ITEM 5

Report to Audit Committee

14 October 2015

Title: Risk Management Policy

Report of: Head of Corporate Services

Purpose of report

1. To approve an updated Risk Management Policy.

Background

2. The Board approved a new Risk Management Policy at its meeting on 8 July 2010. This was following a comprehensive review of risk management that was carried out by Price Waterhouse Coopers.

3. Following an internal audit of risk management in 2012, one of the recommendations in the report was to carry a review of how risks and mitigation are evaluated to allow the operational risk register to be developed to highlight the impact of the cost effectiveness of controls. This resulted in residual likelihood and impact after future actions and the impact of cost of effectiveness of future actions being added to the risk register. These changes have been reflected in the Policy.

4. The Policy previously based its definition of risk around the Audit Commission's definition. Given that the Audit Commission has been abolished for some time now, a more current definition has been included in the Policy.

5. Other minor changes have also been made to the Policy since it was approved in 2010 which have not been reported to the Board but have been updated to the Policy in the Governance Handbook.

6. The updated Policy with all the changes highlighted in red is attached at the Appendix to this report.

Link to Values

7. This report links to the company values of being

- Customer focused
- Open and honest
- Accountable

- Inclusive, valuing diversity

Risk Management Implications

8. The risk management implications are addressed throughout the report and in the Risk Management Policy.

Financial Implications

9. There are no financial implications directly arising from this report.

Equality and Diversity Implications

10. There are no equality and diversity implications directly arising from this report.

Health Implications

11. There are no health implications arising from this report.

Environmental Implications

12. There are no environmental implications arising from this report.

Value for Money Implications

13. A robust risk management process that is embedded throughout the company will provide value for money.

Consultation carried out

14. It has not been necessary to carry out any consultation when compiling this report.

Impact on Customers

15. An effective risk management process will maintain the delivery of services to customers.

Recommendation

16. The committee is asked to approve the updated Risk Management Policy and for the policy to be reviewed bi-annually.

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The Gateshead Housing Company
Working with Gateshead Council

RISK MANAGEMENT POLICY

RISK MANAGEMENT POLICY STATEMENT

The Gateshead Housing Company will adopt the principles of risk management to protect the health, safety and welfare of its employees and the people it serves, to protect its property, assets and other resources and to maintain its reputation and good standing in the wider community.

The company provides a wide range of housing management services to the tenants and leaseholders of Gateshead Council, all of which give rise to some level of risk. We are fully committed to regularly identifying and assessing these risks and taking appropriate action to prevent, or minimise, their impact on service delivery. In this way the Company will better achieve its corporate objectives and enhance the value of the services it provides to the community.

The company's Risk Management Policy objectives are to:

- Integrate risk management into the culture of the Company.
- Manage risk in accordance with best practice.
- Anticipate and respond to changing social, environmental, economic and legislative risks – including opportunities as well as threats.
- Prevent injury, damage and losses and reduce the cost of risk.
- Raise awareness of the need for risk management by all those connected with the delivery of services.
- Support sustainable improvements in service and the achievement of best value.

These objectives will be achieved by:

- Establishing clear roles, responsibilities and reporting lines within the Company in relation to risk management.
- Providing opportunities for shared learning on risk management across the Company.
- Offering a framework for allocating resources to identified priority risk areas.
- Reinforcing the importance of effective risk management as part of the everyday work of employees through relevant training.
- Monitoring risk management arrangements and seeking opportunities through effective risk management on an ongoing basis.

RISK MANAGEMENT POLICY

General

1. This Policy provides the framework within which the company will manage the strategic and operational risks associated with the provision of its wide range of services.

2. Risk management, performed rigorously and comprehensively, creates stability, contributes to the achievement of the Company's strategic objectives and enhances the value of the services it provides to the community.

Definition

3. The Institute of Risk Management (IRM) Risk Management Standards defines risk as:

   'The combination of the probability of an event and its consequences. Events and consequences can constitute opportunities for benefits or threats to success.'

When does Risk Management apply?

5. Risk management will apply throughout the Company's operations and strategic objectives, the following situations are examples of where risk management is essential:

- Making corporate, strategic and service planning arrangements
- Priority setting
- Developing policies and supporting strategies
- Planning service delivery and operational activities
- Considering new legislation
- Project planning and managing
- Procuring or undertaking options appraisals
- Partnership and joint working arrangements
- Performance management framework

Benefits of Risk Management

6. There are a number of benefits which can be gained through an effective and robust risk management process:

- Enabling future activity to take place in a consistent and controlled manner
- Improving decision making, planning and prioritisation by the use of a comprehensive and structured understanding of business activity, volatility and project opportunity/threat
- Contributing to more efficient use of capital and resources within the organisation
- Reducing volatility in the non-essential areas of the business
- Protecting and enhancing assets and company image
- Developing and supporting people and the organisation's knowledge base
- Optimising operational efficiency

Risk types

7. Strategic risks - those which are critical to the direction of an organisation. Strategic risks may be driven by government policy, competition or a change in stakeholder requirements. Strategic risks will be owned by the Management Team.

