



**Muirhouse
Housing
Association**



**Muirhouse
Homes Ltd**

Policy: Group Risk Management

Title of Policy:	Risk Management (Group)
Date of Adoption or Last Review:	March 2020
Lead Officer:	Stevie McAvoy, Chief Executive
Date of Next Review:	March 2023
Regulatory Standards of Governance and Financial Management	Regulatory Standard 4 The governing body basis its decisions on good quality information and advice and identifies and mitigates risks to the organisation's purpose.

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1. Introduction

- 1.1 Risk is present throughout Muirhouse Housing Association (MHA)/ Muirhouse Homes Ltd. (MH4), in its buildings, equipment, policies, systems, processes, staff, tenants and visitors. MHA recognises that the management of risk is vital to good management practice. It must be an integral part of all the functions and activities of the organisation.
- 1.2 The purpose of MHA's Risk Policy is to develop a consistent approach towards risk across the organisation and outline processes for recognising, analysing and dealing with risks as well as assuring the effectiveness of the identified processes. In addition, Risk Management should actively support the achievement of MHA's agreed objectives and not simply to avoid risk.
- 1.3 The Risk Policy is designed to enable MHA to minimise the frequency and effect of adverse incidents arising from risks and to identify improvements in procedures and service delivery in order to ensure the efficient and effective use of funds.
- 1.4 Risk management extends to the culture, processes and organisational structures, which contribute to the effective management of potential opportunities, threats and adverse incidents.

2. Scope of application

- 2.1 This policy is a group-wide policy. Any reference to Muirhouse Housing Association or MHA includes all members of the group, including but not limited to Muirhouse Homes Limited.

3. Policy statement

- 3.1 MHA accepts that total elimination of risk is neither desirable nor achievable. It expects staff to take all reasonable steps to mitigate risk to a level within the appetite for risk. The level of risk accepted should be proportionate with the expected reward.
- 3.2 MHA, through its Board, Management and staff teams, promotes the integration of Risk Management in the governance and business as usual management of the housing association. Risk Management flows through our business at both strategic and operational levels.
- 3.4 MHA commits to using the principles of good or best practice in Risk Management to further develop and improve the effectiveness of its systems and processes of Risk Management.
- 3.5 Risk Management is an integral part of MHA's strategic planning and decision-making processes. For new initiatives and projects Risk

Management shall also be used to inform our decision-making process. Where there are issues arising or near misses, Risk Management processes maybe used as a means of understanding lessons learned.

4. Regulatory context

- 4.1 The Scottish Housing Regulator (SHR) is mandated by the Housing (Scotland) Act 2014, among other things, to provide guidance to RSLs to facilitate the achievement of its regulatory objectives.
- 4.2 Regulatory standard 4 issued by the SHR explicitly requires of all regulated RSLs that:
“The governing body bases its decisions on good quality information and advice and identifies and mitigates risks to the organisation’s purpose”.

5. Risk

- 5.1 The meaning of risk within the context of MHA shall be:
“uncertainty of outcome, whether positive opportunity or negative threat, of actions and events”.

6. Bribery risk

- 6.1 The statutory guidance issued in support of the Bribery Act 2010 mandates that a bribery risk assessment is undertaken as part of establishing and maintaining ‘Adequate Procedures’, the sole defence open to an incorporated body in respect of a charge of having failed to prevent bribery. The legislation is drafted in such a way so as to have an accused evidence that they had Adequate Procedures rather than for the prosecution to prove they do not.
- 6.2 MHA will annually review and document its potential exposure to bribery risk as part of maintaining its Adequate Procedures. The Audit and Risk Committee will have oversight over the Bribery Register in line with the Anti-bribery Policy, whilst the Board will receive an annual update on any reported incidents.

7. Fraud risk

- 7.1 Fraud risk is specific type of risk associated with the robustness of MHA’s policies, processes, procedures and controls in preventing or detecting a fraud being perpetrated on MHA or by an employee. External auditors are under an obligation to consider fraud risk in their audit procedures over the financial statements; in particular in relation to income.

