



1986-2016: Celebrating 30 years working in the community

Policy on :	Risk Management Strategy
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Compliant with SHR's Regulatory Framework:	Regulatory Standard 4
Compliant with Tenant Participation Strategy:	n/a
Compliant with Equal Opportunities:	Yes
Compliant with Internal Business Plan; Corporate Business Plan; Health and Safety and Business Continuity Action Plans	All and pro forma reports

Date for Approval:	February 2020
Date for Review:	February 2023

Responsible Officer for Policy: Responsible Officer for Risk Control Plans:	Chief Executive Chief Executive and individual Departmental Directors
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1. BACKGROUND

Barrhead Housing Association and its subsidiary Levern Property Services, the Barrhead Housing Group (BHG or the Group), is aware that it remains a challenging environment in which to deliver public services. The economic downturn has increased the need for support but also decreased the funding and resources available to meet growing expectations. Social housing in particular is facing an ever increasing range of demands and threats from the drive for increased value for money and efficiency, to the requirements of our Regulatory Framework and the Social Housing Charter, not to mention SHQS compliance, energy efficiency targets, new fire regulations, challenging homelessness targets and the desire to take part in the delivery of the Scottish Government's new affordable housing target to deliver 50,000 new homes by 2021. Uncertainty remains over Brexit on business confidence until end of 2020, on future funding as well as a possible secondary Independence Referendum for Scotland also now exist. It is a hard "ask" of social housing organisations, such as Barrhead who are increasingly expected to be innovative community leaders and "place makers" as well as excellent providers of services.

All social housing providers, no matter their size or geographical location, increasingly have to critically review the way they work and the services they provide. Crucial to this is effectively managing the key business risks they face, whether these are long-standing issues or new, emerging risks. Barrhead HA's context is unique and our perception of risk will be significantly different from other organisations in the sector. However, what is the same is that key people in the organisation understand and effectively manage the fundamental risks of today and in the future.

Good Risk Management creates an environment of no surprises. It is a crucial element of effective management and corporate governance. It must be an embedded mainstream activity which informs strategic decision making. Barrhead Housing Group believes that managing risk effectively means developing a practical plan to identify, deal with and minimise the adverse effects of the expected and the unexpected on the organisation.

In the context of the activities of Barrhead Housing Association and its subsidiary, Risk Management is about forward planning and acknowledging that it pays to plan for the unexpected. Every day dramas from a burst pipe to an IT system crash, not only affect our business, but also our tenants, employees and partners too. Not so every day dramas, such as a contractor going out of business or a major incident, have the potential to not only place the organisation in major jeopardy and disrupt our tenant's lives but also ruin our relationship with partners and affect their reputation as well as our own.

2. REGULATORY STANDARDS and SELF ASSURANCE

Corporate Governance, risk management and effective control have always been the concern of Boards and senior management teams, even if the language has changed over the years.

The Scottish Housing Regulator's statutory guidance on Annual Assurance Statements introduced in February 2019 provides for social landlords to submit statements ensuring compliance with the relevant requirements of Chapter 3 of the Regulatory Framework. This includes regulatory requirements that apply to all social landlords and the Standards of Governance and Financial Management for Registered Social Landlords of which Standard 4 is stated below. This Assurance Statement places an emphasis on governing bodies to ensure the statement is completed using an

evidence based judgement on compliance. Barrhead's approach to risk management aims to ensure a comprehensive approach to assessing the risks we face are fully documented that the most appropriate controls are in place, and that the organisation has understood how to mitigate risk across the whole organisation.

In addition, the Scottish Housing Regulator's Statutory Guidance on Regulatory Standards has prompted a change in focus towards finding the most useful and effective means of implementing a comprehensive and dynamic risk management process. 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 elaborates that:

- 4.1 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.
- 4.2 The governing body challenges and holds the senior officer to account for their performance in achieving the RSL's purpose and objectives.
- 4.3 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.
- 4.4 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.

