

POLICY

RISK MANAGEMENT

Wellhouse - *The Place to Be*

Date of Last Review	April 2018
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1. PURPOSE OF THIS DOCUMENT

This risk management Policy (the Policy) forms part of Wellhouse Housing Association (WHA) internal control and corporate governance arrangements.

The Policy explains WHA's underlying approach to risk management, documents the roles and responsibilities of the Management Committee, the Audit & Risk 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 Management Committee will use to evaluate the effectiveness of the organisation's internal control procedures.

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 (2012).

The Regulator requires that WHA has an effective risk management and internal controls assurance framework in place. We demonstrate this through the annual 'Internal Controls Assurance' approved by the Management Committee and included in the financial statements of WHA. An effective risk management Policy is an integral part of this assurance and is crucial to support the statement. On that basis WHA 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 WHA as it:

- helps us to be more flexible and responsive to new internal / external demands;
- helps WHA make informed decisions;
- provides assurance to the Management Committee, Audit & Risk Committee and the Management Team;
- reduces incidents and other control failures; and
- helps in the achievement of WHA'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. At a time when resources are limited it is especially important to reduce the number of unwanted surprises. 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 WHA;
- 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 WHA 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 & tenants of WHA.
- Use appropriate identification and analysis techniques to identify risks to WHA 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 WHA.
- 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 WHA.
- 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 WHA’s approach to risk management and internal control:

- The Management Committee has responsibility for overseeing risk management within WHA as a whole;
- An open and receptive approach to solving risk problems is adopted by the Management Committee;
- The Director and Management Team support, advise on and implement policies approved by the Management Committee;
- Risk management forms part of WHA’s system of internal control;
- WHA makes conservative and prudent recognition and disclosure of the 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 MANAGEMENT COMMITTEE

The Management Committee 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 WHA.

This includes:

- determining whether WHA 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 WHA.
- Approve major decisions affecting WHA'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.
- Annually review WHA's approach to risk management and approve changes or improvements to key elements of its processes and procedures.

ROLE OF WHA AUDIT & RISK COMMITTEE

WHA Audit & Risk Committee will at each of the scheduled meetings receive an update report on WHA'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 WHA and make recommendations to the Management Committee.
- Satisfy itself that all known risks are being actively managed, with the appropriate controls in place and working effectively.
- Annually review WHA's approach to risk management and approve changes or improvements to key elements of its processes and procedures.

ROLE OF THE MANAGEMENT TEAM

Role

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

Responsibilities

- To acquire a knowledge of risk management and its benefits.
- Monitor, evaluate and update WHA's Strategic Risk Register at least once a quarter.
- Review the Risk Management Policy at least once a year.
- Report to each meeting of WHA Audit & Risk Committee on the status of risks and controls.
- Ensure risk management and its processes are disseminated and are embedded throughout WHA.
- Continuous development, promotion & implementation of risk management throughout WHA.
- 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 will take overall responsibility for the administration and implementation of the risk management process.

THE ROLE OF TEAM LEADERS

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;
- To provide feedback to the 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 WHA have 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

The success of WHA is a result of effectively managing our key risks, which in turn support the achievement of our key targets and priorities. WHA 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.

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

The Audit & Risk Committee will then agree the Risk Appetite (what level of risk is acceptable) for WHA and the appropriate level of risk mitigation activity for each risk in this category.

A risk owner will be designated for each risk on the risk register, where appropriate additional Team Leaders may be 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

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

Step 1 – Identify Risks

Using WHA'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. Team Leaders are ultimately responsible for identifying the risks that their Team's may face.

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 risks on one register, operational risks remain devolved within each department.

Risks shall be identified at all levels of WHA:

- **Strategic** - Where threats and opportunities could affect decisions on WHA's strategic objectives;
- **Operational (Team Level)** - Where threats and opportunities could affect decisions on operational actions to meet WHA's strategic objectives;
- **Project Level** - 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

