



Policy Title	Board Assurance and Risk Management Policy
Version Number	V001
Date Revision Complete	November 2023
Policy Owner	Chief Operating Officer
Author	Chief Operating Officer
Reason for Revision	Update policy to reflect new strategy
Data Protection	Policy is fully compliant with GDPR requirements.
Equalities Impact Assessment	N/A
Is it required? Yes/No	No
Proof Read	Chief Executive
Date Approved	November 2023
Approved by	Audit, Performance and Risk Committee
Next Review Due	November 2026
Audience – Training and Awareness Method	The policy will be briefed out to all relevant teams by email and more detailed briefings will be held as required and the policy will be available on Grapevine
Effective Date	December 2023
Internal References	Financial Regulations Health and Safety policy Business Continuity Policy
External References	
Comments	The board assurance and risk policy will be reviewed every 3 years but will be assessed annually against the Business Plan and Strategy.

Board Assurance and Risk Management Policy

1. Purpose and Principles

- 1.1. Our Board Assurance and Risk Management Framework supports our Strategy and Business Plan by helping us to identify and manage risks that may stand in the way of us achieving our plans or risks that open opportunities for Bield to exploit.
- 1.2. A risk is anything that may prevent us from achieving our goals and ambitions and may result in a loss being incurred or lead to a reduction in services to our customers and service users. Risks can be physical, financial, and reputational.
- 1.3. Board Assurance is about how management evidence to the Board that we have efficient and effective controls established to mitigate against risks coming to fruition, or that we have developed the necessary action plans to mitigate risks in line with the Board's risk appetite.
- 1.4. Our Board Assurance and Risk Management Framework also forms part of our assurance to compliance with the Scottish Housing Regulator's Regulatory Framework, specifically:
 - **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, and
 - **Standard 4** - The governing body bases its decisions on good quality information and advice and identifies and mitigates risks to the organisation's purpose.

2. Risk Assessment

- 2.1. A diagram of Bield's Board Assurance Framework is included as **Appendix 1**. The framework consists of the following:
 - **Strategic Risk Register** contains the risks that have been identified as needing to be managed in relation to each of the seven Strategic Objectives that support the delivery of the Board's Strategy and Business Plan;
 - **Business Health Risk Register** contains corporate risks that are while not directly linked to the delivery of the Strategy may have an impact on our ability to deliver it. These risks can be identified through two routes, regular review of the Operational Risk Registers which identify risks that are of such significance that they need to be escalated to Executive Management Team (EMT) and the Board or risks that are identified directly by the EMT, and
 - **Operational Risk Registers** are used by each of the main business areas to identify and manage risks to the delivery of our key corporate and operational services. These are managed locally by an assigned owner; however, operational risk registers will be developed for projects.
- 2.2. All risk registers share a common approach to identifying and scoring risks, identifying existing controls and any additional actions required to develop controls that are effective and efficient in mitigating the risk.

- 2.3. Risk management allows us to identify the risks to our business and focus our resources to those that could have the greatest impact.
- 2.4. At Bield, risks are categorised as follows: Governance, Operations, Legal, Property, Financial, People, Data and Information Management, Technology, Project / Programme, and Reputational.
- 2.5. As risks are identified, we need to assess their significance and impact. We do this by risk scoring before we have identified mitigating controls (inherent risk score) and after controls efficiency and effectiveness are included in that assessment (residual risk score). The inherent and residual risk scoring is tracked on our risk registers.
- 2.6. Scores are calculated based on likelihood that the risk will occur and the severity or impact that the risk may have on Bield. **Appendix 2** details how scores are assessed and the descriptions of scores.
- 2.7. To help us understand which risks to then act upon or tolerate, the Board **annually** sense checks its risk appetite. Risk appetite is the level of risk that they are willing to tolerate in pursuit of Bield's objectives and goals. **Appendix 2** also details the Boards current risk appetite and **Appendix 3** details our approach to managing risks for the ten risk categories discussed above.
- 2.8. The choice of appropriate action will depend on the how close its residual score is to the risk appetite for that risk category. A balance will need to be struck between the cost of further action to manage the risk and the potential impact of the residual risk. Further action is typically taken to reduce a risk where its score is operating above its risk appetite. Likewise, if the residual risk score is far below the risk appetite, then this may indicate there has been too much investment in mitigating that risk or room for Bield to take advantage of the risk.
- 2.9. On determining the risk status, risk treatment is then determined as follows:
 - **Tolerate** – Not all risks can be avoided entirely, and the risk may be acceptable to Bield.
 - **Transfer** – Where the financial consequences of the risk can be transferred or shared with a third party, such as contracting, insurances and warranties.
 - **Treat** – take action to reduce the impact of the risk from occurring or to an acceptable level that is within risk appetite.
 - **Terminate** – remove the risk by doing things differently.

