

Risk Management Policy

1. Aim and scope of policy

We want to ensure that we're effective at identifying risk and that we have a robust framework in place to provide us with the assurance that we're managing our risks well.

This policy applies to all staff, the Board and our appointed internal auditors (appendix 1).

2. Policy statement

Our risk management policy provides a framework which supports the principles of good governance. This includes:

- Setting a risk appetite and making decisions that are within this;
- Assessing all risks based on the likelihood and potential impact on the delivery of our strategic objectives;
- Ensuring our employees understand their role in managing risk and are able to do so competently;
- Regularly reviewing and reporting on our risks and how they're mitigated;
- Undertaking assurance activities to monitor how effective we are at risk management;
- Protecting and enhancing VIVID's assets and reputation.

A summary of the framework is set out in appendix 2.

3. Policy

1. Risk appetite

Our risk appetite (appendix 3) is the amount and type of risk that we're willing to take to meet our strategic objectives. The Board consider and set our risk appetite annually based on 5 types of risk – financial, health & safety, reputational, service delivery and compliance. It is used to score risks so that we understand the effect of risks on our business.

2. Identifying risks

We recognise that we're working in an increasingly complex and diverse sector. We continually monitor the changes to our operating environment that might impact on our current risks or result in new or emerging ones. Both internal and external factors can have an impact on our risks, for example new business activities (internal) or changes to regulation/legislation (external).

We capture the risks we've identified on the appropriate risk registers - the Strategic Risk Register (SRR) or the Operational Risk Register (ORR).

Our Strategic Risk Register is owned by the Board and records risks which could impact on our strategic objectives. It's reviewed by the Executive team monthly, the Audit and Risk Committee (ARC) at every meeting as part of the Assurance Plan (detailed below) and by the Board twice a year. It drives our specialist audit assurance work.

Our Operational Risk Register is owned by the Executive and records risks which impact our operational efficiency. It's regularly reviewed by Heads of Service (and other risk owners) and drives our operational controls internal audits.

3. Scoring risks

Our strategic and operational risks are scored by impact and probability using a matrix (appendices 4 and 5 respectively). We use a heatmap (appendix 6) which gives a red, amber or green (RAG) rating to show if the risk score is within or outside of our risk appetite:

- Red – outside of our risk appetite; the risk must be managed;
- Amber – on the edge of our risk appetite; efforts should be made to manage the risk, but cost-benefit will be key;
- Green – within our risk appetite; no additional controls are required although may be implemented if cost effective.

4. Managing risks

We aim to manage risks with controls to reduce the risk score to within our risk appetite in the most cost-effective way. In managing our risks (whether red, amber or green) we may decide, however, to take any one of the following remedial actions:

- treat the risk to reduce the likely impact/ exposure;

- transfer risk to another party;
- terminate the activity generating the risk; or
- tolerate the risk and its likely impact.

Those risks that we choose to manage through controls are re-scored once the controls are in place. Further action will be taken to mitigate any risks remain outside of our risk appetite, in line with the remedial actions above.

We record controls and re-scoring of risks on the appropriate risk register.

5. Assurance

5.1 Strategic risks

The ARC uses the SRR to agree an Assurance Plan which provides a reasonable level of assurance that key strategic risks are well managed, through a programme of specialist audits. The plan is reviewed at every meeting to ensure it remains relevant to the current risk environment.

5.2 Operational risks

Heads of Service (and other operational risk owners) complete quarterly self-certification confirming that the controls for their operational risks are operating effectively. The ORR is provided to our internal auditors, who select a sample of these controls to test based on terms of reference which generally include:

- at least one financial, one health & safety and one IT risk;
- at least one risk where there is a large difference in risk score from unmanaged to managed;
- at least one risk where there is no or small difference in risk score between unmanaged and managed;
- any new risks added since the last quarterly audit;
- a follow up to evidence previous audit actions completed since the last audit have been properly completed.

5.3 Stress testing

We stress test our business plan using several scenarios linked to our strategic risk register. We use these to understand what would “break the plan.” We also use combinations of these tests to simulate extreme economic/financial shocks and understand their impact on the business plan. In response to the more extreme stress tests, we’ve developed recovery plans which will enable us to respond to these scenarios without breaking our covenants.

6. Control

Audit findings are managed through a Control Improvement Plan (CIP) which tracks the actions taken to strengthen our risk management and internal controls and it is reviewed at every ARC meeting.

