RISK MANAGEMENT POLICY

Summary
This policy outlines the Group's policy
with regard to the management of risk.

Policy Owner:	Chief Financial Officer
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Risk Management Policy

1. **Introduction**

   This Risk Management Policy and the associated Risk Management Procedure form part of the College's internal control and corporate governance arrangements. The College's approach to risk management is inclusive, reflecting the College's key values of transparency and inclusion.

2. **Purpose and Aims**

   The Policy explains the College's underlying approach to risk management, and documents the roles and responsibilities of the Board of Governors and the Strategic Leadership Team (SLT), in developing a culture of risk management throughout the College.

   The associated Risk Management Procedure document outlines the key aspects of the risk management process and identifies the main reporting procedures. In addition, it describes the process the Board of Governors will use to evaluate the effectiveness of the College's internal control procedures.

3. **Scope**

   This policy applies to all College activities, and at all levels within the organisation. While the identification and management of risk is seen as a key responsibility of the College Board of Governors, the Strategic Leadership (SLT) and College Leadership Team (CLT) Teams, managers at all levels within the College are encouraged to consult with staff in identifying risks to the College.

4. **Policy Statement**

   Key Principles
   The following key principles outline the College's approach to risk management
   and internal control:

   - The Board of Governors has responsibility for overseeing risk management within the College as a whole. The Audit Committee advises the Corporation on the adequacy and effectiveness of the Corporation's assurance framework including risk management
   - The College adopts an open and receptive approach to risk identification and management;
   - The Chief Executive and the Strategic Leadership Team supports, advises and implements policies and strategies approved by the Board of Governors;
   - The College makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks;
   - Senior managers are responsible for encouraging good risk management practice within their areas of responsibility;
     Senior Managers, and those responsible for reviewing risks take into account the possibility of the differential impact of risks, and risk treatments, upon people who share protected characteristics, per the Equality Act 2010.
   - Key risk indicators will be identified and closely monitored on a regular basis.
   - The College would, in general, seek to treat risks with the potential of negative impact prudently. However, the Board of Governors and the Strategic Leadership Team recognises the possibility of positive outcomes in the treatment of risks, and accordingly will be careful to evaluate each risk individually. "Risk Appetite" and "Risk Tolerance" will be determined by the Board with guidance from the Audit Committee and Strategic Leadership Team. BS 31100:2008 defines Risk Appetite and Risk Tolerance as the following:

- Risk Appetite - "the amount and type of risk that an organisation is prepared to seek, accept…" and Risk Tolerance – "the organisation's readiness to bear the risk, after risk treatments, in order to achieve its objectives".

5. Risk Tolerance

The College's approach is to minimise its exposure to reputational, compliance, and financial risk, whilst accepting and encouraging an increased degree of risk in pursuit of its mission and objectives. In the case of certain risks there is no clear strategic benefit from accepting them, e.g. risks associated with unethical, illegal, or inappropriate actions, while some other risks are not inherently undesirable, e.g. where economic gain and/or student benefit might reasonably be expected. The College therefore recognises that its appetite and tolerance for risk vary according to the activity undertaken, and that the College's acceptance of risk is always subject to ensuring that potential benefits and risks are fully understood before developments are authorised, and that appropriate measures to mitigate risk are established. The College's position with regard to risk across seven categories is described below in a series of statements for each category, and the risk tolerance for each category is set utilising a tolerance scale of 1 to 6. (Low to High)

Reputation - It is regarded as important that the College preserves its Good reputation. The College has a low level of acceptance of such risk, given the difficulty of rectifying reputational damage. However, the college accepts that with large Capital Projects there may be some additional risk to reputation. The College therefore has some appetite for risk in the conduct of its Capital Project activities that puts its reputation in jeopardy, could lead to undue adverse publicity, or could lead to loss of confidence by the College's stakeholders.
Risk tolerance level = 3

Compliance – The College places great importance on compliance, and has no appetite for any breaches in statute, regulation, professional standards, bribery or fraud. There is clearly no strategic benefit to accepting this kind of risk, and a significant threat to the organisation in the case of failure. Risk tolerance level = 2

