HOUSING GROUP

STRATEGY DOCUMENT

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Introduction
Progress Housing Group (the Group) recognises that risk management is an integral part of good management and corporate governance. The Group is committed to ensuring risk management is embedded within all activities to ensure the group can deliver their corporate vision, which is: 'to have a positive impact on people and communities by providing high quality homes, supporting independence and creating opportunities'.
This strategy applies to all of the Group's existing members and is designed to set direction and expectation in which the Group operates; alongside the business plan, visions and values of the Group. It will be reviewed every three years.

Aims of the strategy
This Risk Strategy is designed to ensure the following objectives can be met:

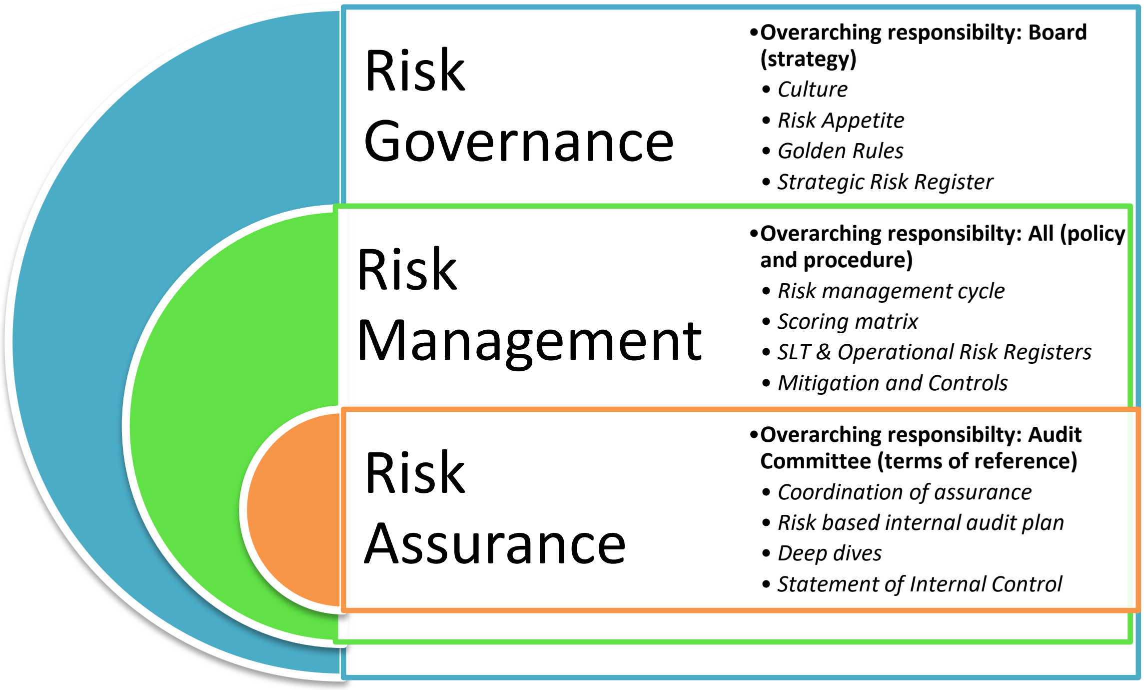
- Enable corporate, operational and programme objectives to be achieved in the optimum way whilst controlling risk and maximising opportunities which may impact upon the Group's objectives.
- Provide a common, structured and focused approach that includes risk, taking in support of innovation to add value to service delivery.
- Embed risk management into the Group's culture.

