Risk Management Policy

Responsibility

Individuals: Director of Finance and Operations

Governor Committee: Full Council

Review

Last review date: June 2019

Next review date: June 2020

1. Introduction

1.1. Purpose of this policy

Purpose	Outcome
To explain the approach of King's Schools Taunton Ltd (KST) to Risk Management.	Effective and consistent management of risk across the organisation
To document the roles and responsibilities of Council, Senior Management/Leadership Teams, managers and staff.	Effective governance of risk management.
To outline the main reporting procedures for risk.	Consistent reporting of risk and related activities.

1.2. Why we manage risk

We manage risk to:

- increase the likelihood of KST achieving its business plan objectives and corporate priorities by identifying and managing threats to their achievement
- assist the Senior Management/Leadership Teams (SMT) and all managers in prioritisation of the allocation of resources by clearly identifying key risks and the importance of managing them to the achievement of KST's objectives
- support managers and staff in being proactive rather than reactive
- provide reassurance to stakeholders (including parents), Council, SMT, managers and staff that the organisation, team, project etc. is being managed effectively
- allow KST to take risks that will help grow the business, but to do so in a measured and controlled way
- ensure we avoid exposing KST to unnecessary or excessive levels of risk with adverse impacts
- enable an appropriate balance between taking risk and delivering financial reward without compromising our charitable objects (as set out in the Articles of Association of the Woodard Corporation and KST), pastoral and educational standards.

1.3. How we define risk

Risk refers to the uncertainty of outcomes, actions and events. Risk is a combination of the probability of the outcome happening (or not happening) and the impact if the outcome was to happen (or was not to happen). This uncertainty of outcome, or risk, can arise either from pursuing a future positive opportunity or from an existing threat to achieving a current objective.

1.4. Regulation

We comply with the regulatory requirements and expectations of Independent Schools, as set out by Regulators: Independent Schools Inspectorate and Office for Standards in Education (OFSTED)

2. Policy statement

This policy is approved and owned by the School Council (governing body) of KST.

The Council has ultimate responsibility for gaining assurance that risks are effectively identified, managed and controlled to a tolerable level. This is underpinned by the following committees, as set out in their Terms of Reference:

- Finance and Estates - assurance as to the effective financial and business management of KST; overseeing the property assets of KST, ensuring their effective maintenance and setting an appropriate Estates strategy to support the long term strategic plans of KST
- Appointments – overseeing and supporting SMT with senior appointments, ensuring that Council Members have appropriate skills and ensuring effective succession planning for Council Members and the Custos
- Compliance Group - oversees compliance with all relevant legislation and regulatory requirements
- Education and Pastoral – overseeing the quality and effectiveness of the academic, pastoral and co-curricular provision
- H&S Committee – overseeing H&S and Security in support to Council, above Committees and Compliance Group. One Governor attends at least once per year at each school.

2.1. Our risk appetite

The Council recognises the need to take risk to develop and grow the business. We are also determined to protect KST's assets and financial strength. Our core business activity is to promote and extend education. We do this by providing independent education facilities (including boarding) principally through King's College, Taunton and King's Hall, Taunton.

We also may expand our portfolio of schools to ensure financial sustainability and growth but will not undertake any other activities that could threaten the core education business.

Our approach to managing risk and supporting business assurance activity, as detailed in this document, will ensure that risk exposure is quantified, managed effectively and reduced. The Council acknowledges that areas of the business will need to be assessed individually for risk appetite, with one overall level reflecting KST's general appetite.

Risk Appetite	Minimal (low)	Cautious (low/medium)	Balanced (medium)	Some (medium/high)	Strong (high)
Academic			X		
Welfare	X				
External		X			
Financial			X		
Health & Safety	X				
Operational			X		
Regulatory/Legal	x				
Reputational			X		
Strategic			X		
Overall		**X**			

The Council's appetite to risk will be reviewed annually.

2.2. Risk management principles

Effective risk management relies on the following:

- Every identified risk having a named individual responsible for deciding appropriate mitigating activities, designing controls and reporting on the effectiveness of controls.
- A culture where risk is openly discussed and staff are encouraged to raise any concerns and identify new potential risks for consideration.
- The controls identified as necessary to manage risk operating effectively.
- Learning from risk events and mistakes including near misses.
- The Council and Senior Management having access to and regularly reviewing a clear summary of all significant risks which enables them to make effective business decisions and assess the effectiveness of risk management.

