

Managing Risk

A guide to understanding and managing risk in a community organisation / charitable organisation - for volunteers, staff and directors/trustees

What is risk?

Anything that could cause harm to your organisation is a risk, whether caused by an internal or external vulnerability. The types of risks your organisation might face will depend on its size and activities.

Risks can rarely be eradicated entirely, but the effects of them can often be mitigated. Mitigating risk is a matter of reducing the likelihood of a particular risk occurring, and/or of reducing the impact on the organisation if the risks occurs.

Why is it important for organisations to manage risk?

The board must ensure they manage the organisation and its assets properly as part of their leadership role. Risk management enables the board and staff of an organisation to keep track of any important events or circumstances that may result in problems or challenges for the organisation. It aids the board in their leadership role, providing context and information in order to support effective and informed decision making on behalf of the organisation.

How is risk managed?

Risk is often managed using a risk management model, comprised of the following steps;

1. establish a risk policy
2. identify risks
3. assess risks
4. evaluate what action to take
5. review, monitor and assess risk

One of the simplest ways of carrying this out is via a risk policy and a risk register. The policy sets out the framework, and the register is the practical tool used to identify, assess, evaluate and review risks.

The information provided here will help you get started in managing risk for your organisation using a policy and risk register. If you feel you would benefit from additional support or advice, please do get in touch with us at Derbyshire Dales CVS on 01620812154. Our informal advice and support is free to our members, and we offer a range of services designed to support voluntary organisations with specific needs. You can find further information on our website.

What does a risk policy include?

A risk policy generally includes an acknowledgement of the board's responsibility to identify, assess and manage risks. A risk policy is generally very practical; it includes an overview of the process used for managing risk, explains how your organisation goes about identify risks, how risks are reviewed

and assessed, and what the systems and processes are that you have put in place to manage risk on an ongoing basis.

Anyone can write the organisation’s risk policy, but it must be reviewed and adopted by the board. It’s good practice for the board to review the risk policy periodically after its adoption.

What is a risk register?

A risk register is a tool used for managing risk and it simply provides a space to identify risks, assess them, evaluate them and monitor them on an ongoing basis. Risk registers should be focussed primarily on major risks in order to be practical and useful. Risk registers need to be updated regularly and actively used by trustees and staff as a tool to manage risk.

Ensuring the risk register is reviewed at every board meeting helps embed the process of risk management in the organisation; changes to the register can be noted and discussed, and outstanding actions monitored.

Who puts together the risk register?

The risk register may be compiled by staff or trustees/directors, or a combination of both. Management of individual risks may then be delegated to other people in the organisation. Because the board is ultimately responsible for risk management, the risk register needs to be reviewed and discussed regularly; best practice being at every board meeting. This should be done regardless of whether individual board members compile the register directly, or have responsibility for managing specific risks themselves.

How do you create a risk register?

Many trustees/directors and staff find it useful to begin risk management by mapping risks against the objectives listed in their business plan. When doing this, it is often useful to categorise potential risks according to the type of risk faced: financial, governance, operational, reputational and strategic are examples of types of risk. The specific risks under each of these risk types can then be logged in the risk register.

The following example is from the risk register of a village hall;

| Objective from Business Plan | Type of Risk | Specific Risk |
|--|--------------|---|
| To provide sporting and recreational facilities for the benefit of our local community | Operational | Potential health and safety risk posed by deteriorating plumbing, and aging boiler. |
| | Financial | Insufficient income generated from bookings |

Once all the specific risks have been identified for each objective, specific risks are assessed and given an *inherent* risk factor; worked out by judging both the likelihood of a risk happening, and the potential impact it could have on the organisation.

This risk factor is assessed *before* any controls are considered. The controls already in place are then listed, and the risk factor is then reassessed to give the *residual* risk factor.

In the example here, likelihood and impact are rated 1-4, where 1 is low and 4 high. The sum of the two ratings is the risk factor.

| Specific Risk | Impact | Likelihood | Inherent Risk Factor | Controls in place | Impact | Likelihood | Residual Risk factor |
|---|--------|------------|----------------------|--|--------|------------|----------------------|
| Potential health and safety risk posed by deteriorating plumbing, and aging boiler. | 3 | 2 | 5 | Public and employer liability insurance in place. Maintenance contract agreed that includes provision for emergency support. Maintenance and repair schedule agreed and being implemented. | 2 | 2 | 4 |
| Insufficient income generated from bookings | 4 | 4 | 8 | Long-term licence negotiated with preschool who use the space daily. Website already sets out availability for hire. | 2 | 2 | 4 |

Once the residual risk has been assessed, the higher the risk factor, the more important it is to plan and take further action to mitigate the risk if possible. The lower the risk factor, the less likely intervention is required.

Further action required can then be listed, and each risk is assigned to a specific person to manage, and a date set for completion.

The example below shows the actions, risk owner and review date agreed with the board in order that the residual risk posed will be suitably addressed.

| Specific Risk | Controls in place | Impact | Likelihood | Residual Risk factor | Further Action Required | Risk Owner | Due date |
|---|--|--------|------------|----------------------|--|------------|----------|
| Potential health and safety risk posed by deteriorating plumbing, and aging boiler. | Public and employer liability insurance in place. Maintenance and repair schedule agreed, and maintenance contract agreed that includes provision for emergency support. | 2 | 2 | 4 | Fundraising campaign to being in order to replace the boiler within 2 years. Continuity plan to be updated in case of emergencies. | JS | April |
| Insufficient income generated from bookings | Long-term licence negotiated with preschool who use the space daily. Website already set out availability for hire. | 2 | 2 | 4 | Increase marketing efforts: to include article in village news, village website and village social media about hiring the space. Firm up negotiations with youth club, lunch club and yoga teacher about longer-term licence for regular use of space. | HT | June |

How do you review a risk register?

The board need to review the risk register to ensure it reflects a level of risk they are comfortable with. The board need to broadly agree with the judgements made for risk ratings, and with the actions scheduled. The board are ultimately responsible for holding the risk owner to account in a timely manner.

To do this, the board should review the risk register at every board meeting. If the register is maintained by staff, it is often useful for board members if changes that have been made to the register since the last meeting are highlighted. If any new risks are identified, these should also be added to the risk register and if risks identified previously are no longer relevant, these can be removed.

How can I get help?

Derbyshire Dales CVS can help if you need further support. Please contact us on 01629 812154 or email enquiries@ddcvs.org.uk

As well as informal advice and support, we offer an organisational health check that may inform the development of your risk register and we can provide bespoke training for the board and staff. We can also work with you if you are facing challenging circumstances and might benefit from some dedicated support. The range of the services we provide can be viewed on our website, and you can call us to discuss your individual circumstances and how we can help.

If you wish to read further information on risk management, the Charity Commission also publish guidance on their website.