



## Risk Management Policy

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For details contact the Association on 0141 578 0200 or e-mail: [admin@hillheadhousing.org](mailto:admin@hillheadhousing.org)**

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[admin@hillheadhousing.org](mailto:admin@hillheadhousing.org)

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[admin@hillheadhousing.org](mailto:admin@hillheadhousing.org)

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[admin@hillheadhousing.org](mailto:admin@hillheadhousing.org)

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## **1. PURPOSE OF THIS DOCUMENT**

This Risk Management Policy forms part of the housing association's internal control and corporate governance arrangements.

The Policy explains the Association's underlying approach to risk management, documents the roles and responsibilities of the Management Committee, the Audit Committee, the management team and staff. It also outlines key aspects of the risk management process and identifies the main reporting procedures.

In addition, it describes the process the management committee will use to evaluate the effectiveness of the organisation's internal control procedures.

## **2. WHY WE NEED TO MANAGE RISK?**

The focus on risk management as part of the process of good governance, effective business planning and safeguarding stakeholder assets. It takes account of the Scottish Housing Regulator's Regulatory Standards of Governance and Financial Management (2019).

The Regulator expects that the Association to have an effective risk management and internal controls assurance framework in place. We demonstrate this through the annual 'Internal Controls Assurance' approved by the Management Committee and included in the financial statements of the Association. An effective Risk Management Policy is an integral part of this assurance and is crucial to support the statement. The Association continues to focus on embedding risk management throughout the organisation by putting in place a proactive risk management framework.

Risk Management is beneficial to the Association:

- helps us to be more flexible and responsive to new internal / external demands;
- helps the Association make informed decisions;
- provides assurance to the Management Committee, the Audit Committee and the Association's Management Team;
- reduces incidents and other control failures; and
- helps in the achievement of the Association's key targets and priorities

Managing the risks to our business objectives reduces the chance of us having to deal with the unexpected and ensures proactive management rather than reactive crisis management. At a time when resources are limited it is especially important to reduce the number of unwanted surprises.

The framework for managing risk sets out the process through which risks will be identified, assessed, controlled, monitored and reviewed. The framework is designed to:

- Integrate risk management into the culture of the Association;
- Raise awareness of the need for risk management;
- Encourage a positive approach to risk management;
- Support improved decision making, innovation and performance, through a good understanding of risks and their likely impact; and
- Manage risk in accordance with best practice.

### 3. DEFINITIONS

#### What is a risk?

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

#### What is risk management?

“Risk Management is the process which aims to help the Association 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”.

### 4. RISK MANAGEMENT AIMS AND OBJECTIVES

- Provide continuous high quality services to the customers & tenants of Hillhead HA.
- Use appropriate identification and analysis techniques to identify risks to the Association and determine the long and short-term impact.
- Prioritise and implement economic control measures to reduce or remove risks.
- Protect and promote the reputation of the Association.
- Through the use of training and communication, develop and maintain a structured risk management culture, where risk is considered in the decision making process and the everyday working situations of all staff.
- Maintain a system for recording and providing accurate, relevant and timely risk management information.
- Reduce the long-term cost of risk to the Association.
- Report on and review the Risk Management Policy in accordance with best practice guidelines.

### 5. UNDERLYING APPROACH TO RISK MANAGEMENT

The following key principles underlie the Association’s approach to risk management and internal control:

- The Management Committee has responsibility for overseeing risk management within the organisation as a whole;
- An open and receptive approach to solving risk problems is adopted by the Management Committee;
- The Association’s Director, and Management Team support, advise on and implement policies approved by the Management Committee;
- Risk management forms part of the Association’s system of internal control;
- The Association makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks;
- All staff are responsible for encouraging good risk management practices within their areas of responsibility;

## **6. ROLES AND RESPONSIBILITIES**

### **ROLE OF THE MANAGEMENT COMMITTEE**

The Management Committee has a fundamental role to play in the management of risk. Its role is to:

- Set the tone and influence the culture of risk management within the Association.  
This includes:
  - determining whether the Association is ‘risk taking’ or ‘risk averse’ as a whole or on any relevant individual issue
  - 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 for the Association.
- Approve major decisions affecting the Association’s 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 the group’s approach to risk management and approve changes or improvements to key elements of its processes and procedures.

## **7. AUDIT COMMITTEE**

The Association’s Audit Committee will at each of the scheduled meetings receive an update report on the Association’s Strategic Risks and Operational Risks in accordance with the reporting cycle (appendix D). Its role is to:-

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

### **ROLE OF THE ASSOCIATION’S MANAGEMENT TEAM**

#### **Role**

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

#### **Responsibilities**

- To acquire a knowledge of risk management and its benefits.
- Monitor, evaluate and update the Association's Strategic Risk Register at least once a quarter
- Review the Risk Management policy at least once a year
- Report to each meeting of the Audit Committee on the status of risks and controls.
- Ensure risk management and its processes are disseminated and are embedded throughout the Association
- Continuous development, promotion & implementation of risk management throughout the Association.
- 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.