The Group recognises that effective risk management is a continual process and is committed to regular reviewing its framework and making improvements where necessary:

Strategic aim	Activity	Outcome
Stronger organisation	Develop the Groups risk management documentation to include risk strategy, policy and procedures.	Provide clear direction and structured approach to risk management, ensuring risk is embedded within all activities.
One team – working together Stronger organisation	Conduct general risk awareness workshops with colleagues.	Provide colleagues with general risk awareness and tools to identify, report and manage risks within operational areas.
One team – working together Stronger organisation	Review of risk registers and operational risks.	Consistency of information, ensuring relevant risks are captured, reported, controlled and mitigated.
One team – working together Stronger organisation	Implementation of risk management software (Pentana) to include risks at strategic, SLT and operational levels.	Group risk reporting and oversight with risk management system providing management information and insight into Group risk profile.
One team – working together	Develop risk management training to be delivered at	Ensure all colleagues have the necessary

Stronger organisation	induction and on a periodic basis.	understanding of risk management and how this underpins their decisions and activities.

Where are we now?
The key risk management foundations are in place, which includes an overarching risk management framework. The principles contained within the framework are unlikely to change significantly over time, although the associated processes will need to be updated periodically to ensure the Group's risk management approach continues to evolve.
The current framework consists of a three tiered approach as set out below:



Business Streams
Each of the Group's 6 business streams work within the framework noted above. Strategic risk registers cover each of these business streams and are managed by the Board, the Key Unlocking Futures Board and the Concert Living Board. Operational risk registers are also in place and cover the 6 business streams independently.

Risk Appetite
The Group operates within an evolving environment, where changes to the political agenda and regulatory requirements (for example) mean that the framework within which risks are managed requires frequent review.

In response to those changes, the Board have reassessed the risk appetite which details the amount of risk they are willing to take in order to meet their strategic objectives; providing defined parameters in which decisions can be made. It is acknowledged that risk appetite can be different across different business areas and also across different types of risk. The Group has therefore defined the risk appetite across the following categories:

- Customers
- Service delivery – Support
- Asset management
- Housing supply
- Concert Living
- Our people
- Financial viability and resilience
- Governance, legal and regulation
- Health and safety compliance

The Board last reviewed the risk appetite in September 2023 and considered the Group's general risk appetite to be "open"; meaning they are willing to consider all potential options that also provide acceptable reward and Value for Money. The exceptions to this are within the areas of asset management, financial viability and resilience, governance, legal and regulation and health and safety compliance.

Whilst the Group is committed to maintaining the safety of stakeholders and also to adhering to all relevant laws and regulations, it recognises that sometimes events happen that are outside of their control, and as such are required to manage these risk areas within the funds available – this is in line with health and safety legislation. This is the reason for having a "cautious" appetite rather than "avoid". Full details of the risk appetite can be found at Appendix 1, which will be reviewed by Board on an annual basis.

It is important that Executive and Non-Executive Directors are clear how the decisions that they are making link to the Groups overarching strategic framework, including the business plan, vision, values and this risk appetite. Nothing in the risk appetite permits the Group to operate outside the Strategic Plan, vision and values. Alongside the risk appetite, the Group operate within a set of 'Golden Rules' which quantify the overall appetite for risk, and are monitored via the production of monthly management accounts. It is acknowledged that in some instances it will be sensible to consider lower and upper bounds for risk taking. However, this will not be applicable to all risk areas and will be considered on a risk by risk basis.

What do we need to do to achieve our aims?

Whilst ultimate responsibility for risk lies with the Board, it must be stressed that risk management is the responsibility of everyone working for the Group. To ensure that risk management is fully embedded within the Group and everyone undertakes their responsibilities, the following activities are to be undertaken.

Strengthen the suite of risk management documentation

This updated strategy is the first step towards completing this task. The previous version was extremely detailed rather than focussing on the Group's approach to "risk governance". The aim, however, is to not lose that detail and so a separate Risk Management Policy and Risk Management Procedure will be produced, focussing on the Group's "risk management" approach. Approval of the Risk Management Policy will be delegated to the Executive Board.

Enhance risk management training and support

Previous risk management workshops have been completed to provide colleagues with knowledge and skills to identify and manage risks within their roles. Recognising risk management as a continuous cycle, the aim of this activity is to further develop the support and training to include both induction training and periodic refreshers where necessary to ensure risk is fully embedded within decisions and activities across the Group.

