Lincoln Christ's Hospital School

Risk Management Policy

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Contents:

1) Overview:

1. Lincoln Christ's Hospital School adopts and adheres to the Risk Register as recommended in the Academies Financial Handbook.
2. The Risk Management strategy aims to ensure that the Academy complies with risk management best practice and sets out the current processes and responsibilities for risk management in the academy
3. The Risk Registered is reviewed at least annually by the Headteacher, Senior Leadership team and Principal Finance Officer.
4. The objectives of the risk register are as follows:
   - To discuss and agree that all involved are satisfied with the school's list of risks
   - To determine the appropriate level of response to each risk
   - To assess existing controls and determine appropriate action
   - To allocate responsibility for action
   - To agree future reporting and review procedures.
5. The value for money of the chosen responses should be considered, ie it is as important to avoid over-control of minor risks as under-control of serious risks.
6. Clear responsibilities need to be allocated to any actions required along with a deadline for the action to be completed and a schedule date for review.
7. Once the annual review has been completed an updated register is circulated to all members of the Governing Body so that each is aware of the risk management policy and the controls in place to limit exposure to risk.
8. Lincoln Christ's Hospital School is required to provide a report on risk management in their annual accounts.

2) Categories of Risk:

External Risk – arising from the external environment, not wholly within the organisation's control, but where action can be taken to mitigate the risk.

1. Political   Possible political constraints such as change of government or introduction of the euro.
2. Economic   Economic factors such as interest rates, exchange rates, inflation.
3. Social/cultural   Demographic change affecting demand for services; change of stakeholder expectations.
4. Technologies   Obsolescence of current systems; procurement and best use of technology to achieve objectives.
5. Legal/regulatory   Laws and regulations which impose requirements (eg health & safety and employment legislation).
6. Environmental   The need for buildings to comply with changing standards (eg energy efficiency); the need for disposal of rubbish and surplus equipment to comply with changing standards.

Operational Risk – relating to delivery of current activities, building capacity and capability.

1. Operations   Overall capacity and capability to achieve objectives; procedures employed.
2. Service/project delivery   Failure to deliver the agreed service.
3. Resources – Financial   Availability and allocation of funding.
4. Resources – Physical   Security against loss, damage and theft of physical assets and fraud including identification of areas which can be insured.
5. Resources – Human   Availability, retention skills and capacity of staff.
6. Resources – Information   Adequacy of information for decision making; security of information against loss, damage, theft and fraud.
7. Relationships   Threats to relationships with delivery partners; customer satisfaction; accountability (particularly to Parliament).
8. Reputation   Confidence and trust which stakeholders have in the organisation.
9. Governance   Propriety and regularity; compliance with relevant requirements; ethical considerations.
10. Scanning   Failure to identify threats and opportunities.
11. Resilience   Capacity of accommodation, systems and ICT to withstand adverse impacts and crises; contingency planning and disaster recovery (eg fire, flood, failure of power supply, failure of transport systems)

Change Risk – created by decisions to pursue new endeavours beyond current capability.

1. Public sector targets   New targets challenge the organisation's capacity to deliver.
2. Change programs   Programs for organisational or cultural change threaten current capacity to deliver as well as providing opportunity to enhance capacity.
3. New projects   Making optimal decisions/prioritising between new activities that are competing for resources.
4. New policies   Policy decisions creating expectations where the organisation has uncertainty about delivery.

3) Assessing Risk Appetite

Defining Risk Appetite:

Risk appetite is the level of risk which the organisation is prepared to be exposed to before it judges action to be necessary. Opportunities can be surrounded by risks and threats which potentially limit the Governors ability to exploit the opportunity and for which an appetite in relation to the opportunity benefit has to be assessed.

- Risk appetite is also about comparing the cost (financial or otherwise) of constraining the risk with the cost of exposure should the risk become a reality and finding an acceptable balance. The fact that the resources available to control risks are likely to be limited means that value for money decisions have to be made – what resource cost is it appropriate to incur to achieve a certain level of control in respect of the risk? Apart from the most extreme circumstances it is unusual for good value for money to be obtained from any particular risk being completely obviated with total certainty.

- Some risk is unavoidable and not within the ability of the organisation to completely manage it down to a tolerable level. In these cases the organisation needs to make contingency plans.
- Risk appetite may be very specific in relation to a particular risk, or it may be more generic in the sense that the total risk which an organisation is prepared to accept at any one time will have a limit.

Identifying the Risk Appetite:

- In consequence every organisation has to identify its risk appetite. Decisions about response to risk have to be taken in conjunction with an identification of the amount of risk that can be tolerated. Any particular organisation is unlikely to have a single risk appetite.
- The tolerable extent of risk will vary according to the perceived importance of particular risks. For example, tolerable financial loss may vary in accordance with a range of features including the size of the relevant budget, the source of the loss or associated other risks such as adverse publicity. Where a particular risk can be give rise to a number of effects, an effect of financial loss may be acceptable, whilst an associated effect of damage to health and safety may not be tolerated at all. Both the risk framework and control responses therefore have to be considered in detail to identify the appropriate balance of potential realisation of risk against the costs of limiting that risk.
- The most significant issue is that it is unlikely, except for in the most extreme risks, that any particular risk will need to be completely and absolutely obviated. Identification of risk appetite is a subjective (rather than an objective or scientific) issue but nevertheless is an important stage in formulating the overall risk strategy.

