

TO:	Audit & Risk Sub-Committee
PREPARED BY:	Linda Sichi (Deputy CEO)
SUBJECT:	REVIEW RISK MANAGEMENT STRATEGY 2024/25
DATE OF MEETING:	19 March 2024
APPROVED BY:	Paul Martin (CEO)

RISK MANAGEMENT STRATEGY

LS/ March 2024/REF.S6



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SECTION 1 – INTRODUCTION

1.1 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 (MC) 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.

1.3 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. To adequately address risk related issues, the monitoring and assessment of risk has been placed under the remit of MHA's MC.

1.4 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 MC 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:

- **(1) 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 an employment advisor for employment advice). In both cases, MHA is protected from financial risks through indemnities supplied by the third parties.
- **(2) Avoidance of Risks**: Avoiding activity giving rise to a risk. () (e.g. outsourcing the full stair cleaning service to an external contractor rather than employing in house.
- **(3) Managing/Mitigating Risks**: The management or mitigation of risk as set out at section 2 below
- **(4) Acceptance/Assessment of Risks**: Accepting or assessing an activity as a risk that cannot be avoided if an activity is to continue ((e.g. there are many risks associated with developing Haghill Primary School, but such risk could be viewed as being outweighed by MHA providing new, larger homes for the community. This also increases MHA's asset base)

1.5 The Role of the Management Committee - The responsibility for the management and control of a charity rests with the MC as the governing body and therefore the close involvement of the MC in the key aspects of the risk management process is essential. In particular, the role of the MC is crucial in setting parameters for the risk management process and reviewing and considering outcomes. This should not be interpreted as meaning the MC has to undertake all aspects of the process themselves as most of the work will be delegated to staff or professional advisers. However, the MC 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

2.1 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 MC Members, Regulators, funders, tenants etc. Consequently, to avoid this from occurring, the risk management process attempts to ensure that issues of risk are assessed at all levels of organisational activity.

2.2 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.

2.3 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.

2.4 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!

2.5 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 because 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 quarterly 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 Leadership Team to ensure that issues are dealt with in a rational and coherent manner and issues are reported to the MC as appropriate. Consequently, the Leadership 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 MC is provided with relevant and timely reports and review the risk management process annually.

MHA RISK IDENTIFICATION PROCESS:

STEP	ACTION
1	At the annual Business Planning MC/Management Team Away Day, the key business strategic objectives are agreed. 
2	Using this information, the Leadership Team, in their role of Risk Owners measure, assess and mitigate the current and newly identified risks. 
3	The updated risk narratives and scores are then plotted onto the Risk Register for approval by the MC. Part of the review identifies MHA's Top 10 Strategic Risks and the key Other Risks. This takes the format of holding an annual Briefing Session to focus purely on MHA's Risk Management Strategy. 
4	Upon approval by the MC, the revised Risk Management Strategy is circulated to all staff to ensure a proactive risk management culture is embedded across MHA. 
5	As part of the Leadership Team Charter, Risk Management is a standard weekly agenda item, treated like a 'live document' where the Leadership Team review the existing risks, identify if scores require to be amended and highlight if new risks need to be added to the Risk Register or remove existing risks. 
6	Following step 5, the updated Risk Register is presented on a quarterly basis at the Audit & Risk Sub-Committee Meeting for monitoring. The update also provides a narrative on the Top 10 Over Arching Risks. 

7	The key risks for each area of activity within MHA is identified through the various Work Plans which are monitored monthly.
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SECTION 3 - RISK MONITORING

In terms of governance, issues related to risk management are dealt with by MHA's MC. It is the responsibility of the MC 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 MC will review the Risk Management Strategy on an annual basis.

REGULATORY COMPLIANCE

a) SHR Regulatory Framework - The Scottish Housing Regulator's (SHR) 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 MC 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 HA 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.

b) SHR Publication on Risks - The SHR's publication "Summary of the risks we will focus on" (November 2022), identifies the key risks they will focus on as follows:

- 1 - Homelessness
- 2 - Performance in delivering services
- 3 - Stock quality
- 4 - Tenant and resident safety

- 5 – Development
- 6 – Financial health of RSLs
- 7 – Good Governance

1) Homelessness -The SHR engaged with LAs to aid their understanding of LA's performance in delivering effective and efficient homelessness services, including discussion with LAs on how they are working with HAs partners to provide settled accommodation. These structured conversations will also help the SHR in the annual risk assessment and provide qualitative intelligence on the key areas they will focus on for access, assessment, temporary accommodation, and outcomes.

2) Performance in delivering services - The SHR will use research and feedback on tenants' priorities (e.g., repairs service, affordable rents) to set and measure priorities. Landlords are required to meet the obligations of the Charter's 22 indicators where the SHR will assess risk and agree where to target their priorities. Particular attention will be paid to rents and affordability. Service quality will also be considered from Notifiable Events and Annual Assurance Statements.