Cross organisational review of operational risks

Leading into the implementation of the risk management software, the review of operational risk profiles will be conducted to ensure that the relevant risks are identified, captured and managed in a consistent way. The Risk Business Partner will work alongside operational areas to provide the necessary support in completing this exercise on an ongoing basis.

Implementation of risk management software

The implementation of the risk management software (Pentana) will provide the group with greater oversight and management information of risks at all levels. The implementation project is underway with development of the system to include the Groups risk framework, which will allow risk maps to be uploaded and reported on.

Reside Housing Association Limited

Reside Housing Association Limited will join the Group as a subsidiary company from 1 October 2021. Whilst they will be covered by the scope of this strategy from this date, a transition period of 6 months will be required to enable them to be compliant with the principles and golden rules.

Appendix 1 – Risk Appetite definitions and golden rules

Risk Appetite definitions:

Category	Risk appetite – September 2023			
	Avoid	**Cautious**	**Open**	**Seek**
	Zero tolerance – avoiding risk is the key objective.	**Preference for safe options with low inherent risk, even if this gives limited potential reward.**	**Willing to consider all potential options that also provide acceptable reward and Value for Money.**	**Eager to be innovative, choosing options offering higher potential rewards despite greater risks. Confident that controls, forward scanning and systems are robust.**
Customers **Engagement, satisfaction, scrutiny, insight, knowledge**	• *Very high customer satisfaction on quality of services and homes* • *ALL customer service impacting actions will be informed by evidence based consultation* • *Consider every customer reasonable adjustment and ensure they are always taken into consideration when delivering services* • *Receive a minimum level of complaints (none of which are upheld), always respond to complainants within the required timescale, analyse and make changes for every complaint made.*	• *High customer satisfaction on quality of services and homes* • *Where practical customer service actions should be informed by evidence based consultation* • *Consider relevant customer reasonable adjustments and ensure they are always taken into consideration when delivering services* • *Receive some complaints (with a low number upheld), respond to the majority of complaints on time, analyse the complaints and make changes for key themes emerging.*	• High customer satisfaction on quality of service and homes • Service delivery strategies will be influenced by customers and through consultation and use of insight data • Consider relevant customer reasonable adjustments and strive to take them into consideration when delivering services • Accept that complaints will be received, but aim to respond to complaints on time and, where it is practical and viable to do so, learn lessons from those complaints and use to inform future service delivery decisions	• *Sector comparable satisfaction of quality of service and homes and value for money is acceptable* • *High risk actions should be informed by consultation, with other decisions being made using insight data* • *Consider some details related to customer reasonable adjustments and consider taking them into consideration when delivering services* • *Anticipate high numbers of complaints, respond when able to and learn lessons only from those complaints that are upheld*

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	Zero tolerance – avoiding risk is the key objective.	**Preference for safe options with low inherent risk, even if this gives limited potential reward.**	**Willing to consider all potential options that also provide acceptable reward and Value for Money.**	**Eager to be innovative, choosing options offering higher potential rewards despite greater risks. Confident that controls, forward scanning and systems are robust.**
Service delivery – support **Supporting People – Key, Homelessness, Progress Futures, engagement activities**	• *No or very small budget for the delivery of support services* • *Focus on existing services which have a track record for success*	• *Small budget for the delivery of support services* • *Consider a limited range of new services/products where success has not been proven but is considered likely*	• Medium level budget for the delivery of support services • Explore new support services to grow the Group's service offer where success is not guaranteed	• *Generous budget for the delivery of support services* • *Proceed with new support services where success is not guaranteed*
Technology Enabled Care and Support (TECS)	• *No or very small budget for innovation* • *Focus on existing services which achieve a return on investment*	• *Small budget for innovation* • *Consider a limited range of new services/products which could provide a return on investment and which have been proven a success across the TECS market*	• Medium level budget for innovation • Explore new technology to grow the TECS service and wider service offer, by balancing new products and services that have a proven track record with those that have not	• *Generous budget for innovation* • *Proceed with new services/products which have no proven track record*

