



# West Somerset Railway Association

The Railway Station, Bishops Lydeard TA4 3 BX

## WSRA POLICY NO M3: Risk Management Policy Guidance

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Trustees should review the risks that the charity faces on a regular basis. By managing risk effectively, trustees can help ensure that:

- significant risks are known and monitored, enabling trustees to make informed decisions and take timely action
- the charity makes the most of opportunities and develops them with the confidence that any risks will be managed
- forward and strategic planning are improved
- the charity's aims are achieved more successfully

The following are categories of risk that should be considered by the Trustees of the WSRA:

### **Governance risks**

- inappropriate organisational structure and sub-structure
- trustee body lacks relevant skills or commitment
- conflicts of interest

### **Operational risks generally and particularly in relation to the Steam Rally**

- lack of safety
- sufficiently experienced key staff and volunteers
- poor staff and volunteer training
- availability of staff and volunteers

### **Financial risks**

- inaccurate and/or insufficient financial information
- inadequate reserves and cash flow
- dependency on limited income sources
- inadequate investment management policies
- insufficient insurance cover
- declining membership

### **External risks**

- poor public perception and reputation
- demographic changes such as an increase in the size of beneficiary group
- turbulent economic environment

### **Compliance with law and regulation**

- acting in breach of trust
- poor knowledge of the legal responsibilities such as diversity, data protection etc
- poor knowledge of regulatory requirements of particular activities such as the Steam Rally

Charities that are required to be audited are under a legal requirement to have their accounts audited must make a risk management statement in their trustees' annual report.

Statutory audit threshold is currently set for charities with an annual income of over £500,000. Smaller charities have no obligation however the Charity Commission consider risk assessments good practice. Even where legally required the risk assessment does not need to be audited.

### **The risk management statement**

Who is responsible for risk management in a charity?

The responsibility for the management and control of a charity rests with the trustee body and therefore their involvement in the key aspects of the risk management process is essential, particularly in setting the parameters of the process and reviewing and considering the results. The trustees should delegate elements of the risk management process to staff or volunteers with adequate experience and skill set. The trustees should review and consider the key aspects of the process and results such that they can make the required risk management statement with reasonable confidence.

### **What does the risk management statement need to cover?**

The purpose of the risk management statement is to give readers of the trustees' annual report an insight into how the charity handles risk and an understanding of the major risks the charity is exposed to. It is also an opportunity for the trustees to comment on any further developments of risk management procedures being undertaken or planned.

A narrative style that addresses the key aspects of the requirements is acceptable. This means:

- an acknowledgement of the trustees' responsibility
- an overview of the risk identification process
- an indication that major risks identified have been reviewed or assessed
- confirmation that control systems have been established to manage those risks

Trustees need to establish a Risk Management policy using the following model:

- Establishing a risk policy
- Identifying risks
- Assessing risks
- Evaluating what action needs to be taken on risks
- Periodic monitoring and assessment

While there is no requirement or obligation for trustees to adopt any particular model, having a rigorous process and a clear risk management policy helps ensure that:

- the identification, assessment and management of risk is linked to the achievement of the charity's objectives
- all areas of risk are covered - for example, financial, governance, operational and reputational
- a risk exposure profile can be created that reflects the trustees' views as to what levels of risk are acceptable
- the principal results of risk identification, evaluation and management are reviewed and considered
- risk management is ongoing and embedded in management and operational procedures

### **Identifying risks**

The identification of risks is best done by involving those with a detailed knowledge of the way the charity operates. The process include should include:

- the charity's objectives, mission and strategy
- the nature and scale of the charity's activities
- the outcomes that need to be achieved
- external factors that might affect the charity such as legislation and regulation
- the charity's reputation with its major funders and supporters
- past mistakes and problems that the charity has faced
- the operating structure
- comparison with other charities working in the same area or of similar size

Where the charity conducts some of its activities assisting the operating company of the West Somerset Railway great care should be taken to ensure that the support provided meets the charitable objectives of the charity.

There are a number of models or frameworks that provide a classification of the type of risk to which an organisation can be exposed. Most models can be adapted to fit the charitable sector.

Annex 2 of the Government Guidance sets out one possible framework, looking at risk across the following categories:

- governance
- operational risk
- finance risk
- environmental and external risk
- law and regulation compliance risk

It is important to appreciate that the process of risk identification must be charity specific to the WSRA reflecting the activities, structure and environment in which it operates.

Similarly, although the process of risk identification should be undertaken with care, the analysis will contain some subjective judgements - no process is capable of identifying all possible risks that may arise. The process can only provide reasonable assurance to trustees that all relevant risks have been identified.

Policy Author	Diana Ricketts-Tanner (Trustee)
Date confirmed by WSRA Board	16 <sup>th</sup> August 2022
Date Implemented	17 <sup>th</sup> August 2022
Review Interval	Annually
Next Review Due	August 2023