

Strategy on:	Risk Management
Compliant with Charter Outcomes and Standards:	Yes
Compliant with Equalities:	Yes – Equalities Impact Assessment completed.
Compliant with Business Plan:	Yes
Compliant with Risk:	The Risk Management Strategy is a key document, supporting robust governance, identifying strategic risks, supporting proactive mitigation across our services.
Approved by Board:	March 2023
Date for Review:	March 2026
Responsible Officer:	Director

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1. Policy Purpose

The purpose of the Risk Management Strategy is to ensure that, in conjunction with the Business Plan, the Management Board and staff team effectively consider all aspects of risk. This strategy sets the basis for action.

The Board, supported by the Audit Committee, has ultimate responsibility for ensuring that appropriate risk assessments are carried out on all aspects of the business, and where necessary mitigating action is taken.

2. What is Risk?

Risk is defined as the uncertainty of outcome, whether positive opportunity or negative threat, of action and events with reference to the Association's objectives. Certain factors involving risk are external to the Association but can and should be considered by Board and Staff. Risk has to be assessed in respect of the combination of the likelihood of something happening, and the impact that arises if it does happen.

The resources available for managing risk are finite and so our aim is to achieve an optimum response to risk, prioritised in accordance with our evaluation of the risks. We use the term 'risk appetite' to refer to the amount of risk which we are prepared to accept, tolerate, or be exposed to at any point in time.

Risk management is the process by which we:

- Identify risks in relation to the achievement of Strategic and Departmental Objectives.
- Assess their relative likelihood and impact.
- Respond to the risks identified, considering our assessment of risk.
- Assess all tolerance of risk and the assurance levels of the controls.
- Review, monitor and report on risks – ensure the Risk Map is up to date to gain assurance that responses are effective, and identify when further action is necessary.

The goals of risk management are to:

- Take a proactive approach, anticipating and influencing events before they happen.
- Facilitate better informed decision making.
- Protect and promote the organisation's reputation.
- Improve contingency planning.
- Support effective use of resources.
- Address uncertainty in a structured, orderly, unambiguous and timely manner.

The management of risk can be a complicated process, balancing several interwoven elements which interact with each other. It is essential that the risk management

process is embedded with operational activities and informs the Association's management.

3. Identifying Risks

Identifying risks is the first step in building the Risk Map. The process of identifying and defining risks establishes common understanding of the risks, and, therefore, better capability to respond appropriately.

In addition, senior management undertake regular environmental scanning so that potential new strategic risk issues that arise between strategy reviews are brought to the Audit Committee and the Board's attention through appropriate reports. The Audit Committee will undertake a minimum of two detailed reviews of the Risk Map each year. The Risk Map will be a live document with opportunities to update it on an ongoing basis as the risk environment changes, together with formal reviews. The Audit Committee recommend the Risk Map to the Board for review/approval once per year.

The Senior Management Team have responsibility for identifying relevant **operational risks** against relevant Business Plan objectives and priorities. These risks are then clearly set out and prioritised within operational Risk Maps.

When identifying and defining risks, the following guidelines should be followed:

- Risks should be related to the Association's objectives.
- A statement of risk should encompass the cause of the impact, and the impact/effect to the objectives which might arise.
- Risks should be documented at a level where a specific impact can be identified.

Understanding the most important "causes" helps formulate the best possible actions to manage an uncertainty, 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.

Through the Business Plan Strategy Review process, the Board considers possible **strategic risks** which could impact on the business, with advice from senior managers and expert external consultants.

The Risk Map identifies risks under strategic categories being:

- Governance
- Finance
- Health and Safety
- Asset Management
- Political
- ICT

- Human Resources
- Development

4. Assessing Risks

There are five important principles for assessing risks:

- Ensure that both likelihood and impact are considered for each risk.
- Record the assessment of risk in a way which allows the identification of risk priorities.
- Be clear about the difference between inherent (the risk before controls is considered) and residual (the risk after the controls are considered) risk.
- Avoid confusing causes with risks.
- Be clear and proportionate about the assurance levels of the controls.

For each risk an assessment should be made of the likelihood of it occurring and the relative impact if it does. The more clearly risks are defined at the identification stage, the more easily they can be assessed. Likelihood is the probability or chance of the risk occurring and impact is the probable effect on the Association if the risk occurs.

