

Risk Management Policy

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Scottish Social Housing Charter Relevant Standards and Outcomes

STANDARD	OUTCOME
N/A	

Scottish Housing Regulator – Relevant Standards of Governance and Financial Management and Guidance

STANDARD	GUIDANCE
<p>3 The RSL manages its resources to ensure its financial well-being, while maintaining rents at a level that tenants can afford to pay.</p>	<p>3.3 The RSL has a robust business planning and control framework and effective systems to monitor and accurately report delivery of its plans. Risks to the delivery of financial plans are identified and managed effectively. The RSL considers sufficiently the financial implications of risks to the delivery of plans.</p> <p>3.5 The RSL monitors, reports on and complies with any covenants it has agreed with funders. The governing body assesses the risks of these not being complied with and takes appropriate action to mitigate and manage them.</p>
<p>4 The governing body bases its decisions on good quality information and advice and identifies and mitigates risks to the organisation's purpose.</p>	<p>4.3 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.</p> <p>4.5 The RSL has an internal audit function. The governing body ensures the effective oversight of the internal audit programme by an audit committee or otherwise. It has arrangements in place to monitor and review the quality and effectiveness of internal audit activity, to ensure that it meets its assurance needs in relation to regulatory requirements and the Standards of Governance and Financial Management. Where the RSL does not have an audit committee, it has alternative arrangements in place to ensure that the functions normally provided</p>

	<p>by a committee are discharged.</p> <p>4.6 The governing body has formal and transparent arrangements for maintaining an appropriate relationship with the RSL's external auditor and its internal auditor.</p>
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RISK MANAGEMENT POLICY

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RISK MANAGEMENT POLICY

1. INTRODUCTION

- 1.1 This policy sets out the approach of Lochalsh and Skye Housing Association (“the Association”) to risk management. It has been informed by the requirements of the Scottish Housing Regulator’s Regulatory Standards of Governance & Financial Management and in particular to:

Regulatory Standard 4

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

Guidance Note 4.3

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.

2. CONTEXT

- 2.1 The Association operates on the Isle of Skye and the mainland area of Lochalsh. The Association builds houses, as well as managing and maintaining the housing stock that it owns and also on behalf of other landlords. It builds and administers Shared Equity projects on behalf of the Scottish Government. It operates Care and Repair and Handyperson services and an Energy Advice Service. It also operates as a group and has a subsidiary company, North West Highland Community Enterprises, which engages in mid-market rent activities and may engage in other activities with the agreement of the parent Company.

Consequently, the activities undertaken by the Association are varied and often complex. This Risk Management Policy has been developed to describe how the Association will assess and manage the risks associated with its activities and those of its subsidiary Company.

- 2.2 In considering its approach to risk management, the Association has been mindful of the need to balance a prudent approach to the risks associated with its business with the need to ensure an innovative and creative approach to opportunities and challenges. The Association regards effective risk management as an essential component of its business strategy and crucial to maintaining its position as a successful and highly regarded housing association.
- 2.3 The Association will not seek to avoid risks that can be properly managed and which do not jeopardise the Association’s business or tenants’ interests, where the activities that create the risks can support the delivery of strategic and operational objectives. The Association will only accept risks that have been rigorously assessed and which can be effectively managed.

3. **PURPOSE**

3.1 This Risk Management policy:

- sets out how the Association identifies, assesses and manages risk
- establishes a framework within which the Association will monitor risk
- describes the controls that the Association operates for effective risk management

4. **DEFINITIONS**

4.1 The Association defines risk as:

Any event, action or circumstance that hinders the Association in its delivery of good performance, or achievement of either strategic or operational targets and objectives, or which has an adverse impact on the Association's business or reputation.

4.2 The Association defines risk management as:

The means by which we drive improving performance in our business activities; assess potential new activities; ensure a thorough understanding of our business activities and their effects and minimise loss or damage.