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	Zero tolerance – avoiding risk is the key objective.	**Preference for safe options with low inherent risk, even if this gives limited potential reward.**	**Willing to consider all potential options that also provide acceptable reward and Value for Money.**	**Eager to be innovative, choosing options offering higher potential rewards despite greater risks. Confident that controls, forward scanning and systems are robust.**
Asset management	• *Maximum investment in data quality and use of all sources of stock condition and tenant data to drive asset management decisions* • *Maximum level of investment in existing stock to maintain condition and to substantially improve functionality over time (e.g. smart homes)* • *Market leader in compliance activity.* • *Limited asset disposal, with greater emphasis on improvement. Asset disposals heavily driven by social rather than financial criteria using strategic asset management framework*	• Significant investment in data quality and use of relevant sources of stock condition and tenant data to drive asset management decisions • Level of investment in existing stock required to maintain condition and existing level of functionality, with limited piloting of new technologies and/or functionalities • High level of compliance investment • Limited asset disposal, with greater emphasis on improvement. Asset disposals heavily driven by balance of social and financial criteria using strategic asset management framework	• *Some investment in data quality and triangulation of elements of stock condition and tenant data to drive asset management decisions* • *Moderate level of investment, to maintain basic functionality, to ensure continued demand and to meet regulatory and statutory requirements* • *Moderate level of compliance investment.* • *Significant asset disposal, with less emphasis on improvement. Asset disposals heavily driven by financial criteria* • *Moderate level of investment in decarbonisation, with emphasis on low regret options*	• *Minimum investment in data quality and minimum triangulation of stock condition and tenant data to drive asset management decisions* • *Minimum level of investment required to maintain basic functionality, to ensure continued demand and to meet regulatory and statutory requirements* • *Minimum level of compliance investment to meet regulatory and statutory requirements* • *Disposal of maximum number of financially low performing assets* • *Deferred investment in decarbonisation until cost/benefits are clearer and*

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	• *Maximum investment in decarbonisation*	• High level of investment in decarbonisation with emphasis on low regret options		*national policy framework more developed*
Housing supply	• *De-prioritise zones 2 and 3 for general needs and older persons. For supported living, limit to high priority commissioner relationships* • *Consider most lettings and sales types but with more significant caps on shared ownership and less likelihood of considering keyworker* • *Land led development not encouraged* • *Unlikely to consider option agreements* • *Unlikely to consider risk share vehicles*	• *De-prioritise zones 2 and 3 for general needs and older persons. For supported living, limit to high priority commissioner relationships* • *Consider all lettings and sales types but with more significant caps on shared ownership and less likelihood of considering keyworker* • *Land led development encouraged, but generally acquisitions should be linked to specific development plan and purchase conditional on planning consent* • *Consider option agreements*	• Prioritise 3 key priority zones for general needs and older persons, but consider other areas if opportunities arise. For supported living, consider any area currently has established and successful commissioner partnership and other areas provided critical mass can be established within reasonable time frame • Consider all lettings and sales types, but specific business cases required for keyworker; shared ownership limited to exposure cap • Land led development encouraged, but generally acquisitions should be linked to	• *Very broad geographical base for development, not necessarily linked to existing presence, willing to populate new territories* • *Consider all letting and sales types, including social rent, affordable rent, shared ownership, keyworker, supported living (including specialised supported housing) and intermediate* • *Consider land banking* • *Consider option agreements* • *Consider specialist, risk share vehicles with developers*

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	• *Unlikely to consider leasing*	• *Unlikely to consider risk share vehicles* • *Limited leasing considered in supported living development. More significant projects subject to specialist business case*	specific development plan and purchase conditional on planning consent • Consider option agreements • Specialist business case required for risk share vehicles with developers, unlikely to be key strategic priority • Grow supported living through capital and lease schemes. We will utilise new lease opportunities for growth of supported living schemes but only when effective to do so (and avoiding short term leases unless there is no alternative) • Where appropriate we will convert a proportion of existing leases to capital schemes and also divest of leases where alternatives are not available.	• *Consider on/off balance sheet financing.* • *Consider large scale acquisitions and mergers*

