



Parry Family Charitable Foundation®

Risk Management Policy ©

19 October 2015

Reviewed & Updated 15 Nov 2022

Date of constitution: 24 October 2014

Charity registered in England and Wales No. 1159701

1. Overview

This Risk Management Policy is significantly informed by the objectives, strategy, structure and nature of the Foundation.

In developing this policy, the Charity Commission's advice contained in "Charities and Risk Management (CC26)" together with the relevant regulations set out in Charities (accounts and reports) Regulations 2008 have been consulted.

Important considerations are the trustees' views of how the Foundation will operate for the foreseeable future (medium term plan) including to:

- have no staff.
- not actively fund raise but rely upon donations from the trustees, family and friends.
- only approve grants that are backed by cash deposits or readily realisable investments.
- invest funds in accordance with the Foundation's investment policy (see [Investment & Endowment Fund Policy & Management](#)) and hold cash at the Foundation's bank and/or stock brokers.

2. Legal & Regulatory Requirements

- The trustees are responsible for the risk management of a charity.
- The Foundation must comply with the Charities Act 2011
- The Trustees Annual Report & Accounts comply with SORPS and FRS102 relevant to UK charities. Regulations set out by the Charity Commission are complied with and best practice guidance issued by them is an important element in shaping policy across all aspects of running the charity. The regulation dealing with risk is set out in Charities (accounts and reports) Regulations 2008.

- ❑ Under current law and regulation, the size and status of the Foundation removes the requirement to produce a Risk Management Policy and enclose a statement in its Annual Return. However Trustees consider it good practice to have a Risk Management Policy supported by effective operational risk procedures. Therefore they have elected to have a risk policy and as appropriate make suitable declarations in the Annual Return.

3. Managing & Dealing with Risk

- ❑ The trustees have undertaken a risk assessment taking into account the following:
 - Constitution and in particular the Foundation's powers and scope of activities.
 - the Foundation's medium term plans (next five years on a rolling basis).
 - decisions taken by trustees about how the Foundation will operationally deliver its objectives and strategy including having no staff and constraining the breadth of activities.
 - helicopter view of the Foundation's approach and operations given the limited appropriate benchmarking.
 - risks are neither static nor mutually exclusive and therefore an assessment of volatility has been embraced.
- ❑ Use has been made of appropriate evaluation matrices (see table 3)
- ❑ The majority of risks cannot be eliminated nor their nature influenced. However it is prudent to understand the risks and put in place procedures to manage them focusing on reducing the probability of occurrence and severity of impact. Additionally procedures, where possible, have been developed to deal with and mitigate the impact from risks that materialise.
- ❑ Some risks that would normally confront many charities do not arise because they do not form part of the Foundation's

operational activities e.g. trading. Other operations which are within the Constitution powers do not currently arise because the decision has been taken to defer taking up such opportunities e.g. fund raising. If the trustees in the future decide to make use of these powers the risks will be assessed.

- Dealing with residual risk through insurance or offloading to a third party have been considered but rejected. The assessment of risk against reward is a key consideration. For example, retaining investment managers can be expensive and given these skills exist within the trustees, it was decided to manage the Expendable Endowment Fund internally. These arrangements will be reviewed regularly.
- Three key risks that would have the greatest impact on the Foundation are part of the fabric of being a grant making charity namely:
 - changes in law and regulation particularly concerning the tax advantages afforded to charities. For the trustees' approach on this risk see Table 2: Risk Areas.
 - world events that have a direct impact on the investment environment. See both tables 1 & 2 for the trustees' assessment.
 - reputational risk which could be occasioned by the grants made going to a charity or good cause that subsequently is proven to have acted in an unacceptable/illegal way. This is always a risk. The trustees employ a rigorous process in assessing applications and in most cases only make grants against identifiable projects/activities. Reputational risk by association can never be eliminated but our processes to scrutinise applications are robust.
- There is the risk flowing from dependency on key trustees to effectively manage the Foundation. There are challenges about succession and number of trustees to embrace both the governance and management of the Foundation

- ❑ Although donations currently come exclusively from trustees, the constitution gives much wider powers to raise funds and although this option is not ruled out it is unlikely to be triggered in the short term. The trustees have left in their wills substantial legacies to the Foundation. It is possible that annual donations may not keep pace with the trustees' aspirations for building a robust Expendable Endowment Fund and undertaking a meaningful grant programme. This does not present any commitment risk but would mean a repositioning of the annual grant programme and scale of the Foundation's operation. No binding commitment to any grant is made unless there is cash available or the option to realise investments without financially destabilising the Foundation.
- ❑ The Risk Management Policy is a living document and will be reviewed regularly or when triggered because of a change in powers or operational activity.

