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# Risk Management Workshop

5<sup>th</sup> May 2022

Rosehill Housing Co-operative

Gary Dalziel

# About Me



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**ELDERPARK**  
HOUSING

UNIVERSITY of  
**STIRLING**



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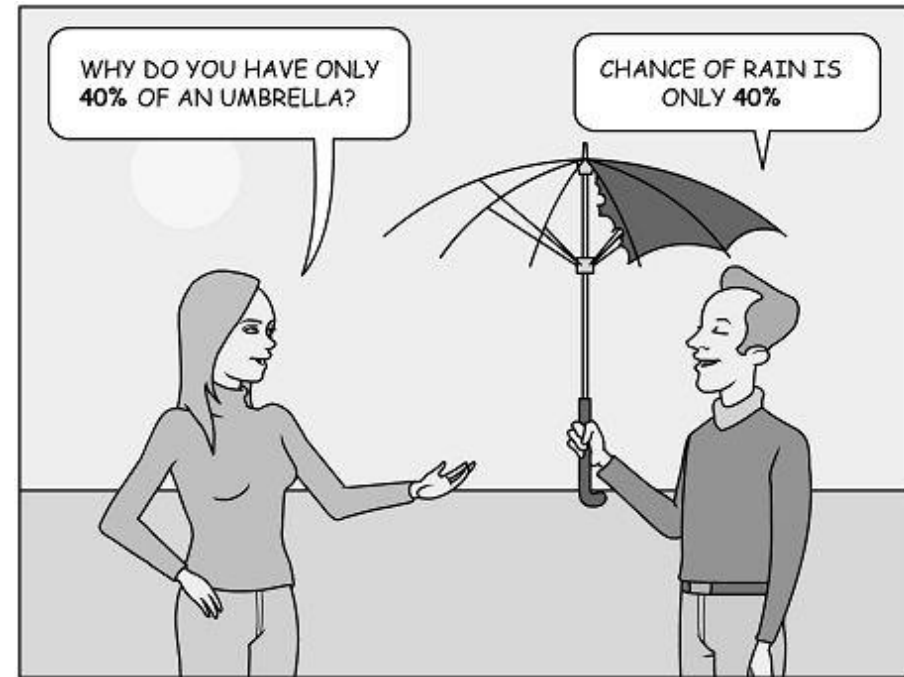
# What we will cover?



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- What are risks?
- What is risk management?
- Understanding and assessing your unique risks
- Risk management in practice



# What is a risk?



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*An uncertain event or condition, if it occurs, has a positive (opportunity) or negative (threat) on an objective*



“Risk is of the essence, and risk making and risk taking constitute the basic function of enterprise.”

- Peter Drucker

# How do you identify Risks?



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- Discussion and debate
- Knowing your business
- Understanding the wider external context
- Reviewing what others are doing
- Having effective monitoring systems

# Some examples of risk



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If you are willing to share what's the biggest risk you have ever taken personally or professionally?

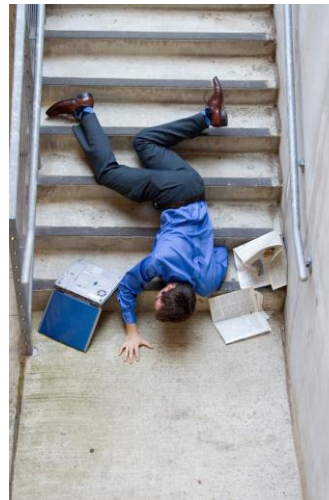
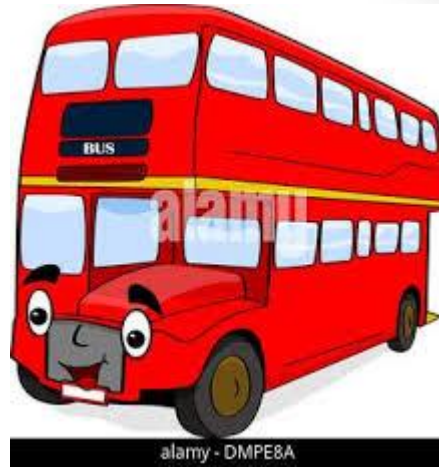


