

HOUSING CORPORATION

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# Risk management strategy

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March 2006



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# Foreword

The Housing Corporation supports communities across England by subsidising the supply and regulating the quality of affordable homes and associated services for householders whose circumstances make it difficult for them to meet their housing needs in the open market, including the homeless, low income families, key workers and those in need of supported accommodation.

At present the Corporation faces a number of challenges and opportunities. These include tackling homelessness and overcrowding, bringing stock up to the decent home standard, renewing estates; enabling better access to low cost home ownership; helping housing associations to build up a good supply of land, using strategic sites and getting better value for money from Section 106 agreements: working in low demand areas and linking housing investment to economic development, and finally, continuing to meet rural housing needs. The Corporation will continue to work with other agencies in the housing sector to meet these challenges and opportunities. We are committed to being actively supporting housing associations to undertake neighbourhood management and regeneration activities, so housing solutions are not delivered in isolation. We have a role in raising the design quality of publicly funded buildings and spaces and to improve the environmental performance of new and existing stock. Also we are looking at new approaches for housing vulnerable people and an ageing population. The final challenge is to get more from public resources and hence contribute to the Government efficiency agenda.

Relationships with other agencies are essential in order to complete our priorities. Therefore we must manage the risks involved in working with other organisations including local and central government, especially the DCLG.

Meeting these challenges requires innovative thinking and new approaches, while continuing to meet the rigorous standards of accountability and corporate governance required of us.

There are risks associated with anything new and untried. We want to embrace new opportunities, recognising that it will rarely be possible to remove risks completely. Our aim, therefore must be to manage risks better and to ensure that effective risk management is integral to the way we think and what we do.

This Risk Management Strategy articulates how we manage risk. It updates and replaces the Risk Management Strategy document published in March 2005: it reflects the evolution of our approach and takes into account the principles and concepts in the revised Orange Book published by HM Treasury in October 2004.

Whilst this strategy document sets out defined processes for managing risk, successful risk management can only be accomplished on a day-to-day basis by staff at all levels through their working practices; it does not simply lie inert in corporate policies and management structures.



**Jon Rouse**  
Chief Executive

March 2006

**Jon Rouse**  
Chief Executive

# 1/ Overview

**1.1/** Risk is defined as the uncertainty of outcome, whether positive opportunity or negative threat, of action and events. Risk has to be assessed in respect of the combination of likelihood of something happening, and the impact that arises if it does happen.

**1.2/** The resources available for managing risk are finite and so our aim is to achieve an optimum response to risk, prioritised in accordance with our evaluation of the risks. We use the term 'risk appetite' to refer to the amount of risk which we are prepared to accept, tolerate, or be exposed to at any point in time.

**1.3/** Risk management is the process by which we:

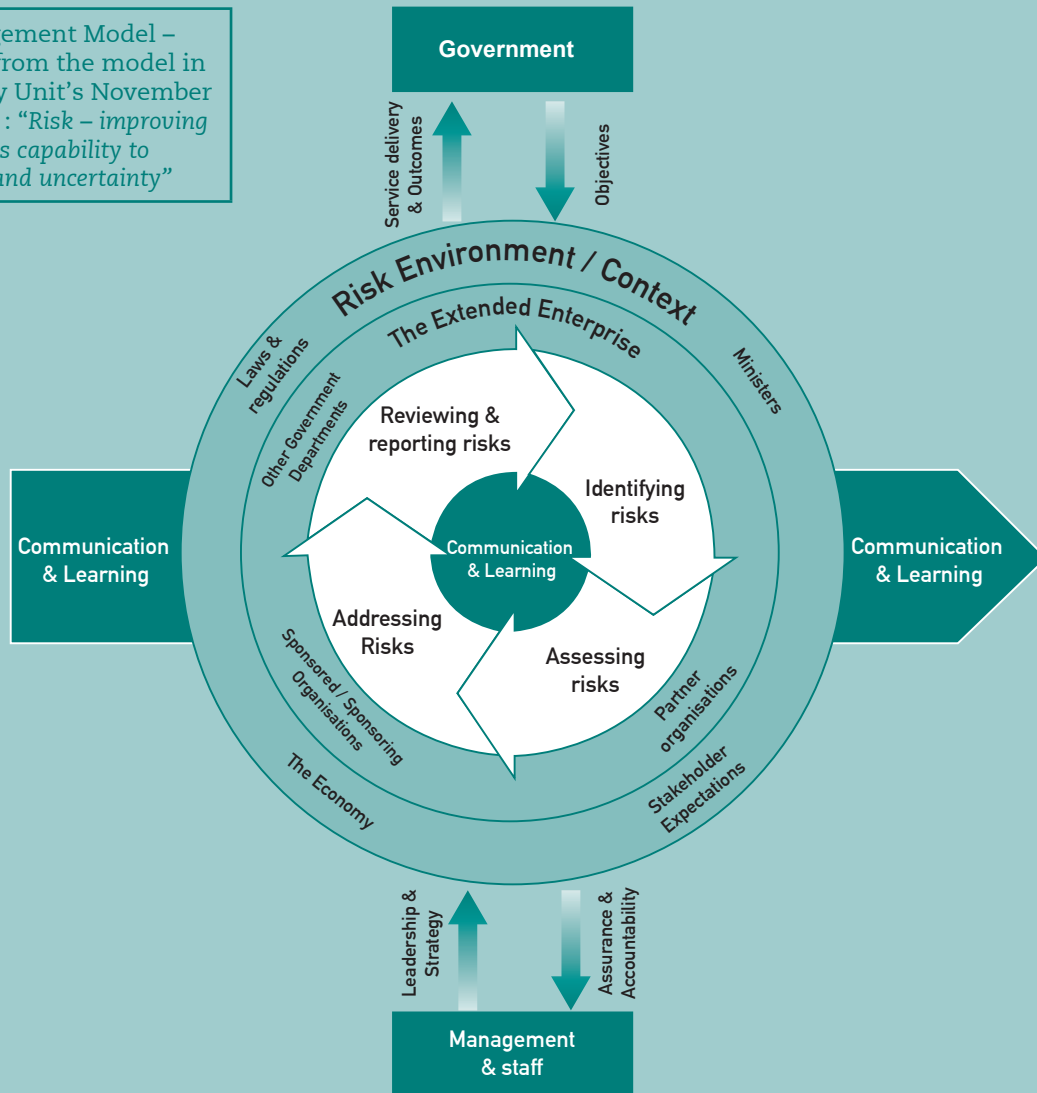
- identify risks in relation to the achievement of our objectives;
- assess their relative likelihood and impact;
- respond to the risks identified, taking into account our assessment and risk tolerance; and
- review and report on risks – to ensure the risk register is up to date, to gain assurance that responses are effective, and identify when further action is necessary.

