



**Gardeen Housing Association Ltd**  
**Building a Better Future**

## **Gardeen Housing Association**

# **Risk Management Policy**

<b>Implementation</b>	<b>2025/26</b>
<b>Next Review</b>	<b>2028/29 unless there is a change in legislation or change in the Regulators Guidance Notes, changes in the Law of Association procedures or best practice.</b>

### **A: Governance and Accountability**

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## **1 Introduction**

The concept of risk management or more appropriately, the management of risk, is to minimise the possibility of an event happening, which shall result in loss, damage or injury. The concept of risk and uncertainty is becoming increasingly important to organisations of all types. Although uncertainty and risk cannot be eliminated completely, much can be done to reduce the impact which they may have on the resources of Gardeen Housing Association.

Housing associations have an economic and, often, a statutory duty to ensure its tenants, employees and assets are exposed to a minimal level of risk at all times. Failure to do so is likely to result in either direct financial loss (replacement of assets) or indirect financial loss (hidden costs) to the organisation.

To reduce the likelihood of loss, Gardeen Housing Association has implemented a process whereby risk is actively identified managed and controlled. Without such a policy, unplanned losses are likely to have an undesirable impact on resources and service provision.

Insurance and risk management should not be confused. Insurance involves the transfer of risk in return for a financial payment while the management of risk is intended to minimise the chance of damage, loss or injury occurring in the first instance, whether or not insurance is in place.

All sections within the Association and the Association as a whole will be exposed to specific risks and the primary purpose of the policy is to detail steps taken, or to be taken, in order to reduce that level of risk.

## **2. Regulatory Standard of Governance and Financial Management**

### **Standard 1**

The governing body leads and directs the RSL to achieve good outcomes for its tenants and other service users.

### **Standard 2**

The RSL is open about and accountable for what it does. It understands and takes account of the needs and priorities of its tenants, service users and stakeholders. And its primary focus is the sustainable achievement of these priorities.

### **Standard 3**

The RSL manages its resources to ensure its financial well-being, while maintaining rents at a level that tenants can afford to pay.

### **Standard 4**

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

### **Standard 5**

The RSL conducts its affairs with honesty and integrity.

## **Standard 6**

The governing body and senior officers have the skills and knowledge they need to be effective.

## **Standard 7**

The RSL ensures that any organisational changes or disposals it makes safeguard the interests of, and benefit, current and future tenants.

### **3 The Scope of the Policy**

3.1 The Association's risk management policy applies to all areas of activity of the organisation:

- Overall Governance of the Association
- Housing Management & Maintenance
- Finance & Administration
- Development
- Wider Role
- Funding

All Management Committee and Staff members shall have access to the policy statement.

### **4 Roles and Responsibilities**

4.1 Management Committee

The Management Committee ultimately has overall responsibility for the risk management process and, as such, will;

- Approve the Risk Management Policy and review it at least every 3 years;
- Review the Risk Register in full annually as part of the Business Planning review process;
- 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;
- Review the risk register quarterly to consider and assess new or emerging risks.

## 4.2 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. The Director will:

- Review and update the strategic Risk Register;
- Prepare and implement any action plans to mitigate risks as identified in the Risk Register;
- Ensure the staff team, contractors and partners are aware of the importance of risk management and how they can report potential risks.

## 4.3 Staff Team

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.

## 5. Risk Management Process

The risk management process involves Identifying, Evaluating and Controlling all risks associated with the Association. The process, however, is complicated by the diversity in nature of possible risks that could affect the organisation. Several techniques are available to the Association in controlling risks identified.

The main techniques are:

- Risk Avoidance
- Loss Prevention
- Risk Retention
- Risk Transfer

### Risk Avoidance

This technique involves the organisation controlling risk by avoiding the property, person or activity altogether. An avoidance strategy would, for example, recommend the suspending of all ground maintenance operations thereby reducing all risks associated with the activity. Depending on the activity in question, it may be inappropriate for the Association to engage a risk avoidance strategy as it may conflict with the wider role of the organisation.

### Loss Prevention

Prevention programs form the focus of risk management initiatives. Prevention programs aim to control risk by altering the environment in which the person, property or activity exists. By minimising the chance of loss or damage to Association property, the organisation can reduce its exposure to claims and therefore reduce the overall cost of risk.

### Risk Retention

Risk retention involves the organisation bearing the financial consequences of loss through its own resources. Retention covers a number of possibilities from self - insurance to non-insurance. Self-insurance involves advance contingency planning to ensure the organisation is in a position to fund the cost of losses.

### Risk Transfer

This technique involves the contractual transfer of the financial burden of loss to another entity in return for a premium. The main technique used to transfer risk is insurance. The premiums demanded by insurers depend on a number of factors including, type of risk, security measures employed, general market conditions and importantly loss history. In the consideration of loss history, insurers look closely at loss frequency rather than the value of individual losses.

In most cases, organisations implement a policy between full risk retention and full risk transfer. This is generally achieved by the use of a deductible (excess) under which the insured is responsible for the first part of each and every loss.

