

ALBYN GROUP RISK MANAGEMENT STRATEGY

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Date	Action by	Version updated	New version number	Brief description (e.g. updated job titles, reviewed section on delivery, whole document updated, corrected typos)
06/2023	Audrey Murphy	V1	V2	Update of existing strategy. Now includes risk appetite.

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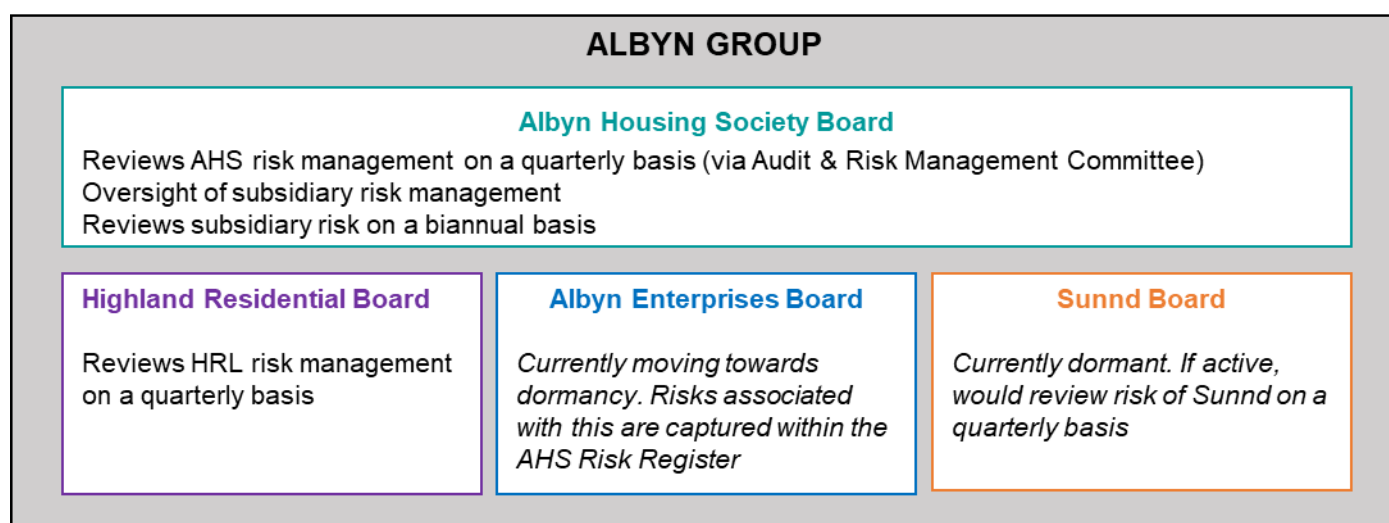
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1. Group Risk Management Policy

- 1.1 Risk management involves the systematic identification, evaluation, cost effective control, and monitoring of risks which threaten the success of any organisation and consequently its ability to survive.
- 1.2 The Board of Albyn Housing Society (AHS) considers it essential to identify and manage the key risks faced by Albyn Group. Albyn Group consists of the parent body – AHS, and three subsidiaries Highland Residential Ltd (HRL), Albyn Enterprises Ltd (AEL) and Sunnd.
- 1.3 The Group Risk Management Strategy applies across the Group.
- 1.4 AHS maintains oversight of the risk management of all of its subsidiaries and will receive biannual updates on risk management for those subsidiaries which are actively trading.