The Director will take overall responsibility for the administration and implementation of the risk management process throughout the organisation.

## **ALL STAFF REGARDING RISK MANAGEMENT**

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 within Hillhead Housing Association have a responsibility for identifying risks in performing their daily duties and taking action to limit the likelihood and impact of these risks.

## **8. RISK APPETITE**

The success of the Association is a result of effectively managing our key risks, which in turn support the achievement of our key targets and priorities. The Association acknowledges that an element of risk exists in all activity it undertakes.

Risk appetite is defined as the amount of risk an organisation is prepared to tolerate or be exposed to, should the risk be realised. Too great a risk appetite can jeopardise a project or activity whilst too little could result in lost opportunity.

Hillhead Housing Association's risk threshold is when the risk is ranked category B or above after controls have been applied ('Red' on the risk scoring methodology – Appendix B). Above this threshold, the Association will actively seek to manage the risk and will prioritise time and resources to reducing, avoiding or mitigating these risks.

The Association's Audit Committee will then agree the risk appetite (what level of risk is acceptable) for the organisation and the appropriate level of risk mitigation activity for each risk in this category.

The Association's current overall risk appetite is defined as "Open". This means we are prepared to consider all delivery options and select those with the highest probability of productive outcomes, even when there are elevated levels of associated risk. \* *November 2015*

A risk owner will be designated for each risk on the risk register, where appropriate other senior staff may be designated as risk support. Risk owners will ensure that their action plan addresses the risks identified and will be required to monitor the status of their portfolio of

risks in accordance with the reporting cycle (appendix D). Risk owners will be reviewed at least on an annual basis.

## 9. RISK MANAGEMENT PROCESS

The Association's risk management process features the following five steps:

### Step 1 – Identify Risks

Using the Association's Business Objectives, we identify the potential threats that could jeopardise their achievement and in turn look at ways to manage these risks.

Risk identification attempts to identify our exposure to uncertainty. Team managers are ultimately responsible for identifying the risks that their teams may face.

Having identified the risks, these are recorded on the Risk Register. Where appropriate however, a project level risk register will be maintained for a specific strategic initiative such as a new capital project.

While strategic risks operate in isolation of the operational on one register, operational risks remain devolved within each department.

Risks shall be identified at all levels of the organisation:

- **Strategic** Where threats and opportunities could affect decisions on the Association's business objectives;
- **Operational (Team Level)** - Where threats and opportunities could affect decisions on operational actions to meet the Association's strategic objectives;
- **Project Level** - Where threats and opportunities could affect the delivery of project targets. (E.g.: entering into major service contracts or partnerships). Before committing to a new business activity, appropriate specialist advice will be sought to supplement our own expertise where appropriate – this may include seeking legal and other professional advice.

### Equalities

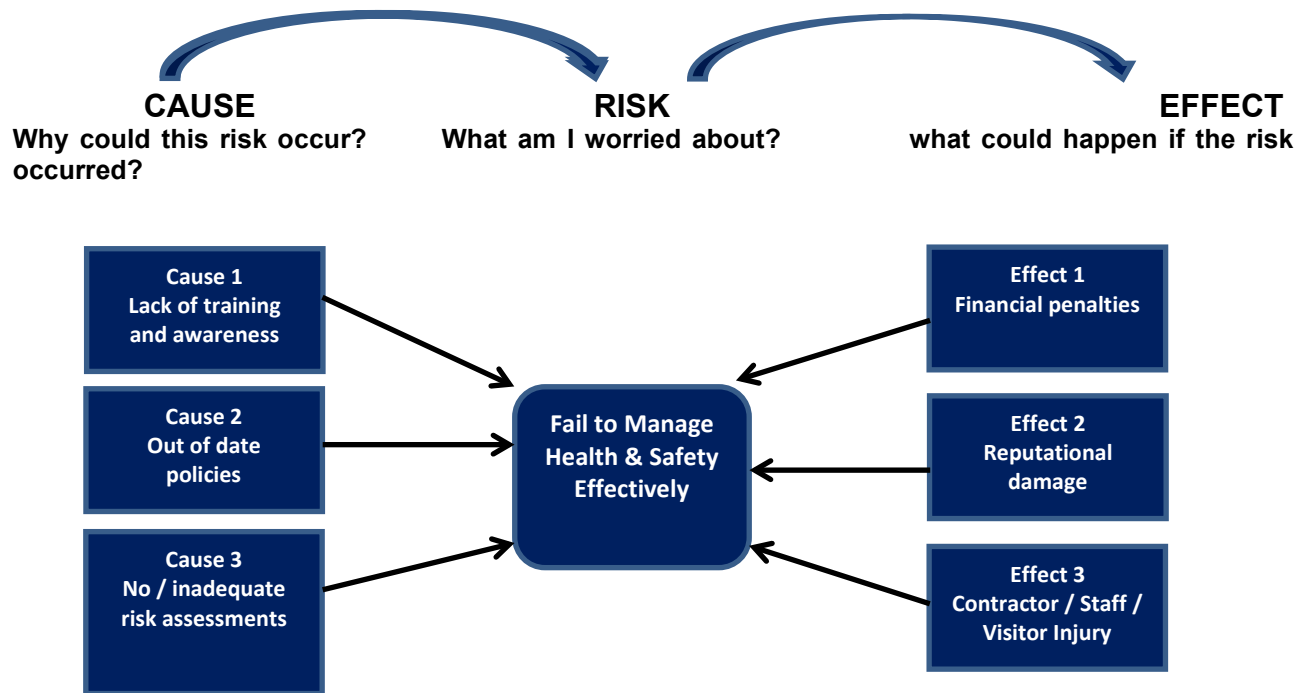
When identifying risk all activities undertaken by the Association must be assessed for their compliance with our Equalities and Diversity Policy. We will seek to ensure that there is no risk of discrimination or unfair treatment as a result of our actions.

