Risk Management Policy

Policy Owner	Business Development
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HAPPY TO TRANSLATE

BIELD HOUSING & CARE

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Scottish Charity No. SC006878 Property Factor PF000145

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Introduction

Bield defines risk as "an uncertain event (or set of events) which, should it occur will have an impact on the organisations ability to meet its key objectives". Risks can relate to opportunities and threats and are a combination of the likelihood of an event and the impact of the consequence.

While we cannot eliminate every risk, we can identify it, assess it and respond to it appropriately. The purpose of risk management is to safeguard Bield, its customers, reputation, assets and the interests of stakeholders by identifying and managing any threats to the achievement of its business objectives.

Robust risk management is a prerequisite for any well managed organisation. This policy aims to ensure that Bield has a comprehensive and well adopted framework in place across the business to appropriately manage risk.

Risk Strategy

Risk management objectives

Bield recognises that risk is inevitable and risk taking is an essential requirement for any organisation seeking to change, innovate and improve. We aim to generate a culture in which employees (and Board members) are risk aware, but not risk averse. Our approach to risk management focuses on systems, processes and people. We will:

- Ensure that risks are actively monitored and regularly reviewed on a constructive 'no-blame' basis
- Establish dates for each risk to be reviewed by the SMT; the frequency of review being based on the level of risk
- Integrate risk management with planning and reporting at strategic and operational levels
- Implement and monitor risk management arrangements across the organisation
- Invite internal and external auditors to conduct independent reviews of our arrangements
- Ensure that employees receive the necessary training, support and advice about risk management
- Ensure that all employees understand our approach to, and their role in, risk management
- Establish risk management practices that inform our decision making about new opportunities
- Provide assurance that Bield can achieve its objectives and meet its regulatory and legislative requirements

Our risk management objectives align with the Business Strategy 2018-23. Managing risk effectively is especially important as Bield embarks upon a period of change. Clarifying and communicating the organisation's risk appetite will assist in our ambition to give employees greater autonomy in decision-making. Our risk management processes will also help to inform the decisions Bield makes about how to develop and grow its services.

Risk appetite

Risk Appetite is the amount of risk that Bield is prepared to accept, tolerate or be exposed to at any point in time. It is set and approved by the Bield Board which has the mandate to adjust the organisation's risk appetite if required.

Our ultimate objective as an organisation should be to see risk management as an opportunity, not as a burden. Some degree of risk will be inherent in all of the opportunities that are available to Bield. Such activities and taking the decision to action them will ultimately be determined by Bield's risk appetite.

Bield's risk appetite is displayed in Appendix D – Bield's risk appetite.

Risk Management Structure

Organisation

Risks will be identified and assessed at three levels: corporately, at departmental level and for specific projects. The risk management structure deliberately mirrors our planning and performance management arrangements. We aim to integrate strategic and departmental planning (and reporting) with the risk management process to ensure decision-makers are properly informed.

The Senior Management Team considers risk at each of its meetings as a standing item on the agenda. Risks which are due for review are considered and any emerging risks are discussed, scored and potentially added to the Risk Register. Existing risks might also be removed if they are no longer relevant.

Overall assurance of this framework and controls is provided by the Performance & Audit Committee, Board and the Scottish Housing Regulator.

Risk Registers

Our risks are displayed in risk registers (Appendix C – risk register template). The risk registers assist with the identification, assessment and monitoring of risk.

The following risk registers will be prepared:

- Corporate Risk Register: includes strategic risks (i.e. risks that affect or are created by the Business Strategy and our strategic objectives)
- Departmental Risk Registers: contain risks that relate the activities of each department
- Project risk registers: identify risks to the achievement of the aims of a project

Roles and responsibilities

Every member of staff at Bield is involved in risk management and must be aware of their responsibilities in identifying and managing risk.

Overall responsibility for Bield's risk management arrangements rests with the Board of Management. The Board delegates responsibility for gaining assurance that effective risk controls are in place to the Performance & Audit Committee.

Bield's Senior Management Team (SMT) is responsible for ensuring that the Risk Management Policy is applied throughout the organisation. The SMT also review the Corporate Risk Register on a regular basis, amending risk ratings and adding or removing mitigating actions as necessary.

The role of Internal and External Audit

Internal and external audit provide an independent examination and assessment of internal controls and give assurance to the governing body that these are operating effectively.

External audit:

- Provide assurances to members, regulators, lenders and all other stakeholders as to the continued financial standing of Bield by undertaking a thorough and independent assessment of its financial records, systems and processes.

