Risk Appetite Statement

Melbourne Archdiocese
Catholic Schools

D24/102242

Contents

1. Background

1.1. Introduction

The Melbourne Archdiocese Catholic Schools (**MACS**) acknowledges that, in pursuit of delivering its MACS 2030 strategy, it will face risks related to the following risk areas:

- Strategy
- Catholic identity and mission
- Child safety and wellbeing
- Education service and delivery
- Financial
- People
- Regulatory compliance and governance
- Operations
- Infrastructure

MACS is committed to diligently managing these risks and emerging risks that may have an impact on MACS delivering its MACS 2030 strategy.

This document is broken up into the following sections:

- Section Two (Risk Appetite Statement)
- Section Three (Reporting Requirements) and
- Section Four (Risk Appetite Statement Annual Review).

2. Risk Appetite Statement

2.1. Background

The Risk Appetite Statement (**RAS**) defines the parameters the Board has established for acceptable and unacceptable risk taking. The RAS is accessible for all employees and reflected in relevant policies, procedures and systems embedded throughout MACS. The RAS is comprised through risk appetite limits for different areas of risk.

The MACS RAS is a set of principles, boundaries and limits set by the Board as part of the authorisation provided to the Executive Director to execute the MACS 2030 strategy.

The RAS provides the overarching framework for guiding decision-making at MACS. The following levels of risk appetite are used:

Table 1: Overarching risk appetite levels

Very High Appetite	High Appetite	Moderate Appetite	Low Appetite	Very Low Appetite
MACS embraces a high-level of risk, focusing on high reward opportunities with the potential for significant impact. This approach may involve considerable uncertainty and volatility.	MACS is willing to take significant risks to achieve substantial rewards. This approach is often adopted in dynamic and competitive environments where innovation and growth are prioritised.	MACS accepts a balanced approach to risk, weighing potential benefits against risks. Risks are taken with careful planning and mitigation.	MACS is willing to accept a small amount of risk, with a strong preference for safe and low-risk options. Risk taking is limited to those areas with clear, and well understood potential benefits.	MACS has a very low appetite for risk and prefers to avoid it wherever possible.

2.2. Applying the risk appetite statement to decision-making

The RAS outlines the level of risk that can be taken in delivering the MACS 2030 strategic plan. In areas where MACS has the lowest appetite, staff must implement controls and actions to make sure the risk exposure is within the acceptable range.

In making decisions about executing the MACS 2030 strategic plan, consideration must be given to:

- The level of risk (or opportunity) the decision will create
- Whether the proposed level of risk (or opportunity) aligns with risk appetite and
- What actions or controls can be taken to reduce the impact of the risk to an acceptable level (or to maximise the opportunity).

The RAS should guide schools, regions and directorates to put in place appropriate controls (e.g. resources, policies, procedures, monitoring) and actions to reduce the chance of the risk occurring.

2.3. Strategic risk

Strategic risk refers to the potential that the MACS 2030 strategy has / has not been adequately designed and / or delivered. Additionally, strategic risk relates to gains or losses arising from MACS's ability to adapt to the external environment.

In considering strategic risk, the MACS Board has indicated that it has a:

- **High risk appetite** to drive enrolments across schools in areas where there is low growth
- **High risk appetite** to develop new business models to take advantage of growth opportunities if it positively impacts and aligns with the current *MACS2030* strategy and
- **Medium risk appetite** to expand educational services and offerings ahead of prioritising the improvement of and / or exiting of current educational services and offerings.

To monitor exposure to strategic risk, the following Key Risk Indicators will be monitored (Table 2).

Table 2: Strategic risk key indicators

Key Risk Indicator	Monitored at MACS Office or MACS School	Within Risk Appetite	Approaching Risk Appetite	Breaching Risk Appetite
MACS successfully executes its MACS 2030 strategy by maintaining a consistent and clear set of priorities outlined in the MACS 2030 Strategic Plan and supporting Annual Operational Plan.	MACS Office	Annual Operational Plan deliverables are complete, tracking mostly green with some tracking amber due to minor, short-term delays.	Annual Operational Plan deliverables are predominantly in amber status (and some are red) with delays to the original targets.	Annual Business Plan deliverables are predominantly in red status with significant delays to the original targets.
Overall school enrolments continue to grow at sustainable levels.	MACS Office	>100% of previous year's enrolments.	90% and 100% of previous year's enrolments.	<90% of previous year's enrolments.

