Community Counts
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TO:	Audit & Risk Sub-Committee
PREPARED BY:	Jim Gourlay (Director of Finance)
SUBJECT:	REVIEW RISK MANAGEMENT STRATEGY 2026/27
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APPROVED BY:	Paul Martin (CEO)

RISK MANAGEMENT STRATEGY

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RISK MANAGEMENT STRATEGY

CONTENTS

1. MHA's Strategic Objectives
2. MHA's Values
3. Regulatory & Legislative Compliance
4. Policy Introduction
5. Principles of the Risk Management Strategy
6. Defining Risk
7. Managing Risk
8. The role of the Board
9. Risk Appetite
10. Risk Management process
11. Assessing Risk
12. Heat Map
13. Risk Audit Register
14. Risk Identification Process
15. Risk Monitoring
16. Regulatory Compliance
17. Equality & Human Rights
18. Data Collection
19. Monitoring & Review of Strategy

1. MILNBANK HOUSING ASSOCIATION (MHA) STRATEGIC OBJECTIVES

MHA's mission is to provide excellent homes and services in a thriving community. We believe that people living in the MHA community should:

- Have warm, safe, and affordable homes, and receive excellent services from MHA.
- Live in neighbourhoods that are clean and well cared for, with real community pride.
- Have access to opportunities and services that promote a good quality of life.

2. MHA's VALUES

Working as 'One Milnbank' so that we offer the same quality of services, support and housing to all tenants and residents.

3. LEGAL & REGULATORY COMPLIANCE

The Board leads and directs MHA to ensure good outcomes for its tenants and other service users. MHA adheres to the Scottish Housing Regulator's Regulatory Framework Financial & Regulatory and to all relevant legal employment requirements associated with this strategy. These are as follows.

4. POLICY INTRODUCTION

The aim of MHA's Risk Management Strategy is to ensure that the Association achieves its Business Plan strategic objectives whilst identifying and managing the challenges and risks which may be encountered while carrying out these business activities.

5. THE PRINCIPLES OF THE RISK MANAGEMENT STRATEGY

•Significant risks are known, monitored and managed, enabling informed decisions and timely action to be taken

• MHA have the systems, skills processes and culture in place to ensure risks are effectively managed to meet the SHR Regulatory Standards.

• MHA consider that risk is not a negative term and the need to take proportionate and sensible risks are what drives the business

• Our approach to managing risk is regularly reviewed and MHA takes the necessary steps to manage risks which may occur within our abilities.

6. DEFINING RISK MANAGEMENT

6a. Risk Management is identifying and managing the possible and probable risks that MHA may face is a key part of effective

governance. The Risk Management Strategy reflects that MHA is a Registered Charity and a regulated organisation, therefore, must meet the required obligations.

6b. It is important to note that there is an element of risk in most activities that MHA undertakes. The diverse and increasingly complex nature of these activities means that different types of risk and levels of exposure need to be faced.

6c. Generally, risk needs to be considered in terms of the wider environment in which MHA operates. The financial climate, changing attitudes in society together with legislation, revised regulation and new technologies all affect the organisation and impact on the level of risk MHA is exposed to. Risk can, therefore, be defined in both financial and non-financial terms, but the ultimate impact of risk is financial in most cases as this has implications for viability. To adequately address risk related issues, the monitoring and assessment of risk has been placed under the remit of MHA's Board.

7. MANAGING RISK

Following identification of the risks that MHA may face, decisions need to be made about how they can be most effectively managed. The purpose of the Risk Management Strategy is to provide a framework to enable the Board to make decisions about the levels of risk management that can be delegated to staff and what matters should be referred to them for decision. In terms of a framework, there are four basic strategies that can be applied to manage an identified risk. These are:

- **(1) Transferring Risks**: Transferring any financial consequences to third parties or sharing the risk through outsourcing or insurance wherever possible (E.g., using Consultants in building contracts or an employment advisor for employment advice). MHA is protected from financial risks through indemnities supplied by the third parties.

- **(2) Avoidance of Risks**: Avoiding activity giving rise to a risk. (e.g., outsourcing the stair cleaning service to an external contractor rather than employing inhouse)

- **(3) Managing/Mitigating Risks**: The management or mitigation of risk as set out below.

