



**FIVE YEAR CORPORATE STRATEGY
OCEAN HOUSING GROUP 2018 – 2023**

CONTENTS PAGE

INDEX	PAGE NO.
1. Executive Summary	3
2. Our Mission	5
3. Our Values	6
4. Our Vision Statement	7
5. Key Objectives and Priorities	8
6. Our Group and Governance Structure	10
7. Our Board Members	11
8. Our Executive Group	15
9. Ocean 2020	17
10. Strategic Approach to Value for Money (VFM)	19
11. Risk and Assurance Framework	22
12. Ocean's 'Red Lines'	27

Large Print, Braille and alternative language versions of this documents can be obtained from Ocean's call centre on 01726 874450.

1.0 EXECUTIVE SUMMARY

- 1.1 The General Election and Local Government elections held in 2017 brought a renewed focus upon the housing sector.
- 1.2 Central government's expectation remains clear – an increase in housing supply. The return to rent certainty from 2020 onwards was a very welcome announcement, and will fuel the confidence and appetite of the housing sector to deliver more homes and continue with high levels of investment in existing stock.
- 1.3 Cornwall Council has made the delivery of new homes a key priority, and together with partners has developed a strong case for a housing devolution deal to central government, as well as committing additional resources to new home delivery. The adopted Local Plan identifies a need for 52,500 new homes by 2030.
- 1.4 The Ocean Housing Group will deliver 158 new affordable homes in 2017/18 and 31 open market sale properties will also be completed, a total of 189 new homes.
- 1.5 The Group has refreshed its business plan in order to ensure that it plays its full part in the delivery of new homes with a target of c3,000 new homes, of all tenures, to be complete by 2030.
- 1.6 In addition, resources have been secured to evaluate the potential of regenerating Polgrean Place in St Blazey with business plan capacity allocated to see the project through.
- 1.7 Investing in the Group's existing stock has remained a priority, and additional external funding has been secured to enhance energy efficiency measures and at the same time save our tenants and residents money in fuel costs.
- 1.8 The tragic events at Grenfell Tower highlighted the importance of tenant and resident involvement in the delivery of housing services including health and safety compliance.
- 1.9 Tenants and Residents who live at Park House in St Austell, Cornwall's only residential tower block, were reassured with the joined up approach the Group adopts towards fire safety, evidenced by the joint Ocean and Fire and Rescue Service's assurance visits after the Grenfell incident.
- 1.10 The Ocean Group takes compliance very seriously and the Board has taken a lead in ensuring compliance remains in sharp focus across all of the Group's activities.
- 1.11 Enhancing engagement between the Board, senior staff and tenants and residents has been a key feature of the review of governance arrangements undertaken across the Group this year, with commitments to increase joint meetings and dialogue welcomed by all.
- 1.12 Ocean's commitment to ensure 'residents at the heart of everything we do' is central to our business objectives, and our strong on-going relationship with our tenants and residents offers more opportunities to collectively shape our plans for the future.

- 1.13 The Ocean Group's Chair Dennis Spilsbury retires from the Board at the end of December 2017 and he leaves an outstanding record of success and achievement. His contribution to the work of Ocean will be greatly missed, but he leaves the Ocean Group as a strong, robust and ambitious Cornish business that has the plans, resources, Board members and staff to continue to deliver real benefits for the people and communities within Cornwall.
- 1.14 Under the leadership of his successor, Debbie Wilshire, the Ocean Group is well placed to play its full part in Cornwall's exciting and dynamic future.



New Ocean Group Chairman Debbie Wilshire with predecessor Dennis Spilsbury (left) and Ocean Group CEO Mark Gardner November 2017
Photo: Paul Williams

2.0 OUR MISSION

2.1 Our mission is:

“To be an innovative provider of quality homes and services, with residents and staff at the heart of Ocean, and Ocean at the heart of the Community”.

2.2 To achieve this mission, Ocean has established its ‘Five Golden Threads’ as follows:

- Have residents at the heart of everything we do.
- Maintain strong and effective Governance.
- Provide good quality services, right first time.
- Provide innovative, energy efficient, good quality homes.
- Be an employer of choice, creating local job and training opportunities, recruiting and retaining the best people.

3.0 OUR VALUES

3.1 Our values were developed by the Board and staff from across the Ocean Group, and they drive our culture and customer service ambitions.



