Queens Cross Housing Association

Risk management policy

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qcha.org.uk
0808 143 2002
contactus@qcha.org.uk

Our Vision, Values & Strategic Objectives

Our Vision

Excellent housing in vibrant communities

Our values

Respect

We see the positive in everyone, especially our tenants. We treat everyone fairly, regardless of age, race, gender, sexuality or background. We ask for opinions even if we know we might not like what we hear. And we address people's concerns in any way we realistically can.

Integrity

What we say in public is the same as what we say behind the scenes. If we say we'll do something, we mean it. Our tenants can count on us to solve their problems and make sound decisions.

Aspiration

We want the best for all our current and future tenants. We're not afraid to strive for things that won't be easy – or try things that haven't been done before. We seek out opportunities and welcome change. If it doesn't turn out as planned, we learn and improve again. And then we try again.

Our Strategic Objectives 2017-2020

A. Build more desirable homes in popular neighbourhoods
B. Deliver more excellent services to suit our tenants' lives
C. Invest in our people to grow and develop their skills
D. Find more ways to ensure value for money
E. Continue to challenge poverty
F. Put even more focus on community health and wellbeing
G. Be ready for opportunities

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Foreword

Risk management is often seen as a complex and scientific discipline; something that is done by experts away from the operational realities of the workplace or alternatively and worse, a bureaucratic waste of time.

The reality is that risk management is something we all do without thinking in our everyday lives, when crossing the road or driving , we look at risk in order to achieve our objective of getting to the other side or our destination and act accordingly to achieve these aims.

Similarly in the context of an organisation and the delivery of its organisational goals a review of risks should be undertaken to ensure the organisation is able to achieve its objectives and if risks to their achievement exist, then actions can be agreed to avoid or limit their impact.

This is best done by those tasked with delivering those objectives as they best understand the business and the potential risks to a successful outcome.

This policy outlines Queens Cross Housing Associations approach to risk management and forms part of the association's wider internal control and governance system.

1. Introduction:

Over the last few years, Queens Cross Housing Association has undergone a period of major change caused by both external pressures affecting the housing sector as a whole, and other challenges specific to the Association. In addition the wider operating environment has seen significant periods of change and uncertainty such as" the credit crunch" and the on-going uncertainties arising from Brexit. Through its business planning process the association, outlines its key strategic objectives for the period ahead, the most recent being published in 2017 for the period to 2020,. These strategic objectives are supported by a range of more detailed operational goals aiding their delivery. This risk policy aims to provide an effective mechanism through which the risks towards the delivery of both the strategic and the operational objectives can be assessed and addressed.

2. Purpose

The purpose of the risk management policy is to provide guidance regarding the management of risk to support the achievement of Queens Crosses corporate objectives, protect our staff and business assets and ensure financial sustainability.

3. Scope

This policy applies to all Queens Cross Housing Association's activities. It forms part of its governance framework and is applies to all employees, contractors and volunteers.