3) Stock quality - The SHR will focus on landlords meeting the SHQS to ensure tenants' homes are energy efficient, safe, and secure. Not seriously damaged and have kitchens and bathrooms that are in good condition.

Due to data collected, which demonstrated compliance of the SHQS reduced during 2021/22, the SHR will assess risk to the quality of tenants' homes by considering (1) how landlords are addressing houses which fail SHQS and EESSH and (2) whether landlords have good quality, up to date information about the quality of their existing homes and future survey plans.

In addition, the SHR will look at landlords' ability to meet its maintenance obligations in general and if not meeting the requirements of the SHQS or EESSH. This will be done by the SHR analysing Charter and EESSH indicators for:

- The level of SHQS fails and abeyances.
- Stock condition survey – coverage.
- Stock condition survey - age of information.
- The level of EESSH fails.

4) Tenant and resident safety – As landlords have statutory obligations in this area, the SHR assess data collected covering gas safety, emergency repairs service, fire safety, SHQS elements that related to tenants' safety, smoke alarms and EICRs.

5) Development - For many HAs, the decision to develop new homes is key to delivering some key strategic objectives. The development process, however, carries a significant range of additional operational risks that HAs require to understand and manage. Development risk can potentially have a serious impact on an organisation and its tenants, in terms of its ability to deliver its strategic objectives and ensure its future financial viability. It can also bring serious consequences for the sector as whole, should its reputation with key stakeholders, including funders, be damaged. Continuing supply chain disruption, staff shortages and buildings materials inflation are likely to increase costs and delay works for social landlords. It is important that HAs have appropriate plans in place to mitigate these risks.

Developing HAs must comply with Regulatory Standards, have a FYFP in place, information from the SG Affordable Housing Supply Programme, SHIPS, SHR returns and information from the AAS.

When the SHR assess risk in relation to development, they consider:

- Forward Programme Scale – the size of the current programme over the next five years
- Forward Programme Tenure – the provision of mid-market rent, low-cost home ownership, private rent, and outright ownership properties
- Forward Programme impact on the HA – the impact of the forward programme on the size of the organisation
- Increase in Programme scale – the change in scale of development plans between the past three years outturn and coming three years planned programme
- HA Capacity – recent experience of delivering a development programme over the past three years
- Financial Planning – the consistency between the SG, SHIP, & financial planning information.
- Compliance with Regulatory Standards – 1.1 and 3.3. details of any non-compliance with the Standards which relate to the delivery of the development programme.
- Level of recent assurance – where the SHR have recently reviewed the HAs' business plan and have sufficient assurance about its development plans.

At the Business Planning Away Day (February 2024), the Management Committee dedicated a session on assessing the economic outlook and MHA's financial strategy as the Association are currently looking at developing again. This session included revisiting the various regulation documents on development.

6) Financial Health – The SHR undertakes financial risk assessments to ensure HAs comply with Regulatory Standard 3. A financial health summary is undertaken for each housing provider which is used to make a financial risk rating to each HA which helps inform the SHR of the level of engagement. The financial risk ratings can be:

Low risk (financial profile sufficient assurance of position & forecasts over 5 years)

Medium risk (profile means additional engagement for SHR to gain assurance)

High risk (profile means intensive SHR engagement to gain assurance over 24 months)

7) Good Governance – Good governance underpins the delivery of good financial health and good services and it's important to ensure HAs continue to deliver for current and future tenants. The key factors of good governance are:

- Have accurate and robust information when making decisions.
- Identify any areas of non-compliance.
- Tenant and residents' safety, including EICR checks.
- Staff turnover and absence rates.
- Rotation of external auditor.
- Review minutes on HA's website.
- Meet regulatory standards.

To assess governance, the SHR will review:

- ARC submission
- Notifiable Events
- Reports by auditors
- Annual financial statements
- Regulatory intelligence from current engagement
- Group structures

- Complaints, whistleblowing & significant performance failures.

For 2024/25, the SHR report on Risk Assessments of Scottish Landlords (March 2023), lists their strategic risk areas as:

- 1) Rent Affordability.
- 2) Rising costs & inflation.
- 3) Tenants & resident safety.
- 4) Data accuracy.
- 5) Temporary accommodation.
- 6) Governance

Appendix 1

RISK AUDIT REGISTER
(As at April 2024)

LS/ March 2024/REF.S6

The Audit & Risk Sub-Committee are asked to update the Risk Audit Register.

