



Shropshire Disability Network

Registered Charity Number 1148256

Your Voice, Your Connections

www.shropshire-disability.net

Email: secretary@shropshire-disability.net

Shropshire Disability Network Identifying and Managing Risk Policy

Introduction

This policy sets out how to identify, assess and manage risks that Shropshire Disability Network (SDN) might face. SDN Management Committee regularly reviews and assesses 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 if the Management Committee are to achieve their key objectives and safeguard their charity's funds and assets. SDN monitors its risk which enables our Management Committee to make informed decisions and take timely action.

Types of Risk

Anything that may prevent SDN achieving its aims or carrying out its strategies is a risk. The types of risk SDN might face depend on our size, nature, complexity, funding and activities among other things.

These may include the following (but not limited to):

- Governance inappropriate organisational structure
Management Committee lacks relevant skills
or commitment
conflicts of interest
- Operational poor volunteer recruitment
inadequate reserves and cash flow

- Financial dependency on limited income sources
 insufficient insurance cover
 receiving less funding
 termination of funding from other bodies
- External risks turbulent economic or political environment
 changing government policy which could
 affect grants etc.
 poor public perception and reputation
- Compliance poor knowledge of the legal responsibilities
 poor knowledge of regulatory requirements
 changing government policy

SDN need to be aware and identify any potential risks that could prevent them from meeting the needs of its members and put process in place to manage these risks.

Generally, the risk will need to be considered in terms of the wider environment in which it operates. The law requires that SDN has liability insurance and this is renewed each year.

How we manage Risk(s)

Following identification of risks SDN might face, a decision will be made about how those risks may be managed most effectively.

Management of risk could include

- Funding - renewal
- Cutting Costs - level of service etc.
- Impact - likelihood rating

Who is Responsible?

The responsibility for the management and control of SDN rests with the Management Committee and therefore their involvement in the key aspects of the risk management process is essential, particularly in setting the parameters of the process and reviewing and considering the results.

SDN Management Committee will review and consider the key aspects of the process and results. SDN Management Committee will have a level of involvement so that they can make the required risk management statement with reasonable confidence.

Legal Requirements

SDN is required by law to have our accounts audited (**Note:** In accordance with latest legislation - "A Charity Registered with the Charity Commission but not Companies House, i.e. it is not incorporated, and with an annual income of less than £250,000 can opt to use the simplified form of accounting i.e. Receipts and Payments. Having taken advice from our Auditors, SDN has chosen to do this). We must make a statement in the annual report confirming that consideration has been given to the major risks to which it is exposed and that the Management Committee is satisfied that systems are in place to manage those risks. (Charities Accounts and Reports Regulations 2008).

SDN regularly reviews and assesses the risks it faces in all areas of its work and plans for the management of those risks. The implementation of an effective risk management policy is a key part of ensuring that a charity is fit for purpose.

SDN Management Committee has input into the risk process. They consider among others:

- the charity's objectives, mission and strategy
- the nature and scale of the charity's activities
- the outcomes that need to be achieved
- external factors that might affect the charity such as legislation and regulation
- the charity's reputation with its major funders and supporters
- past mistakes and problems that the charity may have faced
- the operating structure - for example partnerships, collaborating in a joint venture or an affiliated structure where other organisations offer support to its members or affiliated bodies
- comparison with other charities working in the same area and of similar size

SDN Management Committee are committed to the Charity. All volunteers will need to understand the part they should play in risk management. Management Committee will consult widely with volunteers, as ideas are likely to come from all levels of the Charity.

Where SDN conducts some of its activities through partnership working, risks may arise that could directly or indirectly impact on the charity. Events from these may affect income streams to the charity, give rise to reputational risk or may even affect operational objectives. The risk identification process, whilst focusing on the risk to the charity itself, will therefore also include identifying risks that may arise in joint venture activities.

Similarly, although the process of risk identification will be undertaken with care, the analysis will contain some subjective judgements - no

process can identify all possible risks that may arise. The process can only provide reasonable assurance to the Management Committee that all relevant risks have been identified. Identified risks will be put into perspective in terms of the potential severity of their impact and likelihood of their occurrence. Assessing and categorising our risks helps us to prioritise and filter them and establish whether any further action is required.