4. Policy Documents & Charity Commission Guidance

- ❑ The Charity Commission publishes guidance and best practice across a wide range of activities impacting charity governance and management. The trustees regularly review this body of work and adopt in whole or part as they judge appropriate. Some policies are not embraced because the nature of the Foundation's current/medium term approach as a grant making charity means they are not relevant. However as the Foundation grows such policies could become pertinent.
- ❑ Because the Foundation has no employees or volunteers and does not deal directly with the public some policies do not apply.
- ❑ The trustees have decided not have detailed policy documents in the following areas
 - Health & Safety - we don't employ staff and we don't use any premises for activities for the public.

- **Safeguarding** - we don't work directly with children or vulnerable adults
- **Reserves Policy** - the way the Foundation is run means that a reserve policy to underpin continuation of the charity's operation does not apply. There are no fixed operating costs and grants are only made when there is the available cash and/or easily realisable investments available at no or marginal penalty. The position is reviewed annually and the position stated in the Trustees Annual Report & Accounts.
- **Equality, Diversity and Inclusion**. This is being kept under review.
- **Complaints Procedure** - no staff, volunteers or direct contact with the public. Theoretical possibility of complaints exists but is remote however the trustees will keep this situation under review.
- **Financial Controls** - much of the guidance note does not apply because nothing is outsourced. There are checks and balances in place particularly surrounding the operation of the Foundation's bank account. All information on investments and accounting transactions are held in the cloud on line and available to all trustees. There are issues about risks of lack of cover for tasks and succession planning dealt elsewhere in this policy note. Our Independent Examiner scrutinises all our financials transactions.
- ☐ Trustees take the view that although we don't have certain policies their absence creates no additional risk currently but the situation is reviewed annually and as events may dictate.

5. Lead Manager

- ☐ Trustees have the ultimate responsibility for risk management and will review procedures and risk assessment at least annually.

- ❑ It has been decided to appoint a trustee as the lead manager dealing with risk management. Trustees will review this position regularly.
- ❑ The current lead manager is trustee **David Parry**.

6. Risk Management Statement

- ❑ Trustees acknowledge their responsibility for the management and control of the charity including the risk management process
- ❑ The process and approach to risk management is set out in this policy document
- ❑ Major risks have been assessed or reviewed both from a structural and an event triggered stance
- ❑ The Foundation has a robust control system in place to manage risk
- ❑ Overall, the nature and operation of the Foundation mean that risks are low. The biggest risk is having the people over the long term with the right skills, experience and commitment to govern and manage the Foundation. This risk is being addressed. The second biggest threat is the ability to continue with a meaningful annual grant budget because donations reduce/stop and/or investment returns are poor. However such financial risks will not stop the Foundation being operational but may reduce the scale of the operation. In most probable scenarios these conditions would result in a temporary slowing of activity.

7. Tables

- ❑ Table 1: Risk Register. An output from the Risk Areas assessment, this table records identified risk challenges.
- ❑ Table 2: Risk Areas. This table is the current assessment of risk areas across the Foundation's constitution and operations

taking into account the plans over the medium term (c. next 5 years)

