

Group Business Planning, Risk and Assurance Framework

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1. BH Group operating environment

We review our **Group** business planning process each year and amend it to take into account the changing needs of our business and operating environment. This includes:

- Meeting all legal and regulatory requirements
- Meeting our financial requirements and obligations including to our lenders, Financial Conduct Authority and HMRC
- Positively responding to changes in our operating environment and managing risk

Our structure consists of two Registered Providers (Bolton at Home and Arcon Housing) and five subsidiary companies, each with their own operational plans.

Our overall Group aim and objectives are reviewed annually at the Group Board business planning away day each summer and reported via:

- The Group Business Plan (Our Plan) and Arcon Corporate Plan, available on the website
- The performance management framework used by Group Board to monitor delivery of our objectives across the Group and quarterly reports to the Group Board, Arcon Board and BH Operations Committee
- Information provided on our website and partner sites including performance information and compliance against National and Local Standards

Our operating environment continues to change and evolve and this has been captured in Our Plan and Arcon Corporate Plan which can be viewed in the latest copy of Our Plan on our website

Each year Our Plan and Arcon Corporate Plan are stress tested using a range of scenarios to test the viability of the plan. This is to identify actions and mitigations to manage and respond to risk. These mitigations are costed and assessed in terms of time taken to implement as part of the BH stress test and resilience plan.

Subsidiary business/operational plans are also updated on an annual basis and approved by Group Board following approval from subsidiary boards.

The annual update to Our Plan takes account of changes in our operating environment and is approved by our lenders annually.

2. Our governance and regulators

Group Board and Group Audit & Risk Committee

Group Board is responsible for making strategic policy decisions and is supported in this by Group Audit & Risk Committee. Their terms of reference include an annual review of internal and external audit plans. They also monitor value for

money, fraud and risk on a quarterly basis as well as carrying out a quarterly in-depth review of the highest corporate risks.

The role of Group Board:

- Sets the overall strategic direction of the Group
- Leads the overall management of the Group's business
- Approves the annual business plan for Bolton at Home and Arcon Housing and the Group's subsidiary partners
- Approves the Annual Report and Financial Statement for Bolton at Home, Arcon Housing and the Group's other subsidiaries
- Makes decisions on all matters that create significant financial risk to the Group, or which affect material issues and setting the Group Board's risk appetite
- Monitors the Group's performance in relation to these plans, budgets, controls and decisions
- Approves areas of responsibility to be delegated to committees (Terms of Reference) and Officers (Scheme of Delegation to Officers)
- Certifies compliance to National Standards
- Challenge and sets out our intentions for moving performance metrics and how we will use these metrics to improve services.

The role of Arcon Board:

- Sets the overall strategic direction, overall management and approves the annual business plan for Arcon Housing and its subsidiary.
- Approves the Arcon Annual Report and Financial Statement.
- Sets Arcon's risk appetite
- Monitors Arcon's performance in relation to these plans, budgets, controls and decisions
- Certifies Arcon's compliance to National Standards
- Challenge and sets out our intentions for moving performance metrics and how we will use these metrics to improve services.
- Sign off of Arcon components of the Group Business Plan
- Sign off and oversight of Arcon risk management.

The role of Group Audit & Risk Committee:

- Approves any policies as delegated for the Committee's approval by the Group Board
- Oversight of internal and financial control arrangements and systems, including procurement strategy and organisational delegations and financial regulations and financial delegations
- Oversight of internal audit arrangements, including approving the annual audit programme and the consideration of related reports
- Oversight and approve the appointment of internal auditors
- Oversight of external audit arrangements, including making recommendations to the Group Board on the appointment of external auditors
- Oversight of the Group's risk management strategy, processes and systems, including quarterly updates and an annual review of the Group's risk register

- Oversight and consideration of all related reports regarding the Group's anti-fraud, anti-corruption and money laundering arrangements and requirements of the Criminal Finances Act 2017 and related legislation
- Oversight and oversight of information governance and the Group's implementation of, and compliance with, the General Data Protection Regulation (GDPR) and the Data Protection Act 2018
- Monitors the delivery of the value for money strategy and compliance with Regulator of Social Housing (RSH) standards
- Contributes to the compliance statements relating to National standards, taking account of audits during the year
- Annually holds individual in camera sessions with both the external and internal auditors.

Arcon's Board has delegated responsibility to the Committee in respect of the functions listed above, as agreed in the Intragroup Agreement between Arcon and Bolton at Home.