Financial – The College aims to achieve long term financial viability and overall financial strength. Any activity which has a risk score RAG-rated Amber or Red, where the financial impact is greater than 5% deviation from budget, exceeds the College's risk tolerance. However, the College is resilient to a degree of financial risk and, given the potential of strategic gain, is in a position to consider acceptance of a degree of financial risk. Risk tolerance level = 3

Student Experience – The College intends that its students will be inspired and stimulated to develop a lifelong desire for knowledge and learning, and therefore encourages a pioneering and innovative approach to learning delivery, and a willingness to try new approaches. It recognises that this should involve an increased degree of risk in developing and enhancing the student experience and is comfortable in accepting this risk, subject always to ensuring that potential benefits and risks are fully understood and that sensible measures to mitigate risk are established. Risk tolerance level = 3

Major Change or Development Activities (e.g. projects, collaborations, non-grant and aid generating activity) – Major change or development activities are required periodically in pursuit of the College's Strategic Priorities. The College expects such changes to be managed according to best practice in project and change management, and has low appetite for deviating from such standards. However the College recognises that, from time to time, certain initiatives may carry greater than usual risk. Risk tolerance level = 4

However, this is further subdivided for the benefit of our Capital Project to include tolerance levels for the decant programme and any contractual of professional risks that may arise as a consequence of any development project. Decant Risk tolerance level = 3 and Contractual & Professional Risk Tolerance = 2

Environment and Social Responsibility – The College wishes to make a significant, sustainable, and socially responsible contribution to London and England through its education and operational activities. It recognises that this should involve an increased degree of risk and is comfortable in accepting this risk, subject always to ensuring that potential benefits and risks are fully understood and that sensible measures to mitigate risk are established. For example, if social responsibility or environmental issues are prioritised above other considerations, there may be a potential negative impact in other respects (e.g. financial). Examples: A community benefit may be a greater priority than a financial benefit if that is the strategic priority or defined policy. Widening access initiatives may negatively impact upon student achievement performance indicators and may impact upon student support funds. These kinds of initiatives therefore carry a strategic risk which the College may be willing to accept (appetite) and capable of withstanding the consequences of (tolerance). Risk tolerance level = 3

People and Culture – The College will pursue efforts to value, support, develop and utilise the full potential of its staff. The College places importance on a culture of equality and diversity, dignity and respect, collegiality, the development of staff, and the health and safety of staff, students and stakeholders. It has low appetite for any deviation from generally recognised standards in these areas, and is able to accept a small degree of risk in pursuit of these standards. Also, the resilience developed via investment in staff development, the College may also from time to time accept loss of experienced staff. Risk tolerance level = 2

Business Continuity – The College will ensure that mitigations are in place for significant incident/disaster management and recovery. While recognising that the likelihood of such incidents are low, there exists the possibility of major disruption to service provision. Risk tolerance level = 1

- **Risk Tolerance and Acceptable Risk Score** –
  A low tolerance would imply a lower limit of acceptable risk score. The table below aligns the College's tolerance for risk across activity headings with the 5 x 5 (Impact x Likelihood) risk score matrix in the Risk Register as indicated. The risk tolerance level varies across the categories of College activity and correspondingly so too does the upper limit of acceptable risk score:

Proposed Tolerance Category	Low		Medium		High/Very High	
	Limit of acceptable Risk Score (RS)		Limit of acceptable Risk Score (RS)		Limit of acceptable Risk Score (RS)	
	1-3	4-5	6-9	10-12	15-16	20-25
	Tolerance Scale 1-6 (TS)					
Reputation (Building the Group Reputation)			TS 3 RS 6-9			
Compliance (High Performance & Entrepreneurial Culture)		TS 2 RS 4-5				
Financial (Robust Financial Health)			TS 3 RS 6-9			
Student Experience (Enhancing Student Experience & Outcomes)			TS 3 RS 6-9			
Major Project Developments- **New Build** (Fit for Future Assets)				TS 4 RS 10-12		
Major Project Developments- **Decant** (Fit for Future Assets)			TS 3 RS 6-9			
Major Project Developments- **Contractual & Professional** (Fit for Future Assets)		TS 2 RS 4-5				
Environmental and Social Responsibility (Building the Group Reputation)			TS 3 RS 6-9			
People & Culture (Improving Staff Satisfaction & Engagement)		TS 2 RS 4-5				
Business Continuity (Fit for Future Assets)	TS 1 RS 1-3					

