THE COMMUNITY HOUSING GROUP LIMITED

RISK MANAGEMENT STRATEGY 2017-18

Agreed by the Group Board on 21st November 2017
RISK MANAGEMENT STRATEGY

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<th>Group Board</th>
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<td>Agreed Date</td>
<td>30\textsuperscript{th} October 2017</td>
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<td>Committee Approval Date</td>
<td>21\textsuperscript{st} November 2017</td>
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<tr>
<td>Review Date</td>
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1.0 Why is identification and management of risk important to us?

1.1 At The Community Housing Group (Community) we believe that Risk Management is an indispensible element of good management. For us, it is a fundamental part of our approach to quality, effective governance and is essential for us to be able to deliver our stated objectives in a controlled safe environment.

1.2 We recognise that the nature of the services we provide across the Group necessarily involves a degree of risk. We also acknowledge that the working environment and the business of providing social housing and related services can and does change rapidly.

1.3 Our approach to Risk Management is to identify, assess and prioritise risk then to monitor, control and mitigate the impact of those risks on our business. Our Group Board and staff have the responsibility to understand and embrace our approach because with their commitment and support we can use our knowledge and understanding as a “positive” to drive the business forward.

1.4 By operating in accordance with our Risk Management Strategy we will deliver our Business Plan objectives within a culture of control and effectiveness.

1.5 Our systems of internal control are based on our ongoing Risk Management Framework which has been approved by the Group Board and will be delivered by our staff.

2.0 Definition of Risk Management

2.1 We have adopted the National Housing Federation’s Code of Governance, including the need for the Group Board to:

“Establish and oversee a Risk Management Framework in order to safeguard the assets and reputation of the organisation” (Code C1 (8))

This will allow us to identify and manage any risk or event that threatens our ability to deliver our objectives.

3.0 Risk Management Framework at TCHG

3.1 The Risk Management Framework applies equally to the Group Board (who have overall responsibility for risk within the business), all members of staff, and to those working within, or for, the group under a contract for services.

3.2 The Group’s key strategic risks are owned and monitored by the Group Board with all operational risks managed, on a day to day basis by the executive.

3.3 The Group Board have overall responsibility for risk and are responsible for good and effective governance ensuring the Risk Management Framework is embedded throughout all at Community, from induction onwards.

3.4 The Audit and Assurance Committee is responsible for providing such additional evidence (assurance) as the Group Board requests to demonstrate that the necessary controls and mitigations are in place and are effective.
4.0 How do we identify risk?

4.1 New or emerging risks can/will be identified by:

(i) The Group Board

(ii) Any member of staff within their regular meetings with line Managers and/or the Head of Risk and Assurance

(iii) The Audit and Assurance Committee within their standard ‘emerging risks’ agenda item.

4.2 Risk Identification could result from changes in the operating environment, a third party (such as the Government and/or Regulator) influence or a major incident.

4.3 Reviewing risks is an ongoing process. Reviews of ‘live’ risks recorded on the Operational Risks Registers will occur at least bi-monthly with those risks considered of the greatest priority (including those on the Strategic Risk Register) may be updated on a daily or weekly basis. Closed risks will be reviewed at least annually.

4.4 All Group Board Members and employees have a responsibility for the management of risk e.g. Identifying, assessing and mitigating risk. To support employees we will provide information, support and training.

5. How do we assess risks?

5.1 Risk assessment will be undertaken using the Risk Management Matrix that takes into account the frequency of the event (probability) occurring, multiplied by outcome (impact) of the event using a 5 x 5 matrix. See Appendix 1

5.2 The Head of Risk and Assurance will conduct regular meetings with all Heads of Service/Risk Teams to consider and assess current and emerging risks. At these meetings they will assess and score each risk and then re-assess and re-score existing risks where necessary.

5.3 The score of a risk without any action being taken is referred to as the Inherent Risk Score.

5.4 The Head of Risk and Assurance will advise the risk owner in reviewing the actions (mitigations), probability and the impact and will re-score the risk once fully mitigated. This is the accepted level of risk (appetite) and recorded as the Target Risk Score.