OVER ARCHING TOP 9 RISKS FOR MHA 2023/24 – May 2023

	<u>RESIDUAL RISK SCORE</u>	<u>RISK AREA</u>
1a	25 (Inherent 30)	<u>ECONOMIC FACTORS</u> – Severe deterioration in external economic conditions (e.g., because of the pandemic recovery, Brexit etc).
1b	25 (Inherent 30)	<u>RENTAL INCOME</u> – Loss of rental income & higher rent collection costs due to UC & other factors.
3	24 (Inherent 30)	<u>LEGAL/REGULATORY REQUIREMENTS</u> – MHA fails to comply with legal or regulatory requirements.
4	24 (Inherent 25)	<u>ASSET MANAGEMENT</u> - Insufficient resources for Asset Management to manage standards and residents’ expectations.
5	20 (Inherent 25)	<u>DEVELOPMENT</u> - Development activity with low grant rates, limited access to funding & private finance.
5a	20 (Inherent 25)	<u>FACTORING</u> - Costs for owners associated to common repairs & energy efficiency requirements.
6	20 (Inherent 30)	<u>RENT LEVELS</u> – Not sufficient to provide services & investment at the level that is needed.
7	20 (Inherent 24)	<u>IMO SERVICE</u> – Demand for this service increases sharply as more tenants move to UC.
8	20 (Inherent 20)	<u>IT</u> – Security & failure of IT system
9	18 (Inherent 25)	<u>STAFF PENSION SCHEME</u> – MHA’s current pension arrangements become financially unsustainable.

	RISK AREA	KEY RISKS & POSSIBLE CONSEQUENCES	EXISTING CONTROLS & ASSURANCE	FUTURE ACTION PLANNED	(I)	(L)	INHERENT (TOTAL) before	(I)	(L)	RESIDUAL (TOTAL) after
1a.	<p><u>ECONOMIC FACTORS</u> Severe deterioration in external economic conditions</p> <p><i>Risk Type:</i> External Financial Operational</p> <p><i>Implementation:</i> Leadership Team</p>	<p><u>Key Risks include:</u></p> <ul style="list-style-type: none"> – UK economy moves on to World Trade Organisation trading terms – Brexit risks – Economy shocks that could impact on all UK businesses and households. <p><u>Risks could result in:</u></p> <ul style="list-style-type: none"> – Increase tenants' unemployment and hardship. – Adverse changes in inflation, interest rates, fuel charges & value of sterling – Increase in repairs costs and risk of contractor failure. – Increase in MHA's operating costs. - Cuts in public spending 	<ul style="list-style-type: none"> • Post covid additional funding obtained to help mitigate future economic shocks. • Continued monitoring of economic changes and forecasts. • Use best available assumptions in financial projections (BoE, SG) • Financial Management (reporting, budgets, projections, BP stress testing) • Achieve VFM in procurement & operating costs. 	<ul style="list-style-type: none"> • On-going Contingency planning • Ensure good liquidity, to manage any immediate cost pressures & support longer term solutions are found. • Continue to seek & control savings in operating costs. 	5	5	30	5	4	25
1b	<p><u>RENTAL INCOME -</u> Loss of rental income and</p>	<p><u>Key Risks include:</u></p> <ul style="list-style-type: none"> – Application/payment arrangements for UC 	<ul style="list-style-type: none"> • Consistent promote rent payment culture. 	<ul style="list-style-type: none"> • Keep rent collection strategy under review. 	5	5	30	5	4	25

	<p>higher rent collection costs due to UC & other external factors</p> <p><i>Risk Type:</i> External Strategic Operational Financial</p> <p><i>Implementation:</i> Director of Housing & CI</p>	<ul style="list-style-type: none"> - Lower income levels among working tenants - Any future rule changes for tenants mandating HB/UC direct, or cessation of SG funding of DHPs to mitigate the Bedroom Tax <p><u>Risks could result in:</u></p> <ul style="list-style-type: none"> - Slower rent collection, increased arrears. - Resources for proactive work on lower arrears cases, plus other MHA service areas. 	<ul style="list-style-type: none"> • 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 of UC on rent collections, and identify solutions. • HSO, IM & external support teams work together. • Practical help offered to tenants, with claiming UC and maintaining UC journals • Continue to make best use of Home Master data to monitor arrears. • Policy is to seek direct UC housing costs payments to MHA. 	<ul style="list-style-type: none"> • Employed an Income Recovery Assistant for rent arrears. • Rents paid in advance. • Increase patch house visits. • Maintain IMO service. • Consider BP issues like EESSH 2, zero carbon etc., plan longer term component replacements 						
3	<u>LEGAL/ REGULATORY</u>	<u>Key Risks include:</u>	<ul style="list-style-type: none"> • Policies & procedures in place 	<ul style="list-style-type: none"> • Ongoing monitoring & 	5	5	30	4	5	24

