Risk Management Policy

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Policy Owner	Board
Accountable Officer	Chief Operating Officer

PURPOSE

Risk is defined as the threat that an event, action or omission will adversely affect our ability to meet our business objectives and deliver services successfully.

The purpose of risk management is to manage these threats and uncertainties, minimising their potential impact on the continuance of our business whilst ensuring that business opportunities are not missed.

To ensure that Plexus and Omega Housing achieves its objectives and delivers the services that our customers come to expect from us, we will work towards achieving the following risk management objective:

To manage all types of risk facing the organisation, to enable it to take advantage of opportunities and minimise losses, to support the delivery of our strategic objectives.

The Board will consider and set out a statement defining the organisation's overall appetite for risk. We will seek to maintain compliance with our risk appetite at all times.

OUR APPROACH TO RISK MANAGEMENT

We recognise that all our activities involve some element of risk. But we believe that taking identified, evaluated and managed risks in pursuit of our strategic objectives is acceptable, particularly those that benefit us and our customers. We will continue to identify emerging risks as environmental changes happen and take appropriate action to mitigate them.

This policy, supported by our risk maps, appetite, tolerance statements, provides a managed approach to the risks we face.

We also recognise the need to align the skills of Board members and staff delivering this plan to current and emerging strategic risks, including:

- Complying with legislative requirements and regulatory standards.
- Remaining viable as an organisation.
- Effectively managing funding agreements and cash flows.
- Dealing with the impact of welfare reform and other housing-related policies.
- Effectively and compliantly managing systems & data.
- Diversification into new products and markets.

Risk is measured in terms of consequence (impact) and likelihood. There are generally three categories of risk:

- Hazard (or pure) risks e.g. health and safety, compliance, governance and regulation
- Control (or uncertainty) risks e.g. projects
- Opportunity (or speculative) risks e.g. expansion, investment, new business streams

The diagram below illustrates how the risk management process works:

The risk management policy aims to ensure that risk management is:

- Proportionate to the level of risk within the organisation;
- Aligned with other business activities;
- Comprehensive, systematic and structured;
- Embedded within business processes;
- Dynamic, responsive to emerging change.

To do this our policy is intended to manage risk in a proactive and integrated way by:

- reducing the likelihood of events that would have a negative impact on the business;
- increasing the likelihood of events that would have a positive impact on the business; improving accountability, decision making, transparency and visibility;
- executing change more effectively and efficiently;
- providing a better understanding of, and compliance with, relevant governance, legal and regulatory requirements, and corporate social responsibility and ethical requirements;
- protecting our revenue and enhancing value for money;
- protecting our reputation and maximising stakeholder confidence;
- controlling expenditure via effective budgetary management.

Risk Register:

- We will maintain an up to date Risk Register in order to identify all the main risks likely to be encountered. Each risk will be assessed according to both its inherent and residual impact and probability. These are defined as follows:
- inherent risk – is assessed on the basis of there being no control mechanisms in place
- residual risk – is assessed taking into account the current control mechanisms that are in place
- target risk – where we are aiming to get the residual risk to

Assessment of inherent and residual risks will inform the preparation and review of our Assurance Framework.

- The Risk Register will be reviewed by the Executive Team monthly.
- The Risk Register will be reviewed by the Assurance Committee at each of its meetings.
- The Assurance Committee will report to the board on a quarterly basis all significant inherent risks for its consideration.
- The Board will receive the full strategic risk register (which will be underpinned by operational registers) on a bi-annual basis, for approval.

DELIVERY

Maintaining compliance with the Risk Appetite will be achieved through a Risk Mitigation Plan. The Risk Mitigation Plan outlines additional actions and associated responsibilities to further mitigate our exposure to each risk in the Risk Register where required. Progress against this plan will be monitored on a regular basis by the Executive Team.

We will maintain a Business Continuity Plan to cover major issues identified in the Risk Register such as a loss of major office accommodation and/or key IT systems and hardware.

The preparation of the Annual Financial Plan and Budget will involve stress testing and sensitivity analysis to ensure there is sufficient capacity in the Plan to absorb a reasonable level of risk materialisation. We will also undertake additional stress testing when there are changes to our operating environment or risk map

RESOURCES AND RISK

We recognise the need to address risk as an integral part of planning and decision making associated with new business proposals and initiatives. The resources available for managing risk are finite and so our aim is to achieve an optimum response to risk ensuring available resources are used to best effect.

