PEAKS & PLAINS
Housing Trust

The Trust

Risk Management Policy

Version number: V7

Effective Date: April 2023

TABLE OF CONTENTS

1. INTRODUCTION

1.1. The aims of this Risk Management Policy are to:

- recognise that risk is inherent and unavoidable in business;
- ensure the Trust is proactive in identifying and managing risk;
- demonstrate to stakeholders and regulators compliance with good corporate governance;
- promote ownership of the risk management process across the Trust;
- promote a culture of risk awareness throughout the organisation;
- ensure consistent assessment of both threats and opportunities are undertaken;
- define the Trust's risk appetite and identify its systems of mitigation and monitoring arrangements;
- maintain an effective control framework designed to contain risks where it is cost effective to do so and to manage risks effectively;
- ensure that board members and staff are clear about their respective responsibilities regarding risk management.

1.2. A risk is the effect of uncertainty on an event, activity, or object. Risk management is the process of identifying, assessing and controlling threats that may impact on Peaks and Plains achieving its objectives as set out in the strategic plan. These threats, or risks, could stem from a wide variety of sources, including financial uncertainty, reputational risks, legal liabilities, strategic management errors, accidents, natural disasters etc.

1.3. Peaks & Plains will put in place reasonable and proportionate controls to reduce the likelihood of significant identified risks occurring and to reduce the negative impact if those risks occur, taking into account the costs and benefits of controlling, transferring or reducing those risks.

2. SCOPE

2.1. This policy applies to all of the Trust's activities and applies to all employees.

3. LEGAL & REGULATORY REQUIREMENTS

3.1. The social housing regulator expects housing associations to have effective arrangements for risk management and that an association's governing body takes an active part in it. The requirement is set out in its standard for governance and financial viability. The standard states that "*Registered providers shall ensure that they have an appropriate, robust and prudent business planning, risk and control framework*."

3.2. The Trust follows the National Housing Federation's (NHF) Code of Governance. This includes a commitment to have formal and transparent arrangement for considering how the organisation ensures financial viability, maintains a sound system of internal controls and manages risk (including having a suitable risk management framework).

4. DEFINITIONS

4.1. **Risk management** is the coordination of activities to direct and control an organisation with regard to risk.

4.2. **Control** is "any action taken by management, the Board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved" as defined by The Institute of Internal Auditors.

4.3. **Risk Appetite** is the amount of risk that an organisation is prepared to accept, tolerate, or be exposed to at any point in time.

4.4. **Strategic risks** are risks, which could affect the achievement of strategic business objectives including financial viability and reputational risk. These are displayed in the Strategic Risk and Assurance Register.

4.5. **Operational risks** are risks which could affect the normal running of the day–to-day activities of the organisation. These are displayed in the Operational Risk and Assurance Register.

4.6. **Programme/project level risks** are risks which could affect the development and delivery of programme project objectives. These are held in a RAID (Risk, Assumptions, Issues, Dependencies) Log for each project as part of the Project Management Framework.

4.7. **Inherent Risk** a risk that exists before any preventative controls have been implemented (risk treatment action is taken).

4.8. **Residual Risk** the remaining level of risk after treatment measures such as preventative controls have been implemented. If residual risk falls within the Trusts risk appetite, then residual risk is acceptable; if it falls outside, then other actions will be needed to further mitigate the risk.

5. OUR POLICY

5.1. RISK

5.1.1. Peaks & Plains Housing Trust (the Trust) accepts that the effective management of risks is an essential part of ensuring that the strategic objectives of the Trust are delivered and that its financial, regulatory and reputational well-being is being maintained.

5.1.2. The Trust will adopt best practices in the identification, evaluation and management of risks that may affect the achievement of the Trust's aims and objectives. This includes using an Assurance and Control Framework known as the 3 lines of defence model (see **Appendix B).**

5.1.3. The Trust will integrate the effective management of risk into its business planning processes and will support its employees in making informed decisions about risk taking.

