HONEYCOMB
GROUP

Risk Management Policy

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Who’s this for?	The Honeycomb Group Staffs Housing; Concrete; Glow
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Document Revision History

Version	**Date**	**Description of Change**	**Author**
1.0	25 Nov 2021	“updated to reflect the new approach to strategic risk management.”	Rob Morton
2.0	Feb 2025	Various incorporating internal audit recommendations and changes made to strategic risk management during 2024. Risk appetite clarified. Roles and responsibilities updated. Escalation and reporting clarified. Reflecting updated governance for Charity.	Greg van Enk-Bones
3.0	March 2025	Version approced by Board.	Greg van Enk-Bones

Risk Management Policy

Policy Statement

As a Registered Provider, Honeycomb Group (HCG) is committed to having effective governance arrangements in place to deliver its aims, objectives and intended outcomes for customers and service users in an effective, transparent and accountable manner. Having sound risk management arrangements is key to effective governance and this policy sets out how HCG will effectively identify, assess and manage the risks facing its operations.

The Risk Management policy is applied at three levels of classification:

1. Strategic Level
2. Operational Level and;
3. Major Project Level

Using a seven stage Risk Assessment process Honeycomb Group will:

1. Identify the risk
2. Identify the potential causes of the risk and key risk indicators
3. Categorise and assess the effect of the risk
4. Assess the likelihood and impact of risk
5. Score and prioritise the risk, setting target risk
6. Identify the sources of assurance and control
   The three lines of defence model is used to evidence the different 'layers' of assurance
   - the first line of defence – provided by operational managers who own and manage risks
   - the second line of defence – provided by functions that oversee or specialise in risk management, compliance and quality assurance
   - the third line of defence – functions that provide independent assurance, including our internal audit arrangements.
7. Identify actions to avoid or reduce risk to achieve an acceptable level.

1. Identifying risk

At strategic and operational level, risk information is recorded on risk registers tailored to each of the levels of classification:

Strategic Level risks will be identified through:

- The strategic and business planning process and development of the Corporate Strategy.
- Changes in the economic, legal and regulatory environment.
- Escalating risks identified at the operational / major project Level.

- Strategic risks are identified for the overall Group and also separately for Honeycomb Charitable Services Limited.

Operational Level risks will be identified through:

- The business planning process and development of the corporate strategy.
- Changes in the economic, legal and regulatory environment.
- New or revised policy or strategy as associated risk assessments.
- New or substantial increases in business or substantial projects having risk assessments as part of the approval process.
- De-escalating risks from the strategic level.
- Escalating operational level risks identified by managers.

It is risk owners' responsibility to ensure that each risk register is reviewed at least quarterly and in response to changes in the operating environment. Risks identified will be linked to the relevant strategic objective.

Major project level risks will be reported to the Improvement Board and managed via an accepted project management approach and escalated as appropriate to strategic and operational level as the need arises. New initiatives / opportunities will also be subject to careful risk scrutiny by the Executive Team in the first instance, for example, due diligence work on entering into contractual relationships or developing new partnerships.

2. Identifying the cause of the risk

An assessment will be made to identify what could happen for the risk to materialise and any KPIs or triggers that could predict or indicate the risk increasing.

3. Categorising and assessing the effect of the risk

An assessment will be made on the effect of the risk happening.

This could fall into a number of categories including:

Strategic:	Risks impacting on achievement of corporate objectives.
Financial:	Risks associated with the financial health of the organisation including assets and liabilities; funding; or income and spending levels
Compliance:	Risks related to laws, Regulations and internal policies
Reputational:	Risks of a significantly damaging or adverse perception of Honeycomb Group by its stakeholders, funders, customers and employees.
Technological:	Risks involving the use of technology including cyber-attacks, data breaches, and system failures

4. Assessing the likelihood and impact of risk

For each risk an assessment will be made on the likelihood and impact of it occurring. A score will be attached to both likelihood and impact of the risk in accordance with the table below.

Likelihood *		Impact *	
Score		Score	
5	Almost Certain	5	Catastrophic
4	Likely	4	Major
3	Possible	3	Significant
2	Unlikely	2	Moderate
1	Very Unlikely	1	Minor

* A definition of each of these descriptors is set out in Appendices 1 & 2.

5. Scoring and prioritising risk

Inherent Risk Score

Risks will be given an inherent risk score (likelihood score x impact score), which assesses the risk level if there were no controls or contingencies in place.