Regulator of Social Housing (RSH)

We carry out a full assessment of compliance with regulatory standards annually and provide an update to Group Board every three months. Every year, we involve customers to scrutinise our compliance with the Consumer Standards and we report on this to Bolton at Home's Operations Committee and our Group and Arcon Boards. Bolton at Home's Scrutiny group also carry out in-depth service reviews.

Group and Arcon Boards also certify compliance with the National Standards each year and this is further reported in our annual accounts.

We assess compliance with the Governance and Viability National Standard and report to Board annually to evidence that we have achieved compliance. The evidence we provide is that:

- there is access to sufficient liquidity at all times via the annual treasury management review
- financial forecasts are based on appropriate and reasonable assumptions via the business plan assumptions paper
- effective systems are in place to monitor and accurately report delivery of the registered provider's plans via the quarterly financial monitoring reports
- the financial and other implications of risks to the delivery of plans are considered via sending the risk register to every meeting and to GARC
- registered providers monitor, report on and comply with their funders' covenants via reporting as part of quarterly financial monitoring report.

National Housing Federation (NHF)

All our governance documents have been reviewed against the NHF Code and Good Practice guidance to ensure compliance and will continue to be reviewed at least every 2 years. We test our compliance against the current adopted code of governance on an annual basis and report our compliance in our annual accounts.

The current adopted code of governance is the NHF code of governance 2015 and we adopt the NHF Code of Conduct. We are considering the new NHF code of conduct 2020.

Internal audit

The role of internal audit is to provide assurance opinion by delivering the annual internal audit plan approved by Group Audit & Risk Committee.

The plan coverage provides us with assurance on risk management, governance and internal control. Amendments to the plan are agreed during the year, if necessary, to take account of changing priorities and risks.

The plan includes in its formulation, a review of the risk and assurance framework and target areas of inherently high risk, these include considering;

- The current Group Risk and Assurance Maps at corporate and operational levels,
- The Group corporate business and financial plans
- The risk framework and risk registers
- Senior management, Group and Arcon Board and Group Audit & Risk Committee's articulation of significant governance, risk and control matters,
- Known changes in roles, responsibilities, strategies, policies, systems or processes,
- Changes in the external environment that could impact the Group's operations such as new laws, regulations or sector standards,
- Regulator of Social Housing (RSH) standards: Rent; Value for money; Governance and financial viability; Tenant involvement and empowerment; Home; Tenancy; and Neighbourhood and community,
- NHF code of governance 2015 and code of conduct, which have both been adopted by the Board,
- Assessments and focus of other independent assurance providers, particularly external audit and regulators,
- Feedback and comments from senior management and the Group Audit & Risk Committee.

There are also annual reviews of our approach as outlined in this document.

An annual opinion from our Internal Audit is included on the annual review of the Group's internal control arrangements. This opinion provides Group Board with assurance that its internal control arrangements are effective. This annual opinion is then published in the Group Annual Financial Statements. BDO are our Group external auditors.

Group External audit

Our external auditor's work is focused on forming and expressing an opinion on our financial statements. An Audit Findings Report is issued prior to approval of the financial statements and presents any significant findings and other matters arising from the audit.

Both internal and external auditors meet with the Group Audit & Risk Committee, without officers present, at least once a year.

3. The business planning framework

The business planning process is a key annual process which enables us to deliver an annually updated Our Plan, faced with continuously changing priorities in a fast-evolving operating environment. It is through this process we:

- Confirm and update our Group organisational aim and objectives
- Agree key Group strategic and specific operational priorities
- Update our assessment of the Group's operating environment and key risks and ensure their implications are fully considered
- Monitor the delivery of these priorities via delivery plans and our Group performance framework,
- Review the assumptions in the Group business plan used for financial forecasting to ensure they are appropriate and reasonable.
- Stress test the plan, agree golden rules, mitigations and the risk appetite statement,
- Review our Group approach to value for money and savings/efficiencies,
- Ensure there is sufficient liquidity in place at all times to deliver the plan(s) and investment activity is reviewed,
- Ensure that VFM is embedded and tracked in our plans across the Group.

Group Board undertakes the annual review of the business plan as part of the annual business planning process, usually via a strategic away day and follow-up sessions as needed, as part of the business planning cycle.

Our subsidiary companies also hold strategic away days and business plans are also reviewed annually as part of the business planning cycle and following approval from the relevant subsidiary board and final approval from Group Board are linked into the overall Group Financial Plan.

The 40-year financial business plan is kept within BRIXX, the industry leading business plan software model. BRIXX also allows for sensitivities in key financial variables and financial risks to be tested in the model and for aggregate testing to be undertaken of multiple risks and stresses.