4) Evaluation of risks

Each specific risk identified on the risk register will be evaluated based on 2 key factors:

The Likelihood of the risk taking place and

The impact on the academy if the risk identified occurs.

Each individual risk will be scored on the following criteria:

1 to 4 – with 1 the lowest risk and 4 the Highest risk.

The overall score or risk factor to the academy is a combination of the likelihood of the risk multiplied by the impact. Therefore a score of 1 would mean the lowest risk and a score of 16 would mean the highest level of risk.

The highest scores will ensure the highest priority when addressing the risks.

5) Addressing of risks

Responses to risk can be divided into five response categories and are measured according to their level of impact/likelihood

Transfer	For some risks the best response may be to transfer them. This might be done by conventional insurance or it might be done by paying a third party to take the risk in other ways. This option is particularly good for mitigating financial risks of risks to assets.
Tolerate	The exposure may be tolerable without any further action being taken. Even if it is tolerable the ability to do anything about some risks may be limited or the cost of taking any action may be disproportionate to the potential benefit gained. In these cases the response may be toleration. This option may be supplemented by contingency planning for handling the impacts that will arise if the risk is realised.
Treat	By far the greater number of risks will belong to this category. The purpose of treatment is not necessarily to obviate the risk, but more likely to take control action to contain the risk to an acceptable level. Such controls can be corrective, detective, directive or preventive.
Terminate	Some risks will only be treatable or containable to acceptable levels by terminating the activity. It should be noted that the option of termination of activities may be severely limited in the public sector when compared to the private sector. A number of activities are conducted in the public sector because the associated risks are so great that there is no other way in which the output or outcome, which is required for the public benefit, can be achieved.
Take the Opportunity	This option is not an alternative to those above; rather it is an option which should be considered whenever tolerating, transferring or treating a risk. At the same time as mitigating threats, an opportunity may arise to exploit a positive impact. Also circumstances may arise which, whilst not generating threats, offer positive opportunities – for example a drop in the cost of goods or services might free up resources for deployment.

6) Risk Reporting and Communication

The aim of reporting risk is to provide assurance to the Governors, SLT and Internal Auditors that the Academy is effectively managing its risks and robust system of internal controls.

7) Risk Register

The reporting mechanism will be the Academy's Risk Register and Risk Management policy. This will highlight the key risks facing the Academy, as well as a breakdown of the key strategic risk areas. The Risk Management policy will be reviewed by the Governing body on an annual basis.

Any significant changes in risk impact or probability, or the occurrence of an event which raises the profile of a risk will be recorded on the risk register as it occurs. Any new or increased risks identified within the school or through SLT meetings or raised by a member of staff will be evaluated and if appropriate recorded in the Risk Register.

Please see Lincoln Christ's Hospital School Risk Register .

8) Communicating Risks

The school finance committee will review the risk management policy and risk register on an annual basis. The Principal Finance Officer/Headteacher will ensure that any perceived new or increased risks or significant failure of risk management control measures are considered by the Governing Body and reported to the Finance Committee along with the summary of actions taken.

The academy will endeavour to raise awareness that risk management is a part of the Academy's culture and seek to ensure that:

-Individual members of staff are aware of their accountability for individual risks:

-individuals report promptly to the Headteacher or the Senior Leadership team any perceived new risks or failure of existing control measures.

9) Annual risk review and assessment

The Academy's Responsible Officer internal audit provides an annual assessment of the effectiveness of the Academy's management of risk.

The Principal Finance Officer/Headteacher will prepare the annual Risk Management policy/ Risk Register for the Finance & Audit Committee. This will enable the Finance & Audit Committee to report to the full governing body on:

a) The significant risks facing the Academy
b) The effectiveness of the risk management processes
c) That the Academy has published a risk management policy covering risk management philosophy and responsibilities.

10) Glossary of Risk Terms

Assurance	Gaining (independent) confirmation that the organisation's governance, risk management and internal control framework is appropriate, adequate and achieving the effects for which it has been designed.
Corrective Control	A control designed to correct undesirable outcomes.
Detective Control	A control designed to detect undesirable outcomes which have arisen.
Directive Control	A control designed to ensure a particular outcome.
Embedding Risk	Ensuring that the risk management strategy is reflected in the management objectives and function of every level of the organisation.

Exposure	The consequences, as a combination of impact and likelihood, which may be experienced by the organisation if a specific risk is realised.
Horizon Scanning	Systematic activity to identify changes in risk as early as possible.
Inherent Risk	The exposure arising from a specific risk before any action has been taken to manage it.
Internal Control	Any action taken within the organisation to manage risk, including the impact if the risk is realised and the frequency of it.
Impact	The evaluated effect or result of a particular outcome actually happening.
Likelihood	The evaluated probability of a particular outcome actually happening (including a consideration of the frequency with which the outcome may arise).
Preventive Control	A control designed to prevent an undesirable event happening.
Residual Risk	The exposure arising from a specific risk after action has been taken to manage it.
Risk	Uncertainty of outcome, whether positive opportunities or negative threats, arising from a combination of impact and probability.
Risk Appetite	The amount of risk that an organisation is prepared to accept, tolerate or be exposed to at any point in time.
Risk Assessment	The evaluation of risk with regard to the impact if the risk is realised and the likelihood of the risk being realised.
Risk Management	All the processes involved in identifying, assessing and judging risks, assigning ownership, taking actions to mitigate or anticipate them and monitoring and reviewing progress.