



Risk Management: A Guide for Parishes

Introduction

1. PCCs which are also registered charities must include in their Annual Report a statement 'confirming that the major risks to which the charity is exposed, as identified by the trustees, have been reviewed and systems or procedures have been established to manage those risks.'
2. For smaller PCCs (those whose annual income is below £100,000 and which therefore have not had to register with the Charity Commission), it is simply good practice to consider regularly what risks your church faces and how you manage those risks. Like buying insurance, it is often – thankfully – never needed, but it is sensible to have it in place, just in case...
3. Risk management should not be yet another bit of bureaucracy you feel is forced upon you; it is really just good management. It doesn't mean not doing anything for fear of falling foul of some bit of red tape. It simply means doing what you do, wisely.
4. Your risk management measures should be proportionate; some risks we just have to live with and sometimes risk-taking is part of Christian life. Risk management does not mean always taking the easy path! However, good stewardship of the people and property entrusted to us is also part of Christian life.
Your risk management process should help to reassure your PCC, your congregation, your community and other donors that you are good stewards who manage resources well – and this in turn should set you free to pursue your mission with confidence.

How to go about Risk Management

5. The Baptist Church has produced a helpful and comprehensive guide which you can download. (Search for Baptist Guideline Leaflet C22: Risk Assessment Template). There is also guidance on the Charity Commission website here: <https://www.gov.uk/government/publications/charities-and-risk-management-cc26> .
6. Overleaf is a simple 5-step overview summarising the process. The Baptists' document includes a model risk management table which you could use as a template for your own. A simpler version which colour codes risks red, amber and green is given at the end of this Guide, and your diocese may have produced a version for you to use too. As an annex to this document, we also provide a set of 15 questions as a helpful checklist for your PCC.

5-step Overview to Risk Management for PCCs

Step 1

Begin by thinking about all the things that could go wrong and how these would hinder the church's work. Think broadly; for example:

- Part of the tower falling down could cause significant injury as well as expense and it could prevent services being held;
- If the treasurer were siphoning off funds from the church account, the financial loss and the bad publicity would damage the church;
- If the youth worker employed by the PCC was sacked, s/he might sue the PCC for unfair dismissal if the proper processes were not followed;
- An incident of child abuse would clearly be devastating;
- A lurid article in the local paper about the vicar could damage the church's reputation and credibility;
- A recession could see the church lose income on its investments and from donors who can no longer afford to give so much;
- Appointing PCC members who do not have the right skills to lead the church would damage the church's effectiveness; so too could becoming out of touch with the local community such that perhaps the young people find a warmer welcome in another denomination's church or the elderly feel excluded.

Step 2

You might like to divide the risks you have identified into categories such as these:

- Governance risks – the skills, competence & organisation of the PCC etc
 - Activities outside ecclesiastical objectives
 - Lack of key skills (eg treasurer, organist)
 - Lack of budgets and forward plans
 - Conflicts of interest
 - Confidentiality issues
 - Lack or loss of records
- Operational risks – health & safety, employment, child protection etc
 - Fire & lightning, flood, storm etc
 - Volunteer competencies
 - Health & safety
 - Theft of valuables
 - Vandalism
 - Employment issues
 - Computer failure
 - Failure of phone, gas/oil or electricity supplies
- Financial risks – reserves, cashflow, investments, income stability, fraud etc
 - Fraud
 - Budget cost over-runs
 - Income tax and VAT on trading activities
 - Cashflow sensitivity
 - Large increase in parish share required
 - Loss of regular income from members

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- Misuse of restricted or endowment funds
- Loss of fees, rents etc

- External risks – demographic & employment changes, public reputation etc
 - Upsetting local residents
 - Scandal at Church school
 - Economic recession affects income
 - Misinformed press comment
 - Local demographic changes
 - Competition from other local churches

- Regulatory risks – fundraising, disability discrimination, HMRC requirements etc
 - Child protection
 - Data protection
 - Disability discrimination
 - Charity Commission
 - Ecclesiastical canon law
 - Unfair discrimination, equal opportunities

Step 3

Next go through each risk and gauge i) how likely it is to happen (likelihood) and ii) how bad it would be if it did happen (impact).

One systematic way of doing this is to give both likelihood and impact a score out of 5, with 1 being 'unlikely' or 'little impact' and 5 being 'probable' or 'major impact.' You then multiply one score by the other, and the higher the score, the more action you need to take to reduce the risk. This is the method in the Baptists' document.

