CLYDESDALE HOUSING ASSOCIATION LIMITED

Policy:	Risk Management Policy
Date:	30 October 2024
Lead Officer:	Chief Executive
Review Date:	September 2027

Regulatory Standards:

Standard 3
The RSL manages its resources to ensure its financial well-being, while maintaining rents at a level that tenants can afford to pay.

Standard 4
The governing body bases its decisions on good quality information and advice and identifies and mitigates risk to the organisation's purpose.

Regulatory Guidance:

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. The RSL considers sufficiently the financial implications of risks to the delivery of plans.

4.4 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.

Clydesdale Housing Association will provide this policy on request at no cost, in large print, in Braille, in audio or other non-written format, and in a variety of languages

HAPPY TO TRANSLATE

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1.   Policy Statement and Objectives

1.1   Like all businesses, Clydesdale Housing Association's (CHA) activities are not free from risk. CHA has a moral and statutory duty of care to tenants and employees, and we must also safeguard and make proper use of our assets.

1.2   CHA will meet these obligations through the practical application of this Risk Management Policy and the methods it describes.

1.3   The term "risk" refers to an event that could have a negative impact on CHA's business, customers and services, or future opportunities.

1.4   The Risk Management Policy establishes a practical risk management framework that will meet the following objectives:

- Ensure that the organisation can achieve its purpose;
- Protect the interests of service users and stakeholders;
- Protect the organisation and its reputation;
- Protect the reputation of the social housing sector;
- Ensure that risk is managed, mitigated and monitored in a proportionate and effective manner;
- Focus on risks that may prevent us from meeting our business plan objectives;
- Ensure a dynamic approach, so that we are alert to how risks may be changing over time and respond accordingly;
- Promote a culture of risk awareness, routine consideration, control and review among our committee and staff members;
- Empower all CHA staff to manage operational risks effectively.

2.   Policy Implementation

2.1   CHA's Management Committee will have overall responsibility for risk management and will seek to ensure that key risks are identified and appropriately managed.

2.2   This is supported by the work of the Audit and Risk Sub-Committee that aims to:

- Ensure the identification, control and monitoring of risk is adequate;
- Ensure performance measurement systems are reliable.

2.3   The day to day responsibility for risk identification and management is delegated to the Chief Executive.

2.4   CHA applies a common set of principles to how it implements risk management:

3. Risk Appetite Statement

3.1 CHA's risk appetite is guided by our vision to provide quality homes and excellent services for all – today and in the future. It also aligns with our strategic objectives and regulatory requirements.

3.2 Risk appetite refers to the amount and type of risk that CHA is willing to accept in pursuit of our strategic objectives. It encompasses our willingness to take on risks in various areas, including financial, operational, reputational, compliance, and strategic risks, while ensuring that we remain accountable to our stakeholders, including tenants, employees, regulatory bodies, and the communities we serve.

3.3 Strategic Risk Appetite: We have a moderate risk appetite for strategic initiatives that align with our vision. We are willing to invest in innovative housing solutions and community development projects that may carry a degree of uncertainty, provided that they have a clear benefit to our tenants and communities. We will assess these risks carefully to ensure that they align with our long-term objectives and implement robust systems and processes to minimise the identified risks.

3.4 Financial Risk Appetite: Our financial risk appetite is conservative. We aim to maintain a strong financial position and ensure the sustainability of our operations. We are willing to accept risks associated with housing investments and development projects, provided they are supported by thorough financial analysis and risk assessment. We prioritise financial stability and will avoid excessive leverage that could jeopardise our ability to meet our obligations.

3.5 Operational Risk Appetite: We have a low to moderate appetite for operational risks. Our priority is to ensure the safety and well-being of our tenants and staff. We are committed to maintaining high standards of service delivery and compliance with all regulatory requirements. While we recognise that some operational risks are inherent in our activities, we will implement robust systems and processes to minimise these risks.

3.6 Compliance Risk Appetite: We have a very low risk appetite for compliance-related risks. As a Registered Social Landlord, we operate in a highly regulated environment, and adherence to legal, regulatory, and ethical standards is paramount. We will take all necessary measures to ensure compliance with applicable laws and regulations, and we will foster a culture of transparency and accountability.

3.7 Reputational Risk Appetite: Our appetite for reputational risk is low. We understand that our reputation is vital to our success and the trust placed in us by our tenants and stakeholders. We will proactively manage risks that might impact our reputation and strive to maintain open lines of communication with our stakeholders to uphold our integrity and public image.

3.8 CHA recognises that risk is an inherent part of our operations. We are committed to a prudent approach to risk management that balances the pursuit of opportunities with the need to protect our tenants and organisational integrity. Our risk appetite will be reviewed periodically to ensure alignment with our strategic objectives, changes in the external environment, and evolving stakeholder expectations.

3.9 This Risk Appetite Statement serves as a guiding principle for decision-making across all levels of the organisation, ensuring that we remain focused on our vision while effectively managing the risks we face.

4. Risk Identification

4.1 Everyone at CHA (staff and Committee) has a responsibility to identify risks. To this end, risk management will be a regular item on agendas for Management Committee, Audit and Risk Sub-Committee, Management Team, Staff and Departmental meetings. This will help to ensure that our approach to risk management reflects the dynamic nature of our operating environment.

4.2 Risk awareness is a feature of CHA's culture and will continue to influence decisions as part of a responsible approach to managing and directing our activities.

4.3 Early stages of the business planning process will include:

- an assessment of CHA's external environment using a PESTEL analysis tool (Political, Economic, Social, Technological, Environmental and Legal);
- an analysis of CHA's stakeholders;
- An assessment of internal strengths and weaknesses in an organisational SWOT analysis (Strengths, Weaknesses, Opportunities and Threats).

