Cassiltoun Group Risk Management Policy

Date Approved	Proposed Review Date
November 2019	November 2022
Chair Person/Office Bearers Signature:	

CASSILTOUN HOUSING ASSOCIATION LTD
Castlemilk Stables, 59 MACHRIE ROAD, Glasgow G45 0AZ

CASSILTOUN HOUSING ASSOCIATION LIMITED ***Charity SC035544***
CASSILTOUN TRUST ***Charity SC030310***
CASSILTOUN STABLES NURSERY LIMITED ***Charity SC043312***

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 Management 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. RISK APPETITE

A risk appetite is the extent to which the Group would be prepared to take additional risks in order to achieve its objectives.

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.

The following are indicators of our risk appetite which address the level of risks that the Group is prepared to take.

- 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 avoid activities carrying the risk of substantial adverse publicity or other damage to the Association's or its subsidiaries reputation and public standing. We recognise the importance of customer satisfaction and of regularly measuring current satisfaction with our services. However, in devising strategy we must be forward looking, considering the needs and expectations of future customers.

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

5. 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 Management Team

The Senior Management 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.

6. 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.

7. 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				

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

APPENDICES
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: o Accept o Transfer (e.g. insurance) o Exploit o Reduce o Avoid o Fallback (putting into place a 'Plan B') o Share (e.g. between the Association and a supplier) o Enhance (where the risk leads to a positive outcome) o 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.