

# **HALTON HOUSING TRUST**

## **RISK MANAGEMENT POLICY**

*Date due for Review :*

### **Introduction**

Halton Housing Trust (the Trust) accepts that the effective management of risk and opportunity is an essential element of the drive to innovate and improve its services.

The Trust is aware of the need for a comprehensive policy to cover risk, even more so now that the Housing Corporation has moved to a 'risk-based' approach to its regulation of housing associations generally.

The Trust appreciates that risk cannot be managed in isolation and that risk management influences all parts of its business. The Trust also acknowledges that this Risk Management Policy is not the only vehicle by which risk will be managed. Risk management can be linked to other Trust policies, in areas such as treasury management, insurance, audit, consultant and contractor selection, health and safety and data protection, as well as to the Trust's Financial Regulations and Business Plan.

### **Definitions**

For the purposes of this policy :-

'Risk' is the threat that an event or action will adversely affect the Trust's ability to meet its business objectives and execute its strategies successfully.

'Risk Management' is the process by which the Trust will establish policies and procedures that are aimed at minimising the impact of risks on the successful implementation of its business objectives.

In implementing this policy, the Trust will have due regard to the Housing Corporation's Regulatory Code and guidance- in particular Section 1.2.

### **Policy Statement**

For Halton Housing Trust the objectives of this Risk Management Policy are :-

- to ensure that risks which could prevent the achievement of the Trust's aims are identified and controlled;

- to maximise the benefits of innovation and initiative through informed risk taking;
- to raise awareness of the need for risk management by all those connected with the delivery of the Trust's services;
- to prevent injury, loss and damage and reduce the total cost of risk;
- to demonstrate to stakeholders and regulators compliance with good corporate governance.

The aim of the Trust is to have a framework in place that will link risk assessment with good management, the quality of its business decisions and its ability to achieve Business Plan objectives.

The Trust will adopt best practices in the identification, evaluation and management of the risks and opportunities that may effect the achievement of its aims and objectives.

The Trust will integrate the effective management of risk into its business planning processes and will support its employees in making informed decisions about risk taking.

### **Implementation**

The Trust will look to achieve the objectives stated above by :-

- a) developing a common approach to the identification and analysis of risk and evaluating the most cost-effective method of treating each significant risk identified;
- b) integrating risk management into all aspects of the planning process;
- c) establishing clear roles, responsibilities and reporting lines for risk management within the Trust;
- d) establishing core competencies required for the different groups within the Trust who have responsibility for managing risk and delivering training based upon these;
- e) preparing business continuity plans in areas where there is a potential for an event which could have a catastrophic effect on service provision;
- f) monitoring the effectiveness of arrangements put in place to manage risk on a regular basis;
- g) reporting to the Board and regulators on the effectiveness of this policy on a regular basis.

When risks have been identified the Trust will ensure that, where appropriate, it has policies and procedures in place to determine its response, as well as to assist its Board Members and employees in controlling the risk. These will cover two key areas :-

- 1) Risk Identification
- 2) Managing the Risk

## 1) Risk Identification

In order to manage risk effectively the Trust will firstly need to identify where it lies.

The Trust will do this in a number of ways and will cover such areas as risk mapping, reviewing business activities and the ongoing identification of risk.

### Risk Mapping

A risk mapping process will be used by the Trust to compile a list of key risks that it may face, together with controls identified to mitigate their effects. Risk mapping will be viewed by the Trust as a tool to actively manage risk rather than a one-off exercise. The Trust will look to integrate this process into a broader framework that combines business planning with day-to day management of the Trust's activities to ensure that it can achieve its objectives.

The Trust will look to 'map' each area of risk against certain risk categories and then define mechanisms for response and monitoring. These risk categories are :-

- Financial – This category identifies a risk as having an adverse financial consequence. Any risk classified here will mean financial loss to the Trust if it materialises.
- Economic – This category identifies a risk that could have an adverse effect on the Trust's current or future markets, either in the growth or delivery of services to existing or future customers and clients.
- Opportunity – This category identifies a risk that could reduce or affect the Trust's ability to take advantage of opportunities in accordance with its Business Plan objectives.
- Compliance – This category identifies a risk that could have an effect on the Trust's compliance with legal, statutory or audit requirements.
- Health and Safety – This category identifies whether there is any statutory health and safety risk that could have an impact on the Trust.
- Quality – This category identifies a risk that could affect the quality of the Trust's services or products that are provided to service users both internally and externally.
- Public Relations – This category identifies a risk that could affect the image of the Trust and could impact on current or future business in any area of the Trust's work.

Once identified, the risks will be assessed by the Trust to see what affect they may have on its ability to meet key business objectives. Completing such risk assessments will also provide the Trust with a means to review these objectives on an ongoing basis.

The Trust will look to identify the key external and operational risks arising from its Business Plan objectives.

External risks can occur from the wider economic, political and social environment that is beyond the Trust's control. The Trust would therefore pay particular attention to risks affecting demand, competition, government policy, market conditions and typical contract terms.

Operational risks are those that come about simply by running the business. To assess these properly the Trust will always look to specifically evaluate operational risks that may arise in meeting each of its Business Plan objectives, rather than simply compiling a list of all the operational risks it may face.

