RBH

ALL TOGETHER BETTER LIVING

RISK MANAGEMENT STRATEGY & POLICY

DOCUMENT CONTROL

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Rochdale Boroughwide Housing Limited is a charitable community benefit society.

FCA register number 31452R.

Registered Office: Sandbrook House, Sandbrook Way, Rochdale OL11 1RY.

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1. General Considerations

The policy is based upon best practice from both the private and public sector which has been tailored to suit RBH's needs.

By adopting best practice in relation to risk management, RBH will not only meet our regulatory requirements, but also ensure the society remains viable and provide assurance to all stakeholders that the risks are being managed in a responsible way.

Risk Management, including Health and Safety, should be considered by all areas of the business when producing their own procedures and policies, and all employees should actively involve in the risk management process to ensure that risks are both identified and addressed.

2. Policy Content

2.1 Introduction and Context

Risk Management is a discipline that cuts across all activities, from strategic to operational, and applies across all business areas to ensure that risks which could impact on the society's objectives are identified and minimised. For RBH, the aims of Risk Management include:

- Protecting service delivery and its quality
- Protecting reputation and image of the society
- Securing the assets of the society
- Securing the funding of the society
- Securing the well-being of employees and customers
- Ensuring the integrity and resilience of information systems
- Ensuring probity and sound ethical conduct
- Avoiding criminal prosecution or litigation
- Avoiding financial loss, fraud or corruption
- Managing change
- Reducing the total cost of risk to the society

2.2 Methodology

The following information and guidance was reviewed and incorporated into the aims and objectives of the strategy.

Management of Risk – Principles &Concepts (The Orange Book) - HM Treasury - 2004
Turnbull Report
Institute of Risk Management – A Risk Management Standard
London Stock Exchange – A Guide to Good Corporate Governance
HCA guidance on risk management and its implementation
The Australian Standard – ISO 31000
The Canadian Standard on Internal Control – CoCo
Housing and Communities Agency guidance
IRM – a Risk Management Standard

The policy has also been subject to review by Pricewaterhouse Coopers.

2.3 Aims and Objectives

Risk is defined as uncertainty of outcome, whether positive opportunity or negative threat.

Risk can never be eliminated completely, so risk management is used to ensure risks are identified and their consequences understood and managed in respect of the combination of the likelihood of something happening and the impact that arises if it does happen.

We aim to achieve the following through implementing our risk management strategy:

- Operate an effective risk management framework that identifies risks and provides a structured approach to managing and monitoring risks at all levels of the business
- Embed risk management within our decision making and business planning process to facilitate better informed decision making
- Have a proactive approach to managing, anticipating and influencing events before they can happen
- Improve contingency planning
- Improve accountability and corporate ethics within RBH
- Learn from actual and near miss events that arise

2.4 SCOPE OF THE POLICY

Board

The Board has responsibility for ensuring that Rochdale Boroughwide Housing achieves its corporate aims and objectives and for ensuring Rochdale Boroughwide Housing uses it resources in an efficient and effective way.

In relation to risk management the Board has responsibility for:

- Appraising the effectiveness of the risk management process
- Agreeing the risk management framework
- Setting the risk appetite
- Directing the risk strategy
- Receiving reports on risk and ensuring appropriate action is taken

Only risks with a residual score of 10 or more on the Corporate Risk Register will be reported to the Board.

Audit Committee

The Audit Committee is responsible for ensuring proper arrangements exist for risk management and internal control. It considers and advises the board on:

- Strategic process and polices for risk, control and governance including the content of the Statement of Internal Control, prior to endorsement by the Board
- The promotion, co-ordination and monitoring of risk management activities, including regular review and input into the corporate risk profile
- Assurance relating to the adequacy and effectiveness of risk, control and governance processes for the society

The Audit Committee will be provided with:

- A report summarising any significant changes to Rochdale Boroughwide Housing's Corporate Risk Register for each meeting
- Rochdale Boroughwide Housing's Risk Management Strategy, Corporate Risk Register and proposals for continuous improvement of the risk management process and culture as appropriate.

Chief Executive

The Chief Executive is responsible for the day to day operations and management of Rochdale Boroughwide Housing. In managing risk the Chief Executive is responsible for ensuring that:

- A system of risk management is maintained to inform decisions on financial and operational planning and to assist in achieving objectives and targets
- The Board is involved in the risk management system.
- A risk register is maintained

This includes:

- Appraising the effectiveness of the risk management process
- Setting and communicating the risk management strategy
- Providing leadership and direction over the risk management process
- Regularly reviewing the risk register

- Conducting an annual review of the effectiveness of the system of internal control in support of the Statement of Internal Control

Directors, other managers, project managers, project board and policy owners

Everyone with a line or project management role is responsible for assessing and communicating risks within their area of responsibility, including judging when a risk should be considered for inclusion in the Corporate Risk Register or project risk log.

Risk owners

Risk owners are responsible for ensuring that each risk assigned to them is managed and monitored over time.

All Employees

Whilst this strategy document sets out the defined processes for managing risk, successful risk management can only be accomplished on a day to day basis by colleagues at all levels through their working practices.

Risk management is part of every member of employee's responsibilities and virtually everyone has a role in carrying out appropriate risk management by supporting risk identification and assessment, and designing and implementing risk responses. This will be achieved through briefings, team meetings and one to one sessions etc.

Director of Resources and the Risk Team

The Director Resources, through the Risk Team, co-ordinates the risk management process and works with managers in establishing effective risk management in their areas of responsibility. The Risk Team is responsible for the day to day management of the risk registers and the development and implementation of the risk strategy and methodology, but it is not responsible for the management of risks which remains the responsibility of the risk owner.

