



Risk Management Policy

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Our Vision, Our Values, Our Strategic Objectives

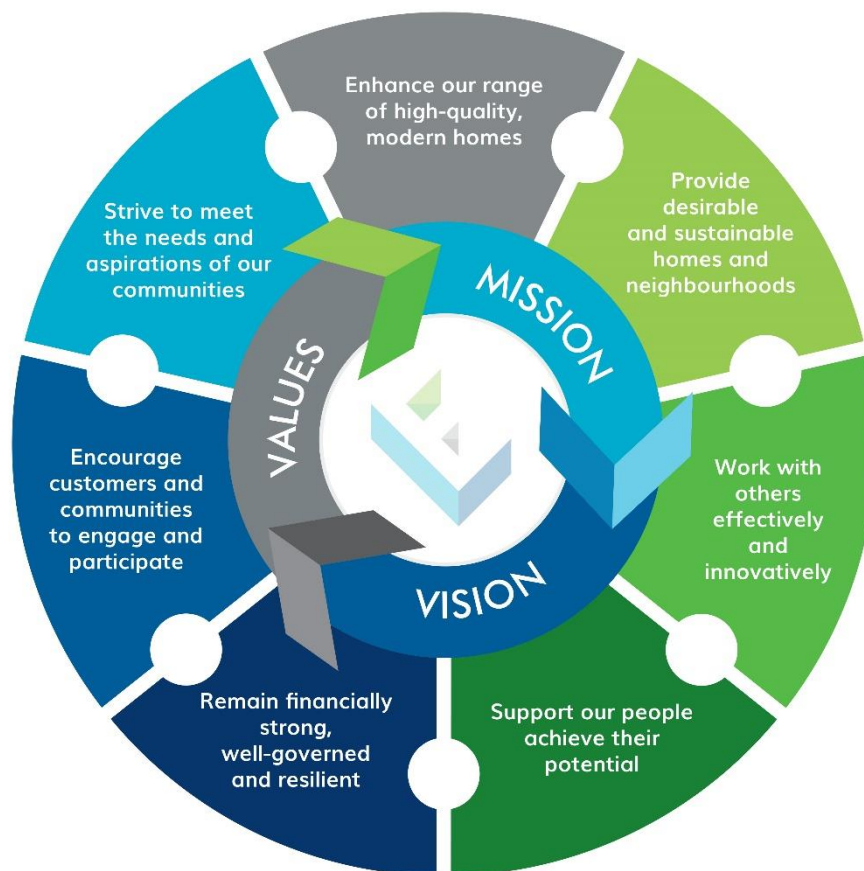
Our Vision

A vibrant neighbourhood where everyone can prosper.

Our Values

Caring, Reliable, Fair, Open and Adaptable

Our Strategic Objectives



Equality and Diversity Statement

Elderpark Housing are committed to ensuring people or communities do not face discrimination or social exclusion due to any of the following protected characteristics: age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion and belief; sex or sexual orientation.

This document complies with our Equality and Diversity Policy.

We will regularly review this Policy and consider any equalities implications taking the necessary action to address any inequalities (either directly or indirectly) that result from the implementation of this Policy.

Executive Summary

Policy Author

The Chief Executive is responsible for developing the Risk Management Policy on behalf of the Management Committee. The Policy has been produced taking account of The Scottish Housing Regulators (SHR) Standards of Governance and Financial Management as well as their guidance on risk management, annual risks facing the sector publication and other relevant guidance from the Charity Commission (CC) to ensure the association fully considers all risks which may impact upon the organisation and its business.

Purpose of the Policy

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 while carrying out activities to achieve our strategic objectives.

Aims and Objectives of the Policy

Risk is inherent in every task we carry out. The aims of this policy are that:

- We manage the risks to an acceptable level
- We do this without increasing the bureaucratic burden or being overly risk adverse
- We manage risk effectively and appropriately throughout the association
- We have the systems, skills processes and culture in place to ensure we effectively manage risk to achieve the Regulatory Standards
- We consider that risk in itself is not a negative term and the need to take proportionate and sensible risks are what drives the business
- We regularly review our approach to risk and take necessary steps to manage any risks which may occur within our abilities.

