RISK MANAGEMENT POLICY

Freebridge
COMMUNITY HOUSING

Risk Management Policy			
Last Reviewed	**February 2025**	**Next Review**	**February 2026**
Responsible Officer	**Company Secretary**		

Policy Statement: Freebridge is committed to ensuring appropriate strategies and cost-effective processes that identify, analyse and manage those risks that are associated with our activities. We shall seek to minimise the negative impact of undesired and unexpected events on our business objectives and maximise any positive impacts.

We will further seek to ensure that risks are either eliminated where possible or reduced to an acceptable level, transferred, managed or contained and to embed risk management practices that support the delivery of our corporate strategies.

Policy Detail:

Freebridge recognises the benefits of a risk-based approach to management and effective risk management arrangements and also recognises the opportunities that can arise from assuming different levels and types of risk to attain agreed goals and/or objectives.

Freebridge assumes a level of risk tolerance associated with achieving its mission for creative, radical and intellectually rigorous thinking and practice. This will involve the review of options, the development of plans to mitigate against avoidable risks, as appropriate, and recognition of Freebridge's appetite toward risk.

Any action or judgement that has the potential to harm Freebridge's reputation and/or business continuity must be avoided.

We shall:

- Maintain a corporate **Risk Register** that details the individual risks, their assessed ratings, control measures and their remaining or **"Residual" risk**. The accountable and responsible officers and the required monitoring and reporting arrangements will also be identified.
- Identify significant risk through normal business processes such as project management, horizon scanning, planning and modelling, and 'lessons learned'. Identified risks will be brought to the attention of the relevant Director who will be responsible for bringing the risk to the attention of the Leadership Team for debate and potential inclusion on the corporate risk register. All new risks will be reported to the next Audit and Risk Committee and Board meetings.

- Develop and maintain a **Board Assurance Framework** that builds upon the corporate risk register by recording the assurance obtained that the controls and/or activities to mitigate the impact and likelihood of the risk are working in practice.
- Detail our risk management methodology including:

Step 1: Identify & Describe the Risk: Risks to Freebridge shall be identified, defined and recognisable to Board members, Leadership Team and staff that identify the required level of actions and reporting requirements i.e.

- Strategic Risks = Board and Leadership Team.
- Tactical Risks = Leadership Team and Senior Managers.
- Operational Risks = Senior Managers and Managers/Staff Teams.

The Business Assurance Manager will assist the accountable officer in the initial description and documentation of the risk onto the corporate risk register. The accountable officer will be responsible for updating the corporate risk register thereafter.

Step 2: Likelihood, Impact & Appetite for the Risk: An initial ('Primary') assessment of the likelihood and impact of each identified risk occurring shall be undertaken by management based on a 1 to 5 'scoring' system that seeks to assess the financial, social and reputational impact on the business as detailed below:

Impact (a)		Points
Could halt or cease the business.	Financial Impact: >£6.6m Reputational Impact: Total loss of public confidence. Regulatory Impact: Multiple breach of statutory duties/ prosecution; and/or Business Impact: Strategic objectives not achieved.	**5**
Could seriously disrupt the business.	Financial Impact: <£6.6m but >£3.1m; Reputational Impact: Public concern/National media coverage. Regulatory Impact: Multiple breach of statutory duties, enforcement action; and/or Business Impact: Multiple strategic objectives not achieved.	**4**
Could disrupt processes, systems & service delivery.	Financial Impact: <£3.1m but >£1.7m and/or Reputational Impact: Potential public concern/ Local media coverage. Regulatory Impact: Breach of statutory duties/ Improvement notices. Business Impact: Slippage of multiple strategic objectives.	**3**