3.2 The Board and staff team also developed our Behaviours framework illustrated as follows:



4.0

- 4.1 **To be a key partner** – for Government, the Homes and Communities Agency (HCA), and Cornwall Council and Health, through developing ambitious, but achievable and sustainable investment programmes. Our partners will be able to rely upon our ability to deliver upon our investment priorities, and to be a willing and able partner in supporting their housing and other strategic programmes.
- 4.2 **To be a major provider of new homes** – through the delivery of affordable rent, shared ownership, and open market sale housing programmes with over 200 new homes of all tenures already on site in 2017/18, and c.3,000 new homes of all tenures to be delivered by 2030. Wealth created through open market sales is used to increase the supply of affordable housing.
- 4.3 **To invest in our existing housing stock** – augmented through the creation of wealth (sale of assets and external funding) to enhance the energy efficiency, performance and resident enjoyment of our existing stock through a planned programme of improvement over the life of this plan and beyond.
- 4.4 **To be excellent service providers** – through providing the highest levels of service to our tenants and residents; by involving and engaging them in all that we do; by focusing upon tenant and resident choices in addition to fulfilling our statutory obligations; and by preparing our residents and our business for the continuing roll out of welfare reforms.
- 4.5 **To be strong and efficient business managers** – through continuing to evolve our governance standards, and retaining a sharp focus upon risk, value for money, financial management and business efficiency, ensuring that our G1/V2 regulatory assessment is protected.
- 4.6 **To value and respect our Stakeholders** – through open, honest and business-like relationships with our lenders; financial advisors; auditors; and other business partners, ensuring that they continue to see the Ocean Group as ‘good to do business with’ and to be a safe and positive organisation in which to invest their time and resources.
- 4.7 **To be an integral part of the Cornwall business community** – through recognising our role in providing jobs, growth and business opportunities; and by aligning our strategies with those of key partners, in order to maximise the value of collaboration to Ocean’s tenants, residents and the wider community.
- 4.8 **To be an excellent employer** – through the ongoing investment in and development of our staff teams, and being recognised as an employer of choice in Cornwall.
- 4.9 **To deliver innovation and quality in all that we do** – through providing homes and services that we can all be proud of, never compromising on quality, and driving ourselves to continuously improve.

5.0 KEY OBJECTIVES AND PRIORITIES

- 5.1 Key objectives to be achieved, proposed or developed over the coming year connected to the 'Golden Threads' include the following:
- 5.2 **'Have Residents at the Heart of Everything we do'**
- i. Introduction of new support and mentoring programme to encourage tenant Board membership applications and for effective Board succession planning.
 - ii. Implement the new Tenant Involvement Strategy, further increasing the opportunities for tenants and residents to become involved in the work of Ocean.
 - iii. Increase Board member engagement with Tenant and Resident Groups through joint planning events and meetings between senior Board members and staff with the Tenants and Residents Panel, Scrutiny Panel and Shareholders who are tenants.
- 5.3 **Maintain Strong and Effective Governance**
- i. Embed the new Group governance arrangements and Group Relationship Agreement.
 - ii. Establish new arrangements for continuous business improvement post implementation of the 2020 programme.
 - iii. Ensure delivery of the Value for Money Strategy, and continue to focus upon business performance through the sector efficiency scorecard.
 - iv. Through the Treasury Management Strategy, continue to ensure sufficient funds are available to meet business and development obligations; managing interest rate exposure; and inflationary factors to protect the business plan.
 - v. Continue to apply a rigorous risk management strategy to ensure investment and business decisions are thoroughly assessed and stress tested.
 - vi. Continue to invest in the training and development of our Board members and ensure skills and knowledge are continually updated.
 - vii. Ensure that our strategies are aligned to those of key partners including Cornwall Council, the Cornwall and Isles of Scilly Local Enterprise Partnership, and Health and Social Care organisations through the 'Shaping and Futures' partnership.
- 5.4 **Provide Good Quality Services, Right First Time**
- i. Lead, through Gilbert and Goode, the implementation of Lean Systems Standard ISO18404.
 - ii. Support tenants and residents through the challenges posed by the roll out of Universal Credit, and apply effective risk management strategies to protect Ocean's income stream.
 - iii. Continue to involve tenants and residents in the development of service standards for all housing management services, ensuring regular review and improvement, monitoring performance and tenant satisfaction with services provided.
 - iv. Embed and maintain the SMART tenant and 'Together for Families' services.

- v. Implement the 2020 system improvements to enhance services to tenants and residents, and increase access to effective systems for staff.

5.5 **Provide Innovative, energy efficient, good quality homes**

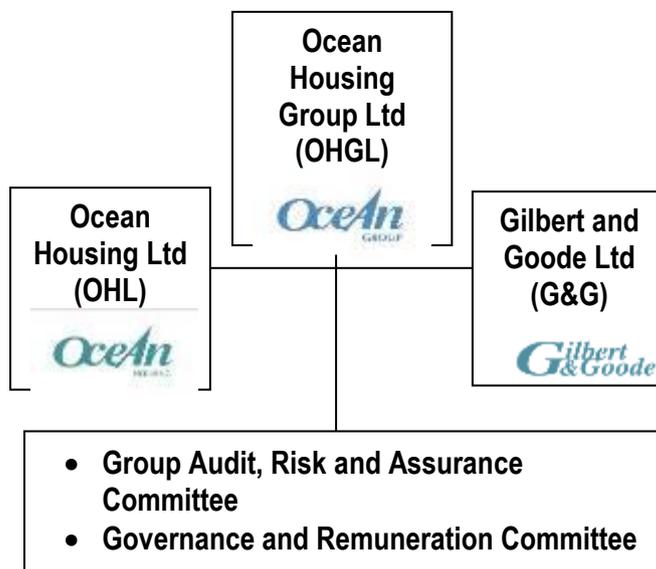
- i. Implement an accelerated energy efficiency programme of External Wall Insulation and Heating System Replacement, to ensure all stock achieves a minimum 'C' rated Energy Performance Certificate (EPC) by 2030.
- ii. Introduce a new Health and Safety Compliance Assurance System for Management and Board monitoring.
- iii. Complete the Polgrean Place Regeneration appraisal and agree proposals with the community and the Board.
- iv. Deliver 113 affordable homes into management in 2018/19 and complete 28 sales of open market properties.
- v. Implement the Shared Ownership Staircasing strategy.
- vi. Explore the potential for extra care development in partnership with the Health, Social Care and Care Sectors.
- vii. Establish a pipeline of new S106 opportunities with private sector partners.
- viii. Implement the Gilbert and Goode and Ocean Housing growth strategy to ensure a pipeline of new affordable and open market opportunities.