Legislative and Regulatory Compliance

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:

- **Regulatory Standard 3** – *‘The RSL manages its resources to ensure its financial well-being, while maintaining rents at the level that tenants can afford to pay.’*
Guidance 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.’*
Guidance 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.’*

- **Regulatory Standard 4** – ‘The Governing body bases its decisions on good quality information and advice and identifies and mitigates risk to the organisation.’
Guidance 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.’

Equalities

Operation of this policy will be in accordance with Elderpark Housing’s Equality and Diversity Policy and this policy has been subject to an Equality Impact Assessment which is attached.

Privacy

This document fully complies with General Data Protection Regulations (2018) and will be published on our website under our Guide to Information. This policy has been subject to a GDPR Impact Assessment which is attached.

Related Policies

Policy Title	Location
Standing Orders	V:\Elderpark Policy Suite\Governance Policies\G7 Standing Orders Policy.pdf
Code of Conduct for Committee Members	V:\Elderpark Policy Suite\Governance Policies\G4 Code of Conduct Management Committee.pdf
Code of Conduct for Employees	V:\Elderpark Policy Suite\Governance Policies\G3 Code of Conduct Employees.pdf
Anti-Fraud and Corruption	V:\Elderpark Policy Suite\Governance Policies\G6 Anti-Fraud and Corruption Policy.pdf
Financial Regulations	V:\Elderpark Policy Suite\Finance Policies\F1 Financial Regulations.pdf

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1. Introduction

- 1.1 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".
- 1.2 Identifying and managing risks are central to the association ensuring it continues to manage a strong and effective business which delivers against the needs of our communities. Risk is inherent in every activity we undertake and general terms the risks we face will often be as a result of external factors including government policy, the economic environment and wider societal issues.
- 1.3 While it is recognised that not all risks will be known at any point in time the most robust risk management framework is one which has undertaken a rigorous analysis of the potential risks and regularly undertakes a review to identify changes which may impact on the association.
- 1.4 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."
- 1.5 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 may arise from Association's strategic direction and day to day operations are identified, assessed, controlled and monitored in line with the risk appetite set by the Management Committee and the agreed risk management process.
- 1.6 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.
- 1.7 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.
- 1.8 The following document will outline the steps the association takes to ensure that we have considered the risk appetite of the organisation, have a structured and well managed approach to identification and assessment of risk and the methodology used to discuss and report on how we are managing risks both at a strategic and operational level.

2. Purpose of the Policy

- 2.1 The purpose of the Risk Management Policy is to clearly articulate the association's management of risk. We recognise that there are risks in every decision we take and the more well thought out, analysed and researched and debated decisions are likely to be those in which the level of risk involved is mitigated to an acceptable level.
- 2.2 The policy will set out a framework for our response to risk including the development of a clear risk appetite, how strategic and operational risks will be considered and reviewed and the process for managing risk both via the Management Committee and on a day to day level.
- 2.3 The following principles apply to the role of the Management Committee in relation to the operation of this policy and these include:
- Agreeing the risk management policy and framework
 - Determining the risk appetite and acceptable levels of risk
Reviewing and discussing the risks identified at a strategic level
 - Receiving reports and setting action plans where appropriate
 - Reviewing the operation of the risk management framework to ensure that risks are identified, properly assessed and appropriately mitigated
 - Reviews of the associations approach to risk management and approval of any proposed changes to the core strategy and associated procedures.
- 2.4 Having a strong and clear Risk Management Policy should ensure that the association reduces the potential for failing to identify and manage risks appropriately together with not undertaking activities which could place the organisation at undue risk. While this policy provides a strong framework for the identification and management of risk it also understands that unforeseen risks may occur at any time and these may require to be considered and added to any register depending on the pace in which the risk could impact on the association.

3. Aims and Objectives of the Policy

- 3.1 Risk is inherent in every task we carry out. The aims of this policy are that:
- We manage the risks to an acceptable level
 - We do this without increasing the bureaucratic burden or being overly risk adverse
 - We manage risk effectively and appropriately throughout the association
 - We have the systems, skills processes and culture in place to ensure we effectively manage risk to achieve the Regulatory Standards
 - We consider that risk in itself is not a negative term and the need to take proportionate and sensible risks are what drives the business
 - We regularly review our approach to risk and take necessary steps to manage any risks which may occur within our abilities.

