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## **1. PURPOSE**

- 1.1 The Ministry of Housing, Communities and Local Government (MHCLG) is undertaking a significant transformation of the risk function. The function manages a wide range of risks. These include credit, market, operational, security and enterprise risks. MHCLG is responsible for the policy development and delivery as per the Single Departmental Plan<sup>1</sup>. The Finance Function ensures that risk management is part of the policy making framework. The Department, to a large extent, devolves responsibility for delivery to Homes England and therefore the MHCLG risk management function has a role in providing risk management oversight of the work undertaken by Homes England.
- 1.2 The risk management function is responsible to the Board and Executive Team in ensuring that risk management is in accordance with the overall risk appetite of the Department. The Department has a flow of up to £50 billion in cash per year and there is a variety of instruments used – ranging from guarantees to equity investments to loans. The sponsor of this project is [REDACTED], Finance Director (FD). The Supplier will provide interim capacity to the Department whilst recruitment for permanent staff is undertaken.

## **2. BACKGROUND TO THE AUTHORITY**

- 2.1 The Ministry of Housing, Communities and Local Government's (formerly the Department for Communities and Local Government) job is to create great places to live and work, and to give more power to local people to shape what happens in their area.
- 2.2 The Department's responsibilities include:
- driving up housing supply;
  - increasing home ownership;
  - devolving powers and budgets to boost local growth in England;
  - supporting strong communities with excellent public services.

Further information can be found at:

<https://www.gov.uk/government/organisations/ministry-of-housing-communities-and-local-government>

## **3. BACKGROUND TO REQUIREMENT/OVERVIEW OF REQUIREMENT**

- 3.1 Following an initial evaluation by the Interim Director, it has been discovered that MHCLG's entire risk portfolio is not currently managed to a best practise level. There are fundamental issues relating to risk expertise, capability, modelling, pricing, reporting, stress testing and governance across all risks. This needs to be addressed quickly as MHCLG is running huge risks which can potentially lead to losses or decreased efficiency.

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<sup>1</sup> <https://www.gov.uk/government/publications/department-for-communities-and-local-government-single-departmental-plan/department-for-communities-and-local-government-single-departmental-plan>

- 3.2 An improved, permanent risk department has to be established. A campaign will be run to recruit staff for these highly specialised roles. In the meantime a Supplier is required to provide a risk management solution on an interim basis.

#### 4. DEFINITIONS AND ACRONYMS

Expression or Acronym	Meaning
MHCLG	means the Ministry of Housing, Communities and Local Government (the 'Authority')

#### 5. THE REQUIREMENT

- 5.1 The Supplier will provide a complete, interim risk management solution for MHCLG. The requirements are set out below.
- 5.2 Provision of an acting Chief Risk Officer (CRO) who will assist the Finance Director (FD) in the setup of the new function and oversee the current risk teams.
- 5.3 Assist in the recruitment of the permanent CRO. This includes drafting the job description, helping HR with job grading and getting approvals to begin hiring via a recruiting agency (internal or external). This may include obtaining approvals from other parts of the Government such as the Finance Community or the Treasury.
- 5.4 Help in the enhancement of the risk management elements in MHCLG governance at all levels, as well as ensuring that the risk management oversight of Homes England (HE) is well governed.
- 5.5 Assist in the design of a future CRO organisation and job descriptions for new / amended roles – together with obtaining all necessary approvals.
- 5.6 Help document the approval processes for new product business cases and transactions relating to these business cases in alignment with HE. Implement initial quick wins to improve processes.
- 5.7 The ongoing monitoring of business cases and transactions across all risks.
- 5.8 Assist in the definition and implementation of the enterprise risks and operational risks function.
- 5.9 To define, design and implement a 3 lines of defence mechanism in conjunction with HE.
- 5.10 To define and design a people agenda for the CRO function which could include elements of Organisational Structure, Capability Improvement, Recruitment, Training, Secondment, Coaching and Mentoring, Leadership development, Engagement with MHCLG and HE/ALBs, Change Management and Continuous Improvement
- 5.11 To define and design a Management Information strategy which will support decision making across the MHCLG group, along with HE.
- 5.12 To work with HE on the risk systems and data strategy.
- 5.13 It is anticipated that the Supplier will provide a team of three individuals to work with MHCLG (one senior/Director and two junior members). The team will be based in MHCLG offices in 2 Marsham Street. The deployment will start during the week commencing 28 May 2018 and last for a period of approximately 3 months.

