RISK MANAGEMENT POLICY

Policy Classification: Management

Status: Approved

Policy Lead:	Director of Business Support
Last Review Date:	September 2022
Review Due Date:	June 2026
Review Period:	3 years unless required earlier due to changes in the law, regulation, best practice or requirement of the Association

REFERENCE PAGE

Document Title:	Risk Management Policy
Aim:	The resources available for managing risk are finite and so our aim is to achieve an optimum response to risk, prioritised in accordance with our evaluation of the risks.
Objective:	1 The Eildon Group will ensure that the highest standards of governance and partnership working are adhered to, including compliance with our regulatory frameworks
Scope of Policy:	All stakeholders
Nominated Officer:	Director of Business Support
Approval Source:	Board (ARCom recommends to Board)
Legal and Regulatory References:	SHR Regulatory Framework – Regulatory Standard 4
Document References:	• Supporting Treasury Management Policy • Sustainability Policy and 5 Year Plan.
Consultation Completed:	N/A
Risk Implications:	1- Existing policy, minimal change
Equalities Assessment:	All Eildon policies and key documents are developed with the clear objective of ensuring that they do not discriminate against any person and have negative impacts for equality groups. We will always welcome comments on the impact of a policy on particular groups of people in respect of, but not limited to, age, disability, gender reassignment, race, religion, sex or sexual orientation, being pregnant or on maternity leave and children's rights and wellbeing.
Accessibility:	Accessible electronically/online and in print. All documents can be translated and made available in audio, braille and large print versions upon request.

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1. OVERVIEW

1.1 Risk is defined as the uncertainty of outcome, whether positive opportunity or negative threat, of action and events with reference to the organisation's objectives. Risk has to be assessed in respect of the combination of likelihood of something happening, and the impact that arises if it does happen.

1.2 The resources available for managing risk are finite and so our aim is to achieve an optimum response to risk, prioritised in accordance with our evaluation of the risks. We use the term 'risk appetite' to refer to the amount of risk which we are prepared to accept, tolerate, or be exposed to at any point in time.

1.3 Risk management is the process by which we:

- Identify risks in relation to the achievement of Strategic and Departmental Objectives.
- Assess their relative likelihood and impact.
- Respond to the risks identified, considering our assessment and risk.
- Assess all tolerance of risk and the assurance levels of the controls.
- Review and report on risks – to ensure the risk register is up to date, to gain assurance that responses are effective, and identify when further action is necessary.

