RISK MANAGEMENT GUIDANCE FOR COMMITTEES

Category: Committee Procedures and Guidance

1 Purpose

To support u3a committees in identifying governance and operational risks, and to mitigate these risks.

2 Scope

Relevant to all u3a committee members.

3 Introduction

Risk management is the process of identifying, evaluating, and controlling risks, and is an important part of future-proofing your u3a. Anything that could potentially stop your u3a from achieving its aims should be seen as a risk. Identifying and understanding these risks will help you put the right measures in place to prevent them from happening. The aim is not to eliminate all risks entirely (this would be very difficult and not cost effective), but rather to reduce the risk to a level that your u3a is comfortable with.

4 Identifying the risks

The first step is to identify possible risks in the different areas of your u3a.The Charity Commission suggest (CC26) that you review risk under the following headings as a framework:

- **Governance risk**: In order to run your u3a, the committee should have the right skills for the role (either through prior experience or developed through mentorship and training with previous members in the role). Without a skilled committee (or a committee willing to learn), your u3a is at risk. This includes understanding trustee responsibility.
- **Financial risk:** This may have an impact on your ability to achieve your financial obligations. These risks include the risk of fraud through transferring physical cash to a bank account, or theft.
- **External risk**: This includes the reputation of your u3a, and any threat to the name or standing of your u3a (and the wider movement's reputation). It may be caused by your members (past and present), or committee members. Changes to government policy may also impact your u3a's ability to operate successfully.
- **Operational risk:** This is a threat to your u3a caused by a breakdown in internal procedures. This risk may come from your committee not having the policies and procedures in place to run the u3a effectively.

- Regulatory and compliance risk: This refers to the risk of failing to comply with legislation. Following the u3a guidance and advice documents on the national website will help compliance with reporting rules and charity legislation can help prevent your u3a from falling foul of regulations (and reputational damage).

5 How to analyse risk

Once a risk has been identified, it is important to assess the likelihood of the risk occurring, and the impact it would have on your u3a if it did occur. Thinking about this together as a committee is a valuable exercise.

You should consider all the possible implications of the risk, some of which might not be obvious. For example, you may have a new Chair on the board that does not have experience as a Chair. There is a moderately high likelihood of this happening, and the impact on the u3a could be moderate. In order to mitigate this risk, the board can ensure all new trustees are fully inducted and offer their support when required.

6 Rating risks

It can be useful to give each of the risks your charity faces a score on a) the likelihood of it happening and b) the impact it would have if it did. For example, you could have a scale from 1-5 for likelihood, where 1 is the likelihood is rare, and 5 is where the likelihood of the risk occurring is certain. You could also have a scale from 1-5 for impact, where 1 is where the impact is insignificant, and 5 is where the impact is major (see Appendix 1 for an example scale).

You should calculate the initial risk score of each risk by multiplying the likelihood score by the impact score. For example, a risk with a likelihood of 2 and an impact of 3 would have a score of 6 (2 x 3). The risk score informs you of how urgent the risk is, as well as how much a priority it is – the higher the score, the higher the priority to address.

8 Reducing and controlling risks

The initial score is the level of risk before any mitigation action. Working together as a committee the idea to lower the level of each risk to one your u3a is happy with.

It can help to think about all the controls your u3a has in place to reduce the likelihood or impact of a risk. For example, if the risk is fraud, the controls are likely to focus on measure to decrease this risk, such as reviewing your financial policy, always having dual signatories, etc (please refer to our finance guidance on our website).

Once you've listed all the mitigation actions that you have in place for a risk, you can re-score its likelihood and impact to get a residual risk score to ensure that the mitigations are going to be effective in lowering this risk to an acceptable level.

9 Monitoring risks regularly

Risks change over time and committees are recommended to hold regular risk management meetings to check how well your u3a is dealing with them (at least once a year). These meetings can help you monitor whether the controls you have in place are still necessary and if there are any new risks to deal with.

10 Risk Assessments

It is helpful to develop specific risk assessments for individual risks related to group activities, to evidence that activities are safe to participate in – templates are available on the national website under Support for u3as.

11 Appendix

Appendix 1: Risk scores

Description	Score	Example
Remote	1	Only occurs exceptional circumstances
Unlikely	2	Occurs in a few circumstances
Possible	3	Occurs in some circumstances
Probable	4	Occurs in many circumstances
Highly probably	5	Occurs frequently and in most circumstances

Description	Score	Example
Insignificant	1	Not dangerous or damaging to u3a's operations and/or reputation, or damage is negligible
Minor	2	Unlikely to be dangerous or damaging to u3a's operations and/or reputation
Moderate	3	Somewhat dangerous or damaging to u3a's operations and/or reputation
Major	4	Mostly dangerous or damaging to u3a's operations and/or reputation
Extreme/	5	Very dangerous or damaging to the u3a's operations and/or reputation

u3a	Risk management guidance		The Third Age Trust
Version	Description of changes	Date of change	Review date
1.0	Original document	March 2023 release	March 2024
2.0	Typos removed	June 2023	June 2023