



## **RISK MANAGEMENT STRATEGY**

### **1.0 INTRODUCTION**

1.1 Almond Housing Association Limited (AHA Ltd) acknowledges 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 of Management recognises that:

- it is ultimately responsible for managing risk within AHA Ltd;
- it cannot take all the decisions involving risk;
- part of its strategy therefore is the establishment of a framework within which decisions are taken, to provide assurance that identified risks are being managed adequately.

1.3 In the context of this policy the term 'assurance' refers to:

*"that part of corporate governance in which management provides accurate and current information to the Board and other stakeholders about the efficiency and effectiveness of the organisation's policies and operations, and the status of its compliance with all relevant statutory obligations."* [Source: Business Dictionary.com]

1.4 AHA Ltd has developed an organisational structure, a range of policies and comprehensive insurances, which together make up the Risk Management Strategy. This document describes these arrangements and refers, where appropriate, to other specific policies or procedures.

1.5 AHA Ltd recognises that it is not possible to foresee and anticipate every eventuality, and that some events are outwith 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 RESPONSIBILITIES**

#### **2.1 Board of Management**

- To ensure that there is in place a Risk Management Strategy that complies with current legislation, guidance and good practice.
- To monitor compliance with the Strategy through reports and regular review of the risk map, and to deal with any matters arising that require a Board decision.
- To define the level of 'risk appetite' for key risk areas/activities (see part 3).

## 2.2 Management

- Chief Executive: To ensure that the Strategy's principles are communicated to all employees and applied consistently in all relevant activities.
- Head of Corporate Services: To co-ordinate the production and updating of the risk map and provide regular reports to the Audit & Finance Sub-Committee and to the Board of Directors.
- Heads of Section: To ensure that:
  - the Strategy is applied in all relevant activities;
  - new risks are identified, assessed and added to the risk map when required;
  - to contribute to the regular review and updating of the risk map.

## 2.3 Employees

- To implement the Strategy through complying with all relevant policies and procedures relating to their responsibilities and activities.
- To alert their Manager/Head of Section to any potential new risk and contribute to assessing the degree of risk and the measures to eliminate or moderate the risk.

## 3.0 RISK APPETITE

3.1 In the context of this Strategy the term 'risk appetite' refers to AHA Ltd's approach to risk-taking. Depending on the type of organisation and the range of activities carried out there may be one level of risk appetite covering all activities, or there may be different levels of risk appetite for separate activities. AHA Ltd has decided to set one level of risk appetite when considering plans and proposals covering all activities.

3.2 To ensure that we remain financially viable and are able to meet all our commitments to our tenants and the wider community, and to ensure that we continue to comply with all regulatory requirements and our financial covenants, AHA Ltd will maintain a 'risk averse' approach with a low level of risk appetite.

## 4.0 STRATEGY

### 4.1 Board Control & Governance

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

### 4.2 Compliance with Legislation

In all our activities, AHA Ltd will aim to comply with legislation, statutory requirements, codes of practice, our Rules, Scottish Government and Scottish Housing Regulator guidance and all other relevant guidance or "best practice". Individual Heads of Section have specific responsibilities for monitoring legislation, guidance, etc, and for identifying when AHA Ltd needs to take action.

### 4.3 **Development**

Managing development risk (applicable only when there is an ongoing development programme) is a key responsibility, given the large sums of money and the range of potential risks involved.

To maximise funding opportunities, AHA Ltd will only undertake projects that:

- fulfil our own aims, objectives and current Asset Management Strategy;
- fulfil West Lothian Council and Scottish Government strategic priorities (where applicable);
- are financially viable in the short, medium and long term;
- satisfy the financial criteria of potential lenders (where applicable).

Appendix 2 details the measures AHA Ltd will implement to manage development risk.

### 4.4 **Housing Management**

Rental income is our financial life blood, and there are areas where cumulative risks could have a large impact. Legislation, such as major changes to the welfare benefits system, may significantly affect rental income streams. Poor delivery of services could lead to a loss of reputation, resulting in fewer applicants for vacant housing and a loss of rental income. Poor voids management and inadequate follow up of arrears would result in loss of rental income.

Appendix 3 details the measures AHA Ltd will implement to manage the risks involved in housing management activities.