SDN's approach attempts to map risk as a product of the likelihood of an undesirable outcome and the impact that an undesirable outcome will have on the charity's ability to achieve its operational objectives. It enables the Management Committee to identify those risks that fall into the major risk category identified.

When looking at risk, SDN takes account of events that are rare or unprecedented, where the rules are unknown or rapidly changing or where risks are driven by external factors beyond their control. These risks which have very high impact and very low likelihood of occurrence are now accepted by the Management Committee as having greater importance than those with a very high likelihood of occurrence and an insignificant impact. In these cases, the concept of impact and the likelihood of risks occurring, and their interaction will be given prominence in both the risk assessment and risk management processes.

If SDN is deemed vulnerable to a risk that potentially might have an extremely high impact on its operations, it will be considered and evaluated regardless of how remote the likelihood of its happening appears to be. With limited resources, the risks and the benefits or rewards from the activity concerned will be considered. The Management Committee realises it is important to bear in mind that

on rare occasions improbable events do occur with devastating effect, at other times probable events do not happen.

SDN Management Committee know a focus on high-impact risk is important but does not forget that what may be a lower impact risk can change to very high impact risk because of the possible connection between it happening and triggering the occurrence of other risks. One low impact risk may lead to another and another so that the cumulative impact becomes extreme or catastrophic. Many studies have shown that most business failures are the result of a series of small, linked events having too great a cumulative impact to deal with rather than a single large event. If organisations only look at the big risks they can often end up ill-prepared to face the interaction of separate adverse events interacting together. As a Charity, SDN takes all the above into consideration.

Evaluating what action needs to be taken on the risks

Where major risks are identified, the Management Committee will make sure that appropriate action is being taken to manage them. For each of the major risks identified, the Management Committee will consider any additional action that needs to be taken to manage the risk, either by lessening the likelihood of the event occurring, or lessening its impact if it does. The following are examples of possible actions

- the risk may need to be avoided by ending that activity
- the risk could be shared with others (e.g. a joint venture project)
- the charity's exposure to the risk can be limited (e.g. establishment of reserves against loss of funding, phased commitment to projects)

- the risk can be reduced or eliminated by establishing or improving control procedures (e.g. internal financial controls)
- the risk may need to be insured against (this often happens for residual risk, e.g. third-party liability, theft, fire)
- the risk may be accepted as being unlikely to occur and/or of low impact and therefore will just be reviewed annually.

Once each risk has been evaluated, the Management Committee can draw up a plan for any steps that need to be taken to address or mitigate significant or major risks. This action plan and the implementation of appropriate systems or procedures allows the Management Committee to make a risk management statement in accordance with the regulatory requirements.

Periodic monitoring and assessment

Risk management is a dynamic process ensuring that new risks are addressed as they arise. It is prudent to establish how previously identified risks may have changed. Risk management is not a one-off event and should be a process that will require monitoring and assessment. The Management Committee will need to take responsibility for implementation. SDN has good communication with all volunteers to ensure that individual and group responsibilities are understood and embedded into the culture of the charity. A successful process involves:

- new risks are properly reported and evaluated
- risk aspects of significant new projects are considered as part of project appraisals
- any significant failures of control systems are properly reported and actioned

- there is an adequate level of understanding of individual responsibilities for both implementation and monitoring of the control systems
- any further actions required are identified
- Management Committee consider and review the annual process
- Management Committee are provided with relevant and timely interim reports.

SDN Management Committee monitor risk by:

- ensuring that the identification, assessment and mitigation of risk is linked to the achievement of the charity's operational objectives
- ensuring that the assessment process reflects the Management Committee's view of acceptable risk
- reviewing and considering the results of risk identification, evaluation and management
- considering the risks attached to significant new activities or opportunities
- regularly considering external factors such as new legislation or new requirements from funders
- considering the financial impact of risk as part of operational budget planning and monitoring

Annual monitoring by Management Committee is sufficient for SDN where operating conditions are stable.



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Review Author	Ann Shaw, Honorary Secretary, SDN