

Making risk management simple

Insight guide for non-profit organisations



Giving you the support you need

If you'd like to know more about 'risk management' but you're not sure what to do or what benefits it could bring to your organisation, this guide is for you. It gives simple, practical advice on using risk management to meet your legal duties and help your charity work safely and effectively.

With 100 years' experience of working with organisations like yours we understand the challenges you face. Many of the activities of non-profit organisations involve risk – by helping you to identify, measure and manage these risks, we can help you to enjoy greater peace of mind.

I am committed to making sure we use our expertise and experience to give you the help and guidance you need. So I would welcome your feedback on the usefulness of this guide and any other ways we can help make managing risks easier for you.

We're looking forward to working with you.



Paul Emery
Head of Charities and Voluntary Sector

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or email zurichthirdsector@uk.zurich.com
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What is risk management?

Put simply, managing risk means developing a practical plan to identify, deal with and minimise the adverse effects of the unexpected on your organisation, if or when it happens.

You begin managing risk by looking for the things that could go wrong – for instance someone could slip on a wet floor in your premises or get burnt while dealing with the barbecue at your fundraising fete. You can then find ways to deal with these risks to reduce the chances of them happening and/or their impact if they do.

So essentially risk management is all about forward planning.

In this guide we start by looking at the benefits of risk management to your organisation and show how it can help you to achieve your goals and meet your legal duties. We then go on to demonstrate a simple, effective and practical process that will help you to get started with managing your risks.

Finally we review the types of risk you'll need to think about and give you some tips on setting up a risk management group.

Why it's important to manage your risks

Managing your risks can help to create a safer and more efficient working environment within your organisation. It will also help you to comply with the law – an area that we cover in the 'Your legal responsibilities' section of this guide.

Avoiding problems, enjoying benefits

Failing to manage your risks can cause a wide variety of problems for your organisation including:

- injuries to employees, volunteers or members of the public
- financial loss
- loss of its good name
- increased insurance premiums.

On the other hand, introducing some simple risk management procedures can help your organisation to:

- work safely
- raise funds
- comply with the law (see page 6)
- protect and build its reputation
- pay less for insurance.

Meeting your responsibilities

All community groups have a responsibility to their employees and volunteers, as well as to members of the public and other third parties. Some elements of this duty are legal obligations covered by legislation like the Health and Safety at Work Act 1974. Others are set by the Charities Commission or other regulatory bodies.

The way your organisation manages its risks is central to meeting these responsibilities. Also, having an effective process for managing risk is a requirement for some laws and certain funding applications.

Risk management and insurance

The amount you pay for your insurance will be affected by two factors – conditions in the insurance market and the number of claims you make. Making fewer claims and showing your insurer that you are effectively identifying and managing risks can therefore lead to lower insurance premiums for your organisation, as well as less expense and disruption.

Health and Safety

– a legal requirement

One of the main risk areas you need to be aware of is health and safety. The Management of Health and Safety at Work Regulations state that all organisations should assess the risks involved in their activities.

Depending on the type of work you do, your organisation may also have to comply with other regulations like the Control of Substances Hazardous to Health Regulations.

Below is a summary of the main requirements of the Management of Health and Safety at Work Regulations where they relate to risk assessment.

Identify hazards

This includes both direct hazards, like working with sharp tools, and indirect or environmental hazards, like a slippery surface.

Assess

You need to look at the risks that the above hazards pose to the health and safety of your employees or volunteers, and anyone else who may be affected by your work. Are your existing control measures adequate or might more be required?

Review

Review your assessments regularly to ensure they reflect the work you're doing now. If they fall short, revise them accordingly.

Record

Keep a record of your assessments. Even if your organisation has fewer than five people (though it's not legally necessary), we highly recommend that you do so. You should always record details of employees or volunteers who could be especially at risk.

Significant and foreseeable risks

You don't have to take into account every tiny risk, but remember that routine actions like crossing a road can become more of a risk if you're pushing a heavy mower or shepherding a group of children with you.

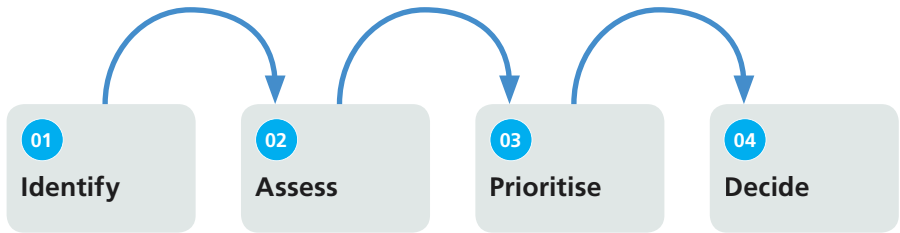
If you haven't considered risk before, you should do so now. If you've already looked at managing your risks, it's a good idea to record your findings. In any event, you should review your assessments at least once a year to ensure they're still accurate and relevant.