Another way is to colour code your risks in red, amber and green to highlight the most severe. This is the method used in the table on page 4. Note: Grading fraud red does not mean you are accusing the treasurer of dishonesty! It is nothing to do with the individuals involved, it is about the risks inherent in the job. In fact, mitigation measures protect individuals from accusations.

Step 4

Once you have graded your risks, you need to decide what to do about them – what 'risk-mitigation measures' you will put in place. These measures should either make the risk less likely to happen (e.g. making sure that everyone working with children has been CRB-checked, or that cash is counted in the presence of two people), or make it less catastrophic if it did happen (e.g. buying insurance to cover the costs if the church hall is burnt down).

Step 5

Finally, make sure that all relevant people in the church understand and follow the risk management procedures, and remember to review the procedures annually.

ST EMILION'S RISK MANAGEMENT TABLE

NOTE: Risks are allocated an 'inherent' risk status (low, medium or high) based on a combination of the impact were the risk to happen and the likelihood of it happening. If a risk would have a major impact and the likelihood of it happening is probable, that risk is a high risk. If it would only have a slight impact and the likelihood of it occurring is remote, it is a low risk. Risks are coded red, yellow and green (high, medium and low risk). Then the mitigation measures to minimise the risks are summarised, and a new 'residual' risk status is allocated, taken into account the mitigation measures. Effective mitigation measures should mean that high or medium inherent risks become medium or low residual risks (red or yellow become yellow or green). This Risk Register should be reviewed at least annually and more often as required.

| Type of Risk | Risk | Potential Repercussions | Impact | Likelihood | Inherent Risk Status | Mitigation Measures | Impact | Likelihood | Residual Risk Status |
|--------------|---|---|-------------|-------------|----------------------|---|-------------|------------|----------------------|
| | | | | | | | | | |
| | | KEY: | | Remote | Possible | Probable | | | |
| | | Slight | Low risk | Low risk | Medium Risk | | | | |
| | | Significant | Low risk | Medium Risk | High Risk | | | | |
| | | Major | Medium Risk | High Risk | High Risk | | | | |
| Pre-Control | | | | | | | | | |
| Post-Control | | | | | | | | | |
| Governance | Failure to comply with charity law requirements (eg not filing annual report and accounts with Charity Commission; allowing payments to PCC members, appointing someone to the PCC who is not eligible) | Loss of reputation, possible removal from Charity Commission register. | Significant | Remote | Medium | Advice from diocese, Charity Commission and parish resources websites is followed. PCC members all presented with the Charity Commission guide to being a trustee when they are appointed, and the diocese provides advice when needed. | Significant | Possible | Medium |
| | Church lacks direction, strategy & forward planning | Failure to carry out our mission effectively. Loss of reputation. Perceived as irrelevant by local community. | Significant | Possible | Medium | Mission Action Plan is in place. PCC members are encouraged to take responsibility for achieving our mission objectives and review progress regularly at PCC meetings. The Rector has been attending a vision course at the diocese. | Significant | Remote | Low |

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| Operational | Failure to generate sufficient income to meet costs of church's work including paying parish share and keeping up with maintenance work to the building | Failure to meet objectives. Loss of reputation. Danger of carrying out activities in an unsafe building if repairs not carried out. | Major | Possible | High | Stewardship campaign run annually and all church members encouraged to give by standing order, with Gift Aid where possible. We have an active fundraising committee running events like our summer fayre which generates income for repairs. Also we can scale down some of our work if we need to, although we do not want to create a vicious circle. Our attendance is falling so even though people are generous, this remains a risk. | Significant | Possible | Medium |
| | Employment issues | Delay of work, bad publicity, costs of legal advice diverting us from our core objectives | Significant | Remote | Low | The PCC only employs a part-time secretary; our youthworker and organist are volunteers. We use a contract based on the diocese's model contract for the secretary. | Slight | Remote | Low |
| | Child / vulnerable adult welfare issues | Any abuse would have a terrible impact on our community and could lead to prosecution and very bad publicity, but most importantly damage to the victim. | Major | Possible | High | All adults who work with children or vulnerable adults are CRB-checked, and we have a policy of making sure there are always at least 2 CRB-checked adults whenever children are present. | Major | Remote | Medium |
| | Health and safety issues with premises or equipment (including church hall) | Possible injury for health and safety issues; delay to work for failure of equipment | Significant | Possible | Medium | Our churchwardens and clerk of works do regular checks on our equipment and buildings, keeping records which are presented annually to the APCM and Archdeacon for his visitation. This means that problems are usually picked up in time. We keep the tower door and kitchen door locked when not in use. We also have insurance including public liability to reduce the impact | Significant | Remote | Low |

