



# RUTHERGLEN & CAMBUSLANG HOUSING ASSOCIATION

## RISK MANAGEMENT POLICY

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<b>Purpose</b>	To provide clarity on the Association’s approach to identifying and managing the risks to the business, its risk appetite and the arrangements it has in place to ensure compliance with Scottish Housing Regulator’s Regulatory Framework.
<b>Regulatory Requirements</b>	Standard 4: The governing body bases its decisions on good quality information and advice and identifies and mitigates risks to the organisation’s purpose” and its Guidance
<b>Regulatory Guidance</b>	Guidance 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.

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## 1.0 INTRODUCTION

The staff and Management Committee members of Rutherglen and Cambuslang Housing Association recognise that, as a registered social landlord and provider of housing related services, the Association operates in a sector that is heavily influenced and impacted by the wider social, economic and political environment.

Like many businesses and organisations, the Association has, over the past few years, experienced many demands on its finances and resources as well as challenges in how it continues to provide services that meet the needs of its customers.

Meeting these challenges and adapting to the changes in the wider environment inherently entails risks for the Association and its ability to achieve its strategic vision and aims. Good, robust management of these risks is therefore an essential element of good governance and needs to be an integral part of the Association's strategic and operational planning processes.

The Risk Management Policy is intended to put in place a framework for identifying, prioritising and managing risks to the Association.

## 2.0 REGULATORY REQUIREMENTS

Standard 4 of the Regulatory Standards as set by the Scottish Housing Regulator states that **“The governing body bases its decisions on good quality information and advice and identifies and mitigates risks to the organisation's purpose”**

Guidance 4.3 requires that **“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.”**

## 3.0 POLICY OBJECTIVES

By having a clear and robust policy on Risk Management Policy, the Association aims to;

- Embed a culture of risk awareness at all levels within the Association
- Ensure that risk management is a key element in the strategic planning process
- Define its risk appetite
- Ensure it is proactive in identifying and managing risks to the business
- Be responsive to changes in the political, economic and social environments that impact on the Association's business
- Promote ownership of risk throughout the organisation
- Better inform the decision-making process
- Protect its long-term viability

- Allow contingency planning
- Support innovation and a flexible approach
- Support it to achieve its future vision and goals
- Provide for ongoing review of the risk register

## 4.0 DEFINITIONS

For the purposes of this policy, the following definitions will apply;

**4.1 Risk** – an event or set of circumstances that could adversely impact on the Association’s long-term security or its ability to meet its strategic or operation objectives

**4.2 Risk Management** – the process for defining, identifying, understanding and prioritising risks and deciding on the appropriate actions to minimise and mitigate the risks

**4.3 Risk Appetite** – the level of risk that the Association is prepared to accept in order to achieve its aims and objectives

**4.4 Risk Register** – the formal record of the identified risks, the controls in place to manage the risks and the priority of each risk based on the probability and impact of the risk crystallising

**4.5 Risk Controls** – the mechanisms and arrangements that exist within the Association to reduce the likelihood of the risk happening and/or to mitigate the impact of the risk

## 5.0 PRINCIPLES

Underpinning the Association’s approach to risk management and internal control are a number of key principles;

- The Management Committee has the responsibility for overseeing risk management within the organisation
- An open, receptive and flexible approach to managing risks will be adopted
- The Director and Senior Management Team support and advise the Management Committee to allow effective risk management
- Risk management is a critical part of the Association’s system of internal control
- All staff recognise their roles and responsibilities in supporting good risk management practices

## 6.0 ROLES & RESPONSIBILITIES

### 6.1 Management Committee

The Management Committee ultimately has overall responsibility for the risk management process and, as such, will;

- Approve the Risk Management Policy and review it at least every 3 years
- Review the Risk Register in full annually as part of the Business Planning review process
- Consider the risks associated with any key decisions it makes, particularly those relating to new activities or services
- Set the Association's risk appetite
- Ensure that the risk management process remains effective
- Ensure that, where appropriate, the Scottish Housing Regulator will be notified of a risk crystallising that has, or is likely to, result in material loss or damage to the Association or jeopardise the health and safety of tenants
- Ensuring that appropriate resources are allocated to the risk management process

### 6.2 Finance, Audit & Risk Sub-Committee

As part of its remit, the Finance, Audit & Risk Sub Committee has the delegated authority to;

- Oversee the implementation of the Risk Management Policy
- Review the Risk register at least 3 times per year
- Consider and assess new or emerging risks
- Advise the Management Committee of any events arising that will, or are likely to, result in material loss or damage to the Association
- Make recommendations to the Management Committee regarding levels of risk appetite
- Provide the Management Committee with the assurance as to the effectiveness of the Association's risk management processes

### 6.3 Director

The day-to-day responsibility for the implementation, review and administration of the Risk Management Policy and process, lies with the Association's Director. As part of this, the Director will proactively promote an awareness and understanding of the risk management process throughout the organisation.