5. **OBJECTIVES**

5.1 In seeking to adopt an effective approach to risk management, the Association aims to:

- Drive continuous performance improvement
- Increase our ability to achieve targets and goals
- Develop new areas of activity responsibly
- Develop our knowledge of our business operations
- Minimise the potential for loss or damage

6. **IMPLEMENTATION**

6.1 In implementing this policy, the Association will focus on three key principles:

We will

- identify risks accurately
- assess risks realistically
- respond to risks effectively and appropriately

- 6.2 We will risk assess all new business activities in accordance with this policy and we will keep identified risks under regular review. We will apply appropriate controls to manage identified risks and we will use our internal audit function to ensure the effective implementation of those controls and this policy.

Where a risk increases in significance or materialises, we will take effective remedial action as soon as it becomes necessary. We will not undertake any new activity that is categorised as high risk unless we are satisfied that we have a specific and effective risk management plan in place; tenants' interests are not jeopardised or compromised and, where appropriate, we have secured the necessary approvals from funders and regulators.

6.3 *Identifying Risk:*

6.3.1 Members of the Management Team are responsible for ensuring that all risks associated with activities in their area of responsibility are identified and assessed. The Association maintains a register of the most significant risks, which is kept under regular review and which is carefully monitored.

6.3.2 The Board are responsible for ensuring that risks identified and monitored by the Management Team are appropriate

- 6.4 *Assessing Risk:* the Association assesses risks according to the likelihood of them materialising and the significance of their impact, if they do. Risks will be assessed as being high, medium or low in each category and financial and non-financial considerations will be assessed. They will be categorised as follows:

Likelihood is categorised on a scale of 1 to 5 - with 1 being rare and 5 almost certain. **Impact** is also assessed on a scale of 1 to 5 - with 1 being insignificant and 5 being severe. Likelihood and impact are multiplied together to obtain a **total risk score**.

		<u>LIKELIHOOD</u>				
<u>IMPACT</u>		Rare	Unlikely	Possible	Likely	Almost Certain
		1	2	3	4	5
Severe	5	5	10	15	20	25
Major	4	4	8	12	16	20
Moderate	3	3	6	9	12	15
Minor	2	2	4	6	8	10
Insignificant	1	1	2	3	4	5

6.5 In assessing and categorising risks, and identifying the appropriate response, the Association will have regard to the area of its business that the risk is most relevant to:

- Compliance
- Assets and Liabilities
- Strategy and Planning
- Operational
- Communication and Reporting

6.6 *Managing and Responding to Risk:* the Association will record all risks categorised as high, medium or low in the Association's Risk Register, depending upon the total risk score. The Register will be maintained electronically. All relevant risks will be recorded, together with the details of the controls in place to manage or mitigate their effects and information about any change in the categorisation of the risk during the year. The Association's risk management appetite is defined as:

Total Risk Score	Net risk assessment	Risk appetite response
High	16 - 25	Unacceptable level of risk exposure which requires action to be taken urgently, or significant on-going monitoring.
Medium	10 - 15	Acceptable level of risk - one which requires action and active monitoring to ensure risk exposure is reduced.
Low	1 - 9	Acceptable level of risk based on the operation of normal controls. In some cases it may be acceptable for no mitigating action to be taken e.g. net risk < 4.

6.7 All reports to the Board will include a section on risk to enable the Association to keep its activities under review and monitor performance.

6.8 To support the implementation of this policy, the Association will maintain adequate insurance to satisfy both legal and good practice requirements. A Register is maintained of all insurances held.

6.9 The Association operates a comprehensive performance management framework which makes use of Key Performance Indicators. Performance is regularly reviewed against targets to enable standards to be improved and remedial action to be taken when appropriate.

6.10 The Association operates an annual programme of Internal Audit. The scope of the annual programme includes an assessment of the effectiveness of the

risk management framework. The internal Auditor's report will form part of the annual Risk Management Strategy Report that is made to the Board.