- **Table 3: Matrices used to size risk element**

Table 1: Risk Register

Date Last Reviewed

15 Nov 22

| Risk Headings | Risk ID 1 | Risk ID 2 | Risk ID 3 |
|--------------------------|--|--|--|
| Risk Description | Security of Cash & Investments | Poor Return on Investments | over dependence on few key trustees |
| Likelihood of occurrence | possible | possible | probable |
| Impact Severity | significant | moderate | moderate in the short term but longer term is significant |
| Gross Risk | medium | medium | high/medium |
| Controls | <ol style="list-style-type: none"> 1. investment policy set by trustees 2.annual trustee review 3.cash held by bank and/or broker kept at or below FSCS max unless approved by trustees 4.All investments made through a UK based stock broker supervised by UK authorities and using a nominee account approach for client funds 5. Invest in Investment Trusts, ETFs or similar shares quoted on recognised stock exchanges 6.Invest in Unit Trusts, OEICS or similar registered and supervised by UK or EU authorities 7. Investments outside 5 & 6 above must be approved by trustees | <ol style="list-style-type: none"> 1. investment policy set by trustees 2. annual trustee review 3.investment portfolio with a low/moderate risk profile through major use of pooled funds with a broad geographical spread 4. limited impact on grant programme which is based on available funds with strict forward commitments | <ol style="list-style-type: none"> 1. detailed procedures 2. annual review by trustees |
| Volatility | low | medium | medium |
| Net Risk | low | low | high- long term/low-short term |

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|-------------------------------|---|---|--|
| Monitoring | 1.annual trustee review 2.trustees have full access to all investment and banking records through a cloud based facility | | 1.annual trustee review |
| Lead Responsibility | Treasurer Trustee | Treasurer Trustee | Chairman |
| Trustee Responsibility | yes | yes | yes |
| Action | 1. annual review by trustees 2.annual sign-off of Annual Report & Accounts 3. any trustee can call a review meeting at any time | 1. annual review by trustees 2.annual sign-off of Annual Report & Accounts 3. any trustee can call a review meeting at any time | 1. trustee training to have two trustees competent in key functions. Widen the skills and knowledge of existing trustees 2. ensure procedures are adequate 3. annual review by trustees taking account of increasing size and complexity of the Foundation 4. programme led by chairman to form a "Friends" group whose members would support activities. 5. programme to recruit new trustees |
| Review date | Annually | Annually | Annually |

Table 2: Risk Areas

Date Last Reviewed

15 Nov 22

| ID | Risk Category | Risk potential | Impact | Actions | Risk Register |
|----|---------------|---|--|---|---------------|
| 1 | governance | trustee body lacks skills or commitment | <ol style="list-style-type: none"> 1. poor decision making 2. poor value for money | <ol style="list-style-type: none"> 1. trustees appointed for fixed terms 2. annual review of trustee performance and future commitment 3. detailed procedures to aid trustees 4. fall back in some areas to outsource | no |
| 2 | governance | over dependence on few key trustees | <ol style="list-style-type: none"> 1. continuity undermined if trustees leave or are unable to undertake tasks 2. leading to compliance, performance and organisational issues | <ol style="list-style-type: none"> 1. detailed procedures 2. training of trustees to achieve two trained trustees for all key functions 3. fall back position to outsource 4. use of "Friends" group 5. succession planning 6. trustee recruitment | yes |
| 3 | governance | adequate control and decision making | <ol style="list-style-type: none"> 1. no accountability 2. arbitrary decision making 3. poor value for money and Foundations objectives are bypassed | <ol style="list-style-type: none"> 1. detailed procedures 2. all policies and their updates and reviews have to be considered by trustee body 3. all grant approvals require unanimous trustee agreement 4. all records, policies and documentation available to all trustees through a cloud based arrangement 5. robust oversight by trustees across all areas | no |

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|---|-------------|---|---|---|-----|
| 4 | operational | procedure documentation | <ol style="list-style-type: none"> 1. incomplete and or inadequate procedure documentation 2. lack of awareness of policies and procedures 3. actions taken without proper authority or compliance | <ol style="list-style-type: none"> 1. detailed procedures 2. all policies and their updates and reviews have to be considered by trustee body 3. all grant approvals require unanimous trustee agreement 4. all records, policies and documentation available to all trustees through a cloud based arrangement | no |
| 5 | operational | IT | <ol style="list-style-type: none"> 1. loss of data 2. failure to innovate and have good systems to meet the Foundations challenges 3. dependency of key trustees | <ol style="list-style-type: none"> 1. use of windows systems 2. bespoke spreadsheets to meet Foundation objectives 3. trustee training for back up 4. outsourcing as fall back position 5. all records, policies and documentation available to all trustees through a cloud based arrangement | no |
| 6 | financial | Budgetary Control & Financial Reporting | <ol style="list-style-type: none"> 1. ability to function as a going concern 2. decisions made on unreliable financial data | <ol style="list-style-type: none"> 1. grant policy does not allow for unfunded future commitments 2. financial workbooks in place covering all the relevant areas 3. systems regularly reviewed and in particular annually post Annual Report & Accounts submission | no |
| 7 | financial | Investment Portfolio | <ol style="list-style-type: none"> 1. security of investment assets 2. investment performance 3. endowment fund's ability to meet grant programme 4. liquidity issues | <ol style="list-style-type: none"> 1. investment policy mitigates many of the risks through scope and nature of investments plus conduit controls, checks and balances 2. grant programme is subject to available funds and does not anticipate future funding | yes |

