Risk Management Strategy
(Ref: G / 16)

Purpose of Policy: This Strategy outlines the mechanisms and processes by which Manor Estates Housing Association identifies, manages and mitigates risks which could impact negatively on the work and sustainability of the organisation.

Policy Monitoring Details	
Department:	*Corporate*
Author:	*G. Russell (Chief Executive)*
Status:	*Group*
Date Approved by Board:	29th August 2018
Updated:	
Planned Review Date:	August 2023
Regulatory Outcomes being achieved:	*Standard 4.3: The governing body identifies risks that might prevent it from achieving the RSLs purpose and has effective strategies and systems for risk management5 and mitigation, internal control and audit.*
Tenant Consultation Required:	*No*

Content List:

1.0 Introduction

In formulating and agreeing the Association's Risk Management Strategy, the Board demonstrates compliance with the requirements as set out in the Scottish Housing Regulator's Regulatory Framework and the Association's standing orders.

Good governance means taking informed, transparent decisions and managing risk. The Association identifies risks that might prevent it from achieving its strategic objectives, manages these risks and mitigates their effects, where possible. The Association's Board ensures, in compliance with the Regulation Framework, that the Association has effective systems for risk management, internal control and audit.

The aim is to continue to improve the way we manage risks and to ensure that effective risk management is integral to the way we conduct our affairs. This document articulates how we will manage risk but successful risk management can only be accomplished on a day to day basis by our staff at all levels through their working practices.

Definition of Risk

Risk is defined as the uncertainty of outcome, whether positive opportunity or negative threat, of action and events. Risk has to be assessed and managed taking account of the combination of the **likelihood** of something happening, and the **impact** that arises if it does happen.

2.0 Managing Risk

Risk Management is the process by which we:

- Identify risk in relation to the achievement of our objectives (strategic and operational)
- Assess their relative likelihood and impact.
- Respond to the risks identified, taking into account our assessment(s) and risk tolerance(s).
- Review and report on risks – to ensure that the Association's Corporate Risk Register is up to date, to gain assurance that responses are effective and identify when further action is necessary.

In the management of risk we must:-

- Take a pro-active approach, anticipating and influencing events before they happen
- Facilitate better informed decision making
- Improve contingency planning
- Avoid unnecessary problems
- Set demanding performance targets

3.0 Allocating Resources to Risk Management

We are fully committed to resourcing the effective management of risk. Resources will be made available:-

- To raise awareness of Risk Management and this Strategy
- To pay for insurance and retained risks
- To implement risk control activities

We must ensure that Risk Management continues to be embedded at the core of the governance, management and future direction of the Association's business at both a strategic and operational level as an ongoing cycle of identification, analysis, control and monitoring.

4.0 Identifying Risk

When identifying and defining risks, the following guidelines should be followed:

- Risks should be related to the strategic and operational objectives/themes and direction as set out in the Association's Corporate Plan.
- A statement of risk should encompass the cause of the impact, and the effect of the impact to the Association's objectives
- Risks should be identified at a level where a specific impact can be identified and a specific action or actions to address the risk can be identified.

Identifying risk(s) is the first step in building the Association's Risk Register. The process for identifying and defining risk establishes a common understanding of risk and our capabilities to respond appropriately. Risks will be identified by the Senior Management Team, individual departments and the Board and its Sub-Committees.

5.0 The Corporate Risk Register

The Association will operate a "Corporate Risk Register" which is the Association's Risk Profile that will be maintained by the Chief Executive and the Senior Management Team. The Chief Executive and the Board will be responsible for the identification and management of strategic Corporate Risks.

The Corporate Risk Register will be sub-divided into four constituent parts:

- **Strategic / Governance**
- **Neighbourhood Services**
- **Repairs and Asset Management**
- **Finance and Corporate Services**

Team managers will be responsible for their own team portfolio of risk.

6.0. Assessing Risk

There are 3 important principles for assessing risks:-

i) Ensure that there is a clear structure to the process so that both the **likelihood** and **impact** are considered for each risk.

ii) Record the assessment of risk in a way which facilitates monitoring and the identification of risk priorities.

iii) Be clear about the difference between **inherent risk** and **residual risk**.

For each risk identified, an assessment will be made of the likelihood of it occurring and the relative impact if it does. The more clearly risks are defined at the identification stage, the more easily they can be assessed:

Likelihood - is the probability ***or*** chance of the risk occurring.

Impact – is the probable effect on the Association if the risk occurs.

Some exposures are simpler to deal with than others. For example, financial and ICT risks are often easier to consider and assess than those which affect the Association's reputation or its ability to provide a service.

While the risk identification and assessment is primarily aimed at those events that may occur within the Corporate Plan period, managers should not ignore risks that are more long-term.

