

Risk Management Policy

1. Principles

The HCA will monitor the significant risks to which the charity is exposed, will keep its vulnerability to risk under review, and establish procedures to respond to those risks.

Risk is an inherent feature of all activity. The HCA accepts that some risks are unavoidable, and need to be planned for and monitored. Most risks, however, can be mitigated by reasonable foresight and planning.

We will prioritise risks and monitor the more severe risks most closely – those that have a higher likelihood of occurring and that would have a severe impact on the organisation.

By "risk" we mean uncertainty surrounding events and their outcomes that may have a significant effect on:

- our ability to function on a day-to-day basis;
- the achievement of our aims and objectives;
- how well we meet the expectations of stakeholders; or
- the reputation of the association.

We will establish a risk management strategy to manage the risks that arise from:

- how we manage the Association;
- day-to-day operations;
- controlling finances;
- the activities of other organisations and individuals; and
- how we meet our legal obligations.

We may delegate aspects of risk management to employees or sub-groups of the management committee. However, the management committee will maintain overall responsibility for risk management.

The management committee will in all cases:

- review progress;
- make the key decisions required to implement control procedures; and
- monitor the execution of those procedures.

The management committee will review the risk management policy and risk management strategy annually as a whole.

Particular elements of the strategy may be reviewed more frequently if a need to do so is established.

2. Risk Management Strategy

We are vulnerable to a number of different kinds of risk:

- governance risks – how we manage the Association – e.g. inappropriate organisational structure, difficulties recruiting management committee members with relevant skills, conflict of interest;
- operational risks – day-to-day operations – e.g. service quality and development, contract pricing, employment issues, health and safety issues, fraud and misappropriation;
- financial risks – e.g. accuracy and timeliness of financial information, adequacy of reserves and cash flow, diversity of income sources, investment management;
- external risks – e.g. public perception, adverse publicity, demographic changes, changes in local and central government policy; and
- compliance with law and regulations – e.g. breach of trust law, employment law, licensing requirements and regulative requirements of particular activities such as fund-raising.

We will systematically explore our exposure to these risks and decide how to control them using four basic strategies:

- transferring all or part of the financial consequences to third parties (e.g. insurance, outsourcing);
- avoiding the activity giving rise to the risk completely (e.g. not taking up a potential grant or contract);
- management or mitigation of the risk; or
- accepting the risk because it is inherent in achieving an important goal.

We will maintain a risk register identifying areas of risk, the severity of the risk, current control procedures, who is responsible for monitoring the risk and control procedures, and when the risk falls to be reviewed.

We will assess the severity of risks using a consistent scoring scheme.

Risk assessments will be carried out for each of the identified risk areas and reviewed at the appropriate intervals so that there is effective monitoring of risks and control procedures, and so that new risks can be identified.

Emergency plans to deal with severe risks will be communicated to all staff and management committee members (and, where appropriate, to service users), and be included in the induction procedures for new staff and management committee members.

3. Risk Severity Estimation

We will assess the level of risks by a scoring system taking into account the severity of the impact of the vulnerability on the organisation and the likelihood that the vulnerability actually occurs:

Severity of Impact	Multiplier					
Fundamental	5	5	10	15	20	25
Major	4	4	8	12	16	20
Moderate	3	3	6	9	12	15
Minor	2	2	4	6	8	10
Insignificant	1	1	2	3	4	5
	Multiplier:	1	2	3	4	5
	Likelihood:	Rare	Unlikely	Possible	Likely	Almost Certain

KEY		
Severe	20-25	Unacceptable level of risk exposure which requires immediate corrective action to be taken
Major	12-16	Unacceptable level of risk exposure which requires constant active monitoring, and measures to be put in place to reduce exposure
Moderate	5-10	Acceptable level of risk exposure subject to regular active monitoring measures
Minor	3-4	Acceptable level of risk exposure subject to regular passive monitoring measures
Insignificant	1-2	Acceptable level of risk exposure subject to periodic passive monitoring measures

4. Risk Register

Area of Risk	Likelihood (1-5)	Severity (1-5)	Risk Level (L x S) (1-25)	Risk Control Procedure	Responsibility
Governance risks					
Failure to focus on key tasks, loss of direction and failure to make an impact	3	4	12 - Major	<ul style="list-style-type: none"> Creation of a strategic plan setting out the aims of the organisation and the impact it intends to have. A programme to identify and meet the training needs of management committee members. Creation of financial plans with effective budgetary controls. Clear targets for the evaluation of key areas of work. 	<ul style="list-style-type: none"> GMC
Failure to maintain a representative management committee	3	3	9 - Moderate	<ul style="list-style-type: none"> A recruitment strategy for volunteers and management committee members, with the aim of providing for the natural succession of management committee members and filling skill gaps amongst management committee members and the volunteer pool. 	<ul style="list-style-type: none"> GMC
Operational risks					
Failure to properly maintain the HCC so that it safely meets the needs of users	3	4	12 - Major	<ul style="list-style-type: none"> Creation of a planned maintenance programme. Risk assessments of the premises taking into account likely usage. 	<ul style="list-style-type: none"> GMC
Failure to achieve the required quality or value for money when purchasing supplies and services	2	3	6 - Moderate	<ul style="list-style-type: none"> Clear purchasing policies requiring competitive estimates except for low value or emergency items. Creation of a list of preferred suppliers subject to regular review. 	<ul style="list-style-type: none"> Finance Group GMC Staff

