RISK MANAGEMENT POLICY

This policy was approved by the Committee of Management on 19th October 2022.
It should be reviewed again no later than 30 September 2025.

The policy has been assessed through the organisational impact assessment process.

We can, if requested, produce this document in different formats such as larger print or audio-format. We can also translate the document into various languages, as appropriate.

SCOTTISH HOUSING REGULATOR STANDARDS

STANDARD 1
The governing body leads and directs the RSL to achieve good outcomes for its tenants and other service users.

STANDARD 2
The RSL is open about and accountable for what it does. It understands and takes account of the needs and priorities of Its tenants, service users and stakeholders. Its primary focus Is the sustainable achievement of these priorities.

STANDARD 3
The RSL manages its resources to ensure its financial well-being, while maintaining rents at a level that tenants can afford to pay.

STANDARD 4
The Governing body bases its decisions on good quality information Information and advice and identifies and mitigates risks to the organisation's purpose.

STANDARD 5
The RSL conducts its affairs with honesty and integrity.

STANDARD 6
The Governing body and senior officers have the skills and Knowledge they need to be effective.

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1.0   INTRODUCTION

Regulatory standard 1 states, "The governing body leads and directs the RSL to achieve good outcomes for its tenants and other service users."

For RSLs, risk management forms a key component of compliance with the SHR's Regulatory standards, vital to ensuring good governance. In particular: -

> **Regulatory Standard 4:**
>
> *The governing body bases its decisions on good quality information and advice and identifies and mitigates risks to the organisation's purpose.*

"4.3 The governing body identifies risks that might prevent it from achieving the RSL's purpose and has effective strategies and systems for risk management and mitigation, internal control and audit."

1.1   Responsibility

Responsibility for risk management therefore ultimately lies with the Committee of Management (governing body), and its involvement in the key aspects of the risk management process is essential, particularly in setting the parameters of the process and reviewing and considering the results.

These responsibilities and the risk management process are set out in this policy, and in particular, section 3 below.

This Risk Management Policy forms part of the WGHC risk management strategy, and is in line with recommendations from the SFHA self-assurance toolkit[1] which includes the following: -

- Risk map
- Internal Audit programme and assurance reports.
- Financial Regulations and Procedures.
- Standing Orders
- Business planning and budgeting.
- External audit.
- Business continuity/ Disaster recovery strategy
- Governing body reports and minutes
- Action plans / implementation reports
- Notifiable Events policy / recent reporting
- Reports from issues that have arisen elsewhere, for example SHR thematic studies and intervention reports,

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[1] https://www.sfha.co.uk/our-work/policy-category/governance-and-regulation/sub-category/governance/policy-article/covid-19-supplemental-guidance-to-sfha-self-assurance-toolkit-now-available

2.0 DEFINITIONS

Risk management is a discipline for dealing with uncertainty[2]. At the most basic level, WGHC needs to consider events that could damage the organisation in some way, assessing the likelihood of that occurring, the impact should it occur, and what steps we can take to prevent or limit (mitigate) the effects of that event.

Table 1 = Definitions

risk	A risk is something uncertain – it might happen, or it might not. A risk matters because, if it happens, it will influence objectives.
risk management	This is any activity undertaken to identify and then control the level of risks. This is a central part of strategic management.
Controls and mitigation	A control is specific action that will reduce the likelihood of a Risk occurring. To mitigate a risk is to make the impact of it less severe.

2.1   Identifying Risk

Risk is inherent in everything we do to deliver high-quality services. Identifying and managing the possible and probable risks are a key part of effective governance for organisations of all sizes and complexity.[3] It must be an integral part of informed decision-making, from policy or project inception through implementation to the everyday delivery of services. At its most effective, risk management is as much about evaluating the uncertainties and implications within options as it is about managing impacts once choices are made. It is about being realistic in the assessment of the risks to projects and programmes and in the consideration of the effectiveness of the actions taken to manage these risks.