	<p>MHA fails to comply with legal or regulatory requirements.</p> <p><i>Risk Type:</i> Legal Regulatory Strategic Governance</p> <p><i>Implementation:</i> Leadership Team</p>	<ul style="list-style-type: none"> – Exposure to regulatory action (E.g., HSE, ICO, SHR) – Failure to meet standards set by SHR. <p><u>Risks could result in:</u></p> <ul style="list-style-type: none"> – Fines – Reputational damage - Increased SHR engagement level, (Major disruption for whole MHA). 	<p>for all aspects of service delivery, governance, and organisational management</p> <ul style="list-style-type: none"> • Risks addressed by LT and A&R Sub Committee. Robust & on-going processes to monitor & report on risk. • MHA Code of Governance • Compliance with SHR requirements is monitored. • MHA Business Plan 	<p>updating of MHA’s key strategic documents & associated processes.</p> <ul style="list-style-type: none"> • Maintain reduced level of SHR engagement. • IA Programme Implemented & monitored 							
4	<p>ASSET MANAGEMENT Insufficient resources for AM to manage environment standards & resident expectations.</p> <p><i>Risk Type:</i> Strategic Operational Community Impact</p>	<p><u>Key risks include:</u></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) 	<ul style="list-style-type: none"> • Stock Condition Survey implemented. • Use framework for delivering the repairs service and in house team. • Tenant satisfaction feedback • Internal and external inspections are continually undertaken to property and 	<ul style="list-style-type: none"> • Compile & implement programme of works identified from the SCS. • Continue to review approach to asset and AMS. • Updated major works 	5	4	25	4	5	24	

	<p><i>External</i></p> <p><i>Implementation:</i> Director of Asset & Investment and Maintenance Manager</p>	<p><u>Risks could result in:</u></p> <ul style="list-style-type: none"> – Loss of confidence from tenants – Stock becoming more difficult to let. <p>Repairs becoming more costly</p>	<p>common areas to identify any major issues and programme in works as required.</p>	<p>programme tested against FBP.</p> <ul style="list-style-type: none"> • Owners to be included in common improvement works. • Tenemental Strategy to Implement. 							
5	<p><u>DEVELOPMENT</u></p> <p>Carrying out development activity with insufficient grant rates and limited access to appropriate development funding and private finance.</p> <p><i>Risk Type:</i> Strategic Financial</p> <p><i>Implementation:</i> Director Asset & Investment</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 affordable rents. – Accessing private finance is likely to be at higher interest rates and could compromise existing loan agreements. Loan Covenants may also be more onerous. – Stretching MPS resources by expanding the factoring service. 	<ul style="list-style-type: none"> • MC Strategic position is MHA will only develop where it is demonstrated there is no detriment of MHA or it tenants. This position protects existing rent levels & borrowing arrangements. • MHA may continue to explore development options where conditions could be met (e.g., partnership arrangements, lease agreements). • Full financial scheme appraisals for any 	<ul style="list-style-type: none"> • Working closely with GCC on cost plan for former primary school to ensure sufficient grant will be awarded to proceed with the development. 	5	4	25	4	4	20	

			<p>type of development activity, with satisfactory results.</p> <ul style="list-style-type: none"> MHA works closely with GWSF and GCC to lobby SG for sustainable funding levels. 							
5a	<p><u>FACTORING SERVICE</u></p> <p>Assess the financial, reputational, and legal impact of Continuing with the current number of owners who receive our factoring service.</p> <p><i>Risk Type:</i> Strategic Financial</p> <p><i>Implementation:</i> CS & Innovation Manager</p>	<p><u>Risks could result:</u></p> <ul style="list-style-type: none"> Unless high grant levels are agreed, Development under the current funding regime will likely result in higher rents & borrowing costs. Possible end providing a factoring service for the fixed factoring owners. 	<ul style="list-style-type: none"> Freeze on acquiring any additional stock to factor for the last 4 years. 	<ul style="list-style-type: none"> Reviewing the Options Appraisal for the future of the factoring services. Altering staff structure to fill gap of managing the factoring service. 	5	4	25	4	4	20

