

Paper L2

URC Trust

The Church's risk assessment
and management process

United Church 2017
Church 2018
Reformed Church 2018
Church 2018

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The Church's risk assessment and management process

Basic Information

Contact	Jane Baird jane.baird@urc.org.uk
Action required	For information and endorsement of direction of travel.
Draft resolution(s)	Mission Council accepts the report of the risk assessment and management review panel and endorses and supports the intentions and plans outlined in paper L2 of March 2018.

Summary of Content

Subject and aim(s)	A more effective means of assessing and managing the risks of the United Reformed Church and URC Trust.
Main points	<p>The existing risk register and associated review process have become unwieldy, and they no longer provide a useful and effective means of identifying and managing the United Reformed Church's risks.</p> <p>A review panel has examined current practice and now brings outline proposals for a different approach to risk management in the future.</p>
Previous documents	None
Consultation has taken place with...	Finance committee and URC Trust.

Summary of Impact

Financial	Limited to expenses for those attending meetings and training.
External (e.g. ecumenical)	None

The Church's risk review process

1. In 2000 new regulations embodied in a SORP (Statement of Recommended Practice) required larger charities to include in their annual report to the Charity Commissioners confirmation that the trustees had reviewed the major risks to which the charity was exposed and the systems they have established to mitigate those risks.
2. In 2005 Assembly committees and those responsible for central church activities were asked to identify, rate and propose mitigation for the major risks they faced in their particular sphere of the church's work. Responses were directed to Michael Davies, who prepared a composite matrix for report to the MCAG in May 2005. It ran to nine pages including an introductory page explaining the background.
3. This process has continued since 2005, with a few changes. MCAG was replaced by the URC Trust as charity trustee for the church's assets. Until 2016 the whole matrix (which by this time had grown to 34 pages) was circulated to all recipients, who had to identify sections applying to them. Subsequently customised matrices have been circulated for each committee/group, which is much easier for them but much more demanding to set up and administer. Whilst those involved take the process on board, it is clear that the whole exercise is viewed by many as an unwelcome chore.
4. In the early years Michael Davies prepared a matrix and a report for the trustees, spent a session with the General Secretary and then presented the findings. Later an additional member of the finance committee was added to this process and with the Deputy General Secretary formed a small team to manage the process and forward a detailed report to the finance committee and then the URC Trust.
5. As the risk management process became more time-consuming and bureaucratic, questions began to be asked as to whether the cumbersome annual review undertaken by the URC was necessary or appropriate in the current format. In their final report to finance committee and Trustees in 2017 the team proposed, and the Trust agreed:

to set up a small panel to consult with the existing risk group, to consider the broader issues referred to in the 2017 report to the finance committee and Trustees regarding the Risk Management Policy for the central administration of the URC.
6. The review panel was accordingly called and met at Church House on Monday 22 January 2018. Alan Yates was invited to take the chair and those present were Jane Baird, Michael Davies, Gordon Wanless (the three members of the ongoing risk review group), Sandi Hallam-Jones, John Samson, Neil Mackenzie and Bill Potter. A constructive discussion took place and after full consideration of the current practice and the possible way forward it was agreed that a "new start" was required.
7. The discussions concluded with the following suggested principles:
 - 7.1 **Two risk registers.** From the point of view of the URC centrally, there were two broad areas of risk: firstly, those risks relating to the assets (funds and property),

which are the responsibility of the URC Trust and need to be monitored by it; and secondly, those relating to the management and programmes of the Church, which are the responsibility of General Assembly with oversight from the General Secretary.

- 7.2 **Single process.** While the two registers have different owners, their objectives (to manage the Church's risks better) are the same, and therefore the process of development and review ought to be the same. This would simplify the task of developing and relaunching the URC risk management process.
- 7.3 **Risks not issues.** Those who had examined the matrix in detail felt that a good many points raised in the current document are not actually risks at all, but rather "issues". A risk is something which may happen (like a sudden terrorist attack). An issue is something that is happening or will be happening (e.g. declining membership and its consequences). Risks are managed through the risk register, issues are managed in the usual day-to-day management process.
- 7.4 **The new risk management process needs to be more structured.** Because many different people will contribute to the registers, the process needs to be highly structured to ensure the resulting registers are consistent and coherent. Two examples of structure that are likely to be used are:
- 7.4.1 Drop down boxes in Excel (which constrain entries to a pre-defined set of values), to facilitate consistency and analysis; and
- 7.4.2 Full documentation which will give precise definitions to the terms used and to the scoring approach.
- The structured process will be reinforced by training for those completing the risk register, to ensure a consistent understanding of the objectives and process.
- 7.5 **Every risk has a single responsible role or unit.** The responsibility for each risk identified will be clear: a single role or organisational unit (such as a committee or function). The same risk may appear in different areas; this enables each risk to have different ratings, mitigations and ownership.
- 7.6 **Biennial process.** It was felt that to go through the whole process annually was excessive. It was proposed that, under the new arrangement, the exercise be undertaken "with a clean sheet of paper" the first time. A full review would take place every second year. In other years committees would review internally the more serious risks identified and report any significant change or concern that had arisen since the previous full review, as well as any new risks that appeared. The seriousness of the risks is defined by the rating scales for likelihood and impact.
- 7.7 **Assessment scales.** It was felt that likelihood and impact should broadly be categorised as today using a scale of one (low) to four (high), which avoids most risks being identified as medium. Where, after discussion of a risk, it is felt that the risk is very unlikely or will have minimal impact, a rating of 0 will demonstrate that the risk has been considered but does not need to be registered.

- 7.8 **Only medium and high risks to be reported.** The risk registers prepared by each function and committee will be combined to provide a single view of “management risk” for URC Trust and Mission Council. For this amalgamation only medium and high risks need to be reported. These risks will be identified by calculating the risk rating. The risk rating is derived by multiplying the likelihood score by the impact score. This will be a number from 0 to 16. To ensure we focus on important risks, only risks with a score of six or above would be reported centrally. It is expected that these will receive ongoing attention by the people/committees responsible.
- 7.9 **The risk registers are to be signed off by the appropriate body.** If this process is to add value, the appropriate bodies need to take overall responsibility for the output. For the URC Trust register it will be the Trust. For the “management” register it is proposed that Mission Council be responsible.
- 7.10 **Regular reviews of actions and mitigations.** As indicated in 7.8 above, those responsible for signing off the register need a mechanism to ensure that a risk is not just accurately reported but that appropriate mitigation is in place or planned. It is suggested that these reviews should be at least twice a year.
8. **Next steps.** The review panel agreed that a report be submitted to the finance committee and URC Trust for their February meetings reporting progress and asking for approval of the above ten principles as a basis for a new process. The review panel will meet again on 12 March to develop the new procedure and documentation. A new excel template will be produced for consideration. The General Secretariat at Church House will need to determine who is to be responsible for supervising this process and undertaking the detailed work of administering the future. Final plans will be presented for approval by finance committee, URC Trust and Mission Council later in the year.
9. **Timing.** The current review will be completed by the existing small group using the existing process for reporting to the finance committee and URC Trust at their September meetings. Meanwhile it is intended that the plan for the new style review be finalized and approved before the end of 2018. It is proposed that no review be undertaken in August 2018, but that introduction and training for the new process take place early in 2019 with a view to it being implemented in full in August 2019.
10. **Training.** It is proposed that those with responsibility for completing the matrix be trained so that there is a consistent approach and understanding of the objective of the exercise. It is important that “scores” are used as consistently as possible across the whole organisation. Training materials will be prepared and face to face training sessions scheduled for the first half of 2019 so that individuals will be equipped to undertake the full exercise later that year.