

RISK MANAGEMENT STRATEGY

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SECTION 1 - INTRODUCTION

DEFINING RISK MANAGEMENT

Identifying and managing the possible and probable risks that MHA may face is a key part of effective governance. The Risk Management Strategy reflects the fact that the Association is a Registered Charity.

By managing risk effectively, the Management Committee can help ensure that:

- Significant risks are known and monitored, enabling informed decisions and timely action to be taken
- MHA makes the most of opportunities and develops them with the confidence that any risks will be managed
- Forward and strategic planning can be improved
- MHA's aims and objectives are achieved more successfully
- Obligations that MHA has as a Registered Charity and regulated organisation are met

It is important to note that there is an element of risk in most activities that MHA undertakes. The diverse and increasingly complex nature of these activities means that different types of risk and levels of exposure need to be faced.

Generally, risk needs to be considered in terms of the wider environment in which MHA operates. The financial climate, changing attitudes in society together with legislation, revised regulation and new technologies all affect the organisation and impact on the level of risk MHA is exposed to. Risk can, therefore, be defined in both financial and non-financial terms, but the ultimate impact of risk is financial in most cases as this has implications for viability. In order to adequately address risk related issues, the monitoring and assessment of risk has been placed under the remit of MHA's Management Committee.

MANAGING RISK

Following identification of the risks that MHA may face, decisions need to be made about how they can be most effectively managed. The purpose of the Risk Management Strategy is to provide a framework to enable the Management Committee to make decisions about the levels of risk management that can be delegated to staff

and what matters should be referred to them for decision. In terms of a framework, there are four basic strategies that can be applied to manage an identified risk. These are:

- **Transferring Risks**: Transferring any financial consequences to third parties or sharing the risk through outsourcing or insurance wherever possible (E.g. using Consultants in building contracts or Mentor for employment advice). In both cases, MHA is protected from financial risks through indemnities supplied by the third parties.
- **Avoidance of Risks**: Avoiding activity giving rise to a risk. (e.g. the presumption against development given the risk associated with the new funding regime and grant levels being promoted by the Scottish Government)
- **Managing/Mitigating Risks**: The management or mitigation of risk as set out at section 2 below
- **Acceptance/Assessment of Risks**: Accepting or assessing an activity as a risk that cannot be avoided if an activity is to continue (e.g. MHA leasing vehicles for the in-house team. There is a risk that vehicles may be damaged leading to costs being incurred, but such risk is outweighed by the requirement to provide tenants with a responsive repairs service)

The Role of the Management Committee - The responsibility for the management and control of a charity rests with the Management Committee as the governing body and therefore the close involvement of the Management Committee in the key aspects of the risk management process is essential. In particular, the role of the Committee is crucial in setting parameters for the risk management process and reviewing and considering outcomes. This should not be interpreted as meaning the Committee has to undertake all aspects of the process themselves as most of the work will be delegated to staff or professional advisers. However, the Management Committee must review the process and be satisfied that risk management is being effectively addressed. Consequently, it is important to recognise that the attitude towards risk management is an on-going continuous process that needs to permeate all operational activity.

SECTION 2 - RISK MANAGEMENT PROCESS

Risk Management Process - The risk management process that MHA has developed is aimed primarily at preventing major risks impacting on the organisation. A risk may have a major impact on the Association in one of the following areas:

- Governance
- Operations
- Finances
- Environmental/external factors
- Compliance with law or regulation

Any of these major risks and their potential impacts could adversely affect the way MHA is perceived by Committee Members, Regulators, funders, tenants etc. Consequently, in order to avoid this from occurring, the risk management process attempts to ensure that issues of risk are assessed at all levels of organisational activity.

Risk Audit Register - The primary method to achieve this objective has been the development of a Risk Audit Register which covers all aspects of MHA's activity and it is updated annually. The Register is reconciled with the internal planning system where work plans are reviewed annually covering all areas of activity. The individual risk management requirements for each function are fed into the Risk Audit Register.

ASSESSING RISK

The Strategy incorporates a "heat map" scoring system. This has been developed with detailed reference to work undertaken by the Charity Commission which, in June 2010, produced guidance entitled Charities & Risk Management. It also reflects HM Treasury Guidance. The heat map system has categories for both impact and likelihood and introduces a scoring system to determine the level of possible risk.

Consequently, the heat map below demonstrates a way of assessing risk by increasing the weighting of impact. This works on a scoring of $xy+y$ where x is likelihood (or probability) and y is the potential impact. The formula illustrates what score is produced when impact is multiplied by likelihood and then another weighting is added for

impact. The effect, therefore, gives extra emphasis to the possible impact when assessing risk.

HEAT MAP

Detailed below are the scores achieved when impact is multiplied by likelihood then impact is added again. All issues set out in the Risk Register are scored on this basis. When scoring risk it should be remembered that there is always a degree of judgement or subjectivity involved!

The risks are identified should be quantified in relation to **inherent risk** (the level of risk if no action is taken) and **residual risk** (the level of risk after measures to control it are applied).

Risks have then been classified based on the residual risk score:

Green: Insignificant: score 2 or 3

Blue: Minor: score 4 to 6

Yellow: Medium: score 8 to 12

Red: High: score 15 or higher

Impact	Extreme/catastrophic 5	10	15	20	25	30
	Major 4	8	12	16	20	24
	Moderate 3	6	9	12	15	18
	Minor 2	4	6	8	10	12
	Insignificant 1	2	3	4	5	6
		1 Remote	2 Unlikely	3 Possible	4 Probable	5 Highly Probable
Likelihood						

The system highlighted above confirms that methodologies for measuring the impact and likelihood of risk have developed in recent years. It has become accepted that risks that have a high impact and low likelihood of occurring are of greater importance than risks with a very high likelihood, but an insignificant impact on the organisation. The concept of impact, the likelihood of risks occurring and their interaction therefore should be given

prominence in both risk assessment and risk management processes. In practical terms this means that if MHA is vulnerable to a risk that potentially might have a severe impact on operations, it should be considered and evaluated regardless of how remote the likelihood of it happening appears to be.