7.2 In reviewing its policies, procedures and internal controls the Management Team and Board will consider the extent to which fraud might reasonably be prevented or detected. In support of this, MHA will annually review and document its potential exposure to fraud risk in line with the Fraud and Corruption Policy.

8. Definitions

- Board – being the governing body under the constitution of MHA which bears ultimate responsibility for the organisation.
- Corporate/strategic – risks that affect the achievement of the strategic objectives of the organisation as a whole.
- Inherent risk – the evaluation of the raw risk without any consideration of mitigation. The extent of risk without any consideration of mitigation.
- Leadership Team – The Senior Staff at MHA and selected operational staff with particular skills or experience.
- Management Team – The Senior Staff at MHA. For the time being MHA's Chief Executive, Finance and Corporate Services Manager and Housing Services Team Leader.
- Mitigating Actions – those steps remaining to be taken in the Mitigation Strategy for any given risk.
- Mitigation – these steps already taken in the Mitigation Strategy for any given risk.
- Mitigation Strategy – plan which seeks to reduce the probability of a risk occurring or ameliorate the impact of the risk.
- Operational/service risk – those predominantly related to the operation of specific areas of MHA.
- Opportunity – An uncertain event which if it was to occur would have a favourable and advantageous effect on the likelihood of achieving MHA, operational/service or project objectives.
- Project/programme – risks associated with independent and, usually, time limited activities.
- Residual risk – the evaluation of the level of risk after taking mitigating actions. This is used to track and monitor risk and ensure that the level or residual risk remains within the organisation's risk appetite.
- Risk appetite - being the extent to which the organisation will tolerate different types of risks. For the purpose of defining appetite, major classes of risk are identified and the level of tolerance is narrated for that class of risk.
- Risk Management - the culture, processes and organisational structures, which contribute to the effective management of potential opportunities, threats and adverse incidents.
- Staff – being all employees of the organisation including the Management Team.
- Threat - An uncertain event which if it was to occur would have a material negative effect on the likelihood of achieving organisational, service or project objectives.

9. Roles and responsibilities

9.1 Board

9.2 The role of the Board is to ensure that their collective agreed appetite for risk is properly articulated and used as a factor in all strategic decision-making.

The Board is responsible for directing the risk strategy and agreeing the Risk Management Framework. They shall review 'key risks' at every meeting and review the full Strategic Risk Register in-depth annually.

9.3 The Board will also obtain assurance, through its Audit and Risk Committee, that the Risk Management process is and remains effective without creating an unnecessary burden; the Risk Management process should be embedded in day to day activity and not exist as a stand-alone process.

9.4 Audit and Risk Committee

9.5 The Audit and Risk Committee is a formal sub-Committee of the Board specifically charged with oversight of the assurance services to the Association and the obtaining of assurance over the effectiveness of operation of the Risk Management process on behalf of the Board. The Audit and Risk Committee shall consider and obtain assurance over the completeness and relative accuracy of the Risk Register as well as the effectiveness of the controls in place to mitigate strategic risks.

9.6 Management Team

9.7 The role of the Management Team (CEO, Finance and Corporate Services Manager and Housing Services Team Leader) is responsible for ensuring that the implementation of strategic and business plans remain within the agreed risk appetite and aligned to the culture within MHA.

9.8 The Management Team shall also ensure that the Risk Management Framework operates properly day-to-day, that it is effective in its implementation and that it is embedded across all levels.

9.9 Staff

9.10 All staff are responsible for the management of risks for which they have been allotted ownership or for which they have been given responsibility for implementing actions on.

9.11 Staff are closest to the operation of the organisation and therefore best placed to identify risks – uncertainties – as they occur and for escalating them as appropriate. Any risk identified by a staff member must be brought to the attention of their line manager in order to determine if the risk should be recorded in the Operational Risk Register.

