



RISK MANAGEMENT POLICY

POLICY NO. 25

Date Reviewed:	May 2023
Date of Next Review:	May 2028
Regulatory Standards of Governance and Financial Management	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. Guidance: 4.3

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1.Overview

This Risk Management Policy (the Policy) forms part of Glen Housing Association's (GHA) internal control and corporate governance arrangements.

“The threat or possibility that an action or event will adversely affect an organisation's ability to achieve its objectives”.

In order to be successful, it is important that risk has a suitably high profile, and everyone recognises the part they play in helping to manage risk. Risk should not be seen as an 'add on' to your role or something that someone else does. Risk is all around us and part of our day-to-day life and therefore it is important that each and every one of us can recognise a risk and has the ability to raise concerns appropriately.

Risk Management is beneficial to GHA as it:

- helps us to be more flexible and responsive to new internal / external demands.
- provides assurance to Management, Audit Committee and Board.
- reduces incidents and other control failures; and
- helps in the achievement of our objectives.

Managing risks across GHA reduces the chance of us having to deal with the unexpected and ensures proactive management rather than reactive crisis management. As a registered social landlord, it is especially important to manage risk to ensure the best possible use of resources.

“There is no such thing as a risk-free environment, but many risks can be avoided, reduced, or eliminated through good risk management – something we all do every day as part of our normal work.”

This document explains GHA's underlying approach to risk management, documents the roles and responsibilities of staff, management and Board. In addition, it highlights the framework for managing risk and sets out the process through which risks will be identified, assessed, controlled, monitored and reviewed.

In addition, this policy describes the process Management and the Board will use to evaluate the effectiveness of internal control procedures based around the following objectives:



2. Scope

This policy and any associated procedures, guidance, templates, training and instruction, apply to all GHA Board Members, Management, staff and people representing GHA such as contractors or consultants.

All foreseeable strategic and operational risks will be identified, evaluated, documented, monitored, and treated in keeping with this policy.

This policy does not support person-specific or asset-specific risk assessments and is instead designed to support safe and effective operational service delivery.

3. Policy: Risk Statement

Risk Management is an integral part of our quality, governance and performance management processes and seeks to increase the probability of success and reduce the likelihood of failure.

All staff have a role in considering risk and helping to ensure it does not prevent the delivery of our services.

GHA seeks to encourage a culture in which risk assessment and management of risks are an integral part of decision-making and resources are therefore proportionately directed.

To do this GHA has set out the following policy that all staff are able to:

1. Identify & assess risk.
2. Identify and implement suitable risk treatment (controls) to help reduce the likelihood of risks happening or the impact they cause.
3. Monitor how well the risk is being managed and any improvements needed.
4. Report risk using the relevant reporting system and escalation process.

The diagram below outlines what the risk management approach looks like in practice:

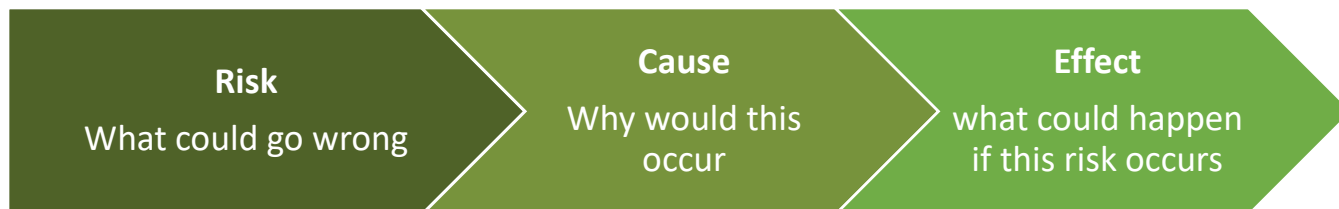
4. How we identify a risk

There are two ways in which we can identify risk. Either by looking ahead and thinking about what might happen (proactively), or by learning from experience or other (reactively).

