

Four risk assessment stages for Baptist churches

We live in uncertain times and a changing world. Here we help you assess and manage the various risks that you might face that could impact your vision and mission.

By managing risks effectively, Churches can help ensure that:

- Key risks are known and managed, enabling informed decisions to be made and appropriate action taken
- Future planning is improved
- The prospects of supporting the vision and mission of the church are significantly enhanced.

Some definitions

- **Risk management** is simply the process to help assess and respond to the risks that will affect achievement of your mission and vision.
- **Risk assessment** is the first step in the process and involves identification of risks. We suggest that you follow a four stage framework. It is important not to over-complicate matters.
- **Risk** is uncertainty of outcome. Risks are mainly a negative threat but can be positive opportunities as well.

Stage 1 - Risk identification

The first stage is to identify threats and the potential impact of threats arising, that may prevent you meeting your vision or mission. Probably the most effective way to identify these risks is to have a round table debate with key church people.

A system of classification, suggested **over the page**, is helpful for ensuring key areas of risk are considered and identified. We must stress this list is not exhaustive. It outlines some indicators of typical issues you may wish to consider when identifying potential risks and is not a comprehensive checklist. Where necessary it should be adapted for particular circumstances or issues.



Risk Category	Examples
Governance/Regulatory risks	<ul style="list-style-type: none"> ● Failure to comply with operational regulations e.g. data protection, health and safety management, fire safety, food standards etc ● Inappropriate child protection practice ● Inadequate knowledge of regulatory requirements e.g. grant support ● Conflict of interest on Trustees/Diaconate ● Lack of skills on leadership team
Operational risks	<ul style="list-style-type: none"> ● Loss of key members or staff/volunteers e.g. Minister ● Staff stress or ill health ● Reliance on key individuals ● Failure to support leadership team ● Conflict between church people or wider community ● Inadequate facilities to worship ● Concentration of activities ● Poor security of assets ● Natural threats e.g. flood ● Lack or written policies and procedures ● Lack of personnel to fill vacant roles
Financial risks	<ul style="list-style-type: none"> ● Inability to meet financial obligations as they fall due (going concern) ● Weak or ineffective financial controls ● Inadequate financial planning or forecasting ● Poor segregation of duties ● Lack of budgetary control ● Inability to meet unplanned maintenance costs ● Reduced income from investments ● Dependency on major donor ● Insufficient insurance cover
External risks	<ul style="list-style-type: none"> ● Poor perception and reputation ● Turbulent economic or political environment ● Changing government policy leading to cuts in funding

This stage may identify possible positive opportunities for your church. For example, identifying additional sources of funding or volunteers from church members or the wider community.

Stage 2 – Assessing the risks

Once the risks have been identified, it is anticipated that there will be an extensive list and the risks need to be assessed. The key factors are as follows:

- **Likelihood** i.e. what is the probability of the event occurring (low/medium/high)?
- **Impact** i.e. how severely will the risk event affect the church if it did happen (low/medium/high)?

A suggested scoring system is as below:

Likelihood

Descriptor	Examples
Low	May only occur in exceptional circumstances
Medium	Expected to occur in a few/some circumstances
High	Expected to occur frequently in many/most circumstances

Impact

Descriptor	Examples
Low	No/slight impact on activities No/slight impact on reputation Remote/possible litigation risk
Medium	Some disruption of activities Possible avoidable adverse publicity Litigation probable
High	Activities disrupted/interrupted for significant time Adverse publicity (local media) unavoidable/possibly major adverse publicity Litigation probable/expected Resignation of leadership team Loss of supporter confidence/donations

The table suggested below can be used to list and assess your risks.

Likelihood	Impact	Risk Score
Low	Low	Green
Low	Medium	Green
Low	High	Amber
Medium	Low	Green
Medium	Medium	Amber
Medium	High	Red
High	Low	Amber
High	Medium	Red
High	High	Red

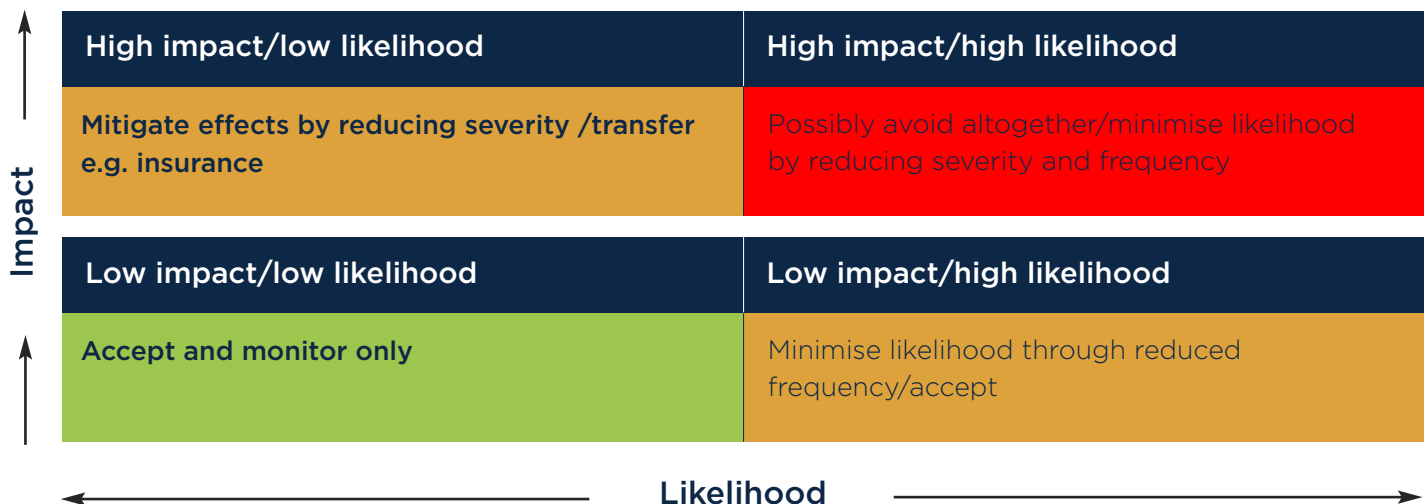
Every church will have different views on the perception of particular risks depending on individual circumstances. The priority ranking is achieved by multiplying the likelihood score by the impact score. The Church can then focus on managing the significant risks with the highest priority rating.