9.12 Internal audit

9.13 Internal audit has the responsibility for advising and confirming that:

- the Risk Management Policy is consistently applied to all areas of our business;
- the policy and its operational application are reviewed on in accordance with the agreed schedules;
- non-compliance with this policy is reported to the Board.

10. Risk management process

10.1 Outline

10.2 MHA has adopted a Risk Management process which follows the principles of ISO31001 on Risk Management. MHA will follow a six stage process which aims to:

- Identify risk in a timely manner;
- Evaluate risk utilising the framework set out in this document;
- Mitigate risk in accordance with agreed action plans;
- Report risk using the agreed Risk Register template;
- Monitor risk from time to time to ensure actions are being delivered and mitigation remains effective; and
- Risks are reviewed to ensure that new risks are identified, evaluations remain current, dormant risks are agreed as being dormant and no longer require to be monitored.

10.3 Identification

10.4 New risks may be identified, evaluated and recorded at any time. Risk Management will be a standing item on the agendas for both Team Meetings and Leadership Team Meetings with the intention of identifying new operational and strategic risks at an early stage.

Ordinarily, following each revision of the strategic and business plans routine consideration will be given to potential uncertainties around achieving the objectives therein. The Business Plan is reviewed annually and a key component within it is the SWOT and PEST analyses. The discussion of these at both Audit and Risk Committee and Board levels will support the identification of any new Strategic Risks.

10.5 Evaluation

10.6 Evaluation is the process of considering the potential effect of a given risk on the ability of the organisation to achieve strategic or operational objectives. Each risk shall be evaluated in terms of:

- The likelihood that it will crystallise; and
- The severity it would have should it crystallise

10.7 Likelihood and severity shall be evaluated in accordance with the following scale:

MHA Risk Matrix

Likelihood ↑	5	10	15	20	25	Likelihood of Risk	Severity of Risk		
	4	8	12	16	20			1 - Very unlikely	1 - Insignificant
	3	6	9	12	15			2 - Unlikely	2 - Minor
	2	4	6	8	10			3 - Fairly unlikely	3 - Moderate
	1	2	3	4	5			4 - Likely	4 - Major
						5 - Very likely	5 - Catastrophic		
	↓								
			→			Likelihood x Severity = Risk Level			
			Severity						

The full details of the scoring method and definitions can be found in appendix 3.

10.8 The Risk Level shall be reviewed in accordance with the following:

Key:		
Red	17-25:	Unacceptable level of risk exposure, which requires constant monitoring by the Board of management.
Orange	10-16:	Tolerable level of risk exposure, subject to quarterly monitoring and proactive control measures agreed by the Audit and Risk Committee.
Yellow	5-9:	Adequate level of risk exposure subject to biannual monitoring and proactive control measures agreed by the Audit and Risk Committee.
Green	1-4:	Acceptable level of risk subject to annual monitoring by the Audit and Risk Committee.

10.9 Recording

10.10 A template risk register based in MS-Excel is available via the Corporate Services Team Leader; see Appendix 1. The Corporate Services Team Leader holds responsibility for the management, but not the completion, of Strategic and Operational risk registers, except as described below.

10.11 Each Risk Owner is responsible for ensuring that the risks for which they are responsible are properly maintained. The Corporate Services Team Leader shall fulfil that role on behalf of, and in conjunction with, the Chief Executive and Chair of the Board where the Board is named as a Risk Owner.

10.12 Each Action Owner is responsible for ensuring that the actions for which they are allocated responsibility are delivered, and that the Risk Register is updated, in a timely manner.

10.13 **Monitoring and Review**

10.14 The Strategic Risk Register of MHA will be reviewed formally by the Leadership Team at their regular meetings. Following review, the revised Risk Register shall be presented for detailed consideration by the Audit and Risk Committee in line with the recommendations as can be seen in section 10.8 of this Policy. The Board will consider the whole Risk Register annually at the meeting where the audited financial statements are presented for approval. The Board will review 'key risks' quarterly (risks within risk level 17-25). In the event of a significant change in the content of the Risk Register or the emergence of a material risk between formal reviews, the Management Team or Audit and Risk Committee may bring that to the attention of the Board.

