

Risk Management Strategy

Customer
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Integrity



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CLOCH HOUSING ASSOCIATION

RISK MANAGEMENT POLICY AND PROCEDURE

1.0 OVERVIEW

1.1 This document sets out Cloch's approach to risk management. It will be kept under review, and subject to a formal review exercise at least every 3 years.

1.2 Cloch Housing Association is committed to achieving its vision and strategic objectives. In seeking to achieve these objectives, we recognise that the Association will face all manner of risks.

1.3 Risk is regarded as a quantifiable level of exposure to the threat of an event or action that will adversely affect the Associations' ability to achieve their business objectives. The task of management is to identify and respond effectively to these risks, to maximise the likelihood of the Association achieving its purpose and ensuring the best use of resources.

2.0 RISK MANAGEMENT POLICY STATEMENT

2.1 The Board of Cloch Housing Association is committed to ensuring that the management of risk underpins all business activities of Cloch Housing Association, safeguarding against the following:

- Poor service quality
- Financial loss
- Waste, and poor value for money
- Injury and/or death to staff, tenants and other customers and the public
- Reputational damage

2.2 The Board recognise that the application of risk management practices will not eliminate all risk exposure. While the application of this policy should create a better understanding of the risks being faced and their implications for the business, there may be occasions where the risk is considered too high to proceed with a preferred course of action – this could include a high level of cumulative risk across all activities at a particular point in time.

2.3 A risk scoring criteria will be established, classifying identified risks as either high, medium or low. Generally speaking, risks classified as "high" will be above the Associations' risk appetite, unless suitable mitigating action can be identified to reduce or transfer the risk elsewhere.

2.4 A risk management process will be established to ensure that, as far as possible, for each key priority agreed by the Associations, the following is known:

- The type and level of risk for each activity, service, and operation
- How the risk is being managed
- Whether further action is needed to mitigate the risk, including the transfer of the risk, or whether the Association will knowingly accept, or tolerate the risk.

2.5 The Board, managers, and staff will establish, maintain and support the risk management process, and ensure that effective mechanisms are in place for assessing and responding to any issues arising.

2.6 All staff must understand the nature of risk within Cloch Housing Association, and managers must accept further responsibility for “ownership” of particular identified risks, including the effectiveness of associated controls in place, and the tracking of agreed mitigating actions to the conclusion. These requirements should be reflected in job descriptions, and suitable training will be provided so that all staff can understand their respective responsibilities.

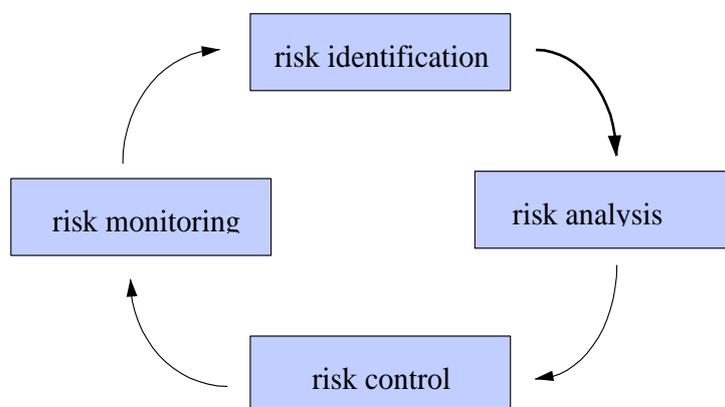
2.7 The risk management process should achieve the following outcomes:

- Deliver an awareness of risk at all levels of the organisation
- Ensure appropriate mechanisms exist to ensure that the complete picture of risk faced by each Association can be determined
- Highlight risk to a level where it can be effectively responded to.

3.0 RISK MANAGEMENT PROCESS

3.1 Cloch Housing Association recognises and will apply, a risk management cycle to identify, analyse, control and monitor the full range of risks, including strategic and operational risks that it faces.

The risk management cycle



Risk management is the process of:

- identifying risks
- evaluating their potential consequences
- finding effective ways to control and manage them

Risk management aims to minimise the chance of risks happening and reduce their impact if they do occur.

3.2 The **risk management process** will have the following aims:

- To promote awareness of business risk and embed the approach to risk management throughout the Association.

- To identify, measure, control, and report on any business risk that will undermine the achievement of Cloch Housing Association's business priorities, through appropriate assessment criteria.
- To seek to identify the risk and its cause at the earliest opportunity, and measure the risk effect on the organisation.
- To apply a proportionate level of resources to control the risks, to maximise the quality of its services and maintain its reputation.
- To monitor and measure the overall performance of the risk management policy and process, and the way it contributes to the achievement of business goals.
- To establish a rolling program of risk assessment, feeding into the business planning preparation processes.