4. Definitions:

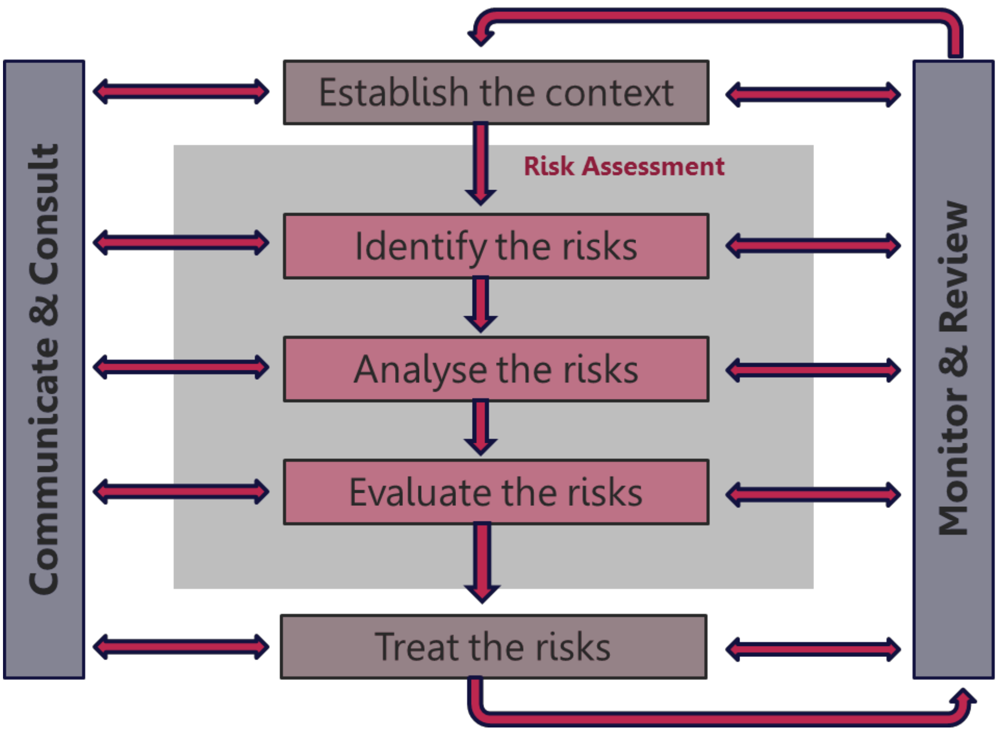
What is a risk? A risk is something uncertain – it might happen or it might not. A risk matters because, if it happens, it will have an effect on objectives.

And risk management? This is any activity undertaken to identify and then control the level of risk which objectives face. This should be a central part of any organisation's strategic management.

Controls and mitigation? A control is specific action that will reduce the likelihood of a Risk occurring. To mitigate a risk is to make the impact of it less severe.

Effective risk management has many benefits but, in short, it means that objectives are more likely to be achieved successfully. Income, reputation and stakeholder confidence are protected and expenditure controlled.

This diagram summarises the risk management process as set out in ISO 31000



5. Risk Governance

The Association's approach to risk management and internal control are essentially:-

The Board has responsibility for overseeing risk management within the association as a whole. It agrees with the Executive team the strategic risk the association faces in delivering its business plan and agrees the overall corporate appetite for risk.

The board's main roles are;

(i) Obtain or request from management an explanation of the risk management strategy and establish in the business planning process the organisational appetite for risk.
(ii) Ensure that a risk register has been compiled and that the greatest threats to the association are being addressed.
(iii) Monitor the management of significant risks to reduce the likelihood of unwelcome surprises.
(iv) Satisfy itself that the less significant risks are being actively managed, with the appropriate controls in place and working effectively.
(v) Receive reports from internal and external auditors on the adequacy of risk management and an annual assessment of corporate governance, risk management and internal control.
(vi) Annually review the Association's approach to risk management and approve changes or improvements to key elements of its processes and procedures including a review of the register and underlying mitigating actions
(vii) Review draft corporate governance statements before inclusion in the financial statements.

The Audit Committee has responsibility for reviewing the effectiveness of the risk management process

Directors through the Executive team are responsible for encouraging good risk management practice within their respective areas of responsibility and ensuring the mitigating controls on strategic risk are actioned.

The executive team's main roles are:

i) Implement policies on risk management and internal control.
ii) Receive risk reports for management purposes from Leadership team;
iii) Consider the potential aggregate impact of the Association's high likelihood, high impact risks with a view to considering implications for Association policy.
iv) Provide adequate information in a timely manner to the board on the status of risks and controls.
v) Maintain the strategic risk register and review as a group on a quarterly basis and linking in with and comparing with the operation risk register. The risks will

be scored and mitigating controls identified and responsibility to put these in place allocated. The risk register records these details.

vi) Ensure that outcomes of the risk process are embedded in the business planning and budgeting process

vii) Support the board as part of the business planning process in their role i) to vii) above

The leadership team has responsibility for overseeing risk management for the delivery of the operational plan. It has been agreed that the establishment of a risk group will support this process. This includes reviewing the register, reviewing progress on the controls and linking to the strategic risks. Good risk management practice requires both a top-down strategic assessment of risk by the board coupled with appropriate and linked bottom up operational risks register prepared by the management team.

