



RISK MANAGEMENT POLICY	
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Osprey Housing

Risk Management Policy

Statement

Osprey Housing is committed to robust risk management

This is encompassed in our Core Values:

- **Ambition and Achievement** – we are a high performing organisation delivering through innovation and challenge

- **Equality and Respect** – we recognise and celebrate the unique value in everyone

- **Quality and Professionalism** – we strive to deliver high standards

- **Agile and Responsive** – we are flexible and quick to deal with change without diminishing our delivery

Risk Management Policy & Framework

1. Introduction

1.1 Osprey's Risk Tolerance Framework

Osprey Group is a registered charity which is committed to providing good quality affordable housing; this obligation is regulated by the Scottish Housing Regulator. Osprey's ability to effectively fulfil this objective rests, among other things on our core values:.

- Ambition and Achievement
- Equality and Respect
- Quality and Professionalism
- Agile and Responsive

This Framework considers the most significant risks to which Osprey is exposed and provides an outline of the approach to managing these risks.

1.2 General Framework of Tolerance

Osprey Housing faces a broad range of risks reflecting our responsibilities as a social landlord. These risks include those resulting from our responsibilities in the areas of financial viability, tenants, stock, and governance as well as our day-to-day operational activities.

The risks arising from our strategic goals and objectives to fulfil our responsibilities can be significant. These risks are managed through detailed processes that emphasise the importance of integrity, intelligent inquiry, maintaining high quality staff and customer accountability.

Osprey is also exposed to significant financial risks, largely due to our commitment to deliver high quality homes and services; and provide a housing service which creates value for the household and the wider community.

Osprey's approach to planning and delivery is to only make promises we can keep; we use careful scenario planning and ensure that we allocate the right resources at the right time.

In terms of operational issues, we have no more than a cautious tolerance for risk. We make resources available to control operational risks to acceptable levels and recognise that it is not possible or necessarily desirable to eliminate some of the risks inherent in our activities. We also recognise that some managed risk is often necessary to foster innovation within business practices.

2. Introduction to Risk Management

2.1 Definition of Risk Management

'Risk management' is the process by which risks are identified, evaluated, controlled and monitored. In this respect it is important that the Board has a clear understanding of the objectives of the organisation and the risks that may de-rail delivery of these objectives.

This risk management strategy is built upon the following fundamental principles:

- it recognises that ultimate responsibility for risk management lies with the Board;
- the management of risk is a continuous process involving regular monitoring and where necessary re-tuning and;
- the management of risk should be subjected to external scrutiny on a periodic basis.

The regulatory framework for social housing requires that organisations such as Osprey Group have an effective risk management and internal controls assurance framework.

2.2 Benefits of Effective Risk Management

Effective risk management has the potential to deliver a wide range of benefits including:

- Improved Strategic Management;
 - Better informed strategic objectives;
 - Risk based audit;
 - Enhancement of reputation through anticipating and responding better to threats and opportunities.
- Improved Operational Management
 - Pro-active approach to addressing legislative/regulatory requirements;
 - improved health and safety;
 - enhanced resource allocation.
- Improved Financial Management
 - Improved management of the business plan;
 - Enhanced financial control;
 - Better informed financial decision making.
 - Improved Customer Focus and Service
 - Reduced service disruption to customers;
 - Enhanced public safety;
 - New and innovative solutions to service delivery.

Overall, our approach to risk will provide assurance to the Board that the plans and strategies to mitigate and manage the key risks identified in this document are effective, which will in turn support the Board in achieving the following key objectives:

- Growth and diversification of our housing stock.

- Improving efficiency and achieving value for money.
- Delivering high quality homes and services.
- Excellence in governance and future viability.

2.3 The Risk Management Cycle



2.4 Setting a Risk Strategy

Risk can be any event which may affect an organisation's ability to meet its objectives or cause it to incur unexpected losses. Such events may affect the organisation's ability to compete in its markets, as well as maintain its financial strength, positive public image and the overall quality of its people and services.

