

		Risk Management Policy					
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Version No	Title	Author	Draft Date	Approved By	Approval Date	Live Date	Review Date
1	Risk Management Policy	A Malik / M Warner	Aug 22	Board	Aug 22	Aug 22	Aug 25
1	Risk Appetite Update	S Davies	Jul 24	Board	Jul 24	Jul 24	Jul 27
2	Risk Management Policy	P Latham	May 25	Board	May 25	May 25	May 28

1. Introduction

The staff and Management Committee members of Eldonian Community Based Housing Association recognise that, as a provider of a public service, it operates in an environment that is influenced and impacted by the wider social, economic, and political environment.

As such the organisation is constantly facing new and unprecedented challenges that require it re-consider, review, and assess the services it provides, the way these are delivered and, crucially, the risks to the business and its future viability.

Good, robust Risk Management is therefore an integral part of the Association's future planning both at a strategic and operational level as well as a key element of effective governance. The Risk Management Policy is intended to put in place a framework for identifying, prioritising, and managing risks to the Association and to embed Risk Management as a core activity throughout the organisation.

2. Objectives

By having a clear and robust approach to Risk Management, the Association aims to.

- Recognise that risk is inherent and unavoidable in business
- Make risk management the foundation for its strategic planning processes and day-to-day operations management
- Identify potential future risks to the business
- Ensure it is proactive in identifying and managing risks
- Define its appetite for risk
- Provide clarity and focus on mitigating the high and medium risks
- Put in place effective controls to reduce the risk and/or mitigate the impact should the risk crystallise
- Promote ownership of the risk management process across the organisation
- Promote a culture of risk awareness throughout the organisations
- Contribute to good governance

3. Definitions

There are several different approaches and terminology associated with the management of risk. To ensure awareness and consistency throughout the organisation the following definitions will be used:

- **Risk:** Anything that could adversely impact on the Association's long-term security or its ability to meet its strategic or operational objectives.
- **Risk Management:** The process for identifying, prioritising, managing, and responding to identified risks.
- **Risk Management Framework:** Sets out the how and when risks will be identified, assessed, and monitored.
- **Risk Register:** Is the formal record of the identified risk, the controls in place to manage the risk and the assessment of the probability and impact of the risk crystallising. The format is outlined in Appendix 1 alongside the scoring methodology.
- **Risk Appetite:** Measures the level of risk the Association is prepared to accept in order to achieve its aims and objectives. The agreed and approved Risk Appetite will be expressed as a numeric score inline with the scoring system outlined in Appendix 1. The Risk Appetite approved numeric score will be recorded on the Risk Register alongside the approval date. The rationale for the Risk Appetite approved numeric score will be recorded in the Board minutes as part of the approval process.

4. Regulatory Context

It is a regulatory requirement under the Regulator of Social Housing (RSH) Governance and Financial Viability Standard, and associated guidance and codes of practice, that Registered Providers (RP's) such as ECBHA have an appropriate robust structure and framework in place for the prudent business planning, risk and control framework. While the Governance and Financial Viability Standard has specific emphasis on risk, prudent and effective risk management is essential across delivering services compliant with all the Regulatory Standards.

In addition to the Regulatory Standards, the RSH provides the social housing sector with its annual sector risk profile document to provide RP's with insight into the wider risks being identified across the sector.

5. Risk Management Framework

5.1. Roles & Responsibilities

The Association recognises that good Risk Management is a proactive, continuous process that involves all members of the organisation. However, there are key roles, responsibilities, and cycles within the Risk Management Framework:

- **Board:**
 - To approve the Risk Management Policy.
 - Regularly review and define the Association's Risk Appetite.
 - Approve identified strategic risks.

- Monitor and evaluate the control, mitigations and management of identified risk and approve the risk scoring against the agreed Risk Appetite.
- Consider emerging and compound risks within the agenda of each Board meeting.
- **Leadership Team:**
 - Identify and assess risks to the achievement of the strategic and operational objectives.
 - Identify new, emerging and compound risks.
 - Identify, implement and manage approved controls to reduce risks.
 - Review the Risk Register at least twice per year and report to Board for further review and approval.
 - Report to Board a summary of the RSH annual Sector Risk Profile to the Board and recommend amendments to the Risk Register and Risk Management Framework emerging from it.
- **Staff Team:**
 - Effective implementation of the related policies, procedures, and other approved risk controls and mitigations.
 - Highlight insights into potential emerging or changing risks to the Leadership Team.
- **Internal Auditors & Assurance:**
 - As part of internal audits of specific topics the internal auditors shall consider the risk register and mitigations as applicable to that topic. In addition, ECBHA shall commission, at least annually, and independent assurance review of the ECBHA approach to Risk Management to ensure its continued effectiveness and relevance.
- **External Auditors:**
 - As part of the preparation of annual accounts and supporting statements, consider the approach to risk in relation to fraud and financial management.