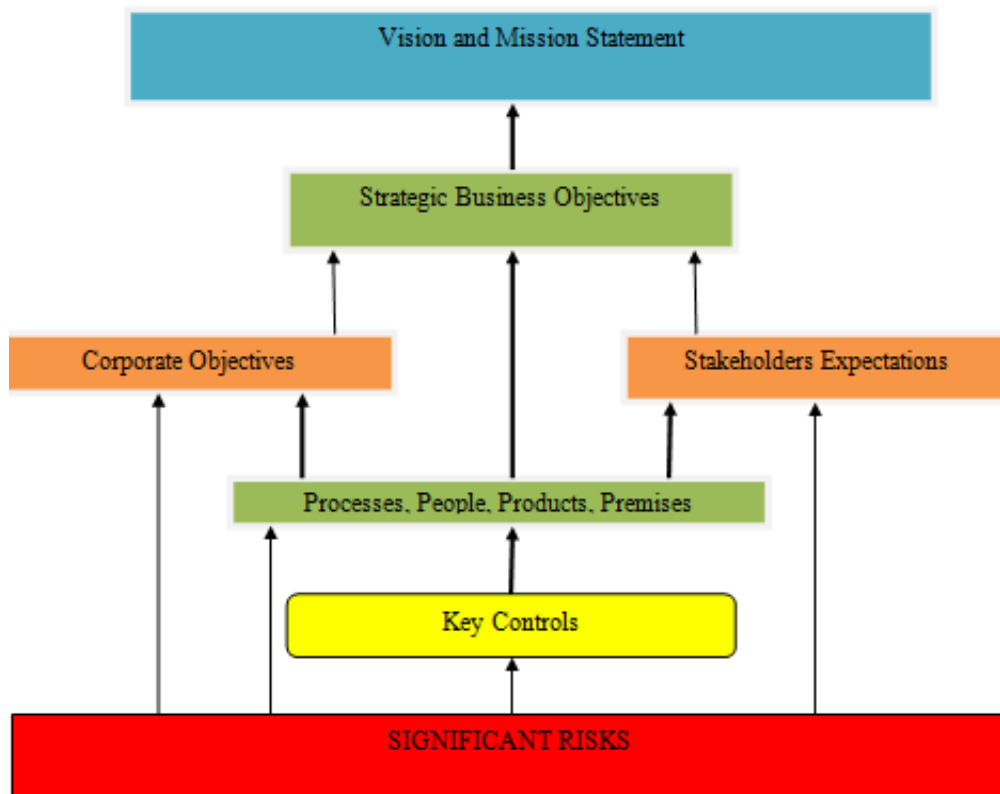
- 1.5 In managing these key risks, the Board seeks to ensure that all actions taken contribute toward the achievement of Albyn's strategic objectives and that no actions are taken that might unduly expose the Group to unnecessary risk.
- 1.6 The Board may delegate certain tasks and processes covered by this policy to the Audit and Risk Management Committee, the Internal Auditors, and the Chief Executive and Directors. They will act in an appropriate capacity to ensure that the Board discharges its primary responsibilities.

2. Introduction

2.1 Risk is defined as:

Any Event which impacts the Albyn Group to meet its Strategic Objectives

2.2 The following diagram illustrates how risks can impact upon the objectives of Albyn Group.



2.3 In other words, risk management is the identification of the following points in relation to each of the strategic objectives of the Albyn group:

- What can go wrong?
- What needs to go right?

2.4 Risks may be classified into one of the following four types:

Financial	Will lead Albyn Group to suffer financially if the risk occurs
Reputation	If the risk occurs may lead to reduced external and internal respect
Compliance	The risk that Albyn Group does not comply with some regulatory framework, e.g. SHR, HMRC, the law etc
Operational	The risk of Health and Safety issues

2.5 'Compliance' and 'Operational' risk may have a limited impact on 'Financial' or 'Reputation' risk, and therefore these risks require their own classification.

3. Group Risk Management Strategy

3.1 Introduction

3.1.1 The Group Risk Management Strategy is designed to implement the Albyn Group approved policy on risk management, and is divided into four main parts which are outlined in more detail below:

- Risk Assessment
- Risk Appetite
- Control Evaluation
- Risk Management

3.2 Risk Assessment

3.2.1 Risk Assessment is defined as:

The identification of risks and expected controls, the evaluation of those controls and the action plan to close those gaps.

3.2.2 All active members of the Albyn Group will undertake a Risk Assessment as part of their Business/Strategic planning exercises.

