

## **Risk Policy, Register and Action Plan**

**July 2011**

### **Introduction**

Surrey Youth Focus is a small organisation, but one with a substantial reputation. It is important that this credibility is maintained.

The proposals in this report are aimed at establishing the role of Management and Finance Sub – Committee in examining the risk register at its meetings, and reporting any concerns and actions to the main Board of Trustees at its quarterly meetings. This will then align a performance cycle that comprises quarterly reports to Trustees about:

- Performance against business plan
- Financial monitoring
- Risk reporting

The Charity Commission in C26 recommends a four stage process for assessing and actioning risk, as follows:

**1. Establishing a risk policy (This document)**

**2. Identifying risks**

**3. Assessing risks**

**4. Evaluating what action needs to be taken on risks**

**5. Periodic monitoring and assessment**

### **The Policy**

The policy of Surrey Youth Focus is:

- To have a Risk Register(as Appended) and associated Action Plan (to be developed by Management and Finance)
- For it to be a standing item at each Management and Finance sub Committee, which will review each section on a quarterly basis
- For Management and Finance to report to each Trustee meeting on whether or not there are any concerns about which the full Board should be advised
- To address actions if the risk assessment falls into the yellow or red category below

### **Risk Assessment**

The Charity Commission publishes guidance on the assessment of risk and has a template (C26) for developing risk assessments. The formula deployed is  $xy + y$ , where:

X is the probability of an event occurring

Y is the Impact

The additional weighting for the Y (Impact) factor follows Charity Commission advice.

## Charity Commission Risk Assessment Framework

Red - major or extreme/catastrophic risks that score 15 or more

Yellow - moderate or major risks that score between 8 and 14

Blue or green - minor or insignificant risks scoring 7 or less

|               |                          |   |                   |          |          |          |                 |
|---------------|--------------------------|---|-------------------|----------|----------|----------|-----------------|
| <b>Impact</b> | Extreme/<br>Catastrophic | 5 | 10                | 15       | 20       | 25       | 30              |
|               | Major                    | 4 | 8                 | 12       | 16       | 20       | 24              |
|               | Moderate                 | 3 | 6                 | 9        | 12       | 15       | 18              |
|               | Minor                    | 2 | 4                 | 6        | 8        | 10       | 12              |
|               | Insignificant            | 1 | 2                 | 3        | 4        | 5        | 6               |
|               |                          |   | 1                 | 2        | 3        | 4        | 5               |
|               |                          |   | Remote            | Unlikely | Possible | Probable | Highly Probable |
|               |                          |   | <b>Likelihood</b> |          |          |          |                 |

### Development of Action Plan

It is the responsibility of the Management and Finance Committee to assess Risk and form a judgment about whether or not action needs to be taken. The Risk Assessment Form (Risk Register) is appended. This will be completed by Management and Finance and in turn lead to the generation of an Action Plan. There may be two reasons for NOT taking action: either that the risk is small scale and can be lived with, or that the scale of Risk is potentially very serious, but unlikely to occur. However, setting aside these eventualities there could be a mid range eventuality that does need to be guarded against. These will be shown in the Risk Register, and necessary mitigating steps recorded in the Action Plan.

### Financial Risk – Reserves Policy

One of the key risks relates to finances and the scale of reserves. It may be convenient to restate the current policy derived from the Financial Procedures, Revised Jan 2011:

“Reserves Policy

12. Reserves of the Charity are classified in accordance with the Charities Commission accounting SORP. Restricted reserves are those unspent incomes derived from monies provided by benefactors for specific purposes and must be accounted for separately. Unrestricted reserves are other funds generally arising from the accumulated annual surpluses of the Charity, after deficits have been taken into account.
13. Whilst recognizing that the level of unrestricted reserves is subjective, it is a duty of Trustees to review the amount of reserves periodically and set out their policy within the annual Trustees report.
14. The Trustees have set the current reserves policy as being a figure equating to six months of prime core costs, these being staff salaries, office rent, communication costs and an element of travel costs. The figure is set at the start of each financial year based upon the forecast budgetary costs.”

### **Review of Reserves policy**

Management and Finance are currently (July 2011) reviewing the Reserves policy, and also examining the minimum winding up costs that would need to be protected. The latter is simply a precautionary measure in view of the uncertainty surrounding income generation for 2012/13.

### **Conclusion**

The operating context for all charities is becoming increasingly difficult, and it is both prudent and good practice for risks to be assessed and, where applicable, for mitigating steps to be taken where necessary in accordance with the assessment criteria above.

Risk Policy Approved:

(Date)

MLA July 2011