3. Risk Assurance

- 3.1. The Bield Board is responsible for ensuring that any risks that might prevent it from achieving its objectives are identified and that effective strategies and systems are in place for risk management, internal control, and audit. It is essential that the Board have assurance that risk is being managed appropriately across the business.
- 3.2. Assurance can come from internal and external sources. For example, financial and operational performance monitoring processes and reporting can provide internal assurance on progress of Bield meeting its strategic objectives. Externally, External Audit provide assurance on the accuracy of financial statements and Internal Audit on the effectiveness and efficiency of our internal control framework. Reports or

feedback from regulators or customers and service users can also provide external assurance.

3.3. Our Strategic Risk Register details the internal and external sources of assurance for transparency and gap analysis. Our strategic risks are also linked to our Assurance Evidence Bank to provide full transparency of assurance arrangements.

3.4. Our Board Assurance Framework is presented in **Appendix 1** and details the management groups responsible for providing oversight of assurance reporting.

4. Governance and Assurance Scrutiny

4.1. Our Board receives the Risk Management Annual Report that discusses risk management arrangements during the year and the risks facing Bield in the year ahead. They also receive the Strategic Risk Register at this time. This allows the Board to review risk management arrangements and consider and approve its risk appetite for the year ahead. It also receives management reports and external reports as per its annual agenda and forward plan.

4.2. The Audit and Risk Committee has delegated authority to manage risk on behalf of the Board. It is responsible for reviewing the Strategic Risk Register and scrutinising management actions to treat the risks identified on a quarterly basis. It also reviews internal and external assurance reporting. It is responsible for reporting to the Board on any recommendations to manage risk so that the Board retains full visibility of changing risk profiles.

4.3. The People Committee has delegated authority to escalate People and Staff Strategy risks to the Audit and Risk Committee.

4.4. Our EMT are responsible for reviewing and approving the Strategic and Business Health Risk Registers on a quarterly basis. However, all members of the EMT can access the risk registers to ensure that information is up to date for risks within their remit.