Risk Control

Risk controls and contingencies that already exist will be identified to manage the risk. Controls could include:

- policies and strategies
- scheme of delegation and job descriptions
- performance measurement and target parameters
- internal control procedures including financial checks and controls
- action and improvement plans

The Executive Team will assess the effectiveness of these controls annually to produce the Internal Controls Assurance Report and report to the Board and the Audit and Risk committee as part of the approval of the Annual Report and Financial Statements.

The Executive Team will review any part of the control procedures if there are indications they are not operating effectively.

Residual Risk Score

The residual score of a risk is assessed by taking into consideration any controls and contingencies in place which reduce the likelihood and/or the impact of the risk.

Target Score

The target score is an assessment of where 'we would want the risk score to be'. The target score should take the Board's risk appetite into account. If the residual risk is not yet at target, then an action plan should be assigned to that risk, to bring it back within the target score.

Any risks outside of the Board's overall appetite should be actively managed to reduce, transfer or avoid the risk.

6. Identifying the sources of assurance and control

These checks and measures give assurance that controls are in place and are operating effectively. These can be from internal sources such as, management review, self-assessment, tenant scrutiny etc. or external sources such as internal or external audit, regulator's assessments or consultancy reviews etc.

The three lines of defence model is used to describe the different 'layers' of assurance and independence that exist around business operations, in a risk management context. Assurance and control are categorised by:

- **First line of defence** - Under the first line of defence, operational management has responsibility for identifying and managing risks directly as part of their 'day to day' work. They implement and maintain internal controls to mitigate risks fulfilling risk responsibilities such as:Conducting regular risk assessments.
- Implementing policies and procedures.
- Ensuring compliance with established controls.

Example: ensuring tenant applications are thoroughly vetted to prevent tenancy fraud.
Second line of defence - The second line of defence consists of oversight / monitoring activities covered by internal governance (compliance, risk management, quality, IT and other controls). Oversight of KPI's relevant to a risk is also an integral aspect of the second line. This line of defence monitors and provides oversight of controls at the first line, fulfilling responsibilities such as:

- Developing risk management policies and procedures.
- Monitoring compliance with laws and regulations.
- Providing guidance and training on risk management practices.

Example: complaints are monitored to ensure policy timescales are met.

Third line of defence - Responsible for providing independent assurance over the management of risks. This line includes internal audit, external audit, regulators and other independent bodies. This assurance will cover how effectively the organisation assesses and manages its risks and will include assurance on the effectiveness of the first and second lines of defence to be reported directly to the Executive or the Audit & Risk Committee.

Each control listed against the Strategic Risks is given a RAG rating based on the outcome of assurance tests:

Assurance Level of controls		
Red	Not effective	Examples: Evidence of major control procedures not being followed fully, oversight reporting indicating poor / concerning KPI performance trends, no and limited assurance internal audit review outcomes.
Amber	Marginally Effective	Example: KPIs broadly on target. Internal audit review gives an amber outcome but with some recommendations for improvement.
Green	Effective / Very effective	Example: Clean (substantial/ moderate) internal audit and KPIs achieving or exceeding targets.

7. Identifying any improvement actions or controls required

Once the risk assessment procedure has been completed the risk owner must identify what further actions and deadlines are required, if any, to improve the control framework or further mitigate the risks.
The actions recorded against each strategic risk should be allocated owners and due dates as a minimum. Where possible, each action should estimate the impact on the scores on completion.
Each Action must be given a RAG rating based on the following scale.

- Action delayed
- Action at risk
- Action on target
- Unclassified / TBC

Progress of actions will be monitored by the Risk Management Group and Executive review before reporting to the Audit & Risk Committee.
When actions are complete they should be removed from the action list for a risk and the controls and scoring updated accordingly.

8. Assessment of Risk Matrix and Risk Appetite

Impact scale ▼					
5 Catastrophic	5	10	15	20	25
4 Major	4	8	12	16	20
3 Significant	3	6	9	12	15
2 Moderate	2	4	6	8	10
1 Minor	1	2	3	4	5
Likelihood scale ▶	1 Very unlikely	2 Unlikely	3 Possible	4 Likely	5 Almost certain

Key		
Catastrophic	5-25	Unacceptable level or risk exposure which requires immediate corrective action to be taken.
Major	4-20	Unacceptable level or risk exposure which requires constant active monitoring and measures to be put in place to reduce exposure.
Significant	3-15	Acceptable level or risk exposure subject to regular active monitoring measures.
Moderate	2-10	Acceptable level of risk subject to regular passive monitoring measures.
Minor	1-5	Acceptable level of risk subject to periodic passive monitoring measures.