The Head of Risk and Compliance will facilitate discussion of risk with teams as an integral part of the service planning process. If required the Head of Risk and Compliance will then attend team meetings where the register is then reviewed to further support and embed the process, as well as attending in part each Directors Management Team Meeting, where the corporate and operational registers for that directorate will be reviewed as a standing agenda item.

Internal Audit

Internal Audit plays a key role in evaluating the effectiveness of and recommending improvements to, the risk management process. Internal Audit will provide assurance to the Audit Committee on the effectiveness of the risk management process, as well as identifying and recommending potential process improvements.

Risk Assurance Mapping

It is essential to assess the adequacy of controls that have been put in place to provide assurance that they are effectively mitigating risks. RBH will maintain an assurance map for each risk register that will provide evidence that controls are effective and essentially validate the difference between the initial and revised risk scores. The assurance map will identify assurance available for each risk such as internal audit, external audit, management controls, KPI/PIs, legal advice and customer scrutiny. Key Risk Indicators (KRIs) will also be identified which will give early warning of the possible materialisation of one or more risks. An example of a KRI could be a rise in the number of complaints received or late payment of invoices by a partner. A graphic showing the different layers of assurance which can be considered is attached at appendix 4.

Post Event Reflection

Post event reflection will help drive continuous improvement. If an adverse event occurs we will ask the question "Why did the risk management process not forewarn of this so action could be taken to prevent the event or mitigate the consequences?"

The occurrence of adverse events will provide opportunities to:

- Appraise the effectiveness of the risk management process, and
- Design improved internal controls.

and ask the following questions as a risk owner:

- Are there sufficient internal controls to prevent this happening again?
- Did we previously identify and analyse the risks involved?
- Did we identify the actual causes in the risk identification?
- Did we rate and assess risks and controls correctly?
- Did the controls operate as intended?
- Were the risk treatment plans effective? If not, where could improvement be made?
- Were the monitoring and review processes effective?
- How could our risk management processes in general be improved?
- Who needs to know about what has been learnt and how should this be disseminated to ensure that learning is used effectively?
- What do we need to do to ensure that failure events are not repeated but that successes are?

Reporting

Risk issues and in particular adverse/loss events will be routinely reported to monthly Management Team Meetings, EMT, the Audit Committee and Board.

Risk owners will review the risk register on a regular basis. Any new risks identified or changes to risk scores are reported by exception at each meeting of the Audit Committee.

The risk register is a live document. Employees and Board members are encouraged to notify the Risk Team at any stage of potential changes to the register. The register will be formally reviewed and updated prior to every Board meeting. The updated register will be reviewed by the Audit Committee, EMT and Board on a quarterly basis.

Communication and learning

Risk management is often seen to be the responsibility of the Board and Executive Management Team with little involvement in the risk management process going below Head of Service level.

This strategy aims to ensure that employees at manager level and below are included in the process of identifying and escalating risks to their managers. It is important to embed risk management, ensuring that all employee understand risk in a way that is appropriate and relevant to their role, what a risk strategy is and their role in managing risks and keeping the risk register up to date.

This will be achieved through:

- The Executive Management Team will ensure that Heads of Service are aware of the strategy and are managing and monitoring risk effectively
- The Heads of Service will promote the principles and process of the risk management strategy to all of their employees
- The Risk Team will gain regular assurance from managers that risks within their area of control are being managed and the controls in place are effective
- Employees will assess risks in their operational areas and will identify and escalate risks to their managers
- The strategy will be published on the extranet and circulated to all managers

Operational teams will carry out a risk self assessment exercise annually as part of the service planning process. As part of this process each part of the business will review its operational activities and contribute to the identification and diagnosis of the risks it faces. A control self assessment will also be carried out to assess the effectiveness of controls already in place. The risk self assessment exercise will be facilitated by the Risk Team.

2.5 POLICY STATEMENT

OUR CURRENT POSITION

Rochdale Boroughwide Housing has a successful track record of managing risk as an integral part of its governance and management systems which is based upon the following

RISK APPETITE

Risk appetite is a key concept in achieving effective risk management. The aim of the risk strategy is not to remove all risk but to recognise that some level of risk will always exist. It is recognised that taking risks in a controlled manner is fundamental to innovation and developing a can do culture.

By defining our risk appetite we define the amount of exposure to risk the society is prepared to accept or tolerate should the exposure become a reality.

Exposure to risk refers to the expected likelihood and potential impact of risk occurring after the actions put in place become effective (residual risk).

Rochdale Boroughwide Housing's risk appetite can be expressed as a series of boundaries which give each level of the society clear guidance on the limits of risk they can take (whether threat or opportunity), above which we will not tolerate the level of risk and further actions must be taken and/or the risk escalated.

Risk exposure

The table below defines risk exposure based on the five point scale and risk map Rochdale Boroughwide Housing use to plot and assess risks (see above). As the table shows, where risks are scored 9 or less, they are classed as 'acceptable' which means that there is no need to introduce new controls. Of course, the existing controls should continue to be monitored.

Risk exposure	Residual risk score	Impact/Likelihood	Risk appetite/Control
Extreme	20 - 25	Severe consequences, almost certain to happen.	A level of risk exposure which requires immediate corrective action to be taken
High	10 - 16	Major consequences, likely to happen.	A level of risk exposure which requires constant active monitoring and measures to be put in place to reduce exposure
Medium	5 - 9	Moderate consequences, possible occurrence	Acceptable level of risk exposure subject to regular active monitoring measures
Minor	3 - 6	Minor consequences, unlikely to happen.	Acceptable level of risk subject to regular passive monitoring measures
Negligible	1 - 2	Insignificant consequences, almost impossible to happen, rare occurrence.	Acceptable level of risk subject to periodic passive monitoring measures

Rochdale Boroughwide Housing's corporate risk appetite

The corporate risk appetite defines trigger points to consider escalation of risk, giving employees at all levels of the business clear guidance of the levels of risk they are able to take and tolerate and when they need to escalate risks to managers/ Board for approval.