The diagram below gives some examples of how we might identify a risk,

5. Assessment

Once we have identified a risk, we must assess how significant it is and how likely we think it is to happen. To do this we must consider why the risk would happen as this is what influences the likelihood. Then we must consider the effect the risk would have which will tell us how big the potential impact could be.



Risk Assessment generally begins with understanding the objective (what GHA is trying to maintain or achieve) and then an identification of hazards that may prohibit or delay achieving that objective. The cause and impact of these hazards coming into effect are what is being assessed.

The difference between hazard, risk and an issue is explained below



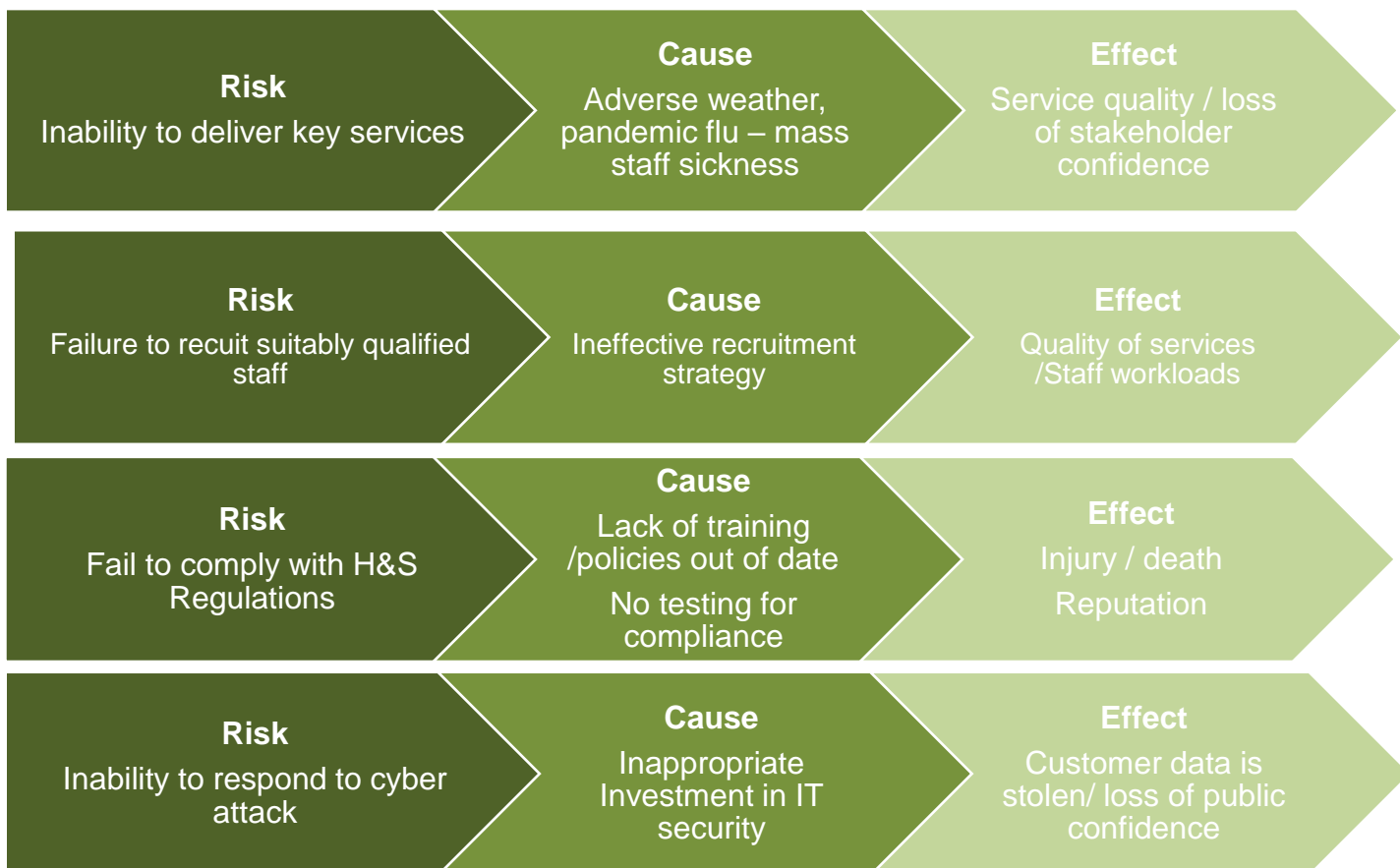
6. How risk is recorded

Once we have identified a risk, owners must record it so that GHA can continue to monitor and ensure we are managing the risk. A risk owner is the accountable person best placed to manage the risk, as risks escalate, they may change ownership to reflect seniority and responsibility.

All our risks must be recorded on 4Risk (the risk management system used by GHA to document, manage, and monitor risk)

4Risk allows GHA to create "Risk Registers" which are the central point for recording and monitoring the lifecycle of risk assessments. It is here that the manager of each risk register must maintain risk records and manage improvement actions.

As explained earlier, risks are to be described using cause and effect to support the risk description so that at a glance we can understand what could cause the risk and how GHA could be impacted if it was to happen. Simplified examples are:



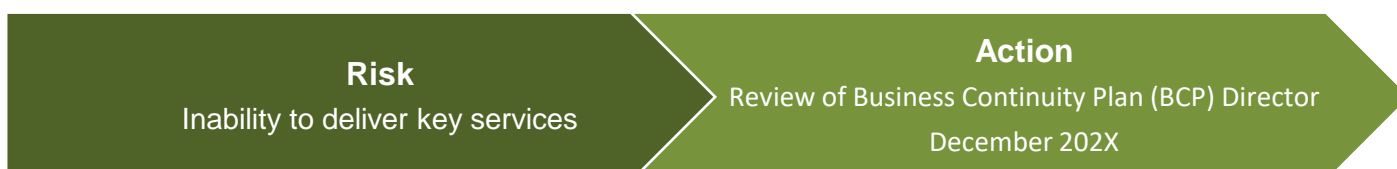
7. What is a control

A control is what we have in place to target a specific cause and/or an effect for example.

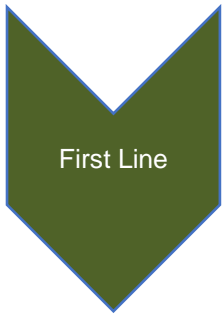


8. What is an action