2.4. Catholic identity and mission risk

Catholic Identity and Mission risk refers to the potential for MACS to maintain or fail to uphold its foundational Catholic values, teachings and mission. This risk impacts MACS's ability to maintain its Catholic character and deliver its spiritual, moral and educational responsibilities.

In considering Catholic Identity and Mission risk, the MACS Board has indicated that it has a:

- **Very high risk appetite** to foster an environment that supports Catholic Identity and Mission whereby we follow the example of Christ across MACS office and schools and
- **High risk appetite** for incorporating Catholic mission and identity into all policies and procedures.

To monitor exposure to Catholic Identity and Mission risk, the following Key Risk Indicators will be monitored (Table 3).

Table 3: Catholic Identity and Mission key risk indicators

Key Risk Indicator	Monitored at MACS Office or MACS School	Within Risk Appetite	Approaching Risk Appetite	Breaching Risk Appetite
All MACS teaching staff are credentialed to teach Religious Education.	MACS Office	>90% of staff	75% to 90% of staff	<75% of staff
Number of reported incidents / complaints where school (including staff) actions or decisions are inconsistent with Catholic values within a calendar year.	MACS Office	<5 incidents within a calendar year	6 to 10 incidents across a calendar year	>11 incidents in a calendar year
Number of students that are identified as being Catholic (determined by whether they have been Baptised in a Catholic Church).	MACS School	>95% of enrolled students	75% to 95% of enrolled students	<75% of enrolled students

2.5. Child safety and wellbeing risk

Child Safety and Wellbeing risk refers to the potential for positive or adverse impacts on a child's physical, emotional and psychological safety.

In considering child safety and wellbeing risk, the MACS Board has indicated that it has a:

- **Very low risk appetite** for any form of abuse or exploitation of children and young people
- **Very low risk appetite** for students and staff returning to the workplace after a concussion incident without medical clearance
- **High risk appetite** to identify and support MACS students with diverse learning needs and provide tailored plans for all settings and activities and
- **Moderate risk appetite** for MACS students to engage in higher risk activities (e.g. aviation classes, international travel, homestay, rock-climbing, open water way activities and inflatables)**.**

To monitor exposure to child safety and wellbeing risk, the following Key Risk Indicators will be monitored (Table 4).

Table 4: Child Safety and Wellbeing key risk indicators

Key Risk Indicator	Monitored at MACS Office or MACS School	Within Risk Appetite	Approaching Risk Appetite	Breaching Risk Appetite
Completion of Mandatory Reporting training within the last two years	MACS School	100% for mandated employees	95% to 100% for mandated employees	<95% for mandated employees
Maintenance of Victorian Institute of Teaching / Working with Children Checks at any time	MACS Office / MACS Schools	100% of staff in MACS schools	N/A	<100% of staff in MACS schools
Reportable Conduct Cases are managed within established Key Performance Indicators	MACS Office	>95% of cases	85% to 95% of cases	<85% of cases

2.6. Education service and delivery risk

Education Service and Delivery risk refers to the provision of educational services that impact the quality, accessibility and consistency of education provided to MACS's students. This risk arises when resources, teaching methods, curriculum standards and other external influences fail or are exceeded

In considering education and service delivery risk, the MACS Board has indicated that it has:

- **Very high risk appetite** to invest in opportunities in automation (AI), growth pathways, engagement and care that will improve the student experience and is supported by evidence-based research
- **Very high risk appetite** to monitor academic performance and achievement of outcomes closely to enable better decision-making and meet academic targets where it does not impact teacher engagement and
- **High risk appetite** to pursue and invest in new and innovative methods of education supported by evidence-based research.

To monitor exposure to strategic risk, the following Key Risk Indicators will be monitored (Table 5).

