



## **RISK MANAGEMENT POLICY**

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## 1. Purpose

To support the Board of Trustees in identifying governance and operational risks, and to mitigate these risks. By doing so we aim to protect the:

- Reputation of the organisation
- Assets of the organisation
- Members, trustees and volunteers.

## 2. Scope

Relevant to all u3a York Board of Trustee members.

## 3. Introduction

Risk is defined as the combination of the probability of an event and its consequence. Consequence can range from positive to negative (Institute of Risk Management (IRM)).

Risk management is the process of identifying, evaluating, and controlling risks, and is an important part of future-proofing u3a York (the charity). Anything that could potentially stop the charity from achieving its aims should be seen as a risk. Identifying and understanding these risks will help the charity 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 the charity is comfortable with.

## 4. Responsibility

The responsibility for the management and control of the charity rests with the Board of Trustees. The Board of Trustees are responsible for reviewing and considering the key aspects of the risk management process and results.

Trustees may delegate elements of the risk management process to volunteers or professional advisors. However, the Board of Trustees should retain a level of involvement that enables them to be confident that risk is being managed effectively.

## 5. Identifying the risks

The process of risk identification must be specific to u3a York and reflect the activities, structure and environment in which the charity operates.

The following questions can help identify risks to the charity's objectives:

- What could prevent us from achieving this objective?
- What could realistically go wrong?
- What do we need to achieve this objective?
- Do we depend on others to succeed?
- What opportunities might arise?

The Charity Commission suggest that risk is reviewed using the following categories as a framework:

Category	Examples
Governance	<ul style="list-style-type: none"> <li>• inappropriate organisational structure</li> <li>• trustee body lacks relevant skills or commitment</li> <li>• conflicts of interest</li> </ul>
Financial	<ul style="list-style-type: none"> <li>• inaccurate and/or insufficient financial information</li> <li>• inadequate reserves and cash flow</li> <li>• dependency on limited income sources</li> <li>• insufficient insurance cover</li> <li>• fraud</li> </ul>
External	<ul style="list-style-type: none"> <li>• poor public perception and reputation</li> <li>• demographic changes such as an increase in the size of beneficiary group</li> <li>• turbulent economic or political environment</li> <li>• changing government policy</li> </ul>
Operational	<ul style="list-style-type: none"> <li>• lack of beneficiary welfare or safety</li> <li>• poor contract pricing</li> <li>• poor volunteer recruitment and training</li> <li>• doubt about security of assets</li> </ul>
Regulatory and compliance	<ul style="list-style-type: none"> <li>• acting in breach of trust</li> <li>• poor knowledge of regulatory requirements of activities (e.g. fund-raising, facilities)</li> </ul>

Once identified the risks should be recorded in a risk register.

## 6. Evaluating the risks

The purpose of this step is to understand the threat posed by the risks identified and whether we need to take action to mitigate them.

Identified risks need to be put into perspective in terms of the potential severity of their impact and likelihood of their occurrence.

Risk evaluation falls into two principal components:

- **Impact** – This is a consideration of how severely the charity would be affected if the risk occurs.
- **Likelihood** – This is a consideration of how likely it is that the risk will occur. In other words, the probability that the risk will happen and become an event that needs to be managed.

When assessing risk, we should first consider the likelihood and impact before any controls are applied or mitigating action taken. This is the inherent (uncontrolled) level of risk.

The next stage is to identify the controls in place that mitigate that risk. Once these are identified the risk should be reevaluated and this gives the level of the current or residual risk.

## 7. Rating risks

A scale of 1-5 is used to assign a score to both the impact and likelihood. The bands and criteria used to assess impact and likelihood are shown in the Risk Assessment Matrix in appendix 1. This should be used to guide your evaluation of each risk identified.

To calculate the risk rating multiple the likelihood score by the impact score, e.g.

likelihood of 2 x impact of 3 = risk rating of 6

The risk rating informs how much of a priority it is to address, the higher the rating, the higher the priority. The following table shows that the action to be taken is dependent on the risk rating, this sets out the u3a York risk appetite:

<b>Risk Rating</b>	<b>Action</b>
Low	Monitor the situation
Medium	Identify improvements / draw up action plan and monitor
High	Urgent action required to reduce exposure and re-assess

## 8. Reducing and controlling risks

Where the risk action requires the risk to be reduced the Board of Trustees should consider how that can be achieved.

There are four principal ways in which we can respond to risks, these are known collectively as 'the Four Ts' – Treat, Tolerate, Transfer and Terminate.