We undertake robust and thorough stress test simulations on our asset and liability portfolio across the Group to determine our response in a financial crisis and this is measured against Our Plan.

A number of individual stresses / risks were run on the business plan as well as two scenarios with a number of stresses combined. These included looking at a scenario linked to risks on our risk and assurance register and the Bank of England stress test scenarios.

Group and Arcon Board have agreed a set of golden rules to protect the organisation in the future and act as a warning trigger for implementing mitigating actions. Arcon Board have also agreed a set of golden rules for Arcon Housing.

These are set **as part of the risk management strategy** and can be found in our Business Plan.

The detailed business planning cycle is set out in **Section 6**.

4. The risk and assurance framework

We have a Group Risk Management Strategy that is reviewed annually. The current strategy is set out in Section 7.

During the business planning cycle, we identify and assess the most significant Group risks to the business in delivering our objectives and how these risks will be managed and monitored alongside the assurance that is currently in place.

The main activities to monitor risk and assurance include:

- Reporting the Group Risk and Assurance Register quarterly to the Group Audit & Risk Committee who have responsibility for effective risk management and internal controls assurance
- Reporting risks quarterly to the Group and Arcon Boards
- Identifying of any new risks arising from the business by Group and Arcon Boards at each meeting
- Incorporating risk management in the business planning process
- Group and Arcon Boards undertaking an annual review of the BH risk register at their business planning away day
- Group Audit & Risk Committee carrying out in-depth reviews of risks as required
- Producing a Group Annual Statement of Internal Control that is approved by Group Audit & Risk Committee and Group Board
- Quarterly updates on progress with the internal audit plan to Group Audit & Risk Committee
- Annual report to Group Board from the Group Audit & Risk Committee
- Recording all mitigations and assurance on the risk registers across the Group
- Reviewing the approach annually and ensuring key communication is shared across the Group

- Project risk register and methodology that complement the Group Risk and Assurance Register

We continue to strengthen our approach to review and integrate risk and assurance. This also informs the Internal Audit Plan. We have implemented a new IT system, Pentana, to manage risk, assurance and performance which has allowed us to integrate actions, PIs and risks. We are continuing to develop the system to further exploit its capabilities.

As a result, Group and Arcon Boards continue to review and agree annually:

- An updated risk appetite statement (reviewed as part of the business planning process),
- Golden financial rules and mitigations,
- Updated Group risk register format and content (full review at least annually by Board as part of the business planning process and monitored on a quarterly basis),
- Updated and completed operational risk registers,
- Target risk levels set by Group Board and informed by the risk appetite statement.
- Statement of Internal Controls

5. Reporting on the framework

The reporting process for the strategy including the key processes and documents is outlined below:


Document / process	Quarterly	Annual	Group Board and Arcon Board/Group Audit & Risk Committee
Risk Register	✓	✓	Board / Audit
Financial monitoring report	✓		Board
Performance report	✓		Board
In depth review of individual risks (as required)	✓		Audit
Compliance against national standards	✓	✓	Board
Fraud register	✓		Audit
Risk appetite		✓	Board
Golden rules	✓	✓	Board
Stress testing		✓	Board
Internal audit plan		✓	Audit
Internal audit reports	✓		Audit
Internal audit end of year report (including annual opinion)		✓	Audit and Board
Statement of internal control		✓	Audit / Board
External audit management letter		✓	Audit / Board
Budget		✓	Board
Financial plan		✓	Board
Annual report and financial statements		✓	Board

Document / process	Quarterly	Annual	Group Board and Arcon Board/Group Audit & Risk Committee
Interest rate management strategy		✓	Board plus updates at monthly meetings on key projects





6. Monitoring the framework

The strategy will be updated on an annual basis (if changes are required) with a comprehensive review every three years. The next comprehensive review will be undertaken in 2022/2023.

7. Group Business Planning OUTLINE (including risk and control)

Usual Timeline	Main activities	Sub activity as required	Who	Outcomes to be achieved from each activity
<p>Summer</p> 	<p>Group performance review business planning (via away days)</p>	<p>External environment (policies, strategies, drivers, etc) Financial guidance and operating review Market assessment SWOT & PESTLE exercise National & local standards Annual risk assessment Review the effectiveness of the current Business Planning, Risk and Assurance Framework in achieving the planned outcomes. Review of risk and assurance register including methodology Review risks and score accordingly and link to tolerance table Review the assumptions in the business plan and stress test the plan, agree golden rules, mitigations and risk appetite statement Review our approach to value for money and savings/efficiencies Ensure there is sufficient liquidity in place to deliver the plan and investment activity is reviewed</p>	<p>EMT/ All Leadership teams</p>	<p>Evaluation of organisation's performance by identifying internal and external factors affecting the social housing market</p>
<p>Summer</p>	<p>Organisational performance review business planning (via away days)</p>	<p>External environment (policies, strategies, drivers) Financial guidance and operating review Market assessment SWOT & PESTLE exercise National & local standards Annual risk assessment</p>	<p>Group Board / All Leadership Teams</p>	<p>Evaluation of organisation's performance by identifying internal and external factors affecting the social housing market</p>