7.0 Risk Scoring – Overall Risk Assessment

All risks are scored in terms of their likelihood and potential impact using the undernoted five point scale. The score for the likelihood and impact are multiplied to give an overall risk assessment:

Likelihood		**Impact**	
5	Almost Certain	5	Catastrophic
4	Likely	4	Major
3	Possible	3	Moderate
2	Unlikely	2	Minor
1	Rare	1	Insignificant

Further guidance on assessing relative likelihood and impact is provided in Appendix 2.
The impact descriptors above are only an indication of the probable effects on the Association if the risk occurs – they are not hard and fast rules. It is essential that staff use their knowledge and judgement when deciding on the "score" for impact.

8.0 Inherent and Residual Risk

Each risk is assessed twice. First is the "**inherent risk**" which is the exposure arising from a specific risk **before** any action has been taken to manage it. Second, the "**residual risk**" which is the exposure arising from a specific risk **after** action has been take to manage it and making the assumption that this action is effective.

8.1 The Inherent Risk

The inherent risk, the assessment of a risk **before** controls are put in place, determines the effort required to address the risk. It is vital that the inherent risk is carefully assessed and captured in the Corporate Risk Register to inform others of the exposure the Association faces should the mitigating actions be unsuccessful.

8.2 The Residual Risk

The residual risk, the risk assessment **after** controls have been applied, assumes that the controls in place are going to be effective and, therefore, will need to be regularly re-assessed

to account for the actual effectiveness of the controls and the corresponding adjustments made to them.

9.0 Addressing Risk

The purpose of addressing risks is to turn uncertainty to the Association's benefit by constricting threats and taking advantage of opportunities.

The appropriate response to each risk will depend on its nature and the outcome of the risk assessment. The degree of attention required should be proportionate to the level of risk and the costs and benefits involved in any action to reduce the risk. Also in deciding how to respond to risk, attention should be paid to whether it is the **likelihood** or **impact** of a risk that needs most engagement.

For each risk, the key activities designed to manage the exposure must be defined to support tracking and monitoring of the nature of the risk concerned. This must include both the current risk and response – the controls in place at the time of the "inherent" assessment – and the action planned in the light of the "residual" assessment including a target date for implementing any planned action.

There are four key aspects of addressing risk:

- Tolerate
- Treat
- Transfer
- Terminate

Tolerate: The exposure to risk may be tolerable without any further action being taken. Even if it is not tolerable, the ability to do anything about some risks may be limited or the cost of taking any action may be disproportionate to the potential benefit gained. In these cases the response may be to tolerate the existing level of risk. This option can be supplemented by contingency planning for handling the impacts that will arise if the risk is realised.

Treat: By far the greatest number of risks will be addressed in this way. The purpose of treatment is that whilst continuing within the Association with the activity giving rise to the risk, action (control) is taken to constrain the risk to an acceptable level.

Transfer: For some risks the best response may be to transfer them. This might be done by conventional insurance, or it might be done by paying a third party to take the risk in another way.

Terminate: Some risks will only be treatable or confinable to acceptable levels by terminating the activities.

10.0 Risk Tolerance

The aim of a Risk Management Strategy is not to remove all risks, but to recognise that some level of risk will always exist. Indeed, it is recognised that taking risks in a controlled manner is fundamental to innovation and developing a "can do" culture. Risk Tolerance is the amount of exposure to risk that the Association is prepared to accept or tolerate should the exposure become a reality.

Exposure to risk refers to the expected likelihood and potential impact of risk occurring after the actions put in place become effective (residual risk).

Our Risk Tolerance can, therefore, be expressed as a boundary, above which we will not tolerate the level of risk and further action(s) must be taken.

RISK TOLERANCE

Impact Severity	Multiplier					
Catastrophic	**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
	Multiplier	**1**	**2**	**3**	**4**	**5**
Likelihood		**Rare**	**Unlikely**	**Possibly**	**Likely**	**Almost Certain**

	Key	
Severe	20 – 25	Unacceptable level of risk exposure which requires immediate corrective action to be taken.
Major	12 – 16	Unacceptable level of risk exposure which requires constant active monitoring, and measures to be put in place to reduce exposure.
Moderate	5 – 10	Acceptable level of risk exposure subject to regular active monitoring measures.
Minor	3 – 4	Acceptable level of risk exposure subject to regular passive monitoring measures.
Insignificant	1 - 2	Acceptable level of risk exposure subject to periodic passive monitoring measures.

As mentioned previously, the Risk Tolerance is the overall level of exposure to risk that is acceptable for the organisation to tolerate as agreed by the Board. In our case this will be any risk with residual scoring assessments of 16 or less, as outlined in the model table above.

