

Blairtummock Housing Association

RISK MANAGEMENT POLICY

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|------------------------------|--|
| Title: | Risk Management Policy |
| Purpose of Procedure: | To establish a policy for the Association to ensure that the strategic and operational objectives are achieved whilst managing any risks involved. |
| Section: | Finance |
| Date: | April 2021 |
| Review Date: | April 2024 |
| Regulatory Standards: | Standard 4 |
| Reference: | Regulatory Standards of Governance and Financial Management (Scottish Housing Regulator) |

BLAIRTUMOCK HOUSING ASSOCIATION

RISK MANAGEMENT POLICY

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1.0 INTRODUCTION

- 1.1 This Policy has been developed in recognition of the fact that Blairtummock Housing Association (BHA) is working in a dynamic environment which increases the risks for our business. Risk Management is central to good governance, effective business planning and to safeguard assets.

We recognise that we have a moral and statutory duty of care to our tenants, employees and assets and we will meet this duty by ensuring that risk management plays an integral part in the management of the Association at a strategic and operational level.

The policy sets out how we propose to identify the risks facing us, how to assess their relative importance and how we will develop our strategy for managing the risks identified.

- 1.2 BHA recognises the Scottish Housing Regulator's Regulatory Standard 4 which states:

"The governing body bases its decision on good quality information and advice and identifies and mitigates risks to the organisation's purpose"

Guidance in relation to risk

- The governing body identifies risk that might prevent it from achieving the RSL's purpose and has effective strategies and systems for risk management and mitigation, internal control and audit.

2.0 IDENTIFICATION OF KEY RISKS

Strategic and operational risks are identified annually by the Management Team when either the Business Plan is being prepared or the Business Plan review is being carried out. In addition, any emerging or changes to risks are identified when the Management Team review the risk registers on a quarterly basis. Identification of risk is the key task in risk management. If key risks are not identified, then the process of assessing and managing risks will be ineffective.

Any proposal for any significant, new or enhanced activity must always consider the risks involved for the BHA. Generally these would be discussed at the Management Team Meeting.

3.0 ANALYSIS OF KEY RISKS

3.1 The five key risk areas are:

| Risk | Detail |
|--------------------------|---|
| Structural or compliance | Risk of not complying with legislation or regulatory requirements |
| Custodial | Risk of not effectively managing the assets and liabilities held by BHA including the general environment within the area |
| Financial | Risk of erosion of the short, medium and long term financial viability |
| Reputational | Risk of the good reputation and standing of BHA in the local or national community and the wider Social Housing sector |
| Operational | Risks associated with the processes within BHA which would affect service delivery |

3.2 Scoring of risk

Appendix 1 gives the scoring methodologies for both the strategic and operational risks.

For strategic risks, they should be assessed on both an inherent (i.e. prior to any response to the risk) and a residual basis (i.e. the risk retained after the response). Each risk should be analysed in terms of how likely the risk is to occur i.e. likelihood and what the impact on BHA would be i.e. impact. Some risks may have little impact while others may have a large impact but be unlikely to occur. The important risks would be those which were likely to occur and would have the most impact on BHA

There is a simpler grading methodology for operational risks ie both the impact and the likelihood are classified as either low, medium or high after the measures in place have been considered.

3.3 Risk Registers

Key risks will be analysed relating to the Association's strategic objectives and are reported in the Strategic Risk Register. For each risk, this risk register will include the relevant strategic objective, the inherent and residual score in terms of likelihood and severity, the controls in place and action taken by BHA.

The risks are then coloured red, amber and green on the basis of the risk matrix at Appendix 2.

In addition, risks across the whole of the Association's operational activities, i.e. Housing Management, Maintenance and Corporate Services, will be collated in the Operational Risk Register.

4.0 APPLICATION OF POLICY

In applying the policy, BHA will take account of the techniques detailed in Appendix 3 to mitigate the risks.

The Internal Auditor has developed an internal audit plan based on the BHA risk register and business plan, prioritising areas that have the most significant risk.

When policies are being developed or reviewed, they will consider the impact upon the Association and contain a section on this where relevant. In addition all Committee papers asking for a decision will have an assessment of the key risks involved in the proposal.

5.0 ROLES AND RESPONSIBILITIES

The Management Committee of the Association accepts overall responsibility for the development, implementation and review of this policy.

The specific role of the Management Committee is to:
Contribute to strategy and decision making
Make sure an effective management team is in place
Clarify the decision making process between Management Committee and Senior Staff

Day to day responsibility for policy implementation and review lies with the Director of the Association.

Departmental Heads will be responsible for effectively managing the risks associated with their particular service area

All staff will be involved in assessing the operational risks and for effectively managing the risks associated with their job.

