

Lochfield Park Housing Association

Risk Management Policy

FUNCTION	DOCUMENT	DATE
Finance	Risk Management Policy	Review: April 2016 Approved: May 2016 Implemented: May 2016 Next review: April 2019

1.0 Introduction

It is a regulatory requirement that the Association identifies key areas of risk and has an appropriate risk management strategy.

The concept of risk management, or more appropriately, the management of risk, is to minimise the possibility of an event happening, which shall result in loss, damage or injury.

Insurance and risk management should not be confused. Insurance involves the transfer of risk in return for a financial payment while the management of risk is intended to minimise the chance of damage, loss or injury occurring in the first instance, whether or not insurance is in place.

All sections within the Association, and the Association as a whole, may be exposed to specific risks and the primary purpose of the policy is to detail these risks and identify the steps that are required to eliminate or at least minimise them

Scope of Policy

The Association's risk management policy applies to every area of activity within the organisation

- ◆ Governance
- ◆ Housing Management & Maintenance
- ◆ Development
- ◆ Finance & Administration

All Management Committee and staff members shall be issued with a copy of the policy statement.

2.0 Policy Objectives

To detail steps to be taken in order to minimise the risk of events, arising which may result in loss, damage or injury.

3.0 Application of Policy

In applying the policy the Association will take account of the techniques detailed in Appendix A.

The Association's internal audit procedures shall contain formal checks on specific areas of risk including those listed in Appendix B.

All reviews of Association policies must consider areas of risk management relating to that policy.

4.0 Responsibility for Policy Implementation

The Management Committee of the Association has overall responsibility for the implementation of this policy.

Day to day responsibility for policy implementation lies with the Director of the Association.

5.0 Reporting

Any events arising which result, or are likely to result in material loss, damage or injury must be reported to Committee in writing, at the earliest opportunity.

The Management Committee of the Association shall receive, annually, a written report of risk management activity in the previous 12 months.

6.0 Monitoring and Revision of Policy

The Management Committee is responsible for monitoring the effectiveness of the Risk Management policy of the Association and shall review the policy every three years.

APPENDIX A

Risk Management Techniques

a) Planning and Forecasting

Business planning, Budgeting and Cash flow Forecasting are examples of techniques that can assist in highlighting future potential difficulties. With appropriate forecasting, planning and action potential future problems may be avoided.

b) Insurance

In return for a premium the risk can be passed to someone else.

Cover against fire, flood and storm damage to properties and office accommodation can be obtained relatively cheaply thereby avoiding potentially disastrous consequences for the Association.

Insurance can also be arranged in respect of business interruptions, theft, public liability, personal accident and employers liability.

Checks on Contractors and Consultants insurance cover should be carried out regularly.

c) Spreading Risk

The basic idea is not to "put all your eggs in one basket" so that if something does go wrong the effects are lessened.

eg. Ensure that there is an effective Treasury Management Policy in place that contains a mix of variable and fixed rate products. This will allow the association to benefit from times when interest rates are low and also offer protection against periods of volatility in financial markets...

d) Sensitivity Analysis

This technique is concerned with looking at various "what if" scenarios and its purpose is to explore the impact on your plans of a change in one or more of the assumptions made.

eg. What if interest rates exceed those estimated by 2%?

eg. What if there is a 6 month delay in a project commencing?

e) Responsibility and Delegation

Risks will arise at all levels within the organisation but Committee Members or the Director cannot be expected to take all decisions. It is essential therefore that there are clear policies and procedures in place for the guidance of those who are exercising responsibility under delegated authority eg. cheque approvals, repair checks, tender procedures etc.

f) Taking Advice

By taking appropriate external advice risks can be reduced where such advice is covered by indemnity insurance.

eg. Use of Architects in the development process.

eg. Use of Solicitors for legal issues.

g) Quality of Management

With implementation of policy decisions being delegated to staff it is essential that quality staff are employed and that they receive ongoing training to allow them carry out their duties effectively.

Well trained, motivated staff are more likely to perform better and less likely to leave. This stability in the workforce can be beneficial to the organisation.

Equally if there is dissatisfaction with staff then this must be addressed.