# Everyday Risks



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# Everyday Risks



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## Risk in our everyday lives

We face risks of dying (for one year):

- Traveling by train 1:10 283 615
- Traveling by bus 1: 6 696 307
- Lightning 1: 4 362 746
- Falling out of bed (or chair) 1: 366 804
- Falling on stairs 1:180 188
- Traveling by car 1: 17 625

# The risks we don't yet know?



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Living dangerously: How can we get real about risk?

Hot spots  
and  
blind spots

The Titanic  
was killed by  
the risk not  
seen

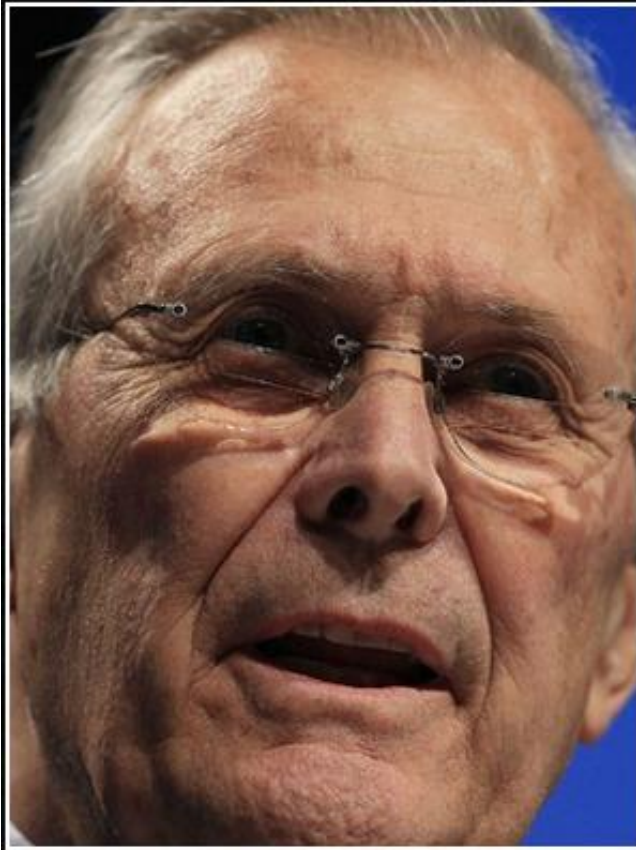


SALZBURG  
GLOBAL  
SEMINAR



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There are known knowns; there are things we know we know. We also know there are known unknowns; that is to say we know there are some things we do not know. But there are also unknown unknowns - the ones we don't know we don't know.

— *Donald Rumsfeld* —

AZ QUOTES



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	<b>KNOWNNS</b>	<b>UNKNOWNNS</b>
<b>KNOWN</b>	<p>Quadrant 1</p> <p><b>KNOWN KNOWNNS</b></p> <p>Things which we are aware and understand</p>	<p>Quadrant 2</p> <p><b>KNOWN UNKNOWNNS</b></p> <p>Things which we are aware of, but don't understand</p>
<b>UNKNOWN</b>	<p>Quadrant 3</p> <p><b>UNKNOWN KNOWNNS</b></p> <p>Things which we understand but are not aware of</p>	<p>Quadrant 4</p> <p><b>UNKNOWN UNKNOWNNS</b></p> <p>Things which we are neither aware of nor understand</p>