**1.4/** The goals of risk management are:

- to take a proactive approach, anticipating and influencing events before they happen;
- to facilitate better informed decision making; and
- to improve contingency planning.

**1.5/** The management of risk is not a linear process; rather it is the balancing of a number of interwoven elements which interact with each other. It is essential that the risk management process is intertwined with other operating activities and permeates the organisation's management. This is illustrated by the Cabinet Office/HM Treasury risk management model:

Risk Management Model – developed from the model in the Strategy Unit’s November 2002 report : “Risk – improving government’s capability to handle risk and uncertainty”



### Notes on the model

- The management of risk is the balancing of a number of interwoven elements which interact with each other.
- The model dissects the core risk management process into elements for illustrative purposes, but in reality they blend together.
- The model illustrates how the core risk management process is not isolated, but takes place in a context.

# 2/ Identifying risks

**2.1/** Identifying risks is the first step in building the Corporation's risk register. The process of identifying and defining risks establishes common understanding of the risks and therefore better capability to respond appropriately.

**2.2/** A risk self-assessment exercise will be organised twice a year as part of the corporate six-month planning and operational plan review process. Each part of the organisation involved in corporate and operational planning will be invited to review activities and contribute their diagnosis of the risks. The outputs of this process will be used to inform the corporate risk register.

**2.3/** The risk register will be a live document with opportunities to update it on an ongoing basis, together with formal reviews - as set out in section 9 below.

**2.4/** When identifying and defining risks, the following guidelines should be followed:

- risks should be related to the objectives/themes as set out in the corporate plan;
- a statement of risk should encompass the cause of the impact, and the impact to the objectives which might arise;

- risks should be identified at a level where a specific impact can be identified and a specific action or actions to address the risk can be identified; and
- care should be taken to avoid stating impacts which may arise as being the risks themselves, and to avoid stating risks which do not impact on objectives. Equally, care should be taken to avoid defining risks with statements which are simply the converse of objectives.

**2.5/** Examples of risk definitions are provided at **Annex 1**.

# 3/ Categorising risks

**3.1/** The risk categories are intended to provide:

- a checklist to ensure the full range of potential risks has been comprehensively considered; and
- a means of grouping related risks within the risk register document, as risks are commonly not entirely independent of each other.

**3.2/** The risk categories as detailed in Annex 2 are:

External – arising from the external environment, not wholly within the organisation’s control, but where action can be taken to mitigate the risk;

Operational – relating to the successful execution of existing operations  
– both current delivery and building and maintaining capacity and capability; and

Change - risk created by decisions to pursue new endeavours beyond current capability.

# 4/ Assessing risks

**4.1/** There are three important principles for assessing risks:

- ensure that there is a clear structure to the process so that both likelihood and impact are considered for each risk;
- record the assessment of risk in a way which facilitates monitoring and the identification of risk priorities; and
- be clear about the difference between inherent and residual risk.

**4.2/** For each risk identified, an assessment should be made of the likelihood of it occurring and the relative impact if it does. The more clearly risks are defined at the identification stage, the more easily they can be assessed. Likelihood is the probability or chance of the risk occurring and impact is the probable effect on the Corporation if the risk occurs.

**4.3/** Some exposures are simpler to deal with than others. For example, financial risks are often easier to consider and assess than those associated with risks to the Corporation's reputation or its ability to provide a service. Where feasible, past events may provide a useful input to assess risks. While the risk identification and assessment is primarily aimed at those events that may occur within the planning

period, managers should not ignore risks that are more long term.

**4.4/** Risk is a major factor to be considered within the management of all change projects. It is essential to identify, assess and respond to risks to the achievement of project objectives. This is one of the most important parts of the work undertaken by the Project Board and the Project Manager.

**4.5/** All risks should be scored in terms of their likelihood and potential impact using the following five point scale. The score for the likelihood and impact are multiplied to give an overall risk assessment:

Likelihood		Impact	
5	Almost certain	5	Catastrophic
4	Likely	4	Major
3	Possible	3	Moderate
2	Unlikely	2	Minor
1	Rare	1	Insignificant

**4.6/** Further guidance on assessing relative likelihood and impact is provided at Annex 3. The information in this Annex forms part of the process for deciding when a risk should be escalated or reduced.

**4.7/** The impact descriptors are only an indication of the probable effect on the Housing Corporation if the risk occurs; they are not hard and fast rules. It is essential that staff use their knowledge and judgement when deciding on the score for impact.