7. Reporting

The Board’s annual statement of internal control provides the Board’s overall opinion on internal controls as is reported in our annual accounts. It is informed by the CIP, the Chief Executive’s annual report, the internal auditor’s report and the ARC report which summarises the assurance work undertaken during the year.

Consultation requirements	Last Consultation Date	Date for next consultation
N/A		
Equality Impact Assessment required?	Last EIA date completed	
N/A		

Author	Owner	Approved by	Date approved	Review date (annual)
Head of Governance	Head of Governance	Audit and Risk Committee	November 2022	November 2023
Risk and Assurance Manager	Head of Governance	Audit and Risk Committee	November 2023	September 2025

Appendix 1 – Roles and responsibilities

VIVID Board

- retain overall responsibility for risk management;
- review and set our risk appetite annually;
- own the SRR and scrutinise it twice a year;
- appoint external auditors annually;
- provide assurance to stakeholders through an annual statement of internal control;
- delegate scrutiny and evaluation of controls to the Audit and Risk Committee.

Audit & Risk Committee

- review and approve our risk management policy;
- scrutinise the SRR at every meeting;
- use the SRR to agree an Assurance Plan which provides a reasonable level of assurance that key strategic risks are well managed, through a programme of specialist audits;
- review the Assurance plan at every meeting to ensure it remains relevant to the current risk environment;
- benchmark our risks against sector wide risks annually to ensure we understand the most significant risks and that we have appropriate, robust controls in place;
- review/appoint internal auditors annually;
- provide assurance to the Board that key risks are being effectively managed through an annual opinion on internal controls;
- receive and approve quarterly specialist internal audit reports;
- receive and approve quarterly control audit reports at every meeting that controls over operational risks are operating effectively;
- monitor progress on audit actions at every meeting through the CIP.

Executive team

- Regularly review and scrutinise the SRR to ensure the risks and risk scores are up to date and that appropriate, robust controls are in place;
- provide assurance to the ARC and Board through the Chief Executive's annual report of internal control;
- receive quarterly internal audit reports;
- receive specialist internal audit reports;
- monitor progress on audit actions through the CIP.

Heads of Service

- Regularly review and scrutinise the ORR to ensure the risks and risk scores are up to date and that appropriate, robust controls are in place
- self-certify that owned operational controls are accurate and functioning as expected quarterly;
- ensure their employees understand their role in managing risk and are able to do so competently;
- ensure timely implementation of actions highlighted by internal audit reports.

Risk and Assurance Manager

- support the management of risk and develop risk management based on good practice;
- ensure compliance with the Risk Management Policy;
- Conducts regular reviews and informal coaching to Risk and Control owners
- communicate risk management information across the organisation as appropriate;
- keep up to date with developments in and out of sector.