An action is a specific task that we plan to undertake to target a gap that may exist within the management of a risk for example.



9. Assurance and Controls



Assurance - What does this mean if I am a risk owner?

10. How risk is evaluated

GHA uses a 5 by 5 risk grading matrix which helps assess, using scores of 1-5, the likelihood and impact (see below) of each risk. Each risk must be given an Initial grade before controls based on there being nothing in place to help manage the risk. The risk owner must then rate the risk with its Current grade after controls are applied i.e. where we believe it sits today based on what we are doing to prevent the risk from happening and also what we have in place to reduce the impact should the risk occur.

The current score effects how the risk will be reported through GHA

Impacts ↓	Likelihoods →				
	1. Rare	2. Unlikely	3. Possible	4. Very Likely	5. Almost Certain
5. Critical	15 Medium	19 Medium	22 High	24 High	25 High
4. Major	10 Low	14 Medium	18 Medium	21 High	23 High
3. Moderate	6 Very Low	9 Low	13 Medium	17 Medium	20 High
2. Minor	3 Very Low	5 Very Low	8 Low	12 Low	16 Medium
1. Insignificant	1 Very Low	2 Very Low	4 Very Low	7 Low	11 Low

The risk grading matrix above has a series of definitions that set out what each impact and likelihood category mean. The impact risk score (1-5) is taken from the relevant risk themes within the impact description category and determined by the highest impacted category theme. The likelihood score (1-5) is determined similarly but based on how likely we believe the risk is to occur (A more detailed scoring matrix can be found in the appendix (I) which provides examples of how we might differentiate between an impact or likelihood score) **See Appendix A for definitions.**

11. Overall Assurance

To ensure the effectiveness of the risk management framework, GHA records where and how it gets overall assurance that the risk is being managed properly and controls are effective i.e. are we doing what we say we are and how do we know it works.