Table 5: Education service and delivery key risk indicators

Key Risk Indicator	Monitored at MACS Office or MACS School	Within Risk Appetite	Approaching Risk Appetite	Breaching Risk Appetite
Student retention rate is maintained	MACS School	>97% of students	95% to 97% of students	<95% of students
Average year 12 student satisfaction rate	MACS School	>85%	75% to 85%	<75%
Average student attendance rate per school	MACS School	>95%	90% to 95%	<90%
Literacy and numeracy competence levels	MACS Schools	Less than 1.0% decrease in percentage proficiency from NAPLAN results by school	1.0% to 2.0% decrease in percentage proficiency from NAPLAN results by school	Greater than 2.0% decrease in percentage proficiency from NAPLAN results by school

2.7. Financial risk

Financial risk refers to the chance of financial loss or gain resulting from internal and external factors that impact MACS's financial stability.

In considering financial risk, the MACS Board has indicated that it has:

- **Very low risk appetite** for unethical, unlawful, corrupt and fraudulent activities whether internal nor external of the organisation
- **Low risk** appetite for inadequate insurance coverage over all classes of insurance given the current environment of high insurance premiums
- **Very high risk** appetite to perform adequate due diligence and vendor management for material contracts or engagements and
- **High appetite risk** appetite to enter debt arrangements or commitments aligned to MACS 2030 strategy**.**

To monitor exposure to strategic risk, the following Key Risk Indicators will be monitored (Table 6).

Table 6: Financial key risk indicators

Key Risk Indicator	Monitored at MACS Office or MACS School	Within Risk Appetite	Approaching Risk Appetite	Breaching Risk Appetite
No material unanticipated or unauthorised YTD Operating Expense variance against budget (**MACS Office**)	MACS Office	<10% deviation from budget	Deviation between 10% and 30% from the budget	>30% deviation from budget
No material unanticipated or unauthorised YTD Operating Expense variance against budget (**MACS School**)	MACS School	<2% deviation from budget	Deviation between 2% and 15% from the budget	School level >15% deviation from budget

2.8. People risk

People risk refers to outcomes caused by the actions, inactions, decisions or behaviours of people associated with MACS. This includes those risks that arise due to a of skill level, employee behaviour, health and safety risks and workplace culture.

In considering people risk, the MACS Board has indicated that it has a:

- **Very low risk appetite** for any incidents adversely impacting health and safety
- **Very low risk appetite** for wage theft
- **Very high risk appetite** to recruit and retain talented people who are skilled, qualified and appropriately screened for all roles and
- **Moderate risk appetite** to cultivate a high-performance culture regardless of cost (including exceeding budget) over the next three years.

To monitor exposure to strategic risk, the following Key Risk Indicators will be monitored (Table 7).

Table 7: People key risk indicators

Key Risk Indicator	Monitored at MACS Office or MACS School	Within Risk Appetite	Approaching Risk Appetite	Breaching Risk Appetite
MACS turnover to not exceed 20% over a calendar year	MACS Office	<18% of staff	18% to 20% of staff	>20% of staff
	MACS School	<18% of teaching staff	18% to 20% of teaching staff	>20% of teaching staff
Graduate teacher turnover and retention rate	MACS School	<30% of graduate teaching staff	30% to 35% of graduate teaching staff	>35% of graduate teaching staff
Average staff engagement rate	MACS Office	>70% of staff	60% to 70% of staff	<60% of staff
Total Reportable Incidents Frequency Rate do not exceed [SafeWork industry benchmarks]	MACS Schools	<9.5	9.5 to 10	>10
	MACS Offices	<3.7	3.7 to 4.0	>4
Poor performance cases are not addressed within policy requirements	MACS Office / MACS Schools (Principals)	>90%	80% and 90%	<80%
Breaches of ethical standards and guidelines including the code of conduct	MACS Office / MACS School	<5% of staff	5% to 7.5% of staff	>7.5% of staff

2.9. Regulatory and compliance risk

Regulatory Compliance and Governance risk refers to the potential of loss arising from MACS's failure to comply with laws, regulations, industry standards and / or poor governance over MACS.