### Risks, Cause and Effect:

Risks are best expressed using a risk, cause and effect relationship.

Understanding the most important 'cause' helps formulate the best possible actions to manage an uncertainty (i.e. treating the root cause instead of the symptom). Understanding the most important effect helps formulate the best possible contingency plan in case an uncertainty does happen with negative impact.

For example: The Butterfly Effect:



From this example we can clearly see what the risk is and also 3 potential causes as to why this risk could occur. We can also see 3 potential effects to the Association if this risk was to materialise, therefore if this risk was to be placed on a risk register we would expect to see 3 controls in place:-

<b>Control 1</b>	Hillhead HA has an extensive and up to date training programme and induction programme that provides all staff with regular training on Health & Safety
<b>Control 2</b>	Our Health & Safety policy is up to date and all staff have been issued with copies.
<b>Control 3</b>	Hillhead HA uses a consultant Health & Safety Specialist that undertakes regular audits and inspections to ensure the Association is compliant with the up to date legislation

## Step 2 – Assess Risks

Emerging risks will be identified and discussed by the Association’s Management Team on an on-going basis. Any information that impacts upon the Association’s risk profile shall be formally assessed and appropriate action identified and monitored in line with the framework identified in Appendix B

Risks are assessed by looking at the likelihood of the risk occurring and the impact that the risk would have if it were to occur.

Many controls are in place to minimise identified risks. However, in the first instance, risks are assessed as though there are no controls in place i.e. the worst case scenario or if the controls in place were ineffective. This is known as the ‘**Inherent**’ risk level. The Inherent risk level is recorded in the risk register.



In most scenarios however, there will be controls in place to minimise the impact or likelihood of the identified risk occurring. Risks are therefore assessed based on the Impact and likelihood of the risk occurring considering that there are mitigating controls in place. This is known as the '**Residual**' risk level.

Hillhead HA's risk register template at Appendix C shows how the Inherent and Residual scores are formatted

Each risk is allocated a risk owner / risk lead whose name is recorded on the risk register. Guidance on how the Impact and likelihood levels of a risk should be assessed can be found in Appendix B

### Step 3 – Prioritise Risks

Some risks command a higher priority due to their likelihood and impact.

Both the Inherent and Residual likelihood and impact levels of each risk are plotted and prioritised using a 5 by 5 matrix (**See Appendix B**).

A 'traffic light' system is then used to show Category A to E risks. This results in the prioritisation of both Inherent and Residual risks, which are recorded in the Risk Register.

### Step 4 – Control Risks

Once the category of a risk has been assessed Hillhead HA's risk appetite should indicate how the risk is then managed. In managing the risk there will be four categories of response – transfer, treat, terminate and tolerate. Details of each response can be found in the following table:

Response	Description
Transfer	Risks are transferred to an insurer, e.g., legal liability. However it must be remembered that this is not possible for all risks. Some service delivery risks can also be transferred to a partner or contractor by way of a formal contract or written agreement. Some aspects of risk however cannot be transferred, for example those that have a reputational impact.
Treat	Risks need additional treatments (controls) to reduce the likelihood and impact levels. This response is most likely where the risk has been identified as a high risk due to the likelihood and impact levels and the Association has the ability to introduce further controls that will reduce the likelihood and/or the impact of a risk.
Terminate	A risk maybe be outside the Association's risk appetite and the Association does not have the ability to introduce additional controls to reduce likelihood and/or impact of the risk therefore there is no other option than to terminate the activity generating the risk.
Tolerate (accept)	The controls in place reduce the likelihood and impact levels to an acceptable level (within appetite) and the introduction of additional controls would be cost-benefit prohibitive. It is therefore decided to <i>tolerate</i> the risk.

### Red Risks

- Risks that fall in to the area highlighted as 15 and above will require immediate attention. The status of the risk will require it to be monitored with regard to effect on the Association’s activities and the progress of action taken to ensure its effective reduction.

### Amber Risks

- Risks that fall in to the area highlighted as amber may require action but will require actions where possible and be monitored for any changes in the risk or control environment which may result in the risk attracting a higher score.

### Yellow Risks

- Risks that fall in to the area highlighted as yellow will require to be monitored but do not require actions

### Green Risks

- Risks that fall in to the area highlighted as green will require annual review only, but no further action.