8. Operational risks - those which are encountered during the day to day running of the Company. Operational risks are owned by the relevant Head of Service.

9. Project risk will also be identified and managed through the project management process. Relevant projects will be required to have an individual project risk register.

Risk Registers

10. A strategic risk register should be maintained by the Management Team and the Board and monitored by Audit Committee.

11. An operational risk register should be held for the following two directorates within the Company:

- Corporate Services
- Customers and Communities

12. The strategic and operational risk registers should link to the Company's objectives and performance management framework.

13. An example of the template risk register which should be used for strategic risk registers is shown at Appendix 1.

14. An example of the template risk register which should be used for operational risk registers is shown at Appendix 2.

Risk Appetite

15. The Board's role is to determine the company's appetite for risk. This should be reviewed annually and agreed by the Board.

Risk Scoring

16. The risks are prioritised based on likelihood and impact using a traffic light system.

17. Both strategic and operational risks will be scored using a traffic light system based on likelihood and impact. Given that strategic risks are critical to the future operation of the business, the impact will be significantly higher for these risks. The likelihood is the same for both types of risks.

Likelihood – Strategic and Operational Risks

Scoring	Definition	Timing of occurrence
4	Almost certain	Less than 3 months

Scoring	Definition	Timing of occurrence
3	Likely	3 – 6 months
2	Moderate	6 – 12 months
1	Unlikely	In excess of 12 months

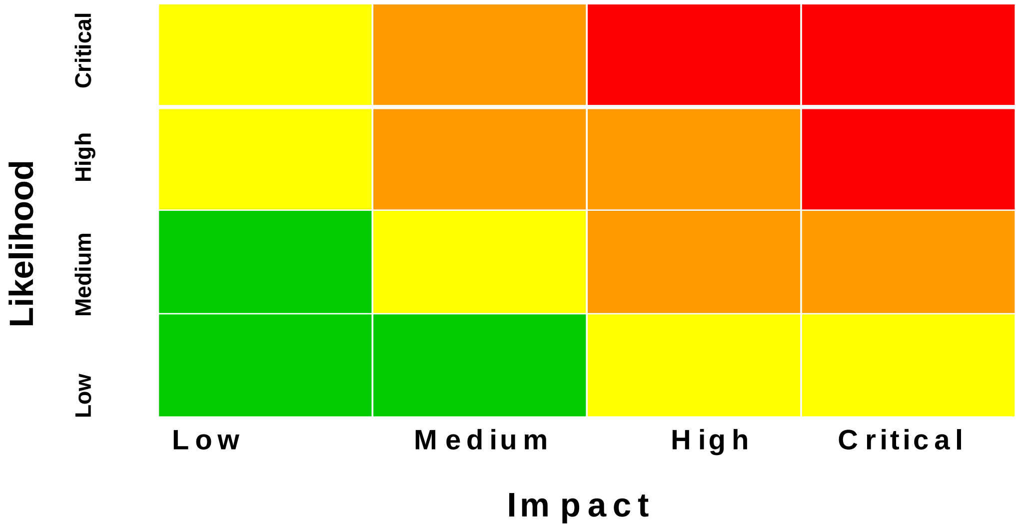
Impact – Strategic Risks

Scoring	Definition	Example of impact
4	Critical	Total service loss for significant period Fatality Financial loss over £500,000 Government / Council intervention
3	High	Significant service disruption Major/disabling injury Financial loss over £100,000 Adverse national media coverage
2	Medium	Service disruption Loss time injury Financial loss over £50,000 Adverse local media coverage / lots of service user complaints
1	Low	Minor service disruption / short term inconvenience Minor injury Financial loss under £50,000 Isolated service user complaints

Impact – Operational Risks

Scoring	Definition	Example of impact
4	Critical	Total service loss for significant period Fatality Financial loss over £200,000 Government / Council intervention
3	High	Significant service disruption Major/disabling injury Financial loss over £50,000 Adverse national media coverage
2	Medium	Service disruption Loss time injury Financial loss over £25,000 Adverse local media coverage / lots of service user complaints
1	Low	Minor service disruption / short term inconvenience Minor injury Financial loss under £25,000 Isolated service user complaints

18. The following four scale matrix demonstrates how the risks will be assessed using a traffic light system: -



Cost Effectiveness of Future Actions

19. When reviewing the risk registers, future actions and timescales should be identified.

20. A residual likelihood and impact score after the future actions should also be identified. In addition, this should also include any relevant details of the cost effectiveness of implementing the future actions to highlight how they offer value for money.

