Alexandra Palace

Appendix 1

Risk Management Policy	**Date Approved:** **FRAC – 3 October 2017** **APPCT – 2 November 2017**
	Issue Date:
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1. Introduction

Risk is a function of the uncertainty of outcomes. It can be defined as:

"Any action or event yet to happen that may affect the achievement of Alexandra Park and Palace Charitable Trust's (APPCT's) aims and objectives".

This policy addresses risks that may have a negative impact on, or create a threat to, the successful delivery of any of APPCT's aims and objectives.

2. Background

Risk management describes the processes, techniques and behaviours that are used actively to identify and manage risks against objectives and targets.

Risks are identified under five principal headings:

- Strategic
- Financial
- Legal
- Reputational
- Operational

Risk management is only effective when delivered on a day-to-day basis and where every APPCT colleague understands, embraces and incorporates the management process into their daily working practices.

3. Policy

APPCT's Risk Management Policy is to minimise the possibility that its charitable purposes are not delivered and, to that end, to manage risk to a level that is acceptable to the Board. The level of risk acceptable to the Board is set out in the Board Risk Appetite Statement.

The identification and management of risk is principally the responsibility of the Executive Team. Management of risk is monitored by the Board (through its Finance, Risk and Audit Committee (FRAC)) and independently reviewed and tested by the internal and external audit teams.

Risk is managed through a continuous process of identifying, analysing, responding to and monitoring risks and opportunities within APPCT's internal and external environment at all levels within the organisation. At every level each risk identified has an owner who is responsible for selecting and implementing an appropriate risk management response in accordance with the policy.

Each risk owner will report to FRAC on an annual basis to provide an informative response regarding their risk area.

4. Application of Effective Risk Management – Critical Success Factors

APPCT is striving to achieve good practices in the identification, assessment and cost effective control of risks, in order to ensure that they are eliminated where possible, reduced to an acceptable level or managed and contained within the risk appetite of the Board.

Essential elements in the delivery of an effective risk management framework are that:

- financial, operational and management systems support the management of risks that threaten the achievement of business or charitable targets and strategic objectives;
- the executive management team has sufficient knowledge of the range and level of risk exposure that they have to manage;
- all employees share an appropriate understanding of risks and priorities which will be achieved through training all current staff and included in induction training for new staff;
- all employees understand and commit to the risk management policy and procedure which employees will be required to sign during the induction implementation process as part of the HR Audit;
- our exposure to risk is managed effectively by the implementation of cost effective internal controls and action plans where appropriate;
- a programme of regular risk review and reporting is in place; and
- the policy and procedure is reviewed on an annual basis

5. Accountability and Responsibility

All staff are responsible for the management of risk in their working environment and in relation to their business and charitable objectives. There are also specific responsibilities and accountabilities for the maintenance of an effective risk management framework as set out in Table 1 below:

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Table 1 - Risk Management Framework

Owner	Responsibility
APPCT Board	• Requires assurance from the CEO that a framework for effective risk management is in place • Endorses the Risk Management Policy and Procedures • Establishes and reviews the risk appetite of the Board as part of the strategic planning process • Reviews and comments on residual risk and the effectiveness of the risk management framework on a quarterly basis, or on an exception basis as required
Finance Risk & Audit Committee (FRAC)	• Reviews the adequacy and effectiveness of the overall arrangements put in place by management to manage fraud, financial and non-financial risk • Reviews the annual statement on internal control in the Annual Accounts • Monitors the effectiveness of risk assessment, risk management strategies and internal control processes • Makes recommendations and provides assurance to the Board on the level of residual risk and effectiveness of the risk management and corporate governance framework
CEO	• Accepts overall responsibility for risk management and for maintaining a sound system of internal control that supports APPCT's objectives • Sets the tone and influences the culture of risk management across the charity
Finance Director/Company Secretary	• Proposes the policy and strategy for risk management within APPCT • Determines the criteria for risk profiling and prioritising • Sets the tone and influences the culture of risk management across the charity • Ensures that internal controls are in place and reviewed to mitigate the key risks identified • Provides assurance regarding the system of internal control and risk management that is reported on in the Statement on Internal Control that is included within the Annual Report and Accounts
Executive Team and Senior Management	• Implements the policy as endorsed by the Board • Monitors and manages risks in accordance with the policy • Actively participates in an annual review of the policy and procedures considering whether risk management continues to be linked to the achievement of the business targets and strategic objectives, as well as the overall effectiveness of and approach to risk management • Actively participates in an annual review of the policy and procedures, achievement of the business targets and strategic objectives, as well as the overall effectiveness of and approach to risk management • Identifies key risks to projects, programmes and activities linked to the business targets and strategic objectives, as an integral part of effective management and
Risk Owner	• Every risk has a named "owner", who has principal responsibility for monitoring and management of the individual risk and for the delivery of any associated actions within the agreed target date

6. Identifying and Recording Risk

The Strategic Risk Register is an integral part of the process of managing risk and is used to:

- record risks as they arise from the management risk review process and correlate these to strategic objectives where appropriate
- express risks in terms of probability, impact and consequence
- rank risks in order that they may be prioritised for action
- identify and report high priority risks in a meaningful manner to permit better informed decisions

Once a risk has been identified it is mapped, in that the source and consequence of the risk are identified and considered.