3.0 RESPONSIBILITIES

By managing risk effectively, the WGHC Committee of Management can help ensure that:

- Significant risks are known and monitored, enabling the Committee to make informed decisions and take timely action
- WGHC makes the most of opportunities and develops them with the confidence that any risks will be managed
- Forward and strategic planning are improved
- WGHC's aims are achieved successfully

3.1   Reporting the steps taken to manage risk helps to demonstrate our accountability to stakeholders including tenants / members, funders, employees, and the public.

3.2   Whilst the Committee of Management retains overall responsibility, in practice, day to day risk management, and the identification of new and emerging risks, will rest with the Chief Executive and Chief Operating Officer (Executive Team).

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[2] https://nonprofitrisk.org/resources/articles/unmasking-the-discipline-of-risk-management/
[3] https://www.gov.uk/government/publications/charities-and-risk-management-cc26/charities-and-risk-management-cc26#part4

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3.3   Identification and consideration of risks shall be an integral part of the business planning cycle, providing an annual major update to the WGHC risk register. The process will also be informed by standard strategic business planning tools, for example, SWOT and / or PESTLE analysis.

3.4   In addition, the Chief Executive will also provide risk assurance statements to the Committee of Management and will advise on risks associated with each committee report as necessary.

Table 2 = Summary of Responsibilities

Group	Responsibility
Committee of Management	The Committee agrees the policy and provides an oversight and review of risk management process. The Committee will undertake a strategic risk analysis and scoring process as part of the business planning cycle and review the strategic risk register and controls at Quarterly Performance meetings.
Executive Team	Lead culture of risk management and maintain and action strategic risk register on a quarterly basis. Provide quarterly risk assurance statement and highlight to management committee risks associated with reports. Continuously improving risk management strategy and supporting framework.
Senior Officers	Ensure staff comply with the risk management policy and overall strategy and foster a culture where risks can be identified and escalated. Monitor the risk register for risks impacting specific service or project delivery and advise leadership team of changing or emerging risks.
Staff	Be aware of the overall risk management strategy and pro-actively advise senior staff of changing or emerging risks.

4.0   RISK IDENTIFICATION AND PROCESS

WGHC has adopted a clear and proportionate risk process commensurate with the organisation's small size and limited complexity. It is considered essential that the risk map is manageable and meaningful for Committee of Management members.

4.1   WGHC has chosen to group risks under categories recommended by HM Government[4], as set out in **appendix 1**.

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[4]

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/866117/6.6266_HMT_Orange_Book_Update_v6_WEB.PDF

4.2   Failure to manage risks in any of these categories may lead to financial, reputational, legal, regulatory, safety, security, environmental, employee, customer, and operational consequences.

4.3   When considering these categories, WGHC will also use as a focal point the SHR annual assessment of the main risks that it focuses on for RSLs.[5]

5.0   PRINCIPLES

WGHC's approach to risk management is also developed in accordance with the eight principles for managing risk set out in the International Standard Organisation (ISO) guidance[6], as follows.

Integrated	Risk management will be an integral part of all WGHC's activities.
Structured and comprehensive	WGHC's approach to risk management will be structured and comprehensive to contribute to consistent and comparable results.
Customised	WGHC's risk management framework and processes are developed for the organisation's internal and external operating environment, and with the specific reference to the regulatory framework for social landlords in Scotland.
Inclusive	WGHC recognises that senior staff and the Committee of Management have a lead role in managing risk. However, it is also appreciated that involvement of stakeholders results in improved awareness and informed risk management. WGHC will therefore seek appropriate and timely involvement of stakeholders, including tenants / members, staff and the SHR, to enable their knowledge, views, and perceptions to be considered.
Dynamic	Risks can emerge, change, or disappear as an organisation's external and internal context changes. Risk management anticipates, detects, acknowledges, and responds to those changes and events in an appropriate and timely manner.
Best available information	The inputs to risk management are based on historical and current information, as well as, on future expectations. Risk management explicitly considers any limitations and uncertainties associated with such information and expectations. Information should be timely, clear, and available to relevant stakeholders.
Human and cultural factors	Human behaviour and culture significantly influence all aspects of risk management at each level and stage. WGHC aims to create a risk management culture where the personnel and stakeholders recognise the importance of monitoring and managing risks.
Continual improvement	WGHC seeks continual improvement in all aspects of its work and recognises that risk management is continually improved through learning and experience.