Stage 3 – Risk actions

Stage 2 may result in an extensive list of possible threats to the church. Stage 3 considers what actions the church should consider taking and common responses include the following:

- Avoiding the activity or minimising the likelihood e.g. improving your procedures
- Mitigating the effects e.g. developing a response plan
- Transferring the risk e.g. by taking out insurance
- Accepting the risk i.e. continuing in same way in the knowledge that there are risks.

In general terms, the appropriate actions are outlined in the four sections on the risk map indicated below:



Stage 4 – Regular monitoring and assessment

Risk assessment is an ongoing process. Existing risk impact may change and new risks will become apparent in ever changing times. This task should not be a one off event. Monitoring and reassessment should be undertaken on a regular basis.

Conclusion

Following the four stages outlined here will assist your church in its management and governance. Key benefits include the following:

- Helps decision making on the Church Council so any agreed actions have fully understood risks.
- The Church is prepared for most eventualities by having adequate response plans.
- Supports best practice in corporate governance.
- Ensures you are best placed to meet your vision and mission going forward.

Note

1. It would be almost impossible to manage every risk a church will face and your focus should be on the significant risks only.
2. It is important to balance costs of controlling a risk against the cost of mitigating the risk should a potential threat develop. Control costs need to be proportionate to the risk. The aims being to manage risks not eliminate them. You may have to be prepared to accept a tolerable level of retained risk that is uneconomic or unrealistic to remove.
3. Good practice is to identify the appropriate actions to manage risks so your time and resources are used efficiently.
4. We suggest that the next step is for you to set up a risk register which should be reviewed on a regular basis by the church leadership team. The register should review what existing controls are in place compared to what controls should be in place with agreed actions. **An example risk management register is set out on the following pages.**

Baptist Insurance is pleased to provide this risk assessment information to you as guidance only. However please note that responsibility for following and undertaking this advice rests with the church.

Example risk register for a Baptist church

Risk No/Group Risk owner/	Risk Factor	Risk likelihood (low/medium/ high)	Risk impact (low/medium/ high) green)	Overall risk assessment red/amber/ green)	Existing control measures	Retained risk	Additional control measures required to minimise risk	Risk owner/ timescale
1. Governance	Child protection system fails	Low	High	Amber	Child protection Officer appointed. Support 'safe from harm' policy CRB checks undertaken	Amber	See existing controls	Child Protection Officer/Ongoing
	Personal injury or death to church staff, members or visitors from condition of premises and activities	Low	High	Amber	Written health and safety policy reviewed annually Risk assessments undertaken	Green	None	Health & Safety Officer/Review annually
2. Operational	Loss of Minister	High	High	Red	None	Amber	Support from leadership team to Minister with response plan. Regular Minister and Leadership team meetings/reviews	Chairman/ Urgent
	Reliance on key individuals	Medium	High	Red	Leadership team continually trying to recruit additional support (with specific skills, from church/wider community)	Amber	Sustain existing recruitment effort.	Leadership team/Ongoing

Appendix one continued

Example risk register for a Baptist Church

Risk No/Group Risk owner/	Risk Factor	Risk likelihood (low/medium/ high)	Risk impact (low/medium/ high) green)	Overall risk assessment red/amber/ green)	Existing control measures	Retained risk	Additional control measures required to minimise risk	Risk owner/ timescale
3. Financial	Delay in delivery of new building extension property and funding reduced/withdrawn	Low	High	Amber	Monthly financial reports Budget 2011 prepared with deficit	Amber	See existing controls Fund raising activity needed to generate additional income	Treasurer 31/10/11
	Loss of monies through error or fraud	Medium	High	Red	Annual audit by appointed auditor	Red	Monthly audits to be undertaken Best practice money management to be adopted	Treasurer/ Ongoing
4. External	Building project terminated. Grants withdrawn	High	High	Red	Project team appointed	Red	Explore alternative funding sources Have other building plans in place Monthly progress reports from project team to leadership team	Treasurer 31/10/11
	Changing government policy reduces funding for existing social care /outreach work	High	Medium	Red	Review current spending and ensure all stakeholders are updated on a regular basis	Amber	Continue prudent money management until general funding position improves. Seek alternative sources of funding if possible	Leadership team\Review monthly