



Institute of Risk Management - Charities Special Interest Group

Spring 2016 Newsletter

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Alyson Pepperill

Chair, IRM Charity Special Interest Group

Introduction

Looking back over 2015 the SIG team achieved an enormous amount with the launch of the 'Getting Started' campaign to de-jargonise and guide not-for-profit organisations about risk management and how to do it in practice. We had great support from Charity Finance Group, Price Bailey, Crowe Clark Whitehill, Ecclesiastical and Arthur J. Gallagher in terms of hosting, time and intellectual input. Thank you!

Now it's a new year and we have set ourselves a new challenge... well two new challenges in fact!

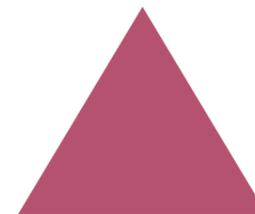
1. To produce a robust guide to Risk Maturity and then to translate this too into a practical/how to solution for the sector.
2. To de-jargonise risk appetite and translate the theory into a practical/how to solution for the sector to use.

This guidance work will be supported in two main ways by the SIG.

Firstly, through our newsletters (kindly sponsored by Ansva) we will continue to provide reviews of events, commentary about topical subjects, and in 2016 interviews and discussions with leading experts and practitioners from the sector.

And secondly, by holding round table and seminar events to tackle specific topic areas, or to research, launch and explain our thought leadership work.

In addition, we are investigating how to safely and securely set up a Risk Community around the SIG team that will enable greater peer-to-peer dialogue.

**Charities Special Interest Group (CIG) Committee Members**

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Chair, IRM Charity Special Interest Group

IRM Charities SIG event

– Communicating and Embedding Risk Management

Anyone who has read our ‘Getting Started’ guidance, or listened to our YouTube presentations that accompany it, <https://www.theirm.org/knowledge-and-resources/thought-leadership/charities-and-voluntary-organisations/> will know that I truly believe good risk communication is critical to the whole process. But knowing how to go about it can be tricky!

So in October the IRM Charities SIG held a special event, hosted by Ecclesiastical Insurance, to look solely at this subject. Over 40 delegates – an amazing turnout - came together to hear from Cats Protection, the National Trust, Dr Keith Smith of RiskCovered and to play our new game... the excitement in the room as we revealed ‘Planopoly’ was palpable, but more of that later!

It’s all about the cats!

The afternoon started with Sharon Martin from Cats Protection telling us how she communicates risk matters. The charity is nearly 90 years old, but their income has grown by more than 40% in the last five years and with the risk management process feeling like a tick box exercise (familiar anyone?) it felt like time for a change. So armed with a new risk policy, a new risk process and new risk registers Sharon set about communicating this to the organisation.

She made the really good point that **everyone** needs to be involved in risk management – we all do it constantly, even if we forget to document it! With a wide range of people involved Sharon crafted **different messages for each of her audiences**. She worked closely with the charity’s trustees to help them understand their responsibilities and involved them in developing a risk appetite statement that would enable the charity to take more calculated risk when spending its extra money.

The charity’s staff responded well when reminded that managing risks really does help cats - it’s not just about money, a point we would probably all do well to remember! Real progress was made when Sharon explained why the changes were being made, responded to

their feedback and offered face-to-face support and training sessions to help people get started and adapt to the new process.

What struck me most about Sharon’s presentation was the careful consideration of how risk management is communicated, and the relationship created between risk management and the charity’s overarching objective to help cats – to me that was the main difference between success and failure of the communication.

Diamonds are a girl’s best friend

We then heard about a very different way of communicating risk from Jan Cadby of the National Trust. Jan’s worked in risk management since it was invented, so probably knows all there is to know about engaging people in the risk process! Risk registers alone weren’t quite hitting the mark and so the National Trust has developed a risk diamond as a **flexible tool for communicating the big risks** to their senior team and trustees.