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|--------------|--|--|-------------|------------|----------------------|--|-------------|------------|----------------------|
| Financial | Budgetary control & financial reporting | Poor management could lead to non-optimal allocation of funding, financial losses, debt, failure to meet objectives and loss of reputation. | Significant | Remote | Medium | Our treasurer is a qualified accountant and we consider the budget and financial position at every PCC meeting. The problem is more insufficient funds, not how we manage them. However, our major repair project will need careful management to ensure we don't go over-budget. We will be using builders recommended by St Leger's in the next deanery; these builders have a reputation for finishing on time and in budget. | Slight | Remote | Low |
| | Cash flow problems, reserves, investment policy and ethical investment activities. | Poor cash flow could mean we could not make payments to suppliers, staff or the diocese on time. Our investments could underperform or we could suffer loss of reputation if we have invested in unethical activities. | Slight | Remote | Low | Our income is fairly stable across the year and we have a reserves policy. Our investments are all with CCLA which has an ethical investment policy in accordance with Church advice. | Slight | Remote | Low |
| | Fraud or misappropriation or error by staff, PCC members or volunteers | Loss of funds. Failure to meet objectives. Loss of reputation | Major | Possible | High | Financial Controls are in place. Expenditure requires 2 signatures. Regular financial reports are available and annual accounts audited as required. | Major | Remote | Medium |
| Public | Changes to government / other policies or regulations | Reduced income eg if Gift Aid regime changes, or increased expenditure e.g. if VAT relief on repairs to listed buildings is abolished. | Significant | Possible | Medium | There is nothing we can do about e.g. the change to transitional relief on gift aid, except make sure we keep up with changes and try to maximise income in other ways. | Significant | Possible | Medium |
| | Date considered by the PCC: | | | | | | | | |
| | Date approved / amended: | | | | | | | | |
| | Date of next review: | | | | | | | | |

Annex: Minimising Risk Checklist

Here is a checklist of 15 areas of risk. Why not spend a moment seeing how many you score?

General

1. Does the PCC agree an annual income and expenditure budget before the start of each new financial year? Does the PCC allocate clear budgets or spending limits to church-based organisations, committees and individuals? How are they held accountable?
2. Are there clear terms of reference for all PCC sub-committees, including the Standing Committee?
3. Does the PCC get regular (monthly or bi-monthly) reports on actual income and expenditure compared to the budget and previous years?
4. Has the PCC identified the most significant risks and their likely impacts on the church? Does it update this list every year before signing the annual accounts? Is the scope of church insurance policies reviewed annually?
5. Is the appointment of the independent examiner or auditor formally reviewed at least every 5 years? Do they use the checklist and guidance available here?
6. Does your PCC review and update your child protection policy every year? Health and safety? Data protection? Disability discrimination?

Assets

7. Is the Inventory (the list of parish property and equipment) physically checked and updated every year?
8. Is there a list of all key holders, particularly for the main church doors, vestry and safe? Are the keys signed for? Are the main locks ever changed?

Income

9. Is all income kept securely until it can be counted and banked? Is income counted and checked by at least two individuals, and signed for? Is all income banked promptly and in full? Is the Vestry Register kept up to date and checked against the accounting records? Are receipts and thank you letters sent to major donors?
10. Are records kept that can prove the validity of all Gift Aid claims (eg bank statements, declarations, envelopes)? Is the tax on Gift Aid donations reclaimed regularly (eg quarterly or half-yearly) to improve cash-flow?
11. If gifts are given for a specific purpose, are they recorded in a restricted fund and only used for that purpose – including any Gift Aid tax recovered?

Payments

12. Are all cheques signed by at least two individuals? Are blank cheques never signed? Are large payments agreed by the entire PCC?
13. Are all regular payments to individuals subject to PAYE? Are there written records of the terms and conditions of employment or service?
14. Do all church groups keep accurate records of income and expenditure, including bills and receipts?
15. Are competitive quotations from reputable suppliers obtained for all regular expenditure (eg fuel, printing, phones) at least every three years?