<p>6</p>	<p>RENT LEVELS are not sufficient to provide services and investment at the level that is needed.</p> <p><i>Risk Type:</i> Strategic Financial External Reputational</p> <p><i>Implementation:</i> Director of Housing & CI</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 & higher arrears if rents go up. – Tenant concerns that higher rents reduce VFM. – Reductions in staff if costs need to be cut. – Major repairs might need to stretch over a longer period. – Future Capital improvements could 	<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 income. • Economically sustainable rent levels are reset as opportunity arises at void period. • Headroom exists to increase rents while still meeting affordability tests. • Rent harmonisation covering 7 years now implemented. ▪ Rent Scrutiny Group, made up of tenants, feed into the Rent Strategy. 	<ul style="list-style-type: none"> • Continue to work on the Rent Strategy (setting base rents, annual increases, consultation, remove charging above Scottish Average, working group etc.) • MHA review future rent charges regarding AMS & the FBP. These will identify future levels of investment needed and rental income needed to meet MHA's future objectives. 	<p>5</p>	<p>5</p>	<p>30</p>	<p>4</p>	<p>4</p>	<p>20</p>
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		<p>not be funded or stretched over a longer period.</p> <ul style="list-style-type: none"> - Possible challenges in maintaining SHQS compliance, or in meeting new climate change targets. <p>-</p>									
7	<p>IMO SERVICE Demand for MHA's Income Maximisation Service increases sharply as more tenants move to UC</p> <p><i>Risk Type:</i> Strategic (if risks crystallise) Operational Community impact Financial</p> <p><i>Implementation:</i> Director of Housing & CI</p>	<p>Key risks include:</p> <ul style="list-style-type: none"> - Pressure on a vital specialist service that generates additional income for residents. - Weakening of MHA strategy for controlling rent arrears, since the IM service enhances tenants' ability to pay rent. <p>Risks could result in:</p> <ul style="list-style-type: none"> - Higher rent arrears. - Overstretch for the IM service. - Reduction in household incomes who are on low incomes. 	<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 for benefit checks. • Joint working IM & HSO's, working relationships DWP. • Service is low cost to provide, in comparison with extra income generated. • Data gathering systems to ensure service operated effectively & meeting tenants' 	<ul style="list-style-type: none"> • Continue to monitor service demand to ensure VFM is achieved. • Investigate external funding if opportunities arise. • Increase knowledge to provide advice in relation to fuel poverty. 	4	5	24	4	4	20	

		<ul style="list-style-type: none"> - Negative impact on the local economy. 	needs to best effect.							
8	<p>IT Security & failure of IT system</p> <p><i>Risk Type:</i> Business Continuity Operational Financial</p> <p><i>Implementation:</i> Finance & IT Manager</p>	<p>Key risks include:</p> <ul style="list-style-type: none"> - Poor or lack of security - Inappropriate use of systems - External attacks/Data Protection Breaches. - Insufficient use/lack of knowledge of IT systems <p>Risks could result:</p> <ul style="list-style-type: none"> - System failure would be a devastating loss to MHA vital information. - External hacking & data protection breaches could compromise the system or result in loss of confidential or business critical data. - Wrong information could be added, automated workflows in place 	<ul style="list-style-type: none"> • Regular comprehensive advice & reviews of cloud-based systems from IT support providers are undertaken, include internal & external security issues. • Disaster Recovery Policy to address serious failures or security/data breaches with IT system. • Cyber Essentials confirmed MHA meets the five essential controls for combating cybercrime/hacking. • Daily back-ups. • Home Master is fully operational. Help & assistance available from housing system portal. 	<ul style="list-style-type: none"> • Staff training on operating O365. • Review SLA to ensure requirements are being met. • IT provider ensures all devices are joined to Azure & Intunes & O365 business Apps. All relevant control policies are in place. 	4	4	20	4	4	20

		compromised.								
9	<p>STAFF PENSION SCHEME - MHA's current pension arrangements become financially unsustainable</p> <p><i>Risk Type:</i> Financial</p> <p><i>Implementation:</i> Management Committee</p>	<p>Key risks include:</p> <ul style="list-style-type: none"> – Employer and employee contributions continuing to rise & accounting for a larger share of MHA's annual spending. <p>Risks could result in:</p> <p>Scheme becomes unfordable & withdrawal from the DB scheme.</p>	<p>-Closed the SHAPS DBS to new entrants.</p> <p>-Offers a lower cost DCS & is also the option used for auto-enrolment.</p> <p>-Increase in DB contributions shared equally between employer/employee.</p>	<ul style="list-style-type: none"> • Pension Trust risk has moved from Medium to High & confirmed costs are unaffordable to MHA. MC are currently consulting with a pension advisor with a view to closing the SHAPS final salary scheme by the end of Aug. 2023. • Wider review of the % contribution for all employees will take place during the financial year. 	5	4	25	3	5	18

