Provanhall Housing Association Limited

Risk Management Policy

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DRAFTED	APPROVED	NEXT REVIEW
August 2023	August 2023	August 2028

Contents

1. Introduction

1.1 This document sets out Provanhall Housing Associations Policy for Risk Management.

1.2 The management of risk is an essential part of good governance. Ultimate accountability for the control and management of risk rests with Provanhall Housing Association Committee.

1.3 This policy recognises that all organisations face a range of risks which can affect the achievement of their corporate objectives. The Association is committed to the proactive management of risk, and view this as a key responsibility of all employees. Discharging these responsibilities through implementation of this Policy will significantly assist the Association continue to meet and deliver corporate objectives without jeopardising its:

- Reputation.
- Financial Viability.
- Assets and Resources, and the
- Provision of affordable, high quality housing services.

1.4 This Policy provides a framework and guidance within which the Senior Management Team can measure, assess, mitigate, manage and monitor risk, ensuring that a proactive risk management culture is embedded within the Association. Moreover, it facilitates the development and implementation of actions aimed at improving current assurance and internal control systems. These interventions will be assessed to ensure that they are proportionate, targeted and focussed on reducing or mitigating the threat of risk.

1.5 Implementation of this Policy will help to ensure that the Association:

- Create a focus towards the achievement of business objectives.
- Adds value to the business and assists with the strategic prioritisation of risk as well as its identification, management and mitigation.
- Keeps informed, adapts flexibly to emerging issues and effectively manages change.
- Protects and enhances its assets, people, resources and wider reputation.
- Supports a learning, innovative and creative culture.
- Ensures accountability and clarifies individual responsibilities for risk management.
- Has robust and effective risk reporting, assurance and internal control systems.

- Stakeholder reporting contains sufficient and accurate disclosure(s).
- Links risk to the Association's corporate planning, business planning and annual budget setting processes.
- Improves transparency and justifies decisions. – Informs the insurance renewal process.

1.6 The application of this Policy ensures the Association is compliant with the outcomes of the Scottish Housing Regulator's Framework on Regulatory Standards of Governance and Financial Management.

1.7 This Policy is linked to:

- Financial Regulations and Operating Procedures.
- Fraud Policy.
- Bribery Policy.
- Health and Safety Policy.
- Business Continuity and Disaster Recovery Policy.

2. Underlying Approach to Risk Management

2.1 It is Association Management Committee's responsibility to determine its appetite to risk and to ensure that robust risk management systems are in place and operating within acceptable levels.

2.2 The Association recognises it has responsibilities to protect and safeguard the use and application of tenants and public funds and will therefore take all reasonable measures to prevent, minimise and where possible mitigate the impact and likelihood of risks from crystallising.

2.3 The Association's approach to risk is to assess risk in respect of the combination of likelihood of something happening and the impact that arises if it does happen.

2.4 Risk is defined as the uncertainty of outcome, whether positive opportunity or negative threat of action and events. By its nature, risk is not necessarily bad. The Association appreciates that risk has to be assessed in respect of the combination of likelihood of something happening and the impact that arises if it does happen.

2.5 The resources available for managing risk are finite and so it is the aim of the Association to achieve an optimum response to risk and identify priorities in accordance with our evaluation of the risks. The term **'risk appetite'** is used to refer to the amount of risk which the Association is prepared to accept, tolerate, or be exposed to at any point in time.

