

## RISK MANAGEMENT POLICY

### Policy Statement

Oaklands College will adopt, wherever possible, recommended best practice in the identification, evaluation and cost effective control of business risks, to ensure that they are eliminated or reduced to a level that is acceptable to the College.

### Rationale

The College has a duty to develop appropriate measures for managing risk. This policy will be reviewed at least once per year, and updated as necessary to meet the changing demands within the situation.

### Strategy

To achieve this we will:

- Integrate risk management into the culture of the College
- Manage risk in accordance with recommended best practice
- Establish legal compliance as a minimum standard
- Anticipate and respond to changing funding, social, environmental and legislative requirements
- Prevent injury and damage wherever possible
- Continually raise awareness amongst all employees of the need for management of business risk.

We will meet these by:

- The continuous development of risk management strategies throughout the College, and implementation of Risk Action Plans derived from the College's Risk Register
- Developing appropriate procedures for control of risk, monitoring the Risk Registers and Management Action Plans, and keeping records
- Maintaining effective communication with members of staff, and providing risk management awareness training to key members
- The preparation of contingency plans, including Business Continuity in areas where there is the potential for an occurrence having significant negative effect on the College and its business activity.

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## RISK MANAGEMENT PROCEDURES

### 1. The College's Approach to Risk Management

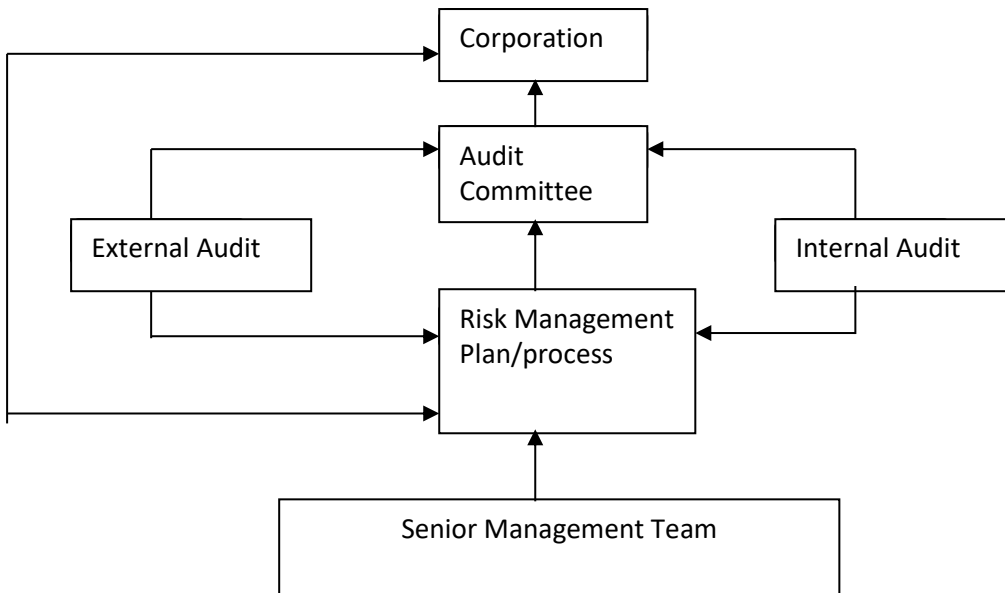
- 1.1 Effective risk management requires a process which measures or assesses risk and develops strategies to manage it. It is a continuous and comprehensive process that has to be embedded within the culture and activities of the organisation. It goes beyond the minimum requirements imposed by regulation or reporting.
- 1.2 Our approach will be to develop effective risk management practice over the medium term, and ensure that it evolves to become progressively embedded within the culture and activities of the organisation.
- 1.3 Implementation will be approached in a structured way with a clear timetable, which factors into or enhances existing processes such as strategic planning and self-assessment.
- 1.4 Key factors in this process will be:
  - The Corporation will have responsibility for overseeing risk management within the College as a whole
  - They will adopt an open and receptive approach to solving risk problems
  - The Principal and the Senior Management Team (SMT) will support, and implement policies approved by the Corporation, and will have primary responsibility for managing the College's risk profile
  - The College will make conservative and prudent recognition and disclosure of the financial and non-financial implications of risks
  - Senior and middle managers will be responsible for assuring good risk management practice within their designated areas
  - Key risk indicators will be identified and closely monitored on a regular basis
  - There will be a direct link between the College Strategy and the Risk Management Plan