It should be stressed that when monitoring risk, those with a low impact should be reviewed as well as the identifiable high impact ones. Guidance from the Charity Commission indicates that business failures often occur as a result of a series of low impact risks which can, if not addressed, have a cumulative impact with extreme consequences. This guidance points out that if organisations focus only on big risks they will end up ill-prepared to deal with the interaction of separate adverse events coming together. From MHA's perspective, it is vital that all risks contained in the Risk Register are monitored appropriately.

The following tables can be used to provide some guidance on the 1-5 scoring illustrated in the heat map.

Impact

Descriptor	Score	Impact on service and reputation
Insignificant	1	- no impact on service - no impact on reputation - complaint unlikely - risk of litigation remote
Minor	2	- slight impact on service - slight impact on reputation - complaint possible - litigation possible
Moderate	3	- some service disruption - potential for adverse publicity - complaint probable - litigation probable
Major	4	- service disrupted - adverse publicity not avoidable - complaint probable - litigation probable
Extreme/Catastrophic	5	- service interrupted for some time - major adverse publicity - major litigation expected - resignation of senior management - loss of customer confidence

Likelihood

Descriptor	Score	Example
Remote	1	may only incur in exceptional circumstances
Unlikely	2	expected to occur in a few circumstances
Possible	3	expected to occur in some circumstances
Probable	4	expected to occur in many circumstances
Highly probable	5	expected occur frequently & in most circumstances

All risk assessments will be undertaken using the process highlighted above. This will mean a regular re-appraisal of all identified risks that are contained in the current Risk Audit Register.

Risk Audit Register - The purpose of the Risk Audit Register is primarily to act as a management tool for monitoring areas of risk and identifying emerging risks on an on-going basis. Responsibility for this lies with the staff Management Team to ensure that issues are dealt with in a rational and coherent manner and issues are reported to the Committee as appropriate. Consequently, the Management Team will be charged with ensuring:

- All currently identifiable risks are re-evaluated and a strategy developed for dealing with scores from the heat map system
- New risks are properly reported and evaluated
- Risk aspects of significant new projects are considered as part of project appraisals
- Any significant failures of control systems are properly reported and remedial action taken
- There is an adequate level of understanding of individual responsibilities for both implementation and monitoring of control systems
- That any further actions required are identified through individual functional planning processes
- That the governing body is provided with relevant and timely reports and review the risk management process annually.

SECTION 3 - RISK MONITORING

In terms of governance, issues related to risk management are dealt with by MHA's Management Committee. It is the responsibility of the Management Committee to adopt the Risk Management Strategy as the framework for assessing risk and thereafter delegated to the Audit & Risk Sub-Committee who have the responsibility for examining the Risk Audit Register as well as receiving Reports as required. The Management Committee will review the Risk Management Strategy on an annual basis.

REGULATORY COMPLIANCE

SHR Regulatory Framework - The Scottish Housing Regulator's Regulatory Framework "Regulation of social housing in Scotland" (February 2019) states in the Regulatory Standard 4 "The governing body bases its decisions on good quality information and advice and identified and mitigates risks to the organisation's purposes". It further states:

4.3 The management committee identifies risks that might prevent it from achieving the Association's purpose and has effective strategies and systems for risk management and mitigation, internal control and audit.

4.4 Where the Association is the parent within a group structure it fulfills its responsibilities as required in our group structures guidance to:

- Control the activities of, manage risks arising from, its subsidiaries;
- Ensure appropriate use of funds within the group;
- Manage and mitigate risk to the core business; and
- Uphold strong standards of governance and protect the reputation of the group for investment and other purposes.

This means that MHA should be able to demonstrate an understanding of the main risks, the trigger points and the effectiveness of the mitigation strategies which are in place.

SHR Publication on Risks - The Scottish Housing Regulator's publication "Summary of the risks we will focus on" (November 2019), identifies the key risks they will focus on as follows:

Service quality: The Housing Charter sets the standards and outcomes that all Housing Associations should aim to achieve when performing their housing activities and their duties to help people who are homeless, duties around the safety of tenants' homes and promoting equalities and human rights. The SHR base their risk assessment of service quality on the ARC. They focus on the areas that tenants say matter most to them and where there is a legislative duty on landlords:

- Tenant satisfaction
- Complaint handling
- Repairs
- Gas safety
- Anti-social behaviour
- Tenancy sustainment
- Rent collection
- Re-lets and managing empty homes
- Lets to people who are homeless.

The SHR also use Supplementary information provided in the ARC, previous engagement with a Housing Association and other information gathered as part of their regulatory work.

Annually the Charter data is used to look for trends and identify consistent poorer or deteriorating performance. The HSR will normally engage with a Housing Association about service quality where they have concerns about five or more indicators. They may also engage on the basis of fewer indicators if there is a need to protect tenants and service users (e.g. gas safety).

Rent affordability and VFM: Housing Associations need to be able to keep rents affordable for their tenants and service users and be able to demonstrate how they provide VFM for the rents they charge. Planned rent increases could cause future affordability issues for tenants in receipt of HB as well as tenants in work whose pay may not keep up with the pace of inflation. All Housing Associations are required to be transparent about costs, to engage with their tenants about what is affordable for them, and to do all they can to be efficient and drive costs from their business before passing these on to tenants.

Homelessness services - It is vital that people who are homeless, or threatened with homelessness, can quickly and easily access the services they need, including temporary accommodation if necessary.

Local authorities have specific statutory duties to people who are homeless, or threatened with homelessness. Housing Associations also play a key role in preventing homelessness through managing arrears, providing temporary and settled accommodation and supporting people who were homeless to sustain their tenancies.

The SHR has a strong focus on how local authorities deliver homelessness services and how they and Housing Associations work together to deliver homes for people who need them. The SHR will consider the following areas in their risk assessment:

- Access – whether LAs are complying with their statutory duties to make inquiries into a person's homelessness
- Assessment – how long it takes to complete homelessness assessments and the decisions made
- Temporary accommodation – whether LAs are complying with their statutory duties to offer temporary or emergency accommodation to

- people when they need it, the quality of the temporary accommodation, and how long people spend there waiting for a home
- Outcomes – how quickly people get settled accommodation after a LA has assessed that it has a duty to provide this, the number of lets Housing Associations provide to people who are homeless and the sustainment of those lets.

Quality and maintenance of homes - Housing Associations are legally required to ensure their houses meet the Scottish Housing Quality Standard (SHQS). They are also required to ensure their houses meet the Energy Efficiency Standard (ESSH) for Social Housing by 31 December 2020.