Could result in some system, process or service delivery problems.	Financial Impact: <£1.7m but >£100k and/or Reputational Impact: Reducing levels of public confidence, social media concern. Regulatory Impact: Breach of statutory duties/business objectives/ challenging external recommendations. Business Impact: Some identified strategic objective/project slippage.	**2**
Could result in minor system, process or service delivery problems.	Financial Impact: <£100k and/or Reputational Impact: Short term reduction in public confidence. Regulatory Impact: Breach of statutory expectations/ business policies/ Unresolved performance issues. Business Impact: Minimal objective/ project slippage.	**1**

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 (examples) (b)	**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**

We shall:

Reflect the Board and Leadership Team's attitude towards each identified risk i.e. the level of their *'risk appetite'* to accept or avoid the risks involved as detailed below:

	Risk Appetite (c)	**Points**
Hungry	**Highest risk accepted**/Lowest risk score = 1.	**1**
Open	**Higher risk accepted** / Lower risk score = 2	**2**
Balanced	**Some risk accepted** / Medium risk score = 3.	**3**
Cautious	**Lesser risk accepted** / High risk score = 4.	**4**
Averse	**Least risk accepted** / Highest risk score = 5.	**5**

Step 3: Primary 'Scoring' of the Risks (with no controls in place): The Primary Risk Assessment is to multiply the **Impact Score** (a) with the **Likelihood Score** (b) to arrive at an overall score for each of the identified risks (please see example below).

Example: If a risk has a potential cost (impact on Freebridge) of between £100k and £1.7m (or could result in Freebridge receiving an adverse review or recommendations i.e. from the Regulator or Auditors) it would score a **2 for impact**.

If that risk was considered to have a 50% chance of occurring, or possibly within the next five years, it would score a **3 for likelihood**.

Total score would then be:

Impact	x	Likelihood	=	Primary Risk Rating i.e.
2	**x**	**3**	**=**	**6**

The total score for each risk shall be recorded in the Risk Register as the Inherent Risk, i.e. the overall impact of the risk on Freebridge's operations without any management controls or actions to mitigate the risk.

Step 4: Secondary/Residual 'Scoring' of the Risks (with controls in place): The Residual Risk Assessment is to re-consider the risk and the effectiveness of the controls and/or activities to mitigate the impact and likelihood of the risk. The scoring (as above) is repeated to create the residual (or remaining) risk score.

Step 5: Management Control & Mitigation of Risks: There are 4 basic ways of dealing with Risk namely:

- **Avoid it** *i.e. eliminate the risk or do not do the activity that brings the risk*.
- **Transfer it** *i.e. insure against the event happening or let another organisation do it.*
- **Reduce it** *i.e. manage the activity & establish controls to minimise the effects of it.*
- **Accept it** *i.e. live with it and prepare for business continuity if/when it happens.*

As a consequence, there are 2 basic types of control to reduce and manage risks:

Firstly, an **Overarching control** (*a 'General control' or 'Monitoring control'*) that demonstrates that the organisation has a procedure or policy in place for the management of a fundamental organisational activity and/or process. The Freebridge Policy and Procedural Framework deals with how matters such as Fire Safety, Health & Safety, Allocation & Lettings, Income Management & Maximisation etc. should be undertaken. These state that activities should be undertaken time and time again to a required standard, in a consistent and accurate manner. Compliance with these standards can be tested; and

Secondly, by an **Application control** (*a 'Process control'*) which is an action undertaken by a person as part of a process/procedure or performed by a software application that can demonstrate that a specific business process (such as payroll or income collection) is operating as intended, is properly maintained, is only being used with proper authorisation, is monitored and is creating an audit trail. Compliance with these actions/controls can be tested.

It is therefore the responsibility of management to ensure that all identified risks have appropriate Overarching controls and relevant Application controls in place to manage and/or reduce the impact of those identified risks. These controls shall be recorded in the Risk Register.

The effectiveness of these controls and their subsequent impact on the identified risk will result in a remaining (or '*residual*') level of risk.

A repeat of the scoring outlined at Step 3 shall be undertaken to score the residual likelihood and impact of each identified risk occurring with the controls and mitigations in place.

The results of this Secondary, residual risk assessment shall be recorded in the Risk Register.