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[5] https://www.housingregulator.gov.scot/landlord-performance/the-risks-we-will-focus-on/the-risks-we-will-focus-on-november-2021

[6] ISO31000 principles explained – handbook for effective risk management

6.0   RISK REGISTER AND RISK APPETITE

The Risk Policy is supported by a separate risk register. In this, WGHC sets out its risk appetite for each risk category (see appendix 2) and adopts a five-point scoring system for impact and likelihood (appendix 3).   A risk map template is attached as appendix 4.

7.0   POLICY REVIEW

This policy will be reviewed 3 years from the date of implementation, which will be the date approved by the Committee of Management or earlier if deemed appropriate. If this policy is not reviewed within that timescale, the latest approved policy will continue to apply.

APPENDIX 1.

Table 1 = WGHC Risk Categories

Risk area	Description
Strategy	Risks arising from identifying and pursuing a strategy, which is poorly defined, is based on flawed or inaccurate data or fails to support the delivery of commitments, plans or objectives due to a changing macro-environment e.g. political, economic, social, technological, environment and legislative change – (see PESTLE).
Governance	Risks arising from unclear plans, priorities, authorities and accountabilities, and/or ineffective or disproportionate oversight of decision-making and/or performance.
Operations	Risks arising from inadequate, poorly designed, or ineffective/inefficient internal processes resulting in fraud, error, impaired customer service (quality and/or quantity of service), non-compliance and/or poor value for money.
Legal	Risks arising from a defective transaction, a claim being made (including a defence to a claim or a counterclaim) or some other legal event occurring resulting in a liability or other loss, or a failure to take appropriate measures to meet legal or regulatory requirements or to protect assets (for example, intellectual property).
Property	Risks arising from property deficiencies or poorly designed or ineffective/ inefficient safety management resulting in non-compliance and/or harm and suffering to employees, contractors, service users or the public.
Financial	Risks arising from not managing finances in accordance with requirements and financial constraints resulting in poor returns from investments, failure to manage assets/liabilities or to obtain value for money from the resources deployed, and/or non-compliant financial reporting.
Commercial	Risks arising from weaknesses in the management of commercial partnerships, supply chains and contractual requirements, resulting in poor performance, inefficiency, poor value for money, fraud, and /or failure to meet business requirements/objectives.
People	Risks arising from ineffective leadership and engagement, suboptimal culture, inappropriate behaviours, the unavailability of sufficient capacity and capability, industrial action and/or non-compliance with relevant employment legislation/HR policies resulting in negative impact on performance.
Technology	Risks arising from technology not delivering the expected services due to inadequate or deficient system/process development and performance or inadequate resilience.
Information	Risks arising from a failure to produce robust, suitable and appropriate data/information and to exploit data/information to its full potential.
Security	Risks arising from a failure to prevent unauthorised and/or inappropriate access to key systems and assets, including people, platforms, information and resources. This encompasses the subset of cyber security.

Project/Programme	Risks that change programmes and projects are not aligned with strategic priorities and do not successfully and safely deliver requirements and intended benefits to time, cost and quality.
Reputational	Risks arising from adverse events, including ethical violations, a lack of sustainability, systemic or repeated failures or poor quality or a lack of innovation, leading to damages to reputation and or destruction of trust and relations.

APPENDIX 2.

