



Risk Management Policy

Approved: August 2024

Review Date: August 2027

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1. Introduction

- 1.1 GhHA's business involves significant risks, typically as a result of the external and internal factors that make up our operating environment. The purpose of this Policy is to set out our approach to risk management
- 1.2 We have a moral, regulatory and statutory duty of care to our tenants, employees and assets. We will meet this duty by ensuring that risk management plays an integral part in our management processes at both a strategic and operational level
- 1.3 Risk management is an active process that requires the co-operation of the Board, managers and employees. The company aims to make Board members and all employees aware of these risks through training and communication.
- 1.4 The Management Team will undertake regular Business Recovery and Continuity Planning exercises (minimum annually) to ensure it is well positioned in identifying and responding to risk. This is likely to include additional table top, scenario planning exercises with external partners.

2. Background

- 2.1 All RSLs must comply with The Scottish Housing Regulator's Regulatory Standards of Governance and Financial Management.
- 2.2 Regulatory Standard 4 states that "The governing body bases its decisions on good quality information and advice and identifies and mitigates risks to the organisation's purpose."
- 2.3 The associated guidance for this Standard further states:
 - '4.4 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.
- 4.5 Where the RSL is the parent within a group structure it fulfils its responsibilities as required in our group structures guidance to:

(a) control the activities of and manage risks arising from its subsidiaries;

(b) ensure appropriate use of funds within the group;

(c) manage and mitigate risk to the core business; and

(d) uphold strong standards of governance and protect the reputation of the group for investment and other purposes.'

2.4 We recognise the critical importance of risk management, as a Regulatory requirement and as a management tool. Effective risk management can bring the following benefits:

- Enabling us achieve its objectives, plans and targets efficiently and effectively;
- Protecting tenants' homes and interests;
- Maintaining the confidence of regulators, funders and other stakeholders;
- Safeguarding our reputation and assets, and minimising any losses.

3. Definition of a Risk

3.1 Risk is the threat that an event or action will adversely affect the company's ability to meet its business objectives and execute its strategies successfully.

3.2 Risk management is the process by which establishes a procedure aimed at minimising the impact of risks on the continuance of the business.

4. Roles and Responsibilities

4.1 Risk exists throughout all levels of our business and as such input is required across the organisation at varying levels of involvement. However, to ensure the effective implementation of risk management and that all involved have a clear understanding of what is required, we have set out the key roles and responsibilities as follows:

Management Committee

Responsible for overseeing and monitoring our approach to risk management the Audit & Risk Sub-committee has delegated responsibility to consider risk on a six monthly basis. The Management Committee is responsible for approving changes to our policy, and for approving involvement in new activities and initiatives, taking full account of the risks involved.

Audit & Risk Sub Committee

The Sub-Committee reports to the Management Committee on any changes to the Strategic Risk Register. The Audit and Risk Sub-Committee is also responsible for overseeing external and internal audit activity including approving the Annual Internal Audit Programme.

Health & Safety Committees (Landlord and Corporate)

These committees meet quarterly and manage risks in their respective areas of business. These Committees report to the Finance & General Purposes and the Development & Property Services Sub Committees in the first instance.

Director

To ensure the risk management policy is implemented on a day-to-day basis and that risk is managed effectively across the RSL. To facilitate and encourage embedding risk management throughout the organisation.

Management Team

To manage risk effectively in their particular service areas by completing operational risk assessments and maintaining associated portfolios. The Management Team, in conjunction, with the Management Committee will be involved in identifying and assessing strategic risks as part of the annual business planning process. The Management Team is also responsible for ensuring identified risks associated with any proposed new projects, initiatives, activities are presented to the Management Committee in a timely fashion.

Line Managers

Managers are responsible for ensuring effective risk management in their business areas, as described in the Risk Register and in our policies and procedures. Managers are also responsible for holding monthly discussions with members of their own teams to consider and review day-to-day operational issues they have to deal with and their work

Employees

To manage risk effectively in their role. All employees have an important contribution to make to risk management and participating fully in team reviews will assist with this. Employee contribution can also be achieved by following our policies and procedures.

Internal Audit

To ensure that the risk management cycle is being rigorously applied and that risks are being effectively managed as a result.

External Audit

To ensure the business of the Association is following proper, regulated financial and legislative controls

5. Implementation of the Policy - Risk Management Cycle

- 5.1 We will apply a risk management cycle to identify, analyse, prioritise, treat and monitor the strategic and operational risks we face.