Internal audit:

- Evaluate and improve the effectiveness of governance, risk management and control processes. This provides Board, Committee and Senior Management with assurance that helps them fulfil their duties to the organisation and its stakeholders.

Internal audit activity is determined by the Audit Needs Assessment and Internal Audit Plan. The Assessment aims to direct audit activity to address risks to Bield's Business Strategy objectives, while the Plan outlines the subject, timing, duration and resources for each audit.

Bield's own risk management arrangements are integral to the Audit Needs Assessment process. Internal auditors use several sources of information to identify audit needs, including risks already identified via organisational risk registers. The Audit Needs Assessment also takes account of other sources of assurance (e.g. quality management, performance management and governance arrangements) and the strength of internal controls. Mitigating actions identified in the risk register form a key element of Bield's internal controls.

High risk areas and risks for which there is a significant difference between the original risk rating and the residual risk rating are likely to be of particular concern for Internal Audit. Risks that have a high degree of reliance on the functioning of internal controls will also be a key consideration for the Audit Needs Assessment.

Risk Management Process

Risk identification:

New risks will arise on a regular basis; therefore the content of the risk register should be reviewed frequently. Risks can be identified from a range of internal and external factors, as indicated in the table below:

Internal risks	**Examples**
Financial	Liquidity; Investments / opportunity costs; Fraud; Historical liabilities; Capital expenditure decisions
Governance & Regulatory	Internal controls; Regulation; Legislative change
Information	Insufficient information for decision-making; Market intelligence; Data Protection / information security
Empowerment	Leadership; Delegation; Communications; Change readiness; Resource allocation; Organisational structure
Operations	Alignment of processes; Adequacy of policies & procedures; Service quality
Infrastructure	IT infrastructure; Access to IT; Recruitment & retention; Health & safety
Reputation	Image / branding; Relations with stakeholders and customers
External risks	Competition; Demographic change; Changing customer needs; Technological change; Capital availability; Political uncertainty; ; Regulation; Government policy; Economic trends; Funds and credit; Natural disasters; Disruption to supply chain

Risk identification and assessment share many of the same techniques that are used for strategic planning; therefore it can be beneficial to undertake these exercises in conjunction with one another. Approaches for identifying risks:

Method	**Type of risk**		**Source of risk**	
	Existing	**Emerging**	**Internal**	**External**
SWOT analysis	X	X	X	X
PESTLE analysis	X	X		X
Analysis of performance results	X		X	
Self-evaluation results	X		X	X
Inspection and audit findings	X	X	X	
Scenario planning		X	X	X
Competitor analysis		X		X
SHR / Care Inspectorate thematic report findings		X		X
Feedback from the Board / P&A Committee	X	X	X	X
Surveys of internal stakeholders	X	X	X	X
Analysis of third party external risk information	X	X		X
Economic forecasts		X		X

Risk analysis and assessment:

Each risk should be assessed to determine the likelihood of the risk occurring and its impact should it occur. The Risk Register (Appendix C – risk register template) should be completed to capture the following information:

1. List risks

The risks should be listed in the Risk Register. The risk should be given a reference number, a short title and a more detailed description. Risks should be described using the following format:

[Event that has an effect on objectives] caused by [cause/s] resulting in [consequence/s]

For example:

Ref.	Risk	Description
01	Loss of business	Loss of business caused by increased competition and an inability to adapt to the new procurement and commissioning environment results in a loss of income threatening the viability of services

2. Identify existing controls

The next stage involves identifying and listing the existing controls that are in place to mitigate the risk. Controls might be designed to reduce the likelihood of the risk occurring or limit its impact should the risk occur.

3. Assess the original severity and likelihood of risk

Assess the original likelihood and severity of the risk. This assessment is based on the adequacy of the existing controls. 'Appendix A – guidance on assessing the likelihood of a risk occurring' contains guidance on assessing the likelihood of a risk occurring. Guidance on assessing the severity of a risk is provided at 'Appendix B – guidance on assessing the severity of a risk'.

The results of the assessment should be placed on the following risk matrix to ascertain an overall risk rating:

Likelihood					
	4 V. Likely	4	8	12	16
	3 Likely	3	6	9	12
	2 Unlikely	2	4	6	8
	1 V. Unlikely	1	2	3	4
		1 Marginal	2 Significant	3 Serious	4 Extreme
	Severity				

Colour Coding Key:

Severe	**Substantial**	**Moderate**	**Tolerable**

Risk response and mitigation

The risk matrix will highlight the highest risks to the organisation. The choice of appropriate mitigating action will depend on the severity of the risk. Action should be undertaken to reduce or avoid a severe risk, for example, while a tolerable risk might be accepted with no further mitigating actions.