Risk owners are responsible for:

- ensuring that appropriate resources and importance are allocated to the process;
- confirming the existence and effectiveness of the mitigating controls and ensuring that any proposed mitigating actions are implemented;
- Providing assurance that the risks for which they are Risk Owner are being effectively managed.

### Step 5 – Assurances

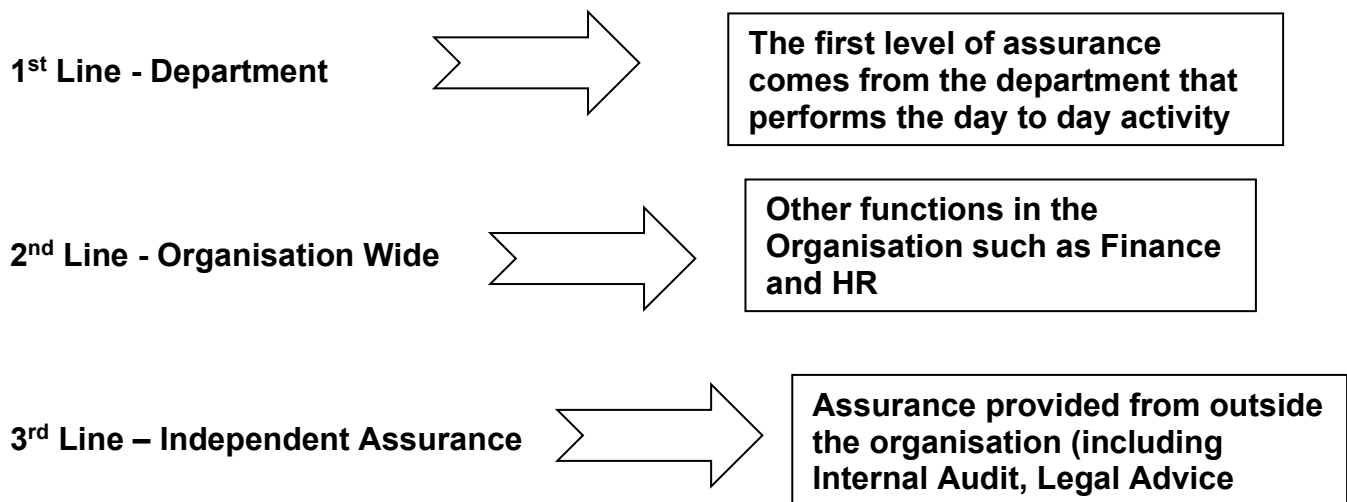
The Association identifies and implements appropriate controls to manage the risks identified. It also implements processes to give assurance that these controls are working effectively.

### What is Assurance?

<b>Assurance:</b>	
<b>Provides:</b>	“Confidence” / “Evidence” / “Certainty”
<b>To:</b>	Team Leaders / Management Team / The Association’s Audit Committee / the Management Committee (individually and collectively)
<b>That:</b>	That what needs to be done (strategically and operationally) is being done

### 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> Lines of Assurance

The assurances that Hillhead HA receive can be broken down into the three line model as illustrated below



## 10. TRAINING

Hillhead Housing Association supports the provision of training and briefing sessions for relevant staff on an annual basis. Guidance and support will also be provided by the Association through the provision of written guidance notes from time to time and the offer of support from relevant staff.

## 11. RISK MANAGEMENT AS PART OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control incorporates risk management. The system encompasses a number of elements that together facilitate an effective and efficient operation, enabling the Association to respond to a variety of operational, financial and commercial risks. These elements include:

*Policies and Procedures*

Attached to significant risks (e.g. Fire / Health & Safety) are a series of policies that underpin the internal control process. Written procedures support the policies where appropriate

*Reporting*

The Management Team and the Association's Audit Committee receive a number of key reports on a regular basis which allow for the monitoring of key risks and their control – e.g. the monthly management accounts

*Business Planning and Budgeting*

The business planning and budgeting process is used to set objectives, agree action plans and allocate resources – these take account of risk. Progress towards meeting business plan objectives is monitored regularly

<i>Project Management</i>	All approvals for the execution of new projects include an examination of risk in accordance with the risk appetite of the Management Committee set out in the financial regulations
<i>Audit &amp; Risk Committee</i>	The Association's Audit Committee is required to report to the Management Committee on internal controls and to alert members to any emerging issues. As part of this function the audit Committee oversees internal audit and external audit.
<i>Internal Audit Programme</i>	Internal audit is an important element of the internal control process. It will include a review of the effectiveness of the internal control system in its Annual Report to the Association's Audit Committee. The annual internal audits should be set based on a risk based approach.
<i>External Audit</i>	External Audit provides feedback to the Association's Audit Committee on the operation of the internal financial controls and provides an update to the Management Committee.
<i>Third Party Reports</i>	On occasions other agencies and consultants will provide reports which will make reference to the effectiveness of the internal control systems

## 12. ANNUAL REVIEW OF EFFECTIVENESS

The Management Committee is responsible for ensuring that there is an annual review of the Association's risk management processes, (this will be undertaken initially by the Director who will report to the Audit Committee) including on-going identification and evaluation of significant risks and the allocation of resources to address areas of high exposure.

