



**Risk Management Policy and Risk Appetite Statement
2025/26**

Document Details			
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Document Title	Risk Management Policy and Risk Appetite Statement 2025/26		
Document Description	<i>The Risk Management Policy aims to ensure that the MKC Group complies with risk management best practice including the Financial Reporting Council risk guidance and sets out the current processes and responsibilities for risk management across the MKC Group.</i>		
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****Major change is defined as:**

Anything that represents a significant change of working practice, legal requirement, procedure or process within the organisation, or a change that impacts an employee's terms and conditions of employment.

****Minor change is defined as:**

Any change of dates, job titles or terminology that do not represent a significant change to working practice. Examples changes of terminology to reflect current legislation/ DfE/Ofsted such as the change of terminology in the safeguarding policy from peer-on-peer abuse to child-on-child abuse.

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Policy Cross References - This policy should be read in conjunction with any other associated policies, with particular reference to	
Policy Name	Policy Number

Document Revision History		
Version Number	Date	Summary of Revision
V1	November 2025	Updated template and format

1. Background

The Risk Management Policy aims to ensure that the MKC Group complies with risk management best practice including the Financial Reporting Council risk guidance and sets out the current processes and responsibilities for risk management across the MKC Group.

1.1. The AOC Code of Good Governance provides the reference point for the Corporation attitude and controls of risk. The Corporation:

- Acknowledges responsibility for the system of internal control
- Ensures that an ongoing process is in place for identifying, evaluating and managing all significant risks
- Ensures that an annual process is in place for reviewing the effectiveness of the system of internal control
- Ensures that there is a system in place to deal with internal control aspects of any significant issues disclosed in the annual report and accounts

These principles are also reflected in the DFE's Financial Memorandum which applies to the FE sector.

1.2. In assessing what constitutes a sound system of internal control, the Corporation ensures that consideration should be given to:

- The nature and extent of the risks facing the organisation
- The extent and categories of risk which it regards as acceptable
- The likelihood of the risks concerned materialising
- The organisation's ability to reduce the incidence and impact of the risks that do materialise

1.3. Risk Management best practice is encapsulated in the Risk Management Standard published jointly by the major risk management organisations in the UK – The Institute of Risk Management (IRM); The Association of Insurance and Risk Managers (AIRMIC); and ALARM, The National Forum for Risk Management in the Public Sector.

2. Risk Management objectives

The objectives for managing risk across the Group are:

- To comply with risk management best practice
- To ensure risks facing the Group are identified and appropriately documented
- To provide assurance to the Corporation that risks are being adequately controlled, or identify areas for improvement
- To ensure action is taken appropriately in relation to accepting, mitigating, avoiding and transferring risks

3. Risk Management policy

This policy aims to:

- Outline the roles and responsibilities for risk management
- Identify risk management processes to ensure that all risks are appropriately identified, controlled and monitored
- Ensure appropriate levels of awareness throughout the College

3.1. Risk Governance and Roles and Responsibilities

Overall responsibility for overseeing the management of risks, compliance with our risk management framework and the agreed risk appetite of MidKent College lies with the Governing Board, with assistance of the Group Risk & Audit (GR&A) Committee acting under delegated authority.

There are two important roles within the risk management process which are defined as below:

Risk Owners: The executive team member with the accountability and authority for making the decisions that weigh up the balance between risk and reward appropriate to the Group in managing a specific risk within the Risk Register.

Control Owners: The manager with the Group who has the responsibility for overseeing the operation of the controls identified by management within the Risk Register.

The Executive is responsible for ensuring that all those with roles within the risk management process should receive regular formal risk management training to ensure they are clear on what is expected from them. The Group Risk & Audit Committee will receive a report at least once per year to confirm that this training has been delivered.

The Executive Group has overall responsibility for risk management and the Strategic Risk Register. The Chief Finance Officer(or deputy) has lead responsibility for risk management processes and the completion of the Operational Risk Register. This responsibility includes:

- Monitoring the performance of risk management processes
- Ensuring that appropriate controls are in place to manage identified risks
- Preparation of periodic reports to the Group Risk & Audit Committee

The Strategic Risk Register summary and individual risks are formally reviewed each term by the relevant management teams (Executive Group and Managers in accordance to the risk owners and those responsible for the risk and also the MKCTS Board). Executive team members are responsible for engaging with their managers to periodically update the register. The Risk register is made

available to all Governors using the Board Intelligence software. At each meeting of the Group Risk & Audit Committee, a summary report of the changes to the Strategic Risk Register is received, including mitigation action plans and an assessment of the current level of risk.

