

Paper K1

The Church's risk review process

Risk Process Review Panel

Basic information

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Action required	Decision
Draft resolution(s)	<p>a) Mission Council receives the Report of the Risk Process Review Panel and acknowledges that the United Reformed Church faces risks which might seriously affect its financial wellbeing, its structures and consequently its ability to proclaim the gospel.</p> <p>b) Mission Council acknowledges the work undertaken by the Panel and confirms that the work of the group is now complete and asks the Deputy General Secretary (Administration and Resources) to continue to manage the Risk Review process on a biannual basis.</p>

Summary of content

Subject and aim(s)	To update on the work of the Risk Process Review Panel. To bring the risks that the URC faces to the attention of Mission Council and the wider URC.
Main points	The risk review process has been completed for the first time under the updated process. Major risks that the URC faces have been identified. The Risk Process Review Panel has completed its task and is being stood down as the new process becomes 'business as usual'.
Previous relevant documents	Paper L2 Mission Council March 2018 Paper L2 Mission Council May 2019 Paper M2 Mission Council March 2020
Consultation has taken place with...	The Risk Process Review Panel; Convenors and secretaries of various committees /groups and synod representatives who attended training sessions

Summary of impact

Financial	None.
External (e.g. ecumenical)	None.

1. Towards the end of 2017 it was determined that the existing risk review process was in need of updating.
2. In 2018 a risk process review panel was formed. Its members are: Alan Yates (chair), Jane Baird, Michael Davies, Gordon Wanless, Sandi Hallam-Jones, John Samson, Neil Mackenzie and Bill Potter.
3. The panel set about developing a new process. The new process seeks to distinguish between 'issues' ie management problems that are being dealt with on a day to day basis and 'risks' ie those events that might occur and seriously compromise the life of the United Reformed Church.
4. It was further determined that some of the risks are more properly the concern of General Assembly and/or Mission Council rather than United Reformed Church Trust (URCT) and that URCT would have its own Risk Register which would also incorporate risks from other parts of the URC which may result in a call for financial support from URCT.
5. The new process with initiated in August 2019 with requests for the updated schedules to be completed by the end of 2019.
6. The inherent risk (the rating of the risk if no action is taken) and the residual risk (the rating of the risk having taken into account steps to mitigate the likelihood or the impact of the risk) have been assessed by each of the relevant committees or groups.
7. The returns were consolidated, and two Risk Registers created:
 - a) United Reformed Church Trust; and
 - b) General Assembly/Mission Council.
8. United Reformed Church Trust has reviewed its own register and Mission Council is now asked to review and note the risk register which pertains to the life of the United Reformed Church. There is inevitably some overlap of risks as the financial affairs of the United Reformed Church impact directly the work of United Reformed Church Trust.
9. The risk Scores have been categorized as:
 - a) 1-4: Acceptable
 - b) 5-8: Undesirable
 - c) 9-12: Unacceptable
 - d) Over 12: Catastrophic
10. Those risks with an inherent rating of nine or over are detailed in the spreadsheet at the end of this paper.
11. The Major Risks identified are:

- a) Assembly Committees and other groups etc unable to function effectively due to lack of suitably skilled and diverse volunteers. *The Nominations Committee strives to find volunteers to sit on committees and other bodies and represent the URC, but this is increasingly difficult and raises the question as to whether the current structure is sustainable.*
 - b) Unsustainable pressure on central funds due to increased funding requirements of final salary pension schemes. *While no mitigation is shown on the spreadsheet major activity continues to address concerns about the funding of the Pension Schemes.*
 - c) Unsustainable pressure on central funds due to penalties imposed as a result of Safeguarding errors. *Safeguarding continues to be very high profile and major activities have updated and tightened safeguarding procedures; however, the possibility of safeguarding errors cannot be eliminated completely, and the identification of historic safeguarding cases continues to be a possibility.*
 - d) Diminishing student numbers at Westminster College. *The financial position of Westminster College is a cause for concern. Whilst steps have been taken to diversify, 'Diminishing accommodation and conference business' is an additional risk (listed on the 'Less than 9' worksheet).*
12. At the time the 2020 Risk Exercise was undertaken the possibility of a long-term closure of all places of worship within the UK (and beyond) was not contemplated by anybody. COVID-19 has brought about such an event and the URC has found ways of managing the unprecedented circumstances in the short term. However, based on the categorization of risk we are using the impact on 'Service Level' would be classed as Major or Severe and the 'Financial' impact Moderate. The longer-term implications cannot yet be fully assessed. It is inevitable that the pandemic will make the risks that have been identified more difficult to manage due to reduced resources both financial and human.
13. In group work Mission Council members will be asked to consider some of the major risks the URC faces to:
- a) Confirm that they agree that these are risks to the URC.
 - b) Consider whether the identified mitigation is adequate; and, if not, suggest additional steps that could be taken to reduce the likelihood of a risk occurring or the impact if it does.
 - c) Consider whether there are structural changes which might help the URC to manage its risks better.
14. The risk process review panel is content that the updated process has worked well and can meet the needs of the URC and URCT. It concludes that its task is complete and that it can be stood down.
15. Responsibility for managing the process on a biannual basis rests with the Deputy General Secretary (Administration and Resources).
16. Training will be offered to new convenors, secretaries and others every other year around the time the process is initiated.
17. The panel thanks all those who have participated in this process – both the training and the completion of the returns.

