Help Our Scheme – Reputation Risk Guide

What is Reputation Risk?

Reputation risks are those that can have a material impact on the operations and financial position of a Community Scheme as a result of a loss or break down in, confidence, trust, integrity, ethics, governance, controls, conduct, non-compliance, failure to act and association.

Reputation risk management starts with a review of the level of governance in the Community Scheme, its code of conduct, ethics and values, the robustness of procedures and controls throughout the Community Scheme.

These impacts can be immediate and significant or happen over a period of time but will have a lasting effect on the Community Scheme and its appeal to potential owners, investors, lessees and visitors.

Why is reputation important

Reputation can be viewed as the most important intangible asset possessed by a Community Scheme as it represents the extent to which the Community Scheme is meeting the expectations of its stakeholders (owners, suppliers, employees, customers and the community). A good and strong "reputation" can add significant value to the sale price of units or interests on exit or sale.

On the one extreme, reputation is of no consequence and can have very little bearing and be of no importance. On the other extreme, it can be of critical importance to the success and sustainability of a Community Scheme.

What can hurt reputation

A "reputation risk" can materialise when negative or adverse publicity is triggered by certain events which compromise the Community Scheme's reputation and result in a loss of value for the Community Scheme. Reputation damage can be caused by the Community Scheme itself due to specific actions or inactions of the Trustees/Directors, key estate management personnel or staff or the actions or lack thereof by outsourced or third-party service providers. Operational incidents can quickly give rise to a negative reputation and perception of a Community Scheme. Poor handling of a crisis e.g. crime incident/accident/fire, bad publicity in the press/media, poor health/safety, poor service levels, regulatory non-compliance, loss of confidential owner data, alleged criminality by employees/ Trustees/Directors, disregard for the environment, cybercrime and social media incidents have now become major focus points of reputation management.

Policies and Practices, Values and Conduct

Where reputation is an important component of the Community Scheme, you need to put in place a reputation policy and formulate a plan for the protection of it going forward. All strategic decisions should be made in the light of the value of the retention of the Community Schemes image and reputation. Many larger Community Schemes build up brands over long periods of time which are everything to these Community Schemes.

There are a number of key elements and disciplines that need to be in place in order to ensure that a reputation and/or brand can be sustainably managed. The most important elements of these are a code of conduct and the setting and maintenance of ethical standards and values.

Regulatory Compliance and Reputation

Having a high level of compliance with the broader regulatory requirements and the use of fair /reasonable conduct rules and contractual terms and conditions and by treating everyone fairly, will enhance the reputation of the Community Scheme as a “good citizen”.

Non-compliance with laws, regulations, registration and licensing requirements, taxation laws, the rule of law and by-laws can have a significant impact on the reputation of a Community Scheme.

Confidentiality

Cyber security threats affect all businesses, regardless of size or industry and this is also a threat to Community Schemes. Cybercrime and social media have become major focus points of reputation management, given the massive and rapid impact they can have. This has become all the more critical in an age of “fake” news, data theft, information leaks, phishing, hacking and scamming.

The reputation of a Community Scheme can be materially impacted if the data of owners/visitors, were to be compromised whether through internal or external theft. This can extend from confidential information to personal and banking details.

Should the Community Scheme suffer a cyber-attack which results in a loss of data or sensitive/confidential owner details/information, web-site downtime, lost revenue, misuse of hacked data and/or ransom demands, these need to be disclosed and made public as soon as possible. Delaying these disclosures can result in even greater reputational damage once these come out.

Cyber insurance to cover as many of these risks as possible, becomes essential.

Conflicts

A conflict of interests is one of the biggest factors that can influence the behaviour or actions of employees/Estate Management and/or Trustees/Directors thereby impacting the reputation of a Community Scheme.

Once a Community Scheme is tainted with corruption, it can undermine its ability to be party to future contracts, supply agreements and funding.

A Community Scheme needs to undertake on-going lifestyle checks on employees and obtain declarations of interests from all employees and Trustees/Directors on a regular basis. This is to act as a check and balance, a mitigant and deterrent to the risk of corruption, bribery and fraud and the impact this could have on the reputation of the Community Scheme.