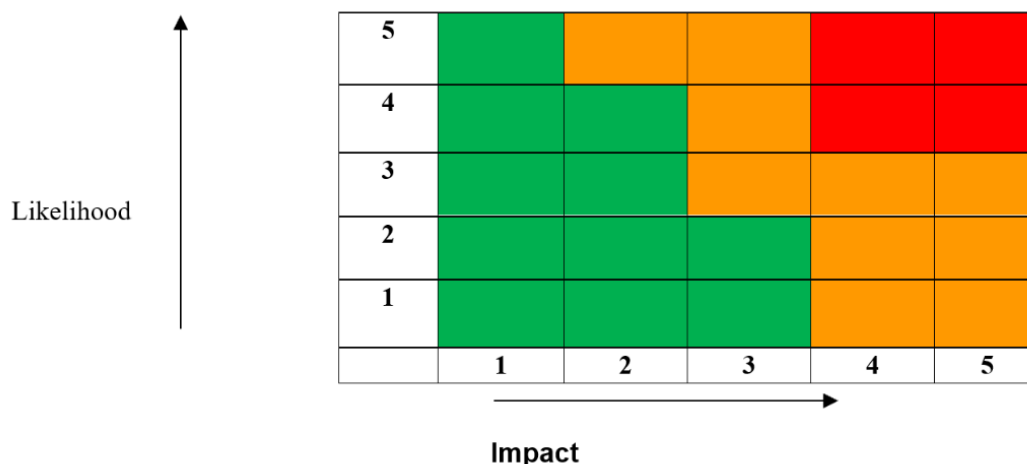
3.2.3 The Board will approve the Risk Assessment Framework on an annual basis as part of the Albyn Housing Society Business Plan process to ensure that any new or enhanced risks are identified across the Albyn Group. This is part of a risk conscious control culture, whereby any new or enhanced activity must always consider the risks involved for Albyn Group.

3.2.4 The Risk Assessment should include consideration of how important it is that Albyn Group exposes itself to the risk. Exposure to risk must be consistent with achieving Albyn Group objectives.

3.2.5 A priority of importance should be given to each risk identified, together with consideration of alternative ways of achieving the same outcome to balance out the risk.

3.3 Risk Scoring

- 3.3.1 Each risk identified should be assessed and scored by considering the likelihood of it occurring, and the impact upon the Albyn Group. The following risk scoring matrix will be used.



Likelihood = the likelihood of the risk occurring
Impact = the impact if the risk occurs

- 3.3.2 The score of each risk will be noted as part of the Risk Framework and will aid the allocation of resources to the prevention of the risk. The location of any risk plotted on the matrix will help identify the relevant risk management actions necessary.
- 3.3.3 Risks should be scored on the **inherent** likelihood and impact without reference to any controls or actions being put in place. Risks should then be scored on the **residual** likelihood and impact, which is the assessment of the risk after controls have been put in place. Please see **Appendix 1** for further details
- 3.3.4 The table below gives an indication of what responses should be considered following a risk scoring exercise:

Rating	Risk	Risk Action	Minimum Action
1 - 8	Low	Accept Risk Manage by routine procedures and policies and process.	Annual review by Board / Lead Officer
9 - 15	Medium	Management Action Required May require corrective action via budget, policy or processes.	Quarterly review by Board / Lead Officer that corrective plan is effective.
16 - 25	High	Leadership Team Action Required Directors informed and priority given for funding/corrective actions	Leadership Team agenda item for review of mitigations until risk is downgraded

3.4 Risk Appetite

3.4.1 The Albyn Group has taken the approach to risk appetite as set out in the 'Risk Appetite Guidance Note' issued by the UK Government Finance Function. Please see **Appendix 2** for further details.

3.4.2 Risk appetite is referred to as a concept. Within this concept, we assess what our tolerable risk appetite position is and work to manage that risk within this. The table below outlines the descriptors for risk appetite that Albyn Group will apply to each risk it identifies.

Averse	<ul style="list-style-type: none">• Avoidance of risk and uncertainty in achievement of key deliverables or initiatives is the key objective.• Activities undertaken will only be those considered to carry virtually no inherent risk.
Minimalist	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• Preference for safe options that have a 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 deliverable or initiatives.• Where there is 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	<ul style="list-style-type: none">• Willing to consider all options and choose the 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	<ul style="list-style-type: none">• 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.

3.4.3 Risk appetite provides a framework which will enable Albyn Group to make informed management decisions by defining both optimal and tolerable positions for the pursuit of strategic objectives.

3.4.4 The benefits of adopting a risk appetite include:

- Supporting informed decision-making
- Reducing uncertainty
- Improving consistency across governance mechanisms and decision-making.
- Supporting performance improvement
- Focusing on priority areas within an organisation
- Informing spending review and resource prioritisation processes.