Other factors that will be incorporated into the College's risk management activities on a regular basis will be:

- The strategic planning processes
- The depth of existing 'risk acceptance culture', which will impact on timescales of implementation
- The organisational structure
- Meeting deadlines to fulfil external reporting requirements
- Committee and internal audit reporting cycles
- Risk management activities and processes

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## 2. Risk Management Structures, Roles and Ownership



## 3. Role of the Corporation

The Corporation's role in risk management at the College will be to:

- 3.1 Set the tone and influence the culture of risk management within the College, including:
  - determining whether the College is 'risk taking' or 'risk averse' as a whole or on any relevant individual issue
  - determining what types of risk are acceptable and which are not, and setting the standards and expectations of staff with respect to conduct and integrity.
- 3.2 Approve major decisions affecting the College's risk profile or exposure.
- 3.3 Monitor the management of significant risks to reduce the likelihood of unwelcome surprises or impact.
- 3.4 Satisfy itself that the less significant risks are being actively managed, with the appropriate controls in place and working effectively.
- 3.5 Annually review the College's approach to risk management and approve changes or improvements to key elements of its processes and procedures.
- 3.6 Where appropriate, the Corporation shall delegate this role to the Audit Committee. However, the Corporation will review the Risk Management Action Plan at each meeting as appropriate.

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## 4. Role of the Senior Management Team

The Corporation looks to the Senior Management Team to effectively manage all of the risks faced by the College. Day to day accountability for the effective operations of the College's risk management policies and processes is with the Principal.

Key roles of the Senior Management Team are to:

- 4.1 Take overall responsibility for the effective administration and implementation of the risk management process.
- 4.2 Identify and evaluate the significant risks faced by the College for consideration by the Corporation.
- 4.3 Provide adequate information in a timely manner to the Corporation and its committees on the status of risks and controls.
- 4.4 Report on Risk Management Action Plan implementation at each meeting of the Corporation.
- 4.5 Undertake an annual review of the effectiveness of internal control and provide a report to the Corporation.

## 5. Risk Management as Part of the System of Internal Control

The College's system of internal control will incorporate risk management. This system will encompass a number of elements that together facilitate an effective and efficient operation, enabling the College to effectively manage a variety of operational, commercial and financial risks. These elements include:

### 5.1 *Policies and Procedures*

Attached to significant risks are a series of *policies and procedures* that underpin the internal control process. The policies are approved by the Corporation and implemented and communicated by senior management to staff. Written procedures and codes of practice support the policies and procedures.

### 5.2 *Monthly Reporting*

Comprehensive monthly reporting is designed to monitor key risks and their controls. Decisions to rectify problems are made at regular meetings of the SLT / SMT and the Corporation, if appropriate. SLT / SMT members monitor their risks on a termly basis with their direct reports.

### 5.3 *Business Planning*

The business planning process is used to set objectives, agree action plans, and allocate resources. Progress towards meeting business plan objectives is monitored regularly.

### 5.4 *High Level Risk Management 'Action Plan'*

The risk management 'Action Plan' is reviewed by the Senior Management Team and helps to facilitate the identification, assessment, and ongoing monitoring of risks significant to the College. Emerging risks are added as required, and improvement actions and risk indicators are monitored regularly.

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### 5.5 *Audit Committee*

The Audit Committee reports to the Corporation on internal controls and alerts them to any emerging issues. As part of this responsibility the committee oversees internal audit, external audit and management, as required, in its review of internal controls. The committee is therefore well-placed to provide advice to the Corporation on the effectiveness of the internal control system, including the College's system for the management of risk.