Some exposures are simpler to deal with than others. For example, financial risks are often easier to consider and assess than those associated with risks to the Association’s reputation or its ability to provide a service. Where feasible, past events may provide a useful input to assess risks. While the risk identification and assessment is primarily aimed at those events that may occur within the planning period, we should not ignore risks that are more long term.

All risks should be scored in terms of their likelihood and potential impact using the following five-point scale. The score for the likelihood and impact are calculated to give an overall risk assessment:

Likelihood		Severity of Impact	
Score	Description	Score	Description
1	Rare	1	Insignificant
2	Unlikely	2	Minor
3	Possible	3	Moderate
4	Likely	4	Major
5	Almost certain	5	Catastrophic

Each risk is assessed twice. Firstly the “**Inherent**” risk, which is the exposure arising from a specific risk before any controls or 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 assuming that the action and controls are effective.

5. Addressing Risks

The purpose of addressing risks is to turn uncertainty to the Association's benefit by constraining threats and taking advantage of opportunities. The appropriate response to each risk will depend on its nature and the outcome of the risk assessment. The degree of attention required should be proportionate to the level of risk and the cost and benefits involved in any action taken to reduce the risk. For each risk, the key activities designed to manage the exposure must be defined to support tracking and monitoring of the nature of the risk concerned. This must include both the risk at the time of the review – the controls in place at the time of the 'Before' assessment, and the action planned in the light of the 'After' assessment, including a target date for implementing the planned action.

There are four key aspects of addressing risk: **[Note the first three can run concurrently]**.

1. **TOLERATE:** the exposure may be tolerable without any further action being taken. Even if it is not tolerable, ability to do anything about some risks may be limited, or the cost of taking any action may be disproportional to the potential benefit gained. In these cases, the response may be to tolerate the existing level of risk.
2. **TREAT:** by far the greatest number of risks will be addressed in this way. The purpose of treatment is that whilst continuing within the organisation with the activity giving rise to the risk, action (control) is taken to mitigate the risk to an acceptable level.
3. **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.
4. **TERMINATE:** some risks will only be treatable, or confinable to acceptable levels, by terminating the activities.

6. Risk Scoring

Risks are scored for likelihood and impact using the framework set out in section 4 above. This generates a combined overall score for the risk, both at the inherent "before" level, and the residual, mitigated "after" level. The overall score is then assigned a Red/Amber/Green rating.

Risk Scoring Matrix

Likelihood	Event is expected to occur in most circumstances	>90%	Almost Certain	5	5	10	15	20	25
	Event will probably occur in most circumstances	50-90%	Likely	4	4	8	12	16	20
	Event should occur at some time	30-50%	Possible	3	3	6	9	12	15
	Event could occur at some time	10-30%	Unlikely	2	2	4	6	8	10
	Event may occur in only exceptional circumstances	<10%	Rare	1	1	2	3	4	5
					1	2	3	4	5
					Insignificant	Minor	Moderate	Major	Catastrophic
					Impact				

7. Risk Appetite

The aim of the Risk Strategy is not to remove all risk but to recognise that some level of risk will always exist. Indeed, it is recognised that taking risks in a controlled manner is fundamental to innovation and the building of a “can do” culture. Risk appetite is the amount of risk that the organisation is prepared to accept, tolerate or be exposed to at any point in time.

Our risk appetite is the boundary, above which we will not tolerate the level of risk and further actions must be taken. Our Risk Map, and mitigation, will help inform our decision-making on risk appetite.

We assess risk appetite as follows:

Appetite	Meaning
Averse	Avoidance of risk and actions associated with the risk

Minimal	Preference is for ultra-safe business delivery options that have a low inherent risk and support the delivery of priorities and objectives.
Cautious	Willing to consider actions where benefits outweigh risks. Processes/oversight and monitoring arrangements enable cautious risk taking.
Open	Willing to consider all potential delivery options and choose one that is most likely to result in successful delivery as well as acceptable level of reward and value for money.
Eager	Keen to be innovative and to choose options that offer potentially higher business rewards, despite greater inherent risk

The level of risk appetite varies with the category of risk. Appendix 1 gives an indication of how appetite varies across each category of risk, assisting Board Members to identify risks where our risk appetite is low, but risk scores remain comparatively high after mitigation.