# What is risk Management?



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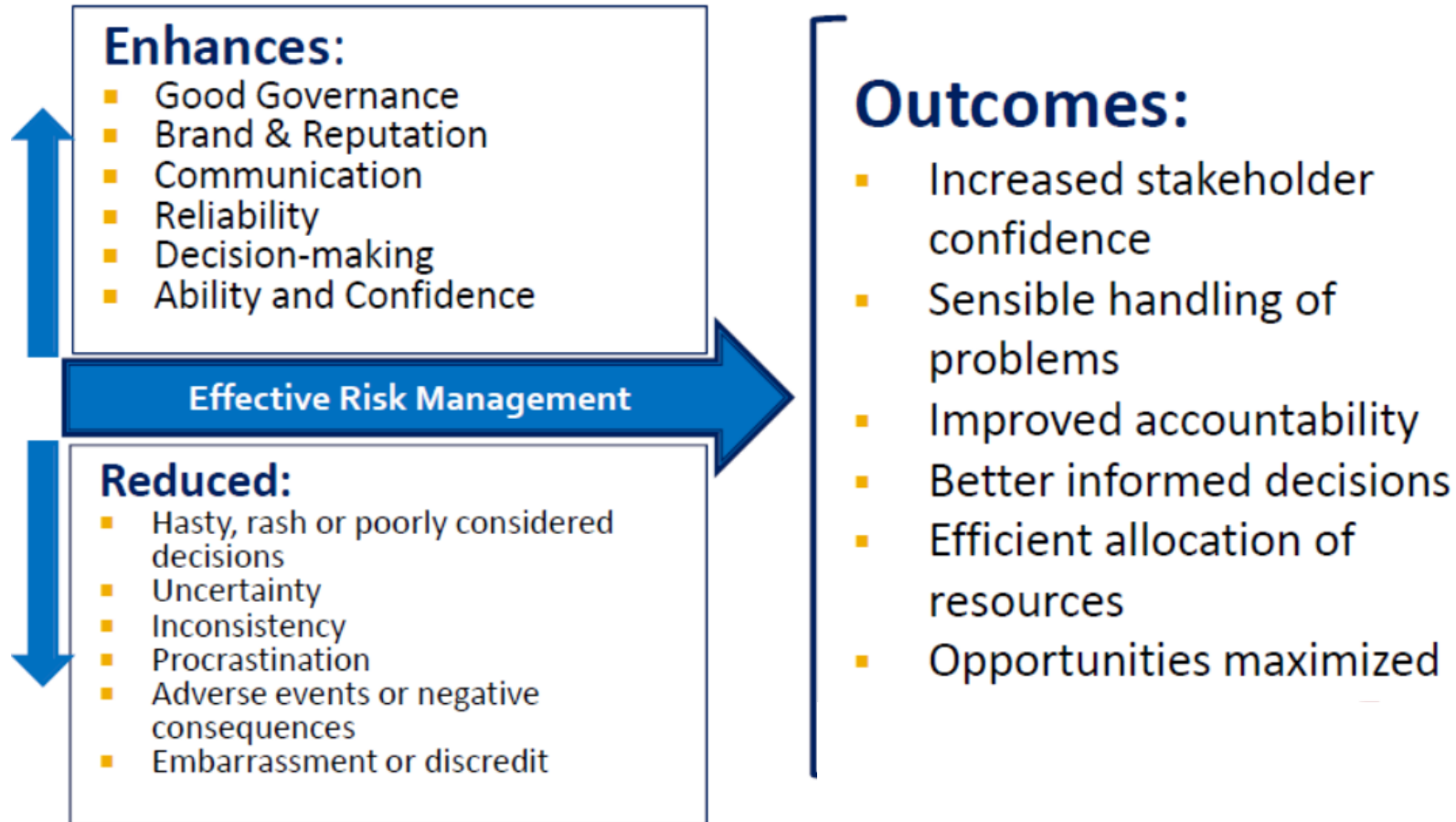


# Why risk management?



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# Risk Appetite



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## TAKING RISK

There's a fine line between taking a calculated risk and doing something dumb.

