



## **Risk Management Policy**

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## **1 INTRODUCTION**

- 1.1 Elderpark Housing is registered with the Financial Conduct Authority (FCA). Furthermore we are a registered Charity under the Rules of the Co-operative and Community Benefit Societies Act 2014. We are a Registered Social Landlord (RSL) registered with the Scottish Housing Regulator (SHR).
- 1.2 We are governed by a voluntary Management Committee of up to 15 people and currently employ around 25 staff. Furthermore we are a registered Charity under the Rules of the Co-operative and Community Benefit Societies Act 2014.
- 1.3 Elderpark Housing was established in 1975 and currently owns approximately 1260 homes with the majority being in Central Govan although we also have a number of properties within the areas of Ibrox, Kinning Park and Cessnock.
- 1.4 In addition to being a landlord we provide a factoring service to approximately 240 owners. The vast majority of our homes are tenemental flats which account for over 80% of the stock the Association provides for rent.

## **2 RISK MANAGEMENT STATEMENT**

- 2.1 For the purposes of Elderpark Housing's Risk Management Policy a risk is defined as "An uncertain event or condition, if it occurs, has a positive (opportunity) or negative (threat) on an objective".
- 2.2 For Elderpark Housing risk management is the process whereby "We identify and appraise the most important risks we face, and we take a prudent approach to managing them."
- 2.3 This policy document sets out Elderpark Housing's approach and process for the management of risk. The purpose of our Risk Management Policy is to ensure that the risks that arise from Association's operations are identified, assessed, controlled and monitored in line with the risk appetite set by the Committee and the agreed risk management process.
- 2.4 We promote the integration of risk management in the governance and management of our business. Risk management flows through our business at both strategic and operational levels.
- 2.5 The purpose of this risk management policy is to ensure that we achieve our stated business and strategic planning aims and objectives whilst identifying and managing the challenges and risks which may be encountered.

### 3 REGULATORY EXPECTATIONS

3.1 The Scottish Housing Regulator (SHR) sets clear expectations about the importance of risk management in its Regulatory Standards of Governance and Financial Management. Specific relevant requirements are as follows:

- *GS 3.2 - The governing body fully understands the implications of the treasury management strategy it adopts, ensures this is in the best interests of the RSL and that it understands the associated risks.*
- *GS 3.3. - The RSL has a robust business planning and control framework and effective systems to monitor and accurately report delivery of its plans. Risks to the delivery of financial plans are identified and managed effectively. The RSL considers sufficiently the financial implications of risks to the delivery of plans.*
- *GS 3.5 - The RSL monitors, reports on and complies with any covenants it has agreed with funders. The governing body assesses the risks of these not being complied with and takes appropriate action to mitigate and manage them.*
- *GS 4.3. - The governing body identifies risks that might prevent it from achieving the RSL's purpose and has effective strategies and systems for risk management and mitigation, internal control and audit.*

### 4 Risk Appetite

4.1 Risk appetite is a core consideration in any risk management approach. It is a clear expression by the Committee of the extent of their willingness to take risk in order to meet their strategic objectives.

4.2 No organisation can achieve its objectives without taking risk. Therefore, the question is not whether the Association should take risk, but how much risk is the Committee willing to take to deliver its business plan.

4.3 When considering risk appetite the Association will take account of the following principles:

- Risk Appetite must be sufficient for the achievement of the Business Plan, or the Business Plan will require to be revisited
- Risk Appetite should take account of the resources available to the association, including financial, staff and knowledge
- Risk Appetite should be determined at least on a three yearly basis as the members of the Management Committee, the senior staff team or the wider world may have changed significantly
- Risk Appetite will be commensurate with the sector norms and take account of any legal and regulatory direction provided by the various bodies

## 5 Risk Response

5.1 Once the risk has been identified and assessed in terms of its inherent risk, the Association will consider its response to the risk. The objective will be to reduce the risk to a level that is acceptable to the Committee by responding to the inherent risk. The Association's response to risk will come under four broad categories:



5.2 Based on risk scores there are four response options:

- **Avoid it** - in this situation the risk is terminated by deciding not to proceed with an activity. For example, if a particular project is very high risk and the risk cannot be mitigated it might be decided to cancel the project. Alternatively, the decision may be made to carry out the activity in a different way.
- **Transfer it** - in this scenario, another party bears or shares all or part of the risk. For example, this could include transferring out an area of work or by using insurance.
- **Reduce it** - this involves identifying mitigating actions or controls to reduce risk. These controls should be monitored on a regular basis to ensure that they are effective.
- **Accept it** - in this case, it may not always be necessary (or appropriate) to take action to treat risks, for example, where the cost of treating the risk is considered to outweigh the potential benefits. If the risk is shown as 'green' after existing mitigating actions, then it can probably be tolerated.

