

## Section 9: Risk Management (August 2024)

The Association's takes a comprehensive approach to risk management. Risk is considered in all areas of work and in all decisions being made. The Association is not completely risk averse but wishes to keep risk at an economically manageable level. The Association will consider its appetite for risk at each review of the risk register and when considering new opportunities and threats and deviations from existing work patterns. The long term viability of the Association to provide services for its existing and future tenants and customers will always be at the forefront in determining an acceptable level of risk.

Reporting on risk will be as follows:

- Reporting Quarterly to Feb, May, Aug, Nov CoM.
  - Reporting to Committee on:
    - the top scoring risks (those scoring 10 or more on revised score).
    - risks that have had the largest movement in score from previous.
  - The full risk register to be available to Committee at all times so that any member could undertake a more in depth review should they wish to.
  - Auditors to be asked to consider risk register 6 monthly as at present.
- All reports to Committee will consider risk and include in the report cover anything identified.
- Key indicators with respect to operational risks such as rent arrears, void loss etc. will be reported quarterly at the Committee of Management meeting – more often if any specific area of concern identified.
- Ad hoc reports will be provided at the earliest opportunity to the Management Committee on any events arising which result or are likely to result in increased risk, material loss, damage or injury to the Association.

The risk register/matrix is an integral part of the Business Plan process and documentation. It will include the:

- Risk category – Governance & Human Resources (including strategic), Housing Services (housing management & maintenance), Finance & Corporate Services;
- Hazard - what is the actual risk identified;
- Possible consequences if risk happened;
- Likelihood score before mitigation controls;
- Impact score before mitigation controls;
- Total risk score before mitigation controls;
- Mitigation control measures;
- Revised likelihood score after mitigation controls;
- Revised impact score after mitigation controls;
- Revised total risk score after mitigation controls;
- Risk owner (for day to day management);
- Planned actions.

The risk matrix is prioritised on a scoring methodology as below.

### Quantifying Risks

<b>Impact</b>	<b>5</b>	<b>5</b>	<b>10</b>	<b>15</b>	<b>20</b>	<b>25</b>
	<b>4</b>	<b>4</b>	<b>8</b>	<b>12</b>	<b>16</b>	<b>20</b>
	<b>3</b>	<b>3</b>	<b>6</b>	<b>9</b>	<b>12</b>	<b>15</b>
	<b>2</b>	<b>2</b>	<b>4</b>	<b>6</b>	<b>8</b>	<b>10</b>
	<b>1</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
		<b>Likelihood</b>				

Risk Score = Business Impact x Likelihood of occurring	
15 or more	<b>Risk Score is High</b>
8 - 12	<b>Risk Score is Significant</b>
4 - 6	<b>Risk Score is Moderate</b>
3 or less	Risk Score is Low

Impact (on the business if the risk happened)		
5	Extreme	Reputation - Sustained widespread media critical coverage. SHR statutory action & potential transfer of assets.
		Financial Loss more than £1m.
		Service Delivery - Significant disruption of the whole organisation.
		Legislative - legislation has significant impact on the whole operation.
4	Major	Reputation - Prolonged National Media Exposure. SHR statutory action.
		Financial Loss between £250k and £1m.
		Service Delivery - Significant disruption of large parts of the organisation.
		Legislative - legislation has significant impact on a key area.
3	Moderate	Reputation - One-off National Media Exposure. SHR Review or View– Working Towards Compliance.
		Financial Loss between £50k and £250k.
		Service Delivery - Significant disruption of one part of the organisation.
		Legislative - legislation has moderate impact on a number of functions.
2	Minor	Reputation -Prolonged Local Media Exposure. SHR Review or View– Working Towards Compliance.
		Financial Loss less than £50k.
		Service Delivery - Minimal disruption of the whole organisation.
		Legislative - legislative impact affects small number of procedures.
1	Insignificant	Reputation - One-off Local Media Exposure.
		Financial Loss - Negligible financial impact.
		Service Delivery - Minimal disruption of one part of the organisation.
		Legislative - minimal Legislative Implications.
Likelihood (of risk happening)		
5	Almost Certain	The risk is almost certain to occur (greater than 80% chance).
4	Likely	The risk is more likely to occur than not (between 51% and 80% chance).
3	Possible	The risk is fairly likely to occur (between 21% and 50% chance).
2	Unlikely	The risk is unlikely but not impossible to occur (between 6% and 20% chance).
1	Rare	The risk is unlikely to occur (<5% chance).