Usual Timeline	Main activities	Sub activity as required	Who	Outcomes to be achieved from each activity
		<p>Re-affirm risk appetite Review of risk and assurance register including methodology Review risks and score accordingly and link to tolerance table Review the assumptions in the business plan and stress test the plan, agree golden rules, mitigations and risk appetite statement Review our approach to value for money and savings/efficiencies Ensure there is sufficient liquidity in place to deliver the plan and investment activity is reviewed</p>		
<p>Summer</p>	<p>Objectives & strategic priorities</p>	<p>Review and agree objectives and priorities and set 5 year strategic priorities (WHAT will be delivered) to support the corporate objectives Consider high level financial guidance and operating review Share timeline for revised Group Business Plan with all subsidiary groups as part of key communication</p>	<p>Group Board, Subsidiary Boards, All Leadership Teams</p>	<p>Agreed strategic priorities with measurable targets (as part of Business plan approval timetable at Board)</p>

Usual Timeline	Main activities	Sub activity as required	Who	Outcomes to be achieved from each activity
Sum/Autumn  Summer / Autumn	Operational areas - business planning activities	<p>Discuss HOW:</p> <ul style="list-style-type: none"> i) the strategic priorities will be delivered (i.e. planned projects and programmes of work, core operational activities) ii) how performance will be measured iii) the intended outcomes iv) VFM & financial considerations v) Workforce planning considerations vi) how progress on delivery of strategic priorities will be reported <p>Statement of internal control approved and annual internal audit opinion</p>	EMT/ All Leadership teams	<ul style="list-style-type: none"> i) Proposed deliverables and outcomes with Board (including the nature of projects/programmes of work) ii) Proposed corresponding performance measures associated with each project/programme iii) Proposed intended outcomes iv) Proposed VFM remit v) Proposed monitoring and reporting framework
Summer / Autumn 	Draft BH corporate priorities	<p>Produce 5-year draft business and VFM plans reflecting overall strategy and priority projects with clear intended outcomes and Board approval</p> <p>Review risk and assurance register (including operational risks) and consider implications of risks to the delivery of the plans.</p> <p>Annual report and financial statements</p>	Board, EMT/All Leadership Teams across Group	<p>Draft corporate priorities and supporting template</p> <p>BH VFM self-assessment approved and BH plan</p> <p>Annual report and financial statements approved</p>
Autumn  Late Autumn	Develop operational delivery plans	Operational delivery plans based on corporate plan reflecting themed and operational priorities with clear outcomes and outputs	All Directors across Group	
Early Winter 	Approve corporate budget Develop risk and assurance framework	<p>Budget approved</p> <p>Develop and review risk and assurance strategy</p> <p>Review of business plan assumptions</p> <p>Approve internal audit plan</p>	Subsidiary Boards, Group Board, Group Audit &	Corporate budget and audit plan approved

Usual Timeline	Main activities	Sub activity as required	Who	Outcomes to be achieved from each activity
Mid Spring		Update subsidiary business plans Approval of subsidiary business plans at own board and final approval at Group Board	Risk Committee	
Early Spring ↓	Review of business planning assumptions	Stress testing and comparison against golden rules Review interest rate management strategy Proposed mitigations put in place	Finance teams across Group, Leadership Team, Group Board	Results of stress testing Agreed golden rules and mitigations
Late Spring	BH Corporate Plan 'Our Plan'	Business plan approved by Board and financial covenants re-set (as per the loan agreement) Business plan sent to bank for approval / HCA within 60 days of financial year end if required in latest loan agreement/s	Group Board	BH corporate budget
Implement the Group Business Plan (Our Plan)				

The business plan is monitored and reported as follows:

Regular reporting to Board on Golden Rules, risk and assurance and Leadership Team Plans,

Regular oversight and review of progress against Leadership Team plans by the applicable Leadership Team.

8. Group Risk Management Strategy

1. Introduction

Bolton at Home (BH) Group Risk Management Strategy is continually developed and we ensure that it is embedded throughout the organisation.