### 6.4 Senior Management Team

In conjunction with the Director, the Senior Management Team will be responsible for;

- Reviewing and updating the Strategic Risk Register
- Preparing and implementing any action plans to mitigate risks as identified in the Risk Register

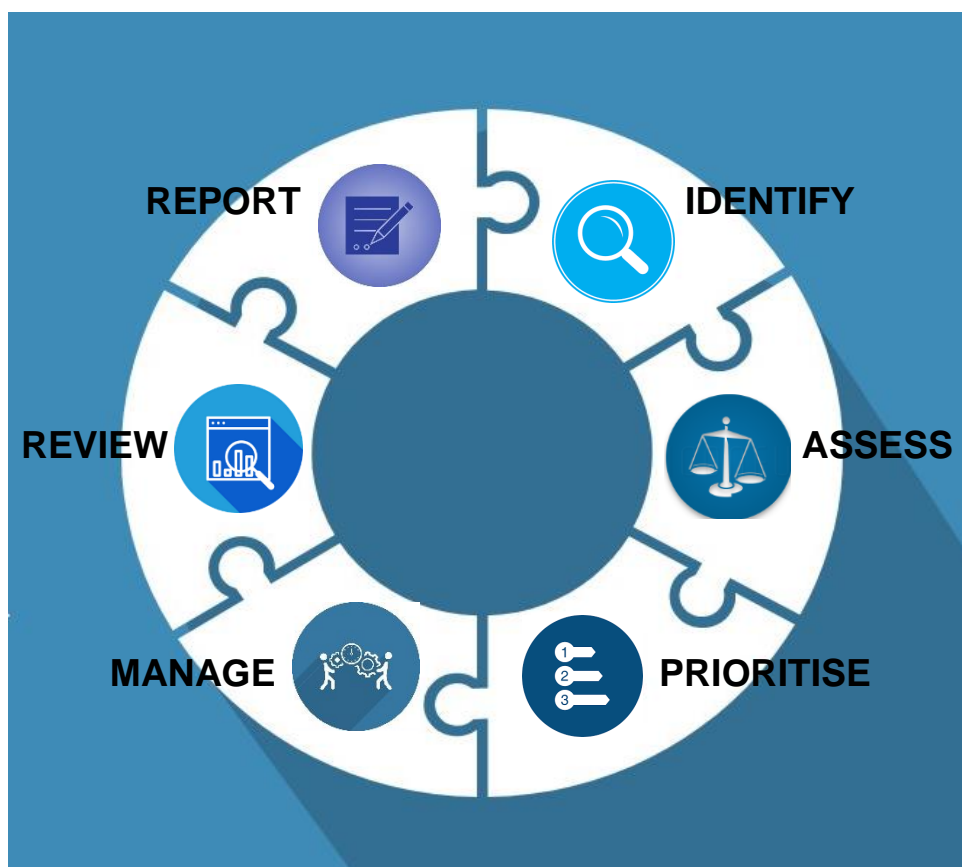
- Developing, reviewing and updating their department's Operational Risk Register and identifying and managing the risks associated with their department's services and activities
- Advising the Finance, Audit & Risk Sub Committee of any events that will, or is likely to, result in material loss or damage to the Association or jeopardise the health and safety of tenants
- Ensuring their team members, contractors and partners are aware of the importance of risk management and how they can report potential risks

## 6.5 Staff Team

All staff have a responsibility to identify risks when performing their duties, taking appropriate action to limit the likelihood and impact of these risks and where appropriate, advising the management team of new or emerging risks.

As staff are the closest to the delivery of services, they will have an active role in contributing to the development and review of their department's Operational Risk Register.