**4.8/** Each risk is assessed twice. Firstly the 'inherent' risk, which is the exposure arising from a specific risk before any action has been taken to manage it. Secondly the 'residual' risk which is the exposure arising from a specific risk after action has been taken to manage it and making the assumption that the action is effective

# 5/ Addressing risks

**5.1/** The purpose of addressing risks is to turn uncertainty to the organisation's benefit by constraining threats and taking advantage of opportunities.

**5.2/** The appropriate response to each risk will depend on its nature and the outcome of the risk assessment. The degree of attention required should be proportionate to the level of risk and the cost and benefits involved in any action taken to reduce the risk.

**5.3/** For each risk, the key activities designed to manage the exposure must be defined to support tracking and monitoring of the nature of the risk concerned. This must include both the current risk response – the controls in place at the time of the 'inherent' assessment, and the action planned in the light of the 'residual' assessment, including a target date for implementing the planned action.

**5.4/** There are five key aspects of addressing risk:

**TOLERATE:** the exposure may be tolerable without any further action being taken. Even if it is not tolerable, ability to do anything about some risks may be limited, or the cost of taking any action may be disproportional to the potential benefit gained. In these

cases the response may be to tolerate the existing level of risk.

**TREAT:** by far the greatest number of risks will be addressed in this way. The purpose of treatment is that whilst continuing within the organisation with the activity giving rise to the risk, action (control) is taken to constrain the risk to an acceptable level.

**TRANSFER:** for some risks the best response may be to transfer them. This might be done by conventional insurance, or it might be done by paying a third party to take the risk in another way. This option is particularly good for mitigating financial risks to assets.

**TERMINATE:** some risks will only be treatable, or confinable to acceptable levels, by terminating the activities.

**TAKE THE OPPORTUNITY:** this option is not an alternative to those above: rather it is an option which should be considered whenever tolerating, transferring or treating a risk.

# 6/ Risk appetite

**6.1/** The aim of the Risk Strategy is not to remove all risk but to recognise that some level of risk will always exist. Indeed it is recognized that taking risks in a controlled manner is fundamental to innovation and the building of a can do culture. Risk appetite is the amount of risk that the organisation is prepared to accept, tolerate or be exposed to at any point in time.

**6.2/** Our risk appetite can be expressed as a boundary, above which we will not tolerate the level of risk and further actions must be taken:

Impact Severity	Multiplier					
Catastrophic	5	5	10	15	20	25
Major	4	4	8	12	16	20
Moderate	3	3	6	9	12	15
Minor	2	2	4	6	8	10
Insignificant	1	1	2	3	4	5

	Multiplier	1	2	3	4	5
Likelihood		Rare	Unlikely	Possibly	Likely	Almost Certain

	KEY	
Severe	20-25	Unacceptable level of risk exposure which requires immediate corrective action to be taken
Major	12-16	Unacceptable level of risk exposure which requires constant active monitoring, and measures to be put in place to reduce exposure
Moderate	5-10	Acceptable level of risk exposure subject to regular active monitoring measures
Minor	3-4	Acceptable level of risk subject to regular passive monitoring measures
Insignificant	1-2	Acceptable level of risk subject to periodic passive monitoring measures.

**6.3/** The risk appetite is monitored by the inherent and residual risk assessment figures. Generally we will wish to manage closely all residual risks scoring 12+ and will not wish to tolerate risks scoring 16+.

**6.4/** An organisation's risk appetite is not necessarily static. The Board may vary the amount of risk which it is prepared to take depending on the circumstances.

**6.5/** The Board has agreed to focus on monitoring of risks with a score of 12 or more and have delegated to Audit & Risk Committee the review and monitoring of the whole register.

# 7/ Risk roles and responsibilities

**7.1/** Responsibility for each risk must be assigned to an owner who is responsible for ensuring that the risk is managed and monitored over time.

**7.2/** A list of roles and responsibilities for risk management is given in Annex 4

# 8/ Risk register, risk maps and project risk logs

**8.1/** The risk register documents the risk assessment in order to:

- facilitate the identification of risk priorities;
- capture the reasons for decision made about what is and is not tolerable exposure;
- record the way in which it is decided to address risk;
- allow all those concerned with risk management to see the overall risk profile and how their areas of particular responsibility fit into it; and
- facilitate the review and monitoring of risks.

**8.2/** Risk maps display the risks within the risk register to make it easier to assess the relationship of assessed risks to the organisation's risk appetite. They can be produced by the Corporate Development Team on request.

**8.3/** For major change projects, the risks identified, their assessment, the response to each and the risk owner should be documented in the project risk log to support tracking and monitoring.

# 9/ Reviewing and reporting risks

**9.1/** The management of risks has to be reviewed and reported on for two reasons:

- to monitor whether or not the risk profile is changing; and
- to gain assurance that risk management is effective, and to identify when further action is necessary.

**9.2/** The review process will:

- ensure that all aspects of the risk management process are reviewed at least once a year;
- ensure that risks themselves are subject to review at least quarterly; and
- identify new risks and changes in already identified risks so that the change can be appropriately addressed.

**9.3/** The Risk Management Strategy will be reviewed once a year, initially by the Executive Management Team, followed by the Audit and Risk Committee and the Board.

**9.4/** The risk register is a live document. Staff and Board members are encouraged to notify the Corporate Development Team at any stage of potential changes to the register. The register will be formally reviewed and updated quarterly by the Executive Management Team. The updated

register will then be reviewed by the Audit and Risk Committee, followed by the Board.

**9.5/** Relevant risks from the updated register will also be reviewed by the Investment Committee, the Registration Committee and the Regulation and Supervision Committee.

