

Group Risk Management Policy

2020 - 2023

Our Commitment

Argyll Community Housing Association is committed to providing equal opportunities across all services and avoid discrimination. This policy is intended to assist the Group in putting this commitment into practice. Compliance with this policy should also ensure that the Group do not commit unlawful acts of discrimination.

This policy can be made available in other formats, for example in large print, audio-format or Braille: the document may also be available in other languages, in full or summary form, as appropriate.

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Section 1 Risk Management Statement

- 1.1 We promote the integration of risk management within the governance and management of our business. Risk Management flows through our business at both strategic and operational levels. Effective risk management is important in reducing the likelihood of risks occurring and minimising the impact, such as financial loss, non-compliance, governance failure or reputational damage to the organisation.
- 1.2 The purpose of this risk management policy is to ensure that we achieve our stated business and strategic planning aims and objectives, for the group, whilst reviewing the challenges and risks which may be encountered.

Section 2 The Law and Good Practice

- 2.1 Argyll Community Housing Association Limited (ACHA) is a registered social landlord (RSL) registered with the Scottish Housing Regulator (SHR) as a co-operative and community benefit society, registered with the Financial Conduct Authority (FCA) and a charity registered with the Office of the Scottish Charity Regulator (OSCR). ACHA's Constitution is its Rules.
- 2.2 Argyll Homes for All Limited (AHFA) is a company registered with the Companies Registrar and its Constitution is its Articles of Association.
- 2.3 Therefore, legislation relevant to this policy includes:
 - 2.3.1 Housing (Scotland) Act 2010;
 - 2.3.2 Bribery Act 2010;
 - 2.3.3 Charities and Trustee Investment (Scotland) Act 2005;
 - 2.3.4 Co-operative and Communities Benefit Societies Act 2014;
 - 2.3.5 Companies Act 2006;
 - 2.3.6 Equality Act 2010.
- 2.4 The Scottish Housing Regulators' *Regulatory Standards of Governance and Financial Management* states that:
 - Standard 1.1 - The governing body sets the RSL's strategic direction. It agrees and oversees the organisation's business plan to achieve its purpose and intended outcomes for its tenants and other service users.
 - Standard 2.2 - The governing body recognises it is accountable to our tenants, and has a wider public accountability to the taxpayer as a recipient of public funds, and actively manages our accountabilities.
 - Standard 2.5 - We are open, co-operative, and engage effectively with all our regulators and funders, notifying them of anything that may affect our ability to fulfil our obligations. We inform the Scottish Housing Regulator about any significant events such as a major issue, event or change as set out and required in notifiable event guidance.

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Standard 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. We consider sufficiently the financial implications of risks to the delivery of plans.

Standard 4.3 - The governing body identifies risks that might prevent it from achieving our purpose and has effective strategies and systems for risk management and mitigation, internal control and audit.

Section 3 Our Policy Objectives

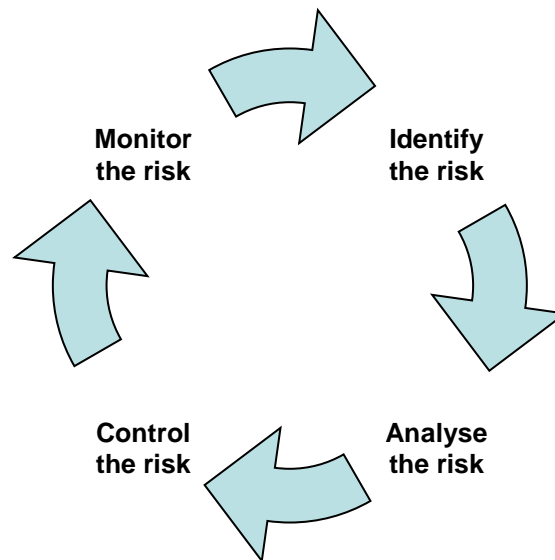
- 3.1 *“Risks” are defined as, “uncertain future events that might prevent an organisation from achieving its business objectives”.*
- 3.2 *“Risk Management” is however defined as: “the culture, processes and structures that are implemented by an organisation to manage potential risks and their adverse effects”.*
- 3.3 Our risk management goals are; to take a proactive approach to anticipate events before they happen to allow us to make better decisions and improve contingency planning.
- 3.4 We aim to achieve maximum benefit without increasing the bureaucratic burden and ultimately affecting service delivery to our tenants and other customers.
- 3.5 We commit to using the principles of good or best practice in risk management to further develop our systems and processes of risk management.
- 3.6 Risk Management is an integral part of our strategic planning and decision-making processes. For new initiatives and projects risk management is used to inform our decision-making process and also to ensure that approved projects are delivered successfully.
- 3.7 Risks that could affect our medium to long-term goals are considered strategic risks. Risks that will be encountered in the day-to-day delivery of services are considered operational risks.
- 3.8 We consider the materiality of risk in developing systems and processes to manage risk through the statement of our appetite or threshold for risk.
- 3.9 We commit to identification of both the inherent (gross) and residual (net) risk.