The Operational Risk Register is owned by members of the Executive team who each engage with their managers on a periodic basis to refresh their view of the operational risks and associated controls. Managers are able through regular meetings to escalate issues to the Executive for discussion and inclusion in a risk register as considered appropriate. This register is also included on Board sub-committee agendas in order that relevant risks can be reviewed and updated as required. The Risk Register identifies the overseeing review committee. The committee meetings can then ensure that at each meeting the risks are either covered in the discussions in the meeting or are separately discussed under risk management. This ensures the register is maintained as a live document. This is also noted in the AOC Code of Good Governance.

3.2. Identification of risks

The Risk Management Standard states that risk identification should be approached in a methodical way to ensure that all significant activities have been identified and all the risks flowing from these activities have been defined.

MKC's approach to risk management is linked to the strategic objectives. The Executive Group lead the identification process by leading a periodic horizon scanning exercise at least once per year, aligned to business planning. These have been set and agreed with the Board and encompass six strategic priorities:

- We will provide first rate teaching, learning and assessment
- Our programmes will improve the employment prospects of all our students
- We will engage actively with our local and regional economy to benefit all our community
- We will secure the work we do with the RSME and develop other activities from it
- We will develop strategies to ensure our long-term success and prosperity

The organisation of the Risk Register ensures that links between each risk and the strategic priorities have been identified. The relevant strategic risks are noted in the Strategic Risk Register.

3.3. Risk Types

There are a range of risk types. These include:

- Well-known risks – based on good knowledge
- Hypothetical risk – based on uncertain or incomplete knowledge
- Unknown risks - based on an absence of knowledge
- Black Swan Events (Black Risks) – Donald Rumsfeld's unknown-unknowns:
 - *unknown-but-knowable unknowns*; those that we could find out
 - *unknown-but-unknowable unknowns*; the true black swans

3.4. Evaluation of risks

The Risk Management Standard states that risks should be evaluated against agreed criteria to make decisions about the significance of risks to the organisation. The Group has three measures of impact of the risk, student, financial and reputational. These are scored and then multiplied by an assessment of the likelihood of the risk occurring to give an overall score.

The Group has chosen to evaluate the net level of risk with the current controls in place. The Group Risk & Audit Committee has agreed that the evaluation of inherent risk levels would not enhance risk management for the Group. The Group has determined that it will understand the importance of key controls is achieved by requiring control effectiveness to be evaluated by management on an ongoing basis.

The **descriptors** for impact and probability are expanded as follows:

	Impact			
	1 low	2 Medium	3 High	4 Critical
Financial impact	< £100,000	< £100,000 - £500,000	£500,000 - £1,000,000	£1,000,000 +
Impact on Students	Not immediately required if at all	Issue needs to be addressed with 12 months with some input by governors / senior staff	Issue needs to be resolved as a matter of priority with substantial input by governors / senior staff	Issue needs the immediate and prolonged attention of governors / senior staff
Reputation impact	Temporary operational inconvenience that can be resolved at a faculty level. No lasting impact on reputation.	May have an impact on a curriculum area and be embarrassing in the medium term (up to 6 months). Would not lead to a significant change in the College's operation.	Likely to damage the College's reputation in the medium term (6-12 months). May lead to significant changes in operation / withdrawal from an important curriculum area	Loss of credibility with key stakeholders. May lead to merger / changes in senior management
Probability				
1 Infrequent 0% to 20%	2 Possible 20% to 50%	3 Probable 50% to 70%	4 Likely 70% to 99%	5 Inevitable 100%

3.5 Evaluation of Controls

As part of the ongoing risk assessment process, management periodically review each identified control to determine its design effectiveness and implementation effectiveness, including a management rationale, using the scales below.

Management provides an overall control effectiveness score for each based on a review of the effectiveness evaluation of each control, based on their judgement of the relative importance of each control.

	11	11	22	33	44	55
	10	10	20	30	40	50
Impact	9	9	18	27	36	45
	8	8	16	24	32	40
	7	7	14	21	28	35
	6	6	12	18	24	30
	5	5	10	15	20	25
	4	4	8	12	16	20
	3	3	6	9	12	15
	2	2	4	6	8	10
	1	1	2	3	4	5
		1	2	3	4	5
		Likelihood				

3.6 Risk Appetite

The Board establishes the Group’s risk appetite in the context of its regulatory environment, culture and objectives.

The risk appetite is set out in a Risk Appetite Statement which is reviewed alongside the risk policy. The statement is appended to this policy document.