The Management Committee will:

- Reviews the Association's track record on risk management and internal control over the previous year.
- Consider the internal and external risk profile of the coming year and consider if current internal controls are likely to continue to be effective.

In making its decision the Management Committee will consider the following aspects:

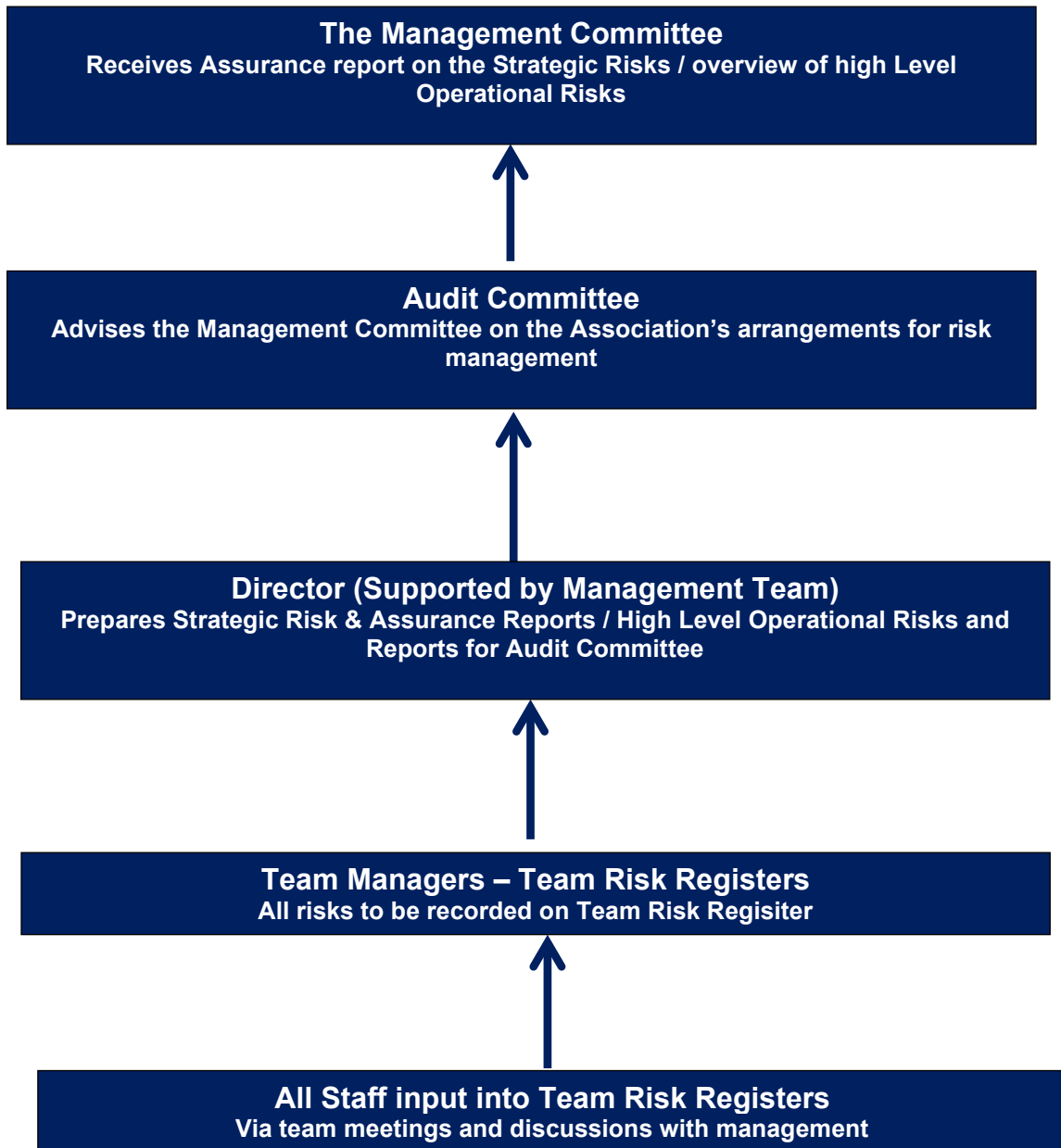
- **Control Environment**
  - Hillhead HA's business objectives and its financial and non-financial targets
  - Organisational structure and capability of the Management Team
  - Culture, approach and resources with respect to the management of risk
  - Delegation of authority within the Association
- **On-going identification and evaluation of risk**
  - Timely identification and assessment of risks, prioritisation of risks and the allocation of resources to address areas of high exposure
- **Information and Communication**
  - Quality and timeliness of information on risks, the time it takes for control breakdowns to be recognised or new risks to be identified.
- **Monitoring and Corrective Action**
  - Ability of the Association to learn from its mistakes and/or past difficulties.

- The commitment and responsiveness with which corrective actions taken are implemented.

The Management Team will annually review the effectiveness of the Association's internal control system.