5.6 **Be an employee of choice, creating local jobs and training opportunities, recruiting and retaining the best people**

- i. Embed the newly established Behaviours Framework.
- ii. Implement the staff survey improvement plan, and conduct the 2018 staff survey.
- iii. Secure Investors in People re-accreditation.
- iv. Commence phase 2 of the 'LEAP' and management core skills programme.
- v. Evaluate and evidence our wider economic and employment contribution to the Cornwall economy based upon our investment programme and support of local supply chains.
- vi. Support staff to be participants and mentors in the Housing Diversity Network programme.
- vii. Continue to invest in and support the Ocean Group's apprenticeship programme.

6.0 OUR GROUP AND GOVERNANCE STRUCTURE

6.1 The Ocean Housing Group consists of three companies bound together by a common social purpose, illustrated as follows:



6.2 Ocean Housing Group Limited (OHGL) is a company limited by Guarantee and not having share capital, incorporated on 19 December 2003, Registration Number – 5000720. Ocean Housing Group Ltd is a Registered Provider with the Homes and Communities Agency (HCA). OHGL has the HCA registration number L4422.

6.3 Ocean Housing Limited (OHL) is a Registered Society under the Co-Operative and Communities Benefit Societies Act 2014, registered with the Financial Conduct Authority (FCA), registration number 30521R. OHL is a Registered Provider with the HCA. OHL has the HCA registration number LH4248.

6.4 Gilbert and Goode Limited (G&G) is a company limited by shares, incorporated on 21 April 1972, registration number 1050991. G&G was acquired by the Group in January 2005. There are 100 shares all exclusively owned by the Ocean Housing Group Limited.

6.5 In 2016 the Homes and Communities Agency (HCA) completed its 'In Depth Assessment' (IDA) of the Ocean Group with the outcome being regulatory assessments of G1 for governance and V2 for financial viability.

7.0 OUR BOARD MEMBERS

- 7.1 The Group wide governance review has led to a move to skills based Boards, with smaller Board sizes and open recruitment and selection processes to ensure compliance with best governance practice and the National Housing Federation (NHF) Code of Governance, and Excellence in Governance Code.
- 7.2 The governance review has also produced a new Group Relationship Agreement to refresh and clarify the role and purpose of the Group's Boards and Committees.
- 7.3 The Rules and Articles of Association of the Group's companies have been updated to reflect the new Group Relationship Agreement, with membership of the Group Boards effective from January 2018 as follows:

Ocean Housing Group Limited

Debbie Wilshire (Group Chair)
Jonathan Adlington
Chris Durkin
David Phyll
Andrea Smith
Mark Gardner (Group Chief Executive)
Kevin Pearce (Group Director of Resources)

Ocean Housing Limited

Chris Durkin (Chair)
Louise Barnden
Brian Jones
David Phyll
Debbie Wilshire
Frances Turner (Managing Director, Ocean Housing Limited)
Kevin Pearce (Group Director of Resources)

Gilbert and Goode Limited

Jonathan Adlington (Chair)
Chris Durkin
Simon Hembury
Roger Smithson
Chris Spencer
Mark Gardner (Group Chief Executive)
Simon Caklais (Managing Director, Gilbert and Goode Limited)

- 7.4 The full list of Board and Committee members is as follows:

Debbie Wilshire LLB, MBA – Group Chair, Ocean Housing Group Limited (OHGL), member Ocean Housing Limited (OHL), and member Governance and Remuneration Committee (GRC)



Debbie has lived and worked in Cornwall for nearly twenty years. After a career in further education, including two decades in senior leadership, Debbie now runs her own company providing training and coaching in leadership and management, nationally and regionally. Debbie's qualifications include a law degree and a masters in business; her experience encompasses strategic leadership, regeneration, organisational management, non-executive directorship and partnership working.

Jonathan Adlington LLB – Chair of Gilbert and Goode Limited (G&G), Board member of OHGL, and member GRC



Recently retired Senior Partner of Trowers & Hamlins and past member of the HCA Regulation Committee. Jonathan has a wealth of knowledge in commercial property and social housing. Acknowledged as being a legal expert and leader in the field of Social Housing.

Louise Barnden MCIH, MA, BA – Board member of OHL and Group Audit, Risk and Assurance Committee (GARAC)



Recently retired from a career in social housing spanning 34 years, including positions as Director of the Chartered Institute of Housing Cymru, Chief Executive of three housing associations and 6 years as a freelance housing consultant.

Chris Durkin MCIOB – Chair OHL, Board member of OHGL, and G&G, and member of GRC



Recently retired Managing Director of Willmott Dixon a large successful national construction company with a wealth of experience in building and development. Currently on the Board of Willmott Dixon.

Charles Evans BA, FCA, ICAEW – member of GARAC



Recently retired partner at PKF Francis Clark LLP (Chartered Accountants). Was the firm's Head of Risk Management, and was head of the Not for Profit Sector.