### 5.6 *Internal Audit Programme*

Internal audit is an important element of the internal control process. Apart from its normal programme of work, internal audit is responsible for aspects of the annual review of the effectiveness of the internal control system within the organisation.

### 5.7 *External Audit*

External audit provides feedback to the Audit Committee on the operation of the internal financial controls reviewed as part of the annual audit of the financial statements.

### 5.8 *Third Party Reports*

The College will employ external consultants where it is considered necessary, in order to provide skills on such matters as risk management and benchmarking which are not available within the situation.

## 6. Annual Review of Effectiveness

The Corporation is responsible for reviewing the effectiveness of internal control at the College, based on information provided by the SMT.

For each significant risk, the Corporation will:

- 6.1 Review the previous year and examine the College's track record of risk management and internal control.
- 6.2 Consider the internal and external risk profile of the coming year and consider if current internal control arrangements are likely to be effective.

In making its decision the Corporation will consider the following aspects:

### 6.2.1. *Control environment*

- The College's objectives and its financial and non-financial targets
- Organisational structure and calibre of the Senior Management Team
- Culture, approach, and resources with respect to the management of risk
- Delegation of authority, and public reporting

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### *6.2.2. On-going identification and evaluation of significant risks*

Timely identification and assessment of significant risks; and prioritisation of risks and the allocation of resources to address areas of high exposure.

### *6.2.3. Information and communication*

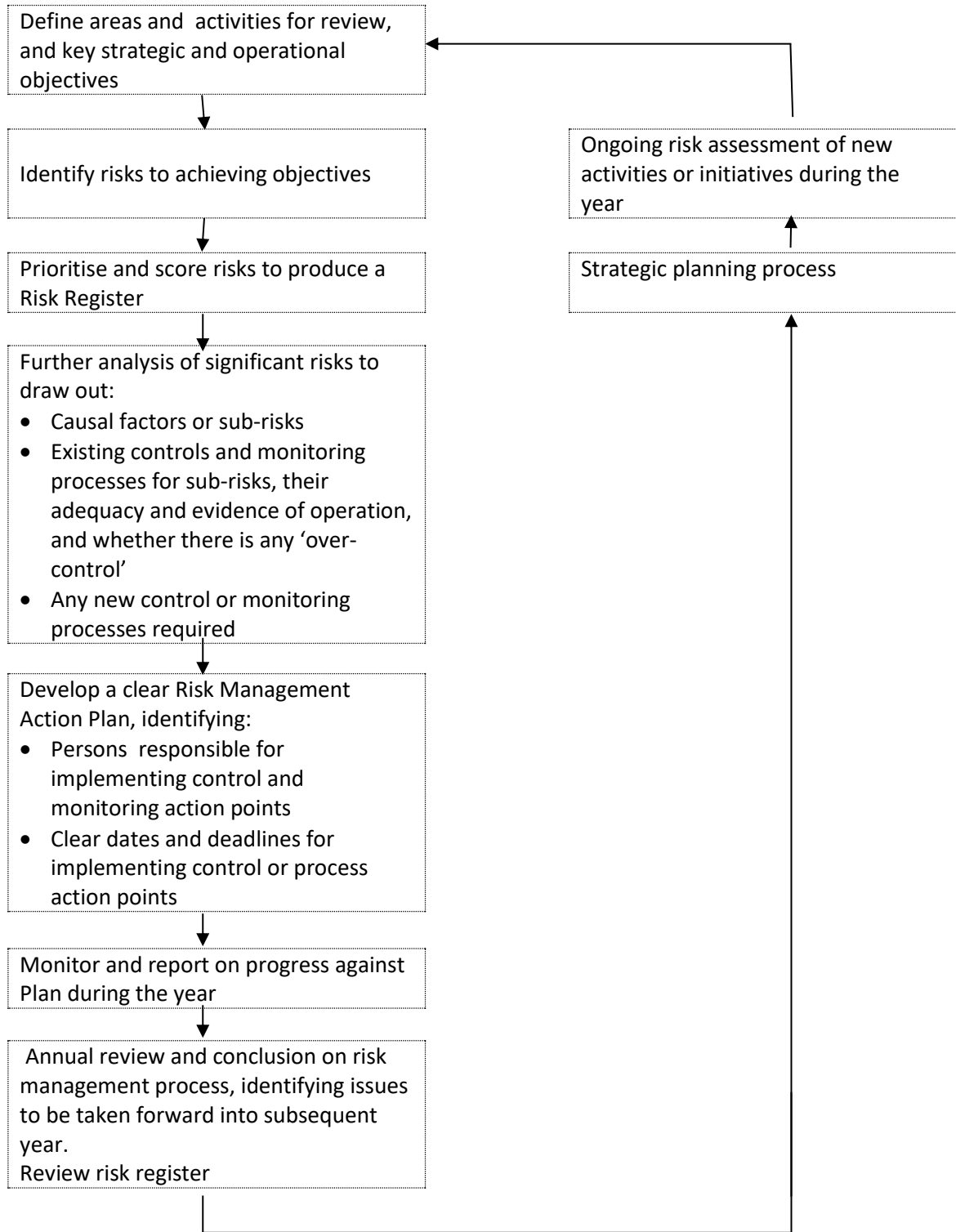
Quality and timeliness of information on significant risks; and time it takes for control breakdowns to be recognised or new risk to be identified.