## 6 Risk Reduction

6.1 The most effective way of mitigating and minimising the potential impact and likelihood of a risk occurring is to understand your business and take appropriate steps to ensure that there is adequate systems in place to monitor the internal and external environment.

6.2 The understanding of the potential risks which can occur will be undertaken in the following methods:

- **Committee Reporting** – all committee reports which require a decision will contain content in relation to the risks involved in the particular course of action.

- **Annual Business Plan Review** – this will consider the potential risks to the association using strategic tools including SWOT, PESTEL etc
- **Risk Register Review** – the audit sub-committee will review the risk register six monthly considering the existing risks and their risk score, identifying any new and emergent risks and removing risks which are no longer applicable. The Risk Register will be reviewed annually by the full Management Committee
- **External Audit** – external audit provides assurance to the Management Committee that it has met its legal responsibilities to prepare annual accounts, to ensure that proper accounting procedures have been maintained and a satisfactory system of controls are in operation.
- **Business Continuity Planning & Disaster Recovery** – interruption of the Association's business arising from a significant emergency event has been considered and a business impact analysis will be carried out to establish the systems that are 'business critical'. The business continuity plan and disaster recovery procedures will set out how such emergencies are resolved to ensure that 'business critical' systems are restored to set points and within set timescales.
- **Third Party Reports** – The use of specialist third parties for consulting and reporting can increase the reliability of the internal control system. Where it is considered appropriate by the Management Team and / or Management Committee, such consultants may be engaged.
- **Scottish Housing Regulator** – issues guidance, carries out inspections, awards grades and publishes regulatory assessments and performance statistics for individual Registered Social Landlords (RSL) and for the RSL sector as a whole. The regulatory framework can help to strengthen and improve the internal control systems of individual RSLs.
- **Collaboration with Partners** – regular liaison with partners, networks and forums ensures a broad understanding of what is occurring within the sector and ensures that there are knowledgeable, aware and alert staff and committee with a clear knowledge of the sector.

## 7 OUR POLICY OBJECTIVES

7.1 The Association has the following objectives in adopting a formalised risk management framework:

- Protection of association's assets
- Ensuring that the Association's Business Plans are aligned with the Committee's appetite for risk, the underlying principal being that the appetite is risk aware.
- Improved and consistent responses to identified risks due to formal processes being in place
- Reduction in operational losses and 'surprises'
- Identifying opportunities for the Association
- Improved allocation of resources

- 7.2 Risk is defined as a probability or threat of damage, injury, liability, loss, or any other negative occurrence that is caused by external or internal vulnerabilities and that may be avoided through pre-emptive action.
- 7.3 Risk Management is defined as identification, analysis, assessment, control and avoidance, minimisation or elimination of unacceptable risks. An organisation may use risk assumption, risk avoidance, risk retention, risk transfer, or any other strategy (or combination of strategies) in proper management of future events.
- 7.4 This policy aims to provide a clear and systematic overview of our approach to risk management, covering how we identify risks, assess their likelihood of occurring and their impact on the organisation and, finally, how we then respond to these risks to effectively manage them.
- 7.5 Risk Management is an integral part of our strategic planning and decision-making processes. For new initiatives and projects, risk assessment and management will be used to inform our decision-making process and to ensure that approved projects are delivered successfully.
- 7.6 Risks that could affect our medium to long-term goals are considered strategic risks. Risks that will be encountered in the day-to-day delivery of services are considered operational risks.
- 7.7 We consider the materiality of risk in developing our responses through the Elderpark Housing's risk appetite or threshold for risk.

## 8 IMPLEMENTING OUR POLICY OBJECTIVES

### 8.1 Types of Risk

8.1.1 Risk permeates all aspects of life; private and public. For the purposes of this policy we are addressing strategic and operational risks. This does not include health and safety type risks which are addressed through various other organisational policies and procedures.

8.1.2 The bulk of our risk management activity focuses on strategic risks; those that would prevent us achieving our strategic goals in whole or in part. We also cover operational risks; those that would impact upon our actual delivery mechanisms (e.g. buildings, staff and infrastructure).

### 8.2 Identification

8.2.1 We undertake a process of risk identification against our strategic goals and strategic areas of operation. Risks are identified and reviewed formally by our Management Committee and leadership team on an annual basis, with additions and changes being made throughout the year as required.

### 8.3 Assessment

8.3.1 Following the identification process, we then move to an assessment stage. This involves examining the detail behind each risk, identifying the mechanisms to limit or remove the risk and then allocating each risk a score based on likelihood of occurrence and its likely impact on the organisation. **Appendix 1** sets out the considerations in allocating a score.

8.3.2 When exploring the detail behind each of our identified risks we are looking at the causes and consequences of the risks. This helps us to build a better picture of the risk landscape, identifying commonality in terms of the factors causing the risks, as well as the likely possible consequences of these.

8.3.3 We then begin to look at the control measures which are, or can be put in place, to limit or remove the risk. Behind these controls we are building up a list of actions that will need to be delivered in order to make the control fully effective.

