



## RISK MANAGEMENT POLICY

### 1.0 INTRODUCTION

1.1 We acknowledge that there are risks associated with our activities, where risk is defined as: "the chance of things going wrong". We recognise the need for, and the value of a comprehensive risk management strategy, which aims to minimise risk and the financial or other consequences should anything go wrong.

1.2 The Board recognises that:

- it is ultimately responsible for managing risk within the company;
- it cannot take all the decisions involving risk;
- part of its strategy therefore is the establishment of a framework within which decisions are taken and risks are managed.

We have developed an organisational structure, a range of policies and procedures, and comprehensive insurances, which together make up the risk management strategy. This document describes these arrangements and refers, where appropriate, to other policies.

1.3 We recognise that it is not possible to foresee and anticipate every eventuality, and that some events are out with our control. We will regularly review the risk management strategy, both in the light of general experience and following any specific losses, and will revise or update the strategy as required.

### 2.0 STRATEGY

#### 2.1 Board Control

Board control is the essence of risk management. To fulfill its responsibilities and exercise the necessary control over our activities, the Board has established and will regularly review the framework as detailed in Appendix 1.

#### 2.2 Compliance with Legislation

In all our activities, we will aim to comply with relevant legislation, statutory requirements, codes of practice, our Memorandum & Articles of Association and all other relevant guidance or "best practice". On behalf of the Board the Manager is responsible for monitoring legislation, guidance, etc., and advising when we need to take action.

#### 2.3 Financial Management

There are financial risks involved in all our activities. Appendix 2 details the measures we will implement to manage general financial risks.

## 2.4 New business

One of our strategic objectives is to develop and grow the company, primarily through obtaining additional work from our parent company Almond HA. However, we recognize that there are risks in doing so. We will therefore ensure that an appropriate risk assessment, taking into account the management resources available at the time, is carried out on every new business proposal, to ensure that we achieve full cost recovery.

## 2.5 Insurances

Part of our strategy will be to insure against all relevant risks in accordance with statutory requirements and professional advice. Our insurance cover is included in the comprehensive insurance policies taken out by Almond HA, the parent company.

## 2.6 Personnel issues

Employee costs are a major part of our expenditure. Employee training, expertise and morale play a large part in determining the quality of our service delivery, how we are perceived by 'others', and whether our goals are achieved. It is therefore important to ensure that new employees appointed are the best available to undertake the duties, that all employees receive the necessary training and development to maximise their contribution, and that the increasingly complex range of personnel legislation is complied with, to avoid employment disputes and/or costly compensation claims.

Appendix 3 details the measures we will implement to manage personnel risk.

## 2.7 Equality & Diversity

We are committed to ensuring that we apply equality principles in all we do. We have approved a comprehensive Equality and Diversity Policy which complies with all current anti-discrimination legislation, together with related policies or procedures covering areas such as Recruitment and Selection. Each policy or procedure will be monitored as specified in the text.

## 2.8 Health and Safety

We aim to minimise risks associated with Health and Safety, including staff security, by:

- implementing a comprehensive policy with supporting procedures that comply with all current statutory requirements, codes of practice, etc.
- identifying individual responsibilities for health and safety at every level in the organisation;
- undertaking all risk assessments required, and recording any action necessary and taken;
- providing the required number of trained first aiders, and regular basic first aid training for all employees;
- providing basic Health & Safety training for all employees;
- ensuring that all accidents and incidents are recorded and investigated.

Full details are contained in the Health & Safety policy and supporting procedures.

## 2.9 Security of buildings and assets

The AEL office and staff base is within the Almond Housing Association office premises. We will therefore comply with the Almond HA procedures governing the security of the premises and contents. The building is protected by an alarm system linked to a central control for the rapid summoning of Police assistance.

Access to the main office and the AEL office is by coded ID badge only.

Confidential and valuable documents are kept in lockable metal cabinets.

## 2.10 IT Strategy

We have established appropriate arrangements to deal with potential abuses of our computer systems and internet access resulting from:

- breaches of confidentiality of data, by establishing passwords and access levels;
- importing "viruses" resulting in corruption of data;
- loss of data, through failing to maintain "back up" files;
- inappropriate use of e-mails and access to the internet.

Full details are in the IT System Security, Email & Internet Access policy.

## 2.11 Unforeseen events

Should an event occur which could not have been foreseen under normal circumstances, the Manager will take whatever urgent action is required, keeping the Chairperson and/or Company Secretary and appropriate senior Almond HA staff informed as appropriate. Such events may include serious fraud, breaches of employment law, serious health & safety issue etc. that could have significant financial or reputational cost.

Following the immediate action, the Manager will examine the implications of the event, where appropriate determine a strategy to deal with these in the future and submit recommendations for approval to the Board.

## 2.12 Business Continuity

The Manager will draw up and keep under regular review contingency plans to deal with a 'disaster', such as the complete failure of computer systems, or serious damage to the office, to enable us to recover and continue in operation with the minimum of disruption.

Full details are contained in the Business Continuity policy and the supporting procedures.