It is not possible to eliminate all risk and therefore this is not the aim. The aim is to manage risk at an acceptable level to the Association and apply the policy in a proper balanced way that allows the organisation to function and staff to carry out their duties effectively and safely

APPENDIX B

Areas of Risk and Approach to Risk Management

The Association uses a simple matrix to identify the factors which are a threat to the Association and to rank them according to the level of risk that they pose. The matrix although simple is nonetheless effective for the Association's purpose

Threat Risk Level

I	Imminent	H	High
M	Medium	M	Medium
L	Long Term	L	Low

Governance and General Management

Risk	Threat	Risk Level	Main Policy / Document	Action	By Whom
Tenant Satisfaction /Dissatisfaction	L	Medium	Tenant Participation Maintenance and Repairs Complaints Procedures	<ul style="list-style-type: none"> Tenant satisfaction survey every 2-3 years Tenant Information reviewed and updated every year. Maintenance Post completion tenant survey Repair lines signed by tenants / comments option Annual general meeting Tenant participation meetings. Monthly reporting of complaints received. Newsletters (3) issued to all local residents and organisations. Publish Annual Performance Review including ARC DATA. 	All staff

Risk	Threat	Risk Level	Main Policy / Document	Action	By Whom
Lack of Committee Control	L	Medium	Rules Standing Orders	<ul style="list-style-type: none"> • New members introduction pack/training sessions • Review of committee/staff structure and skills. • Policy review program in place. • Internal Management Plan including section work plans and timetable for achievement • 6 monthly review of performance and targets • Six - monthly staff appraisal. • Monthly reporting systems in place • ARC • Internal audit procedures • Annual external audit. • Minutes circulated in advance of meeting. • Monitoring Committee attendance 	Director Management Committee All Staff
Staff Difficulties	L	Low	Staffing & Recruitment and Training	<ul style="list-style-type: none"> • Staff Induction Procedures • Job description in place • Contract of employment in place 	Director Committee All Staff

Risk	Threat	Risk Level	Main Policy / Document	Action	By Whom
				<ul style="list-style-type: none"> • Conditions of service in place. • Internal Management Plan • 6 monthly review of performance. • Six monthly staff appraisal • Staff training plan • Appropriate reporting systems on sickness, holidays and overtime • .Committee training on employer responsibilities • Regular liaison with other housing Associations via forums etc 	
Improper Advice	L	Low	Insurance Code of Audit Practice / Financial Policy and Procedures	<ul style="list-style-type: none"> • Annual review of insurances • Revision of Consultants/Agents PII cover • Six Monthly staff appraisal. • Internal Audit review • External audit checks. • Housing Regulator financial scrutiny system. 	Director Committee Finance Agent All Staff
Office and Staff Security	I	High	Health & Safety Policy and Procedures	<ul style="list-style-type: none"> • Office alarm in place. • Emergency police contact systems in place. 	Director Committee All Staff

Risk	Threat	Risk Level	Main Policy / Document	Action	By Whom
				<ul style="list-style-type: none"> • Emergency office contact systems in place. • Records adequately secured out of office hours. • Computer passwords in place. • Daily back-up of computer records. • Bi-annual Health & Safety audit. • Regular Health & Safety training. • Appropriate electrical/other appliance checks during the year • Cash only collected in office with proper procedures in place). • Risk Management Policy and Procedures 	

Housing Management & Maintenance

Risk	Threat	Risk Level	Main Policy / Document	Action	
Rent Arrears	I	H	Arrears Policy and Procedures	<ul style="list-style-type: none"> • Monthly reporting / analysis of debt including former tenants • Appropriate policies / procedures in place • Early action on rent arrears including Welfare Benefit Officer assistance • Make use of direct debits and/or standing orders • Monthly contact with HB section • .Formal monitoring of returns at Housing Benefit review stage • Benchmarking and peer group analysis carried out throughout the year and reported 6 monthly to HM Sub Committee and as part of Business Plan Review • Cross check on Arrears Totals at year end 	H. M. Staff Director Finance Staff
Bedroom Tax / Welfare Reform	I	H	Rent Arrear Policy and Procedures	<ul style="list-style-type: none"> • Bedroom Tax Strategy in place • Identify and Contact all tenants affected • Arrange personal interview with WBO and carry out Financial Assessment • Maximise Benefit up-take • Maximise 	Director / Committee Housing Manager / All staff