7. Responsibilities

Role of the Board of Governors

The Board of Governors has a fundamental role to play in the management of risk. Its role is to set the tone and influence the culture of risk management within the College. This includes:

- Determining whether the College is 'risk taking' or 'risk averse' as a whole or on any relevant individual issue (i.e. Determining "risk tolerance" for each risk)
- Determining what types of risk are acceptable and which are not; setting the standards and expectations of members of staff with respect to conduct and probity.
- Approve major decisions affecting the College's risk profile or exposure.
- Oversee the management of significant risks to reduce the likelihood of significant adverse outcomes.
- Seek assurance that the less significant risks are being actively managed, with the appropriate controls in place and working effectively.
- Review the Strategic Risks each term.
- Annually review the College's approach to risk management and approve changes or improvements to key elements of its processes and procedures.
- Review the effectiveness of internal control of the College, based on the advice of the Audit Committee and information provided by the Strategic Leadership Team. Its approach is outlined in the Risk Management Procedure (Appendix 2)
- Establishing an Audit Committee

Role of the Audit Committee

The role of the Audit Committee is set out in the Post 16 Audit Code of Practice and is to advise the Corporation on the adequacy and effectiveness of the Corporation's assurance framework. This includes all elements of board assurance and risk management.

Role of the College Leadership Team

The key roles of the College Leadership Team are to:

- Implement policies on risk management and internal control;
- Identify and evaluate regularly the significant risks faced by the College for consideration by the Strategic Leadership Team and the Board of Governors.
- Ensure appropriate channels are in place to enable risk reporting at all levels of the organisation, and through these levels to the Strategic Leadership Team and thereafter to the Risk Register. For example, risk identification and reporting will be regularly reviewed at operational team meetings, minuted where appropriate, and escalated via those operational teams to the College Leadership Team and Strategic Leadership Team.
- Provide adequate information in a timely manner to the Board of Governors and its committees on the status of risks and controls;
- Undertake an annual review of effectiveness of the system of internal control and provide a report to the Board of Governors.

RISK MANAGEMENT PROCEDURE

Summary

This procedure outlines the Group's procedure for assessing and mitigating risk with regard to the Risk Management Policy and associated response of risk.

Policy Owner:	Chief Financial Officer
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1. Introduction

The college will has adopted the following categories of risk aligned in the main to the strategic themes. The detail and definition of these themes are included in the proposed College Risk Management Policy.

Risk Category	Strategic Theme
Reputation (R)	Building the Group Reputation
Compliance (C)	High Performance & Entrepreneurial Culture
Financial (F)	Robust Financial Health
Student Experience (SE)	Enhancing the Student Experience & Outcomes
Major Project Developments – New Build (MPD)	Fit for Future Assets
Major Project Developments – Decant (MPD)	Fit for Future Assets
Major Project Developments – Contractual & Professional (MPD)	Fit for Future Assets
Environmental & Social Responsibility (ESR)	Building the Group Reputation
People & Culture (PC)	Improving Staff Satisfaction and Engagement
Business Continuity (BC)	Fit for Future Assets

Informing these will be the following operational risk registers which will include a collection of each risk categories led by members of the College Leadership Team:

Risk Category & Risk Leader	Governance (Director of Governance)	Students Experience, Outcomes and Support *(Formerly Academic and Student Support)* (Deputy Principal Curriculum)	Financial (Chief Financial Officer)	People & Organisational Development (Formerly Human Resources) (Chief Financial Officer)
Board Committee	Governance Search & Remuneration	Teaching, Learning & Skills	Finance & Resources	Finance & Resources
Risk Category & Risk Leader	Major Capital Projects *(formerly Property)* (Director of Development)	Business Development (AP Apprenticeships and Business Development)	Information Technology & MIS *(Formerly Business Systems and IT)* (Director of Business Intelligence & Information Systems)	Marketing & Stakeholder Management *(Formerly Marketing & Reputational)* (Head of Marketing)
Board Committee	Property & Infrastructure	Teaching Learning & Skills	Property & Infrastructure	Teaching, Learning & Skills
Risk Category & Risk Leader			Estates & Facilities Management *(Formerly Business Facilities)* (Head of Estates)	
Board Committee			Property & Infrastructure	

For each category of risk, the College has designated a Risk Leader. College Leadership Team will oversee and implement the risk management policy and procedure on behalf of the Strategic Leadership Team. All Risk Leaders are members of Strategic Leadership Team (SLT) or the College Leadership Team (CLT) and operational risk registers will be reviewed on a regular basis through the a specific risk control group who will meet a minimum of 4 times a year.

2. The Risk Control Group

The RCG includes all risk register holders and will meet at least 4 times per academic year. They can co-opt additional members as and when identified risks appear. The risk control group will review the overall college risk profile holistically ensuring consistent application of the procedure when assessing relative risk values. This process will include;

- identifying the risk;
- understanding the nature of the risk;
- assessing the risk's potential;
- deciding on appropriate action

Identifying the risk:
As part of the business decision-making process consideration must be given to identifying associated risks. Two simple methods for achieving this are:

- Expert engagement
- SWOT analysis

The risk control group will work with the Risk Lead to inform this process.

Understanding the nature of the risk:
Having agreed the associated risks, the risk control group can assess and reach an agreed understanding of the nature of each risk.

Assessing the potential risk:
Each significant business risk will be assessed using the Risk Management Questionnaire (Appendix A) to determine the potential of the risk:

Impact   -   How severe is the risk in material or cost terms, what
                       are the implications for the financial bottom line

Likelihood   -   How likely is it that the risk will occur?

To assess the impact and probability of each risk, a 3-point scale (Low, Medium, High) is used. Employing this method, each business risk will ultimately fall into one of three priority clusters as set out in the Table 1 and contingent on the risk appetite for that category of risk will determine whether or not it is a high strategic risk that must be reviewed by the Board of Governors.

Likelihood	Impact				
	Insignificant 1	Minor 2	Moderate 3	Major 4	Catastrophic 5
Almost Certain 5	Low (5)	Medium (10)	High (15)	Very High (20)	Very High (25)
Likely 4	Low (4)	Medium (8)	Medium (12)	High (16)	Very High (20)
Possible 3	Low (3)	Medium (6)	Medium (9)	Medium (12)	High (15)
Unlikely 2	Low (2)	Low (4)	Medium (6)	Medium (8)	Medium (10)
Extremely Unlikely 1	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)

How to assess impact.

Using the table below the Risk Leader will propose an impact score to the Risk Control Group who will confirm that judgement.

		IMPACT CATEGORY				
		Insignificant	Minor	Moderate	Major	Catastrophic
Risk Category	**Reputational** Tolerance Scale	No impact on image / brand No interest to the press or damage to public reputation. Complaints.	There is a potential impact on image / brand Some adverse publicity and minor damage to reputation. Local media.	College image / brand will be affected in the Longer term by impact of negative publicity. Moderate reputational impact. Regional media.	Serious diminution in image with adverse publicity and national media exposure	Sustained serious loss in image / reputation in FE sector and negative media longer than 5 days as well as international coverage.
	Compliance (RT:2)	Little or no impact on accepted sector procedures.	Minor breaches in accepted sector procedures – comments in audit reports.	Moderate regulatory breaches resulting in recommendations in inspection / audit reports.	Serious failure to comply with legal or regulatory requirements that may result in public admonishment / enquiry.	Sustained noncompliance with legislation that has long-term funding impact.
	Financial (RT:3)	Insignificant adverse impact on income / costs	Less than 2% deviation from budget	2% to 5% deviation from budget	5% to 15% deviation from budget	Over 15% deviation from budget.
	Student Experience (RT:3)	Negligible impact on college objectives – can be managed through routine activities.	Negligible impact on college objectives – additional management efforts to manage impact	Moderate impact on college objectives – significant adjustment to resource allocation and service to manage impact.	Major impact on college objectives and mission – major adjustments to resource allocation and service to manage impact.	Significant impact on college objectives and mission - impact cannot be managed within college's existing structure.