For each risk identified in the Risk Map, the appetite should be documented, and the current mitigated risk score assessed against the appetite to provide a view on Tolerate/Treat/Transfer/Terminate and further action to be taken.

8. Risk Roles and Responsibilities

Board

The Board has responsibility for ensuring that the Association meets its statutory and regulatory duties, fulfils the aims and objectives set out in our Rules, and for promoting the efficient and effective use of staff resources. The Management Board shall demonstrate high standards of corporate governance at all times, including using the Audit Committee to help address the key risks facing the Association.

Audit Committee

The Audit Committee is responsible for ensuring proper arrangements exist for risk management and internal control. It considers and advises the Board on:

- The strategic processes and policies for risk, control, and governance.
- The promotion, co-ordination and monitoring of risk management activities, including regular review of the corporate Risk Map. This will include setting risk appetite in the Risk Map with strategic oversight of this provided by the Management Board.
- Assurances relating to the adequacy and effectiveness of risk control and governance.

The Audit Committee will be provided with:

- A minimum of biannual reports summarising any significant changes to the Risk Map.

Director

In managing risk, the Director is responsible for ensuring that:

- A system of risk management is maintained to inform decisions on financial and operational planning and to assist in achieving objectives and targets.
- The Management Board and Audit Committee are involved in the risk management system.
- The Risk Map is maintained and regularly updated.

This includes:

- Setting and communicating the Risk Strategy.
- Providing leadership over the risk process.
- Regularly reviewing the Risk Map
- Conducting an annual review of the effectiveness of the system of internal control.

The Director is personally responsible for safeguarding the funds for which he/she has charge; for ensuring propriety and regularity in the handling of those funds; and for the day-to-day operations and management of the Association.

Senior Management Team

The Senior Management Team works with managers in delegating effective risk management in their areas of responsibility.

They are responsible for delegating the management of risks to identified staff. They are also responsible for developing and implementing the process and maintaining the Risk Map document. The Head of Corporate Services, in conjunction with the Director, will be responsible for ensuring the Risk Map is kept up to date and submitted to the Audit Committee.

Managers

Everyone with a line or project management role is responsible for assessing and communicating risks within their sphere of responsibility, including judging when a risk should be considered for inclusion in the Risk Map.

All staff

Whilst this strategy document sets out defined processes for managing corporate risk, successful risk management can only be accomplished on a day-to-day basis

by staff at all levels through their working practices; it does not simply rely on corporate policies and management structures.

Risk management is the responsibility of every member of staff and virtually everyone has a role in carrying out appropriate risk management by supporting risk identification and assessment and designing and implementing risk responses. This will be achieved through communication briefings, team meetings and one-to-one sessions.

Internal Audit

The Internal Audit function plays a key role in evaluating the 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 Association's objectives.
- Identify, assess, and manage the risks to achieving the Association's objectives.
- Advise on and evaluate policies.
- Ensure the economical, effective, and efficient use of resources.
- Ensure compliance with established policies, procedures, laws and regulations.
- Work collaboratively with External Auditors, to safeguard assets and interests from losses of all kinds, including fraud, irregularity, or corruption.
- Ensure the integrity and reliability of information.

In addition, Internal Audit aims to add value through:

- Supporting 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 projects, and procedures.
- The provision of advice to all sections of the Association, encouraging best practice and supporting continuous improvement.

9. Reviewing and Reporting Risks

The management of risks must 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.

The review mechanism consists of:

- A bi-annual revaluation of the existing risks and the identification of new risks

The reporting mechanism consists of:

- The reporting to the Audit Committee the results of the bi-annual review
- Reporting annually to the Board

Should circumstances change and significant new risks arise reporting time spans will be shortened. Similarly, new risks can be added to the Map at any time.

In addition to the mechanism of monitoring and reviewing the Risk Map, the Association has the following other internal control and assurance mechanisms:

- The Internal Audit firm provides a written report every year to the Audit Committee outlining their opinion of the overall adequacy and effectiveness of the organisation's risk management, control and governance processes.
- As a part of its work, the Association's External Auditors examine and comment on the Board's Statement of Internal Control.

10. Communication and Learning

Communication and learning is not a distinct stage in the management of risk; rather it is something which runs through the whole process. The identification of new risks or changes in risk is itself dependent on communication.