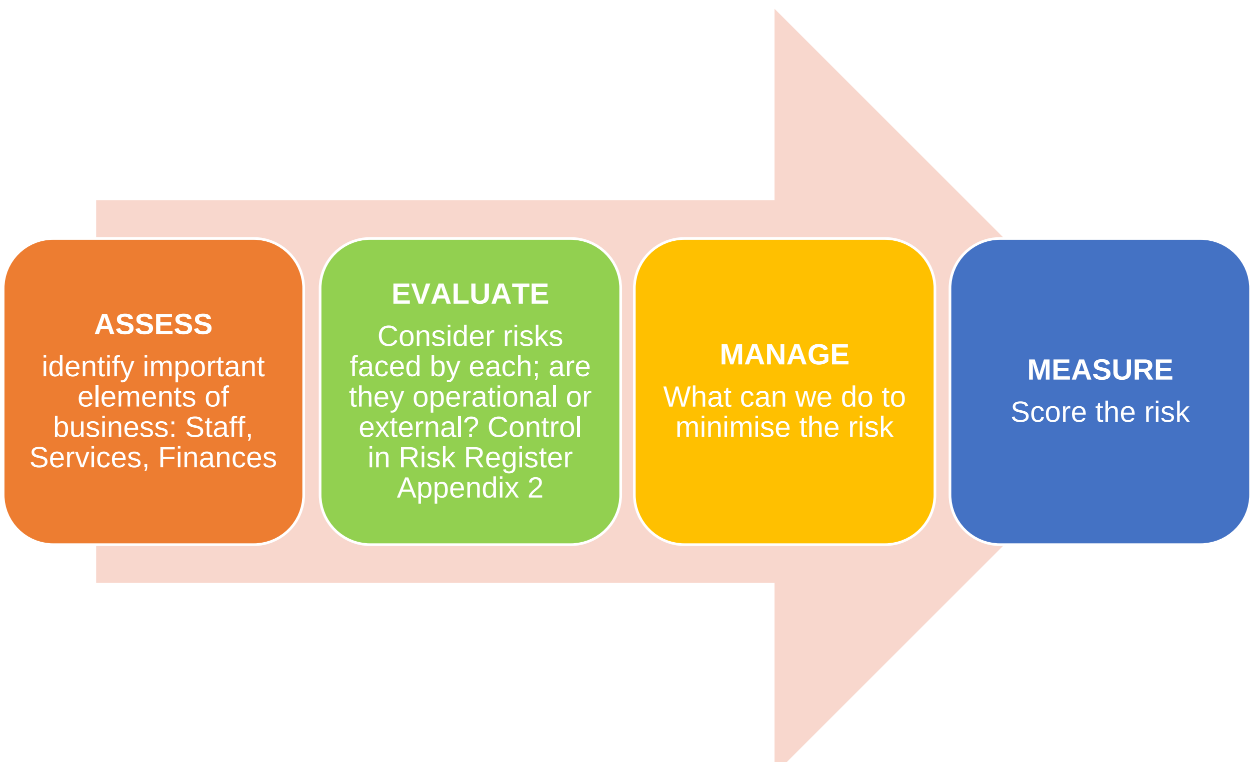
2.6 For the purposes of this Policy 'Risk Management' is the process by which:

- Risks are identified in relation to the achievement of objectives.
- Risks are assessed by reference to their relative likelihood and impact.
- The identified risks are responded to, taking into account the organisation's assessment and tolerance.
- Risks are reviewed and reported – to ensure the risk register is up to date, to gain assurance that responses are effective, and identify when further action is necessary.

2.7 The aims of Risk Management are:

- To take a proactive approach, anticipating and influencing events before they happen.
- To facilitate better informed decision making.
- To improve contingency planning.

2.8 The Association's approach to Risk Management is based around assessment, evaluation, management and measurement, as follows:



2.8 It is essential that the risk management process is intertwined with other operating activities and permeates the Association's management and operations.

2.9 A full list of definitions relating to risk management is outlined within **Appendix 1** of this Policy.

3. Scoring Methodology for the Assessment and Prioritisation of Risk

3.1 The Association recognises that it faces risks from a wide variety of sources which includes:

- Government Policy impacting on the Association's businesses.
- Economic environment affecting viability.
- Demographic change affecting demand for services.
- Market forces affecting the Association's businesses.
- Operational resources (rents, lettings and effects of Welfare Reform).
- Ensuring financial and treasury management meets all business requirements.
- The need to keep pace with changes in information technology.
- Natural, environmental and ecological matters.
- Fraud and error.
- Negative publicity.
- Failure to comply with legislation.

3.2 The scoring methodology for the assessment and prioritisation of risk is applied consistently to all risks so that the Association's resources are directed to those risks which have the highest score and, therefore, present the greatest threat to operations.

3.3 Members of the Senior Management Team will be regarded as Risk Owners and allocated specific responsibility for the identification, assessment, control and management or risk. These Officers will have responsibility to ensure that within their service areas they:

- Identify, categorise, record and assess all areas of risk.
- Identify and record what management controls and sources of assurance exist.
- Quantify the level and if possible, allocate a financial value to the level or residual risk exposure.
- Record the period in which the risk was first identified and assessed.
- Identify, design and implement the most appropriate action(s)/intervention(s) to reduce/mitigate the risk, so that it can be realigned to that of its target.

- Conduct a periodic re-assessment of each risk to evidence and record the impact that risk mitigation is having upon the residual risk score.
- Continually monitor, review and manage each area of risk.
- Make recommendations to the Association, to assist implementation of measures to mitigate and manage risk.

