

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

**REPORT FROM: DIRECTOR - SANCTUARY SCOTLAND**

**DATE OF MEETING: 9 JUNE 2020**

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**SUBJECT: REVIEW OF SCOTLAND RISK MAP**

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**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 December 2019. At the Board meeting of 14 April 2020, the addition of a risk in relation to Covid-19 was discussed and how the potential transfer of engagements should be reflected.

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. Sanctuary Scotland Housing Association is also the preferred partner of Thistle Housing Association Limited in relation to a potential transfer of engagements.

**3. Risk Maps**

3.1 The Director meets regularly with 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.

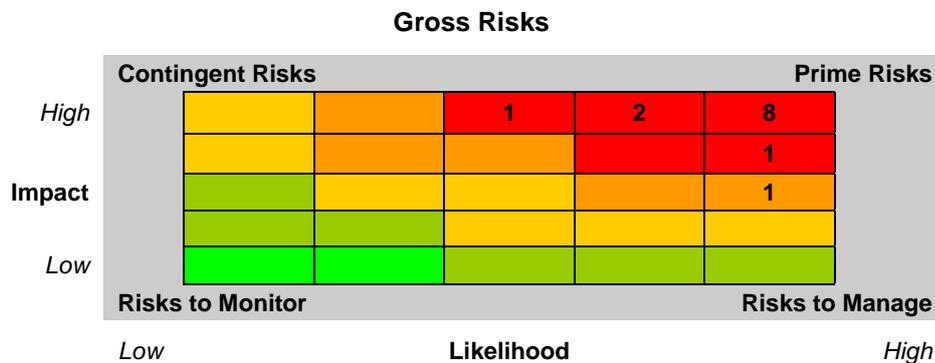
3.2 Some updates to the format and layout of the Maps have taken place although this has not materially changed the approach to risk recording and identification of mitigating factors. The assurance map

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 13 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)

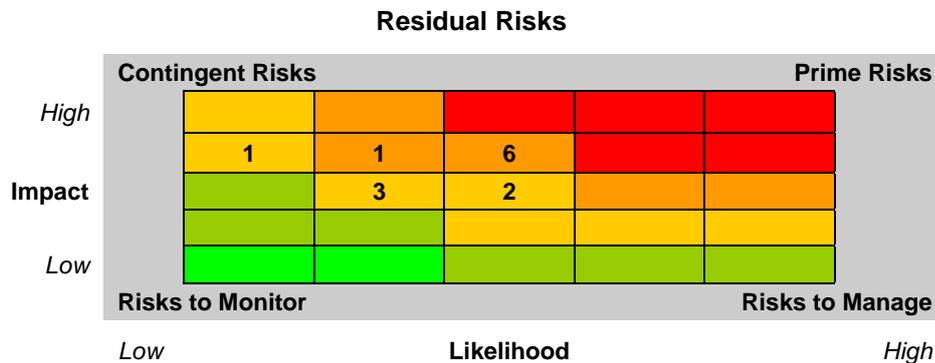
**Sanctuary Scotland Risk Map Matrix at June 2020**



- 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 June 2020**



- 3.7 The controls in place have reduced all of the Gross Risks, removing all of the 13 risks from the red zone.
- 3.8 The assurance ratings applied to the controls in the management of the risks identify all risk rating as “Adequate”. This supports the reduction in the Gross to Residual Risk scores.
- 3.9 For three of the risks, 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 of the risks from the red-zone of the risk matrix.
- 4.3 A risk in relation to the current Covid-19 crisis has been added (RM13) and retains a residual risk of 48. Risk management measures listed reflect the significant and on-going work to minimise the effects and maximise productivity. Additional measures have been recognised to mitigate the risk further, particularly in relation to following official guidance to protect staff and customers and in understanding the financial effects of the situation.
- 4.4 Management and operational overstretch (RM6) retains a residual risk of 49 with an additional management measure added in relation to transfer of engagements.

- 4.5 An additional risk management measure in relation to the transfer of engagements has also been added to Cost and Income Pressures (RM3). This recognises that due diligence on the proposed transfer will mitigate the risk of an adverse effect on the financial health of the organisation, should this go ahead.
- 4.6 Proposed risk treatment measures have been updated on the Development risk, (RM 12) to recognise that Covid-19 has had an adverse effect on the delivery of the development programme and that this will be quantified.

## **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.