Equalities

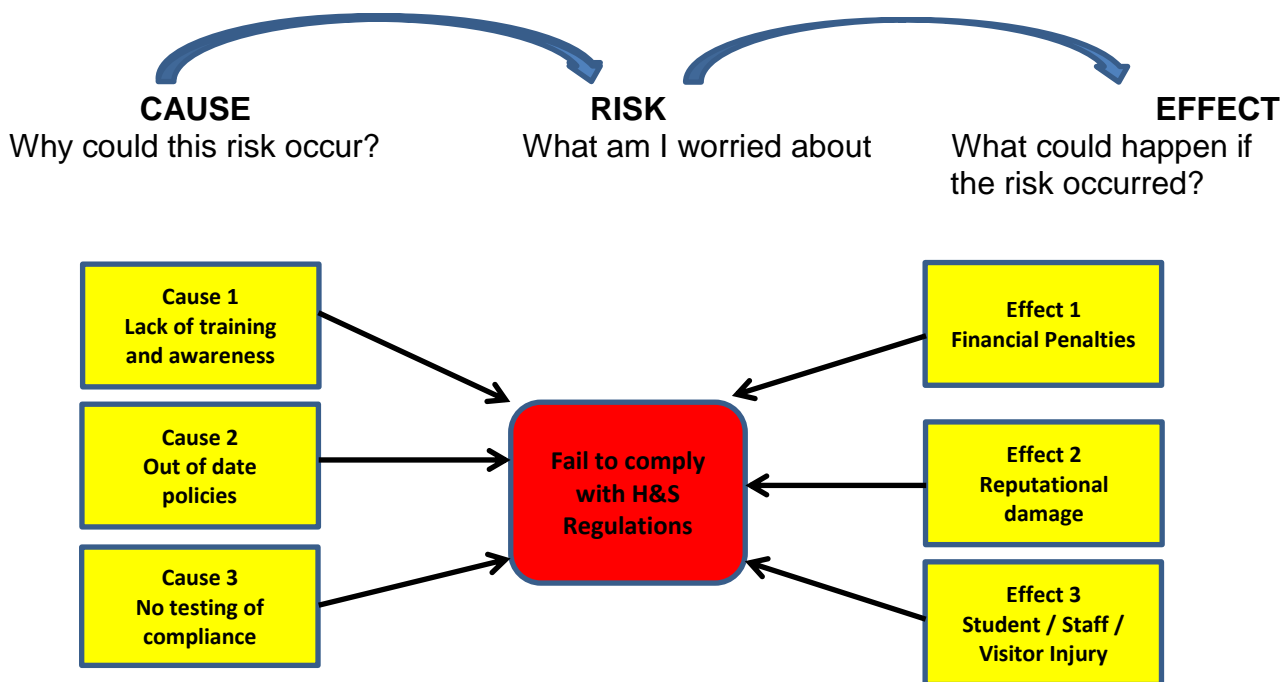
When identifying risk all activities undertaken by WHA must be assessed for their compliance with our Equalities and Diversity Policy. We will seek to ensure that there is no risk of discrimination or unfair treatment as a result of our actions.

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:



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 WHA 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	WHA 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 a shared directory, accessible by all, and are up to date and all staff have been issued with copies.
Control 3	WHA uses a consultant Health & Safety Specialist that undertakes regular audits and inspections to ensure WHA is compliant with the up to date legislation

Step 2 – Assess Risks

Emerging risks will be identified and discussed by WHA’s Management Team on an on-going basis. Any information that impacts upon WHA’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 mitigating controls in place. This is known as the '**Residual**' risk level.

WHA'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 WHA'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 a 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 WHA has the ability to introduce further controls that will reduce the likelihood and/or the impact of a risk.
Terminate	A risk maybe outside WHA's risk appetite and WHA 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 <i>tolerate</i> 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 WHA’s activities and the progress of action taken to ensure its effective reduction.

Amber Risks

- Risks that fall in to the area highlighted amber may require action and will be monitored for any changes in the risk or control environment which may result in the risk attracting a higher score.

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

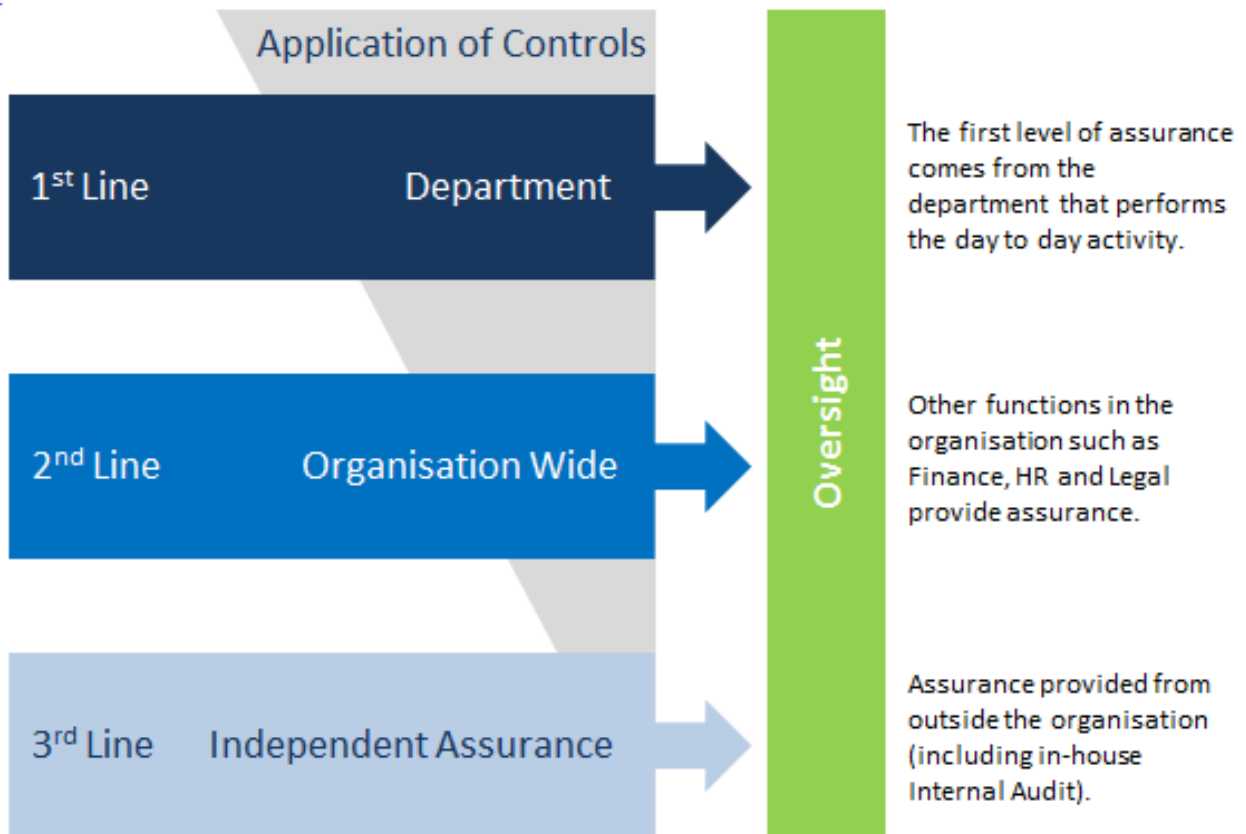
WHA will identify and implement appropriate controls to manage the risks identified. It will also implement processes to give assurance that these controls are working effectively.

