Cassiltoun Group Risk Management Policy

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Chair Person/Office Bearers Signature:	

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THE CASSILTOUN GROUP
RISK MANAGEMENT POLICY

1. BACKGROUND

Risk Management is a crucial element of effective business planning, strategic and operational management and corporate governance. Cassiltoun HA believes that managing risk effectively means developing a practical plan to identify, deal with and minimise the adverse effects of risks on the organisation.

The Policy explains the Association's underlying approach to Risk Management, documents the roles and responsibilities of the Board of Management, the Senior Leadership Team and other key parties. It also outlines key aspects of the Risk Management Process including the risk assessment scoring methodology, and identifies the main reporting procedures. It defines the appetite that the Association has for risk and explains the common risk language (Appendix 1) that we will be adopting across the organisation.

2. REGULATORY STANDARDS

The Scottish Housing Regulator's Regulatory Framework has ensured that the Boards continued involvement in identifying risks and having a clear understanding of how risks are being managed is a critical part of their remit and the ongoing Assurance process.

Regulatory Standard 4 states that:
'The governing body bases its decisions on good quality information and advice and identifies and mitigates risks to the organisation's purpose.'

The corresponding guidance states that:

- The governing body ensures it receives good quality information and advice from staff and, where necessary, expert independent advisers, that is timely and appropriate to its strategic role and decisions. The governing body is able to evidence any of its decisions.

- The governing body challenges and holds senior officers to account for their performance in achieving the RSL's purpose and objectives.

- 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.

- Where the RSL is the parent within a group structure it fulfils its responsibilities as required in our group structures guidance to:

  (a) Control the activities of, and manage risks arising from, its subsidiaries;

  (b) Ensure appropriate use of funds within the group;

  (c) Manage and mitigate risk to the core business; and

(d) Uphold strong standards of governance and protect the reputation of the group for investment and other purposes.

3. INTRODUCTION TO RISK & RISK MANAGEMENT

Risk is inherent and unavoidable in every activity that any organisation undertakes. The aim of effective risk management is to manage risks and their potential for damage down to an acceptable and manageable level including eliminating or insuring against them. We must ensure that everyone in the organisation understands the importance of risk management as part of our day to day decision-making processes. Our risk strategy must allow us to find the balance of managing our risks in the best possible way, whilst remaining financially viable and commercially dynamic.

4. MANAGING RISKS ROLES AND RESPONSIBILITIES

These can be summarised as follows**:**

	Develop strategy	Approve strategy	Identify risks	Implement strategy	Update Register	Review effectiveness
Parent Board	✓	✓	✓			✓
Subsidiary Board	✓	✓	✓		✓	✓
Group Audit & Risk Sub			✓		✓	✓
Senior Staff team	✓		✓	✓	✓	✓
Line Managers			✓	✓		✓
All employees			✓	✓		✓
External and internal auditors						✓

Board of Management

The Board of Management is responsible for overseeing Risk Management in the Association as a whole, specifically:

- Agreeing the Risk Management framework within the Group;
- Setting the risk appetite for the Group;
- Identifying & evaluating risks for the Association
- Receiving reports and requesting action where appropriate;
- Reviewing assurance providing mechanisms to ensure that actions to mitigate risks are operating effectively;

- Annual review of the Association's approach to Risk Management, approving any proposed changes to the core aspects of the strategy and associated procedures.

Subsidiary Boards

- Identifying & evaluating risks for their subsidiary
- Receiving reports and requesting action where appropriate;
- Reviewing assurance providing mechanisms to ensure that actions to mitigate risks are operating effectively;

Group Audit and Risk Sub Committee

- Evaluating risks for the Group
- Receiving reports and requesting action where appropriate;
- Reviewing assurance providing mechanisms to ensure that actions to mitigate risks are operating effectively;

Senior Leadership Team

The Senior Leadership team has responsibility for:

- Implementing policies on Risk Management and internal control;
- Identifying and evaluating the key risks faced by the Association.
- Providing adequate, timely information to Board of Management and its sub committees on the status of risk and controls and providing assurance that risks are being effectively mitigated;
- Undertaking an annual review of the effectiveness of the system of internal control and providing a report to Board of Management.