3.4 **Categorising Risk**

The Association will ensure that all of its risks are categorised. The risk categories are intended to provide a means of grouping related risks within the risk register document, as risks are commonly not entirely independent from each other. This also has the aim of facilitating a structured approach to the overall risk management activities and enhancing risk reporting processes.

3.5 The main risk categories are:

- **External** – arising from the external environment, not wholly within the Association's control but where action can be taken to mitigate the risk.
- **Operational** – relating to the successful execution of existing operations – both current delivery and building and maintaining capacity and capability.
- **Change** – risks created by decisions to pursue new endeavours beyond current capacity.

Examples of categories include:

- **External** – Political, Economic, Social Cultural, Technological, Legal, Environmental, Regulatory.
- **Operational** – Delivery, Capacity, Capability.
- **Change** – New projects, Policies, Change programmes.

3.6 Assessing Risks

The accurate and timely identification, assessment and reassessment of risk(s) is a critical activity endorsed within this Policy as is the communication of these risks within and where relevant externally to the Association.

3.7 Risk assessment is the process in which risk(s) are scored and ranked. The purpose of which is to determine and identify the most appropriate course of action to take. It is also to ensure that each risk exposure is managed effectively and that key strategic risks are easily and efficiently reported to the Association Management Committee.

3.8 By scoring and ranking risks, the Association is better able and informed to prioritise its response. It also assists to highlight and bring to the urgent attention of the Senior Management Team and Management Committee, those risks which have the highest Residual Risk scores which by their very nature have a serious or major impact and a high likelihood or very likely probability of occurring.

3.9 There are three important principles for assessing risks:

1. Ensure that there is a clear structure to the process so that both likelihood and impact are considered for each risk.

2. Record the assessment of risk in a way which facilitates monitoring and the identification of risk priorities.

3.10 Be clear about the difference between inherent and residual risk.

To evaluate risks, all risks should be scored in terms of their likelihood and potential impact using the following scale.

Probability Score		**Impact Score**	
1	Very Unlikely	1	Insignificant
2	Unlikely	2	Minor
3	Possible	3	Moderate
4	Likely	4	Major
5	Almost Certain	5	Fatal/Catastrophic

3.1.1 The overall risk score will be the sum of the probability and impact scores added together and expressed as a percentage.

3.12 Risk Appetite

The aim of the Risk Management Strategy is not to remove but to recognise that some level of risk will always exist. It is recognised that taking risks in a controlled manner is fundamental to innovation and the building of a can do culture which is fundamental to the continued success of the Association.

3.13 Risk appetite is the amount of risk that the Association is prepared to accept, tolerate or be exposed to at any point in time. Risk appetite can be expressed as a boundary, above which the organisation will not tolerate the level of risk and further actions must be taken:

3.14 The following impact and likelihood criteria will be used to review, assess, calculate and allocate risk scores:

			Assessment of Risk				
Impact	Fatal/ 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	2	3	4	5
			Very Unlikely	Unlikely	Possible	Likely	Almost Certain
			Probability				

Key	
Severe	Unacceptable level of risk exposure which requires immediate corrective action to be taken.
Major	Unacceptable level of risk exposure which requires constant active monitoring and measures to be put in place to reduce exposure.
Moderate	Acceptable level of risk exposure subject to regular active monitoring measures.
Minor	Acceptable level of risk subject to regular passive monitoring measures.
Insignificant	Acceptable level of risk subject to periodic passive monitoring measures.

3.15 The risk appetite is monitored by the inherent and the residual risk assessment figures. Generally the Association will manage closely all residual risks scoring **MODERATE** and **MAJOR** - but will not wish to tolerate risks scoring as **SEVERE**. The Association's risk appetite is not necessarily static. The Management Committee may vary the amount of risk which it is prepared to take depending on the circumstances surrounding the specific risk area.

3.16 The Management Committee shall focus on the monitoring of risks which are seen to have the greatest impact on the business, notably those with inherent risks greater than 60%. The Management Committee has also given delegated authority to the Audit Sub-committee to review and monitor the risk register in its entirety and make recommendations as required.

3.17 Further detail of the risk descriptors are highlighted at **Appendix 2** and details of the key components attached to Risk Management are attached at **Appendix 3** of this Policy.

4. Risk Monitoring and Review

4.1 It is the responsibility of the Senior Management Team to ensure that timely and accurate risk and assurance reporting processes are operated and that the Management Committee are kept fully informed of the key strategic risks faced by the Association and of the risk actions being taken/implemented to address them.