Section 4 Implementing Our Policy Objectives

- 4.1 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.
- 4.2 We have developed a framework of risk management to enable identification of those risks that may hinder the achievement of our strategic and operational objectives.

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- 4.3 We ensure that when planning to assess or review risk we **identify, analyse, control** and **monitor** the strategic and operational risks we face and have developed our risk management policy based on good practice in the social housing sector and other industries.



- 4.4 We recognise that our governing body is responsible for the overarching framework of risk management. However, the implementation of the risk management policy is the responsibility of all employees in addition to the governing body.
- 4.5 Some risks are within our control whilst others may be only to a lesser degree. We have therefore taken 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
- Partnership and Contractual

Definitions of each of these categories are included at `Appendix C`

- 4.6 Each risk will be assessed as to its `likelihood` and `severity of impact`. Both likelihood and severity of impact can be assessed as *High, Medium or Low*, using the definitions at `Appendix D`.

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- 4.7 Existing arrangements to manage risk will be identified and then, depending on the likelihood and severity of impact, a number of responses may be employed:
- **Modify** - take action or employ strategies to reduce the risk;
 - **Accept** - decide to accept and monitor the risk at the present time (this may be necessary for some risks that arise from external events);
 - **Transfer** - 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 us or insurance may be appropriate for protection against financial loss);
 - **Eliminate** - the risk may be such that we could decide to cease the activity or to change it in such a way as to end the risk.
- 4.8 Our `risk appetite` is a term used to refer the amount of risk that we are prepared to accept, or tolerate, or be exposed to at any point in time which is defined on our risk matrix as the `line of tolerance`.

Section 5 Performance Management

- 5.1 We have 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 S.W.O.T analysis (Strengths, Weaknesses, Opportunities and Threats) and a P.E.S.T (Political, Economic, Socio-cultural and Technological) analysis. Details are in `Appendix B`.
- 5.2 Our governing body carries out an annual strategic risk identification exercise using the format reported in item 5.1, every February and undertakes a six monthly review in October of each year.
- 5.3 Each department carries out an annual operational risk identification exercise and the results of this are reviewed on a quarterly basis.
- 5.4 The Chief Executive and Directors maintain the strategic Risk Map record and propose a risk management response, including control measures, to the governing body for all risks identified from the Risk Mapping exercise.
- 5.5 Guidance to the likely responses to risks is defined in `Appendix D`.
- 5.6 Risk registers will be established, from the Risk Mapping exercise, to record all strategic risks that are above our risk threshold. For any subsidiaries there will be a separate risk register and matrix.

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- 5.7 As part of the risk register the classification and evaluation of the risk will be recorded, together with the risk management actions proposed and taken and the monitoring mechanism.
- 5.8 Each risk will also have a nominated person, 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 F'*.
- 5.9 In addition to the identification, analysis, control and monitoring of each risk which is undertaken at the annual strategic and 6 monthly review sessions, the strategic risk register is reviewed on a quarterly basis by the senior management team and the governing body.

Section 6 Development and Training

- 6.1 We will provide training to all managers / senior managers and governing body members to help them understand the requirement of risk identification and management. This training will also focus on what individuals can do to incorporate risk management into all undertakings.

Section 7 Our Positive Action Initiatives

- 7.1 We are committed to the involvement of all staff and governing body members in the process of risk identification, analysis, control and monitoring. Staff members focusing on operational risk management and the governing body and senior staff members focusing on strategic risk management.
- 7.2 Our internal audit function has the responsibility for ensuring;
- Our Risk Management Policy is applied to all areas of our business;
 - Our policy and its operational application are reviewed on a regular basis;
 - Non- compliance with this policy is reported to the governing body;
- 7.3 Risk management is embedded within existing management processes, including strategic planning, performance management and project management.
- 7.4 Risk management is used as a tool to ensure that we can respond to changing demands, improve our performance and make the most effective use of our resources.
- 7.5 We aspire to be an innovative organisation taking calculated risks, which have been identified and evaluated.
- 7.6 The governing body will communicate the strategic risk profile and their threshold to risk to all staff who will, within each department, identify any additional operational risks.