**9.6/** The risk management processes described in this document operates in the context of a wider assurance framework within the organisation, as shown at Annex 5.

**9.7/** In addition to the mechanism of monitoring and reviewing the risk register, the Housing Corporation has the following other internal control and assurance mechanisms:

- on an annual basis, members of EMT are required to confirm that to the best of their knowledge and belief the risks have been regularly identified and assessed, and key risks have been effectively managed;
- the Head of Internal Audit also provides an annual written report to the Chief Executive and the Audit and Risk Committee outlining Internal Audit's opinion of the overall adequacy and

effectiveness of the organisation's risk management, control and governance processes, including their relevant strengths and weaknesses, and timed to support and inform the completion of the annual Statement of Internal Control; and

- as a part of its external audit work, the National Audit Office reviews compliance with HM Treasury's guidance, Corporate Governance: Statement of Internal Control, and reports if it does not meet the requirements for disclosure specified, or if the statement is misleading or inconsistent with other information identified from its audit of the financial statements.

# 10/ Communication and learning

**10.1/** Communication and learning is not a distinct stage in the management of risk; rather it is something which runs through the whole process.

**10.2/** The identification of new risks or changes in risk is itself dependent on communication.

**10.3/** Externally, the organisation needs to maintain a good network of communications with relevant contacts and sources of information to facilitate identification of changes which affect the Corporation's risk register.

**10.4/** Internally it is important to embed risk management, ensuring that all staff understand, in a way appropriate and relevant to their role, what the risk strategy is and their role in managing risks and keeping the risk register up to date.

**10.5/** To do this:

- cascade briefings including its resulting feedback and team meetings in all offices will be used to promote increased awareness and understanding of corporate and operational risks and risk management performance issues; and

- a programme of risk management awareness and skills is being developed and training on this will start during the Spring of 2006.

**10.6/** Communication with partner organisations about risk issues is essential to ensure understanding of respective risk priorities. Arrangements for doing this with specific partners are outlined in the following section.

# 11/ The extended enterprise

**11.1/** The Housing Corporation is not self-contained. We have a number of interdependencies which impact on our risk management and which give rise to additional risks which need to be managed.

**11.2/** Our regulatory and investment arrangements embed risk management in relation to delivery partners and lenders. For example, through the published Housing Corporation Assessments and risk based regulation for housing associations, and through our investment procurement arrangements.

**11.3/** Other risks are managed through contractual arrangements with suppliers, e.g. for our Application Service Supplier, and the capture of regulatory data.

**11.4/** Specific arrangements to manage external interdependencies include:

- Department for Communities and Local Government: in addition to the formal frameworks set out in the Management Statement and Financial Memorandum, we have regular liaison meetings with our sponsor Department;
- English Partnerships: in addition to operational relationships, our Chief Executive is a member of the English

Partnerships Board, and vice versa. Regular liaison meetings are held;

- Audit Commission: in addition to operational relationships, we have a documented 'Memorandum of Understanding' which is published on our website. Regular liaison meetings are held; and
- the relevant Housing Corporation Field Director or Head of Investment is a member of the relevant Regional Housing Board.

# 12/ Environment and context

**12.1/** The Housing Corporation's activities are impacted by the macro economy, the housing markets, and wider cultural and social factors relating to housing and the spatial environment. We also need to be sensitive to stakeholder expectations, in the housing and related sectors, and amongst our end users - the beneficiaries of our affordable housing activities. The specific risk implications of these issues are reflected in the 'external' section of our risk register.

**12.2/** Our relationship with Government and Parliament is fundamental to our purpose. We explicitly consider risk management in policy making, aiming to include a proportionate and wide-ranging consideration of risk prior to policy proposals moving into full development.

**12.3/** As a part of policy making, risks should be identified and tested throughout evidence gathering and scenario planning, and assessed as a part of the evaluation of the range of options. Risks inherent within the proposed policy option are added to, tested and refined through the consultation process.

## Annex 1/ Example of risk definitions

Risk	Inherent assessment		Controls in place	Residual assessment		Action planned	Target date	Owner
	L	I		L	I			
<b>EXTERNAL</b>								
Arising from the external environment, not wholly within the Housing Corporation's control, but where action can be taken to mitigate the risk								
External - Political								
E1.11 Ext Polit	3	3	TREAT: Engage with SEU and NRU by 2006 to develop clear defined policy/ strategies for the role of the sector in these areas	2	3	6	TOLERATE: 2006	DoP&C
<b>OPERATIONAL</b>								
Relating to existing operations - both current delivery and building and maintaining capacity and capability								
Operational - Delivery								
O3.8 Op: RM, P&C	1	4	TREAT: Health and Safety Committee in place. Sufficient trained health and safety officers. Regular dialogue with staff side.	1	4	4	TOLERATE: No further action required at this time.	DoR

### KEY:

**L = Likelihood** 5 Almost Certain 4 Likely 3 Possible 2 Unlikely 1 Rare  
**I = Impact** 5 Catastrophic 4 Major 3 Moderate 2 Minor 1 Insignificant