Table 2 = WGHC Risk Appetite

Risk Appetite	Description
Averse	Avoidance of risk and uncertainty in achievement of key deliverables or initiatives is key objective. Activities undertaken will only be those considered to carry virtually no inherent risk.
Minimalist	Preference for very safe business delivery options that have a low degree of inherent risk with the potential for benefit/return not a key driver. Activities will only be undertaken where they have a low degree of inherent risk
Cautious	Preference for safe options that have low degree of inherent risk and only limited potential for benefit. Willing to tolerate a degree of risk in selecting which activities to undertake to achieve key deliverables or initiatives, where we have identified scope to achieve significant benefit and/or realise an opportunity. Activities undertaken may carry a high degree of inherent risk that is deemed controllable to a large extent.
Open	Willing to consider all options and choose one most likely to result in successful delivery while providing an acceptable level of benefit. Seek to achieve a balance between a high likelihood of successful delivery and a high degree of benefit and value for money. Activities themselves may potentially carry, or contribute to, a high degree of residual risk.
Eager	Eager to be innovative and to choose options based on maximising opportunities and potential higher benefit even if those activities carry a very high residual risk.

APPENDIX 3.

Table 3 = Likelihood and Impact

Risks are scored by a five-point scale for both impact, and likelihood, which are then multiplied to provide an overall score for that specific risk.

Likelihood	Factors to consider
Rare Likelihood less than 1 in 100 chance (1%)	• Highly unlikely, but it may occur in exceptional circumstances. • It could happen, but probably never will; or if it has happened in recent times unlikely to do so again in foreseeable timescale. • No staff / committee / stakeholders think this will happen.
Unlikely Could occur but less than a 1 in 10 chance (<10%)	• A few staff / committee / stakeholders think this may happen.
Possible There is up to a 1 in 2 chance of this event (<50%)	• The event might occur at some time. • There could be a history of casual occurrence at the Co-op • Several staff / committee / keyholders think this risk will occur
Likely This risk will occur up to 9 times out of 10 (<90%)	• There may be a history of frequent occurrences at the Co-op / RSL sector • Most staff / committee / stakeholders expect this event.
Almost certain. This risk will happen over 9 times out of 10 (90% +)	• Staff / committee / stakeholders expect this event to occur with a degree of certainty.

Categorisation of Impact

Impact descriptors are only an indication of the probable effect on the Co-operative if the risk occurs, they are not hard and fast rules. Knowledge, experience, and judgement are important factors deciding on the score for impacts.

Reference should also be made to the Scottish Housing Regulator's notifiable events statutory guidance.[7]   The list of examples contained in the appendix is useful in considering risks. It also provides some guidance that can be applied to assessing impact,

> "What is 'material', 'significant' or "exceptional" will depend on the nature of the event and the particular RSL. Whether an event is 'material' or 'significant' may depend on factors such as the size or complexity of the RSL…"

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[7] https://www.housingregulator.gov.scot/for-landlords/statutory-guidance/notifiable-events#section-9

So, for example, whilst assessing financial impact, small amounts that would have no impact on the Glasgow Housing Association, might have considerable impact on the financial health of WGHC.

Table 4: Categorisation of Impact

Impact	Factors to Consider (examples)
Extreme	Events leading to statutory intervention and transfer of engagements including: - failure to engage with SHR; major governance / strategic failures; insufficient numbers of committee members; major fraud or financial losses; significant breaches of health & safety legislation; failure / inability to maintain assets; failure / inability to manage tenancies; major reputational scandals
Major	Events leading to statutory intervention but continuation of co-operative, including: - governance and strategic failings; significant financial losses / fraud; reputational issues; breaches of health & safety; significant deterioration of assets; poor tenancy management. Significant media interest.
Moderate	Events leading to SHR interest short of statutory intervention including: - governance / strategic issues; minor financial losses; poor management or maintenance of stock that is rectifiable quickly.
Minor	Notifiable event, not triggering SHR involvement including: - loss of senior officers / office bearers; legal and employment issues.
Insignificant	Events that do not trigger a notifiable event, but have some consequences for the organisation: stock / management issues ; complaints from service users; adverse media coverage (single issue);

Calculation of Risk

Using both the impact and probability assessments outlined above the combined risk score can be determined using the chart below.