### *6.2.4. Monitoring and corrective action*

Ability of the College to learn from problems encountered, and its commitment and responsiveness after decisions have been taken on the need for corrective actions.

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## 7.1 The College's Risk Management Process



Key elements of the above process are detailed below

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### 7.2 College Roles and Responsibilities

A summary of the roles and responsibilities of each body are set out below:

Body	Role in Risk Management	Formal Responsibilities
<b>Corporation</b>	<ul style="list-style-type: none"> <li>• Sets the tone and influences the culture of risk management throughout the College</li> <li>• Approves all major decisions affecting the College's risk profile or exposure</li> <li>• Frequently monitors the management of significant risks to reduce the likelihood of unwelcome surprises</li> <li>• Satisfies itself that the less significant risks are being actively managed, with appropriate controls in place and working effectively</li> <li>• Annually reviews the College's approach to risk management and approves changes or improvements to key elements of its processes and procedures. This will include an examination of the framework and its rigour</li> </ul>	<p>The Corporation is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. The Corporation needs to form an opinion on whether the College has complied with all the provisions of the Combined Code throughout the year. This will include:</p> <ul style="list-style-type: none"> <li>• Reviewing the key risks together with the controls which have been implemented to minimise or mitigate those risks</li> <li>• Confirming whether or not there has been a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the 12 months to 31 July each year, and up to the accounts approval date</li> <li>• Ensuring that there is a regular review of the risk management process and its outcomes. The Finance Director should ensure that a copy of the Risk register goes to each Corporation meeting throughout the year</li> </ul>
<b>Audit Committee</b>	<p>The Audit Committee oversees internal audit, external audit, and management as required in its review of internal controls. It is therefore well placed to provide advice to the Corporation on the effectiveness of the internal control system, including the institution's system for management of risk, as part of its annual report.</p>	<p>The Audit Committee reports to the Corporation on internal controls and alerts them to any emerging issues. The Committee meets on at least a termly basis and provides a forum for reporting by the College's internal and external auditors, who have access to the Committee for independent discussion. The Committee also receives and considers reports from the ESFA as they affect the College's business.</p>