5.2. RISK ASSURANCE

5.2.1. Assurance is a positive declaration that is intended to give confidence.

5.2.2. The "quality" of the assurance obtained will depend upon factors such as:

- The independence of the assurance provider
- The complexity of the area under review
- The expertise of the assurance provider and the resources at their disposal
- The "age" of the assurance – how long ago the assurance work was undertaken
- The prime purpose for which the assurance work was undertaken.

5.2.3. The overall assurance for each risk will be assessed on a periodic basis; operational risks will be reviewed by SLT on a rotating annual basis and strategic risks will be assessed by Audit Committee as part of Strategic Risk deep dives.

5.3. PEAKS & PLAINS RISK APPETITE AND GOLDEN RULES

5.3.1. The Board accepts that the Trust cannot achieve its objectives or purpose without taking some risks. The Board recognises its duty to safeguard the assets of the Trust and believes that financial strength is the key to delivery of other objectives.

5.3.2. Peaks and Plains' Risk Appetite is articulated through a combination of qualitative statements, limits and thresholds which vary depending on the type of activity being considered. These statements give guidance on the limits of risk that the Board considers it appropriate to accept.

5.3.3. The Board's risk appetite is saved in SharePoint and it will be reviewed annually by the Board, and be published in the annual statements.

5.3.4. **Golden Rules** – The Trust has established a number of Golden Rules to support its risk management, these are the red lines which the Trust will not cross. The rules are only reviewed following any significant changes in the Trust, including when any new loan agreement is signed. The Rules were changed on 22 February 2022.

5.4. DELIVERY OF THE POLICY

5.4.1. The Trust will maintain risk registers which includes significant strategic and operational risks. We will regularly review the impact and likelihood of the risk materialising, the adequacy of controls and actions necessary to further mitigate the risks.

5.4.2. An approved best practice format Strategic Risk and Assurance Register will be used to display the different strategic risks once they have been analysed.

5.4.3. The register will be regularly reviewed at both SLT and Board/Audit Committee level as detailed in the Management Control Process for Risk (see **Appendix C**).

5.4.4. All decision reports to board will include a section on risk in which board members will be advised of the risks involved and action being taken or proposed to mitigate them in order to inform their decision making.

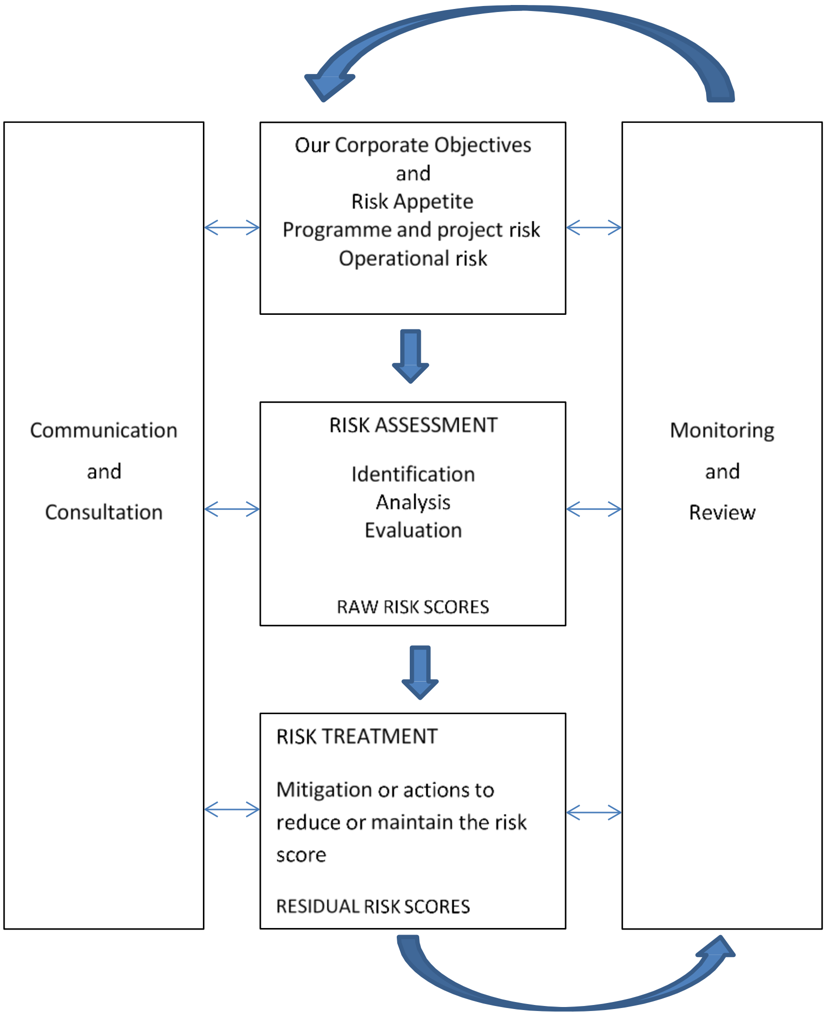
5.4.5. Board members will regularly consider risks which maybe on the horizon as well as those which are currently faced. This may be at Board and committee meetings, development sessions and business review and planning days.