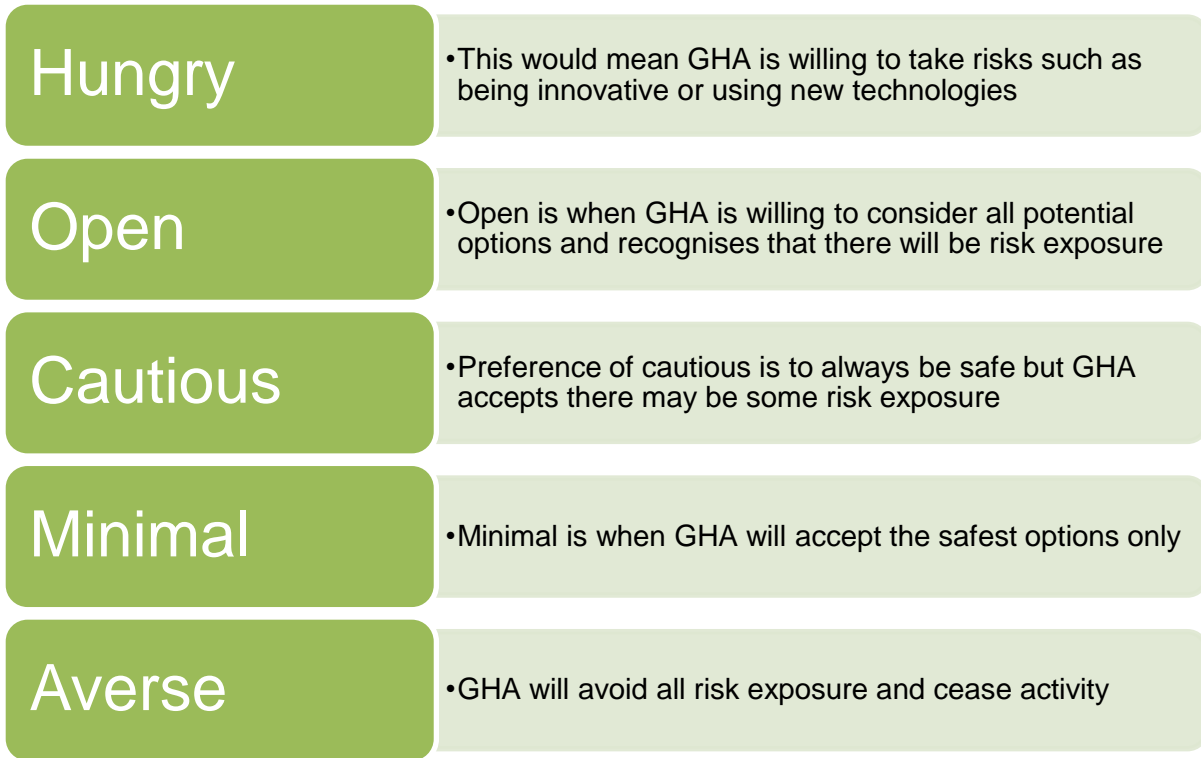
To get overall assurance it is good practice to consider the following three different levels:

- Locally by the team delivering the control, process or procedure.
- Organisational oversight by management, Specific working groups (where relevant) and Board
- Independently by Auditors, Regulators and Inspectors.

