CDHA

Cathcart & District Housing Association

POLICY TITLE	GROUP RISK MANAGEMENT POLICY
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DATE FOR NEXT REVIEW	MAY 2020
REVIEW BODY	MANAGEMENT COMMITTEE
POLICY ON WEBSITE	YES
SCOTTISH HOUSING REGULATOR STANDARDS	STANDARD 1 : The governing body leads and directs the RSL to achieve good outcomes for its tenants and other service users STANDARD 2 : The RSL is open about and accountable for what it does. It understands and takes account of the needs and priorities of its tenants, service users and stakeholders. And its primary focus is the sustainable achievement of these priorities. STANDARD 3 : The RSL manages its resources to ensure its financial well-being and economic effectiveness STANDARD 4 : The governing body bases its decisions on good quality information and advice and identifies an mitigates risks to the organisations purpose STANDARD 5 : The RSL conducts its affairs with honesty and integrity STANDARD 6 : The governing body and senior officers have the skills and knowledge they need to be effective.

Cathcart & District Housing Association Ltd & CDHA Management & Development Ltd (The Group)

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Introduction

Risk is defined as an event that can have a negative impact. Conversely an event that can have a positive impact is an opportunity. Risks and opportunities are inevitably intertwined. In general, risks involving people and organizations occur because an opportunity is being sought. There are risks and opportunities associated with current activities together with anything new and untried. The Cathcart Housing Group (The Group) wants to embrace new opportunities and recognises that it will rarely be possible to remove risk associated with new opportunities completely.

The Group's aim is to identify, manage and minimise, rather than eliminate, risks which may prevent the organisation achieving its objectives. The identification and management of risk is on-going and occurs as changes are made to how the Group operates and to the external environment in which it works.

This Risk Management Strategy articulates how THE GROUP manages risk and reflects the evolution of its approach, in line with that of the sector and takes into account the principles outlined by the sector's Regulator.

Central to THE GROUP's strategic approach is its processes and framework for risk management. The Group is committed to embedding risk management throughout the organisation and its systems and controls are designed to ensure that exposure to significant risk is properly managed. The Group Board sets internal policy on risk (via this document) and other internal controls. Additionally it has responsibility for determining the strategic direction and via its committees providing oversight of risk management.

The management of risk is a continuous process that is linked to the Group's annual business planning cycle and is designed to identify and prioritise the risks to the achievement of policies, aims and objectives.

This Risk Management Strategy outlines in detail the arrangements and processes by which the Group identifies, categorises, assesses and addresses risks. Under it, the key risks facing each part of the Group are regularly reviewed and assessed, together with the steps to avoid or mitigate those risks.

Whilst this strategy document sets out defined processes for managing risk, the Group recognises that successful risk management can only be accomplished on a day-to-day basis by staff at all levels.

Overview

The Group's approach is to assess risk in respect of the combination of likelihood of something happening and the impact that arises if it does happen.

The resources available for managing risk are finite and so it is the aim of the Group to achieve an optimum response to risk and to identify priorities in accordance with the evaluation of the risks. The term 'risk appetite' is used to refer to the amount of risk which the organisation is prepared to accept, tolerate, or be exposed to at any point in time.

Risk management is the process by which:

- risks are identified in relation to the achievement of objectives;
- risks are assessed by reference to their relative likelihood and impact;
- the identified risks are responded to, taking into account the organization's assessment and tolerance; and
- risks are reviewed and reported – to ensure the risk register is up to date, to gain assurance that responses are effective, and identify when further action is necessary.

The goals of risk management are:

- to take a proactive approach, anticipating and influencing events before they happen;
- to facilitate better informed decision making; and
- to improve contingency planning.

The Group's approach to risk management is based around assessment, evaluation, management and measurement, as follows:

- **Assess** – identify important parts of the business – service, staff, finance

- **Evaluate** – consider what risks each of these face and are they operational or external, set out in a risk register.
- **Manage** – what can we do to minimise the risk
- **Measure** – score the risk.

It is essential that the risk management process is intertwined with other operating activities and permeates the Group's management and operations.

Categorising Risk

The risk categories are intended to provide a means of grouping related risks within the risk register, as risks are commonly not entirely independent from each other.

The main risk categories are:

- **External** - arising from the external environment, not wholly within the Group's control but where action can be taken to mitigate the risk;
- **Operational** - relating to the successful execution of existing operations – both current delivery and building and maintaining capacity and capability; and
- **Change** - risks created by decisions to pursue new endeavours beyond current capacity.

