



PORT OF LEITH
HOUSING ASSOCIATION
Scottish Charity Number SCO 27945



PERSEVERE
DEVELOPMENTS

Company Registration Number SC388989



QUAY
COMMUNITY
IMPROVEMENTS

Company Registration Number SC538129

energy services

T. B. Mackay (Est. 1936)



Company Registration Number SC202640

POLHA GROUP STRATEGIC PLAN 2020 – 2025

Appendix 3 - Business Risk Management Summary

Approved by: PoLHA Group Board – 05/03/2020

4.3 Appendix 3 – Business Risk Management Summary @ March 2020

4.3.1 Introduction

The Group has a Risk Control Policy which specifies a robust framework and procedure for identifying, analysing, controlling and monitoring risk to achieving our business goals.

4.3.2 Top Group Strategic Risks

The Management Team has identified four key strategic hazards that the Group faces with resulting risks that have medium or high risk exposure. These risks, all for the Association have been specifically addressed as part of the business planning process and are detailed below. It should be noted that although PDL, Quay and TBM have strategic risks the impact of them on the group are lower than when considered for the subsidiaries on their own.

The hazards, resulting risks, impact and existing policies, processes and systems in place which provide mitigation against the identified risks are detailed in the table following.

TOP GROUP STRATEGIC RISKS

Ref	Issue/Hazard Causing Risk	Risk Description	Risk Consequences	Existing Mitigating Controls
1	The UK wide Welfare Benefit Reforms and the real cut to customers on benefits and low income, from the cap on benefit uplifts to 1% per annum for the next two years	May cause an increase in both arrears and bad debt.	Ability to sustain assumptions re rental growth and collection rates	<ul style="list-style-type: none"> • Strong rent collection and rent arrears control policy and procedures including arrears prevention activity. Good historic performance against targets • Welfare Reform/Universal Credit Action Plan • Early preventative intervention and advice prior to tenancy sign up • Up to date customer profiling information which allows targeted advice • Trained staff on communication techniques and Universal Credit • Dedicated welfare rights, money, energy advice and tenancy support services • Weekly job club • Dedicated Employability Officer

Ref	Issue/Hazard Causing Risk	Risk Description	Risk Consequences	Existing Mitigating Controls
2	Public spending cuts / Government austerity measures.	There may be reductions of HAG meaning more private funding would need to be obtained.	<p>Gearing would increase.</p> <p>Interest costs would increase.</p> <p>Growth ambitions are slowed or halted.</p>	<ul style="list-style-type: none"> • Close relationship with grant provider and participation in regular programme meetings to ensure PoLHA is aware of all funding sources and potential new initiatives • Reinvestment of funds from Stock Rationalisation Programme • Working closely with developers and Council to take advantage of s.75 AHP opportunities and commuted sums when they are available • Submit HAG tender applications promptly, before rates are reduced. This has to be balanced against risk of HAG rates being increased. • Continue to develop PDL with a long term view of recycling profits into the development/investment programme. • With PDL, develop new products which are off balance sheet for PoLHA and add to financial capacity • Actively participate with the SFHA, Scottish Government and other agencies to develop new funding initiatives • Accurately identify the development capacity of the organisation through the use of robust business planning methodology

Ref	Issue/Hazard Causing Risk	Risk Description	Risk Consequences	Existing Mitigating Controls
3	The Defined Benefit Pension Schemes represent a significant financial liability to the organisation because actuarial assumptions and stock market performance is unpredictable / volatile.	The defined benefit pension scheme liability may grow further increasing past deficit contributions on an annual basis.	Financial sustainability of the organisations comes under threat. Growth ambitions are slowed or halted. Loan covenant agreements come under threat or are breached	<ul style="list-style-type: none"> • The defined benefit scheme was closed to new members from April 2014 and closed to future accrual from January 2018
4	Build cost inflation and increase in competition for sites from other RSLs and private companies	Increased cost of development	Reduced opportunity to grow	<ul style="list-style-type: none"> • Relationship with developers and section 75 • Maintain a land bank • Flexibility in procurement methodology (e.g. making use of national framework agreements where appropriate) • Participation with Council and other RSLs re strategic land acquisition opportunities

4.3.3 Risk Analysis and Management

Absolute risk

The term 'Absolute Risk' refers to the analysis of a risk using the assumption that there are no current controls to manage it. This is a theoretical starting point to enable the identification of risks which have potentially high exposure levels for the business. This analysis is used to assess the adequacy of existing control for each of the key risks detailed above before taking account of any mitigating actions.

IMPACT	Catastrophic	5				3	
	Major	4			2		
	Significant	3				4	1
	Moderate	2					
	Low	1					
GROUP Risk Map BEFORE mitigating control action			1	2	3	4	5
			Rare	Unlikely	Moderate	Likely	Almost Certain
			LIKELIHOOD				

GRID KEY	High Exposure	Moderate Exposure	Low Exposure
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4.3.4 Risk Management

Controlled risk analysis acknowledges the effect that existing controls have on reducing the likelihood and impact of the risks specified. The exposure level shown represents the current position in terms of the need for any further management of these risks.

Controlled Risk Analysis

Risks have been re-analysed for likelihood and impact, taking into consideration the controls currently in place with the following results.

IMPACT	Catastrophic	5					
	Major	4			3		
	Significant	3			2 4		
	Moderate	2					1
	Low	1					
GROUP Risk Map AFTER mitigating control action			1	2	3	4	5
			Rare	Unlikely	Moderate	Likely	Almost Certain
			LIKELIHOOD				



Key



Risk 1, relating to UK Welfare reform, still sits in the 'moderate' exposure level, primarily because of the likelihood score over which we have no control. The controls in place have mitigated the impact and we continue to monitor and tolerate this risk.

Risk 2, relating to public spending cuts / Government austerity measures, still sits in the 'moderate' exposure level. The controls in place have reduced the likelihood and we continue to monitor and tolerate this risk.

Risk 3, relating to the Defined Benefit Pension scheme, still sits in the 'moderate' exposure level. It is considered that we have no affordable option to further mitigate this risk and so we continue to monitor and tolerate this risk.

Risk 4, relating to build cost inflation and competition for sites, still sits in the 'moderate' exposure level. The controls in place have reduced the likelihood and we continue to monitor and tolerate this risk.