# Annex 2/ Risk categories

Category	Examples/explanation
1.External - arising from the external environment, not wholly within the organisation's control, but where action can be taken to mitigate the risk	
1.1 Political	Changes in Government priorities and direction threaten commitment to our strategies and/or the availability of resources. Could be caused by cross-cutting policy decisions, machinery of government changes.
1.2 Economic	Economic movements such as interest rates, exchange rates, inflation etc. affect our strategies and/or ability to deliver. The ability to attract and retain staff in the labour market.
1.3 Socio cultural	Social changes such as needs, expectations, attitudes etc. affect our strategies and/or ability to deliver. Demographic change may affect demand for our services.
1.4 Technological	If we do not take opportunities arising from technological innovation we may not achieve optimum performance. Could be caused by obsolescence of current systems or cost of procuring best technology available.
1.5 Legal	Changing laws threaten our ability to efficiently develop or implement specific strategies.
1.6 Environmental	Buildings need to comply with changing standards. Disposal of rubbish and surplus equipment needs to comply with changing standards.
1.7 Housing Sector	Changes in capacity, capabilities, and other factors within the housing sector threaten our ability to achieve desired outcomes.
2. Operational - relating to existing operations - both current delivery and building and maintaining capacity and capability	
2.1 Delivery	<p>Project Management – changes to systems and processes fail to deliver in terms of service quality, cost or time.</p> <p>Services - failure to deliver our services expose us to financial loss, complaints and criticism, impact our external reputation and adversely affect stakeholders' decisions.</p>

2.2 Capacity and capability	<p>HR - a lack of requisite knowledge, skills and experiences among our workforce through problems of recruitment and retention threaten the execution of our strategies and achievement of objectives.</p>
	<p>Fraud - fraudulent activities perpetrated by employees, suppliers, customers or others against the Corporation expose us to financial loss, impact our external reputation and adversely affects stakeholders' decisions.</p> <p>Resources – insufficient financial resources may threaten our ability to achieve our priorities and deliver our targets.</p> <p>Poor budget management – this may lead to inappropriate financial conclusions and decisions.</p> <p>Physical assets – their loss/damage/theft may affect our ability to achieve our priorities and deliver our targets.</p> <p>Information - inadequately restricted access to information may result in unauthorised knowledge of or use of confidential information, or overly restricted access may preclude employees from performing efficiently or effectively.</p> <p>IT availability - information is unavailable when required threatening the continuity of key services.</p> <p>IT infrastructure - the information infrastructure (e.g. hardware, networks, software, people and processes) may not effectively support current and future information requirements in an efficient, cost-effective and well controlled manner.</p> <p>Strategic partnerships - inefficient or ineffective alliance, joint venture, affiliation or other strategic relationships affect our capacity to deliver services.</p> <p>Operations – lack of overall capacity &amp; capability may restrict our ability to deliver our priorities and meet our targets.</p> <p>Reputation – our external reputation affects the confidence and trust which stakeholders have in the organisation and our scope to act as desired.</p>

<p>2.3 Risk management performance and capability</p>	<p>Governance – failure to maintain propriety and compliance with relevant requirements and ethical considerations may affect our external reputation and adversely affect stakeholders’ decisions.</p> <p>Scanning – a failure to identify threats and opportunities may adversely affect our ability to deliver our priorities or maintain our external reputation.</p> <p>Resilience – a failure in the capacity of systems/accommodation/IT to withstand adverse impacts and crises; our disaster recovery/contingency planning; and security of physical assets and information may expose us to financial loss or wasted resources, complaints or criticism, threaten our ability to continue operations, impact our external reputation and adversely affects stakeholders’ decisions.</p>
<p>3. Change - risks created by decisions to pursue new endeavours beyond current capability</p>	
<p>3.1 New projects/policies</p>	<p>Projects - unless optimal investment decisions/prioritising between projects competing for resources is optimal, this may prevent us from channelling scarce resources to areas that provide the optimum performance return.</p> <p>Policy - policy decisions may create expectations which lead to uncertainty about what the Housing Corporation has to deliver.</p>
<p>3.2 Change programmes</p>	<p>Programmes for organisation or culture change threaten our ability to deliver our current priorities.</p>

# Annex 3/ Assessment and evaluation of risks

## Assessment of risk

For each risk identified, an assessment should be made of the likelihood of it occurring and the relative impact if it does. The more clearly risks are defined at the identification stage, the more easily they can be assessed. Likelihood is the probability or chance of the risk occurring and impact is the probable effect on the Corporation if the risk occurs.

Some exposures are simpler to deal with than others. For example, financial risks are often easier to consider and assess than those associated with risks to the Corporation's reputation or its ability to provide a service. Where feasible, past events may provide a useful input to assess risks. While the risk identification and assessment is primarily aimed at those events that may occur within the planning period, managers should not ignore risks that are more long term

## Evaluation of risk

When evaluating risk, the following criteria need to be considered:

- financial and value for money issues;
- human resource issues – capacity, relations and others;
- service delivery and quality of service issues;
- public concern, trust or confidence issues;
- degree and nature of risks to the public;
- reversibility or otherwise of realisation of risks;
- the quality or reliability of evidence surrounding the risk;
- the impact of the risk on us (including its reputation), stakeholders (including RSLs) and the public; and
- defensibility of realisation of the risk.

All risks should be scored in terms of their likelihood and potential impact using the following five point scale. The score for the likelihood and impact are multiplied to given an overall risk assessment:

Likelihood		Impact	
5	Almost Certain	5	Catastrophic
4	Likely	4	Major
3	Possible	3	Moderate
2	Unlikely	2	Minor
1	Rare	1	Insignificant

The impact descriptors are only an indication of the probable effect on the Housing Corporation if the risk occurs; they are not hard and fast rules. It is essential that staff use their knowledge and judgement when deciding on the score for impact.

In particular when assessing financial impact staff and Board Members should take account of the potential cumulative effect of what might be considered smaller sums on the overall resource constraints of the organisation. For example, the failure of a number of individual investment schemes could have a cumulative and significant impact on the overall level of underspend of the resource investment programme.

In addition staff and Board Members should consider different financial thresholds for risks that impact on the Resource Investment, Resource Consumption and Capital Administration budgets as detailed in the impact assessments descriptors below.