MKC Group has adopted the following appetite definitions:

	AVERSE (1)	MINIMAL (2)	CAUTIOUS (3)	OPEN (4)	HUNGRY (5)
	Not willing to accept risk in most circumstances	Preference to option that are of minimal risk.	Cautious in the acceptance of some risks in certain circumstances.	Willing to consider all potential options and choose the one most likely to result in successful delivery, i.e. open to accepting risks where risk is not a high inherent risk.	Willing to accept opportunities having high inherent risk.
GOVERNANCE	Avoidance of any risk relating to all decision making. Implementation of a robust, and effective governance framework including layered delegation of authorities; understanding this will likely result in inefficiency when making decisions. Avoidance of any serious failure of processes, is a key objective.	Only prepared to accept very limited risk relating to decision making. Encourage and effective and robust governance framework whilst acknowledging that there may be some inefficiencies when making decisions. Only prepared to engage in activities where the likelihood of minor failure of processes is likely.	Prepared to accept the possibility of some ineffectiveness in the governance framework to improve efficiency of decision making only where appropriate steps have been taken to reduce any exposure. Prepare to engage in activities where there is little chance of failure of processes.	Appetite to take decisions with potential to create efficiency and flexibility which may result in some risk exposure only where the potential benefits outweigh the risks. Prepare to engage in activities where there is potential for serious failure of processes, where appropriate steps have been taken to minimise the potential for such an outcome.	Appetite to take decisions that are likely to create efficiencies, allow the organisation to adapt quickly and be a first mover, however, acknowledge that this is likely to put the organisation at risk. Appetite for serious failure of processes, where the potential size of the return outweighs the risk.
FINANCIAL	Avoidance of any financial loss is fundamental. Always seek out the most cost effective solution. Go for the cheapest option that fulfils requirements. Borrowing arrangements create long-term interest rate certainty across entire loan book. No hedging or innovative instruments.	Only prepared to accept the possibility of very limited financial loss if essential. Seek out the most cost effective solution. Tend to choose the option at the lower price range. Long-term interest rate certainty, with some short-term flexibility. Resist hedging or other innovative instruments.	Prepared to accept the possibility of some limited financial loss. Seek the most appropriate solution. Balance quality and price to determine the preferred option. Balance long-term certainty and short-term flexibility. Hedging and innovative instruments will be by exception.	Prepared to invest for reward and minimise the possibility of financial loss by managing risks to a tolerable level. Seek the most appropriate solution. Balance quality over price to determine the preferred option. Mixture of long and short-term borrowing arrangements and instruments.	Prepared to invest for the best possible reward and accept the possibility of financial loss. Seek the best quality solution. Price is a minor consideration in deciding the favoured option. Borrowing instruments offer the best short term interest rates
REPUTATION / CREDABILITY	Minimal appetite for any decisions that could lead to brand damage. Curtail public profile. Closely control outgoing information to ensure it cannot give rise to adverse point of view.	Appetite for risk taking limited to those events where there is no chance of any significant negative repercussion on the brand. Public profile limited to key external relationships. Control information to mitigate adverse point of view.	Tolerance for risk taking limited to those events where there is little chance of any significant negative repercussion for the brand. Some public profile exposure welcomed. Outgoing information to be controlled, and adverse point of view managed.	Appetite to take decisions with potential to expose the brand to damage but only where appropriate steps have been taken to minimise any exposure. Public profile exposure helpful to advance an agenda. Information giving rise to adverse point of view will be managed	Appetite to take decisions that are likely to put the brand at risk where the potential benefits outweigh the risks. A highly visible public profile is fundamentally important. Information giving rise adverse point of view will be accepted.
PEOPLE / RESOURCES	Minimal appetite for any decisions that could lead to staff not being appropriately skilled, resourced and enabled to deliver our objectives. Structure enables career development and people retention. New people start in entry-level positions.	Appetite for risk taking limited to those events where there is very limited chance of staff not being appropriately skilled, resourced and enabled to deliver our objectives. Structure enables career development and people retention. Externally recruit if no prospect of internal candidate.	Tolerance for risk taking limited to those events where there is some chance of staff not being appropriately skilled, resourced and enabled to deliver our objectives. Structure will be enable career development. Externally recruit if no internal candidate meets vacancy specification	Appetite to take decisions with potential to result in staff not being appropriately skilled, resourced and enabled to deliver our objectives where appropriate steps have been taken to minimise the potential for such an outcome. Structure evolves in line with business need; career development limited. Most posts open to external competition.	Appetite to take decisions that are likely to result in staff not being appropriately skilled, resourced and enabled to deliver our objectives where the potential benefits outweigh the risks. Constantly review people structure to ensure it meets changing business need. All posts open to external competition.
COMPLIANCE / LEGAL / REGULATORY	Exceed compliance thresholds in all areas. Independent opinion sought and observed on all matters of doubt or ambiguity. Avoidance of any compliance breach is fundamental.	Exceeds compliance thresholds in all areas. Independent opinion sought; occasionally accepting it is impractical to observe. Only prepared to accept the possibility of very limited compliance breaches.	Meets compliance thresholds. Independent opinion sought, and a measured solution will be pursued. Prepared to accept the possibility of some limited compliance breaches.	Comply at minimum possible threshold. Take correcting action if challenged. Defend or settle on commercial terms if pursued. Prepared to engage in activities where there is potential for serious compliance where appropriate steps have been taken to minimise the potential for such an outcome.	Manage according to penalties imposed for non-compliance. Prosecuting action defended or settled on a commercial basis. Appetite to take decisions that are likely to put at risk potential for serious compliance breaches where the potential benefits outweigh the risks.
INFORMATION TECHNOLOGY	Minimal appetite for any decisions that could lead to having inadequate systems, security and service delivery. Systems	Appetite for risk taking limited to those events where there is very limited chance of having inadequate systems,	Tolerance for risk taking limited to those events where there is some chance of having inadequate systems, security and	Appetite to take decisions with potential to result in having inadequate systems, security and service delivery where	Appetite to take decisions that are likely to result in to having inadequate systems, security and service delivery