You should also carry out a separate assessment any time you run an event or activity that is outside the range of activities you normally undertake. This might include a fireworks evening, fundraising summer fete or sponsored bike ride. Whenever members of the public are involved, it's your responsibility to ensure you have assessed, recorded and provided for all relevant risks. To help you identify your risks we have included a sample health and safety risk assessment form on page 20.

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How to manage your risks

Here's a simple four-step process that you can use to identify, measure and manage all types of risk (not just health and safety).



If your organisation is small and its activities are limited, this four-step process is reasonably simple and could be carried out by one or two people. If it's larger, you may need to ask section or department leaders to undertake the task.

It's important that everyone in the organisation understands the risk process and your organisation's attitude to risk. This is easier if one person in your organisation is responsible for overseeing and communicating risk issues. It's also a good idea to reinforce this knowledge with induction training or regular meetings.

You may also decide to set up a risk management group – take a look at page 12 for some advice on this.

01 **Identify all the different types of risk you face**

Every charity faces a wide variety of risks and we've included a list of the main types on page 10. It's important to examine every risk, no matter how small it may appear at the time, because it could develop into something more serious over time. To help you identify your risks we have included a sample health and safety risk assessment form on page 20.

02

Assess the likelihood and impact of your risks

Managing your risks begins with understanding them. So once you've thought about what could go wrong, you need to measure the size of each risk by asking yourself two questions:

- How likely is it that the unexpected will happen?
- What would be the consequences if it did?

One way to record your findings is to use a risk prioritisation matrix – which sounds more complicated than it actually is! In fact, it's simply a way to show the relative likelihoods and results of your risks visually by plotting them on a chart. You can find an example of a matrix on page 22.

03

Prioritise your risks according to the findings of your assessment

Once you've assessed your risks, you can begin to take steps to control them; giving priority to those risks with the greatest likelihood and/or biggest potential impact.

04

Decide what steps you will take to improve the situation

When looking at managing your risks, you could decide to:

- control the risk – for example, ensure that anyone using specialist equipment is fully trained in its use.
- transfer the risk – for example, if you need to undertake a specialist or unusual task, such as tree felling, it may make sense to get a professional to do it for you.
- live with the risk – for example, if you rely heavily on irregular voluntary donations, you'll need to accept that you can't make regular spending plans.
- use a combination of the above.

It's a good idea to record the risks you uncover by writing them down and displaying them where everyone will see them – the sample health and safety risk assessment form on page 20 will help you to do this. You should also review your risks regularly, particularly if you're going to carry out a new activity or start working with new equipment or substances.

Types of risks

Charitable work is diverse and your organisation is likely to face a variety of risks at a range of levels. In its publication 'Charities and Risk Management', the Charities Commission identifies one of the risk classification systems and outlines examples of types of risk that could fall into these five categories:

01

Governance risks

including inappropriate organisational structures, difficulties in recruiting suitably qualified trustees, and potential conflicts of interest.

02

Operational risks

including service quality and development, contract pricing, employment or health and safety issues, fraud and misappropriation.

03

Financial risks

including accuracy and timeliness of financial information, adequacy of reserves and cash flow, diversity of income sources, and investment management.

04

External risks

including public perception and adverse publicity, demographic changes, and government policy.

05

Compliance risks

including breach of trust law, employment law, and regulatory requirements of fundraising or running care facilities.

Case study

Here's an example of how a claim could have been avoided through simple but effective risk management.

In a recent public liability claim, a man stepped on a manhole cover that gave way causing him to fall into a drain and suffer a serious laceration to his leg. The manhole was on the forecourt of a charity shop to which the man was heading and the forecourt was owned by the shop.

As occupiers of the site, the charity had a duty of care to ensure that visitors were reasonably safe when using the premises for normal purposes. One of the main ways to do this is to have an effective inspection system in place, backed up by prompt remedial action if any problems are found.

In this case, no inspection system was in place. This reduced the charity's chances of demonstrating that it was taking reasonable safety measures and, therefore, its likelihood of successfully defending the claim. The charity has now introduced an inspection system and this will undoubtedly improve the situation.

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Forming a risk management group

Depending on the size and nature of your organisation, it may be a good idea to form a risk management group to co-ordinate your risk management efforts, share expertise and exchange information between departments.

