RISK MANAGEMENT POLICY

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LANARKSHIRE
HOUSING ASSOCIATION LTD

LANARKSHIRE
HOUSING ASSOCIATION LTD
191 Brandon Street
Motherwell ML1 1RS
Tel: (01698) 269119
Fax: (01698) 275202

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(*Note Lanarkshire Housing Association hereinafter referred to as LHA)

1.0 INTRODUCTION

1.1 Housing Associations or RSLs are increasingly becoming involved in more diverse and complex areas of business activity. This obviously exposes Associations to increased levels of risk.

1.2 LHA must, therefore, be able to recognise, identify and control these risk events. This process is known as Risk Management. LHA should also decide on its Risk Appetite towards the risk areas in its business activity.

1.3 This policy should be read in conjunction with LHA's Equality and Health & Safety policies.

1.4 Strategic and Operational risk are defined as the threat of an adverse event or action occurring, which may:

- Result directly or indirectly in losses or damage of any kind e.g. financial, operational, reputational
- Impact on the achievement of corporate objectives
- Prevent opportunities being pursued
- Impact on our stakeholders
- Lead to failure to respond to unforeseen circumstances

2.0 PRINCIPAL OBJECTIVES

2.1 Risk Management can take different forms as follows:

- Risk Avoidance - eliminate the risk
- Risk Reduction - minimise the risk or impact should it occur
- Risk Retention - accept the risk
- Risk Transfer - transfer risk to third party (e.g. insurance policies)

2.2 LHA must avoid actions or contracts of any kind with other parties which put an undue or excessive risk on its:

- Tenants
- Assets
- Employees, or
- Public image

2.3 It is important that LHA promotes risk awareness and focuses on key business risks. The aim is to facilitate improvements in Risk Management and control and encourage a proactive approach.

2.4 The Audit & Assurance Sub-Committee will monitor the Risk Management approach and Strategic Risk Register, and this will be reviewed regularly by the Internal Auditor within the Internal Audit Plan framework.

3.0 ACCOUNTABILITY

3.1 The responsibilities for Risk Management within LHA are as follows:

- Governing Body or Management Committee (policy)
- Audit & Assurance Sub-Committee (strategic risks)
- Chief Executive (implementation)
- Directors and Leadership Team (strategic and operational risks and control mechanisms)

3.2 The Management Committee accepts its primary responsibility to identify and manage the key strategic risks faced by LHA. Most operational aspects are delegated to the Chief Executive, who, in turn oversees further delegation to Directors and Leadership Team.

3.3 In managing these key strategic risks, the Committee seeks to ensure that all actions taken contribute towards the achievement of LHA's objectives and that no actions are taken that might unduly threaten the viability of the Association, financially or otherwise.

4.0 STRATEGIC AIMS

4.1 The Risk Management approach is designed to develop a coherent approach to potential outcomes arising from the key areas of risk or significant activities.

4.2 The Risk Management approach and risk registers have five main parts:

- Identification of key risks and the risk owner
- Determining the inherent and residual risk level of each risk based on likelihood and impact of the key risks
- Analysis of key risks and deciding key mitigating controls and any appropriate actions required
- Monitoring of key risks using key relevant indicators
- Deciding LHA's risk appetite towards its key business areas

5.0 IDENTIFICATION OF THE KEY RISKS

5.1 The Committee will identify all the major strategic risks faced by the Association based on knowledge of current and planned activities.

5.2 A structured identification exercise will take place regularly through the internal Operational Group to monitor the main risks and add or remove any as appropriate.

5.3 The Audit & Assurance Sub-Committee will consider the Strategic Risk Register at each meeting to ensure that any new or enhanced risks are identified when necessary.

5.4 LHA's strategic planning process will form a key part of a risk-conscious control culture. For example, any proposal for any significant new or enhanced activity must always first consider a management review of the risks involved.

5.5 LHA should decide on its overall Risk Appetite towards each key business area. The Risk Appetite is measured on a 5-point scale; **Averse, Minimalist, Cautious, Open, Hungry**.

5.6 In respect of Risk Appetite the meanings of each level are as follows:-

Averse - the Association is unwilling to take any risk and would generally avoid the risk

Minimalist - the Association's preference is for very safe delivery options and the activity will only be taken forward if it has a low level of inherent risk

Cautious – the Association will ensure safe delivery options where an activity may have a higher degree of inherent risk which is deemed controllable to a large extent

Open – the Association is willing to consider options offering higher success with potentially higher inherent risk, and

Hungry - taking considered risk is welcomed and may actually present opportunities.