5.4.6. We will use a range of internal controls to manage risk in addition to the activities referred to above. These will include directive and preventative controls in place before a risk happens, and detective and corrective controls that are used after a risk has occurred. These include the following:

- A risk management framework
- Internal audit programme linked closely to identified risks
- External audit
- Appropriate governance arrangements
- Policies aimed at preventing financial or other losses including, anti-fraud, corruption and bribery policy, anti-money laundering policy, insurances policy and Whistle blowing policy
- Use of external inspections/accreditations
- Clear and regularly reviewed Standing orders and Financial regulations
- Health and safety policies and procedures
- Codes of conducts for staff and board members.

5.4.7. Board members and staff will be provided with training and/or guidance to enable them to carry out their risk management responsibilities effectively.

5.5. RISK MANAGEMENT FRAMEWORK



5.5.1. Our risk management framework is the process by which we identify, assess, control, report and monitor risk so that we can deliver our corporate objectives. Risk and assurance management is carried out across all areas of the Trust.

5.6. RISK ASSESSMENT/SCORING

5.6.1. The Trust recognise that there will be risks that present greater threats to the Trust and therefore require to be prioritised and monitored more closely. In order to prioritise the risk the trust uses a 5x5 risk matrix.

5.6.2. This scoring assesses the likelihood of the risk occurring against the impact of that risk. The scores are detailed in **Appendix A**.

5.7. RISK TREATMENT

5.7.1. The management approach taken by PPHT will be either to:

Treat – this is where management has decided to accept the risk but at a lower level of risk. The original risk score may exceed PPHT's risk tolerance or may just be seen as high and able to be reduced. As all actions that result in a reduced score involve a cost, managers should consider the cost-benefit of any actions being proposed, as it may just be appropriate to spend sufficient to reduce the score to within PPHT's risk appetite.

Transfer – this is where management has decided to transfer the risk, usually to a third party. This may be to a group company, such as PropCo, or an independent third party such as an insurer.

Tolerate – the risk may be so small or a higher score risk has been managed down to an acceptable level, that management or the Audit Committee agree that the risk can just be accepted. The cumulative effect of tolerated risks does need to be considered. This will in turn affect the organisation's risk appetite, which may reduce as more risk is taken on.

Terminate – where an identified risk has an excessive risk score but the cost of bringing it down may be considered uneconomic, it may be decided not to take on the risk at all. For instance this may lead to discontinued activities where market changes have made it unprofitable.

5.7.2. Although the identification of risk is an important element of the process, the management of the risk through control implementation is the most vital. Managers should record controls that exist, on the risk registers. Further controls to be implemented can also be recorded and deadlines established.