4.2 Responsibility for each risk must be assigned to an owner who is responsible for ensuring the risk is managed and monitored over time.

4.3 **Risk Register**

The risk register documents the risk assessment in order to:

- Facilitate the identification of risk priorities.
- Capture the reasons for decisions made about what is and what is not tolerable exposure.
- Record the way in which it is decided to address risk.
- Allow all those concerned with risk management to see the overall risk profile and how their areas of particular responsibility fit into it.
- Facilitate the review and monitoring of risks.

4.4 **Reviewing and Reporting Risks**

The management of risks has to be reviewed and reported on for two reasons:

- To monitor whether or not the risk profile is changing.
- To gain assurance that risk management is effective, and to identify when further action is necessary.

4.5 The review process will:

- Ensure that all aspects of the risk management process are reviewed at least once a year.
- Ensure that risks themselves are subject to review at least quarterly.
- Identify new risks and changes in already identified risks so that the change can be appropriately addressed.

4.6 The Risk Management Policy will be reviewed once every 3 years, initially by the Senior Management Team, followed by the Audit Sub-Committee and finally approved by the Management Committee. The Risk Register however will be a live document. The register will be formally reviewed and updated bi-annually by the Senior Management Team. The updated register will then be reviewed by the Audit Sub-Committee prior to submission to Management Committee and the relevant subsidiary Boards as required.

4.7 Each risk is assessed twice. Firstly the "Inherent" risk which is the exposure arising from a specific risk therefore mitigating action has been taken to manage it. Secondly the "Residual" risk which is the exposure arising from a specific risk after action has been taken to manage it and making the assumption that the action is effective.

4.8 **Evaluation of Risk**

The following diagram sets out typical elements of the risk management process:

4.9 The Management Committee is responsible for reviewing the effectiveness of internal control of the Association and the effectiveness of internal control based on information provided by the Senior Management Team.

4.10 When evaluating risk, the following criteria needs to be considered:

- Financial and value for money issues.
- Human resource issues – capacity, relations and others.
- Service delivery and quality of service issues.
- Public concern, trust or confidence issues.
- Degree and nature of risks to the public.
- Reversibility or otherwise of realisation of risks.
- The impact of the risk on the A Association (including its reputation), stakeholders, etc.
- Defensibility of realisation of the risk.

4.11 The impact descriptors, outlined above are however only an indication of the probable effect on the Association if the risk occurs; they are not hard and fast rules.

It is essential that staff use their knowledge and judgement when deciding on the score for impact. In particular, when assessing the financial impact staff and Management Committee members should take account of the potential cumulative effect of what might be considered smaller sums on the overall resource constraints of the Association.

4.12 A summary of the likelihood descriptors is as follows:

Almost Certain:	**Likelihood greater than 75%**
Very Likely. The event is expected to occur in most circumstances. There could be a history of regular occurrences, i.e. on an annual basis; and if new event, likelihood of occurrence regarded as almost inevitable.	
Likely:	**Likelihood greater than 50%**
There is a strong possibility the event or risk will occur. There may be a history of frequent occurrences. Everyone with knowledge of issues in this area knows this could happen. No or little effective measures to reduce likelihood can be and/or have been taken; and will probably occur in most circumstances.	
Possible:	**Likelihood between 10% and 50%**
The event might occur at some time. There could be history of casual occurrence. Most of the team know that the risk might occur and measures that reduce likelihood have been taken but are not full effective.	

Unlikely:	Likelihood between 1% and 10%
Not expected, but there's a slight possibility it could occur at some time. Some of the team consider this a risk that might occur. Conditions exist for this loss to occur, and probably requires more than two coincident events.	
Very Unlikely:	**Likelihood less than 1%**
Highly unlikely, but may occur in exceptional circumstances. It could happen, but probably never will, no experience of similar failure. Probably requires three or more coincident events and if it has happened, sufficient controls are now in place.	

4.13 A full outline of the impact descriptors are attached at **Appendix 2** of this Risk Management Strategy.

5. Addressing Risks

5.1 The purpose of addressing risks is to turn uncertainty to the Association's benefit by constraining threats and taking advantage of opportunities. The level of response required will be dependent and related to the level of Residual Risk exposure that remains following the risk assessment stage. This response needs to be proportionate to the level and material value of the risk and prioritised so that the organisation can more effectively manage and co-ordinate its risk management activities.