Area of Risk	Likelihood (1-5)	Severity (1-5)	Risk Level (L x S) (1-25)	Risk Control Procedure	Responsibility
Inadequate staffing resources to maintain service commitments because of staff turnover, sickness, holidays, etc.	4	4	16 - Major	<ul style="list-style-type: none"> Creation and review of staffing policies to ensure fair remuneration and good quality working conditions. Systems in place to provide emergency cover for sickness and holidays. Creation of an emergency plan for when staffing cover fails. 	<ul style="list-style-type: none"> Staffing Group GMC
Loss of resources because of fraud or misrepresentation by staff or management committee members.	3	5	15 - Major	<ul style="list-style-type: none"> Regular review of financial controls to ensure that staff and management committee members cannot authorise significant transactions individually without authorisation, and to ensure that unauthorised transactions can be promptly detected. 	<ul style="list-style-type: none"> Finance Group GMC
Failure of fund-raising events to meet costs or generate income	3	5	15 - Major	<ul style="list-style-type: none"> Where events involve exposure to significant losses, proceed only if effective counter-measures such as insurance cover can be introduced to mitigate the risk. 	<ul style="list-style-type: none"> Finance Group GMC Staff
Loss of use of building because of fire, serious damage, etc	3	5	15 - Major	<ul style="list-style-type: none"> Adequate insurance cover for loss of revenue, any leasehold liabilities, public liabilities, etc. Adequate reserves to cover salary and redundancy, and any uninsured losses. Creation of an emergency plan for loss of use of the HCC building. 	<ul style="list-style-type: none"> Finance Group GMC
Financial risks					

Area of Risk	Likelihood (1-5)	Severity (1-5)	Risk Level (L x S) (1-25)	Risk Control Procedure	Responsibility
The financial information to support important decisions is not available, or is inadequate or inaccurate	2	4	8 - Moderate	<ul style="list-style-type: none"> Regular review of financial systems to ensure that they are providing reliable management information 	<ul style="list-style-type: none"> Finance Group GMC
Reserves are inadequate to meet contingencies	3	5	15 - Major	<ul style="list-style-type: none"> Regular review of financial exposure especially in respect of salaries, redundancy compensation and rents, to ensure that there are adequate reserves to meet uninsured risks. 	<ul style="list-style-type: none"> Finance Group GMC
Over-reliance on particular income streams	2	3	6 - Moderate	<ul style="list-style-type: none"> Regular review of financial strategy, including projected incomes from existing sources and potential income streams. Regular review of fund-raising targets and fund-raising strategy 	<ul style="list-style-type: none"> Finance Group GMC
Emergence of local competitors for current sources of income	4	4	16 - Major	<ul style="list-style-type: none"> Regular review of alternative local provision Regular review of marketing strategy Active marketing of facilities Regular review of financial strategy 	<ul style="list-style-type: none"> Staff GMC
Reduced income from investments	3	2	6 - Moderate	<ul style="list-style-type: none"> Regular review of financial strategy. 	<ul style="list-style-type: none"> Finance Group GMC
External risks					
Decline in the organisation's reputation, loss of confidence, adverse publicity	2	4	8 - Moderate	<ul style="list-style-type: none"> Regular review of, and adherence to, equal opportunities and health and safety policies. Adequate training opportunities for staff and management committee members so that they are aware of what is expected of them. 	<ul style="list-style-type: none"> GMC

Area of Risk	Likelihood (1-5)	Severity (1-5)	Risk Level (L x S) (1-25)	Risk Control Procedure	Responsibility
Compliance with law and regulations					
Breach of charitable requirements, including failure to adhere to the charity's objects.	2	5	10 - Moderate	<ul style="list-style-type: none"> Adequate training opportunities for staff and management committee members so that they are aware of their legal responsibilities and what is expected of them. 	<ul style="list-style-type: none"> GMC
Breach of employment law	2	3	6 - Moderate	<ul style="list-style-type: none"> Regular review of equal opportunities policies Adequate training on responsibilities as an employer 	<ul style="list-style-type: none"> GMC
Breach of licensing or regulatory responsibilities	2	3	6 - Moderate	<ul style="list-style-type: none"> Adequate training for staff and management committee members. Consultation with appropriate authorities. 	<ul style="list-style-type: none"> GMC
Breach of duty of care to users or members of the public	3	5	15 - Major	<ul style="list-style-type: none"> Maintain up to date risk assessments covering use of the HCC building and activities of the HCA. Adequate insurance against liabilities 	<ul style="list-style-type: none"> GMC Treasurer

5. Monitoring and Review

The management committee are responsible for monitoring the impact of this policy. In common with all HCA policies, it is subject to regular review, at least annually.

6. Related Policies and Other Documents

Related policies and documents include:

- Financial Administration Guidance
- Sustainability Policy
- Health and Safety Policy



Date adopted:	July 2008
Last reviewed:	July 2014