

# **FORTH HOUSING ASSOCIATION LIMITED**

## **RISK MANAGEMENT POLICY**

Code: GOV 20

Approval: January 2021

Review Date: January 2024

Cross Reference: Business Continuity Plan  
(GOV 08)



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*January 2021*

## **1. Introduction**

1.1 The purpose of the risk management policy is to ensure that the Association has an appropriate and proportionate approach to dealing with risks associated with our operating environment.

1.2 This replaces the previous policy setting out our approach to risk management together with agreed strategic risks and how these will be addressed.

## **2. Regulatory Expectations**

2.1 The Scottish Housing Regulator (SHR) sets clear expectations about the importance of risk management in its Regulatory Standards of Governance and Financial Management. Specific relevant requirements are as follows:

*GS 3.2 - The governing body fully understands the implications of the treasury management strategy it adopts, ensures this is in the best interests of the RSL and that it understands the associated risks.*

*GS 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.*

*GS 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.*

*GS 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.*

## **3. Defining Risk**

3.1 Risk can be defined as any event or action that prevents the Association from maintaining good performance and/or meeting pre-set targets, goals and plans contained within our Business Plan and Internal Management Plan; and /or results in loss being incurred.

## **4. Approach to Risk Management**

4.1 The Association's risk management policy is fully integrated into our planning and performance framework. It links directly with our annual Business Plan and related objectives. In turn, the Business Plan is informed by our annual Board Away Day / Strategy Review, where the Board decide on medium-term strategic objectives as well as specific priorities for the year ahead. Assessment of the external environment and related potential risks will be an integral feature of the annual Strategy Review and will focus on how we:

- Identify risks
- Assess them
- Control them
- Monitor and review them

### **4.2 Risk Appetite**

Risk appetite is a core consideration in any risk management approach. It is a clear expression by the Committee of the extent of their willingness to take risk in order to meet their strategic objectives.

No organisation can achieve its objectives without taking risk. Therefore, the question is not whether the Association should take risk, but how much risk is the Committee willing to take to deliver its business plan.

### **4.3 Risk Identification**

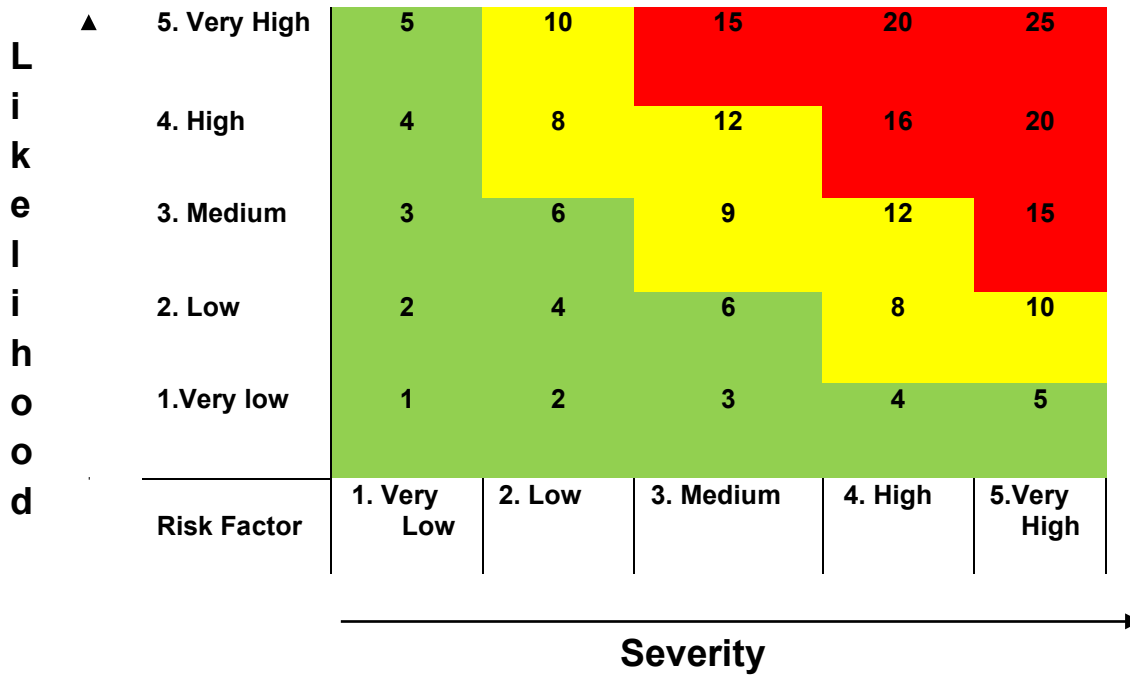
Through the Strategy Review process, the Board will consider possible strategic risks that could impact on the business, with advice from the Management Team and expert external consultants.