Housing Associations should have robust asset management strategies and plans. This means having good quality information about their homes in place to inform planned investment costs, liabilities and projected spend. Therefore when the SHR assess risk to the quality of tenants' homes and decide the level of assurance they need we consider:

- How Housing Associations are addressing houses which fail SHQS and ESSH
- Whether Housing Associations have good quality, up-to-date information about the quality of their existing homes and future survey plans.

The HSR will also look at a Housing Association's ability to meet its maintenance obligations in general. Where is not meeting the requirements of SHQS or ESSH or there are other potential issues highlighted from the stock quality risk assessment, the SHR may seek additional assurance from the Housing Association.

The Scottish House Condition Survey 2017 recognised that a significant number of pre-1919 tenements are in critical disrepair. The SHR will monitor the impact this may have on LAs and Housing Associations who own pre-1919 stock. The focus will be on seeking assurance that those Housing Associations are making adequate provision in their business plans for the necessary maintenance and investment plans.

Tenant and resident safety- All Housing Associations are required to meet their legal duties around tenant and resident safety. This includes areas such as the management of asbestos, as well as gas and electrical safety and fire regulations. They must be able to get the assurance they need that they meet these duties and act quickly to address any non-compliance.

Good financial health - Housing Associations must comply with the Regulatory Standards of Governance & Financial Management. Regulatory Standard 3 is the principal standard governing financial management and requires an RSL "to manage its resources to ensure its financial well-being and economic effectiveness". When the SHR considers financial health they look at the risk or probability that a Housing Association will not comply with this standard. The SHR will consider the following themes:

- General financial well-being: using a range of ratios and trend information to measure an HA's financial performance. Also consider each HA's ability to provide accurate forecasts of its financial performance

- Rent levels and the impact of welfare reform: measure the impact and potential impact of changes in the welfare system by considering the trends in voids, bad debts, arrears and rent increases
- Pensions: consider each HA's pension position and the impact and potential impact upon the HA's financial well-being
- Other activities and group structures: consider the risk that diversification into non-social housing activities (e.g. factoring or care and support activities) may present to each HA.
- Development: consider the impact of any programme to build new houses
Treasury: consider the degree of complexity of each HA's funding strategy and debt repayment profiles
- Other regulatory information: consider other relevant information including auditor reports under S72 of the Housing (Scotland) Act, notifiable events, whistleblowing and auditors' management letters.

The Regulatory Standards contain an explicit requirement for HAs to maintain rents at a level that tenants can afford to pay. The SHR will monitor and assess the compliance of each HA with this requirement.

Good governance - underpins the delivery of financial health and good services to tenants and HA's are assessed against our Regulatory Standards of Governance and Financial Management. All HAs are required to comply with these standards.

The SHR consider a range of factors or circumstances that indicate risk. This included a combination of the statistical data gathered, other evidence and intelligence from engaging with HAs. The SHR considers whether this information could indicate a risk to the management committee:

- delivering good tenant outcomes
- demonstrating strong and effective leadership
- managing and mitigating risk sensibly
- being open and accountable
- meeting its legal obligations in relation to equalities
- maintaining ethical standards.

The annual assurance statements are an important part of the evidence used to assess risk and the information gathered from the ARC and Financial Returns including:

- management committee membership, numbers and length of tenure
- the length of tenure of the Chair
- staff turnover, use of external & internal audit, including the frequency with which the external auditor is rotated.
- Information & intelligence from previous engagements with the HA
- any concerns raised directly with the SHR by tenants and other service users, including Significant Performance Failures
- any whistleblowing or allegations about improper conduct reported to the SHR
- information gathered during inquiry work (including thematic inquiries)
- any complaints about the HA to the SPSO
- information from statutory auditors
- broader performance or financial issues that raise concern about its governance.

Appendix 1

RISK AUDIT REGISTER
(As at SEPTEMBER 2020)

LS/SEPTEMBER.2020/REF.S

OVER ARCHING TOP 10 RISKS FOR MHA AS AT SEPTEMBER 2020

No.	RESIDUAL RISK SCORE	RISK AREA
1	30 (Inherent 30)	<u>COVID</u> - Failure to ensure business continuity in the event of Covid-19 emergency
2	24 (Inherent 30)	<u>RENTAL INCOME</u> - Loss of rental income and higher rent collection costs due to Universal Credit and other external factors
3	20 (Inherent 30)	<u>LEGAL/REGULATORY REQUIREMENTS</u> - MHA fails to comply with legal or regulatory requirements
4	20 (Inherent 24)	<u>ECONMIC FACTORS</u> - Severe deterioration in external economic conditions (e.g. as a result of Covid-19 and/or Brexit)
5	20 (Inherent 24)	<u>IMO SERVICE</u> - Demand for MHA's Income Maximisation Service increases sharply as more tenants move to Universal Credit
6	20 (Inherent 24)	<u>VOIDS</u> - Void losses continue to be high
7	20 (Inherent 24)	<u>SUPPORTED ACCOMMODATION SERVICE</u> - Cuts to or loss of funding for MHA supported accommodation, as a result of changes to GCC policy and funding criteria
8	16 (Inherent 30)	<u>TENANTS SAFETY</u> - Failure to comply with statutory duties to ensure the safety of tenants and residents
9	16 (Inherent 20)	<u>RENT LEVELS</u> - Rent levels are not sufficient to provide services and investment at the level that is needed

10	16 (Inherent 20)	<u>VULNERABLE SERVICE</u> - Harm experienced by vulnerable people using MHA services or facilities
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	RISK AREA	KEY RISKS & POSSIBLE CONSEQUENCES	EXISTING CONTROLS & ASSURANCE	FUTURE ACTION PLANNED	(I)	(L)	RESIDUAL (TOTAL)	(I)	(L)	INHERENT (TOTAL)
1	<p>Failure to ensure business continuity in the event of Covid-19 emergency</p> <p><i>Risk Type:</i> External Strategic Operational Community impact Business interruption Financial</p>	<p><u>Key risks include:</u></p> <ul style="list-style-type: none"> - Immediate, unplanned change needed as result of health advice and lockdown - Outbreak of infection among staff and/or community - Staff/contractors not wearing PPE - Isolation & lack of support for vulnerable residents - MHA systems do not support homeworking - Damage to MHA property/assets 	<ul style="list-style-type: none"> • Service delivery switched to essential services, in accordance with SG guidance to safeguard wellbeing of tenants, staff and contractors • Tenants have received clear information on essential services • Tenants advised of named MHA contacts details for essential services & other advice, following closure of office to staff and customers • Key staff equipped to work from home & able to access 	<ul style="list-style-type: none"> • Continue to develop MHA's response in light of government & other relevant advice • Planning is taking place for post-lockdown resumption • Review effectiveness of MHA's resilience measures, following resumption of normal business • Begin to develop longer-term plans • Migration to 	5	5	30	5	5	30