1.4 The goals of risk management are to:

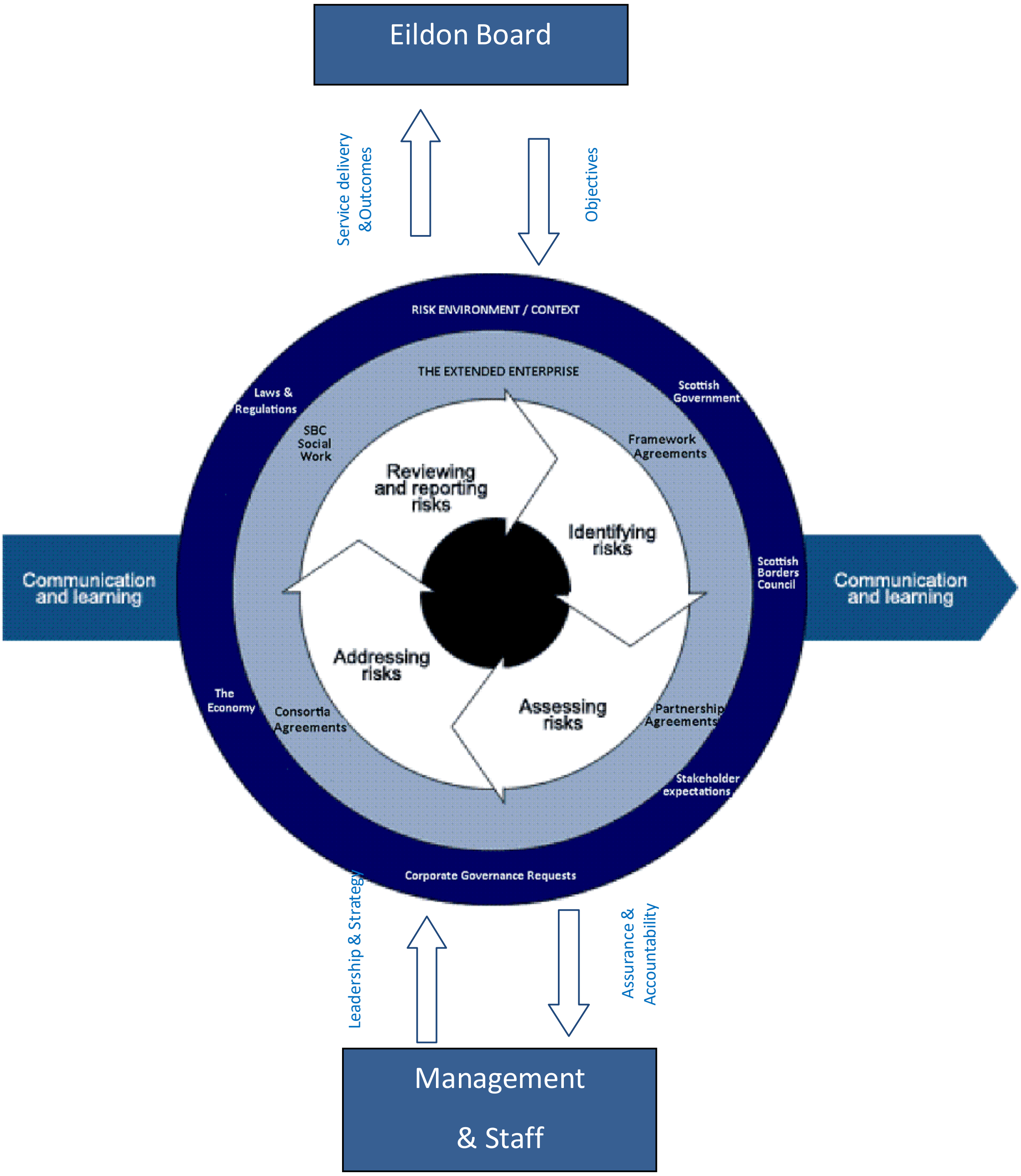
- Take a proactive approach, anticipating and influencing events before they happen.
- Facilitate better informed decision making.
- Protect and promote the organisation's reputation.
- Improve contingency planning.

1.5 As a regulated organisation, it is also important that our approach to risk management is consistent with the Scottish Housing Regulator's Regulatory Framework; specifically Standard 4 "The Governing Body bases its decisions on good quality information and identifies and mitigates risks to the organisation's purpose".

1.6 The management of risk is not a linear process; rather it is the balancing of several interwoven elements which interact with each other. It is essential that the risk management process is intertwined with other operating activities and permeates the organisation's management.

1.7 This Risk Management Policy is accompanied by a procedure document to aid colleagues in undertaking risk identification and review. This is illustrated by the Eildon Risk Management Model overleaf.

The Eildon Risk Management Model



Notes on the Model

- The management of risk is the balancing of several interwoven elements which interact with each other.
- The Model dissects the core risk management process into elements for illustrative purposes but, in reality, they blend together.
- The Model illustrates how the core risk management process is not isolated but takes place in a context.

2. IDENTIFYING RISKS

2.1 Identifying risks is the first step in building and reviewing the Risk Register. The process of identifying and defining risks establishes common understanding of the risks and therefore better capability to respond appropriately.

2.2 Twice a year a formal risk assessment exercise will take place. The departmental staff will review in the context of the Departmental Objectives and the Executive Team the Corporate Strategic Objectives. The outputs of this process will be used to inform the Corporate Risk Register.

3. ASSESSING RISKS

3.1 Risks will be assessed on these five principles:

- Ensure that both likelihood and impact are considered for each risk.
- Record the assessment of risk in a way which allows the identification of risk priorities.
- Be clear about the difference between inherent (the risk before controls are considered) and residual (the risk after the controls are considered) risk.
- Avoid confusing causes with risks.
- Be clear about the assurance levels of the controls.

3.2 Each risk will be scored on the likelihood of it occurring and the relative impact if it does. Likelihood is the probability or chance of the risk occurring and impact is the probable effect on the Association if the risk occurs.

3.3 All risks will be scored in terms of their likelihood and potential impact using the following five-point scale.

LIKELIHOOD			IMPACT	
5	**Almost Certain**		**5**	**Major**
4	**Likely**		**4**	**Significant**
3	**Possible**		**3**	**Moderate**
2	**Unlikely**		**2**	**Minor**
1	**Rare**		**1**	**Negligible**

3.4 Each will be assessed twice. Firstly the **'Before Controls' (inherent)** risk, which is the exposure arising from a specific risk before any action has been taken to manage it. Secondly the **'After' (residual)** risk which is the exposure arising from a specific risk after action has been taken to manage it and assuming that the action is effective.

