EAST LOTHIAN HOUSING ASSOCIATION

RISK MANAGEMENT STRATEGY

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1.0 PURPOSE OF STRATEGY

1.1 Robust Risk Management is a prerequisite for any well managed company. This Strategy aims to ensure that we have appropriate and comprehensive risk assessments and controls in place.

1.2 This Strategy builds on existing risk management controls within the Association. Therefore, in part, this Strategy aims to ensure that appropriate Risk Management structures are further developed, and ensure that these processes are embedded into our everyday work.

2.0 RESPONSIBILITY FOR RISK MANAGEMENT (See Appendix 1)

2.1 Our Management Committee has overall responsibility for monitoring Risk Management within ELHA, and for approval and review of our Risk Management Strategy.

2.2 Our Management Committee has delegated authority to our Finance & Audit Sub-Committee for monitoring Risk Management, and for overall responsibility for identification and review of our Corporate Risks.

2.3 The Corporate Risk Panel is responsible for the management and risk assessment of our Corporate Risks, and for the identification of required Business Risk Groups and their membership. The Panel is also responsible for reporting on Corporate Risks to both the Finance & Audit Sub-Committee and the Business Management Team.

2.4 Business Risk Groups are responsible for the detailed assessment of risks that flow from the identified Corporate Risks, and for alerting the Corporate Risk Panel to new or previously unidentified risks that may warrant consideration as Corporate Risks.

2.5 The Business Management Team (which comprises the Senior Management Team and all Managers) is responsible for reviewing the Corporate Risks and making recommendations for changes / identifying possible new risks to the Corporate Risk Panel. The Team is also responsible for ensuring staff at all levels in the Association receive regular information about the Association's exposure to risk, and for passing on any relevant staff views to the Corporate Risk Panel.

2.6 Our Chief Executive has responsibility for preparing appropriate reports for both the Management Committee and the Finance & Audit Sub-Committee, and for the preparation of our Risk Management Strategy. The Executive Officer is responsible for arranging and facilitating the Corporate Risk Panel and Business Risk Groups.

3.0 CORPORATE RISK PANEL

3.1 The Corporate Risk Panel will meet quarterly. The Panel consists of our Senior Management Team and the Chair and Vice-Chair of the Management Committee, along with the Chair of the R3 Board.

3.2 The Corporate Risk Panel is responsible for Risk Assessing each Corporate Risk, preparing appropriate Risk Maps, and reporting their findings to the Finance & Audit Sub-Committee. As part of this Assessment and Mapping process, the Panel is expected to ensure that appropriate controls are put in place.

3.3 The Corporate Risk Panel will review the Total Risk Position and Optimum Risk Position and ensure that appropriate actions are put in place to address the identified differences between the Total and Optimum Risk Positions.

3.4 The Corporate Risk Panel will set up Business Risk Groups and agree on their membership to control elements of the Corporate Risks. For example, a Group may be set up to manage risks associated with Rent Arrears.

3.5 Business Risk Groups will generally be specific to a particular area of work and have defined members with a full working knowledge of that area of the organisation.

3.6 The Corporate Risk Panel will review the findings of the Business Risk Groups to inform the Risk Assessments of the Corporate Risks, and to review the Corporate Risks. New Business Risk Groups can therefore be created (and existing Groups disbanded) as required by the Corporate Risk Panel.

4.0 BUSINESS RISK GROUPS

4.1 Business Risk Groups will meet twice a year. However, given the nature of our business, it is likely that at any one time some members of staff will sit on more than one Group.

4.2 Business Risk Groups will identify and Risk Assess all risks relating to their particular remit. Risk Maps will be produced and controls identified.

4.3 Business Risk Groups will inform the Corporate Risk Panel of any material changes to identified Risks, and of any new or previously unidentified Risks that may warrant consideration as a Corporate Risk.

4.4 The membership of the Groups will be determined by the Corporate Risk Panel, but Groups may call other staff into the Group to advise on a particular issue or issues (for example, a Group may require HR advice on a particular matter, and therefore may ask an appropriate staff member to sit in on all or part of a meeting).

5.0 RISK ASSESSMENT

5.1 We will use the Risk Assessment approach known as “Risk Assessment using Refined Classifications”.

5.2 Each Risk will be given a Risk Score based on the Probability of an event occurring (between 0 and 10) multiplied by the Impact such an event would have (between 0 and 10). The Risk Score = Probability x Impact.

5.3 The Probability of an event occurring will be measured as follows:

5.3.1 The percentage chance of an event happening in one year will be considered.

5.3.2 Where an event will happen once a year, the Probability is 100%. Where an event will happen once every 10 years, the Probability is 10%, and so on.