Examples of categories:

- External: Political, Economic, Social Cultural, Technological, Legal, Environmental Regulation.
- Operational : Delivery, Capacity, Capability
- Change : New projects, Policies, Change programmes

Assessing Risks

There are three important principles for assessing risks:

- ensure that there is a **clear structure** to the process so that both likelihood and impact are considered for each risk;
- **record** the assessment of risk in a way which facilitates monitoring and the identification of risk priorities; and
- be clear about the difference between inherent and residual risk.

To evaluate risks, all risks are scored in terms of their likelihood and potential impact using the following scale.

The score for the likelihood and impact are then multiplied to give an overall risk assessment.

Likelihood		**Impact**	
Score		**Score**	
4	Almost Certain	**5**	Catastrophic
3	Likely	**4**	Major
2	Possible	**3**	Manageable
1	Unlikely	**2**	Minor

Risk Appetite

The aim of the Risk Management Strategy is not to remove all risk but to recognise that some level of risk will always exist. It is recognised that taking risks in a controlled manner is fundamental to innovation and the building of a can-do culture which is fundamental to the continued success of the Group.

Risk appetite is the amount of risk that the organisation is prepared to accept, tolerate or be exposed to at any point in time. Risk appetite can be expressed as a boundary, above which the organization will not tolerate the level of risk and further actions must be taken:

Impact Severity	Impact multiplier	Assessment of risk				
Critical	4					
High	3					
Medium	2					
Low	1					

Multiplier	1	2	3	4	
Likelihood	Unlikely	Possibly	Likely	Almost Certain	

Key		
Almost Certain	4	Unacceptable level or risk exposure which requires immediate corrective action to be taken.
Likely	3	Unacceptable level or risk exposure which requires constant active monitoring and measures to be put in place to reduce exposure.
Moderate	2	Acceptable level or risk exposure subject to regular active monitoring measures.
Unlikely	1	Acceptable level of risk subject to regular passive monitoring measures.

The risk appetite is monitored by the inherent and residual risk assessment figures. Generally The Group's policy is to manage closely all residual risks scoring **8+** and it will not wish to tolerate risks scoring 16+.

The Group's risk appetite is not necessarily static. The Board may vary the amount of risk which it is prepared to take depending on the circumstances.

The Board has agreed to focus on monitoring of risks with a score of 8 or more on a quarterly basis.

Risk Roles and Responsibilities

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

Risk Register/Corporate Risk Map

The Risk Register documents the risk assessment in order to:

- facilitate the **identification** of risk priorities;
- capture the **reasons** for decision made about what is and is not tolerable exposure;
- **record** the way in which it is decided to **address** risk;
- allow all those concerned with risk management to see the overall risk profile and how their areas of particular responsibility fit into it; and
- facilitate the review and monitoring of risks.

A quarterly report will be provided to both CDHA Ltd Board and Subsidiary Board in order to continue to monitor any identified risks in relation to all areas of the business.

For major change projects, the risks identified, their assessment, the response to each and the risk owner will be considered at the time of the business case being put forward for that particular activity.

Reviewing and reporting risks

The management of risks has to be reviewed and reported on for two 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.

The review process will:

- ensure that all aspects of the risk management process are reviewed at least once a year;
- ensure that identified risks themselves are subject to review at least quarterly; and
- identify new risks and changes in already identified risks so that the change can be appropriately addressed.

The Risk Management Strategy will be reviewed 3 yearly, initially by the Senior Management Team, followed by the Board.

The Risk Register is a live document. Staff and Board members are encouraged to notify the Senior Management Team at any stage of potential changes to the register.

The register will be formally reviewed and updated quarterly by the Senior Management Team. The updated register will then be reviewed quarterly by the Board.

The risk management processes described in this document operates in the context of a wider assurance framework within the Group.

Each risk is assessed twice. Firstly the '**INHERENT**' risk which is the exposure arising from a specific risk therefore mitigating action has been take to manage it.

Secondly the '**RESIDUAL'** risk which is the exposure arising from a specific risk after action has been taken to manage it and making the assumption that the action is effective.

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 impact of the risk on the Group (including its reputation), stakeholders and the public; and
- Defensibility of realisation of the risk.

The impact descriptors are only an indication of the probable effect on the Group 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.

In particular when assessing financial impact 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.