### 4.5 **Housing Maintenance**

Failure to ensure that day-to-day reactive repairs are dealt with promptly will result in much higher repair costs in the future. Failure to ensure that the annual cyclical and planned maintenance programmes are funded and adhered to will lead to significant deterioration in the quality of the building fabric, also resulting in much higher repair costs in the future and the loss of rental income through the inability to let properties. Failure to comply with the duty of care to tenants, through not maintaining a safe environment, could result in damages claims and legal penalties, should accident and/or injury occur as a result of our negligence.

Appendix 4 details the measures AHA Ltd will implement to manage the risks involved in property maintenance activities.

### 4.6 **Financial Management**

While the risks in every area of our activities tend to have financial consequences, and managing risk nearly always involves managing financial risk, there are general financial risks which are not specifically related to specialist areas such as development or housing management.

Appendix 5 details the measures AHA Ltd will implement to manage general financial risks.

#### 4.7 **Loan Procurement**

For as long as AHA Ltd continues to develop, require private finance in addition to housing grant for new build, and/or require to fund the repayment of loans, we will require to manage the risks associated with managing large capital sums.

Appendix 6 details the measures AHA Ltd will take to manage private finance risk.

#### 4.8 **Insurances**

Part of AHA Ltd's strategy will be to insure against all relevant risks in accordance with statutory requirements and professional advice, including the following:

- Material damage to housing stock, including our contents, including garages
- Business interruption
- Property Owner's Liability under the factoring service
- Public Liability
- Employer's Liability
- Personal accident arising from work
- Fidelity guarantee (covering theft and fraud)
- All risks loss of money
- Computers – physical loss or damage, erasure of data, failure of electricity supply.
- Lease cars
- Cyber security

Full details are contained in the Insurances policy.

#### 4.9 **Human Resource (HR) Issues**

Staffing costs are a major part of AHA Ltd's expenditure. Staff 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 HR legislation is complied with, to avoid employment disputes and/or costly compensation claims.

Appendix 7 details the measures AHA Ltd will implement to manage HR risk.

#### 4.10 **Equality and Diversity**

AHA Ltd has approved a detailed and comprehensive Equality and Diversity Policy, which complies with all current anti-discrimination legislation, together with related policies covering areas such as Recruitment and Selection, Allocations or Procurement. Each policy will be monitored as specified in the text.

#### 4.11 **Health and Safety**

AHA Ltd aims to minimise the risks associated with Health and Safety by:

- implementing a comprehensive and detailed 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;
- undertaking all risk assessments required, 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 potential accidents are recorded and investigated.

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

#### 4.12 **Employee Security**

AHA Ltd aims to minimise the risks to employee security by:

- implementing a comprehensive policy and supporting procedures on employee security, including lone working;
- implementing specific arrangements to deal with potential threats of violence to employees both within and outwith the office, including the use of CCTV cameras;
- maintaining close liaison with local police as required;
- providing training on defusing potentially violent situations, and on handling situations which arise.

#### 4.13 **Security of Buildings and Assets**

The risk of damage to, or theft of assets will be minimised by:

- the provision of a buildings alarm system linked to a central control for rapid summoning of police assistance, and the use of external CCTV cameras;
- securing confidential and valuable documents in a fire-proof safe;
- maintaining up-to-date key/swipe card registers, with signing in/out of keys or cards.

#### 4.14 **Information Technology (IT) Strategy**

AHA Ltd will produce and regularly review a comprehensive IT strategy that is clearly linked to the Business Strategy, and has established appropriate arrangements to deal with potential abuses of our computer systems and internet access resulting from:

- breaches of confidentiality of data/non-compliance with current data legislation,
- 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, and the Openness and Confidentiality policy.

#### 4.15 **Unforeseen Events**

Should an event occur which could not have been foreseen under normal circumstances, the Senior Management Team will take whatever urgent action is required, keeping the Chair, and where required the Scottish Housing Regulator, Office of the Scottish Charity Regulator and any other appropriate agency informed as appropriate. Such events may include regulatory environment issues such as serious fraud (including bribery or money laundering), or breaches of employment law etc, that would have significant financial cost, and could lead to the loss of charity status or and/or loss of RSL status.

Following the immediate action, the Senior Management Team will examine the implications of the event, determine a strategy to deal with these and submit recommendations for approval to the appropriate sub-committee or to the Board.