If you decide to form a risk management group, it is important to ensure that the members are familiar with its role and purpose. This means making sure the same people attend as often as possible, as this will help the group to function effectively. However, appropriate non-members should be invited to attend a meeting if a subject relevant to them is on the agenda.

The meetings should not be too large, long or frequent as this can discourage people from participating and cause a loss of interest.

The group should be chaired by someone of sufficient seniority in your organisation to emphasise its importance and enable decisions to be put into action quickly.

To encourage the other employees in your organisation to suggest matters for discussion and help to raise awareness of risk management in general, make sure everyone sees the minutes of the risk management group's meetings. There should also be a formal process of reporting to senior management and trustees so that all levels of your organisation receive information on risks and control measures.

Advice for smaller organisations

If your organisation is too small to need a risk management group, it may still be useful to add risk management to the agenda for staff meetings. In this way, you can encourage employees to suggest subjects for discussion and raise any concerns they might have.

Financing risk management

A dedicated risk management budget is an important factor in making risk management programmes and risk management groups effective.

Having funding available for the group or the risk manager to allocate enables them to take prompt action when necessary and emphasises the importance of risk management to your organisation.

We recommend that you encourage departments to bid for funding of their initiatives – other than those that are legal requirements – on a 50% contribution basis. This approach encourages the department to take responsibility for the initiative, increases the desire to make it successful, and helps prevent the fund being exhausted prematurely.

Advice for smaller organisations

Smaller organisations will, of course, have limited financial resources and you may find that it's impractical to allocate a specific budget to risk management. However, remember that you can put some risk management measures in place at little or no cost – for example, extra training on particular issues, changes in working practices to adopt a safer approach, and storing hazardous items or substances in a more suitable location.



Risk management policy

Having a formal risk management policy can give your organisation the confidence to carry out activities that it may have previously avoided because of fear of claims or litigation.

An organisation that can show a clear risk management policy, setting out its approach to risk and how this aligns with its goals, will be well placed to argue that a court should accept their assessment of why particular risk control measures were (or were not) adopted. If you can present this evidence in a structured and well documented way this will be a very useful tool for defending claims, as it shows that your organisation is fully aware of the risk situation, has considered both the drawbacks and the benefits, and has taken the appropriate steps.

Your organisation's risk management policy should outline its risk management approach (for example, policies and procedures, reporting, internal audit programme), and the ways it will be reviewed.

The policy should also state the risk management responsibilities of relevant people in your organisation – here are some examples:

Role**Risk management responsibility**

Trustee

Encourage an appropriate risk management culture and oversee the implementation of risk management practice throughout the organisation.

Senior management

Implement policies on risk management and ensure staff are trained and encouraged to follow best practice.

Middle management

Encourage good risk management standards within their departments.

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Quick guide to insurance

However careful you are in your work and other activities, accidents, loss or damage are bound to occur sooner or later. This is why it's sensible to arrange proper insurance cover for any area that you feel represents a risk that should reasonably be covered.

To help you identify areas that may warrant insurance cover, here is a brief overview of the different types of insurance commonly chosen by non-profit organisations:

Public liability

This protects you (meaning your organisation, your committee members, your volunteers and your employees) for your legal liability to meet claims for compensation made by third parties for injury, death, loss of or damage to property, and in some instances, financial loss, too.

Employers' liability

If you employ people, you are required by law to have this insurance. It protects you against your legal liability for injury and/or death claims for compensation.

Material damage

Cover for loss of or damage to your property, be it buildings, contents, property in the open, or property in transit and used away from your premises. The most comprehensive cover available is 'all risks' which covers against all losses other than specific, standard exclusions such as wear and tear.

Money

If your organisation handles money, for whatever reason, take it to the bank as soon as possible. You may consider insuring against the theft of notes, coins, etc. for which you have responsibility, be it in your custody, in transit or held at the premises or in a night safe.

Personal accident

An agreed level of benefit is given usually following an injury suffered on business (or commuting), on a scale of compensation, for employees, volunteers and committee members – this can either be a weekly sum for a temporary disablement or a lump sum for a permanent injury. It's over and above any compensation agreed arising from your legal liability (which is why it's deemed a benefit).

Engineering

Where plant and equipment is inspected by a qualified surveyor (boilers, lifts, etc) cover can be arranged for breakdown and other loss or damage.

Motor

It is a legal requirement to have at least third-party cover on any road registered vehicle that you own, lease or hire.

Fidelity guarantee

This covers you against the theft of your organisation's money and/or property by your staff and/or committee members.