8.3.4 We are then able to score each of the risks, which is done based on likelihood multiplied by impact. Each of these elements is scored between 1 and 5, providing a risk score between 1 and 25, with 25 being the highest risk. We then consider 3 separate areas during this process as follows:

- Pre-control measures – this takes the identified risk and allocates a score and risk level based on an assessment of the risk with no controls in place, this is the worst-case scenario.
- Post control measure – this takes the risk and revises the score and risk level after applying controls.

- Status – This updated the risk on the current position to reflect status, planned activity, any changes in the risk with the passage of time.

8.3.5 As is common in the regulated social housing sector in Scotland, our appetite for risk will be considered low. All strategic projects will be supported by a detailed risk assessment and Management Committee will **not** proceed with projects where risks scores are high after mitigation.

## 9 **MANAGEMENT OF RISK**

9.1 Ongoing management of our risk register takes place through reporting to our Audit Sub Committee and annual review by our Management Committee. The Audit Sub Committee will scrutinise the risk management processes as well as the risk register itself.

9.2 All the controls and actions are detailed within the system and are allocated to officers responsible for them. This allows us to work towards the completion of all actions which, in turn, ensures that controls are active.

## 10 **ROLES AND RESPONSIBILITIES**

### 10.1 **Management Committee**

The Management Committee as governing body are responsible for risk overall and for agreeing and regularly reviewing the risk appetite of Elderpark Housing. It is common in the regulated social housing sector in Scotland that the appetite for risk would generally be considered low. All strategic projects will be supported by a detailed risk assessment and Management Committee will not proceed with projects where risks are significant or high after mitigation.

The Management Committee delegates responsibility for risk management and assurance to officers and the Audit Sub Committee respectively. The Management Committee also play an important role in risk identification and assessment through its annual Business Plan process, through each report it considers and through annual review of the Risk Register.

### 10.2 **Audit Sub Committee**

The Audit Sub Committee plays an important role in terms of risk assurance. Their remit includes the examination and scrutiny of the processes that have been put in place to identify, assess and manage risk within Elderpark Housing and regular review of the Risk Register.

### 10.3 **Management Team**

The Management Team of Elderpark Housing is responsible for ongoing risk identification and management. This takes place within annual strategic planning processes, as well as on an ongoing basis throughout the year. Once risks have been identified they are added to the risk register, assessed and managed appropriately. The Chief Executive also has responsibility for monitoring of the risk management process, ensuring that risks are identified, assessed and managed.

## 11 **POLICY REVIEW**

- 11.1 This policy will be reviewed on a three-yearly basis unless any changes are required before this.

## RISK ASSESSMENT & SCORING - Appendix 1

Impact (on the business if the risk happened)		
5	Extreme	Reputation - Sustained widespread media critical coverage. SHR statutory action & potential transfer of assets.
		Financial Loss more than £1m
		Service Delivery - Significant disruption of the whole organisation
		Legislative - legislation has significant impact on the whole operation
4	Major	Reputation - Prolonged National Media Exposure. SHR statutory action
		Financial Loss between £250k and £1m
		Service Delivery - Significant disruption of large parts of the organisation
		Legislative - legislation has significant impact on a key area
3	Moderate	Reputation - One-off National Media Exposure. SHR Review or View– Working Towards Compliance
		Financial Loss between £50k and £250k
		Service Delivery - Significant disruption of one part of the organisation
		Legislative - legislation has moderate impact on a number of functions.
2	Minor	Reputation -Prolonged Local Media Exposure. SHR Review or View– Working Towards Compliance
		Financial Loss less than £50k
		Service Delivery - Minimal disruption of the whole organisation
		Legislative - legislative impact affects small number of procedures.
1	Insignificant	Reputation - One-off Local Media Exposure.
		Financial Loss - Negligible financial impact
		Service Delivery - Minimal disruption of one part of the organisation
		Legislative - minimal Legislative Implications
Likelihood (of risk happening)		
5	Almost Certain	The risk is almost certain to occur (greater than 80% chance)
4	Likely	The risk is more likely to occur than not (between 51% and 80% chance)
3	Possible	The risk is fairly likely to occur (between 21% and 50% chance)
2	Unlikely	The risk is unlikely but not impossible to occur (between 6% and 20% chance)
1	Rare	The risk is unlikely to occur (<5% chance)

<b>Impact</b>	<b>5</b>	5	10	15	20	25
	<b>4</b>	4	8	12	16	20
	<b>3</b>	3	6	9	12	15
	<b>2</b>	2	4	6	8	10
	<b>1</b>	1	2	3	4	5
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
	<b>Likelihood</b>					

Risk Score = Business Impact x Likelihood of occurring	
15 or more	Risk Score is High
8-12	Risk Score is Significant
4-6	Risk Score is Moderate
3 or less	Risk Score is Low