12. Risk appetite

Risk appetite is a way of expressing our attitude to different types of risk and the nature of the risks we are prepared to take. Our appetite for risk can vary dependent on the nature of the risk and the prevailing operating conditions or circumstances.

We have developed an approach to defining GHA risk appetite. The risk appetite is not absolutely prescriptive but instead provides a number of underlying component parts that encourage structured thinking. The aim of the risk appetite is to allow us to reach an informed conclusion as to whether the risk can be accepted and to what extent.



To enable translation of the risk appetite into GHA risk scoring methodology, the tolerance for each risk appetite level has been plotted below i.e. at what point a risk is acceptable (within tolerance) and when it is not (outside tolerance).

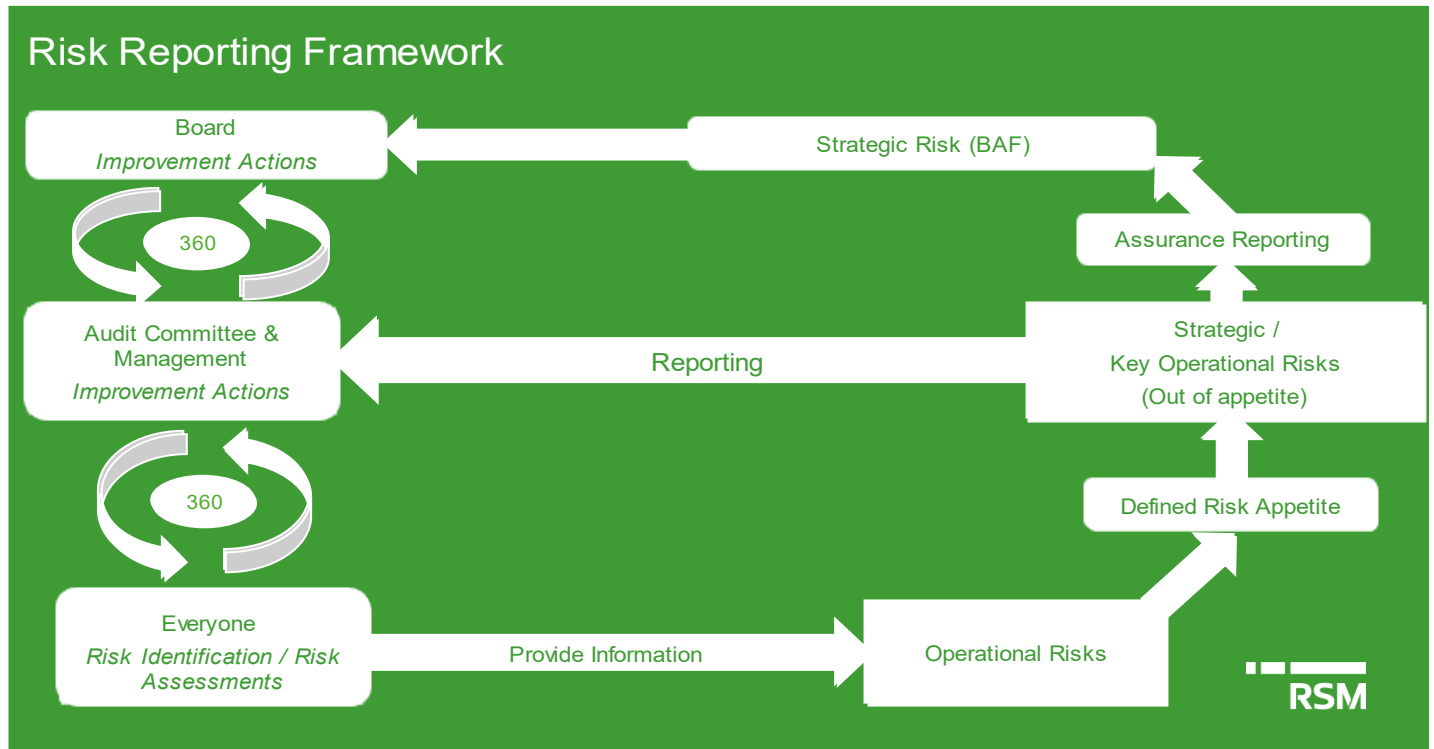
Risk Score Threshold	Risk Appetite Level
21 & Below	Hungry
17 & Below	Open
13 & Below	Cautious
8 & Below	Minimal
5 & Below	Averse