<b>Treat</b>	This is the most common way of managing risks. The purpose of treating the risk is to continue with the activity, but at the same time take action to bring the risk score down to a lower, more acceptable level.
<b>Tolerate</b>	This means accepting the likelihood and consequences of the risk. We would typically take this approach when it is not cost effective to act, because the likely impact of the risk, should it occur, is minimal.
<b>Transfer</b>	This means shifting the risk, in whole or part, to a third party. The transfer of risk to another organisation can be used to reduce the financial exposure and/or pass the risk to another organisation which is more capable of effectively managing it (e.g. insurance). However, it is important to note that transferring the risk does not always provide full mitigation, especially against reputational risk.
<b>Terminate</b>	This means stopping an activity altogether or doing things differently so that the risk is removed.

The decision should be recorded on the risk register.

## 9. Monitoring risks

Risks are monitored by the Board of Trustees. The risk register is presented at each Board of Trustee meeting for review.

## 10. Risk Assessments

Templates for the risk assessments (Activity Checklists) for individual risks related to group activities (used to evidence that activities are safe to participate in) are available on the website <https://york.u3asite.uk/group-leaders/>.

## Appendix 1 - Risk Assessment Matrix

RISK ASSESSMENT MATRIX					
The risk rating is calculated by multiplying likelihood x severity / impact					

ASSESS LIKELIHOOD	1	2	3	4	5
<b>Likelihood</b>	Very unlikely	Unlikely	Possible (heard of it happening)	Probable	Very likely
	<3% chance	3% to 9% chance	10% to 49% chance	50% to 90% chance	>90% chance
	This will probably never happen / recur or only occur in exceptional circumstances	Do not expect it to happen / recur but it is possible it may do so	Might happen or recur occasionally	Will probably happen / recur but is not a persistent issue	Will undoubtedly happen / recur possibly frequently

ASSESS SEVERITY / IMPACT:	1	2	3	4	5
<b>Impact on the safety of members, volunteers or public (physical or psychological harm)</b>	<b>Insignificant</b>	<b>Minor</b>	<b>Moderate</b>	<b>Major</b>	<b>Extreme</b>
	None or trivial injury / illness	Minor injury or illness / only minor first aid required	Injury or illness that could result in treatment being required	Specified major injury / sever incapacity. Fractures, loss of consciousness	Fatality

ASSESS SEVERITY / IMPACT:	1	2	3	4	5
	Insignificant	Minor	Moderate	Major	Extreme
<b>Financial</b>	Negligible loss	Additional cost of up to 10% of budget	Additional cost of up to 30% of budget	Uncertain delivery of key objectives Additional cost of up to 30% of budget	Non-delivery of key objectives Loss of up to 75%
<b>Operational</b>	Loss / interruption of >1 hour	Loss / interruption of >8 hours	Loss / interruption of >24 hours	Loss / interruption of >1 week	Permanent loss of service / facility
	Insignificant slippage	Minor slippage in the achievement of one objective	Minor slippage in the achievement of multiple objectives	Significant slippage in the achievement of one objective	Significant slippage in the achievement of multiple objectives Key objectives not met
	Informal complaint	Formal complaint	Several complaints Complaint unresolved	Multiple complaints	Gross failure of service
	Short-term low volunteer level that temporarily reduces service level	Low volunteer level that reduces service level	Late delivery of key objectives / service due to lack of volunteers Unsafe levels of volunteers Low morale	Uncertain delivery of key objectives / service due to lack of volunteers Unsafe levels of volunteers Loss of key volunteers Very low morale	Non-delivery of key objectives / service due to lack of volunteers Ongoing unsafe levels of volunteers Loss of several key volunteers

ASSESS SEVERITY / IMPACT:	1	2	3	4	5
	Insignificant	Minor	Moderate	Major	Extreme
<b>External</b>	Not dangerous or damaging to u3a's reputation, or damage is negligible	Unlikely to be dangerous or damaging to u3a's reputation	Somewhat dangerous or damaging to u3a's reputation Short-term reduction in member / public confidence	Mostly dangerous or damaging to u3a's reputation Long-term reduction in member / public confidence	Very dangerous or damaging to the u3a's or reputation Total loss of member / public confidence
<b>Governance</b>		Trustee vacancies but still able to achieve a quorum	Frequent turnover of Trustees	Trustees lack the relevant skills or commitment. Undisclosed conflicts of interest	Ineffective Board oversight.
<b>Regulatory and compliance</b>	No breach of guidance / statutory duty	Minimal impact breach of guidance / statutory duty	Single breach of guidance / statutory duty	Multiple breaches of guidance / statutory duty Warning notice	Multiple breaches of guidance / statutory duty Prosecution

		RISK RATING				
Likelihood → Severity ↓	1	2	3	4	5	
1	1	2	3	4	5	
2	2	4	6	8	10	
3	3	6	9	12	15	

4	4	8	12	16	20
5	5	10	15	20	25

	ACTION
Low	Monitor the situation
Moderate	Identify improvements / draw up action plan and monitor
High	Urgent action required to reduce exposure and re-assess