>• Weather;</li> <li>• Vandalism</li> </ul>

Controls
<ul style="list-style-type: none"> <li>• Condition surveys</li> <li>• Inspections / annual audit</li> <li>• Monument Manager can identify issues</li> <li>• Security at specific sites</li> <li>• Professional training of staff</li> </ul>

Assessment
<ul style="list-style-type: none"> <li>• Some weaknesses although controls and responses are fully appropriate and internally benchmarked. For this reason, the risk is assessed as Moderate.</li> </ul>

Further Actions
<ul style="list-style-type: none"> <li>• Continued monitoring and management of process</li> </ul>

Reporting Mechanism
<ul style="list-style-type: none"> <li>• The monuments are, by their very nature, under constant threat of deterioration. The Annual Monument Audit builds on the Condition Survey information and checks the monuments` condition. The measures in place ensure we have up-to-date records of condition, and this is actively monitored. This information is reported through district, regional and branch teams up to PIC Management Group and the Board. “Exception reporting” is in place for SMT/Board, and an annual overall assessment will be made to PICMG.</li> </ul>

Consequence Assessment				
Insignificant	Minor	Moderate	Major	Catastrophic
		x		

Likelihood Assessment				
Rare	Unlikely	Possible	Likely	Almost Certain
			x	

Overall Risk Rating			
Low	Moderate	High	Extreme
		x	