3.8 Risk Management Process

The principal elements of the risk management process are:

- **Identification:** risks are identified through a variety of sources, including management team and Board.
- **Assessment:** management identifies the controls for each risk and assesses the impact and likelihood of the risk occurring, on a net basis, taking into account existing controls.
- **Control evaluation:** assess the quality of the design and implementation of each control.
- **Ownership:** principal risks are owned by the executive management team with specific mitigating actions/controls owned by individual members of the team.
- **GR&A:** exercises regular oversight and scrutiny of management actions in respect of risk.
- **Board:** undertakes a robust review of the strategic risks at least once per annum and assesses them against the established risk appetite.

4. Risk Mitigation Strategies

The grid below sets out the appropriate strategy to be adopted dependent on the risk appetite and risk scoring.

		Risk Appetite		
		Averse, Minimal	Cautious	Open / Hungry
Risk Score	0-10	TOLERATE	TOLERATE	TOLERATE
	11-	MONITOR	TOLERATE	TOLERATE
	20-	TREAT	MONITOR	TOLERATE
	36+	TRANSFER / TERMINATE	TREAT	MONITOR or TREAT

5. Risk Monitoring Framework

Based on the above, the following risk management activity will apply

Strategy	Action
TOLERATE	Recorded on Risk Register (at scores of 0-10 this is optional). Monitored by the risk owner. Reported annually to Audit and Risk Committee and the Corporation.
MONITOR	Recorded on Risk Register. Monitored by Executive Group, MKCTS Board and SLT. Reported annually to Audit and Risk Committee and the Corporation.
TREAT	Recorded on Risk Register. Added to the Risk Management Action Plan on individual risk as the level of risk is deemed to be unacceptable and action is required to reduce the level of risk to a more acceptable level. Plan reviewed quarterly at Executive Group, MKCTS Board. Reported at each meeting to the Group Risk & Audit Committee and the Corporation.
TRANSFER / TERMINATE	Recorded on Risk Register. Added to the action plan as the level of risk is deemed to be unacceptable and action is required to reduce the level of risk to a more acceptable level or to transfer the risk to a third party or terminate the activity. Risk reviewed monthly by Executive Group, MKCTS Board and SLT Reported at each meeting to the Group Risk & Audit Committee including progress with action plans.

6. Risk Reporting and Communication

The aim of reporting risk is to provide assurance to the Board, Executive Team and Auditors that the Group is effectively managing its risks and has a robust system of internal controls.

7. Risk register

The Group's Operational Risk Register and risks assessment will highlight the key risks facing the College, together with a breakdown for each key strategic priority. The Strategic Risk Register will be monitored by the Group Risk & Audit Committee at each meeting.

The Risk Registers will include those items requiring further mitigation actions as determined above, and for each risk will indicate:

- The previous and current net risk scores
- Measures already in place to control the risk
- Proposed actions to address the risk, with due by dates
- Which strategic priorities are affected by the risk
- An appropriate future review date or frequency.
- The Committee responsible for overseeing the risk
- The appropriate risk owner

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 will be evaluated and, if appropriate, recorded in the Risk Register.