The Board's risk tolerance is defined by the red shaded area on the matrix and this will be regularly reviewed.

Honeycomb Group's risk appetite is not necessarily static. The Board may vary the amount of risk which it is prepared to take depending on the circumstances.
The Board identifies their risk appetite against a wide range of risk categories, that are broader than the strategic risks themselves.
Strategic risks will be linked to Risk Categories and their Risk Appetite levels -

Each risk category and each strategic risk is given a risk appetite score and description to aid decision making within the Board's overall appetite as follows:

1. Averse - avoidance
2. Minimalist – ultra safe
3. Cautious – safe option. Low degree of risk and limited potential for trade off between low risk / reward
4. Open – medium (VFM)
5. Hungry – innovative, higher rewards and opportunity

The Board set maximum risk scores for the risk appetite categories to determine if risks are within the risk appetite.
The Board has agreed to focus on monitoring of risks at the strategic level and have delegated, to Audit and Risk Committee detailed review and monitoring of the strategic risk register in advance of Board, at each meeting.

The purpose of addressing risks is to turn uncertainty to the Honeycomb Group's benefit by constraining threats and taking advantage of opportunities. The appropriate response to each risk will depend on its nature and the *outcome of the risk assessment.*

Honeycomb Group will consider different approaches to addressing risks:

Tolerate
The exposure may be tolerable without any further action being taken. Even if it is not tolerable, the ability to do anything about some risks may be limited, or the cost of taken such action may be disproportional to the potential benefit gained. In these cases the response may be to tolerate the existing level of risk.

Treat
The purpose of treatment is that whilst continuing with the activity which gives rise to risk, action (control) is taken to constrain the risk to an acceptable level.

Transfer
For some risks the best response may be to transfer them. This might be done by conventional insurance, or it might be done by paying a third party to take the risk in another way. This option is particularly good for mitigating financial risks to assets.

Terminate
Some risks will only be treatable, or confinable to acceptable levels, by terminating or changing the activities that give rise to the risk.

Take the opportunity
This option is not an alternative to those above: rather it is an option which should be considered whenever tolerating, transferring or treating a risk.
Opportunity responses will be to Reject, Enhance, Exploit or Share.

- Reject – where we will not take advantage of an opportunity (e.g. because it is worth to little or requires too much work to capitalise on.)
- Enhance - where we take proactive steps to try to enhance the probability of an opportunity being able to be exploited.
- Exploit – where we change what we are doing / may do to achieve extra benefit.
- Share – where we will seek partners to help us capitalise on the circumstances.

9. Training

There will be a requirement for an annual assessment of any risk training requirements for relevant officers and the Board. The Chief Executive will seek feedback from Board members as part of the annual Board appraisal process. All staff will be briefed on risk management as part of the induction process.

10. Operational Risk Management

Operational Risks will be recorded on the Operational Risk Management Database in the format set out in the Risk Map Database Manual.
Changes to the Operational Risk Database will be signed off by the Executive Director linked to the risk.

11. Roles & Responsibilities

Board	Ultimate responsibility for overseeing risk at HCG. To approve the risk policy and receive regular assurance on the adequacy and effectiveness of HCG's risk management arrangements.
Charity Board	Responsibility for overseeing risk at HCS that would affect the objectives and responsibilities of the Charity. To receive regular assurance on the adequacy and effectiveness of risk management arrangements.
Audit & Risk Committee	Delegated authority from the Board to provide detailed scrutiny of HCG's risk management arrangements. To receive and comment on the risk policy and quarterly strategic risk updates in detail.
Executive Team	To provide officer strategic oversight of HCG's risk management and to horizon scan for emerging risks, as well as those risks (including cross cutting risks) with are escalating and de-escalating. To ensure risk management is in line with best practice and the expectations set out in the Regulatory Standards as well as to review and report on HCG's risks in line with the Regulator's annual sector risk profile.
Risk Management Group	Representatives from across the business will meet quarterly to support the Executive Team in their responsibilities – making recommendations on reviews, horizon scanning, emerging risks and will also take responsibility to raising awareness of risk management with colleagues.
Risk Owners	To oversee risk management in the risk area that has been assigned. To ensure controls are in place and operating effectively. To co-ordinate their response to quarterly updates including updates on actions, scores or KPI's relevant to their risk.
All Staff	To be aware of risks affecting their area of operations and to support risk owners as appropriate. To promptly raise awareness of any

	emerging risks to a relevant team leader / manager.
Internal Audit	To review the adequacy and effectiveness of HCG's risk management arrangements and use the strategic and other registers as the basis for formulating the annual audit plan.