What is Assurance?

Assurance:	
Provides:	“Confidence” / “Evidence” / “Certainty”
To:	Team Leaders / Management Team / The Audit & Risk Committee / the Management Committee (individually and collectively)
That:	That what needs to be done (strategically and operationally) is being done

1st, 2nd and 3rd Lines of Assurance

The assurances that WHA receives can be broken down into the three line model as illustrated below



9. TRAINING

WHA will support the provision of training and briefing sessions for relevant staff on an annual basis. Guidance and support will also be provided by WHA through the provision of written guidance notes from time to time and the offer of support from relevant staff.

10. 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 WHA to respond to a variety of operational, financial and commercial risks. These elements include:

<i>Policies and Procedures</i>	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
<i>Reporting</i>	The Management Team and the Audit & Risk 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
<i>Business Planning and Budgeting</i>	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

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

11. ANNUAL REVIEW OF EFFECTIVENESS

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

The Management Committee will:

- Review WHA'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 Management Committee will consider the following aspects:

- **Control Environment**
 - WHA's objectives and its financial and non-financial targets
 - Organisational structure and calibre of the Management Team
 - Culture, approach and resources with respect to the management of risk
 - Delegation of authority within WHA
- **On-going identification and evaluation of risk**
 - Timely identification and assessment of risks, and prioritisation of risks and the allocation of resources to address areas of high exposure

- **Information and Communication**
 - Quality and timeliness of information on risks, and the time it takes for control breakdowns to be recognised or new risks to be identified.
- **Monitoring and Corrective Action**
 - Ability of WHA to learn from its problems.
 - The commitment and responsiveness with which corrective actions taken are implemented.

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

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

13 THE RISK MANAGEMENT TOOL

- 13.1 The risk management template is an integral part of our annual operational plan which can be found here <\\WELL-DOMAIN\Directorate\00 Business Plan 18 19\Operational Plan and Risk Register>. This is the only template to be utilised as a central master and reporting tool. Each individual team will have their own operational registers as required. Risk Management must be kept directly linked to Wellhouse activities and business plan and fully re-written each year.

APPENDIX A - Risk Management Reporting and Escalating



APPENDIX B – Risk Matrix

RISK	Likelihood				
Impact	1	2	3	4	5
	Rare	Unlikely	Possible	Likely	Almost Certain
5 Major					
4 Significant					
3 Moderate					
2 Minor					
1 Negligible					

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 WHA 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 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 breach 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 WHA for significant governance failings Forced merger	Action brought against WHA for significant breach.	Deaths and/or major effect on staff lives.	Major successful fraud; prosecution brought against WHA 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		
High	15,16,20,25	Red
Medium	9,10,12	Amber
Low	1,2,3,4,5,6,8.	Green

Trust Honesty Integrity Excellence Accountability Sustainability

APPENDIX C – Risk Management Reporting Cycle

The table below sets out the risk management reporting cycle:

Risks	The Management Committee	Audit & Risk Committee	Departmental Heads
WHA'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 Quarter	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

APPENDIX D – Glossary of Terms & Risk Categories

Term	Definition
Assurance	An opinion based on evidence gained from the review of WHA'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 WHA 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 WHA is prepared to accept or tolerate before considering action necessary.
Risk assessment	The process by which WHA identifies and assesses the risks associated with its activities within each level of WHA.
Risk management	“Risk Management is the process which aims to help WHA 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 WHA identifies.
Risk response	An action or process that WHA 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 WHA 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 WHA's ability to respond and meet its objectives.
Technological	Associated with the capacity to deal with the pace/scale of technological change, or WHA's ability to use technology to address changing demands. This may also include the consequences of internal technological failures on the WHA'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 WHA 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 WHA staff or assets to unnecessary risk.

The above risk category table is added for additional information