Other types of insurance

Some other insurances that you may wish to consider include:

- legal expenses (for example, employee disputes, contracts cover)
- professional indemnity (consultancy, design, treatment liability risks)
- trustees' indemnity (maladministration)
- libel and slander (claims made against you for allegedly defamatory things said or written)
- hirers' liability (public liability for users of your premises)
- deterioration of stock (for example, contents of refrigerators lost following power failure).

This list is not exhaustive. You should seek professional advice if you have any other areas of concern related to your organisation's particular circumstances.

Why choose Zurich?

As an organisation committed to helping others, you deserve the support of someone who is equally committed to helping you manage your risks.

At Zurich, we have been involved with non-profit organisations for over 100 years and currently work with more than 16,000 charitable and voluntary organisations.

We have a wealth and range of knowledge and experience of risk management, with dedicated specialist consultants available to give you the advice you need.

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Appendix 01

Example of a health and safety risk assessment form (extract only)

Risk assessment form

Name of organisation

Activity: Offices

Hazard and risk

Trailing cables
etc. – slips, trips
and falls

Electrical
Equipment –
electric shock
and fire

Lifting Heavy
Objects –
strains

Cash handling
and collections –
violence/ theft

Stairlift –
various injuries

People at risk

Employees/
public

Staff,
Public,
Contractors

Staff

Employees

Disabled
members of
the public

Existing controls

Desks located to avoid trailing cables.
Use of extension leads minimised.
Cable covers used.
Staff instructed on risks.
Cabinet drawers closed when not in use.
Floors cleaned regularly.

Portable Appliance Testing annually by competent person.
Use of extension cables minimised.
Equipment physically removed from use if defective.
Circuit breakers.
Instructions given for no DIY repairs.

Small, lightweight equipment.
Equipment only moved infrequently.
Staff provided with manual handling training.

Cash banked by two persons.
Bank close to offices.
Cash is kept to a minimum.
Safe used to store cash.
Restricted access to keys.
Staff trained in procedures.
Personal alarm issued to staff who bank cash.

Formal six-monthly inspection by Zurich Engineer Surveyor with inspection reports issued.
Regularly serviced by manufacturer.
Caretaker holds the key.

Accessor's signature

Date:

Activity date: December 2007

Review date: December 2008

Additional controls

.....
Formal, recorded inspection of the premises to be introduced on a quarterly basis.
Records of defect reports and action will be retained.

.....
Visual checks for damage to leads, plugs, sockets, etc. as part of office safety inspections.
Instruction given to undertake visual inspections.
Staff will be formally prohibited from bringing in personal electrical items.

.....
No additional measures necessary.

.....
No additional measures necessary.

.....
No additional measures necessary.

Risk level

.....
Low

.....
Medium

.....
Low

.....
Low

.....
Low

Target date and by whom

.....

.....

.....

.....

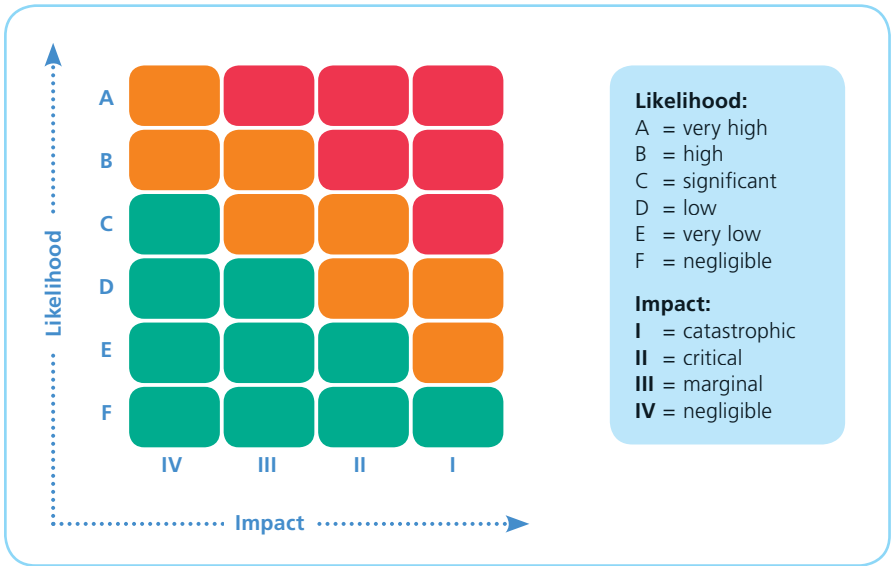
.....

Manager's signature

Date:

Appendix 02

Risk matrix



Using the risk matrix

Once you've identified your risks and decided on their likelihood of occurring and their impact, you can plot them onto the risk matrix. The risks that appear in the red boxes are the ones most likely to be a barrier to your success and you should try to deal with these first.

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