4. Regulatory Requirements

4.1 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:

- **Regulatory Standard 3** – *‘The RSL manages its resources to ensure its financial well-being, while maintaining rents at the level that tenants can afford to pay.’*
Guidance 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.’*
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- **Regulatory Standard 4** – *‘The Governing body bases its decisions on good quality information and advice and identifies and mitigates risk to the organisation.’*
Guidance 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.’*

4.2 In their most recent publication on the risks faced by RSL’s published in May 2022 the Scottish Housing Regulator (SHR) outlined the key topics below of those requiring particular attention:

‘The pandemic continues to pose a number of risks and issues for landlords and as a result there continues to be an unprecedented level of uncertainty in landlords’ operating context. And as landlords are continuing to refocus on emerging from the pandemic, there are a range of other challenges that they also need to consider, including:’

- *the growing problems in supply chains for labour and materials, that are driving up costs;*
- *the cost of living crisis and in particular the unprecedented rise in energy costs which means the most challenging economic context for a very long time, with many tenants and their families facing increasing financial hardship;*
- *delivering on the Climate Crisis and decarbonisation agenda;*
- *potential increases in pension deficits and the resulting increase in the contributions that landlords have to fund; and*
- *most recently the unsettling unfolding events in Ukraine and the economic consequences of this in addition to a European humanitarian crisis unparalleled in modern times.*

- 4.3 The current operating environment is extremely challenging as the global challenges being felt following the pandemic, ongoing turbulence in the economy and a range of challenges in relation to increasing prices, potential government intervention in rent setting and increasing interest rates to name only a few and these external factors are some of the most challenging the RSL sector will have experienced in decades. The need to ensure effective governance of the association including strong control of our finances, detailed consideration of our risks and delivering against our Business Plan objectives means that the role of risk appetite, assessment and management has never been more crucial to ensure the long term future of the organisation and meet the needs of our tenants, residents and service users.

5. Risk Appetite

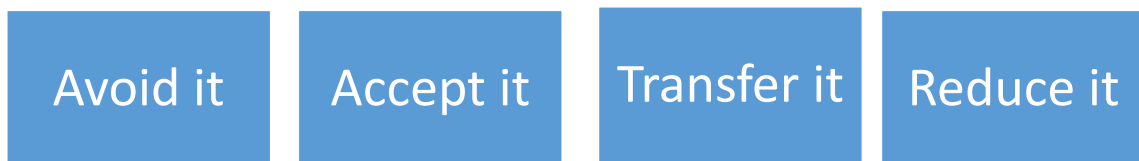
- 5.1 Risk appetite is a core consideration in any risk management approach. It is a clear expression by the Management Committee of the extent of their willingness to take risk in order to meet their strategic objectives.
- 5.2 No organisation can achieve its objectives without taking risks and in some cases the inability to take risks is in itself presents a significant risk to an organisations long term future. Therefore, the question is not whether the Association should take risk, but how much risk is the Management Committee willing to take to deliver against the vision and strategic objectives identified within our Business Plan.
- 5.3 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, employees, assets and knowledge
 - Risk Appetite should be determined annually by the members of the Management Committee, the senior staff team or if 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.
- 5.4 When considering the risk appetite of the association this is broken down into different elements:
- There is the global organisational appetite to risk which is defined as part of the annual business planning process. This is carried out through a process of determining the views of the Management Committee in terms of the risks it has chosen to take in the previous year combined with the element of risk involved in activities planned for the future year
 - The Strategic Risk Register also contains a range of risks which have been identified for the organisation relating to the core topics within the association including governance, financial management, properties, resources and external

factors. Each of these risks will also be assessed for their individual risk appetite as this may vary from risk to risk. For example the association may be more reticent to take significant risk in the area of governance given the implications of failure on the business however it may be more 'risk open' to look at modernising and digitising our services.