## 3.0 RISK MANAGEMENT PROCESS

### 3.1 Our risk management process will involve:

- identifying and listing current risks to the business in a Risk Register;
- assessing whether each risk is 'high', 'medium' or low - see matrix in Appendix 4;
- ensuring that the required policies, procedures or other measures are in place to eliminate and/or minimise each risk, in particular those assessed as 'high' or 'medium'.

#### 4.0 IMPLEMENTATION AND REVIEW

- 4.1 The Risk Register will be kept under regular review, and proposals to add or delete items may be made by the Manager or any Director at any time. The Board will review the Register and agree any changes required at least once each year.
- 4.2 The Board will also review the current 'high' risks 6 months after each annual review.
- 4.3 Monitoring of this Risk Management policy will be achieved through the monitoring of and reports from the range of policies and procedures referred to, and through the recording of actual losses.
- 4.4 The Business Plan will include appropriate references to the ongoing implementation and review of the Risk Management Strategy.
- 4.5 Where appropriate, matters submitted to the Board for a decision will include an assessment of whether there is an associated 'high', 'medium' or 'low' risk.
- 4.6 The Manager will ensure that this policy is reviewed by the Board at least every two years.

<b>FIRST APPROVED IN</b>	<b>OCTOBER 2012</b>
<b>CURRENT VERSION 3.0 APPROVED IN</b>	<b>MAY 2018</b>
<b>NEXT REVIEW DUE BY</b>	<b>MAY 2020</b>

## APPENDIX 1

**RISK MANAGEMENT - BOARD CONTROL**

1. Ensure, so far as is possible, that we have sufficient Directors to ensure good governance, according to the size of the company.
2. Ensure that Directors have the range of skills and experience required to monitor the company's activities, take decisions in the company's best interests, and ensure that the company continues to comply with all relevant legislation, statutory regulations, codes of practice etc.
3. Undertake an ongoing review of the Board's composition, skills and experience and arrange to fill any gaps identified in the most appropriate way e.g. co-option, specific training.
4. Ensure that the Aims and Objectives are reviewed at least every 3 years and that there is a specific strategy to achieve them. Review progress with the strategy annually.
5. Ensure that the potential for conflicts of interest is eliminated and that the good reputation of the company is maintained, through adherence to the Directors Code of Conduct, our Standing Orders and the principles of good governance.
6. Ensure Directors and employees comply with our policy on Hospitality and Expenses, the procedures on the acceptance of business gifts and benefits, and on business expenses.
7. Ensure well conducted Board meetings, including:
  - agenda papers issued at least 1 week before the meeting
  - agenda items clearly identified as either for information or requiring a decision
  - sufficient time given at all meetings to discuss and consider the implications of all major items requiring a decision
8. Through the process of Board discussion and approval, oversee the production of the annual Business Plan and annual Budget, including the setting of targets and performance standards.
9. Ensure that for all new business opportunities, appropriate professional advice is obtained where appropriate and that a full risk appraisal process is completed and recorded before any commitment is entered into.
10. Appoint senior staff with the required skills, qualifications and experience, and ensure that the staffing structure is reviewed prior to the filling of any vacancy, in the light of current workload. At least annually (normally as part of the budget setting process), ensure that:
  - salary levels reflect the responsibilities of each post
  - clear objectives and performance standards are set
  - regular performance appraisals are undertaken
  - ongoing, appropriate employee training is provided.
11. Establish a comprehensive range of policies and procedures, where relevant with specific monitoring reports to the Board, together with a regular policy review cycle.

**APPENDIX 2****RISK MANAGEMENT - FINANCIAL MANAGEMENT**

1. Establish clear financial policies and procedures ensuring separation of duties wherever possible and requiring all expenditure to be authorised at an appropriate level. Ensure that all policies and procedures are implemented by those involved in financial decisions and activities, with regular reports to the Board as required.
2. Establish an annual business planning cycle incorporating the production of a Business Plan and Budget with 3 year financial projections.
3. Ensure that the annual budget is approved by Board before or at the start of each financial year.
4. Monitor financial performance against budget through monthly reports to the Manager and to quarterly reports to the Board. Regularly monitor performance against cash flow projections.
5. Ensure that appropriate arrangements are in place for identifying and reporting any immediate financial problems, or trends which may pose problems, and that employees are aware of their responsibilities for reporting such matters.
6. Ensure that the financial implications are assessed as part of any review of future strategy, or of overall aims and objectives, where appropriate.
7. Ensure that statutory external audit requirements are met, that an audit of the Annual Accounts is undertaken and that the Auditor's management letter is submitted to and considered by the Board.

**APPENDIX 3****RISK MANAGEMENT - PERSONNEL**

1. Review future staffing levels and structure annually, where possible projecting forward 3 years. Incorporate staffing projections into the 3-year financial projections.  
  