The Association's Board and senior management team will monitor risk management arrangements across the Association.

3.3 Roles and responsibilities – Board level

- The Cloch Board will be responsible for approving the risk management policy and process, and for any subsequent revisions (the policy will be reviewed at least every 3 years).
- The Board will review cyclically (at least quarterly) the highest risks identified, and how they are being managed.
- Board will routinely consider the key risks associated with any decisions they are required to take, and committee reports will highlight specific risk areas.
- They will agree with an annual statement on internal control and the ongoing effectiveness of the risk management process, for inclusion in the annual financial statements.
- They will review the key strategic risks associated with the Business Plan, at the time of approving the new plan.

3.4 Roles and responsibilities – Joint Internal Audit Sub Committee

- It will receive an annual report from the chief officer and senior management of the Association on internal controls assurance and the effectiveness of the risk management process throughout the previous year, and based on this will recommend to the Board a statement for inclusion in the annual financial statement.

3.5 Roles and responsibilities –Director, Senior Management and other staff

- A lead manager from the Association will be appointed (currently the Director from Cloch) to oversee the risk management function in the Association, and to promote and ensure its ongoing effectiveness.
- The lead manager will, with input from the management team, report to the Board and the Audit Sub Committee on progress with risk management activities; produce an annual report to the Audit Committee on internal controls and risk management effectiveness to support the production of the annual statement of internal controls, and act as the key contact in connection with risk management issues.

- The management team will be responsible for ensuring that any necessary training, support or advice is provided to managers with specific responsibilities, and staff about the risk management process, and their responsibilities.
- Departmental managers will be responsible for conducting, with their staff, an annual review of all operational and strategic risks arising in their part of the business; for maintaining an up-to-date risk register where such risks are identified, assessed and mitigating action proposed; and for reporting on risk in their areas of responsibility.
- Managers must ensure that their employees, contractors, and partners are made aware of the importance of risk management, and how they can raise any matters of concern.
- Each risk included on the periodic report to Audit Sub Committee will have a “risk owner” identified, who will be a relevant manager with responsibility for the effectiveness of controls relating to that risk, and for identifying and delivering appropriate mitigating action to manage the risk successfully.
- All staff will be responsible for maintaining an awareness of risks and feeding any identified risks or concerns into formal processes.

3.6 The risk monitoring process

To demonstrate accountability and transparency clear records must be kept, decisions are recorded and a clear audit trail exists. The Association has established, through the use of a risk register, Appendix 1, a standard way in which risk will be assessed, recorded and reported. This approach will be kept under review.

3.7 The risk monitoring cycle will consist of annual reviews, by managers with their staff, and by the management teams of strategic risk associated with the Business Plan, combined with quarterly updates by the management teams of the overall risk register. The risk monitoring cycle will enable an up-to-date picture of the risk to be obtained and prioritised.

3.9 Project, program and partner risk

A formal risk assessment will be carried out as part of the appraisal of any new development project, and any other major project or program of projects including entering into major service contracts, or partnerships.

4.0 RISK ASSESSMENT PROCESS

4.1 Risk identification

- An operational, service or functional risk affects only a particular service or function and can be tackled by an individual manager responsible for the activity, providing they have the authority to do so.
- A corporate risk suggests a wider impact on the organisation and could affect or be present in many services, or all services (i.e. the risk is cross-cutting, and can only be managed or tackled corporately).

At least annually service managers and their staff team will undertake a risk identification review exercise, using the risk identification categories set out in Appendix 1 as a prompt to identify potential areas of vulnerability.

At least annually, as part of the process of preparing a new Business Plan, the management team will review the proposed objectives and priorities and performance targets proposed for inclusion in the Plan, to identify any corporate or strategic risks that might threaten the achievement of the Plan.

4.2 Impact

The likely impact of each identified risk on the business, should the risk be realised, will then be assessed, using a scale of one to five (see Risk Scoring Criteria at Appendix 2 for guidance on the level of impact).

4.3 Likelihood

The likelihood of each identified risk occurring within the next 12 months will then be assessed, taking account of the controls that the Association already has in place that will assist in the management of this risk. Controls are the mechanisms and arrangements that exist within the Association to mitigate or reduce the likelihood of risk occurrence. An internal control system encompasses the policies, processes, tasks, behaviors, and other aspects of the organisation that, taken together:

- facilitate its effective and efficient operation by enabling it to respond appropriately to significant risks, including the safeguarding of assets from inappropriate use or loss or fraud, and ensuring that liabilities are identified and managed;
- help ensure the quality of internal and external reporting (this requires the maintenance of proper records and processes that generate a flow of timely, relevant and reliable information);
- help ensure compliance with applicable laws, regulations and internal policies.