5.7.3. Progress against implementation of the new controls will enable the Senior Leadership team and the Audit Committee to review when controls will be implemented and hence risk scores reduced. This will provide a proactive form of risk management with a clear route of activity to move from one risk score to another.

6. EQUALITY, DIVERSITY & INCLUSION

6.1. An equality impact assessment for this Policy did not identify any ways in which the policy would have any foreseeable negative or adverse effect on any groups.

7. RESPONSIBILITIES

7.1. The following summarises the roles and responsibilities in relation to risk management:

7.2. **Board**

Set the risk appetite and review it annually.
Ensuring stress testing is completed and is linked to the strategic risk register.
Seek assurance that risks are identified and managed within the risk appetite.
Provide assurance to stakeholders in the annual statements.
Review the policy every 2 years.
Review the effectiveness of the Trust's system of internal control annually.
Review the risk register at least annually.

7.3. **Audit Committee**

Seek assurance that risks are identified and managed within the risk appetite set by the board.
Four times a year review the strategic risk register.
Provide assurance to the Board.
Receive audit reports and approve management actions and comments.
Oversee the reporting of any actual or potential breaches and monitor plans.
Review/approve the rolling programme of deep dive reviews of risk areas.

7.4. **Senior Leadership Team**

Cascade the risk appetite to staff.
Ensure decisions are made within the risk appetite set by board, and any risks outside this are reported to Board.
Manage and update the risk registers as necessary.
Monthly review the priority risks and identify new or emerging risks.
Rolling annual review of each operational risk to assess overall assurance.
Ensure risks are mitigated to an acceptable level.

7.5. **Risk Owners**

Identify emerging risks, sector risk profiles and good practice in risk management.
Identify and manage risks and report progress in service areas and cross team working.
Monitor and update the strategic/operational risk registers.
Identify any training needs to support risk management.
Report to Board, Audit Committee and SLT on risk in every report, business case or options appraisals including how risks relate to the agreed risk appetite and actions to mitigate them.

7.6. **Chief Executive**

Undertake an annual review of the effectiveness of the system of internal control and provide a report to the Audit Committee and Board.
Report to Audit Committee any failures of the internal controls.

7.7. **Director of Resources**

Ownership of the risk register and reports to Board and Audit Committee.
Ensure risk management skills and behaviours are included in board member inductions and appraisals and any training needs are met.
Ensure risk management is included in the internal audit programme.

7.8. **Staff**

Awareness of risk management policy and risks as outlined by management and within the risk registers.
Complete annual risk training.

7.9. **Internal Auditor**

Review the effectiveness of the Trust's risk management policy and processes.

7.10. **External Auditor**

Assess risk in relation to fraud and financial management.

8. MONITORING AND REPORTING

8.1. The Trust considers and reports on strategic and operational risks separately. A strategic risk is one that could prevent us from delivering our corporate objectives set out in our strategic plan and/or has a high residual risk score. The Board will formally review the full register annually, it will have sight of the risks at each meeting, in addition to its review of the policy and risk appetite.

8.2. Each of these risks is owned by a member of the Senior Leadership Team (SLT).

8.3. Operational risks are risks that may prevent us, from meeting operational objectives. These may be risks which affect the delivery of a teams' service plan or risks associated with a project or event.

8.4. Operational risks are reviewed and monitored by the Senior Management Team (SMT) and the operational risk register is updated monthly. This register is reviewed formally at an Executive management team meeting four times a year. EMT will review all risks outside the Board's risk appetite and those scoring above 9 to determine if any need to be escalated to Audit Committee for inclusion on the strategic risk register.

8.5. Individual SMT members will review any new and emerging risks, add them to their operational risk register and make recommendations for any changes to identified risk and current mitigating actions, and whether operational risks should be escalated to the Strategic Risk Register, to the Exec Director of Resources.

