

SHREWSBURY HOUSE COMMUNITY ASSOCIATION

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RISK MANAGEMENT POLICY

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1. POLICY STATEMENT

Shrewsbury House Community Association (SHCA) is a registered Charity and is governed by a Board of Trustees to ensure it meets its key objectives as specified in its business development plan.

Trustees regularly review and assess the risks faced by SHCA in all areas of its work and plans for the effective management of those risks. Risk is an everyday part of activity and managing it effectively is essential if the trustees are to achieve their key objectives and safeguard funds and assets.

This policy outlines the basic principles and strategies that are applied to help the SHCA manage its risks. It sets a risk management framework that allows Trustees to:

- identify the major risks that apply to SHCA
- make decisions about how to respond to the risks they face
- allows for SHCA to take full advantage of new opportunities/initiatives as they arise and evaluate risk posed by these.
- make an appropriate statement regarding risk management in the annual report presented to the AGM.(if required depending on income of charity)

The main body of the policy provides an overview of the reasons for and the processes involved in risk management; the legal requirement for Trustees to make a risk management statement in their Annual Report, and what that statement must contain and proposes a model of risk management to help SHCA work through the process. Charities are required to have their accounts audited and must make a risk management statement in their annual report confirming that Trustees have given consideration to the major risks to which the charity is exposed and satisfied that there are systems and procedures in place to manage those risks. (*Charities Accounts and Reports Regulations 2008*). The statutory threshold are on an income of £500'000 or more or a gross income exceeding £250k with gross assets held exceeding £3.26 m. *Smaller charities are however encouraged to make a risk management statement as a matter of good practice.*

A narrative for such a statement would include:

- an acknowledgement of the Trustees' responsibility
- An overview of the risk identification process

- An indication that major risks identified have been reviewed and assessed.
- Confirmation that control systems have been established to manage those risks.

SHCA regularly reviews and assesses the risks it faces in all areas of its work and plans for the management of those risks. The implementation of an effective risk management policy is a key part of ensuring that the organisation is fit for purpose and aids the organisation meeting its objectives.

2. SCOPE

This policy applies to all SHCA staff and Board of Trustees

3. IDENTIFYING RISK

In identifying risk SHCA Board of Trustees needs to consider:

- SHCAs objectives as set out in the business plan.
- The outcomes SHCA seeks to achieve
- External factors that could affect SHCA (e.g. legislation, regulation, funding withdrawal /termination of funding from other bodies; fluctuations in investments, an unforeseen rise in demand for services)
- SHCAs reputation with its key funders, members, volunteers and supporters.
- Learning from past mistakes and problems that may have occurred
- The operating structure (e.g. collaboration, partnership, co-production.)

Trustees, management, staff and volunteers all play a part in risk management as risk can be identified at all levels within an organisation. The Board will focus on key corporate risks that are identified and seek to mitigate these through action plans. The key risks SHCA may be exposed to (while not an exhaustive list) are:

Governance risks could include:

- Inappropriate organisational structure
- Trustee body lacks relevant skills or commitment
- Conflicts of interest

Operational risks could include:

- Poor staff recruitment and training
- Doubt about security of assets
- Poor contract pricing

Financial risk:

- Inadequate reserves and cash flow
- Inaccurate and/or insufficient financial information
- Insufficient insurance cover
- Dependency on limited income sources

Environment and external risk:

- Poor public perception and reputation
- Demographic changes
- Turbulent economic or political environment
- Changing government policy

Law and regulation compliance risk:

- Acting in breach of trust
- Poor knowledge of the legal responsibilities of an employer
- Poor knowledge of regulatory requirements of particular activities (e.g. fund raising)

