

Committee	Date
Bridge House Estates Board	04 May 2021
Subject: Bridge House Estates Risk Management Protocol and Principal Risk Register	Public
Which outcomes in the <i>BHE Bridging London 2020 – 2045 Strategy</i> does this proposal aim to support?	1, 2 and 3
Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly (<i>insofar as they are considered to be in the best interest of BHE to support in taking these decisions?</i>)	N/A
Does this proposal require extra revenue and/or capital spending?	No
Report of: David Farnsworth, Managing Director of Bridge House Estates	For decision
Report Author: Amelia Ehren, Strategic Project Lead – Bridge House Estates	

Summary

This report provides Members with an overview of the proposed approach to be adopted for the effective management of risks for Bridge House Estates (BHE) (charity no. 1035628). It outlines the legal and regulatory requirements of the City of London Corporation (City Corporation) as Trustee in relation to risk management and the duties of this BHE Board for the Trustee to identify, manage, mitigate against, monitor and review any risks relating to the admiration of the charity. To support the Board to effectively fulfil this duty, the report sets out a proposed BHE Risk Management Protocol for approval and outlines the charity’s principal risks for Members to review and confirm that they are scored appropriately and that suitable control measures are in place. The Principal Risk Register outlines eight principal risks of which three are currently scored red and five are currently scored amber. Seven of the eight risks are identified as new principal risks, and one risk has been escalated from an ‘operational’ risk to a ‘principal’ risk.

Recommendations

It is recommended that Members, in discharge of functions for the City Corporation as Trustee for Bridge House Estates and solely in the charity’s best interests:

- i. Approve the Bridge House Estates Risk Management Protocol set out at **Appendix 1**.
- ii. Review the Bridge House Estates Principal Risk Register at **Appendix 2** and confirm that the risks are comprehensive, scored correctly and that appropriate control measures are in place.

Main Report

Background

1. Trustees should regularly review and assess the risks faced by their charity in all areas of its work and plan for the management of those risks. Risk is an everyday

part of charitable activity and managing it effectively is essential to achieving the charity's objectives and safeguarding the charity's funds and assets.

2. In accordance with charity law and regulations, charities must make a risk management statement in their annual report confirming that their trustees have given consideration to the major risks to which the charity is exposed, and have satisfied themselves that systems or procedures are established in order to manage those risks (Charities (Accounts and Reports) Regulations 2008). This requirement is further emphasised within the Charity Governance Code, which recommends that effective risk assessment processes are set up and monitored.
3. Historically, Bridge House Estates (BHE) risks were overseen by a number of Committees each having responsibilities for the discharge of BHE functions and services for the City Corporation as relevant to their Committee Terms of Reference. As such, it was the practice to prepare separate risk reports for each managing Committee or Board as relevant to their functions. The responsibility for *"identifying, managing, mitigating against, monitoring, reviewing and reporting to the Court of any risks relating to the administration of the charity"*¹ now sits with the BHE Board alone, following its constitution at the Court of Common Council on 15 April 2021.
4. To support the BHE Board to effectively discharge its functions in relation to risk management, this report presents Members with a Risk Management Protocol for approval which sets out a proposed method for assessing risks for BHE and provides Members with an overview of the current eight principal risks which have been identified for the charity.

BHE Risk Management Protocol

5. The City Corporation is committed to ensuring risk management is adopted in every aspect of the organisation's operation to drive efficiency, innovation and effectiveness in its overall decision-making process. The City Corporation has effective risk management policies and procedures in place. As such, it is recommended that the method for assessing risks for BHE continues to reflect the City Corporation's general approach to risk management as set out in its Risk Management Strategy approved by the Audit and Risk Management Committee on 20 January 2020², and which has been adopted by the City Corporation across all of its functions, including as Trustee of BHE.
6. However, to ensure that appropriate arrangements are in place for effective management of charity risks and recognising BHE is now classified as an 'institution' of the City Corporation, a distinct Risk Management Protocol ("the protocol") has been developed for BHE at **Appendix 1**. The protocol applies the principles and approach set out in the City Corporation's Risk Management Strategy to managing risk within a charity setting. Additionally, the protocol reflects

¹ Item (d)[x] of the Bridge House Estates Board's Terms of Reference, as agreed in April 2021.