The responsibilities of the wider leadership team therefore include:

i) Adoption and encouragement of best practice risk management procedures within their individual area of responsibility,

ii) Cascading down responsibilities for identifying, assessing, managing and reporting risks within their sub-departments, centres, functions and projects.

iii) Maintenance of an operational risk register with section heads responsible for the delivery of any action plans.

This table outlines in summary the risk governance structure of Queens Cross Housing Association and who is involved in risk management and what their responsibilities are.

1. Board	The Board agrees the policy and provides an oversight and review of risk management process. The board will undertake a strategic risk analysis and scoring process twice a year as part of business planning process and review the strategic risk register and controls at Quarterly Performance meetings.
2. Audit and Risk Committee	Oversees regular review of risk management activities, receive reports on risk areas and review mitigating actions.
3. Executive Team	Lead culture of risk management and maintains and actions strategic risk register on a quarterly basis.
4. Nominated Risk Manager (Director of Finance and Corporate Support)	Continuously improving risk management policy, strategy and supporting framework.
5. Leadership Team	Ensure staff in their business units comply with the risk management policy and foster a culture where risks can be identified and escalated. Maintain and review the operational Risk register for risks impacting specific service or project delivery and shape mitigating actions and review progress against this target.
6. Staff and Contractors	Comply with risk management policies and procedures

The Association classifies risks according to their impact and likelihood and assesses their financial and non-financial implications and maintains strategic and operational risk registers. The risk management process is integrated with the business planning process.

6. Risk Management Framework

The Risk management framework is part of a wider system of internal control which also includes;

(a) Financial Regulations and Procedures.

The Associations approved financial regulations and procedures underpin the internal control process. The policies are approved by the Board on behalf of and are implemented and communicated by senior management to all members of staff.

(b) Business planning and budgeting.

The business planning and budgeting process is used to set objectives, agree action plans, and allocate resources. Progress towards meeting business plan objectives is monitored regularly. The risk management process is to be embedded within the business planning process.

(c) Audit Committee.

The Audit Committee is required to report to the Board on internal controls and alert members to any emerging issues. In addition, the Committee oversees internal audit, external audit and management as required in its review of internal controls. The Committee is therefore well placed to provide advice to the Board on the effectiveness of the internal control system, including the institution's system for the management of risk.

(d) Internal audit programme.

Internal audit is an important element of the internal control process. Apart from its normal programme of work, internal audit is responsible for aspects of the annual review of the effectiveness of the internal control system within the Association.

(e) External audit.

External audit provides feedback to the Audit Committee on the operation of the internal financial controls reviewed as part of the annual audit.

The **Queens Cross risk management framework** involves the Board and Executive in maintaining and actioning a **strategic risk register** and the **Leadership team** in reviewing and actioning an **operational risk register**.

The Risk management process can be seen to consist of the following elements.

The organisational context of the risks

This is both about being clear as to your organisational objectives, risks are only so if they threaten the delivery of the organisational objectives. Additionally the organisation needs to develop an awareness of where its appetite for risk lies. As a charitable organisation with responsibility for large sums of public money and providing key services for a range of tenants including vulnerable groups and those with specialist needs the board has a cautious approach to risk, but, will take opportunities they may come open as the strategic objectives outline.

Identify the risk

To help identify risks it is useful to think about all the things we rely on to achieve our objectives and to recognise any constraints and dependencies. If we wanted to bake bread we would need a recipe, the right ingredients, a suitable tin and an oven that works properly (as a minimum). Are there any problems with any of those things? Could we proceed without one of the ingredients? Similarly in delivering Queens Crosses service plan objectives there will be things that may impact on its delivery.

