LINK

Risk Management Strategy

Approval date: November 2020

Review date: November 2023

This strategy applies to

☑ Link Group	☑ Link Housing	☑ Link Living	☑ Link Property
☑ Horizon	☑ Larkfield	☑ West Highland	☑ Lintel Trust

Strategy Summary

This strategy articulates Link's approach to risk and how it assesses and manages risk in all aspects of its operations.

Equalities

The operation of this strategy will always be in accordance with Link Group's Policy on Equality & Diversity.

Privacy

Data captured and recorded in the execution of this strategy will be retained and managed in line with the Data Protection Policy and data protection legislation.

Strategy Owner

Group Director of Corporate Governance

Approved by

Link Group Board

Contents

1. INTRODUCTION

Risk is defined as an event that can have a negative impact. Conversely an event that can have a positive impact is an opportunity. Risks and opportunities are inevitably intertwined. In general, risks involving people and organisations occur because an opportunity is being sought. There are risks and opportunities associated with current activities together with anything new and untried. The Link group of companies (Link) wants to embrace new opportunities and recognises that it will rarely be possible to remove risk associated with new opportunities completely.

Link's aim is to identify, manage and minimise, rather than eliminate, risks which may prevent the organisation achieving its objectives. The identification and management of risk is on-going and occurs as changes are made to how the Group operates and to the external environment in which it works.

This Risk Management Strategy articulates how Link manages risk and reflects the evolution of its approach, in line with that of the sector.

Central to Link's strategic approach is its processes and framework for risk management. The group is committed to embedding risk management throughout the organisation and its systems and controls are designed to ensure that exposure to significant risk is properly managed. The Link Group Board sets internal policy on risk (via this document) and other internal controls. Additionally it has responsibility for determining the strategic direction and, via the Audit and Risk Committee, providing oversight of risk management.

The management of risk is a continuous process that is linked to Link's annual business planning cycle and is designed to identify and prioritise the risks to the achievement of policies, aims and objectives.

This Risk Management Strategy outlines in detail the arrangements and processes by which Link identifies, categorises, assesses, manages and reports risks. Under it, the key risks facing each part of the group are regularly reviewed and assessed, together with the steps to avoid or mitigate those risks.

Whilst this strategy document sets out defined processes for managing risk, Link recognises that successful risk management can only be accomplished on a day-to-day basis by staff at all levels and by ongoing review and improvement.

2. OVERVIEW

Link's approach is to assess risk in respect of the combination of likelihood of something happening and the impact that arises if it does happen.

The resources available for managing risk are finite and so it is the aim of Link to achieve an optimum response to risk and to identify priorities in accordance with the evaluation of the risks. The term 'risk appetite' is used to refer to the amount of risk which the organisation is prepared to accept, tolerate, or be exposed to at any point in time.

Risk management is the process by which:

- risks are identified in relation to the achievement of objectives;
- risks are assessed by reference to their relative likelihood and impact;
- the identified risks are responded to, taking into account the organisation's assessment and tolerance; and
- risks are reviewed and reported – to ensure the risk register is up to date, to gain assurance that responses are effective, and identify when further action is necessary.

The goals of risk management are:

- to take a proactive approach, anticipating and influencing events before they happen;
- to facilitate better informed decision making in conjunction with the review and monitoring of performance management; and
- to improve contingency planning.

The Group's approach to risk management is based around assessment, evaluation, management and measurement, as follows:

Assess – identify important parts of the business – services, staff, finance, etc.

Evaluate – consider what risks each of these face and are they operational or external, set out in a risk register.

Manage – what can we do to minimise the risk

Review – ensure the risk profile has not changed and confirm controls are effective. It is essential that the risk management process is intertwined with other operating activities and permeates the Group's management and operations.

3. CATEGORISING RISK

The risk categories are intended to provide a means of grouping related risks within 2 risk registers (Strategic and Operational), as risks are commonly not entirely independent from each other.

The main Strategic Risk categories are:

- Financial
- Reputational
- Governance
- Health & Safety
- ICT&D
- Service delivery

Each of these categories will contain sub-risks, which will appear on the operational risk register.

4. ASSESSING RISK

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.

5. 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 impact of the risk on the Group (including its reputation), stakeholders and the public; and
- Defensibility of realisation of the risk.

The impact descriptors are only an indication of the probable effect on the Group 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.

