

## **INTRODUCTION**

- PCCs which are also registered charities are required to 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 if bureaucracy you feel is forced upon you; it is really no different from 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 from <a href="www.parishresources.org.uk">www.parishresources.org.uk</a>. There is also guidance on the Charity Commission website here: <a href="http://tinyurl.com/cydeg9v">http://www.charity-commission.gov.uk/Publications/cc26.aspx</a>.
- 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. Finally, you may find this guidance on minimising risks helpful: <a href="http://www.parishresources.org.uk/treasurers/risks1.htm">http://www.parishresources.org.uk/treasurers/risks1.htm</a>.

## 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
- Operational risks health & safety, employment, child protection etc
- Financial risks reserves, cashflow, investments, income stability, fraud etc
- External risks demographic & employment changes, public reputation etc
- Regulatory risks fundraising, disability discrimination, HMRC requirements etc

**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 at the end of this guide. NB 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.

## EXAMPLE PARISH RISK MANAGEMENT TABLE

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Сочетпапсе										'residual' r low residu	remote, it	NOTE: Ris	
Church lacks direction, strategy & forward planning	Risk  Risk  Failure to comply with charity law requirements (eg not filling annual report and accounts with Charity Commission; allowing payments to PCC members, appointing someone to the PCC who is not eligible)					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.	risk would have a major impact and the likelinood of it happening is probable, that risk is a riigh risk. If it would only have a siight impact and the likelinood of it occurring is remote, it is a low risk. Risks are coded red, vellow and green (high, medium and low risk). Then the mitigation measures to minimise the risks are summarised, and a new	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					
Failure to carry out our msision effectively, Loss of reputation. Perceived as irrelevant by local community.	Loss of reputation, possible removal from Charity Commission register.	Potential Repercussions			Major	Significant	Slight		KEY:	ount the mitigation measu or green). This Risk Reg	llow and green (high, med	atus (low, medium or high	St EM
Significant Possible	Significant Remote	Impact			Medium Risk	Low risk	Low risk	Remote		ures. Effec	dium and k	) based on	ILION'S R
Possible	Remote	Likelihood	Pre-Control		High Risk	Medium Risk	Low risk	Possible	Likelihood	tive mitigation dispersion to the mitigation of	ow risk). The	a combinat	ISK MANA
Medium	Medium	Inherent Risk Status	0		High Risk	High Risk	Medium Risk	Probable	ă	on measures ed at least an	en the mitigati	tion of the imp	St EMILION'S RISK MANAGEMENT TABLE
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.	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.	Mitigation Measures								should mean that high or medium nually and more often as required	ind only have a slight impact and to the measures to minimise the risk	act were the risk to happen and t	SLE
Significant Remote	Significant Possible	Impact		31						inherent r	ne likelino	the likeliho	
Remote	Possible	Likelihood	Post-Control							risks become	marised, and	od of it happ	
Low	Medium	Residual Risk Status	<u>o</u>							e medium or	d a new	ening. If a	

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Health and safety issues with premises or equipment (including church hall)	Child / vulnerable adult welfare issues	Employment issues	Failure to generate sufficient income to Loss of reputation. Danger costs of church's work including carrying out activities in an paying parish share and keeping up with unsafe building if repairs not maintenance work to the building carried out.	Risk		
Possible injury for health and safety issues; delay to work for failure of equipment	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.	Delay of work, bad publicity, costs of legal advice diverting us from our core objectives	Failure to meet objectives. Loss of reputation. Danger of carrying out activities in an unsafe building if repairs not carried out.	Potential Repercussions		
Significant Possible	Major	Significant	Major	Impact		
Possible	Possible	Remote	Possible	Likelihood		
Medium	High	Low	High	Inherent Risk Status		
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	All aduits 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.	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.	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.	( Mitigation Measures		
Significant Remote	Major	Slight	Significant	Impact		
Remote	Remote	Remote	Possible	Likelihood		
Low	Medium	Low	Medium	Residual Risk Status		

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Date of nextreview:	Date approved / amended:	Date considered by the PCC:	Changes to government / other policies or regulations	Fraud or misappropriation or error by staff, PCC members or volunteers	Poor cash we could to supplied diocese of investment policy and ethical invsetment activities.	Budg etary control & financial reporting	Risk				
			Reduced income eg if Gift Aid regime changes, or increased expenditure e.g. if VAT relief on repairs to listed buildings is abolished.	Loss of funds. Failure to meet objectives. Loss of reputation	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.	Poor management could lead to non-optimal allocation of funding, financial losses, debt, failure to meet objectives and loss of reputation.	Potential Repercussions				
			Significant	Major		Significant Remote	Impact				
			Possible	Possible	Remote	Remote	Likelihood				
			Medium	High	Low	Medium	Inherent Risk Status				
			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.	Hnancial Controls are in place. Expenditure requires 2 signatures. Regular financial reports are available and annual accounts audited as required.	stable across the reserves policy. e all with CCLA all investment e with Church	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.	Mitigation Measures				
			Significant	Major		Slight	Impact				
			Possible	Remote	Remote	Remote	Likelihood				
			Medium	Medium	Low	Low	Residual Risk Status				