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Section 8 Dealing with Complaints

8.1 Complaints will be dealt with in line with our complaint handling procedure. In terms of this policy complaints can be made if we fail to apply this policy properly or don't meet our organisational standards.

Section 9 Policy Review

9.1 We ensure that this risk management policy is reviewed on a 3 yearly basis.

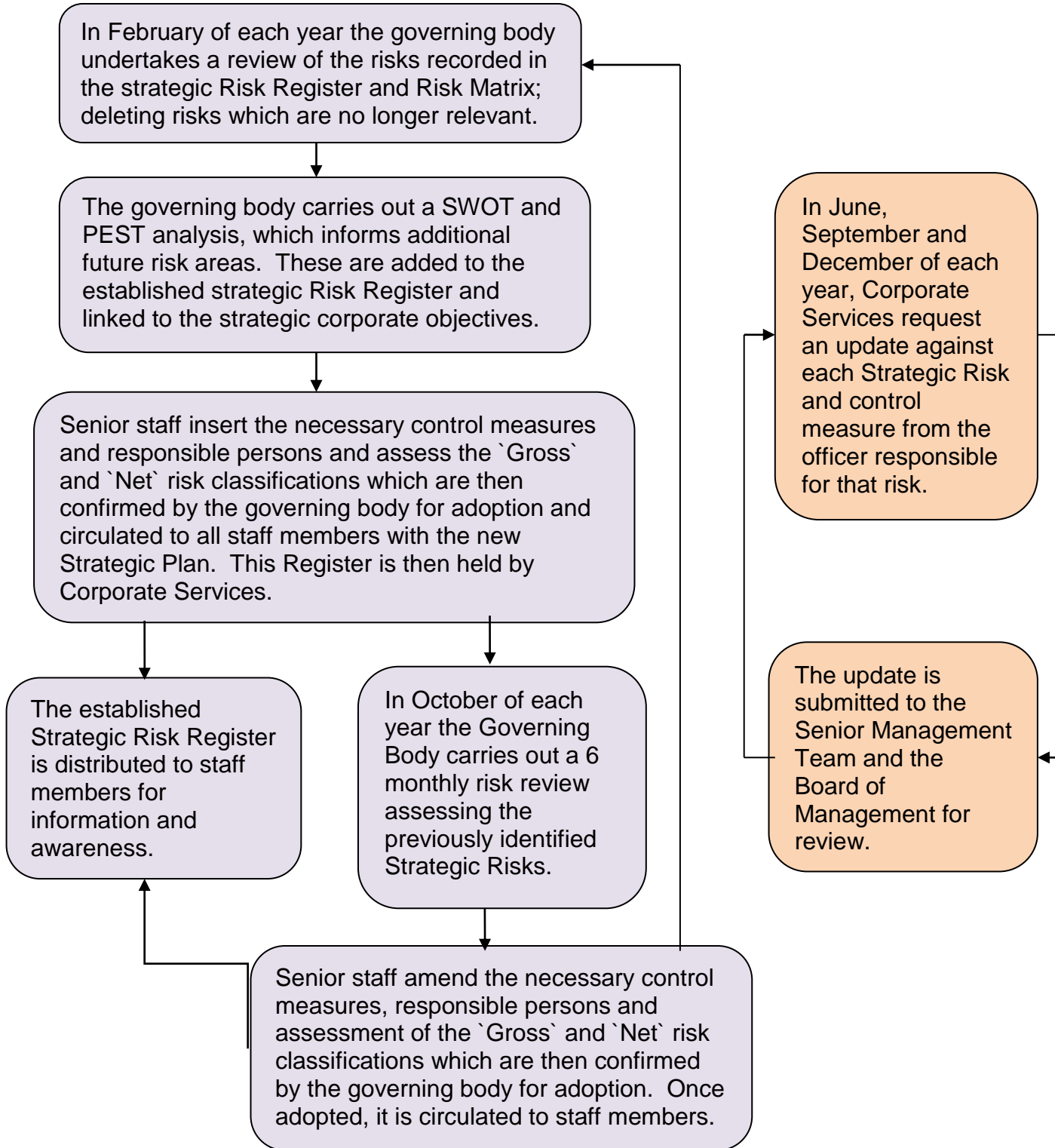
Section 10 Confidentiality and Data Protection

10.1 Confidential Information we hold will be used only for the purpose it was obtained. We will ensure that all confidential information is stored in a secure manner, can only be accessed by authorised persons and in the event of disposal, will be dealt with in accordance with the Data Protection Act 2018 and the General Data Protection Regulations.