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	Zero tolerance – avoiding risk is the key objective.	**Preference for safe options with low inherent risk, even if this gives limited potential reward.**	**Willing to consider all potential options that also provide acceptable reward and Value for Money.**	**Eager to be innovative, choosing options offering higher potential rewards despite greater risks. Confident that controls, forward scanning and systems are robust.**
			• Consider smaller scale acquisitions and mergers, generally only where PHG is senior partner	
Concert Living **Outright sale**	• *Outright sale is not an option – cease trading*	• *Grow the outright sale business slowly, taking no financial risks, but accepting low profits* • *Significant borrowing cap in place with the Group* • *Build within a local geographical area, where market intelligence confirms a high likelihood of success*	• Grow the outright sale business in a controlled way (up to 100 units per year) using the Group's capital • Maximum borrowing cap in place with the Group • Build locally, but consider some wider spread areas, subject to market intelligence	• *Grow the outright sale business at the fastest pace that the market conditions will allow (in excess of 100 units each year)* • *No maximum borrowing cap in place with the Group* • *Build nationally, subject to market intelligence*
Financial viability and resilience	• *The Group has sufficient reserves to deal with all adverse scenarios* • *We will review our operating margin twice a year and set this to deliver short, medium*	• Some actions considered that could lead to budget overspend • Opportunities balances threat • The Group is financially strong and has the financial	• *The Group is generally financially strong but does not have the financial capacity to deal with some adverse scenarios* • *We will periodically review our operating margin and set this to*	• *The same as "Open" as the alternative would be to operate within a non-compliant financial environment that could put social housing assets at undue risk*

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	Zero tolerance – avoiding risk is the key objective.	**Preference for safe options with low inherent risk, even if this gives limited potential reward.**	**Willing to consider all potential options that also provide acceptable reward and Value for Money.**	**Eager to be innovative, choosing options offering higher potential rewards despite greater risks. Confident that controls, forward scanning and systems are robust.**
	and long term viability and the delivery of our agreed strategic plan outputs, having regard to priorities set and trade-offs required. The operating margin should improve significantly each year • *Expect both commercial and social activities to make a high rate of return* • *Golden rules are set at rates that provide significant early warning triggers against loan covenant breaches*	capacity to deal with a wide range of adverse scenarios • We will review our operating margin annually. We will deliver an improving operating margin in the future, in order to deliver viability over the long term and achieve our strategic plan outputs, having regard to priorities set, and trade-offs required. • Expect commercial activities to make a positive return (at a rate that is commensurate to the risk) but will also consider social activities that may not always make a return • Golden rules are set at rates that provide sufficient early warning triggers to avoid loan covenant breaches	*deliver short and medium term viability and the delivery of our agreed strategic plan outputs. A static or declining operating margin would be acceptable* • *Will consider commercial and social activities that are not guaranteed to make a positive return* • *Golden rules are set at rates that provide some early warning triggers against loan covenant breaches*	

