RISK MANAGEMENT POLICY AND GUIDANCE

Approved On	May 2023 – Updated March 2024
Next Review Date	May 2026

INDEX

1.   **PURPOSE OF THIS DOCUMENT**

This risk management Policy (the Policy) forms part of West of Scotland Housing Association Group's(WSHA) internal control and corporate governance arrangements.

The Policy explains WSHA's underlying approach to risk management, documents the roles and responsibilities of the Board, the Audit Committee, the management team and staff. It also outlines key aspects of the risk management process and identifies the main reporting procedures.

In addition, it describes the process the Board will use to evaluate the effectiveness of the organisation's internal control procedures.

WSHA uses the Insight 4Risk System to manage its risk registers, this policy is to be used in conjunction with procedures for this system.

2.   **WHY WE NEED TO MANAGE RISK?**

The focus on risk management as part of the process of good governance, effective business planning and safeguarding stakeholder assets takes account of the Scottish Housing Regulators Regulatory Standards of Governance and Financial Management (2019).

As part of this regulatory framework, the Board are required to submit an annual assurance statement to the Scottish Housing Regulatory in relation to the Board's assurance that WSHA complies with the Regulatory Requirements. Our risk management approach and framework is a key tool in providing the Board with this assurance.

"Standard 4 – The governing body bases its decisions on good quality information and advice and identifies and mitigates risks to the organisation's purpose".

The Regulator requires that WSHA has an effective risk management and internal controls assurance framework in place. We demonstrate this through the annual 'Internal Controls Assurance' approved by the Board and included in the financial statements of WSHA. An effective risk management Policy is an integral part of this assurance and is crucial to support the statement.   On that basis WSHA will continue to focus on embedding risk management throughout the organisation by putting in place a pro-active risk management framework

Risk Management is beneficial to WSHA as it:

- helps us to be more flexible and responsive to new internal / external demands;
- helps WSHA make informed decisions;
- provides assurance to the Board, Audit Committee and the Corporate Management Team;
- reduces incidents and other control failures; and
- minimises reputational damage and controls unnecessary expenditure
- helps in the achievement of WSHA 's key targets and priorities

Managing the risks to our business objectives reduces the chance of us having to deal with the unexpected and ensures proactive management rather than reactive crisis management. This allows us to ensure tha resoouces are focused on the right areas.

The framework for managing risk sets out the process through which risks will be identified, assessed, controlled, monitored and reviewed. The framework is designed to:

- Integrate risk management into the culture of WSHA;
- Raise awareness of the need for risk management;
- Encourage a positive approach to risk management;
- Support improved decision making, innovation and performance, through a good understanding of risks and their likely impact; and
- Manage risk in accordance with best practice.

3. DEFINITIONS

What is a risk?

"The threat or possibility that an action or event will adversely affect an organisations ability to achieve its objectives".

What is risk management?

"Risk Management is the process which aims to help WSHA understand, evaluate and take action on all our risks with a view to increasing the probability of our success and reducing the likelihood of failure".

4. RISK MANAGEMENT AIMS AND OBJECTIVES

- Provide continuous high quality services to the customers of WSHA.
- Use appropriate identification and analysis techniques to identify risks to WSHA and determine the long and short-term impact.
- Prioritise and implement economic control measures to reduce or remove risks.
- Protect and promote the reputation of WSHA.
- Through the use of training and communication, develop and maintain a structured risk management culture, where risk is considered in the decision making process and the everyday working situations of all staff.
- Maintain a system for recording and providing accurate, relevant and timely risk management information.
- Reduce the long-term cost of risk to WSHA.
- Report on and review the risk management Policy in accordance with best practice guidelines.

5. UNDERLYING APPROACH TO RISK MANAGEMENT

The following key principles underlie WSHA's approach to risk management and internal control:

- The Board has responsibility for overseeing risk management within WSHA as a whole;
- An open and receptive approach to solving risk problems is adopted by the Board;
- The Chief Exective and Corporate Management Team support, advise on and implement policies approved by the Board;
- Risk management forms part of WSHA 's system of internal control;
- WSHA recognises and discloses financial and non-financial implications of risks;
- All staff are responsible for encouraging good risk management practices within their areas of responsibility;

6. ROLES AND RESPONSIBILITIES

ROLE OF THE BOARD

The Board has a fundamental role to play in the management of risk. Its role is to:

- Set the tone and influence the culture of risk management within WSHA. This includes:
    - determining whether WSHA is 'risk taking' or 'risk averse' as a whole or on any relevant individual issue
    - determining what categories of risk are acceptable and which are not
    - Setting the standards and expectations of staff with respect to conduct and probity.
- Determine the appropriate risk appetite or level of exposure for WSHA.
- Approve major decisions affecting WSHA's risk profile or exposure.
- Monitor the management of significant risks to reduce the likelihood of unwelcome surprises.
- Satisfy itself that the less significant risks are being actively managed, with the appropriate controls in place and working effectively.
- Carry out an annual risk assessment of WSHA's key business objectives
- Carry out an annual review of WSHA's risk appetite per category
- Review WSHA's approach to risk management every 3 years and approve changes or improvements to key elements of its processes and procedures.