### Business Activities Review

Once the information has been gathered from the risk identification process, the Trust will be able to review its business activities at a number of levels, such as :-

- § using a long term financial model - to predict the potential effect of different risks on the short and long term financial performance of the Trust;
- § assessing the Trust's ability to manage risk – by deciding whether it should accept, limit or reject an activity giving rise to a risk, or whether the risk can be insured against or passed on to a third party;
- § revising Business Plan objectives- to ensure that the levels of assumed risk are acceptable;
- § setting activity limits- to act as a control over the Trust's exposure to individual markets. Such limits would be approved and reviewed as part of the business planning and budgeting process;
- § budget setting and performance indicators – to ensure that resources are allocated to manage the risks identified and performance indicators are set to monitor key risks.

### Ongoing Identification of Risk

Risk identification will not only take place as part of the Trust's normal business planning process. The Trust appreciates that its everyday activities will present situations where further or ongoing risk assessment is required. Examples of this will include :-

- routine reporting and monitoring of detailed and relevant financial information to the Board so that it can make informed decisions on risk-related activities. If the information is presented clearly and transparently and reports include a risk assessment section the Board will be able to assess performance in key activities;
- project appraisals are needed to test whether the estimated returns on individual projects are compensating the Trust properly for the risks it is assuming on these projects;

- unforeseen business opportunities may present themselves which could allow the Trust to enter new markets or undertake a project which had not been included in the Business Plan. The Trust would need to assess if the new project/opportunity was viable in its own right, makes sense strategically and fits in with the overall mix of its activities.

## 2) Managing the Risk

Once risks have been identified they need to be managed effectively at various levels within the Trust.

### The Role of the Board

The Board has a key role regarding risk management and needs to be able to control risks arising from the Trust's activities. This has a number of implications, such as :-

- It is important for the Board to have the right mix of skills and expertise as well as commitment to the Trust to be able to make strategic decisions on its behalf. In this context it is also important for the Trust to ensure that Board Members receive proper training, particularly in business planning and risk analysis.
- The Board needs to ensure that when it sets terms of reference and delegated authorities, they are relevant to the Trust's current activities and profile. Any review of these arrangements needs to be linked to the business planning and risk review process. The Board must also monitor the performance of committees to whom it has delegated financial authority to ensure that the committee members' skills are relevant for the activities they cover.
- The Board must ensure that the overall risk management framework is working effectively and kept under regular review, e.g. by ensuring that lessons learnt from past mistakes are used to update the framework as necessary.
- Similarly, policies and procedures need to be reviewed to reflect the changing business environment.

### The Role of Executive Management

The role of Executive Management – i.e. the Chief Executive and senior management team – is to ensure that there is effective risk management at all levels in the Trust. This will have a number of implications as far as risk management is concerned, such as :-

- § The Trust will need a coherent management structure which ensures that power is not concentrated in any single person; i.e. senior managers and Board Members should be encouraged to challenge the Chief Executive's thinking.

- § The management structure will also require reporting lines that are unambiguous, a clear division of responsibility and the establishment of clear financial approval limits.
- § Management structures for approving new business and reviewing performance will need to be reviewed regularly to ensure that the managers involved in this have the relevant skills to assess key risks affecting performance.
- § Managers of different departments and activities within the Trust will need to ensure that risks arising from the day-to-day running of the business are managed properly and they understand the wider implications of their decisions.

### Operational Management

Having the right procedures and controls in place is vital for the Trust to manage risk at an operational level. Operational procedures will need to be reviewed on a regular basis to ensure that they are effective in managing specific risks identified in that particular service area or activity.

The Trust will also need to ensure that people at all levels of the organisation understand and follow agreed procedures and are accountable for doing so. Performance targets need to be set for staff that reflect both the objectives of the Business Plan and measures identified to reduce risk. In effect the Trust will need to create and sustain a culture of risk awareness.

### The Role of Internal Audit

The Internal Audit section of the Trust will provide the final part of the risk management framework as they will look to verify that the framework is working effectively. Internal Audit will need to ensure that any changes agreed by management to revise procedures and manage risks are actually implemented. They will also be able to consider reviewing systems by process rather than by department. In this way they may be able to identify faults in the system more easily than if the review was of an individual department. The Trust will also need to ensure that its internal auditors have sufficient power to be able to check on the way actions have been implemented and be able to report any concerns they find to the relevant committee or to the Board itself.

Internal Audit can also provide advice about how more effective mechanisms to manage risk may be implemented for existing and new activities. This section can also help facilitate the risk identification and management process. However this should never be to such an extent that it compromises their ability to carry out the other functions described above.

### Responsibility

The overall responsibility for risk management lies with the Board of the Trust.

The Chief Executive and senior management team will have delegated responsibility for managing risks arising out of the day-to-day running of the business.

### **Consultation**

The Trust will consult with its auditors, insurance advisors and treasury management advisors when this policy is being reviewed.

### **Associated Documents**

Health and Safety Policy  
Data Protection Policy  
Consultant and Contractor Selection Policy  
Insurance Policy  
Treasury Management Policy  
Internal & External Audit Policy  
IT & Disaster Recovery Policy  
Financial Regulations  
Business Plan