Risk appetite is the overall level of risk that we are prepared to accept or tolerate. This encompasses both existing activities and new business initiatives. If the residual risk assessment after controls results in a risk assessment that is higher than the Board is willing to tolerate, further action will be taken to address the risk. However, the resources used to control a risk will not be greater than the size of the potential loss we are trying to mitigate.

This policy addresses one of the fundamental strands of an effective business planning process and good financial management. A good risk management framework will mitigate any potential financial losses facing the organisation as well as reduce the chance of us not delivering our business plan.

RESPONSIBILITIES, APPROVAL AND REVIEW

The assigned responsibilities for Risk Management are set out below. Other members of staff will take specific responsibility for managing the existing controls associated with each risk, implementing further mitigating controls for each risk, and for making the appropriate response should a risk materialise.

Responsibilities of the Board

- To retain overall responsibility for risk management and approve the risk framework
- To approve the Risk Register

- To respond if a significant risk materialises or if there is a significant material change in the risks facing the organisation during the year, where referred on by the Assurance Committee
- To consider risk in making all major decisions and to document the risk implications of those decisions, including identifying objectives, agreeing strategies and approving major projects or changes to activities

Risk management is particularly important when promoting our successes, and exercising reasonable care, skill and diligence. Board Members have a clear role to play in audit, assurance and compliance activities. The Board is responsible for ensuring there is an adequate and effective risk management framework in place and the Assurance Committee is responsible for ensuring the overall process for managing risk is robust.

The key elements for Board Members to consider are:

- **Strategy** – constructively challenge and help develop proposals on strategy;
- **Performance** – scrutinise the performance of management;
- **Risk** – challenge the integrity of financial information;
- **Controls** – seek assurance that financial controls and systems or risk management are robust and defensible;
- **People** – determine the appropriate level of remuneration for the executive directors and have a prime role in succession planning;
- **Confidence** – seek to establish and maintain confidence in the conduct of the company's;
- **Independence** – be independent in judgement and promote openness and trust;
- **Knowledge** – be well informed about Plexus, Omega Housing and the external environment in which we operates, with a strong command of relevant issues.

Responsibilities of the Assurance Committee

- To review and recommend to the Board at every meeting a Risk Register
- To receive regular reports and approve the Risk Register along with its management arrangements
- To respond if a significant risk materialises or if there is a significant material change in the risks facing the organisation during the year as reported by the Executive Team, referring matters to the Board as deemed necessary
- To monitor changes and developments in our Risk Management framework and processes, including the Risk Register, Risk Events arising; Risk Mitigation Plans; and the Assurance Framework

Responsibilities of the Operations Committee

- To review and recommend to the Board new policies and consider best practice in relation to new policies where appropriate
- To review and recommend to the Board new schemes

Responsibilities of the Executive Team

- To ensure compliance with the Risk Management framework
- To focus on the management of those risks that require further mitigation in order to maintain compliance with our risk appetite and that could have a significant effect on our ability to achieve our strategic objectives
- To embed a culture of risk awareness throughout the business
- To approve and monitor levels of risk in their operational areas
- To ensure that staff within their directorates are managing and controlling risk effectively
- To identify and approve a Lead Officer for Risk Management

Responsibilities of the Lead Officer for Risk Management

- To propose a Risk Management Framework to the Executive Team and Board
- To develop and maintain operational procedures for risk management, controls and assurance
- To keep up-to-date appropriate records of individual risks, actions and controls
- To facilitate the development of a risk management culture throughout the organisation
- To monitor the regulatory environment relating to risk management and make recommendations for changes accordingly
- To ensure that the materialisation of significant risks is reported to the Executive Team as appropriate
- To participate in the business planning process by reviewing the Risk Register in the light of changed business objectives and / or strategies or in the context of updated financial plans
- To provide data on risks to Internal Audit to assist in planning the audit programme, and to review risks and controls in the light of the findings of Internal Audit assignments.

Responsibilities of Operational Managers

- To undertake risk appraisals of operational areas annually or following significant changes in the risk environment or materialisations of risk, and report any new risks or risk events to their Executive Director
- To manage and control risks in accordance with the Risk Management Framework across all areas of their responsibility
- To lead and encourage an appropriate culture for good risk management within and across areas of responsibility
- To prepare proposals for initiatives, change programmes and developments in accordance with the Risk Management Framework.

Responsibilities of Operational Staff

- To be aware of the risks associated with their work
- To report any new risks or risk events to their Operational Manager
- To participate in annual reviews of risks for their department.