Risk Identification

21. It is the responsibility of the Board and every risk owner within the Company to identify emerging risks. Risk management should be integrated into the culture of the Company. The next section identifies how this process will be managed and monitored.

Monitoring of Risks

The Board

22. The strategic risk register will be scrutinised by the Audit Committee up to three times each year prior to being presented to the Board for approval.

23. The Board will have an annual planning session to undertake a full review of the strategic risks, to identify any emerging risks and to update the current risks proposed.

Audit Committee

24. The Audit Committee will scrutinise the operational risk register for both directorates at each alternate meeting, as well as any critical / high risks that require attention. It will recommend to the Board any risks to be escalated to the strategic register.

25. The roles of the Board and the Audit Committee are outlined in their terms of reference.

Management Team

26. The Management Team is responsible for overseeing the strategic direction of the Company and will review the strategic risk register before it goes to Audit Committee with particular attention to the 'red' risks. It will also periodically review the operational risk registers and recommend to the Board any risks that should be escalated to the strategic register. Risk ownership of strategic risks will lie with the Management Team.

Heads of Service

27. The Heads of Service are responsible for overseeing the operational activities within the Company. They will review the operational risk registers every six weeks and recommend to the Management Team any risks that should be escalated to the strategic risk register.

Risk Owners

28. Risk owners will be responsible for updating their risk register every six weeks and identifying any new risks. Risk owners will be required to report on progress.

Risk Manager

29. For the purposes of this policy, the Risk Manager is the Governance and Risk Officer. The Risk Manager will review all risks at an operational level. The review will include but not be limited to:

- A gap analysis of the organisations functional risks which are not covered by any of the risk registers
- Proposition of any 'red' rated operational risks to the strategic register
- Challenge to the officers to ensure that scoring is accurate and consistent and that prioritisation is appropriate
- To ensure that mitigating actions which were proposed have been undertaken or that appropriate revised timescales have been provided

30. The Risk Manager is responsible for implementation of this Policy.

31. The Risk Manager will present the risk registers to the Board and Audit Committee in accordance with the timescales outlined above.

How to Treat a Risk

32. There are potentially four ways that a risk should be treated: -

- Tolerate – Done enough; cannot do any more; monitor risk closely.
- Transfer – Try to move the risk to another organisation, for example outsourcing; insure against risk.
- Terminate – Stop doing the activity.
- Treat – Put in place additional controls and monitoring arrangements.

33. These decisions will be taken at the appropriate level of the governance structure depending on the severity of the risk.

Training

34. Those involved with the risk management process will receive appropriate training and periodic refresher training.

Internal Audit

35. Periodically, risks will be reviewed and tested by Internal Audit. Any changes or discrepancies noted will be updated on the relevant risk register by the Risk Manager.

Responsibility

36. The responsibility for the implementation of the Policy is as follows:

- The Head of Corporate Services, in consultation with the Managing Director is responsible for advising the Company on risk management arrangements (Financial Regulation 12.1)
- The Head of Corporate Services will make the necessary arrangements to facilitate the implementation, monitoring and auditing of the company's Corporate Risk Management Policy
- Management Team will be responsible for identifying emerging risks, assessing significant risks arising from their service activities and for escalating risks to the strategic risk register
- All risk owners have a responsibility to implement and monitor adherence to the policy in the everyday activities of their specific service areas
- The Risk Manager will be responsible for implementing the Corporate Risk Management Policy, reviewing all risks at an operational level

Evidence of Compliance

37. Compliance will be evidenced by:

- The existence and implementation of a Risk Management Policy.
- Related policy statements and documented procedures.
- Strategic and operational risk registers for all of the Company's activities.
- Minutes from the TGHC Board, Audit Committee and Management Team.
- Internal audit reports.

Communication

38. The Policy will be published on the Company's Internet, Intranet and the Board Members website.

Review of Policy

39. The Policy will be reviewed and updated periodically with any significant changes being reported to the Audit Committee every two years.

Appendix 1

Ref No.	Strategic Risk	Owner

Consequence of the risk	

Current Likelihood	Current Impact

Previous Likelihood	Previous Impact

Existing Controls

1	
2	
3	
4	

Planned Controls

		Timescale
1		
2		
3		
4		

Future Likelihood	Future Impact

Cost effectiveness of planned controls

Appendix 2

Risk Register

Risk No	Risk	Controls	Likeli-hood	Impact	Owner	Future Actions	Timescale	Resid-ual Likeli-hood	Resid-ual Impact	Cost Effectiveness of Future Actions