10.15 **Escalation**

10.16 In the event that a single risk or group of risks exceeds experience a significant increase in their overall risk score, then the risk(s) should be escalated.

A risk may need to be escalated if:

- The risk becomes too difficult to manage
- The risk remains very high even after the controls are implemented
- The Risk moves outside the Board's risk appetite
- The controls of a risk are proving ineffective

10.17 The risk escalation path for the Strategic Risk Register and the Operational Risk Register are as follows:

Operational Risks

Staff Team → Leadership Team or Management Team → Audit and Risk Committee

Strategic Risks

Leadership Team → Audit and Risk Committee → Board of Management

11. Risk Appetite

11.1 Risk appetite is best summarised as the “amount of risk an organisation is willing to accept”. MHA aims to be risk aware, but not overly risk averse and to actively manage risks to protect and grow our business. MHA recognised that to achieve our Strategic Objectives we have to certain risks and these will be assessed on a case to case basis. Intolerable risks are those that could:

- Negatively affect the safety of employees or tenants
- Have a damaging impact on our reputation
- Lead to breaches of laws or regulations
- Endanger the future of the MHA Group
- Result in large financial loss

12. Risk mitigation

12.1 A Risk Mitigation Strategy is a plan which seeks to mitigate the risks and safeguard investment and service delivery activities. This is achieved through proactive actions that

- reduce the probability of a risk occurring or
- ameliorate the impact of the risk.

12.2 Typically, a Risk Mitigation Strategy comprises of four approaches to deal with the risk:

Name	Meaning
Accept	Take no further pre-emptive action to address the risk. It may be impractical or not cost effective to take action.
Avoid	It is the action that avoids any exposure to the risk whatsoever. Risk avoidance is usually the most expensive of all risk mitigation options.
Transfer	The action of handing risk off to a willing third party. For example, insurance, outsourcing, etc..
Treat	Development and implementation of an action plan to take steps to reduce the probability of a risk crystallising or to reduce any impact crystallisation may have.

12.3 A Risk Mitigation Strategy is not necessarily a separate plan or document but may comprise a combination of the impact of the risk, the Current Controls and Planned Controls as recorded in the Risk Register. Where a risk is considered to be of fundamental importance to MHA, it may be prudent to

have a separate paper which sets out how a risk is being mitigated and progress towards achieving it. To aid the identification of the fundamental importance of each risk the impact of the risk crystalising as well as the current controls are split into categories as can be seen from Risk Register template in Appendix 1.

Appendix 1

Risk Register Template

The Risk Register template, based in MS Excel, collects risk data in a simple to use data entry sheet that permits free text and easy updating, whilst being linked to a main Register providing an overview over all current risks.

Risk ID	Risk	Risk Level	Target Risk	Status	Risk Owner
Risk Details			Risk Analysis		
Risk Impact		Impact Category		Before Controls	
		Finance/satisfaction/resources/ governance/compliance		Likelihood =	Severity =
				Previous Review	
				Likelihood =	Severity =
				After Controls	
Current Controls		Control Category		Likelihood =	Severity =
		Finance/satisfaction/resources/ governance/compliance			
				Risk Mitigation Strategy	
				accept/avoid/transfer/treat (delete as appropriate)	
				Link to our Strategic Objectives	
				1- Deliver Excellent Housing Services	
				2 - Provide Quality Homes in an Attractive Environment	
Planned Controls		Action Owner	Timescale		