To evaluate risks, all risks are scored in terms of their likelihood and potential impact using the following scale (the score for the likelihood and impact are then multiplied to give an overall risk assessment):

IMPACT	DESCRIPTOR
Catastrophic (4)	Financial impact on the organisation is likely to exceed £1, 000,000 Significant impact on core activities Significant concerns from all stakeholders and litigation expected
High (3)	Financial impact on the organisation is likely to be between £100,000 and £1,000,000. Significant impact on the organisation's strategy or operational activities Significant stakeholder concern
Medium (2)	Financial impact on the organisation likely to be between £20,000 and £100,000 Moderate impact on the organisation's strategy or operational activities Moderate stakeholder concern
Low (1)	Financial impact on the organisation likely to be less than £20,000 Low impact on the organisation's strategy or operationalactivities Low stakeholder concern

Likelihood of Occurrence	Description	Indicators
Highly Certain (4)	Frequently occurs each year or greater than 50% chance of occurrence.	Regular or continuous occurrence in the short term and more likely to occur than not.
High/ Probable (3)	Likely to occur each year or more than 25% chance of occurrence.	Potential to occur several times in the medium term; Has occurred recently.
Medium/ Possible (2)	Likely to occur in the medium term or less than 25% chance of occurrence.	Could occur more than once in the medium term; Could be difficult to control due to some external influence; Possible history of occurrence.
Low/ Remote (1)	Not likely to occur in the medium term or less than 2% chance of occurrence.	Has not occurred; Unlikely to occur.

To calculate the Risk Rating, multiply the scores for impact and probability together, to give a figure between 1 & 16 as shown below:

	1	2	3	4
1	1	2	3	4
2	2	4	6	8
3	3	6	9	12
4	4	8	12	16

Key

(green)	Low Risk
(amber)	Moderate Risk
(red)	High risk

Each risk is assessed twice. Firstly the ‘INHERENT’ risk which is the exposure arising from a specific risk therefore mitigating 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.

Key		
High risk	8-16	Unacceptable level or risk exposure which requires constant active monitoring and measures to be put in place to reduce exposure.
Medium risk	4-6	Acceptable level or risk exposure subject to regular active monitoring measures.
Low risk	1-3	Acceptable level of risk subject to regular passive monitoring measures

6. RISK APPETITE

The aim of the Risk Management Strategy is not to remove all risk but to recognise that some level of risk will always exist. It is recognised that taking risks in a controlled manner is fundamental to innovation and the building of a can-do culture which is fundamental to the continued success of Link.

Risk appetite is the amount of risk that the organisation is prepared to accept, tolerate or be exposed to at any point in time. Risk appetite can be expressed as a boundary, above which the organization will not tolerate the level of risk and further actions must be taken.

The risk appetite is monitored by the inherent and residual risk assessment figures. Generally Link’s policy is to manage closely all residual risks scoring 8+ and may further assess higher risk areas, for example to add or strengthen controls. At the same time, however, lower risks will continue to be monitored.

Link’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.

The Board has agreed to focus on monitoring of risks with a high risk score and has delegated to the Audit and Risk Committee the review and monitoring of the whole risk register on a bi-annually basis.

When the Business Plan is produced annually the objectives will be directly linked to the Risk Register to ensure that each Link objective is adequately risk assessed. In addition at the 6 monthly points during a financial year when progress towards achievement of the business plan objectives is being carried out Link will review and update the Risk Register, if necessary.

Objectives will differentiate between strategic and operational risk where that can be achieved and individual risks will be linked to the objectives in the business plan.

In addition Link will ensure that the risk mitigating controls are also reviewed and their effectiveness assessed at both the point the business plan is produced and also at the bi-annual review point.

7. MANAGING RISK

The purpose of addressing risks is to turn uncertainty to Link's benefit by constraining threats and taking advantage of opportunities.

The appropriate response to each risk will depend on its nature and the outcome of the risk assessment.

There are five key aspects of managing risks:

TREAT: by far the greatest number of risks will be addressed in this way. The purpose of treatment is that whilst continuing within Link with the activity giving rise to 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.

TOLERATE: The exposure may be tolerable without any further action being taken. Even if it is not tolerable, the ability to do anything about some risks may be limited, or the cost of taken such action may be disproportionate to the potential benefit gained. In these cases the response may be to tolerate the existing level of risk.

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.

8. REVIEWING AND REPORTING RISKS

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.

The review process will:

- ensure that all aspects of the risk management process are reviewed at least once a year;
- ensure that identified risks themselves are subject to review at least 6 monthly; and

- identify new risks and changes in already identified risks so that the change can be appropriately addressed.

