

Risk management for Tasmanian sport and recreation organisations

I. Overview and introduction to risk management



This Sport and Recreation Tasmanian (SRT) information sheet is one of 10 that when combined provide a resource designed to assist sport and recreation organisations (SROs) to improve their understanding and application of risk management. The information sheets included in the resource are as follows:

1. Overview and introduction to risk management
2. Developing a risk management culture
3. Applying risk management
4. Compliance and risk management
5. Insurance and risk management
6. Risk management in practice
7. Risk management policy template
8. Risk management plan template
9. Risk management audits
10. Risk management resources.

Information sheets one to five provide background information and theory and information sheets six to ten provide practical tools and templates. All sheets discuss risk management in accordance with the Australian Standard on Risk Management AS/NZS ISO 31000:2010 and the International Standard on Risk Management – Principles and Guidelines ISO/FDIS 31000:2009.

As an overall resource these information sheets seek to:

- articulate that risk is an integral part of sport and recreation and that all SROs have a responsibility for risk management
- promote the planning, communication, monitoring and review of risk management within SROs
- promote risk management as a process that can be adopted and resolved through a positive and common sense approach
- assist SROs to maximise their chances of achieving their objectives
- present the basic principles of risk management and encourage SROs to manage their risks systematically
- provide strategies and resources to assist in increasing the knowledge, skills and confidence of those responsible for developing and implementing risk management within SROs
- develop safer, better-managed, higher quality and more sustainable SROs and participation opportunities that reduce the exposure of those involved to injury, litigation, discrimination, vilification, failure, loss, or damage.

This generic resource has been developed by SRT to help SROs meet compliance and other legal obligations, and assist with improving their administration and the delivery of services. It is not a 'be-all-and-end-all' resource and while its use might provide a useful defence to claims for breach of duty of care, it will not make SROs litigation-proof or completely fail-safe.

Feedback relating to this resource

Users of this resource are encouraged to offer feedback that might assist SRT to maintain or improve the relevance of this resource, by emailing SRT via sportrec@development.tas.gov.au.

Introduction to risk and risk management

This information sheet introduces the concepts of risk and risk management, and offers a selection of key definitions and terms associated with risk management.

It discusses why and when risk management should be applied, who should be involved and the benefits that can result.

Introduction

Sport and recreation provide opportunities for physical, social and economic activity and makes a significant contribution to the economic and social well-being of Tasmanian communities. It is integral to, and a valuable part of, the lives of many volunteers, participants and spectators. It involves a significant amount of decision making at a local, regional and state level, and results in community and commercial infrastructure. The importance of sport and recreation, and the passion many have for it, make it a complex area of human endeavour.

Risks are part of the activities offered by SROs and the decisions made by those involved, including organisers, participants and spectators. Exposure to risk is inherent in everything that an SRO will do and perfect safety is unattainable. The complexity of these risks is increased by the diversity of situations, organisations and activities involved, and the human factors associated with their interpretation and implementation.

What is important is that SROs learn how to best recognise and manage these risks, in order to provide better managed, higher quality and more sustainable participation opportunities.

SROs have a duty to manage risks and to provide a safe environment for all stakeholders, including but not limited to participants, volunteers and spectators.

For many, the management of risk is driven by self-preservation and a moral duty of care, but legal and economic imperatives are also prominent drivers. In addition, an increasingly complex world requires organisations to be more proactive in relation to risk management and to see it as more than just injury prevention.

In order to provide safe and sustainable sport and recreation experiences, risks need to be anticipated and dealt with before they are realised. SROs need to develop a capacity to look back on and learn from their past experiences, but equally be able to look forward and strategically plan a future where risks do not prevent them from achieving their objectives.

This has seen many SROs question their understanding and application of risk management, and seek guidance to help them prevent losses through effective and planned risk management.

Creating risk management policies or strategies can reduce the negative impacts of risk and improve the quality of business and management practices and the strategic intent of an organisation. Decision making and resource allocation can be improved, as can project outputs and program outcomes. An increased compliance with regulatory requirements can be achieved, insurance needs can be more clearly defined and the potential for unexpected and costly surprises reduced. Above all, better risk management can encourage increased participation in the activities offered by the organisation.

Progressive SROs are establishing cultures of continuous improvement and using resources and tools to guide, improve and evaluate their performance in relation to risk management.



What is risk?

Risk is the chance of something happening that will have an impact upon objectives. It is measured in terms of consequences and likelihood.

Risk is the effect of uncertainty on objectives.

Current formal standards on risk management define a 'risk' as the chance of something happening that will have an impact upon an SRO's objectives.

