

# The Regional Municipality of York

Housing York Inc.  
October 1, 2015

Report of the  
President  
and  
Chief Financial Officer

## Risk Management Update

### 1. Recommendation

It is recommended that the Board of Directors receive this report for information.

### 2. Purpose

This report provides the Board with an update on risk management initiatives undertaken by Housing York Inc. (Housing York) since the last risk management report in September 2014. It also provides an overview of Housing York's evolving approach to risk management.

### 3. Background

The risk management report supports the enhanced reporting objective in the Housing York Inc. Strategic Plan

In October 2012, the Board of Directors approved the Housing York Inc. Strategic Plan 2012 – 2016 (the Plan). This risk management report supports the enhanced reporting objective of the Plan's fifth strategic direction – strengthen governance and organizational capacity.

Housing York's risk management approach is evolving to become more sophisticated and systematic

In the past, staff have reported on risk by providing updates on some of the key activities that have been undertaken to manage and mitigate risk. In recognition of the need to better support the Board in its oversight capacity, staff are developing a process to strengthen the corporation's risk management function. This will include formalizing and improving the organization's risk management

system by moving from a traditional system to a more robust Enterprise Risk Management system.

#### 4. Analysis and Options

Risk is measured and reported in Housing York's key business areas

Risks are identified and managed in accordance with key business activities. The key activities are broken down into four key disciplines: tenant relations, financial management, asset management and staffing. Figure 1 provides an overview of this model.

**Figure 1 – Current Business Areas**



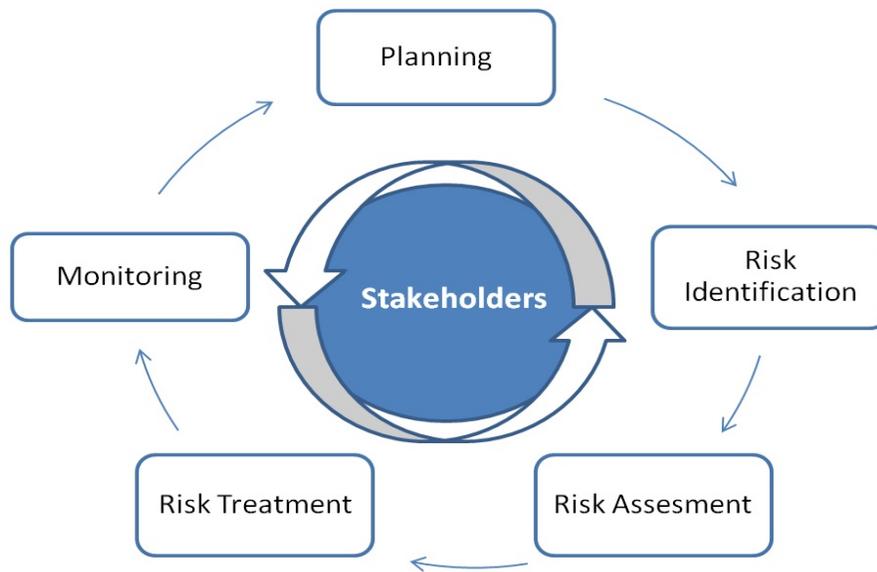
Housing York actively monitors and manages key risks. Attachment 1, *Key Risks Currently Being Monitored and Managed*, provides examples and identifies risks and related mitigation strategies.

Housing York is in the process of adopting an Enterprise Risk Management system which will enable staff to manage risks more proactively

York Region's Treasury Office is currently developing a comprehensive Enterprise Risk Management system to enhance the Region's risk function. Housing York staff have been working closely with them to build on this work to enhance the corporation's approach to risk management. The new system will include improved planning and documentation of the overall risk cycle as outlined in Figure 2. Staff will report back on the new framework in early 2016.

Figure 2 provides an overview of the five key components of an Enterprise Risk Management Framework.

