



Putting People 1st

Risk Management Policy

F.04

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This policy document can be produced in various formats, for instance, in larger print or audio-format; and it can also be translated into other languages, as appropriate.

Our equality and diversity policy statement describes our key equality commitments that we use to develop all organisational services; this includes employment services and services to tenants and other customers.

EQUALITY AND DIVERSITY STATEMENT

The Association will seek to promote and to achieve equality of treatment and opportunity for all groups in society without discrimination or prejudice on any grounds in line with our Equality & Diversity Policy.

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The Scottish Housing Regulator Reg. No: HAC231; Registered Scottish Charity No:SC038237;
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1. INTRODUCTION

This Policy has been developed in recognition of the fact that the Association is working in a dynamic environment which increases the risks for our business.

Risk Management is central to good governance, effective business planning and to safeguard assets.

We recognise that we have a moral and statutory duty of care to our tenants, employees and assets and we will meet this duty by ensuring that risk management plays an integral part in the management of the Association at a strategic and operational level.

The policy sets out how we propose to identify the risks facing us, how to assess their relative importance and how we will develop our strategy for managing the risks identified

2. AIMS OF THE POLICY

By having a clear and robust policy on Risk Management Policy, the Association aims to:

- Embed a culture of risk awareness at all levels within the Association.
- Ensure that risk management is a key element in the strategic planning process.
- Define its risk appetite.
- Ensure it is proactive in identifying and managing risks to the business.
- Be responsive to changes in the political, economic and social environments that impact on the Association's business.
- Promote ownership of risk throughout the organisation.
- Better inform the decision-making process.
- Protect its long-term viability.
- Support contingency planning.
- Support its ability to achieve its future vision and goals.
- Provide for ongoing review of the risk register

To ensure that all actions taken contribute towards the achievement of the Association's objectives and that no actions are taken that might unduly threaten the health and safety of our tenants or employees and the financial viability of the Association.

To facilitate the Internal Audit programme by identifying risk areas that may require to be assessed.

3. REGULATORY REQUIREMENTS

Standard 4 of the Regulatory Standards as set by the Scottish Housing Regulator states that "The governing body bases its decisions on good quality information and advice and identifies and mitigates risks to the organisation's purpose"

Subsection 4.4 requires that "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. RISK/IMPACT STATEMENT AND DEFINITIONS

The Association must manage its risks in order to run its business effectively and it is therefore prudent to have a risk management policy which sets out clear guidelines for doing this. Not to have this could place the Association at risk.

For the purposes of this policy, the following definitions will apply;

- Risk – an event or set of circumstances that could adversely impact on the Association’s long-term security or its ability to meet its strategic or operation objectives
- Risk Management – the process for defining, identifying, understanding and prioritising risks and deciding on the appropriate actions to minimise and mitigate the risks
- Risk Appetite – the level of risk that the Association is prepared to accept in order to achieve its aims and objectives
- Risk Register – the formal record of the identified risks, the controls in place to manage the risks and the priority of each risk based on the probability and impact of the risk crystallising
- Risk Controls – the mechanisms and arrangements that exist within the Association to reduce the likelihood of the risk happening and/or to mitigate the impact of the risk

5. IDENTIFICATION OF KEY RISKS

Identification of strategic and operational risks will be carried out as part of the internal management business plan process. Identification of risk is the first key task in risk management. If key risks are not identified, then the process of assessing and managing risks will be ineffective.

Any new or enhanced risks will be identified when necessary. Any proposal for any significant new or enhanced activity must always consider the risks involved for the Association. Generally, these would be discussed at the Committee of Management Meeting.

In addition, each internal audit programme will include a review of the risk register/matrix to allow an independent review and to help any gaps or errors to be identified and added.

6. ANALYSIS OF KEY RISKS

Identifying risk will be a key activity at all levels of the Association’s planning processes:

- Strategic – to identify current or potential threats to the Association’s ability to deliver its strategic objectives and vision.
- Operational – to focus on the current or potential threats to the Association’s ability to deliver the range and quality services required to meet the needs, aspirations and demands of its service users.
- New ventures – consideration of any significant new business activity, project or enhanced service will require consideration of risk that they could potentially present to the Association’s ongoing viability, reputation or financial security.