#### 4.16 **Business Continuity**

The Senior Management Team 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 building, to enable AHA Ltd to recover and continue in operation with the minimum of disruption.

Full details of the arrangements to deal with a disaster are contained in the Business Continuity policy and the supporting procedures.

#### 4.17 **Role of Internal & External Auditors**

Both the internal and external auditors play a key role with regard to providing acceptable assurance that AHA Ltd is managing identified risks effectively.

The Internal Audit Strategic Plan and Annual Audit Plan are designed to determine the extent to which AHA Ltd's governance, risk management and control processes are adequate and operating as intended, including the adequacy of arrangements for managing the risk of fraud. The audit planning cycle takes account of the risk of fraud.

The agreed annual internal audit programme and the resulting reports to the Senior Management Team and the Board ensure that any weaknesses in controls are highlighted and that an action plan is agreed, monitored and followed through. The internal auditors will, as required, assist management in the investigation of suspected fraud.

The annual external audit of our annual accounts also tests governance and control processes, as well as ensuring compliance with all current statutory financial and accounting regulations.

## 5.0 RISK MANAGEMENT PROCESS

5.1 AHA Ltd's risk management process will involve:

- identifying and assessing (measuring) current risks;
- listing current risks and their scores in a Risk Register;
- from the Risk Register, identifying 'business significant' risks;
- ensuring that the required measures are in place to eliminate and/or minimise each risk.

5.2 Risks will be assessed according to:

- (a) their impact on one or more objectives or activities, and
- (b) the likelihood of the risk happening.

The impact and likelihood will be separately assessed using a scale of 1 (low) to 5 (high) in each case. Combined scores of 1 - 4 are deemed low risk, scores between 5 -14 are medium risk and between 15 - 25 are high risk (see Appendix 8).

## 6.0 IMPLEMENTATION AND REVIEW

- 6.1 The Senior Management Team will review the risk map on a quarterly basis and will submit reports on any changes made to the Audit & Finance Sub-Committee.
- 6.2 The Audit & Finance Sub-Committee will review the risk map at least once each year. The review will include confirming that all relevant items recommended by internal audit reports have been added and given a risk assessment rating. A report on medium and high risks will thereafter be submitted to the Board of Management.
- 6.3 Monitoring of the overall Risk Management Strategy 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.
- 6.4 The Strategic Plan will include appropriate references to the ongoing implementation and review of the risk management strategy.
- 6.5 Matters submitted to the Board of Management for a decision will include an assessment of whether there is an associated high, medium or low risk.
- 6.6 The Head of Corporate Services will ensure that the Board of Management reviews the Strategy annually.

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**APPENDIX 1****RISK MANAGEMENT - BOARD CONTROL & GOVERNANCE**

1. Ensure, so far as is possible, that Board members represent tenants, residents and the wider community, and have a broad range of skills and experience.
2. Undertake an ongoing review of the Board's composition, skills and experience, and an annual training audit, and arrange to fill any gaps identified in the most appropriate way e.g. co-option, specific training. Ensure ongoing, appropriate Board training is provided.
3. Ensure that sub-committees and working groups have clear remits and standing orders. Review the structure, remits etc. at least every five years.
4. Ensure that a three-year rolling internal audit plan has been approved by the Senior Management Team and Board, and that action is taken on the recommendations from each internal audit report.
5. Ensure that the aims and objectives are reviewed at least every three years and that there is a specific strategy to achieve them. Review progress with the strategy annually.
6. Ensure that the potential for conflicts of interest is eliminated, and that the good reputation of AHA Ltd is maintained, through adherence to the Board Members Code of Conduct, the policies governing payments, entitlements and benefits, and the Scottish Housing Regulator's guidance on good governance.
7. Ensure Board members' and employee adherence to our policy on Hospitality and Expenses, and to the procedures on the acceptance of business gifts and benefits, and on business expenses.
8. Ensure well-conducted Board meetings, including:
  - provision of information and advice that is timely and appropriate to the Board's strategic role and decision-making responsibilities;
  - agenda papers issued at least one week before the meeting;
  - agenda items clearly identified as either for information or requiring a decision;
  - all papers clearly written, with all relevant supporting information, including graphs/diagrams where appropriate, and the advantages or disadvantages of each proposal detailed to facilitate informed decisions;
  - sufficient time given at all meetings to discuss and consider the implications of all major items requiring a decision.



