



# Risk Management Toolkit Summary

---

**ansvar**

# Why risk management is important

- Risk management is a critical activity that helps you understand and manage your risks (and opportunities)
- Risk management will support you in achieving your strategic objectives, priorities and targets
- Risk management should be an integral part of your business operations and support decision making.

## Risk management process

- STEP 1 – Risk identification
- STEP 2 – Risk analysis
- STEP 3 – Risk prioritisation
- STEP 4 – Risk mitigation
- STEP 5 – Risk monitoring



## Six risk categories

### Strategic

Negative impact on strategic objectives e.g. mergers, diversification, loss of a key supplier, reputation issue.

### Operational

Negative impact on day-to-day operations e.g. loss of a critical system, data loss, business interruption.

### People

Negative impact on staff, volunteers and other people you interact with e.g. key person dependency, recruitment and retention, capacity and capability.

### Legal/Regulatory

Negative impact on your ability to comply with the legal and regulatory landscape e.g. breach of data protection, non-compliance, legal action (tribunal).

### Hazard

Negative impact on the organisation caused by a hazard of some sort e.g. fire, flood, health and safety incident.

### Financial

Negative impact on your financials e.g. increased pension fund liabilities, negative movements in the interest rate, fraud, increase in supplier costs.

# Step 1 – Risk identification

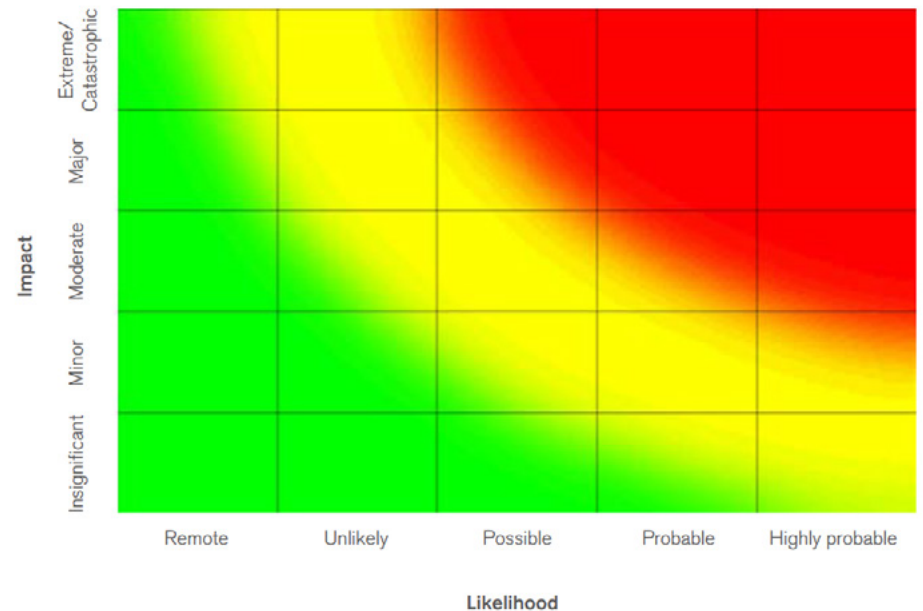
- Think about your strategic objectives and priorities
- Consider the six risk categories (see previous table)
- Brainstorm/workshop with colleagues (sharing perceptions)
- Examination of trends
- Analysis of last year’s problems
- Information from similar organisations
- Awareness of new initiatives, agendas and regulations

# Step 2 – Risk analysis

Background		Cause	Consequence
General background	What could trigger the event?	What could the consequences be?	
<ul style="list-style-type: none"> <li>• What?</li> <li>• Where?</li> <li>• How?</li> </ul>	<ul style="list-style-type: none"> <li>• How?</li> <li>• Why?</li> <li>• When?</li> </ul>	<ul style="list-style-type: none"> <li>• How big?</li> <li>• How bad?</li> <li>• How much?</li> </ul>	

# Step 3 – Risk prioritisation

- How big an impact will the risk have on your organisation
- Assess each risk on an ‘inherent’ basis (before controls are implemented) and a ‘residual’ basis (after controls have been implemented)
- How likely is the risk to occur? (refer to Impact and Likelihood assessment guides on the next page)
- The risk matrix provides a focus to plot the residual risk scores (the impact x likelihood ranking = risk score)
- Those in the top right hand corner are the more pressing ones that will require most attention (see risk matrix/heat map below).



## Step 4 – Risk mitigation

- Assess current actions and controls - are they adequate or are more needed in line with the four T's approach (Tolerate, Treat, Transfer, Terminate)
- Develop smart actions that will either reduce the likelihood of the risk occurring or minimise the impact should it happen.