4.4 This external and internal analysis will in turn inform CHA on key risk identification. From this two categories of risk will be identified:

- Strategic Risks – external risks facing the Association that threaten the future viability of Clydesdale that are often hard to manage, and are not always under our direct control;

- Operational Risks - internal risks that face most RSLs, and are the kind of risks which Clydesdale should have systems and processes in place to manage.

5. Risk Analysis & Evaluation – The Risk Map

5.1 The Association has developed two risk maps – one for prioritising strategic risks, the other operational risks.

5.2 Both risk maps will be clearly linked to the objectives and activities set out in the Business Plan – an example of a risk map is attached in Appendix 1.

5.3 Risks are assigned scores that reflect their potential IMPACT (the effect the realisation of the risk would have on Clydesdale) and the PROBABILITY (the likelihood of the risk being realised) of loss/damage arising.

5.4 IMPACT and PROBABILITY are each scored from 1 (lowest) to 5 (highest).

5.5 Probability and Impact scores are multiplied together to obtain a total a risk score. CHA seeks to quantify each identified risk in terms of inherent risk (the level of risk if no action is taken), as illustrated below.

Probability score of 4, multiplied by Impact score of 3 = overall Risk Score of 12.

5.6 Risk maps prioritise risks as either:

- High: overall risk score greater than 12;
- Medium: score 6 to 12;
- Low: score 5 or lower.

5.7 The Risk Map approach will also be used to assist individual decision-making and influence project planning on activities with greater risk attached, e.g., new development projects.

6. Risk Management - Risk Management Log

6.1 On identification of key risks in each category, a Risk Management Log will be produced that will detail which controls CHA will introduce in order to manage the risk – an example of the Risk Management Log is attached in Appendix 2.

6.2 The Risk Management Log represents the Association's risk management strategy.

6.3 Risk scores recorded on the Risk Management Log will be as follows:

- The inherent risk score (the level of risk if no action is taken);
- The optimal risk score (the level of risk which CHA realistically expects to reduce each risk to) - this will represent the level of risk we consider to be acceptable:
- The current risk score – the aim of risk management activity is that this will reduce over time and move towards the optimal risk score.

6.4 The Risk Management Log will also record:

- Short description of the risk;
- What Business Plan Objective the risk is linked to;
- The risk management approach being adopted (accept, eliminate, insure or manage);
- A summary of the control description;
- Details of the risk management action agreed;
- A summary of progress made against the agreed action;
- Details of the lead person within CHA responsible for managing each risk;
- A list of assurance sources that the risk is being managed appropriately.

6.5 Risk Maps and the Risk Management Log will be reviewed annually. Results of the review will be considered and, where appropriate, influence the Annual Internal Audit Plan.

7. Monitor, Review & Report

7.1 Quarterly progress reports summarising risk management activity and outputs will be presented to the Management Committee and the Audit & Risk Sub-Committee.

7.2 Informing the reporting to Committee, the Chief Executive will lead the Management Team in:

- Monthly monitoring of risks that may affect the achievement of the Business Plan;
- Ongoing identification of priorities for the commissioning of internal audit reports;
- Monthly review of Risk Maps and the Risk Management Logs;
- Reviewing relevant information as it becomes available, from internal and external sources (for example through the annual Audit Management Letter, CHA performance management, benchmarking and trend analysis, external policy or legislative changes);
- Review of Health and Safety compliance and controls;

- Reviewing our adherence to our stakeholder communications plan.
- Reviewing CHA's performance in adhering to our list of recurring actions, e.g. annual returns, annual assurance statement to the SHR, implementation of governance policies, etc.

7.3   The full CHA staff team will meet to review Risk Maps on a quarterly basis.

7.4   Reports to Management Committee concerning any new initiatives or change of policy will include a section on risk management.

8.   Assurance

8.1   Assurance is defined by the Chartered Institute of Internal Auditors as:

"*an objective examination of evidence for the purpose of providing an independent assessment.*[1]"

8.2   This evidence will come from three sources:

- <u>Performance reports</u>: from staff that demonstrate risk management activities are being achieved;

- <u>Internal Audit reports covering</u>: results of sample testing of all activity areas to provide the level of assurance commensurate with the risk assessed and ensure the records are sufficiently detailed; assessments of the quality of controls, tests on the degree of compliance with controls and evaluation, where necessary, of the effect of non-compliance and the accuracy of information derived from the system; evaluation of the quality and usefulness of management information and the use to which it is put.

- <u>External Audit reports covering</u>: the effectiveness of internal financial controls; audit of annual financial statements.

9.   Policy Review

9.1   This policy will be reviewed every 3 years or at an earlier date if required.

Approved by the Committee of Management on:	
Signed: **Secretary/Chairperson**	**Signed:** **Chief/Depute Chief Executive**

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[1] See www.iia.org.uk/resources/technical-blog/assurance-definitions/#:~:text=Assurance%20is%20obvious%20to%20an,glossary%20definition%20of%20assurance%20services.

Appendix 1 – Risk Map

RISK MAP								
IMPACT		1	2	3	4	5		
5	5	10	15	20	25	5		= High
4	4	8	12	16	20	4		
3	3	6	9	12	15	3		= Medium
2		4	6	8	10	2		
1	1	2	3	4	5	1		= Low
		1	2	3	4	5		
			PROBABILITY					

Appendix 2 – Risk Management Log

Current Risk Map Score	Original Risk Map Score	Short Description	Linked to Business Plan Objective(s)	Risk Management	Control description	Agreed Action	Progress	Lead Person	Assurance Sources	Optimal Risk Score
				A = Accept; E = Eliminate; I = Insure; M = Manage						