

# Risk Management Statement, Strategy and Policy

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# Risk Management Statement, Strategy and Policy

## 1 Risk Management Statement

- 1.1 ACHA will ensure that risk management plays an integral part in the governance and management of the association at a strategic and operational level. The purpose of a risk management policy is designed to ensure that it achieves its stated business plan aims and objectives.

## 2 Risk Management Strategy

- 2.1 ACHA has developed a framework of risk management to identify those risks that will hinder the achievement of its strategic and operational objectives.
- 2.2 Risks are defined as, *“uncertain future events that might prevent an organisation from achieving its business objectives”*.
- 2.3 Risk Management is however defined as, *“the culture, processes and structures that are implemented by an organisation to manage potential risks and their adverse effects”*.
- 2.4 ACHA will therefore ensure that it has in place the means to **identify, analyse, control and monitor** the strategic and operational risks it faces using a risk management policy based on good practice in the social housing sector.
- 2.5 ACHA will ensure that the risk management strategy and policy are reviewed regularly and ACHA’s internal audit function will be responsible for ensuring;
- the risk management policy is applied to all areas of ACHA’s business
  - the policy and its operational application are regularly reviewed
  - non compliance with the policy is reported to the Finance and Audit Committee, Chief Executive and Chair of ACHA’s Board of Management.
- 2.6 ACHA recognises that the Board of Management Members are responsible for the overarching framework of risk management. However, the implementation of the risk management policy is the responsibility of all employees of ACHA. ACHA is therefore committed to the involvement of all staff in the process of risk identification, analysis and control and monitoring.
- 2.7 ACHA will develop a culture of risk management within the organisation through the inclusion of staff in the process but also the regular provision of training, guidance and communication on risk management.

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## 3 Principles of the Risk Management Policy

- 3.1 Risk management should be established and integrated within existing management processes, including corporate planning, performance management and project management.
- 3.2 Risk management will be used as a tool to ensure that ACHA can respond to the best of its abilities to changing demands, improve its performance and make most effective use of its resources. ACHA also aspires to be an innovative organisation taking calculated risks, which have been identified and evaluated.
- 3.3 Principles of best practice in risk management will be used to develop ACHA's systems and processes of risk management.

## 4 Risk Management in planning

- 4.1 Risk Management will be an integral part of ACHA's corporate planning and decision-making processes. Strategic and major operational risks will be identified as part of the Departmental Operational Plans. For new initiatives and projects risk management will be used to inform the decision-making process and also to ensure that approved projects are delivered successfully.
- 4.2 The identification of risks should be considered at the planning stage so that decisions on future priorities and projects are made with knowledge of the potential risks.
- 4.3 For approved projects risk management should be included in the implementation plan and post implementation evaluation. The use of risk management at these stages will assist in ensuring effective delivery of the project or service and lessons learned.

## 5 Scope of Risk Management

- 5.1 Risks that could affect the medium to long-term goals of ACHA should be considered strategic risks. Risks that will be encountered in the day-to-day delivery of services should be considered operational risks.
- 5.2 The process of risk management should apply to strategic risks and operational risks, however, ACHA's risk management systems and processes will need to be targeted to achieve maximum benefit without increasing the bureaucratic burden and ultimately affecting service delivery to its tenants.
- 5.3 ACHA will therefore consider the materiality of risk in developing systems and processes to manage risk through the statement of its appetite or threshold for risk.

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## 6 Practical Application of Risk Management

- 6.1 ACHA has developed a standard format for use in the identification of risks, their classification and evaluation. This format is based on a Risk Mapping exercise using a SWOT and PEST analysis. Details are in *Appendix A*.
- 6.2 Risks although specific to each individual and their role may be grouped into similar generic risks for ease of analysis and management.
- 6.3 Some risks are within the control of the Association whilst others may be only to a lesser degree. ACHA will therefore take an approach that will identify those risks and classify the risks according to the following categories:
- Legal
  - Political
  - Reputational
  - Economic/Financial
  - Environmental & Sustainability
  - Impact on People
  - Organisational capacity

