



Group Policy: Risk Management Policy

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Approval Body	Group Audit & Risk Committee
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Contents

Scope	4
Policy Statement	4
Terminology	5
Policy Principles	5
A. Risk Management	5
B. Recording and Controlling Risk	6
i. Risk Register	6
ii. Assurance	6
iii. Control of the Risk Register	7
iv. Risk Evaluation	7
v. Risk Scoring	8
vi. Current Risk Assessment	8
Review	9
Context	9
Supporting Documents / Policies	9
Ownership and Responsibility for Implementation	9
Key Stakeholders	10
Related Legislation	10
Equalities Impact Assessment	11
Appendix A - Risk Heat Map (July 2019)	12
Appendix B – RCH Group Risk Register (July 2019)	13

Scope

This is a Group policy and therefore applies to Staff, Board and Committee members of The RCH Group of companies. As at October 2019, The RCH Group consists of River Clyde Homes and its subsidiary Home Fix Scotland Ltd.

As appropriate, RCH Group will ensure the promotion of equal opportunities by publishing information and documentation in different languages and other formats such as large print, audio format and braille as required.

Policy Statement

Purpose

The prime objectives of the Risk Management Policy is to ensure a consistent approach towards risk management across the Group and providing guidance for recognising, analysing and dealing with risk.

Risk Management involves identifying risks, estimating potential consequences attached to those risks and developing systems and controls which reduce the likelihood of those risks occurring. Risk management should also mitigate wherever possible, the consequences of risks that occur.

RCH Group cannot fully eliminate all risk but it can, by using systematic processes, manage and reduce risk in line with the risk appetite of the business.

Policy Statement

The Risk Management Policy of RCH Group is to:

- Reassure to the Board and Committees that risk is being managed effectively throughout the business by all responsible personnel
- Create and maintain a business wide integrated risk management approach
- Educate all staff at all levels as to the importance of risk management from a business and personnel perspective
- Prioritise risks and estimate the level of their probability of occurrence and likely impact on the business
- Establish a list of mitigating actions and processes to avoid risk where possible, and mitigate risks should they occur
- Manage risk in a controlled and effective way across the organisation

- Ensure risk management is embedded throughout the organisation using a range of layered processes ranging from audit (internal & external), controlled processes, Governance, indemnity or 3rd Party verification
- Embed risk management into all aspects of the strategic, operational and financial planning processes
- Allow the Board, EMT and other Senior Management to be kept aware of the risks faced by the business and the levels to which these risks can or are being mitigated
- Allow the Board to understand the risk profile of the business and to make effective decisions for taking the business forward
- Utilise the principles of best practice in Risk Management to further develop and improve the effectiveness of its systems and processes.

Terminology

- Board – includes the RCH Board, Subsidiary Board(s) and Sub Committees.
- EMT – Executive Management Team
- SMT – Senior Management Team
- Gross Inherent Risk Score – value given to the likelihood of a risk happening times the impact of the risk occurring, without any consideration of mitigation
- Net Residual Risk Score – the adjusted Gross Inherent Risk Score after mitigating actions have been implemented. This is used to track and monitor risk and ensure that the level of residual risk remains within the organisation's risk appetite
- Risk Management – the culture, processes and organisational structures, which contribute to the effective management of potential opportunities, threats and adverse incidents

Policy Principles

A. Risk Management

Risk Management should focus on the range of risks across the RCH Group including strategic risks (that affect the medium to long term) and operational risks (that concern tactical day to day business activity).

Risk management should apply to both strategic and operational risks on a cost effective basis without creating any more additional administrative effort than is avoidable. Priority should always be given to the effective delivery of services to the clients of the RCH Group.

Risk Management should consider cost, materiality and probability when developing systems and processes to manage risk.

B. Recording and Controlling Risk

i. Risk Register

The RCH Group risk register is used to record all risks across the RCH Group. Every risk must be evaluated in terms of likelihood and impact and the register then updated with the information detailed below:

- The ranking of each risk, basis on the Net Residual Risk Score (score after mitigation actions have been implemented)
- Risk Description detailing an outline of the risk and any expected consequences of that risk
- Member of EMT who is responsible for monitoring and managing the risk.
- Gross inherent risk score, calculated using matrix below (the likelihood times the impact)
- Details of key mitigating actions that are currently being undertaken to reduce the likelihood of the risk occurring or minimise its potential effects

All risks will be allocated a score based on the product of their impact and likelihood where each is allocated a score of 1 to 5. The possible score ranges from 1 (1x1) to 25 (5x5).