5.5 They will then assess the Current Risk Score and amend the score accordingly.

5.6 When actions have been put in place that reduce the Current Risk Score but the score has not reached an acceptable level, they may seek support of a more Senior Manager or the Group Board and transfer the risk to them through the process of escalation (8.21 below).
6.0 How do we set our risk appetite?

6.1 Our Risk Appetite is the amount of risk we are willing to accept (tolerate) in the pursuit of our business objectives. We recognise that in order to achieve these objectives, we must be exposed to a certain level of risk and that active Risk Management is therefore needed in order to enable a proper appraisal of risks to be made.

6.2 All risks must be managed appropriately in order to ensure we do not incur financial loss, compromise service delivery, damage our reputation (and that of the wider social housing sector), or become non-compliant with law or regulation.

6.3 The Group Board sets the level of risk it is prepared to take in each of the key parts of our business and in doing so, it sets the tolerance levels of both risk categories and specific performance activities.

6.4 Our 2017-18 Risk Profile, set by the Group Board, outlines our current appetite to risk as:-

<table>
<thead>
<tr>
<th>Risk Category</th>
<th>Averse to Risk</th>
<th>Minimal Risk</th>
<th>Cautious Risk</th>
<th>Open to Risk</th>
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</thead>
<tbody>
<tr>
<td>(i) Compliance and Governance</td>
<td>√</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>(iii) Safety</td>
<td></td>
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<td>(iii) Asset Management</td>
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<td>(iv) Financial Matters</td>
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<td>(v) Change</td>
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<td>(vi) Customer Experience</td>
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<tr>
<td>(vii) Business Continuity</td>
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<td>√</td>
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<td>(viii) Capacity and Capability</td>
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<td>√</td>
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<td>(x) Reputation</td>
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these headings are reflected on our Strategic Risk Dashboard.

6.5 The Group Board sets the operational tolerance (appetite) levels on all of the Group’s Strategic Risks and our key performance indicators.

6.6 Our Risk Appetite Statement can be found at Appendix 2.

6.7 Our tolerance levels appear in the Dashboard Reporting Framework (see section 8 below).

7.0 How do we mitigate risk?

7.1 The Head of Risk and Assurance will meet, at least quarterly, with all Managers to discuss risks within their portfolio. Dashboard reports will be used for reporting to Group Board on the outcome of these meetings, including the level of assurance provided and/or the gaps identified.

7.2 The risk owner will use assurance mapping to provide assurance to Audit and Assurance Committee that controls are in place and will identify:-

(i) **Gaps in assurance** – Where assurance is not yet available to demonstrate that controls are suitably designed and operating effectively.
(ii) **Overlaps in assurance** – Where there may be a number of sources of assurance for a particular control and hence duplication.

(iii) **Assurance effectiveness** – Any controls which may be better evaluated through other sources of assurance in order to achieve efficiencies.

7.3 We operate a “three lines of defence” model with there being three categories, each corresponding to one of the “lines of defence”, as follows:-

- **One**: Employing competent people, establishing an appropriate environment for them to operate within, establishing policies and procedures and seeking assurance from the managers responsible that they are operating in the way intended.

- **Two**: Having a series of checks and balances such as reconciliations, exception reporting, quality assurance functions, procedures and processes and periodic verifications, possibly supported by process compliance checks.

- **Three**: Audit processes, including internal audits, financial audits, expert reviews (for example, actuarial reviews of pensions) and any use of external resources when validation is required.

8. **Who is accountable and responsible?**

8.1 Accountabilities detailed below, relate to risk management and do not express functional or generic accountabilities. The management of risk relevant to specific roles shall be measured as part of the annual appraisal process.

**The Group Board**

8.2 In line with the National Federation Code of Governance p. 3 C1 (7) & (8) the Group Board is responsible for:

“…establishing, overseeing and reviewing a framework of delegation and systems of internal control” and “establishing and overseeing a risk management framework in order to safeguard the assets and reputation of the organisation.”

