



Our tenants are paramount in everything we do

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.

Note:

The WGHC Risk Register was last updated by Committee of Management on 28th September 2024 at their annual strategy day.

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.

WEST GRANTON HOUSING CO-OPERATIVE LIMITED
26 Granton Mill Crescent Edinburgh EH4 4UT
Tel: 0131 551 5035 Email: mail@westgrantonhc.co.uk

West Granton Housing Co-operative Limited is a fully mutual housing co-operative registered as a social landlord with the Scottish Housing Regulator (HAC 225); and is a registered society under the Co-operative and Community Benefit Societies Act 2014 (2357 RS).



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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 toolkit¹ 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,

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>

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2.0 DEFINITIONS

Risk management is a discipline for dealing with uncertainty². 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).

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 | <p>The Committee agrees the policy and provides an oversight and review of risk management process.</p> <p>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.</p> |
| Executive Team | <p>Lead culture of risk management and maintain and action strategic risk register on a quarterly basis.</p> <p>Provide quarterly risk assurance statement and highlight to management committee risks associated with reports.</p> <p>Continuously improving risk management strategy and supporting framework.</p> |
| Senior Officers | <p>Ensure staff comply with the risk management policy and overall strategy and foster a culture where risks can be identified and escalated.</p> <p>Monitor the risk register for risks impacting specific service or project delivery and advise leadership team of changing or emerging risks.</p> |
| Staff | Be aware of the overall risk management strategy and proactively 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 Government⁴, as set out in **appendix 1**.

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

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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) guidance⁶, 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. |

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

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6.0 RISK REGISTER AND RISK APPETITE

The Risk Policy is supported by a separate risk register.

This is regularly updated and was last updated in March 2024 (see Appendix 3),

WGHC adopts a five-point scoring system for impact and likelihood (see Appendix 1: Tables 1-3).

The ways in which WGHC treats identified risks is explained in Appendix 2.

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.

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APPENDIX 1.

Table 1 = 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%) | <ul style="list-style-type: none"> 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%) | <ul style="list-style-type: none"> A few staff / committee / stakeholders think this may happen. |
| Possible There is up to a 1 in 2 chance of this event (<50%) | <ul style="list-style-type: none"> 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%) | <ul style="list-style-type: none"> 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% +) | <ul style="list-style-type: none"> 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...”

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

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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 2: 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); |

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Calculation of Risk

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

Table 3: Calculation of Risk Score

| Impact | multiplier | Likelihood | | | | |
|---------------|------------|------------|----------|----------|--------|----------------|
| | | Rare | Unlikely | Possible | Likely | Almost Certain |
| 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 |

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APPENDIX 2

WGHC will treat identified risks in one (or more) of four ways, set out below. All these risk responses are documented on the register.

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.

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WGHC REGISTER 2024-25

| Risk area | Risks (in accordance with UK Govt Sector Risk Profile November 2023) | Likelihood | Impact | Score | Action (s) |
|--------------------------|---|------------|--------|-------|------------------|
| Strategy | i. Continuing to face a difficult and uncertain economic environment putting pressure on 30 year business plan | 4 | 5 | 20 | mitigate |
| | ii. Ongoing fallout from the sequence of severe shocks faced by the UK economy resulting in high inflation, higher cost of borrowing, challenges accessing skilled labour and rising fuel costs | 5 | 4 | 20 | mitigate |
| | iii. Increased expectation to commit to and deliver on energy efficiency commitments. | 5 | 4 | 20 | mitigate/control |
| Governance risks | i. Pressure on staff and committee from increased regulation | 4 | 3 | 12 | mitigate |
| | ii. Committee turnover | 2 | 2 | 4 | tolerate |
| | iii. Committee numbers falling below minimum | 1 | 4 | 4 | mitigate |
| | iv. Notifiable events | 3 | 3 | 9 | mitigate/control |
| | v. Committee not having robust understanding of performance across all areas | 2 | 3 | 6 | mitigate/control |
| | vi. Committee not having a sound grasp of Regulatory Standards and failing to seek strong assurance organisation is compliant | 2 | 2 | 4 | mitigate/control |
| Operational risks | i. Relet times increasing | 2 | 2 | 4 | control |
| | ii. Failure to deliver services to a high standard | 3 | 3 | 9 | mitigate/control |
| | iii. Poor Contractor performance | 2 | 3 | 6 | mitigate/control |
| | iv. Loss of or difficulties seeking suitable financial agent | 3 | 4 | 12 | mitigate/control |
| Legal risks | i. Claims being made under the Occupiers Liability Act | 2 | 3 | 6 | mitigate/control |
| | ii. Breaching covenants | 2 | 5 | 10 | mitigate |
| | iii. Breaching legislation | 2 | 5 | 10 | mitigate/control |
| | iv. Counterparty risks (entering into a contract with 3rd parties reducing control and exposure to reputational risks) | 1 | 5 | 5 | mitigate/control |
| Property risks | i. Stock maintenance issues | 2 | 3 | 6 | control |
| | ii. Asset Management | 3 | 3 | 9 | mitigate/control |
| | iii. Damp and Mould | 2 | 3 | 6 | control |
| | iv. Quality and safety of homes | 2 | 3 | 6 | control |
| Financial risks | i. Increasing cost pressures of component replacements - affecting investment levels | 5 | 4 | 20 | control |
| | ii. Cost of Living Crisis affect on tenants impacting on WGHC (rent arrears, rent setting, rent affordability) | 4 | 3 | 12 | mitigate |
| | iii. Inflationary and interest rate pressures on existing debt | 5 | 2 | 10 | mitigate/control |
| | iv. Pensions (increased contribution costs) & funding levels within the scheme | 5 | 3 | 15 | mitigate |
| | vi. Fraud | 2 | 3 | 6 | mitigate/control |
| People risks | i. Staffing numbers leading to operational issues | 3 | 3 | 9 | mitigate |
| | ii. Tight labour market affecting successful recruitment | 4 | 3 | 12 | mitigate |
| Technology Risks | i. Current Housing Systems Provider not aligned with WGHC | 2 | 3 | 6 | mitigate |
| Security Risks | i. Cyber Attack | 3 | 4 | 12 | mitigate/control |
| Reputational | i. Negative media exposure | 2 | 4 | 8 | mitigate/control |

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