The RCH Group Risk register will be a standing agenda item on the Audit & Risk Committee where any changes will be highlighted to committee members. The RCH Group Risk Register will be review annually but the RCH Group Board.

This risk register should be expanded to cover the entire business of RCH Group where Operational Management and the SMT will list risks they identify within their areas of responsibility.

The SMT will periodically review the risk register to ensure that risks are ranked in order of severity to the ongoing business activity of RCH Group.

ii. Assurance

RCH Group will utilise a range of methods to gain comfort that risk elimination and mitigation are being achieved. Assurance will be derived from several different sources, for instance,

utilising a layered framework of risk control based around the following separate systems of risk elimination and mitigation:

- External Audit
- Internal Audit
- Internal Controls
- Health & Safety procedures
- Business Continuity processes
- Training
- Insurance
- Outsourcing

Cost-benefit considerations will be taken into account when assessing whether risk mitigation measures are delivering value and do not negatively affect service delivery to the clients of RCH.

iii. Control of the Risk Register

The EMT have responsibility for the maintenance of the Risk Register going forward. The EMT have a range of options that can be adopted to manage risk for the business:

- **Change:** RCH Group seeks to mitigate risks
- **Accept:** RCH Group monitors the operating environment for any new risks
- **Transfer:** RCH Group may shift risk by utilising outsourcing or insurance
- **Remove:** RCH Group could eliminate risk completely by ceasing activities in certain areas

Ultimately the Risk Register will be a comprehensive list of all key strategic and operational risks that face RCH Group going forward.

iv. Risk Evaluation

Risks require to be ranked in accordance with the likelihood that it will crystallise and the severity it would have should it crystallise. A trade-off between risks and costs of mitigation is made so that risk management does not negatively impact on the operation of the business.

RCH Group's appetite for risk is the level of risk it is prepared to accept in pursuit of its objectives, before action is deemed necessary to reduce the risk. The Group may have different levels of tolerance depending on the type of risk, eg for compliance risks, operational risks or reputational risks.

The EMT continually appraises the activities of RCH Group to establish potential risks (and their direct and indirect consequences) facing the business. This is done by utilising the Risk Register and adopting the Change, Accept, Transfer or Remove philosophy for risk management outlined in B iii. above.

Assessing potential risks and their effects includes taking a cost-benefit approach to undertaking activities so that financial and operational consequences are fully understood prior to commencing business activity.

Where practical, a consistent approach should be taken to document key operational risks within service plans.

v. Risk Scoring

Risks are scored based on likelihood and impact using the following scale:

Likelihood

	5	10	15	20	25
	4	8	12	16	20
	3	6	9	12	15
	2	4	6	8	10
	1	2	3	4	5
	Impact				

Likelihood	Impact
1 - Very unlikely	1 - Insignificant
2 - Unlikely	2 - Minor
3 - Fairly unlikely	3 - Moderate
4 - Likely	4 - Major
5 - Very likely	5 - Catastrophic

Likelihood x Impact = Risk

Risks are ranked based on their scores as per the matrix below:

Risk Ranking	Required Response
High (15 to 25)	Immediate attention required
Medium (5 to 14)	Action required to mitigate or eliminate
Low (1 to 4)	Do not ignore; monitor regularly

vi. Current Risk Assessment

Appendix A shows the latest Risk Heat Map approved by the Audit & Risk Committee as at July 2019. This heat map summarises the Net Residual Risk associated with the top 6 risks facing RCH Group

Appendix B details the latest Risk Register approved by the Audit & Risk Committee as at July 2019.

Review

This policy will be reviewed every three years unless amendment is prompted by a change in legislation or monitoring and reporting reveals that a change in Policy is required sooner.

Context

Supporting Documents / Policies

- The Scottish Housing Regulator (SHR) provides guidance to RSLs to facilitate the achievement of its regulatory objectives.

Regulatory standard 4 explicitly requires that all regulated RSLs:- bases its decisions on good quality information and advice and identifies and mitigates risks to the organisation's purpose.

