RISK MANAGEMENT POLICY STATEMENT

Definition of Risk Management

Risk is the chance or possibility of loss, damage, injury, or failure to achieve objectives caused by an unwanted or uncertain action or event. Risk management is a planned and systematic approach to the identification, evaluation and control of those risks which can threaten the assets or financial and organisational wellbeing of Active Life for a Healthier You.

Policy Statement

Active Life for a Healthier You recognises that it has a responsibility to manage risks effectively in order to control its assets and liabilities, protect its employees and community against potential losses, minimise uncertainty in achieving its goals and objectives and maximise the opportunities to achieve its

vision. Active Life for a Healthier You is aware that some risks can never be eliminated fully, and it has in place a strategy that provides a structured, systematic, and focused approach to managing risk.

Risk management is an integral part of Active Life for a Healthier You's corporate governance arrangements and has been built into the management processes as part of the Authority's overall framework to deliver continuous improvement.

Objectives

The objectives of Active Life for a Healthier You's risk management strategy is to: -

• Raise awareness of the need for risk management.

• Minimise loss, disruption, damage, and injury and reduce the cost of risk, thereby maximising resources.

• Inform policy and decision making by identifying risks and their likely impact.

These objectives will be achieved by:

• Establishing clear roles, responsibilities, and reporting lines within Active Life's risk management

• Effective communication with, and the active involvement of operational staff

• Monitoring arrangements on an on-going basis

Responsibility for Risk Management

Active Life for a Healthier You recognises that it is the responsibility of all Directors, employees, and self-employed tutors to have regard for risk in carrying out their duties. If uncontrolled, risk can result in a drain on resources that could better be directed to deliver programmes which meet community needs.

The Directors, employees and self-employed tutors have responsibility and accountability for managing the risks within their own work areas. Employees, and self-employed tutors have a duty to work safely, avoid unnecessary waste of resources and contribute to risk management initiatives in their own area of activities. The co-operation and commitment of all employees and self-employed tutors is required to ensure that Active Life for a Healthier You's resources are not squandered as a result of uncontrolled risk.

Risks

Governance risks

Potential risk	Potential impact	Steps to mitigate risk
Active Life lacks direction, strategy, and forward planning	• Active Life drifts with no clear objectives, priorities, or plans • issues are addressed piecemeal with no strategic reference •needs of community is not fully met	• create a strategic plan which sets out the key aims, objectives, and policies • create financial plans and budgets • use job plans and targets • monitor financial and operational performance

Potential risk	Potential impact	Steps to mitigate risk
	• financial management difficulties • loss of reputation	• get feedback from participants, stakeholders and funders
Active Life Board lacks relevant skills or commitment	• Active Life fails to achieve its purpose •decisions are made bypassing the board • resentment or apathy amongst staff • poor decision making reflected in poor value for money on service delivery	• review and agree skills required • draw up competence framework and job descriptions •implement trustee training and induction • review and agree recruitment processes
Board dominated by one or two individuals, or by connected individuals	• Board cannot operate effectively as strategic body • decisions made outside of board • conflicts of interest • pursuit of personal agenda • culture of secrecy or deference • arbitrary over-riding of control mechanisms	• consider the structure of the board and its independence • agree mechanisms to manage potential conflicts of interest • review and agree recruitment and appointment processes in line with governing document • agree procedural framework for meetings and recording decisions
Board is financially benefiting from CIC	• poor reputation, morale and ethos • adverse impact on overall control environment	• ensure legal authority for payment or benefit • consider alternative staffing arrangements

Potential risk	Potential impact	Steps to mitigate risk
	• conflicts of interest • possibility of regulatory action	• implement terms and procedures to authorise/approve expenses and payments • agree procedures and methods to establish fair reimbursement of costs associated with board work for Active Life
Conflicts of interest	• Active Life is unable to pursue its own interests and agenda • decisions may not be based on relevant considerations • impact on reputation • private benefit	• agree protocol for disclosure of potential conflicts of interest • put in place procedures for standing down on certain decisions • review recruitment and selection processes
Ineffective organisational structure	• lack of information flow and poor decision making procedures • remoteness from operational activities • uncertainty as to roles and duties • decisions made at inappropriate level or excessive bureaucracy	• use organisation chart to create a clear understanding of roles and duties • delegation and monitoring should be consistent with good practice and constitutional or legal requirements • review structure and the need for constitutional change
Activities potentially outside of articles	• loss of funds available for beneficiary class • liabilities to repay funders • loss of funder confidence	• agree protocol for reviewing new projects to ensure consistency with objects, powers and terms of funding