6.0 REPORTING

There will be 4 levels of reporting as follows:

1. The Director will report annually in March as part of the Business Plan Review to the Management Committee on risk management activity
2. The Management Team will review the Risk registers on a quarterly basis.
3. Key indicators with respect to operational risks such as rent arrears %, number of voids over four weeks etc will be reported quarterly to the Management Committee on the Dashboard report
4. Ad hoc reports will be provided at the earliest opportunity to the Management Committee on any events arising which result or are likely to result in material loss, damage or injury to the Association,

APPENDIX 1 –RISK SCORING

A - Strategic Risk Scoring

Risks are graded from 1 to 5 in terms of likelihood and impact, and the total risk is taken to be the multiple of the score.

Impact

| Score | Level | Definition |
|-------|---------------|---|
| 1 | Insignificant | Has no impact on the achievement of its strategic objectives |
| 2 | Minor | Would result in some low level operational objectives not either not being achieved or being delayed |
| 3 | Moderate | Would result in some operational objectives not being achieved and/or being delayed. The Business Plan would not be achieved in the required time frame but it still, overall achievable. |
| 4 | Major | The viability of the Association would be in doubt due to some key objectives not being achieved or their achievement delayed for a considerable period of time |
| 5 | Catastrophic | Would result in the closure of the Association |

Likelihood

| Score | Level | Definition |
|-------|----------------|--|
| 1 | Remote | Very unlikely to occur in the foreseeable future but is still theoretically possible |
| 2 | Possible | There is less than a 50% chance of this occurring in the foreseeable future but the scenario in which it could occur is credible |
| 3 | Probable | A better than 50% chance of this occurring in the foreseeable future, but the chance of it occurring is only marginally above 50%, or is only above 50% in the long term |
| 4 | Highly Likely | An above 75% chance of this occurring in the future. It is expected that this will occur rather than not occur |
| 5 | Almost certain | An above 90% of occurring. There is very little uncertainty in this occurring with the only real uncertainty likely to be timing. |

B- Operational Risk Scoring

The likelihood and impact of the risk after the associated controls and actions are described as high, medium and low

IMPACT OF RISK

APPENDIX 2 –RISK MATRIX FOR STRATEGIC RISK SCORING

| | | | | | |
|----------------------|---------------|-----------------|-----------------|----------------------|-----------------------|
| Catastrophic | <u>5</u> | <u>10</u> | <u>15</u> | <u>20</u> | <u>25</u> |
| Major | <u>4</u> | <u>8</u> | <u>12</u> | <u>16</u> | <u>20</u> |
| Moderate | <u>3</u> | <u>6</u> | <u>9</u> | <u>12</u> | <u>15</u> |
| Minor | <u>2</u> | <u>4</u> | <u>6</u> | <u>8</u> | <u>10</u> |
| Insignificant | <u>1</u> | <u>2</u> | <u>3</u> | <u>4</u> | <u>5</u> |
| | Remote | Possible | Probable | Highly Likely | Almost certain |

LIKELIHOOD OF RISK

Unacceptable (Red) Risk

This is a risk that the Association must take immediate action to manage as it is above the Association’s risk tolerance level. The Association will not undertake a risk that cannot be reduced to an acceptable level.

Significant (Amber) Risk

This is a risk which should be closely monitored to ensure that the actions and controls are effective in mitigating the effects of this risk

Acceptable (Green) Risk

This is a risk that the Association considers to be insignificant. The Association does not need to prescribe any further controlling actions to such risks as it would be an ineffective use of resources.

APPENDIX 3

RISK MANAGEMENT TECHNIQUES

a) **Planning and Forecasting**

The techniques of business planning, budgeting and cashflow forecasting are some examples of this technique in action and can assist in highlighting future potential difficulties. With appropriate action these future problems may be capable of being avoided.

b) **Insurance**

In return for a premium the risk can be passed to the insurance underwriter.

Cover against fire, flood and storm damage to properties and office accommodation can be obtained relatively cheaply thereby avoiding potentially disastrous consequences for the Association.

Insurance can also be arranged in respect of business interruptions, theft, public and employer's liability and cyber security.

Checks on Contractor's and Consultant's insurance cover should be carried out annually or when new contractors are added to the approved list or when entering into new contracts.

c) **Spreading Risk**

The basic idea is not to "put all your eggs in one basket" so that if something does go wrong the effects are lessened. e.g. do not borrow the same type of loan from the same bank on the same terms for each development phase.

d) **Sensitivity Analysis**

This technique is concerned at looking at various "what if" scenarios and its purpose is to explore the impact on your plans of a change in one or more of the assumptions made.

Sensitivity analysis and results are contained within the current long term business plan.

e) **Responsibility and Delegation**

Risks will arise at all levels within the organisation but Committee Members or the Director cannot be expected to take all decisions. It is essential therefore that there are clear policies and procedures in place for the guidance of those who are exercising responsibility under delegated authority e.g. BACS/cheque approvals, repair checks, tender procedures etc.

f) **Taking Advice**

By taking appropriate external advice risks can be reduced where such advice is covered by indemnity insurance e.g.

- Use of Architects in the development process.
- Use of Solicitors for legal issues.
- Use of external consultants for procurement process.