5. RISK MANAGEMENT FRAMEWORK

Managing risk is a continuous process which needs to be embedded into Cassiltoun Housing Association's systems to aid decision making, accountability and improve our internal management systems.

The Association has developed a risk mapping process that is clearly linked to the activities and targets set out in the Business Plan. We have assessed the inherent risk of each activity, measured by its potential impact on the Association and have evaluated controls in place aimed at managing each risk. Risks are then assigned scores that reflect their current potential impact and the probability of it causing financial or reputational loss. The risk mapping process focuses on the all identified risks, with the highest risk areas receiving more attention and reviewed more frequently.

6. RISK APPETITE

Risk appetite is the amount of risk that the Group is prepared to accept, tolerate or be exposed to at any point in time. Risk appetite can be expressed as a boundary, above which the organisation will not tolerate the level of risk and further actions must be taken:

Setting a risk appetite provides a framework which enables an organisation to make informed management decisions. The benefits of adopting a risk appetite include:

- Supporting informed decision-making
- Reducing uncertainty
- Improving consistency across governance mechanisms and decision-making;
- Supporting performance improvement
- Focusing on priority areas within an organisation
- Informing spending review and resource prioritisation processes.[1]

Risk appetite development

When developing its risk appetite, an organisation needs to consider the norms of the environment and the sectors in which it operates, its own culture, as well as governance and decision-making processes.

Cassiltoun Housing Association and its subsidiaries are not-for-profit organisations with the principal aim of being customer focussed organisations which deliver affordable housing, childcare and services that make a positive difference to the neighbourhoods in which we work. We work in a sector of considerable political and social importance, where changes in government policy and in the marketplace for social housing or the services that our subsidiaries provide can repeatedly impose the need for innovation and strategic change, which can in itself bring elements of risk.

In such circumstances changing nothing would in itself be a high-risk strategy. We must live with the risks inherent in defining and implementing change, and do whatever we can to avoid, minimise and control them and their impact.

When considering risk appetite, the Group must consider the following:

- All activities must be consistent with the Association's objectives and not in contravention of our rules and policies

- All activities must be consistent with our subsidiary's aims and purpose, independence agreements and registration with Company's House.

- We will expect:

    - That the benefits accruing from any activity represent value for money and achieve best value for the Association and its subsidiaries, tenants and service users

[1] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1012891/20210805_-_Risk_Appetite_Guidance_Note_v2.0.pdf

- That any financial consequences are covered within the budgeted income available within the Association and its subsidiaries.

The table below defines the 5 levels of risk appetite

Risk Appetite	Description
Averse	Avoid risks under **any** circumstances that may result in reputation damage, financial impact or exposure, major breakdown in services, information systems or integrity, significant incidents of regulatory and/or legislative compliance
Minimalist	Avoid (except in very exceptional circumstances) risks that **may** result in reputation damage, financial impact or exposure, major breakdown in services, information systems or integrity, significant incidents of regulatory and/or legislative compliance. Preference for very safe business delivery options that have a low degree of inherent risk with the potential for benefit/return not a key driver. Activities will only be undertaken where they have a low degree of inherent risk.
Cautious	Accept some risks in certain circumstances that may result in reputation damage, financial loss or exposure, major breakdown in services, information systems or integrity, significant incidents of regulatory and/or legislative compliance. Preference for safe options that have low degree of inherent risk and only limited potential for benefit. Willing to tolerate a degree of risk in selecting which activities to undertake to achieve key deliverables or initiatives, where we have identified scope to achieve significant benefit and/or realise an opportunity. Activities undertaken may carry a high degree of inherent risk that is deemed controllable to a large extent.
Open	Accept risks that may result in reputation damage, financial impact or exposure, major breakdown in services, information systems or integrity, significant incidents of regulatory and/or legislative compliance. Willing to consider all options and choose one most likely to result in successful delivery while providing an acceptable level of benefit. Seek to achieve a balance between a high likelihood of successful delivery and a high degree of benefit and value for money. Activities themselves may potentially carry, or contribute to, a high degree of residual risk.
Eager	Accepts and in some circumstances actively seeks risks because of the potential short and long term benefits that might arise. However, it recognises that this might result in reputation damage, financial impact or exposure, major breakdown in services, information systems or integrity problems, significant incidents of regulatory and/or legislative compliance issues. Eager to be innovative and to choose options based on maximizing opportunities and potential higher benefit even if those activities carry a very high residual risk.