A summary of the likelihood descriptors is as follows:

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, i.e. on an annual basis; and
If new event, likelihood of occurrence regarded as almost in evitable

Likely: Likelihood greater than **50%**

There is a strong possibility the event or risk will occur
There may be a history of frequent occurrences
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

Moderate: Likelihood between **10% and 50%**

The event might occur at some time
There could be a history of casual occurrence
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

Impact Descriptors

Description	Financial Impact	Health & Safety	Asset Loss	Business Interruption
Low	<£2k	Minor injury, medical treatment and some days lost	Minor loss or damage to assets	Interruption inconvenient; ½ -1 day. Critical systems unavailable for several hours
Medium	<£50k	Serious Medical treatment hospitalisation and numerous days lost	Major damage to assets	Interruption 1 day – 1 week Client dissatisfaction; Critical systems unavailable for up to 1 day
High	<£1m	Single death or extensive injuries or long term illness, fire destroys partial property	Significant loss of assets	1 week – 1 month Critical systems unavailable for 1 day or a series of prolonged outages.
Critical	>£1m	Multiple deaths or severe permanent disabilities or major Fire destroys office and or properties	Complete loss of assets	Interruption more than 1 month. Critical systems unavailable for more than a day (at a crucial time)

Addressing Risks

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

The appropriate response to each risk will depend on its nature and the outcome of the risk assessment.

There are five key aspects of addressing risks:

TOLERATE: The exposure 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 such action may be disproportional to the potential benefit gained. In these cases the response may be to tolerate the existing level of risk.

TREAT: by far the greatest number of risks will be addressed in this way. The purpose of treatment is that whilst continuing within the Group with the activity giving rise to 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. This option is particularly good for mitigating financial risks to assets.

TERMINATE: some risks will only be treatable, or confinable to acceptable levels, by terminating the activities.

TAKE THE OPPORTUNITY: this option is not an alternative to those above: rather it is an option which should be considered whenever tolerating, transferring or treating a risk.

Risk management – roles and responsibilities

Board

The Board has responsibility for ensuring that the Group fulfils the aims and objectives and for promoting the efficient and effective use of staff and other resources by the Group.

The Board shall demonstrate high standards of corporate governance at all times, to address the key financial and other risks facing the Group.

The Board has responsibility for ensuring that the Group's financial plans are sufficiently robust to manage potential scenarios that would increase cumulative risk to the business and shall demonstrate this through stress testing of annual 30 year financial plan.

Only risks with a residual level of 12 or more on the register are highlighted to the Board on a routine basis.

Senior Management Team

In managing risk the Senior Management Team are 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 are involved in the risk management system; and
- The risk register.

This includes:

- Setting and communicating the risk management strategy;
- Providing leadership and direction over the risk register; and
- Conducting an annual review of the effectiveness of the system of internal control in support of the Statement of Compliance.

The Senior Management Team is responsible for developing and implementing the process and maintaining the risk register document.

The Senior Management Team will facilitate discussion of risk with local and cross functional management teams as an integral part of the business plan process.

All staff

Whilst this strategy document sets out defined processes for managing risk, successful risk management can only be accomplished on a day-to-day basis by staff.

At all levels through their working practices; it does not simply lie inert in corporate policies and management structures. 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 core briefings, team meetings and one to one sessions, etc.

Internal Audit

Internal Audit plays a key role in evaluation the effectiveness of, and recommending improvements to, the risk management process. This is based on the systematic review and evaluation of the policies, procedures and operations in place to:

- establish and monitor the achievement of the organisation's objectives;
- identify, assess and manage the risks to achieving the organisation's objectives;
- advise on, formulate, and evaluate policy;

- ensure the economical, effective and efficient use of resources;
- ensure compliance with established policies (including behavioural and ethical expectations), procedures, laws and regulations;
- safeguard the organisation’s assets and interests from losses of all kings, including fraud, irregularity or corruption; and
- ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes.

In addition, Internal Audit aims to add value through:

- supporting and facilitating the identification of risks and the development of processes and procedures to assess and effectively respond to risks;
- the identification and recommendation of potential process improvements;
- the provision of advice to manage risks in developing systems, processes, projects and procedures and
- the provision of best practice advice to all sections of the Group; and encouraging best practice and engendering continuous improvement.

Glossary of Key Terms

Assurance	An evaluated opinion, based on evidence gained from review, on the organisation's governance, risk management and internal control framework.
Exposure	The consequences, as a combination of impact and likelihood, which may be experienced by the organisation if a specific risks realised.
Impact	The probable effect on the organisation if the risk occurs.
Inherent risk	The exposure arising from a specific risk before any action has been taken to manage it.
Likelihood	The probability or chance of the risk occurring.
Opportunity	An event that can have a positive impact.
Residual risk	The exposure arising from a specific risk after action has been taken to manage it and making the assumption that the action is effective.
Risk	Risk is defined as an event that can have a negative impact.
Risk appetite	The amount of risk that an organisation is prepared to accept, tolerate, or be exposed to at any point in time.
Risk assessment	The evaluation of risk with regard to the impact if the risk is realised, and the likelihood of the risk being realised progress.
Risk Management	All the processes involved identifying, assessing and judging risks, assigning ownership, taking actions to mitigate or anticipate them, and monitoring and reviewing progress.
Risk Register	The documented and prioritised overall assessment of the range of specific risks faced by the organisation.