Institute of Risk Management - Charities Special Interest Group

Summer 2015 Newsletter

Produced in association with Ansvar Insurance

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Alyson Pepperill
Chair, IRM Charity Special Interest Group

Introduction

Welcome to our second newsletter in association with Ansvar. IRM's Charity Special Interest Group (SIG) has just finished what has become (just!) an international tour to spread the risk management word. It kicked off with the Risk Conference at the end of January, followed by a major 'Getting Started' event hosted by Crowe Clark Whitehill, a seminar in Dublin hosted by Ecclesiastical in Dublin to launch an Irish charity network group, and finishing up with three events across England hosted by Price Bailey.

The enthusiasm of participants is palpable and the momentum is amazing. With a Risk Challenge Round Table event on 10th June (hosted by Arthur J Gallagher) and a large number of hits on the website to the accompanying training recordings, we are clearly on a roll. A huge thank you to our kind hosts, the SIG team and all of you who attended.

This issue of the newsletter reports back on these events, and also looks at:

- Measuring your risk maturity – Rebecca Bowry of Diabetes UK
- Making strategic planning work through risk management – aka. my own 'Eureka' moment
- The new trinity: linking budgeting, planning and risk management – Helena Wilkinson of Price Bailey
- And some useful tips on Trustee Indemnity from Ansvar

Our webpage is also regularly updated so click here and see what's new: https://www.theirm.org/knowledge-and-resources/charities-and-voluntary-organisations/

I hope you find this newsletter useful. Please do let me know if there are other topics you would like to see covered.

Alyson

Charities Special Interest Group (CIG) Committee Members

Alyson Pepperill (Chair)
alyson_pepperill@ajg.com

Guy Biggin
guy.biggin@crowecw.co.uk

Rebecca Bowry
rebecca.bowry@diabetes.org.uk

Jan Cadby
jan.cadby@thenationaltrust.org.uk

Candice Roggeveen
candice.roggeveen@tearfund.org

Lisa Reilly
eisfcoordinator@eisf.eu

Kevin Thomas
kevin.thomas@ecclesiastical.com

Rebecca Bowry
Head of Planning and Performance, Diabetes UK

Measuring your maturity

It's certainly been a busy few months since we launched our 'Getting Started' leaflet and accompanying guide at the CFG Risk Conference in January. We've been up and down the country spreading the word at various seminars. And, since I was lucky enough to be invited to speak to charities in Dublin, we've now officially gone global!

Your feedback has been great, and so many of you clearly now feel inspired to tackle the challenges of implementing and embedding risk management. But it's also clear that many of you have already 'got started' and have asked for a bit of a steer on how to move on from the basics.

Well, once again, the IRM's Charities Special Interest Group is on the case! We're finalising a 'risk maturity framework' to help you develop a plan for improving your risk management. Now in case you're thinking that must be something that will tell you when your risks have ripened up nicely and are about to break out and cause mayhem, let me explain. A risk maturity framework is really just a tool to help you work out how good you are at risk management.

If you've just got started then you might class yourself as 'novice', although in some areas you might well be 'competent' or even 'proficient'. But – and some may find this an interesting thought coming from us – think about whether you actually need to be 'expert'. It's a question of matching your risk capabilities to your likely needs. So the answer to that for most of us is probably not. But if you are novice in all aspects of risk management then you'll probably want to make some improvements. If you don't, you're likely to find that objectives and targets are missed or not met in full, simply because senior management are diverted to deal with unplanned events.

Our simple framework sets out four levels of risk maturity (novice, proficient and expert) and summarises what this means in terms of knowledge, skills and behaviours. You can then assess your charity against this framework and identify where you need to improve. This will help you focus your limited resources on developing the right areas – why insist, for example, that all staff attend risk training if actually the problem is just that you haven't effectively communicated and promoted your risk policy?

We're aiming to launch the framework and an accompanying guide and it will be available shortly for download from the IRM's website at www.theirm.org.

"We're finalising a 'risk maturity framework' to help you develop a plan for improving your risk management."

Helena Wilkinson
Partner, Price Bailey/Vice Chair of the ICAEW Charity and Voluntary Sector Group

Strategy and risk management

The amount of time and resources organisations plough into developing their one year and beyond strategic plans is huge. Yet failure to deliver what's agreed remains all too common. So what happens in the gap between these strategic good intentions and the inability to deliver them?

Well firstly, these strategic plans are all too often developed in isolation from both the budget process and the organisation's operational plans. When this happens, failure is almost assured. The strategic plan is – or should be - a crucial part of the budgeting process. It determines the resources, investment and operational priorities and key activities of the organisation, both in the short and the long term. A budget which supports the strategic plan is a joined-up plan which supports delivery, rather than different plans operating in isolation.