OTHER KEY RISKS FOR MHA 2023/24 – May 2023

	<u>RESIDUAL RISK SCORE</u>	<u>RISK AREA</u>
10	16 (Inherent 30)	<u>TENANTS SAFETY</u> - Failure to comply with statutory duties to ensure the safety of tenants and residents.
11	16 (Inherent 30)	<u>BUSINESS CONTINUITY</u> Failure to ensure business continuity in the event of an emergency (e.g., Covid-19).
12	16 (Inherent 25)	<u>H&S LEGISLATION (INHOUSE TEAM)</u> - Failure to adhere to H&S legislation or MHA safety requirements
13	16 (Inherent 24)	<u>VOIDS</u> - Void losses continue to be high.
14	16 (Inherent 20)	<u>H&S LEGISLATION BREACH</u> - Relating to our employer role.
15	16 (Inherent 20)	<u>VULNERABLE SERVICE</u> - Harm experienced by vulnerable people using MHA services or facilities.
16	12 (Inherent 25)	<u>SUCCESSION PLANNING</u> - For senior staff & committee
17	Removed Carbon Footprints Nursery as agreed at the A&R Sub-Committee Meeting on 15.08.23	
18	12 (Inherent 20)	<u>VOLUNTEERS</u> - Local people stop volunteering
19	12 (Inherent 16)	<u>PROVISION OF COMMUNITY SERVICES</u> - MHA role in community becomes unaffordable or exposes MHA to unacceptable levels of risk
20	10 (Inherent 15)	<u>SEX OFFENDERS</u> - Granting a tenancy to a convicted sex offender who then commits a further offence

	RISK AREA	KEY RISKS & POSSIBLE CONSEQUENCES	EXISTING CONTROLS & ASSURANCE	FUTURE ACTION PLANNED	(I)	(L)	INHERENT (TOTAL) Before	(I)	(L)	RESIDUAL (TOTAL) After
10	<p>TENANTS SAFETY - Failure to comply with statutory duties to ensure the safety of tenants and residents.</p> <p><i>Risk Type:</i> Legal Operational Strategic (if risks crystallise) Duty of Care to tenants</p> <p><i>Implementation:</i> Director of Asset & Investment</p>	<p>Key risks include failure to comply with:</p> <ul style="list-style-type: none"> - Gas safety regulations - SG Fire safety. - Asbestos Management - Water hygiene - Construction and Design Management Regulations <p>Risks could result in:</p> <ul style="list-style-type: none"> - Harm to MHA tenants & residents, employees, contractors, the public - Regulatory action by H&SE or SHR 	<ul style="list-style-type: none"> • Comprehensive programme of all elements of tenant's safety. • Risk assessments & method statements for employees and residents. • In-house & purchase external health & safety knowledge. 	<ul style="list-style-type: none"> • Rolling Programme on all aspects of tenants & residents' safety is well established and will continue to be reviewed & monitored. • External audit will be undertaken across all MHA activities with action plan implemented. 	5	5	30	4	3	16

		<ul style="list-style-type: none"> - Financial claims against MHA - Adverse media coverage - Reputational damage, including MHA's standing in the community 								
11	<p><u>BUSINESS CONTINUITY-Failure to ensure business continuity in the event of an emergency.</u></p> <p><i>Risk Type:</i> External Strategic Operational Community impact Business interruption Financial</p> <p><i>Implementation:</i> Leadership Team</p>	<p><u>Key risks include:</u></p> <ul style="list-style-type: none"> - Unknown factors associated with any national emergency - Isolation & lack of support for vulnerable residents - Damage to MHA property/assets - Potential for financial losses, legal action, MHA's reputation and community standing. - Uncertainty about MHA's financial resilience in addressing and recovering from large scale emergencies. 	<ul style="list-style-type: none"> • If national emergency, follow Government/legal guidelines to safeguard wellbeing of tenants, staff, and contractors. • Communicate clear information on essential services & support regularly to residents. • Implement BCP for staff to continue working. • Vulnerable tenants regularly checked to ensure wellbeing. • Managers oversight of services delivered & to check staff wellbeing. 	<ul style="list-style-type: none"> • Continue to develop MHA's Business Continuity Plan to maintain services & test its effectiveness regularly. <ul style="list-style-type: none"> • Constant communication with all stakeholders. 	5	5	30	4	3	16

		<p><u>Risks could result in:</u></p> <ul style="list-style-type: none"> - At worst, loss of life - Inability to provide a service. - Significant increase in rent arrears if tenants who can but don't pay rent. - Disruption to MHA's governance - Deterioration in MHA's financial resilience, leading to weaker cash flows & the need for higher rents and reduced spending on MHA's services and homes. 	<ul style="list-style-type: none"> • MHA systems safeguarded from cyber-attack. • For medium/longer term impacts, additional funding obtained whenever possible. • Cloud-based systems enhance IT future resilience. • Implemented minor recommendations from Internal Audit. 								
12	<p>H&S LEGISLATION In house team: failure to adhere to H&S legislation or MHA safety requirements.</p> <p><i>Risk Type:</i> <i>Legal</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 complies with risk assessments. <p><u>Risks could result:</u></p> <ul style="list-style-type: none"> - Serious injury or loss of life 	<ul style="list-style-type: none"> • Ensure staff have the correct and adequate equipment. • Regular checks & inspections. • Training provided on how to use, care for & maintain equipment. 	<ul style="list-style-type: none"> • Ongoing H&S assessment of requirements. • Continue to raise staff awareness on the importance of following H&S legislation, the impact of failing to comply. 	5	4	25	4	3	16	