ROLE OF THE AUDIT COMMITTEE

WSHA Audit Committee will at each of the scheduled meetings receive an update report on WSHA's Strategic Risks and Operational Risks in accordance with the reporting cycle (appendix D). Its role is to:-

- Monitor the management of high level risks
- Review the Strategic & Operational Risks in accordance with the review cycle (appendix D) at each of its scheduled meetings
- Review the Risk Appetite of WSHA and make recommendations to the Board.
- Satisfy itself that all known risks are being actively managed, with the appropriate controls in place and working effectively
- Review WSHA's approach to risk management every 3 years and approve changes or improvements to key elements of its processes and procedures.
- Approves the internal audit plan annually which is based on our risk register and areas where further assurance is required

ROLE OF THE CORPORATE MANAGEMENT TEAM

Role

- To ensure that WSHA manages risk systematically, economically and effectively through the development of an all-encompassing Risk Management policy.
- To support WSHA in the development, implementation and review of the Risk Management policy.
- To share experience on risk, risk management and policy implementation across WSHA.

Responsibilities

- To acquire a knowledge of risk management and its benefits.
- Monitor, evaluate and update WSHA 's Strategic Risk Register at least once a quarter
- Review the Risk Management policy every 3 years.
- Report to each meeting of WSHA Audit Committee on the status of risks and controls.
- Ensure risk management and its processes are disseminated and are embedded throughout WSHA.
- Continuous development, promotion & implementation of risk management throughout WSHA.
- Preparation of relevant contingency plans in those areas that are considered high risk.
- To review any training requirements to enable the development & implementation of risk management.

The Director of Corporate Services will take overall responsibility for the administration and implementation of the risk management process

THE ROLE OF THE LEADERSHIP TEAM

To manage risk in their own service area / department and;

- To review and update their risks at team meetings in accordance with the reporting cycle (Appendix D) ;
- To contribute to the development of risk management from a function specific perspective;

- To disseminate the detail of the policy and allocate responsibilities for implementation of the policy in each service area / department;
- To recommend the necessary training on risk management for the employees in the section;
- To share relevant information with other service areas / departments;
- To identify any risk management issues in their service area / department with their teams;
- To provide feedback to the Corporate Management Team on their experience of implementing risk management and their perceptions of the effectiveness of the approach; and
- To ensure that the policy is implemented across their service areas / departments.

ALL STAFF REGARDING RISK MANAGEMENT

All staff have a duty to ensure that risk is managed effectively in their area. This includes engagement with colleagues through formal and informal processes.

All staff across WSHA has a responsibility for identifying risks in performing their daily duties and taking action to limit the likelihood and impact of these risks.

7. **RISK APPETITE**

WSHA Board review their risk appetite on an annual basis as part of the business planning process.

The risk appetite is considered for each of the categories below:

- Governance
- Legal
- Property
- Financial – Direct Loss
- Staff
- Safety
- Regulatory
- Service Quality
- Information Technology
- Data & Information Management
- Reputational

The tables at Appendix E details the appetite scale and considerations that are used by the Board to assess the risk appetite.

The success of WSHA is a result of effectively managing our key risks, which in turn support the achievement of our key targets and priorities. WSHA acknowledges that an element of risk exists in all activity it undertakes.

Risk appetite is defined as the amount of risk an organisation is prepared to tolerate or be exposed to, should the risk be realised. Too great a risk appetite can jeopardise a project or activity whilst too little could result in lost opportunity.

WSHA's risk threshold is risks ranked category B or above after controls is applied ('Red' on the risk scoring methodology – Appendix B). Above this threshold, WSHA will actively seek to manage the risk and will prioritise time and resources to reducing, avoiding or mitigating these risks.

The Audit Committee will then agree the risk appetite (what level of risk is acceptable) for WSHA and the appropriate level of risk mitigation activity for each risk is this category.

A risk owner is designated for each risk on the risk register, where appropriate additional Senior Officers maybe designated as risk support. Risk owners will ensure that their action plan addresses the risks identified and will be required to monitor the status of their portfolio of risks in accordance with the reporting cycle (appendix D). Risk owners will be reviewed at least on an annual basis.

8. RISK MANAGEMENT PROCESS

WSHA's risk management process features the following five steps:

Step 1 – Identify Risks

Using WSHA's (Strategic) or the Team (Operational) objectives, identify the potential threats that could jeopardise their achievement and in turn look at ways to manage these risks.

Risk identification attempts to identify our exposure to uncertainty. Managers are ultimately responsible for identifying the risks that their team's may face but should involve their teams in this process.

Having identified the risks, these are recorded on the Risk Register template. Where appropriate however, a project level risk register will be maintained for a specific strategic initiative such as a new capital project.

While strategic risks operate in isolation of the operational on one register, operational risks remain devolved within each department.