8.3 The Group Board also has overall responsibility for risk and for the adoption of this Risk Management Strategy and has collective responsibility for:

- Identifying key strategic risks
- Setting the Group Board Assurance Framework
- Setting the Risk Appetite
- Providing leadership on the management of risk
- Reducing, eliminating and (to the extent practicable) exporting risk in order to increase resilience
- Communicating the risk appetite across the organisation
- Ensuring the approach to risk management is consistently applied
- Ensuring appropriate resources are available to support the risk management systems and to manage risk within the agreed risk appetite
- Protecting the reputation of Community and the wider social housing sector
- Correctly identifying risk, the scoring of risk and compliance with our controls.
8.4 The management of risk is delegated through the Group Chief Executive to all staff from the Executive to the front line. It is also the responsibility of Managers and risk specialists to monitor the effectiveness of policies and achievement in providing assurance against our risks.

8.5 In relation to the Assurance Framework the Group Board will lead on risk and in particular identifying the strategic risks that could harm our business. They will ensure we have in place an appropriate framework of control and reporting. They will set the risk appetite and approve the risk strategy and any policies relevant to the effective implementation of the strategy.

Audit and Assurance Committee

8.6 The Audit and Assurance Committee (under its terms of reference) reports directly to the Group Board on matters of risk and assurance required by the Group Board and reports back in any event on all of its work on a quarterly basis.

8.7 The Audit and Assurance committee have the responsibility for providing the evidence and assurance that all risks have been identified and assessed and that all reasonable steps have been taken to manage them effectively and appropriately.

8.8 The Audit and Assurance committee will direct officers to provide suitable evidence of appropriate risk scoring, risk mitigations, and robust controls.

Group Chief Executive

8.9 As the Senior Officer, the Group Chief Executive is accountable to the Group Chair and the Group Board for ensuring there is an effective system of risk management and internal control in place, and for meeting all statutory and corporate governance requirements.

8.10 The Group Chief Executive delegates responsibility for the maintenance of the system of internal control to all of the Executive Directors across the Group.

Executive Directors

8.11 Executive Directors are accountable to the Group Chief Executive and Group Board for the maintenance of effective systems of internal control within their areas of responsibility. Executive Directors are responsible for reporting on controls and assurances agreed by the Group Board to represent the highest risks to the Group’s strategic objectives through the Board Assurance Framework (BAF) and the Corporate Risk Report.

8.12 Each Director is responsible for risk management leadership including the implementation of, and compliance with, current group policies, and for ensuring sufficient resources have been allocated to undertake effective risk management.

8.13 Executive Directors are responsible for ensuring risk registers are reviewed on, at least, a monthly basis and that risk action plans from serious/incidents are implemented in a timely manner as agreed. Leading by example, Executive Directors are fundamental in establishing and sustaining an environment of openness on risk management.
Deputy Group Chief Executive

8.14 The Deputy Group Chief Executive is responsible for implementing the Group’s systems of internal control.

Head of Risk & Assurance

8.15 The role of Head of Risk and Assurance is an advisory role and is accountable, via the Deputy Group Chief Executive, for promoting and ensuring the implementation of systems and processes to enable the group effectively implement this strategy.

8.16 The Group Board manage their strategic risks by:-

- Governance dashboard
- Officer reports
- Specialist advice

8.17 A governance dashboard (graphical indicator) is used to track the Group's key performance indicators for easier data analysis and collaboration. This aids the Group Board in its role to monitor the key strategic risks that can prevent the Group delivering its objectives and is a timely and reliable evaluation of how much risk is actually being taken. The indicators have built in tolerance levels set by the Group Board which is built around a clear understanding of how much risk the business is prepared to take and also levels would breach the funding covenants. The dashboard is updated with the ability to set triggers at various levels. Whenever a trigger (breach) is reached it will send email alerts.

8.18 The dashboard provides information that provides the Early Warning Signs that there may be reasons for concern. Early warning is also given through the golden thread approach which links all operational risks to the strategic risks giving clear insight through detailed reports bringing information from all business areas into the assessment of the risk scoring of strategic risks.

8.19 The Head of Risk and Assurance will report across a range of stress tests and mitigations on a bi-monthly basis, to the Group Board; these will be approved by the Board as testing those areas of risk which individually or collectively could have a material impact on the delivery of the Corporate Strategy. He/she will also report to Subsidiary Boards on their own stress tests and mitigations half yearly.