The risk response can fall into the following four broad categories:

Tolerate The ability to do anything about some risks may be limited, or the cost of taking action may be disproportionate to the benefit to be gained. We would accept the risk and budget accordingly.	**Transfer** For some risks the best response may be to transfer them to a relevant third party.
Treat The purpose of taking action to reduce the chance of the risk occurring is not necessarily to remove the risk completely, but to contain it at an acceptable level.	**Terminate** Remove the risk by doing things differently where feasible to do so.

Consider which approach would be appropriate to control the risk and specify the action that needs to be completed within the relevant section of the risk register. For example, if you chose to 'Treat' a risk, define exactly how you intend to do this e.g. 'Develop a new policy' or 'Establish a process to ensure staff receive relevant training'.

Residual risk

The residual risk is the level of risk that remains after the mitigating actions have been put in place. Repeat step '3. Assess the original severity and likelihood of risk', but assess the risk based on the anticipated effect of the mitigating actions rather than the existing controls.

Monitoring and reporting

Bield's Board of Management reviews and approves the Risk Management Policy. The Board also receive the Risk Management Annual Report which provides a summary of Bield's risk management activity during the year. The report also discusses the risks facing the organisation in the year ahead.

Reports on the Corporate Risk Register are provided to the Performance & Audit Committee on a quarterly basis. The reports provide a summary of the status of each risk while displaying any risks that are rated as being 'severe', 'substantial' or greater than Bield's risk appetite in greater detail. Members of the Performance & Audit Committee are asked to consider:

a) whether the current controls and mitigating actions are sufficient to manage the risk (i.e. to help achieve the planned level of residual risk)
b) whether progress against the mitigating actions is sufficient
c) whether the proposed level of residual risk is tolerable in pursuit of the objectives of the Business Strategy

Members of the SMT are able to access the full Corporate Risk Register report at any time. The SMT also receive a report displaying the risks that have reached their review date at the appropriate SMT meeting (risk is a standing item on SMT meeting agendas).

Departmental risk registers will form a standing item on departmental management team meeting agendas. Directors and Heads of Service will also be able to view their departmental risk register report at any time. On occasion the owners of risks that are part of the departmental risk registers might feel that a risk should become part of the Corporate Risk Register, in which case the risk should be escalated to the SMT.

The risk reports will provide an assessment of the current status of each risk along with progress updates on any related mitigating actions and performance indicators. Risk owners should consider:

- whether the likelihood or impact of the risk needs to be amended
- whether the current controls and mitigating actions are sufficient to manage the risk
- whether any new risks have arisen that should be included within the Register
- whether any risks need to be escalated from the Department Risk Register to the Corporate Risk Register; and
- whether any risks should be removed from the Register

Project level

Major projects will have their own risk register. The risks will be reviewed at each meeting of the relevant project board.

Appendix A – guidance on assessing the likelihood of a risk occurring

Likelihood	Description	Probability
Very likely	Is expected to occur, almost certain.	Greater than 90%
Likely	Will probably occur, measures may or may not exist to reduce likelihood.	Between 50% and 90%
Unlikely	Might occur at some point in time. Conditions do exist for this to occur, but controls exist and are effective.	Between 10% and 50%
Very unlikely	Rare, may occur in exceptional circumstances. No experience or little experience for a similar failure.	Less than 10%

Appendix B – guidance on assessing the severity of a risk

Severity	Financial Impact	Intangible Impacts		
		Reputation	Employee/Volunteer	Operations
Extreme	£100,000+	Severe long-term reputation impact: national news coverage; Significant Housing Regulator involvement	Workplace fatality; Widespread sickness outbreak; Major impact on employee /volunteer morale: a number leave as a result	Severe operational disruption: major service unavailable for more than one week; Customer fatality
Serious	£50,000 - £100,000	Reputation impact of lasting effect; Prominently covered in local news; Housing Regulator involvement	Serious accident, major injury requiring urgent medical attention; Long term-ill health; Widespread cause of significant dissatisfaction and de-motivation	Major operational impact: unavailability of a service causing delays, costs and wasted resources; Health & safety risk to customers; Cancellation of services to customers
Significant	£20,000 - £50,000	Reputation impacted in local / specialist area; Covered in SFHA, but not noticeable to wider public	Significant injury; Cause for concern for Bield employees /volunteers no lasting impact	Significant operational impact: health issue requiring concerted SMT attention; Disruption in a few departments / services not delaying the major operational processes; Delays to services for customers
Marginal	£5,000 - £20,000	May be evident to those close to the event / area of interest	Unsettling rumours	Minor operational impact: secondary system or process disrupted for less than a week – workarounds required; Minor inconvenience to customers