Risks shall be identified at all levels of WSHA:

- *Strategic* - Where threats and opportunities could affect decisions on or the achievement of WSHA 's key business objectives;
- *Operational (Team Level)* - Where threats and opportunities could affect decisions on pr achievement of operational actions to meet WSHA 's strategic objectives;
- *Project Level* – *We have a process in place to ensure that a risk assessment is carried out for all organisational projects.* Where threats and opportunities could affect the delivery of project targets. (E.g.: entering into major service contracts or partnerships). Before committing to a new business activity, appropriate specialist advice will be sought to supplement our own expertise where appropriate – this may include seeking legal and other professional advice.
- *Individal Risk* – we have a robust risk assessment process in place in relation assessment of health & safety risks which includes individual risk assessment in terms of tasks of situations relevant to our staff. We have a separate policy and process for this which is detailed in our Health & Safety Control Manual.

There a various tools that can be used to identify risks such as PESTLE and SWOT analysis. We use these tools annually as part of our corporate business planning process and this then supports the the review of our strategic and operational risks which forms part of our Corporate Business Plana and ensures that the key business objectives each year form part of the mitigation/reduction of our strategic risks.

We also use these tools for the development of key Strategy documents which also supports our risk management process and as ensures that our strategy objectives mitigate or reduce risks in that relevant area of work.

Equalities

When identifying risk all activities undertaken by WSHA must be assessed for their compliance with our Equalities and Diversity Policy. We will seek to ensure that there is no risk of discrimination or unfair treatment as a result of our actions. We will do this through our Equalities & Human Rights Impact Assessment process for key decisions and policies. This assessment process will assist to ensure that we mitigate the risk of discrimination or unfair treatment in relation to both customers and staff.

Environmental Risk

Similarly to the above, when identifying risk all activities undertakn by WSHA must be assessed in respect of minimising the risk to the environment. We will seek to ensure that there is no damage to the environment as a result of our actions. We will do this by carrying out a Green Impact Assessment for key relevant decisions and policies.

Risks, Cause and Effect:

Risks are best expressed using a risk, cause and effect relationship.

Understanding the most important 'cause' helps formulate the best possible actions to manage an uncertainty (i.e. 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.

For example: The Butterfly Effect:

CAUSE   **RISK**

EFFECT

Why could this risk occur?   What am I worried about?   what could happen if the risk occurred?

Cause 1 Lack of training and awareness		**Effect 1** Financial penalties
Cause 2 Out of date policies	**Fail to Manage Health & Safety Effectively**	**Effect 2** Reputational damage
Cause 3 No / inadequate risk assessments		**Effect 3** Contractor / Staff / Visitor Injury

From this example we can clearly see what the risk is and also 3 potential causes as to why this risk could occur. We can also see 3 potential effects to WSHA if this risk was to materialise, therefore if this risk was to be placed on a risk register we would expect to see 3 controls in place:-

Control 1	WSHA has an extensive and up to date training programme and induction programme that provides all staff with regular training on Health & Safety
Control 2	All Health & Safety policies are held on the staff intranet and are up to date and all staff have been issued with copies.
Control 3	WSHA uses a consultant Health & Safety Specialist that undertakes regular audits and inspections to ensure WSHA is compliant with the up to date legislation

Step 2 – Assess Risks

Emerging strategic and business risks will be identified and discussed by WSHA's Corporate Management Team on an on-going basis.

Departmental Managers should discuss risk management at team meetings on at least a quarterly basis to assess current team operational risks and identify any new emerging risks.

Any information that impacts upon WSHA's risk profile shall be formally assessed and appropriate action identified and monitored in line with the framework identified in Appendix B

Risks are assessed by looking at the likelihood of the risk occurring and the impact that the risk would have if it were to occur.

Many controls are in place to minimise identified risks. However, in the first instance, risks are assessed as though there are no controls in place i.e. the worst case scenario or if the controls in place were ineffective. This is known as the '**Inherent**' risk level. The Inherent risk level is recorded in the risk register.

In most scenarios however, there will be controls in place to minimise the impact or likelihood of the identified risk occurring. Risks are therefore assessed based on the Impact and likelihood of the risk occurring considering that there are already mitigating controls in place. This is known as the '**Residual**' risk level.

WSHA's risk register template at Appendix C shows how the Inherent and Residual scores are formatted

Each risk is allocated a risk owner / risk lead whose name is recorded on the risk register. Guidance on how the Impact and likelihood levels of a risk should be assessed can be found in Appendix B

Step 3 – Prioritise Risks

Some risks command a higher priority due to their likelihood and impact.

Both the Inherent and Residual likelihood and impact levels of each risk are plotted and prioritised using a 5 by 5 matrix (***See Appendix B***).

A 'traffic light' system is then used to show Category A to E risks. This results in the prioritisation of both Inherent and Residual risks, which are recorded in the Risk Register.