8.20 The Group board will determine the range of stress tests to conduct and will instruct Officers, at any time, if they wish the scope of stress testing to be widened.
8.21 The escalation/de-escalation methodology is shown below:

<table>
<thead>
<tr>
<th>Risk Managing Level</th>
<th>When to escalate</th>
<th>Delegation</th>
<th>Monitoring</th>
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| **Group Board**              | • Agrees all strategic risks                                                                                                                                                                                                                             | • Actions for all strategic risks may be delegated to Audit and Assurance Committee when the Group Board need more assurance and/or evidence | • Monitors via regular exception updates by responsible officers.  
• Overview report at each meeting from Head of Risk.  
• Requests for acceptance of escalated risk |
|                              | • Sets risk appetite levels                                                                                                                                                                                                                                 |                                                                                                                                            |                                                                                                                                            |
|                              | • Sets assurance requirements for Audit and Assurance Committee                                                                                                                                                                                             |                                                                                                                                            |                                                                                                                                            |
| **Audit and Assurance Committee** | • Oversees the risk register(s) process for the Group Board within agreed Terms of Reference  
• Monitors the Strategic Risk Register in detail and trends and themes and exceptions from other levels  
• Seeks to identify new and emerging risks as a standard agenda item  
• Responds to additional delegations from the Group Board | • When action is delayed it will be reported in an exception report to the Group Board  
• When controls are still in place but the risk remains, effectively unmitigated, at a higher score than target.  
• When actions are complete and target has been met the risk is delegated back the appropriate level  
• Delegation may be directed to a specific part of the group when outstanding actions remain with one or more subsidiaries | • Monitors via regular exception updates by responsible officers.  
• Overview report at each meeting from Head of Risk and Assurance.  
• Detailed report on two/three strategic risks demonstrating the link to operational risks that feed in, using the information to re-assess score.  
• Requests for acceptance of escalated risk |
| **Officers**                 | • Oversees the risk register(s) process in detail including trends, themes and exceptions  
• Responds to delegation from the Group Board and/or the Audit and Assurance Committee  
• Day to day risk managed by officers across the group | • When action is delayed it will be reported in the exception report to the subsidiary board and the Audit and Assurance Committee.  
• When controls are still in place but the risk remains at a higher score than target.  
• When actions are complete and target has been achieved the risk may be delegated to the appropriate level.  
• Delegates to a specific part of the business when outstanding actions belong to one service | • Report on risks to relevant the group  
• New actions identified  
• Completed actions reported  
• Delayed actions explained.  
• Risks scores shall be re-assessed  
• New risks discussed/assessed |

9.0 What resources do we have to manage risk?

9.1 We have, within our group, risk management specialists who possess and maintain appropriate qualifications and experience sufficient to ensure that competent advice is available to our Group Board members and all of our staff. Our specialists are responsible for creating, reviewing and implementing policies, procedures, protocols and guidelines to ensure effective control of risk across all of our activities.

9.2 The Group Board has identified skills and expertise to manage this Risk Management Strategy.

9.3 The Audit and Assurance Committee has skills and expertise on matters of risk and assurance as required to support the Group Board.

9.4 Other subsidiary Boards and Committees across the group provide additional knowledge and expertise to meet the demands of this Risk Management Strategy.

9.5 We have established a Risk Monitoring Framework that enables the Group Board to maintain overall control over the key strategic risks. The Risk Monitoring and KPI Dashboard system provides clear reporting across all relevant strategic risks and KPI’s.

9.6 The setting of tolerance (appetite) levels by the Group Board is based on the approved Business Plan and regular stress testing carried out by the Group Board to understand risk exposures.
9.7 Monthly reporting provides early warning indicators to alert Group Board of negative movement. Exception reporting allows the Group Board to focus on the most critical business activities.

9.8 We utilise industry experts, whenever required, for additional advice and assurance. This has to meet value for money objectives and within agreed budget parameters.

9.9 An inclusive Risk Management Culture, embedded throughout the organisations, underpins this strategy.

### 10.0 How do we intend to review the risk management process and this strategy?

10.1 This Risk Management Strategy will form part of Group Board and staff induction, part of regular on-going training and will be briefed to all staff and made available on the group’s website.

10.2 It will also be subject to an annual review. The Risk Appetite will also be updated by the Group Board at latest annually. Any significant event or change to legislation which has a significant impact on any of the group’s risks will result in an earlier review to be undertaken and the Risk Appetite Statement amended accordingly.

**October 2017**