It has been refined & developed as a result of:

- Learning from nationally accredited Risk Management conferences and seminars
- Internal audit recommendations and review
- Ideas and suggestions from Board and Audit Committee members

BH Group has a comprehensive and integrated approach to risk management across the Group which aims to ensure that:

- Staff are clear about what risk management is intended to achieve,
- Significant risks are being identified and managed effectively,
- Training and guidance on risk management are easily accessible,
- A consistent corporate approach is followed using a common 'risk language',
- It is seen as an integral part of good corporate governance.

2. Categories of Risk

Risk can be defined as "an uncertain event that, should it occur, will have an effect on BH Group objectives and/or reputation." It is the combination of the probability of an event (likelihood) and its effects (impact).

Risk management is the "systematic application of principles, approach and processes to the identification, assessment and monitoring of risks." By managing our risk process effectively, we will be in a better position to safeguard against potential threats and exploit potential opportunities to improve services and provide better value for money.

The following categories are suggested as a guide to assist in considering the types of risk that might arise at both strategic and operational level.

2.1 Strategic

Hazards and risks which need to be taken into account in judgements about medium to long term goals and objectives. These may be:

- Political
- Economic
- Social
- Technological
- Legislative

- Regulatory
- Environmental
- Competitiveness / Value for Money
- Customer-related (failure to meet customers' needs and expectations)
- Financial risk / risk to business plan
- Reputational risk
- Strategic risk
- Cultural risks e.g. resistance to change
- Development of new properties

2.2 Operational

Hazards and risks which managers and staff will encounter in the course of their daily work. These may be:

- Professional
- Financial
- Legal
- Regulatory
- Physical (fire safety, security, accident prevention, health and safety)
- Information security
- Contractual
- Technological
- Environmental
- Customer related
- Reputational
- Cultural

2.3 Combined risks tested through stress testing

A range of combinations of risks are tested (from the lists above to understand their potential combined impact).

3. BH Group Risk and Assurance Register

The cornerstone of our Group Risk Management Strategy is the identification and recording of risks through the **BH Group Risk Register**, which:

- Lists, and ranks in order of gravity (following use of our Risk Rating Table) all of the risks that –at any one time- pose a strategic threat to the organisation,
- Quantifies the inherent risk and residual risk scores, taking account of mitigating actions already in place,
- Describes all of the mitigating actions taken or planned in relation to each risk which are reviewed every quarter by the 'owners' of the risks (always an Executive Director or a Director),

- Quantifies a target risk score for each risk, taking account of planned mitigations and the risk tolerance of the board,
- Sets out the current assurance on each risk under 3 headings:
 - Management assurance
 - Corporate assurance
 - Independent assurance
 with an overall assurance rating for each risk,
- Ensures that all managers throughout the organisation are consulted on the risks in the register and are given the opportunity to comment/ amend/ add to the register,
- Is presented to and reviewed by Group Audit & Risk Committee on a quarterly basis,
- Is thoroughly reviewed by the Board annually and appears as an information item on all board agendas.

Risk management

Group Board focuses on key risks presented in the register and undertakes further action to address these through away days and further detailed presentations on key issues and reviews the appropriate actions, with Group Audit & Risk Committee meeting tracking progress and reviewing the register on a quarterly basis.

All Group Board reports include a section covering risk and all investment decisions require a full options appraisal of alternative course of action/ opportunity costs.

3.1 Roles and Responsibilities

To ensure risk management is effectively implemented, all members, managers, staff and stakeholders must understand the nature of risk and accept responsibility for managing those risks associated with their area of activity.

A full description of roles and responsibilities is listed below:

Roles and Responsibilities	
Responsible lead officer	<ul style="list-style-type: none"> • Ongoing development of the Risk Management Strategy and organisational delivery, ensuring BH Group including its subsidiaries implements and manages risk effectively through the delivery of the Risk Management Strategy and ensures the BH Group Risk Register is updated.