Appendix C – risk register template

				Original risk rating						**Residual risk rating**		
Ref.	Risk	Description	Current Controls	Likelihood	Impact	Rating	Mitigating Actions	Deadline	Responsibility	Likelihood	Impact	Rating
01												

Appendix D – Bield's risk appetite

Context:

Bield has changed considerably over recent years. The external environment in which we operate has had a significant impact on how we will deliver our services in the future. Much of this is outside our control but means that the organisation will have to adapt to these changes to ensure that we can go on improving the lives of Scotland's older people for many years to come.

Our Business Strategy reflects this changing environment and includes outcomes that will ensure we continue to develop our existing services, improve levels of customer service, maintain the financial strength of the organisation in a tough economic climate and develop the skills and abilities of our workforce, volunteers and Board members. In common with many voluntary and public sector organisations today, cost effectiveness is a key driver for us and this theme runs throughout the Business Strategy. Staying the same is not an option and we will need to tolerate a certain level of risk as we change to meet the needs of our customers and other stakeholders.

Our risk appetite reflects the challenges that the organisation faces and defines how we will balance risk and reward in pursuit of our objectives. We will conduct an annual review of risk appetite unless significant changes to Bield or our operating environment require us to do this more frequently.

Risk appetite:

Governance & Regulatory:

We will accept **tolerable** governance and regulatory risks. The development of new services and new ways of working will require considerable investment of time and resources. We will not, however, let this activity pose a risk to our regulatory or legal obligations. Activities that contribute to achieving regulatory compliance (e.g. with the Scottish Housing Regulator and Care Inspectorate) that help to ensure the sustainability of the organisation or wellbeing of our customers, including staff training, quality management, investment in our assets and support for our governance arrangements will continue to be a priority.

Business transformation:

Our business transformation activities pose some risks, particularly in the short term to staff morale, staff turnover, absence, service quality and customer satisfaction. These risks might damage Bield's reputation, consequently making it more difficult to attract new customers and employees of sufficient calibre. However, the changes are necessary to mitigate much greater risks to the long-term financial sustainability of the organisation. We will, therefore, accept **moderate** risks that will help to reduce operating costs and management overheads as part of the business transformation process.

New build development and business growth:

The development of new homes and services creates risks to our finances (in terms of cash flow, potential losses and opportunity costs) and reputation (if the homes and services do not meet quality expectations). We will accept **moderate** risks in this area while the organisation attempts to reduce service costs and management overheads. Our new build development programme will be relatively modest. Our areas of business growth will be based on our existing competencies and services where we are confident there is a market. We will reduce our reliance on public funding.

Quality of existing stock:

We recognise that some of our existing stock requires investment to ensure that it meets the aspirations of current and future customers. Failing to invest in our stock is likely to increase the risk of properties becoming void and increase the number of reactive repairs that need to be undertaken. In the short-term, however, there is an overriding need to reduce our operating costs, which will reduce our capacity to invest in improvements to our existing stock. Our efforts in this respect will be focussed on meeting regulatory and legal requirements including the Scottish Housing Quality Standard, Energy Efficiency Standard for Social Housing and Scottish Secure Tenancy Agreement. We will, therefore, accept **moderate** risks in the short-term, reducing to a **tolerable** level of risk as Bield’s financial position improves and we are able to invest more in making improvements to our stock.

ICT systems and infrastructure:

ICT systems and infrastructure are evolving rapidly with significant developments over recent years in cloud computing, smart home technology, and artificial intelligence among other things. Such developments bring opportunities to provide more efficient and effective services to customers in line with the ambitions of the Business Strategy. Deploying a greater number of network connected devices will create some operational risks, particularly around cyber security and data protection. However, without sufficient investment our ICT systems and infrastructure will become obsolete and will be unable to support our strategic ambitions. Bield therefore has a **moderate** appetite for ICT systems and infrastructure risk.