5.2 The Association will ensure that each risk is classified as follows:

TOLERATE	The exposure may be tolerable without any further action being taken. Even if it is not tolerable, the ability to do anything about some risks may be limited, or the cost of taking such action may be disproportional to the potential benefit gained.
TREAT:	By far the greatest number of risks will be addressed in this way. The purpose of treatment is that whilst continuing within the Association with the activity giving rise to risk, action (control) is taken to constrain the risk to an acceptable level.
TRANSFER:	For some risks the best response may be to transfer them. This might be done by conventional insurance, or it might be done by paying a third party to take the risk in another way. This option is particularly good for mitigating financial risks to assets.
TERMINATE:	Some risks will only be treatable, or confinable to acceptable levels, by terminating the activities.

TAKE THE OPPORTUNITY:	This option is not an alternative to those above; rather it is an option which should be considered whenever tolerating, transferring or treating a risk.

5.3 In reaching its conclusions and making decisions, the Management Committee should also consider the following:

Control Environment

- The Association's objectives and its financial and non-financial targets.
- Organisational structure and calibre of the Senior Management Team.
- Culture, approach and resources with respect to the management of risk.
- Scheme of delegation.
- Public reporting.

Ongoing Identification and Evaluation of Key Risks

- Timely identification and assessment of significant risks.
- Prioritisation of risks and the allocation of resources to address areas of high exposure.

Information and Communication

- Quality and timeliness of information on key issues and assurance providing activities.
- 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 problems.
- Commitment and speed with which corrective actions are implemented.

5.4 In all cases other than that of Tolerate, risk action(s) will be determined as deemed necessary to reduce the level of residual risk to that of the accepted risk. These actions will be incorporated into the Risk Register and priorities accordingly.

5.5 Once determined these actions will be mapped to the risk, so that the ongoing impact of this intervention and improvement can be measured and subsequently assessed and reassessed. These actions will consider the prevention, reduction or transferring of risk.

5.6 The Association recognises that risks can and do accumulate, this can occur over a short period of time and as such can make the combined impact and probability of the risk more significant upon the Association's activities and corporate objectives.

5.7 By definition, it is difficult to predict with absolute certainty how and when such an accumulation of risk may occur. To address this, the Association will:

- Consider the future exposure of cross functional and subsidiary operational risks as part of the risk review processes.

- Ensure that all risks are cross referenced, especially new or emerging risks, so that the Senior Management Team and the Management Committee can consider the full impact of any changes in risk actions.

- Allocate responsibility to nominated Managers to assess and validate cross functional risks.

6. Internal Audit

6.1 The Audit Subcommittee on behalf of the Management Committee and Association, determine and appoint an independent Internal Auditor. The primary focus of the Internal Auditor will be to review, strengthen and improve the Association's System of Internal Control and this includes a review of the appropriateness of the Association's Risk Management and Assurance monitoring and reporting processes.

6.2 The Internal Audit function has a central role in reviewing the governance, risk and control issues within the Association. Specifically in relation to risk management, the internal auditor provides assurance of content and of process to the Management Committee.

6.3 The functions and reviews carried out by the Internal Auditor will complement the actions of the Senior Management Team and will be used to independently review and test the adequacy and effectiveness of this Policy. The appointment and existence of the Internal Auditor does not reduce or otherwise affect the responsibilities of Association Management Committee or the Senior Management Team.

6.4 Internal Audit plays a key role in evaluation of effectiveness of, and recommending improvements to, the risk management process. This is based on the systematic review and evaluation of the policies, procedures and operations in place to:

- Establish and monitor the achievement of the organisation's objectives.
- Identify, assess and manage the risks to achieving the organisation's objectives.
- Advise on, formulate, and evaluate policy.
- Ensure the economical, effective and efficient use of resources.
- Ensure compliance with established policies, procedures, laws and regulations.
- Safeguard the organisation's assets and interests from losses of all kinds, including fraud, irregularity or corruption.
- Ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes.

6.5 In addition, Internal Audit aims to add value through:

- Supporting and facilitating the identification of risks and the development of processes and procedures to assess and effectively respond to risks.
- The identification and recommendation of potential process improvements.
- The provision of advice to manage risks in developing systems, processes, projects and procedures.
- The provision of best practice advice to all areas of the business, and encouraging best practice and encouraging continuous improvement.

6.7 The Internal Auditor will plan, prioritise and report to the Association Audit Sub-Committee and discuss and clarify any disclosure, issues or concerns.