In particular, review forthcoming retirements and ensure that appropriate 'succession planning' arrangements are commenced at a sufficiently early stage so as to minimise any potential disruption due to the loss of key, experienced employees.
2. Ensure that all new posts and changes to grades are approved by the Board, normally as part of the annual budget setting process.
3. Ensure that the policy and procedures on Recruitment and Selection comply with all current legislation, and are implemented by the Board and employees.
4. Establish and implement comprehensive policies and procedures covering all major areas of personnel practice, including Induction, Appraisal, Absence Management, Learning and Development, Discipline, Appeals and Grievance, Health & Safety, together with Statements of Terms and Conditions of Employment which comply with current legislation.
5. Ensure that all personnel practices comply with current Equality legislation and 'good practice'.
6. Ensure that the company receives up-to-date advice on all aspects of personnel legislation, codes of practice etc., e.g. through professional contacts and/or subscription to professional publications.
7. Promote 'good practice' in all areas of work, setting and reviewing annual objectives, establishing annual training budgets and identifying appropriate training opportunities.
8. Minimise the risk of 'misinformation' within the organisation by establishing regular team meetings.
9. Establish a 'performance management' system to promote and deliver quality standards of service and encourage staff to participate in the setting and monitoring of standards and targets.
10. Ensure that arrangements are in place to cover the short-term or long-term absence of key personnel so that all priority activities of the company are able to continue.

## RISK ASSESSMENT PROCESS

A matrix with 5 levels of Impact and 5 levels of Likelihood, defined as follows.

### IMPACT (Consequences)

#### 5 Catastrophic (one or more of the following):

- Total system dysfunction / total shutdown of operations.
- Unexpected loss of 50% or more of income.
- 50% or more of Board resign / Manager and all Supervisors resign.
- Sustained adverse media publicity, including national media.
- Severe breach of regulatory/governance/financial/legal requirement resulting in regulatory intervention and possible (criminal) legal action.

#### 4 Major:

- All operational activities compromised, e.g. loss of / serious damage to office, or no IT systems / back-up, or sickness epidemic causing high absence.
- Up to 30% loss of income.
- Board dissatisfaction, e.g. breakdown of relationships within Board – Chairperson resigns, or breakdown in relationships with Manager.
- Media attention, including national media.
- Breach of regulation or legislation resulting in severe costs/fines.

#### 3 Moderate:

- Disruption to several operational activities, e.g. sickness absence reducing range of services and speed of response.
- Up to 15% loss of income.
- Local media attention / adverse publicity.
- Breach of legislation or Code resulting in rebuke.

#### 2 Minor:

- Some disruption, manageable by altering operational practices or temporary re-arrangement of responsibilities.
- Up to 5% loss of income.
- Internal matter not attracting any external publicity.
- Minor breach of legislation, code or procedure resulting in no penalty.

#### 1 Insignificant:

- No or minimal interruptions to services.
- Less than 1% loss of income.
- Individual grievance.



**LIKELIHOOD (Probability)**

- 5 Inevitable:** Regular occurrence, e.g. daily / weekly, or more than 75% chance of happening again.
- 4 Very likely:** Circumstances frequently encountered, e.g. monthly. Between 40% - 75% chance of happening again.
- 3 Likely:** Circumstances occasionally encountered, e.g. 6-monthly, or may happen within 1-2 years. Between 25% - 40% chance of happening.
- 2 Unlikely:** Circumstances infrequently encountered – may happen within next 3 years. Between 10% - 25% chance of happening.
- 1 Very unlikely:** Circumstances rarely/never encountered – over 3 years since it happened. Less than 5% chance of happening.

**Comparing initial risk with remaining (or residual) risk**

The Risk Map will show:

- a) the initial risk score (or ‘absolute’ risk – i.e. with no controls at all in place), and
- b) the residual score (or ‘controlled’ score – i.e. after the measures to eliminate or minimise the risk have been put in place).

**LOW, MEDIUM or HIGH risks table**

**LOW RISK: 1 – 4**

**MEDIUM RISK: 5 - 14**

**HIGH RISK: 15 - 25**

<b>I M P A C T</b>	<b>5 Catastrophic</b>	<b>5x1 = 5</b>	<b>5x2 = 10</b>	<b>5x3 = 15</b>	<b>5x4 = 20</b>	<b>5x5 = 25</b>
	<b>4 Critical</b>	<b>4x1 = 4</b>	<b>4x2 = 8</b>	<b>4x3 = 12</b>	<b>4x4 = 16</b>	<b>4x5 = 20</b>
	<b>3 Major</b>	<b>3x1 = 3</b>	<b>3x2 = 6</b>	<b>3x3 = 9</b>	<b>3x4 = 12</b>	<b>3x5 = 15</b>
	<b>2 Minor</b>	<b>2x1 = 2</b>	<b>2x2 = 4</b>	<b>2x3 = 6</b>	<b>2x4 = 8</b>	<b>2x5 = 10</b>
	<b>1 Insignificant</b>	<b>1x1 = 1</b>	<b>1x2 = 2</b>	<b>1x3 = 3</b>	<b>1x4 = 4</b>	<b>1x5 = 5</b>
		<b>1 Very unlikely</b>	<b>2 Unlikely</b>	<b>3 Likely</b>	<b>4 Very likely</b>	<b>5 Inevitable</b>
<b>LIKELIHOOD</b>						