9. Through the process of Board discussion and approval, oversee the production by the Senior Management Team of the annual Business Strategy and annual budget, including the setting of targets and performance standards, to maintain ongoing organisational viability. Ensure that Heads of Section provide detailed input at each stage in the process.
10. Ensure the effective monitoring of the Business Strategy objectives and targets through the performance management framework, including quarterly reporting to the Board on specific performance outcomes and updates on objectives.
11. 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. Ensure that:
  - the current organisational structure is fit for purpose to provide a high quality service;
  - salary levels reflect the responsibilities of each post;
  - clear objectives and performance standards are set;
  - there is continuous review of performance for all employees;
  - ongoing, appropriate employee training is provided.
12. Ensure compliance with all relevant legislation, statutory regulations and good practice, through a comprehensive range of policies and procedures requiring specific monitoring reports to the Board or Senior Management Team, together with a regular policy review cycle and comprehensive internal self-assessment process.
13. Ensure the effective implementation of the Complaints Policy, including the targets for response times, and monitor through an annual report to the Board.
14. Ensure that where required, both for all new initiatives and specific aspects of ongoing work, appropriate professional advice and consultancy reports are considered and that, where appropriate, a New Business Risk Appraisal exercise is carried out.
15. Regularly review a detailed risk map listing current significant business risks, with an assessment of their impact and likelihood if no action is taken, details of the action taken to mitigate each risk and the residual risk level. Ensure the risk map also details the method of assurance to show how each risk and mitigating action is checked, such as through internal audit or ongoing monitoring.
16. Ensure there is in place a comprehensive disaster plan to maintain business continuity and services following major damage/disruption to office facilities and/or IT systems.
17. Ensure all activities continue to comply with charitable status.
18. Maintain the good reputation of the Association through positive and productive external relationships with local, regional and national partners, funders and regulators etc.

**APPENDIX 2****RISK MANAGEMENT - DEVELOPMENT**

1. Ensure that all proposed developments are of a high quality, are in accordance with AHA Ltd's current Business and Asset Management Strategies, and with West Lothian Council's overall objectives and housing strategy, so that they will be supported by the Council ensuring, so far as is possible, the availability of suitable development sites and the continuation of direct grant funding. Ensure proposed developments accord with the strategic objectives of relevant grant provider(s).
2. Undertake an appraisal of each potential project, including financial and risk appraisal, examine long-term as well as short-term risks, and where appropriate undertake 'sensitivity analysis'. Agree the risk level, examine risk mitigation, exit strategies and multiple risk scenarios and submit recommendations to the Board of Management.

In Design and Build projects transfer the appraisal costs risk to contractors. Undertake site surveys and/or structural surveys before deciding whether or not to proceed with a project.

3. At every stage in the development process, ensure that all relevant approvals are obtained, and that all current guidance and procedures, including any conditions attached to loan offers, are followed or complied with by staff, through quarterly reports on each project to the Board.
4. So far as is possible ensure that the proposed mix of properties in each project, including any particular needs, shared ownership or shared equity properties, reflects the known needs as detailed in the Housing Needs Assessment, to minimise letting difficulties and potential loss of income.
5. Define clearly through specific policies and procedures those matters delegated to employees for decision. In particular ensure adherence to the following, either through reports to the Board or the submission of specific matters for decision:
  - Policies and procedures on Procurement, Approved Lists, Partnering, Contractor Liquidation, Signing & Witnessing of Documents, Selection and Appointment of Consultants and Contractors, Tendering, Cost Overruns, Variations and Savings;
  - Design Guide;
  - Construction (Design and Management) Regulations.
6. Establish a high-quality Design Guide from which the design brief for each project is drawn, to ensure a high standard of design, maximise the popularity of each project, and minimise letting difficulties and loss of rental income. Review the Guide at least every three years, ensuring the full involvement of Housing and Asset Management staff. Ensure the input of Housing and Asset Management staff in the detailed design brief for each project.
7. Ensure that the Design Guide includes a standard of construction which makes provision for a minimum 60-year lifespan and the long-term maintenance of the housing stock.
8. Ensure the appointment of competent consultants and contractors, both through the vetting process and adherence to the policy on procurement, including the use where appropriate of the 'balancing quality and price' process and/or partnering arrangements where relevant.