## Step 5 – Risk monitoring

- Ensure risk reporting is part of performance monitoring
- Determine frequency of reporting depending on risk scores
- Focus on those risks above the tolerance line (top right hand corner of the heat map)
- Delegate a group of individuals to be responsible for monitoring these risks e.g. Senior Leadership Team.

Risk impact				
Scale	Description	Service	Safety/People	Financial
1	Insignificant	<ul style="list-style-type: none"> <li>• No impact on service</li> <li>• No impact on reputation</li> <li>• Complaint unlikely</li> <li>• Litigation risk remote.</li> </ul>	<ul style="list-style-type: none"> <li>• No fatalities</li> <li>• Minor impact on people's health</li> </ul>	1-2% of turnover
2	Minor	<ul style="list-style-type: none"> <li>• Slight impact on service</li> <li>• Slight impact on reputation</li> <li>• Complaint possible</li> <li>• Litigation possible.</li> </ul>	<ul style="list-style-type: none"> <li>• No fatalities</li> <li>• A small number of minor injuries requiring first aid</li> </ul>	3-5% of turnover
3	Moderate	<ul style="list-style-type: none"> <li>• Some service disruption</li> <li>• Potential for adverse publicity</li> <li>• Complaint probable</li> <li>• Litigation probable</li> </ul>	<ul style="list-style-type: none"> <li>• No fatalities</li> <li>• Significant number of people affected requiring first aid</li> </ul>	5-8% of turnover
4	Major	<ul style="list-style-type: none"> <li>• Service disrupted</li> <li>• Adverse publicity not avoidable (local media)</li> <li>• Complaint probably</li> <li>• Litigation probable.</li> </ul>	<ul style="list-style-type: none"> <li>• Significant number of people affected</li> <li>• Hospitalisation required as well as medical treatment</li> </ul>	8-15% of turnover
5	Extreme/ Catastrophic	<ul style="list-style-type: none"> <li>• Service interrupted for a significant time</li> <li>• Major adverse publicity (national media)</li> <li>• Major litigation expected</li> <li>• Resignation of senior management/board member</li> <li>• Loss of beneficiary confidence</li> </ul>	<ul style="list-style-type: none"> <li>• Fatality/fatalities</li> <li>• Large number of people affected</li> <li>• Multiple serious or extensive injuries</li> </ul>	>15% turnover

Risk likelihood			
Scale	Description	Occurance	Probability
1	Remote	1-5% (1 in 20 years)	Exceptional circumstances
2	Unlikely	5-15% (1 in 6/7 years)	Few circumstances
3	Possible	14-40% (1 in 2/3 years)	Some circumstances
4	Probable	40-75% (1 in 2 years)	Many circumstances
5	Highly Probable	75-100% (1 in > 2 years)	Frequent circumstances

This guidance is provided for information purposes based on Enterprise Risk Management best practice and is general and educational in nature.

It does not constitute legal advice. You are free to choose whether or not to use it and it should not be considered a substitute for seeking professional help in specific circumstances.

You acknowledge that over time, this guidance may become out of date and may not constitute best market practice.

Accordingly, Ecclesiastical and its subsidiaries shall not be liable for any losses, damages, charges or expenses, whether direct, indirect, or consequential and howsoever arising, that you suffer or incur as a result of or in connection with your use or reliance on the information provided in this guidance except for those which cannot be excluded by law.

---

#### **Ansvar Insurance**

4th Floor, The Office, 1 Market Square,  
Circus Street, Brighton, BN2 9AS

Phone: **0345 60 20 999**

Email: [ansvar.insurance@ansvar.co.uk](mailto:ansvar.insurance@ansvar.co.uk)  
[www.ansvar.co.uk](http://www.ansvar.co.uk)

Ansvar Insurance, is a business division of Ecclesiastical Insurance Office plc (EIO) Reg No 24869. EIO is registered in England at Benefact House, 2000, Pioneer Avenue, Gloucester Business Park, Brockworth, Gloucester, GL3 4AW, United Kingdom.

---

Ansvar is a trading name of Ecclesiastical Insurance Office who are authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.  
Firm Reference Number 113848  
Tel: **0800 111 6768**

All content © Ecclesiastical Insurance Office plc 2021  
UW174(RM) 09/21 (RMTS)

The logo for Ansvar, featuring the word "ansvar" in a bold, dark blue, lowercase sans-serif font. The letter "o" is replaced by a green circle with a white outline.