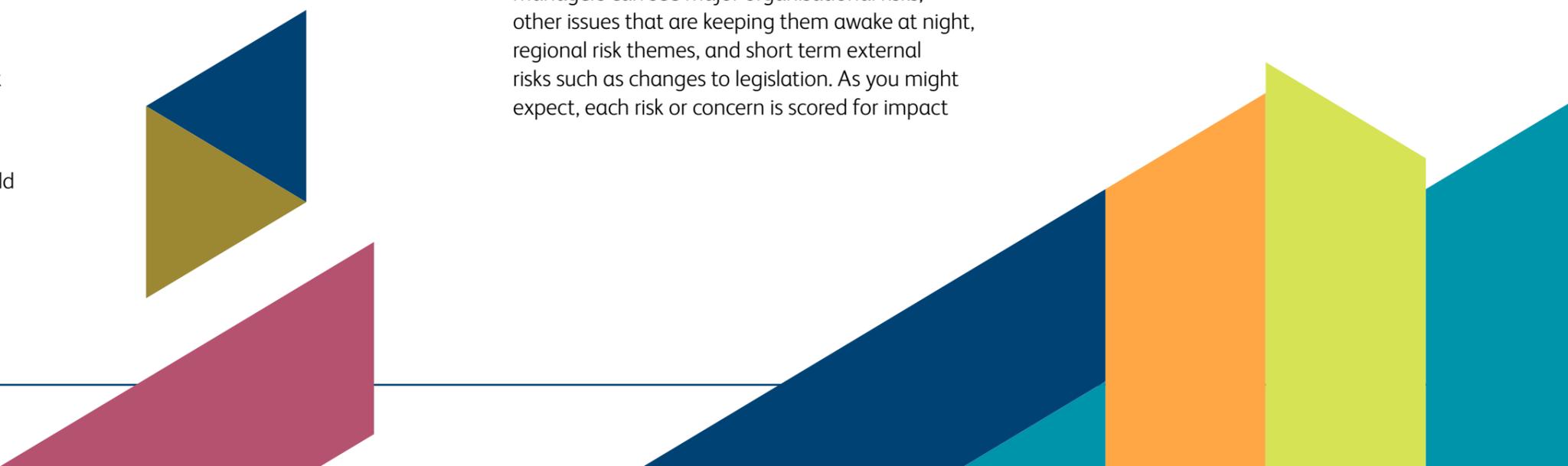
The diamond summarises all the key risks from across the organisation in a way that engenders discussion and debate. In one simple slide senior managers can see major organisational risks; other issues that are keeping them awake at night, regional risk themes, and short term external risks such as changes to legislation. As you might expect, each risk or concern is scored for impact

and likelihood, but the diamond adds an extra dimension and identifies how *prepared* the organisation is to face the risk.

I’ve seen a lot of risk registers in my time but I can’t remember seeing one that addresses preparedness, and yet it’s pretty important when you’re deciding whether more action is needed. If you have risks that are high likelihood and impact, but you have a low level of preparedness, then you really need to decide what to do quickly!

Jan explained that it’s important to find the right balance between process and high value, engaging conversations about risk and the risk diamond has certainly achieved that for the National Trust. And the beauty of it is that it can be adapted easily to reflect what matters to any organisation so if you’d like to find out more, get in touch with Jan or have a look at her slides which are on the IRM website. If you are not a member of the IRM and would like to see the slides, please contact me and I will arrange for them to be sent on to you.

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Clock this!

Whether you use risk registers or risk diamonds or some other gem of a risk report, you'll almost certainly have to think about risk training at some point. Our next speaker, Dr Keith Smith, gave us some tips on how to design and deliver effective risk training.

As Sharon reminded us earlier in the day, everyone deals with risks every day, so when we're talking about risk training what do we really mean? According to Keith, risk training is all about **understanding risk language, learning some structured approaches, situation awareness and how to use risk information to make decisions.**

Keith talked us through the CLOCK approach used by the Fire Brigade as they train firefighters to assess and respond to risks on the job. 'CLOCK' is an acronym for five trigger events that a firefighter might experience when dealing with a fire. Each event calls for an assessment of the current situation, a review of planned action, a decision on what to do next, followed by execution of that decision. I must say I'm very glad I'm not a firefighter but I do think the process Keith described can be applied to any risk situation. And of course it reinforces one of the key messages of our 'Getting Started' guidance – risks change and you need to consider them regularly.

