

Committee(s)	Dated:
Audit and Risk Management	18 January 2022
Subject: Establishing a Charity Risk Management Protocol	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly insofar as it is in the best interests of each of the charities to support?	Outcomes 2, 3, 4, 5, 9 & 10
Does this proposal require extra revenue and/or capital spending?	No
If so, how much?	
What is the source of Funding?	
Has this Funding Source been agreed with the Chamberlain's Department?	
Report of: David Farnsworth, Managing Director of Bridge House Estates & Chief Charities Officer	For Decision
Report author: Paul Dudley – Charity Risk Manager	

Summary

This report provides Members with an update on the current Corporate Charities Review (CC Review) as it relates to establishing a risk management approach applicable to charities in scope of the CC Review. This report sets out initial findings of the CC Review in regard to risk management, and proposals to establish a policy principle for the City Corporation as Trustee.

The CC Review has found that the risk management arrangements operated by the charities in scope of the CC Review is not consistent in terms of use of the approach outlined in the Corporate Risk Management Policy and Strategy 2021.

As the committee which has responsibility for the oversight of risk management across the City Corporation, Members are being updated on the progress of the CC Review as it relates to risk management and to seek comments on the Risk Management Protocol for Charities. Recognising that the Target Operating Model and the Governance Review may affect the operation of the Protocol, it will be brought back to your committee during the financial year 2022/23 for review and final agreement.

Recommendation(s)

Members are asked to:

1. Note the progress on the CC Review as it relates to risk management.
2. Agree the policy principle of a Risk Management Protocol being established for all charities within scope of the CC review.

3. Comment on the Risk Management for Charities Protocol.
4. Note that the Protocol will be re-presented during the financial year 2022/23 for final review and endorsement.

Main Report

Background

1. Reflecting its history and place within the City of London, and more generally, the City of London Corporation (City Corporation) has a long history and experience of undertaking philanthropic activity. This has manifested through its strong relationships with other stakeholders as well as direct action, including through its trusteeship of various charities (or through its powers of trustee nomination or appointment). The City Corporation has committed to maximising the impact of this philanthropy and improving the effective use of resources including in the discharge of its duties as charity trustee and in the City Corporation's wider support for charitable activity. (Note – The Joint Philanthropy Strategy has been agreed by the City Corporation and Bridge House Estates)
2. A number of reviews have been instigated over recent years with a view to supporting better regulatory compliance, including in the City Corporation's charitable activities, and embedding efficient and effective administration practice in delivering high impact philanthropy.
3. The most recent review commenced in July 2019, this Charities Review (CC Review) encompasses 59 charities for which the City Corporation is trustee (or otherwise has rights of nomination or appointment of the majority of trustees). The principal objectives of the CC Review are to ensure that each charity (within scope) is well managed and governed and achieves maximum impact for its beneficiaries, and to ensure that the City Corporation, in its capacity as charity Trustee, meets its legal duties and adheres to best practice set out by regulatory bodies. In so doing the CC Review is drawing upon the experience and learning and recommendations of previous charities reviews and the separate Bridge House Estates Governance Review.
4. The CC Review project involves reviewing each charity's own governance e.g., whether changes are required to a charity's governing document to modernise it or bring it up to date, whether the charity should be rationalised/closed, or whether changes could be made to the delivery of the charity's activities so that it operates more effectively and generates maximum impact from those charitable funds (such as by adopting more strategic grants programmes in collaboration with other funders).
5. The CC Review is also considering the City Corporation's own internal governance arrangements adopted as Trustee in administering each of the charities, and whether any changes should be made in each charity's best interests (e.g. strengthened arrangements to manage conflicts of interest/loyalty between the City Corporation acting as charity Trustee and in its other capacities; optimal Member and officer governance arrangements for the Trustee; improved risk management arrangements; operational changes

to financial procedures; identifying common policy objectives across charities; improved record keeping, training needs, etc).