Simon Hembury BA (Hons) – Board member of G&G and GARAC



Former Chair of OHL, and Group Audit, Risk and Assurance Committee Chair. Simon is a qualified architect.

Brian Jones I.Eng MIQA (Rtd) – Board member of OHL



Retired Royal Naval engineer. Heavily involved with local residents to promote environmental improvement in the community. Tenant Representative.

David Phyll FIIA – Chair of GARAC, Board member of OHGL, and OHL and member of GRC



Retired and highly respected internal auditor with a vast level of broad internal audit experience. Formerly UK and Ireland President of the international institute of internal auditors, representing them on the International Board, and Vice Chair of one its committees.

Andrea Smith BSc (Hons); Dip.Arch; RIBA – Board member of OHGL and member of GARAC



Recently retired from a senior executive role as Director of Development and New Business for Radian held since 1998. Has led large development programmes including joint ventures and now runs own consultancy business specialising in interim management. Board member of Dorset Local Enterprise Partnership and leads on the LEP's housing agenda.

Roger Smithson CIPFA – Board member of G&G, and member of GARAC



Retired accountant possessing over 30 years of high level experience in financial and treasury management with local authorities and housing associations.

Chris Spencer MA, C.Eng, MICE, MBA – Board member of G&G



Is semi-retired, and runs his own consultancy business specialising in major capital and asset management projects. Has experience of Public Private Partnerships and the Private Finance Initiative, and has held Managing Director roles with Sir Robert McAlpine Ltd and Balfour Beatty Capital Ltd.

8.0 OUR EXECUTIVE GROUP

Mark Gardner MA, FCIH – Group Chief Executive (Ocean Housing Group Ltd)



Mark began his housing career in 1983 as a Trainee Housing Manager in local government.

In 1993 he was appointed the Chartered Institute of Housing's Director in Wales and the South West of England.

He was appointed Chief Executive of Eastern Valley Housing Association in 1995 and led a merger to create Melin Homes, becoming its first Chief Executive in 2007.

Mark joined Ocean Housing as its Group Chief Executive on 1 November 2016.

Frances Turner BA (Hons), MCIH – Managing Director (Ocean Housing Ltd)



Frances graduated from the University of the West of England in 1990 with a second class honours degree in Housing Studies. She is a Member of the Chartered Institute of Housing (CIH). Frances has worked in social housing for over 25 years, and at an executive level for over 13 years.

Frances was Chief Housing Officer and Corporate Management Team member for Carrick District Council, Cornwall (2000 – 2004), moving to become Assistant Director of Housing and Regeneration at Plymouth City Council (2005 – 2009).

Frances was appointed Managing Director of Ocean Housing Ltd in 2009.

Simon Caklais MSc, BSc (Hons) MCIQB – Managing Director (Gilbert and Goode Ltd)



Simon is a Chartered Construction Manager with over 25 years of experience in the Construction Industry, managing major capital investment portfolios, programmes and projects, working for contractor, consultant and client organisations.

He was appointed Managing Director of Gilbert and Goode Ltd in 2007; Simon is also the Chair of Constructing Excellence in Cornwall, and a member of the Cornwall and Isles of Scilly Local Enterprise Partnership Construction Strategy Steering Group.

Kevin Pearce MAAT, CPFA – Group Director of Resources (Ocean Housing Group Ltd)



Kevin qualified as an accountant in 1990 whilst working with West Wiltshire District Council rising to become the Accounting Business Unit Manager.

Kevin left the Council in 1996 to take up the position of Finance Manager with Selwood Housing Association.

In 1999 Kevin joined Ocean, at the time known as Restormel Housing Trust, as Finance Director. In 2004 the Ocean Group was formed and he became Group Director of Resources.

Kevin is currently a Director of Advantage South West, and Deputy Chair of Governors of a local 'outstanding' Academy Secondary School.

9.0 OCEAN 2020

- 9.1 Ocean 2020 is the name given to our programme of business systems, processes and cultural change.
- 9.2 Ocean has chosen Aareon and Castle (Sun Accounts) to deliver a new integrated technology solution that will enhance, integrate and maximise our business system potential, and create the platform to deliver new flexible and mobile business services in the future.
- 9.3 The new technology and business system, and the processes being developed with it, will support and underpin our organisational culture and service delivery aims.
- 9.4 This significant investment will enable new business systems to 'go live' in April 2018 and will greatly enhance our levels of efficiency and business performance.
- 9.5 The 2020 'People Strand' of the programme will see enhanced investment in our people in order to maximise their potential and offer an exciting environment in which careers can be developed, benefitting staff team members, the Ocean Group and our tenants, residents and communities.
- 9.6 This year has seen the introduction of a significant investment in leadership incorporating 'LEAP' and a management core skills programme with over 40 participants across the Group.