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	Zero tolerance – avoiding risk is the key objective.	**Preference for safe options with low inherent risk, even if this gives limited potential reward.**	**Willing to consider all potential options that also provide acceptable reward and Value for Money.**	**Eager to be innovative, choosing options offering higher potential rewards despite greater risks. Confident that controls, forward scanning and systems are robust.**
Governance, legal and regulation	• *G1* • *Always go above and beyond statutory and regulatory minimum requirements*	• G1 • Do all that is reasonably practicable to ensure that legal and regulatory obligations are met	• *G2* • *Try to meet legal and regulatory obligations but accept some low level non-compliances*	• *The same as "Open" as the alternative would be to operate within a non-compliant environment*
H&S compliance	• *Always manage above statutory minimum requirements* • *Do everything possible to ensure that property compliance obligations are fully met, no matter the cost* • *Consider every customer reasonable adjustment and ensure they are always taken into consideration when delivering compliance related activities* • *Do everything possible to remove health and safety risks, no matter the cost*	• Manage in line with statutory requirements • Do all that is reasonably practicable to ensure that property compliance obligations fully met • Consider relevant customer reasonable adjustments and ensure they are always taken into consideration when delivering compliance related activities • Do all that is reasonably practicable to reduce health and safety risks to an acceptable level to prevent	• *The same as cautious as the alternative would be to knowingly put others at risk of harm*	• *The same as "Cautious" as the alternative would be to knowingly put others at risk of harm*

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	Zero tolerance – avoiding risk is the key objective.	**Preference for safe options with low inherent risk, even if this gives limited potential reward.**	**Willing to consider all potential options that also provide acceptable reward and Value for Money.**	**Eager to be innovative, choosing options offering higher potential rewards despite greater risks. Confident that controls, forward scanning and systems are robust.**
		harm to employees, customers and others		

Golden rules:

Alongside the risk appetite, the Group operate within the below set of 'Golden Rules' which quantify the overall appetite for risk, and are monitored via the production of monthly management accounts. It is acknowledged that in some instances it will be sensible to consider lower and upper bounds for risk taking. However, this will not be applicable to all risk areas and will be considered on a risk by risk basis.

	Area	Rule	Method	Assurance
1	Treasury	Operational short term liquidity target (cash rule) – to maintain liquidity equal to 4 weeks average expenditure.	Cash flow and working capital management reporting. The trigger would be short term forecast of 5 weeks average expenditure.	Monthly and quarterly Treasury Management reports (to be updated regularly to reflect the volatile nature of development spend).
2	Treasury	Long term liquidity target (liquidity rule) of 18 month total drawings (projected cash expenditure) for contractually committed	Cash flow and working capital management reporting. The trigger would be forecast 24 months	Monthly and quarterly Treasury Management reports Financial Appraisal Team committed item

	Area	Rule	Method	Assurance
		development (limited to the approved financial plan)		
3	Treasury	Intragroup lending shall be no more than £25m (for the avoidance of doubt, this is inclusive of the LILAC investment and community investment both of which are capped). This is as per the tightest restriction in the Groups various loan agreements.	Trigger when intragroup lending is £20m or above.	Quarterly as part of the Treasury management reconciliations.
4	Treasury	Asset cover loan covenant: a) Nationwide loan – asset cover must always equal at least 110% b) Lloyds and Santander loans – asset cover must always equal at least 105%.	Monthly reconciliation and available headroom calculation. Tolerance set at 10%, therefore trigger would be if: a) Nationwide asset cover was 120% or less. b) Lloyds and Santander asset cover was 115% or less	Monthly and quarterly Treasury Management reports (tightest covenants reported and monitored against trigger tolerance levels)
5	Accountancy	Gearing loan covenant must always be less than 75% for all funders.	Monthly management accounts and trigger at 10% tolerance based on forecast position. Therefore trigger would be if gearing reached 65% or higher.	Monthly management accounts and quarterly board reports (tightest covenants reported and monitored against trigger tolerance levels)
6	Accountancy	Interest Cover loan covenants: a) Nationwide and Lloyds loans – interest cover must always equal at least 110%	• Interest cover to be at 150% (40% tolerance to covenant).	Monthly management accounts and quarterly board reports (tightest covenants reported). Also reviewed

	Area	Rule	Method	Assurance
		b) Santander loan – interest cover must always equal at least 95% (provided the 3 preceding year's average is 110%).	• £3m reduction in operating surplus when compared to budget. • £3m increase in interest costs when compared to budget. • Or any combination of these that has the same financial effect. All measures are based on the forecast position.	in long term financial plans and budget setting process.