Roles and Responsibilities

BH Group Board	<ul style="list-style-type: none"> Responsible for the Risk Register in order to safeguard the assets of the organisation and Group including an annual review of the BH Group Risk Register. Setting the risk appetite for the organisation. Supported by the CEO of the BH Group
Arcon Board	<ul style="list-style-type: none"> Responsible for the Arcon Risk Register in order to safeguard the assets of the Arcon including an annual review of the Arcon Risk Register. Setting the risk appetite for Arcon. Supported by the MD of Arcon.
Group Audit & Risk Committee	<ul style="list-style-type: none"> Responsible for maintaining an overview of the corporate risk management process and systems across the Group, including quarterly updates to Group Audit & Risk Committee.
GCEO and Exec Directors	<ul style="list-style-type: none"> Responsibility for the promotion of the Group Risk Management Strategy and overall delivery of this within their specific areas of responsibility. Developing a risk management culture across the BH Group.
Directors, Senior managers and risk owners	<ul style="list-style-type: none"> Ensure that appropriate resources and importance are allocated to the risk identification and management process. DBIS Team support risk management and the administration and development of the Pentana system. Provide assurance that the risks for which they are the risk owner are being effectively managed and are rated appropriately with regular updates. Contribute to a culture of innovation and managed risk.
Managers	<ul style="list-style-type: none"> Responsibility for the promotion of the Group Risk Management Strategy within their area. Identify, evaluate, prioritise and control risks and opportunities facing BH, Arcon and subsidiary groups in achieving the Group's overall objectives within their area of responsibility and highlighting any risks that should be escalated to the BH Group Risk Register.
Staff	<ul style="list-style-type: none"> Manage day to day risks and opportunities effectively and report risk management concerns to their line managers. Attend training and awareness sessions as appropriate.
Internal Audit	<ul style="list-style-type: none"> Carry out relevant audits of BH Group overall approach to risk management and highlight any risks not fully addressed in the risk register arising from audits.

4. Embedding risk and assurance management throughout the BH Group

Each year through the business planning process, services and teams identify the key risks to affecting their delivery plans (including fraud risks) and these are captured in their operational/team risk registers or BH Thematic Risk Register and used to inform the statement of internal controls. Assurance relating to all risks is also captured alongside each one. Through this process all staff have the opportunity to identify risk and ensure risks are managed effectively and consider the current level of assurance in place.

All major projects also use separate risk logs to track and manage risks throughout the life of their projects or programmes. For some of these risks they may in turn be escalated to the BH Group Risk Register, Arcon Risk Register or Thematic Risk Register or may be managed locally.

BH Group carries out a self-assessment against all the national standards in preparation for the Board certifying compliance with the standards on an annual basis and to report compliance quarterly. Assurance against each part of the standard is captured.

Risk management training is offered across BH, Arcon and subsidiary companies as an e-learning package with follow-up training arranged on an ad hoc basis including regular attendance at risk management seminars and conferences.

5. Risk Assurance

Bolton at Home Group has adopted the 3 lines of defence approach to measuring assurance alongside risks and to ensure that they are being well managed. The risk and assurance frameworks are used to inform the annual internal audit plan. The three lines of defence are shown in the tables below. Each risk has details of the management assurance, corporate and independent assurance in place. The quality of the assurance is also rated according to the scales shown below:

Line 1: Management Assurance

Functions that OWN and MANAGE risk.

Management and supervisory controls

- ✓ Reports from management to Group LT / Directors
- ✓ Service level policies, procedures, risk assessments and controls
- ✓ Thematic Risk Registers

Line 2: Corporate Assurance

Functions that OVERSEE risk or compliance.

Corporate controls and frameworks

- ✓ Reports from Group LT to Group Board members: reports to committees, reports to Group Board
- ✓ Report from corporate functions such as legal, finance, quality, performance and HR that set direction, policy and provide assurance
- ✓ Corporate policies and procedures
- ✓ BH Group Risk Register

Line 3: Independent Assurance

Functions that provide INDEPENDENT assurance

- ✓ Reports from internal audit and external audit to Group Audit & Risk Committee/ Group Board
- ✓ Reports from HCA or Regulators to Group LT or Group Board
- ✓ Customer feedback reports to BH Operations Committee

Assurance is measured on 2 scales.

1) Outcome of assurance

Red, Amber or Green to indicate if arrangements are indicating whether there are any concerns or not.

2) Relevance and Reliability

From 1* to 5* based on the breadth and depth of assurance, and how recent it is.

Levels of assurance provided are as follows:

1 – Highly Effective

2 – Moderately effective

3 – Low/No Assurance

4 – Insufficient Information

H Group Risk Appetite and Risk Tolerance

Bolton at Home Group **Risk Appetite** is reviewed annually by Arcon and Group Boards as part of the business planning cycle. This covers all key areas of risk captured in the Group Risk Register. Arcon and Group Boards also consider any impact of new risks potentially arising from, savings and any proposed growth items for the following year(s). The Group is seeking not to avoid all risk but rather to ensure that risk is managed with avoidance of uncontrolled losses through effective risk management and clear parameters.

Risk tolerances for the corporate risks are also set as part of the risk appetite statement and in the BH Group Risk Register and these guide risk owners in the application of the risk rating table.