7. Implementation

7.1 Provanhall Housing Association Management Committee

The Management Committee of Provanhall Housing Association has ultimate responsibility and accountability for the management of risk. Management Committee determines the Association 'appetite for risk' in conjunction with the Senior Management Team. The role can be further explained as follows:

- Agreeing the risk management framework within the Association.
- Setting the risk appetite for the Association.
- Directing the risk strategy.
- Receiving reports and demanding action where appropriate.
- Reviewing assurance providing mechanisms to ensure that actions to mitigate risks are operating effectively.

- Annual review of the Association's approach to risk management, approving any proposed changes to the core aspects of the strategy and associated procedures.

7.2 The Provanhall Housing Association Management Committee approves operational responsibility for risk management as follows:

Audit Sub-Committee

The Audit Sub-Committee has responsibility for the design of risk management and assurance reporting processes and for ensuring effective systems for risk management are in place in conjunction with the Senior Management Team.

Internal Audit

The Association will appoint an Internal Auditor to review, strengthen and improve the internal systems of risk control and provide an independent assessment of the adequacy of this Policy. An annual report will be produced by the Internal Auditor which will provide an opinion on the Association's Risk Management and Internal Control systems.

Senior Management Team

The Senior Management team is led by the Director and has responsibility for:

- Implementing policies on risk management and internal control.
- Identifying and evaluating the key inherent risks faced by the Association. These risks will be set out in a "risk register" (see Appendix 2).
- Providing adequate, timely information to Management Committee and its sub committees on the status of risk and controls and providing assurance that risks are being effectively mitigated.
- Undertaking an annual review of the effectiveness of the system of internal control and providing a report to Management Committee.

The Senior Management Team has two main roles in relation to the risk management process, notably: responsibility for the co-ordination of the risk management review and liaison with the stakeholders on the transfer of risks to insurers, where appropriate.

7.3 The Management Committee shall satisfy itself that the risk management process is effective, taking advice from the Senior Management Team and internal auditor. Advice shall also be obtained from the external auditor as part of the review of governance in the annual audit. The Director shall submit a brief report to

Management Committee each year, outlining its work in this area and the conclusions reached.

7.4 It is noteworthy, that all employees within the Association have a collective responsibility for the proactive management of risk and to alert the Director and Senior Management Team of any risks they believe are uncontrolled or any negative impacts of risk activity that is permitted within the Association’s risk thresholds. This responsibility is embedded and communicated to all new employees as part of the Association’s induction programme.

8. Review

8.1 The Risk Management Policy will be reviewed every three years (from the date of approval) by the Provanhall Housing Association Management Committee. The review process will ensure its continuing suitability, adequacy and effectiveness or as required by the introduction of new legislation or regulation that impacts on the Association’s obligations in regard to risk management, changes to the Association’s business practices or in the light of management system changes.

Appendix 1 - Glossary of Risk Terms

When putting in place a structure for the analysis and management of risk, it is important that the organisation uses a common risk language. The following table sets out some definitions for the Association's risk management activities.

Assurance	An evaluated opinion, based on evidence gained from review, on the organisation's governance, risk management and internal control framework.
Embedding risk management	The identification and management of risk becomes part of *'business as usual'* within the Association.
Exposure	The consequences, as a combination of impact and likelihood, which may be experienced by the organisation if a specific risk is realised.
External Risk	External risks arise when there are external forces that could either put the Association out of business or significantly change the assumptions that drive its overall objectives and strategies.
Financial Risk	Risk related specifically to the financial aspects of the business and the underlying business processes.
Impact	The probable effect on the organisation if the risk occurs.
Information Risk	Risks arising from the Association making decisions, based on information which is in some way flawed.
Inherent Risk	The risk that arises from engaging in an activity. It is the risk that exists before any mitigation (risk treatment action is taken).
Likelihood	The probability or chance of the risk occurring.
Operational Risks	Those risks associated with all the on-going day-to-day management of the business. This will include the risks around the business processes employed to meet the business objectives.
People Risks	Risks arising from the fact that people can make both inadvertent and deliberate errors in carrying out their day-to-day tasks.
Residual Risk	The remaining levels of risk after treatment measures have been taken. If it falls within the organisation's risk tolerance, then residual risk is acceptable; if it falls outside, then other actions may be needed.
Risk	The threat that an event of action will adversely affect the Association's ability to maximise stakeholder value and to achieve its business objectives. Risk arises as much from the possibility that opportunities will not be realised as it does from the possibility that threats will materialise or that errors will be made.
Risk Appetite	The amount of risk that an organisation is prepared to accept, tolerate, or be exposed to at any point in time.