8. Communicating Risks

The Group & Audit Committee monitors the Risk Register at each meeting. The Executive Director of Finance and Estates (or deputy) will ensure that any perceived new or increased risks or significant failure of risk management control measures are considered by Executive Group and reported to the Group Risk & Audit Committee, along with a summary of actions taken.

The Executive Director of Finance and Estates (or deputy) will endeavour to raise awareness that risk management is a part of the Group's culture and seek to ensure that:

- individual managers and members of staff are aware of their accountability for individual risks
- individuals report promptly to senior leadership any perceived new risks or failure of existing control measures.

Appendix 1

Risk Appetite statement

Context

This document aims to explain how MKC Group has implemented its approach to Risk Appetite as part of its Risk Management Policy.

The Group accepts that it would not be appropriate to seek to avoid all risks, nor does it have the ability or resources to do so. It is therefore important that the Governing Body articulates its preferences in terms of which risks can be accepted and to what level. This is done in the context of its regulatory environment, culture and objectives.

The Group will continue to adapt and develop its approach to risk appetite through actively using these statements to inform decision making and prioritise risk management action plans.

• Risk Appetite Definition

The **risk appetite** defines the level and nature of risks that the Governing Body considers acceptable to expose the Group to in order to achieve its strategic objectives. It therefore defines the Group's willingness to accept risk; the boundary line for risk taking. Appetite, and therefore tolerances are articulated using a number of risk measures including:

- Financial Impact
- Impact on Students
- Reputational Impact

The **risk preferences** describe Group's position with respect to each risk category and its willingness to accept such risks. These provide reference points against which to benchmark risk management reviews and mitigation activities within the Group; this appetite defines the boundaries within which the risk-based decision-making should occur and outlines the expectations for the operation of the control environment.

1. Averse – Not willing to accept risk in most circumstances.
2. Minimal – Preference to option that are of minimal risk.
3. Cautious – Cautious in the acceptance of some risks in certain circumstances.
4. Open – willing to consider all potential options and choose the one most like to result in successful delivery.
5. Hungry – willing to accept opportunities having high inherent risk

• Risk Appetite & Preference Statements

The College has sought to articulate a number of risk appetite statements and high-level risk preferences. These seek to provide clarity across the organisation on the boundaries of the College's willingness to accept risk and the reasons behind these boundaries.

Risk type	Risk source	Risk Preference	Risk appetite statement
Business	Core Purpose	Open	As a tertiary education establishment, the Group is willing to take risks that maintain it at the forefront of education delivery.
	External Environment	Open	The Group recognises that it operates within a complex and fast-changing environment and is not able to fully control external sources of change and therefore needs to be agile in responding to these threats and opportunities.
	Commercial - Strategic	Open	The Group is prepared to take a certain level of commercial risk in order to secure attractive commercial opportunities and based its judgements on the evaluation of sound business cases.
	Commercial - Execution	Cautious	Having set a strategy and adopted a business plan, the Group has limited appetite for deviation from this plan with respect to plan execution.
Regulatory	Compliance (Governmental)	Cautious	The Group seeks to respond to and comply with all governmental regulations.
	Compliance (Education sector)	Minimal	The Group has very limited appetite to fail to meet education sector standards and reporting requirements.
People	Talent	Cautious	The Group values its teaching and non-teaching staff and is focused on ensuring it is able to recruit, develop and retain the talent it needs to deliver its core purpose.
	Health & Safety	Minimal	The Group has no appetite for Health & Safety incidents and accidents.
	Governance	Cautious	The Group adopted a robust and cautious approach to ensuring appropriate governance across all its activities.
Governance & Oversight	Financial Controls	Cautious	The Group is very controlled in its approach to its finances, including associated internal controls.
	Information	Cautious	The Group guards confidential information related to its students and employees carefully and is cautious in its exposure to threats associated with Cyber and Artificial Intelligence.
	Operations	Minimal	The Group has very limited appetite for disruptions to the smooth running of its facilities and processes.

Risk Appetite Implementation

Each risk within the Group's Strategic and Operational risk registers will be assigned to a Risk type and source and hence will adopt the appropriate risk preference level. Management will periodically evaluate each risk and describe the level of risk.

In situations where a risk exposure is considered to be above Risk Appetite for the risk, management will ensure that an action plan is included with the objective of bringing the risk exposure within Risk Appetite, and within what timescale this is anticipated to be.

In situations where the risk cannot be brought within Risk Appetite because no economic mitigation options exist, management will bring these exceptions to the Group Risk & Audit Committee for formal review and approval.