For corporate risks and risks relating to services the following categories are considered when assessing impact:

- Academic
- Welfare
- External
- Financial
- Health and Safety
- Operational
- Regulatory/Legal
- Reputational
- Strategic

Factors which are easily overlooked but should be assessed when identifying or reviewing risk:

- Compounding effects which could be anticipated i.e. more than one critical risk which is expected to crystallise at the same time or a series of low level risks which are considered a low threat individually. Our ability to assess this is supported by the escalation of key risks to one Corporate Risk Register.
- Consideration of new or emerging threats resulting from internal or external changes.
- Slow-motion risks with impacts where the significance may not be noticed or appreciated over time e.g. gradual deterioration of contract performance which is not managed effectively.
- Single points of failure (whether technological, physical or human) which represent a concentration of risk. These should be avoided if avoidance can be achieved cost-effectively. For example, all of our key control activities should be fully documented and we should avoid situations where only one person can perform those control activities.
- Consideration of the complexity of our activities. Wherever possible, the complexity of our risk exposure should be reduced. This is particularly important where compounding factors have been identified. Processes or activities that are more complex tend to be riskier. When complexity increases, that increase should be reassessed against the level of risk.
- Low or medium risks which if crystallised could affect more than one area of the business.

3. Our risk management framework- roles and responsibilities

Our risk management framework encompasses the processes which ensure effective identification, management, reporting and mitigation of corporate risks and assurance (evidence) that the controls are being effective.

3.1. Corporate risk

A framework of formal risk management operates at a corporate level where risks with the greatest likelihood and potential impact on KST are recorded on the Corporate Risk Register.

The outcome of a corporate risk crystallising would significantly affect KST's ability to deliver on its priorities and / or it would have significant financial, health & safety, reputational, operational or legal / regulatory impacts that could not be absorbed without substantial strategic or operational corrective action.

Corporate risks have regular oversight and are termly reviewed by each Committee and annually by the full Council. Each SMT will dedicate one meeting per term to review risk.

3.2. Project risk

Where a project is likely to have a significant negative impact if not successful, the risks of such a project should be carefully analysed and the project added to the Corporate Risk Register for the life of the project. Capital projects will automatically be added to the Corporate Risk Register where the project value exceeds £500,000.

3.3. Risk Escalation

All Staff
All staff should be aware of the importance of considering risk and should know that if they consider something to be a risk, in the first instance they should discuss this with their line manager.

Line managers or Heads of Departments, not on SMT
When a manager, HoD or team leader who is not on SMT becomes aware of a risk, they should discuss it with a member of SMT (usually their manager) who will take the matter forward.

Department meetings
From time to time, matters may be discussed at department meetings in relation to risk. Where appropriate the chair of the meeting should raise the matter at SMT.

Review by SMT
Risks may be brought to SMT as mentioned above. SMT will consider the matter and decide whether the risk already exists on the Corporate Risk Register.

If it already exists on the Register, SMT will consider whether the associated Likelihood and Impact scores and mitigating controls are appropriate. If they are, no further action is required. If a change is required, the matter will be raised at the next relevant Council Committee meeting.

If the risk is not on the Register, SMT will consider whether it is a significant enough risk to be added to the Register. If this is the case, SMT will propose a Likelihood and Impact score and suggest any mitigating controls. The resultant risk will be raised at the next relevant Council Committee meeting for possible inclusion on the Corporate Risk Register. If SMT decide the risk is not material enough to warrant inclusion on the Register, it will still be discussed and the appropriate manager asked to implement any agreed mitigating controls.

3.4. Controls

Key controls are the things we do that manage our business plan, meet our purpose and effectively manage risks. We document our key controls on our risk register. The efficacy of these is revised each time the Corporate Risk Register is reviewed.

3.5. Assurance - confidence backed by evidence

Assurance is the process of seeking, gathering and reporting information on the effectiveness of the system of internal control.

Council Members, SMT and staff involved in the management of risk are expected to question how they know appropriate action is being taken to manage their risks. They decide for each control, depending on the context, what the source of assurance is and how frequently the assurance should be sought.

A balanced and risk-based approach is adopted to ensure that the most important aspects of internal control are overseen. This enables a cost effective assurance process and ensures that the Council has reasonable assurance that controls are operating effectively, especially in those business areas assessed as higher risk.

3.6. Risk Crystallisation

Exceptionally, and despite putting in place mitigation actions risks can crystallise. In addition, despite horizon scanning, unplanned risks can materialise. Our strategic approach is to improve our capacity and capability to respond quickly and effectively to unforeseen events.

3.7. Risk Removal

As part of their termly reviews, Committees may decide that a risk is now closed and may safely be removed from the Register. Any low scoring risk which has been on the Risk Register for more than 4 months and the score remains the same will be proposed for removal, such matter to be discussed at the next full Council meeting.

4. Identification and assessment of risk

4.1. Responsibility for identifying risks

Council members, SMT, managers and staff are responsible for identifying and managing risks related to the achievement of corporate, operational, team, project or personal objectives that lie within their influence and control.

Staff are encouraged to address minor risk issues without the need to formally register these risks and this is a day to day part of their normal activity. Heads of Department are expected to discuss risk management issues with their staff as part of their routine supervision processes.

