WHITEINCH & SCOTSTOUN
HOUSING ASSOCIATION LTD

RISK MANAGEMENT STRATEGY (3)

AS WITH ALL OF THE ASSOCIATION'S POLICIES and PROCEDURES, THIS GUIDE, IN FULL AND IN PART, CAN BE MADE AVAILABLE IN SUMMARY, ON TAPE, IN BRAILLE, AND IN TRANSLATION INTO MOST OTHER LANGUAGES –

**PLEASE ASK A MEMBER OF STAFF IF YOU WOULD LIKE
A VERSION IN A DIFFERENT FORMAT**

Approved By	Committee of Management at the Meeting on 5th October 2005
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Author	Ian Morrison

1. Introduction

1.1 The joint Communities Scotland, COSLA and SFHA publication, *Performance standards for social landlords*, expects all Registered Social Landlords (RSLs) "…to identify and appraise the most important risks [they] face, and [to] take a prudent approach to managing them." (Guiding Standard GS4.4)

1.2 The purpose of this Policy is to set out the formal approach taken by Whiteinch & Scotstoun Housing Association in identifying and managing Risk.

2. Risk Identification, Assessment and Evaluation

2.1 For the Association's purposes, Risk can be defined as events or actions that prevent the organisation from achieving or maintaining good performance, and/or meeting set targets, aims or objectives and/or results in loss being incurred.

2.2 Risk management, on the other hand, can be seen as the process whereby the Association can maximise gains and good performance, the ability to achieve targets, aims or objectives and minimise losses.

2.3 Risk management, as a business concept, is relatively new with the developing expectation that organisations look at risk in a structured way; there is an expectation that it should be treated as a core business process and should be planned accordingly and on a continuing basis.

2.4 Consequently, as an emerging management tool, there are several approaches to risk management available for consideration. Generally they all follow a similar approach, summarised as follows:

- methodical identification of risks associated with the chosen business activities
- assessment of the likelihood of an event occurring
- understanding how to respond to these events
- implementing systems to deal with the consequences
- monitoring the effectiveness of the risk management approaches and controls.

2.5   To identify potential risks it is suggested that a level of subjectivity still comes into play despite seeking to be methodical. However, that is not to say that this cannot be reduced in the hope of achieving a satisfactory level of objectivity. To assist this, a logical and structured approach can be applied, which segregates risk into key areas that can affect the Association's operation:

- **Structural Risks**: external legislation and regulation; internal rules, standing orders, financial regulations, policies and procedures, etc.
- **Custodial Risks**: relating to assets and liabilities (including intangible assets, such as reputation, knowledge, and morale, as well as to staff and stakeholders, i.e. tenants and members)
- **Strategic and Planning Risks**: applying mainly to performance, the targets aims and objectives of the Association's Plans together with one-off activities (perhaps, some Wider Action ventures) and including consideration of the planning process itself
- **Operational Risks**: the actual operational processes within the Association and whether they are carried out effectively and efficiently (i.e. their direct impact on performance)
- **Communication and Reporting Risks**: associated primarily with reporting to Committee for approval and decision making but also taking account of internal and wider external communications.

2.6   Once Risks have been identified they need to be Assessed and Evaluated. The two most widely accepted criteria used to assess risk are Likelihood and Impact:

Likelihood: risk identification deals with potential risks and, in so doing addresses the likelihood of such risks arising. It has to be recognised that this is a qualitative, subjective assessment based upon the experienced judgement of the Association's staff and Committee Members.

Impact: this assessment considers what the severity of an identified risk would be should it emerge and materialise.

To evaluate the risk a scoring system is applied from 1-3 for both Likelihood and Impact, the scores then multiplied and the outcome used to prioritise the risk. Thus a score of 9 would be categorised as a high priority (very likely to occur and with a severe effect) while a 1 would be low (not very likely to happen and with not too damaging an effect).

3.   Responding to Potential Risks

3.1   Risks can also be classified in two ways: Controllable and Non-controllable (with the latter often being strategic, or environmental and usually addressed through insurance).

3.2   Then, the Association has to consider how it wishes to respond to the prioritised risks. The risk can be accepted or rejected with both involving some sort of action. For example, a project that is considered too high a risk can be dropped or not even taken up (usually a non-controllable risk that cannot be covered by insurance). An accepted risk, on the other hand, can be dealt with in two ways:

Ignore the risk: usually only when the priority is at the lowest (ranked 1-3) when there is not much likelihood of occurrence and the impact is fairly negligible.