## 7.0 RISK MANAGEMENT PROCESS



## 7.1 IDENTIFYING RISK

Identifying risk will be a key activity at all levels of the Association’s planning processes;

- **Strategic** – to identify current or potential threats to the Association’s ability to deliver its strategic objectives and vision
- **Operational** – to focus on the current or potential threats to the Association’s ability to deliver the range and quality services required to meet the needs, aspirations and demands of its service users
- **New ventures** – consideration of any significant new business activity, project or enhanced service will require consideration of risk that they could potentially present to the Association’s ongoing viability, reputation or financial security

In identifying risks to the Association consideration will be given to 5 key risk areas;

Area	Risk
Compliance	Not complying with legislation or regulatory requirements
Custodial	Not effectively managing the assets and liabilities held by the Association
Financial	Erosion of the short-, medium- and long-term financial viability
Reputational	Damage to the good reputation and standing of the Association locally or nationally and/or within the Social Housing Sector
Operational	Adverse impact on the Association’s ability to deliver services

## 7.2 RISK ASSESSMENT

Each identified risk will be assessed in terms of;

- The **likelihood** of the risk crystallising scored 1 – 5

Score	Likelihood	Frequency of Circumstances required for risk to crystallise	Change of Happening
1	Very Unlikely	Never/Extremely rare	Less than 5%
2	Unlikely	Infrequently	10% - 25%
3	Possible	Occasionally	25% - 40%
4	Likely	Frequently	40% - 75%
5	Almost Certain	Regularly	Over 75%

➤ The **impact** it would have should it crystallise scored 1 – 5

Score	Level of Impact	Impact on Association's Business
1	Insignificant	None or minimal disruption to services Financial loss/costs less than £50,000 No damage to HA's reputation No involvement /engagement with SHR
2	Minor	Manageable disruption to services Financial loss/costs between £50,000 - £100,000 Little or no damage to HA's reputation No involvement /engagement with SHR
3	Moderate	Ability to deliver services disrupted in short term Financial loss/costs between £100,000 - £250,000 Local, adverse publicity No involvement /engagement with SHR
4	Significant	Ability to deliver services compromised in the medium – long term Financial loss/costs between £250,000 - £750,000 National negative publicity damaging HA's reputation Engagement with SHR
5	Major	Shutdown of operations/inability to deliver services Ability to deliver services compromised in the medium – long term Financial loss/costs greater than £750,000 Sustained negative publicity damaging HA's reputation SHR intervention

Each risk will be assessed in the first instance as though there were no controls in place or ineffective. This is the **'Inherent Risk'** i.e. the worst possible scenario.

The risk will also be assessed taking into the account the controls measures that are in place, such as policies, audits, reports etc. This is the **'Residual Risk'** i.e. the level of risk that remains even with the effective controls in place.

### 7.3 PRIORITISING RISKS

It is recognised that there are many risks to the Association and some of these commands a greater level of priority than others due to the likelihood of them occurring and the impact on the Association's business it should they crystallise.



To identify those risks that pose the greatest threat to the Association and to allow it to focus resources on managing them, each risk will be prioritised according to its residual overall risk score (i.e. likelihood X impact):

I M P A C T	LIKELIHOOD					
		1 VERY UNLIKELY	2 UNLIKELY	3 POSSIBLE	4 LIKELY	5 ALMOST CERTAIN
	1 INSIGNIFICANT	1	2	3	4	5
	2 MINOR	2	4	6	8	10
	3 MODERATE	3	6	9	12	15
	4 SIGNIFICANT	4	8	12	16	20
5 MAJOR	5	10	15	20	25	

RISK PRIORITY		
Overall Risk Score	Level of Priority	Action
1 – 4	Low	Annual review
5 - 14	Medium	Additional controls where possible Regular review
15 - 25	High	Immediate implementation of control measures where possible Ongoing monitoring and review

## 7.4 RISK MANAGEMENT

In managing risks the Association will respond in line with the following guidance:

Response	Guidance
Accept	The controls are in place to reduce the likelihood and impact scores to an acceptable level Introducing further controls would not be practical or cost effective The benefits to the Association outweigh the risks
Treat	Additional control measures are required Development and implementation of an action plan to reduce the likelihood and/or impact should the risk crystallise
Transfer	Handing the risk to a third party such as insurance, service delivery partners etc
Avoid	No additional control measures can be put in place Risk remains above the Association's level of Risk Appetite Exposure to the risk should be avoided/activity terminated

## 8.0 CONTROLS

Where possible the Association will seek to mitigate and manage the identified risks by having robust and effective controls put in place. These may include;

- Polices and procedures that meet legislative and regulatory requirements and good practice
- Comprehensive insurance cover
- Clear, detailed and understandable Committee reports
- Schedule of returns and submissions
- Training programmes for staff and Committee members
- Programme of internal and external audits
- Benchmarking
- Use of external specialists

## 9.0 STRATEGIC RISK REGISTER

Managing risks to the Association is a continuous process that is fundamental to support decision-making and future planning.