Our risk appetite matrix is in Appendix 2 and we will always aim to operate organisational activities at the defined levels set annually by the Board of Management. Where activities are projected to exceed the defined levels, this must be highlighted through appropriate governance mechanisms.

7. RISK IDENTIFICATION AND INCLUSION IN THE REGISTER

7.1 The majority of risks in the companies are identified by staff undertaking their day to day operational activities. These are usually low level risks which can be dealt with by the staff member or team through planned or dynamic risk assessments and are usually short lived. More strategic, longer term and business wide risks are identified during meetings of the SLT or at business planning days where barriers to specific business objectives can easily be recognised. All staff and Board members have a duty to report emerging risks to their managers. These could be risks that have been identified through attending training, or reading material on the internet or through discussion with partner organisations.

7.2 Risks will also be identified through reports from our internal and external auditors, consultants, lenders, the Scottish Housing Regulator and sector membership bodies.

7.3 The most frequently used method used at Cassiltoun to discuss risks is though brainstorming and discussion. As part of business planning the staff and Boards also complete SWOT and PEST analysis which offers a structured approach to risk

7.4 Each part of the Group has its own risk register. Current and emerging risks are reviewed by the SLT for consideration of inclusion on the Register and then by the Risk and Audit Sub -Committee which has representatives of each part of the group. The Boards of Management review the risk register on a biannual basis.

7.5 New or emerging risks can be referred by any staff or Board member to the SLT (and subsequently the Board) for consideration and inclusion on the register.

8. RISK RESPONSE AND MITIGATION

8.1 The level of response to the risk and the mitigation put in place will correspond to the level of risk identified. Higher levels of risk will require greater levels of management focus, resources and Board scrutiny to bring the risk level down to an acceptable level. The Boards will see the impact of any mitigation through reviews of the risk register and through reports to the three Boards of Management or appropriate sub-Committee.

9. RISK IDENTIFICATION AND ESCALATION PROCESS

Identify

- **WHAT IS THE RISK IDENTIFIED**
- Using priorities, objectives, incidents, complaints, claims,service user feedback, safety inspections, external review, or ad-hoc assessments identify any actual or potential risks

Assess

- **HOW SIGNIFICANT IS THE RISK?**
- Identify who and what is at risk
- Estimate the severity and likelihood of the risk;
- Could this risk combine with other risks to increase or decrease overall risk exposure?.
- Risks graded as low either require no action or can be managed through local action or by an appropriate person or department
- If the risk is thought to be moderate, significant or high then it should be reported to the Service Lead, or Manager for department / service

Respond

- **HOW WILL YOU MANAGE THE RISK?**
- Determine best control strategy and address any gaps
- Escalate the risk depending on the residual risk (anything higher than a low risk) score to SLT
- SLT to discuss and determine whether risk should be included on the risk register
- Those risks identified as MODERATE where it is deemed no further treatment can reduce the risk will be reviewed regularily to assess impact on the organisation
- Any new risks that are deemed SIGNIFICANT or HIGH should be dealt with immediately and escalated to the Board

Report

- **BOARD ESCALATION**
- Any new risk that is assessed as a SIGNIFICANT or HIGH should be reported to the Board of Management at the next meeting or sooner if appropriate

Monitor and Review

- **BOARD ASSURANCE AND SCRUTINY**
- All HIGH risks will monitiored by the Board of Managment as part of regular reporting
- The Board may need to consider whether any risk of this level needs to reported to the SHR.