Risk	Threat	Risk Level	Main Policy / Document	Action	
				<p>payment methods through Allpay, Internet, Direct Debits, Standing Orders, Smart Phones, and at office</p> <ul style="list-style-type: none"> • Information Leaflets and articles in News letters • Posters in Office • Information on Standard Arrears Letters • Review Bad Debt provision • Review Allocation Procedures 	<p>Director / Finance Agent / Housing Manager / Committee/ WBO / all staff</p>
Inadequate Maintenance Resources	I	H	Finance Regulations. / Policy and Procedures	<ul style="list-style-type: none"> • Bi-annual stock condition surveys • Life Cycle Costings in place • Annual Review of Long Term Financial Projections • Consideration of NHBC / HAPM • Annual Budget and 30 year projections in place • Preparation of annual maintenance plans • SHQS Action Plan.and Delivery Plan reviewed annually 	<p>Maintenance Manager Director Finance Agent</p>
Deterioration of Properties	M / L	Medium / Low	Maintenance / Repairs	<ul style="list-style-type: none"> • Bi - Annual Internal and 	<p>Maintenance Manager / H M Staff</p>

Risk	Threat	Risk Level	Main Policy / Document	Action	
				external House inspections <ul style="list-style-type: none"> • Bi - Annual stock condition surveys. • Cyclical maintenance long term costed plan • Major repairs long term costed plan. 	
Vandalism or damage to Properties	I	L	Maintenance / Repairs	<ul style="list-style-type: none"> • Weekly inspection of void units • Endeavour to ensure appropriate street lighting • Planned property internal inspections annually • Annual external inspection of properties • Post inspection visit post tenants alterations. 	Maintenance Manager H M Staff
Poor Contractor Performance	M	Medium /Low	Maintenance / Repairs	<ul style="list-style-type: none"> • Maintenance reply cards re- specific contractors • Tenant's signature on repair forms/option for comments • Monitoring of response times • Post inspection of repair works • On-Going Tenant Satisfaction Surveys by telephone, and visits • Annual Review of Contractors • IMP review 	Maintenance Manager / All Staff

Risk	Threat	Risk Level	Main Policy / Document	Action	
				<ul style="list-style-type: none"> • ARC • Newsletter reporting on performance 	
Inability to let properties	I	High/ Medium	Allocations Maintenance / Repairs Estate Management	<ul style="list-style-type: none"> • Regular estate management checks • Appropriate circulation of available properties • Annual review of waiting list applicants • Weekly inspections of vacant units • Bi - Annual internal inspection of all properties • Set and maintain high quality Pre Let Standard 	Maintenance Manager H M Staff
Violence against staff and committee	I	High	Health & Safety Code of Conduct for staff and Committee	<ul style="list-style-type: none"> • Visits to anti - social tenants by 2 members of staff • Other visits undertaken by 2 staff where possible • Emergency Police contact system in place • Emergency office contact system in place • No cash collected during house visits • Supervision list for problem tenancies • Code of conduct 	Director Committee All Staff

Risk	Threat	Risk Level	Main Policy / Document	Action	
				for staff and committee members (including confidentiality)	
Injury to Tenants	I	High / Medium	Maintenance / Repairs / Tenants Handbook	<ul style="list-style-type: none"> • Annual gas/ fire/electrical checks • Bi - Annual internal inspection of all properties • Stock condition survey (2 years) • Annual external inspection of properties • Tenant's signature on repair forms. • Annual review of contractor's performance • Complaints procedures circulated to tenants annually • Tenant's handbook and/or advice circulated. • Review of contractors including health and safety compliance. • Newsletters 	Maintenance Manager H M Staff Director Committee

Risk	Threat	Risk Level	Main Policy / Document	Action	
Poor Design	M	Low	Development Procedures	<ul style="list-style-type: none"> • Review of design brief. • Visits to other HA sites • Options/advice from consultants. 	Director Committee

Abortive Costs	M	Low	Development Procedures	<ul style="list-style-type: none"> Contract check list pre site start. Contract monitoring procedure. 	Director Committee Finance Agent
Contract Delays	M	Low	Development Procedures	<ul style="list-style-type: none"> Review of building contract checklist including L & A Damages and retention provisions Appropriate site monitoring procedures in place. Monthly design team meeting. Production by staff and consultants of monthly written reports. 	Director Committee
Liquidation / Contract Termination	I	High	Development Procedures	<ul style="list-style-type: none"> Contractor financial checks undertaken Appropriate legal advisors in place. Contractor/Consultant interviews Contractor/Consultant written references obtained. Review of contractors and consultants Procedures in place Retentions availability. 	Director Committee
Inability to Sell	I	High	Marketing	<ul style="list-style-type: none"> Procedures in place to assess demand. Marketing policy in place. 	Director Committee H M Staff
Brucefield Park Project	M	Med	Financial / Procedures	<ul style="list-style-type: none"> Project appraisal including Financial Analysis and Risk Analysis Regular Reports to Management Committee Maximise Grant income from GCC and SG. Ensure effective Management of Properties Have an exit strategy if necessary 	Director Committee
Risk	Threat	Risk Level	Main Policy / Document	Action	