Definitions of each of these categories are included at *Appendix B*

- 6.4 Each risk will be assessed as to its likelihood and impact. Both impact and likelihood can be assessed as *High, Medium or Low*, using the definitions at *Appendix C*.
- 6.5 An annual operational risk identification exercise using the approach detailed in 6.1 to 6.3 will be carried out by the Senior Management Team and staff prior to revision of the annual strategic plan and business plan.
- 6.6 ACHA's Board of Management will carry out an annual strategic risk identification exercise using the same approach based on the output of the operational risk identification exercise in 6.4.
- 6.7 The Board of Management will communicate the strategic risk profile and their threshold to risk to all staff.
- 6.8 The Chief Executive and Directors will maintain the Risk Map record and propose a risk management response for all risks identified from the Risk Mapping exercise. Existing arrangements to manage risk will be identified and then, depending on the likelihood and impact, a number of responses may be employed:

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- **Modify**, ACHA may take actions or employ strategies to reduce the risk.
- **Accept**, ACHA may decide to accept and monitor the risk at the present time. This may be necessary for some risks that arise from external events.
- **Transfer**, ACHA may decide to pass the risk on to another party. For example contractual terms may be agreed to ensure that the risk is not borne by ACHA or insurance may be appropriate for protection against financial loss.
- **Eliminate**, the risk may be such that ACHA could decide to cease the activity or to change it in such a way as to end the risk.

Guidance to the likely responses to risks is defined in *Appendix D*.

- 6.8 Risk register`s will be established to record all strategic and operational risks that are above ACHA's risk threshold. As part of the register the classification and evaluation of the risk will be recorded, together with the risk management actions proposed and taken and the monitoring mechanism. Each risk will also have a nominated person stated who is responsible for implementing the proposed action, as well as monitoring and managing that risk. A sample form risk register and matrix is at *Appendix E*.



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## ACHA SWOT Analysis (strengths, weaknesses, opportunities and threats)

## Appendix A

How can ACHA cope with its operating environment? Do our capabilities internally allow us to tackle external influences effectively?

Forward plans should proceed on a sound knowledge of balancing opportunities with the skills we have available to grasp them.

### Strengths (internal)

### Weaknesses (internal)

### Opportunities (external)

### Threats (external)

#### Criteria examples

- Level of competition
- Presence in the sector
- Relative and absolute rent levels
- Cost base
- Relationship management
- Financial strength
- Customer service levels
- Services provided
- Quality of governing body members
- Management team
- Staff skills and competencies
- Location and condition of housing stock
- Information systems
- Quality of infrastructure

#### Criteria examples

- Changes in legislation
- Pension cost increases for staff
- Pressure on HAG availability
- Availability of private sector lending
- Regulatory changes
- Technological change
- Increased maintenance costs (2015)
- Changes in interest/inflation rates
- Increased new build activity involvement
- Availability of development sites
- Partnering arrangements
- Increased lettings choices
- Diverse customer base
- Environmental obligations
- Diversification into new services



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## ACHA PEST Analysis (political / legal, environmental, socio-cultural and technological)

## Appendix B

To consider and understand external influences that may affect the organisation, in order that the business strategy can remain on track and is responsive to changes in the environment. (This provides a summary framework of receiving, quantifying and analysing the flow of external information. Identify criteria appropriate to your own PEST situation.)

### Criteria examples

- Change in governments
- Change to housing legislation
- Change to housing benefit system
- Change to RTB rules
- Change to investment/development
- SHQS
- Rent influencing
- Brownfield sites
- Equality and diversity agenda
- Environmental stewardship
- Sustainability
- Value for money

### Political/Legal

### Economic

### Criteria examples

- Flexibility of Labour market
- Performance of stock market
- Need to fund pension costs
- Interest rate fluctuations
- Inflation/deflation
- Unemployment levels
- Competition for funding/HAG/private
- Stability of private funders
- Availability and stability of contractors
- Comparative tenure costs
- Diversification
- Poverty and deprivation

### Criteria examples

- Demographic change
- Migration
- People's expectations
- Consumerism
- Rural services
- Crime and Anti social behaviour
- Training and education
- Abandonment

### Socio-cultural

### Technological

### Criteria examples

- Energy efficiency requirements
- ICT dependency
- Building standards
- Partnering
- Shared services
- E-government
- Accessibility of information to diverse groups
- Systems development and complexity

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## Definitions of Categories of Risk

## Appendix B

### **Legal**

Legal risks are the risks associated with changes in legislation affecting the business operations of ACHA.

