RISK MANAGEMENT POLICY

Freebridge
COMMUNITY HOUSING

Risk Management Policy			
Last Reviewed	**June 2026**	**Next Review**	**June 2027**
Responsible Officer	**Chief Finance and Technology Officer**		

Policy Statement: Freebridge is dedicated to implementing robust strategies and cost-effective processes to identify, assess, and manage risks associated with our operations. Our aim is to minimise the adverse effects of unforeseen events on our business objectives, whilst maximising any opportunities that arise. We are committed reducing risks to an acceptable level. Where appropriate, risks may be transferred, managed, or contained, and risk management will be firmly embedded within our organisational culture to support the achievement of our corporate strategies.

Procedural Guidance:

Freebridge acknowledges the value of a risk-based approach to management and recognises the importance of effective risk management frameworks. We appreciate that prudent risk-taking can present opportunities, and therefore, we actively consider different levels and types of risk in pursuit of our agreed objectives and goals. Our level of risk tolerance is aligned with our mission to foster creative, innovative, and intellectually rigorous practices.

Corporate Risk Management

- **Risk Register:** We will maintain a comprehensive Risk Register detailing individual risks, their assessed ratings, implemented control measures, and the residual (remaining) risk. The register will also identify accountable and responsible officers, alongside the necessary monitoring and reporting mechanisms.
- **Risk Identification:** Significant risks will be identified through regular business processes, including project management, horizon scanning, legislative review, strategic planning, modelling, and analysis of ‘lessons learned’.
- **Escalation and Reporting:** Identified risks will be escalated to the relevant Director, who is responsible for ensuring the Leadership Team reviews and debates the risk for potential inclusion in the corporate Risk Register. All new corporate risks will be formally reported to the subsequent Audit and Risk Committee and Board meetings.

- **Continuous Improvement:** Our risk management processes will be regularly reviewed and updated to reflect changing circumstances and best practice, ensuring ongoing effectiveness and relevance.

Operational Risk Management

- **Risk Registers:** Service areas will maintain operational risk registers to record risks arising from day-to-day activities, including current controls, mitigating actions, risk scores, and named owners responsible for monitoring and management.
- **Risk Identification:** Operational risks will be identified through routine service delivery, team meetings, performance monitoring, incident reporting, audit findings, complaints, project activity, and review of lessons learned.
- **Escalation and Reporting:** Operational risks will be reviewed regularly by managers and directors, with significant or worsening risks escalated through senior management arrangements and, where appropriate, considered for inclusion in the corporate risk register.
- **Continuous Improvement:** Operational risk management arrangements will be kept under review to ensure they remain practical, proportionate, and responsive to changes in services, systems, regulation, and emerging issues.

Methodology

1. Purpose and Principles

- **Objective:** To systematically identify, assess, manage, and monitor risks that could impact the achievement of Freebridge's strategic and operational objectives, while also leveraging opportunities.
- **Principles:** Embed risk management into all business processes, ensure transparency, foster a risk-aware culture, and align with sector best practice and regulatory requirements.

2. Governance and Accountability

- **Board Oversight:** The Board retains ultimate responsibility for risk management, supported by the Audit & Risk Committee (ARC) and Leadership Team. The Board Assurance Framework (BAF) is used to provide structured oversight of principal risks and controls.
- **Roles:**
  - **Accountable Director:** Owns each corporate risk at a strategic level.
  - **Responsible Officer:** Manages day-to-day risk controls and mitigation.
  - **Business Assurance Manager:** Facilitates risk identification, documentation, and assurance mapping.

3. Risk Management Process

Step 1: Risk Identification

- **Approach:** Identify risks through business planning, project management, horizon scanning, lessons learned, and regulatory updates (e.g. annual Sector Risk Profile).
- **Types:** Strategic (Board/ARC/Leadership Team) and Operational (Senior Managers/Teams).

Step 2: Risk Assessment

- **Scoring:** Assess both likelihood and impact using a 1–5 scale, with definitions updated annually to reflect current budget and sector context. See Appendix 1 for definitions.
- **Risk Appetite:** Explicitly define and review the organization's risk appetite for each risk, using a matrix (Hungry, Open, Cautious, Minimal, Averse). See Appendix 2 for appetite definitions and themes.
- **Inherent Risk:** Score risks before controls are applied.

Step 3: Risk Evaluation and Prioritization

- **Residual Risk:** Re-score after considering existing controls and mitigations.
- **Target Risk:** Set a target risk score aligned with risk appetite and strategic objectives. See Appendix 2 for target risk scoring allied to appetite.