Appendix 2

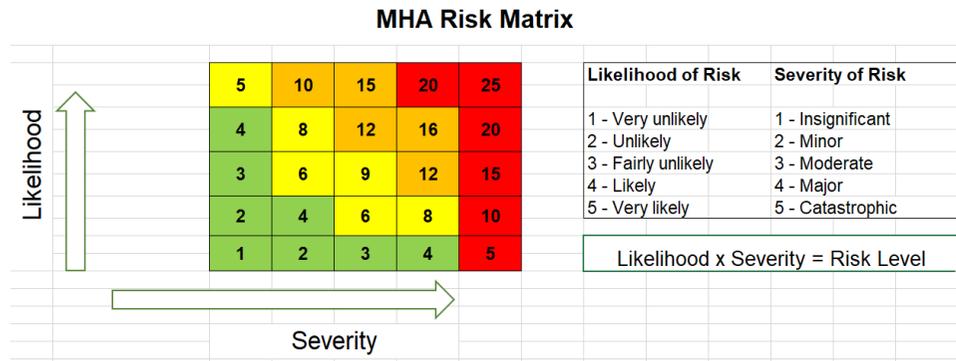
Risk Heat Map

The risk heat map is populated from the Risk Register template. Allocation to a given grid square is dependent upon the numeric value of the Likelihood and Severity evaluation multiplied out using the evaluations seen in section 10.8 of this Policy. The result will be a value from 1 to 25; the grid below illustrates what a sample heat map may look like.

Likelihood	Very likely					
	Likely					1,14
	Fairly unlikely			4,6,8,9	3	
	Unlikely		2,11,13	5,7	10,12	
	Very unlikely					
		Insignificant	Minor	Moderate	Major	Catastrophic
		Severity				

Appendix 3

Risk Scoring



Risk Likelihood Definitions:

	Frequency	Chance of occurrence in next year/lifespan
1- Very unlikely	Less than once in 10 years	<10%
2- Unlikely	Up to 4 times in 10 years	10%-39%
3- Fairly unlikely	Around once every 2 years	40%-49%
4- Likely	Around once a year	50%-79%
5- Very Likely	More than once a year	= or >80%

Risk Severity Definitions:

	Financial Cost/Cost increase	Performance	Disruption	Strategy	Reputation
1- Insignificant	Loss or cost increase <5% of budget	Failure to achieve <5% of measures or abandonment of low priority initiative/activity/project	Low level disruption to operations/activity of <1 month	Minor distractions from or disagreement over strategic priorities	Isolated complaints
2- Minor	Loss or cost increase of 5% - 9% of budget	Failure to achieve 5% - 9% of measures or abandonment/failure of medium priority initiative/activity/project	Low level disruption to business of 1- 3 months.	Conflicts over strategic priorities with non key partners /stakeholders	Dissatisfaction of particular individuals or group with limited influence or short duration/ low key criticism which can be readily rebutted
3- Moderate	Loss or cost increase of 10%-19% of budget	Failure to achieve 10% -19% of measures or significant shortfall in benefits from a major initiative/activity/project or abandonment/failure of high priority initiative/activity/project or more than one medium priority initiative/activity/project	Delay of <3 months in significant activity/initiative/project or significant disruption to business of up to 1 month	Conflicts over strategic priorities with key partners, or tactical opportunity missed or diversion of limited amount of resources away from strategic priorities	Short duration or low key criticism where there is some substance, or longer term/higher profile criticism which can be readily rebutted or dissatisfaction of key client or influencer group
4- Major	Loss or cost increase of 20% - 49% of budget	Failure to achieve 20% - 49% of measures, or failure of a major initiative/activity/project to achieve any significant benefit, or significant shortfall in benefits on more than one major initiative/activity/project	Partial shutdown of operations, or delay of >3 months to key activity/initiative/project or significant disruption to business of >1 month	Failure to have appropriate influence over policy in key area, or significant strategic opportunity missed or diversion of significant resources away from strategic priorities	Sustained, high profile criticism of MHA by media/politicians/regulator/ dissatisfied customers where there is some substance and/or the critics have significant influence
5- Catastrophic	Loss or increase of 50% or more of budget	Failure to achieve 50% or more of measures, or failure of more than one major initiative/activity/project to achieve any significant benefit	Total shutdown of operations	Failure to make any discernible contribution to Scottish Government's housing strategy	Loss of key stakeholder/regulator confidence