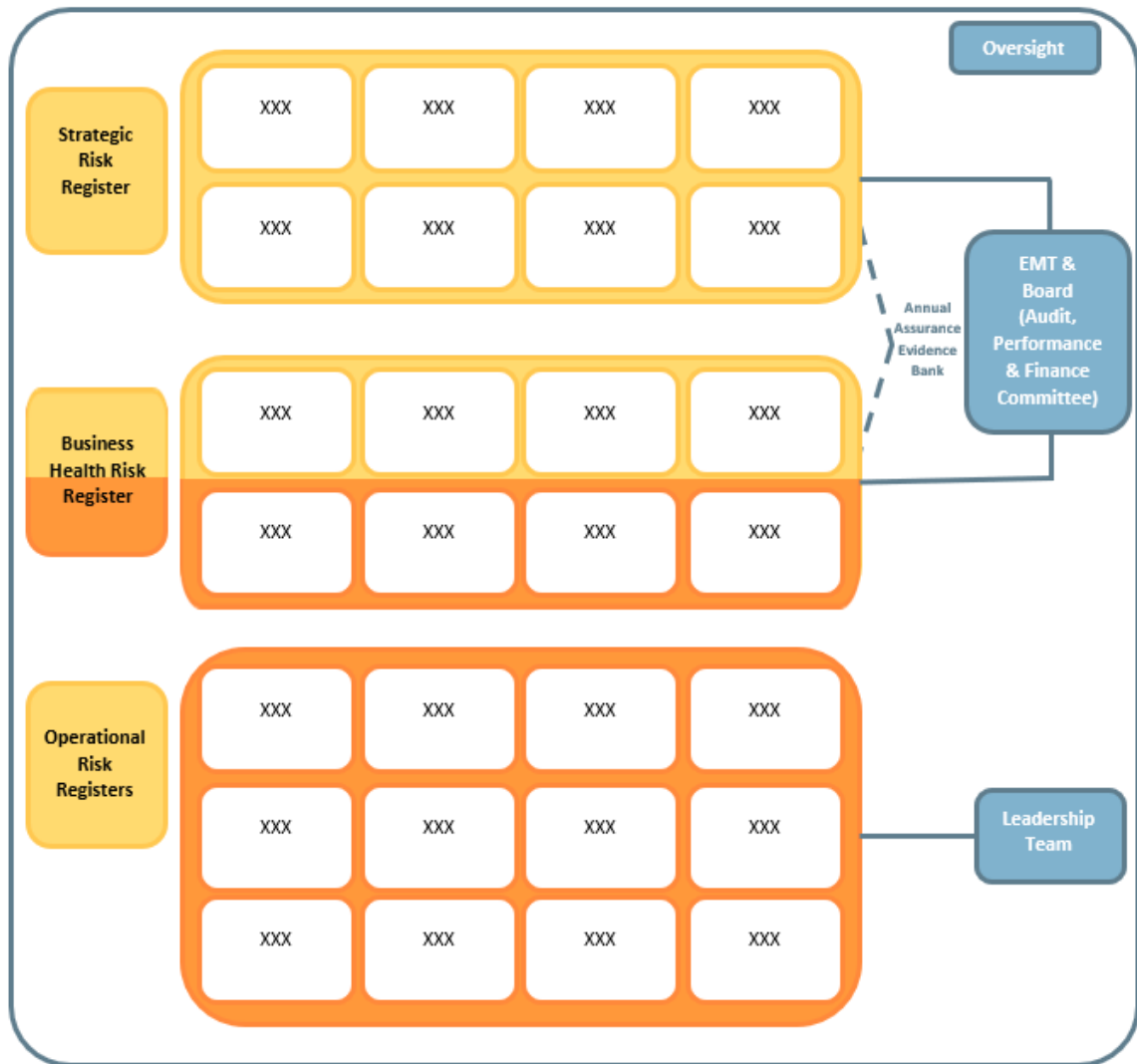
4.5. The Leadership Team are responsible for reviewing and approving the operational risk registers. These are reviewed and updated on a quarterly basis by the Directorate Risk Owners. Any risks that are operating above their risk appetite or are of concern should be escalated to the EMT for consideration.

5. Policy Review

5.1. Minor changes to this policy will be managed by the Head of Assurance and Business Planning and approved by EMT. Any major changes will be reported to the Board for approval. This policy will be reviewed every three years and the revised version presented to the Board for approval.

Appendix 1 – Board Assurance Framework

Board Assurance & Risk



Appendix 2 –Risk Identification, Scoring and Risk Appetite

A risk can be identified when developing strategies and operating plans, or through business-as-usual activity. Risk registers are tools to then track and manage those risks.

Risks should have a reference number, risk category, description and risk owner identified on the risk register. Risk descriptions should provide sufficient narrative for individuals to understand the event, cause of the event, and potential impact of the event on the organisation.

Each risk is assessed to determine the likelihood of the risk occurring and the severity of its impact.

The following table summarises the assessment of **likelihood**:

Likelihood	Description	Probability	Risk score
Very likely	Is expected to occur and is almost certain	Greater than 90%	4
Likely	Will probably occur and measures may or may not exist to reduce likelihood	Between 50% and 90%	3
Unlikely	Might occur at some point in time. Conditions do exist for this to occur but controls exist and are effective	Between 10% and 50%	2
Very unlikely	Rare and may occur only in exceptional circumstances. Bield has had no experience or little experience of this risk.	Less than 10%	1

The following table summarises the assessment of the **severity/ impact** of the risk to Bield:

Severity	Financial Impact	Reputational Impact	Employee or Volunteer Impact	Operational Impact	Risk Score
Extreme	£100,000 and over	Severe, long term, reputational impact; national news coverage, significant SHR or other regulator involvement	Workplace fatality; Widespread sickness outbreak; Major impact on employee /volunteer morale: a number leave as a result	Severe operational disruption: major service unavailable for more than one week; Customer fatality	4
Serious	£50,000 to £100,000	Reputation impact of lasting effect; Prominently covered in local news; Housing Regulator or other regulatory involvement	Serious accident, major injury requiring urgent medical attention; Long term-ill health; Widespread cause of significant dissatisfaction and de-motivation	Major operational impact: unavailability of a service causing delays, costs and wasted resources; Health & safety risk to customers; Cancellation of services to customers	3
Significant	£20,000 to £50,000	Reputation impacted in local / specialist area; Covered in SFHA, but not noticeable to wider public	Significant injury; Cause for concern for Bield employees /volunteers no lasting impact	Significant operational impact: health issue requiring concerted EMT attention; Disruption in a few departments / services not delaying the major operational processes; Delays to services for customers	2
Marginal	£5,000 to £20,000	May be evident to those close to the event / area of interest	Unsettling rumours	Minor operational impact: secondary system or process disrupted for less than a week – workarounds required; Minor inconvenience to customers	1

The results from the assessment should be placed on our 4x4 risk matrix to ascertain the overall risk rating:

Likelihood	Very likely 4	4	8	12	16
	Likely 3	3	6	9	12
	Unlikely 2	2	4	6	8
	Very unlikely 1	1	2	3	4
		Marginal 1	Significant 2	Serious 3	Extreme 4
		Severity/ Impact			

When the inherent risk score is ascertained; the process is repeated for its residual score AFTER controls are identified and the risk re-assessed. The risk classification based on the score is noted in the table below.

Risk Classification	Scoring	Colour Key	HM Treasury Orange Book Category
Severe	Risks with a score between 9 and 16		5 – Eager*
Substantial	Risks with a score of between 6 and 8		4 – Open*
Moderate	Risk with a score of between 3 and 5		2 – Minimalist/ 3 – Cautious*
Tolerable	Risks with a score 2 or lower		1 – Averse*

Risk Appetite

There is a direct relationship between the residual score of a risk and risk appetite. For example, if the residual score is shown to be operating above the set risk appetite, action should then be taken by management.

For example, where the residual score is 9, which is RED, but the risk appetite set by the Board is 2 – Minimalistic, then there is a mismatch. In this instance this would be highlighted in a covering report to the next level of governance within the Board Assurance Framework.

*** The Board's risk appetite will be sense checked by the Board annually**

Appendix 3 – Risk Categories and the Board’s Risk Appetite

Risk Category	Risk Appetite Score*	Risk Appetite Description*
1. Governance	5 - Eager	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.
2. Operations	4 - Open	Innovation supported, with clear demonstration of benefit / improvement in management control. Responsibility for non-critical decisions may be devolved.
3. Legal	4 - Open	Challenge will be problematic; we are likely to win, and the gain will outweigh the adverse impact.
4. Property	4 - Open	Consider benefits of agreed solutions for purchase, rental, disposal, construction, and refurbishment that meeting organisational requirements.
5. Financial	4 - Open	Prepared to invest for benefit and to minimise the possibility of financial loss by managing the risks to tolerable levels.
6. People	5 - Eager	Prepared to invest in our people to create innovative mix of skills environment. Responsibility for noncritical decisions may be devolved.
7. Data and Information Management	4 - Open	Accept need for operational effectiveness in distribution and information sharing.
8. Technology	5 - Eager	New technologies viewed as a key enabler of operational delivery. Agile principles are embraced.
9. Project / Programme	5 - Eager	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.
10. Reputational	4 - Open	Appetite to take decisions with potential to expose organisation to additional scrutiny, but only where appropriate steps are taken to minimise exposure.

Risk Appetite is the level of risk that Bield is prepared to tolerate, it is expressed as a score and as a definition. For 2023/24, the Board have identified its risk appetite for Bield’s ten risk categories as noted above.

*** The Board’s risk appetite will be sense checked by the Board annually**