Potential risk	Potential impact	Steps to mitigate risk
	• potential breach of trust and regulatory action • loss of beneficiary confidence • taxation implications (if non-qualifying expenditure)	• create financial systems to identify restricted funds and their application
Loss of key staff	• experience or skills lost • operational impact on key projects and priorities • loss of contact base and corporate knowledge	• succession planning • document systems, plans and projects • implement training programmes • agree notice periods and handovers • review and agree recruitment processes
Reporting to board (accuracy, timeliness and relevance)	• inadequate information resulting in poor quality decision making • failure of board to fulfil their control functions • board becomes remote and ill informed	• put in place proper strategic planning, objective setting and budgeting processes • timely and accurate project reporting • timely and accurate financial reporting • assess and review projects and authorisation procedures • have regular contact between board, senior staff and managers

Operational risks

Potential risk	Potential impact	Steps to mitigate risk
Contract risk	• onerous terms and conditions • liabilities for non performance • non-compliance with Active Life's articles • unplanned subsidy of public provision	• create cost/project appraisal procedures • agree authorisation procedures • get professional advice on terms and conditions • put in place performance monitoring arrangements • consider insurable risks cover
Service provision - customer satisfaction	• community complaints • loss of fee income • loss of significant contracts or claims under contract • negligence claims • reputational risks	• agree quality control procedures • implement complaints procedures • benchmark services and implement complaints review procedures
Project or service development	• compatibility with objects, plans and priorities • funding and financial viability • project viability • skills availability	• appraise project, budgeting and costing procedures • review authorisation procedures • review monitoring and reporting procedures
Competition from similar organisations	• loss of contract income • reduced fund-raising potential • reduced public profile • profitability of trading activities	• monitor and assess performance and quality of service • review market and methods of service delivery • agree fund-raising strategy

Potential risk	Potential impact	Steps to mitigate risk
		• ensure regular contact with funders • monitor public awareness and profile of charity
Capacity and use of resources including tangible fixed assets	• under-utilised or lack of building/office space • plant and equipment obsolescence impacting on operational performance • mismatch between staff allocations and key objectives • spare capacity not being utilised or turned to account	• agree building and plant inspection programme • agree repair and maintenance programme • agree capital expenditure budgets • undertake efficiency review
Security of assets	• loss or damage • theft of assets • infringements of intellectual property rights	• review security arrangements • create asset register and inspection programme • agree facility management arrangements • have safe custody arrangements for title documents and land registration • manage use of patent and intellectual property • review insurance cover
Employment issues/self employment tutor issues	• employment disputes • health and safety issues • claims for injury, stress, harassment, unfair dismissal	• review recruitment processes • agree reference and qualification checking procedures, job descriptions, contracts of employment, appraisals and feedback procedures

Potential risk	Potential impact	Steps to mitigate risk
	• equal opportunity and diversity issues • adequacy of staff training • child protection issues • low morale • abuse of vulnerable beneficiaries	• implement job training and development where applicable • implement health and safety training and monitoring • be aware of employment law requirements • implement staff vetting and legal requirements (eg DBS checks) • agree a whistle-blowing policy • Ensure all staff have signed tutor agreement
High staff turnover	• loss of experience or key technical skills • recruitment costs and lead time • training costs • operational impact on staff morale and service delivery	• review interview and assessment processes • agree fair and open competition appointment for key posts • agree job descriptions and performance appraisal and feedback systems • conduct 'exit' interviews • review rates of pay, training, working conditions, job satisfaction • Ensure staff have understood and signed tutor agreements
Volunteers	• lack of competences, training and support • poor service for beneficiaries	• review and agree role, competencies • review and agree vetting procedures • review and agree training and supervision

Potential risk	Potential impact	Steps to mitigate risk
	• inadequate vetting and reference procedures • recruitment and dependency	procedures • agree development and motivation initiatives
Health, safety and environment	• staff injury • product or service liability • ability to operate (see Compliance risks) • injury to beneficiaries and the public	• comply with law and regulation • train staff and compliance officer • put in place monitoring and reporting procedures
Disaster recovery and planning	• computer system failures or loss of data • destruction of property, equipment, records through fire, flood or similar damage	• agree IT recovery plan • implement data back up procedures and security measures • review insurance cover • create disaster recovery plan including alternative accommodation
Procedural and systems documentation	• lack of awareness of procedures and policies • actions taken without proper authority	• properly document policies and procedures • audit and review of systems
Information technology	• systems fail to meet operational need	• appraise system needs and options • appraise security and authorisation procedures

Potential risk	Potential impact	Steps to mitigate risk
	• failure to innovate or update systems • loss/corruption of data eg donor base • lack of technical support • breach of GDPR law	• implement measures to secure and protect data • agree implementation and development procedures • use service and support contracts • create disaster recovery procedures • consider outsourcing • review insurance cover for any insurable loss

Financial risks

Potential risk	Potential impact	Steps to mitigate risk
Budgetary control and financial reporting	• budget does not match key objectives and priorities • decisions made on inaccurate financial projections or reporting • decisions made based on unreliable costing data or income projections • inability to meet commitments or key objectives • poor credit control • poor cash flow and treasury management	• link budgets to business planning and objectives • monitor and report in a timely and accurate way • use proper costing procedures for product or service delivery • ensure adequate skills base to produce and interpret budgetary and financial reports • agree procedures to review and action budget/cash flow variances and monitor and control costs • regularly review reserves and investments