3.5 Control Evaluation

3.5.1 Control Evaluation is defined as:

The part of the risk assessment that evaluates whether the expected controls are in place and working effectively. In other words, whether existing control measures are adequate to manage the risk.

3.5.2 For each of the key risks identified, the Leadership Team should agree indicators that facilitate the monitoring of the risk to assess whether the controls in place are functioning. Performance will be reported to the Board as part of the quarterly update on risk management to the Audit & Risk Management Committee.

3.5.3 Some risks identified may require more frequent monitoring and in this case the Leadership Team will ensure that this is in place. This is particularly important where there is the potential for a major impact and where the impact is immediate.

3.5.4 The Audit & Risk Management Committee also monitors key risks by obtaining and acting upon reports from the Internal and External Auditor.

3.5.5 The control dependency of each risk will be measured by subtracting the inherent risk score from the residual risk score. This provides an indication of the extent to which the sound operation of the controls in place help to mitigate the identified risk.

3.6 Risk Management

3.6.1 Albyn Group will operate the following strategies to manage risk, by deciding to:

- Eliminate the risk
- Reduce the risk
- Insure the risk
- Control the risk
- Accept the risk

3.6.2 Risk management should be part of the business and budgetary planning of the Board. The risk management needed in pursuing a particular activity should be a key factor in determining whether the Board approves the activity as part of Albyn Group Business Plans.

3.6.3 Ensuring that there are clear structures and procedures throughout Albyn Group is also part of the risk management process.

3.6.4 The analysis of key risks should help to determine staff priorities. The priority given to different risks should also provide a focus for the assessment of the internal audit operational plan, outlining the specific work areas for internal audit, and the amount of time to be spent on each of these areas.

3.6.5 The monitoring of key risks should provide the Board with the necessary information to take decisions that will improve performance in the areas being monitored. Reports from the Internal Auditor should include recommendations, and clear actions should be agreed by Albyn Group in response to these.

3.7 Critical Success Factors

3.7.1 The strategic objectives of Albyn Group are by their nature Critical Success Factors (CSF). All key risks identified for Albyn Group should be allocated to a strategic objective / CSF, and this will be clear within risk management reporting to Board.

3.8 Risk Management Reporting

- 3.8.1 The Audit and Risk Management Committee will receive a quarterly Risk Management Update detailing the strategic risks identified for Albyn Group, control mitigations in place, and indicators of how well these controls are functioning.
- 3.8.2 Each subsidiary (excluding those which are dormant) will have its own risk register which will be reported quarterly to the subsidiary Board. The AHS Board maintains oversight of the governance of its subsidiaries; this includes risk management, and the AHS Board will receive a bi-annual update on this.

3.9 Assurance Framework

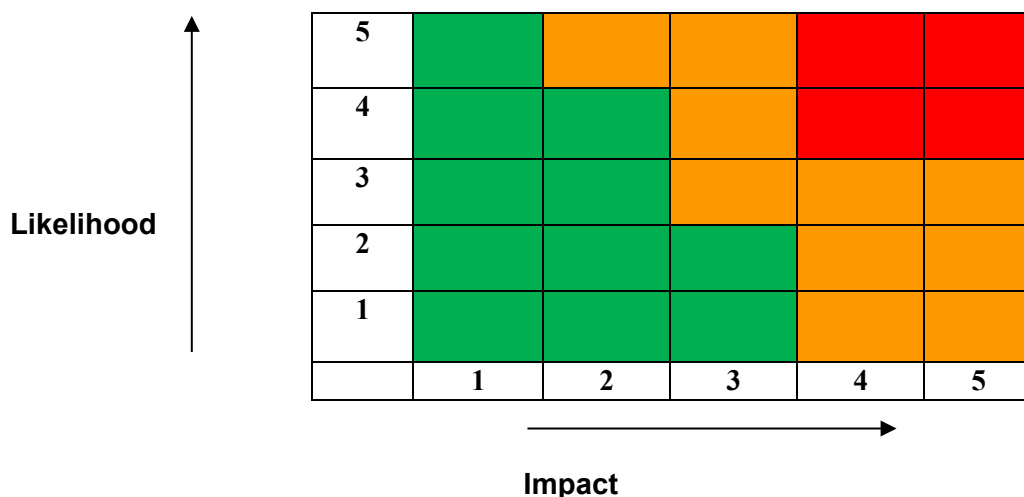
- 3.9.1 An Assurance Framework will be prepared annually for the Audit & Risk Management Committee. This framework is designed to illustrate for each strategic objective / CSF, how the effective control of each risk will be evidenced to the Board for its assurance.