- RCH Group business plan and 30-year financial plan

Ownership and Responsibility for Implementation

The owner of this policy is Richard Turnock (Executive Director, Resources & Transformation).

The following table details the roles and responsibilities around Risk Management in RCH Group

Who	Outline Role
Board	The Board has overall responsibility for Risk Management through the RCH Group. The Board must be satisfied that all risks are identified and quantified and that a satisfactory system of control exists. The Executive Director of Resources and Transformation will report to the Board on an annual basis the status of the Risk Register and also reconfirm the Boards attitude to risk.
Audit & Risk Committee	The Executive Director of Resources and Transformation will report to each Audit & Risk Committee any changes to the Group Risk Register and highlight any emerging risks.
Chief Executive	The Chief Executive has overall executive responsibility for risk management.

	They must ensure that all new business opportunities are risk assessed prior to being undertaken.
Senior Management Team	The SMT must effectively implement Risk Management over their respective areas of responsibility by regular review of existing and potential new risks affecting the business.
Management Team	All managers should monitor risk pertaining to their area of responsibility. Management should also engender a culture of risk management throughout their teams to educate and raise awareness as to the risks faced by the business and the subsidiary teams within it.
All Other Staff	All Other staff should be aware of risk management and the concept of risk management to protect RCH. A process of education should be established to allow risk awareness to grow and spread throughout RCH.
Internal Audit	Internal audit has the responsibility for advising and confirming that the Risk Management Policy is consistently applied to all areas. It is also responsible to confirm that the policy and its operational application are reviewed in accordance with the agreed schedules and any non-compliance is reported to the Audit & Risk Committee.

Key Stakeholders

The Board, The Committees, Staff, The Regulator

Related Legislation

- Housing (Scotland) Act 2014;
- Companies Act 2006;
- Equality Act 2010

RCH Group will meet all legal obligations and comply with legislation in relation to this policy subject.

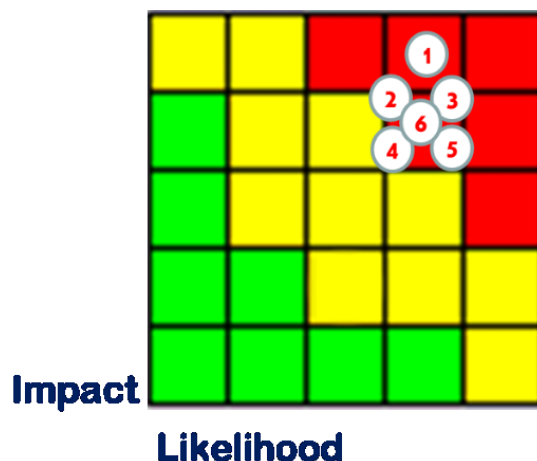
Equalities Impact Assessment

An EIA has been undertaken and all relevant requirements have been met.

Appendix A - Risk Heat Map (July 2019)

The Risk Heat Map below summarises the Net Residual Risk associated with the Top Strategic 6 risks,

1. Inadequate delivery of the asset management strategy
2. Welfare reform increases risk of reduced income and b
3. Failure to achieve a competitive housing proposition
4. Failure to achieve VFM
5. Ineffective control of subsidiary governance, developme
growth
6. Failure to adequately manage the transition to an effect
Group Operating Model



Appendix B – RCH Group Risk Register (July 2019)

	Risk Description	Owner	Gross Inherent Risk Score	Key Mitigation	Net Residual Risk Score
1	<p>Inadequate delivery of the asset management strategy:</p> <p><i>Any failure to manage the RCH housing stock appropriately results in a poor product offering and increased future maintenance costs. There is a risk that we do not properly identify the full scope of our assets and potential liabilities.</i></p> <p><i>In addition, there is a risk of failure to manage the new build programme within timescales (e.g. phasing delays impacting revenue growth and reliance on a single contractor) and budget (e.g. increasing construction inflation, revised costs reflecting refined</i></p>	Executive Director , Customer Experience	25	<ul style="list-style-type: none"> • An new Our revised asset management strategy has been approved by the Board and is subject to regular review and validation. • We maintain a watching brief on compliance aspects that impact our assets (e.g. post Grenfell requirements). • Ongoing work to deliver/maintain SHQS and EESSH compliance • Leveraging value from ActiveH (housing management system) • Improved Regulator & Inverclyde Council relationship management, enabling timeous delivery of SHIP. • Improved Governance through regular review by EMT • Increased focus on Customer Service, e.g. the development of RCH Plus standard, helping to increase lets/reduce voids. • Moving new builds from feasibility stage to committed projects bring more certainty to the costings and phasing. • Early resolution of opportunities outside Inverclyde bring certainty around phasing. • Supplement development programme capacity, including the effective use of external consultants. • Strong relationship with CEO of main new build contractor (Crudens). • Represents marginal adjustment of the net residual risk score from a previous score of 20. 	21