4. ASSESSING RISK

Identified risks need to be put into perspective in terms of the potential severity of their impact and the likelihood of their occurrence. Assessing and categorising risks helps in prioritising and filtering them, and establishing whether any further action is required. One method is to look at each identified risk and decide how likely it is to occur and how severe the impact would be on the organisation if it did occur. A focus on high risk impact is important but Trustees should not forget that what may be a lower impact risk can change to a very high impact because of the possible connection between it happening and triggering the occurrence of other risks, making a cumulative impact extreme. A 5 X 5 framework is generally used to assess risk as illustrated below:

Fig 1. RISK SCORE MATRIX

		LIKELIHOOD					
		1	2	3	4	5	
SEVERITY/ CONSEQUENCE		Rare	Unlikely	Possible	Likely	Almost certain	
	5	Extreme/ Catastrophic	5	10	15	20	25
	4	Major	4	8	12	16	20
	3	Moderate	3	6	9	12	15
	2	Minor	2	4	6	8	10
	1	Insignificant	1	2	3	4	5

Red = extreme/ major risk; Amber = Moderate risk; Yellow = Low risk; Green = Minor/ Insignificant risk

The above risk matrix (heat map) provides the framework for the SHCA Board to consider risk and its appetite for risk. The criteria used to determine the level of impact and likelihood the risk will occur is illustrated, which demonstrates the range of scores available to be assigned against a risk.

All risks whether low or high are considered in the Board Assurance Framework (BAF). A Board Assurance Framework brings together in one place all of the relevant information on risks to the boards strategic objectives.

The Board on a monthly basis monitors the BAF. This incorporates the Corporate Risk Register. The Boards role is to scrutinise the BAF and consider if the controls in place are sufficient to mitigate the risks. Risks are regularly reviewed against the risk to achieving the corporate objectives as set out in the SHCA Business Plan.

The trustees can monitor risk by:

- ensuring that the identification, assessment and mitigation of risk is linked to the achievement of the charity's operational objectives
- ensuring that the assessment process reflects the trustees' view of acceptable risk
- reviewing and considering the results of risk identification, evaluation and management
- receiving interim reports where there is an area needing further action
- considering the risks attached to significant new activities or opportunities
- regularly considering external factors such as new legislation or new requirements from funders
- considering the financial impact of risk as part of operational budget planning and monitoring

5. EVALUATING WHAT ACTION NEEDS TO BE TAKEN ON THE RISKS

Where major risks are identified, the Trustees will need to make sure that appropriate action is being taken to manage them. This review should include assessing how effective existing controls are.

For each of the major risks identified, trustees will need to consider any additional action that needs to be taken to manage the risk, either by lessening the likelihood of the event occurring, or lessening its impact if it does.

The following are examples of possible actions:

- the risk may need to be avoided by ending that activity
- the risk could be transferred to a third party (e.g. use of a trading subsidiary, outsourcing or other contractual arrangements with third parties)
- the risk could be shared with others (e.g. a joint venture project)

- the exposure to the risk can be limited (e.g. establishment of reserves against loss of income, phased commitment to projects)
- the risk can be reduced or eliminated by establishing or improving control procedures (e.g. internal financial controls, controls on recruitment, personnel policies)
- the risk may need to be insured against (this often happens for residual risk, e.g. employers liability, third party liability, theft, fire)
- the risk may be accepted as being unlikely to occur and/or of low impact and therefore will just be reviewed annually.

Once each risk has been evaluated, the trustees can draw up a plan for any steps that need to be taken to address or mitigate significant or major risks. This action plan and the implementation of appropriate systems or procedures allows the trustees to make a risk management statement in accordance with the regulatory requirements. Risk management is aimed at reducing the 'initial level' of risk identified to a 'target level' of risk; in other words, the residual risk that remains after appropriate action is taken.

In assessing additional action to be taken, the costs of management or control will generally be considered in the context of the potential impact or likely cost that the control seeks to prevent or mitigate. It is possible that the process may identify areas where the current or proposed control processes are disproportionately costly or onerous compared to the risk they are there to manage. A balance will need to be struck between the cost of further action to manage the risk and the potential impact of the residual risk.

Date Policy approved by Board:

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Signature of Chair:

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