The Association shall maintain a Strategic Risk Register that will detail;

- The identified risks to the Association's strategic objectives and targets
- The controls currently in place to mitigate the risk
- An assessment of the probability of it arising with the controls in place and the impact on the Association should the risk crystallise
- Any additional controls that can be put in place to further mitigate the risk

The Risk Register will be reviewed as part of the Risk Management Process.

## 10.0 RISK APPETITE

Rutherglen and Cambuslang Housing Association does not want to be an organisation that is totally adverse to risk as they are inherent in business growth and innovation. It is only through accepting an element of risk that the Association can develop, improve and remain a relevant and dynamic organisation.

Working in an environment of change and within a climate of increasing regulation and competition for funding and resources, not changing or adapting would, in itself, be a risk to the Association.

In general, the Association's will have a 'Cautious' appetite to risk. However in determining the Association's risk appetite for activities and/or new ventures, the following principles will apply;

- Activities must be consistent with the Association's vision and objectives, not in contravention of its Rules, be permissible under all regulatory guidance and requirements and be in the best interest of the Association and its stakeholders

- Activities, events or new ventures that carry a high risk of adverse publicity or damage to the Association’s reputation will be avoided
- The level of risk accepted should be proportionate with the expected benefits from undertaking the activity
- No activity undertaken will compromise the health and safety of residents and other service users
- Risks classified as ‘high’ will normally be above the Association’s tolerable level of risk unless suitable mitigating action is identified or the risk can be transferred

## 11.0 UNDERSTANDING RISK

To ensure decisions are made on a sound understanding of the potential risks which can occur, the Senior Management Team and Management Committee members will utilise a range of sources of information including;

Committee Reports	Where appropriate, reports to the Management Committee and Sub-Committees will highlight identified risks involved in pursuing a course of action
Annual Business Plan Review	This will include potential risks to the Association using strategic tools including SWOT & PESTEL etc analysis
Risk Register Review	The Finance, Audit & Risk Sub-Committee will review the risk register quarterly, considering the existing risks and risk scores, identifying any new and emergent risks and removing risks which are no longer applicable. The Risk Register will be reviewed annually by the full Management Committee
External Audit	To ensure that proper accounting procedures have been maintained, legal obligations have been met and a satisfactory system of controls are in operation.
Business Continuity & Disaster Recovery Plans	To ensure ‘business critical’ systems can be restored within acceptable timescales.
Third Party Reports	The use of specialist third parties for consulting and reporting can increase the reliability of the internal control system.
Scottish Housing Regulator	Via guidance, inspections, annual assessments, published performance statistics
Partnerships & Networking	Ensures a broad understanding of what is occurring within the sector and ensures that there are knowledgeable, aware and alert staff and committee with a clear knowledge of the sector.

## 12.0 ASSURANCES

To ensure it is discharging its responsibilities with regards to risk management, the Management Committee will seek assurances that its internal control processes are operating effectively.

It shall utilise three sources of assurance:

<b>DEPARTMENT</b>	From the department that performs the day-to-day activity Via monthly reports, policies, key performance indicators
<b>ORGANISATION</b>	From other functions within the Association e.g. Finance, HR, Senior Management Team Via internal reviews, management accounts, reports, policies
<b>EXTERNAL</b>	Independent agencies and organisations Via internal audits, external audits, reviews

## 13.0 TRAINING

As appropriate, risk management training and awareness sessions will be provided that meet the individual and/or collective needs of the Management Committee and employees.

## 14.0 POLICY REVIEW

The Risk Management Policy will be reviewed in full by the Management Committee every three years. However, elements of the policy may be subject to review within that period as required to comply with changes in regulatory standards or requirements, legislation or good practice.