5.2. Risk Review Cycle

As part of the Risk Management Framework, various types of risk associated reviews will be carried out as follows:

- **Three Yearly:** Review and Board approval of this Risk Management Policy including the format of the overall Risk Management Framework (review earlier if required due to changes in operational circumstance).
- **Annually:** Review and Board approval of the Risk Appetite to reflect the expected operational circumstance and strategic objectives for the coming year (review earlier if required due to changes in operational circumstance). Board provided with a summary of relevant points from the RSH Sector Risk Profile report.
- **Six Monthly:** Review and Board approval of the risks within the Risk Register, reconsidering the risk scoring and the effectiveness of the risk controls and mitigations in the latest operating context (review earlier if a significant emergency of urgent matter impacts on the risks, controls or mitigations).

- **Quarterly:** Leadership Team review of the resilience of controls and mitigations and discussion regarding any emerging new or compound risks identified. Any concerns with them are flagged with the Chief Executive Officer for further investigation / exception reporting to Board.
- **Every Board Meeting:** Provision on the agenda to discuss emerging risks and any concerns regarding compounding risks as a consequence of wider Board considerations and decisions.
- **Monthly:** Leadership Team checks and confirms that existing Board approved controls and mitigations remain in place and any concerns with them are flagged with the Chief Executive Officer for further investigation / exception reporting to Board.

5.3. Risk Identification

Strategic and operational risks to the Association's stated objectives will be identified from a wide range of sources including:

- **Internally:**
 - The annual budgeting and business planning process.
 - Customer insights / satisfaction / complaints and any service delivery failures.
 - Challenges within core functions such as HR, ICT, governance, finance.
 - Internal audit and assurance findings and recommendations.
 - Legal or regulatory compliance issues and actions.
- **Externally:**
 - Changes and challenges within the local and sector operating environment.
 - Unanticipated reductions in demand, communications or transactions.
 - Legislative and regulatory amendments.
 - RSH annual Sector Risk Profile document.

This is not intended as an exhaustive list. Both the Leadership Team and the Board must remain vigilant to any emerging new or compound risks from any source. It is prudent to raise and discuss identified risks, even if they are not deemed sufficient or strategically relevant to be included within the Risk Register.

5.4. Assessment of Risks

It is recognised that there will be risks that present greater threats to the Association and therefore require to be prioritised and monitored more closely. In order to prioritise the risk, each will be scored as detailed in Appendix 1 of this policy.

5.5. Risk Controls & Mitigations

As far as possible measures to control, reduce, mitigate or eliminate the risks to the Association will be put in place and the effectiveness of these controls reviewed regularly. Risks will then be score again to reflect the amended likelihood and impact once controls and mitigations are proposed and/or confirmed to be in place.

Risk scoring is dynamic to the changing internal and external operating context and the level of confidence in the impact that the controls and mitigations are applying in these changing contexts.

5.6. Further Risk Management

In order to further control, reduce, mitigate and eliminate risk ECBHA will undertake a number of additional activities considered to be within the Risk Management Framework:

- Strategic corporate planning and strategy development.
- Long term business planning, multi variant stress testing and financial mitigation analysis.
- Appropriate policies and procedures.
- Sufficient insurance cover.
- A programme of internal and external audit and assurance.
- External advice and benchmarking from suitable and reputable sources.
- Effective procurement within contractor and supplier management.
- Both staff and Board member awareness building and training regarding the ECBHA approach to risk management. Through reporting, training, and discussion staff and Board members will be kept informed of the risk facing the Association and their role in controlling and managing these.

5.7. New Opportunities

Any new venture, project or formal partnership arrangement with an external agency will be assessed in line with the same risk scoring as outlined in Appendix 1, and compared to the risk appetite, alongside this a separate assessment will be undertaken to consider consistency with the Association's wider strategic and operational objectives. Only where the latter is satisfied would related risk control, reduction, mitigation and elimination measures be considered, and the scoring revised to reflect the residual risk that the relevant opportunity presents.

6. Roles, Responsibilities & Reporting

Specific roles and responsibilities within the Risk Management Framework are outlined in Section 5.

The Board has overall responsibility for ensuring this policy is fully implemented to ensure full compliance with the regulatory standards, legislation, and codes of practice.