Table 5: Calculation of Risk Score

		Likelihood				
		Rare	**Unlikely**	**Possible**	**Likely**	**Almost Certain**
Impact	*multiplier*	1	2	3	4	5
Extreme	5	5	10	15	20	25
Major	4	4	8	12	16	20
Moderate	3	3	6	9	12	15
Minor	2	2	4	6	8	10
Insignificant	1	1	2	3	4	5

APPENDIX 4

WGHC will treat identified risks in one (or more) of four ways, set out below. All these risk responses are documented on the register together with the risk owner. This, linked to the quarterly assurance report provides the committee of management with the necessary confidence in WGHC's risk management strategy.

Actions for control / mitigation

Control actions are specific actions to reduce a risk event's probability of happening. Mitigation actions reduce the impact of a Risk Event. Whether mitigation or control, actions are required to ensure that the risk stays within WGHC risk appetite levels.

For such risks, the Chief Executive will maintain an action plan for the identified risk, and this will form part of the quarterly risk assurance update report.

Tolerate

It may be decided that the potential costs to treat any risk are not worthwhile measured against the probability so the risk may be tolerated.

Terminate

An activity can be stopped if the risk is deemed too great.

Transfer

Using insurance, outsourcing, or other contractual terms risks can be transferred to other bodies. This may be added to other control / mitigation actions.

Risk Register Template

West Granton
Housing Co-op
Our tenants are paramount in everything we do

Risk Register 2022-23

	Risk area	Risk Appetite (1	Risks (notes below)	Likelihood	impact	Score	Action (s)	Owner(s)
A	Strategy	Cautious	Volatility of economy putting pressure on 30 year business pla	4	3	12	mitigate	
B								
C	Governance	Cautious	i. Pressure on staff and committee from increased regulation (	3	2	6	mitigate	
D			ii. Committee turnover (4)	3	2	6	tolerate	
E			iii. Committee numbers falling below minimum (5)	2	4	8	mitigate	
F			iv. Notifiable events (6)	3	3	9	control / tolerate	
G	Operations	Cautious	i. Relet times increasing (7)	2	1	2	control	
H								
I	Legal	Cautious						
J								
K	Property	Cautious	Stock maintenance issues (8)	3	3	9	control	
L								
M	Financial	Cautious	i. Scot. Gov rent freeze at time of increasing cost pressures (9)	5	1	5	tolerate	
			ii. Cost of Living Crisis affect on tenants impacting on WGHC (10)	5	1	5	mitigate	
			iii. Inflationary pressures on WGHC (11)	5	2	10	mitigate	
	Commercial	Cautious						
	People	Cautious	Limited staffing number leading to operational issues (12)	3	3	9	mitigate	
	Technology	Cautious						
	Information	Cautious						
	Security	Cautious						
	Project/Programme	Cautious						
	Reputational	Cautious						

Notes
1. Whilst "cautious" is the default risk appetite, an "open" or "minimalist" approach will also be considered for specific issues.
2. The recent rapid and unforeseen rises in inflation and interest rates, coupled with impact on customers etc, will require further stress testing of the 30 year financial plan.
3. This is continued from the previous register. Increased regulatory requirements will require additional staff and committee time commitment.
4. Whilst the committee is stable and engaged, turnover during the year can never be ruled out.
5. Committee numbers are healthy and additional efforts are being made to recruit additional members with the necessary skills and commitment
6. WGHC intends to control such events through training and adherence to Governance Standards. However given the wide range of possibilities such events cannot be completely controlled.
7. This is continued from last year and whilst committee is satisfied with progress it is included again for monitoring purposes,
8. Stock condition survey information is good. However, with additional demands in environmental standards and cost of living pressures, this is considered to be an area for ongoing focus.
9. The level of reserves gives the committee comfort that a short term rent freeze can be tolerated. However, this needs to be monitored closely and modelled in the 5 and 30 year plans
10. WGHC is looking at various initiatives to support tenants. As (9) this needs closely monitored and potential impacts (e.g. rent arrears) needs to be modelled in business plan
11. As above, this needs closely monitored and modelled in financial plans. Further efficiencies may also be required.
12. Staffing numbers are limited by the size of the organisation limiting resilience to absences. Additional training and muti-skilling should be investigated

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