The trigger point at which escalation of risks should be considered for Rochdale Boroughwide Housing is any risk with a residual risk level of 10 or more. Who the risk is escalated to depends on the risk register with which it is associated as follows:

Corporate Risk Register

- Risks with a residual risk of 10 or more require approval by Board
- Risks with a residual risk of 4 to 9 require approval by Executive Team
- Risks with a residual risk of 3 or below do not require approval

Service/Operational Risk Register

- Risks with a residual risk of 10 or more require approval by Executive Team/appropriate director
- Risks with a residual risk of 5 to 9 require approval by Head of Service
- Risks with a residual risk of 3 to 4 require approval by Service Manager
- Risks with a residual risk of 2 or below do not require approval

Team/Project Level Risk Register

- Risks with a residual level of 10 or more require approval by project sponsor or Head of Service
- Risks with a residual risk of 4 to 9 require approval by service manager or project lead
- Risks with a residual risk of 3 or below do not require approval

Monitoring levels

The Board will focus on monitoring of risks with a score of 10 or more. The Board will delegate to the Audit Committee the review and monitoring of the whole register.

Executive Team will monitor risks on the Corporate Risk Register with a residual risk score of 5 or more.

RISK REGISTERS AND RISK DOCUMENTATION

Corporate risk

A corporate risk is defined as – a risk concerned with where the society wants to go, how it plans to get there, and how it can ensure survival.

Rochdale Boroughwide Housing's Corporate Risk Register documents the risks to achieving the corporate objectives, a risk assessment of both the inherent and residual risks, the mitigating actions or controls and the risk owner for each risk identified. The register also contains columns identifying which corporate objectives the risk relates to. In addition there is also an Assurance Map linked to these controls which provides evidence that the controls are effective and validates the difference between the initial and revised risk scores. The Corporate Risk Register and the Assurance Map are maintained by the Head of Risk and Compliance and reviewed/updated at least quarterly by EMT. As part of these reviews a decision is taken on whether further control action is required and this is then reported to Board for approval.

Operational risk

An operational risk is defined as – the risk of loss or gain, resulting from inadequate or failed internal processes, people and systems or from external events.

There is a close link between operational and strategic risks and there may be occasion as part of the risk management process when an identified operational risk escalates and becomes a strategic risk. Operational risk registers document the risks to achieving operational targets, assessments of the inherent and residual risks, the mitigating actions and the risk owner for each risk. These are maintained with the operational teams and are reviewed monthly as a standing item at each Directorates Management Team Meeting where the Head of Risk and Compliance will also attend if requested.

Project Risk

A project risk is defined as - a risk associated with a specific project that may be required to deliver key improvements linked to RBH's strategic objectives.

For every project, the risk identified, their assessment, the response to each and the risk owner should be documented in the project risk log to support tracking and monitoring.

RISK METHODOLOGY

How do we manage risk?

We will manage risk through a process which will:

- Identify risks in relation to the achievement of our business objectives
- Assess and prioritise these risks according to their relative likelihood and impact
- Respond to the risks we have identified, taking into account our assessment and risk tolerance
- Review and report on risks - ensuring the risk registers are kept up to date, ensuring that our response and controls are effective and identifying any further actions that may be required.

RBH's risk management methodology is explained below.

Identifying risks

Why do we need to identify risks?

The process of identifying and defining the risks RBH faces is important as underpins our commitment to maintain services for our residents and members. Good risk management will enable us to:

- Build our corporate risk register
- Develop a common understanding of risk and the risks we face
- Develop our capacity to respond to risk appropriately
- Provide us with an effective check that the activities we plan to undertake will help us to meet our corporate objectives
- Improve the quality of our planning
- Build an effective and appropriate control structure for RBH

Who identifies risks?

Everyone has a corporate responsibility to identify and monitor risks within their area of responsibility and to bring risks to the attention of their managers. Managers have a responsibility to put in place controls to help manage risks and to gain assurance that risks in their area of control are being adequately monitored. Managers and Heads of Service have a responsibility to escalate risks that could impact on the delivery of service objectives and therefore corporate objectives.

More specifically risks will be identified by:

- Executive Management Team at a corporate level
- Operational teams for their areas of operational responsibility
- Project teams for the projects they are responsible for delivering

Executive Management Team

Executive Management Team will review the corporate risks every quarter. This will involve identifying new risks, identifying changes in existing risks and identifying risks that are no longer relevant to the society.

Operational teams

Operational teams will carry out a risk self assessment exercise annually as part of the service planning process. As part of this process each part of the business will review its operational activities and contribute to the identification and diagnosis of the risks it faces. The risk self assessment exercise will be facilitated by the Risk Team.

As part of this process Heads of Service will be responsible for escalating any risks that could impact on the achievement of RBH's objectives to EMT/Board.

Project teams

Throughout the life of any project RBH undertakes, project teams will regularly identify risks to project objectives and record them in a project risk register. The project lead of any project will review the project risk registers with their project sponsor as appropriate depending on the lifespan of the project and will escalate any risks that could impact on the delivery of the project to EMT.