Employees

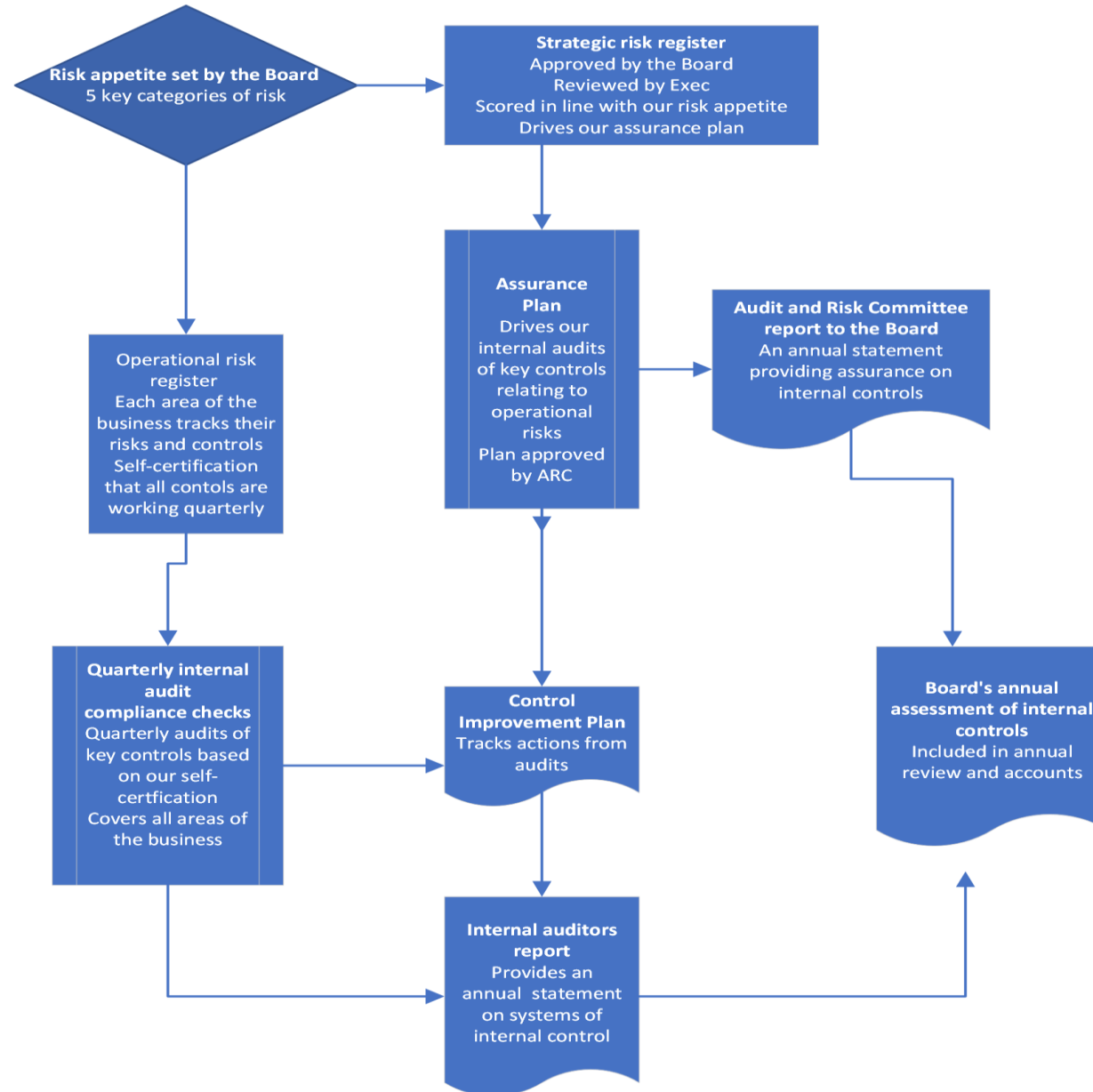
- report risks and inefficient, unnecessary, or unworkable controls through Head of Service or Executive Director;
- take an active role in audits and the actions which arise from those audits as required.



Internal Auditors

- audit, support and help develop the risk management processes and controls across the organisation;
- provide information and assurance on the management of risk and the efficiency and effectiveness of internal controls to the Executive team and Audit and Risk Committee;
- provide an annual opinion on internal controls to Board.

Appendix 2 – Risk management framework



Appendix 3 - Risk appetite statements

Risk type	Risk appetite statement
Financial Risks	<p>In the pursuit of our objectives, we are willing to accept risks that may result in some financial loss or exposure. We'll accept managed risk to quite high levels.</p> <p>We're able to withstand risks that could result in a financial loss up to £65 million. Losses exceeding this level would have more lasting consequences and are outside of our risk appetite.</p> <p>We will not pursue income-generating or cost-saving initiatives unless returns are probable.</p>
Health & Safety Risks	<p>We accept that some of our activities have the potential to cause harm to staff, residents or members of the public. We'll accept managed risk to very low levels.</p> <p>We'll manage our activities so that we comply with all applicable laws and regulations and eliminate the risk of causing death or serious injury.</p>
Reputational Risk	<p>We're willing to deal with adverse publicity and to engage with stakeholders to manage our reputation where necessary. We'll accept managed risk to quite high levels.</p> <p>We won't take risks that could result in intervention by major stakeholders.</p>
Service Delivery	<p>We'll only tolerate low to moderate exposure to achieving our service delivery targets. We'll accept managed risk to moderate levels.</p> <p>We'll develop contingency plans so that we minimise the risk of disruption to our essential services for more than a few hours and other services for more than a few days using a cost-benefit approach.</p>
Compliance	<p>We won't tolerate legal risk.</p> <p>We'll monitor compliance to ensure that any potential breach can be rectified quickly, minimising the likelihood of penalties or other lasting consequences.</p> <p>We'll accept managed risk only in extreme circumstances.</p>