5.3.3 The percentage figure is divided by 10 and rounded to the nearest whole number to give the Probability.

5.4 The Impact of an event occurring will be measured as follows:

5.4.1 The Impact will be considered in three ways – Financial, Reputational, and Risk to Health.

5.4.2 The likely Impact of a Financial Risk will be quantified in monetary terms on a scale from £0 to a figure where, should a loss of that magnitude be sustained, the result would be that the Association would find itself in significant financial difficulties.

5.4.3 The Impact score will be calculated as the Impact relative to all identified Risks. For example, if the highest Financial Impact is identified as £1m, then an Impact identified as £100,000 would have an impact score of 1, and an Impact of £600,000 would have an Impact score of 6 and so on.

5.4.4 The likely Impact of Reputational Risks and Risks to Health will be quantified using the same approach as to Financial Risks, with relevant scales developed by the Corporate Risk Panel (for example, the scale in terms of Impact on Health will run from no injury to death, however what the relevant steps are in between (and their relative impacts) are subjective).

5.4.5 Each Risk will therefore be scored up to three times. Normally, the highest Risk Score will be used to quantify the Risk. However, where appropriate, the Corporate Risk Panel may choose to use more than one Impact score, in which case the identified Risks will be recorded separately.

6.0 RISK MAPPING

6.1 The Corporate Risk Panel will develop Risk Maps for all Corporate Risks. The Business Risk Groups will develop Risk Maps for Risks relevant to their remit.

6.2 Risk Maps graphically illustrate the individual Risk Assessment Scores (with Impact on the X-axis and Probability on the Y-axis) so that the individual Risks can be considered against each other to identify which Risks require the most urgent attention or monitoring.

6.3 In general, Risks can be put into the following groups:

6.3.1 Risk Score 60+ – Critical

6.3.2 Risk Score 30 to 59 – High

6.3.3 Risk Score 16 to 29 – Medium

6.3.4 Risk Score 0 to 15 – Low

6.4 However, Risk Mapping may additionally identify Risks requiring controls that, whilst unlikely, have very severe Impacts (and therefore warrant attention despite the fact that they may have a Low or Medium Risk Score), and may help to identify inconsistencies in Risk Scores themselves.

6.5 The Corporate Risk Panel will generally aim to assess no more than 20 Corporate Risks at any one time. In general, Risks with the highest Risk Scores will be reviewed by the Panel.

6.6 Risks that are low or are adequately controlled can be moved to a Monitor and Review Risk Map, which will be reviewed by the Corporate Risk Panel on an annual basis. Generally these Risks will have lower Risk Scores, but Risks with high Risk Scores that are considered to be acceptable Risks with no further significant controls required can be placed on the Monitor and Review Risk Map.

7.0 TOTAL RISK POSITION AND OPTIMUM RISK POSITION

7.1 Our Total Risk Position can be calculated by adding together all the Risk Scores of the Corporate Risks.

7.2 In assessing risks, controls are identified. Where it is agreed that these controls are appropriate and practical to put in place, the Risk can be re-assessed as though those controls were in place. This will inevitably give a reduced Risk Score and this is the Optimum Risk Score for this individual Risk.

7.3 The Optimum Risk Position is the sum of all Optimum Risk Scores. The difference between the Total Risk Position gives an indication of the work required to improve the management of the identified Risks and can help to track progress towards the Optimum Risk Position.

8.0 MONITORING AND REVIEW RISK MAP

8.1 Where a previously assessed Risk becomes low, or is felt to be adequately controlled, it will be removed from the Corporate Risk Map and placed onto a Monitor and Review Risk Map. This Risk Map will be reviewed annually as a prompt to reconsider previously identified risks to determine whether or not these risks might re-emerge.

9.0 R3 REPAIRS LIMITED

9.1 R3 Repairs Limited is a subsidiary company of ELHA. R3 will follow this Group approach to Risk Management, and an R3 Business Risk Group has been permanently established to assess relevant Risks. This ensures a link to the Corporate Risk Panel, which can use R3 Risk Maps to consider the overall level of Risk posed to the Group, either through specific risks, or the overall Risks identified by this Risk Group.

9.2 The membership of the R3 Business Risk Group is the same as the Corporate Risk Panel, consisting of the Senior Management Team, R3 Board Chair and Management Committee Chair and Vice-Chair.

9.3 As well as reporting to the Corporate Risk Panel, this Business Risk Group also provides reports to the R3 Board.

10.0 OPPORTUNITY ASSESSMENT

10.1 The Association is keen to explore the use of its existing systems, frameworks and software to begin to assess opportunities. This is a reverse logic to risk assessment and considers the potential probability and impact of an opportunity to the Group, if it were taken. This should help prioritising within the Business Planning process.

10.2 Opportunities will be considered in the same way as risks – i.e. for their financial, reputational or operational benefits. Reporting mechanisms will be considered further and developed through time.

11.0 POLICY REVIEW

11.1 This strategy will be reviewed by the Chief Executive at least every five years, but it will be revised sooner if the development of opportunity assessments requires it.

Risk Management Strategy
Appendix 1 – Risk Management Structure