

**REPORT TO: BOARD OF MANAGEMENT OF SANCTUARY
SCOTLAND HOUSING ASSOCIATION LIMITED**

REPORT FROM: DIRECTOR - SANCTUARY SCOTLAND

DATE OF MEETING: 10 DECEMBER 2019

SUBJECT: SCOTLAND RISK MAP

1. Introduction

1.1 The purpose of this report is to provide an update on the risk map, the assurance map and the heat map for Sanctuary Scotland Housing Association Limited (Sanctuary Scotland Housing Association).

2. Sanctuary Scotland Housing Association

2.1 The Board of Management last reviewed and approved the Scotland Risk Map in February 2019. At the Board meeting of 17 September 2019 it was noted that the consideration should be given to the removal of the merger promises risk given the three year period had passed and all merger promises had been fulfilled.

2.2 Sanctuary Scotland Housing Association owns over 6,800 lettable properties, generating turnover approaching £30 million and employing approximately 55 members of staff.

2.3 The Scottish Housing Regulator identifies Sanctuary Scotland Housing Association as “systemically important” and as one of the largest developers of new affordable housing in Scotland, a recipient of significant public subsidy to achieve this. Continued growth is planned through programmes of new homes for social and mid-market rent and low cost home ownership.

3. Risk Maps

3.1 The Director meets regularly with Sanctuary Housing Association (the Group)’s Corporate Risk Manager. Although risk maps within the Group focus on the different Group operations, Sanctuary Scotland Housing Association will continue to produce one for the entity in view of the separate regulatory requirement in Scotland.

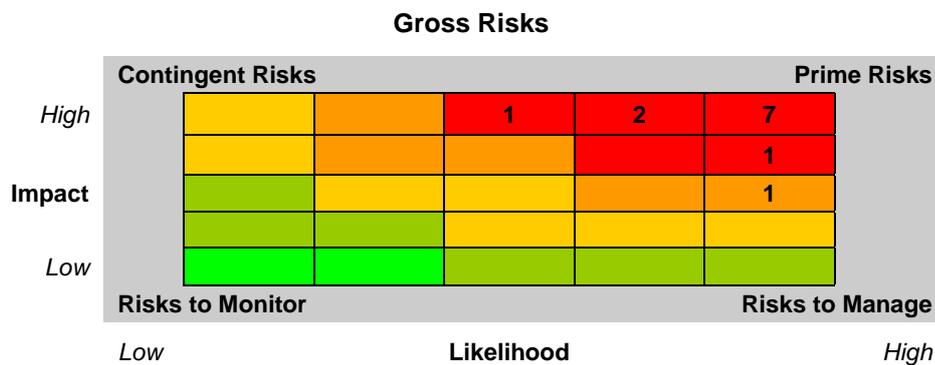
3.2 Some updates to the format and layout of the Maps have taken place although this has not materially changed the approach to risk recording and identification of mitigating factors. The assurance map continues to be based on the “Three Lines of Defence” model and

supports a greater examination of the controls, applied at different organisational levels, to the risks; it requires an evaluation of the controls at those levels. The assurance map also allows consideration of whether sufficient or excessive resource is applied in the management of a risk.

- 3.3 The risk, assurance and heat maps have been compiled using the Group’s templates and methodology.
- 3.4 Risks have been assessed as to their likelihood and impact using a scale of one to five, with five being used to denote the most likely and highest impacts. Risk scores are calculated as - Likelihood x Impact x Impact. Each risk is initially assessed to derive a “Gross Risk score”, that is, in the absence of any controls to reduce that risk.
- 3.5 The risk map for Sanctuary Scotland contains 12 key risks, all bar one of which have a Gross Risk score that, in the absence of any controls to reduce the risk, identify them as “Prime Risks” shown in the red zone of the matrix, shown in Table 1.