Risk avoidance and risk prevention can both be described as proactive loss reduction strategies as they are designed to reduce the likelihood of a loss occurring. Risk retention and risk transfer are passive activities as they are only brought into use after a loss has occurred.

### Monitoring of Risk Management

The Management Committee of Gardeen Housing Association shall monitor the Risk Management Policy through quarterly reports and review of the Association's risk register. The Management Committee shall also discuss the issue of risk on an annual basis at the Business Planning Day.

### Scottish Housing Regulator

Gardeen Housing Association is regulated by the Scottish Housing Regulator. The Association is currently rated as compliant. The Scottish Housing Regulator uses Regulatory standards to monitor the work of the Association.

## **6. Identifying Risk**

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
Financial	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	Adverse impact on the Association's ability to deliver services

## 7. Assessment of Risk

Each risk will be assessed in the first instance as though there were no controls in place or ineffective. This is the '**Inherent Risk**' i.e. the worst possible scenario.

The risk will also be assessed taking into the account the controls measures that are in place, such as policies, audits, reports etc. This is the '**Residual Risk**' i.e. the level of risk that remains even with the effective controls in place.

### Prioritising Risks

It is recognised that there are many risks to the Association and some of these command a greater level of priority than others due to the likelihood of them occurring and the impact on the Association's business it should they materialise.

The risk will also be assessed on the **likelihood** of the risk materialising scored 1 – 5:

Score	Likelihood	Frequency of Circumstances required for risk to materialise	Change of Happening
1	Very Unlikely	Never/Extremely rare	Less than 5%
2	Unlikely	Infrequently	10% - 25%
3	Possible	Occasionally	25% - 40%
4	Likely	Frequently	40% - 75%
5	Almost Certain	Regularly	Over 75%

The risk will also be assessed on the **impact** it would have should it materialise scored 1 – 5:

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

### Prioritising Risk

To identify those risks that pose the greatest threat to the Association and to allow it to focus resources on managing them, each risk will be prioritised according to its residual overall risk score (i.e. likelihood X impact):

		<b>LIKELIHOOD</b>				
			<b>1 VERY UNLIKELY</b>	<b>2 UNLIKELY</b>	<b>3 POSSIBLE</b>	<b>4 LIKELY</b>
<b>I M P A C T</b>	<b>1 INSIGNIFICANT</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
	<b>2 MINOR</b>	<b>2</b>	<b>4</b>	<b>6</b>	<b>8</b>	<b>10</b>
	<b>3 MODERATE</b>	<b>3</b>	<b>6</b>	<b>9</b>	<b>12</b>	<b>15</b>
	<b>4 SIGNIFICANT</b>	<b>4</b>	<b>8</b>	<b>12</b>	<b>16</b>	<b>20</b>
	<b>5 MAJOR</b>	<b>5</b>	<b>10</b>	<b>15</b>	<b>20</b>	<b>25</b>

<b>RISK PRIORITY</b>		
Overall Risk Score	Level of Priority	Action
<b>1 – 4</b>	<b>Low</b>	Quarterly review
<b>5 - 14</b>	<b>Medium</b>	Additional controls where possible Quarterly review
<b>15 - 25</b>	<b>High</b>	Immediate implementation of control measures where possible Ongoing monitoring and review

## Risk Management

In managing risks the Association will respond in line with the following guidance:

Response	Guidance
Accept	The controls are in place to reduce the likelihood and impact scores to an acceptable level Introducing further controls would not be practical or cost effective The benefits to the Association outweigh the risks
Treat	Additional control measures are required Development and implementation of an action plan to reduce the likelihood and/or impact should the risk crystallise
Transfer	Handing the risk to a third party such as insurance, service delivery partners etc
Avoid	No additional control measures can be put in place Risk remains above the Association's level of Risk Appetite Exposure to the risk should be avoided/activity terminated

## 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

## Strategic Risk Register

Managing risks to the Association is a continuous process that is fundamental to support decision-making and future planning.

The Association shall maintain a Strategic Risk Register that will detail;

- The identified risks to the Association's strategic objectives and targets;
- The controls currently in place to mitigate the risk;
- An assessment of the probability of it arising with the controls in place and the impact on the Association should the risk materialize;
- Any additional controls that can be put in place to mitigate risk.

## **Risk appetite**

The aim of the Risk Management Policy is not to remove risk but to recognise that some level of risk will always exist and to approach taking risks in a controlled manner.

Risk appetite is the amount of risk that the Association is prepared to accept, tolerate or be exposed to at any point in time.

The risk appetite is monitored by the inherent and the residual risk assessment figures. Generally, the Association will manage closely all residual risks scoring moderate and major – but will not wish to tolerate risks scoring as severe. The Association's risk appetite may not always be the same. The Management Committee may vary the amount of risk which it is prepared to take depending on the circumstances surrounding the specific risk area.

The Management Committee shall focus on the monitoring of risks which are seen to have the greatest impact on the business.

## **5 Review**

This policy will be reviewed every three years by the Management Committee of Gardeen Housing Association.