The Executive Director will be responsible for the implementation and revision of this policy.

RISK APPETITE

The Board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. Risk appetite will be integrated into the performance culture and internal controls assurance of the organisation for it to be truly effective. Essentially our risk appetite is about our willingness to take risk and the need to exercise control. We also acknowledge that it is not a single fixed concept and risks may vary over time and according to business area. The Board's risk appetite will, however, take account of our capability and capacity and take into account the views at different levels of the business.

At Plexus and Omega the Board's risk appetite concerns both financial and qualitative issues (i.e. reputational impact, management effort, regulatory compliance). Specifically this includes controlling to an acceptable level those risks that:

- impact on our ability to meet our business objectives
- have an adverse financial impact, especially on financial reserves and cash flow
- bring or have the potential to bring us into disrepute

- have the potential to cause a loss of public confidence from stakeholders
- cause us to breach our legal and financial obligations
- restrict our capacity to continue to evolve and innovate
- impact on our ability to comply with regulatory standards and legislation
- fail to achieve the right balance of putting people first, when making commercial decisions to ensure the organisation is achieving value for money.

The Board will take action to ensure the risk appetite is clearly considered and communicated via Boardroom debate, detailed scrutiny at sub-committee level and consultation with stakeholders as appropriate. Risk management will be a standing item at our Assurance Committee and reports to the Board will highlight the potential risks, individually and cumulatively, so that Board Members can make an informed decision based on its current appetite.

Finally, we recognise the regulatory and funding context that we work in and embrace this to strengthen our on-going governance and viability standing. We will therefore not accept any risk that:

- Would cause us to cease to provide homes to those that need them
- Would put our social housing assets at undue risk
- Could cause a regulator or funder to withdraw their support for us
- Could cause a significant health and safety risk.

Attached as Appendix 1 is the current risk appetite as approved by the Board

Review of Policy

This policy will be reviewed by the Board's Assurance Committee on an annual basis to ensure that it remains fit for purpose, with any proposed changes being recommended to the Board for approval.

Appendix 1 – Risk Appetite Statement as at 31 December 2018

Risk Descriptors

Risk Descriptors						
	Risk Drivers	**Averse**	**Minimal**	**Cautious**	**Open**	**Hungry**
1	**Merger**			**X**		
2	**Diversification**			**X**		
3	**Development and Stock Acquisition**		**X**			
4	**Reputation**		**X**			
5	**Governance and Control**	**X**				
6	**Regulation and Compliance**	**X**				
7	**Technology**		**X**			
8	**People**			**X**		
9	**Value for Money**			**X**		
10	**Environment**			**X**		
11	**Innovation**			**X**		

Risk appetite definitions

Averse	Avoidance of risk and uncertainty as a key organisational objective
Minimal	Preference for extremely safe business delivery options that have low degrees of inherent risk and only have potential for limited reward
Cautious	Preference for safe business delivery options that have a degree of inherent risk and may only have limited potential reward
Open	Willing to consider all potential options and choose the one that is most likely to result in success, whilst providing an acceptable level of reward
Hungry	Eager to innovate and to choose options with potentially higher rewards despite greater inherent risk

Risk appetite narrative

Risk Driver	Appetite (Averse, Minimal, Cautious, Open, Hungry)	What this means to us
Merger	Cautious	Opportunities considered that can integrate without significant disruption to service delivery.
Diversification and innovation	Cautious	Services provided that bring community benefit opportunities. Requires capital investment.
Development and Stock Acquisition	Minimal	Building and acquiring new properties restricted by funding available to ensure positive return.
Reputation	Minimal	Public profile limited to key external relationships. Control information to mitigate adverse point of view.
Governance and control	Averse	All resources properly accounted for with a clear audit trail. Highest standards of corporate governance and Board must agree activity outside business plan, changes in government policy reported to board in timely fashion with outline plan to mitigate any impact
Regulation and compliance	Averse	Exceeds compliance thresholds in all areas. Independent opinion sought; occasionally accepting Plexus & Omega is unable to comply for good reason.
Technology	Minimal	New technology introduced when the benefit of doing so is beyond reasonable doubt.
People	Cautious	Flattened hierarchical structure. Non-formal succession arrangements used. Prepared to go outside for new skills.
VFM	Cautious	Seek the most appropriate solution. Balance quality and price to determine the preferred option.
Environment	Cautious	Development specifications should address environmental factors. Environmental initiatives may be considered
Innovation	Cautious	New ways of service delivery will follow trends already evolving in the housing sector.