Note the threshold score is after controls have been applied

13. Risk appetite monitoring and reporting

We will continue to keep under review GHA risk appetite, fully recognising that this may be subject to change due to various factors both internal and external that could shape the nature and extent of the risks we are prepared to take.

Here is the risk reporting Framework that outlines how risks are reported with consideration of appetite.



14. Risk Monitoring & Review

GHA will align existing risks with risk appetite themes. In addition, we will report the volume (including an approximation of cumulative exposure/risk clusters) of risks by risk theme v risk appetite and develop a set of reporting tools, as appropriate, to help measure / inform risk appetite.

15. Reporting

A cycle of reporting by risk appetite will be introduced so that GHA can understand its risk exposure in connection with the risk appetite themes and ensure an effective response.

Role	Reporting	When does this take place?
Management Team	All risks out of appetite, all risks due for a review significant change, actions including overdo and progress	Each and every meeting
Audit Committee	All risks out of appetite, all risks due for a review significant change, actions including overdo and progress	Each and every audit committee meeting
Board	Key areas of concern (risks out of appetite, risks of low assurance) strategic risks (BAF) and Horizon Scanning.	Quarterly

16. Operational and Strategic

Risks depending on how they could affect GHA are managed through different levels of the organization.

To do this, risks are separated into two categories; Operational and Strategic as explained below.

Operational Risks are those experienced by each staff member in their operating environment that may impact service delivery. These risks are managed by local management and detailed in each risk register on *4Risk*.

Strategic Risks are directly linked to strategic objectives, and are expressed and managed by the Senior Management Team and reported to the Audit Committee and Board as part of the Board Assurance Framework *4risk* reporting.

17. Responsibilities

Responsibilities change as risks move up through the organisation. With each new level comes a different level of management responsibility as explained below:

All staff have a responsibility to identify and report any risks they see to their appropriate manager.

The Senior Management Team have a responsibility to record and report risks via the risk management system and ensure that risks and any relevant actions are updated regularly. **Risks scored above the agreed risk appetite will be highlighted to the Director and Audit Committee/Board**

The Senior Management Team have a responsibility to ensure that any risks that fall under their remit are being appropriately managed and if not, ensure appropriate action is taken. **Risks graded above the defined appetite or which have a low level of assurance are managed here and / or escalated for review**

Audit Committee have a responsibility to ensure that all high level operational risks and strategic risks are being managed effectively by risk owners and provide check and challenge on the effectiveness of the controls in place.

The Board have a responsibility to ensure they receive appropriate assurance that all of the above is in place

GHA's approach to Risk Management; ROLES AND RESPONSIBILITIES

Risk management forms part of our system of internal control. We make conservative and prudent recognition and disclosure of the financial and non-financial implications of risks.

BOARD

The Board has responsibility for overseeing risk management within GHA. **Its role is to:**

Set the tone and influence the culture of risk management within GHA. This includes accessing the risk appetite level, determining what categories of risk are acceptable and which are not, Setting the standards and expectations of staff with respect to conduct and probity.

- Determine the appropriate risk appetite or level of exposure.
- Approve major decisions affecting our risk profile or exposure.
- Monitor the management of significant risks to reduce the likelihood of unwelcome surprises.
- Satisfy itself that the less significant risks are being actively managed, with the appropriate controls in place and working effectively.
- Annually review our approach to risk management and approve changes or improvements to key elements of its processes and procedures.