Manage the risk: dealing with those where the combination of likelihood and impact are from medium to high (ranked 6-9).

3.3   Risks can then be managed in one or a combination of four ways taking account of whether they are classified as controllable or non-controllable:

Pass on the risks: usually through insurance or perhaps thorough using an outside agency or consultant. Generally, this applies to non-controllable risks.

Preventative controls: minimising risk by setting activity or cost limits, e.g. by means of delegated authorities and authorisation controls. Obviously used for controllable risks.

Detective controls: that is, through monitoring and exceptions reporting systems so actions can be planned for non-controllable risks where insurance is not possible.

Corrective controls: like disaster recovery and business continuity planning, measures of last-resort for non-controllable risks.

Each year, the Association should respond to all potential risks identified by arranging a combination of the above responses, applied as appropriate.

4. Risk Register, Risk Matrix and Annual Strategy

4.1 The output from the above activities will aggregated onto a Risk Register, a tabular representation of the identification of potential risks, their evaluation and prioritisation, and the proposals to manage them. A copy of the Register can be found in Appendix A to this Policy. The Register incorporates the following:

> Date Risk is added.
> Risk description: what is it, what are the basic outcomes?
> Gross risk: Likelihood (1-3) x Impact (1-3) to give a priority (1-9)
> Prior year's gross risk
> Controls in place: what exists to deal with each risk?
> Further action: what is needed to deal with the risk?
> Risk owners: which senior staff member is responsible?

4.2 The Register is to be used to identify the main risks considered likely to affect the Association and to give a broad priority ranking to those, identifying what is to be done and by whom. In addition to this, the Association will apply a Risk Matrix designed to identify which of those risks requires greatest attention. This introduces another layer for impact, defining each risk as Fundamental, Moderate or Minor. Likelihood is then split into three, rising from Unlikely to Likely to Almost Certain. A multiplier from 1 – 3 is applied to each of these so, that for the worst case (Fundamental and Almost Certain), this 3 x 3 giving a total of 9 while for the best case (Minor and Unlikely) it is 1 x 1. This is then considered against the Association's "appetite for risk" with a score of 9 meaning that the level of risk is unacceptable and immediate corrective action is required while the lowest, 1 – 4, means the level is acceptable and normal controls should accommodate it. Details of the Risk matrix can be found in appendix B.

4.3 The Internal Management Plan will include an Analysis of Risk summarised from this Strategy and presented using recognised risk management tools, as considered appropriate by Committee with the development of each year's Plan. These could include (but are not confined to) SWOT Analysis (Strengths, Weaknesses, Opportunities and Threats) or the STEEP approach (identifying Social, Technological, Economic, Environmental and Political risks).

5.   Committee Monitoring of Risk

5.1   The Executive Team of the Association will then monitor these risks throughout the year, modifying where necessary and identifying new risks should they be perceived to arise. Where considered significant these will be brought to the attention of Committee as soon as practicable. Otherwise, the Audit Subcommittee will carry out monitoring on behalf of Members throughout each year.

6.   Equal Opportunities Testing

6.1   In accordance with the Association's Equality & Diversity Policy, this Policy has been consciously considered to judge whether there is any likelihood that its presentation or operation could in any way lead, no matter how inadvertently, to discrimination. The conclusion of this exercise is that it is believed that the Policy should operate in a non-discriminatory way.

7.   Review

7.1   This Policy will be subject to review every three years.

APPENDIX A: RISK REGISTER

Original Date	Risk Description	Gross Risk			Controls in place	Further Action	Risk Owners
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APPENDIX B: RISK MATRIX

IMPACT	Multiplier	Unlikely	Likely	Almost Certain
Multiplier		1	2	3
Fundamental	**3**	3	6	9
Moderate	**2**	2	4	6
Minor	**1**	1	2	3

Net risk assessment	Risk appetite response
9	Unacceptable level of risk exposure which requires immediate corrective action to be taken
6	Unacceptable level of risk that requires constant active monitoring and action to be taken to reduce exposure
4	Acceptable level of risk exposure subject to regular active monitoring measures
1-4	Acceptable level of risk exposure on the basis of normal operation of controls in place