8.6. Risk management is reported to Audit Committee at every meeting.

9. REVIEW

9.1. This policy will be reviewed every 2 years or at an earlier date if required.

10. ASSOCIATED DOCUMENTS

10.1. This policy should be read in conjunction with the risk appetite statement.

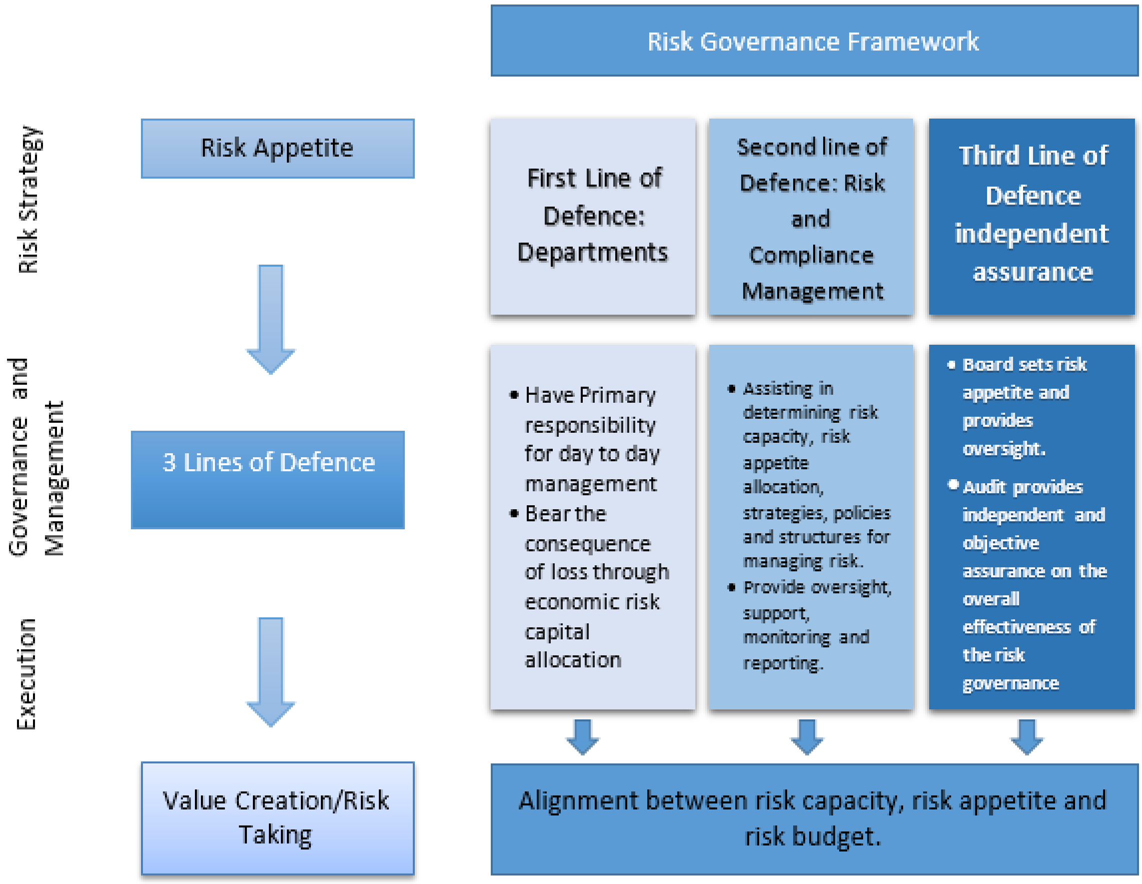
POLICY INFORMATION

Policy Name:	Risk Management Policy
Status:	FINAL
Approved by:	Board
Drafted By:	Director of Resources
Date approved:	28th March 2023
Next Review Date:	March 2025