3.10 Conclusions

- 3.10.1 The risk management strategy outlined in this document is key to how the Board reviews the effectiveness of its system of internal financial control. The implementation of this strategy will contribute to the Board being assured in making its annual public statement on internal financial control with the financial statements.

Appendix 1: Risk Scoring

Risk Assessment Table



Likelihood = the likelihood of the risk occurring
Impact = the impact if the risk occurs

Likelihood Score Explained

Traffic Light	Assessment	Interpretation
High	Is expected to occur, almost certain.	Greater than 80%
Medium/High	Will probably occur, measures may or may not exist to reduce likelihood.	Between 20 and 80%
Medium	Could occur, this is possible. Measures to reduce likelihood exist but may not be fully effective.	Between 10 and 20%
Low/Medium	Might occur at some point in time. Conditions do exist for this to occur, but controls exist and are effective.	Between 5 and 10%
Low	Rare, may occur in exceptional circumstances. No or little experience for a similar failure.	Less than 5%

Impact Score Explained

Grade of Impact	Description	Interpretation
High	May cause key objectives to fail. Very significant impact on organisational goals. Legal or regulatory implications. Significant reputational impact.	Significant impact on Tenants. Significant impact on financial stability. Significant impact on staff safety. Financial implications exceed £3m.
Medium/High	Major effect. Risk factor may lead to significant delays or non-achievement of objectives.	Impact Group wide objectives / programmes. Financial implications exceed £1m
Medium	Moderate effect. Risk factor may lead to delays or increase in cost.	Considerable impact for programme / project. Financial implications
Low/Medium	Some impact of the risk, fairly minor.	Some impact for programme / project. Financial implications covered by mitigation actions
Low	Fairly insignificant , may lead to a tolerable delay in the achievement of objectives or minor reduction in quality / quantity/ and/or an increase in cost.	Minimal financial implications

Appendix 2: Risk Appetite

The Albyn Group has taken the approach to risk appetite as set out in the 'Risk Appetite Guidance Note' issued by the UK Government Finance Function. The Risk Appetite Matrix below provides definitions of risk appetite by risk category.

Risk Appetite Matrix

Risk appetite level definition					
	Averse	Minimal	Cautious	Open	Eager
Strategy	Guiding principles or rules in place that limit risk in organisational actions and the pursuit of priorities. Organisational strategy is refreshed at 5+ year intervals	Guiding principles or rules in place that minimise risk in organisational actions and the pursuit of priorities. Organisational strategy is refreshed at 4-5 year intervals	Guiding principles or rules in place that allow considered risk taking in organisational actions and the pursuit of priorities. Organisational strategy is refreshed at 3-4 year intervals	Guiding principles or rules in place that are receptive to considered risk taking in organisational actions and the pursuit of priorities. Organisational strategy is refreshed at 2-3 year intervals	Guiding principles or rules in place that welcome considered risk taking in organisational actions and the pursuit of priorities. Organisational strategy is refreshed at 1-2 year intervals
Governance	Avoid actions with associated risk. No decisions are taken outside of processes and oversight / monitoring arrangements. Organisational controls minimise risk of fraud, with significant levels of resource focused on detection and prevention.	Willing to consider low risk actions which support delivery of priorities and objectives. Processes, and oversight / monitoring arrangements enable limited risk taking. Organisational controls maximise fraud prevention, detection and deterrence through robust controls and sanctions.	Willing to consider actions where benefits outweigh risks. Processes, and oversight / monitoring arrangements enable cautious risk taking. Controls enable fraud prevention, detection and deterrence by maintaining appropriate controls and sanctions.	Receptive to taking difficult decisions when benefits outweigh risks. Processes, and oversight / monitoring arrangements enable considered risk taking. Levels of fraud controls are varied to reflect scale of risks with costs.	Ready to take difficult decisions when benefits outweigh risks. Processes, and oversight / monitoring arrangements support informed risk taking. Levels of fraud controls are varied to reflect scale of risk with costs.
Operations	Defensive approach to operational delivery - aim to maintain/protect, rather than create or innovate. Priority for close management controls and oversight with limited devolved authority.	Innovations largely avoided unless essential. Decision making authority held by senior management.	Tendency to stick to the status quo, innovations generally avoided unless necessary. Decision making authority generally held by senior management. Management through leading indicators.	Innovation supported, with clear demonstration of benefit / improvement in management control. Responsibility for non-critical decisions may be devolved.	Innovation pursued – desire to 'break the mould' and challenge current working practices. High levels of devolved authority – management by trust / lagging indicators rather than close control.
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.	Requirement to adopt arrange of agreed solutions for purchase, rental, disposal, construction, and refurbishment that ensures producing good value for money.	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).
Commercial	Zero appetite for untested commercial agreements. Priority for close management controls and oversight with limited devolved authority.	Appetite for risk taking limited to low scale procurement activity. Decision making authority held by senior management.	Tendency to stick to the status quo, innovations generally avoided unless necessary. Decision making authority generally held by senior management. Management through leading indicators.	Innovation supported, with demonstration of benefit / improvement in service delivery. Responsibility for non-critical decisions may be devolved.	Innovation pursued – desire to 'break the mould' and challenge current working practices. High levels of devolved authority – management by trust / lagging indicators rather than close control.
People	Priority to maintain close management control & oversight. Limited devolved authority. Limited flexibility in relation to working practices. Development investment in standard practices only	Decision making authority held by senior management. Development investment generally in standard practices.	Seek safe and standard people policy. Decision making authority generally held by senior management.	Prepared to invest in our people to create innovative mix of skills environment. Responsibility for noncritical decisions may be devolved.	Innovation pursued – desire to 'break the mould' and challenge current working practices. High levels of devolved authority – management by trust rather than close control.

