Melville Housing Association

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.
Corporate Strategy	Strengthen Core Services, Maintain Excellent Standards of Governance
Issue Date:	November 2022
Review Date:	November 2025
Policy Ref No:	GOV 005

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 Strategic 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 or 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:

Combined Scores	Key	Monitoring
1 to 8	Low	Annually
9 - 14	Medium	Twice per Annum
15 - 25	High	Quarterly

See 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 appetite (attitude) of the Association.

- Identification of Risk Management Priorities for the following Year.

8.   Risk Appetite

8.1   The Association undertakes regular reviews of our risk management to ensure that it is fit for purpose and that our corporate objectives are achievable.

8.2   As part of this we have produced a detailed risk register which allows the Association to manage risks effectively.

8.3   In determining what is the best action to take consideration will be given to the risk appetite of the organisation. This basically means that we will determine whether we will have a low, medium, or high appetite and depending on this appetite what technique we will utilise to either avoid, prevent, retain, cover or transfer the risk.

8.4   The higher the appetite the more risk we will take (retain risk) whereas the lower the appetite the more risks we will avoid (avoid).

8.5   The Association will retain the risk register in its entirety (for audit purposes and to monitor movement in risks) however will undertake reviews by the Audit Committee **only** on areas of strategic High Risk.

8.6   Quarterly monitoring of risks will be undertaken by the Chief Executive and/or other relevant members of the Senior Management Team.

8.6   Formal six monthly staff reviews will be undertaken on Medium Risk and annually on Low Risk items by the Senior Management Team.

8.7   As part of the 6 monthly or annual reviews staff will report any strategic risk that has moved into the high-risk category.

8.8   The assessment (likelihood and impact) will consider the risk appetite of the organisation. The current risk appetite of the Association is detailed below.

Risk Appetite

Risk Category	Risk Type	Risk Appetite
Financial	Financial	Low
Strategic / Planning & Directional	Governance	Low
Managerial / Operational	Housing Management	Medium
Financial	Stock Condition	Low
Information Management Technology	Technological	Medium
Political / External / Structural	Legal/ Reputational	Low
Strategic / Planning & Directional	Strategic Intent	Medium
Managerial / Operational	Supply Chain	High
People and/or Financial	Health and Safety	Low
Political / External / Structural	Political	High
Political / External / Structural	Economic	Medium
Political / External / Structural	Social	Medium
Political / External / Structural	Legislative/ Regulatory	Low
Political / External / Structural	Environmental	Medium
People and/or Managerial / Operational	Performance Management	Medium
Managerial / Operational	Customer	Medium
Managerial / Operational	Managerial/ Professional	High
Managerial / Operational	Partnership/ Contractual	Medium

8.9   If our risk score (after control measures are introduced and implemented) is higher than our risk appetite these will be reported to the Audit Committee alongside the areas of High strategic risk for further analysis.

9.   Reporting

9.1   The key reporting mechanisms will be as follows:

- Risk Appetite reviewed every year.

- 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 Senior 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 the 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.

9.2   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.

9.3   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 Corporate 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.

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

9.5 On at least a three yearly basis the process will be reviewed by Internal Audit. (Note: last internal audit undertaken was November 2021)

10.0 Equality & Diversity

10.1 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.

11.0 General Data Protection Regulation & Data Protection Act 2018

11.1 In undertaking this policy the Association will ensure that any data held will follow the above and that we will follow the 8 principles relating to processing data.

12.0 Review of Policy

12.1 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.

Melville Housing
Sustainable Thriving Communities

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	**Insignificant**	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 |

Melville Housing Risk Map

Section

Ref/ Key Task/ Risk	Corp Obj	Risk Cat	Inherent Risk Score			Control(s)	Responsibility	Reports	Frequency	Current Risk Score		
			I	L	Total					I	L	Total
					0							0
					0							0
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			Likelihood				
			Rare	**Unlikely**	**Possibly**	**Likely**	**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
	Insignificant	1	1	2	3	4	5

Key:		
	HIGH	
	MEDIUM	
	LOW	

Combined Scores	Key	Monitoring
1 to 8	Low	Annually
9 - 14	Medium	Twice per Annum
15 - 25	High	Quarterly

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