Guideline for identifying and defining risks

The following guidelines should be followed when identifying and defining risks:

- All risks should be related to the corporate objectives as set out in the corporate plan
- Statements of risk should encompass the cause of the impact and the impact on objectives should the risk arise
- Risks should be identified at a level where a specific impact can be identified and a specific action or actions to address the risk can be identified
- Avoid stating impacts which may arise as being risks themselves
- Avoid setting risks which do not impact on objectives
- Avoid defining risks with statements which are the opposite of the objectives/ actions themselves.

For example:

Objective: to travel by train from A to B for a meeting at a certain time	
Failure to get from A to B on time for a meeting	× This is the opposite of the objective
Being late and missing the meeting	× This is a statement of the impact of the risk, not the risk itself
There is no buffet on the train so I get hungry	× This does not impact on the achievement of the objective
Missing the train causes me to be late and miss the meeting	✓ This is a risk which can be controlled by making sure I allow plenty of time to get to the station
Severe weather prevents the train from running and me from getting to the meeting	✓ This is a risk which I cannot control but against which I can put a contingency plan

Example above taken from HM Treasury – The Orange Book – Management of Risk – Principles and Concepts October 2005

Risk categories

The individual risks we identify are not independent of each other but will fall into natural groupings. By grouping risks we will be able to see that some risks will be relevant to several of the objectives and we will enable us to relate risks to each other.

Risk categories are detailed at appendix 2. To ensure a full range of risks have been considered managers should review the risk types detailed. These are grouped into three categories:

External Arising from the external environment, not wholly within the society's control but where an action can be taken to mitigate the risk
Operational - relating to the successful execution of existing operations - both current delivery and building and maintaining capacity and capability
Change - risk created by decisions to pursue new endeavors beyond the current capacity

Assessing risks

Once risks are identified they need to be assessed. For each risk identified, an assessment should be made of the likelihood of it occurring and the relative impact if it does.

Likelihood is the probability or chance of a risk occurring.

Impact is the probable affect on RBH if the risk occurs.

All risks should be scored in terms of their likelihood and potential impact using the five point scale below and plotted on a risk map. Managers and teams should use their knowledge and judgement when deciding on the score for both likelihood and impact. The score for the likelihood and impact are multiplied together to given an overall risk assessment.

Likelihood	**Impact**
5 – Almost certain	5 - Catastrophic
4 – Likely	4 – Major
3 – Possible	3 – Moderate
2 – Unlikely	2 – Minor
1 – Rare	1 - Minimal

	IMPACT				
LIKELIHOOD	**Minimal (1)**	**Minor (2)**	**Moderate (3)**	**Major (4)**	**Catastrophic (5)**
Almost Certain (5)	***Medium***	***High***	***High***	***Extreme***	***Extreme***
Likely (4)	***Minor***	***Medium***	***High***	***High***	***Extreme***
Possible (3)	***Minor***	***Minor***	***Medium***	***High***	***High***
Unlikely (2)	***Negligible***	***Minor***	***Minor***	***Medium***	***High***
Rare (1)	***Negligible***	***Negligible***	***Minor***	***Minor***	***Medium***

Assessment of risks

For each risk identified, an assessment should be made of the likelihood of it occurring and the relative impact if it does. The more clearly risks are defined at the identification stage, the more easily they can be assessed. Likelihood is the probability or chance of the risk occurring and impact is the probable affect on RBH if the risk occurs.

Some risks are simpler to deal with than others. For example, financial risks are easier to assess and consider than those associated with risks to our reputation or our ability to provide a service. Where feasible, past events may provide a useful input to assess risks.

Evaluation of risk

When evaluating risk, the following criteria need to be considered:

- Financial and value for money issues
- Human resource issues – capacity, relations
- Service delivery and quality of service issues
- Tenant and customer concern, trust and confidence issues
- Degree and nature of risks to tenants and customers
- Reversibility or otherwise of the realisation of risks
- The quality and reliability of evidence surrounding risk
- The impact of the risk on us (including our reputation), stakeholders and our tenants
- Defensibility of realisation of the risk

All risks should be scored in terms of their likelihood and potential impact using the matrix above. The score for the likelihood and impact are multiplied to give an overall risk assessment.

Appendix 3 gives the corporate definitions and descriptions for likelihood and impact.

Inherent and residual risk

Each risk is assessed twice. First the 'inherent' risk is assessed. This is the exposure arising from a specific risk before any action has been taken to manage it. Second the 'residual' risk is assessed. This is the exposure arising from a specific risk after an action has been taken to manage it and making the assumption the action is effective.

The inherent risk determines the effort required to address the risk. It is important to capture and record the inherent risks as it provides information on the risk RBH faces should the mitigating actions be unsuccessful.

The residual risk assumes that the controls or actions put in place are going to be effective. Therefore the residual risk needs to be regularly reassessed to check the actual effectiveness of the controls and to make any necessary adjustments.

Addressing risks

Once risks have been identified and assessed they need to be addressed taking into account the parameters of RBH's risk appetite (see corporate risk strategy which defines the corporate risk appetite and trigger point points for escalation). The purpose of addressing risks is to turn uncertainty to the society's benefit by constraining threats and taking advantage of opportunities. Any action taken by RBH to address a risk is known as an 'internal control'.

There are four key aspects to addressing risk:

Tolerate – the exposure may be tolerable without any further action being taken. In some cases, even if the exposure is not tolerable, the ability to do anything about the risk may be limited or the cost of taking action may be disproportional to the potential benefit gained. In these cases the response may be to tolerate the existing level of risk. This option can be supplemented by contingency planning for handling the impacts that will arise if the risk is realised.