	<ul style="list-style-type: none"> - Potential for financial losses, legal action, damage to MHA's reputation and standing in the community - Uncertainty about MHA's financial resilience in the post-emergency period <p><u>Risks could result in:</u></p> <ul style="list-style-type: none"> - At worst, loss of life - Inability to provide a service (e.g. tech issues or staff illness) - Significant increase in rent arrears if tenants who are able to do not pay rent - Disruption to MHA's governance - Deterioration in MHA's financial resilience, which could lead to weaker cash flows and the need for 	<p>MHA systems remotely</p> <ul style="list-style-type: none"> • Register of vulnerable tenants in place & used to check on wellbeing of vulnerable people • Manager oversight of services being delivered & to check in with staff regarding their wellbeing • MHA systems safeguarded from cyber attack • Governance arrangements adapted to reflect Covid-19 restrictions and legal advice • For medium/longer term impacts, additional funding sought & obtained under MHA's Post 	<p>cloud-based systems later in 2020 will further enhance IT resilience in the event of future emergencies</p>							
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		higher rents and reduced spending on MHA's services and homes	Covid Future Fund proposal							
2	<p>Loss of rental income and higher rent collection costs due to Universal Credit and other external factors</p> <p><i>Risk Type:</i> External Strategic Operational Financial</p>	<p>Key Risks include:</p> <ul style="list-style-type: none"> - Application and payment arrangements for Universal Credit (UC) - Lower income levels among working tenants - Not resourced/able to practice intensive arrears management, particularly for UC cases - Any future changes to rules for tenants mandating HB/UC to be paid direct to their landlord, or cessation of SG funding of DHPs to mitigate the Bedroom Tax <p>Risks could result in:</p>	<ul style="list-style-type: none"> • Specialist Rent & Income Management Teams in place and work together closely • Consistent promotion of a rent payment culture • Referral of tenants to the IM team and other sources of support • Robust management of arrears where tenants refuse to work with MHA to reduce their arrears • Regular reviews using performance data & case studies, to track the impact 	<ul style="list-style-type: none"> • Maintain income maximisation service at least at current levels - highly successful • Keep overall rent collection strategy under review 	4	5	24	5	5	30

		<ul style="list-style-type: none"> - Slower collection of rent - Increased rent arrears - Reduction in Rent Team resources for proactive work on lower arrears cases - Possible diversion of staff resources to arrears mgt., from other MHA service areas 	<p>of UC on rent collections, and identify solutions</p> <ul style="list-style-type: none"> • Policy is to seek direct UC housing costs payments to MHA (Delays by DWP in making payments but these are received eventually) • Practical help offered to tenants, with claiming UC and maintaining UC journals 							
3	<p>MHA fails to comply with legal or regulatory requirements</p> <p><i>Risk Type:</i> Legal Regulatory Strategic Governance</p>	<p>Key Risks include:</p> <ul style="list-style-type: none"> - Exposure to regulatory action (E.g. HSE, Information Commissioner, SHR) - Failure to meet standards set by SHR. <p>Risks could result in:</p> <ul style="list-style-type: none"> - Fines 	<ul style="list-style-type: none"> • Policies & procedures in place for all aspects of service delivery, governance and organisational management • Risk related issues addressed by Management Team and Audit & Risk Sub Committee. Robust and on-going 	<ul style="list-style-type: none"> • Ongoing monitoring and updating of MHA's key strategic documents and the associated processes. • Reduce level of engagement by SHR, through continued 	4	4	20	5	5	30

		<ul style="list-style-type: none"> – Reputational damage – Increased SHR engagement level, accompanied by major disruption for the work of Management Committee, Directorate and MHA as a whole. 	<p>processes to monitor and report on risk.</p> <ul style="list-style-type: none"> • MHA Code of Governance (reviewed annually) • Compliance with SHR requirements is constantly monitored. • MHA Business Plan • MHA Governance Review Action Plan 	implementation of Action Plan						
4	<p>Severe deterioration in external economic conditions (e.g. as a result of Covid-19 and/or Brexit)</p> <p><i>Risk Type: External Financial Operational</i></p>	<p>Key Risks include: Deep recession as a result of Covid-19 economic shocks If no trade deals with EU ratified by 31.12.20:</p> <ul style="list-style-type: none"> – UK economy moves on to World Trade Organisation trading terms and rest of the world – Return of “no deal” Brexit risks – Shocks to the UK economy that could impact on all UK 	<ul style="list-style-type: none"> • Additional funding sought and obtained under MHA’s Post Covid Future Fund proposal, to help mitigate future economic shocks • Continued monitoring of economic changes and forecasts • Maintain close relationships with elected politicians • Use best available assumptions in financial projections 	<ul style="list-style-type: none"> • Contingency planning, when scale of risk becomes clearer • Ensure good liquidity, to manage any immediate cost pressures and support longer term solutions are found • Seek savings in operating costs, if required 	4	4	20	4	5	24