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<p><b><i>The Senior Management Team</i></b></p>	<p>In relation to Risk Management the Senior Management Team will:</p> <ul style="list-style-type: none"> <li>• Implement policies on risk management and internal control</li> <li>• Identify and evaluate the significant risks faced by the College (including subsidiary companies) for consideration by the Corporation</li> <li>• Provide adequate information in a timely manner to the Corporation and its committees on the status of risks and controls</li> <li>• Undertake annual review of the effectiveness of the system internal control, and provide a report to the Corporation</li> <li>• To prepare a new risk management Action Plan for each new academic year</li> </ul>	<p>Its responsibility is to support the Corporation and associated committees in discharging their duties.</p> <p>It will hold regular meetings to ensure the effective implementation of the Action Plan</p>
<p><b><i>Internal Audit</i></b></p>	<p>Internal audit is an important element in the internal control process. Apart from its normal programme of work, internal audit is responsible for aspects of the annual review of the effectiveness of the internal control system within the organisation.</p> <p>Internal audit will take account of the corporate risks and the resultant risk management action plan in determining its strategic and annual plan of work.</p> <p>Internal audit will review and test the systems of control over the risk management process to provide assurance to the Audit Committee that the process is well controlled. It will also be expected to confirm whether the risk management processes are being carried out and in a timely manner. Their strategic plan will include an annual review of the risk management processes.</p>	<p>The College's internal auditors monitor the systems of internal control in accordance with an agreed plan of input, and report their findings to management and the Audit Committee.</p> <p>Management are responsible for the implementation of agreed recommendations and internal audit will undertake periodic reviews to ensure such recommendations have been implemented.</p> <p>At least annually, the head of internal audit will provide the Corporation, via the Audit Committee, with a report on internal audit activity in the College.</p> <p>This report will include an independent opinion on the adequacy and effectiveness of the College's system of internal control, including internal financial control.</p>
<p><b><i>External Audit</i></b></p>	<p>External audit will ensure that the annual risk management process has been undertaken, and that statements of corporate governance reflect the College's implementation of the Combined Code.</p> <p>It is <b>not</b> the role of external auditors to ascertain the robustness or accuracy of the risks identified, or of the internal controls over their operation. The auditors do not form an opinion on the effectiveness of the College's corporate governance procedures or its risk and control procedures.</p>	<p>External auditors will express an independent opinion on whether the financial statements give a true and fair view that monies expended out of funds have been properly applied for those purposes and, if appropriate, managed in compliance with relevant legislation. Also, that monies expended out of ESFA funding have been applied in accordance with Financial Memorandum between the ESFA and the College Corporation.</p> <p>The external audit opinion will also clearly set out the scope of their responsibilities and work in respect of confirming compliance with the Combined Code.</p>

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### 7.3 The Senior Management Team

This Group will have overall responsibility for risk management at senior level, and will ensure that specific programmes and procedures for establishing and maintaining effective risk management activities are developed.

The members of the Senior Management Team are:

- Principal and Chief Executive
- Deputy Principal Curriculum, Performance & Student Experience
- Directors of Curriculum
- Vice Principal Quality & Digital Transformation
- Vice principal Student Experience & Progression
- Vice Principal HR & Organisational Development
- Deputy Principal – Strategy, Partnership & Business Development
- Deputy Principal – Finance, Resources & College Planning
- Director of Estates & Facilities
- Director of Finance
- Director of MIS & Exams
- Head of Departments

7.4 Other Managers or specialists will be co-opted where specific input or control is required. In particular, representation may be required from the following key areas:

- Corporation Members, (the Principal is a member of the Corporation), although the extent and level at which they are directly involved in the Group's activities needs to be carefully considered. Membership and involvement will be a decision of the Corporation.
- Other Key operational and support departments. A number of these areas will have specific risks associated with them, such as health and safety.

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## 7.5 Sub-Groups

The SMT will, as necessary, nominate themselves, other individual members of staff, or small groups of staff to form sub-groups to consider specific matters which arise. One such sub-group might be a Business Continuity Group, to specifically review arrangements for Disaster Management and Recovery Planning.

## 7.6 Meetings

Risk Management will be reviewed monthly at each SMT monitoring meeting.