Treat – by far the greatest number of risks will be addressed in this way. In this approach we continue to carry out the activity that gives rise to the risk but put in place actions (controls) to constrain the risk to an acceptable level.

Transfer – for some risks the best response may be to transfer them. This can be done through insurance or by paying a third party to take the risk in another way.

Terminate – some risks will only be addressed or confined to acceptable levels by terminating the activity that gives rise to the risk.

Control identification

If the option is taken to 'treat' or control a risk a decision needs to be made on the best control to put in place. Controls need to be proportional to the risk and need to give reasonable assurance of confining loss to within the risk appetite. There are four different types of control:

Preventative – to limit the possibility of an undesirable outcome being realised. To put in place a preventative control you need to understand why a risk may happen in the first place. To go back to the example given on page five where the objective is to travel by train from A to B for a meeting at a certain time. We have identified the risks to achieving this objective as being:

- Missing the train causes me to be late and miss the meeting
- Severe weather prevents the train from running and me from getting to the meeting.

Whilst we are unable to put in place a preventative control for severe weather we are able to analyse what may cause us to miss a train and therefore be late for or miss the meeting and we can put in place action that will prevent this from happening – preventative controls.

For instance in the we may get up late – therefore we can prevent this by setting an alarm that ensure we get up on time. Or the journey to the train station may not be our normal journey and we could underestimate the time it will take to get there and miss the training – there we could prevent this from happening by planning the journey in advance

The majority of controls fall into this category. Other examples of preventative controls are:

Separation of duty – the person who authorises payment of goods is not the same person who ordered the goods to prevent fraud

Limitation of action to authorised persons – only suitable trained and authorised employees being able to handle press and media enquiries prevents inappropriate comments being made to the press

Corrective – to correct undesirable outcomes which have been realised. Help achieve some recovery against loss or damage following an event happening. Examples include:

- Contract terms designed to allow recovery of over payment
- Insurance
- Contingency planning

Directive – to ensure a particular outcome is achieved. These types of control are associated with health and safety and security. Examples include:

- Requirement to wear protective clothing during performance of dangerous duties
- Employee training before being able to work unsupervised

Detective – to identify occasions of undesirable outcomes having being realised.

- Stock or asset checks
- Reconciliation of accounts
- Post implementation reviews

2.6 CONSULTATION

The following information and guidance was reviewed and incorporated into the aims and objectives of the strategy.

Management of Risk – Principles &Concepts (The Orange Book) - HM Treasury - 2004
Turnbull Report
Institute of Risk Management – A Risk Management Standard
London Stock Exchange – A Guide to Good Corporate Governance
HCA guidance on risk management and its implementation
The Australian Standard – ISO 31000
The Canadian Standard on Internal Control – CoCo
Housing and Communities Agency guidance
IRM – a Risk Management Standard
NHF - Risk Management - A Guide For Housing Association Board Members (2014)

The policy has also been subject to review by Pricewaterhouse Coopers.

The policy is quite technical document based largely on regulatory guidance and so no direct consultation has been undertaken. The policy has been subject to review by our auditors in addition to being formally reviewed on an annual basis by the Audit Committee and Board.

3. EQUALITY AND DIVERSITY

The policy is based to a great extent on regulatory guidance. An Equality Impact Assessment has been completed and the overall score was low meaning no further action is required.

4. MONITORING AND REVIEW

All RBH strategies, policies and procedures are reviewed on a regular basis in order to ensure that they are 'fit for purpose' and comply with all relevant legislation and statutory regulations.

This document, including any other related procedures will be reviewed annually in order to ensure its continued appropriateness and formally reviewed and submitted to the appropriate 'approving body' at least every five years.

The management of risk has to be reviewed and reported on for two reasons:

- To monitor whether or not the risk profile is changing
- To gain assurance that risk management is effective and to identify when further action is necessary

The review process will:

- Ensure that all aspects of the risk management process are reviewed at least once a year.
- Ensure that risks themselves are subject to review at least quarterly
- Identify new risks and changes in already identified risks so that change can be appropriately addressed
- Deliver assurance on the effectiveness of controls
- Ensure that employees are identifying and escalating risks
- Ensure that managers are managing risks in their area of control
- Ensure that Heads of Service discuss risk regularly with their managers

5. LINKS TO OTHER RBH POLICIES

The risk management strategy underpins all corporate objectives and the wider corporate strategy and should be considered at all stages of the delivery process.

Risk should also be considered when developing all policies and procedures and is also included in all reports to EMT. Audit Committee, HR Committee and Board. More specifically the following policies should be considered.

Anti Fraud, corruption and money laundering Policy
Health and Safety Policy
Business Continuity Plans

Appendix 1 - Example of risk register

Objective: To travel from A to B in time for an important meeting										
Risk	**Inherent risk assessment**			**Controls in place**	**Residual risk assessment**			**Action plan**	**Target**	**Owner**
	Likelihood	Impact	Score		Likelihood	Impact	Score			
Missing a train makes me late for an important meeting	4	4	16	Prevent Get up earlier by setting alarm Plan route to train station	1	4	4	No further action	N/A	Myself
Severe weather prevents the train from running	2	4	8	Tolerate Cannot control	2	4	8	Contingency plan – telephone conferencing facilities to be installed	Aug 2012	Head of IT
Engineering work makes the train late	3	4	12	Treat Check for engineering work and inform people meeting with may be late	1	3	3	No further action	n/a	Myself