Risk Management Procedure

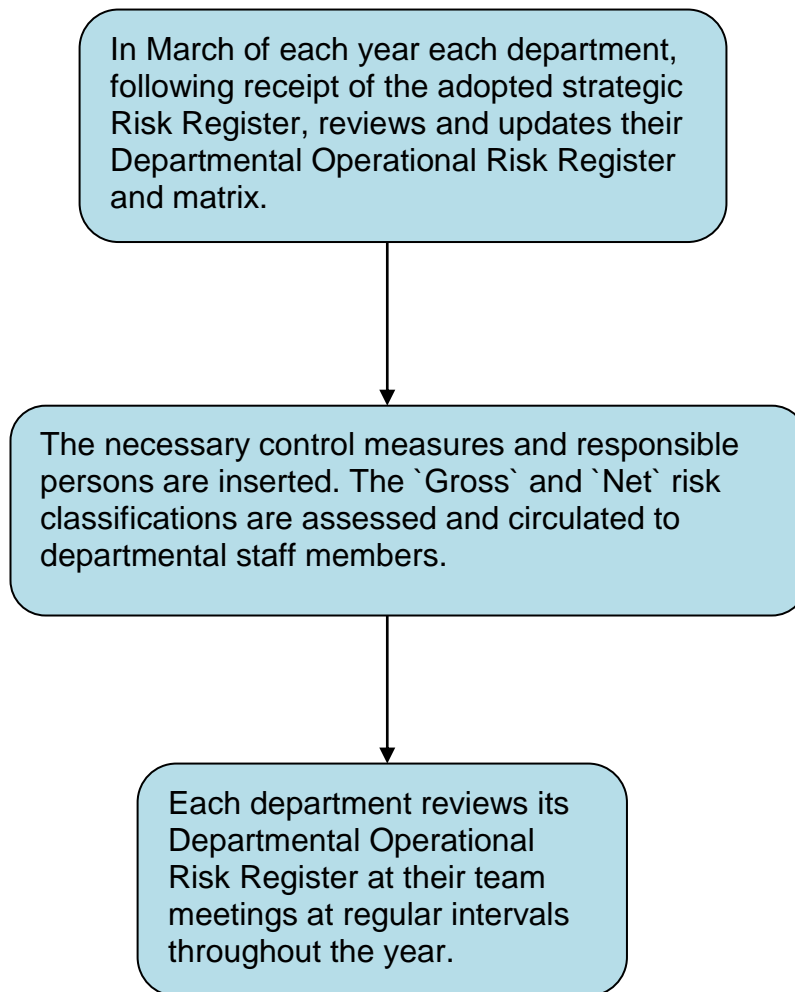
Appendix A

Strategic Risks



Organisational Policy

Operational Risks



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

Appendix B

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. (Many criteria can apply to more than one quadrant. Identify criteria appropriate to our own SWOT situation.)

Strengths (internal)

Weaknesses (internal)

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

Opportunities (external)

Threats (external)

Criteria examples

- Changes in legislation
- Pension cost increases for staff
- Pressure on grant availability
- Availability of private sector lending
- Regulatory changes
- Technological change
- Increased maintenance costs
- Changes in interest/inflation rates
- Increased new build activity
- 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.)