Figure 2 – Enterprise Risk Management Framework



Enterprise Risk Management will result in improved management tools

The key outputs of the Enterprise Risk Management Framework will be:

- Risk Registry – comprehensive listing of prioritized risks to be managed
- Risk Matrix – inventory of the various risks mapped to appropriate risk treatments and monitoring tools
- Heat Map – visual presentation of the various risks demonstrating likelihood and impact

A Risk Management Committee consisting of Regional senior management staff will oversee risk for the Region as a whole, including Housing York. Housing York's senior management team will also adopt a similar framework and will act as Housing York's Risk Management Committee with representation from Insurance and Risk.

More robust Key Performance Indicators will also be developed that will reflect desired performance in primary areas to aid in shaping and encouraging behaviors that support the achievement of organizational objectives. Risks related to the achievement of Key Performance Indicators will also be managed.

**Housing York’s Enterprise Risk Management system will be aligned with the strategic Multi-Year Plan**

The new system will continue to identify and manage risks in the corporation’s key business areas. These areas will be confirmed during the final stages of Housing York’s strategic Multi-Year Plan to ensure alignment with strategic directions and priorities. Figure 3 provides an overview of the potential key business areas and related risk considerations.

**Figure 3 – Potential Key Business Areas**



Link to key Council-approved plans

Understanding risks and implementing policies and practices protects and sustains Housing York's communities. The company's approach to risk supports the Region's *From Vision to Results: 2011 – 2015 Strategic Plan* objective "supporting healthy communities through a broad range of housing choices and supports to meet the diverse needs of residents.

5. Financial Implications

Risk management strategies mitigate financial liability arising from hazard, reputational, strategic, and human capital risks with their associated costs. Through the identification of risk and the development of policies and practices to manage and mitigate risk events, Housing York is able to use financial resources with maximum benefit. Associated costs are incorporated in the business plan and budget process.

6. Local Municipal Impact

There are no local municipal impacts.

7. Conclusion

Housing York continues to build on and enhance its existing practices and policies to manage its risk exposure. Actively participating in the Region's ongoing Enterprise Risk Management approach will enhance Housing York's risk management activities. The approach will assist Housing York in proactively and systematically managing risks to more effectively achieve strategic objectives. Tenant engagement and effective day-to-day operations ensures that Housing York residents have a reliable and safe home. Strategically focused financial and asset management provide the long-term vision to protect Housing York's housing portfolio.

For more information on this report, please contact Carlene Jackson, Director, Program Finance and Chief Financial Officer, Housing York Inc. at ext. 76064.

## Risk Management Update

The Senior Management Group has reviewed this report.

Recommended by:

Approved for Submission:

Carlene Jackson  
Chief Financial Officer

Adelina Urbanski  
President

September 17, 2015

Attachment (1)

#6235854

Accessible formats or communication supports are available upon request.

**Table 1**  
**Key risks currently being monitored and managed**

<b>Tenant Relations and Property Management</b>	
<p>Housing York is home to more than 4,000 tenants. As a landlord, Housing York is responsible to ensure that tenants have safe, appropriately maintained housing. Housing York also strives to provide responsive customer service to ensure that tenant issues and concerns are addressed in a timely manner.</p> <p>The organizational risks in this area of business are reputational, legal, and financial. Unresolved tenant issues can result in public complaints and regulatory action from bodies such as the Landlord and Tenant Board. Building system failures can be costly and may adversely impact tenants.</p>	
<b>Risks</b>	<b>Mitigation Strategies</b>
<ul style="list-style-type: none"> <li>• Unresolved maintenance issues can pose a safety hazard</li>   <li>• Tenant dissatisfaction with service provided can result in complaints to elected officials or media</li>   <li>• A fire in a residential building can put tenants in danger and is a significant property damage risk</li> </ul>	<ul style="list-style-type: none"> <li>• Comprehensive unit and building inspections are completed annually for early identification of issues</li> <li>• A preventative maintenance program ensures all building components are well maintained</li> <li>• Building Automation Systems have been installed to enable remote monitoring and faster response to potential equipment issues</li>   <li>• A formalized process for tenant complaints and feedback is in place and staff receive customer service training</li>   <li>• Comprehensive fire safety plans are in place for each building and are reviewed and updated annually to reflect changing tenant needs</li> <li>• A Smoke Free Building policy is being implemented, further reducing the risk of fire</li> <li>• The Corporation is fully insured and a mandatory tenant insurance policy is in place to ensure tenants have adequate personal coverage</li> </ul>

**Financial Management**

Housing York's 2015 operating budget of over \$29 million, with 69% of revenue collected from tenants and the balance in subsidies and miscellaneous revenues. Housing York must operate in a fiscally responsible manner, ensuring compliance with Regional requirements, accounting standards and program rules.

