



REIDVALE HOUSING ASSOCIATION

Risk Management Policy

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Author	

1. INTRODUCTION

- 1.1 Effective and efficient businesses know how to identify, assess and manage risk. Management of risk is a crucial element of good management and effective corporate governance. It must be an embedded mainstream activity which informs strategic decision making.
- 1.2 The Association's aim is to identify, manage and minimise, rather than eliminate, risks which may prevent the Association achieving its objectives. The identification and management of risk is a continuous process as changes are made to how the Association operates and to the external environment in which it operates.
- 1.3 Innovation and achievement always entail risk. We do not wish to turn Reidvale Housing Association into a totally risk averse organisation. Our risk strategy must allow us to find the balance of managing our risks in the best possible way, whilst remaining financially viable and commercially dynamic.
- 1.4 This Risk Management Policy outlines how the Association manages risk and takes account of the principles outlined by the Scottish Housing Regulator in its Regulatory Standards Guidance.

2. EQUALITIES

- 2.1 Reidvale Housing Association is an equal opportunities organisation. We abide by the terms of the Equality Act 2010 which incorporates all of the main pieces of discrimination legislation. No person or group of persons will be treated less favourably than any other persons or groups of persons because of their sex, marital status, family circumstances, race or national origins, disability, age, religion, political orientation or sexual orientation. To ensure equal access to the information contained in this policy we are happy to provide copies free of charge in Braille, in large print, translated into other languages or put onto audio tape.

3. SCOPE OF THE POLICY

- 3.1 This policy sets out:
 - a definition of risk management
 - the process Reidvale Housing Association will use in its management of risk
 - the respective roles of the Management Committee, the Director and staff
 - the context of risk management as part of Reidvale's internal controls
 - a glossary of key terms used in risk management

4. DEFINITIONS

4.1 Risk itself can be defined as:

“The threat or possibility that an action or event will adversely affect an organisation’s ability to meet its objectives”.

4.2 The Scottish Housing Regulator defines risk management as:

“The process of defining and analysing risk, and then deciding on the appropriate course of action in order to minimise and mitigate these risks”.

5. CONTEXT

5.1 This Policy is informed by the Scottish Housing Regulator’s (SHR) Regulatory Standards and Guidance; specifically, by Business Planning – Recommended Practice, December 2015 and by Regulatory Standard 4, which states that:

“The governing body bases its decisions on good quality information and advice and identifies and mitigates risks to the organisation’s purpose”.

5.2 Within its Regulatory Standards of Governance and Financial Management of 2019, the SHR states:

“The governing body identifies risks 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”.

5.3 This Policy recognises that there are a number of generic risks which most, if not all, RSLs require to manage including the rolling out of Universal Credit; welfare reform and the potential impact on rent arrears and voids; pension liability; SHQS (Scottish Housing Quality Standard) and EESH (Energy Efficiency Standard of Social Housing) compliance; rent affordability and cash flow.

5.4 The Association is committed to embedding risk management throughout the organisation and its systems and controls are designed to ensure that exposure to significant risk is properly managed.

6. POLICY OBJECTIVES

6.1 The objectives of this Policy are:

- to manage risk in accordance with best practice
- to embrace SHR’s Regulatory Standards and Guidance and legal compliance as minimum standards in the management of risk
- to anticipate and respond to changing social, economic, legislative, political, technological and environmental requirements
- to minimise the cost of risk and to prevent injury or damage, including reputational damage

- to integrate risk management into the culture of the Association
- to contribute to continuing high standards of customer service by better equipping the Association with a fuller appreciation and understanding of risk and how to manage it
- to provide a framework which enables the Association to identify, assess and manage risk and to record and review this.

6.2 Outcomes for this Policy approach will include the following:

- better informed decision making
- an even more proactive approach, anticipating and influencing events before they happen
- improved contingency planning
- embedding risk management in the Association as a whole, including Committee decision making.