Step 4: Risk Treatment

- **Options to manage risk:** Avoid, Transfer, Reduce, or Accept risks.
- **Controls:** Controls can be used to manage risk and are categorized as:
    - **Monitoring Controls:** Policies/procedures ensuring consistent, compliant operations.
    - **Application Controls:** Process-level controls, including IT and manual checks.
- **Continuous Improvement:** Regularly review and update controls in response to incidents, audits, and sector changes.
- **Actions:** Identify actions to move residual risk toward target.

Step 5: Assurance Mapping

- **Board Assurance Framework (BAF):** Map controls to sources of assurance (1st, 2nd and 3rd line equating to departmental, management and independent/external) and assess their effectiveness (Minimal, Partial, Reasonable, Substantial). See Appendix 3 for source and effectiveness assurance definitions.
- **Gaps:** Identify and address assurance gaps, escalating significant issues to the Board/ARC.

Step 6: Monitoring and Reporting

- **Risk Register:** Maintain a dynamic register with all risks, scores, controls, actions, and responsible officers.
- **Reporting:**
  - **Board:** Quarterly review of the full corporate risk register, key themes, and assurance updates as well as a summary of the Board Assurance Framework.
  - **ARC:** Quarterly reviews of corporate risks and the Board Assurance Framework. Annual review of significant operational risks, focusing on high and emerging risks (15+ or the three highest risks per team to a minimum score of 9).
  - **Leadership Team:** Monthly review of BAF, corporate risk heat maps, and progress on actions. Quarterly review of significant operational risks (15+ or the three highest risks per team to a minimum score of 9).
  - **Directors/Managers:** Quarterly operational risk reviews and updates.
  - **Senior Management Group:** Quarterly reporting of significant operational risks.
- **Escalation:** Risks scoring 15+ for the first time should be immediately notified to the following:
  - Corporate risks: To CEO, Board Chair, and ARC Chair.
  - Operational risks: Member of the Leadership Team who will highlight at the next Leadership Team meeting.

Step 7: Continuous Improvement and Training

- **Review Cycle:** Annual policy and methodology review, incorporating sector guidance and regulatory changes.
- **Training:** Ongoing risk management training for all staff, with a focus on operational risk ownership.
- **Data-Driven Decisions:** Leverage data analytics for risk identification, monitoring, and scenario planning.

APPENDIX 1: Risk Impact and Likelihood Definitions

Approved by the Board in November 2025.

Impact Level	Description	Financial Impact	Reputational Impact	Regulatory Impact	Business Impact	Notes
5 – Catastrophic	Could halt or cease the business	> £25.4m	Total loss of public confidence; sustained national media scrutiny	Multiple breaches of statutory duties; prosecution; severe enforcement actions	Failure to achieve strategic objectives; business continuity threatened	Existential threats: insolvency, regulatory shutdown, irreversible reputational damage
4 – Major	Could seriously disrupt the business	£25.4m – £5.2	Significant public concern; national media coverage; stakeholder backlash	Multiple breaches of statutory duties; enforcement actions; regulatory investigations	Multiple strategic objectives not achieved; major disruption to core operations	Board-level intervention; may trigger covenant breaches or major restructuring
3 – Moderate	Could disrupt processes, systems, or service delivery	£3.8m – £5.2m	Local media coverage; potential public concern; stakeholder complaints	Breach of statutory duties; improvement notices; external recommendations	Slippage of multiple strategic objectives or projects; operational disruption	May require cross-departmental response; could affect annual performance targets
2 – Minor	Could result in some system, process, or service delivery problems	£100k – £3.8m	Reducing public confidence; social media concern; minor stakeholder dissatisfaction	Breach of statutory duties or business objectives; challenging external recommendations	Some identified strategic objective or project slippage	Managed at operational level; may require escalation if persistent

1 – Insignificant	Could result in minor system, process, or service delivery problems	< £100k	Short-term reduction in public confidence; limited stakeholder impact	Breach of statutory expectations or business policies; unresolved performance issues	Minimal objective or project slippage	Resolved through routine management action; unlikely to affect strategic objectives

The financial impact monetary values relate to the current year budget mitigations and, as a result, are updated on an annual basis in line with the new budget.

Likelihood	**Points**
100% Likely to occur: Within 1 year	**5**
75% Likely to occur: Within 3 years	**4**
50% Likely to occur: Within 5 years	**3**
25% Likely to occur: Within 7 years	**2**
<10% Likely to occur, but not impossible: Within 10 years	**1**

APPENDIX 2: Risk Appetite Themes and Definitions

Risk appetite definitions to apply to risks as identified by the Board and Leadership Team. Approved by the Board in September 2025.