		<p>businesses and households</p> <p>Risks could result in:</p> <ul style="list-style-type: none"> – Increase in unemployment and hardship among tenants – Adverse changes in inflation, interest rates, and value of sterling – Increase in repairs and maintenance costs, if imports cost more and increased risk of contractor failure – Increase in MHA's operating costs – Cuts in public spending 	<p>(Bank of England, Scottish Government)</p> <ul style="list-style-type: none"> • Budget-setting and monitoring • Financial reporting and projections • Business plan stress testing • Income maximisation advice for tenants • Achieve value for money in procurement and operating costs, through budgeting and cost control • 							
5	<p>Demand for MHA's Income Maximisation Service increases sharply as more tenants move to UC</p> <p><i>Risk Type:</i></p>	<p>Key risks include:</p> <ul style="list-style-type: none"> – Pressure on a vital specialist service that generates substantial amounts additional income for residents – Weakening of MHA strategy for controlling rent arrears, since the IM service enhances 	<ul style="list-style-type: none"> • Service provided by 2 full-time employees with extensive experience of the benefit system. • All new tenants are signposted to receive benefit checks at sign-up. 	<ul style="list-style-type: none"> • Continue to monitor service demand • If an additional worker was required in future, assess the financial costs and potential social consequences 	4	4	20	4	5	24

	<p><i>Strategic (if risks crystallise)</i> <i>Operational</i> <i>Community impact</i> <i>Financial</i></p>	<p>tenants' ability to pay rent.</p> <p><u>Risks could result in:</u></p> <ul style="list-style-type: none"> - Higher rent arrears. For example, a 2% increase in arrears would reduce MHA's annual income by more than £100k. - Overstretch for the IM service as the rollout of UC gathers pace (full rollout to all claimants expected by 2024). - Reduction in household incomes for those who are on very low incomes - Negative impact on the local economy, which has benefited from residents' increased spending power. 	<ul style="list-style-type: none"> • Joint working between the Income Maximisation and Housing Services Teams, and effective working relationships with DWP. • Service is low cost to provide, in comparison with extra income generated (the latter is well over £1 million a year on average). • Data gathering systems in place to make sure the service is operating effectively and meeting tenants' needs to best effect. • Service helps demonstrate that advice was offered, in court cases involving rent arrears. 	<p>and business consequences for MHA of not extending the service.</p> <ul style="list-style-type: none"> • Investigate external funding, if opportunities arise. 								
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6	<p>Void losses continue to be high</p> <p><i>Risk Type: Operational Strategic (if risks crystallise) Financial</i></p>	<p><u>Key risks include:</u></p> <ul style="list-style-type: none"> - Inability to achieve and sustain improvements achieved in 2019/20 (Covid-19 adds to the risk) <p><u>Risks could result in:</u></p> <ul style="list-style-type: none"> - Reduction in rental income available to MHA - Poor perception with the community, if properties remain vacant for long periods of time. - Continued attention from SHR 	<ul style="list-style-type: none"> • Voids action plan now in place, involving a wide range of operational changes 	<ul style="list-style-type: none"> • Review of previous works/standards being carried out as part of the 2020 Asset Management Strategy will identify further improvements 	4	4	20	4	5	24
7	<p>Cuts to or loss of funding for MHA Supported Accom. as a result of changes to GCC policy and funding criteria</p> <p><i>Risk Type:</i></p>	<p><u>Key risks include:</u></p> <ul style="list-style-type: none"> - GCC "alliance" policy for support services may make MHA services at Walpole and Circus Drive unsustainable. - Uncertainty over the future of the 14 staff members (all employed by MHA). Could raise issues relating to 	<p><u>Existing Controls and Assurance</u></p> <ul style="list-style-type: none"> • Regular MC reporting/discussion • Clear MHA position established on cross-subsidy and conditions to be met in order for MHA to continue to provide services • GCC funding agreed for 2020/21, until 	<p><u>Future Action Planned</u></p> <ul style="list-style-type: none"> • Establish Alliance requirements for future services and resources available for delivery • If both SA projects continue, 	4	4	20	4	5	24

	<p><i>Impact on service users and staff</i> <i>Operational</i> <i>Financial</i></p>	<p>redundancy, TUPE etc.</p> <ul style="list-style-type: none"> - Prolonger uncertainty for MHA (discussions ongoing since 2017) - Future governance: confused lines of accountability (GCC, HSCP, Alliance, oversight of services proposed). - MHA needs to review its relationship with RFS, Care Inspectorates, and consider employment issues (re TUPE, redundancy) <p><u>Risks could result in:</u></p> <ul style="list-style-type: none"> - Changes to client group and/or resident support or care needs, as a result of Rapid Rehousing Plan - MHA having to subsidise services from general rental income (requirement for 5% real terms reductions in funding each year) 	<p>longer-term decisions are reached</p> <ul style="list-style-type: none"> • Work has been ongoing to test options that are realistically available to MHA in continuing to deliver the SA service. This includes: working within current costs, reviewing shift rota's, 24/7 staff presence on premises etc. 	<p>develop response to new operational requirements. For example, staff training may be required should HSCP wish to use the project for a different client group which might require additional support or care.</p> <ul style="list-style-type: none"> • When all required information is available, conduct formal appraisal to finalise MHA's position on the future of the SA service. 								
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		<ul style="list-style-type: none"> – Reduced ability for the MC to make decisions in the best interests of MHA and our community 								
8	<p>Rent levels are not sufficient to provide services and investment at the level that is needed</p> <p><i>Risk Type: Strategic Financial External Reputational</i></p>	<p>Key Risks include:</p> <ul style="list-style-type: none"> – Rent levels do not generate income needed to meet future obligations (services; investment in ageing housing stock; external requirements to raise standards). <p>Risks could result in:</p> <ul style="list-style-type: none"> – Reduced capacity to maintain services at present levels – Affordability pressures for tenants and higher arrears, if rents go up – Tenant concerns that higher rents reduce value for money – Reductions in staff, if costs need to be cut – Major repairs might need to be stretched over a longer period 	<ul style="list-style-type: none"> • Savings in operating costs are sought in budget process, with careful monitoring of spend. • Rent Strategy is used to set realistic rent levels which are incorporated in 30 year Financial BP. • Rent arrears strictly monitored to maximise rental income. • Economically sustainable rent levels are reset as opportunity arises at void period. • Headroom exists to increase rents while still meeting affordability tests. • 5-year programme of tiered rent increases in place to 	<ul style="list-style-type: none"> • External consultants appointed to review the MHA rent structure over the course of 2020/21. Review will include assessment of affordability and tenant involvement in the process. • MHA will then review future options in detail, with regard also to new Asset Management Strategy and the Financial Business Plan. These will identify future 	4	3	16	4	4	20