### **Political**

Political risks are the risks arising from changes in the Political environment both local and national affecting ACHA's business.

### **Reputational**

Reputational risks are the risks to the reputation or standing of ACHA in the local or national community and the wider Social Housing sector.

### **Economic/Financial**

Economic or financial risks are risks that may impact on the finances of ACHA, in terms of either income or expenditure.

### **Environmental & Sustainability**

Environmental and sustainability risks are those that might impact on the local economy or the local environment.

### **Impact on People**

People risks are risks arising that could affect individuals or communities. This includes:

- Tenants
- Owner-occupiers
- Members
- Staff.

This includes health & safety.

Operational capability risks are risks that might impact on ACHA's ability to deliver its services to the required standards. This could include matters relating to assets and technology.

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## Likelihood of Risks

## Appendix C

For each risk the likelihood needs to be identified. Whether the likelihood is High, Medium or Low will influence the risk management response. The following definitions should be applied.

Note that an appropriate timescale needs to be considered, depending on the function to which the risk relates.

For example, for annual plans & strategies it is likely to be most appropriate to consider the likelihood of risks occurring in the year. For projects extending over different time periods it is appropriate to consider likelihood over the lifetime of the project. For very long-term projects it is probably best consider likelihood over the different phases of the project.

Where there is base data to identify the likelihood of risk then this should be used.

The following definitions are based on the Risk Management Standard issued by ALARM (The Public Management Association), AIRMIC (Association of Insurance and Risk Managers) and IRM (Institute of Risk Management).

### **High Likelihood**

Probable - Likely to occur each year, or during the lifetime of the project.

### **Medium Likelihood**

Possible – Likely to occur in a ten-year time period.

### **Low Likelihood**

Remote – not likely to occur in a ten-year period.

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## Response to Risk

## Appendix D

Once risks have been identified as `High, Medium or Low` for both Impact and Likelihood, a risk management response needs to be planned.

The level and type of response will be determined by:

- the level of risk,
- the ease and cost of mitigation strategies, and
- the nature of the risk.

The following table is based upon ACHA's "*appetite for risk*".

### Impact Likelihood Risk Management Response

Impact	Likelihood	Risk Management response
High	High	Modify, Transfer, Eliminate
High	Medium	
Medium	High	
High	Low	
Medium	Medium	Modify, Accept, Transfer or Eliminate
Medium	Low	
Low	High	Accept
Low	Medium	
Low	Low	

Note: This guide sets out ACHA's overall appetite for risk. In each case there will need to be a judgment made by management whether this is appropriate.