² The Risk Management Strategy is due to be reviewed by the Audit & Risk Management Committee for their endorsement on 25 May 2021.

the guidance set out in CC26 Charities and Risk Management Guide³ issued by the Charity Commission (2017) and in the Charity Governance Code⁴.

7. The protocol acts as a communication tool to ensure that all those involved in the management of risk for BHE are aware of the purpose of using a formal risk management approach, the roles and responsibilities within the risk management processes, the process that is being adopted, and how the process will be managed and monitored.
8. The protocol is intended to support the effective governance and internal control of risk for BHE to further the charity's primary and ancillary objects. Members are recommended to approve the BHE Risk Management Protocol set out at **Appendix 1** for immediate implementation.

Principal Risks

9. It is recommended that the corporate risk process (as set out in the City Corporation's Risk Management Strategy 2020 and previously adopted for the City Corporation as Trustee of BHE) continues to be applied to BHE risks with some minor changes to language to better reflect the relationship between the City Corporation as Trustee and the charity. These changes are reflected in the distinct protocol for BHE. For example, the most important risks to the charity will be called "Principal Risks" (rather than "corporate risks") and lower-level risks will be called "Operational Risks" (rather than "departmental risks"). There have also been some changes to the roles and responsibilities to reflect the nature of the charity (see *paragraph 5a of the protocol at Appendix 1*).
10. The principal risk register for BHE is shown at **Appendix 2** and contains eight principal risks, relating to the following areas:
 - a. Knowledge of the Trustee's duties and powers for BHE
 - b. Conflict of interests
 - c. Structural damage to bridge
 - d. Income generation/ diversity of income
 - e. Reputation
 - f. Organisational change
 - g. Failure to deliver strategy
 - h. Key person risk
11. Three risks have been assessed 'Red', with two scoring 24 and one scoring 16 (on a risk scale from one to the highest score of thirty-two). Five risks are currently assessed as 'Amber', with four scoring 12 and one scoring 8. The City Corporation's Risk Matrix, which explains how risks are assessed and scored, is attached at **Appendix 3**. Control measures have been identified for each risk, as described on the principal risk register. The current mitigating actions are being taken and are considered appropriate at this time with a view to reducing the risk level as soon as is reasonably possible. The target risks ratings are for 0 risks to be scored red, three risks to be scored amber and five risks to be scored green.

³ <https://www.gov.uk/government/publications/charities-and-risk-management-cc26>

⁴ <https://www.charitygovernancecode.org/en>

12. Seven of the eight risks (risks no. 1, 2, 4, 5, 6, 7 and 8) are identified as new principal risks, and one risk (risk no. 3) has been escalated from an operational risk (previously within the City Surveyor's Risk Register) to a principal risk. BHE's operational risks are referenced in the background papers (see below). The Protocol (at Appendix 1) sets out how principal and operational risks are managed, including how risks are mitigated by departments within the City Corporation on behalf of the Managing Director of BHE and their leadership team.
13. Following the approval of the protocol and principal risks, officers will provide the BHE Board with quarterly risks reports to ensure the effective management of risk on an on-going basis, consistent with the Trustee's obligations to keep such matters under review. The charity's risk register will also be presented annually to the BHE Board for endorsement, for onward approval to the Court of Common Council.

Conclusion

14. This paper sets out a new BHE Risk Management Protocol, operating under the City Corporation's existing risk management framework, for approval, and seeks Members' review of the principal risks, ratings and control measures to ensure they are satisfactory and appropriate. The BHE Board is also asked to confirm that there are no other risks that should be added to the BHE Principal Risk Register or other actions recommended in mitigation against those risks

Background Papers

- Report to Property Investment Board, entitled City Surveyor's Departmental Risk Register – Update, dated 17 March 2021.
- Report to City Bridge Trust Committee, entitled Risk Register for Bridge House Estates: risks relevant to City Bridge Trust, dated 26 November 2020.
- Report to Culture, Heritage and Libraries Committee, entitled Tower Bridge and Monument Risk Management, dated 13 July 2020.

Appendices

- Appendix 1 – Bridge House Estates Risk Management Protocol
- Appendix 2 – Bridge House Estates Principal Risk Register
- Appendix 3 – City of London Corporation Risk Matrix

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