The Board will receive regular updates on the implementation of this policy through the implementation of the Risk Management Framework and associated agreed actions that will be monitored through the Combined Action Plan (CAP).

Any identified non-compliance with the policy being raised with the Board through the Chief Executive Officer's operational exception reporting.

The Chief Executive Officer is responsible for overseeing the operational implementation of this policy, supported by the wider ECBHA staff and leadership team.

7. Data Recording, Sharing and Protection

Strategic Risk Management is unlikely to require sensitive personal data that is regulated under the General Data Protection Regulation (GDPR) provisions within the Risk Register. However, if sensitive references need to be made in the Risk Register to individual customers or staff appropriate confidential referencing will be used to maintain appropriate privacy from other users of the Risk Register. Risk related records and data will only be retained in line with the National Housing Federation (NHF) data retention guidelines.

8. Monitoring & Review

We will monitor the performance of this policy and seek to identify areas for improvement. This policy will be reviewed every 3 years, or sooner if required by statutory, regulatory, or best practice.

9. Equality Impact Assessment

In implementing this policy, we aim to treat all individuals fairly and equitably. An equality impact assessment has been carried out and no negative impacts on any protected characteristic groups have been identified.

10. Appendix 1 - Risk Scoring Methodology & Risk Register Format.

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RISK SCORING METHODOLOGY		
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LIKELIHOOD		
Score	Level	Definition
1	Remote	Very Unlikely to occur in the next 5 years but is still theoretically possible.
2	Possible	Less than a 50% chance of this risk crystallising in the next 5 years but the circumstances in which it could occur are possible.
3	Probable	Above 50% chance that this risk could occur on the next 5 – 10 years
4	Highly Likely	More likely that this risk will crystallise than not with an above 75% chance that it will occur in the next 5 years
5	Almost Certain	Little doubt or uncertainty that this risk will occur within the next 5 years.

IMPACT		
Score	Level	Definition
1	Insignificant	Has no impact on the strategic objectives of the Association.
2	Minor	Would result in some low-level operational objectives either not being achieved or being delayed.

3	Moderate	Would result in some operational objectives not being achieved and/or delayed although would not mean the overall business and strategic plans would not be achieved in the longer term.
4	Major	The viability of the Association and its ability to adhere to its business and strategic plans would be compromised due to key objectives not being achieved or their achievement being delayed for a considerable period of time.
5	Catastrophic	Would result in the high-level engagement with the Regulator and/or the closure of the Association.

MATRIX					
Catastrophic	5	10	15	20	25
Major	4	8	12	16	20
Moderate	3	6	9	12	15
Minor	2	4	6	8	10
Insignificant	1	2	3	4	5
	Remote	Possible	Probable	High Likely	Almost Certain

RISK PRIORTISATION			
HIGH	20-25		Unacceptable level of exposure to risk above the Association's risk tolerance level. Association must take immediate action to manage the risk. The Association will underrate any activity where the level of risk is deemed high and cannot be reduced to an acceptable level.
MEDIUM/HIGH	16-20		Unacceptable level of risk. Required constant, active monitoring. Measure needs to be put in place to reduce and/or control the risk.
MEDIUM	11-15		Risk is significant but acceptable. Requires to be closely monitored to ensure that the controls are effective in mitigating the risk level and impact
MEDIUM/LOW	6-10		Acceptable level of risk. Requires being monitored and assessed to ensure that the controls are effective.
LOW	1-5		Risk is insignificant.
STRATEGIC REGISTER FORMAT			

The risk register will be provided in Excel format and will include provisions for the following content.

The risk register format will contain the following at heading level:

- Most Recent Review Date
- Previous Review Date & Approval Date
- Most Recent Numeric Risk Appetite Score
- Most Recent Review Date & Approval Date for Risk Appetite Score

For each risk within the risk register format the following details will be recorded:

- Risk Descriptors
 - Risk Number
 - Risk Heading / Name
 - Brief Risk Description
 - Brief Outline of Risk Cause(s)
 - Link to strategic objective(s)
 - Category
- Inherent risk score
 - Likelihood
 - Impact
 - Total
- Controls & Mitigations
 - Description of Current Controls & Mitigations
 - Controls assessment: Sufficient / Insufficient
- Residual risk score
 - Likelihood
 - Impact
 - Total
- Residual Score v Appetite
 - Within / outside appetite
 - Direction of travel
- Additional Actions
 - Actions Required
 - Target Date
 - Lead
- Assurance
 - First line of defence
 - Second line of defence
 - Third line of defence
 - Fourth line of defence