9. Where a partnering arrangement is being considered, ensure that the selection and appointment process is fully documented and that a clear and comprehensive Partnering Charter or Partnering Agreement is agreed by all parties involved.
10. Ensure that the responsibilities of the consultants, Employer's Agent or Development Agent for supervising the contractors are clearly defined.
11. Ensure that all tender documents are comprehensive, detailed and unambiguous, so that the contractor's responsibilities are clearly defined.
12. Ensure that all consultants and contractors have the necessary insurances before confirmation of any appointment.
13. Ensure effective supervision of each project through the appointment of an experienced and competent Clerk of Works, and regular reports and meetings based on:
  - Clerk of Works daily (site) diary;
  - Clerk of Works weekly report to the Development Manager and/or Head of Asset Management, and to the Client's Agent or Architect;
  - Clerk of Works report to monthly site meeting (progress meeting) attended also by the Development Manager and/or Head of Asset Management;
  - Contractor's monthly report to site meeting;
  - All meetings to be minuted and all amendments to the original design or specification formally authorised and recorded;
  - Quantity Surveyor's cost reports – at least quarterly or more frequently if required;
  - Development Manager or Head of Asset Management reports on progress to the Board.
14. Minimise the potential risk of increased construction costs through a detailed specification, high quality of supervision, experienced consultants and the appropriate form of contract.
15. Minimise potential contract delays through regular, high-quality site inspection and appropriate compensation arrangements in the contract (liquidated and ascertained damages).
16. Minimise the risk of liquidation or early contract termination through:
  - a comprehensive policy and procedures on liquidation;
  - establishing the viability of contractors invited to tender;
  - requiring a contractor's bond for part of the contract sum, where appropriate;
  - retaining for 12 months a proportion of each authorised payment to the contractor (retentions) until the defects liability period is completed.
17. Establish effective defects period procedures and ensure these are adhered to.
18. Establish, in association with the Head of Housing Management and Asset Management staff effective handover procedures to minimise the time required for letting, and potential loss of rental income.
19. Undertake design feedback surveys, normally around eight months after the date of handover, so they are completed before the end of the defects liability period.

**APPENDIX 3****RISK MANAGEMENT - HOUSING MANAGEMENT**

1. Monitor actual/potential impact of legislation, eg, Universal Credit implementation, cap on Local Housing Allowance levels, or other potential restrictions on rental income, and implement measures to mitigate/eliminate impact.
2. Establish and ensure adherence to an Allocations Policy which meets current guidance, is fair, is publicised appropriately and is supported by a detailed Tenancy Agreement together with a comprehensive range of estate management policies and internal procedures.
3. All properties for rent to have the appropriate form of tenancy, ie Scottish Secure Tenancy, short Scottish Secure Tenancy or Occupancy Agreement, with a comprehensive Rent Policy complying with current guidance.
4. Maintain the attractiveness of physical aspects of estates to assist in lettings, through regular inspections by staff, estate maintenance policies and stair cleaning services in flatted blocks.
5. Regular monitoring of rent arrears, including early intervention where tenants are experiencing arrears difficulties and the provision of advice/referral to specialist agencies to ensure that tenants are maximising their entitlement to housing and other benefits.
6. Close monitoring of voids, including liaison with West Lothian Council regarding nominations and internally between Housing and Asset Management staff, to minimise void times and rent loss.
7. As part of the allocation process, identify tenants requiring additional support. Liaise with specialist agencies/support providers, including agreeing appropriate management protocols or lease arrangements, before allocation. Monitor trends in support funding and be aware of potential difficulties to tenants in receipt of funding, should levels be reduced.
8. Implement comprehensive reactive (day-to-day) maintenance procedures in association with the Asset Management Section, with specified levels of delegated authorisation of expenditure and appropriate internal controls.
9. Ensure compliance with all aspects of the Factoring Code of Conduct regarding factored owners.
10. Maximise claims on insured risks.
11. Establish targets for allocations, arrears, voids, access (equal opportunities) and monitor through reports to the Board.
12. Monitor tenant satisfaction through periodic surveys, return of feedback forms and regular meetings as part of the Tenant Participation Strategy. Ensure early response to problems identified.
13. Ensure, through implementation of the Tenant Participation Strategy, compliance with the Scottish Social Housing Charter's requirements regarding tenant involvement in agreeing and monitoring targets and standards, and the development of tenant scrutiny.