LEAP PROGRAMME
LEARN • ENGAGE • APPLY • PERFORM

9.7 Ocean also supports staff participation in the Housing Diversity Network as delegates and mentors.

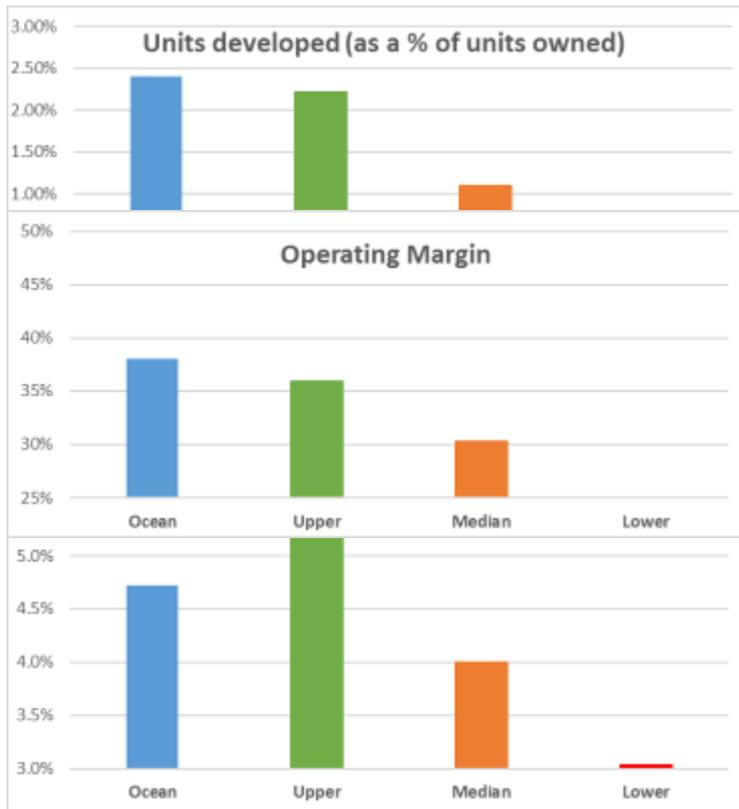


9.8 The Group's long standing commitment to the creation of apprenticeships has been sustained with a total of 12 apprentices with 6 new trade and administrative apprenticeships created this year.



10.0 STRATEGIC APPROACH TO VALUE FOR MONEY (VFM)

- 10.1 Ocean has VFM embedded into its culture and all key strategic documents and policies have this at the core.
- 10.2 Ocean recognises that it provides valuable services to its customers and they have the right to demand that these services are high quality, good value and based on what they want from their landlord or contractor. Ocean recognises that to ensure high customer satisfaction the services provided are regularly and critically reviewed.
- 10.3 The Group Board are responsible for ensuring VFM and critical challenge of services. To ensure strong focus, the Board have delegated to Group Audit, Risk and Assurance Committee the role of regular VFM scrutiny and management. This is complemented by a strong tenant focus on VFM through the Scrutiny Panel, who within their terms of reference, have authority to challenge Ocean on how VFM is demonstrated and can call their landlord to account.
- 10.4 All Board discussions are considered with a VFM context and the discipline of such is ensured with a requirement for all reports to have a paragraph dedicated to illustrating the VFM of the report's recommendations. Board members are directly held to account for VFM at an annual meeting reviewing service performance between Board Members and Residents/Tenants Panel.
- 10.5 The Group is proud of branding itself and its values as 'One Ocean' and consistently applies VFM across the whole Group so that all companies and their staff are united in the aim of VFM.
- 10.6 As part of its efficiency programme the target to achieve £3 million of savings by March 2018 has been delivered.
- 10.7 Ocean has already signed up to the sector efficiency scorecard pilot and will continue to participate in sector benchmarking to evidence and challenge its VFM performance. The results from year 1 of the pilot can be seen below with Ocean performing well against its peers nationally.

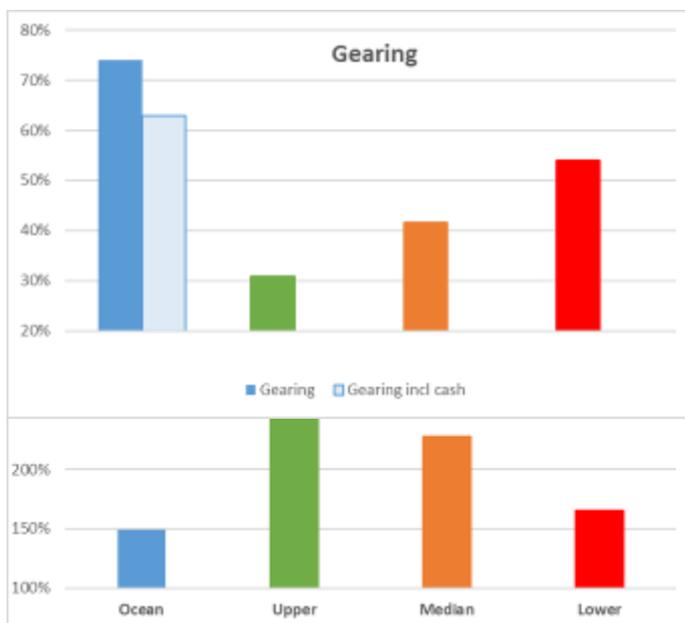


Ocean punches well above our weight when it comes to delivery of new units for its size

We are able to deliver these new units whilst maintaining a lean and efficient organisation resulting in a positive Operating Margin position when compared to our peers.

With a ROCE well into the Upper Quartile Ocean can be pleased that it is not only managing a lean operational business but is also efficiently using its capital and debt to generate returns.