AUDIT COMMITTEE

The Audit Committee at each of the scheduled meetings receives an updated report on Strategic Risks and Operational Risks in accordance with the reporting cycle. **Its role is to:**

- Monitor the management of high-level risks.
- Review the Strategic & Operational Risks in accordance with the review cycle at each of its scheduled meetings.
- Review the Risk Appetite and make recommendations to the Management Board.
- Satisfy itself that all known risks are being actively managed, with the appropriate controls in place and working effectively.
- Annually review the approach to risk management and approve changes or improvements to key elements of its processes and procedures.

THE MANAGEMENT TEAM

The Director and Management Team support, advise on and implement policies approved by the Board.

Its role is:

- To ensure that GHA manages risk systematically, economically and effectively through the development of an all-encompassing risk management Policy.
- To support GHA in the development, implementation, and review of the risk management Policy.
- To share experience on risk, risk management and Policy implementation across GHA.

The Management Team has the following responsibilities in relation to Risk Management:

- To acquire a knowledge of risk management and its benefits.
- Monitor, evaluate and update the Strategic Risk Register at least once a quarter.
- Review the Risk Management Policy at least once a year.

- Report to each meeting of Audit Committee on the status of risks and controls.
- Ensure risk management and its processes are disseminated and are embedded throughout.
- Continuous development, promotion & implementation of risk management throughout.
- Preparation of relevant contingency plans in those areas that are considered high risk.
- To review any training requirements to enable the development & implementation of risk management.
- To review and update their risks at team meetings in accordance with the reporting cycle.
- To contribute to the development of risk management
- To disseminate the detail of the Policy and allocate responsibilities for implementation of the Policy.
- To recommend the necessary training on risk management
- To share relevant information
- To identify any risk management issues
- To provide feedback to the Management Team on their experience of implementing risk management and their perceptions of the effectiveness of the approach
- To ensure that the Policy is implemented.

ALL STAFF

All staff are responsible for encouraging good risk management practices within their areas of responsibility.

All staff have a duty to ensure that risk is managed effectively in their area. This includes engagement with colleagues through formal and informal processes.

All staff across GHA have a responsibility for identifying risks in performing their daily duties and taking action to limit the likelihood and impact of these risks.

Training

All staff will be required to undertake risk management training.

The training will be delivered via workshops, online seminars and one-to-one support as appropriate. Those identified with increasing responsibility for risk and reporting may be required to attend additional specific risk training.

18.Monitoring

Adherence to this policy will be monitored on a regular basis and reported to the relevant committees. GHA approach and discharge of risk management will also be regularly assessed by the internal audit function as part of the Annual Audit Plan.

To support this, routine monitoring will be undertaken throughout the year for:

Individual Risks 

This Risk Register at GHA will be used to monitor the risk exposure:

Risk Registers will be monitored on the standard of information, how often they are reviewed, what specific risks monitoring is occurring and where. The diagram below provides a quick overview of this.