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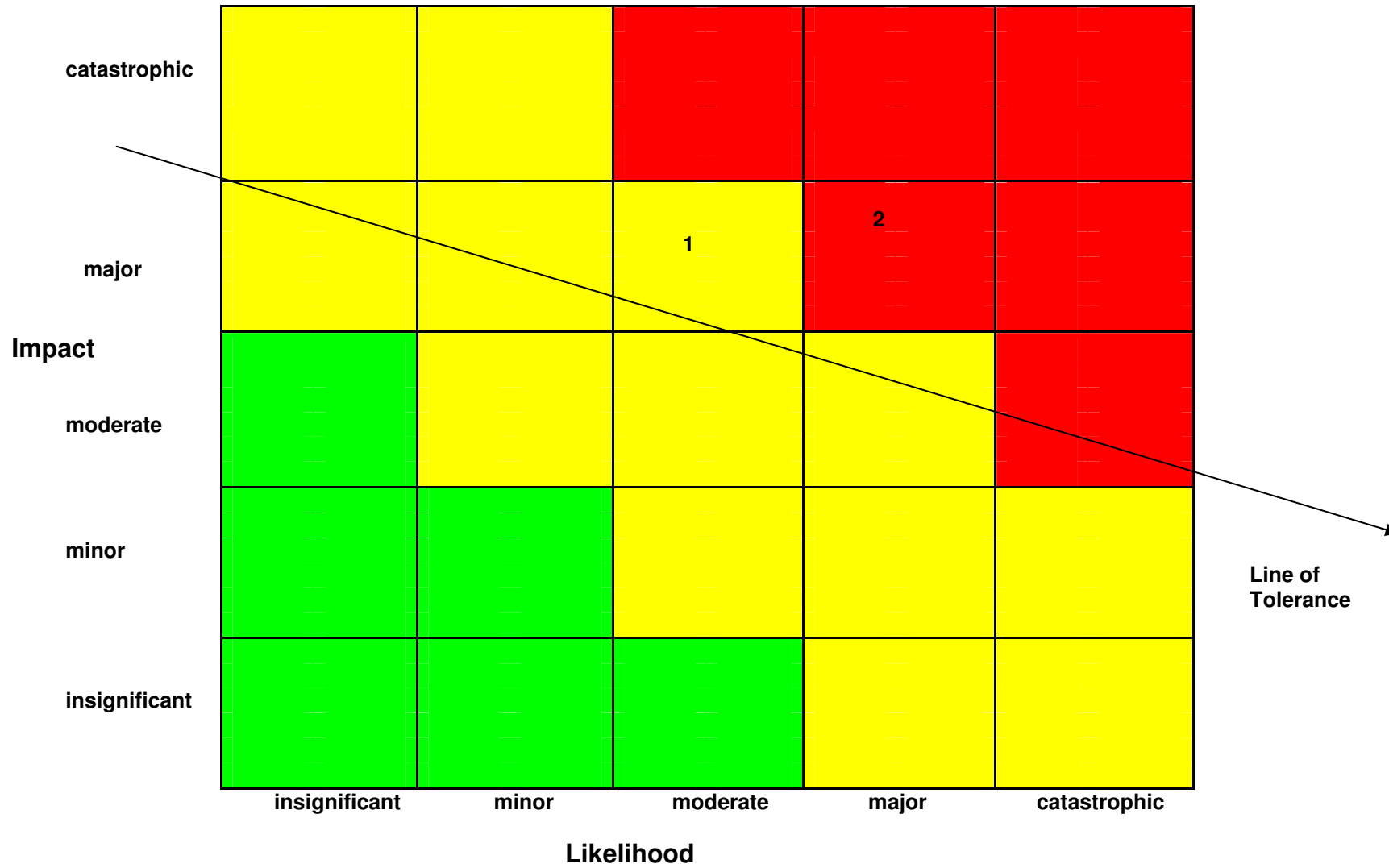
## Risk Register and Matrix

## Appendix E

	Risk areas/Risk identified	Likelihood of occur. (score)	Severity of impact (score)	Overall or "gross" risk	Control procedure	Revised Likelihood of occur. (score)	Revised Severity of impact (score)	Retained or "net" risk score	Monitoring process	Resp.	Further action required	Date of review
1	<b>Factoring Service</b> - Engagement with Owners a particularly difficult, issue as owner consensus required as opposed to enforcement.	Medium (3)	High (4)	High (7)	Continue to review policy & Procedure, comply with requirements and report to SMT & Board	Medium (3)	Medium (3)	Medium (9)	Performance indicators & financial checks	Finance Department	Continue to review policy & Procedure and reporting to SMT & Board	Annually
2	<b>Reputational Damage</b> - From time to time, business decisions will require to be taken which may have a reputational impact to the association.	High (4)	High (4)	High (8)	Open communication and transparency	Medium (3)	Medium (2)	Medium (6)	All media liaison through CE or delegated representative	SMT / Board of Management	Continue to provide press updates and publish good news stories	Monthly

## Risk Matrix

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