Step 4 – Control Risks

Once the category of a risk has been assessed WSHA's risk appetite should indicate how the risk is then managed. In managing the risk there will be four categories of response – transfer, treat, terminate and tolerate. Details of each response can be found in the following table:

Response	Description
Transfer	Risks are transferred to an insurer, e.g., legal liability. However it must be remembered that this is not possible for all risks. Some service delivery risks can also be transferred to a partner or contractor by way of a formal contract or written agreement. Some aspects of risk however cannot be transferred, for example those that have an reputational impact.
Treat	Risks need additional treatments (controls) to reduce the likelihood and impact levels. This response is most likely where the risk has been identified as a high risk due to the likelihood and impact levels and WSHA has the ability to introduce further controls that will reduce the likelihood and/or the impact of a risk.
Terminate	A risk maybe outside WSHA 's risk appetite and WSHA does not have the ability to introduce additional controls to reduce likelihood and/or impact of the risk therefore there is no other option than to terminate the activity generating the risk.
Tolerate (accept)	The controls in place reduce the likelihood and impact levels to an acceptable level (within appetite) the introduction of additional controls would be cost-benefit prohibitive. It is therefore decided to *tolerate* the risk.

Red Risks
- Risks that fall in to the area highlighted as 15 and above will require immediate attention. The status of the risk will require it to be monitored with regard to effect on WSHA's activities and the progress of action taken to ensure its effective reduction.

Amber Risks
- Risks that fall in to the area highlighted as amber may require action but where actions are required they will need be monitored for any changes in the risk or control environment which may result in the risk attracting a higher score.

Yellow Risks
- Risks that fall in to the area highlighted as yellow will require to be monitored but do not require actions

Green Risks
- Risks that fall in to the area highlighted as green will require annual review only, but no further action.

Risk owners are responsible for:

- ensuring that appropriate resources and importance are allocated to the process;
- confirming the existence and effectiveness of the mitigating controls and ensuring that any proposed mitigating actions are implemented;
- Providing assurance that the risks for which they are Risk Owner are being effectively managed.

Step 5 – Assurances

WSHA will identify and implement appropriate controls to manage the risks identified. It will also implement processes for to give assurance that these controls are working effectively.

What is Assurance?

Assurance:	
Provides:	"Confidence" / "Evidence" / "Certainty"
To:	Leadership Team/Corporate Management Team / The Audit Committee / the Board (individually and collectively)
Controls	That the controls that need to be in place (strategically and operationally) are in place and are effective

1st, 2nd and 3rd Lines of Assurance
The assurances that WSHA receives can be broken down into the three line model as illustrated below

	Application of Controls	
1st Line Department	Oversight	The first level of assurance comes from the department that performs the day to day activity.
2nd Line Organisation Wide		Other functions in the organisation such as Finance, HR and Legal provide assurance.
3rd Line Independent Assurance		Assurance provided from outside the organisation (including in-house Internal Audit).

9. RISK REVIEWS

All risks should be reviewed on a regular basis by the risk owner, Appendix D details how often which category of risk should be reviewed and reported on. Operationall Risks should be reviewed by teams; Managers should involve their teams in discussions in relation to current identified risks and identification of any emerging risks. These discussions should should then be fed back by the Manager to the Leadership Team on a quarterly basis as part of their risk management discussions.

Following the team meeting, the risk owner should then any ensure that any changes are updated on the operational risk register.

Risk Management should also feature in one to one discussions with risk owners and be incorporated as part of the appraisal process.

10. ESCALATION/DE-ESCALATION OF RISKS

When reviewing risks at operational, there be occasions where a risk has greatly increased and the risk owner feels that it may have significant impact on the strategic objectives. APPENDIX D details the levels at which risks should be

escalated to CMT, Audit Committee and Board. The risk owner will provide a report initially to CMT outlining the risk, the reasons for the increase, the implications of the risks on strategic risks and WSHA's objectives and proposed mitigation.

Likewise if an operational that is currently being reported to CMT, Audit Committee and Board decreasing significantly, the risk owner should provide a report initially to CMT outlining the reasons for the decrease.

11.   TRAINING

WSHA will support the provision of training and briefing sessions for relevant staff. WSHA will ensure that all staff are trained in risk management and involved in regular discussions in relation to risk at team level. Training will be done on a team by team basis to ensure that training is relevant to staff roles. Guidance and support will also be provided by WSHA through the provision of written guidance notes from time to time and the offer of support from relevant staff.