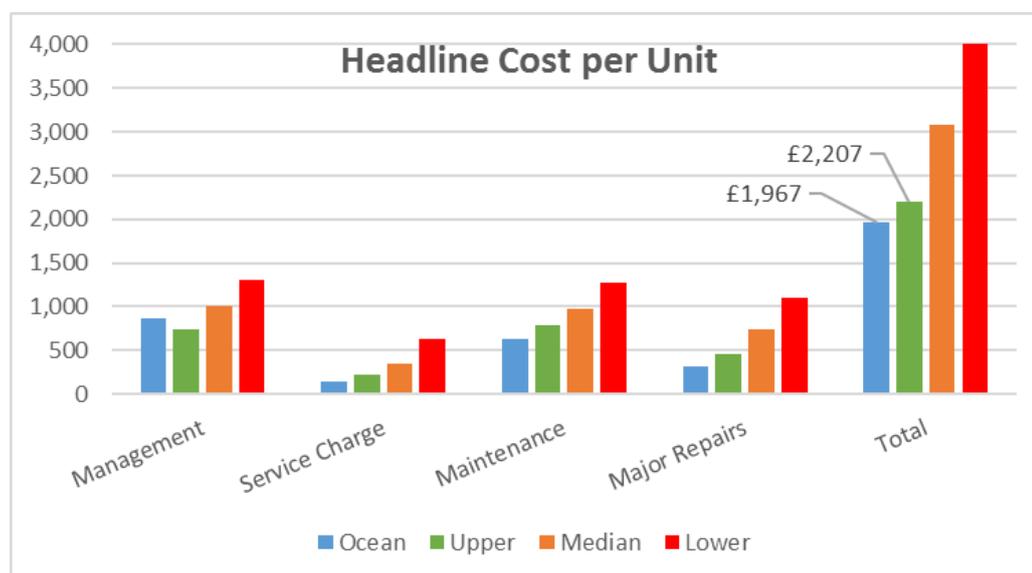
s. This is mainly due to the manner in which Ocean Housing was formed out of Restormel Borough Council with an asset purchase that meant there was a high level of debt from inception. Furthermore, the ambitious development programme over the years also leads to increased borrowing. The Group continues to efficiently and sensibly manage this debt in conjunction with our providers and boards.



Gearing is high but appears more aligned with our peers once our significant cash balance is included.

Interest cover is a function of our relatively high debt position but interest payments are well managed and we are well within existing covenant ranges as a result of a strong operating margin.

- 10.10 Ocean is well within the Upper Quartile when reviewing Headline Cost per Unit and is further evidence of an efficient and lean organisation. We are aware that spending too little on properties will only store up issues so the low costs shown below are not too the detriment of our long term aspirations to ensure that all properties are maintained to the required standards



11.0 RISK AND ASSURANCE FRAMEWORK

11.0 KEY OBJECTIVES

- 11.1 Strong risk management awareness is essential and integral to the Ocean Group's business planning and Corporate Strategy. Furthermore, effective decision making and strong governance shall be based on the principles of a strong risk framework at Ocean.

- 11.1.1 Ocean's rigorous application to the management of risk is to be effectively controlled through a Board Assurance Framework that applies the '3 lines of defence' to managing exposure and incorporates 'early warning signs' to aid preventative action. This is the crucial tool by which the Strategy is delivered and assurance provided that risks are effectively controlled.

- 11.1.2 The Group's approach to the tolerance of risk exposure will be through the adoption of a clear level of risk appetite that is to be reviewed at least annually by each subsidiary Board. Each Board must ensure its adopted appetite fully supports Company Plan objectives and is aligned to overall Group Corporate Strategy. In the case of Ocean Housing Ltd, at all times, the Board's management of risk shall be such that its social housing assets are safeguarded.

11.2 DEFINITION

- 11.2.1 Risk is defined at 'Any event which may affect Ocean's ability to survive and compete in its markets as well as to maintain its financial strength, positive public image and the overall quality of its people and services'.

11.3 MANAGING RISK AND RISK APPETITE

- 11.3.1 Ocean recognises that risk is an intrinsic part of business and of day to day life. In running any organisation, risk is inherent in its operation. Risk cannot be prevented, but it can be managed, minimised or mitigated. To remove risk altogether would curtail Ocean’s operations and so, like all businesses, it needs to determine the level of risk it is prepared to accept in delivering its services. This is known as defining its ‘Risk Appetite’.
- 11.3.2 Ocean recognises that in order to sustain its position and to grow whilst being at the heart of the community, certain risks must be taken. However, those risks must be fully assessed prior to them being taken and where a risk is considered to be high, mitigation of that risk should be put in place wherever possible and prior to action being taken.
- 11.3.3 Each subsidiary shall review its risk appetite and define its position so as to ensure it has a clear understanding of its approach to decision making. Boards must define their appetite from the adopted matrix as follows:

- 1. **Averse** - Avoidance of risk and uncertainty is a key objective.
- 2. **Minimal** - Preference for ultra-safe options that are low risk and only have a potential for limited reward.
- 3. **Cautious** - Preference for safe options that have a low degree of risk and may only have limited potential for reward.
- 4. **Open** - Willing to consider all potential options and choose the one most likely to result in successful delivery, while also providing an acceptable level of reward and value for money.
- 5. **Hungry** - Eager to be innovative and to choose options offering potentially higher business rewards, despite greater inherent risk.