In addition, the Management Team will undertake regular environmental scanning so that potential new strategic risk issues that arise between strategy reviews are brought to the Board's attention via appropriate Board reports.

Each Manager has responsibility for identifying operational risks against relevant business plan objectives and priorities. These risks are then clearly set out and prioritised within operational Risk Registers.

#### 4.4 Risk Assessment

The Board and Management Team evaluate a) the likelihood and b) the potential impact of each identified strategic risk, with scoring based on a on a risk matrix scale of 1 to 5 for likelihood and also 1 to 5 for severity. This results in a combined score for each risk, the lowest score being 1 (1X1, low likelihood, low severity), and the highest score being 25 (5 x 5, high likelihood, high severity), with colour-coding to assist clear identification of higher risks as per below.



#### 4.5 Management and control of risk

The Board has responsibility for approving the risk management strategy and for ensuring appropriate control and monitoring arrangements are in place. The Board, supported by the Management Team, will review strategic risks via the annual Strategy Review and the Business Planning process. The roles of the Board and the staff team in relation to risk management are summarised in Appendix 1.

For both strategic and operational risks, we have departmental Risk Registers which identify a senior staff member as having responsibility for assessing and controlling the risk. For every risk, the Register will identify specific control measures and where no existing controls are in place or existing controls are considered inadequate, specific actions and related timescales are identified to address the risk.

#### 4.6 Monitoring and review arrangements

Managers are responsible for identification and control of operational risks within their respective department; and this will be monitored by the Director.

We will compare the Association's Risk Registers (and Strategy) with those of peer Registered Social Landlords (RSLs) on an ongoing basis. We will also arrange evaluation of the Registers by the Internal Auditors on a regular basis to ensure they meet current best practice and link directly and appropriately to our business activities and objectives.

The Board identifies, considers and agrees the strategic risks and associated register. The Management Team will continually update proposed operational risks and controls, and Risk Registers will be presented to the Audit Committee on a regular basis.

Monitoring and review arrangements are identified for each risk as appropriate within the Register, with individual Managers responsible for taking appropriate action.

Risks will be added to the Register as and when they are identified, and via the annual / bi-annual Business Planning process; and risk scores and actions adjusted as appropriate.

## 5. Strategic Risks

Strategic risk areas are risks which if they were to occur could have a significant adverse effect on the business and the successful delivery of our priorities. These have been grouped into various categories:

Examples of specific risk areas could include:

- political change, including a potential move to Scottish independence
- welfare benefit reform and reducing household income
- economic climate (including unemployment and availability/ cost of loan funding)
- Changes to subsidy levels and cost of new-build/ mixed tenure development
- ageing population
- housing demand and competition for tenants across sector
- legislation on carbon / waste reduction, energy standards and factoring, with possible cost implications
- major health and safety failure/ stock disaster
- major contractor failure/ collapse
- governance failure/ lack of participation/ regulatory change

Each of these strategic risks will be outlined in more detail in the Risk Register and will be updated on an annual basis.

## 6. Equality & Diversity

As a service provider and employer, we recognise the requirements of the Equality Act 2010, oppose any form of discrimination and will treat all customers, internal and external, with dignity and respect. We recognise diversity and will ensure that all of our actions ensure accessibility and reduce barriers to employment and the services we provide.

## 6. Monitoring and review

- 6.1 All substantive reports to the Management Committee will consider risk as one of the implications of any recommendations being made.
- 6.2 In addition regular monitoring reports will seek to consider and monitor risks identified in the strategy.
- 6.3 This policy will be reviewed at least every 3 years by the Management Committee and staff are responsible for ensuring that it meets legal and good practice requirements.

## Appendix 1: Risk management roles and responsibilities

<b>Board</b>	To take overall responsibility for development, implementation and review of risk management strategy, and to oversee the effective management of risk by managers of the Association.
<b>Director</b>	To ensure that the risk management policy and strategy is implemented on day-to-day basis and that risk is managed effectively across the Association.  To develop and maintain the strategic risk register for the Association.
<b>Managers</b>	To manage risk effectively in their particular service areas (Customer Services, Asset Management, Finance and Corporate Services) by completing operational risk assessments and maintaining associated portfolios.
<b>Employees</b>	To manage risk effectively in their job.
<b>Internal Audit</b>	To ensure that risk management cycle is rigorously applied and that risks are being effectively managed as a result.