Step two involves monitoring, review and adapting the plan. This is a crucial element of delivery, which also requires a clear idea of what success means and – importantly – how to measure it. Take the really simple example of an organisation that produces goods. Here, success can be measured by how many goods you sell. But that's not the whole story; you need to know the price of your raw materials, the selling price for the right margin, ensuring you meet demand but don't overproduce and have to spend money on excess warehousing. And that's just the operational side of things. Add in marketing, maintaining the quality of your goods, keeping an eye on the competition, financing production, protecting your databases and personal data, and a whole lot more. Decisions will have to be made about all the likely risks that the organisation faces, and about how to manage them.

This is what risk management is for, and it's actually something most of us do in some capacity every day, without giving our decisions the formal 'risk management' label.

So delivering your strategy from paper to practice needs a few crucial conditions. First your budget needs to provide the money to resource the plan, and then the organisation needs to have, and use, the right measures to know how well the plan is working. These measures are often referred to as key performance indicators, or KPIs.

KPI's are a good start but they need to measure the right things. Organisations are often tempted to measure things that are easily measurable, instead of those that are meaningful, like the example I used earlier of measuring the number of goods sold.

But while profit and margin are the key drivers of commercial organisations, this isn't always the case in the charitable sector. Funds can be raised from public campaigns, grant-makers or (increasingly more difficult) government, reducing the connection between income and activity (or expense). This doesn't mean, however, that those running charities can ever forget about value. Are your activities the best way to deliver your charitable purposes? Which activities are most effective? How do you measure 'effective'? What are your priorities and what may have to take a back seat as a result?

Past experience can be a big help in informing this process, but it has its limitations. Internal and external contexts change, and the likelihood and impact of risks evolve. Good internal communication between those delivering the services or goods and the executive team and trustees help decipher and tease out good behaviours, the most effective KPIs and what success looks like. This kind of communication and measurement will refine over time as the organisation gets smarter about capturing relevant data and information which feeds the right outcomes. Similarly, understanding of the process will become more sophisticated and deeply embedded over time.

Risk management review and action isn't born, perfect, first time. Those responsible for it will also learn to adapt and evolve the plan and its delivery over time. What's important is taking the first step.

> **"A budget which supports the strategic plan is a joined-up plan which supports delivery, rather than different plans operating in isolation."**

Guy Biggin
Partner, Crowe Clark Whitehill LLP

An unusually varied breakfast

The 1st of April was potentially a dangerous day to hold our first 'Getting Started' seminar, but I was relieved to find the room was packed. From tiny organisations to big names, local and global, it was great to see such an appetite among the sector to learn about risk management.

After I'd kicked the meeting off by introducing the Getting Started approach and the supporting guides, I handed over to our two presenters. Rebecca Bowry from Diabetes UK explained how she'd de-mystified risk for her colleagues by simplifying complex and lengthy lists of risks down to a much more manageable one page of priorities to tackle, making it easier to spread the word.

Rebecca's story suggests that perseverance and innovation are probably the two qualities most needed to make risk management happen within a charity. Perseverance to keep fighting the fight and innovation to grab people's interest and bring them into the fold. Rebecca shows that, armed with these two tools, you really can make headway.

We then had a fascinating presentation from Candice Roggeveen of Tearfund. She looked at risk management within an international context and highlighted some of the political and cultural differences that complicate risk management in this field.

What struck me most about Candice's session was the focus on the 'positives', and the desire to celebrate risk successes with the team that helps deliver them. That's a good reminder for all charity managers, whatever the success achieved.

We closed the morning with a lively free format Q&A. The audience shared their own experiences, frustrations and successes with each other in the room's safe environment. I hope they learned as much from both our terrific speakers and each other as I did.

Huge thanks to Rebecca and Candice for the excellent sessions and to everyone who came, listened and participated. We hope it was both interesting and insightful.

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Alyson Pepperill
Chair, IRM Charity Special Interest Group

Turning strategy into success

Freshly back from Getting Started's first series of roadshows across England as hosted by Price Bailey, these workshops were headlined Planning your Strategy, and we had Price Bailey's own Helena Wilkinson starting each session with a look at planning. Here are some key points you might find useful:

The dangers of the drawer

Done properly, the strategic management process Helena discussed is a practical, living thing of great use to your organisation. But all too often the end of the process is followed by a 'job done' approach which then consigns the document to a drawer to languish forgotten. I was gripped by a sense of déjà vu here – I find myself saying the same when organisations undertake a strategic risk review and then do nothing!