## Likelihood descriptors

**Almost certain:** Likelihood greater than 75%

- Very likely;
- The event is expected to occur in most circumstances;
- There could be a history of regular occurrences at the Corporation, i.e. on an annual basis; and
- If new event, likelihood of occurrence regarded as almost inevitable (3:1).

**Likely:** Likelihood greater than 50%

- There is a strong possibility the event or risk will occur (more than 2:1);
- There may be a history of frequent occurrences at the Corporation;
- Everyone with knowledge of issues in this area knows this could happen;
- No or little effective measures to reduce likelihood can be and/or have been taken; and
- Will probably occur in most circumstances.

**Possible:** Likelihood between 10% and 50%

- The event might occur at some time;
- There could be a history of casual occurrence at the Corporation;
- Most of the team know that the risk might occur; and

- Measures that reduce likelihood have been taken but are not fully effective.

**Unlikely:** Likelihood between 1% and 10%

- Not expected, but there's a slight possibility it could occur at some time;
- Some of the team consider this a risk that might occur;
- Conditions exist for this loss to occur; and
- Probably requires more than two coincident events.

**Rare:** Likelihood less than 1% likelihood

- Highly unlikely, but it may occur in exceptional circumstances;
- It could happen, but probably never will;
- No experience of a similar failure;
- Probably requires three or more coincident events; and
- If it has happened, sufficient controls now in place.

## Impact Descriptors

Description	Financial Impact	Health and safety	Asset Loss	Business Interruption	Reputation and image	Corporate Objectives /Performance	Intervention						
Insignificant	0.5% of one of three main budget headings i.e. a risk value of: <table border="1" data-bbox="400 1398 608 1692"> <tr> <td>Resource Investment</td> <td>£8.5M</td> </tr> <tr> <td>Resource Consumption</td> <td>£250k</td> </tr> <tr> <td>Capital Admin</td> <td>£17.5K</td> </tr> </table>	Resource Investment	£8.5M	Resource Consumption	£250k	Capital Admin	£17.5K	No or only minor personal injury. First aid needed, but no days lost	Little or no impact on assets	Interruption negligible; less than ½ day. Critical systems unavailable for less than one hour	Minor article in local media or lobby group website (Story unsubstantiated)	Workaround required, within Housing Corporation resources, to deliver objective. Minor shortfall in objective in one category of housing need. Up to 5% variation in achievement of corporate targets.	Housing Corporation Chief Executive intervenes
Resource Investment	£8.5M												
Resource Consumption	£250k												
Capital Admin	£17.5K												
Minor	1% of one of three main budget headings i.e. a risk value of: <table border="1" data-bbox="991 1377 1214 1692"> <tr> <td>Resource Investment</td> <td>£17M</td> </tr> <tr> <td>Resource Consumption</td> <td>£500K</td> </tr> <tr> <td>Capital Admin</td> <td>£35k</td> </tr> </table>	Resource Investment	£17M	Resource Consumption	£500K	Capital Admin	£35k	Minor injury, medical treatment and some days lost	Minor loss or damage to assets	Interruption inconvenient; ½ - 1 day Critical systems unavailable for several hours	Headline article in local media or housing press, minor article in national media (Substantiated story)	Additional resources requiring DCLG authorisation or delay in achieving part of objective. Minor shortfall in several categories or major shortfall in one category 5 – 10% variation in achievement of corporate targets	RSL chief executive or equivalent seeks intervention by DCLG
Resource Investment	£17M												
Resource Consumption	£500K												
Capital Admin	£35k												

<p>Moderate</p>	<p>2% of one of three main budget headings i.e. a risk value of:</p> <table border="1" data-bbox="368 1371 576 1692"> <tr> <td>Resource Investment</td> <td>£33.5M</td> </tr> <tr> <td>Resource Consumption</td> <td>£1M</td> </tr> <tr> <td>Capital Admin</td> <td>£70k</td> </tr> </table>	Resource Investment	£33.5M	Resource Consumption	£1M	Capital Admin	£70k	<p>Serious Medical treatment Hospitalisation and numerous days lost</p>	<p>Major damage to assets</p>	<p>Interruption 1 day – 1 week Client dissatisfaction; Critical systems unavailable for up to 1 day</p>	<p>Headline article in national media (story substantiated and publicly embarrassing)</p>	<p>Major compromise in objectives Major shortfall in several categories 10 – 25% variation in achievement of corporate targets</p>	<p>DCLG Permanent Secretary intervenes</p>
Resource Investment	£33.5M												
Resource Consumption	£1M												
Capital Admin	£70k												
<p>Major</p>	<p>6% of one of three main budget headings i.e. a risk value of:</p> <table border="1" data-bbox="767 1371 975 1692"> <tr> <td>Resource Investment</td> <td>£100M</td> </tr> <tr> <td>Resource Consumption</td> <td>£3M</td> </tr> <tr> <td>Capital Admin</td> <td>£200k</td> </tr> </table> <p>And arrangements cannot be agreed with the DCLG sponsor team to bring forward, defer or vire resources to mitigate or reduce the severity of the risk</p>	Resource Investment	£100M	Resource Consumption	£3M	Capital Admin	£200k	<p>Single death or extensive injuries or long term illness</p>	<p>Significant loss of assets</p>	<p>1 week – 1 month Critical systems unavailable for 1 day or a series of prolonged outages</p>	<p>Short term campaign in national media (Story substantiated, publicly embarrassing with third party actions)</p>	<p>Elements of objective abandoned Fail to meet needs of a housing need category 25-50% variation in achievement of corporate targets</p>	<p>Housing Minister intervenes</p>
Resource Investment	£100M												
Resource Consumption	£3M												
Capital Admin	£200k												