- 6.11 The Association will seek and act on specialist advice in respect of its business activities whenever appropriate.

7. NEW BUSINESS ACTIVITIES

- 7.1 The Association is a progressive organisation. Its strategic and operational objectives are identified and reviewed through a process of strategic and business planning. Annual business objectives are set in the Association's Business Plan. The Association will consider new initiatives in the context of this Plan. Before undertaking any new activities, the Association will assess the risks attached to the proposed activity, in accordance with this policy. The Association will assess both financial and non-financial considerations and will take into account the risks of proceeding with the proposed initiative and of not proceeding. It is recognised that, on occasion, it will be in the Association's best interests to progress an initiative that carries a medium or high degree of risk, provided the Association is satisfied that:

- there has been a rigorous assessment of the associated risks
- they are manageable within the Association's overall operating context
- neither the Association's nor its tenants' interests are jeopardised
- the significance of the risk will reduce over a prescribed period of time.

The initiative may be progressed, subject to the development of a contingency plan (which may include an exit strategy) and rigorous ongoing review. For all new business activities, a period of time will be identified within which the Association will determine whether the activity is to be continued. This consideration will include an assessment of the extent to which the significance of the risk has been reduced. Where a proposed new business activity does not meet these criteria, it will not normally be progressed.

- 7.2 Before committing to a new business activity, the Association will seek appropriate specialist advice to supplement its own expertise. This will include seeking legal and other professional advice.
- 7.3 The Risk Assessment Template for New Business Activities is attached as Appendix 1 to this policy.

8. RESPONSIBILITIES

- 8.1 The Association recognises that clear allocation of responsibilities is important to the effective implementation of a risk management strategy. The Association has allocated responsibilities as follows:

Who is Responsible	Areas of Responsibility	How Responsibility is Exercised
The Board	<p>Ensure the adoption of a prudent approach</p> <p>Awareness of the key risks facing the Association & the link between the Business Plan and key risk</p> <p>Ensure adequate responses formulated</p> <p>Ensure effective operation of risk management</p> <p>Monitor risk</p>	<p>Involvement in policy development and review</p> <p>Involvement in business planning and review</p> <p>Involvement in identification of key risks</p> <p>Consideration of formal written reviews</p> <p>Consideration of internal audit assurance reviews</p> <p>Monitoring remedial action</p> <p>Participation in training</p>
Chief Executive	Operational responsibility for ensuring satisfactory implementation of risk management framework	<p>Providing leadership to ensure that the Association has an effective risk management culture embedded in the organisation</p> <p>Monitoring implementation through monthly progress meetings and monthly Management Team meetings</p> <p>Reporting to the Board at agreed intervals</p> <p>Ensuring effective programme of internal audit</p> <p>Ensuring swift action to address the results of performance reviews and other monitoring exercises</p> <p>Seeking and acting on appropriate professional advice</p> <p>Participating in training</p>

Who is Responsible	Areas of Responsibility	How Responsibility is Exercised
Management Team	<p>Setting the framework for risk management</p> <p>Identifying risks accurately</p> <p>Operating the risk management framework effectively</p> <p>Identifying training requirements</p>	<p>Considering the most appropriate framework, taking account of good practice advice</p> <p>Consulting with staff in the identification and assessment of risk</p> <p>Maintaining the risk register accurately</p> <p>Identifying changes in risk categories and reporting to the Board as required</p> <p>Monitoring performance and progress</p> <p>Participating in training</p>

9. REPORTING

- 9.1 The Association will use the information provided through agreed reporting and monitoring to drive performance improvement and to identify areas where remedial action is required. The Association will make use of the following reports to support the implementation of its risk management strategy, as described in this policy:

Report	Report To	Content	Frequency
Risk Management Strategy	The Board	<p>Review of operation of risk management process</p> <p>Identification of risks that have materialised and effectiveness of response</p> <p>Projection of risks for year ahead</p> <p>Identification of training or resource requirements</p> <p>Statement of acceptability/ capacity of risk being carried</p>	Annual