18. It is with sadness that the panel notes the death of the Reverend Michael Davies. Michael had been concerned with the URC's Risk Management for many years and had much to contribute to the group. We are grateful for his knowledge and time which he gave unstintingly.

United Reformed Church Risk Register as at 31/12/2019				Consolidated Risk Register				Residual Risk					
Risk Number	Committee/ Group	Risk Category	Risk	Probability	Impact	Risk Score	Person responsible for mitigation	Mitigation	Target Date	Probability	Impact	Risk Score	Notes
1a	Nominations Comm	Capability/ Service Delivery	Assembly Committees and other groups etc unable to function effectively due to lack of suitably skilled and diverse volunteers	5	5	25	Secretary	Members of committee seek widest possible input for suggestions of people to serve on committees/groups	01/09/2019	4	5	20	Needs support of whole membership of nominations committee
5a	Finance Comm	Financial	Unsustainable pressure on central funds due to increased funding requirements of final salary pension schemes	3	5	15	Treasurer	Consultations with other parts of URC family in process but outcome will not be known until late-2020 at earliest	31/12/2020	3	5	15	Deputy Treasurer and others are working with the Treasurer in the consultations
5b	Finance Comm	Investments	Unsustainable pressure on central funds due to increased funding requirements of final salary pension schemes	3	5	15	Treasurer	Consultations with other parts of URC family in process but outcome will not be known until late-2020 at earliest	01/01/2021	3	5	15	
5c	Finance Comm	Legal/Regulatory	Unsustainable pressure on central funds due to increased funding requirements of final salary pension schemes	3	5	15	Treasurer	Consultations with other parts of URC family in process but outcome will not be known until late-2020 at earliest	02/01/2021	3	5	15	
10a	Finance Comm	Financial	Unsustainable pressure on central funds due to penalties imposed as a result of Safeguarding errors	3	5	15	DGS (Discipleship)	Although reliant on others for appropriate policy and practices being in place, the finance committee monitors the level of available reserves to ensure money would be available if things go horribly wrong somewhere.	01/09/2019	2	5	10	
6	Westminster College	Financial	Diminishing student numbers	4	4	16	URC Education and Learning Committee	The College is largely dependent upon the Church and the availability of suitable candidates for the ministry. However alternative courses have been created to appeal to independent students to grow student numbers.	24/09/2019	3	3	9	
9	Finance Comm	Capability/ Service Delivery	Inability to manage the church's finances effectively due to absence of key member(s) of staff	4	3	12	Treasurer	CFO procedure to be documented - not yet done. Documentation for others and cross-training already exists.	31/08/2020	3	3	9	The Surveyors
12	RMHS	Financial	The Society suffers financial loss and poor value for money because properties are bought above market price	4	4	16	Other named individual	In-house surveyors now visit every property before purchase and compare the market. The Housing Services Officer is ex-estate agent and understands the market	01/09/2019	2	4	8	Housing Services Officer
13	RMHS	Financial	Inappropriate properties are purchased because housing policy and ceiling are not adhered to	4	3	16	Other named individual	The Housing Policy is now in place and no one can work outside this policy without express permission of the Board	01/09/2019	2	4	8	
1	Ases Arr Comm.	Financial	Overspend against Assembly budget	5	3	15	General Secretary	Tracking spending against budget. If overspend is possible then arrangements are adjusted accordingly.	01/09/2019	4	2	8	