Externally, the organisation needs to maintain a good network of communications with relevant contacts and sources of information to facilitate identification of changes which affect the Association's Risk Map.

Internally it is important to embed risk management, ensuring that all staff understand, in a way appropriate and relevant to their role, what the risk strategy is and their role in managing risks and keeping the Risk Map up to date.

To do this team meetings are used to promote increased awareness and understanding of corporate and operational risks and risk management performance issues and training is given.

Communication with partner organisations about risk issues is essential to ensure understanding of respective risk priorities.

11. Environment and Context

The Association's activities are impacted by the macro economy, the housing markets, and wider cultural and social factors relating to housing. We also need to be sensitive to stakeholder expectations, in the housing and related sectors, and amongst our end users - the beneficiaries of our affordable housing activities.

Our relationship with the Scottish Government and East Ayrshire Council is fundamental to our purpose. We explicitly consider risk management in policy making, aiming to include a proportionate and wide-ranging consideration of risk prior to policy proposals.

12. Equalities

This document is available in different formats on request and meets the requirements of the Equalities Act 2010.

13. Review

This policy should be reviewed within three years unless required earlier due to changes in the law, regulation, best practice, or requirements of the Association.

Appendix 1 - Risk Appetite by Category of Risk

Category	Averse	Minimal	Cautious	Open	Eager
Overarching definition	Avoid actions associated with risk. No decisions to be taken outside of processes and monitoring arrangements.	Willing to consider low risk actions which support delivery of priorities and objectives.	Willing to consider actions where benefits outweigh risks.	Receptive to taking difficult decisions when benefits outweigh risks.	Ready to take difficult decisions when benefits outweigh risks.
Governance	Minimal tolerance for any decisions that could lead to scrutiny of the Association.	Tolerance for risk taking limited to events where there is no chance of any significant repercussion for the organisation.	Tolerance for risk taking limited to events where there is little chance of significant repercussion for the Association from failure.	Appetite to take decisions with potential to expose the Association to additional scrutiny, but only where controls in place to minimise exposure.	Appetite to take decisions that are likely to bring the Association under scrutiny, but where the benefit outweighs the risk.
Finance	Avoidance of financial loss is key.	Only prepared to accept the possibility of very limited financial loss if essential.	Seek safe delivery options with little opportunity for financial loss.	Prepared to invest for benefit with minimal risk of financial loss.	Prepared to act for best possible benefit and accept possibility for financial loss.
Health & Safety	Zero appetite for actions which result in breach of rules. No risk of injury accepted.	Tolerance only for extremely limited risk of non-compliance.	Tendency to stick to the status quo – innovations generally avoided unless necessary.	Innovation supported where benefit can be demonstrated.	Innovation pursued – desire to challenge current working practices.

Category	Averse	Minimal	Cautious	Open	Eager
Asset Management	Strict avoidance of anything which risks fabric of property.	Only essential work undertaken to maintain current condition.	Established methodologies used to deliver property improvements.	Appetite to try new technologies for assets where benefit exceeds risk of loss.	New asset management technologies embraced to stay ahead, where benefits outweigh risks.
Political	Zero appetite for actions that could impact the reputation of the Association.	Risk taking limited to events where there is no chance of significant repercussion to the Association.	Appetite limited to events where there is little chance of significant repercussions for the Association.	Appetite to take decisions which expose the Association to additional scrutiny but only where steps are taken to minimise the exposure.	Appetite to take decisions which bring additional scrutiny where potential benefits outweigh the risks.
ICT	General avoidance of systems/technology developments.	Only essential systems/technology developments to protect current operations.	Consideration given to established/mature systems and technology improvements.	ICT developments considered to enable improved delivery.	New technologies embraced as a key enabler of operational delivery.
Human Resources	Avoidance of anything out with established working practices.	Essential changes only to maintain current delivery of services.	Seek safe and standard people policy.	Prepared to invest in our people to create an innovative mix of skills.	Innovation pursued. Desire to break the mould and challenge current working practices.
Development	Defensive approach – aim to maintain and protect rather than create or innovate.	Development avoided unless essential.	Development generally avoided unless necessary.	Development supported where it meets requirements.	Dynamic options embraced to meeting development agenda.