The likelihood of occurrence should be assessed using a scale of one to five (see Risk Scoring Criteria in Appendix 2 for guidance on the level of likelihood).

4.4 Risk Prioritisation

By multiplying together the scores attributed for impact and likelihood, each identified risk will then have an overall risk score allocated to it. Risks will then be ranked in priority order, according to their overall risk score. Risks can then be categorised as high, medium or low, according to the Risk Scoring Matrix (see Appendix 3). This will assist management in formulating action to mitigate risks and improve controls where it is most needed and where resources can be justified, i.e. areas of high risk.

- **High Risks (Red): scores of 15 – 25.** Risks that fall into this area require immediate attention. The progress of any identified action and the changing status of the risk (under the introduction of more effective controls, or deteriorating external or internal circumstances) will need to be closely monitored.
- **Medium Risk (Amber): scores of 8 – 14.** Risks that fall into this area may require mitigating action to be taken and will need to be monitored for any changes to the risk control environment.
- **Low Risks (Green): scores of 1 – 7.** Risks falling into this category will require review only, but no further action.

5.0 RESOURCES FOR RISK MANAGEMENT

5.1 Proportionality –Cloch Housing Association will make available a proportionate level of resources for the control of risks, and the Board and senior management will balance the cost of risk mitigation against the importance of the objective to be achieved, bearing in mind the risks identified in connection with that objective.

5.2 Time – Time spent on the implementation of risk management policies and processes by the lead officer, managers, and frontline staff will be a legitimate use of working time.

5.3 Training – Necessary training associated with the implementation of this policy will be incorporated into each Association’s annual training programs.

5.4 Insurance – Some risks will be best managed by taking out insurance against the eventuality of that risk occurring. The insurance requirements of each Association will be actively reviewed on an annual basis by the management team, bearing in mind the obligation to provide value for money for tenants.

5.5 Cost of proposed risk mitigation actions – In the course of the annual reviews and risk identification exercises, new risk mitigation actions will be identified for implementation. The costs of these proposed actions will be identified as part of the annual planning and budgeting process.

5.6 Definition of Assurance – The level of confidence which the Association has that its risk management, governance, and internal control processes are operating effectively. Assurance providing activities may take the form of regular management information such as the monthly management accounts, a series of papers or a one-off paper to the Committee, internal audit reports, other internal reviews, consultancy reports, etc.

6.0 THE ROLE OF INTERNAL AND EXTERNAL AUDIT

Both internal and external audit provides an independent examination and assessment of controls, assuring the governing body that these are operating effectively. While sharing some characteristics, internal and external audit have different objectives as outlined in the table below:

	External Audit	Internal Audit
Objectives	Add credibility and reliability to financial reports from the organisation to its stakeholders by giving an opinion on the report.	Evaluate and improve the effectiveness of governance, risk management and control processes. This provides members of the board and senior management with assurance that helps them fulfil their duties to the organisation and its stakeholders.
Coverage	Financial reports, financial reporting risks.	All categories of risk, their management, including reporting on them.
Responsibility for	None, however, there is a duty to report problems.	Improvement is fundamental to the purpose of internal auditing. But it is

improvement	done by advising, coaching and facilitating to not undermine the responsibility of management.
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APPENDIX 1 – RISK CATEGORIES

The following categories should be used as prompts to help identify potential areas of vulnerability or uncertainty:

Risk	Definition
Political	Associated with the failure to deliver either central or local government policies, or recognise their priorities; threats from new policies and legislation.
Financial/ Economic	Associated with financial planning and control. Affecting the ability of Cloch Housing Association to meet its financial commitments e.g. internal budgetary pressures, the failure to purchase adequate insurance cover, external macro-level economic changes e.g. market changes.
Social/ Cultural	Relating to the effects of changes in demographics, residential or socio-economic trends acting on Cloch Housing Association and our ability to respond and meet objectives.
Technological	Associated with the capacity to deal with the pace/scale of technological change, or Cloch Housing Associations' ability to use technology to address changing demands. This may also include the consequences of internal technological failures on Cloch Housing Association's ability to deliver its objectives.
Compliance	Related to possible non-compliance through breaches of legislation e.g. SORP non-compliance, illegality, non-compliance with regulatory requirements, with Health and Safety and/or non-adherence to Cloch Housing Association policies and procedures.
Environmental	Relating to the environmental consequences of progressing Cloch Housing Association objectives; energy and fuel efficiency issues; etc.
Commercial	Underperformance against contract specification leading to failure or inability to maintain provision; threats from the activities of competitors; partners change priorities.
Client/ Customer	Associated with failure to meet the current and changing needs and expectations of Cloch Housing Association tenants, clients and customers e.g. service quality; duty of care, or to expose Association staff or assets to unnecessary risk.