Table 1 – Risk Map Matrix (Gross Risks)

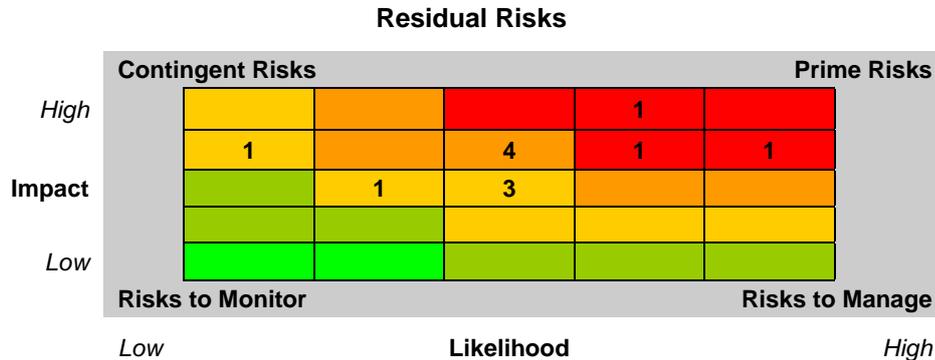
Sanctuary Scotland Risk Map Matrix at December 2019



- 3.6 Management consider the risks and identify and apply controls that are appropriate to manage the risk. Controls have the effect of reducing the impact and/or the likelihood of the risks. The risks are re-assessed to derive revised scores resulting in a score for the “Residual Risk” after the application of controls. The Residual Risk scores are mapped into the risk matrix at Table 2.

Table 2 - Risk Map Matrix (Residual Risks)

Sanctuary Scotland Risk Map Matrix at December 2019



- 3.7 The controls in place have reduced all of the Gross Risks, removing nine of the twelve risks from the red zone.
- 3.8 The assurance ratings applied to the controls in the management of the risks identify three ratings of “High” and nine of “Adequate”. This supports the reduction in the Gross to Residual Risk scores.
- 3.9 Additional controls are identified that are planned or considered for deployment. These are expected to further reduce the likelihood and / or impact to derive a “Target Risk” score that establishes the level of risk that is to be accepted, essentially defining the “risk appetite” for that particular risk.

4. Analysis

- 4.1 The risk maps only contain risks that, with no controls in place, and if crystallised, would have a significant or catastrophic effect on the operation. Excluding low-level risks from the risk map enables management to focus on a strategic level and risks that could have a significant impact on the operation.
- 4.2 The controls in place have reduced all but three of the risks from the red-zone of the risk matrix. These risks relate to government changes including welfare reform, management and operational overstretch and IS platform.
- 4.3 Management have identified a wide range of controls to manage the risk Welfare Reform (RM 1). Universal Credit is now fully rolled out across Scotland and the number of cases is increasing. The average arrears balance of tenants in receipt of universal is double that of those who are not. Cases are carefully monitored and tenants supported via Housing Officers and our Welfare Rights service. As a result, it is recommended that this continues to be viewed as a High risk albeit with a lower residual score of 64. This risk will continue to be closely monitored and actively managed.

- 4.4 Management and operational overstretch (RM6) retains a residual risk of 80 to reflect the changes to the operating model and the requirement to continue to closely monitor this. The recent internal audits on housing and mid market rent operations confirm that excellent progress in the deployment of changes has been made. The results of the customer satisfaction survey, Investor in People assessment and the Your Say staff survey are also relevant to this area of risk.
- 4.5 The potential risk arising from failing to embed and then maximise the benefits of One Sanctuary, IS Platform (RM 8) has been retained in the high risk category with a residual score of 100. It is vital that, as the system continues develop, operations take full advantage of the benefits it brings and are ambitious in our aims to develop it. The results of the Your Say staff survey in relation to tools and the Group developing its IS Strategy to reflect modern workplace aspirations are also relevant to this area of risk.
- 4.6 The Political Risk, (RM 4), although not assessed as a Prime Risk, has been retained on the risk map. The continuing uncertainty in the political landscape warrants this as a risk to monitor. Britain's exit of the European Union means it will be important to monitor closely the impact on the economy, the housing market, employment and areas such as procurement law.

5. Appraisal

- 5.1 Risk management
 - 5.1.1 The risk map for Sanctuary Scotland Housing Association is a key tool in allowing the governing body, management team and all other staff to record the risks within the business area; to allow understanding and discussion of the risks and the risk management measures in place or that could be put in place to help mitigate the risks.
 - 5.1.2 The regular reporting of the risk map ensures a demonstrable oversight of risk across Scottish operations.
- 5.2 Impact on diversity
 - 5.2.1 Diversity implications are reflected in the risk map process.
- 5.3 Value for Money
 - 5.3.1 The requirement to demonstrate value for money has been considered as part of the risk map process.

6. Recommendation

- 6.1 The Board of Management is asked to approve the Risk, Assurance and Heat Maps.