In identifying risks to the Association consideration will be given to 5 key risk areas:

Area	Risk
Compliance	Not complying with legislation or regulatory requirements
Custodial	Not effectively managing the assets and liabilities held by the Association
Strategic and Financial	Not achieving the goals and objectives set out in the Business Plan and/or the erosion of the short, medium and long term financial viability
Reputational	Damage to the good reputation and standing of the Association locally or nationally and/or within the Social Housing Sector
Operational	The risk associated with internal processes which can have an adverse impact on the Association's ability to deliver services

Key risks will be analysed for the Association's strategic objectives and also across the whole of the Association's operational activities, i.e. Governance, Housing Services (housing management and maintenance services), and Finance and Corporate Services, in terms of how important the activity is to the achievement of the Association's objectives. The importance in this respect will reflect whether and to what extent the Association would want to expose itself to the risk.

Each risk should be analysed in terms of how likely the risk is to occur and what the impact on the Association would be. Some risks may have little impact while others may have a large impact but be unlikely to occur. The important risks would be those which were likely to occur and would have the most impact on the Association.

Weighting scores will be allocated based on the definition of scales of likelihood and severity per the Risk Scoring Methodology – appendix 1 of this policy.

The risk register/matrix will form an integral part of the Business Plan process and documentation.

7. APPLICATION OF POLICY

In applying the policy, the Association will take account of the following risk management techniques:

a) Planning and Forecasting

The techniques of business planning, budgeting and cash flow forecasting are some examples of this technique in action and can assist in highlighting future potential difficulties. With appropriate action these future problems may be capable of being avoided.

b) Insurance

In return for a premium the risk can be passed to someone else.

Cover against fire, flood and storm damage to properties and office accommodation can be obtained relatively cheaply thereby avoiding potentially disastrous consequences for the Association.

Insurance can also be arranged in respect of business interruptions, theft, public liability, personal accident and employers liability.

Checks on Contractors and Consultants insurance cover should be carried out annually or when new contractors are added to the framework or when entering into new contracts.

c) Spreading Risk

The basic idea is not to "put all your eggs in one basket" so that if something does go wrong the effects are lessened.

e.g. don't borrow the same type of loan from the same bank on the same terms for each development phase.

d) Sensitivity Analysis

This technique is concerned at looking at various "what if" scenarios and its purpose is to explore the impact on your plans of a change in one or more of the assumptions made.

Sensitivity analysis and results are contained within the current long term projections business plan

e) Responsibility and Delegation

Risks will arise at all levels within the organisation, but Committee Members or the Director cannot be expected to take all decisions. It is essential therefore that there are clear policies and procedures in place for the guidance of those who are exercising responsibility under delegated authority e.g. BACS/cheque approvals, repair checks, tender procedures etc.

f) Taking Advice

By taking appropriate external advice risks can be reduced where such advice is covered by indemnity insurance e.g.

- Use of Architects in the development process.
- Use of Solicitors for legal issues.
- Use of external consultants for procurement process

g) Quality of Management

With implementation of policy decisions being delegated to staff it is essential that quality staff are employed and retained.

Equally if there is dissatisfaction with staff then this must be addressed.

While in some situations risk could be totally avoided it is likely that this would be at a cost. It is important, therefore, in applying the policy that a proper balance is reached.

h) Reviewing Risks

The Association shall review the risk register/matrix on a quarterly basis (or sooner should circumstances require). The review of the risk register shall form part of the process to

determine the internal audit plan for the following period taking account of all relevant circumstances and events. Each internal audit programme will include a review of the risk register/matrix to allow an independent review and to help any gaps or errors to be identified and added.

The Internal Auditor may examine specific areas identified by the Committee and Director which will be based on a number of factors including the risk assessments (register/matrix review) carried out as part of the Internal Management Business Plan process.

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

- Risk category – All, 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;
- Linking risks to the Association's strategic goals.

When policies are being developed or reviewed, they will consider the impact upon the Association.

All reports to Committee will consider risk and include in the report cover anything identified.

i) Controls

Where possible the Association will seek to mitigate and manage the identified risks by having robust and effective controls put in place. These may include:

- Policies and procedures that meet legislative and regulatory requirements and good practice.
- Comprehensive insurance cover.
- Clear, detailed and understandable Committee reports.
- Schedule of returns and submissions.
- Training programmes for staff and Committee members.
- Programme of internal and external audits.
- Benchmarking.
- Use of external specialists

8. PRINCIPLES, ROLES AND RESPONSIBILITIES

Principles

Underpinning the Association's approach to risk management and internal control are a number of key principles:

- The Management Committee has the responsibility for overseeing risk management within the organisation.
- An open, receptive and flexible approach to managing risks will be adopted.
- The Director and Senior Management Team support and advise the Management Committee to allow effective risk management.
- Risk management is a critical part of the Association's system of internal control
- All staff recognise their roles and responsibilities in supporting good risk management practices.

Management Committee

The Management Committee of the Association has overall responsibility for the risk management process, including the development, implementation and review of this policy.