- **(4) Acceptance/Assessment of Risks**: Accepting or assessing an activity as a risk that cannot be avoided if an activity is to continue (e.g., there are many risks associated with developing the former Haghill primary school, but such risks could be viewed as being outweighed by MHA providing new, larger homes for the community. This risk also increases MHA's asset base).

8. THE ROLE OF THE BOARD

The responsibility for the management and control of a charity rests with the Board as the governing body and, therefore, the close involvement of the Board in the key aspects of the risk management process is essential. In particular, the role of the Board is crucial in setting parameters for the risk management process and reviewing and considering outcomes. This should not be interpreted as meaning the Board has to undertake all aspects of the process themselves as most of the work will be delegated to staff or professional advisers. However, the Board must review the process and be satisfied that risk management is being effectively addressed. Consequently, it is important to recognise that the attitude towards risk management is an on-going continuous process that needs to permeate all operational activity.

9. RISK APPETITE

9a. Risk appetite defines the level of risk an organisation is willing to take to achieve its strategic objectives. This is crucial for guiding decision-making and ensuring that risks are managed appropriately.

9b It is recognised that no organisation can achieve its objectives without taking risks. In terms of MHA, the Board should determine how much risk that they are willing to take to deliver against the corporate vision and strategic objectives set out in the Business Plan.

9c The Board determines its corporate risk appetite through the review of its risk heat map matrix. The traffic light ratings set the boundaries for the level of risks and for these to be quantified and considered in more detail.

9d When considering risk appetite MHA will take account of the following principles:

- It must be sufficient for achieving the Business Plan.
- It should take account of the resources available including financial, employees, assets and knowledge.
- It will be commensurate with the sector norms and take account of any legal and regulatory direction provided by the various bodies.

9e When considering risk appetite of MHA, this will be broken down into different elements as follows:

- The Risk Audit Register contains a range of risks which have been identified for MHA relating to the core topics within the Association including governance, financial management, properties, resources and external factors. Each risk is assessed for their individual risk appetite as this may vary from risk to risk (e.g. more reticent to take a significance risk relating to governance as failure is potentially high, however, on the other hand, be more open to risk when introducing digital transformation).

9f The overall risk appetite defined by MHA is reflective of our business approach where we seek to innovate and take calculate risks for the greater benefit of our tenants and residents.

9g The Board determines risk appetite from:

●*Averse* (avoidance of risk and uncertainty)

●*Minimal* (preference for being ultra safe on business options that have a low degree of inherent risk and only limited potential for reward.

●*Cautious* (preference for safe delivery options that have a low degree of residual risk and may only have limited potential reward.

●*Open* (willing to consider all potential delivery options to choose the most likely that will result in successful delivery while also providing an acceptable level of reward and VFM).

●*Eager* (being innovative and to choose options offering potentially higher business rewards, despite greater inherent risk.

Currently, MHA has adopted a Cautious approach to risk appetite.

10. RISK MANAGEMENT PROCESS

The risk management process that MHA has developed is aimed primarily at preventing major risks impacting on the organisation. A risk may have a major impact on MHA in one of the following areas:

- Governance
- Operations
- Finances
- Environmental/external factors
- Compliance with law or regulation

Any of these major risks and their potential impacts could adversely affect the way MHA is perceived by Board Members, Regulators, funders, tenants etc. Consequently, to avoid this from occurring, the risk management process attempts to ensure that issues of risk are assessed at all levels of organisational activity. The primary method of achieving this has been the development of a Risk Audit Register which covers all aspects of MHA's activity, and it is updated monthly.

11. ASSESSING RISK

The Strategy incorporates a "heat map" scoring system. This has been developed with detailed reference to work undertaken by the Charity Commission which produced guidance entitled Charities & Risk Management. It also reflects HM Treasury Guidance. The heat map system has categories for both impact and likelihood and introduces a scoring system to determine the level of possible risk.

Consequently, the heat map below demonstrates a way of assessing risk by increasing the weighting of impact. This works on a scoring of x+y where x is likelihood (or probability), and y is the potential

impact. The formula illustrates what score is produced when impact is multiplied by likelihood.

