Risk Management Policy

Policy owner: Governance Deacon

Date of creation: November 2024

Date of last review: 5 December 2024

Date of next review: December 2025

Approved by: Trustees

Revision: 1

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Risk Management in Hope Church Network: Policy and Procedure

1 Hope Church Network Risk Management Model

1.1 Hope Church Network (the "Charity") recognises that risk management is essential to its governance and to sustainable operation of its services. Risk management in the Charity will be designed to ensure:-

- the identification, assessment and management of risk is linked to the achievement of the charity's objectives;
- all areas of risk are covered - for example, financial, governance, operational and reputational;
- the principal results of risk identification, evaluation and management are reviewed and considered;
- risk management is ongoing and embedded in operational procedures.

1.2 The Charity will regularly review and assess the risks it faces in all areas of its work and plans for the management of those risks.

1.3 There are risks associated with all the Charity's activities - they can arise through things that are not done, as well as through ongoing and new initiatives. Risk exposure for the Charity will vary depending on circumstance. For example, the Charity may be willing to expose itself to higher risks as the size of our reserves/size of our organisation increases. Risk tolerance may also be a factor in what activities are undertaken to achieve objectives. The Charity will therefore ensure that there is an appropriate balance taken between higher and lower risk activities. These considerations will inform the trustees in their decision as to the levels of risk they are willing to accept.

1.4 Trustees need to let staff, Church leadership teams, ministry teams and volunteers know the boundaries and limits set by their risk policies to make sure there is a clear understanding of the risks that can and cannot be accepted.

1.5 The Charity recognises that risks may not just represent threats, they may also identify opportunities. It is important that the focus of risk management is not just on negative outcomes. An opportunity is defined as "an uncertainty that could have a positive effect leading to benefits or rewards" and is therefore very similar to the traditional definition of "risk".

1.6 There is a danger that an emphasis on being risk averse may lead to missed opportunities for the Charity.

1.7 The policy operates using the Biblical principle found in Ephesians 5:15-17

Be very careful, then, how you live—not as unwise but as wise, making the most of every opportunity, because the days are evil. Therefore do not be foolish, but understand what the Lord's will is.

2 Identifying our Risks

2.1 As part of its operating protocols, a Risk Register will be developed. This register is a 'living document' and forms the baseline for further risk identification. The Charity recognises that risks emerge, evolve and recede over the lifetime of the plan. Risk identification is therefore an ongoing process within the Charity. The Risk Register will be an item on the agenda for all Trustee meetings - the Trustees will discuss and agree all new risks identified.

2.2 In undertaking this, trustees will consider:

- The Charity's objectives, mission and vision;
- the nature and scale of the Charity's activities;
- the outcomes that need to be achieved;
- external factors that might affect the Charity such as legislation and regulation;
- past mistakes and problems that the Charity has faced (threats), but not forgetting to spot opportunities for progressing the Charity's aims and objectives;
- the operating structure - for example if the Charity has partnered with other charities;
- comparison with other charities working in the same area or of similar size; and
- examples of risk management prepared by other charities or other organisations.

2.3 In developing the Charity's Risk Register, trustees will identify/update risks in the following areas

- governance;
- leadership risk*;
- operational risk
- finance risk;
- people risk;
- law and regulation /compliance risk;
- Reputational.

* Leadership risks will address the risk of departure from core values and biblical doctrine.

3 Assessing, Monitoring and Evaluating Risk

3.1 Identified risks need to be put into perspective in terms of the potential severity of their impact and likelihood of their occurrence. Assessing and categorising risks helps in prioritising and filtering them, and in establishing whether any further action is required.

3.2 The methodology set out at Appendix 1 can help Trustees to identify and score emerging and evolving risks based on how likely they are to occur and how severe their impact.

3.3 The Trustees will identify and assess all risks that appear to be significant and propose appropriate action to mitigate these; with particular emphasis on those that are regarded as high or medium risk (see Appendix 1). The Charity's Risk Register will be updated to reflect these discussions, as part of the Risk Register agenda item (2.1).

3.4 Opportunities, as well as threats, may arise from uncertain events. The effect/impact of each risk will, therefore, be explicitly defined in terms of both the threat and any opportunity. This will be recorded in the impact/effect column.

4. Frequency of review

4.1 This policy will be reviewed annually

Appendix

Risk Management Methodology

Risk management is aimed at reducing the “gross level” of risk identified to a “net level” of risk. The “net” risk is the risk that remains after appropriate action is taken. For the avoidance of doubt, even after appropriate mitigation the “net” risk may be unchanged from the “gross” risk assessment. The Trustees need to form a view as to the acceptability of the net risk that remains after risk management.

Scoring should be done as follows:

- Likelihood of occurrence – generates a likelihood percentage score.
- Severity of impact - generates an impact percentage score.

Likelihood		**Impact**	
1 Remote	**5%**	**1 Insignificant**	**5%**
2 Unlikely	**10%**	**2 Minor**	**10%**
3 Possible	**25%**	**3 Moderate**	**20%**
4 Probable	**50%**	**4 Major**	**75%**
5 Highly Probable	**75%**	**5 Extreme**	**100%**

Impact These two scores are then multiplied together to give the overall or “gross” risk percentage. Scores of 25% or more are considered extremely *high* risk (red), scores of 5 – 24.75% are considered *medium* risk (yellow), scores of 2 -4.75% are considered *low* risk (blue), and scores of below 2% are considered *negligible* risk (green).

Probability	Insignificant	Minor	Moderate	Major	Extreme
Highly Probable	3.75%	7.50%	15.00%	56.25%	75.00%
Probable	2.50%	5.00%	10.00%	37.50%	50.00%
Possible	1.25%	2.50%	5.00%	18.75%	25.00%
Unlikely	0.50%	1.00%	2.00%	7.50%	10.00%
Remote	0.25%	0.50%	1.00%	3.75%	5.00%

Impact

Description of Likelihood of Occurrence

Remote	May only occur in exceptional circumstances
Unlikely	Expected to occur in a few circumstances
Possible	Expected to occur in some circumstances

Probable	Expected to occur in many circumstances
Highly Probable	Expected to occur in all or almost all circumstances

Description of Severity of Impact

Insignificant	• no impact on service • no impact on reputation • complaint unlikely • litigation risk remote
Minor	• slight impact on service • slight impact on reputation • complaint possible • litigation unlikely
Moderate	• some service disruption • potential for adverse publicity - avoidable with careful handling • complaint probable • litigation possible
Major	• service disrupted, e.g. long term sickness • adverse publicity not avoidable (local media) • complaint probable • litigation probable • Sudden loss of funding
Extreme	• service interrupted for significant time • major adverse publicity not avoidable (national media) • major litigation expected • resignation of senior management • resignation of board • major premises related issue e.g. burglary • loss of beneficiary confidence