RISK MANAGEMENT POLICY

Approved By:	**Management Committee**
Date:	**24th September 2015**
Next Review Date:	**September 2018**

1. Purpose

The purpose of this policy is to provide clarity on Southside Housing Association's (SHA) approach to risk. The policy sets out SHA arrangements for compliance with the Regulatory Standards of Governance and Financial Management defined by the Scottish Housing Regulator.

The policy is supported by a Risk Management Procedure which sets out in detail how the risk management approach is to be implemented in practice.

2. General Principles

Risk is inherent in the nature of our business and must be managed in all our activities. To ensure our risk management activity is focused, relevant and useful it needs to be appropriately structured and embedded in our business and aligned to the Association's five strategic objectives:

- ***Strategic Objective 1*** ***To provide excellent services to customers***
- ***Strategic Objective 2*** ***To provide high quality, energy efficient homes***
- ***Strategic Objective 3*** ***To build and/or acquire new homes to meet local need***
- ***Strategic Objective 4*** ***To sustain and support communities***
- ***Strategic Objective 5*** ***To support all the Association's activities with sound governance, high ethical standards and effective financial, administrative and personnel systems***

The approach described within the policy and supporting procedure help to identify and evaluate the risks that exist within the business and enable informed decisions on how to manage risk in a controlled and measurable manner.

Risk management is a key component of SHA's approach to Corporate Governance. The approach to risk management is summarised in the risk management circle below:

3. Definition of Risk

A risk is a quantifiable threat that an event or action will adversely affect SHA's ability to fulfil stakeholders' expectations and the achievement of its strategic and operational objectives.

4. Roles and Responsibilities

- **SHA Management Committee** is responsible for approving the risk policy and overseeing its implementation. The Management Committee determines risk tolerance and obtains assurance from management that risks are being managed in accordance with this. The Management Committee will review and approve the Strategic Risk Register annually, or more frequently should significant risks arise. The Strategic Risk Register will include SFARS Ltd associated strategic risks.

- **SHA Audit Committee** supports the Management Committee in discharging their function in relation to risk management and ensures that the risk management process is operating effectively. The Audit Committee will review strategic risks quarterly and report to the Management Committee as required. The Audit Committee will receive update, from the Senior Management Team, on the changing risk profile of SHA including: areas of increasing risk; risks where controls are not considered to be effective; and horizon scanning for areas of possible future risk.

- **SHA Director**, has the responsibility for managing and assessing the effectiveness of SHA's risk management framework, and reporting performance to the Management.

- **Senior Management Team** is responsible for managing all risks which have strategic level significance and reporting strategic risk management to the Audit Committee quarterly.

- **Managers and Team Leaders** are responsible for the identification and management of operational risks within their area of responsibility.

- **Corporate Governance Manager (Head of Finance)** is responsible for promoting risk awareness, monitoring the procedures established for effective risk management and maintaining the Strategic Risk Register on behalf of the Senior Management Team.

- **Risk Contacts** are named contacts for each team/section responsible for promoting risk awareness and supporting the management team in relation to risk management, including maintenance of operational risk registers.

- **All staff** have responsibility for ensuring that risks are identified and managed in their own area of responsibility.

5. Classification of Risk

In SHA risks are classified as Reputational, Operational, Financial and External risks.

- ***Reputational risks*** are those risks that affect how SHA's stakeholders, partners, customers, staff and the public regard its activities. This includes adverse media exposure, risks with a political impact and any risks arising from regulatory failure. Reputational risk is *potentially the highest category* of risk and staff should be aware of this type of risk in all of SHA's activities.

- ***Operational risks*** are those risks associated with the day-to-day management of the business. They include risk to the achievement of the objectives set in the business plan, the successful outcome of investment, developments & projects and the maintenance of the skills and capabilities which SHA needs to carry out its core activities efficiently, effectively and economically.

- ***Financial risks*** are related specifically to the management of SHA's finances and assets, and include all risks of loss or improper use of funds.

- ***External risks*** are those risks which arise from the political or economic environment or other sources beyond the control of the Management Committee or senior management but which could significantly affect our operational sustainability and financial viability.

Some risks, particularly those related to handling information could potentially belong to more than one of these categories. In such cases they are classified in accordance with where the risk is greatest (in terms of likelihood and impact), and the risk management strategy determined accordingly.

6. Risk Tolerance

SHA's Risk Tolerance is summarised as follows:

- ***Reputational risks*** - must generally be minimised and the Management Committee must be involved in any decision that deliberately exposes SHA to any material reputational risk.

- ***Operational risks*** - In operational matters, SHA is required to deliver a high standard of customer service & ensure there is an appropriate supply of social housing through investment & development. In addition, SHA requires to be forward thinking and enterprising in terms of diversification to ensure the sustainability of the core business and the delivery of added value services. SHA must therefore take appropriate risks in a controlled and measurable manner. Depending on the risk, a strategy to increase, decrease or maintain risk may be appropriate. Where the decision has been taken to accept or maintain the risk, arrangements must be put in place to monitor, on an ongoing basis, any changes to the likelihood or potential impact. This will include risks arising from operational activity of subsidiaries or major investment/development projects. The formality of these arrangements should be commensurate with the magnitude of the risk, and aligned with SHA's risk management and escalation procedures.

- ***Financial risks*** – In financial matters SHA is required to act with probity in all instances and to be fully accountable for all funds and assets with which it is entrusted. Therefore risks of impropriety and fraud should be minimised. However as finance is a resource to be deployed in pursuance of business objectives, it is likely that a degree of risk commensurate with the value of the benefits being sought will be taken. This is acceptable provided that the risk is quantified and decisions on accepting risk are made in accordance with the delegated authority arrangements and provided that the sum of the risks taken in total, will not endanger the operational sustainability and financial viability of SHA.

- ***External risks*** – External risks arise from the environment in which we operate and are usually beyond the control of the Management Committee or senior management. If they emerge they could significantly affect reputation, operational sustainability and financial viability. Arrangements must be put in place to monitor, on an ongoing basis, any changes to the likelihood or potential impact.

7. Risk Management Strategies

The management of risk must underpin all business activities. The risk management strategy (approach) taken will be specific to each risk and will generally depend on the nature of the risk, the cost of each alternative strategy for managing it and also the Management Committee's risk tolerance.

Risk strategies may be grouped into:

- ***Strategies to decrease risk*** - This is probably the most common strategy. It involves reducing the likelihood that the risk will arise or the impact that the risk may have on the business. This involves identifying ways to control or mitigate against the effects of the risk

- ***Strategies to maintain risk –*** SHA may decide to accept the risk perhaps because the cost of reducing the risk is exceedingly high compared to the risk itself, or because the likelihood that the risk will arise or its potential impact are considered to be low. In such cases, it is appropriate to put in place arrangements to monitor, on an ongoing basis, changes in the likelihood or potential impact. The unknowing maintenance of risk because no one has identified the risk in the first place is ***not*** an acceptable strategy.

- ***Strategies to increase risk*** – SHA may decide to take advantage of risks and exploit the opportunities created by the risk materialising primarily because the economic benefits from doing so are expected to outweigh the risks that are being taken.

8. Risk Management Maturity Model

A key aspect of monitoring and reporting the progress of risk management is the establishment of a Risk Maturity Model. This model provides a governing body and senior management with a snapshot of where the risk processes and principles SHA employs have led to changes and SHA's progression in risk management.

The model provides assurance that risk management processes are fit for purpose and also identifies areas where further improvement is required.