Appendix 2 – Risk categories

Category	Explanation
1. External – arising from the external environment, non wholly within the society's control but where action can be taken to mitigate the risk	
1.1 Political	Changes in government priorities and direction threaten commitment to our strategies and/or the availability of resources.
1.2 Economic	Economic movements such as interest rates, exchange rates, inflation etc affect our strategies and /or ability to deliver. The ability to attract and retain employees.
1.3 Socio-cultural	Social changes such as needs, expectation, attitudes etc affect our strategies and/or ability to deliver. Demographic changes may affect demand for our services
1.4 Technological	If we do not take opportunities arising from technological innovation we may not achieve optimum performance. Could be caused by obsolescence of current systems or cost of procuring best technology available.
1.5 Legal	Changing laws threaten our ability to efficiently develop or implement specific strategies.
1.6 Environmental	Buildings need to comply with changing standards. Disposal of rubbish and surplus equipment needs to comply with changing standards.
1.7 Housing sector	Changes within the capacity, capabilities and other factors within the housing sector threaten our ability to achieve desired outcomes.

2. Operational – relating to existing operations – both current delivery and building and maintaining capacity and capability	
2.1 Delivery	
Project management	Changes to systems and processes fail to deliver in terms of service quality, cost and time
Services	Failure to deliver our services expose us to financial loss, complaints and criticism, impact our external reputation.
2.2 Capacity and capability	
HR	A lack of requisite knowledge, skills and experience among our workforce through problems o recruitment and retention threaten the execution of our strategies and achievement of objectives.
Fraud	Fraudulent activities perpetrated by employees, suppliers, customers or others against RBH expose us to financial loss, impact our external reputation
Resources	Insufficient financial resources may threaten our ability to achieve our priorities and deliver our targets.
Poor budget management	This may lead to inappropriate financial conclusions and decisions
Physical assets	Their loss/damage/ theft may affect our ability to achieve our priorities and deliver our targets

Information	Overly restricted access to information may preclude our employees from performing efficiently and effectively. Inadequately restricted access to information may result in unauthorised knowledge of or use of confidential information.
IT availability	Information is unavailable when required threatening the continuity of key services.
IT infrastructure	The information infrastructure (e.g. hardware, networks, software, people and processes) may not effectively support current and future information requirements in an efficient, cost effective and well controlled manner.
Strategic partnerships	Inefficient or ineffective alliance, joint venture, affiliation or other strategic relationships affect our capacity to deliver services.
Operations	Lack of overall capability and capacity may restrict our ability to deliver our priorities and meet our targets.
Reputation	Our external reputation affects confidence and trust which stakeholders have in the society and our scope to act as desired.
2.3 Risk management performance and capability	
Governance	Failure to maintain propriety and compliance with relevant requirements and ethical considerations may affect our external reputation and adversely affect stakeholders decisions.
Scanning	A failure to identify threats and opportunities may adversely affect our ability to deliver our priorities or maintain our external reputation
Resilience	A failure in the capacity of systems/ accommodation/ IT to withstand adverse impacts and crises. Our disaster recovery/ contingency planning and security of physical assets and information may expose us to financial loss, wasted resources, complaints or criticism, threaten our ability to continue operations, impact out external reputation and adversely affects stakeholders decisions.
3. Change – risks created by decisions to pursue new endeavours beyond current capacity	
3.1 New projects /polices	
Projects	Unless investment decisions/prioritising between projects competing for resources is optimal, this may prevent us from channelling scarce resources to areas that provide the optimum performance return.
New Policy	Policy decisions may create expectations which can lead to uncertainty about what RBH has to deliver
Change programmes	Programmes for society and cultural change threaten our ability to deliver our current priorities.

Appendix 3 – Likelihood and impact descriptors

Likelihood	Impact
5 – Almost certain	5 – Catastrophic
4 – Likely	4 – Major
3 – Possible	3 – Moderate
2 – Unlikely	2 – Minor
1 – Rare	1 – Minimal

Likelihood descriptors

Likelihood descriptors are the same at all levels of the business

Almost Certain – Likelihood between 90 – 100%

- Almost certain to occur in most circumstances
- At least one event per year
- There could be a history of regular occurrences
- If new event, likelihood of occurrence regarded as almost inevitable

Likely – Likelihood between 60 – 89%

- There is a strong possibility the event or risk will occur
- One event per year on average
- There may be a history of frequent occurrences
- Everyone with knowledge of issues in this area knows it could happen
- Will probably occur in most circumstances

Possible – Likelihood between 21 - 59%

- There is a possibility the event or risk will occur
- One event per 2 – 10 years
- There may be a history of periodic occurrences
- Everyone with knowledge of issues in this area knows it could happen
- Will probably occur in some circumstances

Unlikely – Likelihood between 6% and 20%

- The event might occur at some time
- One event per 11 – 50 years
- There could be a history of casual occurrence
- Most of the team know that the risk might occur

Rare – Likelihood between 0% - 5%

- Highly unlikely but it may occur in exceptional circumstances
- One event per 51 – 100 years
- Some of the team consider this a risk that might occur
- Conditions exist for this loss to occur

- Probably required more than two coincident events

Impact descriptor
The impact descriptors are only an indication of the probable affect on RBH at a corporate and operation level if the risk occurs. They are not hard and fast rules. It is essential you use your knowledge and judgement when deciding the score for impact.

There are two sets of impact descriptors:

- Corporate impact descriptors for use when identifying and assessing corporate and operational risks
- Project impact descriptors for use when identifying and assessing project risks

A separate description is included for project risks as the budget for the project may be far less than the minimal impact on the corporate register. For example, a loss of £5000 may be tolerable for the society, but it could be disastrous in the context of a project with a total budget of £10'000. Accordingly the project descriptors are designed to assess the impact on the project and it's chances of being successfully delivered as opposed to the impact on the wider society.