Business Assurance, Internal Audit and other assurance mechanisms shall periodically test the effectiveness and impact of management controls and mitigation activities. (Please also refer to Step 7 for Board and management reporting arrangements).

Step 6: Target scoring of the risks: The Target Risk Assessment is to re-consider the risk and identify, based on reference to the risk appetite, a target score for the risk, i.e. the level of impact and likelihood of the risk which indicate that the risk was well controlled and further detailed monitoring and review would not be needed. The scoring (as above) is repeated to create the target risk score. The target risk score is reported, along with the primary and secondary risk scores to the Leadership Team, Audit and Risk Committee and Board.

Step 7: Identification of actions: Actions to move the residual risk score to the target risk score will be identified and documented within the corporate Risk Register. Each action will have:

- A description;
- Responsible officer; and
- Target Implementation date.

It is expected that many of the actions within strategic projects will be reflected within the corporate risk map due to the inter-relationship between the corporate objectives and corporate risk map.

Step 10 below will include the recording of progress against the actions on the corporate Risk Register, together with any evidence or explanations for implementation date changes or completion of the action. The impact of completing an action should also be considered in relation to the secondary, residual risk score.

Step 8: Mapping of assurances against controls: A significant progression of the risk framework is the mapping of assurances against each control to demonstrate where we have assurance over the controls in place and, perhaps more importantly, where further assurance is required. It is only if controls are operating in practice, and assurance is obtained of this, that Freebridge can be confident that risks are mitigated. The alignment of risks with assurance is known as the **Board Assurance Framework (BAF).**

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

- 1st line of defence/Management: Assurance obtained by managers/internally, e.g. management review/sign-off;
- 2nd line of defence/Department: Assurance obtained by Business Assurance (i.e. quasi external sources), performance management, e.g. Reviews into specific areas; and
- 3rd line of defence/Independent: External sources of assurance, e.g. Internal and External audit.

The Business Assurance Manager will liaise with the accountable and responsible officers for each risk to understand and document assurance for each control. An overall conclusion will be reached by the Business Assurance Manager for each control based upon the extent, number and type of assurances obtained. The extent of assurance obtained will be documented for each source as follows:

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

This mirrors the assurance conclusions given by Internal Audit in their reviews. Substantial assurance will only be available to a control overall if second or third line assurance has been obtained at that level. If only first line assurance is available, then overall assurance will be at one level below that of the first line. For example, if "substantial" assurance is available at the first line but none at lines two and three, then the overall assurance will be "Reasonable". This reflects the fact that internal, first line assurance is not as strong as more independent second/third line.

The extent of overall assurance assessed for a control, or group of controls, will be considered for reflection in the secondary, residual risk. For example, if the assurance obtained over controls in place over a specific risk is minimal, then this would indicate that the controls are not operating effectively in practice and so the secondary, residual impact score would be higher than if substantial assurance had been obtained.

Step 9: Corporate Management Responsibility for Risk Management: Corporate management responsibilities shall then be assigned to each identified corporate risk as detailed below:

Corporate Management Responsibilities	
Accountability (A)	A Service Director with reporting and management oversight for an identified risk across Freebridge.
Responsibility (R)	Leader Manager(s) and/or Team Manager(s) with responsibility to ensure that actions/controls are implemented and operating effectively for an identified risk.

Step 10: Risk Reporting, Scrutiny and Action: The levels of risk review, intervention and subsequent risk reporting shall form part of the regular Board and management information arrangements as detailed overleaf:

Reporting To	Reports & Action	Reporting Period
Board	**Shall Receive and Review:** • The corporate Risk Register showing inherent, residual and target risk scores for each identified risk;	Quarterly