Risks come from a number of sources. Common risk categories including strategic, project, operational, financial, environmental, external, legal / regulatory and governance.

The groups should try to involve relevant stakeholders when identifying risks. That way you are less likely to overlook anything critical. Through workshops, interviews consulting people and group discussion the relevant groups can raising awareness of risk, securing buy-in and making sure the risks get managed.

Analyse and evaluate the risk

Once risks have been identified that may impact on the achievement of the organisational objectives these need to understood, their impact quantified and an assessment of their likely occurrence given.

To aid this process the following scoring tables can assist in determining a particular risks impact and providing those involved with a consistent and measurable definitions to assist the process. The table describes for a variety of types of risk, i.e. financial, Injury, Asset loss etc. consistent definitions to assess the risk impact from Insignificant up to Severe.

Risk Impact descriptions.

Risk impact descriptions

Description	Financial	Injury or Illness	Asset Loss	Business Continuity	Reputational	Corporate Objectives	Regulatory & Legal
Insignificant	<£50k	Minor injury, or illness, first aid, no days lost	Minor damage to single asset	<0.5 days	Minor media interest	<2.5% variance	Act or Omission resulting in Legal or Regulatory breach causing insignificant impact loss (as categorised in other six impact categories)
Minor	£50k – 100K	Minor injury, or illness, medical treatment, days lost	Minor damage to multiple assets	0.5>1 day	Headline media interest	2.5-5% variance	As above Causing minor loss
Moderate	£0.1>0.25 m	Moderate injury, medical treatment, hospitalisation, <14 days lost, RIDDOR reportable	Major damage to single or multiple assets	1>7 days	Headline media interest causing public embarrassment	5-10% variance	As above Causing moderate loss
Major	£0.25m> 0.5m	Single death, extensive injuries, long-term illness (>14 days)	Significant loss of assets	7>30 days	Short-term media campaign	10-25% variance	As above Causing major loss
Severe	>£0.5m	Multiple deaths or severe disabilities	Complete loss of assets	>30 days	Sustained media campaign/ lobbying	>25% variance	As above Causing catastrophic loss and Legal or regulatory supervision

Alongside the risk impact the probability or likelihood of the event happening needs to be assessed.

likelihood of risks

Likelihood Score	Likelihood title	Example descriptions
1	Rare	• Extremely unlikely or virtually impossible • Less than 5% chance of happening • Unlikely to occur in a 5 -10 year period
2	Unlikely	• Could occur at some point • 6% to 20% chance of happening • Unlikely to occur within a 2-5year period
3	Possible	• Fairly likely to occur • 21% to 50% chance of happening • Likely to occur once within a 1-2 year period
4	Likely / Probable	• Will probably occur in most circumstances • 51% to 80% chance of happening • Likely to occur once within a one year period
5	Almost Certain	• Expected to occur in most circumstances • More than 80% chance of happening • Likely to occur once within three months

Using both the impact and probability assessments outlined above combined risk score can be determined using the chart below.

Risk scoring

		LIKELIHOOD				
IMPACT	**Multiplier**	**Rare**	**Unlikely**	**Possible**	**Likely**	**Almost Certain**
Multiplier		**1**	**2**	**3**	**4**	**5**
Severe	**5**	5	10	15	20	25
Major	**4**	4	8	12	16	20
Moderate	**3**	3	6	9	12	15
Minor	**2**	2	4	6	8	10
Insignificant	**1**	1	2	3	4	5

Given the organisational appetite of Queens Cross Housing and applying this score methodology the policy requires those risks scored as 5 or above to be included within the formal risk register and actions or mitigations to be identified. This is graphically displayed in the heat map of the risk scoring table where those yellow orange and red scores only require actions.

Those not scoring above this level are not included in the formal register but retained within a working document for future review.