Chasing the money

I learned that some charities are now 'chasing projects' in order to generate income rather than sticking to their core mission. Some might say that this has been driven by necessity i.e. no money = no service to beneficiaries. BUT as Helena says you can end up with is lots of restricted funds and projects that end when the money runs out, leaving some high and dry. I had been noting that charities were bidding for more contracts, either in isolation or in collaboration with others, but that comment brought everything firmly into focus. I've written a blog on this subject on our IRM pages which you might like to read here: https://www.theirm.org/knowledge-and-resources/charities-and-voluntary-organisations/charities-blog/why-chasing-the-money-can-be-bad-for-your-health

Making the most of your shop window

We discussed how the section in the Trustees Annual Report could be used as a way of communicating with stakeholders. Some saw the Report as a 'shop window', some as just a chore, and others that they provided a great opportunity to set the scene for the future rather than focussing on the past.

Myself, I've never really understood why objectives are listed, then delivery against objectives in a separate section, and finally a 'what we will do next year' section. This kind of disconnect makes the front of the reports difficult to read. For me, it would make more sense to take each objective, say how you've performed against it and then set out what you want to do with it next year. While there are some reports out there that follow this format, the vast majority don't. I wonder why?

Another couple of useful insights from Helena on report and accounts included the need to always ask 'so what?'. If you make a statement make sure people can understand if it's reflecting a good thing or not. She suggests adding some context of what good looks like and how the objective has helped you to continue delivering your services

Further, if you're listing and highlighting really important objectives and achievements make sure that there is also some reference to this in the numbers 'at the back'. Too often something comes across as really vital to the success of the charity in the front of a report but no numbers are included for context and results, in the back.

I really enjoyed these roadshows. Once the audience heard that risk management was all about successful strategic planning and not a horribly complex thing to do, they really engaged with the ideas, with often energetic debate and some good questions.

The London session also gave us the chance to explore communicating and training risk in a more innovative way by featuring the Planopoly Game. It's great fun, as well as being practically useful. See here for more details: https://www.theirm.org/knowledge-and-resources/charities-and-voluntary-organisations/charity-sig-events/

And the best thing about the sessions? At the end of each, at least one person said to me 'Right, now I'm getting started'. It was clearly a light bulb moment – 'aha so risk management is all about successful strategic planning!' Indeed it is.

> **"Once the audience heard that risk management was all about successful strategic planning... they really engaged with the ideas."**

HOW TO PLAY THE TRUSTEE DATING GAME

Finding the Trustees of your dreams can be a complicated affair. Richard Lane looks at ways to attract your ideal candidates and then inspire them to commit.

But where do you find Ms or Mr Right?

Some Trustees just flow to you naturally. They may be people who have been personally and positively affected by your services or vision in some way. Or they may be volunteers who have risen up through the ranks and are ready to take on more. Some may be highly skilled people who admire what you do from afar and feel inspired to lend a hand. Or simple word of mouth may do the trick.

But if these avenues don't deliver the right person for the job, there are also professional matchmakers you can consult. A Google search will turn up nuggets like smallcharities.org.uk, NCVO recruitment and trustees-unlimited.co.uk.

How to make yourself irresistible

Once you find your perfect match, how do you persuade them to devote themselves to your cause for love, not money?

In the current climate, chances are the people who have the skills you want are already at full stretch holding down their day job. Or they may feel jittery about what being a Trustee will involve in terms of responsibility as well as time. And with good reason.

Becoming a Trustee involves responsibilities whilst playing a major role in shaping a charities strategic route. Trustees duties at a glance can be found on the Charity commission website – The Essential Trustee; whilst the Association of British Insurers also publish a Trustee liability guide at www.abi.org.uk. The secret lies in showing you are aware of these responsibilities and presenting viable solutions.

The secret lies in showing you are aware of these potential pitfalls and presenting viable solutions.

Help your Trustees walk before they run

While some Trustees may arrive fully skilled, experienced and ready to go, others will benefit from a carefully thought-out training programme. This is a win-win approach in two important ways.

> **In the current climate, chances are the people who have the skills you want are already at full stretch holding down their day job.**

It's reassuring to a potential Trustee to know there will be help offered and the opportunity to acquire new skills. This could give an able but wary prospect the confidence they need to step up.

Secondly, by providing training your new Trustee will know what they're doing and make a much better job of it. That way you lay the foundations for success right from the start – rather than hoping for the best and picking up the pieces when things go wrong, which can be expensive and distressing.

A good way to find out more about Trustee training is to contact not for profit educators such as the Civil Society and NCVO.

Coping with cold feet

In these litigious times it's no surprise that training alone may not be enough to quell the concerns of your prospective Trustee. Not only are they not going to be paid for their services, if anything goes wrong the blame – and the bill – could be laid at their door.

In the commercial world it's usual to protect directors with insurance – a practice that is increasingly happening in the charity sector too. If you'd like to offer your Trustees this kind of reassurance, a good insurance broker will be delighted to point you in the right direction.

Hopefully, with the right training and guidance in place you'll never need to use your cover and you and your Trustee can live happily ever after.

Richard Lane
Managing Director of Ansvar Insurance, specialists in the third sector.