	Risk Description	Owner	Gross Inherent Risk Score	Key Mitigation	Net Residual Risk Score
	<i>customer requirements and scale of development).</i>				
2	Welfare Reform reducing income & increasing bad debts: <i>The introduction of Universal Credit may result in tenants giving lower priority to rent payments in favour of other outlays. The resulting risk is that rent payments will be made late or not at all.</i>	Executive Director, Customer Experience	20	<ul style="list-style-type: none"> • Participation in Working party groups to monitor welfare developments and impact of changes (particularly in relation to Universal Credit) • Improved debt collection processes (including legal redress) • Increased scrutiny of arrears performance (reporting of performance metrics) • Enhanced debt review and reporting procedures • Improved welfare advice service to pre-empt bad debt issues • Launch employability service to reduce welfare dependency. • Maximise channel shift and access to services, including increased personal visits, and online services. • Increased customer insight and profiling. 	16
3	Failure to deliver competitive housing proposition: <i>Product offerings fail to meet the needs and expectations of the customers of RCH (e.g. are not affordable or at comparable</i>	Executive Director, Customer Experience	20	<ul style="list-style-type: none"> • Development of a RCH Plus proposition standard, incorporating appropriate response to tackle fuel poverty as appropriate • Customer insight will inform our proposition strategy • Ensuring funding available for enhancements to estate • Business Planning activity will include ongoing assessment of customer need which will inform our stock mix 	16

	Risk Description	Owner	Gross Inherent Risk Score	Key Mitigation	Net Residual Risk Score
	<i>quality) impacting lettings/voids.</i>			<ul style="list-style-type: none"> Rent affordability will be assessed as part of a Rent & Service Charge Review (including development of an affordability model) Regularly monitor product offerings for relevance and adequacy while taking account of demographics and competitor propositions Void management process to be streamlined, improving efficiency and reducing days to let 	
4	Failure to deliver VFM: <i>Business fails to modernise in order to meet the challenges ahead within its market of operation resulting in operational underperformance and financial inefficiencies.</i>	Executive Director, Resources & Transformation	20	<ul style="list-style-type: none"> VFM Strategy and Plan approved by Board. VFM Project Board to lead on delivery of strategy. Delivering thought leadership to sector – e.g. CEO Chairs VFM Scotland Club (HouseMark Initiative), which is pioneering drive for VFM reporting in Scotland VFM targets incorporated into Financial Plan and budgets Delivery of efficiencies monitored by Audit & Finance Committee together with RCH Board VFM Workshops informing Business and Development Plans 	16
5	Ineffective control of subsidiary governance, development and growth <i>Risk that we do not have appropriate governance</i>	CEO	20	<ul style="list-style-type: none"> Pace and scale of growth and development governed by RCH Board Development of a governance plan for RCPM, incorporating appropriate consideration of the development of an appropriate business assurance framework 	16

	Risk Description	Owner	Gross Inherent Risk Score	Key Mitigation	Net Residual Risk Score
	<i>arrangements in place to properly control and manage the performance of our subsidiaries.</i>			<ul style="list-style-type: none"> • Separate RCPM Board in place, plan to evolve to standalone RCPM governance (distinct financial and operational/service committees as appropriate) • Recruitment of RCPM Board with requisite skill base • Recruitment of suitably skilled management and staff 	
6	<p>Failure to adequately manage the transition to an effective Group Operating Model:</p> <p><i>The transition to a Group Operating Model will need to ensure that the required resources are delivered, there is sufficient leadership focus and commitment with minimal organisational disruption.</i></p>	CEO	20	<ul style="list-style-type: none"> • Key Project Status approved with a corporate sponsor • Required resources identified; Dedicated Project Manager, Project Board, chaired by CEO and external consultancy support as required • Careful management of milestone achievement, managing interdependencies, effective communication with staff, management of staff resistant to change • Early implementation of any new leadership roles (where possible) and effective engagement by EMT/SMT • Tighter governance, including weekly EMT meetings dealing with emerging risks and resolving issues. These discussion should inform SMT, Project Board and delivery group discussions and communications 	16

