Manor House Development Trust (MHDT)
Risk Management Policy

1. What is Risk?

1.1 Risk can be defined as the effects of uncertainty on achieving objectives.

1.2 Risk Management is aimed at minimising these effects.

1.3 An organisation's objectives are most often set out in its Business Plan. Such plans not only include the objectives but also the method to be adopted in delivering these objectives. Both these aspects should be assessed for risks.

2. Types of Risk

2.1 Risks may also be categorised into two types:

2.1.1 **Strategic (External)** – these are generally external factors and are, therefore, beyond an organisation's control e.g. the prevailing economic climate

2.1.2 **Operational (Internal)** – those which arise from within and are, therefore, easier to assess and address, e.g. poor financial controls.

2.2 These risks can be categorised by their likelihood and severity. Risk assessments concentrate on the greatest risks to an organisation. The scale of any risk is a product these two factors.

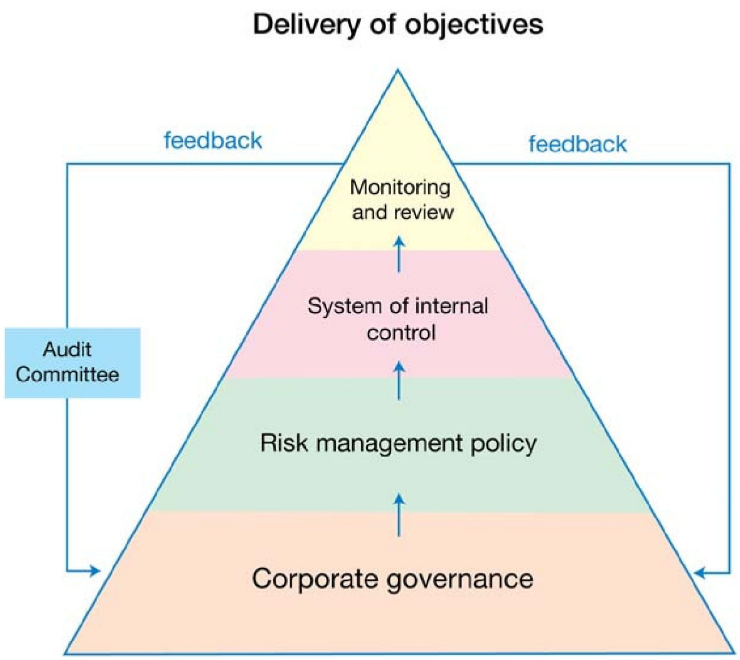
3. Timing

3.1 Undertaking a risk assessment, identifying suitable measures and putting these in place is usually undertaken once an organisation is finalising its Business Plan and other processes/structures. This is because if it is carried out:

- Too early the risks that may be identified will be too generic, making effective measures difficult to define.
- At the very end the opportunity for the risk assessment to influence the Business
- Plan and processes and structures is lost.

4. Role of Management

4.1 The role of risk management is identified in the following diagram. This shows that the corporate governance as encapsulated within the Business Plan and the Articles and Memorandum of Association underpins the development of the Risk Management Policy. This is monitored and reviewed regularly via a system of internal controls. This is usually the responsibility of the Board, but delegated to a sub- committee e.g. finance and audit committee – to ensure that the time required for effective consideration and management of risk is enabled by the organisational structure. The risk register records the risks identified and acts as the monitoring tool by the Board and any sub-committees established.



5. Appetite for Risk

5.1 An organisation's approach to tackling risk may be set out in its risk management policy. Some organisations are much more comfortable with dealing with risks than others. For example, government departments and Councils are much less happy and confident in dealing with risk than those who successfully set up new ventures.

5.2 Organisations vary in the types of risks they are most comfortable with. One might expect a bank to be happier dealing with financial risks whilst a community-based organisation might be happier with risks arising through community consultation and engagement.

6. Categories of Risk

6.1 The following table starts to identify some key sources of risk examples. These need to be considered by the Board to identify where they feel that the risks exist at the current time and in 5 and 10 years' time (short, medium and long term risks). This needs to be undertaken on a regular basis. The Board should consider its risk management register at least quarterly and should undertake a full review on an annual basis.

	Sources of risk	Risk examples
STRATEGIC	Governance	Failing to meet requirements of the Charity Commission or Companies House
	Legislative	Effects of change of government policy, UK or EC legislation, national or local political pressures or control, meeting the administration's manifesto commitments
	Social factors	Effects of changes in demographic, residential and social trends on ability to deliver objectives
	Competition & markets	Affecting the competitiveness (cost & quality) of the service &/or ability to deliver Best Value and general market effectiveness
	Stakeholder-related factors	Satisfaction of: citizens, users, central and regional government and other stakeholders
	Environmental	Environmental consequences of progressing strategic objectives (e.g. in terms of energy efficiency, pollution, recycling emissions etc.)
OPERATIONAL	Finance	Associated with accounting and reporting, internal financial delegation and control, e.g. schools finance, managing revenue and capital resources, neighbourhood renewal funding taxation, pensions
	Human resources	Recruiting and retaining appropriate staff and applying and developing skills in accordance with corporate objectives, employment policies, health & safety, and absence rates.
	Contracts & partnerships	Failure of contractors to deliver services or products to the agreed cost & specification. Procurement, contract and relationship management. Overall partnership arrangements, e.g. for pooled budgets or community safety. PFI, LSVT and regeneration.
	Tangible assets	Security of land and buildings, safety of plant and equipment, control of IT hardware.
	Environmental	Relating to pollution, noise or the energy efficiency of on-going operations
	Processes	Infection control, inspection compliance, project management, performance management, benefits system, environmental management system (EMS).
	Professional judgement & activities	Risks inherent in professional work, such as assessing patients' welfare or designing buildings or teaching vulnerable children, response to the Human Rights Act.