6. The CC Review has found that the risk management arrangements operated by the charities in scope of the CC Review is not consistent in terms of use of the approach outlined in the Corporate Risk Management Policy and Strategy 2021. The Emanuel Hospital charity's successful revised risk management approach provided a management focus on risk specifically within a charity context as well as adopting the use of the Pentana Risk system for recording and reporting purposes (this system is used to record, corporate and departmental service level risks and related actions and the reports generated are used to report risk registers to Members) . This approach has informed the development of this draft risk management protocol.
7. As the Committee which has responsibility for the oversight of risk management across the City Corporation, Members are being updated on the progress of the CC Review as it relates to risk management and consulted on a proposal to establish a policy principle in creating a Risk Management Protocol for Charities (see para 5 above).
8. Recognising that the Target Operating Model and the Governance Review may affect the detail and operation of the Protocol, officers are seeking first from your committee, subject to any comments received, agreement of the policy principle of a Risk Management Protocol being established. Officers will then develop the protocol further over the coming financial year and the Protocol will be re-presented to your committee for review and agreement in due course in the 2022/2023 financial year.
9. The intention would be to present a reviewed and revised Risk Management Protocol at regular intervals with an annual summary for the Committee's review and agreement.

Current position

10. The City Corporation has effective risk management policies and procedures in place. As such, it is recommended that the method for assessing risks for the charities reflects the City Corporation's general approach to risk management. However, to ensure that appropriate arrangements are in place for effective management of those risks, in the best interests of the charities, the CC Review is proposing the introduction of a risk management protocol.
11. In relation to improving risk management arrangements in administering charities (see para 5 above), the CC Review funded support from the Corporate Risk Manager to develop a risk management protocol as part of the phase 1 review.
12. The Protocol, which is largely based upon the Corporate Risk Management Policy and Strategy 2021, the Charity Commission's CC26 Risk Guidance and guidance from the Institute of Risk Management Charity Special Interest

Group, aims to provide a consistency of approach in managing risk across charities (in scope) for which the City Corporation is the trustee (and charities with individual trustees which avail themselves of the support of the City Corporation). This approach is considered by officers to be in the best interests of each charity in scope. For completeness, the decision to adopt the Protocol for those charities in scope with individual trustees will be referred to the responsible trustee bodies to take the relevant decisions in respect of the individual charities in those charities' best interests in due course (see para 14 below).

13. The Protocol sets out:

- a. The purpose and benefits of managing risk
- b. Governance and roles and responsibilities of officers
- c. The risk management process including the risk escalation process
- d. The recording and reporting of risks – using Pentana Risk as the default
- e. The timing of reporting to charity committees.

14. The draft Protocol is attached as appendix 1. A proportionate approach will be taken dependent on the function and/or size of the charity, this will be developed over the next financial year.

15. The draft Protocol follows similar documents that the committee have seen recently from the Barbican Centre, the Guildhall School of Music and Drama and the City Surveyor's department (attached to their Informal Risk Challenge reports). A risk management Protocol has also been developed for Bridge House Estates.

16. Corporate & Strategic Implications

Strategic implications – This proposal will ensure that the City Corporation as trustee is acting in the best interests of each of the charities to achieve their purposes and policy objectives, facilitating legal and regulatory compliance.

Financial implications – None

Legal implications – As charity trustee the City Corporation has a number of legal duties and is accountable to the Charity Commission. The objectives of the CC Review are fundamentally intended to support the City Corporation in meeting its charity trustee duties, in summary *inter alia* to act in the best interests of each charity in furthering that charity's purposes, ensuring that the charity is well managed and that its assets are used effectively. With the exception of smaller charities¹ (which are encouraged to make a risk management statement as a matter of good practice), charities must make a risk management statement in their annual report confirming that their trustees have considered the major risks to which the charity is exposed and have satisfied themselves that systems or procedures are established 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.

¹ Being those charities with gross income below the statutory audit threshold.

Risk implications – There are significant corporate and reputational risks to City Corporation, acting, as the corporate trustee, to ensuring risks are managed appropriately and that there is a consistency of approach across all charities.

Equalities implications – The City Corporation is committed to equal opportunities in its activities and seeks to promote equity, diversity and inclusion in its role as charity trustee.

Conclusion

16. The CC Review has found that risk management within Charities, in scope, is mixed and lacks consistency and would benefit from review. The successful revised risk management approach of the Emanuel Hospital Charity has informed the development of the draft Risk Management Protocol for Charities. The Committee are being requested to endorse the policy principle of the Risk Management Protocol being introduced for all charities in scope. Subject to Member comments and the potential impacts on the Target Operating Model on the charity governance arrangements, the Protocol will be re-presented to the Committee in 2022/23 for final review and agreement

Background papers

17. The following are the background papers used for this report:

- a) City of London Risk Management Policy and Strategy 2021
- b) Charity Commission's CC26 Risk Management Guidance
- c) Risk Management guidance produced by the Institute of Risk Management – Charity Special Interest group

Appendices

Appendix 1 City of London Risk Management Protocol for Charities - DRAFT

Paul Dudley

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