A suggested format of risk register is included in **Appendix A** showing the following headings:

Risk Reference,	**A unique identifier**
Risk type,	**i.e. Financial , H&S, Assets loss , Business Continuity, Reputational ,Corporate or Legal , Risk and its impact ,**
Description	**Description of the risk and how it will impact ,**
Probability Score,	**See Risk Score Table**
Impact Score	**See Impact assessment table**
Calculated Risk score	**Derived from the product of impact and probability**
Control	**The control in place to manage the risk.**
Frequency of monitoring	**Weekly, Monthly Annually etc.**
Control owner	**Manager responsible to ensuring control in place**
Date risk identified	**Date added to register**
Is control in place	**Yes or no**

The register is used to record the controls or mitigations in place for risks. These following types of control or mitigations exist.

Risks can be treated.

Risks above our risk threshold may require action to prevent them, make them less likely or limit their impact. This is described as treating the risk. Risks can be treated by a variety of means, for example, by ensuring alternative resources can be made available, by changing locations, or by reviewing the delivery model and the objectives.

Risks can be tolerated.

It may be decided that the potential costs to treat any risk are not worthwhile measured against the probability so the risk may be tolerated.

Risk can be terminated

An activity can be stopped if the risk is deemed too great.

Risks can be transferred

Through the use of outsourcing, insurance cover or other contractual terms risks can be transferred to other bodies. Again these can be recorded in the register as a control.

All these risk controls are documented on the register together with the risk owner and this record provides a control for the board or management across the organisation to ensure that they are being actioned and are effective.

Risk Register review

The risk management framework outlines that the strategic and operational risk registers are reviewed regularly.

The strategic register is updated quarterly by the Executive team and reviewed every quarter by the board. Each year at business planning events the board have the opportunity to review the register in more detail linked to the business planning process and suggest changes linked to the changing context of the business.

This annual review provides an opportunity for the board to both review the effectiveness of the risk control framework over the last year and look forward and update the register for coming year.

The operational register is updated by the leadership team and reviewed by the Executive team in line with the performance reporting cycle.

In reviewing the register it allows each group tasked to ensure the following;

- **See if risks have change and whether these need to be rescored or indeed removed to monitor the delivery of any controls identified with the responsible officer**
- **To assess whether the agreed controls are impacting as required to see if any additional controls may be available**
- **To see if new risks have emerged and should be added with any new controls**

Through the use of the risk framework the association will have a policy in place to address and mitigate threats to the delivery of its business objectives. No risk framework can prevent such risk events from happening but it can ensure the organisation is better prepared to deal with them.

7. Risk Communication

The risk register provides a good means of communicating the organisations awareness of its risks and its actions both with the organisation to the wider staff group and to other stakeholders such as lenders and regulatory bodies. For the internal staff team it is vital to raise awareness of the risks the organisation faces to allow them to contribute their knowledge to the risk mitigation and to ensure to effectiveness of any controls put in place by ensuring they are applied.

For external stakeholders it provides assurance and evidence of sound business planning and control processes.

The annual report or accounts should include a section detailing the risk process and its outcomes.

8. Conclusion

An effective risk management policy is part of the organisations key business planning processes and central in ensuring it can effectively deliver against its key objectives. The framework outlined here should provide the organisation with the appropriate mechanisms to effectively monitor its risks

Risk register format to record controllable risks.

No	Risk type	Risk and objective affected	Risk Score			Control-Mitigations	Frequency of Monitoring	Risk Owner	date risk mapped	Is Control in Place?
			Prob	Impact	Score X*Y					
1.	**Financial etc.**	Describe the risk identified here and the impact on the organisational objectives	4	3	12	Describe the controls or mitigations put in place here	Monthly /Qrtly etc.	Staff member tasked with monitoring risk and control	April 2015	Yes

Contact Us

45 Firhill Road, Glasgow, G20 7BE
Telephone
0808 143 2002

Email
contactus@qcha.org.uk

Visit
www.qcha.org.uk

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