The Association's Risk Tolerance is not necessarily static. The Board may vary the amount of risk exposure that is acceptable to the Association and for which it is prepared to take depending on the circumstances.

Responsibility for each risk must be assigned to an owner who is responsible for ensuring that the risk is managed and monitored over time.

The Board has agreed to focus on monitoring of risks with a score of 12 or more and has delegated to the Chief Executive and the Senior Management Team the review and monitoring of the Corporate Risk Register.

11.0 Corporate Risk Register, Risk Maps and Project Risk Logs

The Corporate Risk Register documents the risk assessment, mitigating actions and risk owner for each risk identified. This is maintained by the Senior Management Team and reviewed/updated

quarterly, referred to the Audit Committee quarterly and reported to the Board every six months.

Each section of the Corporate Risk Register is owned by different members of the Senior Management Team. The Corporate Risk Register also documents the risks to achieving operational targets, the mitigating actions and assessments of the risks. These are reviewed quarterly as part of the performance monitoring process carried out by the Senior Management Team.

The management of risk has to be reviewed and reported on for three reasons:-

- To monitor whether or not the risk profile is changing; and
- To gain assurance that risk management is effective, and to identify when further action is necessary
- To ensure good governance and reporting.

The review process will:

- Ensure that all aspects of the risk management process are reviewed at least once a year
- Ensure that risks themselves are subject to review at least quarterly.
- Identify new risks and changes in already identified risks so that the change can be appropriately addressed.
- Deliver assurance on the effectiveness of control
- Ensure that managers are managing risks within their area of control.

The Risk Management Strategy will be reviewed by Board as part of its annual end of year governance review.

12.0 Communication and Learning

Communication and learning is not a distinct stage in the management of risk, rather it is something which runs through the whole process. The identification of new risks or changes in risk is itself dependent on communications between staff at all levels in the Association.

Externally, the organisation needs to maintain a good network of communications with relevant contacts and sources of information to facilitate identification of changes which affect the Association's Corporate Risk Register.

Internally, it is important to embed risk management, ensuring that all staff understand, in a way that is appropriate and relevant to their role, what a risk strategy is and their role in managing risks and keeping the Corporate Risk Register up to date.

This will be achieved through these activities:

- The Board will ensure that the Chief Executive and the Senior Management Team are managing and monitoring risk effectively.
- The Senior Management Team will review the Risk Management Strategy and sign up to its principles and processes.
- The Senior Management Team will promote the principles and processes of the Risk Management Strategy to all their staff.
- The Senior Management Team will gain regular assurance that risks within their area of control are being managed to the best effect.

- The Senior Management Team will brief their staff on the process for identifying and escalating risks using case studies, and will discuss risk on an ongoing basis.

- Staff will assess risks in their operational activities and will identify and escalate risk to their managers.

All Board and Committee Agendas or reports will have as a standard item “Risk Management”, as will all Senior Management Team meetings and operations meetings.

13.0 Publicising this Policy:

This policy will be made available to all staff and board members. The Chief Executive is responsible for the implementation and review of this policy.

Manor Estates Housing Association will ensure that all existing employees have access to this policy and that it is highlighted on the occasion of new employee induction process.

14.0 Other relevant or related policies:

- **G/01: Asset Management Strategy**
- **G/03: Complaints Handling**
- **G/04: Openness and Confidentiality**
- **G/08: Equality and Diversity**
- **G/09: Health and Safety**
- **G/18: Standing Orders**
- **CS/01: Financial Regulations**
- **CS/03: ICT Strategy**
- **TS/22: Sustainability Strategy**

APPENDIX 1

RISK MANAGEMENT ROLES AND RESPONSIBILITIES

The Board

The Board has responsibility for ensuring that the Association fulfils the aims and strategic objectives set out in its Internal Management Plan. The Board, in compliance with the Regulatory Code of Governance, shall demonstrate high standards of corporate governance at all times. In order to monitor the effective management of risk, the Board will be provided with six monthly reports identifying progress with the actions identified in the Corporate Risk Register.

The Audit Committee is responsible for ensuring proper arrangements exist for risk management and internal control. It considers and advises the Board on:

- The strategic processes and policies for risk, control and governance and an end of year governance report, for recommendation to the Board
- The promotion, co-ordination and monitoring of risk management activities, including regular review and input to the Corporate Risk Register.
- Assurances relating to the adequacy and effectiveness of risk, control and governance processes for the organisation, with particular reference to the management of key risks to the achievement of objectives and targets.

The Audit Committee will be provided with:-

- A report summarising any significant changes to the Association's Corporate Risk Register for each meeting.
- The Association's Risk Management Strategy, Corporate Risk Register and proposals for continuous improvement of the risk management process and culture as appropriate.