12.   RISK MANAGEMENT AS PART OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control incorporates risk management. The system encompasses a number of elements that together facilitate an effective and efficient operation, enabling WSHA to respond to a variety of operational, financial and commercial risks. These elements include:

Policies and Procedures	Attached to significant risks (e.g. Fire / Health & Safety) are a series of policies that underpin the internal control process. Written procedures support the policies where appropriate
Reporting	The Corporate Management Team and the Audit Committee receive a number of key reports on a regular basis which allow for the monitoring of key risks and their control – e.g. the monthly management accounts / safeguarding
Business Planning and Budgeting	The business planning and budgeting process is used to set objectives, agree action plans and allocate resources – these take account of risk. Progress towards meeting business plan objectives is monitored regularly

Project Management	All approvals for the execution of new projects include an examination of risk
	In accordance the risk appetite of the Board set out in the financial regulations
Audit Committee	The Audit Committee is required to report to the Corporate Management Committee on internal controls and to alert Members to any emerging issues. As part of this function the Audit Committee oversees internal audit and external audit.
Internal Audit Programme	Internal audit is an important element of the internal control process. It will include a review of the effectiveness of the internal control system in its Annual Report to the Audit Committee. The annual internal audits should be set based on a risk based approach.
External Audit	External Audit provides feedback to the Audit Committee on the operation of the internal financial controls and provides an update to the Board
Third Party Reports	On occasions other agencies and consultants will provide reports which will make reference to the effectiveness of the internal control systems

KEY PERFORMANCE INDICATORS

A set of KPIs have been established in order to measure performance in relation to timescales for implementing risk actions and the number of risks materialising or surpassing impact-likelihood expectations.

- % of risk reviews completed on quarterly basis

- % of risks reaching target score (annually)

- % of project risk assessments completed

The KPIs that have been put in place are without targets initially as a way of monitoring how the process is working and identify any areas of improvement. These KPIs are monitored by reports set up on the system. Performance against these KPIs will be included in Risk Management Reporting to Leadership Team and Audit Committee.

13.   ANNUAL REVIEW OF EFFECTIVENESS

The Board is responsible for ensuring that there is an annual review of WSHA's risk management processes, (this will be undertaken initially by the Director of Corporate Services who will report to the Audit Committee) including on-going identification and evaluation of significant risks and the allocation of resources to address areas of high exposure.

The Board will:

- Review WSHA's track record on risk management and internal control over the previous year.
- Consider the internal and external risk profile of the coming year and consider if current internal controls are likely to continue to be effective.

In making its decision the Board will consider the following aspects:

- **Control Environment**
  - WSHA 's objectives and its financial and non-financial targets
  - Organisational structure and calibre of the Corporate Management Team
  - Culture, approach and resources with respect to the management of risk
  - Delegation of authority within WSHA

- **On-going identification and evaluation of risk**
  - Timely identification and assessment of risks, prioritisation of risks and the allocation of resources to address areas of high exposure

- **Information and Communication**
  - Quality and timeliness of information on risks, the time it takes for control breakdowns to be recognised or new risks to be identified.

- **Monitoring and Corrective Action**
  - Ability of WSHA to learn from any issues.
  - The commitment and responsiveness with which corrective actions taken are implemented.

The Corporate Management Team will annually review the effectiveness of WSHA's internal control system.

A full Board Assurance report will be produced annually for consideration initially by WSHA Audit Committee who will then agree a summary report to the Board.

14. **Susidiary Risk Management**
    WSHA has 2 subsidiaries:
    - Willowacre Trust
    - Westscot Living

Both subsidiaries have their own Boards and their Boards are responsible for overseeing their risks and risk management process. The risk process outlined above for WSHA reflects the approach taken by both subsidiaries. Both subsidiaries have strategic and operational risk registers and these are monitored by each respective Board on a quarterly basis.

An update on both subsidiary risk registers is provided to the WSHA Audit Committee on a quarterly basis and the WSHA Board on a 6 monthly basis.

APPENDIX A - Risk Management Reporting and Escalating

> **The Board**
> Receives Assurance report on the Strategic Risks / overview of high Level Operational Risks

↑

> **Audit Committee**
> Advises the Board on the arrangements for risk management

↑

> **Chief Executive (Supported by Corporate Management Team)**
> Prepares Strategic Risk & Assurance Reports / High Level Operational Risks and Reports Audit Committee

↑

> **Managers – Operational Risk Register**
> All risks to be recorded on 4Risk

↑

> **All Staff input into Operational Risk Register**
> Via team meetings and discussions with management

APPENDIX B – Risk Matrix and Scoring Criteria –

RISK	Likelihood				
Impact	**1**	**2**	**3**	**4**	**5**
	Rare	Unlikely	Possible	Likely	Almost Certain
5 Major	15	19	22	24	25
4 Significant	10	14	18	21	23
3 Moderate	6	9	13	17	20
2 Minor	3	5	8	12	16
1 Negligible	1	2	4	7	11