16	RMHS	Financial	Delays in letting residential properties leading to financial loss	3	4	12	Other named individual	The Key performance indicators are being developed for Board approval in January. This will ensure that this indicator is strictly monitored	15/02/2020	2	4	8	Housing Services Officer
3	URC Trust	Investments	Loss in value of investments due to poor investment decisions	3	4	12	Convener	Investment decisions are delegated to an expert group v-the Investment Committee	01/09/2019	2	4	8	
8a	URC Trust	Legal/Regulatory	URCT is sued or enjoined in a case relating to a local church or synod arising from poor or illegal practice in that church or synod	4	3	12	Convener	Professional advice taken regarding the legal responsibilities of the synod and rebuttal of claim	01/09/2019	4	2	8	
8b	URC Trust	Reputation	URCT is sued or enjoined in a case relating to a local church or synod arising from poor or illegal practice in that church or synod	4	3	12	Convener	Professional advice taken regarding the legal responsibilities of the synod and rebuttal of claim	02/09/2019	4	2	8	
8c	URC Trust	Financial	URCT is sued or enjoined in a case relating to a local church or synod arising from poor or illegal practice in that church or synod	4	3	12	Convener	Professional advice taken regarding the legal responsibilities of the synod and rebuttal of claim	03/09/2019	4	2	8	
3a	Remuneration Comm	People	Inequity in treatment of staff due to line managers having an inconsistent approach to bonus applications	5	2	10	DGS (A&R)	Bonus application form is clear about requirements to be eligible for a bonus. HR provides managers with the same information	01/09/2019	4	2	8	
3b	Remuneration Comm	Legal/Regulatory	Inequity in treatment of staff due to line managers having an inconsistent approach to bonus applications	5	2	10	DGS (A&R)	Bonus application form is clear about requirements to be eligible for a bonus. HR provides managers with the same information	02/09/2019	4	2	8	
8a	Finance Comm	Capability/ Service Delivery	Inability to manage the church's finances effectively due to inadequate/unsupported/obsolete financial systems	4	3	12	CFO	Financial software to be replaced at start of 2020. Payroll system to be upgraded during 2020	30/06/2020	2	3	6	Probability change from 4 to 2 by Jane Baird on consolidation
8b	Finance Comm	Financial	Inability to manage the church's finances effectively due to inadequate/unsupported/obsolete financial systems	4	3	12	CFO	Financial software to be replaced at start of 2020. Payroll system to be upgraded during 2021	01/07/2020	2	3	6	Probability change from 4 to 2 by Jane Baird on consolidation
1a	Finance Comm	Financial	Insufficient funds to meet the financial needs of the Church with consequent reserve reduction impacting our investment return	4	3	12	Treasurer	Robust budget processes basing income forecasts on cautious assumptions, devising expenditure estimates after consultation with budget holders with clear justification to Mission Council for any deficit budgeting	01/09/2019	2	3	6	CFO works closely with the treasurer to oversee the budget process
1b	Finance Comm	Investments	Insufficient funds to meet the financial needs of the Church with consequent reserve reduction impacting our investment return	4	3	12	CFO	Close monitoring of M&M trends and annual leaflet to local churches thanking for and encouraging M&M contributions	01/09/2019	2	3	6	Deputy Treasurer has lead oversight of stewardship issues for the finance committee
4	URC Trust	Investments	Loss in value of investments due to implementation of investment principles agreed by Mission Council or General Assembly.	3	4	12	Treasurer	Treasurer explains potential consequences of decisions to MC/GA before decisions are taken. Maintain regular contact with the fund managers and the URC Investment committee which reports regularly to URCT	01/09/2019	2	3	6	