10. SCORING METHODOLOGY FOR THE ASSESSMENT AND PRIORITISATION OF RISK

The scoring methodology for the assessment and prioritisation of risk is applied consistently to all risks so that the Groups resources are directed to those risks which have the highest score and, therefore, present the greatest threat to the Groups operations.

The probability and impact of both inherent and residual risk will be assessed using a scale from 1 to 5 as follows:

Business Impact		
5	Extreme	Reputation - Sustained widespread media critical coverage. SHR statutory intervention & potential transfer of assets
		Financial Loss in excess of £1m
		Service Delivery - Significant disruption of the whole organisation
		Legislative - legislation has significant impact on the whole operation
4	Major	Reputation - Prolonged Media Exposure. SHR statutory intervention.
		Financial Loss between £250k and £1m
		Service Delivery - Significant disruption of large parts of the organisation
		Legislative - legislation has significant impact on a key area
3	Moderate	Reputation - Repeated Media Exposure. SHR engagement - Regulation Plan
		Financial Loss between £50k and £250k
		Service Delivery - Significant disruption of one part of the organisation
		Legislative - legislation has moderate impact on a number of functions.
2	Minor	Reputation - .One-off media exposure. SHR engagement
		Financial Loss less than £50k
		Service Delivery - Minimal disruption of the whole organisation
		Legislative - legislative impact affects small number of procedures
1	Insignificant	Reputation – One-off Local Media Exposure.
		Financial Loss – low financial impact
		Service Delivery - Minimal disruption of one part of the organisation
		Legislative - minimal Legislative Implications
Likelihood (of risk manifesting)		
5	Almost Certain	The risk is almost certain to occur (greater than 80% chance)
4	Likely	The risk is more likely to occur than not (between 51% and 80% chance)
3	Possible	The risk is fairly likely to occur (between 21% and 50% chance)
2	Unlikely	The risk is unlikely but not impossible to occur (between 6% and 20% chance)
1	Rare	The risk is unlikely to occur (<5% chance)

Risk Score = Business Impact x Likelihood		
15 or more		Risk Score is High
8 - 12		Risk Score is Significant
4 - 6		Risk Score is Moderate
3 or less		Risk Score is Low

IMPACT	5	10	15	20	25
	4	8	12	16	20
	3	6	9	12	15
	2	4	6	8	10
	1	2	3	4	5
X	LIKELIHOOD				

11. RISK MANAGEMENT ANNUAL ASSESSMENTS AND MONITORING

The Association undertakes a range of activities to manage, eliminate or control risks. In particular, we will:

- Annually review the risk map and risk appetite in conjunction with the Business Plan, (Board and Senior Leadership Team).
- At least quarterly, review and update the Risk and Control Log (Senior Leadership Team).
- At least six monthly, review and update the Risk and control log with the Group Audit & Risk Sub-Committee and ultimately the Board.
- Annually report on the effectiveness of risk management and control (Senior Leadership Team via Group Audit & Risk Sub-Committee to Board; Board to Shareholding members at AGM).
- Carry out risk assessments on all new significant projects (SLT).
- Monitor the overall impact of new risks to ensure total risk levels remain within acceptable limits (Senior Leadership Team, Group Audit & Risk Sub-Committee, Board).
- Report any internal control failures, (Group Audit & Risk Sub-Committee/Board).

APPENDICES
APPENDIX 1 - GLOSSARY OF RISK TERMS

When putting in place a structure for the analysis and management of risk, it is important that the organisation uses a common risk language. The following table sets out some definitions for the Association's Risk Management activities