		<ul style="list-style-type: none"> – Future Capital improvements could not be funded, e.g. New Roofs, or would need to stretched over a longer period – Possible challenges in maintaining SHQS compliance, or in meeting new climate change targets. 	<p>address inequalities in some rent charges. Programme will continue until 2022/23.</p> <ul style="list-style-type: none"> • Rent Scrutiny Group, made up of tenants, feed into the Rent Strategy. 	<p>levels of investment needed and rental income needed to meet MHA's future objectives.</p>						
9	<p>Failure to comply with statutory duties to ensure the safety of tenants and residents</p> <p><i>Risk Type: Legal Operational Strategic (if risks crystallise) Duty of Care to tenants</i></p>	<p><u>Key risks include failure to comply with:</u></p> <ul style="list-style-type: none"> – Gas safety regulations – Installation of fire safety measures set by Scottish Government (by 1 Feb 2020) – Asbestos management requirements – Water hygiene requirements – Construction and Design Management Regulations <p><u>Risks could result in:</u></p> <ul style="list-style-type: none"> – Harm to MHA tenants and residents, MHA employees, employees of our 	<ul style="list-style-type: none"> • Review is currently taking place, with any remedial works identified programmed at the earliest possible date 		4	3	16	5	5	30

		<p>contractors, members of the public</p> <ul style="list-style-type: none"> - Regulatory action by the H&SE and/or SHR - Financial claims against MHA - Adverse media coverage - Reputational damage, including MHA's standing in the community 								
10	<p>Harm experienced by vulnerable people using MHA services or facilities</p> <p><i>Risk Type: Community Impact Reputational Financial</i></p>	<p>Key risks include:</p> <ul style="list-style-type: none"> - Failure to assess/manage the risks associated with community services and activities <p>Risks could result in:</p> <ul style="list-style-type: none"> - Accidents (e.g. at community spaces, the Sports Hub) - Abuse of children or vulnerable adults - Claims made against MHA - Adverse media coverage and reputational damage 	<ul style="list-style-type: none"> • PVG checks and safeguarding policies and procedures • Health and safety procedures and risk assessments • Public liability insurance 		4	3	16	4	4	20

OTHER KEY RISKS FOR MHA AS AT SEPTEMBER 2020

No.	RESIDUAL RISK SCORE	RISK AREA
11	15 (Inherent 20)	<u>STANDARDS/EXPECTATIONS</u> - Property and/or environmental standards fall below MHA's standards and resident expectations
12	12 (Inherent 25)	<u>SUCCESSION PLANNING</u> - Lack of succession planning for senior staff & Committee
13	12 (Inherent 25)	<u>DEVELOPMENT ACTIVITY</u> - Carrying out development activity with insufficient grant rates and limited access to appropriate development funding and private finance
14	12 (Inherent 25)	<u>STAFF PENSION SCHEME</u> - MHA's current pension arrangements become financially unsustainable
15	12 (Inherent 25)	<u>H&S LEGISLATION (IN-HOUSE TEAM)</u> - In house team: failure to adhere to H&S legislation or MHA safety requirements
16	12 (Inherent 20)	<u>H&S LEGISLATION BREACH</u> - MHA breach any aspect of Health & Safety legislation relating to our employer role
17	12 (Inherent 20)	<u>CFN</u> - ceases to be financially viable, E.G. as a result of unexpected reductions in income
18	12 (Inherent 20)	<u>IT</u> - Security & failure of IT system
19	12 (Inherent 16)	<u>PROVISION OF COMMUNITY SERVICES</u> - MHA role in community services becomes unaffordable or exposes MHA to unacceptable levels of risk
20	12 (Inherent 16)	<u>VOLUNTEERS</u> - Local people stop volunteering
21	12 (inherent 16)	<u>FACTORING SERVICE</u> - Service growth causes the factoring service to become over-extended
22	10 (inherent 15)	<u>SEX OFFENDERS</u> - Granting a tenancy to a convicted sex offender who then commits a further offence
23	9 (inherent 12)	<u>HOUSING BENEFIT</u> - Loss of Housing Benefit

	RISK AREA	KEY RISKS & POSSIBLE CONSEQUENCES	EXISTING CONTROLS & ASSURANCE	FUTURE ACTION PLANNED	(I)	(L)	RESIDUAL (TOTAL)	(I)	(L)	INHERENT (TOTAL)
11	<p>Property and/or environmental standards fall below MHA's standards and resident expectations</p> <p><i>Risk Type:</i> Strategic Operational Community Impact External</p>	<p>Key risks include:</p> <ul style="list-style-type: none"> – MHA is unable to maintain stock and neighbourhood environments to the standards required – Maintaining neighbourhoods may be made more challenging by future GCC policies/actions (e.g. refuse collection and bin replacements) <p>Risks could result in:</p> <ul style="list-style-type: none"> – Loss of confidence from tenants – Stock becoming more difficult to let – Repairs becoming more costly 	<ul style="list-style-type: none"> • Stock Condition Survey • Repairs service and in house team • Tenant satisfaction feedback • Internal and external inspections are continually undertaken to property and common areas to identify any major issues and programme in works as required. 	<ul style="list-style-type: none"> • New Asset review and AMS under development during 2020 • Updated major works programme proposals to be tested against the Financial Business Plan. 	4	3	15	4	4	20
12	<p>Lack of succession planning</p>	<p>Key Risks include:</p>	<ul style="list-style-type: none"> • Staff Planning Needs Checklist procedures in operation 	<ul style="list-style-type: none"> • Formal succession plan and strategy to 	3	3	12	5	4	25

	<p><i>Risk Type:</i> Strategic Operational Governance</p>	<ul style="list-style-type: none"> - Key staff positions not being filled immediately - If no staff available to fill key positions temporarily, potential requirement to consider higher cost options (e.g. recruitment or consultancy) - Failure to retain committee members and attract new ones. <p><u>Risks could result in:</u></p> <ul style="list-style-type: none"> - A gap in senior staff skills and leadership - Reduction in committee effectiveness 	<p>(completed annually by all line managers for their team & business area).</p> <ul style="list-style-type: none"> • MHA Emerging Leaders Programme in place to develop talent, skills etc. within MHA • MC Promotion and Succession Plan 	<p>be developed for senior manager posts where retirements are likely in next 2 to 3 years (identified by MC as a priority task for 2020/21)</p>							
13	<p>Carrying out development activity with insufficient grant rates and limited access to</p>	<p><u>Key risks include:</u></p> <ul style="list-style-type: none"> - Having to subsidise schemes from reserves to make projects viable and achieve rents that are affordable. 	<ul style="list-style-type: none"> • Strategic position adopted by the MC is no development activity unless it can be demonstrated that it is not to the detriment of MHA or 	<ul style="list-style-type: none"> • None at present 	4	2	12	5	4	25	

