

Melville Housing Association



Policy : Risk Management

Subject:	Risk Management Policy
Section:	Directorate
Objective:	To ensure that risks are identified and managed effectively.
Scottish Social Housing Charter	
Relevant Legislation	Policy developed to comply with Relevant Legislation.
Issue Date:	November 2019
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1. Definitions

1.1 Risk

Risk is any event or action that prevents Melville Housing from maintaining good performance and/or from meeting pre set targets, goals and plans and/or results in loss being incurred by the Association.

1.2 Risk Management

Risk Management is the process whereby we can maximise gains and good performance, maximise ability to achieve targets, goals and plans and minimise losses.

Risks are dynamic and the risk management process must therefore be continuous i.e. part of continuous improvement.

2. Policy

2.1 We acknowledge that there are risks associated with all of our activities, our overall future strategy and the environment in which we operate.

2.2 We recognise the need for, and the value of, a comprehensive Risk Management Policy. The aim of the policy is to embed a risk management culture throughout the organisation.

2.3 We recognise that it is not possible to foresee and anticipate every eventuality, and that some events are outwith its control. The Association, through our Board, Audit Committee and Management will review the Risk on an ongoing basis.

2.4 We have developed an organisational and reporting structure and a range of procedures, which together make up the Risk Management Policy. This document describes these arrangements and refers, where appropriate, to specific related policies or procedures.

3. Purpose

3.1 Through our Risk Management Policy, we aim take a structured approach to the identification and analysis of key strategic and financial risks.

3.2 Through effective implementation we will:

- Make risk management part of our culture
- Identify risks in a consistent way
- Identify methods of eliminating, controlling, mitigating, transferring or monitoring risks
- Ensure effective monitoring and reporting of the risk management process

4. Responsibility

4.1 The Board

The Board recognises that it is ultimately responsible for managing risk within the organisation and identifying and monitoring key risks within the Association. They will receive an annual report from the Audit Committee on the adequacy of the Risk Management process. It will also comment on the Risk Map and any relevant reports on emerging and changing risk prepared by the Management Team and use this to identify any additional risks.

4.2 Audit Committee

The Audit Committee has the delegated authority to ensure that the Risk Management framework and process is working properly, and that it is efficient and effective. The Audit Committee will review the Association's full Risk Map on an annual basis and will review progress against the High risks through regular reports from the Senior Management Team (primarily updates on the risk map). It may also review reports from the internal auditors on the Risk Management process. The Audit Committee will issue an annual report on the efficiency and effectiveness of the process to the Board.

4.3 Management Team

The Management Team is primarily responsible for identifying both strategic and operational risks and ensuring that the Risk Management process is operating effectively. They are responsible for:

- Preparing an initial risk map and risk management strategy
- Advising the Audit Committee of changing/emerging major risks
- Reporting annually to the Audit Committee on the risk management policy, framework and process
- Advising on the risk factors of all decisions tabled to the Board and Committees
- Maintaining the Association's Risk Map
- Monitoring training requirements for all staff in risk management.

4.4 Staff

Association staff are responsible for identifying emerging/changing risks within their areas of operations and notifying these to the Management Team.

4.5 Chief Executive

The Chief Executive is primarily responsible for fulfilling the role of the Risk Management Officer for the Association. The duties of the Risk Management Officer are to ensure that:

- The Risk Management process is co-ordinated and every effort is made to embed a risk management culture in all the association's activities
- Appropriate training is provided
- The necessary reporting is undertaken

5. Framework

- 5.1 We will identify risks across our activities using a variety of methods, but will assess the risks using a standard approach.
- 5.2 Methods for identifying risks will be:
- Review of existing policies and services
 - Analysis of new policies, projects and services
 - Strengths/Weaknesses/Opportunities and Threats (SWOT) analysis
 - Political/Economic/Social/Technological (PEST) analysis
 - Staff meetings/training sessions
 - Board meetings/training sessions
- 5.3 Risks directly relating to our Corporate Strategy Objectives will be cross-referenced between the risk map and the relevant activity.
- 5.4 Senior Executives and Section Managers will review and assess the items in the risk map which are their responsibility.
- 5.5 Identified risks will be added to our risk map, with high risks (existing and emerging) being reported to the Management Team and Audit Committee.
- 5.6 Identified risks will be categorised into one or more of the following Risk Categories:
- a. Strategic/Planning and Directional
 - b. People
 - c. Financial
 - d. Managerial/Operational
 - e. Information Management & Technology
 - f. Political/External/Structural