Risk can be responded to in different ways, for example:

- **Transfer the risk** – by insuring against it.
- **Tolerate the risk** - where the risk is regarded as one that the organisation can legitimately bear and is often merely part of doing business as usual in the social housing sector e.g. having regard for local conditions in managing voids in individual areas.
- **Treat the risk** - where a risk may be at an otherwise unacceptable level but can be managed within risk tolerances. In these instances it is necessary to establish control procedures to reduce the level of risk to be within acceptable levels and set in place procedures to monitor the effectiveness of risk management. e.g. changes in interest rates or changes in the way in which the organisation carries out its business with a view to reducing the risk e.g. contracting out a service which is not believed to be a core activity.
- **Terminate the risk** - where the level of risk is unacceptable and the organisation does not believe it can or wants to manage it down to an

acceptable level e.g. withdrawing from a particular activity which is not considered appropriate, such as development for sale at market value.

Recovery plan - in the case of certain disaster scenarios, e.g. loss of an office due to a catastrophe, it may not be possible to adequately reduce the risk or to eliminate it. In these cases the response is to have a Major Incident plan in place which will recover the situation as quickly and as cost effectively as possible. Insurance is taken out to cover these areas of risk.

3. What Risks could Osprey Face?

3.1 Examples of Risk

Examples of the sorts of risk which Osprey, or indeed any housing association, could face include:

- Changes in Government policy;
- Political change e.g. Brexit
- Significant changes in interest rates/inflation;
- Increased competition;
- Significant shift in tenant needs/expectations;
- Failure of a new venture;
- Incomplete or inaccurate information on housing demand;
- Incorrect project appraisal assumptions;
- Onerous contract terms and conditions;
- Fraud;
- Inappropriate treasury instruments;
- Local resident disturbances;
- Unaffordable rents;
- Undue or inappropriate Board Member influence
- Staff disputes;
- Loss of key staff.

Osprey Group can never fully eliminate the above risks. However, the organisation needs to have robust risk management procedures to mitigate their effect.

3.2 The Cost of Risk

Service organisations have to view their risks from two perspectives. First there are the direct costs and additional impact that a risk event could have on an organisation. Second, there are the costs and impact of such an event on the community that they serve.

	Tangible Costs	Intangible Costs
Cost of Control	<ul style="list-style-type: none"> • Insurance • Audit • Inspection regimes • Maintenance programmes • Training 	<ul style="list-style-type: none"> • Goodwill • Reputation • Morale • Absence and health issues • Positive performance

	<ul style="list-style-type: none"> • Supply chain management • Budget management 	<ul style="list-style-type: none"> • Leadership and good management
Cost of Risk	<ul style="list-style-type: none"> • Court claims, legal expenses • Clean up costs • Fines from service failure • Credit costs • Strike costs • Penalties • Time and costs of change 	<ul style="list-style-type: none"> • Reputation damage • Uncertainty • Loss of confidence • Loss of capacity • Failure to achieve objectives

4. The Risk Management Framework

4.1 Approach to and Tolerance of Risk

Osprey Group's risk management framework seeks to ensure that there is an effective process in place to manage risk across the business. Risk management is integral to all aspects of our activities and is the responsibility of all staff. Directors have a particular responsibility to evaluate their risk environment, to put in place appropriate controls and to monitor the effectiveness of those controls. The risk management culture emphasises careful analysis and management of risk in all business processes.

Risks are identified, assessed and managed at both an executive level ('top-down') and business level ('bottom-up'). Each Committee of the Board has ownership over a number of key strategic risks which they review on a six monthly basis. They then report back to the Board. This process ensures that the Board is fully involved, understands the scale and timing of key risk exposures, and enables them to decide how and when the necessary decisions are taken.

4.1.1 Risk Tolerance Descriptions

The Group have agreed the following levels of risk tolerance:

Averse or 'No Tolerance' - Avoidance of risk and uncertainty is a key organisation objective.

Minimal - Preference for ultra-safe options that are low risk and only have a potential for limited reward.

Cautious - Preference for safe options that have a low degree of risk and may only have limited potential for reward.

Open - Willing to consider all potential options and choose the one most likely to result in successful delivery, while also providing an acceptable level of reward and value for money.