4. ADDRESSING RISKS

Risks will be addressed in proportion to the level of risk and the cost benefits involved in any action taken to reduce the risk.

4.1 Each risk will be tracked and monitored, including the 'Before' assessment, and the action planned 'After' the assessment.

4.2 There are four key aspects of addressing risk: [**Note the first three can run concurrently].**

1. **TOLERATE**: the exposure may be tolerable without any further action being taken. Even if it is not tolerable, ability to do anything about some risks may be limited, or the cost of taking any action may be disproportional to the potential benefit gained. In these cases the response may be to tolerate the existing level of risk.

2. **TREAT:** by far the greatest number of risks will be addressed in this way. The purpose of treatment is that whilst continuing within the organisation with the activity giving rise to the risk, action (control) is taken to constrain the risk to an acceptable level.

3. **TRANSFER:** for some risks the best response may be to transfer them. This might be done by conventional insurance, or it might be done by paying a third party to take the risk in another way.

4. **TERMINATE**: some risks will only be treatable, or confinable to acceptable levels, by terminating the activities.

5. RISK APPETITE

5.1 The aim of the Risk Policy is not to remove all risk but to recognise that some level of risk will always exist. Taking risks in a controlled manner is fundamental to innovation and the building of a “can do” culture. Risk appetite is the amount of risk that the organisation is prepared to accept, tolerate or be exposed to at any point in time.

5.2 Eildon’s risk appetite can be expressed as a boundary, above which we will not tolerate the level of risk and further actions must be taken.

5.3 All Risks scored Major will require to be reported to the Governing Body with mitigating actions in place, and all risks scored as Severe will not be tolerated beyond an immediate time-frame, with measures in place to mitigate the risk as quickly as possible or a plan to remove the Association from the risk factor if necessary.

5.4 The Board has agreed to focus on monitoring of risks with a score of 15 or more (major) and have delegated to the Executive Team for the review and monitoring of the whole register, and those risks scoring less than 15 (moderate or less).

6. RISK ROLES AND RESPONSIBILITIES

Board
The Board has responsibility for ensuring that the Association fulfils the aims and objectives set out in its Rules and Strategy, and for promoting the efficient and effective use of staff resources. The Board shall demonstrate high standards of corporate governance at all times, including using the Audit & Risk Committee (ARCom) to help address the key risks facing the Association.

Only strategic risks with a residual level of 15 or more on the register will be submitted to the Board.

Audit & Risk Committee (ARCom)
The ARCom is responsible for ensuring proper arrangements exist for risk management and internal control. It considers and advises the Board on:

- The strategic processes and policies for risk, control and governance including the content of the Statement of Internal Control, prior to endorsement by the Board
- The promotion, co-ordination and monitoring of risk management activities, including regular review of the corporate risk profile
- Assurances relating to the adequacy and effectiveness of risk control and governance

The ARCom will be provided with:

- A biannual report summarising any significant changes to the Risk Register
- An annual report on the Executive Team review of the risk processes.

- A triennial report on the Executive Team review of the risk policy.

Chief Executive (CEO)
The CEO is personally responsible for safeguarding the funds for which he/she has charge; for ensuring propriety and regularity in the handling of those funds; and for the day-to-day operations and management of the Association.

In managing risk, the CEO is responsible for ensuring that:
- A system of risk management is maintained to inform decisions on financial and operational planning and to assist in achieving objectives and targets.
- The Governing Body are involved in the risk management system.
- A risk register is maintained.

This includes:
- Setting and communicating the Risk Policy
- Providing leadership over the risk process
- Regularly reviewing the Risk Register
- Conducting an annual review of the effectiveness of the system of internal control

Executive Team (ET)
The ET works with managers in delegating effective risk management in their areas of responsibility.

They are responsible for delegating the management of risks to identified staff. They are also responsible for developing and implementing the process and maintaining the risk register document. The Director of Business Support will be responsible for ensuring the Risk Register is kept up to date and submitted to the ARCom.

Managers
Everyone with a line or project management role is responsible for assessing and communicating risks within their sphere of responsibility, including judging when a risk should be considered for inclusion in the Risk Register.

Risk owners
Risk owners are responsible for ensuring that each risk assigned to her/him is managed and monitored over time.