These objectives might include:

- increasing membership
- improving success, enjoyment and safety for volunteers, participants and spectators
- improving financial viability
- complying with the law, regulations, policies or rules and standards of behaviour
- discharging duties of care
- maintaining a positive public image and reputation with stakeholders, regulators, sponsors and media.

In addition to the SRO having its own defined objectives, it may wish to assume some responsibility for contributing to the personal objectives or development of individual members, who through the SRO seek to achieve their own objectives or development.

These objectives could be associated with improving the overall quality of their life and might include:

- increasing self esteem
- achieving social interaction and acceptance
- improving their level of fitness and overall health
- relaxing and relieving stress.

Whether an SRO wishes to actively promote these objectives for and with members is a matter for each SRO and what it sets itself in terms of objectives.

As noted, 'risk' is measured in terms of consequences and likelihood. The level of risk is the combination of the likelihood of an event occurring and the consequences if it does occur. Action taken to manage or treat the risk, and therefore change the level of risk, needs to address the likelihood of an event occurring, or the consequences if it does occur, or both.

What is risk management?

Risk management is the culture, processes and structures that are directed towards realising potential opportunities, while managing adverse effects.

Risk management means the coordinated activities to control an organisation with regard to risk.

The risk management process is the systematic application of management policies, procedures and practices to the tasks and activities of communicating, establishing the context, identifying, analysing, treating, monitoring and reviewing risk.

Risk management is the process of systematically eliminating or minimising the adverse impact of all activities upon an organisation's objectives. This requires the development of a framework within which risk exposure can be monitored and controlled. Risk management is a tool by which SROs can seek to meet its duties and thus minimise or avoid liability.

Risks which can be covered by a risk management plan include:

- legal risks – losses and costs arising from legal actions for breach of a common law, or statutory duty of care, or breach of contract
- activity risks – occurrences arising that may prevent activities being staged as planned
- physical risks – injuries to participants, volunteers or others in an SRO's activities
- financial risks – costs associated with injuries, loss of financial stability and asset value, replacement costs, earning capacity and increased external administrative costs



- reputation, moral and ethical risks – loss of positive participant experience and confidence, adverse publicity and damage to image.

Objectives of risk management

The objectives of risk management are to:

- minimise potential liability of SROs
- improve governance practices and ensure compliance responsibilities are observed and complied with
- reduce the incidence of injury to participants, volunteers and other persons associated with an SRO and its activities
- enhance the reputation of an SRO
- provide for the continuity of an SRO regardless of unplanned-for occurrences arising.

Which risks need to be managed?

SROs owe a duty of care to persons participating in their activities, where there is a reasonably foreseeable risk of harm or injury to them as a result of the SRO's actions. In exercising this duty of care, the SRO must take reasonable steps to reduce the likelihood of injury and damage to those involved in its activities, as a result of those risks which are foreseeable.

This is the rationale which underpins any risk management process – the process of identifying risks involved in an SRO's activities, and then adopting strategies and actions designed to reduce these risks wherever possible.

An SRO is not required to provide a completely risk-free environment. Indeed, by persons agreeing to participate in SRO activities, they will be taken to have consented to those risks which form an inherent aspect of the activity.

SROs will not be required to take steps to counter risks where it would be unreasonable to expect them to do so. SROs will however, be expected to adopt reasonable precautions against risks which might result in adverse impacts on objectives that are reasonably foreseeable.

Benefits and opportunities

The potential benefits and opportunities to SROs in applying risk management include:

- better sporting or recreational outcomes
- improved safety for participants, officials, spectators and volunteers
- lower costs and more budget certainty
- more effective management of assets, events, programs and activities
- improved compliance with the law, regulations and other formal requirements
- enhanced image and reputation
- increased interest in your sport and your organisation
- greater participation
- more financial support
- a wide range of other less tangible benefits.

Who should be involved?

It is important that all key personnel (from directors to staff, including volunteers) are involved in each step of the risk management process, because they may have the training and knowledge that is required to answer questions about the risks associated with the SRO's activities. Administrators, coaches and other key participants should be consulted, if they are not involved the responses might be flawed.

There is no substitute for practical experience in working out why accidents occur or what presents a potential problem.

If the SRO's key personnel do not have the required training and knowledge, assistance should be sought from others, such as a similar SRO, a peak body, or an insurance broker. Others who could be consulted include a medical person with expertise in the area, an administrator who has expertise in the development of policies and procedures, a risk manager or a lawyer.



When should risk management be applied?

In theory, risk management should be an ongoing process. SROs need to assess the risks they face, whether they manage those risks properly and whether action - and if so what action - is needed on a regular basis.

While a continuous approach might represent an ideal scenario, there are distinct planning and design cycle opportunities when it is sensible to apply risk management principles.