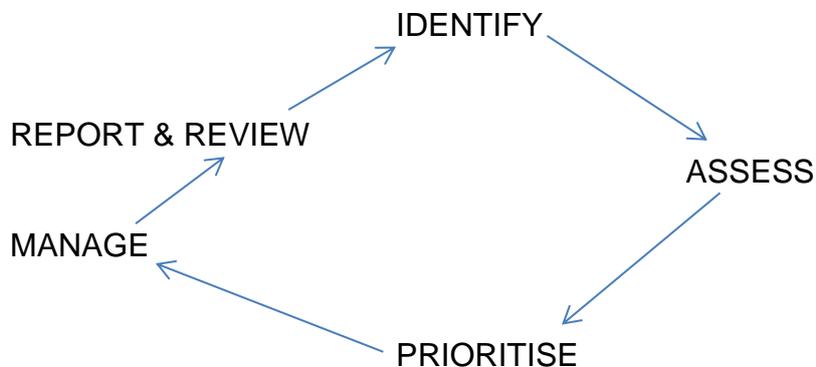
7. APPROACH TO RISK MANAGEMENT

7.1 Integral to Reidvale's approach to risk management are the following key principles:

- The Management committee has responsibility for overseeing risk management within Reidvale overall.
- An open and receptive approach to solving risk problems is adopted by the Management Committee.
- The Director and staff then support, advise on and implement policies approved by the Management Committee.
- Risk Management is part of Reidvale's system of internal controls.
- All staff are responsible for encouraging effective risk management practice.
- Reidvale recognises and discloses the financial and non-financial implications of risk as part of its overall risk assessment.

8. PROCESS OF RISK MANAGEMENT

8.1 The Association's approach to risk management is based on the following stages – Identify, Assess, Prioritise, Manage and Report and Review.



STAGE 1 – Identify Risks

8.2 Identify key risks that could hamper the achievement of Business Objectives and hinder or prevent Key Performance Targets from being achieved. Risks are identified and assessed from a strategy and an operational perspective.

STAGE 2 – Assessment

8.3 Risks identified in Stage 1 are prioritised using the approach shown in Appendix 1. Each identified risk is given a two part score based on the “likelihood” of the risk occurring and the “impact” of that risk on our business, which when multiplied together results in an overall risk score. The identified risks are then written up onto a Risk Register.

STAGE 3 – Prioritisation

8.4 Using the method, as described above, risks can be prioritised. From the risk score the Association has clarity on the potential impact of the key risks, their management and the implications for the Association in terms of risk exposure and direction of resources.

STAGE 4 – Manage

8.5 How the Association responds to and manages risk depends on the nature of the risk, the outcome of the assessment and to some extent on the Association and the Management Committee's appetite for risk, which may change over time. Risk appetite is the term used to refer to the amount of risk which the Association, through its Management Committee, is prepared to accept, tolerate or be exposed to at any point in time.

8.6 There are four approaches to managing and addressing risk –

- Tolerate (accept) the controls in place reduce the likelihood and impact levels to an acceptable level
- Treat risks need additional treatments (controls) to reduce the likelihood and impact levels to an acceptable level.
- Transfer risks are transferred to an insurer eg. buildings insurance. Some service delivery risks can also be transferred to a partner or contractor by way of a formal contract or written agreement.
- Terminate risk may be outside the Association's risk appetite and the Association does not have the ability to introduce additional controls to reduce likelihood and/or impact of the risk, therefore, there is no alternative but to terminate the activity generating the risk.

8.7 The majority of risks will be addressed by Treat. This means that the Association will, as far as is practical, take action/control to alleviate the risk.

STAGE 5 – Report and Review

8.8 The management of risk is reported and reviewed to:

- Monitor whether the risk profile is changing
- Gain assurance that risk management is effective
- Identify when further action is necessary

8.9 This approach will be informed and influenced by staff throughout the Association, ensuring risk management is informed by operational activity, knowledge and experience. This will involve staff in the regular review of the Association's operational risks.