## 7.7 Escalation

Staff members should escalate any concern regarding risks either directly to their line manager, who should then escalate via the SMT meeting, or alternatively escalation can be made in the termly departmental review of their respective risk register.

## 8. The Risk Register

### 8.1 Definitions of key terms

Risk = the possibility of an event occurring that will have an impact on the achievement of objectives. Risk should be defined along with the subsequent cause and effect.

Controls = systematic measures (such as reviews, checks and balances, methods and procedures) instituted by an organisation to conduct its business in an orderly and efficient manner, safeguard its assets and resources, deter and detect errors, fraud and theft, ensure accuracy and completeness of its accounting data, produce reliable and timely financial and management information, and ensure adherence to its policies and plans.

Assurances = an outcome, such as an internal audit report, which verifies the operating effectiveness of a control.

Residual risk = the level of risk remaining after the inherent risk has been mitigated by the internal controls and assurances of an organisation.

### 8.2 Defining Areas and Activities for Review, and Risk Identification

The risks associated with each area will inevitably change over time and therefore only the identified areas are listed below:

- Governance
- Management
- Academic
- Financial
- Human Resources
- Business Facilities
- Business Systems and Information Technology

The key risks will be aligned to each of the five Strategic Aims in the College's Strategy.

In determining the risks which might arise, consideration should also be given to 'early warning signs' which indicate that there will be an issue to be addressed in the future. These may take

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the form of foreseeable risks (eg. projected growth in student numbers in an area with workshop-based activity is likely to result in more space needs for the curriculum area concerned) or more sudden events, such as the inability to produce evidence to support funding claims at audit.

### 8.3 Risk Scoring or Prioritising

It is important that the College has a clear and simple methodology for scoring or prioritising the risks it has identified. Once this is done, the risks will be incorporated into the Risk Register, which sets out, by area/activity, the identified risks and their risk 'score' or priority. The methodology to be adopted will incorporate two factors:

- Impact (materiality)
- Likelihood

#### 8.3.1 Impact

Impact, or materiality, is an assessment of the consequences on the organisation of the risk being left unchecked. When assessing the impact the risk should be assessed for the following.

- Impact on the safety of students, staff or public
- Quality / complaints / audit
- Human resources / organisational development / staffing / competence
- Statutory duty / inspections
- Adverse publicity / reputation
- Business objectives / projects
- Finance including claims
- Service / business interruption Environmental impact

Risks are banded, and scored on a scale of:

- 1 = Negligible
- 2 = Minor
- 3 = Moderate
- 4 = Major
- 5 = Catastrophic

When assessing severity of impact reference should be made to the severity score and examples of descriptors in Appendix 1

#### 8.3.2 Likelihood

Likelihood is 'how likely the risk is to happen'. This is in the range of high (score = 5) to low (score = 1), and should be scored accordingly.

Almost certain = 5	Almost certain that it will occur (81% - 100%)
Likely = 4	Probable that it will occur (51% - 80%)
Possible = 3	Generally unlikely that it will occur (21% - 50%)
Unlikely = 2	Remote chance that it will occur (6% - 20%)
Rare = 1	Generally improbable that it will occur (0% - 5%)

#### 8.3.3 Gross Risk Scores

The overall gross risk score is calculated as the impact score x likelihood score, therefore giving a range of risk scores with a maximum of 25. The actions to be taken will depend upon the overall level of gross risk score.

The risks are then categorised into four groups on the basis of the scores, as follows:

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**High Risks** – (scored 15-25). These risks may have a high impact and a high probability of occurring and require immediate consideration of the controls to manage them

**Medium Risks** – (scored 8-14). These risks may have a high impact or likelihood of occurrence. Action will be required within a set timescale.

**Low Risks** – (scored < 8). These risks have low impact / likelihood. Monitoring only is likely to be required.

### 8.3.4 Risk appetite

The College will assess each risk into one of 5 risk appetite levels: averse, minimal, cautious, open and hungry. Maximum residual risk scores will then be assigned to each risk on the Risk register as part of the Risk Register process at the start of the Academic year.