	<p>appropriate development funding and private finance.</p> <p><i>Risk Type:</i> <i>Strategic Financial</i></p>	<p>– Accessing private finance is likely to be at higher interest rates and could compromise existing loan agreements. Loan Covenants may also be more onerous.</p> <p><u>Risks could result in:</u></p> <p>– Development under the current funding regime will likely result in higher rents and borrowing costs.</p>	<p>its tenants. This position protects existing rent levels and borrowing arrangements.</p> <ul style="list-style-type: none"> • MHA may continue to explore development options where these conditions could be met (e.g. entering into partnership arrangements and/or consideration of mid-market rent or lease agreements). • Full financial scheme appraisals for any type of development activity, with satisfactory results. • MHA works closely with GWSF and GCC to lobby Scottish Government for sustainable funding levels. 							
14	<p>MHA's current pension arrangements become</p>	<p><u>Key risks include:</u></p> <p>– Employer and employee contributions</p>	<ul style="list-style-type: none"> • The MC has taken a number of actions to reduce MHA's 	<ul style="list-style-type: none"> • Continue to monitor MHA's exposure to 	3	3	12	5	4	25

	<p>financially unsustainable</p> <p><i>Risk Type:</i> <i>Financial</i></p>	<p>continuing to rise and accounting for a larger share of MHA's annual spending</p> <p><u>Risks could result in:</u></p> <ul style="list-style-type: none"> - High debt on withdrawal from the DB scheme (£5.41 million) 	<p>exposure to the risk of increasing costs.</p> <ul style="list-style-type: none"> - MHA has closed the SHAPS defined benefit scheme (the highest risk pension type) to new entrants. Only 11 employees now remain in the DB Scheme. - MHA now offers a lower cost defined contribution scheme to staff and this is also the option used for auto-enrolment. - The MC has decided that the increase in DB contributions from 1.4.20 should be shared equally between employer and employee. 	<p>debt on withdrawal. [There is currently a low risk of the debt becoming payable in full, based on current Pensions Trust policy)</p>								
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15	<p>In house team: failure to adhere to H&S legislation or MHA safety requirements</p> <p><i>Risk Type:</i> <i>Legal</i> <i>Operational</i> <i>Duty of Care to staff</i></p>	<p><u>Key risks include:</u></p> <ul style="list-style-type: none"> - Not wearing appropriate PPE - Misuse of tools or equipment - Failure to comply with risk assessments when cleaning stairs - Additional health and safety risks due to Covid-19, when the work of the in house team resumes <p><u>Risks could result in:</u></p> <ul style="list-style-type: none"> - Serious injury or loss of life - HSE action - Long periods of absence to aid recovery - Potential personal claims lodged against MHA 	<ul style="list-style-type: none"> • Regular PPE checks to ensure they meet legislation. • Action taken to ensure that the correct and adequate equipment is provided for employees. • Regular checks & inspections to be carried out. • Training provided on how to use, care for & maintain equipment. Equipment assigned to particular patches to minimise the blame culture. • Disciplinary procedures may be used, if required. 	<ul style="list-style-type: none"> • Health and safety requirements to be assessed to take account of Covid-19, as lockdown restrictions are relaxed. • Continue to raise staff awareness on the importance of following H&S legislation and the impact of failing to comply. • Ensure regular refresher courses on safe use of tools and equipment • Continue regular random checks & inspections to ensure staff are following risk assessment requirements. 	3	3	12	5	4	25
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16	<p>MHA breach any aspect of Health & Safety legislation relating to our employer role</p> <p><i>Risk Type:</i> Legal Duty of Care to staff</p>	<p><u>Key risks include:</u></p> <ul style="list-style-type: none"> - Not meeting our obligations and employer. - Lack of awareness by staff. <p><u>Risks could result in:</u></p> <ul style="list-style-type: none"> - Serious injury or loss of life. - Claims lodged for damages against MHA. - Increased insurance premiums. - Any injuries or loss involving the Health & Safety Executive is a Notifiable Event to the SHR. 	<ul style="list-style-type: none"> • Tracking by MHA to ensure that all new, existing and revised H&S legislation obligations are known and robust procedures implemented. • Regular MHA meetings with our H&S Adviser to ensure that MHA is compliant. • The importance and impact of H&S responsibilities are stressed at function meetings and in the staff newsletter, intranet system, and annual staff appraisals • Staff are asked to complete a H&S Risk Assessment on an annual basis. • A comprehensive H&S Audit is undertaken by an external consultant on a regular basis. 	<ul style="list-style-type: none"> • Continue to ensure that staff are aware of potential risks to themselves and others. • Address H&S implications and risks throughout each stage of the Covid-19 restrictions and their easing 	3	3	12	4	4	20
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17	<p>Carbon Footprints Nursery (CFN) ceases to be financially viable, for example as a result of unexpected reductions in income</p> <p><i>Risk Type:</i> Community Impact Operational Financial</p>	<p><u>Key risks include:</u></p> <ul style="list-style-type: none"> – If there are no funds for a prolonged period of time, potential closure of the nursery. <p><u>Risks could result in:</u></p> <ul style="list-style-type: none"> – Loss of child care for local parents – Staff redundancies – MHA having an empty building and children being without child care. <p>However, Scottish Government will introduce increased hours, Covid-19 permitting</p>	<ul style="list-style-type: none"> • Detailed monthly financial reporting to MCE Board, also monitored by MHA A&R sub committee • Budgets are set on the basis of CFN being able to achieve a surplus • High demand for places has been generated (high occupancy rates and a waiting list is kept) • There is also high demand for CFN's Out of School Care service which constantly runs at capacity • Contingency plans are in place to deal with interruptions to the service • MHA's public liability insurance adequately provides cover for business interruption (loss of income). 	<ul style="list-style-type: none"> • Resumption in line with revised Covid-19 and sector guidance 	4	2	12	5	3	20
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18	<p>Security & failure of IT system</p> <p><i>Risk Type:</i> Business Continuity Operational Financial</p>	<p><u>Key risks include:</u></p> <ul style="list-style-type: none"> - Poor or lack of security - Inappropriate use of systems - External attacks <p><u>Risks could result in:</u></p> <ul style="list-style-type: none"> - Failure of the system would be a devastating loss to MHA. Loss of vital information from database. - External hacking could compromise the system or result in loss of confidential or business critical data. 	<ul style="list-style-type: none"> • Daily back ups system in place. • Regular dialogue with/advice from MHA's external IT support providers. • Regular comprehensive reviews of IT system undertaken. MHA regularly reviews internal & external security issues. • Disaster Recovery Policy developed to address serious failures or security breaches with IT system. • Cyber Essentials review conducted and has confirmed that MHA meets the five essential controls for combating cyber crime/hacking. 	<ul style="list-style-type: none"> • Introduction of Home Master to take place in 2020/21. • System is accessed via the cloud, MHA data will be more secure and risks of failure of onsite servers will be removed. 	3	3	12	4	4	20
19	<p>MHA role in community services becomes unaffordable</p>	<p><u>Key risks include:</u></p> <ul style="list-style-type: none"> - Lack of a considered strategic position by the MC 	<ul style="list-style-type: none"> • The MC is committed to seeking social gains for the community. This is part of our core 	<ul style="list-style-type: none"> • Continue to monitor service costs and outcomes carefully 	3	3	12	4	3	16