The Chief Executive

The Chief Executive is responsible for the day to day operation of the Association and its reputation and relationship management, and for advising the Board on strategic and governance risks.

In managing risk the Chief Executive is responsible for ensuring that:-

- A system of risk management is maintained to inform decisions on financial and operational planning and to assist in achieving objectives and targets.
- The Board is involved in the risk management system.
- A Corporate Risk Register is maintained in accordance with this strategy document.

This includes:-

- Setting and communicating the Risk Management Strategy.
- Providing leadership and direction over the risk management process.
- Regularly reviewing the Corporate Risk Register.
- Conducting an annual review of the effectiveness of the system and producing an end of year governance report.

Team Managers

Team managers are responsible for assessing and communicating risks within their sphere of responsibility, including judging when a risk should be considered for inclusion in the Corporate Risk Register remitted to them.

All Staff

Whilst this strategy document sets out defined processes for the Association it does not simply lie inert in our corporate policies and staff management structures. Successful risk management can only be accomplished on a day to day basis by staff at all levels through their working practices.

Risk management is part of every member of staff's responsibilities and virtually everyone has a role in carrying out appropriate risk management by supporting risk identification and assessment, and designing and implementing risk responses. This will be achieved through Association's staff meetings, team meetings and one-to-one sessions etc.

Internal Audit

The Internal Audit will play a key role in evaluating the effectiveness of, and recommending improvements to, the Corporate Risk Management process. This will be based on the systematic review and evaluation of the policies, procedures and operations in place.

APPENDIX 2

GUIDE TO THE ASSESSMENT AND EVALUATION OF RISKS

Assessment of Risk

For each risk identified, an assessment should be made of the likelihood of it occurring and the relative impact if it does. The more clearly risks are defined at the identification stage, the more easily they can be assessed. **Likelihood** is the probability or chance of the risk occurring and **impact** is the probable effect on the Association if the risk occurs.

Some exposures are simpler to deal with than others. For example, financial risks are often easier to consider and assess than those associated with risks to the Association's reputation or its ability to provide a service. Where feasible, past events may provide a useful input to assess risks. While the risk identification and assessment is primarily aimed at those events that may occur within the planning period, managers should not ignore risks that are more long term.

Evaluation of Risk

When evaluating risk, the following criteria need to be considered:

- financial and value for money issues;
- human resource issues – capacity, relations and others;
- service delivery and quality of service issues;
- public concern, trust or confidence issues;
- degree and nature of risks to the public;
- reversibility or otherwise of realisation of risks;
- the quality or reliability of evidence surrounding the risk;
- the impact of the risk on us (including its reputation), stakeholders and the public; and
- defensibility of realisation of the risk.

All risks should be scored in terms of their likelihood and potential impact using the following five point scale. The score for the likelihood and impact are multiplied to given an overall risk assessment:

Likelihood		**Impact**	
5	**Almost Certain**	**5**	**Catastrophic**
4	**Likely**	**4**	**Major**
3	**Possible**	**3**	**Moderate**
2	**Unlikely**	**2**	**Minor**
1	**Rare**	**1**	**Insignificant**

The impact descriptors are only an indication of the probable effect on the Association if the risk occurs, they are not hard and fast rules. It is essential that staff use their knowledge and judgement when deciding on the score for impacts.

In particular when assessing financial impact senior staff and Board Members should take account of the potential cumulative effect of what might be considered smaller sums on the overall resource constraints of the organisation.

Likelihood Descriptors

Almost certain: Likelihood greater than 75%

- Very likely;
- The event is expected to occur in most circumstances;
- There could be a history of regular occurrences at the Association, i.e. on an annual basis; and
- If new event, likelihood of occurrence regarded as almost in evitable (3:1).

Likely: Likelihood greater than 50%

- There is a strong possibility the event or risk will occur (more than 2:1);
- There may be a history of frequent occurrences at the Association;
- Everyone with knowledge of issues in this area knows this could happen;
- No or little effective measures to reduce likelihood can be and/or have been taken; and
- Will probably occur in most circumstances.

Possible: Likelihood between 10% and 50%

- The event might occur at some time;
- There could be a history of casual occurrence at the Association;
- Most of the team know that the risk might occur; and
- Measures that reduce likelihood have been taken but are not fully effective.

Unlikely: Likelihood between 1% and 10%

- Not expected, but there's a slight possibility it could occur at some time;
- Some of the team consider this a risk that might occur;
- Conditions exist for this loss to occur; and
- Probably requires more than two coincident events.

Rare: Likelihood less than 1% likelihood

- Highly unlikely, but it may occur in exceptional circumstances;
- It could happen, but probably never will;
- No experience of a similar failure;
- Probably requires three or more coincident events; and
- If it has happened, sufficient controls now in place.