In considering regulatory compliance and governance risk, the MACS Board has indicated that it has a:

- **Very low risk appetite** for non-compliance with legal, legislative and regulatory compliance requirements and
- **Very low risk appetite** for breaches of security for any health information MACS collects.

To monitor exposure to strategic risk, the following Key Risk Indicators will be monitored (Table 8).

Table 8: Regulatory and compliance key risk indicators

Key Risk Indicator	Monitored at MACS Office or MACS School	Within Risk Appetite	Approaching Risk Appetite	Breaching Risk Appetite
No material breaches of regulatory requirements leading to censure / fines / adverse feedback from regulators.	MACS Office	0	Warning feedback received	One (1) instance of significant adverse feedback

2.10. Operational risk

Operational risk refers to loss or gain resulting from adequacy of internal systems such as processes, systems, Information Technology or poor cyber-security practices.

In considering operational risk, the MACS Board has indicated that it has a:

- **Low risk appetite** for cyber security breaches across MACS office and schools
- **High risk appetite** to leverage social media for marketing and connection purposes
- **Very low risk appetite** to pay and / or respond to ransom requests to help protect MACS and
- **Low risk appetite** to experience downtime on any critical IT systems.

To monitor exposure to strategic risk, the following Key Risk Indicators will be monitored (Table 9).

Table 9: Operational key risk indicators

Key Risk Indicator	Monitored at MACS Office or MACS School	Within Risk Appetite	Approaching Risk Appetite	Breaching Risk Appetite
Number of significant cyber security breaches across the MACS network of schools.	MACS Office	<5 per year	Between 5 and 10 per year	>10 ten per year
Loss of any information deemed sensitive.	MACS Office	0	N/A	>1
Loss of time due to failure of critical systems or IT infrastructure.	MACS Office / MACS School	<1 week	Between one week and one month	>1 month

2.11. Infrastructure risk

Infrastructure risk refers to the potential for growth and expansion, or, alternatively, disruption, failure and degradation in the physical environments that supports the operation of MACS's schools. This can include those risks associated with buildings and other critical physical assets that are needed for the operations of MACS's office and schools

In considering infrastructure risk, the MACS Board has indicated that it has a:

- **high risk appetite** to develop facilities and infrastructure to support an optimal learning experience for students.

To monitor exposure to strategic risk, the following Key Risk Indicators (Table 10) will be monitored.

Table 10: Infrastructure key risk indicators

Key Risk Indicator	Monitored at MACS Office or MACS School	Within Risk Appetite Limit	Approaching Risk Appetite Limit	Breaching Risk Appetite
Time lost at a school due to poor infrastructure per every six (6) months.	MACS Schools	<10 hours	10 hours to 20 hours	>20 hours

3. Reporting requirements

MACS Office risk owner are required to report any non-compliance with or deviation from the risk appetites in this RAS to the Director, Child Safety and Risk (or their delegate) immediately.

Additionally, a quarterly request for information will be made by the Child Safety and Risk directorate for the purposes of reporting to the Child Safety and Risk Management Committee.

Schools are only required to make semi-annual reports to the Child Safety and Risk directorate. Reporting for schools will not commence until **30 June 2025** and will be provided with clear instructions.

The Director, Child Safety and Risk (or their delegate) will assess any non-compliance for materiality. All matters will be reported to the Executive Director and material matters will be escalated to the Child Safety and Risk Management Committee.

4. Risk Appetite Statement Annual Review

This RAS is reviewed annually or as required by the Child Safety and Risk Management Committee and / or the Board.

The reviewed RAS is then provided to the Child Safety and Risk Management Committee for their review and the Board will formally approve the RAS.

Responsible executive	Director, Child Safety and Risk
Framework owner	General Manager, Risk, Assurance and Compliance
Approving authority	MACS Board
Assigned board committee	Child Safety and Risk Management
Approval date	11 December 2024
Risk rating	Extreme
Review required by	December 2025
Publication details	MACS office intranet, CEVN

POLICY DATABASE INFORMATION	
Related documents	Risk Management Framework Risk Management Policy
Superseded documents	
New framework	New