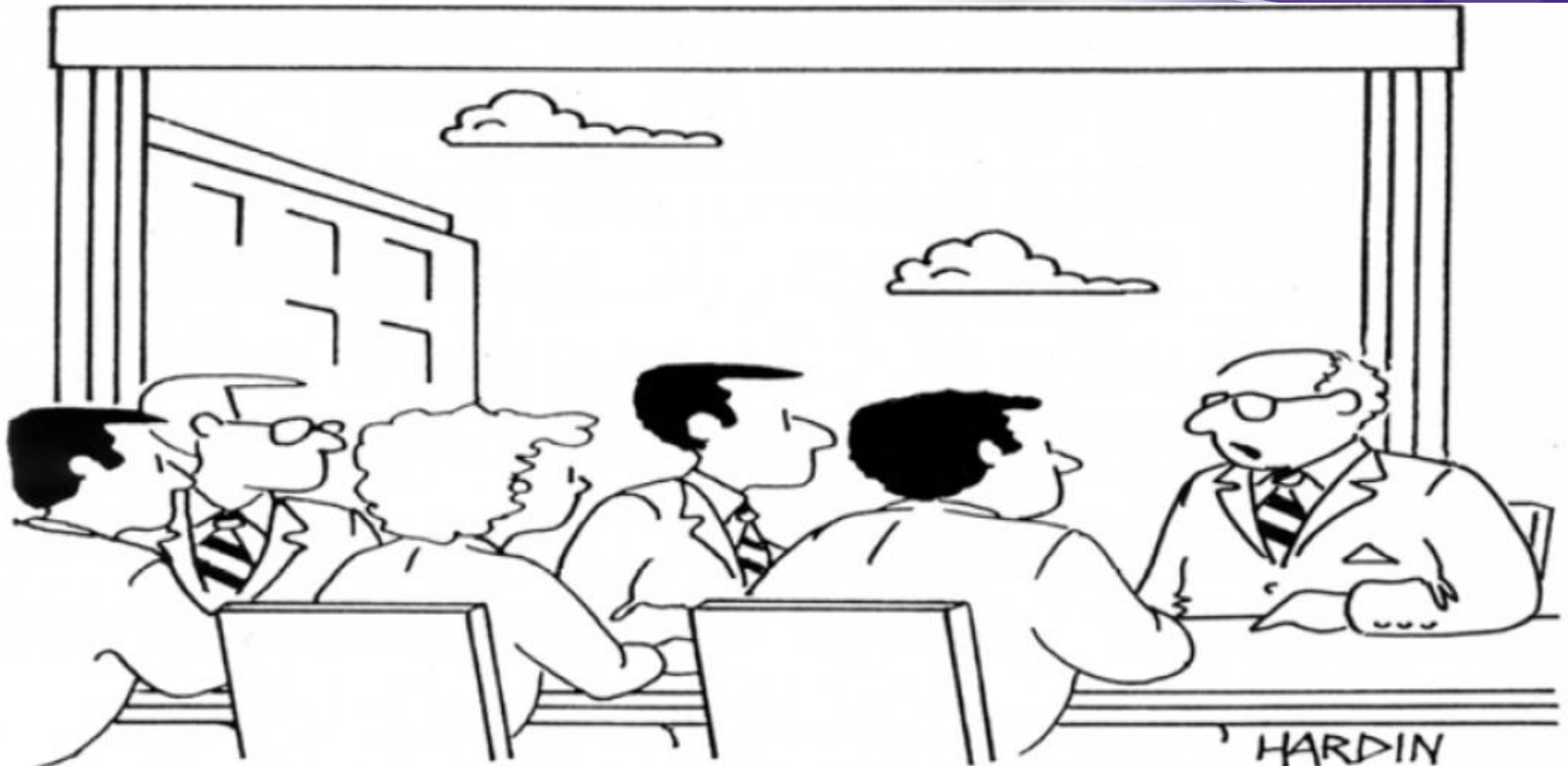
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"We've considered every potential risk except  
the risks of avoiding all risks."



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# Getting Assurance



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- How do you as employees responsible for day to day operations get assurance to know that:
  - You understand all the risks?
  - There is a plan to manage them?
  - You have identified all of them?