5.7 Risk appetite will be used to guide decision-making, determine acceptable residual risk levels, and inform escalation thresholds.

5.8 LHA's Risk Appetite was agreed at the Management Committee Away Day in July 2026 and will be reviewed annually.

6.0 RISK ASSESSMENT

6.1 To ensure a comprehensive and consistent approach to the analysis and evaluation of risk, LHA will adopt a standard approach to Risk Management assessment.

6.2 There are two risk assessment types:

- Inherent risk is the natural risk level in a business activity that has not had mitigating controls and actions undertaken to reduce its impact or severity

- Residual risk is the level of risk that remains after mitigating controls and actions to reduce the risk. While mitigating controls can significantly reduce risk levels, they cannot eliminate all risks, leaving some ongoing vulnerability

6.3 When assessing each risk, the analysis and evaluation shall include reference to the following:

- A likelihood (probability/frequency) score will be estimated. This will be estimated on a scale of 1 (rare) to 5 (almost certain)

- An impact (consequence/severity) score will be estimated. This will be estimated on a scale of 1 (insignificant) to 5 (extreme)

- A risk score will be calculated based on multiplying the likelihood score by the impact score

The ranking of these scores is set out in the tables below:

Likelihood

1	Rare	Probability less than 11%
2	Unlikely	Probability between 11% - 35%
3	Possible	Probability between 36% - 60%
4	Likely	Probability between 61% - 85%
5	Almost Certain	Probability greater than 86%

Impact

1	Insignificant	Slight impact on service, reputation, complaint possible, litigation possible. No impact on the strategic objective.	Impact level less than 11%
2	Minor	Some service disruption, potential for adverse publicity, complaint probable, litigation probable. Immediate time resource allocated with a moderate cost impact. No effect on strategic objectives.	Impact level between 11% and 35%
3	Moderate	Services disrupted, adverse publicity, litigation probable, and increased risk of potential part failure of the business. Impact on some strategic objectives.	Impact level between 36% and 60%
4	Serious	Significant ongoing concerns exist with the business. This risk will affect the delivery of most of the strategic objectives.	Impact level between 61% and 85%
5	Extreme	Potential failure of the whole business. This risk will affect delivery of all strategic objectives.	Impact level greater than 85%

6.4 Any risks with a residual risk score, i.e. after mitigating actions, of over 12 is shaded as red on the risk register as this is therefore a relatively high level of residual risk.

6.5 The level of residual risk which is acceptable for any risk area is linked to the risk appetite for that risk. For a risk area where the risk appetite is Hungry there will be a high level of acceptable residual risk.

6.6 Where the risk appetite is averse, there would be a low level of acceptable residual risk.

6.7 The other three levels of risk appetite of minimalist, cautious and open would be between these two in terms of level of acceptable residual risk.

6.8 Risks scored between 5 and 12 (amber risks) have a less high level of risk exposure and they need to be reviewed to ensure that this level of risk can be tolerated, and to review what controls are in place and actions required to further mitigate such risks.

6.9 Any risks that are scored between 1 and 4 (green risks) are at an acceptable level of risk exposure subject to regular active monitoring.

6.10 A residual risk score will be calculated based on the application of the control measures.

Likelihood Assessment		Residual Risk Score	Residual Risk Score	Residual Risk Score	Residual Risk Score	Residual Risk Score
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
Impact Assessment		*1*	*2*	*3*	*4*	*5*

6.11 LHA has considered its Risk Appetite, or the level of risk it is willing to accept in pursuit of its objectives. This highlights the actions that are necessary to reduce the areas of risk and can represent a balance between the potential benefits that could be achieved and the potential risks.

6.12 The Risk Appetite for Key Business Areas as agreed at the July 2026 Management Committee Away Day are below. This will be reviewed regularly and may change before the next update to this policy.

Key Business Area	**Risk Appetite**
Finance	Cautious
Organisational Sustainability	Minimalist
Technological & Innovation	Open
Political	Open
Regulatory	Minimalist
People	Open
Stakeholders Tenants	Open
Stakeholders Other	Cautious
Health & Safety	Minimalist

7.0 RISK CONTROL

7.1 The result of this risk analysis and evaluation process will be used to produce a risk approach that uses the risk registers as the main tool for prioritising risk controls.

