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Briefing on Risk Assessment for Charities

Updated: March 2021

Note: This is the information you will need about risk assessment. We also have to go with this a Risk Register Template and a Risk Assessment Checklist.

Introduction

Looking at risk should become an integral part of how you manage your charity, its resources and its activities. It's the board's responsibility to confirm that they're happy with their assessment of the risks faced by the organisation and are willing to accept the level of risk that remains.

Risk assessment should then feed into your ongoing strategy for managing risk and become an integral part of how you manage the organisation, its resources and activities. Risk should be reviewed at least annually and also whenever a new project or event is undertaken, i.e. summer camp, Christmas craft fair, fundraising event.

Planning a risk assessment

Before you begin, agree the basics of how you're going to ensure that risks are identified and managed. This strategy should be appropriate to the size, responsibilities and capacity of your organisation. These questions can help:

1. Who will carry out the initial assessment?

The board, staff member, volunteer or an external consultant? Decide based on time available, cost, level of knowledge required. (Please contact Trust Advice if you would like us to help with this at support@trustadvice.org.uk)

2. What will be the scope of the risk assessment?

- Do you want to keep it simple and identify major overall risks?
- Do you want to look comprehensively at the organisation and its activities?
- Do you want to conduct independent risk assessments for each project area or function, before pulling this together into a wider picture?

Focusing only on a limited range of risks is, in itself a calculated risk which should be assessed. Is the board prepared to accept the consequence if a significant risk is overlooked?

Consider also any requirements placed by funders, legislation, or insurance policies.

3. When will the process be started and completed, and presented for approval?

Will you assess risk in a single discussion at a committee meeting or a through a process extended over several weeks? This is likely to depend on the complexity of the organisation, the scope of the assessment and the range of stakeholders involved. Establishing time limitations at this stage will help to keep the process manageable.

4. Who will be consulted and how?

Will Board members be consulted? Staff? Volunteers? Members? Ensure that you involve those who know the organisation and its activities best, but don't widen the consultation unnecessarily.

5. How will findings be documented?

Documentation is an essential part of the process, even if this is simply your usual board minutes. [Trust advice has a template for risk assessment.]

6. How will the risks be assessed and discussed?

Have a clear agenda and structure so that you don't get side-lined. Prioritise the most significant risks, considering whether further actions can be taken to reduce these and whether you are happy to accept these risks or need to take more drastic action.

7. How regularly will the risk assessment be reviewed and by whom?

Risks, and the progress in implementing recommendations to reduce risks, should be kept under review and any new practices evaluated. This enables you to monitor if your actions have had the desired effect of reducing risk, and creating a more stable environment for the charity. Risk management requires regular monitoring of risks in light of new developments, providing early warning if risk levels change. Judge what is realistic or necessary in light of the risks faced and the time resources available. Will you review every 6 months? Annually?

Risk Categories

The risks faced by a charity should be categorised in relation to what it does. These are commonly used categories which help to group risks around activities.

1. Strategic:

Looking at external risks which may affect your organisation such as changes in the environment in which you operate. It also lets you look at setting organisational objectives and ensuring you set the right ones and then meet them.

2. Operational:

Looking at the risks which arise from the services you deliver or the activities you carry out.

3. Financial:

Covers financial risks in terms of internal systems, planning, funding etc.

4. People:

Risks associated with both employed staff and volunteers.

5. **Regulatory:**

The legislative framework within which your charity operates: Charity Regulator, HMRC, Local Authorities etc.

6. **Governance:**

Reviewing the risks, which are part of the charity's management.

There may be overlap between some of these categories. Aim to put each risk in the most relevant category. There may be some amalgamation or even additions needed

Key steps in risk assessment: Identify, Rate, Manage, Review

1. Identify the risk

Ask these kinds of questions: 'what are the issues that can affect operational performance, or harm our ability to achieve our aims'. Examples might be the risk of fire, or risk of losing key members or supporters. Risk of internal fraud or theft. Reputational damage. Losing funding streams.

2. Grade the risk

Work out which of these risks you really need to worry about. You can do this by categorising each risk according to: likelihood (i.e. whether or not it's reasonable to expect an event or outcome to happen); and impact (i.e. if something did happen what would be the impact?)

There are different ways to grade risks, one is to simply rate as High, Medium or Low risk.

3. Manage the risk

Having identified and graded the risks, you now need to work out what you can do about the most significant of these risks. For each, you should consider four options:

- a) Avoid it. Decide not to 'send the youth group white water rafting'.
- b) Control it. Ensure that the rafting can only go ahead after thorough preparation with experienced instructors on hand. (Most risks can be controlled through adoption of good practise, policies, procedures and training.)
- c) Transfer the risk. Accept the risk and insure against it. Can it be contracted out?
- d) Finance the risk: Example: a high number of female staff means potential high obligations regarding maternity leave etc. This risk can be financed by setting up a reserve fund against it.

Reviewing the levels of risk

Go back and review how these risks should be categorised. Given the measures you have put in place to eliminate or mitigate these risks, do they still constitute major risks?

Example of reviewed risk:

Risk: Organisation working with disabled persons identifies risk of losing current premises.

Category: High likelihood (local council has provided for minimum rent for 5 years, but current lease is up and council is under pressure to generate rental income). High impact (not aware of other premises with suitable access available locally, currently lacks resources to pay full rent).

Manage the risk: The organisation implements the following actions:

- Enters into dialogue with Council to establish facts of situation Researches and identifies alternative premises locally.
- Launches a fundraising appeal to raise money to enable them to afford to pay for their accommodation, whether with the Council or elsewhere.
- Raise the profile of their situation in the media to gain public support.

Reviewed risk category: Medium likelihood (still a risk that they could lose the current premises, but this has been reduced through mitigating actions).

Low impact (have now got alternative options which means that the organisation is cushioned from negative impact if the risk does occur).

Further related documents

We have a template of a Risk Register which will cover most small to medium charities. Much of the content has been left for you to add to amend or delete as necessary. We also have a Template Risk Checklist that you may find helpful.

We hope this will help you as you deal with this important area of your responsibility as a trustee. If we can be of further help, please contact us anytime.

This is the end of the document:

We hope this has been helpful to you. Please get in touch if something isn't covered here you want to ask about. We will be very pleased to hear from you. If you would like more information, further details around membership or to upgrade your membership, visit: www.trustadvice.org.uk. Please also see our website for details of ways we can help you and services we offer.