The organizational risks in this area relate to appropriate internal controls to prevent misuse of funds, compliance with accounting standards to ensure public accountability, as well as maximization of revenue and effective cost control to ensure financial sustainability over the long term.

<b>Risks</b>	<b>Mitigation Strategies</b>
<ul style="list-style-type: none"> <li>• Rent revenue risk if tenants do not pay their rent</li>   <li>• Increasing cost pressure</li>   <li>• Fraud and theft</li> </ul>	<ul style="list-style-type: none"> <li>• Tenants can now pay their rent on-line through their financial institutions</li> <li>• HYI has established rent arrears targets and increased monitoring of tenant accounts to enable faster intervention when a tenant account is in arrears</li> <li>• HYI works with Regional and community partners to connect tenants with support services and programs as needed</li>   <li>• Annual budgets and business plans are prepared, implemented and monitored in accordance with Regional policies and processes</li> <li>• Financial forecasting has been enhanced and operating costs are closely monitored</li> <li>• Currently exploring utility hedging opportunities</li>   <li>• Housing York complies with Regional standards for internal controls, etc. and is subject to periodic review by the Region's auditor and Audit Services</li> <li>• Housing York complies with Regional procurement standards and benefits from the assistance of the Region's Supplies &amp; Services and Legal Services teams</li> <li>• Cash transactions have been eliminated</li> </ul>

**Asset Management**

Housing York’s real estate portfolio has an insured value of almost \$600 million. In addition to routine maintenance, these assets require capital investments to replace or retrofit aging building components. Appropriate asset management ensures that buildings and their systems meet Regional and regulatory standards and are operational to the end of their expected useful life.

The portfolio’s properties are subject to a number of risks including building component failure, emergency repairs from fire and weather threats. The aging portfolio also requires additional funding sources to address future capital needs as the original federal/provincial programs did not provide for adequate capital reserve contributions.

<b>Risks</b>	<b>Mitigation Strategies</b>
<ul style="list-style-type: none"> <li>• Aging buildings require significant capital investment for renewal or regeneration of assets</li>   <li>• Major service disruption (e.g. building component failure, power outage)</li> </ul>	<ul style="list-style-type: none"> <li>• Annual capital plans target regulatory requirements and structural elements, with \$3.8 million budgeted for 2015</li> <li>• Developing standardized 20 year and 100 year capital plans to support long-term Regional asset strategies</li> <li>• State of Infrastructure report completed to provide a third party validation of Housing York capital assets’ condition, resulting in an overall portfolio rating of “B, good”</li> <li>• Cyclical building condition assessments are conducted to ensure building information remains current and technological enhancements provide more sophisticated data to better project repair and replacement schedules</li>   <li>• Capital asset service standards ensure high safety and performance standards are met for asset replacement and repairs</li> <li>• Enhancing the emergency power program with the addition of generators in two more seniors’ buildings</li> </ul>

**Staffing and Related Regional Services**

Housing York has no direct employees. Staffing is provided through a contractual arrangement with the Region. The risks to Housing York are comparable to all public sector employees, most notably the challenge of recruiting and retaining staff with required skills and knowledge as the workforce ages.

<b>Risks</b>	<b>Mitigation Strategies</b>
<ul style="list-style-type: none"><li>• Staff in the housing sector are aging and it is increasingly difficult to recruit experienced staff</li></ul>	<ul style="list-style-type: none"><li>• Staff within the Housing Services branch are supported in expanding their work experience and are encouraged to pursuing training through specialized sector organizations such as the Chartered Institute of Housing, the Ontario Non-Profit Housing Association, and the Housing Services Corporation</li></ul>