Catastrophic	<p>In excess of 10% of two resources budget headings and 20% in excess of the Capital Admin budget i.e. a risk value of:</p> <table border="1" data-bbox="389 1373 596 1692"> <tr> <td data-bbox="395 1500 448 1692">Resource Investment</td> <td data-bbox="395 1373 448 1500">Over £170M</td> </tr> <tr> <td data-bbox="453 1500 521 1692">Resource Consumption</td> <td data-bbox="453 1373 521 1500">Over £5M</td> </tr> <tr> <td data-bbox="526 1500 596 1692">Capital Admin</td> <td data-bbox="526 1373 596 1500">Over £700K</td> </tr> </table> <p>And arrangements cannot be agreed with the DCLG sponsor team to bring forward, defer or vire resources to mitigate or reduce the severity of the risk</p>	Resource Investment	Over £170M	Resource Consumption	Over £5M	Capital Admin	Over £700K	Multiple deaths or severe permanent disabilities	Complete loss of assets	Interruption more than 1 month. Critical systems unavailable for more than a day (at a crucial time)	Prolonged national media campaign or lobby group campaign Story substantiated, publicly embarrassed, with third party action and widespread news profile,	Unable to deliver objective Widespread failure to meet housing needs More than 50% variation in achievement of corporate targets	Secretary of State intervenes or Parliamentary committee hearing
Resource Investment	Over £170M												
Resource Consumption	Over £5M												
Capital Admin	Over £700K												

The above information forms part of the process for deciding when a risk should be escalated or reduced

# Annex 4/ Risk management - roles and responsibilities

## Board

The Board has responsibility for ensuring that the Corporation fulfils the aims and objectives set out by the Secretary of State and for promoting the efficient and effective use of staff and other resources by the Corporation. The Board shall demonstrate high standards of corporate governance at all times, including using the Audit and Risk Committee to help the Board to address the key financial and other risks facing the Corporation.

Only risks with a residual level of 12 or more on the register are submitted to the Board.

## Audit and Risk Committee

The Audit and Risk Committee is responsible for ensuring proper arrangements exist for risk management and internal control. It considers and advises the Board on:

- the strategic processes and policies for risk, control and governance and Statement of Internal Control, including the content of the Statement of Internal Control, prior to endorsement by the Board;

- the promotion, co-ordination and monitoring of risk management activities, including regular review and input to the corporate risk profile; and
- assurances relating to the adequacy and effectiveness of risk, control and governance processes for the organisation, with particular reference to the management of key risks to the achievement of objectives and targets.

The Audit and Risk Committee will be provided with:

- a report summarising any significant changes to the Corporation's Risk Register for each meeting; and
- the Corporation's Risk Management Strategy, Risk Register and Annual Risk Map and proposals for continuous improvement of the risk management process and culture as appropriate.

Regulation and Supervision, Investment and Registration committees will provide feedback on the Risk Register to Audit and Risk Committee.

## Chief Executive

The Chief Executive is personally responsible for safeguarding the public funds for which he/she has charge; for ensuring propriety and regularity in the handling of those funds; and for the day-to-day operations and management of the Corporation.

In managing risk the Chief Executive is responsible for ensuring that:

- a system of risk management is maintained to inform decisions on financial and operational planning and to assist in achieving objectives and targets;
- the Board are involved in the risk management system; and
- a Risk Register is maintained in accordance with the Treasury's Orange Book.

This includes:

- setting and communicating the risk management strategy;
- providing leadership and direction over the risk management process;
- regularly reviewing the risk register; and
- conducting an annual review of the effectiveness of the system of internal

control in support of the Statement of Internal Control.

## Executive, Directors, other managers, project managers, project boards, policy owners

Everyone with a line or project management role is responsible for assessing and communicating risks within their sphere of responsibility, including judging when a risk should be considered for inclusion in the corporate risk register or project risk log.

Risk workshops will be held to help ensure that the risk register is kept up to date.

## Risk owners

Risk owners are responsible for ensuring that each risk assigned to her/him is managed and monitored over time.

## All staff

Whilst this strategy document sets out defined processes for managing risk, successful risk management can only be accomplished on a day to day basis by staff

at all levels through their working practices; it does not simply lie inert in corporate policies and management structures.

Risk management is part of every member of staff's responsibilities and virtually everyone has a role in carrying out appropriate risk management by supporting risk identification and assessment, and designing and implementing risk responses. This will be achieved through core briefings, team meetings and one to one sessions, etc.

## Director of Resources and the Corporate Development Team

The Director of Resources through the Corporate Development Team, co-ordinates the risk management process and works with managers in establishing effective risk management in their areas of responsibility. The team is not responsible for the management of risks. It is responsible for developing and implementing the process and maintaining the risk register document. The Corporate Development Team will facilitate discussion of risk with local and cross functional management teams as an integral part of the half year review of Operational Plans.