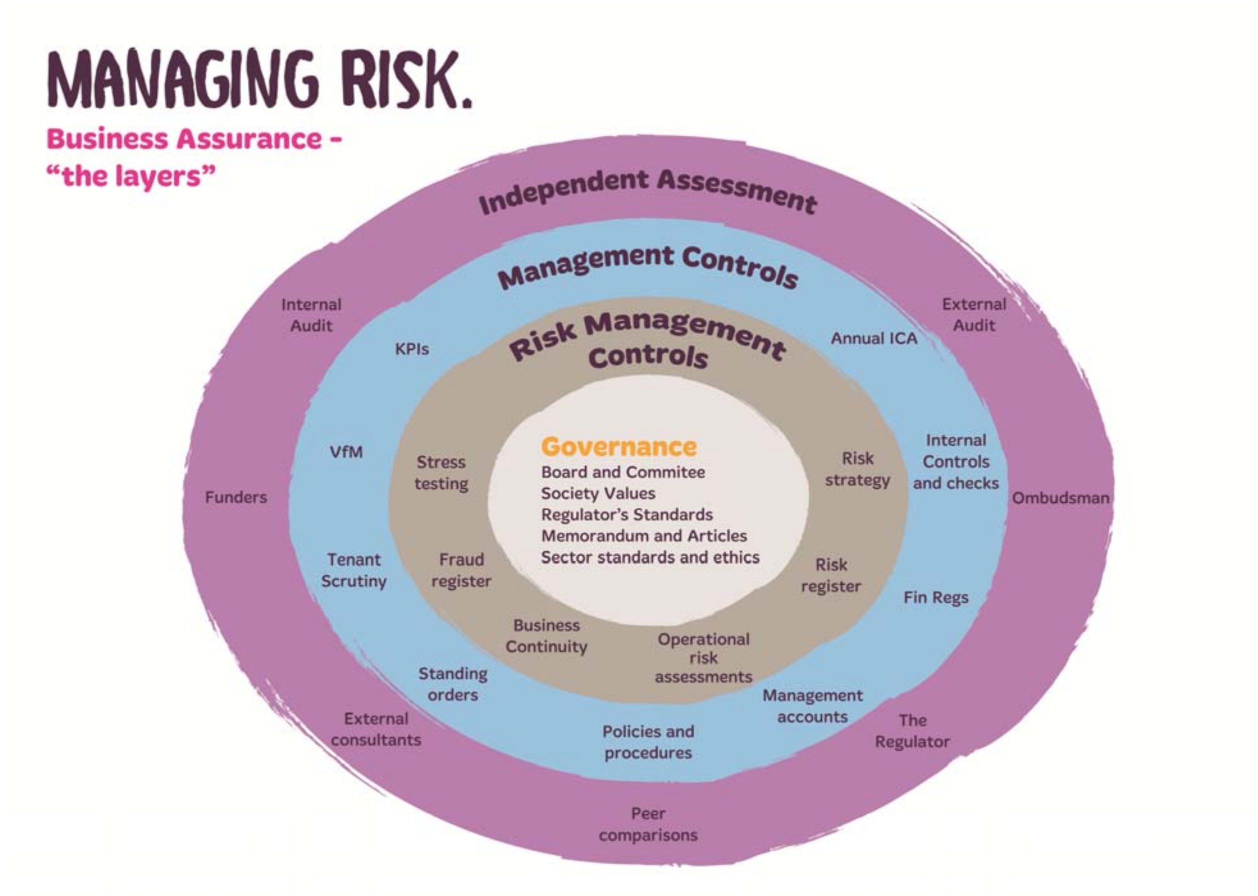
Corporate Impact descriptors

Description	Minimal	Minor	Moderate	Major	Catastrophic
Financial impact	Less than £5000 < 1% budget/financial loss	Between £5000 and £25,000 < 5% budget/financial loss	Between £25,000 and £100,000 5 – 20% budget/financial loss	Between £100,000 and £500,000 20 – 25% budget/financial loss	More than £500,000 > 25% budget/financial loss
Health and Safety	Incident but no injury	Minor injury, medical treatment	Moderate medical treatment. Hospitalisation and days lost. Long term illness RIDDOR	Single death or severe permanent disabilities. HSE enforcement	Multiple fatalities or prosecution by the HSE
Asset loss	Little or no impact on assets	Minor loss or damage to assets	Moderate loss of assets	Significant damage or loss of assets	Complete loss of assets
Business interruption	Minor disruption to services at one office or to one service area	Minor disruption to services at several offices or several service areas	Moderate disruption at several offices, closure of an area office or moderate disruption of a service area	Closure of several offices leading to severe disruption of services or severe disruption of several service areas	Complete closure of main office or closure of service areas resulting in regulator intervention
Corporate objectives	No affect on ability to deliver objectives. < 1% variance in achievement of performance targets	Need to reallocate resources within RBH deliver objective. 2-5% variation in achievement of performance targets	Significant delay in delivering objective/need to re-allocate noticeable level of resources from other areas of the business 5-10% variation in achievement of performance targets	Major delay or compromise in delivery in achieving a key objective and/or significant additional resources required to deliver objective 10-20% variance in achievement of performance targets.	Unable to deliver corporate objective. More than 20% variance in achievement of performance targets.
Inspection/ Audit/ regulation	Minor breaches by employees resulting in minor adverse publicity Small number of recommendations that focus on minor quality improvement issues	Infringements or regulations/legislations resulting in minor fines Recommendations made that can be addressed by low level management action	Legal action taken against RBH by regulatory body Challenging or critical report. Recommendations that can be addressed with appropriate action plan	Significant litigation/fines or prison sentences for Directors and Officers Severely critical report/ potential intervention by the HCA	Forced closure of RBH by the regulator Prosecution
Reputation and publicity	Minor adverse local media coverage Letter in local paper (story unsubstantiated)	Adverse local media coverage Minor article in local media or on website (story unsubstantiated)	Adverse regional or national media coverage Headline article or campaign in local media. Headline article in national media or housing press (Story substantiated and publicly embarrassing)	Sustained adverse coverage over a number of days/issues Story substantiated, widespread news profile	Prolonged campaign in national media or housing press. Formal action undertaken by the regulator Story substantiated, publicly embarrassing with third party action

