

To: The Audit & Risk Sub-Committee
From: The Director
Subject: Review of Operational Risks above Risk Appetite Level

1. Introduction and Purpose

- 1.1 In line with our revised Risk Management Policy and Risk Appetite Model any operational risks that are identified as being above our Risk Appetite need to be reported to the Sub-Committee for consideration.
- 1.2 The purpose of this report is to present the operational risks that are identified as being above our Risk Appetite for the Sub-Committee's consideration and review.

2. Operational Risks above Risk Appetite Level

- 2.1 To assist the Sub-Committee a copy of our Risk Appetite Model is attached. The Sub-Committee will see that we have identified 14 Risk Categories and have allocated a risk appetite against each which is based on a Low, Medium and High rating. Most of the Risk Categories have either a Low or Medium Risk Appetite against them. Not surprisingly categories such as Financial, Governance, Legal and Regulatory and Health & Safety have a Low Appetite Risk.
- 2.2 The Operational Risk Register was last reviewed by the Management Team at its September meeting. Applying the Risk Appetite Model we have identified 12 Operational Risks that are above the associated risk appetite. The relevant risk categories are Financial, Governance, Legal/Regulatory, Health & Safety and Property or Stock Condition. All of these risk categories are deemed as Low Risk Appetite.
- 2.3 The Sub-Committee is asked to consider the Operational Risks and determine if any changes are required.

3. Risk

- 3.1 If we are not aware of the risks facing Rosehill, don't identify mitigating measures to reduce any risks and determine our level of risk appetite, this can lead to poor decisions being made which in turn leads to ineffective governance. Not recognising and managing risks and

determining our risk appetite could impact on our ability to deliver our Business Plan objectives.

- 3.2 We have a comprehensive Risk Management Policy in place and, following last year's Internal Audit, have since developed a Risk Appetite Model. This ensures we are effectively identifying and managing risks and making appropriate decisions.
- 3.3 Our Operational Risk Register is monitored by the Management Team every 2 months along with the Strategic Risk Register. Any Operational Risks deemed to be above the associated Risk Appetite Level are reported to the Audit & Risk Sub-Committee at its quarterly meetings.

4. Compliance and Assurance

- 4.1 By having a comprehensive Risk Management Policy and Risk Appetite Model in place to identify and manage risks appropriately, ensures we are compliant with Regulatory Standards. In particular:

Standard 3

The RSL manages its resources to ensure its financial well-being, while maintaining rents at a level that tenants can afford to pay.

Guidance

3.3 The RSL has a robust business planning and control framework and effective systems to monitor and accurately report delivery of its plans. Risks to the delivery of financial plans are identified and managed effectively. The RSL considers sufficiently the financial implications of risks to the delivery of plans.

Standard 4

The governing body bases its decisions on good quality information and advice and identifies and mitigates risks to the organisation's purpose.

Guidance

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

4.2 Evidence Bank

- 4.2.1 The Operational Risk Register and those identified as being above the associated Risk Appetite form part of the evidence bank for Regulatory Standards 3 and 4, along with any associated reports and Minutes of the Audit & Risk Sub-Committee. The Sub-Committee is reminded that the Assurance Exercises are available on the Committee Area of our website.

5. Summary and Decision Required
 - 5.1 The Operational Risk Register was reviewed by the Management Team in September. Applying the Risk Appetite Model we identified 12 Operational Risks that are above the associated Risk Appetite. In accordance with our revised Risk Management Policy, any such risks must be reported to the Audit & Risk Sub-Committee for consideration.
 - 5.2 The risks relating to risk management are set out in Section 3.
 - 5.3 We have demonstrated our compliance with Regulatory Standards as set out in Section 4.
 - 5.4 The Sub-Committee is asked to consider this report, the attached Risk Appetite Model and the relevant Operational Risks and decide whether any changes are required to these risks.