Report	Report To	Content	Frequency
Risk Management Assurance Report	Audit, Finance and Performance Sub- Committee	Recommendations from Internal Auditor Statement about effectiveness of framework implementation	Annual
Risk Register Review	Management Team	Identification of new risks Identification of changes to risk assessments Review of responses to risks that have materialised	Quarterly
Performance Reports	Management Team	Performance against targets Identification of areas and strategies for improvement Identification of improvement achieved	Quarterly
Risk Category Changes	Chief Executive/ Management Team/ Audit Committee	Identification of risk where the category has been escalated (all risks that are escalated to high will be reported to the Board)	Quarterly or as required if necessary
Committee Reports	The Board	All board reports will include a section on risk assessment and management	As required

10. MONITORING

- 10.1 The Association will agree the annual Risk Register by April each year. The Register will be monitored in accordance with this policy and an annual review will be completed by February of each year, **as part of the Business Planning process**. The review of the Plan will include a consideration of the extent to which the materialisation of identified and unforeseen risks has affected the Association's ability to achieve the specified objectives.

11. EQUALITIES

- 11.1 All activities undertaken by the Association will be assessed for their compliance with our Equalities Policy. We will seek to ensure that there is no risk of discrimination or unfair treatment as a result of our actions.

12. GENERAL DATA PROTECTION REGULATION

- 12.1 The Association will treat your personal data in line with our obligations under the current data protection regulations and our own policies and procedures
- 12.2 Information regarding how your data will be used and the basis for processing your data is provided in the Association's Privacy Policy.

13. REVIEW

- 13.1 This document will be reviewed by the Board or Sub-Committee set up for that purpose in accordance with the requirements of the Association's Register of Policies and Procedures.
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SCHEDULE OF REVISIONS		
DATE	REVISION No.	DETAILS
18.04.2016	Version 2	Review
06.02.2020	Version 2	ADDED: Cover page – new SHR Standards of Governance and Financial Management
06.02.2020	Version 2	ADDED: NEW Point 12 - GENERAL DATA PROTECTION REGULATIONS

**BUIDHEANN TIGHEADAS LOCH AILLSE AGUS AN
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LOCHALSH AND SKYE HOUSING ASSOCIATION

Risk Assessment Template for New Business Activities

Before completing this template, please refer to the Association's Risk Management Policy.

This risk assessment template should be used as part of the assessment of proposed new business activities. It has been developed from the Association's risk management policy. The results of this risk assessment will form part of the report to the Board and will be used to inform the advice offered by staff and the decision taken by the Board.

Proposed Activity				
Proposed Partners				
Advantages/Benefits/Purpose of project				
Business Plan Reference				
Funding sources and terms				
Budget Implications				
Performance Targets				
Identified risks to LSHA		Likelihood	Impact	Risk Level
Financial	<i>Specify risks to Association</i>	High	High	<i>The risk level can be assessed either individually for each risk element or an overall assessment can be made, taking all elements together. If elements are assessed individually, a composite risk level must still be determined.</i>
Other		Medium	Medium	
		Low	Low	
Controls: Existing				
Proposed				
Risks/consequences of not proceeding				
Monitoring Arrangements				

Contingency Plan	
Timescale for risk to reduce	
Review date if project proceeds	
Exit Strategy	

Specialist/Professional advice sought: (source and advice received):

Based on this assessment, a recommendation will be made to the Board that the project **should/should not** be progressed.

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Reasons:

Name of person completing the assessment	
Date assessment completed	
Assessment reviewed by	
Date and outcome of Board discussion	
For projects that are proceeding, date of entry in risk register	

SCHEDULE OF REVISIONS		
DATE	REVISION No.	DETAILS
19/01/2021	V2	Board agreed to re-approve policy with no amendments required