IMPACT

Rating	Rating Scale	Safety	Reputation	Media attitude	Scottish Housing Regulator	Legal Action	Staff	Criminal	Direct Loss	Regulatory / Industry Status	Service Quality
NEGLIGIBLE	1	No risk of injury. H&S compliant.	External Stakeholders not impacted or aware of problem	No adverse media or trade press reporting.	High compliance standards recognised.	Unsupported threat of legal action	Minimal effect on staff.	High control standards maintained and recognised.	Between 0-£1,000	No or little change to regulation in recent history/ near future.	Negligible effect on service quality
MINOR	2	Small risk of minor injury. H&S policy not regularly reviewed.	Some external Stakeholders aware of the problem, but impact on is minimal.	Negative general Housing Association article of which WSHA is mentioned	Verbal comments received	Legal action with limited potential for decision against	Potential for additional workloads intruding into normal non-working time.	Attempted unsuccessful access to operational systems; minor operational information leaked or compromised.	Between £1,000 and £10,000	Limited recent or anticipated changes	Marginally impaired – slight adjustment to service delivery required
MODERATE	3	High risk of injury, possibly serious. H&S standards insufficient / poor training.	A number of Stakeholders are aware and impacted by problems.	Critical article in Press or TV. Public criticism from industry body.	Findings in written examination report. Potential SHR intervention	Probable settlement out of court	Increase in workloads. Intrusion into normal non-working time.	Logical or physical attack into's operational systems.	Between £10,000 and £50, 000	Modest changes recently or anticipated	Service quality impaired – changes in service delivery required to maintain quality
SIGNIFICANT	4	Serious risk or injury possibly leading to loss of life. H&S investigation resulting in investigation and loss of revenue.	Significant disruption and or Cost to Stakeholders / third parties.	Story in multiple media outlets and/or national TV main news over more than one day.	Multiple or repeat governance failings results in SHR intervention	Law suit against for major breach with limited opportunity for settlement out of court	Significant injuries, potential death. Major intrusion into staff's time.	Police investigation launched; operational data or control systems may be compromised.	Between £50,000 and £300,000	Potential intervention by lead regulator. Significant changes to industry	Significant reduction in service quality experienced
MAJOR	5	Potential to cause one or a number of fatalities. H&S breech causing serious fine, investigation, legal fees and possible stop notice.	Stakeholders / Third parties suffer major loss or cost.	Governmental or comparable political repercussions. Loss of confidence by public.	Action brought against WSHA for significant governance failings Forced merger	Action brought against WSHA for significant breach.	Deaths and/or major effect on staff lives.	Major successful fraud; prosecution brought against WSHA and Exec for significant failure; Systems totally compromised.	Over £300,000	Major complex changes to industry Intervention on behalf of the Lead regulator	Complete Failure of Services

LIKELIHOOD

Rating	Rating Scale	Likelihood	Example of Loss event Frequency
RARE	1	This will probably never happen / recur	10 years or less frequently
UNLIKELY	2	Do not expect it to happen / recur but it is possible it may do so	Once every 5 years
POSSIBLE	3	Might happen or recur occasionally	Once every 2 years
LIKELY	4	Will probably happen /recur but it is not a persisting issue	Annually
ALMOST CERTAIN	5	Will undoubtedly happen /recur, possibly frequently	At least annually

Risk Scores	Overall Risk Rating	Review
20 - 25	A	Monthly
15 - 19	B	Quarterly
11 - 14	C	Every 3-6 Months
7 - 10	D	Every 6-9 Months
1 - 6	E	Every 12 Months

APPENDIX C – Risk Register Template
Example Risk Register with Assurances and Action Plan

Risk Ref	Risk Title	Causes	Inherent Risk Score	Risk Control	Current Risk Score	Action Required
OP-CMT 2	**CONFIDENCE & TRUST - Management fail to build and maintain an environment of** **Responsible Person: Lynne Donnelly** **Risk Lead:** **Last Updated: 13 Oct 2016**	- Governance failure - Management Team do not conduct themselves professionally - Major Fraud uncovered - Fail to communicate effectively & engage with staff - Team structures do not meet expectations - Fail to procure & manage contractors - IT Security Breach / Data Protection Compliance - Fail to manage health & safety effectively	**I = 4 L = 3** **18**	**Management Team Conducting themselves Professionally** **- Staff code of conduct in place** **- disciplinary process in place** **Fraud** **- Board away days,** **- business planning undertaken,** **- being professional expected,** **- training staff - PDRs, values and expectations of staff.** **- Appraisals held twice yearly** **- monthly one to ones held.** **- Internal Audit has looked at fraud, procurement policy and procedures in place. Gaps and inconsistencies that are being worked upon.** **- Scheme of Delegation in place** **- Financial Procedures in place which apply to board members and staff.** **- Anti Fraud and Bribery Policy and Procedure for Committee members.** **- Committee members not involved in an operational level reducing opportunity for fraud** **Implementation of Procurement Strategy**	**I = 3 L = 3** **13**	**Development of Communications Strategy** **Review and Update of Procurement Procedures** **Procurement Training for relevant staff** **Implementation of new Staff Structure** **SHR Governance Review**

APPENDIX D – Risk Management Reporting Cycle

The table below sets out the risk management reporting cycle:

Risks	The Board	Audit Committee	Departmental Heads
WSHA's strategic risks	Every Quarter	Each meeting	N/A
Policy and Annual Review	Annually	Annually	N/A
Operational risks which are classified as A	Each meeting	Each meeting	Team Meetings Monthly
Operational risks which are classified as B	Every 6 months	Each meeting	Team Meetings Quarterly
Operational risks which are classified as C	N/A	Every 6 Months	Team Meetings every 3 – 6 months
Operational risks which are classified as D	N/A	N/A	Team Meetings every 6 – 9 months
The remaining operational risks that are classified as E	N/A	N/A	Annually

Table 1 - Risk Appetite Scale

Risk Appetite	Description
Averse	Avoidance of risk and uncertainty in achievement of key deliverables or initiatives is key objective. Activities undertaken will only be those considered to carry virtually no inherent risk.
Minimalist	Preference for very safe business delivery options that have a low degree of inherent risk with the potential for benefit/return not a key driver. Activities will only be undertaken where they have a low degree of inherent risk.
Cautious	Preference for safe options that have low degree of inherent risk and only limited potential for benefit. Willing to tolerate a degree of risk in selecting which activities to undertake to achieve key deliverables or initiatives, where we have identified scope to achieve significant benefit and/or realise an opportunity. Activities undertaken may carry a high degree of inherent risk that is deemed controllable to a large extent.
Open	Willing to consider all options and choose one most likely to result in successful delivery while providing an acceptable level of benefit. Seek to achieve a balance between a high likelihood of successful delivery and a high degree of benefit and value for money. Activities themselves may potentially carry, or contribute to, a high degree of residual risk.
Eager	Eager to be innovative and to choose options based on maximising opportunities and potential higher benefit even if those activities carry a very high residual risk.

Table 2
Risk Appetite Considerations

	Adverse	Minimal	Cautious	Open	Eager
Governance	Avoid actions with associated risk. No decisions are taken outside of processes and oversight /	Willing to consider low risk actions which support delivery of priorities and objectives. Processes,	Willing to consider actions where benefits outweigh risks. Processes, and oversight / monitoring	Receptive to taking difficult decisions when benefits outweigh risks. Processes, and oversight / monitoring	Ready to take difficult decisions when benefits outweigh risks. Processes, and oversight / monitoring

	monitoring arrangements. Organisational controls minimise risk of fraud, with significant levels of resource focused on detection and prevention.	and oversight / monitoring arrangements enable limited risk taking. Organisational controls maximise fraud prevention, detection and deterrence through robust controls and sanctions.	arrangements enable cautious risk taking. Controls enable fraud prevention, detection and deterrence by maintaining appropriate controls and sanctions.	arrangements enable considered risk taking. Levels of fraud controls are varied to reflect scale of risks with costs.	arrangements support informed risk taking. Levels of fraud controls are varied to reflect scale of risk with costs.
Legal	Play safe and avoid anything which could be challenged, even unsuccessfully.	Want to be very sure we would win any challenge.	Want to be reasonably sure we would win any challenge.	Challenge will be problematic; we are likely to win, and the gain will outweigh the adverse impact.	Chances of losing are high but exceptional benefits could be realised.
Property	Obligation to comply with strict policies for purchase, rental, disposal, construction, and refurbishment that ensures producing good value for money.	Recommendation to follow strict policies for purchase, rental, disposal, construction, and refurbishment that ensures producing good value for money. refurbishment that meeting organisational requirements.	Requirement to adopt arrange of agreed solutions for purchase, rental, disposal, construction, and refurbishment that ensures producing good value for money. refurbishment that ensures meeting organisational requirements.	Consider benefits of agreed solutions for purchase, rental, disposal, construction, and refurbishment that meeting organisational requirements..	Application of dynamic solutions for purchase, rental, disposal, construction, and refurbishment that ensures meeting organisational requirements.
Financial	Avoidance of any financial impact or loss, is a key objective.	Only prepared to accept the possibility of very limited financial impact if essential to delivery.	Seek safe delivery options with little residual financial loss only if it could yield upside opportunities.	Prepared to invest for benefit and to minimise the possibility of financial loss by managing the risks to tolerable levels.	Prepared to invest for best possible benefit and accept possibility of financial loss (controls must be in place).
Staff	Priority to maintain close management control & oversight. Limited devolved	Decision making authority held by senior management.	Seek safe and standard people policy. Decision making authority generally held	Prepared to invest in our people to create innovative mix of skills environment.	Innovation pursued – desire to 'break the mould' and challenge current working