At an **operational level**, BH Group manages risk through a comprehensive set of policies, procedures and risk assessments, which are designed to minimise potential risks to our customers, partners and staff. These risks are captured at team/service level or project level when they are not significant enough to feature on the BH Group Risk Register. This is being embedded in the organisation through the business planning process.

6.1 The Risk table

The Risk Rating Table shown below is used to measure risks on the BH Risk Register. The risk rating chosen relates to the risk level taking account of the actions taken to address the risk.

Risk owners may choose one or more of the following mitigating responses in dealing with the risk and rate the risk accordingly.

Prevention	Remove the risk by taking action to prevent it
Reduction	Take action to reduce the likelihood of the risk or its impact
Transference	Taking action to transfer the risk e.g. taking out an insurance policy
Acceptance	Where nothing can be reasonably done to address it, the risk may be tolerated
Contingency	Identifying contingency plans should the risk materialise

Corporate risks with a combined likelihood and impact score of 6 or less (green) are a low risk to the organisation but may well remain on the risk register until the mitigating actions attached to the risk are completed.

Corporate risks with a combined score of 8 to 12 (yellow), because of either their likelihood or impact, are closely managed at a high level within the organisation; the organisation’s Executive (EMT) and Group Board/ Group Audit & Risk Committee will monitor these risks very closely.

Corporate risks with a score of 15 or above (red) will be the subject of regular briefings from the Group Chief Executive Officer to the Group Chair and Group Board.

6.2 The Risk Rating Table

Risks are rated according to the table below and in the context of the register in which they appear. The rating for the Group and Arcon risk registers is considered in the context of Board’s risk appetite statement, risk tolerances that have been set and with reference to the business plan, performance targets, loan covenants etc. Risk owners are responsible for choosing the appropriate rating for the risk and for identifying suitable responses to it.

The Risk Rating Table is illustrated below:

LIKELIHOOD	Very likely	5	5	10	15	20	25
	Likely	4	4	8	12	16	20
	Possible	3	3	6	9	12	15
	Unlikely	2	2	4	6	8	10
	Very unlikely	1	1	2	3	4	5
			1	2	3	4	5
			Negligible	Manageable	Damaging	Very damaging	Disastrous
			IMPACT				

More detail on the scoring of Impact and Likelihood can be found in Appendices A & B respectively

6. Privacy Impact Assessment

There are no privacy impact implications in this strategy.

7. Financial Implications

The context of the strategy is BH Group Business Plan (Our Plan): some of the risks identified within the BH Group Risk Register may ultimately impact upon the performance and effectiveness of BH's Group Business Plan assumptions or have other financial implications. Where possible, the potential financial implications of risk will be quantified and considered as part of the risk rating process.

8. Regulatory Requirements

9.1 National Standards

This strategy complies with the RSH Governance and Financial Viability Standard, as follows:

- Governance arrangements shall ensure they have an effective risk management and internal controls assurance framework
- Registered providers shall manage their resources effectively to ensure their viability is maintained while ensuring that social housing assets are not put at undue risk
- The framework shall ensure the financial implications of risk to the delivery of plans are considered
- In addition to the above, registered providers shall assess, manage and where appropriate address risks to ensure the long-term viability of the registered provider, including ensuring that social housing assets are protected
- Registered providers shall ensure that they have a robust and prudent business planning, risk and control framework. Through this framework they will ensure there is access to sufficient liquidity at all times
- The framework shall ensure planning sufficiently considers the financial implications of risks to the delivery of plans are considered

9. Sustainability

This Risk Management Strategy is informed by and supports BH Group Business Plan.

10. Monitoring and Performance Management

Risks on the BH Group Risk Register are reviewed on a quarterly basis by Audit Committee. In addition, Group Audit & Risk Committee carries out an in-depth review of one of the risks from the BH Group Risk register at each meeting.

The risk appetite of BH Group is reviewed by Group Board which also considers risks from the BH Group Risk Register quarterly and considers if any new risks have arisen from board business at each meeting.

The combined impact of risk is assessed by the board through stress testing the business plan. Any resulting mitigations to address these multiple risk scenarios will be added to the register and are used to inform the risk tolerances or financial ratios which underpin the Business plan.

This strategy is reviewed annually by Internal Audit who also review the Group Risk Register quarterly.

11. Communication and actions to take forward

Following approval, this strategy will be shared with our stakeholders via the website.

The e-learning package will be updated and promoted for all staff and managers to complete. Risk management is also included in project management training.