9. ROLES AND RESPONSIBILITIES

Management Committee

9.1 The Management Committee has a crucial role to play in the management of risk as it sets the tone and heavily influences the culture of risk management within Reidvale.

9.2 The Association's Code of Conduct for Committee Members requires members to ensure that effective policies and procedures are implemented so that all decisions are based on an adequate assessment of risk, deliver value for money and ensure the financial wellbeing of the organisation.

9.3 In overseeing the implementation of this Risk Management Policy, the Management Committee:

- Monitors the Risk Register on a quarterly basis, with a comprehensive review on an annual basis
- determines what level of risk is acceptable and what is not
- determines the extent to which the Association is risk averse or risk taking and on what specific areas and activities
- sets the standards expected and required of staff in terms of conduct and probity
- approves major decisions affecting the Association's risk exposure and profile
- monitors the management of significant risks
- satisfies itself, in a range of ways, including the use of internal audit reports; Key Performance Indicators; and complaints that less significant risks are being appropriately managed
- annually reviews the implementation of this policy.

FINANCE SUB-COMMITTEE

9.4 In addition to the Management Committee's quarterly review of the Risk Register the Finance Sub-Committee will:

- oversee the preparation and implementation of the annual external audit plan
- plan and oversee the annual programme of internal audit

DIRECTOR

9.5 The Director, in conjunction with the senior staff team, has responsibility for ensuring:

- the systematic review of risk management throughout the Association's activities in line with this Policy.
- the quarterly review and regular updating of the Risk Register and presenting this to the Management Committee on a quarterly basis.
- the preparation of any contingency plans identified as part of the Risk Management Policy.
- appropriate training on risk management is provided to Committee Members and to all staff, with such training being refreshed as required.

ALL STAFF

9.6 All staff have a responsibility for:

- responding positively to training on risk management
- being aware of the Association's approach to risk management and the top risks facing the Association
- ensuring that risk is managed effectively in their area and for identifying risks in performing their daily duties and taking appropriate action to limit the likelihood and impact of these risks.

10. RISK MANAGEMENT AND INTERNAL CONTROLS

10.1 Risk Management is a fundamental aspect of Reidvale's system of internal controls. Taken alongside a range of other controls, as shown below, risk management is part of the toolkit of an efficient and effective business enabling Reidvale Housing Association to respond to and manage a range of operational, financial and commercial risks.

10.2 Other elements of internal control include:

- Policies and Procedures, including for example Health and Safety, Complaints Handling, etc.
- Finance Sub-Committee which oversees the internal and external audit functions and receives regular reports including quarterly management accounts
- Housing Services Sub-Committee which scrutinises Reidvale's operational customer service performance
- Business Planning and Budgeting
- Internal Audit programme is a key aspect of internal controls, reporting direct to the Committee on selected areas
- External Audit reports direct to the Committee on its findings on the effectiveness of Reidvale's financial controls
- Other Regulatory Bodies such as the Health and Safety Executive.

11. POLICY REVIEW

11.1 This Risk Management Policy will be reviewed and amended as necessary at least every three years.

11.2 It will be reviewed in the light of legislative change, new policy/good practice guidance, the performance of the Association and the views of its tenants.

11.3 This Policy was agreed by the Association's Management Committee on 27th November 2019.

APPENDIX 1

RISK SCORING

To evaluate risks all risks are scored in terms of their likelihood and potential impact using the following scales:

Likelihood (or Probability) Scoring

- 1 - Extremely remote chance that risk will occur
- 2 - Minor chance that risk will occur
- 3 - Moderate chance that risk will occur
- 4 - Risk is likely to occur
- 5 - Risk is almost certain to occur or already occurring

Impact (or Significance) Scoring

- 1 - Insignificant impact
- 2 - Minor impact
- 3 - Moderate impact
- 4 - Major impact
- 5 - Catastrophe impact

The score for the likelihood and the impact are then multiplied together to give an overall risk assessment.