	<p>or exposes MHA to unacceptable levels of risk</p> <p><i>Risk Type:</i> Strategic Community Impact Governance Financial</p>	<ul style="list-style-type: none"> - "Mission creep": pressure on MHA to take responsibility for more public services, as GCC and others withdraw from providing/supporting vital local services <p><u>Risks could result in:</u></p> <ul style="list-style-type: none"> - The community being destabilised and the local environment could deteriorate - Reduction in CE Team role would reduce tenancy sustainment work and support for vulnerable people, both contributing to more voids - Possibility of staff redundancies - MHA having to find alternative use for Culloden Street premises. 	<p>values and is a core part of our business.</p> <ul style="list-style-type: none"> • Risks are most likely to arise for specific services or activities, rather than everything we do. So there is a spreading of risk. • Non-statutory services provided by the CE Team could be reduced or withdrawn if MHA finances could not cover the costs. • In appraising possible new activities and services, MHA ensures that VFM is demonstrated. • CE team is highly flexible, and enables MHA to demonstrate BV. For example, the IM service generates £25 of income for residents, for every £1 it costs to provide the service. MHA also experiences 	<ul style="list-style-type: none"> • Annual MHA approval of MCE business plan. 								
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			<p>benefits, since extra income for tenants increases tenants' ability to pay rent.</p> <ul style="list-style-type: none"> • External income is sought wherever possible (e.g. GCC grant). • Local volunteers assist where possible in delivering services which keeps the costs down. 							
20	<p>Local people stop volunteering</p> <p><i>Risk Type:</i> Community Impact</p>	<p>Key risks include:</p> <ul style="list-style-type: none"> – Some current activities (e.g. the recycling centre) would most likely close as they depend entirely on volunteers. <p>Risks could result in:</p> <ul style="list-style-type: none"> – Loss of social interaction for volunteers – Some services having to be reviewed (e.g. staff resources to deliver services where volunteers 	<ul style="list-style-type: none"> • MHA treats our volunteers with respect and recognises their invaluable contribution to the community (e.g. celebrate Volunteering Week). 	<ul style="list-style-type: none"> • Continue to attract and retain volunteers by providing support and training on an on-going basis. 	4	2	12	4	3	16

		currently play a major role).								
21	<p>Service growth causes the factoring service to become over-extended</p> <p><i>Risk Type:</i> Strategic Operational Financial</p>	<p>Key risks include:</p> <ul style="list-style-type: none"> Assessing accurately the level of resources needed to manage an expanded service <p>Risks could result in:</p> <ul style="list-style-type: none"> Deterioration in service provided to existing customers Harm to our standing in the community Increased costs to MHA and increased charges to owners 	<ul style="list-style-type: none"> New expressions of interest by owners are monitored closely Management Committee takes a reasoned approach to considering expansion of the service 	<p>Future Action Planned</p> <ul style="list-style-type: none"> Full appraisal of resources, risks etc. will take place during 2020/21, to guide committee decision-making 	3	3	12	4	3	16
22	<p>Granting a tenancy to a convicted sex offender who then commits a further offence</p> <p><i>Risk Type:</i> Duty of Care to tenants</p>	<p>Key risks include:</p> <ul style="list-style-type: none"> MHA knowingly makes a housing allocation to a registered sex offender. <p>Risks could result in:</p> <ul style="list-style-type: none"> Serious harm to a child or other person, if a further 	<ul style="list-style-type: none"> MHA has not signed the Duty to Co-operate protocol with GCC, because our reasoned view is that MAPPA/ NASSO arrangements are not fit for purpose. Working with representative 	<ul style="list-style-type: none"> None. Unlikely that GCC will take action against MHA because we (in common with a number of HAs) have not signed the Duty to Co-operate Protocol and accordingly 	5	1	10	5	2	15

	Community Impact Reputational Impact	offence is committed. – Loss of community confidence and trust in MHA	organisations GWSF to lobby Scottish Government for legislative changes.	no convicted sex offenders have been referred to us for rehousing.						
23	Loss of Housing benefit <i>Risk Type:</i> Strategic Operational Financial	Key risks include: – Tenants' HB is reduced as a result of changes in circumstances, backdate entitlements, overpayment reductions etc. – Reductions in MHA's overall income if there is policy or legislation to reduce the HB bill (possible, but currently not judged likely) Risks could result in: – Material loss of rental income could create pressure to increase rent levels and/or reduce service provision.	<ul style="list-style-type: none"> • Changes in legislation are managed and closely monitored • Close liaison with tenants and HB staff • In house benefits expertise to advise and support tenants affected by HB reductions 	<ul style="list-style-type: none"> • Maintain focus on rent collection as a priority across MHA • Regular staff training on benefits changes 	3	2	9	4	2	12