- 11.3.4 At all times Ocean Housing Ltd must protect services to tenants and fully comply with the Governance and Viability Standard, particularly the safeguarding of social housing assets which must not be put at risk. Ocean Housing has a risk appetite of Risk Cautious.
- 11.3.5 As a commercial company, Gilbert and Goode operate in a different environment, which inherently carries greater risks. As such Gilbert and Goode have a risk appetite of Risk Open. However, at all times Gilbert and Goode recognise it needs to support Ocean Housing and under the overseeing remit of the parent ensure it safely contributes financially to its sister company.

11.4 RISK EXPOSURE LEVELS

- 11.4.1 All risk at Ocean must be captured and documented. Risks are to be determined into 3 categories as follows:

Strategic	– risks that are so significant they could potentially damage the viability and future of the Group
Company	– risks that are of a level that could, if triggered, have a material impact on the operation of a company within the Group
Operational	– the risks that occur on a day-to-day basis that cannot be fully removed yet are of an impact that they can just be accepted and managed, or readily controlled.

11.4.2 All documented risks are to be regularly reviewed and have ascribed to them an exposure score based on probability and impact. All such risks shall also have defined controls to manage the risk.

11.5 RISK RESPONSIBILITIES

11.5.1 The ultimate responsibility for risk management of the Group lies with the Board of Ocean Housing Group Ltd (OHGL). The Board of OHGL will approve the Strategy and ensure that the framework for its adequate execution and review is upheld. It recognises the importance of the process and will undertake a formal review to ensure targets have been met and its objectives are consistent with other corporate strategies, together with regular process compliance reviews.

11.5.2 To ensure a sound application of risk is applied throughout the Group the Group Board shall look to the Group Audit, Risk and Assurance Committee to provide a robust level or overview that will ensure this Strategy and Framework is enforced and also apply critical assessment of the identified Strategic Risks.

11.5.3 Risks defined at the 'company' level are to be considered at subsidiary Boards, the relevant Board shall be responsible for ensuring the risks categorised in this level are effectively controlled.

11.5.4 Operational delivery of risk management and this Strategy is the responsibility of the Executive Group. In particular the Group Director of Resources shall maintain a 'Risk Management Group' comprising of relevant managers employed throughout the Group who shall support them in operationally delivering the Strategy's requirements

11.5.5 At all times, Managers are responsible for ensuring all new risks are brought to the attention of the Risk Management Group and managing all 'operational' risks.

11.6 THE RISK FRAMEWORK

11.6.1 Risks defined as either 'strategic' or 'company' shall be recorded and entered onto Board Assurance Frameworks. There shall be one Strategic Assurance Framework that shall be managed by Group Audit, Risk and Assurance Committee, representing Group Board, and each subsidiary Board shall have its own Assurance Framework for its 'company' level risks – also including Strategic Risks that relate to that subsidiary's activity.

11.6.2 'Operational' risks shall be listed with controls and managed by subsidiary management teams. Such risks need not be reported to Board and can be managed as best fit the relevant company.

11.6.3 The Risk Assurance Frameworks shall, for both 'strategic' and 'company' level risks, be presented in the agreed format set by Group Audit, Risk and Assurance Committee.

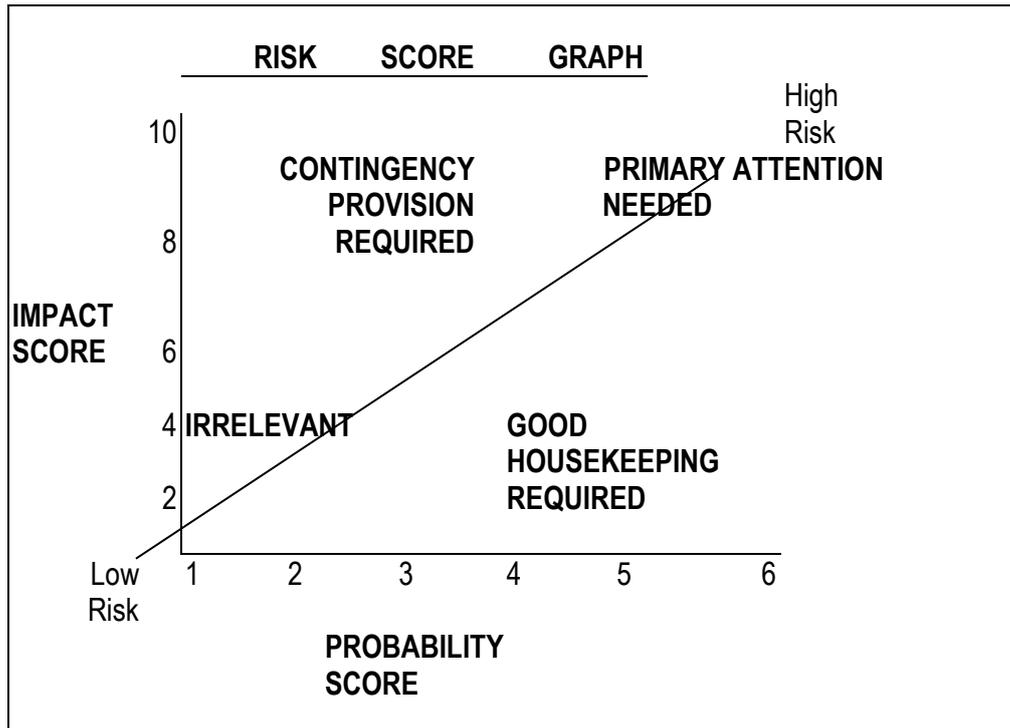
The Framework shall possess the following;