The below table identifies those risks currently with a post mitigation score of 10 upwards:

<b>Risk No.</b>	<b>Risk Identified</b>	<b>Revised Risk Score</b>
28	Inflation rate uncertainties and fluctuations	20 (R)
45	Economic and trade difficulties	20 (R)
70	Energy efficiency, EESSH2 and net carbon requirements	20 (R)
73	Disruption to supply chains, for example, war conflicts	20 (R)
74	Energy costs	20 (R)
50	Failure to collect rent and / or other income owed to the Association	16 (R)
77	Interest rate uncertainties and fluctuations	15 (R)
71	Pandemic / Epidemic	12 (A)
15	Staff performance	12 (A)
49	Ongoing welfare reforms	12 (A)
27	Covenant breach / repricing of loan agreements	10 (A)
76	Government rent controls	10 (A)
14	Failure to comply with Regulatory Framework and associated	10 (A)

The risk assessments are supported and complemented by the programme of internal audit.

Committee have constant access to the full risk register matrix to allow them to consider all risks, however, in line with approved policy, they concentrate their efforts on risks scoring 10 or more.

The matrix below provides the risks identified and considered quarterly by Committee.

## Risk Register Summary – August 2024

Risk Area	Risk No.	Risk(s) Identified	Potential Risk Consequences	Likelihood (1-5)	Impact (1-5)	Total	Mitigation Controls	Revised likelihood (1-5)	Revised Impact (1-5)	Revised Risk Score	Colour	Risk Owner	Aug 2024 Planned Actions
Finance & Corporate Services	28	Inflation rate uncertainties and fluctuations, with divergence of income and costs as rent rising at lower rate than costs.	<p>Uncertainty in financial planning.</p> <p><u>Low inflation rates -ves:</u> 1. Lower employment and/or higher earnings risk for customer base affecting income.</p> <p><u>Low inflation rate +ves:</u> 1. Reduced cost of business. 2. Predictability of costs. 3. Alleviates pressure on cashflow and rent increases.</p> <p><u>High inflation rates -ves:</u> 1. Increased cost of business - pressure on rent levels. 2. Salary cost increase pressure. 3. Reduced consumer spending capacity - impact on rent payment. 4. Increased risk of supply chain failures.</p> <p><u>High inflation rate +ves:</u> 1. Higher employment and incomes.</p>	5	5	25	<p>1 - Treasury management policy and quarterly reporting on treasury and management accounts.</p> <p>2 - Positive long term working partnerships with lower risk suppliers.</p> <p>3 - Short, medium and long term cash flows</p> <p>4 - Sound investment strategy. Spread between institutions. Maximise interest income whilst ensuring operational cash availability.</p> <p>5 - Financial forecasting. Continual review of costs and assessment of tender costs against budgeted costs.</p> <p>6 - Rent affordability and rent setting reviews.</p>	5	4	20	20 (R)	FMD Financial Services / Director	

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All	45	Economic and trade Difficulties	1 - Uncertainty 2 - Cost of goods (maintenance parts and components) 3 - Financial implications - interest rates, inflation, economic uncertainty 4 - Supply chains for goods and labour 5 - Ability to deliver planned maintenance dur to supply issues (goods and labour).	5	5	25	1 - Keep abreast of developments 2 - Quarterly monitoring of finances (management accounts) 3 - Budgeting scenario/ sensitivity analysis. Keep costs of goods, services and labour under close consideration and review budgets accordingly. 4 - Association membership of SFHA/GWSF and benefiting from larger collective voice lobbying governments of concerns. 5 - Partnership working with contractors and other RSLs. 6 - Considering alternatives to standard range or action, for example with fan shortage.	5	4	20	20 (R)	FMD Financial Services / Director	