Risk appetite level definitions					
	Averse	Minimal	Cautious	Open	Eager
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 & Info 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 openly shared.
Security	No tolerance for security risks causing loss or damage to HMG property, assets, information or people. Stringent measures in place, including: <ul style="list-style-type: none"> • Adherence to FCDO travel restrictions • Staff vetting maintained at highest appropriate level. • Controls limiting staff and visitor access to information, assets and estate. • Access to staff personal devices restricted in official sites 	Risk of loss or damage to HMG property, assets, information or people minimised through stringent security measures, including: <ul style="list-style-type: none"> • Adherence to FCDO travel restrictions • All staff vetted levels defined by role requirements. • Controls limiting staff and visitor access to information, assets and estate. • Staff personal devices permitted, but may not be used for official tasks. 	Limited security risks accepted to support business need, with appropriate checks and balances in place: <ul style="list-style-type: none"> • Adherence to FCDO travel restrictions • Vetting levels may flex within teams, as required • Controls managing staff and limiting visitor access to information, assets and estate. • Staff personal devices may be used for limited official tasks with appropriate permissions. 	Considered security risk accepted to support business need, with appropriate checks and balances in place: <ul style="list-style-type: none"> • New starters may commence employment at risk, following partial completion of vetting processes • Permission may be sought for travel within FCDO restricted areas. • Controls limiting visitor access to information, assets and estate. • Staff personal devices may be used for official tasks with appropriate permissions. 	Organisational willing to accept security risk to support business need, with appropriate checks and balances in place: <ul style="list-style-type: none"> • New starters may commence employment at risk, following partial completion of vetting processes • Travel permitted within FCDO restricted areas. • Controls limiting visitor access to information, assets and estate. • Staff personal devices permitted for official tasks
Project/Programme	Defensive approach to transformational activity - aim to maintain/protect, rather than create or innovate. Priority for close management controls and oversight with limited devolved authority. Benefits led plans fully aligned with strategic priorities, functional standards.	Innovations avoided unless essential. Decision making authority held by senior management. Benefits led plans aligned with strategic priorities, functional standards.	Tendency to stick to the status quo, innovations generally avoided unless necessary. Decision making authority generally held by senior management. Plans aligned with strategic priorities, functional standards.	Innovation supported, with demonstration of commensurate improvements in management control. Responsibility for noncritical decisions may be devolved. Plans aligned with functional standards and organisational governance.	Innovation pursued – desire to 'break the mould' and challenge current working practices. High levels of devolved authority – management by trust rather than close control. Plans aligned with organisational governance.
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.