There are 2 risk registers: Strategic and Operational. The former is linked to the Business Plan and details how the risks are monitored.

Each Link Group Directorate and partner organisations, led by their Director, will assess and monitor all risks in their area on an ongoing basis. From this analysis, a number of strategic risks will be identified together with any operational risks with a high inherent evaluation (8 or more). This will form the basis of the strategic risk register. This register will be formally reviewed and updated bi-annually by the Senior Management Group. The updated register will then be reviewed by the Audit and Risk Committee with key changes reported to Board. In this way, differing levels of risk are monitored and managed at various levels in the organisation with top-down visibility, whilst allowing the Board to focus on ensuring adequate risk mitigation at a strategic level.

The risk registers are live documents. Staff and Board members are encouraged to notify the Senior Management Group at any stage of potential changes to the registers.

The risk management processes described in this document operate in the context of a wider assurance framework within the Group.

8.1 Risk Registers

The risk registers document 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.

The risk registers are compiled linking risk to the group's objectives but also take into consideration a variety of themes which are assessed for risk. These themes include:

Contractual	Regulatory
Development	Rental Income
Economic	Environmental
Business Continuity	Social
Grant Income	Treasury
Legal	Political

For major change projects, the risks identified, their assessment, the response to each and the risk owner is documented on the risk register. In these circumstances, a separate risk register may be kept as part of project management and monitoring.

9. RISK ROLES AND RESPONSIBILITIES

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

9.1 Risk Roles and responsibilities - Board

The Board has ultimate responsibility for ensuring that the Link fulfils the aims and objectives and for promoting the efficient and effective use of staff and other resources by Link. It continually reviews and monitors performance through the performance management process.

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 Link.

The Board has responsibility for ensuring that the Link's financial plans are sufficiently robust to manage potential scenarios that would increase cumulative risk to the business and shall demonstrate this through stress testing of annual 30 year financial plan.

9.2 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 Compliance, 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 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 and significant changes to Link's risk register for each meeting; and
- Link's Risk Management Strategy and risk register and proposals for continuous improvement of the risk management process and culture as appropriate.

9.3 Senior Management Group

In managing risk the Senior Management Group 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 Audit and Risk Committee are involved in the risk management system; and
- The Audit and Risk Committee are involved in reviewing the risk register.

- Risk mitigating controls are effective and operating as intended.

This includes:

- Setting and communicating the risk management strategy;
- Providing leadership and direction over the risk register; and
- Conducting an annual review of the effectiveness of the system of internal control in support of the Statement of Compliance.

The Senior Management Group, through their group partners, is responsible for developing and implementing the process and maintaining the risk register document.

The Senior Management Group will facilitate discussion of risk with local and cross functional management teams as an integral part of the business plan process.

9.4 Other Directors, Managers, and Staff

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 considered for inclusion in the risk register.

9.5 Risk Owners

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

9.6 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.

9.7 Internal Audit

Internal Audit plays a key role in evaluation 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 Link; and encouraging best practice and engendering continuous improvement.

10. STRATEGY AVAILABILITY

A summary of this strategy can be made available in a number of other languages and other formats on request.

11. INTERNAL AUDIT

Link Group undertakes to review this strategy regularly, at least every three years, with regard to:

- Applicable legislation, rules, regulations and guidance
- Changes in the organisation
- Continued best practice

12. GLOSSARY OF TERMS

Assurance	An evaluated opinion, based on evidence gained from review, on the organisation's governance, risk management and internal control framework.
Exposure	The consequences, as a combination of impact and likelihood, which may be experienced by the organisation if a specific risks realised.
Impact	The probable effect on the organisation if the risk occurs.
Inherent risk	The exposure arising from a specific risk before any action has been taken to manage it.
Likelihood	The probability or chance of the risk occurring.
Opportunity	An event that can have a positive impact.
Residual risk	The exposure arising from a specific risk after action has been taken to manage it and making the assumption that the action is effective.
Risk	Risk is defined as an event that can have a negative impact.
Risk appetite	The amount of risk that an organisation is prepared to accept, tolerate, or be exposed to at any point in time.
Risk assessment	The evaluation of risk with regard to the impact if the risk is realised, and the likelihood of the risk being realised progress.

Risk Management	All the processes involved identifying, assessing and judging risks, assigning ownership, taking actions to mitigate or anticipate them, and monitoring and reviewing progress.
Risk Register	The documented and prioritised overall assessment of the range of specific risks faced by the organisation.