12. HEAT MAP

12.1 Detailed below are the scores achieved when impact is multiplied by likelihood then impact is added again. All issues set out in the Risk Register are scored on this basis. When scoring risk, it should be remembered that there is always a degree of judgement or subjectivity involved!

12.2 The risks are identified should be quantified in relation to **inherent risk** (the level of risk if ***no*** action is taken) and **residual risk** (the level of risk ***after*** measures to control it are applied).
Risks have then been classified based on the residual risk score:

Green: Insignificant: score 1 or 10
Yellow: Medium: score 11 to 15
Red: High: score 16 or higher

Impact						
	Extreme/catastrophic 5	5	10	15	20	25
	Major 4	4	8	12	16	20
	Moderate 3	3	6	9	12	15
	Minor 2	2	4	6	8	10
	Insignificant 1	2	2	3	4	5
		1 Remote	2 Unlikely	3 Possible	4 Probable	5 Highly Probable
		Likelihood				

12.3 The system highlighted above confirms that methodologies for measuring the impact and likelihood of risk have developed in recent years. It has become accepted that risks that have a high impact and low likelihood of occurring are of greater importance than risks with a very high likelihood, but an insignificant impact on the organisation. The concept of impact, the likelihood of risks occurring, and their interaction therefore should be given prominence in both risk assessment and risk management processes. In practical terms this means that if MHA is vulnerable to a risk that potentially might have a severe impact on operations, it should be considered and evaluated regardless of how remote the likelihood of it happening appears to be.

12.4 It is stressed that when monitoring risk, those with a low impact should be reviewed as well as the identifiable high impact ones. Guidance from the Charity Commission indicates that business failures often occur because of a series of low impact risks which can, if not addressed, have a cumulative impact with extreme consequences. This guidance points out that if organisations focus only on big risks, they will end up ill-prepared to deal with the interaction of separate adverse events coming together. From MHA's perspective, it is vital that all risks contained in the Risk Register are monitored appropriately.

12.5 The following tables can be used to provide some guidance on the 1-5 scoring illustrated in the heat map.

Impact

Descriptor	Score	Impact on service and reputation
Insignificant	1	- no impact on service - no impact on reputation - complaint unlikely - risk of litigation remote
Minor	2	- slight impact on service - slight impact on reputation - complaint possible - litigation possible
Moderate	3	- some service disruption - potential for adverse publicity - complaint probable - litigation probable
Major	4	- service disrupted - adverse publicity not avoidable - complaint probable - litigation probable
Extreme/Catastrophic	5	- service interrupted for some time - major adverse publicity - major litigation expected - resignation of senior management - loss of customer confidence

Likelihood

Descriptor	Score	Example
Remote	1	may only incur in exceptional circumstances
Unlikely	2	expected to occur in a few circumstances
Possible	3	expected to occur in some circumstances
Probable	4	expected to occur in many circumstances
Highly probable	5	expected occur frequently & in most circumstances

13. RISK AUDIT REGISTER

The purpose of the Risk Audit Register is primarily to act as a management tool for monitoring areas of risk and identifying emerging risks on an on-going basis. The Register is reconciled with

internal business planning where work plans are reviewed annually covering all areas of activity. The individual risk management requirements for each function are fed into the Risk Audit Register. Responsibility for this lies with the staff Leadership Team to ensure that issues are dealt with in a rational and coherent manner and issues are reported to the Board as appropriate. Consequently, the Leadership Team will be charged with ensuring:

- All currently identifiable risks are re-evaluated, and a strategy developed for dealing with scores from the heat map system
- New risks are properly reported and evaluated
- Risk aspects of significant new projects are considered as part of project appraisals
- Any significant failures of control systems are properly reported, and remedial action taken
- There is an adequate level of understanding of individual responsibilities for both implementation and monitoring of control systems
- That any further actions required are identified through individual functional planning processes
- That the Board is provided with relevant and timely reports and review the risk management process annually.