Eager - Keen to be innovative and to choose options offering potentially higher business rewards, despite greater inherent risk.

Osprey's levels of tolerance towards our key areas of risk namely: strategic, financial, assets, housing, corporate and governance, Covid-19 and Osprey Initiatives are described below.

4.2 Strategic Risks

The Strategic risks include:

- **Health & Safety** – Osprey has a duty of care for all staff and for staff not to endanger other employees under Health & Safety legislation. Osprey aims to create a safe working environment for our entire staff team, where people are protected from physical or psychological harm. **Osprey has a no tolerance for practices or behaviours that lead to staff being harmed while at work.**
- **Reputation** – Osprey needs to live up to tenants, partners, stakeholders and staff expectations, failure to do so could have serious ramifications for Osprey's reputation and the sector as a whole. **Osprey has minimal tolerance for failures to our reputation.**
- **Cyber Attack** - Osprey aims for strong internal control processes and the development of robust technology solutions. Cyber-attack on online systems or networks: **Osprey has no tolerance for threats to Osprey assets arising from external malicious cyber attacks.**
- **Regulatory Compliance** – Osprey is committed to a high level of compliance with relevant legislation, regulation, industry codes and standards as well as internal policies and sound corporate governance principles. Identified breaches of compliance will be remedied as soon as practicable. **Osprey has no tolerance for deliberate or purposeful violations of legislative or regulatory requirements.**
- **Political Change** - **Osprey has no tolerance for failure to mitigate for the consequences of specific political changes**

4.2.1 Financial Risks

Osprey holds social housing stock providing amenities for our tenants, for which it will borrow against to finance the maintenance of existing and the delivery/development of additional affordable social housing. The homes we provide are critical to the sustainability of local communities and with that in mind **Osprey has a minimal tolerance for any budget variance.** However, we accept with delivery/development projects where we have controls and contracts which govern the cost Osprey has an open tolerance to development risk. We acknowledge that on occasions it is necessary to accept a level of risk with delivery/development in return for greater benefit. It is our aim to provide good quality housing, achieving value from what we do and keeping costs down. To achieve this, we will always protect our existing social housing stock through our management of financial risks.

The Group has no tolerance for any fraud or corruption perpetrated by our staff. Osprey takes all allegations of suspected fraud or corruption very seriously and responds fully and fairly as set out in the Code of Conduct.

4.2.2 Asset Management Risks

Osprey has no tolerance for any breach of gas or asbestos or regulations that may endanger human life. We take our responsibilities to provide a duty of care to our customers and tenants very seriously and provide clear policy and procedural guidance to ensure we discharge our duties in accordance with relevant legislation and best practice.

4.2.3 Housing Risks

The Group aspires to be an excellent housing provider, measured by the quality and effectiveness of our operations. This requires on-going development and innovation in our operations through strategic initiatives. **Osprey has a minimal tolerance for threats to the effective and efficient delivery of our services.** We recognise that the actual or perceived inability to deliver strategic initiatives could have a significant impact on our ability to achieve our objectives as well as our reputation.

4.2.4 Corporate and Governance Risks

Governance Arrangements - Osprey's governance arrangements are the overarching approach through which the Board and Senior Leadership Team direct and control the entire organisation. It governs through a combination of rules, policies, procedures and training which establish legislative compliance and embed the strong social values of the Group. The Board retains overall responsibility for risk management and for determining the Group's tolerance of risk. The detailed scrutiny and evaluation of risk is delegated to the various Committees. The Board, supported by the Committees and the Senior Leadership Team agree an annual risk register ensuring that effective internal controls and appropriate systems for business assurance are in place. This practice provides and promotes the internal control framework and safeguards ensuring that good governance and risk management are embedded within the organisation. The recommendations emerging from this process are routinely implemented within timescales agreed by the relevant Committees.