On a regular basis, SMT should use their skills and experience to review risks generally, to identify new risks or changes to existing risks and take appropriate action to improve controls of risks which they are responsible for overall. Where a risk is identified that may require inclusion on the Corporate Risk Register, the appropriate Headmaster or Director should table this at the next relevant Council meeting.

Council contribute to the risk management process by using their wider skills and experience to identify new risks or changes to existing risks. Significant emerging risk issues should be discussed with management as appropriate and flagged for possible inclusion on the Corporate Risk Register.

4.2. Scoring systems

The scoring of risks allows us to calculate the cumulative exposure of all our risks. Both the overall and detailed scores should be reviewed termly by SMT and the relevant Council Committee and where a risk is identified that we might not be willing to tolerate, this should be raised at the next full Council meeting.

Risks are assessed in relation to their

- Likelihood – the chance of the risk happening and
- Impact - the effect of the risk should it occur.

Appendix 1 details the levels of impact and probability that should be identified and the risk scoring guidelines.

The level of risk should be considered in two forms:

- Unmanaged risk score - the likelihood and impact that a risk represents, if no attempt was made to manage it or efforts to manage it failed.
- Managed risk score - the likelihood and impact that a risk represents considering the controls / mitigation that are currently in place to manage the risk.

The risk score is calculated by multiplying the likelihood assessment score (from 1 to 5) by the impact assessment score (also from 1 to 5) to produce a score out of a maximum 25.

4.3. Managed risk

Our scoring system defines critical risks (detailed in Appendix 1) and we aim to ensure that all risks have a managed score which is not critical.

The gap between the initial unmanaged risk score and reviewed managed risk score reflects the level of influence in the controls we already have in place (called the risk drop). This identifies the strength and importance of having controls in place i.e. the most important controls are those which create the biggest gap between unmanaged and managed risk scores. This is a key element in governing where we should focus our assurance activities and reviews.

Contingency plans are most important where there is a very low probability and very high impact. There is little we can do to prevent these risks but much that can be done to prepare for the event of the risk occurring. Business Continuity incidents are a good example of this type of risk.

The risk register contains details of any additional management actions that are planned which will further reduce the risk impact, probability or both. When these actions are complete they form new controls which further improve the managed risk assessment and often increase the risk drop.

4.4. Global Risks

In addition to horizon scanning, we identify wider more general risks which may impact on our organisation. For example, a downturn in national economy resulting in fees becoming unaffordable.

To address this, the steps we have taken to mitigate this risk include offering significant bursary support, cost efficiencies and the development of overseas projects to bring in additional income. Or for example, attacks to information technology systems are a major global threat. To address this, the steps we have taken to mitigate this risk include IT penetration exercises, increased software and hardware protection and close scrutiny of our Information Technology risks.

5. Controlling and managing risk

5.1. Strategies for managing risk

The following strategies can be taken when managing individual risks:

- Do nothing and take a decision to accept the risk
- Avoid or stop the risk
- Reduce the probability
- Reduce the impact
- Transfer the cost (also a way of managing impact) e.g. insurance

For any given risk a combination or the above is likely to be used. Controls are necessary in order to reduce probability and impact specifically and the role of Business Assurance is fundamentally important in ensuring controls are in place at the most detailed level necessary.

5.2. The cost of managing risk

The cost of controlling a risk should not outweigh the cost of a risk occurring. There are two types of cost relating to risk:

- the cost of controlling the risk - for example insurance, training, external audit; and
- the cost of the risk occurring - for example loss of income, legal expenses, failure of regulatory inspection.

Costs may also be tangible or intangible, such as reputational damage, low morale, loss of confidence or capacity to achieve objectives.

5.3. Improving controls

Actions to improve controls will be based on the regular review of risks and various assurance activity and reporting.

5.4. External assurance

It is a legal requirement that KST appoints an external auditor to form an opinion on the annual financial statements. To form their opinion, the auditor reviews certain key financial controls.

Additionally, the Schools operate under the Independent Schools Inspectorate and as such have regular compliance and educational inspections.

Appendix 1

The Likelihood and Impact of a possible risk and given a score from 1 – 5 as follows:

Likelihood

1 - Impossible	nothing is impossible but this is extremely unlikely
2 - Remote	has been known to happen at other schools
3 - Possible	could possibly happen but cannot be envisaged under present circumstances
4 - Probable	could happen under present circumstances at some stage
5 - Certain	will happen in foreseeable future

Impact

1 - Minor	little or no financial or PR consequence
2 - Low	financial or PR embarrassment which can be dealt with within budget/year
3 - Medium	impact will require a degree of re-organisation to minimise consequence
4 - High	significant impact on stability of school requiring major re-organisation
5 - Critical	will result in failure of school

A Risk Score is obtained by multiplying the Likelihood of an event rating times that of the Impact rating. The table below shows how we describe the resulting Risk Score.

	Colour Code/Risk Score
Critical Risk	20 or above
High Risk	16 to 19
Medium Risk	9 to 15
Low Risk	8 or below