**APPENDIX 4****RISK MANAGEMENT - HOUSING MAINTENANCE**

1. Establish and implement comprehensive reactive (day-to-day) maintenance procedures with specified levels of delegated authorisation of expenditure and appropriate internal controls. Closely monitor compliance with targets – eg completions, inspections, and take prompt follow-up action as required.
2. Identify repairs for which AHA Ltd is not responsible, and endeavour to reclaim the costs from the tenant. Ensure that the costs of mutual repairs are reclaimed from adjoining owners.
3. Ensure annual cyclical and planned maintenance programmes, as identified by the Asset Management Strategy, property inspections, the life-cycle costing system, and the requirement to achieve current Scottish Government housing and energy efficiency standards, are funded and completed by the due dates. Ensure all annual gas safety checks are completed on time.
4. Establish a high-quality Design Guide for major improvements, from which the brief for each project is drawn. Review the guide at least every three years.
5. Ensure the appointment of competent consultants, where required due to the size of the project, and of reactive maintenance and planned maintenance contractors, through adherence to the policy on procurement.
6. Where a partnering arrangement is being considered, ensure that the selection and appointment process is fully documented and that a clear and comprehensive Partnering Charter or Partnering Agreement is agreed by all parties involved.
7. Ensure that the responsibilities of consultants for supervising contractors are clearly defined.
8. Ensure that all tender documents are comprehensive, detailed and unambiguous, so that the contractor's responsibilities are clearly defined, and to minimise the risk of increased works costs.
9. Ensure that all consultants and contractors have the necessary insurances before confirmation of any appointment, and during their term of employment.
10. Ensure effective supervision of each project through regular reports and meetings, including progress and cost reports as appropriate.
11. Minimise the risk of liquidation or early contract termination through establishing the viability of contractors invited to tender, and where appropriate retaining a proportion of each authorised payment to the contractor until the defects liability period is completed.
12. Where appropriate, establish as part of the contract arrangements effective defects period procedures and ensure these are adhered to.
13. Where required, establish as part of the contract arrangements, and in association with the Head of Housing Management, effective handover procedures to minimise the time required for letting and potential loss of rental income.
14. Ensure that all activities are carried out in accordance with current legislation, and AHA Ltd's policies and procedures.

**APPENDIX 5****RISK MANAGEMENT - FINANCIAL & IT MANAGEMENT**

1. Establish clear financial policies and procedures ensuring separation of duties, and requiring all expenditure to be authorised at an appropriate level. Ensure that all policies and procedures are implemented by employees, with regular reports to the Board as required.
2. Establish an annual business planning cycle incorporating the production of a Business Strategy, Annual Budget and 3-5-year projections, together with longer term projections up to 25-30 years as required.
3. Ensure that the annual budget is approved by the Board before the start of each financial year.
4. Monitor financial performance against budget through the provision of monthly management accounts to the Senior Management Team and to the Board. Regularly monitor performance against cashflow projections.
5. Review, at least annually, the implications and potential risks of any changes to the standard accounting practices that affect housing associations.
6. Ensure that individual responsibility for budgets and expenditure is clearly specified and delegated, including appropriate references in job descriptions and procedures, and that the arrangements are subject to regular review.
7. 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.
8. Establish and implement a comprehensive Treasury Management Policy, including annual targets, and monitor by regular reports to the Board.
9. Ensure that the financial implications are assessed as part of any review of future strategy, or of overall aims and objectives, where appropriate.
10. Ensure that statutory external audit requirements are met, that an audit of the Annual Accounts is undertaken, that the Auditor's management letter is submitted to and considered by the Board, and that there is liaison between the internal and external auditors.
11. Co-ordinate the development and successful implementation of new/replacement core IT systems, ensuring that they are comprehensive, fit for purpose and closely linked to the Business Strategy through the IT Strategy.