<p>Criteria examples</p> <ul style="list-style-type: none"> Change in governments Change to housing legislation Change to housing benefit system Change to investment/development SHQS / EESSH / EESSH 2 Rent influencing Brownfield sites Equality and human rights agenda Environmental stewardship Sustainability 	<p>Political/Legal</p>	<p>Economic</p>	<p>Criteria examples</p> <ul style="list-style-type: none"> Flexibility of Labour market Performance of stock market Need to fund pension costs Interest rate fluctuations Inflation/deflation Unemployment levels Competition for funding / grants Stability of private funders Availability and stability of contractors Comparative tenure costs Diversification Poverty and deprivation
<p>Criteria examples</p> <ul style="list-style-type: none"> Demographic change Migration People's expectations Consumerism Rural services Crime and Anti- social behaviour Training and education Abandonment 	<p>Socio-cultural</p>	<p>Technological</p>	<p>Criteria examples</p> <ul style="list-style-type: none"> 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 C

Legal

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

Political

Political risks are the risks arising from changes in the Political environment both local and national affecting our 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 our business, in terms of either income or expenditure or competition.

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.

Partnership and Contractual

Partnership and Contractual risks are risks relating to our relationships with other agencies, authorities, contractors, consultants or suppliers etc

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

Inherent risk (or gross risk) is the level of risk if all the measures and controls were failing. Often this is also the worst case scenario for this risk

Residual risk (or net risk) is the level of risk with all the measures and controls in place

Likelihood of Risks

Appendix D

1. 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.
2. For example, for annual plans and 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 consider likelihood over the different phases of the project.
3. Where there is base data to identify the likelihood of risk then this should be used.
4. 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).

4.1 High Likelihood

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

4.2 Medium Likelihood

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

4.3 Low Likelihood

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

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Response to Risk

Appendix E

1. Assessing Risk

- 1.1 There are three important principles for assessing risks;
- 1.1.1 Ensure that there is a clear structure to the process so that both the likelihood and severity of impact are considered for each risk
 - 1.1.2 Record the assessment of risk in a way which facilitates monitoring and the identification of risk priorities, and
 - 1.1.3 Be clear about the differences between inherent (gross) and residual (net) risk.
- 1.2 To evaluate risks, all risks are scored in terms of their likelihood and potential impact using the following scale:

Likelihood		Severity of Impact	
Score	Description	Score	Description
1	Rare	1	Insignificant
2	Unlikely	2	Minor
3	Possible	3	Moderate
4	Likely	4	Major
5	Almost certain	5	Catastrophic

- 1.3 Once risks have been identified as `High, Medium or Low` for both Impact and Likelihood, a risk management response needs to be planned.
- 1.4 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.

2. Risk Appetite (risk tolerance)

- 2.1 The aim of this 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 the continuous success of the Group.
- 2.2 The risk appetite (or tolerance) is the amount of risk that we are prepared to accept, tolerate or be exposed to at any point in time. Risk appetite / tolerance can be expressed as a boundary or target above which we will not tolerate the level of risk and further action must be taken.
- 2.3 The following table is based upon ACHA's "*appetite for risk*".

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Impact and Likelihood Risk Management Response

Impact					
Catastrophic 5	(5x1=5)	(5x2=10)	(5x3=15)	(5x4=20)	(5x5=25)
Major 4	(4x1=4)	(4x2=8)	(4x3=12)	(4x4=16)	(4x5=20)
Moderate 3	(3x1=3)	(3x2=6)	(3x3=9)	(3x4=12)	(3x5=15)
Minor 2	(2x1=2)	(2x2=4)	(2x3=6)	(2x4=8)	(2x5=10)
Insignificant 1	(1x1=1)	(1x2=2)	(1x3=3)	(1x4=4)	(1x5=5)
	Rare 1	Unlikely 2	Possible 3	Likely 4	Almost certain 5
	Likelihood				

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

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

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Risk Register and Matrix

Appendix F

	Corporate objective this relates to	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.	Date of review
1	Key objective 1: Achieving the Scottish Government housing standards and addressing housing need in Argyll and Bute through development and upgrading	Housing Mismatch and Demand – some ACHA areas have surplus stock due to low demand.	Almost certain (5)	Major (4)	High (20)	Continue to monitor waiting lists. Also stock appraisal of surplus stock. Incentive schemes in place.	Likely (4)	Major (4)	High (16)	Refusal rates monitored monthly by the Senior Housing Management Team, void monitoring procedures identified journey of voids. Annual Board report detailing voids plus 6 months	Director of Housing and Neighbourhood Services	Annually

Risk Matrix

Severity of Impact	Catastrophic 5					
	Major 4				1	
	Moderate 3					
	Minor 2					
	Insignificant 1					
		Rare 1	Unlikely 2	Possible 3	Likely 4	Almost certain 5
		Likelihood				