The risk is allocated a score for Likelihood of Occurrence (a) and for Severity of Impact (b), by using the APPCT matrix set out in the Key to the Risk Register. Risk is initially scored before taking account of any mitigation provided by internal controls.

The product of these factors (a x b) generates an initial score for the Untreated Risk. Internal Controls and other mitigating factors are then taken into account before assessing the Residual Risk.

A risk cannot be deleted from the risk register or altered without the sanction of the CEO. All movements for recorded risks are logged to maintain a clear audit trail of changes in risk status or the retirement of risks.

Risks are reviewed by the Finance Risk and Audit Committee at each meeting and any significant changes to operations or direction are approved by the Board. The Board reviews the Risk Register on an annual basis, unless there are significant change to be reported to the Board. However, it is important to note that should a risk require urgent escalation, it is the responsibility of the risk owner, or the employee who has identified the risk, to inform the CEO immediately, rather than waiting for the next formal review. The CEO will then take appropriate action.

7. Likelihood of Occurrence

The assessment of the probability that a risk may occur is partly subjective but is based on observation of comparable circumstances and experience within the relevant area of activity both within APPCT and from wider industry knowledge. Likelihood of occurrence is looked at on a 10-year time frame (which matches the framework of APPCT's long term planning) and from this the probability that the risk will occur in any one year is estimated ("annual probability"). The outcome is measured on a scale from 1 to 10, where "10" is near certainty that a risk will occur within a stated time frame.

8. Severity of Impact

The assessment of severity of impact also has subjective elements and frequently cannot be measured accurately, particularly in terms of financial impact. It is, however, an objective of the process of risk management to identify those risks that, if they were to arise, would have an impact of sufficient severity to require active management and control. Severity is measured on a scale from 1 to 10 where 1 would have a negligible impact but 10 would threaten the viability of a major activity or of APPCT as a whole.

Where possible, an estimated range of financial cost is assigned to each level of severity to provide context for the assessment of the severity of each risk and the organisation's risk appetite.

Risk is initially scored before taking account of any mitigation provided by internal controls. This is achieved by taking the product of the above factors ("x" x "y") to generate an initial score for the Untreated Risk. In order to interpret the score so that it can be measured against APPCT's risk appetite, the financial implications of the score are estimated by multiplying the financial cost attributed to the risk by its annual probability. Internal Controls and other mitigating factors are then taken into account before assessing the Residual Risk. There is likely to be a high degree of subjectivity in assessing the impact of mitigation.

9. Risk Appetite and Board Reporting

The level of risk acceptable to the Board is set out in the Board Risk Appetite Statement which is reviewed annually.

The Board may be prepared to accept a significant degree of risk in some strategic activities but have a low appetite in other areas such as compliance, reserves, operational efficiency and reputation.

The Board requires the significant, high level risk areas to be regularly reported to them regardless of appetite. Lower level risk areas, typically in operational areas directly supervised by management, will only be reported to the Board on an exceptional basis where the Residual Risk exceeds the stated Risk Appetite for the Board.

The Board delegates the supervision and review of the risk management framework to FRAC and requires an annual report to provide assurance on the effectiveness of the framework.

10. Risk Treatment

Once the Residual Risk has been established, further action may be required to "treat" the risk and ensure the Residual Risk is reduced in line with the requirements of the Policy. The treatment of risk involves one or more of the following:

Tolerate	Accept the risk without any further action being taken The cost of taking action may be disproportionate to the potential benefit gained, and the ability to take action against certain risks may be limited This treatment may include no action being taken at all, or no further action being taken in addition to existing internal controls or contingency plans which may be in
Treat	Take action to constrain and/or limit the risk to an acceptable level by means of the implementation of internal controls and/or contingency plans
Transfer	Mitigate the risk by transferring to a third party, e.g., insurance or the utilisation of specialised third parties who may be more capable of effectively managing the risk
Terminate	Some risks will only be treatable or containable to acceptable levels by terminating the activity that gives rise to the risk