**APPENDIX 6****RISK MANAGEMENT - LOAN PROCUREMENT**

1. Monitor any proposals to change the funding available to RSLs so that early action may be taken, as required. Maintain good relations with funders to ensure, so far as is possible, the future availability of loans when required at suitable terms/interest rates.
2. As part of the initial appraisal of each development project, estimate the future costs of the loan required, and ensure that these can be incorporated into future budgets without significant rent increases or other negative results.
3. Negotiate appropriate mortgage repayment arrangements, to avoid any significant impact on rent levels.
4. Ensure that the Treasury Management policy and procedures are adhered to, and that loan covenants are complied with, at all times.
5. Borrow from more than one lender to spread risk, where appropriate.
6. Borrow only from recognised Scottish Clearing Banks and other approved financial institutions.
7. Maintain a loan portfolio endeavouring to use fixed and variable interest rates, as detailed in the Treasury Management Policy.
8. Retain the ability to renegotiate loans and/or to refinance them over a longer period, if necessary.
9. Commence the process of negotiating and agreeing each loan sufficiently in advance of the date it will be required so as to avoid costly short-term borrowing.
10. Report at least six-monthly (and more frequently if required) to the Board of Management on the loan portfolio, loan repayments, and adherence to the Treasury Management policy.
11. Develop a reserve of unsecured property or cash which may be offered as additional security if required.
12. Ensure that specialist legal and financial advice is obtained when required.

**APPENDIX 7****RISK MANAGEMENT - HUMAN RESOURCES (HR)**

1. Review future staffing levels and structure annually, projecting forward three years. Incorporate staffing projections into the three-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 permanent 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, 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 & Diversity legislation, Data Protection legislation and 'good practice'.
6. Ensure that AHA Ltd receives up-to-date advice on all aspects of HR legislation, codes of practice etc., through professional contacts and 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. Ensure that arrangements are in place to cover the short- or long-term absence of key personnel so that all priority activities of AHA Ltd are able to continue.



**APPENDIX 8****RISK ASSESSMENT PROCESS**

A matrix with 5 levels of impact and 5 levels of likelihood, defined as follows.

**IMPACT (Consequences)****5 Catastrophic:**

- Total system dysfunction/total shutdown of operations.
- 50% loss of section budget, or loss/cost greater than £750,000.
- 50% or more of Board resign/all of Senior Management Team resign.
- Sustained adverse national publicity.
- Severe breach of regulatory/governance/financial/legal requirement resulting in SHR intervention and appointment to Board, and possible (criminal) legal action.

**4 Major:**

- All operational activities compromised, eg loss of/serious damage to office, or no IT systems/back-up, or sickness epidemic causing high absence across all sections.
- Up to 30% loss of section budget, or the loss/cost is between £250,000 and £750,000
- Board dissatisfaction, eg breakdown of relationships within Board – Chair resigns, or breakdown in relationships with Senior Management Team, SHR is involved.
- National press attention.
- Breakdown in relationship with Regulator due to breach of regulation or legislation resulting in severe costs/fines.
- Loss of major contractor (mid-contract).

**3 Moderate:**

- Disruption to several operational activities, eg high sickness in housing and maintenance staff reduces range of services and speed of response.
- Up to 15% loss of section budget, or the loss/cost is between £100,000 and £250,000
- Local press attention/adverse publicity.
- Breach of legislation or Code resulting in fine or rebuke by Court or Regulator.

**2 Minor:**

- Some disruption, manageable by altering operational practices, eg several Housing Officers absent – temporary re-arrangement of responsibilities.
- Up to 5% loss of section budget, or the loss/cost is between £50,000 and £100,000.
- Internal matter not attracting any external publicity.
- Breach of legislation, code or procedure resulting in compensation award.

**1 Insignificant:**

- No or minimal interruptions to services.

- Less than 1% loss of section budget, or the loss/costs are under £50,000.
- Individual grievance.
- Minor breach of legislation, code or procedure resulting in no penalty.

### **LIKELIHOOD (Probability)**

**5 Inevitable:** Regular occurrence, eg daily/weekly, or more than 75% chance of happening again.

**4 Very likely:** Circumstances frequently encountered, eg monthly.  
Between 40% and 75% chance of happening again.

**3 Likely:** Circumstances occasionally encountered, eg 6-monthly, or may happen within 1-2 years. Between 25% and 40% chance of happening.

**2 Unlikely:** Circumstances infrequently encountered – may happen within next 3 years.  
Between 10% and 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 – ie the risk to the business at the moment the risk is recognised, taking into account the current context of the business), and
- b) the residual score (or 'controlled' score – ie 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>						