The definitions of each risk category are detailed in **Appendix 1**

- 5.7 Once categorised, risks will be assessed and awarded an "Impact" score of 1 to 5 (1 being negligible impact and 5 being catastrophic risk). The standard impact scoring table is attached at **Appendix 2**.
- 5.8 Identified risks must then be assessed for the "Likelihood" of the identified risk materialising. Staff/Board, using their knowledge of the identified risk and the controls in place, must award a likelihood score of 1 to 5 (1 being remote, 5 being almost certain).
- 5.9 Identified risk will be added to the standard risk map template (**Appendix 3**) which includes:

- Reference
- Key Task (if applicable)
- Identified Risk
- Risk Category
- Impact Score
- Likelihood score
- Total risk score (Impact x Likelihood)
- Control(s) in place ore required
- Responsibility for managing the identified risk
- Reports (if required)
- Frequency of reporting

5.10 The total risk score (Impact x Likelihood) allows risks to be categorised into:

- High (15 – 25)
- Medium (9 – 14)
- Low (0 – 8)

(Appendix 4)

6. Inherent Risk and Current Risk

6.1 When first identified, the **Inherent Risk** is assessed. This is the risk as first scored before the effects of risk control measures are fully identified and/or controls are tested.

6.2 Once the inherent risk is assessed and the controls are identified/ established and/or tested, the risk can be re-scored. This may result in the Impact and/or Likelihood scores attached to the risk reducing. This then gives the **Current Risk** score.

6.3 All risk scores, both inherent and current should be reassessed regularly and adjusted as required to reflect changing conditions.

7. Risk Strategy

7.1 The Audit Committee will review our Risk Strategy on an annual basis.

7.2 The Risk Strategy will cover:

- Review of the effectiveness of the previous year's risk management process, including the effectiveness of reporting and recommendations for improvement.
- Review of the risk map to ensure the full risk map is an accurate reflection of the environment in which the Association is operating and that new and emerging risks are included in the map.
- Training Requirements, changes in responsibility and any new technical developments.
- Review of the risk category/Impact assessment tables (Appendices 1 and 2).

- Consideration of the risk attitude of the Association.
- Identification of Risk Management Priorities for the following Year.

8. Reporting

8.1 The key reporting mechanisms will be as follows:

- Review Risk Management Policy (reviewed every 3 years at minimum).
- Preparation of Risk Map covering the main risks related to the key objectives of the Association, by Management Team and Board.
- Extension of the Risk Map to functional Risk Maps covering the main departmental activities prepared by individual departmental heads and their staff. Any major risks not already highlighted to be escalated to objectives risk map.
- Agreement of Annual Risk Management Strategy to cover the issues detailed in paragraph 4.4. This will be prepared with reference to the Corporate Strategy Operational Objectives.
- The review of Risk Management framework will form part of the annual report of the Audit Committee.

8.2 The key reporting mechanisms will be as follows:

- Reports to the Audit Committee on any emerging risks or changes in risk identified from normal departmental or management team meetings. Risk Management will be on the agenda for all such meetings. The Risk Map will be formally updated as part of this report.
- All proposals put to the Board or Committees for decision will be risk assessed.

8.3 The Annual Report will summarise:

- Method of preparing/updating Risk Map and whether this is considered to have identified all major risks.
- The reasons why any Internal Management Plan objectives have not been met and whether the risk of this was identified.
- Training carried out throughout the Association.
- Effectiveness of the process for identifying emerging or changing risks and risk assessing Board Proposals.

It will also present any proposed amendments to the process.

8.4 The reporting framework is summarised in *Appendix 5*.

8.5 On at least a three yearly basis the process will be reviewed by Internal Audit.

9.0 Equality & Diversity

9.1 We are committed to Equality and Diversity and will not discriminate in the operation of this policy on the basis of age, gender, race, colour, ethnic or national origin, religion, marital status, family circumstances, political or sexual orientation, medical condition or disability. We aim to



promote equal opportunities and comply with all current legal requirements relating to equal opportunities.

10.0 Review of Policy

- 10.1 The Chief Executive will ensure this policy is reviewed every three years or earlier if there are any changes to legislation. Changes to this policy will be submitted to the Board for approval.