A full Committee Assurance report will be produced annually for consideration initially by the Audit Committee who will then agree a summary report to the Management Committee.

## APPENDIX A - Risk Management Reporting and Escalating



**APPENDIX B – Risk Matrix and Scoring Criteria –**

<b>RISK</b>	<b>Likelihood</b>				
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>Impact</b>	<b>Rare</b>	<b>Unlikely</b>	<b>Possible</b>	<b>Likely</b>	<b>Almost Certain</b>
<b>5 Major</b>	<b>15</b>	<b>19</b>	<b>22</b>	<b>24</b>	<b>25</b>
<b>4 Significant</b>	<b>10</b>	<b>14</b>	<b>18</b>	<b>21</b>	<b>23</b>
<b>3 Moderate</b>	<b>6</b>	<b>9</b>	<b>13</b>	<b>17</b>	<b>20</b>
<b>2 Minor</b>	<b>3</b>	<b>5</b>	<b>8</b>	<b>12</b>	<b>16</b>
<b>1 Negligible</b>	<b>1</b>	<b>2</b>	<b>4</b>	<b>7</b>	<b>11</b>

# IMPACT

Rating	Rating Scale	Safety	Reputation	Media attitude	Scottish Housing Regulator	Legal Action	Staff	Criminal	Direct Loss	Regulatory / Industry Status	Service Quality
<b>NEGLIGIBLE</b>	<b>1</b>	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
<b>MINOR</b>	<b>2</b>	Small risk of minor injury. H&S policy not regularly reviewed.	Some external Stakeholders aware of the problem, but impact on is minimal.	Negative general Housing Association article of which HHA 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
<b>MODERATE</b>	<b>3</b>	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's operational systems.	Between £10,000 and £50,000	Modest changes recently or anticipated	Service quality impaired – changes in service delivery required to maintain quality
<b>SIGNIFICANT</b>	<b>4</b>	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 £50,000 and £300,000	Potential intervention by lead regulator. Significant changes to industry	Significant reduction in service quality experienced
<b>MAJOR</b>	<b>5</b>	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 HHA for significant governance failings Forced merger	Action brought against HHA for significant breach.	Deaths and/or major effect on staff lives.	Major successful fraud; prosecution brought against HHA for significant failure; Systems totally compromised.	Over £300,000	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
<b>RARE</b>	<b>1</b>	This will probably never happen / recur	10 years or less frequently
<b>UNLIKELY</b>	<b>2</b>	Do not expect it to happen / recur but it is possible it may do so	Once every 5 years
<b>POSSIBLE</b>	<b>3</b>	Might happen or recur occasionally	Once every 2 years
<b>LIKELY</b>	<b>4</b>	Will probably happen /recur but it is not a persisting issue	Annually
<b>ALMOST CERTAIN</b>	<b>5</b>	Will undoubtedly happen /recur, possibly frequently	At least annually

Risk Scores	Overall Risk Rating	Review
20 - 25	<b>A</b>	Monthly
15 - 19	<b>B</b>	Quarterly
11 - 14	<b>C</b>	Every 3-6 Months
7 - 10	<b>D</b>	Every 6-9 Months
1 - 6	<b>E</b>	Every 12 Months

**APPENDIX C – Risk Register Template**  
**Example Risk Register with Assurances and Action Plan**

1. Strategic											
Risk Ref	Risk Table	Cause & Effect	Inherent Risk Rating	Risk Control	1 <sup>st</sup> Line	2 <sup>nd</sup> Line	3 <sup>rd</sup> Line	Assurance Level	Residual Risk Rating	Action Required	Progress Notes
SRR1	RECRUITMENT & RETENTION – Fail to recruit & retain the right people including Committee Members	<b>Cause</b> – Culture does not promote or nurture talent – Organisation cannot compete financially or offer similar benefits compared to other employers – Unforeseen personal crisis – Accusations of corruption or fraud – Family commitments – Sudden death – An action taken by a manager/director or failure in governance – Fail to comply with employment legislation 7 procedures – Loss of knowledge – Key relationships are lost – Loss of potential future leaders – Financial costs of recruitment – Reputational damage	I = 5 = 5 25	<b>FINANCIAL CONTROLS</b> – Financial Regulation – Internal & External Audits – Quarterly Budget reports issued <b>Control Owner:</b>	Monthly reconciliations covering Bank (inc cash) rent loans suspense account in line with monthly checklist.	Quarterly Budget analysis to Management Team	Internal Audit completed in 2016 – assurance rating	Substantial	Impact = 4 Likelihood = 2 8		
				Entitlements – Both staff and Committee members required to complete declaration of interest forms <b>Control Owner:</b>	Committee Secretary responsible for collection of DOI forms	DOI is standing Agenda Item	Audit Review June 2016	Substantial			
				Committee Membership – Currently 10 members with 2 vacancies <b>Control Owner:</b>	Support in place for existing committee	Active recruitment for new members		Substantial			
				Policy and Procedures – Number of key policy and procedures are in place such as Fraud and Whistleblowing <b>Control Owner:</b>	Policies & Procedures are reviewed systematically in line with agreed Policy Review Calendar	Policies reviewed and approved by committee as and when required	TBC - When audit is due	Substantial			
				EVH – Full Member of EVH – Pay scales and packages for HHA staff in line with Agreements – Reliance upon EVH documentation to support HR activities <b>Control Owner:</b>	Management Committee reviews membership of EVH annually	Committee review and discuss at April meeting		Substantial			