Project Impact descriptors

Description	Minimal	Minor	Moderate	Major	Catastrophic
Customer experience/ satisfaction	Negligible impact on customer experience/ satisfaction of the service.	Customer not satisfied with service. Resolved through an appropriate action plan and intervention of senior officer	Unsatisfactory customer experience. Customer makes formal complaint. Resolved through an appropriate action plan and intervention of Service Manager	Prolonged customer dissatisfaction that has a damaging and prolonged affect on customer experience and satisfaction. Requires intervention of HoS to resolve and an appropriate action plan.	Continued and ongoing dissatisfaction and affect on customer experience with long term affects on confidence in service. Requires intervention of Director
Service objectives/ project objectives/ performance	Need to reallocate resources within service area to deliver objective. Minimal impact in project scope. 0.5% - 1% variation in achievement of performance targets	Project Team requires extra resources from elsewhere. Minor reduction in project scope. 1 -2% variation in achievement of performance targets	Delay in achieving objective and/or additional resources required to deliver objective. Noticeable reduction in project scope and quality of project 2 - 5% variance in achievement of performance targets	Major compromise in delivery of the service objective or a key element of objective abandoned. Significant project over run. 5 - 10% variance in achievement of performance targets	Unable to deliver service objective/inability to deliver project. More than 10% variance in achievement of performance targets. Reputation of project/service seriously damaged
Health and Safety	Minor injury not requiring first aid Record of near miss incident reported to line manager	Minor illness or injury. First aid treatment required. Off work for up to 5 days	Illness or injury requiring medical attention/hospital visit Off work for 5 – 10 days	Major injuries. Long term incapacity or disability requiring medical treatment or counselling. Off work for more than 10days	Incident leading to death or major permanent incapacity. Risk of corporate manslaughter charge
Complaints and claims	Locally resolved complaint. Immediate resolution Justified complaint. Easily resolved.	Justified compliant that amendment to procedure in service area. Dealt with by senior manager.	Justified compliant that requires change in policy /procedure throughout the society.	Multiple complaints about the service area. Service review required as a result. Ombudsman enquiry received.	Multiple justified complaints/class action Criticism from the ombudsman/HCA intervention
Service interruption	Interruption in service that does not impact on the customer experience of the service or our ability to continue to provide the service	Short term disruption to the service (up to a day) with minor impact on the customer experience or ability to continue to provide the service	Disruption/ loss of service from a day to a week which has an impact on ability to delivery the service but manageable by HoS. Contingency plans may need to be invoked in some areas.	Disruption/ loss of service from a day to a week which has a serious impact on ability to delivery the service. Contingency plans may need to be invoked and IMT mobilised.	Loss of core service or function for longer than a week. Unable to deliver the service. Disruption leading to a ‘knock on’ affect across the society. IMT/Contingency plans have to be invoked
Staffing and competence	Short term low staffing level that does not impact on service quality or service delivery	Ongoing low staffing level, impact on remaining team members/morale	Ongoing problems with staffing levels reduces service delivery/quality Loss of key employees	Late or uncertain delivery of key tasks/ service due to lack of employees.	Non delivery of service objective or service due to lack of employees.
Finance	Negligible impact on budgets. Less that £1000 or <5% of project budget.	Minor impact on budget £1,000 - £5,000 or 5-15% of project budget	Significant impact on budget £5,000 - £50,000 or 15-25% of project budget.	Severe impact on budgets/ society’s finance. £50,000 - £100,000 or 25-50% of project budget	Catastrophic impact on budgets/society finance. Over £100,000 or >50% of project budget
Inspection/ Audit	Small number of recommendations about the project/service that focus on minor quality improvement issues that can be addressed by low the project team	Challenging recommendation that can be addressed with appropriate action plan	Critical report with major failings. Low rating	Severely critical report Zero rating	Prosecution. Potential intervention
Reputation and publicity	Letter in local press Little affect on public attitude/ employee morale	Local media coverage One off article Could affect public perception and employee morale	Headline local media Publically embarrassing Public confidence in society undermined	Campaign in local media. Headline article in national media or housing press Story substantiated and publicly embarrassing	Prolonged campaign in national media or housing press. Formal action undertaken by the regulator Story substantiated, with third party action

Appendix 4


MANAGING RISK.
Business Assurance - "the layers"
Independent Assessment
Management Controls
Risk Management Controls
Governance
Board and Commitee
Society Values
Regulator's Standards
Memorandum and Articles
Sector standards and ethics
Internal Audit
External Audit
Funders
Ombudsman
External consultants
The Regulator
Peer comparisons
KPIs
Annual ICA
VfM
Internal Controls and checks
Tenant Scrutiny
Fin Regs
Standing orders
Management accounts
Policies and procedures
Stress testing
Risk strategy
Fraud register
Risk register
Business Continuity
Operational risk assessments