- 5.5 The overall Risk Appetite defined by the association is reflective of our business approach where we seek to innovate and take calculated risks for the greater benefit of the association and our tenants and residents. This can be seen through some of the projects the association has initiated over the previous few years which have required a 'risk open' approach including the implementation of partnerships which were the first in Scotland, the exploration of development opportunities, the redesign of the association and the development of an ambitious, modern Business Plan.
- 5.6 The Risk Appetite for each of the identified risks within the Strategic Risk Register will be assessed annually, or if significant changes occur at a more regular interval. This exercise involves the Management Team reviewing each of the strategic risks and identifying how open to risk we are for each element including providing a scoring system similar to that identified in section 3.4. Following this internal assessment it will be presented to the Management Committee for discussion, debate and formal approval.

6. Risk Response

- 6.1 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 Management Committee by responding to the inherent risk. The Association's response to risk will come under four broad categories:



- 6.2 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.

7. Risk Reduction

- 7.1 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.
- 7.2 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 a section 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 together with a discussion around the risk appetite for the following year
 - **Risk Register Review** – the Finance, Audit and Risk Sub-committee will review the risk register quarterly 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 six monthly 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
 - **Internal Audit** - Review the effectiveness of the Risk Management Policy and processes. To ensure that the internal controls are tested as part of the internal audit programme agreed by the Finance, Audit and Risk Sub-committee Committee and determine the audit plan for the following year, taking account of relevant circumstances and events
 - **Business Continuity Planning & Disaster Recovery** – interruption of the Associations 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.

8.0 Implementation

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).
- 8.1.3 Strategic risks are defined as those that if they were to occur could have a material impact on the overall business strategy and may pose a significant threat to the association.
- 8.1.4 Operational risks are defined as those which would have an effect on the day to day activities of the association and could have an impact on the achievement of our business strategy.
- 8.1.5 To ensure that the management Committee are not overwhelmed with a responsibility to review both the strategic and operational risks they will be responsible for reviewing and approving the strategic risk register. From a governance perspective the Management Committee are tasked with 'leading and directing' the association and as such their role is not involved in the operational day to day aspects. Should the impact of an operational risk potentially rise significantly where it has the ability to have a material impact this would be revised to a strategic risk in line with the approach contained within this policy document.

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, Finance, Audit and Risk Sub Committee, Senior Management Team and Governance and Compliance Manager on an agreed 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 general appetite for risk will be considered relatively cautious. 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 remain active.

10. Roles and Responsibilities

10.1 Management Committee

The Management Committee are responsible for the management of strategic risk and for agreeing and regularly reviewing the risk appetite of Elderpark Housing.

The Management Committee delegates responsibility for review and monitoring of risk management to officers and the Finance, Audit and Risk Sub Committee respectively. The Management Committee also play an important role in risk identification and assessment through its annual Business Plan process which undertakes an analysis of the internal and external environment, 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 Senior Management Team

The Senior Management Team of Elderpark Housing is responsible for ongoing strategic 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, with support from the Governance and Compliance Manager, also has responsibility for monitoring of the risk management process, ensuring that risks are identified, assessed and managed.

10.4 Departmental Management Team

The Departmental Management Team are responsible for ensuring the operational risks emanating from their particular department are captured, assessed and considered. It is envisaged that each of the strategic risks identified will often have a

range of operational risks below them and on at least a quarterly basis the operational risks will be reviewed and assessed.

10.5 **Governance and Compliance Manager**

Pivotal to the effective management of our risk processes will be our Governance and Compliance Manager. On a day to day basis they will be responsible for administering the Risk Register, supporting the Chief Executive and Directors to identify, assess and manage risks, ensuring the policy is being followed, reporting to the Finance, Audit and Risk Sub-committee and Management Committee on the Risk Register and generally taking an oversight role on risk within the organisation on behalf of the Chief Executive.

10.6 Training on risk management is key to successful risk management and therefore the Management Committee and employees highlighted throughout this policy will receive training on a bi-annual basis.

11. Policy Review

11.1 This policy will be reviewed on a three-yearly basis with the next review due in November 2025 unless any changes are required before this.

Appendix 1 – Risk Assessment Matrix

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)

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

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