A zero tolerance to fraud, theft and criminality needs to be in place.

Managing social and electronic media

Trustees/Directors and Estate Management need to pro-actively manage their actions, behaviour and comments on social media, the use of the Community Scheme's website/Facebook site and e-mails emanating or originating from the Community Scheme or on its behalf or in its name.

You need to also monitor all media to counter negative feedback and adverse comments to ensure that confidentiality and potential reputational damage to the Community Scheme are pro-actively managed. Given the extent of fake news, this aspect has taken on an increasing degree of importance.

All Community Schemes run the risk that comments, tweets or opinions of Estate Management or individual Trustees/Directors or employees are deemed the views or opinions of the Community Scheme itself. This extends to comments or opinions which are deemed hate speech, racist, sexist, leftist, rightist, political opinions, homophobic, xenophobic and/or having a sexual orientation bias.

You need to have very clear policies in place and only the Trustees/Directors as a collective body, should be allowed to release formal comments on social media, on your website or give comment to the media or press.

HR policies and terms of employment should also be very clear in these areas and any breech of these should be subject to a disciplinary process.

Services

The quality of products and service delivery forms a key element of reputation management. It doesn't matter if services are provided by the Community Scheme itself or whether by outsourced/contracted third parties e.g. gardening, security etc., a bad reputation can have implications.

It is important that where services and private chargeable facilities are made available, that the Community Scheme understands its vulnerability to the impact on sales and profitability, as a result of a drop in the standards of services/facilities offered e.g. if quality and/or service falls below the required standard expected by owners/residents/customers, this reputation can be extremely harmful.

The Community Scheme needs to have a quality measurement and assurance process as part of its operational and service delivery processes. These need to be measurable by inclusion in service level agreements (SLA's), contract performance measurements or in key performance areas. "Customer" satisfaction measures and feedback need to form an integral part of this assessment.

Health and Safety

Ensuring the physical safety and well-being of the Community Scheme residents, employees and visitors is a critical component of your reputation. A good safety, security and accident record can form a key factor that differentiates the Community Scheme from others in the area. There should be no compromise in this area with safety controls and procedures being strictly enforced. You need to display the required signage, monitor high risk facilities like swimming pools, ensure compliance with safety protocols and hold the necessary insurance in case of accidents or claims.

IT/Technology Failure

The prolonged failure or unavailability of technology systems including telephone systems, access control systems, CCTV and/or websites can quickly have a major impact on the reputation of the Community Scheme. The inability of owners/residents/visitors to be able to undertake interactions, make use of services, access information, report issues/incidents or contact Estate Management, can materially impact customer relations and reputation.

You need to have disaster recovery procedures and a comprehensive crisis management plan in place to mitigate any material reputational damage to the Community Scheme as a result of these failures. These should include which key individuals are nominated to assume the relevant back-up roles and duties should the need arise.

In some extreme cases, back up infrastructure and alternative operational sites might need to be established to counter this impact, and to ensure continuity.

Financial and Admin

You need to ensure that the Community Scheme's accounting and admin service delivery, administration, back-up, maintenance and support responsiveness, are all at a level and standard so as to ensure that its reputation is not adversely affected by service failure. This is as applicable where the services of a Managing Agent are used as it is where the Community Scheme is self-managed. Consistency in attitude and culture across all areas of the Community Scheme are critical.

Environmental Impact

The Community Scheme needs to focus on ensuring that the impact of its environmental footprint (e.g. use of scarce natural resources, emissions, water usage, waste disposal, recycling, deforestation, alien plants, use of non-biodegradable materials or renewable resources, damage to environmentally sensitive areas etc.) is being minimised and that this is being pro-actively managed. Being an environmentally sensitive Community Scheme is becoming essential.

A positive reputation in this area can be achieved by focusing on emission controls, use of clean energy, rehabilitation of areas, making use of biodegradable and sustainable raw materials, having a recycling policy and adopting 'green' policies that are sustainable.

Crisis management plan

Crisis management is the formalised process that is engaged in order to minimise the impact of a major reputation breach. This needs to be focused and managed and co-ordinated by the Trustees/Directors.