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Housing Services	70	Requirement to comply with energy efficiency standard for social housing version 2 (ESSH 2) and net carbon requirements	1 - Performance indicators/ regulatory return 2 - Service provision 3 - Value for money 4 - Reputation 5 - Demand for stock 6- Cost of compliance. 7 - Affordability and useability of alternatives for customers. 8. Legislative requirements.	5	5	25	1 - Demonstrating cost of compliance and that not currently value for money 2 - Keep reviewing delivery action plan as costs reduce and technology improves 3 - Keep costs/ benefit analysis under review 4 - Carry out 'easy' cost effective measures as life cycles come round e.g. boiler replacements 5 - Monitoring control of energy documentation	5	4	20	20 (R)	Housing Services Manager	Scottish Housing Net Zero Standard (SHNZS) consultation closed. Await outcome of consultation and publication of requirements, then begin to investigate options and develop plans.
All	73	Disruption to supply chains for example, war conflicts	1. Restrictions on and costs of the supplies of imported materials – impact on maintenance. 2. Increasing energy costs – impact on business costs (office, transport, contractors costs, tenants energy bills affecting ability to pay rent and heat homes. 3. World uncertainty – impact on financial stability in markets and cost of finance. 4. Diverting of government spending from domestic matters.	5	5	25	1. Liaison with contractors and consultants on supply costs and delivery. 2. Office / business energy use efficiencies, such as LED lighting, sensor lighting, heating TRVs and timer, switching off supplies when not in use. 3. Assisting customers to access money and energy advice. 4. Continual review of financial environment and impact.	5	4	20	20 (R)	Housing Services Manager / FMD / Director	

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All	74	Energy Costs	<p>1. Increased business costs – office, transport, contractors costs.</p> <p>2. Tenants energy bills affecting ability to pay rent and heat homes – increasing risk of dampness to properties and fire risks (potentially impacting on insurance costs).</p> <p>3. World uncertainty of supplies and alternatives – impact on financial stability in markets and cost of finance.</p>	5	5	25	<p>1. Office / business energy use efficiencies, such as LED lighting, sensor lighting, heating TRVs and timer, switching off supplies when not in use.</p> <p>2. Assisting customers to access money and energy advice. Pro active support and sharing of advice.</p> <p>3. Being aware of dampness and fire risks when undertaking home visits to customers and advising on how to reduce risk.</p> <p>4. Keep abreast of cost changes, timing and likely impact.</p>	5	4	20	20 (R)	Housing Services Manager / FMD / Director	

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Housing Services	50	Failure to collect rent and / or other income owed to the Association	1 - Income management 2 - Repair & maintenance investment 3 - Service provision 4 - Performance indicators/ poor ARC	4	4	16	1 - Debt recovery policies & procedures 2 - Maximise personal contact methods by staff 3 - Earlier staff intervention/ legal action considered in all suitable cases 4 - Monitor housing benefit/ universal credit etc. 5 - Provide welfare benefits advice service. Actively encourage appointment attendance and follow up 6 - Complete tenancy sustainment and housing options interviews 7 - Regular statements 8 - Set targets & regular audit of cases to ensure policy/ procedural compliance 9 - Report to committee 10 - Variety of payment options 11 - Internal and external audits 12 - Revised rent setting implemented and caps on increases.	4	4	16	16 (R)	Housing Services Manager	



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Finance & Corporate Services	77	Interest rate uncertainties and fluctuations	<p>Uncertainty in financial planning.<u>Low interest rates - negatives:</u>1. Reduced interest income on cash and compound impact..<u>Low interest rate positives:</u>1. Reduced cost of borrowing. 2. Increased consumer spending capacity - impact on Assoc income.<u>High interest rates - negatives:</u>1. Reduce debt availability and increased cost of borrowing.2. Increased cost of business - pressure on rent levels.3. Reduced consumer spending capacity - impact on rent payment.<u>High interest rate positives:</u>1. Increased interest income on cash and compound impact.</p>	5	4	20	<p>1 - Treasury management policy and quarterly reporting on treasury and management accounts.2 - Short, medium and long term cash flows3 - Sound investment strategy. Spread between institutions. Maximise interest income whilst ensuring operational cash availability.4 - Current low debt requirement and Appropriate mix of fixed &amp; variable rates5 - Financial forecasting. Continual review of costs and assessment of tender costs against budgeted costs.6 - Rent affordability and rent setting reviews.</p>	5	3	15	15 (R)	FMD Financial Services / Director	

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All	71	Pandemic / Epidemic	1 - Business continuity and service provision 2 - Health & safety & wellbeing implications - staff, tenants & contractors 3 - Organisational reputation 4 - Financial impact - increase in voids and bad debt as well as costs associated with bringing the estate back into order once lock down is over 5 - Contractors adversely affected and unable to honour contracts.	4	5	20	1 - Follow government advice. 2 - Disaster recovery plan reflecting experience from 2020 pandemic. 3 - Service provision and operational matters easily adaptable following experience of 2020 pandemic. Have systems to allow safe working practices and business continuity.	4	3	12	12 (A)	Director	Pre mitigation scores reversed, likelihood changed from 5 to 4, impact changed from 4 to 5.