5.2 We recognise that there will be circumstances where risk assessment will need to be considered in the course of running the business:

- In routine reporting and monitoring
- When appraising a new project that meets existing business plan objectives
- When new opportunities arise that were not foreseen in the most recent business plan

6. The Categories of Risk to be Managed

6.1 We consider risk under particular categories which fall under two overarching areas:

- Strategic – relates to the strategic objectives and the issues that can impact on their successful delivery and achievement e.g. legislative and regulatory changes and government policy.
- Operational – relates to the day-to-day issues that arise within our business teams and their work to support the delivery of our strategic objectives.

7. Risk Assessments

7.1 Risk Management will build on our existing management arrangements:

- Strategic risk assessments will take place as part of business planning and prior to making any decisions about significant changes in strategic policy (e.g., relating to growth, diversification, and investment).
- Operational risk assessments will be completed on a cyclical basis depending on the scale of individual risks.

8. Risk Financing

8.1 Risk financing is an important element of risk management. The Head of Finance & IT will liaise with appropriate staff to determine an appropriate balance between losses that are to be financed through external insurance cover, and losses to be met directly from its own resources (self-insurance). The approach selected will be influenced by:

- the RSL's capacity to meet the direct cost of exceptional and significant value risks
- its previous loss experience
- the commercial rates offered by the insurance market.

9. Allocating Resources to Risk Management

9.1 We are committed to resourcing the effective management of risk. Resources will be required for three inter-related purposes:

- to raise awareness of risk management
- to pay for insurance and retained risks

- to implement risk control actions.

9.2 The required resource contributions will be identified through the company's operational planning and budgeting process, following completion of the strategic and risk assessment exercises. The allocated resources will be clearly set out in the business plan.

9.3 We view relevant training and support to staff as critical to effective risk management. We will train staff in the fundamentals of risk management as it affects their roles and responsibilities. We will ensure that, through regular training, staff have the necessary skills to evaluate risk and take any appropriate actions.

10. Risk Measurement

10.1 We will use a scoring method to identify and rank the materiality of the risks we need to manage. The scoring criteria are shown below. The method follows HM Treasury guidance by:

- Identifying the **likelihood and impact** of each identified strategic risk.
- Preparing separate scores for **inherent risk** (the level of risk if no action is taken) and **residual risk** (the level of risk after measures to control it are applied).

10.2 We treat residual risk as the primary method for ranking risks since it takes account of both the inherent risk and the application of available mitigations. Risks are then subject to individual assessment to show:

- The assessed risk score (inherent and residual)
- The potential consequences arising from the risk
- Factors that could trigger the risk or cause it to crystallise
- Mitigations in place.

10.3 For risks that could have substantial financial consequences, we have sought where feasible to estimate financial impacts, albeit this is often difficult to do with confidence.

IMPACT	Catastrophic 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
		1 Remote	2 Unlikely	3 Possible	4 Probable	5 Highly Probable
	LIKELIHOOD					

Low risk: 1 to 5
Medium risk: 5 to 10
High risk: 10 to 25

11. Risk Appetite

- 11.1 The aim is not to remove all risk but to recognise that some level of risk may always exist. Risk appetite is the amount of risk that the organisation is prepared to accept, tolerate or be exposed to at any point in time.
- 11.2 The Management Committee has a moderate and prudent appetite for risk, with consolidating and improving the performance of our core business being its top priority. The Management Committee may vary the amount of risk which it is prepared to take depending on the circumstances and the business opportunity.
- 11.3 The table below outlines what action is required at each level of risk

High	Immediate Corrective Action
Medium	Corrective action to reduce risk exposure
Low	Monitor & review
Insignificant	Not regarded as an issue (annual review)

12. Working with Key Partners

- 12.1 We will work closely with tenants and partners in completing and updating the strategic and operational risk assessments.
- 12.2 Where possible, we will work jointly, with statutory agencies and other RSLs, to share knowledge and understanding, in mitigating and responding to risks.

13. Reporting and Monitoring

- 13.1 Internal Audit will be responsible for “monitoring and reviewing” the effectiveness of the risk management cycle and reporting on this to the Audit and Risk Sub Committee. The Management Committee has ultimate responsibility for ensuring that the cycle is rigorously applied.
- 13.2 The Audit and Risk Sub Committee will carry out an annual review of the full Risk Register to ensure that the risk management process is working effectively

- 13.3 Risk Management will be a standing item on the Board and Committee agendas.
- 13.4 The risk register will be reviewed monthly by the Management Team at their regular meetings to identify any changes in top level strategic or operational risks.
- 13.5 This policy will be reviewed every 3 years or earlier if legislation or good practice require.