Governance activities ensure that critical management information reaching the Board and Senior Leadership Team is sufficiently complete, accurate and timely to enable appropriate management decision making, and to provide the control mechanisms to ensure that strategies, directions and instructions from management are carried out systematically and effectively. **Osprey has no tolerance for a breach of our governance arrangements.**

- Information Management - The Group is committed to ensuring that our information is accurate, relevant, up to date and well managed in accordance with legislative and business requirements. **We have a minimal tolerance for the compromise of processes governing the use of information, its management and publication and no tolerance for the deliberate misuse of our information.**
- Information Technology - Information Technology (IT) risks cover both daily operations and on-going enhancements to Osprey's IT systems. They are managed through the business continuity plan. These include:

- Processing – Prolonged outage of a core IT system: **Osprey has a minimal tolerance for risks to the availability of systems**

which support our critical business functions including those which relate to property services, the contact centre and financial management. Maximum recovery times have been identified and agreed.

- On-going Development: The implementation of new technologies creates new opportunities, but also new risks. **Osprey has a cautious tolerance for IT system-related incidents which are generated by poor change management practices.**
- Calibre of People - Osprey relies on motivated and high quality staff to perform our functions. We aim to create an environment where team members are empowered to the full extent of their abilities. **The risk of any failure to meet customer needs through our collective competencies, knowledge and skills is minimal.**
- Conduct of People - Osprey expects our team members to conduct themselves with a high degree of integrity, to strive for excellence in the work they perform and the outcomes they achieve. **Behaviours which do not meet these standards are not tolerated.** Osprey takes very seriously any breaches of our Code of Conduct.

4.2.5 Covid 19 Risks

Due to the exceptional nature of the Covid 19 pandemic and its associated risks to Osprey's business, the risks have been carefully analysed in all operational activities and added to the Osprey Risk Register as an independent item.

4.2.6 Osprey Initiatives Risks

As a subsidiary of Osprey Housing Osprey Initiatives and its associated risks which can be different from those of the parent organisation. Because of this there is a dedicated page on the Osprey Risk Register.

4.3 Implementation of the Osprey Group's Risk Tolerance

The Senior Leadership Team is responsible for the review of and, implementation of, and compliance with this Framework.

Each department contributes to the central Risk Register of the business risks it faces in its day-to-day operations and the control framework which is in place to mitigate risks. This Register includes risks from within and external sources all of which are reviewed regularly. The Risk Register is also updated when there are key changes in policies, structures or functions.

All risks which are judged as unacceptable at departmental level are reported to and reviewed by the Senior Leadership Team and actions to reduce and mitigate these risks to acceptable levels are identified and reported on the Risk Register which is reviewed by the Board.

Departments are delegated responsibility to manage their specific operational risks in a manner which is consistent with this Framework and appropriately escalating any risks outside tolerance or agreed tolerance levels. Departmental risk tolerance settings for each risk in the Risk Register must also be consistent with this Framework.

5. Practical Implementation of the Risk Management Strategy

5.1 Risk Register

All staff within Osprey are to be encouraged to identify actual and potential risks to the organisation. This is to be done through;

- team meetings, where risk identification and management should be a regular agenda item;
- the Senior Leadership Team consider the risk register and risk management on a monthly basis.

The system we use to manage and control risks is set out in Appendix 1. All risks will be identified to the level of risk i.e. High, Medium or Low.

Every risk on the risk register is clearly linked to the strategic ambitions as defined in the Strategic Business Plan. This clarity ensures that mitigating actions agreed will be fully effective in helping Osprey to achieve the relevant strategic objective(s).

The current risk register is a living document which will be developed and amended as risks change. The register will be considered and revised by the Committees and by the Board twice a year.

The Senior Leadership Team meets regularly to discuss major service issues and initiatives. A framework is in place providing a monthly review of strategic performance, risks and service improvement plans to ensure that these initiatives are managed and reported on a consistent basis.

5.2 Responsibilities within the Risk Management Strategy

- **Overall responsibility for risk in Osprey:**
Osprey's Board
- **Responsibility for initiating, co-ordinating and maintaining the risk management strategy:**
Committees.
- **Responsibility for overseeing the effective implementation of the risk management strategy and for ongoing monitoring:**
The Senior Leadership Team with input from Internal and External Audit.
- **Responsibility for day to day management of risk:**
The Senior Leadership Team and all team members.