- 4.5 The RSL has an internal audit function. The governing body ensures the effective oversight of the internal audit programme by an audit committee or otherwise. It has arrangements in place to monitor and review the quality and effectiveness of internal audit activity, to ensure that it meets its assurance needs in relation to regulatory requirements and the Standards of Governance and Financial Management. Where the RSL does not have an Audit Committee, it has alternative arrangements in place to ensure that the functions normally provided by a committee are discharged.
- 4.6 The governing body has formal and transparent arrangements for maintaining an appropriate relationship with the RSL's external auditor and its internal auditor.

3. INTRODUCTION

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. To enable us to achieve this successfully, we need to understand the risk that we face and how we are currently controlling these risks. We must ensure that everyone in the

organisation understands the importance of risk management as part of our day to day decision-making processes.

This Strategy Statement sets out what risk management means for the Barrhead Housing Group. It defines the appetite that the Association has for risk and explains the common risk language that we will be adopting across the organisation. It specifies who is responsible for managing risk and the process that we are undertaking to embed risk management into the Association's culture. Lastly, it displays the current risk control map for each main task area within the organisation.

Innovation and achievement always entail risk. We do not wish to turn the Barrhead Housing Group into a totally risk averse organisation. 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. A COMMON RISK LANGUAGE

It is important that all Barrhead Housing Group staff and Board Members speak and understand the same language. To this end we define the following terminology.

Risk: is defined as exposure to the possibility of an event which may affect the ability of an organisation to survive and compete in its chosen market whilst maintaining its financial strength, a positive public image and the overall quality of its people and services. Or put more succinctly "any event which impacts on the organisations ability to meet its key objectives".

Risk Appetite: 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.

Risk Universe: describes the wider context of social housing as it relates it to external factors including areas of political, economic, socio-demographic, technological, environmental and competitive change.

Risk Management Framework: enables the identification, assessment and management of risk.

Risk Management: describes the three ways of handling risks which are to tolerate, fix or challenge which leads to management position where we would secure, improve or develop the risk factors further. Ultimately we are trying to accept, control, modify, eliminate or insure against them.

Risk Map: describes how we would identify the probability or frequency of an event occurring with its impact to provide a gross risk score. We will use this to control, modify, reduce or eliminate the risk identified. We will also set early warning signals and ultimately a target for the risk area which we consider acceptable.

Risk and Control Log: also called the "Risk Assessment" is a key part of the Association's internal procedures for recording key risks, and shows the agreed method of risk management, the assessment of controls effectiveness and action plan, early warning signals and targets, together with responsibilities for monitoring and review.

5. RISK APPETITE

Background

Whilst the concept of a risk appetite as being the extent to which The Group would be prepared to take additional risks in order to achieve its objectives is relatively easy to grasp, defining it is more difficult and the following matters need to be taken into consideration.

Barrhead Housing Association is a not-for-profit organisation with the principal aim of being a customer focussed organisation which delivers the best affordable housing and services to people who need them and makes a positive difference to the neighbourhoods in which we work. It would be inconsistent with this mission to take a risk in order to secure high financial returns, in the way that commercial companies may do.

In addition, we work in a sector of considerable political and social importance, where changes in government policy and in the marketplace for social housing can repeatedly impose the need for innovation and strategic change, which can bring significant financial risk. Examples of this are health and social care support and Social Security Reform, both of which have had immediate, measureable financial impacts although longer term effects on service provision remain unclear, both to government and to providers. We also increasingly work in a climate of “competition” with other social landlords and other organisations, and one where our services are becoming increasingly driven by the need for cost efficiency.

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.

In addition, however, we set up our subsidiary organisation, Lavern Property Services to further the aims of Barrhead Housing Association. This is a commercially driven company which will gift its profits back to Barrhead Housing Association. It is in this context that the risk appetite will be defined further as we consider our appetite to diversify, and grow this business in a different way from our charitable business. It may be that our appetite to risk for LPS will be challenged as we measure the financial stability of this subsidiary with the appetite to be more entrepreneurial.