Risk	The threat that an event of action will adversely affect the Association's ability to maximise stakeholder value and to achieve its business objectives. Risk arises as much from the possibility that opportunities will not be realised as it does from the possibility that threats will materialise or that errors will be made.
Risk Management	A logical and systematic method of identifying, analysing, assessing , treating, monitoring and communication risks in a way that will enable the Association to minimise losses and maximise opportunities.
Inherent risk	The risk that arises from engaging in an activity. It is the risk that exists before any mitigation (risk treatment) action is taken.
Residual risk	The remaining levels of risk after treatment measures have been taken. It falls within the organisation's risk tolerance, then residual risk is acceptable; if it falls outside, then other actions may be needed.
Risk treatment	The selection and implementation of appropriate options for dealing with risks. These may include: Accept Transfer (e.g. insurance) Exploit Reduce Avoid Fallback (putting into place a 'Plan B') Share (e.g. between the Association and a supplier) Enhance (where the risk leads to a positive outcome) Reject
External risks	External risks arise when there are external forces that could either put the Association out of business or significantly change the assumptions that drive its overall objectives and strategies.
Risk appetite/ tolerance	Measures the extent to which an organisation is prepared to take additional risks in order to achieve its aims. Using references from averse, minimal, cautious, open and entrepreneurial we will identify the appetite against each risk identified. Generally we will want to mitigate against key risks but some risks will be considered worth consideration.
Strategic risks	Those risks which affect the Association's ability to meet its strategy or which derive from the strategy.

Operational risks	Those risks associated with all the ongoing day to day management of the business. This will include the risks around the business processes employed to meet the business objectives.
Information risks	Risks arising from the Association making decisions, based on information which is in some way flawed.
People risks	Risks arising from the fact that people can make both inadvertent and deliberate errors in carrying out their day-to-day tasks.
Financial risks	Risks related specifically to the financial aspects of the business and the underlying financial processes.
Embedding Risk Management	The identification and management of risk becomes part of '*business as usual*' within the Association.

Appendix 2 – Risk Appetite Matrix	**1** **Averse**	**2** **Minimalist**	**3** **Cautious**	**4** **Open**	**5** **Eager**
	Avoidance of risk and uncertainty is a key Organisational objective	**Preference for ultra-safe business delivery options that have a low degree of inherent risk and only have a potential for limited reward.**	**Preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward.**	**Willing to consider all potential delivery options and choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward (and value for money etc.).**	**Eager to be innovative and to choose options offering potentially higher business rewards (despite greater inherent risk).**
Category of Risk	**Behaviours when taking key decision**				
Reputational risks	Minimal tolerance for any decisions that could lead to scrutiny of the organisation	Tolerance for risk taking limited to those events where there is no chance of any significant repercussion for the organisation.	Tolerance for risk taking limited to those events where there is little chance of any significant repercussion for the organisation should there be a failure.	Appetite to take decisions with potential to expose the organisation to additional scrutiny but only where appropriate steps have been taken to minimise any exposure.	Appetite to take decisions that are likely to bring scrutiny of the organisation but where potential benefits outweigh the risks.
IT systems, data integrity and Cyber Security	Defensive approach to objectives – aim to maintain or protect, rather than to create or innovate. Priority for tight management controls and oversight with limited devolved decision making authority. General avoidance of systems/technology developments.	Innovations always avoided unless essential. Decision making authority held by senior management Only essential systems/technology developments to protect current operations.	Tendency to stick to the status quo, innovations generally avoided unless necessary. Decision making authority generally held by senior management Systems/technology developments limited to improvements to protection of current operations	Innovation supported, with demonstration of commensurate improvements in management control. Systems/technology developments considered to enable operational delivery. Responsibility for non-critical decision may be devolved.	Innovation pursued – desire to ‘break the mould’ and challenge current working practices. New technologies viewed as a key enabler of operational delivery. High levels of devolved authority – management by trust rather than tight control
Financial Risks	Avoidance of financial loss is a key objective. Only willing to accept the low cost option. Resources withdrawn from non-essential activities.	Only prepared to accept the possibility of very limited financial loss if essential. VfM is the primary concern.	Prepared to accept the possibility of some limited financial loss. VfM still the primary concern but willing to also consider the benefits. Resources generally restricted to core operational targets.	Prepared to invest for reward and minimise the possibility of financial loss by managing the risks to a tolerable level. Value and benefits considered (not just cheapest price). Resources allocated in order to capitalise on potential opportunities.	Prepared to invest for the best possible reward and accept the possibility of financial loss (although controls may be in place). Resources allocated without firm guarantee of return