14. MHA RISK IDENTIFICATION PROCESS:

STEP	ACTION
1	At the annual Business Planning Board/Leadership Business Planning Day, the key business strategic objectives are agreed.
2	Using this information, the Leadership Team (LT), in their role of Risk Owners measure, assess and mitigate the current and newly identified risks.
3	The updated risk narratives and scores are then plotted onto the Risk Register for approval by the Board. Part of the review identifies MHA's Top 10 Strategic Risks and the key Other Risks. This is delegated to the Audit & Risk Sub-Committee.
4	Upon approval by the Board, the revised Risk Management Strategy is circulated to all staff to ensure a proactive risk management culture is embedded across MHA.
5	As part of the LT Charter, Risk Management is a standard weekly agenda item, treated like a 'live document' where the LT review the existing risks, identify if scores require to be amended and highlight if new risks need to be added to the Risk Register or remove existing risks.

6	Following step 5, the updated Risk Register is presented to the Audit & Risk Sub-Committee and uploaded to the committee teams portal for monitoring. The update also provides a narrative on the Top 10 Over Arching Risks.
7	The key risks for each area of activity within MHA is identified through the various Work Plans which are monitored monthly.

15. RISK MONITORING

In terms of governance, issues related to risk management are dealt with by MHA's Board. It is the responsibility of the Board to adopt the Risk Management Strategy as the framework for assessing risk and thereafter delegated to the Audit & Risk Sub-Committee who have the responsibility for examining the Risk Audit Register as well as receiving Reports as required. The Board will review the Risk Management Strategy on an annual basis.

16. REGULATORY COMPLIANCE

16.1 SHR Regulatory Framework

The Scottish Housing Regulator's (SHR) Regulatory Framework "Regulation of social housing in Scotland" (April 2024) states in the Regulatory Standard 4 "The governing body bases its decisions on good quality information and advice and identified and mitigates risks to the organisation's purposes". It further states:
"The Board identifies risks that might prevent it from achieving the Association's purpose and has effective strategies and systems for risk management and mitigation, internal control, and audit".

16.2 The Framework further states the following: Where the HA is the parent within a group structure it fulfills its responsibilities as required in our group structure's guidance to:
- Control activities of, manage risks arising from, its subsidiaries.
- Ensure appropriate use of funds within the group.
- Manage and mitigate risk to the core business; and
- Uphold strong standards of governance and protect the reputation of the group for investment and other purposes.

This means that MHA should be able to demonstrate an understanding of the main risks, the trigger points and the effectiveness of the mitigation strategies which are in place.

16.3 SHR Publication on Risks

The SHR's publication "Summary of the risks we will focus on" (November 2025), identifies the key risks they will focus on as follows:
1 – Performance in delivering services
2 – Performance service delivery to gypsy/travellers
3 – Homelessness
4 – RSL Governance
5 – Financial health of RSLs

6 – Quality of homes
7 – Tenant and resident safety

1) Performance in delivering services -
The SHR will use the information reported by RSL's on their performance in achieving the standards and outcomes in the Charter to identify areas where improvement to services to tenants and other service users can be made. The SHR will focus only on the most strategically important service areas to reflect that the sector is generally high performing in other areas such as tenant satisfaction and tenancy sustainment. SHR will prioritise engagement on the key areas of:
● rent arrears.
● average days to re-let properties.
●hours to complete emergency repairs.
This will be supplemented using the information from notifiable events and on-going engagement with landlords. Landlords' Statements will also be considered for any areas of non-compliance.

2) Performance of service delivery to Gypsy/Travellers
The SHR continues to engage with landlords that provide Gypsy/Traveller sites about their compliance with the minimum site standards set out by the Scottish Government, and about their obligations in relation to fire safety. (This does not currently apply to MHA)

3) Services for people who are or could become homeless
The SHR has four broad areas in their risk assessment which reflects in their engagement. These relate to (1) Applications, (2) Assessment, (3) Temporary accommodation and (4) outcomes. This will information is analysed to assess the people assessed as homeless, the time taken from application to outcome, and the number of lets social landlords provide to people who are homeless. The focus on the provision of temporary accommodation will be a priority.