12. Escalation and Reporting Arrangements

The Risk Management Group will report on changes to the Strategic Risk Register, including scoring, new risks and removals from the SRR. The Risk Management Group will also undertake horizon scanning and consider any significant operational risks taking views from across the business, from the Improvement Board and using the Operational Risk Database updates.

The Improvement Board will monitor the risks of the major projects they oversee, using an appropriate risk management tool for the size of the project. The Improvement Board will escalate significant risks to the Executive for consideration

The Executive will report to the Audit & Risk Committee the updated risk register for the Committee's review, including any risks recommended to be added to or removed from the Strategic Risk Register.

After each meeting of the Audit and Risk Committee, the Chair will report to the Boards (of the Group or the Charity) relevant matters that impact that Board's responsibilities, including major risks that are expected or occurring.
If the matter is urgent the Chair of the committee will contact the Chair of the Board as soon as possible on becoming aware of the issue.

The Board of Trustees of Honeycomb Charitable Services Limited will report to the Group Board any matters relevant to that Board, including major risks that are expected or occurring. This assessment should take into account the objectives of the overall Group. If the matter is urgent the Chair of the Charity Board will contact the Chair of the Group Board as soon as possible on becoming aware of the issue.

The Executive will report to the Boards the latest updated risk registers to each of the Boards for their review and approval.

Scoring of risks determines the following escalation process:
Moderate (or higher) Impact Risks materialising – Director to be informed
Significant (or higher) Impact Risks materialising – CEO to be informed
Major (or higher) Impact Risks materialising – Board to be informed

Appendix 1 - Likelihood Descriptors

Almost certain: Likelihood greater than 75% (Score 5)
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
Likely: Likelihood greater than 50% (Score 4)
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
Possible: Likelihood between 10% and 50% (Score 3)
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
Unlikely: Likelihood between 1% and 10% (Score 2)
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

Rare: Likelihood less than 1% likelihood (Score 1)

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 2 - Impact descriptors

The impact descriptors are only an indication of the probable effect on Honeycomb Group if the risk occurs; they are not hard and fast rules. It is essential that staff use their knowledge and judgement when deciding on the score for impact. In particular, when assessing financial impact staff and Board members should take account of the potential cumulative effect of what might be considered smaller sums on the overall resource constraints of the organisation.

Description	Financial Impact	Health & Safety	Asset Loss	Business Interruption	Reputation and image	Corporate Objectives/Performance	Intervention
Minor	<£30k	No or only minor personal injury. First Aid needed, but no days lost	Little or no impact on assets	Interruption negligible; less than ½ day. Critical systems unavailable for less than one hour	Minor article in local media or lobby group website (story unsubstantiated)	Workaround required, within Group resources, to deliver objective. Up to 5% variation in achievement of corporate targets.	Relevant Manager intervenes
Moderate	£30k - £120k	Minor injury, medical treatment and some days lost	Minor loss or damage to assets	Interruption inconvenient; ½ -1 day. Critical systems unavailable for several hours	Headline article in local media or housing press, minor article in national media (Substantiated story)	Additional resources requiring Senior Team authorisation or delay in achieving part of objective. Minor shortfall in several categories or major shortfall in one category. 5 – 10 % variation in achievement of corporate targets.	Head of intervenes, Director informed
Significant	£120k - £350k	Serious Medical	Major damage	Interruption 1 day – 1 week	Headline article in national	Major compromise in objectives. Major	Director intervenes,

		treatment hospitalisation and numerous days lost	to assets	Client dissatisfaction; Critical systems unavailable for up to 1 day	media (story substantiated and publicly embarrassing)	shortfall in several categories. 10 – 25% variation in achievement of corporate targets	Chief Executive informed
Major	£350k-£1.2m	Single death or extensive injuries or long term illness	Significant loss of assets	Interruption 1 week – 1 month Critical systems unavailable for 1 day or a series of prolonged outages.	Short term campaign in national media (story substantiated, publicly embarrassing with third party actions)	Elements of objective abandoned fail to meet needs of a housing need category. 25 – 50% variation in achievement of corporate targets	Chief Executive intervenes, Board informed
Catastrophic	>£1.2m	Multiple deaths or severe permanent disabilities	Complete loss of assets	Interruption more than 1 month. Critical systems unavailable for more than a day (at a crucial time)	Prolonged national media campaign or lobby group campaign (story substantiated, publicly embarrassing, with third party action and widespread news profile)	Unable to deliver objective Widespread failure to meet housing needs. More than 50% variation in achievement of corporate targets	Board intervenes