	<ul style="list-style-type: none"> <li>- Local media interest</li> <li>- Damage to organisational morale</li> <li>- Additional pressure on other resources</li> <li>- Unable to meet operational and strategic objectives.</li> </ul>									
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## APPENDIX D – Risk Management Reporting Cycle

The table below sets out the risk management reporting cycle:

Risks			
Hillhead HA's strategic risks	Every Quarter	Each meeting	N/A
Policy and Annual Review	Annually	Annually	N/A
Operational risks which are classified as A	Each meeting	Each meeting	Team Meetings Monthly
Operational risks which are classified as B	Every Quarter	Each meeting	Team Meetings Quarterly
Operational risks which are classified as C	N/A	Every 6 Months	Team Meetings every 3 – 6 months
Operational risks which are classified as D	N/A	N/A	Team Meetings every 6 – 9 months
The remaining operational risks that are classified as E	N/A	N/A	Annually

## APPENDIX E – Glossary of Terms & Risk Categories

Term	Definition
<b>Assurance</b>	An opinion based on evidence gained from the review of Hillhead HA’s 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.
<b>Cause</b>	The reason for the risk exposure – why would a risk occur
<b>Effect</b>	The impact for the risk exposure – what would be the impact if the risk materialised
<b>Exposure</b>	The consequences that arise from the realisation of a risk.
<b>Inherent risk Score</b>	The classification Hillhead HA gives to a risk, based on its likelihood and potential impact and BEFORE the application of a risk response and controls.
<b>Impact</b>	The effect that a risk would have on us if it occurred.
<b>Likelihood</b>	The probability of a risk occurring.
<b>Risk Owner</b>	The person responsible for ensuring the risk is properly managed and monitored
<b>Residual risk Score</b>	The classification given to a risk AFTER taking into account the quality of risk responses and controls.
<b>Risk</b>	The threat or possibility that an action or event will adversely or beneficially affect an organisations ability to achieve its objectives.
<b>Risk appetite</b>	The level of risk Hillhead HA is prepared to accept or tolerate before considering action necessary.
<b>Risk assessment</b>	The process by which Hillhead HA identifies and assesses the risks associated with its activities within each level of the Association
<b>Risk management</b>	“Risk Management is the process which aims to help Hillhead HA 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” .
<b>Risk register</b>	A document for capturing important information about each risk the Association identifies.
<b>Risk response</b>	An action or process that Hillhead HA currently has in place to either reduce a risk to an acceptable level or increase the probability of a desirable outcome

<b>Risk Category</b>	<b>Definition</b>
<b>Political</b>	Associated with the failure to deliver either central or local government policies, or recognise their priorities; threats from new policies and legislation.
<b>Financial/ Economic</b>	Associated with financial planning and control. Affecting the ability of Hillhead HA to meet its financial commitments e.g. internal budgetary pressures, the failure to purchase adequate insurance cover, external macro-level economic changes e.g. market changes.
<b>Social/ Cultural</b>	Relating to the effects of changes in demographic, residential or socio-economic trends on Hillhead HA's ability to respond and meet its objectives.
<b>Technological</b>	Associated with the capacity to deal with the pace/scale of technological change, or the Association's ability to use technology to address changing demands. This may also include the consequences of internal technological failures on the Association's ability to deliver its objectives.
<b>Compliance</b>	Related to possible non-compliance through breaches of legislation e.g. SORP non-compliance, illegality, non-compliance with regulatory requirements, with Health and Safety and/or non-adherence to Hillhead HA policies and procedures.
<b>Environmental</b>	Relating to the environmental consequences of progressing the organisation's objectives; energy and fuel efficiency issues; etc.
<b>Commercial</b>	Under performance against contract specification leading to failure or inability to maintain provision; threats from the activities of competitors; partners change priorities.
<b>Tenant/ Customer</b>	Associated with failure to meet the current and changing needs and expectations of tenants, clients and customers e.g. service quality; duty of care, or to expose Hillhead HA staff or assets to unnecessary risk.

**The above risk category table is added for additional information**

## APPENDIX E – Risk Appetite

### RISK APPETITE

#### Introduction

The concept of risk appetite is a tricky one for housing associations. For most commercial companies, successful risk taking is essential to achieving competitive advantage. Developing new products and service lines, harnessing new technologies and breaking into new markets all requires an appetite for risk and the most successful companies are the ones that take the most risk successfully. For Committee Members and Managers within housing associations, however, the idea of deliberately taking risks in the delivery of essential services for their tenants just doesn't seem right. Committee Members of housing associations often view their attitude to risk as being a reluctant acceptance of unavoidable risk rather than an appetite for conscious risk taking. However, in practical terms, it amounts to the same thing - decisions have to be taken about where to allocate scarce resources in order to maximise the chance of positive outcomes. Of course this means avoiding the threat of bad things happening - IT system failures, budget overspends, etc., but it also means taking opportunities to innovate, re-shape and restructure to improve quality and better meet the needs of tenants and service users.