Potential risk	Potential impact	Steps to mitigate risk
	• ability to function as going concern	
Reserves policies	• lack of funds or liquidity to respond to new needs or requirements • inability to meet commitments or planned objectives • reputational risks if policy cannot be justified	• link reserves policy to business plans, activities and identified financial and operating risk • regularly review reserves policy and reserve levels
Cash flow sensitivities	• inability to meet commitments • lack of liquidity to cover variance in costs • impact on operational activities	• ensure adequate cash flow projections (prudence of assumptions) • identify major sensitivities • ensure adequate information flow from operational managers • monitor arrangements and reporting
Dependency on income sources	• cash flow and budget impact of loss of income source	• identify major dependencies • implement adequate reserves policy • consider diversification plans
Pricing policy	• reliance on subsidy funding • unplanned loss from pricing errors	• ensure accurate costing of services and contracts • compare with other service providers • notify and agree price variations with funders

Potential risk	Potential impact	Steps to mitigate risk
	• cash flow impact on other activities • loss of contracts if uncompetitive • affordability of services to beneficiary class	• monitor funder satisfaction • develop pricing policy for activities including terms of settlement and discounts
Pension commitments	• under-funded defined benefit scheme • impact on future cash flows • failure to meet due dates of payment • regulatory action or fines	• use actuarial valuations • review pension scheme arrangements (eg money purchase schemes) • review procedures for admission to scheme and controls over pension administration
Fraud or error	• financial loss • reputational risk • loss of staff morale • regulatory action • impact on funding	• review financial control procedures • segregate duties • set authorisation limits • agree whistle-blowing anti fraud policy • review security of assets • identify insurable risks
Counter party risk	• financial loss • disruption to activities or operations	• research counter party's financial sustainability • contractual agreement • consider staged payments • agree performance measures • monitor and review investments

Potential risk	Potential impact	Steps to mitigate risk
		• establish monitoring and review arrangements where counter party is the charity's agent ('conduit funding' arrangements

Environmental or external factors

Potential risk	Potential impact	Steps to mitigate risk
Public perception	• impact on voluntary income • impact on use of services by communities • ability to access grants or contract funding	• communicate with supporters and beneficiaries • ensure good quality reporting of the charity's activities and financial situation • implement public relations training/procedures
Adverse publicity	• loss of community confidence or attendance at sessions • loss of influence	• implement complaints procedures (both internal and external) • agree proper review procedures for complaints • agree a crisis management strategy for handling -

Potential risk	Potential impact	Steps to mitigate risk
	• impact on morale of staff • loss of beneficiary confidence	including consistency of key messages and a nominated spokesperson
Relationship with funders	• deterioration in relationship may impact on funding and support available	• ensure regular contact and briefings to major funders • report fully on projects • meet funders' terms and conditions
Demographic consideration	• impact of demographic distribution of donors or beneficiaries • increasing or decreasing beneficiary class • increasing or decreasing donor class	• profile donor base • profile and understand beneficiary needs • use actuarial analysis to establish future funding requirements
Government policy	• availability of contract and grant funding • impact of tax regime on voluntary giving • impact of general legislation or regulation on activities undertaken • role of voluntary sector	• monitor proposed legal and regulatory changes • consider membership of appropriate umbrella bodies

Compliance risk (law and regulation)

Potential risk	Potential impact	Steps to mitigate risk
Compliance with legislation and regulations appropriate to the activities, status of Active Life	• employee or consumer action for negligence • reputational risks	• identify key legal and regulatory requirements • allocate responsibility for key compliance procedures • put in place compliance monitoring and reporting • prepare for compliance visits • obtain compliance reports from regulators (where appropriate) - auditors and staff to consider and action at appropriate level
Regulatory reporting requirements:	• regulatory action • reputational risks • impact on funding	• review and agree compliance procedures and allocation of staff responsibilities
Taxation	• penalties, interest and 'back duty' assessments • loss of income eg failure to utilise gift aid arrangements • loss of mandatory or discretionary rate relief • failure to utilise tax exemptions and reliefs	• review PAYE compliance procedures • review VAT procedures • file timely tax returns • understand exemptions and reliefs available (direct tax and VAT) • take advice on employment status and contract terms and tax • implement budget and financial reporting identifying trading receipts, and tax recoveries Jennie Can you confirm/re-write this section

Project Risk

Potential risk	Potential impact	Steps to mitigate risk
Non compliance of project outcomes	• Blah • reputational risks	• Blah • Blah
Management of funding finance	• Blah • reputational risks • impact on future funding applications	• review and agree compliance procedures and allocation of staff responsibilities • Blah