	Risk Description	Owner	Gross Inherent Risk Score	Key Mitigation	Net Residual Risk Score
7	Non-compliance with current and future Health and Safety legislation/regulation <i>Risk that we do not manage health and safety risk across the various activities undertaken by the organisation</i>	CEO	20	<ul style="list-style-type: none"> Enhancements to the governance of Health & Safety have already been established and now working to deliver Health & Safety Action Plan Corporate wide remit for health and safety - Executive Director, Resources & Transformation, chairs the Health & Safety Management Committee (cross director ate involvement) Development of tailored risk assessments across the business and dashboard that will enhance reporting at SMT/Committee/Board level. Investment in resource dedicated to Health and Safety (new corporate role plus ongoing training) Monitor the progress of improvement projects going forward e.g. Gas, Asbestos, Legionella and ensuring ongoing compliance with supervisory/technical bodies (e.g. Health & Safety) 	12
8	Non-achievement of the financial covenants in new loan facility <i>To comply with this new loan facility, new commercially recognised financial covenants have been put into place which replace RCH's previous</i>	Executive Director, Resources & Transformation	12	<ul style="list-style-type: none"> Quarterly review undertaken of compliance of covenants Current year projected compliance reported at every Audit & Finance committee Future years projected compliance monitored on a quarterly basis. 	12

	Risk Description	Owner	Gross Inherent Risk Score	Key Mitigation	Net Residual Risk Score
	<i>requirement to gain annual business plan approval from its lenders.</i>				
9	Failure to manage pension risk: <i>Increase in pension deficits leads to increased contributions. These increased contributions may lead to RSLs considering membership of SHAPS. As SHAPS is a multi-employer pension scheme, the risk of liabilities of the scheme pass to the last employer of the scheme where other employers</i>	Executive Director, Resources & Transformation	16	<ul style="list-style-type: none"> • In practice, regulatory regime mitigates risk of other members becoming insolvent • Considerations of pension benefits harmonisation/gradual shift to DC scheme • Consider employee benefits consultant input post Group Model transition. This will provide additional insight on best practice 	10

	Risk Description	Owner	Gross Inherent Risk Score	Key Mitigation	Net Residual Risk Score
	<i>have ceases to participate or have become insolvent.</i>				
10	Non-compliance with other current & future legislation / regulation: <i>Failure to comply with changes in the legal and/or regulatory regime hinder business growth due to increased remedial and/or legal costs.</i> <i>(e.g. response to ONS classification, GDPR and review of SHR's Regulatory Review)</i>	CEO	12	<ul style="list-style-type: none"> Stakeholder management, maintaining close links to Local & Scottish government and Regulator Maintain skills of technical staff and utilise external technical experts where required Action plan developed in response to ONS changes Engagement with Regulator in respect of Regulatory Frameworks review/consultation exercise GDPR readiness ensured through specific GDPR Project and regular reporting on progress to the Audit & Finance Committee 	10
11	Unforeseen cost inflation: <i>Inflation pushes up Operating Costs resulting in higher costs.</i>	Executive Director, Resources & Transformation	12	<ul style="list-style-type: none"> Actively monitor operating costs going forward to understand forces driving up prices Enhanced Procurement strategy will help minimise cost inflation 	9