Reporting To	Reports & Action	Reporting Period
	• Any key strategic risk issues and themes that the Regulator has identified in the previous quarter as well as any emerging risk issues identified by the Leadership Team. • Assurance from the work of the Audit & Risk Committee and Leadership Team. • An update on progress against actions raised in response to risks on the corporate Risk Register.	
Audit & Risk Committee	**Shall Receive and Review:** • The corporate Risk Register showing inherent, residual and target risk scores for each identified risk referring any concerns and/or required actions to Board and feedback to Leadership Team any concerns on tactical and operational risks. • Proposed management actions and monitor their completion, reporting any concerns to Leadership Team and/or Board as appropriate. • Business Assurance updates and Internal Audit reviews. Reports will be reviewed on a standalone basis and in respect of the overall Board Assurance Framework. • The Board Assurance Framework, ensuring sources of assurance are sufficient and referring any actions (e.g. additional assurances required) to the Leadership Team.	Quarterly
	• Operational risks with a residual risk score of 16 or more and, as a minimum, the three risks with the highest residual risk scores for each service area to a minimum of a score of 9.	Annually
Leadership Team	Shall receive and review the Board Assurance Framework monthly including a summary of Business Assurance review findings and/or emerging issues, for action as appropriate. Leadership Team will collectively regulate the scoring of all risks. The Chair of the Audit & Risk Committee and the Chair of the Board will be notified of any risk that has a **residual risk score of 16 or above** for the first time or any increase to a risk of 16 or above. Will take action to address any weaknesses in control assurances where these result in a residual risk score higher than target. Monitor progress against actions identified to mitigate corporate risks. Review operational risk heat maps.	Monthly

Reporting To	Reports & Action	Reporting Period
Individual Service Directors	Shall review and update risks with their direct team reports each month and review and rescore identified risks as appropriate, including new key risks or emerging issues. Feedback from the Leadership Team review of significant risks and Business Assurance reporting will be used to direct service director updates. Shall review and update actions pending within their accountable risks, noting progress made and consideration as to whether the action will be complete by the expected implementation date. All updates and reviews will be documented on the corporate risk register. The CEO will be notified immediately by the relevant Director of any risk that has a **residual risk score of 16 or above** for the first time or any increase to a risk that had a risk score of 16 or above. The Chief Finance and Technology Officer will complete this action on behalf of the Bridgegate Homes Board, escalating relevant risks to the group risk map and CEO.	Monthly
Business Assurance	Shall test the effectiveness and impact of management controls and mitigation activities as part of its annual thematic work plan. On completion of Assurance reviews the results shall be reported to: • The relevant Accountable Director (above) and Responsible Manager(s) for action as appropriate. • An update of agreed management actions shall be reported to the Audit & Risk Committee (above), for review and monitoring as appropriate.	Monthly/ Quarterly & Annual

Step 11: Identification of new or 'blue sky' risks: Each year the Regulator for Social Housing produces a Housing Sector Risk Profile. These profiles identify key issues and themes that the regulator has identified across the housing sector and flags up issues for consideration of risk by organisations that are operating within that environment or are contemplating doing so. The Board and Leadership Team need to be aware of, and when appropriate act upon, all emerging strategic risks.

In addition, Freebridge's business plan and associated projects will generate new and/or changed risks. The planning of projects will include the identification, management and reporting of new or changed risk.

The Business Assurance Manager and Risk and Governance Lead will also identify and utilise other risk profiles (e.g. as produced by internal auditors) as considered relevant for the purpose of identifying new or blue-sky risks.

An update of emerging legal issues will also be obtained from a specialist supplier on at least a six-monthly basis. This list will be reviewed firstly by the Business Assurance Manager and subsequently by the Leadership Team as part of the monthly risk meetings held in accordance with the protocol for reporting agreed between the Business Assurance Manager and the Leadership Team. Emerging issues that are considered to be significant will be monitored by the Leadership Team until resolved/assurance obtained of compliance.

Operational Risk registers will be in place across the organisation, within individual teams to identify and monitor operational risk. These registers will be monitored by the relevant Head of Service/senior manager and those rated 16 or above reported on to Senior Manager Group meetings as well as the Leadership Team.