The more resources we put into minimising the threats, the less we have for taking the opportunities. That's why it is important for Management Committees to agree and explain to its management team the levels and types of risk that they are prepared for Managers to take. This means developing a statement of the Management Committee's risk appetite.

Risk Appetite is not a principle confined exclusively to the core risk management process. It is a vital component of good governance. It is an essential influencer over business planning, operational activities and organisational/individual behaviours.

What levels and types of risk do our stakeholders expect us to accept (and not accept) in pursuance of our goals?

#### General Statement

"The organisation recognises that it must take risks. Indeed, only by taking risks can it achieve its aims and deliver beneficial outcomes to its stakeholders. It must, however, take risks in a controlled manner, thus reducing its exposure to a level deemed acceptable, from time to time, by the Management Committee and by relevant auditors, regulators and inspectors."

#### Detailed Statement

Methods of controlling risks must be balanced in order to support innovation and the imaginative use of resources, especially when it is to achieve substantial benefit. In addition, the organisation may accept some high risks because of the cost of controlling them. As a general principle the organisation will seek to control all highly probable risks which have the potential to:

- cause significant harm to service users, staff, visitors and other stakeholders;
- compromise severely the reputation of the organisation;
- have financial consequences that could endanger the organisation's viability;
- jeopardise significantly the organisation's ability to carry out its core purpose;
- threaten the organisation's compliance with law and regulation."

## PLANNING

Given our risk appetite, what are we prepared to do and what are we not prepared to do in order to achieve our aims and objectives?

1. What are we trying to achieve?
2. What are the options for delivery?
3. Which is the preferred option, taking into account risks, costs, benefits, timescales, etc.?
4. Develop appropriate plans
5. When appropriate, undertake effective risk management to reduce exposure to those risks outside our appetite

Committee Members may have heard of the term being “risk averse” and traditionally housing associations saw themselves as falling into this category. However in reality much of what we do is inherently risky as the contents of the Risk Register demonstrate. So the Committee may wish to review our attitude and “appetite” for taking on manageable risks using the descriptions listed below:

<b>AVOID</b>	No appetite. Not prepared to accept any risks.
<b>AVERSE</b>	Prepared to accept only the very lowest levels of risk, with the preference being for ultra-safe delivery options, while recognising that these will have little or no potential for reward/return.
<b>CAUTIOUS</b>	Willing to accept some low risks, while maintaining an overall preference for safe delivery options despite the probability of these having mostly restricted potential for reward/return.
<b>MODERATE</b>	Tending always towards exposure to only modest levels of risk in order to achieve acceptable, but possibly un-ambitious outcomes.
<b>OPEN</b>	Prepared to consider all delivery options and select those with the highest probability of productive outcomes, even when there are elevated levels of associated risk.
<b>HUNGRY</b>	Eager to seek original/creative/pioneering delivery options and to accept the associated substantial risk levels in order to secure successful outcomes and meaningful reward/return.

After having considered the above descriptions and having reference to the risk matrix the Committee should consider the extent to which it would be prepared to tolerate risk in order to achieve its goals. In summary would the Committee view that the current appetite for risk could rest with either **Moderate** or **Open**?

### **Moderate**

“The Association’s current overall risk appetite is defined as “Moderate”. This means we tend always towards exposure to only modest levels of risk in order to achieve acceptable, but possibly un-ambitious outcomes.

## **Open**

“The Association’s current overall risk appetite is defined as “Open”. This means we are prepared to consider all delivery options and select those with the highest probability of productive outcomes, even when there are elevated levels of associated risk.

A draft Risk Appetite statement is noted overleaf for the Committee to consider and approve.

### **Hillhead Housing Association Risk Appetite Statement**

**Hillhead Housing Association recognises that it must take risks. Indeed, only by taking risks can it achieve its aims and deliver beneficial outcomes to its tenants. It must, however, take risks in a controlled manner, thus reducing its exposure to a level deemed acceptable, from time to time, by the Management Committee and by relevant auditors, regulators and inspectors.**

Methods of controlling risks must be balanced in order to support innovation and the imaginative use of resources, especially when it is to achieve substantial benefit. In addition, the Association may accept some high risks because of the cost of controlling them. As a general principle the Association will seek to control all highly probable risks which have the potential to:

- cause significant harm to tenants, service users, staff, visitors and other stakeholders;
- compromise severely the reputation of the Association;
- have financial consequences that could endanger the Association’s viability;
- jeopardise significantly the Association’s ability to carry out its core purpose;
- threaten the Association’s compliance with law and regulation.

**The Association’s current overall risk appetite is defined as “Open”. This means we are prepared to consider all delivery options and select those with the highest probability of productive outcomes, even when there are elevated levels of associated risk.**