Risk Management Strategy

Appendix 1

Risk Profiling

Risk Categories

A Strategic/ Planning and Directional	Long-term risks to the organisation as a whole, including Political Climate, Finance Sources and Business Opportunities/Threats
B People	Risks relating to the day-to day staff responsibilities, accountabilities, communication, recruitment and retention
C Financial	Risks which affect the Association's financial position, financial targets, Planned Expenditure or risks relating to the safeguarding of assets (physical and non-physical).
D Managerial/Operational	Risks which impact on service delivery, relationships with third parties (customers/suppliers etc.) or which arise through processing/inability to process or reporting errors.
E Information Management & Technology	Risks to Information Management and Technology
F Political/External/Structural	Risks arising as a result of structure, laws, rules and regulations

**Melville Housing - Risk Profiling
IMPACT**

Scored from 1 to 5 depending on the nature of the risk as follows:

		A	B	C	D	E	F
Score	Description	Strategic/Planning/Directional	People	Financial	Managerial / Operational	Information Management & Technology	Political/ External
1	Negligible	Minimal impact on Mission and Purpose	Minimal disruption to staff/ very minor delay in recruiting staff. Minimal effect on customers / contractors / partners	Loss <£5000	Minimal impact – no service disruption/ no adverse publicity	IT unavailable or slow response for few minutes	Minimal impact on services
2	Minor	Minor changes to Mission and Purpose	Minor H&S incident/ minor staff complaint/ short term vacancy / minor complaint from tenants / contractors / partners	Loss £5001-£20,000	Minor impact on service provision/ some public embarrassment	IT down or slow for up to 10 mins/ loss of unimportant information	Minor impact e.g modest change caused by legislation
3	Moderate	Moderate change e.g. suspension of a business activity or significant delay to a project	Health & Safety incident with some harm/ staff unrest/ key post vacant for some time. Significant injury/upset to tenant(s), contractor(s) or partner(s) resulting in formal complaint	Loss £20,001 – 50,000	Some objectives partially achievable/ adverse publicity	IT down or slow for up to 2 hours/ poor information impacting on decision making	Impact requiring change to services to comply with new legislation or directions

4	Major	Major change e.g. abandonment of a business activity or of a major project	Severe Health & Safety incident/ industrial action/ unable to recruit skilled staff to key roles for extended period. Serious injury to tenant(s)/ contactor(s) / partner(s). Formal complaint/ investigation from external	Loss £50,001-£1,000,000	Significant impact on service provision/ damaging national adverse publicity	IT down or slow for up to 5 days/ major loss of data/ lack of or poor info causes wrong decisions to be taken impacting on the business	Significant and costly change to comply with legislation and directions
5	Catastrophic	Complete change to Mission and Purpose	Prolonged industrial action/ sustained loss of key groups of staff/ death causing termination of operations. Major long lasting impact on tenant(s)/ contractor(s) / Partner(s).	Loss >£1,000,000	Unable to function or carry out corporate obligations/ highly damaging publicity	IT down or slow for 1 working week/ huge loss of data causing termination of services/ decisions based on corrupted info threaten Association future	Association unable to continue operations

		Likelihood					
			Remote	Unusual	Possible	Probable	Almost certain
		Score	1	2	3	4	5
Impact	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
	Negligible	1	1	2	3	4	5
Key:	HIGH						
	MEDIUM						
	LOW						

Appendix 5

Reports

The framework will be supported by the following reporting structure:

Report	Contents	Responsibility to Prepare	Recipients
4 monthly updated Risk Map (maintenance of risk map)	Risk Map of the Association's "High" risks	Managers / Staff	Management Team / Staff
4 monthly updated Risk Map	Risk Map of the Association's "High" risks	Senior Management Team	Audit Committee
Ad hoc reports on new, emerging changing risks	Updated risk map in respect of new, emerging or changing risks ("High/Medium" risks)	Managers	Senior Management Team / Audit Committee
Reports on new, emerging changing risks	Updated risk map in respect of new, emerging or changing risks ("High/Medium" risks)	Managers	Management Team / Audit Committee
Internal Audit Reports	The adequacy of internal controls in all areas	Internal Auditors	Audit Committee
Internal Audit Annual Report	Summary report on the adequacy of internal controls in all areas	Internal Auditors	Board
Annual Risk Management Report	Review of the Risk Management activities carried out in the year	Audit Committee	Board