Risk Number	Committee/ Group	Risk Category	Risk	Inherent Risk			Person respons. for mitigat'n	Mitigation	Target Date	Residual Risk			Notes
				Probabi lity	Impact	Risk Score				Probabi lity	Impact	Risk Score	
5	URC Trust	Investments	Loss in value of investments due to unprecedented fall in investment markets	3	4	12	Treasurer	Investments are in funds with a spread of assets thereby reducing exposure to fall in one asset class. Fund Managers' performance monitored regularly and compared with market performance	01/09/2019	2	3	6	
21a	CHMG	Capability/ Service Delivery	Tenants of flat are disruptive.	3	3	9	Other named individual	References taken up prior to completion of tenancy agreement. 6 months break clause in agreement. Facilities Manager maintains regular contact with tenants.	01/10/2019	2	3	6	Facilities Manager
21b	CHMG	People	Tenants of flat are disruptive.	3	3	9	Other named individual	References taken up prior to completion of tenancy agreement. 6 months break clause in agreement. Facilities Manager maintains regular contact with tenants.	02/10/2019	2	3	6	Facilities Manager
2a	Investment Comm	Financial	Decisions made by the Pensions Regulator may seriously impact our financial returns	3	3	9	Convenor	TPR is trying to reduce the risk of Pension Funds being too dependent upon the sponsors to make up deficits in funding. Discussions are ongoing to help TPR understand our structure and likely risks of being unable to fund the pensions	31/12/2020	2	3	6	We need to work out how best to work within the Pension Regulator guidelines yet obtain good performance. This may require changes of process.
17	RMHS	Financial	Loss of potential income because donors no longer see the relevance of the work of the Society	3	3	9	General Mgr- RMHS	Articles about the work of the RMHS in Reform. RMHS holds a stall at the General Assembly and promotes its work at every opportunity.		3	2	6	Impact reduced from 3 to 2 on consolidation by Jane Baird to recognised that the overall impact for the Trust is less significant than it would be for RMHS
1a	URC Trust	Legal/Regulatory	URCT acts in a way that is in breach of Charity Regulation/ Legislation or other	3	3	9	Convenor	Trustees attend regular training. Legal adviser in attendance at meetings and legal advice sought	01/09/2019	2	3	6	
1b	URC Trust	Legal/Regulatory	URCT acts in a way that is in breach of Charity Regulation/ Legislation or other	3	3	9	Convenor	Trustees attend regular training. Legal adviser in attendance at meetings and legal advice sought	02/09/2019	2	3	6	
1b	ESL Comm.	Financial	Westminster College experiences fire	1	5	5	Principal - Westminster College	Heat & Smoke detectors throughout the college connected to a central alarm system. Fire instructions widely promulgated. Regular fire drills. Formal report to Management Committee.	02/09/2019	1	5	5	Fire is unlikely to take place but the impact is significant with extreme expenditure to hire alternative facilities and to repair or replace the college or damaged parts of the college..
1b	Investment Comm	Financial	Selection of investments can lead to poor financial performance of our investments	3	3	9	Convenor	Working with professional fund managers who understand our URC Policies and the Ethical Principles set out by Mission Council	01/09/2019	2	2	4	The investment committee works in close co-operation with Professional Fund managers and advises the URC Trust and the Pensions Trust
1c	Investment Comm	Financial	Selection of investments can lead to poor financial performance of our investments	3	3	9	Convenor	Monitoring the performance of and liaising with our Fund Managers is a vital way to ensure that we are well prepared for the challenges of the financial markets	01/09/2019	2	2	4	Working with trusted and professional fund managers limits this risk
5a	Investment Comm	People	Finding suitably qualified and experienced people to serve on the committee	3	3	9	Secretary	The Secretary monitors this in her dealing with the Nominations Committee when vacancies arise.	01/09/2019	2	2	4	This is the role of the members of the committee and the Trusts we advise
5b	Investment Comm	People	Finding suitably qualified and experienced people to serve on the committee	3	3	9	Convenor	Committee members attend a variety of training courses and seminars during the course of the year and they are asked to complete a training form and advise the Secretary of those attended.	01/09/2019	2	2	4	We are always on the lookout for suitably skilled members for our committee
7	Investment Comm	Legal/Regulatory	Meeting Legal and regulatory requirements	3	3	9	Convenor	Using appropriate legal input and support from professional advisers	01/09/2019	2	2	4	The Pensions Trust and the URC Trust have legal advisors whose advice is a regular part of Secretary for Global and Intercultural Ministries
3c	Mission Comm.	Financial	Person/people kidnapped while travelling overseas on URC business.	1	5	5	Other named individual	Travel insurance in place. Crisis Management team and procedure in place. Travellers briefed about location in advance of trip	03/09/2019	1	4	4	
18a	CHMG	People	Harm to tenant or others due to inadequate maintenance of central properties	3	3	9	General Mgr- RMHS	RMHS has established a programme of regular building inspections	30/09/2019	1	3	3	
19	CHMG	Financial	Tenants of 2nd floor default	3	3	9	DGS (A&R)	Financial solvency checked prior to completion of tenancy agreement	30/09/2019	1	3	3	
18b	CHMG	Legal/Regulatory	Harm to tenant or others due to inadequate maintenance of central properties	3	3	9	General Mgr- RMHS	RMHS has established a programme of regular building inspections	30/09/2019	1	3	3	
11	RMHS	Financial	Properties are sold below market price because adequate due diligence was not done	3	3	9	Other named individual	In-house surveyors now visit every property before sale, for their appraisal. The Housing Services Officer is ex-estate agent and understands the market	01/09/2019	1	3	3	The Surveyors
14	RMHS	Financial	Rent arrears accrue because of inaccurate rent debit charges and poor collection activities	3	3	9	Other named individual	Finance team now provide monthly rent reconciliation information to enable staff to deal with or prevent issues early	01/09/2019	1	3	3	Housing Services Officer
4b	Ass Arr Comm.	Financial	GA cannot take place as planned to unexpected unavailability or inaccessibility of the venue.	1	5	5	General Secretary	Ensure that the contract clauses cover such eventualities.	01/09/2019	1	3	3	
1a	Investment Comm	Reputation	Selection of investments can create a reputational risk	3	3	9	Convenor	Ensuring that the investments chosen meet with URC Policies and the Ethical Principles set out by Mission Council	01/09/2019	1	2	2	The whole committee takes this responsibility and advises both URC Trust and Pensions Trust. There are regular meetings with Investment Managers to ensure the risk is minimised.
3a	Investment Comm	Financial	Poor selection of fund managers	3	3	9	Convenor	The Committee analyses the performance of fund managers both in respect of financial performance and adherence to the Ethical and Responsible principles we have defined	01/09/2019	1	2	2	We regularly check the performance of fund managers.