APPENDIX 2 – RISK SCORING CRITERIA

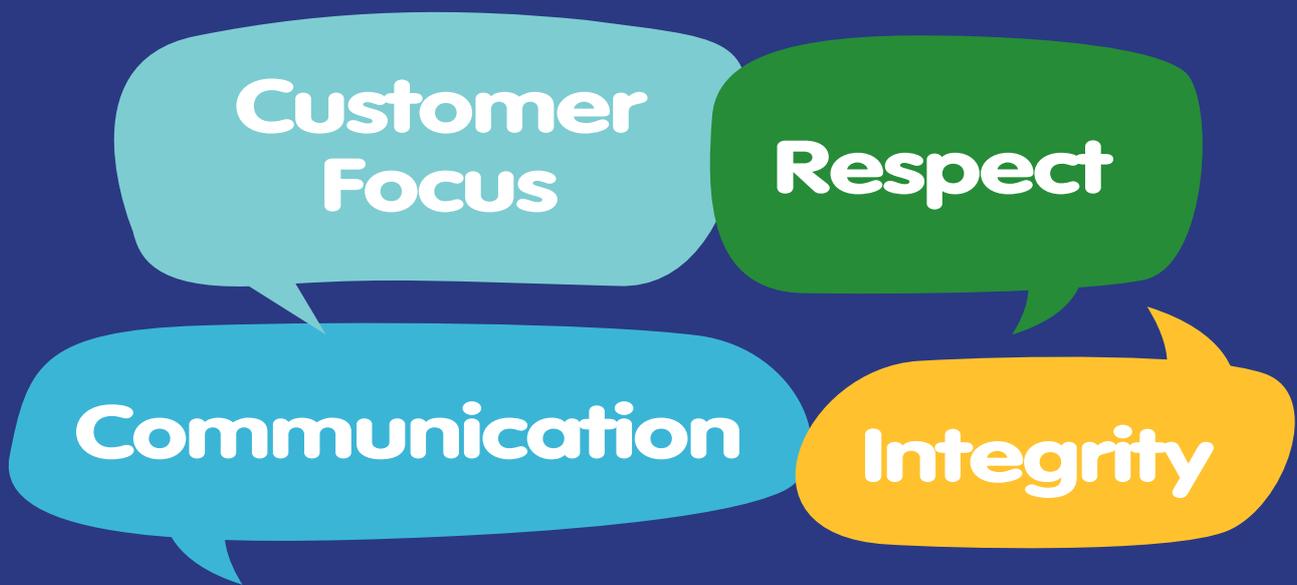
Impact	Financial	Service Quality	Health & safety	Reputation
5.Catastrophic	Losses exceeding £500K	Complete failure of services	Fatality	Reputational damage is irrecoverable e.g. regulatory intervention
4.Significant	Losses £150K to £500K	Significant reduction in service quality experienced	Multiple serious injuries occurring	Reputational damage occurs with key stakeholders
3.Moderate	Losses £50K to £150K	Service quality impaired – changes in service delivery required to maintain quality	Serious injury	Reputational damage is uncomfortable for Cloch Housing Association – adverse press publicity
2.Minor	Losses £5K to £50K	Marginally impaired – slight adjustment to service delivery required	Minor injury	Slight reputational damage arising
1.Slight	Negligible cost – up to £5K	Negligible effect on service quality	No injury	No effects on reputation

Likelihood of occurrence				
1.Rare	2.Unlikely	3.Possible	4.Likely	5.Almost certain
0 – 20%	21 – 40%	41 – 65%	66 – 90%	91 – 100%

APPENDIX 3 – RISK SCORING MATRIX

Impact

5.Catastrophic	5	10	15	20	25
4.Significant	4	8	12	16	20
3.Moderate	3	6	9	12	15
2.Minor	2	4	6	8	10
1.Slight	1	2	3	4	5
Likelihood	1.Rare	2.Unlikely	3.Possible	4.Likely	5.Almost Certain



CLOCH HOUSING ASSOCIATION LTD	
Policy Name	Risk Management Strategy
Policy Category	C-HR
Policy Number	020
Date Adopted	01/08/2013
This Review	07/08/2018
Next Review	August 2021
Equalities Impact Assessment Required	No
Link to other policies	Financial Regulations, Governance Procedures
Consultation	Not Required
Need for Procedure	No