- The Risk
- The Probability and Impact score before controls applied
- First Line of Defence – Internal Controls and Procedures
- Second Line of Defence – Internal assurance monitoring
- Third Line of Defence – External assurance
- The Probability and Impact Score after controls applied
- Early warning signs of an exposure
- Quantification of residual risk exposure

Each identified control measure shall be allocated to an accountable manager to ensure it is maintained.

11.7 RISK IMPACT ASSESSMENT

11.7.1 All risks identified will be subject to an assessment of impact and probability of occurrence. Each risk will also have attached appropriate control mechanisms. The outcome of such is that every risk will be given a score that effectively determines its effect on the business. The scoring process is best illustrated in the table below:



11.7.2 The impact and probability score are multiplied and the higher the score, the higher the risk factor and the need to establish appropriate control mechanisms.

Ocean has given the following description to each score:

Impact

- 10 Disastrous
- 8 Severe
- 6 Large
- 4 Moderate
- 2 Negligible

Probability

- 6 Highly likely
- 5 Likely
- 4 Fairly likely
- 3 Unlikely
- 2 Very unlikely

- 1 Extremely unlikely

11.7.3 Risks assessed by the Risk Management Group to have a probability and impact score of 40, or greater, before controls, shall be determined as 'strategic' and be entered into the Strategic Assurance Framework. Risks assessed with a score between 20 and 39, before controls, will be determined as 'company' level risks and recorded accordingly. All risks with scores, before controls, of 19 or lower shall be deemed as 'operational' risks and shall be managed on a day-to-day basis by management.

11.7.4 Risks can move between levels as the external environment changes and such changes are to be identified by management and communicated as appropriate.

11.8 ASSURANCE

11.8.1 The prime measure of the Boards' Risk Assurance Framework is to provide support to members in managing risk and making decisions. At all times the assurances and controls included in the Frameworks must be valid and effective. Boards must have assurance that the 'lines of defence' will protect them from major risk exposure, and significant loss.

11.8.2 The Group Board must have assurance that in managing risks it is able to effectively 'safeguard social housing assets', retaining the ring-fencing of non-social housing risks to non-regulated entities of the Group in particular.

11.9 EMBEDDING THE MANAGEMENT OF RISK AND ASSURANCE

11.9.1 This Strategy is fundamental to Ocean. It will be incorporated into the Group Corporate Strategy.

11.9.2 Risk consideration is to be paramount in all Board decision making. All Board reports requiring a recommendation shall have a Risk Implications paragraph that clearly allows members to appreciate the risks inherent in making the decision. In particular, this paragraph shall refer the subject to all related risks in the existing Risk and Assurance Framework and it must also give a clear statement in respect of how the recommendations accord with the relevant Boards adopted Risk Appetite.

11.9.3 All Boards and Group Audit, Risk and Assurance Committee will have Risk as a standing item on every agenda and shall ensure they fully appreciate the contents of the Risk and Assurance Framework.

11.9.4 The annual Business Plan must be prepared with full regard to the Risks and Assurance Framework. In particular, the approved Business Plan must provide a level of headroom of its peak debt against the total loan facility greater than the quantified risk exposure value.

11.9.5 Clear statements on the importance of risk management must be included in all key policies, in particular, Financial Regulations, Treasury Management, and Procurement Strategy. In addition, all liabilities listed in the Group's Liabilities Register shall have attributed to them a risk score.

11.9.6 In addition to the requirement for a risk paragraph in Board reports, in respect of the building of a new build scheme there shall be extensive detailed scheme specific risk appraisals undertaken in evaluating the viability of the opportunity prior to being presented to Board.

11.9.7 Board shall take no decision without having assurance that risk has been comprehensively assessed in making the proposal being considered in the report.

12.0 OCEAN'S RED LINES

12.1 To support our continued drive for improved governance and to ensure our financial integrity and viability Ocean's Red Lines have been developed and supported by the Group's Boards. The Red Lines will have high visibility at Board and Audit, Risk and Assurance Committee meetings with a view to tracking, monitoring and taking timely action to protect the financial strength, viability and sustainability of the Group and its subsidiaries.

12.2 The Red Lines are reviewed annually in line with the business planning process, for the coming year they are;

1. Minimum Interest Cover of 120% - existing covenants Santander 110%, M&G 105%.
2. Minimum Asset Cover of 115% - existing covenants Santander 105%, M&G 105%.
3. Maximum debt per unit for Ocean Housing of £40,000 – existing covenant £45,000 but soon to increase to £50,000 (only Santander).
4. Minimum Operating Margin of 30% for Ocean Housing.
5. Maximum level of Gilbert and Goode WIP on open market sales of £10 million.
6. Maximum level of debt in Gilbert and Goode of £10 million.
7. Minimum Gilbert and Goode pre-tax profit margin of 2%.