	<p><i>Operational Duty of Care to staff.</i></p> <p><i>Implementation: Director Asset & Investment and Maintenance Manager</i></p>	<ul style="list-style-type: none"> - HSE action - Long periods of absence to aid recovery. <p>Potential personal claims lodged against MHA</p>	<ul style="list-style-type: none"> • Disciplinary procedures may be used, if required. • 	<ul style="list-style-type: none"> • Regular refresher courses use of tools/equipment (Toolbox Talks) • Continue with regular random checks to ensure staff are following risk assessment requirements. • Dedicated H&S staff member & use services of consultant. 							
13	<p>VOIDS -Void losses continue to be high.</p> <p><i>Risk Type: Operational Strategic (if risks crystallise) Financial</i></p> <p><i>Implementation: Director of Housing & CI and Maintenance Manager</i></p>	<p>Key risks include:</p> <ul style="list-style-type: none"> - Back log from Covid restrictions. - Lack of sourcing materials & labour. <p>Risks could result in:</p> <ul style="list-style-type: none"> - Reduction in rental income available to MHA - Poor perception with the community if properties remain 	<ul style="list-style-type: none"> • Voids weekly Working Group, led by the CEO, in place to monitor voids. Additional contractors assigned to void works. • More control of spend. • Void schedule of works streamlined. • 	<ul style="list-style-type: none"> • Continue with the weekly Voids Working Group. • Continue with the weekly maintenance budget monitoring group to keep expenditure at budget level. • Framework implemented & monitored to ensure VFM is achieved. 	4	5	24	4	3	16	

		vacant for long periods of time. - Continued attention from SHR								
14	<p>H&S LEGISLATION BREACH MHA breach any aspect of H&S legislation relating to our employer role.</p> <p><i>Risk Type:</i> Legal Duty of Care to staff</p> <p><i>Implementation:</i> Leadership Team</p>	<p>Key risks include:</p> <ul style="list-style-type: none"> - Not meeting employer obligations. - Lack of awareness by staff. <p>Risks could result:</p> <ul style="list-style-type: none"> - Serious injury or loss of life. - Claims lodged for damages. - Increased insurance premiums. - Any injuries or loss involving the H&S Executive is a SHR Notifiable Event 	<ul style="list-style-type: none"> • Tracking to ensure that all new, existing, and revised H&S legislation obligations are known, and robust procedures implemented. • Regular MHA meetings with H&S Adviser to ensure MHA is compliant. • The importance and impact of H&S responsibilities are stressed at function meetings, staff newsletter, intranet system, and annual job reviews. • Staff to complete a Risk Assessment on H&S annually. • A comprehensive H&S Audit is undertaken by an external consultant on a regular basis. 	<ul style="list-style-type: none"> • Continue to ensure staff are aware of potential risks to themselves and others. • H&S consultant to review all documentation to ensure compliance. 	4	4	20	4	3	16

<p>15</p>	<p><u>VULNERABLE SERVICE - Harm experienced by vulnerable people using MHA services or facilities.</u></p> <p><i>Risk Type:</i> Community Impact Reputational Financial</p> <p><i>Implementation:</i> Leadership Team</p>	<p><u>Key risks include:</u></p> <ul style="list-style-type: none"> - Failure to assess /manage the risks associated with community services and activities. <p><u>Risks could result in:</u></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. <p>Adverse media coverage and reputational damage</p>	<ul style="list-style-type: none"> • PVG checks and safeguarding policies and procedures. • H&S procedures and risk assessments implemented. • Public liability insurance • 	<ul style="list-style-type: none"> • H&S procedures and risk assessments will continue to be reviewed to ensure MHA compliance. 	4	4	20	4	3	16
<p>16</p>	<p><u>LACK OF SUCCESSION PLANNING</u></p> <p><i>Risk Type:</i> Strategic Operational Governance</p> <p><i>Implementation:</i> Directorate</p>	<p><u>Key Risks include:</u></p> <ul style="list-style-type: none"> - Key staff positions not being filled immediately. - If no staff to fill key positions temporarily, potential requirement to consider higher cost options (e.g., 	<ul style="list-style-type: none"> • Staff Planning Needs Checklist procedures in operation & reviewed annually. • Emerging Leaders Programme to develop talent, skills etc. within MHA. • MC Promotion and Succession Plan. 	<ul style="list-style-type: none"> • Continue to pro-actively encourage residents to join committee, groups etc. • New People Strategy will be implemented during the financial year 	5	4	25	3	3	12