Barrhead Housing Association Risk Appetite

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

- All activities must be consistent with the Association’s objectives and not in contravention of our rules, for example in relation to borrowing; we will at all times comply with the authority contained within the charitable rules and Treasury Management etc policies.
- All activities must be consistent with our subsidiary’s aims and purpose, independence agreements and registration with Company’s House. In addition, activities must also be consistent with our Property Factors Registration. In relation to our subsidiary’s aims to grow and diversify, Barrhead Housing Association will have final approval on the Business Plan for LPS and this will include a detailed risk analysis for each activity. Given that LPS, our subsidiary, is a commercially profit making organisation, the risks are more likely to be entrepreneurial and nonetheless the risks will be determined and ultimately approved by Barrhead HA.
- We will avoid activities carrying the risk of substantial adverse publicity or other damage to the Association’s 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, taking into account the needs and expectations of future customers, even if this results in an adverse reaction among current customers.

- We will expect each business activity or opportunity to cover its costs. Where this is not the case – in particular, where a new activity is to be established – we will demonstrate through robust business planning that financial break-even to be achieved within three years and full pay back of set-up-costs within five with deficits fully covered by net income. Where these timescales cannot be achieved e.g. the development of new housing, there must be an analysis of the costs and benefits to indicate:
 - That the outcomes of the activity are fully consistent with and support our general mission; and
 - That the benefits accruing from the activity represent value for money and achieve best value for the Association; and
 - That the financial consequences are covered within the budgeted income available within the Association.

Each activity will be judged on its merits and on the potential benefits that would accrue from successful implementation (or from continuing an existing line of business). However as a general indicator of scale, we would normally accept an annual budget deficit for any single activity as follows:

Budget headings of <£99,999 – 10% tolerance

Budget headings of £100,000 + – 3% tolerance

Such deficits would be subject to more detailed analysis and reporting to the governing Board.

All new activities including development projects, where there is no delegated authority to senior staff, must be approved by the Board at the appropriate level.

6. RISK UNIVERSE

Definition = all risks that affect an entity

It can be challenging enough for the Association and The Group to identify the risk management framework relevant to our social housing sector but it is also considered good practice to identify this in the context of the wider risk universe. Defining the risk universe for Barrhead Housing Group relies on our assessment of the Political, Economic, Socio-demographic and Technological, PEST areas identified within our Business Plan.

This would therefore include the following:

Political – New devolved powers to Scottish Government; Councillor representation on our governing Board; communication and support from local Barrhead councillors; ERC’s political makeup; increased powers of SHR and regulatory engagement across the sector; second Scottish independence referendum; current benefit changes, impact of Universal Credit and LHA cap for supported accommodation; social security new devolved powers; abolition of bedroom tax; guidance for the Housing (s) Act 2014; GDPR and Freedom of Information regulations; public bodies regulations/legislation; homelessness targets; accommodation and support for asylum seekers

Economic – Current economic position following Banking crisis; remaining uncertainty of Brexit for UK and for Scotland; impact on business confidence for Scotland; second referendum for Scotland; access and cost to private funding; EESSH, fire safety and sustainability agenda; access to subsidy funding for SHIP; economic challenges locally Lavern v Eastwood; low paid and temporary employment opportunities for our customers; rent reviews and affordability; debts owed to Association; IFLAIR competitiveness of contractors and quality of new framework; interest rate rises; relationship with lenders; housing policy; inflation increases; CPI v RPI; our commitment to and assessment of impact of living wage.

Socio-demographic -Demographic changes – increased single household makeup and aging population; impact of social security reform on under 35 year olds; delivery of supported service at sheltered housing; customer aspirations; youth unemployment/general lack of job opportunities; anti-social behaviour, fear of crime, misuse of substances; mental health issues; media influence and power; customer profile/ UC direct payments/inability to pay rent; increase in low paid/part-time employment; welfare dependency due to ill-health

Technological – Development of our IT and QL systems; withdrawal of ERHR; ERC’s choice based lettings; development of our IT system to include mobile working and contractor interface; wider digital inclusion for customers; assessment of social media sites to aid customer feedback and engagement; warden call system and move to digital services; ERC’s improved technology to meet needs of sheltered housing and older customers; Updated telephone system; audio messaging for telephone system; Ipads for Board members; direct payments from Pioneer Mutual Credit Union.