Strategic Risk Theme/Appetite	Theme/ Appetite Owner	Wording
1. Business Resilience: Risks relating to ensuring we can respond appropriately and effectively to known risks and events (Govt change, external threats eg; floods, BCM)	CEO	Our services are instrumental in people's lives and disruption would have an amplified impact on both our reputation and what are trying to achieve. We recognise largely external threats with significant impact, and will prepare accordingly.
2. Quality of Housing: Risks relating to improving and maintaining safe, energy efficient and good quality affordable homes in line with our priorities	DoO	We will not take undue risk with the quality of people's homes and lives… though we may look to explore innovative ways of delivering services and quality. This will not be to the detriment of tenants' health & safety or wellbeing… we will experiment with "fabric", not "people".
3. Growth (and Development) Risks relating to ensuring we can maximise sustainable opportunities to develop and grow in line with our objectives	CEO	We will be open to growth opportunities, provided that (a) they make sense for our customers and (b) the risks associated with the growth are within the financial /customer risk parameters that we have in place.
4. Commercial Risks relating to maximising the development of new homes and meeting housing demand, including the associated commercialisation opportunities.	CEO	By definition, this is risky, but the financial projections for new development assume that we have no debt after 40 years and fully owned assets, so we could afford downside risks.
5. Capacity & Capability: Risks relating to ensuring our people (including leadership) have the capability & capacity to deliver our priorities & objectives	CEO	We are prepared to invest in our people, to ensure that they continually develop and mature, and are able to offer "best in class" service to our customers. We are open to innovative approaches such as technical capability and leadership capability.

6. Financial Sustainability: Risks relating to ensuring we manage our finances appropriately and effectively to guarantee the long-term sustainability of the association and secure the delivery of our objectives	CFTO	We need to secure and maintain financial sustainability (within our "golden rules"), but we are prepared to look for a range of ways to be efficient and deliver Value For Money, savings, additional income and more.
7. Engagement: Risks relating to engaging effectively & exceed the expectations of our communities, customers and stakeholders in line with our values & objectives	DoO	As this is so central to what FCH is about as an organisation, we will be open to options which minimise the risks of getting engagement wrong.
8. Digital Infrastructure: Risks relating to ensuring our systems and infrastructure are accurate, innovative, resilient & secure (Cyber, Data, GDPR & support efficient customer service)	CFTO	We would have an open appetite in relation to functionality and applications of new technology whilst recognising that many scenarios for risk crystallising in this area can produce very bad outcomes for the organisation.
9. Safety & Security: Risks relating to ensuring we can effectively support, protect and improve the health, safety, security and wellbeing of both customers & staff	CEO	We see it as a key responsibility to ensure that our homes provide safety and security for our residents and a safe and secure working environment for all of our employees. We are willing to accept low risks only, mindful that some elements may be beyond our control (e.g. actions of tenants, customers or contractors).
10. Regulatory Governance & Professionalism: Risks relating to ensuring we have the appropriate governance structures, principles and behaviours to help us deliver our priorities & objectives (including legislation/ standards)	CEO	We see this as an area where we must maintain high standards to ensure we can achieve our objectives and priorities.
11. Partnerships & Shared Services: Risks relating to ensuring we can identify and maximise the right	CEO	We consider opportunities which may deliver improved services for customers, or better Value For Money.

opportunities for collaboration and partnership		
12. Data Quality: Risk relating to non-financial data quality, ensuring any data is accurate, complete, valid etc. on whatever system it is on.	DoO	We need to be able to rely on our data to enable effective decision making.

Risk Appetite		**Points**	**Target Score**
Hungry	**Highest risk accepted**	**5**	**15**
Open	**Higher risk accepted**	**4**	**12**
Cautious	**Some risk accepted**	**3**	**9**
Minimal	**Lesser risk accepted**	**2**	**6**
Averse	**Least risk accepted**	**1**	**3**

APPENDIX 3: Assurance Levels and Lines of Defence

The assurance in place against each control will be considered in terms of the lines of defence:

Line of Defence	Description
1st line: Departmental	Departmental led review, e.g. of performance data, by team manager etc.
2nd line: Management	Review by managers outside of the source department, e.g. performance management review by Leadership Team, Audit and Risk Committee, Board or assurance obtained by Business Assurance
3rd line: Independent/External	Independent/External sources of assurance, e.g. Internal and External audit, third party consultants.

Assurance Level	Description	Assurance %
Minimal	Urgent action is needed to strengthen the control	0
Partial	Action is needed to strengthen the control	33%
Reasonable	Identified issues need to be addressed to ensure that the control is effective.	67%
Substantial	Controls the organisation relies on to manage this risk are consistent and effective.	100%

These descriptions are consistent with assurance levels used by internal audit in their work. The assurance percentages are those that are automatically awarded by the risk management system.