		<p>recruitment or consultancy)</p> <ul style="list-style-type: none"> – Failure to retain MC members and attract new ones. <p>Risks could result:</p> <ul style="list-style-type: none"> – Gap in senior staff skills & leadership – Reduction in MC effectiveness 		<p>which will cover a range of employment matters.</p>							
17	<p><u>CARBON FOOTPRINTS NURSERY</u> -ceases to be financially viable, (e.g., because of unexpected reductions in income</p> <p><i>Risk Type:</i> Community Impact Operational Financial</p> <p><i>Implementation:</i> CEO, CS & Innovation Manager</p>	<p>Key risks include:</p> <ul style="list-style-type: none"> – If there are no funds for a prolonged period, potential closure of the nursery. <p>Risks could result:</p> <ul style="list-style-type: none"> – Loss of childcare for local parents – Staff redundancies – MHA having an empty building and children being without childcare. 	<ul style="list-style-type: none"> • Detailed financial reporting to the MC. • Budgets generally set based on CFN being able to achieve a surplus (not achieved last few years). • High demand for places (waiting list is kept) but difficulty in staff recruitment. • MHA’s public liability insurance adequately provides cover for business interruption (loss of income). 	<p>CFN Committee Group established to oversee due diligence of MHA entering a lease arrangement with a local childcare provider to manage CFN. TUPE arrangements will be met. Monthly rental income will be received. To be completed by August 2023.</p>	5	3	20	4	2	12	
18	<p><u>VOLUNTEERS</u></p>	<p>Key risks include:</p>	<p>MHA treats our volunteers with respect</p>	<p>Continue to attract, retain & celebrate</p>	4	4	20	4	2	12	

	<p>Local people stop volunteering.</p> <p><i>Risk Type:</i> Community Impact</p> <p><i>Implementation:</i> Director of Housing & CI</p>	<ul style="list-style-type: none"> Some activities (e.g., the recycling centre) would most likely close as they depend entirely on volunteers. <p>Risks could result:</p> <ul style="list-style-type: none"> Loss of social interaction for volunteers Services having to be reviewed (e.g., staff resources to deliver services where volunteers currently play a major role). 	<p>and recognises their invaluable contribution to the community (e.g., celebrate Volunteering Week).</p>	<p>volunteers by providing support, training & volunteering celebrations on an on-going basis.</p>							
19	<p>PROVIDING COMMUNITY SERVICES -MHA role in community services becomes unaffordable or exposes MHA to unacceptable levels of risk.</p> <p><i>Risk Type:</i> Strategic</p>	<p>Key risks include:</p> <ul style="list-style-type: none"> Lack of a considered strategic position by the MC “Mission creep”: pressure to take responsibility for more public services, as GCC/ others withdraw from providing & supporting vital local services. <p>Risks could result:</p>	<ul style="list-style-type: none"> The MC is committed to seeking social gains for the community. Non-statutory CE services could be reduced/withdrawn if MHA finances not cover the costs. In appraising possible new activities/services, ensure VFM demonstrated. 	<ul style="list-style-type: none"> Continue to monitor service costs and outcomes carefully to demonstrate VFM. Annual MHA approval of MCE business plan. Conduct annual Community Profile to keep updated on who 	4	3	16	3	3	12	

	<p><i>Community Impact Governance Financial</i></p> <p><u>Implementation:</u> <i>Directorate</i></p>	<ul style="list-style-type: none"> - The community being destabilised, local environment could deteriorate. - Reduction in CE Team, reduce tenancy sustainment & vulnerable support work, lead to more voids. - Possible staff redundancies - Alternative use Culloden Street Hall. 	<ul style="list-style-type: none"> • External income is sought when possible (grants) • Local volunteers assist where possible in delivering services which keeps the costs down. 	MHA residents are.							
20	<p>SEX OFFENDERS -Granting a tenancy to a convicted sex offender who then commits a further offence</p> <p><i>Risk Type:</i> <i>Duty of Care to tenants/residents Impact Reputational Impact</i></p> <p><u>Implementation:</u></p>	<p>Key risks include:</p> <ul style="list-style-type: none"> - MHA knowingly makes a housing allocation to a registered sex offender without having control measures in place. <p>Risks could result:</p> <ul style="list-style-type: none"> - Serious harm to a child or other person if a further offence committed. - Loss of community confidence and trust in MHA 	<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 organisations GWSF to lobby Scottish Government for legislative changes. 	<ul style="list-style-type: none"> • Current position reviewed by the MC & agreed to a 1-year pilot scheme with MAPPA Information Sharing Protocol only. • Review legal advice sought. 	5	2	15	5	1	10	