Keith reminded us that we all learn in different ways so you will need to think about your audience and the organisation's culture as you decide the best way to approach training. There is no right or wrong way, but your training will be more effective if you include examples and case studies everyone can relate to. Try to find an example from your charity where an immediate decision would be needed and how a **risk based decision** could be made, as it is in the Fire Brigade.

Who knew risk management could be such fun?

It's probably fair to say that risk management is not most people's idea of fun. If your experience is anything like mine you'll have heard every excuse under the sun for leaving meetings just as the risk discussion is due to begin. Well, I'm pleased to report we might finally have the answer!

To finish off the event we played our new board game, 'Planopoly'. 10 teams competed very enthusiastically against each other to win much coveted Ecclesiastical picnic blankets (yes, really!) All they had to do was negotiate the usual pitfalls of a game board, and a set of fiendishly difficult questions about planning and risk matters. There were some astonishingly high scores all round and first prize became a closely fought contest.

Although the game proved to be great fun it does have a serious message. Rebecca Bowry, a member of the SIG's committee, who designed it and has used it several times, says the game is **a good vehicle for getting people to realise they don't know enough about risk management.** Rebecca has been invited to team meetings and conferences to talk more about risk management as a result of the game and, as we all know, if you're invited that's half the battle.

You can find out about each of the presentations on our website and we hope you will join us at future events.



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Guy Biggin

Partner, Crowe Clark Whitehill and a member of the Institute of IRM's Charities SIG.

Risk management begins in the boardroom



Risk management has become a "mission-critical" function for all not-for-profit organisations in recent years, driven largely by successive scandals in the early days but now by the need to protect both individuals and organisational reputation.

Plenty of guidance is available, not least from The Institute of Risk Management's Charity Special Interest Group and from our own NFP specialists within Crowe Clark Whitehill, but what is the changing face of risk management like for those on the front line?

The Salvation Army is one such organisation that has looked to use risk management as a positive business decision to help the charity meet its goals. As I found from speaking to David Rice, they have turned what in the past might have been perceived as a negative process into a positive which influences the entire management and operational structure of the organisation.

David Rice is Assistant Secretary for Business Administration (Risk and Research) and is based in The Salvation Army's offices in Newington Causeway, London.

He told me how his organisation had embraced risk management and made it a proactive part of how they operate.

"Enterprise risk management has got a lot in common with organisational development, strategic management, change management and business process re-engineering.

"There is a tendency to see it as a process of mapping your areas of risk and putting processes and procedures down on paper, but for me that is only when the real work starts," he said.

To David risk management is clearly not just about ticking the box and ensuring a statement on risk management is included in the annual accounts.

He feels that risk mapping can provide positive benefits that can then be translated into opportunities to make significant change and improvements within the organisation.

"Of course you want to reduce the risk of a bad result, but you can also use the process to help those involved in management and budget handling to improve the way we operate – to the benefit of all."

Risk management in this sector is not something with a long history and indeed David does not come from a background in this area.

He describes himself as a "lapsed chartered surveyor" with an MBA who ended up in the administration of an organisation he has been with for 25 years.

"As an outsider, rather than somebody with a background in risk management, I would say that it has now moved on from being simply an operational and a risk control issue.

"Risk management can be said to have its roots in the North American insurance sector where it was very much seen as a tool to reduce losses.

"But it has now become an enterprise management issue and a governance activity which is strategy related."

"The Salvation Army has a diversified set of missions which are, to all intents and purposes, businesses in their own right.

"I believe the biggest success of risk management has been in our ability to influence the structure of these 'businesses' and the way in which they are managed – from the outset," he said.

"It is not about giving them a rule book, but more a tool box with which to get the job done.

Risk management should not be set up to hold a business back but rather to help it flourish in a positive way.

I suppose they are the two sides of the coin, risk and opportunity, but surely it is equally important to emphasise the opportunity for the best results once the compliance and regulatory issues have been fully addressed?"

He believes that ongoing training and education is essential and should start in the boardroom and filter down.

"When risk management is treated as an essential part of the operation, and not just in the governance arena, then you can change the whole culture of the business.

"If you only focus on the loss control end of the spectrum, you could find yourself merely rearranging the deck chairs".