The management committee will:

- Approve the Risk Management Policy and review it at least every 3 years
- Determine the risk strategy and undertake associated decision making.
- Ensure an effective staff management team is in place.
- Oversee the implementation of the Risk Management Policy
- Review the Risk register quarterly
- Consider and assess new or emerging risks
- Consider the risks associated with any key decisions it makes, particularly those relating to new activities or services
- Set the Association's risk appetite
- Ensure that the risk management process remains effective
- Ensure that, where appropriate, the Scottish Housing Regulator will be notified of a risk crystallising that has, or is likely to, result in material loss or damage to the Association or jeopardise the health and safety of tenants
- Ensuring that appropriate resources are allocated to the risk management process

Director

The day-to-day responsibility for the implementation, review and administration of the Risk Management Policy and process, lies with the Association's Director. As part of this, the Director will proactively promote an awareness and understanding of the risk management process throughout the organisation.

Senior Management Team

In conjunction with the Director, the Senior Management Team will be responsible for;

- Reviewing and updating the Risk Register
- Preparing and implementing any action plans to mitigate risks as identified in the Risk Register
- Developing, reviewing and updating for their departmental risks and identifying and managing the risks associated with their department's services and activities
- Advising the Committee of any events that will, or is likely to, result in material loss or damage to the Association or jeopardise health and safety.

Ensuring their team members, contractors and partners are aware of the importance of risk management and how they can report potential risks

Departmental Heads will be responsible for effectively managing the risks associated with their particular service area. The Senior Management will discuss risk management as part of regular management team meetings.

Staff

All staff will be involved in assessing operational risks and for effectively managing the risks associated with their job. Staff team will discuss areas of risk appropriate at staff meetings. All staff have a responsibility to identify risks when performing their duties, taking appropriate action to limit the likelihood and impact of these risks and where appropriate, advising the management team of new or emerging risks. As staff are the closest to the delivery of services, they will have an active role in contributing to the development and review of their department's Operational Risk Register.

As appropriate, risk management training and awareness sessions will be provided that meet the individual and/or collective needs of the Management Committee and employees.

9. REPORTING

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.

10. FINANCING RISK & RISK APPETITE

The Association's decisions in running its day to day affairs will always have cost implications and it is recognised that the Association's approach to risk is no different e.g. a decision to employ a full time risk manager could reduce the potential risk exposure by doing work to mitigate/lessen likelihood and/or impact (since a full time person would be available to concentrate solely on such matters) but this comes at the cost of an additional salary. Similarly, a higher insurance premium excess may mean a lower insurance premium but a higher level of losses would require to be financed from reserves. It is recognised that resources will be required in order to operate an appropriate risk strategy and the Association will consider all suitable options available to it in order to ensure a proper balance is maintained between an acceptable level of risk and costs.

The Association is not completely risk averse but wishes to keep risk at an economically manageable level. The Association does not want to be an organisation that is totally averse to risk as risks are inherent in business growth and innovation. It is only through accepting an element of risk that the Association can develop, improve and remain a relevant and dynamic organisation. Working in an environment of change and within a climate of increasing regulation and competition for funding and resources, not changing or adapting would, in itself, be a risk to the Association. In general, the Association's will have a 'Cautious' appetite to risk and proportionate mitigations are utilised for this purpose.

On broader strategic business decisions, the Association will consider its risk appetite on a project by project basis. However, in determining the Association's risk appetite for activities and/or new ventures, the following principles will apply:

- Activities must be consistent with the Association's vision and objectives, not in contravention of its Rules, be permissible under all regulatory guidance and requirements and be in the best interest of the Association and its stakeholders.
- Activities, events or new ventures that carry a high risk of adverse publicity or damage to the Association's reputation will be avoided.
- The level of risk accepted should be proportionate with the expected benefits from undertaking the activity.
- No activity undertaken will compromise the health and safety of residents, other service users, staff and contractors.
- Risks classified as 'high' will normally be above the Association's tolerable level of risk unless suitable mitigating action is identified or the risk can be transferred.

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.

11. REVIEW

This Policy will be reviewed at least every three years to ensure it continues to meet the Association's objectives.

The next review is due 2029.

APPENDIX 1 RISK SCORING METHODOLOGY

Quantifying Risks						
Impact	5	5	10	15	20	25
	4	4	8	12	16	20
	3	3	6	9	12	15
	2	2	4	6	8	10
	1	1	2	3	4	5
		1	2	3	4	5
		Likelihood				
	Risk Score = Business Impact x Likelihood of occurring					
	15 or more	Risk Score is High				
	8 - 12	Risk Score is Significant				
	4 - 6	Risk Score is Moderate				
	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).				