Lack of Control	M	Med	Development Procedures	<ul style="list-style-type: none"> • Pre site start checklists. • Building Contract review procedures • Contract monitoring procedures • .Design team meetings • Written monthly records from staff and Consultants • Attendance at committee meetings on quarterly basis • GCC Scheme Audit review. 	Director Committee
Building Site Security	M	Med	Health & Safety Development Procedures	<ul style="list-style-type: none"> • Review of Contractor's Health & Safety policy • Compliance checks undertaken. Random site visits. 	Director Committee
Cost Overrun	M	Med	Development Procedures	<ul style="list-style-type: none"> • HA financial reporting systems. • Contract monitoring procedures. • Written monthly reports from Consultants • Regular Design team meetings. 	Director Committee

Finance & Administration	Threat	Risk Level	Main Policy / Document	Action	
Viability Problems	M / L	Low	Finance Regulations / Finance Procedures Treasury Management Rent Arrears	<ul style="list-style-type: none"> • Preparation of annual budget / cash flow projections • 30 Year Cash Flow Projections • Annual review of 5 year projections • Quarterly monitoring of results via management accounts • Long term projections updated every year • Planned Maintenance Reserve • Effective Rent Arrear and Void Management Policies and Procedures • Effective, efficient and inclusive budget setting process • Effective management control of overheads • Sound Strategic Planning Process 	Director Committee Finance Agent Office Manager
Interest Rate changes due to market volatility	M / L	M / L	Treasury Management	<ul style="list-style-type: none"> • Appropriate loan portfolio. • Annual treasury management review and report to Committee • Regular liaison with numerous lenders via financial agents. 	Director Committee Finance Agent

Risk	Threat	Risk Level	Main Policy / Document	Action	
Material losses via damage or injury	M / L	Low	Insurance / Maintenance & Repairs	<ul style="list-style-type: none"> • Annual review of insurance cover necessary • Annual report to Committee on insurance cover and types of cover required • .Confirmation of development contractor's cover • Confirmation of consultants cover annually and/or pre appointment • Annual review of maintenance contractor's insurance cover • Weekly inspection of void properties. 	Director Committee Maintenance Manager Finance Agent / Office Manager
SHAPS Pensions (Increased costs)	M	M	Financial Procedures	<ul style="list-style-type: none"> • Annual Financial Review • Maintain appropriate and affordable Staffing Levels (peer group benchmarking) • Ensure effective Budget Process to include increased pension costs 	Director / Finance / Committee
Material losses via damage or injury				<ul style="list-style-type: none"> • Bi-Annual Health & Safety visit to office premises. • Health & Safety policy in place and reviewed every two years. • Fixed assets register in place together with appropriate equipment maintenance cover. • Stock condition survey updated each year. 	Director Committee Maintenance Manager Finance Agent / Office Manager

Risk	Threat	Risk Level	Main Policy / Document	Action	
Material losses with theft	I	M / L	Insurance / Finance Regulations / Finance Procedures	<ul style="list-style-type: none"> Limited access to SDM system Two cheque signatories' requirement Independent monthly verification of bank balances and financial records. Procedures in place regarding office security, petty cash procedures, ordering procedures, etc. Annual external audit. Cash only accepted at office under strict procedures. (two staff signatures required on receipts) Health & Safety Policy in place and reviewed every two years Computer passwords in place Segregation of duties where possible Strict implementation of Delegated Remits and Responsibilities 	Director Committee All Staff
Loss of Staff	M / L	M / L	Staff Training Policy Conditions of Service	<ul style="list-style-type: none"> Investment in staff training Appropriate Conditions of Service (EVH) Appropriate working conditions (Health and Safety etc) Ensure effective and fair management practices are implemented 	Committee Director

As with any Risk management document the risks identified at a given time can change in severity or importance. Some identified risks may become less threatening or obsolete and therefore an annual assessment of risk factors should be carried out as part of the Business Plan Review Day held in March each year.