## **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**

- 4.1 The governing body ensures it receives good quality information and advice from staff and, where necessary, expert independent advisers, that is timely and appropriate to its strategic role and decisions. The governing body is able to evidence any of its decisions.
- 4.2 The governing body challenges and holds the senior officer to account for their performance in achieving the RSL's purpose and objectives.
- 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.
- 4.4 Where the RSL is the parent within a group structure it fulfils its responsibilities as required in our group structures guidance to:
  - a) control the activities of, and manage risks arising from, its subsidiaries;
  - b) ensure appropriate use of funds within the group;
  - c) manage and mitigate risk to the core business; and
  - d) uphold strong standards of governance and protect the reputation of the group for investment and other purposes.
- 4.5 The RSL has an internal audit function. The governing body ensures the effective oversight of the internal audit programme by an audit committee or otherwise. It has arrangements in place to monitor and review the quality and effectiveness of internal audit activity, to ensure that it meets its assurance needs in relation to regulatory requirements and the Standards of Governance and Financial Management. Where the RSL does not have an audit committee, it has alternative arrangements in place to ensure that the functions normally provided by a committee are discharged.
- 4.6 The governing body has formal and transparent arrangements for maintaining an appropriate relationship with the RSL's external auditor and its internal auditor.

# Strategic Risk v Operational Risk



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## Strategic Risks

Risks where the causes are external to the organisation that, if they were to occur, would be serious enough that a change in *strategic direction* may be required. Managed by the Board.

## Operational Risks

Risks where the causes are internal or external to the organisation that, if they were to occur, would impact the achievement of the *current strategy*. Managed within the business but reported to the Board

# Risk Areas



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Risk Area	Causes
Governance	Not running your business properly
People	The risks to and from staff, committee, tenants and other partners
Homes	The management and maintenance of your buildings and premises
Systems	Areas like IT, data, equipment
External	Covid, Government, Brexit, natural disaster etc

# What are the risks?



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## WHAT ARE THE RISKS



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## External Financial Risks

Increasing construction costs	Legislative changes	Demographic change
Political changes, for example Brexit, new Government etc.	Interest rates / inflation	Accessing loan finance
Welfare reform, particularly Universal Credit	Increasing private rented sector	Other RSLs as competitors
Pensions deficit	Fuel poverty	Economic changes



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## Internal Financial Risks

Rent arrears	Rent affordability	Poor governance
Procurement	Lack of skilled staff and committee / no succession plans	Increasing voids / empty homes
Size and complexity of an RSL	Inadequate reporting systems	Development programmes
Too much control for individuals	Out of date or inadequate policies and procedures	IT systems failures

# SHR Risk Assessment 2022



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The pandemic continues to pose a number of risks and issues for landlords and as a result there continues to be an unprecedented level of uncertainty in landlords' operating context. And as landlords are continuing to refocus on emerging from the pandemic, there are a range of other challenges that they also need to consider, including:

- the growing problems in supply chains for labour and materials, that are driving up costs;
- the cost of living crisis and in particular the unprecedented rise in energy costs which means the most challenging economic context for a very long time, with many tenants and their families facing increasing financial hardship;
- delivering on the Climate Crisis and decarbonisation agenda;
- potential increases in pension deficits and the resulting increase in the contributions that landlords have to fund; and
- most recently the unsettling unfolding events in Ukraine and the economic consequences of this in addition to a European humanitarian crisis unparalleled in modern times



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Looking at the following risks you should explore:

- What the implications are of the risk occurring?
- What ways you could reduce the risk occurring?



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Your Chief Executive  
advises that they intend  
to resign / retire  
this winter?



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Your main reactive  
repairs contractor  
provides notice to end  
their contract



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A spate of Committee  
Members choose to stand  
down reducing your  
numbers to seven



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Significant fire occurs  
in one of your  
properties resulting in  
the loss of life!