<table>
<tr><td>Risk Assessment</td><td colspan="2">The evaluation of risk with regards to the impact if the risk is realised, and the likelihood of the risk being realised.</td></tr>
<tr><td>Risk Management</td><td colspan="2">A logical and systematic method of identifying, analysing, assessing, treating, monitoring and communicating risks in a way that will enable the Association to minimise losses and maximise opportunities.</td></tr>
<tr><td>Risk Register</td><td colspan="2">The documented and prioritised overall assessment of the range of specific risks faced by the Association.</td></tr>
<tr><td rowspan="2">Risk Treatment</td><td colspan="2">The selection and implementation of appropriate options for dealing with risks. These may include:</td></tr>
<tr><td>- Risk Acceptance
- Risk Transfer (e.g. insurance)
- Risk elimination</td><td>- Risk increase
- Risk reduction
- Risk avoidance</td></tr>
</table>

Appendix 2 – Impact Descriptors Explained

Description	Financial Impact	Health & Safety	Asset Loss	Business Interruption	Reputation and Image	Corporate Objectives/ Performance	Intervention
Insignificant	0.5% of either a Capital or Revenue budget.	No or only minor personal injury. First Aid needed, but no days lost.	Little or no impact on assets.	Interruption negligible; less than ½ day. Critical systems unavailable for less than an hour.	Minor article in local media or website (story unsubstantiated).	Workaround required, within Association resources.	Relevant Manager intervenes.
Minor	2.5% of only either a Capital or Revenue budget.	Minor injury, medical treatment and some days lost.	Minor loss or damage to assets.	Interruption inconvenient; ½ - 1 day lost. Critical systems unavailable for several hours.	Headline article in local media or housing press (Substantiated story).	Additional resources requiring Senior Team authorisation or delay in achieving part of an objective.	Relevant Manager intervenes.
Moderate	5% of either a Capital or Revenue budget.	Serious medical treatment, hospitalisation and numerous days lost.	Major damage to assets.	Interruption 1 day to 1 week. Client dissatisfaction; Critical systems unavailable for up to 1 day.	Headline article in media (story substantiated and publicly embarrassing).	Major compromise in objectives. Variation in achievement of key objectives.	Director intervenes.

Description	Financial Impact	Health & Safety	Asset Loss	Business Interruption	Reputation and Image	Corporate Objectives/ Performance	Intervention
Major	10% of only either a Capital or Revenue budget.	Extensive injuries or long term illness.	Significant loss of assets.	1 week to 1 month. Critical systems unavailable for 1 day or a series of prolonged outages.	Short term campaign against Association (story substantiated, publicly embarrassing with third party actions.	Elements of objectives abandoned and fail to meet needs of a tenants and housing requirements.	Director intervenes.
Fatal/ Catastrophic	20% of either a Capital or Revenue budget.	Fatalities or severe permanent disabilities.	Complete loss of assets.	Interruption more than 1 month. Critical systems unavailable for more than a day (at a crucial time).	Prolonged media campaign against the Association. Story substantiated, publicly embarrassed with third party action and widespread news profile.	Unable to deliver organisational objectives. Widespread failure to meet housing and tenant needs.	Management Committee intervenes.

Appendix 3 - Key Activities within the Risk Management Process

Risk Management incorporates 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 key risks are a series of policies that underpin the internal control process. The policies are set by Management Committee and are implemented and disseminated throughout the Association by the Senior Management Team. Written guidance supports these policies.
Monthly Reporting	Comprehensive monthly reporting is designed to monitor key risks and their controls. Decisions to rectify problems are made at regular meetings of the Senior Management Team or by the Management Committee or Boards as appropriate.
Business Planning and Budgeting	The business planning and budgeting process is used to set objectives, agree action plans and allocate resources. Progress towards meeting business plan objectives is monitored regularly by the Senior Management Team and Management Committee. The Association has the relevant funding in place to deliver its planned maintenance programme, meet its SHQS obligations, cover additional pension costs, etc. Therefore much of our financial risks have been carefully planned and significantly mitigated. The Association's revised 30 year financial model has been tested and performs very well with scope to deal with unexpected events in future years.
Risk Register	The Risk Register is compiled by the Senior Management Team in liaison with Management Committee, and helps to facilitate the identification, assessment and ongoing monitoring of risks significant to the Association. The document is formally appraised annually but emerging risks are added as required. The Senior Management Team also reviews the document bi-annually. Improvement actions and risk indicators are monitored regularly.
Department/ Team Framework	Each departmental manager has their own monitoring framework to ensure that key risks within their department are identified, assessed and controlled. The framework is formally appraised annually and any emerging risks are contained as required. Reference is made to key performance indicators which allow the department to identify any improvement action that is required and to report to the Senior Management Team and Management Committee as appropriate.