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|----|-----------|---------------------------|---|---|----|
| 8 | financial | Endowment Fund robustness | <ol style="list-style-type: none"> 1. sufficient size to meet grant objectives 2. poor investment portfolio performance | <ol style="list-style-type: none"> 1. investment policy that balances rewards, risks and access 2. grant programme does not lead but follow fund availability 3. medium term is focused on building the endowment fund to c. £1m based on delivering income of c4%pa. Grant programmes will therefore be based, during this period, on new donations and cash at bank. | no |
| 9 | financial | Foreign Exchange | <p>uncertainty over grant amounts when made in a foreign currency e.g. South Africa charities</p> | <ol style="list-style-type: none"> 1. low risk because forex impact and associated costs are budgeted at the time of approval 2. actual impact is crystallised at time of payment 3. grants are predominantly to UK charities paid in £ sterling | no |
| 10 | financial | fraud or error | <ol style="list-style-type: none"> 1. loss of funds 2. inappropriate grant allocation and/or use of funds | <ol style="list-style-type: none"> 1. documented procedures 2. trustee review and scrutiny 3. approved bank and investment signatories requiring two signatures in some critical areas plus leaving of a clear audit trail 4. all records, policies and documentation available to all trustees through a cloud based arrangement | no |
| 11 | external | Government Policy | <ol style="list-style-type: none"> 1. impact of tax regime including most importantly Gift Aid 2. general legislation affecting Charities | <ol style="list-style-type: none"> 1. monitoring 2. use Charity Commission, CAF and other web sites 3. can only deal with such events as they occur but normally there is the benefit of a reasonable lead time | no |

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|----|------------|---|--|---|----|
| | | | | 4. impact on grant budgets would be to reassess level rather than to create a position of not being able to meet commitments | |
| 12 | compliance | Compliance with legislation & regulations | 1. financial penalty 2. withdrawal of charitable status | 1. monitoring 2 regular review of policies and procedures calling on HMRC and Charity Commission advice and direction 3. robust trustee oversight | no |
| 13 | compliance | Regulatory Reporting | 1. financial penalty 2. withdrawal of charitable status 3. regulatory action | 1. monitoring 2 regular review of policies and procedures calling on HMRC and Charity Commission advice and direction 3. robust trustee oversight | no |
| 14 | compliance | Taxation - Gift Aid | 1. fines from HMRC 2. loss of income 3. loss of charitable status | 1. ensure Gift Aid declarations obtained from all appropriate donors 2 robust procedures to follow when claiming Gift Aid 3. other tax issues are minimal e.g. VAT on services | no |
| 15 | compliance | Professional Advice | Lack of and/or quality of professional advice leading to: 1. running foul of regulation and law 2. missing opportunities | 1. Foundation is a simple operation and professional advice would be appropriate in a small number of areas 2. need to balance cost of advice against benefits 3. make use of free investment advice 4. review need for professional advice as the Foundations grows and becomes more complex 5. full use of Charity Commission advice and procedures | no |

Table 3: Matrices used to assess Risk Elements

| Category | Likelihood of Occurrence | Severity Impact | Overall Risk | Volatility | Trustee Responsibility |
|-------------|--------------------------|-----------------|--------------|------------|------------------------|
| governance | certain | major | high | high | yes |
| operational | probable | significant | high/medium | medium | no |
| financial | possible | moderate | medium | low | |
| external | unlikely | minimal | medium/low | | |
| compliance | | | low | | |