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Governance and Human Resources	15	Poor staff performance	<ul style="list-style-type: none"> <li>1 - Ability to operate</li> <li>2 - Service provision</li> <li>3 - Organisational reputation</li> <li>4 - SHR engagement</li> <li>5 - OSCR engagement</li> <li>6 - Tenant/customer satisfaction</li> </ul>	4	4	16	<ul style="list-style-type: none"> <li>1 - Recruitment policy and procedures - recruiting for attitude and behaviours as well as knowledge and skills.</li> <li>2 - Training policy</li> <li>3 - Appraisal system - Revised staff development and performance framework with SDPRs (appraisals) and 121 support and development.</li> <li>4 - Staff meetings</li> <li>5 - Conditions of employment</li> <li>6 - Model code of conduct for staff and Behaviours Framework.</li> <li>7 - Reviewing job descriptions and ongoing clarifications on roles and responsibilities.</li> <li>8 - Internal audit</li> <li>9 - IIP work and accreditation</li> <li>10 - Staff development work with Remarkable, IIP, Leadership Factory, Skills Development Scotland.</li> <li>11 - Leadership team meetings</li> <li>12 -Reintroduction of committee and staff strategy day after 2023 (following suspension during Covid19).</li> </ul>	3	4	12	12 (A)	Housing Services Manager and Director	Anticipate reduced scoring Nov 2024 due to improvements in performance and successful recruitment.

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Housing Services	49	Ongoing welfare reforms impact	1 - Income management 2 - Planning & budget 3 - Process re uncertain rental income 4 - Repairs & maintenance investment	4	4	16	1 - Keep abreast of government policy 2 - Update procedures as required 3 - Input from welfare benefits advisor 4 - Regular liaison with Glasgow City Council, DWP etc. 5 - Welfare reforms action plan	3	4	12	12 (A)	Housing Services Manager	
Finance & Corporate Services	27	Covenant breaches/ Repricing of loan agreements	1 - Organisational reputation 2 - SHR Engagement 3 - Poor financial management 4 - Loan repayable immediately	4	5	20	1 - Treasury management policy 2 - Review margins 3 - Information from lenders 4 - Covenant monitoring and compliance 5 - External auditor advice on change of accounting policy 6 - Summary covenant schedule details financial calculations, information requirements and timescales to be met 7 - Soft covenant compliance 8 - Monitor quarterly, mitigate and manage 9 - Cost control measures 10 - Careful planning of component replacements 11 - Legal advice 12 - Updated long term projections for financial planning	2	5	10	10 (A)	FMD Financial Services / Director	

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All	76	Government rent controls	1 - Restriction on rent increases (or pressure to keep low) adversely affect income management. 2 - Restriction on repair & maintenance investment 3 - Restriction on service provision 4 - Performance indicators/ poor ARC	4	5	20	1 - Membership of, and active involvement with, sector representing bodies (SFHA, GWSF) to campaign and counter proposals. 2 - Involvement with governmental working groups. 3 - Budgeting and financial forecasting and scenario planning to quickly appraise impact.	2	5	10	10 (A)	Housing Services Manager / FMD / Director	
Governance and Human Resources	14	Failure to comply with SHR regulatory framework and associated requirements	1 - Resources required to meet compliance 2 - Volume of business for committee and senior staff 3 - Regulatory engagement for non-compliance 4 - Banking covenant implications	3	5	15	1 - Awareness and keeping updated - staff and committee. 2 - Current systems robust and confirmation of compliance and assurance through evidence bank documentation and internal audit. 3 - Forward planning for considering any changes. 4 - Annual Assurance Statement submitted on time annually.	2	5	10	10 (A)	Director	