	authority. Limited flexibility in relation to working practices. Development investment in standard practices only	Development investment generally in standard practices.	by senior management.	Responsibility for noncritical decisions may be devolved.	practices. High levels of devolved authority – management by trust rather than close control.
Information Technology	General avoidance of systems / technology developments.	Only essential systems / technology developments to protect current operations.	Consideration given to adoption of established / mature systems and technology improvements.	Agile principles are considered. Systems / technology developments considered to enable improved delivery.	Agile principles may be followed. New technologies viewed as a key enabler of operational delivery. Agile principles are embraced.
Data & Information Management	Lock down data & information. Access tightly controlled, high levels of monitoring.	Minimise level of risk due to potential damage from disclosure.	Accept need for operational effectiveness with risk mitigated through careful management limiting distribution.	Accept need for operational effectiveness in distribution and information sharing.	Level of controls minimised with data and information
Reputational	Zero appetite for any decisions with high chance of repercussion for organisations' reputation.	Appetite for risk taking limited to those events where there is no chance of any significant repercussion for the organisation.	Appetite for risk taking limited to those events where there is little chance of any significant repercussion for the organisation.	Appetite to take decisions with potential to expose organisation to additional scrutiny, but only where appropriate steps are taken to minimise exposure.	Appetite to take decisions which are likely to bring additional Governmental / organisational scrutiny only where potential benefits outweigh risks.
Safety	Zero appetite for any decisions where there is a risk to staff or tenant safety	Appetite for risk taking where there maybe a small chance of risk to staff or tenant safety but risks can be managed through risk assessment and management	Appetite for risk taking where there is a chance of risk to staff or tenant safety but can be managed through risk assessment and management	Appetite for risk taking where there is a definite risk to staff or tenant safety	Prepared to take risks to staff or tenant safety if there are benefits to the organisation.
Regulatory	Zero appetite for any decisions that may	Limited appetite for any decisions that may	Appetite for decisions that may impact	Appetite for decisions that may impact	Appetite for decisions that may impact

	impact on regulatory compliance or cause concern with any regulator	impact regulatory compliance or cause concern with any regulator	regulatory compliance where there is benefit to our tenants and there could be discussions with relevant regulator	regulatory compliance but steps are taken to minimise non compliance	regulatory compliance but the benefits out weight the risks
Service Quality	Zero appetite for any decisions where there may be an impact on quality of service delivery to customers	Limited appetite for any decisions that may impact on the quality of service delivery to customers. Any decisions made would need to be conjunction with our Tenant Advisory Group	Appetite for decisions that may impact on the quality of service delivery to customers. Any decisions made would need to be in conjunction our Tenant Advisory Group.	Appetite for decisions that may impact on the quality of service delivery to customers if savings can be made, particularly in relation to service charges.	Prepared to compromise the quality of service to customers if the benefits to the organisation out weigh the risks.

APPENDIX E – Glossary of Terms & Risk Categories

Term	Definition
Assurance	An opinion based on evidence gained from the review of WSHA 's governance, risk management and control framework that risk assessments and control responses are appropriate, adequate and achieving the effects for which it has been designed.
Cause	The reason for the risk exposure – why would a risk occur
Effect	The impact for the risk exposure – what would be the impact if the risk materialised
Exposure	The consequences that arise from the realisation of a risk.
Inherent risk Score	The classification WSHA gives to a risk, based on its likelihood and potential impact and BEFORE the application of a risk response and controls.
Impact	The effect that a risk would have on us if it occurred.
Likelihood	The probability of a risk occurring.
Risk Owner	The person responsible for ensuring the risk is properly managed and monitored
Residual risk Score	The classification given to a risk AFTER taking into account the quality of risk responses and controls.
Risk	The threat or possibility that an action or event will adversely or beneficially affect an organisations ability to achieve its objectives.
Risk appetite	The level of risk WSHA is prepared to accept or tolerate before considering action necessary.
Risk assessment	The process by which WSHA identifies and assesses the risks associated with its activities within each level of WSHA.
Risk management	"Risk Management is the process which aims to help WSHA understand, evaluate and take action on all our risks with a view to increasing the probability of our success and reducing the likelihood of failure".
Risk register	A document for capturing important information about each risk WSHA identifies.
Risk response	An action or process that WSHA currently has in place to either reduce a risk to an acceptable level or increase the probability of a desirable outcome

Risk Category	Definition
Political	Associated with the failure to deliver either central or local government policies, or recognise their priorities; threats from new policies and legislation.
Financial/ Economic	Associated with financial planning and control. Affecting the ability of WSHA to meet its financial commitments e.g. internal budgetary pressures, the failure to purchase adequate insurance cover, external macro-level economic changes e.g. market changes.
Social/ Cultural	Relating to the effects of changes in demographic, residential or socio-economic trends on WSHA's ability to respond and meet its objectives.
Technological	Associated with the capacity to deal with the pace/scale of technological change, or WSHA's ability to use technology to address changing demands. This may also include the consequences of internal technological failures on the WSHA's ability to deliver its objectives.
Compliance	Related to possible non-compliance through breaches of legislation e.g. SORP non-compliance, illegality, non-compliance with regulatory requirements, with Health and Safety and/or non-adherence to WSHA policies and procedures.
Environmental	Relating to the environmental consequences of progressing the organisation's objectives; energy and fuel efficiency issues; etc.
Commercial	Under performance against contract specification leading to failure or inability to maintain provision; threats from the activities of competitors; partners change priorities.
Tenant/ Customer	Associated with failure to meet the current and changing needs and expectations of tenants, clients and customers e.g. service quality; duty of care, or to expose WSHA staff or assets to unnecessary risk.

The above risk category table is added for additional information