Appendix A

IMPACT											
Rating	Rating Scale	Safety	Reputation	Media attitude	Scottish Housing Regulator	Legal Action	Staff	Criminal	Direct Loss	Regulatory / Industry Status	Service Quality
NEGLIGIBLE	1	No risk of injury. H&S compliant.	External Stakeholders not impacted or aware of problem	No adverse media or trade press reporting.	High compliance standards recognised.	Unsupported threat of legal action	Minimal effect on staff.	High control standards maintained and recognised.	Between 0-£1,000	No or little change to regulation in recent history/ near future.	Negligible effect on service quality
MINOR	2	Small risk of minor injury. H&S policy not regularly reviewed.	Some external Stakeholders aware of the problem, but impact on GHA is minimal.	Negative general Housing Association article of which GHA is mentioned	Verbal comments received	Legal action with limited potential for decision against	Potential for additional workloads intruding into normal non-working time.	Attempted unsuccessful access to operational systems; minor operational information leaked or compromised.	Between £1,000 and £10,000	Limited recent or anticipated changes	Marginally impaired – slight adjustment to service delivery required
MODERATE	3	High risk of injury, possibly serious. H&S standards insufficient / poor training.	A number of Stakeholders are aware and impacted by problems.	Critical article in Press or TV. Public criticism from industry body.	Findings in written examination report. Potential SHR intervention	Probable settlement out of court	Increase in workloads. Intrusion into normal non-working time.	Logical or physical attack into operational systems.	Between £10,000 and £25,000	Modest changes recently or anticipated	Service quality impaired – changes in service delivery required to maintain quality
SIGNIFICANT	4	Serious risk or injury possibly leading to loss of life. H&S investigation resulting in investigation and loss of revenue.	Significant disruption and or Cost to Stakeholders / third parties.	Story in multiple media outlets and/or national TV main news over more than one day.	Multiple or repeat governance failings results in SHR intervention	Law suit against for major breach with limited opportunity for settlement out of court	Significant injuries, potential death. Major intrusion into staff's time.	Police investigation launched; operational data or control systems may be compromised.	Between £25,000 and £100,000	Potential intervention by lead regulator. Significant changes to industry	Significant reduction in service quality experienced
MAJOR	5	Potential to cause one or a number of fatalities. H&S breach causing serious fine, investigation, legal fees and possible stop notice.	Stakeholders / Third parties suffer major loss or cost.	Governmental or comparable political repercussions. Loss of confidence by public.	Action brought against GHA for significant governance failings Forced merger	Action brought against GHA for significant breach.	Deaths and/or major effect on staff lives.	Major successful fraud; prosecution brought against GHA and Exec for significant failure; Systems totally compromised.	Over £100,000	Major complex changes to industry Intervention on behalf of the Lead regulator	Complete Failure of Services

LIKELIHOOD			
Rating	Rating Scale	Likelihood	Example of Loss event Frequency
RARE	1	This will probably never happen / recur	10 years or less frequently
UNLIKELY	2	Do not expect it to happen / recur but it is possible it may do so	Once every 5 years
POSSIBLE	3	Might happen or recur occasionally	Once every 2 years
LIKELY	4	Will probably happen /recur but it is not a persisting issue	Annually
ALMOST CERTAIN	5	Will undoubtedly happen /recur, possibly frequently	At least annually

Appendix B – Glossary of terms

Term	Description
Assurance	An opinion based on evidence gained from the review of GHA governance, risk management and control framework that risk assessments and control responses are appropriate, adequate and achieving the effects for which it has been designed.
Cause	The reason for the risk exposure – why would a risk occur?
Current Risk Score	The grade given to a risk, AFTER taking into account the risk controls.
Effect	The impact for the risk exposure – what would be the consequence if the risk materialised?
Exposure	The consequences that arise from the realisation of a risk.
Initial / Inherent risk grade	The classification GHA gives to a risk, based on its likelihood and potential impact and BEFORE the application of the risk controls.
Effect	The consequence that a risk would have on GHA if it occurred.
Likelihood	The probability of a risk occurring.
Risk Owner	The person responsible for ensuring the risk is properly managed and monitored.
Risk	The threat or possibility that an action or event will adversely or beneficially affect STH's ability to achieve its objectives.
Risk appetite	The level of risk GHA is prepared to accept or tolerate before considering action necessary.
Risk assessment	The process by which GHA identifies and assesses the risks associated with its activities.
Risk Control	An action or process that GHA currently has in place to either reduce a risk to an acceptable level or increase the probability of a desirable outcome.
Risk management	"Risk Management is the process which aims to help GHA understand, evaluate and take action on all our risks with a view to increasing the probability of our success and reducing the likelihood of failure".
Risk Register	A document for capturing, monitoring and communicating valuable information about each risk GHA identifies.