4) RSL Governance
The SHR collect a range of information and regulatory intelligence which helps then to judge on whether an RSL is complying with regulatory requirements including the Standards. This assessment is made using the following
●ARC submissions received by May each year
●Notifiable events.
●Any reports by auditors under Section 72 Housing (Scotland) Act 2010.
●Annual Financial Statements (AFS)
●A review of board minutes from landlords' websites.
●Regulatory intelligence from engagement with individual landlords.
●Information on group structures
●Complaints, whistleblowing and Serious Concerns.

The SHR will further consider any governance issues that may have flowed from the strategic context. These include compliance with health and safety obligations, how development risk has been handled, staff turnover, absence rates, the frequently changes of the appointment of the external auditor and no internal audit arrangements.

5) Financial health in RSLs
The SHR has a statutory duty to monitor, assess and regularly report on RSLs' financial well-being through the annual financial risk assessment (FRA) as this allows the SHR to make a judgement on whether RSLs comply with Regulatory Standard 3 to base their regulatory engagement on the level of assurance needed or the improvements that landlords need to make. The SHR has published detailed guidance on this area.

Development - It's critical that developing RSL's understand the risks associated with delivering new homes. This includes understanding how new supply contributes to the Business Plan and objectives, the inherent risks and the potential impacts on their strategic plans should these risks materialise. This includes regularly reviewing and updating assumptions about capacity to develop, and the costs to ensure plans are realistic and deliverable. Robust strategic and financial planning are vital. Sufficient assurance that the new homes they are supplying meet all relevant building regulations, design and H&S requirements.

When the SHR assess risk in relation to development, they consider:

- Forward Programme Scale – the size of the current programme over the next five years.
- Forward Programme Tenure – the provision of mid-market rent, Low-cost home ownership, private rent, and outright ownership properties.
- Forward Programme impact on the HA – the impact of the forward Programme on the size of the organisation in terms of unites owned and managed current programme over the next 5 years.
- Increase in programme scale – the change in scale of development plans between the past three outturn and coming three years planned programme.
- HA Capacity – recent experience of delivering a development programme over the past three years.
- Financial Planning - the consistency between the development costs and grant assumptions. financial planning information.
- Compliance with Regulatory Standards – 1.1 and 3.3 details of any non-compliance with the Standards which relate to the delivery of the development programme.
- Level of recent assurance – where the SHR have recently reviewed the HA's business plan and have sufficient assurance about its development plans.

This information will largely be drawn from the SHR's Five Year Financial Projection Return (FYFP); mid-year development updates; business plan assessments; any other SHR engagement with the RSL about development; and information from the RSL Statements.

6 & 7) Stock Quality and Tenant and Resident Safety
Stock quality and tenant and resident safety are intrinsically interlinked. The SHR base their risks on landlords' compliance with the SHQS); the criteria for which cover a range of stock quality and tenant and resident safety standards.

a) Stock condition - All landlords must have effective systems and reliable information about the condition of all of their homes. For 2026/27, the

SHR's focus on the percentage of stock assessed fully for SHQS compliance in the last five years, ARC details of dates of surveys, age profile of the stock, volume of repairs and tenant satisfaction with quality of home.

b) SHQS compliance - is the main measure of the quality of homes social landlords provide for tenants. This covers interlinked smoke and heat detectors and EICRs. The SHR will analyse the data on the percentage of properties meeting SHQS and seek to understand the reason/s for properties not meeting SHQS.

c) Reinforced autoclaved aerated concrete (RAAC) – The SHR has stipulated a range of criteria that landlords must comply with where there is RAAC present.

d) Cladding – The SHR is working with the Scottish Government who are collating data about the impact of unsafe cladding through the Government's Cladding Remediation Programme.

e) Damp and mould - Landlords should have systems in place to ensure their tenants' homes are not affected by damp and mould and that they have appropriate, proactive systems to identify and deal with any reported cases timeously and effectively. The SHR gathers information annually to monitor and assess the extent of damp and mould, the causes and the effectiveness of how landlords respond.

f) Energy Efficiency Standard for Scottish Social Housing (EESSH) - forms part of SHQS with landlords separately reporting their compliance with EESSH within the ARC. However, due to work currently ongoing with the Scottish Government the SHR will not consider landlords' compliance with EESSH as part of their risk assessment.

g) Annual Assurance Statements - RSLs must include a specific statement on their compliance with all tenant and resident safety duties. This should include gas, electric, water, fire and lift safety, asbestos management and damp and mould.