These include:

- activity, event or program planning
- developing guidelines
- volunteer training and education
- facility planning and design
- fundraising
- making day-to-day decisions
- operational planning
- purchasing equipment
- strategic planning
- board or committee governance.

As a minimum, risk management should be part of an organisation's strategic or operational planning, but employing a specific risk management planning process provides a clearer focus.

This helps organisations ask themselves whether they are aware of the risks they face and whether they manage these risks properly. If the answer to either question is 'no', action is needed.

Key definitions and terms that apply to risk management

SROs will better apply risk management if there is understanding of its key definitions and terms. A selection of these is listed below.

- **Board** means the body in an organisation comprised of the directors and includes committees of management.

- **Communication and consultation** mean continual and iterative processes that an organisation conducts to provide, share or obtain information. It also includes the need to engage in dialogue with stakeholders regarding risk management.
- **Consequence** means the outcome of an event affecting objectives.
- **Control** means a measure that modifies risk.
- **Director** means a person charged with the management (in a governance sense) of the organisation and can include committee members.
- **Duty of care** means the duty to take care to refrain from causing another person injury or loss.
- **Establishing the context** means defining the external and internal parameters to be taken into account when managing risk and setting the scope and risk criteria for the risk management policy.
- **Event** means an occurrence or change of a particular set of circumstances.
- **External context** means the external environment in which the organisation seeks to achieve its objectives. It can include:
 - the cultural, social, political, legal, regulatory, financial, technological, economic, natural and competitive environment
 - key drivers and trends having impact on the objectives of the organisation
 - relationships with, and perceptions and values of external stakeholders.
- **Fiduciary** means the relationship of one person to another, where the former is bound to exercise rights and powers in good faith for the benefit of the latter.
- **Governance** means the system by which entities are controlled.



- **Insurance** means a contract whereby the insurer agrees, for payment of a premium by the insured, to indemnify the insured against loss resulting to them on the happening of certain events. The policy is the document which contains the insurance contract.
- **Internal context** means the internal environment in which the organisation seeks to achieve its objectives. It can include:
 - governance, organisational structure, roles and accountabilities
 - policies, objectives and the strategies that are in place to achieve them
 - the capabilities, understood in terms of resources and knowledge
 - information systems and flows and decision-making processes (both formal and informal)
 - relationships with, and the perceptions and values of, internal stakeholders
 - the organisation's culture
 - standards, guidelines and models adopted by the organisation
 - form and extent of contractual relationships.
- **Liability** means subject to a legal obligation; or the obligation itself. A person who commits a wrong, or breaks a contract or trust is said to be liable or responsible for it.
- **Likelihood** means the chance of something happening.
- **Loss** means any negative consequence, financial or otherwise.
- **Monitoring** means continual checking, supervising, critically observing or determining the status in order to change from the performance level required.
- **Organisation** means a company, firm, enterprise or association, or other legal entity, whether incorporated or not, public or private, that has its own functions and administration.
- **Residual risk** means the risk remaining after risk treatment.
- **Review** means an activity undertaken to determine the suitability, adequacy and effectiveness of the subject matter to achieve established objectives.
- **Risk** means the effect of uncertainty on objectives.
- **Risk analysis** means a process to comprehend the nature of risk and to determine the level of risk.
- **Risk assessment** means the overall process of risk identification, risk analysis and risk evaluation.
- **Risk attitude** means an organisation's approach to assess and eventually pursue, retain, take or turn away from risk.
- **Risk criteria** means the terms of reference against which the significance of risk is evaluated.
- **Risk evaluation** means the process of comparing the results of risk analysis with risk criteria to determine whether the risk and/or its magnitude is acceptable or tolerable.
- **Risk identification** means the process of finding, recognising and describing risks.
- **Risk management** means coordinated activities to direct and control an organisation with regard to risk.
- **Risk management plan** means the scheme within the risk management framework specifying the approach.
- **Risk management policy** means the statement of the overall intentions and direction of an organisation related to risk management.



- **Risk management process** means the systematic application of management policies, procedures and practices to the activities of communicating, consulting and establishing the context, and then identifying, analysing, evaluating, treating, monitoring and reviewing risk.
- **Risk owner** means the person or entity with the accountability and authority to manage a risk.
- **Risk profile** means the description of any set of risks.
- **Risk source** means an element which alone or in combination has the intrinsic potential to give rise to risk.
- **Risk treatment** means a process to modify risk.
- **Stakeholder** means a person or organisation that can affect, be affected by, or perceive themselves to be affected by, a decision or activity.
- **Volunteer** means a representative from the community who freely chooses to give their time, skills and experience to support their sport or recreation activities.

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