## **6. KEY MILESTONES**

- 6.1 The Supplier must note the following project milestones that MHCLG will measure the quality of delivery against:

<b>Milestone</b>	<b>Description</b>	<b>Timeframe</b>
1	Mobilisation of team	Within week 1 of Contract Award
2	Documentation of proposed future target operating model	Within week 4 of Contract Award
3	Initiate hiring of Perm CRO and additional headcount	Within week 4 of Contract Award
4	Complete hiring of Perm CRO and additional headcount (given this recruitment cannot be guaranteed, this is aspirational and may be renegotiated)	Within 3 months of Contract Award

## **7. AUTHORITY'S RESPONSIBILITIES**

- 7.1 The Supplier will report into [REDACTED], FD, as the Senior Responsible Officer for this initiative. MHCLG will provide a single point of contact. It will also provide access to IT systems, data, key personnel, archives and documentation which may be required for fulfilling the role.

## **8. REPORTING**

- 8.1 The Supplier will provide a weekly update report for all internal MHCLG stakeholders which will form the basis for the weekly review meetings with the sponsor and other relevant parties within the MHCLG group.

## **9. CONTINUOUS IMPROVEMENT**

- 9.1 The Supplier will be expected to continually improve the way in which the required Services are to be delivered throughout the Contract duration.
- 9.2 The Supplier should present new ways of working to MHCLG during the weekly review meetings.
- 9.3 Changes to the way in which the Services are to be delivered must be brought to MHCLG's attention and agreed prior to any changes being implemented.

## **10. SUSTAINABILITY**

- 10.1 Not applicable to this requirement.

## **11. ACCREDITATION**

- 11.1 The Supplier must use the Treasury Orange Book (<https://www.gov.uk/government/publications/management-of-risk-in-government-framework>) and BIS standards (e.g. <https://www.bis.org/publ/bcbs54.htm>, <https://www.bis.org/publ/bcbs239.htm>, <https://www.bis.org/publ/bcbs195.pdf>) as guidelines when recommending risk frameworks, governance & process improvements etc.

## **12. STAFF AND CUSTOMER SERVICE**

12.1 MHCLG requires the Supplier to provide a sufficient level of resource throughout the duration of the Contract in order to consistently deliver a quality service to all Parties.

12.2 The Supplier's team must possess experience in the following areas:

- Overall risk management (inclusive of market, credit, operational, business, reputational, commercial, compliance, etc.) frameworks
- Credit Risk Strategy and Execution
- Setup / remediation of a credit risk function
- Counterparty Credit Risk Relationship Management
- Credit Risk Rating Design, Pricing, Implementation and Testing
- Independent Loan Reviews (sample transactions)
- Credit/Loan Loss Reserve (Allowance for Loan and Lease Losses) - specifically in relation to UK HMT guidelines
- Loan Portfolio Management Diagnostics and MI
- Credit Risk Modelling, Scoring Evaluation and Quality Control Assessments
- Credit Training Services
- Credit Risk People Transformation Programme
- Subsidiary Risk Management oversight and governance.

12.3 The Supplier shall ensure that staff understand MHCLG's vision and objectives and will provide excellent customer service to MHCLG throughout the duration of the Contract.

## **13. SERVICE LEVELS AND PERFORMANCE**

13.1 MHCLG will measure the quality of the Supplier's delivery in accordance with the milestones set out in Section 7 above.

## **14. SECURITY REQUIREMENTS**

14.1 The Supplier's team must be cleared to CTC level. To avoid potential delays it will be desirable if the Supplier's team have CTC clearance in place prior to the commencement of the Contract.

**15. PAYMENT**

- 15.1 The Supplier shall submit a single, fully itemised invoice at the end of each calendar month in respect of the Services undertaken during that month unless the Contract specifies payment is due upon Acceptance of the Services or Deliverables in which case the Supplier shall submit a single, fully itemised invoice after Acceptance of the Services or Deliverables.
- 15.2 The invoice must clearly identify the Services and/or Deliverables to which the invoice relates.

**16. BASE LOCATION**

- 16.1 The base location of where the Services will be carried out is: 2 Marsham Street, London, SW1P 4DF.