### 8.3.5 Residual Risk Scores

The Net or residual risk is the risk remaining after the operation of actual controls and other mitigating actions have taken effect. If it is not content with the Residual risk and doesn't meet the College's risk target for that risk, then further mitigating actions/controls will need to be developed. The Residual risk is something that must be assessed either formally or informally as an on-going part of the content of the risk report (does the College consider that the existing and proposed controls reduce the risk to an acceptable level?). This is considered at each meeting of the SMT.

## 8.4 Development of the Risk Response

This section considers in more detail the process by which significant risks will be analysed and broken down to identify and formulate key actions.

### 8.4.1 Causal Factors or Sub-Risks

The Risk Register identifies which events in the areas under review will cause the risk to become material. Factors considered will be:

- If something is not actioned or implemented on a timely basis
- If we do not comply with certain regulatory requirements
- Events beyond our immediate control
- If we have not been sufficiently pro-active in responding to new challenges, changes or opportunities
- If staff do not understand what is expected of them
- If existing controls are inadequate or fail

### 8.4.2 Existing Risk Controls/Mitigating Actions Already in Place

There are a number of controls and actions which are already in place.

These include:

- Strategic and Operational Plans and assessments
- Cross-College Policies, Procedures and Guidance Notes
- Financial regulations , controls and reports
- Operational controls and actions
- Senior Management controls and actions
- Committee controls and actions

### 8.4.3 Challenge Process

The "action required" will only be effective if:

- They are clearly defined and communicated effectively to the relevant person(s)

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- Each person tasked with implementing a control measure is accountable and is in a position to do so without conflict
- They are practical to carry out within the required timescales
- Their design and operation is reviewed/refined on an appropriate basis

It is therefore necessary to have in place a challenge process that considers the following:

- Will the control/mitigating action manage the risk identified?
- If it will not on its own, what other measures need to be implemented?
- What evidence is there to show that the control/mitigating action is operating satisfactorily?
- Is the control/mitigating action undertaken at the right frequency and by the right person?
- Are the outputs from the monitoring process reported to the right level?
- Is monitoring of the right form and undertaken at the right frequency by the right person(s), and is it operating satisfactorily?

The output from the above process will be compiled into the detailed Action Plan, which will include:

- Clear and measurable actions to mitigate the risks
- Early warning signs/monitoring arrangements
- Responsibilities
- Timescales

### 8.5 Assurance

The Risk register details the type of assurances that are in place to verify the operating effectiveness of the controls. These are categorised into:

- 1<sup>st</sup> Line = Organisation assurance. These are assurances from the department that performs the day to day activity
- 2<sup>nd</sup> Line = Organisational oversight. These are assurances from other functions e.g. HR, IT, finance etc
- 3<sup>rd</sup> Line = Independent assurance. These are assurances from outside sources / independent of the College.

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## APPENDIX 1

	Consequence score (severity levels) and examples of descriptors				
	1	2	3	4	5
Domains	Negligible	Minor	Moderate	Major	Catastrophic
Impact on the safety of students staff or public (physical/psychological harm)	Minimal injury requiring no/minimal intervention or treatment.  No time off work	Minor injury or illness, requiring minor intervention  Requiring time off work for up to 3 days	Moderate injury requiring professional intervention  Requiring time off work for 4-14 days  RIDDOR/agency reportable incident  An event which impacts on a small number of patients	Major injury leading to long-term incapacity/disability  Requiring time off work for >14 days	Incident leading to death  Multiple permanent injuries or irreversible health effects
Quality/complaints/audit	Peripheral element of service suboptimal	Overall service suboptimal	service has significantly reduced effectiveness	Non-compliance with national standards with significant risk to staff or students if unresolved	Totally unacceptable level or quality of /service