7.2 This will allow risks to be mapped, control measures identified, and responsibility allocated to an appropriate manager to ensure ownership and accountability in the process.

7.3 The responsibilities for risk controls are as follows:

- The Management Committee will monitor strategic risk and assess the level of assurance provided
- The Chief Executive will oversee effective controls over the strategic risks
- The Leadership Team will deliver effective controls over operational risks
- The Audit & Assurance Sub-Committee will receive regular reports on strategic risks as part of the agenda, to monitor and review controls

7.4 The Audit & Assurance Sub-Committee will also monitor key risks by obtaining and acting upon reports from Internal Audit. The Management Committee will regularly review progress on the Strategic Plan and associated risks related to achieving its objectives.

8.0 ASSURANCE

8.1 The Risk Management Framework is a key part of the overall internal control system. Risk assurance will be provided from the following sources:

- Managers will be allocated responsibility for risks and risk control measures
- The Chief Executive and the Audit & Assurance Sub-Committee will oversee Risk Management and Compliance
- A further layer of assurance will be provided by functions that provide independent assurance to the Management Committee. This includes both internal and external audit, health and safety consultants, reviews of insurance arrangements, employment law consultants, etc.

9.0 MONITORING AND REPORTING OF RISK

9.1 A Strategic Risk Register and an Operational Risk Register, containing all strategic and operational risks identified, will be maintained.

9.2 The Strategic Risk Register should be presented to the Management Committee annually with the annual Risk Management Report. The Strategic Risk register will be presented to the Audit & Assurance Sub-Committee at each meeting.

9.3 The Audit & Assurance Sub-Committee has delegated authority to monitor and direct risk compliance. Where risks are identified as requiring further action, these can be reported to the functional sub-committee as appropriate e.g. property maintenance risks can be reported to Housing Services Sub-Committee.

9.4 The Management Committee will receive an annual report from the Convener of the Audit & Assurance Sub-Committee on controls and compliance to assist the assessment of assurance, including Risk Management.

9.5 The likelihood and impact of each risk will be assessed in line with the Standards of Governance and Financial Management for RSLs as set out in the SHR's Regulatory Framework. There may be instances where a risk is related to more than one Standard.

- **Standard 1** - The governing body leads and directs the RSL to achieve good outcomes for its tenants and other service users
- **Standard 2** - The RSL is open about and accountable for what it does. It understands and takes account of the needs and priorities of its tenants, service users, and stakeholders. Its primary focus is the sustainable achievement of these priorities
- **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
- **Standard 4** - The governing body bases its decisions on good quality information and advice and identifies and mitigates risks to the organisation's purpose
- **Standard 5** - The RSL conducts its affairs with honesty and integrity
- **Standard 6** - The governing body and senior officers have the skills and knowledge they need to be effective
- **Standard 7** - The RSL ensures that any organisational changes or disposals it makes safeguard the interests of, and benefit, current and future tenants.

10.0 RISK MANAGEMENT IN PRACTICE

10.1 Risk needs to be addressed at the point at which decisions are being taken and resources allocated. When the Management Committee is making key decisions, they should be advised of the risks associated with the recommendations under consideration.

10.2 Risk assessments should be used in any options appraisal, and whilst it may not guarantee success it will provide evidence, assurance, and transparency in the decision-making process.

10.3 Risk Management will be incorporated into the strategic planning process through the maintenance of the Risk Registers for both strategic and operational risk.

10.4 Risk shall be considered within the cycles of financial planning and resource allocation, and feature in both budget submissions and budget monitoring arrangements.

10.5 Risk Management techniques will also be embedded into major projects or new business opportunities and include clear monitoring and reporting mechanisms.

10.6 All new partnerships and key procurement arrangements shall have an assessment of risk at the development stage to ensure all reasonable measures are put in place.

11.0 TRAINING

11.1 It is the responsibility of the Chief Executive to ensure that the Association has the necessary skills and expertise to deliver the Risk Management Policy.

11.2 This will be achieved through a programme of Risk Management training and awareness sessions that address the individual needs of the Management Committee and employees at all levels. This training should be conducted every two years on a refresher basis.