Appendix A – Risk Impact descriptions

Impact	Financial	Business continuity	Regulatory	Reputation	Health and Safety	Strategic priority programme	Score
Disastrous	Loan covenants breached Liquidity < 18 months Huge financial loss (BH>£1m, Arcon > £300k) either immediate or over medium term	Service ceases or is disrupted for a long period of time (<7 days)	Intervention from the regulator	Reputational damage from adverse national coverage	Death or major injury leading to possible prosecution by the HSE	Major failure of the programme overall, delays of >24 months	5
Very Damaging	Loan covenants breached Liquidity < 18 months Major financial loss (BH £250k-£1m, Arcon £150k-£300k) either immediate or over medium term	Service ceases or is disrupted for 2-7 days	Possible major investigation by the regulator of threat of intervention	Reputational damage from adverse regional coverage	Serious Injury	Delays (<18 months) with very significant and damaging implications	4
Damaging	Loan covenants within 5% of being breached Large financial loss (BH £100k-£250k, Arcon £50k-£150k) either	Service ceases or is disrupted for up to 2 days	Significant breach of regulatory framework, material issue referred or	Adverse Limited Local Publicity	Minor Injury	Delays (<12 months) with some damaging implications	3

	immediate or over medium term		serious detriment case - resulting in no penalties being applied				
Manageable	Loan covenants showing negative trend but within current tolerances Medium financial loss (BH £50k-£100k, Arcon £25k-£50k) either immediate or over medium term	Some disruption to internal business only - no loss of service to customer	V Minor breach of the law or regulatory framework resulting in no penalties being applied	Stakeholders expectations not being met leading to temporary reputational damage	Minor breach of safety policy or procedures	Minor delays (3-6 months) with manageable implications	2
Negligible	Low financial loss (BH <£50k, Arcon <25k) either immediate or over medium term	Insignificant disruption of internal business - no loss of customer service	V Minor breach	V minor reputational concerns	Very minor breach of safety policy or procedures	Very minor delays (<3 months) with negligible implications	1

Appendix B – Risk likelihood descriptions

<p>5 - Almost certain: Likelihood greater than 75%</p> <ul style="list-style-type: none">• Very likely• The event is expected to occur in most circumstances• There could be a history of regular occurrences, i.e. on an annual basis; and• If new event, likelihood of occurrence regarded as almost inevitable
<p>4 - Likely: Likelihood greater than 50%</p> <ul style="list-style-type: none">• There is a strong possibility the event or risk will occur• There may be a history of frequent occurrences• Everyone with knowledge of issues in this area knows this could happen• No or little effective measures to reduce likelihood can be and /or have been taken; and• Will probably occur in most circumstances
<p>3 - Possible; Likelihood between 10% and 50%</p> <ul style="list-style-type: none">• The event might occur at some time• There could be a history of casual occurrence• Most of the team know that the risk might occur; and• Measures that reduce likelihood have been taken but are not fully effective
<p>2 - Unlikely: Likelihood between 1% and 10%</p> <ul style="list-style-type: none">• Not expected, but there's a slight possibility it could occur at some time• Some of the team consider this a risk that might occur• Conditions exist for this loss to occur; and• Probably requires more than two coincident events
<p>1 - Rare: Likelihood less than 1% likelihood</p> <ul style="list-style-type: none">• Highly unlikely, but may occur in exceptional circumstances• It could happen, but probably never will• No experience of a similar failure• Probably requires three or more coincident events; and• If it has happened, sufficient controls now in place

Appendix C - BH ambition and risk appetite statement

The risk appetite statement is reviewed annually by Group Board and reported with the risk register quarterly to Group Audit and Risk Committee.

BH is ambitious to develop and grow the business. This is essential to maintain and develop the financial viability and social impact of Bolton at Home. Risks are considered taking account of potential returns, potential impact and likelihood.

Our primary aim is the provision of housing and the development of communities and during this time of development and change we will protect our core housing services.

We recognise the regulatory and funding context that we work in and embrace this to strengthen our on-going governance and viability standing. We will therefore not accept any risk that:

- Would cause us to cease to provide homes to those that need them,
- Would put social housing assets at undue risk,
- Could cause a regulator or funder to withdraw their support for us,
- Could cause a significant health and safety risk.

Golden Rules

In expressing risk appetite in terms of impact on the finances of the business plan the Board have agreed a number of financial golden rules which act as a warning trigger for implementing mitigating actions. These rules relate to appraisal of new projects and monitoring of the main business plan. These can be found in the latest copy of Our Plan on our website.

Project Risk

Project risks are managed in a risk log template that reflects the scoring and conventions of the Corporate risk register and to enable escalation to the Corporate Risk Register for high residual risk following discussion at the Project Board or with the Project Sponsor.

Date approved	Arcon Board 09.02.21 Group Board 18.02.21
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