APPENDIX A – RISK SCORE DEFINITIONS

Likelihood					
	1- Remote	**2- Possible**	**3 - Probable**	**4 – Highly likely**	**5 – Almost Certain**
Occurrence	Very unlikely in the next 5 years but is still theoretically possible	Less than a 50% chance of this risk crystallising in the next 5 years but the circumstances in which it could are possible	Between 50% and 75% chance that this risk could occur in the next 5	More likely that this risk will crystallise than not with an above 75% chance that it will occur in the next 5 years	Little doubt or uncertainty that this risk will occur within the next 5 years
Impact Score					
	1 - Insignificant	**2 - Minor**	**3 - Moderate**	**4 - Major**	**5 - Catastrophic**
Business Impact	Has no impact on the strategic objectives of the Trust	Would result in some low level operational objectives either not being achieved or being delayed.	Would result in some operational objectives not being achieved and/or delayed.	The viability of the Trust and its ability to adhere to its business and strategic plans would be compromised	Would result in the closure of the Trust.
Financial Viability	Minimal loss, less than 0.1% of rental income	Minor loss 0.1% - 0.5% of rental income.	Moderate loss, 0.51% - 1% of rental income.	Major loss, 1.01% - 3% of financial income.	Severe loss over 3% of rental income.
People (Employees, or members of Public)	N/A– any impact on employees or members of the public would be significant	Minor injury (First aid Needed).	Serious injury requiring medical treatment.	Number of extensive injuries/major permanent harm.	Fatality.
Reputation	No interest internally or publicly.	Some public interest but no damage to reputation.	Some adverse local publicity, no legal implications. Self-referral to the RSH or other regulatory body.	Major adverse publicity/public loss of confidence. Regulatory downgrade	Highly damaging, loss of confidence and Regulatory intervention.
Property	Minor disruption, quickly rectified.	Damage to property – no loss of use	Damage resulting in loss of use of a property for up to 3 months	Damage resulting in loss of property for up to 6 months	Damage resulting in loss of property permanently (not planned) requiring rebuild.