5.3 Risks Escalated to Board outwith Planned Process

In certain extreme circumstances, if deemed necessary by the Senior Leadership Team, high priority changes to mitigating actions or new risks can be escalated to the Board in between planned meetings.

The process for escalating risks and changes to the Risk Register out with planned Board meetings will be as follows:

- CEO (Or Deputy) informs Chair of Board of issue
- Action to mitigate the risk is agreed
- Board Members are informed of the issue and the proposed solution and asked for their approval. This would normally be done via email to save time and resources
- Senior Leadership Team are informed and asked to action

in severe emergencies when alternative temporary governance measures are required immediately the Emergency Cabinet Board (ECB) as defined in the Schedule of Delegated Authority Appendix 8, will be triggered.

5.4 Risk Management Training

In view of the importance of effective risk management, it is proposed that regular training of the Board and the Senior Leadership Team takes place.

In addition, 'risk awareness' is to be included as part of the induction training for all new employees.

6. Equal Opportunities

The Group shall strive to ensure equality of opportunity, and by definition, that all individuals are treated fairly regardless of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. The Group opposes, and shall adopt a zero tolerance stance towards, all forms of unlawful discrimination, harassment and victimisation.

In this regard, the Group acknowledges the protected characteristics and types of unlawful behaviour defined within the Equality Act 2010. As a minimum all practices shall aim to ensure compliance with the legislative provisions therein.

7. Monitoring & Reporting

The Group will monitor this policy in conjunction with our other policies and procedures to ensure that it is being adhered to.

8. Review

This policy will be reviewed every 3 years unless the following criteria dictate that it would be best practise to review sooner:

- i. applicable legislation, rules, regulations and guidance, both those which affect the Group directly and those which affect the resources available to significant numbers of our customers to enable them to sustain tenancies
- ii. changes in the organisation
- iii. continued best practice

Managing the Risk

1. Establishing Responsibilities

Responsibility for risk management rests ultimately with the Board. All reports to them recommending new initiatives and/or changes to existing policies will identify any associated risks and actions to be taken to mitigate these risks including the impact of not taking the action recommended.

Within Osprey, the Board has delegated responsibility for overseeing the effective management of risk to Committees, who in turn have assigned the organisation's Senior Leadership Team with responsibility for day to day management of risk.

All levels of staff should be and feel that they are responsible for the management of risk in their area.

2. Identification of Risk

The Board, Committees and Senior Leadership Team should have an overall feel for the risks faced by the Osprey Group. It is important that the identification and assessment of risks is conducted in a structured way, through the development and management of a risk register. This will ensure that:

- all major risks are identified;
- the evaluation of risk can be set in the context of the overall activities of the organisation;
- risks can be prioritised to ensure that management and resources are focused on the critical areas.

3. Evaluation of Risk

The risk register is used to assess the likelihood of the event happening and what impact it will have. Risks are given a mark for both factors as follows:

Score	Likelihood	Impact
1 to 3	Very unlikely	Limited impact on operations
4 to 7	Could happen	Damaging impact but not threatening the viability of operations
8 to 10	Very likely	Seriously threatens the viability of operations

Likelihood and Impact are then multiplied together to give a priority:

Score	Priority	
0 to 39	Low	Green
40 to 79	Medium	Amber
80 to 100	High	Red

Risks are visually assigned red, amber or green rating based on the view prevailing at the time of assessment as to the likely impacts and probability of each risk crystallising.

If, after following this evaluation process the organisation assesses the risk status is acceptable the risk should be tolerated. If the risk remains unacceptably high (a red rating) the organisation must seek to identify further mitigating actions to bring it down to an acceptable level.

3. The Review Process

Risks change over time and therefore risk assessment should not be a one-off exercise but a regularly reviewed process. To be effective, risk management must continually refocus on the changing opportunities and risks facing the organisation. Good individual controls do not necessarily add up to being in overall control.

Risk management should be subject to Board/ Committee/Senior Leadership Team scrutiny. A periodic independent review of risk management should be undertaken by an external body such as internal or external audit or another suitable consultant. The results of such a review should be considered by the Committees and then reported to the Board.