Internal Audit Programme	Internal Audit is an important element in the internal control process as it provides assurance to management that controls are operating effectively and/or alerts management to any control weaknesses identified. Internal Audit is responsible for carrying out individual assignments to enable the delivery of proactive advice to Management Committee. The internal audit programme will address the key risks within the Association. Within an annual report to the Management Committee, the internal auditor shall provide a specific comment upon his/her annual review of the internal control system and their professional opinion on the effectiveness of the internal control system, and the extent to which it can be relied upon.
External Audit	External Audit provides feedback to the Audit Sub-Committee on the operation of those aspects of the internal control system reviewed as part of the annual audit. They shall also provide a comment on the general governance arrangements within the Association.
Business Continuity Planning and Disaster Recovery	Interruption of the Association's business threatened by any emergency events will be avoided via the procedures of its disaster recovery plan.
Third Party Reports	From time to time the use of external consultants will be necessary in areas such as health and safety, development, and human resources. The use of specialist third parties for consulting and reporting can increase the reliability of the internal control system.
Scottish Housing Regulator (SHR)	The SHR issued a Regulatory Advice Note highlighting emerging risks for Housing Associations in November 2013. The Association's business planning and risk register deals with those emerging risks that may affect the Association. The Regulatory Advice Note sets out expectations as to how Registered Social Landlords (RSLs) should comply with Regulatory Standard 3. This requires the governing body of each RSL to manage its resources to ensure financial well-being and economic effectiveness.

Appendix 4

Risk Management Appetite & Model

Risk Management Appetite

PHA undertakes regular reviews of our risk management to ensure that itis fit for purpose and that our corporate objectives are achievable.

As part of this we have produced a detailed operational risk register which allows PHA to manage risks effectively.

In determining what is the best action to take consideration will be given to the risk appetite of PHA. This basically means that we will determine whether wewill have a low, medium, or high appetite and depending on this appetite what technique we will utilise to either avoid, prevent, retain, cover or transfer the risk.

The higher the appetite the more risk we will take (retain risk) whereas the lower the appetite the more risks we will avoid (avoid).

Risk Management Model

We will focus on risks peculiar to PHA supported by a risk model aimed at identifying, ranking and assigning the responsibility of risk within PHA. To ensure all significant risk areas are identified PHA will seek input from Board and senior staff members.

The model that we will follow examines the likelihood of a situation occurring alongside the impact on the business should this occur. This assessment will be examined twice, once prior to any control measures and secondly once the control measures are in place. The following scoring matrix is used to determine the overall risk rating.

Likelihood	
Almost Certain	5
Likely	4
Possibly	3
Unlikely	2
Rare	1
Blank	0

Impact	
Catastrophic	5
Major	4
Moderate	3
Minor	2
Insignificant	1
Blank	0

Thereafter a rating is determined which outlines whether the risk is low, medium, or high and this is indicated by a traffic light system key for ease of reference:

Combined Scores	Key	Monitoring
1 to 8	Low	Annually
9 - 14	Medium	Twice per Annum
15 - 25	High	Quarterly

PHA will retain the risk register in its entirety (for audit purposes and to monitor movement in risks) however will undertake reviews by the Audit Committee only on areas of strategic High Risk.

Formal six monthly staff reviews will be undertaken on Medium Risk and annually on Low Risk items.

As part of the 6-monthly or annual reviews staff will report any strategic risk that has moved into the high-risk category.

The assessment (likelihood and impact) will consider the risk appetite of PHA. The current risk appetite of PHA is detailed below.

During the first year of this plan further work will be undertaken to carry out an assessment of risk in comparison to our risk appetite.

RISK APPETITE

Risk Category	Risk Appetite
Financial	Low
Governance	Low
Housing Management	Medium
Stock Condition	Low
Technological	Medium
Legal/ Reputational	Low
Strategic Intent	Medium
Supply Chain	High
Health and Safety	Low
Political	High
Economic	Medium
Social	Medium
Legislative/ Regulatory	Low
Environmental	Medium
Performance Management	Medium
Customer	Medium
Managerial/ Professional	High
Partnership/ Contractual	Medium