All staff
Whilst this policy document sets out defined processes for managing risk, successful risk management can only be accomplished on a day to day basis by staff at all levels through their working practices; it does not simply lie inert in corporate policies and management structures.

Risk management is the responsibility of every member of staff and virtually everyone has a role in carrying out appropriate risk management by supporting risk identification and assessment, and designing and implementing risk responses. This will be achieved through core briefings, team meetings and one to one sessions, etc.

Internal Audit
The Internal Audit function plays a key role in evaluating the effectiveness of, and recommending improvements to, the risk management process. This is based on the systematic review and evaluation of the policies, procedures and operations in place to:

- Establish, and monitor the achievement of, the organisation's objectives.
- Identify, assess and manage the risks to achieving the organisation's objectives.
- Advise on, formulate, and evaluate policy.
- Ensure the economical, effective and efficient use of resources.
- Ensure compliance with established policies (including behavioural and ethical expectations), procedures, laws and regulations.
- Safeguard assets and interests from losses of all kinds, including fraud, irregularity or corruption.
- Ensure the integrity and reliability of information.

In addition, Internal Audit aims to add value through:
- Supporting the identification of risks and the development of processes and procedures to assess and effectively respond to risks
- The identification and recommendation of potential process improvements
- The provision of advice to manage risks in developing systems projects, and procedures.
- The provision of best practice advice to all sections of the association; and encouraging best practice and engendering continuous improvement.

7. RISK REGISTER

7.1 The Risk Register is the full record of both Strategic and Operational Risks that are current within the organisation.

8. REVIEWING AND REPORTING RISKS

8.1 The management of risks must be reviewed and reported on for two reasons:
- To monitor whether or not the risk profile is changing
- To gain assurance that risk management is effective, and to identify when further action is necessary

8.2 The review mechanism consists of:
- An annual review of the processes and the policy itself by the Executive Team (ET) which is then signed off by Audit & Risk Committee (ARCom)
- A bi-annual revaluation of the existing risks and the identification of new risks.

8.3 The reporting mechanism consists of:
- The reporting firstly to the ARCom and then the Board the results of the bi-annual revaluation.
- The ET annually confirming, via the Internal Statement of Control, that to

the best of their knowledge and belief the risks have been regularly identified and assessed, and key risks have been effectively managed.

8.4 Should circumstances dictate it the re-evaluating and reporting time spans in 8.2 and 8.3 above will be shortened. Similarly, new risks can be added to the register at any time.

8.5 In addition to the mechanism of monitoring and reviewing the Risk Register, the Group has the following other internal control and assurance mechanisms:

- The Outsourced Internal Audit firm also provides a written report every 3 years to the Board outlining their opinion of the overall adequacy and effectiveness of the organisation's risk management processes, including their relevant strengths and weaknesses.
- As a part of its work, the Association's External Auditors examine and comment on the Board's Statement of Internal Control.

9. COMMUNICATION AND LEARNING

9.1 The identification of new risks or changes in risk is itself is dependent on communication:

Externally, the organisation create a good network to facilitate identification of changes which affect the Association's Risk Register. Including partner organisations about risk management.

Internally risk management will be communicated through Department Action Plans.

10. THE EXTENDED ENTERPRISE

10.1 The Group is self-contained however it has to be recognised that there are partner organisations which create a number of interdependencies which give rise to additional risks which need to be managed.

10.2 Specific arrangements to manage external interdependencies include:

- Contract Agreements with other RSLs such as the Repairs and Maintenance contract with R3.
- Formal Contracts with SBC for the provision of care services to our projects.
- Offers of HAG from the Scottish Government More Homes Division for our Development Programme.
- Agency Contracts e.g. SBC (Care and Repair)

11. ENVIRONMENT AND CONTEXT

11.1 The Group's activities are impacted by the macro economy, the housing markets, and wider cultural and social factors relating to housing and social care. We also need to be sensitive to stakeholder expectations, in the housing and related sectors, and amongst our end users - the beneficiaries of our affordable housing and social care activities.

11.2 Our relationship with the Scottish Government and Scottish Borders Council is fundamental to our purpose. We explicitly consider risk management in policy making, aiming to include a proportionate and wide-ranging consideration of risk prior to policy proposals.

12. REVIEW

This policy should be reviewed within three years unless required earlier due to changes in the law, regulation, best practice or requirements of the Association.

Annex 1 – The Audit Loop