## Internal Audit

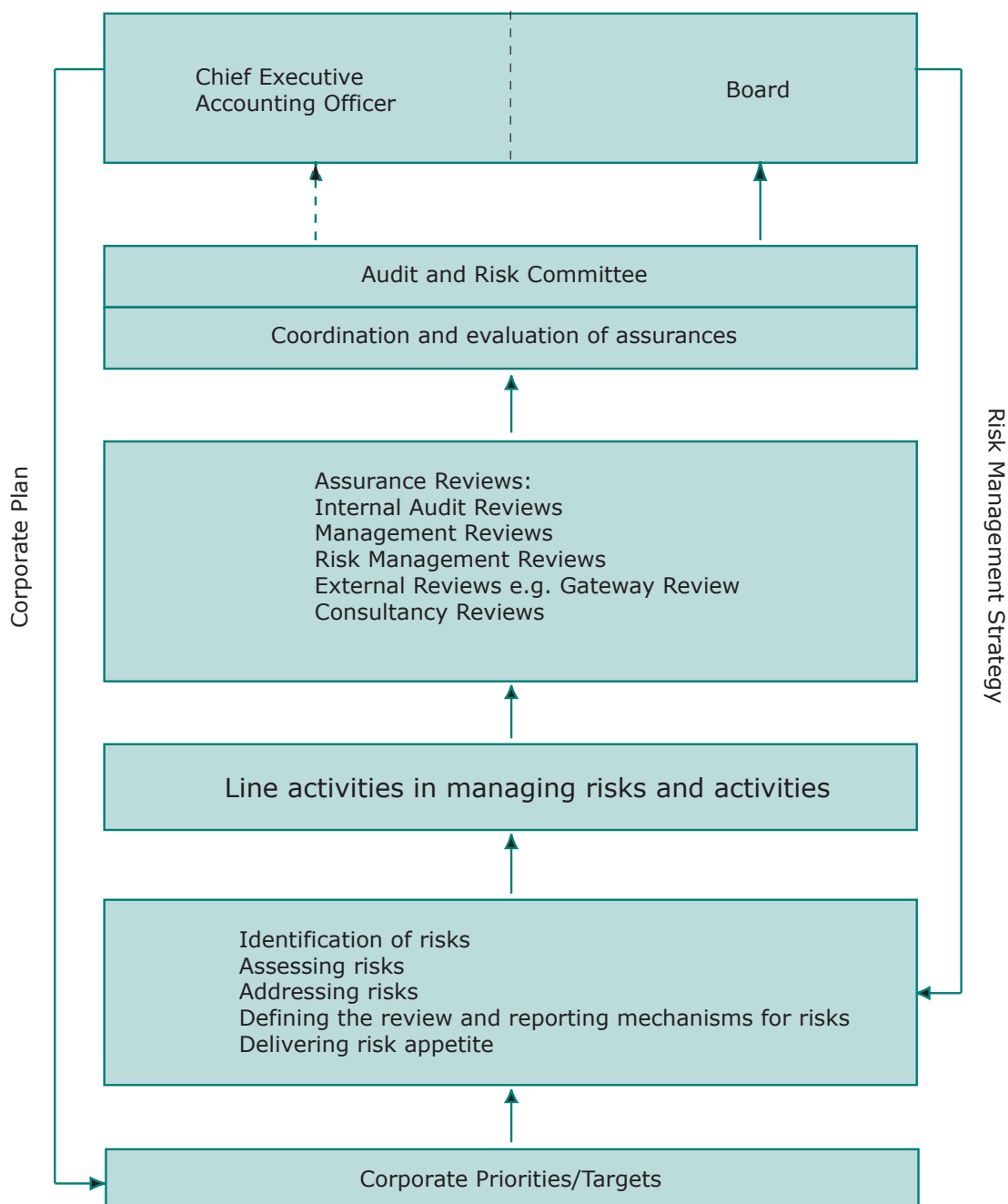
The Internal Audit team plays a key role in evaluating the effectiveness of, and recommending improvements to, the risk management process. This is based on the systematic review and evaluation of the policies, procedures and operations in place to:

- establish, and monitor the achievement of, the organisation's objectives;
- identify, assess and manage the risks to achieving the organisation's objectives;
- advise on, formulate, and evaluate policy;
- ensure the economical, effective and efficient use of resources;
- ensure compliance with established policies (including behavioural and ethical expectations), procedures, laws and regulations;
- safeguard the organisation's assets and interests from losses of all kinds, including fraud, irregularity or corruption; and
- ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes.

In addition, Internal Audit aims to add value through:

- supporting and facilitating the identification of risks and the development of processes and procedures to assess and effectively respond to risks;
- the identification and recommendation of potential process improvements;
- the provision of advice to manage risks in developing systems, processes, projects, and procedures; and
- the provision of best practice advice to all sections of the Corporation; and encouraging best practice and engendering continuous improvement.

# Annex 5/ The assurance model



# Annex 6/ Glossary of key terms

<b>Assurance</b>	An evaluated opinion, based on evidence gained from review, on the organisation's governance, risk management and internal control framework.
<b>Exposure</b>	The consequences, as a combination of impact and likelihood, which may be experienced by the organisation if a specific risks realised.
<b>Impact</b>	The probable effect on the Corporation if the risk occurs.
<b>Inherent risk</b>	The exposure arising from a specific risk before any action has been taken to manage it.
<b>Likelihood</b>	The probability or chance of the risk occurring.
<b>Residual risk</b>	The exposure arising from a specific risk after action has been taken to manage it and making the assumption that the action is effective.
<b>Risk</b>	Uncertainty of outcome, whether positive opportunity or negative threat, of action and events. It is the combination of likelihood and impact.
<b>Risk appetite</b>	The amount of risk that an organisation is prepared to accept, tolerate, or be exposed to at any point in time.
<b>Risk assessment</b>	The evaluation of risk with regard to the impact if the risk is realised, and the likelihood of the risk being realised.
<b>Risk management</b>	All the processes involved identifying, assessing and judging risks, assigning ownership, taking actions to mitigate or anticipate them, and monitoring and reviewing progress.
<b>Risk register</b>	The documented and prioritised overall assessment of the range of specific risks faced by the Corporation.

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