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	Informal complaint/inquiry	Formal complaint (stage 1)	Formal complaint (stage 2)	Multiple complaints/independent review	Gross failure of safety if findings not acted on
		Local resolution	Local resolution (with potential to go to independent review)	Low SAR rating	SFA / EFA inquiry
		Single failure to meet internal standards	Repeated failure to meet internal standards	Critical report	Gross failure to meet national standards
		Reduced performance rating if unresolved	Major safety implications if findings are not acted on		
<b>Human resources/ organisational development/staffing/ competence</b>	Short-term low staffing level that temporarily reduces service quality (< 1 day)		Late delivery of key objective/ service due to lack of staff	Uncertain delivery of key objective/service due to lack of staff	Non-delivery of key objective/service due to lack of staff
		Low staffing level that reduces the service quality	Unsafe staffing level or competence (>1 day)	Unsafe staffing level or competence (>5 days)	Ongoing unsafe staffing levels or competence
			Low staff morale	Loss of key staff	Loss of several key staff
			Poor staff attendance for mandatory/key training	Very low staff morale	No staff attending mandatory training /key



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				No staff attending mandatory/ key training	training on an ongoing basis
<b>Statutory duty/ inspections</b>	No or minimal impact or breach of guidance/ statutory duty	Breach of statutory legislation  Reduced performance rating if unresolved	Single breach in statutory duty  Challenging external recommendations/ improvement notice	Enforcement action  Multiple breaches in statutory duty  Improvement notices	Multiple breaches in statutory duty  Prosecution  Complete systems change required
<b>Adverse publicity/ reputation</b>	Rumours  Potential for public concern	Local media coverage –  short-term reduction in public confidence  Elements of public expectation not being met	Local media coverage –  long-term reduction in public confidence	Local and/or National media coverage with service below reasonable public expectation	Local and/or National media coverage with service well below reasonable public expectation. MP concerned (questions in the House)  Total loss of public confidence

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<b>Business objectives/ projects</b>	Insignificant cost increase/ schedule slippage	<5 % over project budget Schedule slippage	5–10 % over project budget Schedule slippage	10–25 % over project budget Schedule slippage Key objectives not met	>25 % over project budget Schedule slippage Key objectives not met
<b>Finance including claims</b>	Small loss Risk of claim remote	Loss of <1% of income budget	Loss of 1 - 2% of income budget	Uncertain delivery of key objective/Loss of 2 - 3% of income budget	Non-delivery of key objective/ Loss of >3% of income budget
<b>Service/business interruption Environmental impact</b>	Loss/interruption of up to 1 hour  Minimal or no impact on the environment	Loss/interruption of up to 4 hours  Minor impact on environment	Loss/interruption of 4 hrs - 1 day  Moderate impact on environment	Loss/interruption of 1-3 days  Major impact on environment	Loss/interruption of over 4 days  Permanent loss of service or facility Catastrophic impact on environment

The frequency-based score is appropriate in most circumstances and is easier to identify. It should be used whenever it is possible to identify a frequency.

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Likelihood score	1	2	3	4	5
<b>Descriptor</b>	<b>Rare</b>	<b>Unlikely</b>	<b>Possible</b>	<b>Likely</b>	<b>Almost certain</b>
<b>Frequency</b> How often might it/does it happen	Generally improbable that it will occur (0% - 5%)	Remote chance that it will occur (6% - 20%)	Generally unlikely that it will occur (21% - 50%)	Probable that it will occur (51% – 80%)	Almost certain that it will occur (81% - 100%)

Table 3 Risk scoring = consequence x likelihood ( C x L )

	Likelihood				
Likelihood score	1	2	3	4	5
	Rare	Unlikely	Possible	Likely	Almost certain
<b>5 Catastrophic</b>	5	10	15	20	25
<b>4 Major</b>	4	8	12	16	20
<b>3 Moderate</b>	3	6	9	12	15
<b>2 Minor</b>	2	4	6	8	10
<b>1 Negligible</b>	1	2	3	4	5

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