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1. Establishing a risk policy
2. Identifying risks
3. Assessing risks
4. Evaluating what action needs to be taken on risks
5. Periodic monitoring and assessment



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# Impact



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Risk impact is the process of assessing the probabilities and consequences of risk events if they are realised

## Impact

Descriptor	Score	Impact on service and reputation
Insignificant	1	<ul style="list-style-type: none"><li>• no impact on service</li><li>• no impact on reputation</li><li>• complaint unlikely</li><li>• litigation risk remote</li></ul>
Minor	2	<ul style="list-style-type: none"><li>• slight impact on service</li><li>• slight impact on reputation</li><li>• complaint possible</li><li>• litigation possible</li></ul>
Moderate	3	<ul style="list-style-type: none"><li>• some service disruption</li><li>• potential for adverse publicity - avoidable with careful handling</li><li>• complaint probable</li><li>• litigation probable</li></ul>
Major	4	<ul style="list-style-type: none"><li>• service disrupted</li><li>• adverse publicity not avoidable (local media)</li><li>• complaint probable</li><li>• litigation probable</li></ul>
Extreme/ Catastrophic	5	<ul style="list-style-type: none"><li>• service interrupted for significant time</li><li>• major adverse publicity not avoidable (national media)</li><li>• major litigation expected</li><li>• resignation of senior management and board</li><li>• loss of beneficiary confidence</li></ul>



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Risk Likelihood is the state of being probable or chance of a threat occurring

## Likelihood

Descriptor	Score	Example
Remote	1	may only occur 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 to occur frequently and in most circumstances



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<b>Impact</b>	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
			<b>Likelihood</b>				



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## Governance risks

Potential risk	Potential impact	Steps to mitigate risk
<p>The charity lacks direction, strategy and forward planning</p>	<ul style="list-style-type: none"> <li>• the charity drifts with no clear objectives, priorities or plans</li> <li>• issues are addressed piecemeal with no strategic reference</li> <li>• needs of beneficiaries not fully addressed</li> <li>• financial management difficulties</li> <li>• loss of reputation</li> </ul>	<ul style="list-style-type: none"> <li>• create a strategic plan which sets out the key aims, objectives and policies</li> <li>• create financial plans and budgets</li> <li>• use job plans and targets</li> <li>• monitor financial and operational performance</li> <li>• get feedback from beneficiaries and funders</li> </ul>
<p>Trustee body lacks relevant skills or commitment</p>	<ul style="list-style-type: none"> <li>• charity becomes moribund or fails to achieve its purpose</li> <li>• decisions are made bypassing the trustees</li> <li>• resentment or apathy amongst staff</li> <li>• poor decision making reflected in poor value for money on service delivery</li> </ul>	<ul style="list-style-type: none"> <li>• review and agree skills required</li> <li>• draw up competence framework and job descriptions</li> <li>• implement trustee training and induction</li> <li>• review and agree recruitment processes</li> </ul>



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## Financial risks

Potential risk	Potential impact	Steps to mitigate risk
<p>Budgetary control and financial reporting</p>	<ul style="list-style-type: none"> <li>• budget does not match key objectives and priorities</li> <li>• decisions made on inaccurate financial projections or reporting</li> <li>• decisions made based on unreliable costing data or income projections</li> <li>• inability to meet commitments or key objectives</li> <li>• poor credit control</li> <li>• poor cash flow and treasury management</li> <li>• ability to function as going concern</li> </ul>	<ul style="list-style-type: none"> <li>• link budgets to business planning and objectives</li> <li>• monitor and report in a timely and accurate way</li> <li>• use proper costing procedures for product or service delivery</li> <li>• ensure adequate skills base to produce and interpret budgetary and financial reports</li> <li>• agree procedures to review and action budget/cash flow variances and monitor and control costs</li> <li>• regularly review reserves and investments</li> </ul>



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- Risk is about opportunities as well as threats
- From the moment you wake up until you go to sleep your life is filled with risks
- Having a clear structure and process manages them rather than reacting to them
- Identifying the material risks is the crucial element



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# Thank you

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