What advice would he give to those involved in introducing, implementing or improving risk management within their own organisation?

"Risk management is not a process or software issue. It is a management issue."

"It is about enacting change from the boardroom downwards so that everyone understands the issues and the role they can play".

Crowe Clark Whitehill has produced a report entitled *"Five Insights for Trustees"* based on lessons learned from Kids Company and other charities – available on our website <https://www.croweclarkwhitehill.co.uk/lessons-from-kids-company-and-others/>.

Among other issues it focuses on risk management and financial controls and provides valuable reading for all involved in the NFP and religious sector.

For more guidance on risk management for charities see the Institute of Risk Management website <https://www.theirm.org/events/special-interest-groups/charities/>

Helena Wilkinson

Partner and Head at Price Bailey LLP
Vice Chair of the ICAEW Charity
Voluntary Sector Special Interest Group.

The Expert's Risk Management Journey



Helena has worked within the not for profit sector for nearly 25 years, including 17 years in professional practice, in addition to seven years as Finance Director for Alexandra Park and Palace. She has worked with a vast range of not for profit clients and is also a Trustee and Chair of the Audit Committee of a charity.

Her roles within the industry have included financial management, corporate governance and strategic management and planning. She is passionate about helping organisations become stronger, more sustainable and resilient. Her experience on 'the client's side of the fence' enables her to give innovative and pragmatic advice. She has particular knowledge of the challenges and conflicts faced by charities and experience of finding practical solutions to problems. She has written the CCH Preparing Charity Accounts book published in July 2015.

1. What do you think risk management

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Risk management is about decision making and how you choose which option to take over another.

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is all about?

Risk management is closely aligned with strategy and its delivery. Risk management helps an organisation understand its environment, both internal and external, which can affect its future, its delivery of its objectives and ability to survive. Risk management is about decision making and how you choose which option to take over another and then monitor that decision to see if it needs to be changed or adapted.

2. What is the biggest change in risk management that you have observed over the course of your career?

Risk management - particularly risk registers – have become more commonplace in organisations, particularly charities following the SORP requirements. However the evolution of the operational risk management processes to those of a strategic nature, which need focus and attention of the senior management team and the Board, is still a developing area. All organisations undertake risk management in developing their strategy and making decisions but not all yet have understood the interdependencies and how better processes can help inform decision making.

3. What is the biggest success you have seen risk management contribute to an

organisation?

Through a co-ordinated focus on strategic delivery, the transformation of the previous cost cutting mentality to one focused on growth, sustainability and service delivery. Within two years the organisation moved from a deficit of over £1M to break even and in the following two years to producing surpluses of £1M. The alignment of the whole organisation focused in the same direction and with the same purpose was transformational, and was led from the top with strong leadership and inspiration.

4. What words of wisdom do you have for anyone starting to think about implementing risk management?

You already deal with risk management as part of your daily life in choices that you make. Having a more formal recognition of risk management within an organisation will help individuals be more aware of the risks being taken in a decision making process and that the choices they make follow the set strategic direction and risk appetite of the organisation. Clear strategic leadership is about individuals understanding their role in the organisation. It helps an organisation educate and inform individuals to be more knowledgeable and focused so their efforts are aligned to the best results and performance of the organisation, and then change and adapt as circumstances change within the parameters desired by the organisation.

Rebecca Bowry

Head of Planning & Performance at Diabetes UK

The Practitioners Risk Management Journey



What's your name and where do you come from?

I'm Rebecca Bowry and I'm Head of Planning & Performance at Diabetes UK – a role which includes leading on risk management. I live in Buckinghamshire with my two gorgeous cats Darcy and Rhett (from Pride and Prejudice and Gone with the Wind in case you're wondering about the weird names!)

How did you get started in risk management?

Well it certainly wasn't a conscious choice. I was working in the public sector leading on various projects and programmes using Prince2 and MSP methodology, and risk management is a critical part of that of course. But apparently I was one of the few who took it seriously, so when it was decided to set up a cross-organisational risk function about eight years ago, I was asked to take charge. I hadn't studied risk management in any great depth until then and I have to say that ploughing through the piles of really rather turgid risk standards and guides I found on the internet wasn't much fun! With the aid of the Oxford English Dictionary I finally managed to make sense of it all and was able to design a risk management framework that worked for us. I spent about three years in that role before moving to a wider role at Scope, the disability charity, and now Diabetes UK. Although my more recent roles cover a range of disciplines, I do still seem to have a bit of soft spot for risk management!