	Risk Description	Owner	Gross Inherent Risk Score	Key Mitigation	Net Residual Risk Score
	<i>This may cause reduced funds for future reinvestment.</i>				
12	Lack of direction, strategy and planning: <i>Lack of direction, strategy and planning produces suboptimal decision making resulting in wasted resources, business inefficiencies and a poor end product for the customer.</i>	CEO	12	<ul style="list-style-type: none"> Engagement with RCH Board on Strategy and Business Planning activity RCH Board provides challenge and validation of RCH strategy Good engagement and regular updates with Regulator Implementation of RCH governance action plan Improved engagement with customer (e.g. customer forums established to allow for better visibility & scrutiny) informing our strategy and delivery plans 	9
13	Lack of skills on Board & committees: <i>Skills gaps at Senior Level contribute towards ineffective decision making and poor strategic direction.</i>	CEO	12	<ul style="list-style-type: none"> Governance action plan addressing this. Implement appraisal & training programme to enhance skill set of Senior Management Board, Committee and senior management recruitment 	9

	Risk Description	Owner	Gross Inherent Risk Score	Key Mitigation	Net Residual Risk Score
14	Inadequate Business Continuity plans: <i>Poor recovery procedures in the event of a severe or catastrophic event prevent or delay the effective operation of the business going forward.</i>	Executive Director, Resources & Transformation	12	<ul style="list-style-type: none"> Business continuity plan for general corporate purposes has been developed and is currently being refreshed. Major Incident Plan is maintained and updated on an ongoing basis to respond to any incident impacting our estate. 	9
15	Inefficient use of resources: <i>Inefficient use of resources results in unnecessary waste, increased cost and poor levels of service delivery.</i>	CEO	9	<ul style="list-style-type: none"> Ongoing review resource usage and cost levels to obtain best value at all times Application of VFM strategy and monitoring of achievement of VFM efficiencies Ensure we capture full functionality of new systems (e.g. dynamic scheduling) , monitoring productivity and effectiveness. 	6
16	Demographic change & other market forces: <i>Demographic (particularly depopulation) and other changes in the marketplace must be monitored to ensure RCH react to continue to offer</i>	Executive Director, Customer Experience	9	<ul style="list-style-type: none"> Demographic changes and changing customer needs are monitored to identify appropriate stock mix (number of bedrooms, accessibility, adaptations, etc.) Attendance and proactive involvement on Inverclyde Council's Depopulation Working Group Competitive proposition monitored to inform our own proposition Ongoing customer feedback (e.g. Customer senate, surveys etc.) 	6

	Risk Description	Owner	Gross Inherent Risk Score	Key Mitigation	Net Residual Risk Score
	<i>services that are appropriate and meet the current & future needs of customers.</i>			<ul style="list-style-type: none"> Ongoing Service Reviews reshaping services to meet current and future demand i.e. Older Person and Caretaking Service. 	
17	Poor relationships with partners & stakeholders: <i>Failure to maintain constructive working relationships with all stakeholders will result in reputational damage and deterioration in the ability of RCH to deliver its core services and meet its organisational goals.</i>	CEO	9	<ul style="list-style-type: none"> Clear strategy for engagement with all stakeholders (particularly Inverclyde Council). Establish regular formal links with key stakeholders, agreeing respective input to projects requiring collaboration (e.g. as part of Single Outcome Agreements). Seek to focus resources to avoid duplication of effort Participation on working Groups in relation to the integration of Health and Care Services (particularly given funding pressures). 	6
18	Poorly led, disengaged employees <i>Failure to ensure that there is requisite leadership and</i>	CEO	9	<ul style="list-style-type: none"> Organisational Development strategy and Plan has been agreed with the Board Working towards Investors in People accreditation (Recently confirmed Investors in Young People – Silver Award) Leadership team have commenced leadership training with external consultancy (Leadership Factory). SMT and wider management team will have leadership training 	6

	Risk Description	Owner	Gross Inherent Risk Score	Key Mitigation	Net Residual Risk Score
	<i>engagement, consistent with our plans to improve culture.</i>			<ul style="list-style-type: none"> Enhancements to Academy Training Plan Working towards securing a new office 	
19	<p>Failure to adequately manage the development of the factoring business:</p> <p><i>Lack of clarity around the factoring vision, direction of business and role within larger RCH Group. In addition there is a risk of decreasing customer satisfaction based on latest STAR survey. Also there is a risk of non-compliance with appropriate legislation and guidance.</i></p>	Executive Director , Customer Experience	9	<ul style="list-style-type: none"> Investment in appropriate leadership with sector experience including business development experience Key Project Status approved with a corporate sponsor Development of revised business plan, with thorough assessment of risk 	6