17. EQUALITY & HUMAN RIGHTS

MHA's commitment to equal opportunities and we will respond to the different needs and service requirements of individuals, and we will not discriminate against any individual for any reason outlined in Equality & Human Rights Legislation.

18. DATA COLLECTION

MHA will manage all personal data in accordance with our obligations under the GDPR regulations and the Association's Policy.

19. POLICY MONITORING & REVIEW

The Risk Management Strategy will be reviewed by the Audit & Risk Sub-Committee annually, or as otherwise deemed necessary.

Appendix 1

RISK AUDIT REGISTER
(As at APRIL 2026)

A separate risk register is included in a excel document. The leadership team agreed it was easier to keep track of risks and ensure risk movements are easily captured. A note of the top 10 risk is included in appendix one. Development risks narrative is included in appendix two.

JG/April.2026/REF.S6

OVER ARCHING TOP 10 RISKS FOR MHA 2026/27 – APRIL 2026

KEY TO MANAGING RESIDUAL RISKS

Red – High Risks
Amber – Medium Risks
Green – Low Risks

	RESIDUAL RISK SCORE	RISK AREA
1	**20** (Inherent 25)	**ECONOMIC FACTORS** – Severe deterioration in external economic conditions (e.g., Brexit, conflicts in the middle east etc). etc).
2	**20** (Inherent 25)	**RENTAL INCOME** – Loss of rental income & higher rent collection costs due to UC & other factors.
3	**20** (Inherent 25)	**DEVELOPMENT** – Carrying out development activity with insufficient grant rates and limited access to appropriate development funding and private finance
4	**20** (Inherent 25)	**LEGAL/REGULATORY REQUIREMENTS** – MHA fails to comply with legal or regulatory requirements.
5	**20** (Inherent 25)	**ASSET MANAGEMENT** - Insufficient resources for Asset Management to manage standards and residents' expectations.
6	**16** (Inherent 20)	**FACTORING** - Costs for owners associated to common repairs & energy efficiency requirements.
7	**16** (Inherent 25)	**RENT LEVELS** – Not sufficient to provide services & investment at the level that is needed.
8	**16** (Inherent 25)	**TENANTS SAFETY**– Failure to comply with statutory duties to ensure the safety of tenants and residents.
9	**16** (Inherent 16)	**IMO SERVICE** – Demand for this service increases sharply as more tenants move to UC.
10	**16** (Inherent 25)	**IT** – Security & failure of IT system

OTHER KEY RISKS FOR MHA 2026/27 – April 2026		
	RESIDUAL RISK SCORE	**RISK AREA**
11	**12** (Inherent 20)	**H&S LEGISLATION (INHOUSE TEAM)** – Failure to adhere to H&S legislation or MHA safety requirements
12	**12** (Inherent 20)	**BUSINESS CONTINUITY** Failure to ensure business continuity in the event of an emergency (e.g., severe weather conditions).
13	**12** (Inherent 20)	**H&S LEGISLATION BREACH** – Relating to our employer role.
14	**12** (Inherent 12)	**VULNERABLE SERVICE** – Harm experienced by vulnerable people using MHA services or facilities.
15	**12** (Inherent 9)	**STAFF PENSION SCHEME** – MHA's current pension arrangements become financially unsustainable.
16	**12** (Inherent 20)	**SUCCESSION PLANNING** – For senior staff & committee
17	**8** (Inherent 20)	**VOIDS –** Void losses continue to be high.
18	**8** (Inherent 16)	**VOLUNTEERS** – Local people stop volunteering
19	**9** (Inherent 9)	**PROVISION OF COMMUNITY SERVICES** – MHA role in community becomes unaffordable or exposes MHA to unacceptable levels of risk
20	**9** (Inherent 10)	**SEX OFFENDERS** - Granting a tenancy to a convicted sex offender who then commits a further offence