Environmental – development of our sustainability practices; opportunities for external match funding to add value to projects; mitigating our risks; developing energy efficiency measures and addressing fuel poverty; working towards our EESSH 2020 target and beyond; awareness of the Regulator’s role and interventions across the housing sector; ensuring we complete self-assessments; ensuring we improve practices using recommendations from external consultants.

Competitive- development of our performance management systems and benchmarking; peer reviews; reviewing and developing our customer services aspirations; using our strengths to work with local partners, FLAIR, I-FLAIR and our wider sector; reviewing our Social Housing Charter outcomes; developing our customer engagement and participation; developing our support services; reviewing and progressing our external accreditations

We also consider our strengths, weaknesses, opportunities, and threats; our business and strategic plans; our staff and Board succession plans, our strategic options appraisal plans; our internal and external audit; and any external consultancy recommendations when reviewing the risk universe.

7. RISK MANAGEMENT FRAMEWORK

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

The Group 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 its subsidiary, 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.

We have designed an output summary – the Risk Map – that provides the Board and senior Directors with a visual representation of the current level of risk facing the Association, given controls in place, enabling the level of risk exposure to be tracked over time. Risk levels can be reviewed at a strategic level without detailed analysis yet also without being overly simplistic. The current risk map and the underlying risk control map are annexed to this Strategy at Appendix 1 and Appendix 2.

The risk map is underpinned by a Risk and Control Log that assesses controls in place and where these may not be adequate. The log identifies action to be taken to manage, eliminate or control risks and

allocates responsibilities to a senior manager. It shows the current assessed status of the key risks and their desired/achievable status.

8. RISK MANAGEMENT activities, monitoring and reporting

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 Audit and Risk Group.
- Annually report on the effectiveness of risk management and control (Senior Management Team via Audit and Risk Group to Board; Board to Shareholding members at AGM).
- Require the Association’s Board to sign an Annual confirmation that appropriate controls are in place (via the Audited Financial Statements).
- Carry out risk assessments on all significant projects (Directors).
- Monitor the overall impact of new risks to ensure total risk levels remain within acceptable limits (Senior Management Team, Audit + Risk Group, Board).
- Report to Audit + Risk Group any internal control failures, (and Board).
- Implement a regular programme of Risk Awareness Workshops to identify key risks in main business areas and devise risk management activities to address them, (Chief Executive and Directors and Audit + Risk Group members).
- Focus more on our report pro forma for all Board Reports on Risk where appropriate.

9. Roles and Responsibilities – can be summarised as follows:

	Develop the RM strategy	Approve the RMS	Implement the RMS	Update the RM Register	Review RMS effectiveness
Governing Board	✓	✓			✓
Senior Staff team	✓		✓	✓	✓
Line Managers	✓		✓	✓	✓
All employees			✓	✓	✓
External and internal auditors					✓

10. Internal and External Auditors

The internal and external audit process will make assessments on the Group’s risk management. For external audit, new regulations increase the requirement on the auditor to assess risk particularly in relation to fraud, cyber security and communications with the Board. There are now greater discussions about the Association’s own assessment of fraud and cyber risk, our attitudes and our knowledge. These will take place during the external audit process and may result in extra training for staff, for example auditors provided training to the senior team on how to identify and be alert to fraudulent activity in our sector.

Communications with the Group’s governing Board and the external auditor are more detailed covering the increasing role of external auditor in relation to Assurance Statements and governance self-assessment, notifiable events and relationships with the Regulator.

For internal audit, Barrhead Housing Association and FLAIR partners have been assessed on progress with risk management by consultants Arneil Johnstone in 2016. While they provided feedback on current arrangements within and across FLAIR Associations, FLAIR agreed to continue to develop our risk management strategies together using the feedback provided. This policy has been developed using the issues raised by Arneil Johnstone.

APPENDICES

APPENDIX 1 - Risk Map

APPENDIX 2 – Control Log

APPENDIX 3 – Glossary of terms