Legal/ Regulatory compliance/ Governance	Avoid anything which could be challenged, even unsuccessfully. Meet and exceed all regulatory requirements Minimal tolerance for any decisions that could lead to scrutiny of the organisation	Want to be very sure we would win any challenge. Tolerance for risk taking limited to those events where there is no chance of any significant repercussion for the organisation. Meet and exceed all regulatory requirements	Tolerance for risk taking limited to those events where there is little chance of any significant repercussion for the organisation should there be a failure or where we would be reasonably sure we would win any challenge. Meet all regulatory requirements	Appetite to take decisions with potential to expose the organisation to additional scrutiny and challenge but only where appropriate steps have been taken to minimise any exposure. Meet all regulatory requirements	Appetite to take decisions that are likely to bring scrutiny to the organisation and chances of losing are high but where potential benefits outweigh the risks. Risk that not all regulatory requirements would be met
Landlord Health and Safety Compliance	Reduce or remove gas electrical, mechanical systems or other health and safety risk areas within housing stock where practical	Maintain health and safety and compliance control measures to meet regulatory and legal obligations.	Maintain compliance to regulatory and legal obligations. Meet or exceed best practise measures from within the sector	Meet regulatory and legal obligations using a balanced approach with a few health and safety risks transferred to contractors – mitigated by in house staff and systems	Meet regulatory and legal obligations as well as taking additional risk by bring all asset health and safety compliance in house and selling services
Asset Management	Only invest in areas that are required to meet SHQS and use lowest cost options	Only invest in areas that are required to meet SHQS and use option that provides VfM (cost quality and longevity)	Invest in properties that goes beyond SHQS (for example flooring in kitchens and bathrooms) and use the option that provides VfM (costs and quality and longevity). Slightly increased budget within benchmark range	Invest in both the properties and the estate to provide good neighbourhoods. Increased budget willing to be in upper end of benchmark	Invest in aspirational areas to improve homes and neighbourhoods, take on pilot projects. Willing to be above benchmark
Recruitment and Retention of Staff and Board	Only recruit experienced individuals. Fixed structure. No partnership working	Avoid changes within the organisation to reduce the risk of turnover where possible. Avoid recruiting into roles like trainees and apprenticeships. Limited engagement with partners	Staff may be offered the opportunity to train and develop to meet strategic business needs. Only fully funded/or within existing compliment, long term trainees taken on. Increased partnership working for core services	Enjoy a range of experience levels including trainees, work experience placements, apprenticeships. Partnership working. Changes made within the organisation to accommodate best practise in recruitment and retention. Potential for restructures	Encourage high staff turnover by implementing high risk initiatives and change programmes. Recruitment of a wide range of experiences many from outside the sector. Actively seek partnership working to create efficiencies Potential for redundancies and organisation restructures
Customer Service/ Scope of provision	Only provide minimum required services.	Provide services just above minimum e.g. welfare rights, close cleaning	Continue to provide current services which compliment current activity and vision e.g. bulk uplift, community development whilst keeping current costs and income balances	Continue to provide current services as well as developing new products and services allowing for a slight increases in costs and potential increase in income	Managing and/or delivering services on behalf of others which increase in costs and significant increases in income which outweigh costs
New Housing Supply	No new development – focus on asset management of existing stock	Secure development opportunities for small scale sites <50 units where HAG levels significantly reduce the associations need to borrow to fund the development (can be funded from own reserves)	Secure development opportunities for small scale sites <50 units where HAG levels reduce the amount the association needs to borrow to fund the development	Secure development opportunities for larger site >50 units which rely on a combination of HAG and borrowing to fund the development	Secure development opportunities for larger site >50 units which rely on a combination of HAG and borrowing to fund the development and also include midmarket and or ownership options
New Business ventures	Only provide landlord services	Only explore new ventures that offer high rates of return based on current location and services	Explore new ventures that offer a rate of return based on current location and service	Explore new opportunities across the activities of the groups based on expanded range of location and services that offer a rate of return	Explore every opportunity that gives a rate of return no matter what or where it is.