What are your top tips for embedding risk management?

Keep it simple. And make it fun!

Risk management is something we all do without thinking every day and it really doesn't need to be complicated. You'll get much more from your teams if they can see that, for most of us, risk management doesn't need to be any more complicated than looking both ways before you cross the road. We all seem to be busier than ever these days so who's got time for the long-winded, jargon-filled guidance I had to grapple with when I started out? And some of the risk registers I've seen are more likely to induce coma than lead to action.

And make it fun. That's a bit more difficult as we are of course dealing with a serious subject, but you can make your risk reports visually appealing and if you're running training you'll have a bit more leeway. I developed the board game 'Planopoly' as an introduction to risk management, planning etc, and I have been astonished at how well that has gone down with everyone who's played it. You can use entertaining case studies to support the theory too, such as planning for a Christmas Party or a holiday.

What achievement are you most proud of?

Well call me shallow, but I have to say I get a pretty good feeling when I Google my name these days. What comes up now is the work I've been doing with the IRM's Charities SIG – work that I started all those years ago in the public sector but which is now being used on a much wider scale to help charities of all shapes and sizes. We've had some really great feedback on our 'Getting Started' leaflet and the presentations we've done to accompany it.

What's the strangest risk you've ever had to deal with?

Hmm, I think most of the risks I've come across have been fairly bog standard, but there is one that springs to mind. I'm working hard to get all of our teams to spend more time thinking about the risks they might face and asked all of them to send me their latest risk register. On one I found the following risk: 'We might not identify all the risks we face'. Now why didn't I think of that?





WHY VOLUNTEERS ARE LIKE GOLD DUST

Richard Lane explores why volunteers are more precious than ever, where to find them and how to keep them safe and happy once you do.

So where can you find those gold dust volunteers?

A good place to start is your local CVS (Councils for Voluntary Service). There's a national network of 230 CVS's that offer a huge database of volunteering opportunities and local people looking to volunteer. As well as being a volunteer goldmine, they can help you with training, advice and support.

The National Council for Voluntary Organisations is also a fantastic treasure trove of information about where to find the volunteers you need.

Assuming you now have your cache of volunteers, how do you keep hold of them? That's the £20 million question.

A good place to start is to understand what motivates people to volunteer in the first place. Research shows that 75% of people want to see the difference they make in people's lives, 65% of younger people want to improve their skills and job prospects and over half of the 60+ age group believe it helps them make friends.

It's vital that charities recognise what it is people want from their volunteering experience and bend over backwards to make sure they deliver on the skills and personal enrichment people are hungry for.

Just as important is understanding what puts them off. One national survey discovered that almost half the people they spoke to were worried about risks and liabilities. And with good reason. As insurers we regularly witness the distressing consequences of poor volunteer management through the claims we receive.

Often these consequences are financial. A series of claims will affect your organisation's insurability and if poor management means you can't get insured, your organisation's livelihood and existence could be on the line.



One national survey discovered that almost half the people they spoke to were worried about risks and liabilities.



But most upsetting are the human consequences of poor management. One example that sticks in my mind is a young man in his twenties who volunteered for a charity and ended up losing half his hand after using a circular saw without any training or safety mechanisms in place. How can you ever compensate for changing the course of someone's life in such a tragic way?

A reputation for carelessness with your volunteers is something you want to avoid at all costs. Which brings us to the crucial question...

How do you take care of the people you rely on?

A few basics spring to mind. Be prepared. Carry out risk assessments. Have health and safety policies in place and employ them. Make sure children and vulnerable adults are protected.

In fact, there is a long list of things you can do to help keep your volunteers and the people they come into contact with safe and sound and coming back for more. A good insurance broker can provide you with helpful guidance and of course the Institute of Risk Management website has plenty of useful advice and information.



Richard Lane

Managing Director of Ansvr Insurance, specialists in the third sector.