Appendix 4 – Strategic risk scoring matrix

PROBABILITY ASSESSMENTS					
	5 (Highest)	4	3	2	1 (Lowest)
Probability of occurrence	The risk is crystallising or more than 90% probability the risk will crystallise	50% to 90% probability that the risk will crystallise	25% to 50% probability that the risk will crystallise	10 to 25% probability that the risk will crystallise	Up to 10% probability that the risk will crystallise
Timescale of occurrence	The risk is already crystallising or imminent	Within the next six months	Within the next two years	Within the next three years	Unlikely within the next three years
IMPACT ASSESSMENTS					
	5 (Highest)	4	3	2	1 (Lowest)
Financial	Financial loss of more than £65 million leading to insolvency or breach of covenant	Financial loss between £10 and £65 million and requiring mitigating action	Financial loss up to £10 million which can't be absorbed within existing budgets	Financial consequences that can be absorbed within existing budgets	No material financial consequences
Health and Safety	Loss of life	Serious injury	Minor injury from which a full recovery will be made	Increase in minor unsafe occurrences, near misses or complaints about the safety of our homes and estates	No risk of injury
Reputation	Regulatory intervention	Major reputational impact which will take significant time and resources to repair	Serious short-term reputational damage requiring mitigating strategies and engagement with key stakeholders	Some short-term reputational damage attracting interest from some stakeholder groups	Minor negative publicity
Service delivery	Failure to achieve business plan objectives	Unable to provide essential services for a prolonged period	Short-term disruption to essential services or noticeable increase in complaints or reduction in satisfaction levels	Temporary disruption to non-essential services that can be rectified	Service delivery unaffected
Compliance	Criminal charges, judgment from a statutory body or regulatory intervention	Serious breach of law or regulation with significant penalties or other adverse consequences	Serious breach of law or regulation which can be rectified without significant consequences	Minor breach of a regulation which can be rectified without significant consequences	No breach of laws or regulations

Appendix 5 – Operational risk scoring matrix

PROBABILITY ASSESSMENTS					
	5	4	3	2	1
Probability of occurrence	The risk is crystallising or more than 90% probability the risk will crystallise	50% to 90% probability that the risk will crystallise	25% to 50% probability that the risk will crystallise	10 to 25% probability that the risk will crystallise	Up to 10% probability that the risk will crystallise
Timescale of occurrence	The risk is already crystallising or imminent	Within the next six months	Within the next two years	Within the next three years	Unlikely within the next three years
IMPACT ASSESSMENTS					
	5	4	3	2	1
Financial	Financial loss exceeding 30% of managers budget which cannot be absorbed within existing budgets	Financial loss between 20-30% of managers budget which cannot be absorbed within existing budgets	Financial loss between 10-20% of managers budget which cannot be absorbed within existing budgets	Financial loss up to 10% of managers budget which can be absorbed within existing budgets	No material financial consequences
KPI performance	Aspiration and target not met AND monthly performance exceeds lower controls line OR monthly performance is below centre control line for 6 consecutive months OR monthly performance declines for 6 consecutive months	Aspiration and target not met AND monthly performance hits lower controls line OR monthly performance is below centre control line for 3 consecutive months OR monthly performance declines for 3 consecutive months	Aspiration and target not met	YTD performance meets or exceeds target	YTD performance meets or exceeds aspiration
Staff engagement	15+% difference in engagement score	12.1% < 15% difference in engagement score	9.1% < 12.1% difference in engagement score	6.1% < 9.1% difference in engagement score	-3.1% < 6.1% difference in engagement score
Policy compliance	Breach of a Board-owned policy that cannot be rectified within 3 months	Breach of policy that cannot be rectified within 3 months	Breach of policy that can be quickly rectified	Unable to evidence compliance with policy	Policy evidenced as complied with
Reputation	Regulatory intervention	Major reputational impact which will take significant time and resources to repair	Serious short-term reputational damage requiring mitigating strategies and engagement with key stakeholders	Some short-term reputational damage attracting interest from some stakeholder groups	Minor negative publicity

Appendix 6 – Risk heatmap

		PROBABILITY				
		5	4	3	2	1
IMPACT	5	25 HIGH	20 HIGH	15 MEDIUM	10 MEDIUM	5 LOW
	4	20 HIGH	16 HIGH	12 MEDIUM	8 MEDIUM	4 LOW
	3	15 MEDIUM	12 MEDIUM	9 MEDIUM	6 MEDIUM	3 LOW
	2	10 MEDIUM	8 MEDIUM	6 MEDIUM	4 LOW	2 LOW
	1	5 LOW	4 LOW	3 LOW	2 LOW	1 LOW