APPENDIX B – ASSURANCE 3 LINES OF DEFENCE



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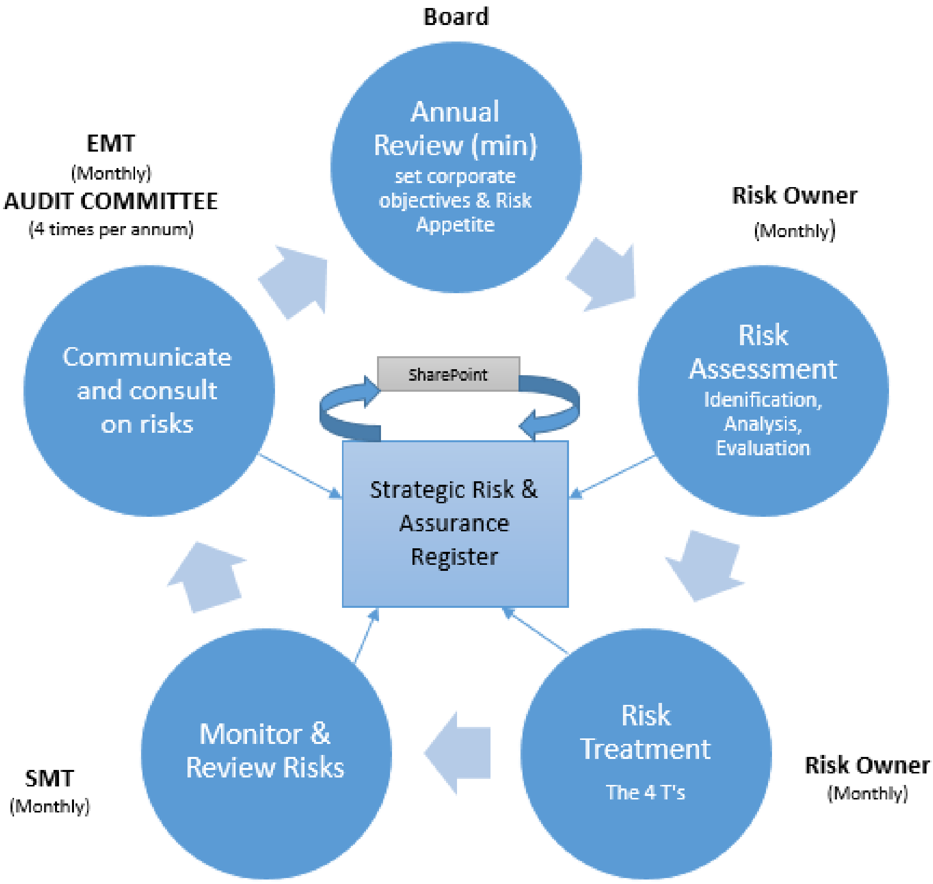
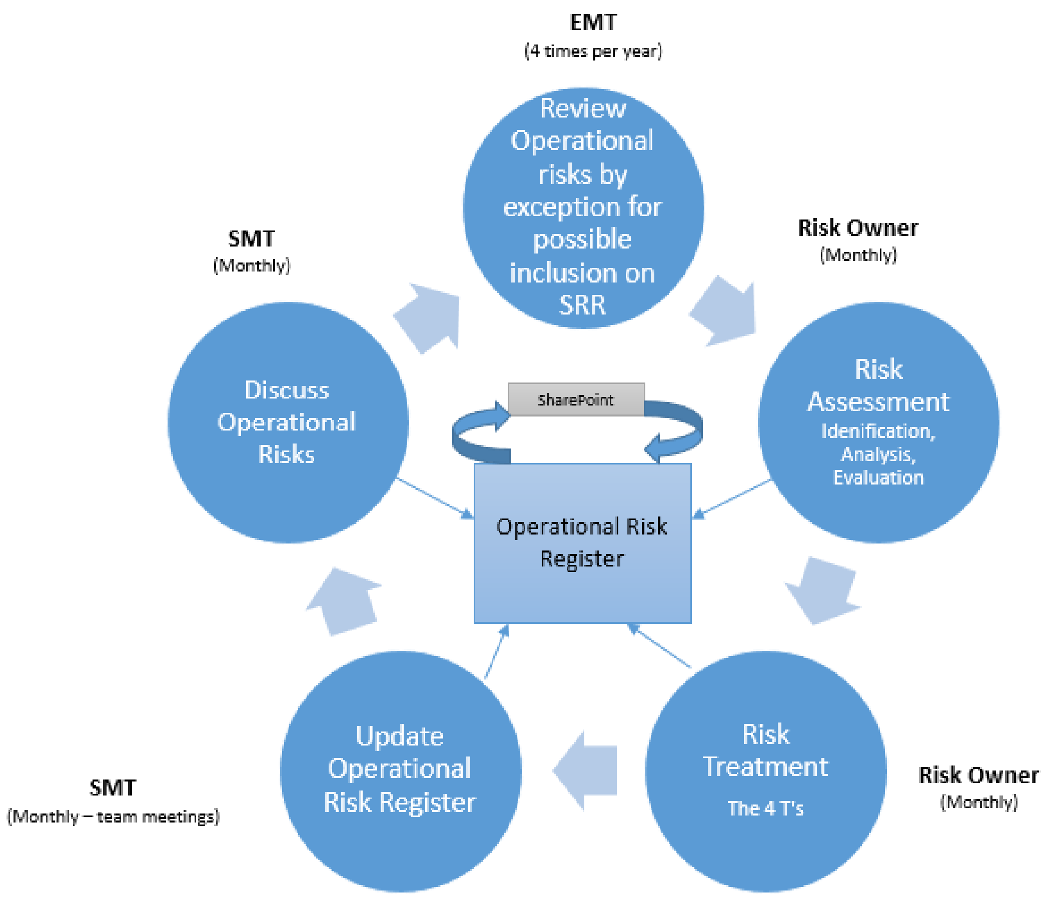
APPENDIX C – MANAGEMENT CONTROL PROCESS FOR RISK





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