Risk Category					
Major Project Developments - New Build (RT:4)	Negligible impact on New build project budget and programme. Impact can be managed through routine Development Management activities	Programme delays or project cost increases, but which can be accommodated	Material impact on New Build project objectives. Programme likely to be delayed and or budget exceeded	New Build Project delays result in College being unable to deliver curriculum within anticipated timetable .Development budget is exceeded, requiring substantial additional support.	College is unable to complete the new build development.
Major Project Developments - Decant (RT:3)	Negligible impact on project budget and programme. Impact can be managed through routine Development Management activities	Decant Programme delays or project cost increases, but which can be accommodated	Material impact on Decant project objectives. Decant Programme likely to be delayed and or budget exceeded	Decant Project delays result in College being unable to deliver curriculum within anticipated timetable. Decant Development budget is exceeded, requiring substantial additional support.	College is unable to complete the decant development.
Major Project Developments – Contractual & Professional (RT:2)	Negligible impact on project budget and programme. Impact can be managed through routine Development Management activities	Decant and/or New Build Programme delays or project cost increases, but which can be accommodated	Material impact on New Build and/or Decant project objectives. New Build and/or Decant Programme likely to be delayed and or budget exceeded	New Build and/or Decant Project delays result in College being unable to deliver curriculum within anticipated timetable. New Build and/or Decant Development budget is exceeded, requiring substantial additional support.	College is unable to complete the new build and/or decant development.
Environmental & Social Responsibility (RT:3)	Negligible impact on the college's sustainability and social responsibility programs	Disruption to the organisation's E&SR programs requiring concerted resourcing or investment to rectify	Disruption to the organisation's E&SR programs requiring substantial resourcing or investment to rectify	Damage to E&SR programs that results in a major impact to college's financial, legal or reputational position.	Irrecoverable damage to E&SR programs resulting in catastrophic impact to college's financial, legal or reputational position.

People & Culture (RT:2)	Some areas of low satisfaction on staff survey/staff feedback and/or Minimal disruption to staff - retention remains as expected	Significant levels of dissatisfaction on staff survey/staff feedback and /or Minor staff impact and minimal disruption to staff	Informal dispute declared by staff union	Formal dispute declared by staff union and/or formal vote of no confidence in SLT and/or Unable to recruit skilled staff for key roles for an extended period.	Strike Action by staff unions and/or formal vote of no confidence in Board of Governors and/or Sustained loss of key staff groups
Business Continuity (RT:1)	Minor and easily recoverable. Minimal disruption.	Some impact but can recover within the short term. Maximum 1 day disruption.	Some impact but more significant outcomes will take a longer time to achieve. 1-3 days disruption.	Significant impact with some non-recoverable aspects of service. 3-5 days disruption.	Unable to fulfil statutory obligations. Extended disruption (5 days plus). Complete failure to deliver outcomes.

How to assess likelihood

The likelihood of each risk occurring. A rating scale ranging from rare to almost certain is used to measure the likelihood of risk occurrence. The likelihood that the business will be exposed to a particular risk is analysed by reference to factors such as:

- Anticipated frequency
- The external environment,
- History of previous events.

The risk likelihood scale is as follows:

	Description	Risk Description	% of Occurrence
Likelihood	Almost certain	Hard to imagine the event not occurring - event occurs regularly	80 – 100%
	Likely	Event will probably occur in most circumstances	60 – 79%
	Possible	Reasonable chance of occurrence – the event may happen	35 – 59%
	Unlikely	Not expected to occur and unlikely but still not exceptional	15 – 34%
	Extremely Unlikely	Hard to imagine the event happening, only in exceptional circumstances or once in every 10 years	0 – 14%

Response to Risk Ratings

Rating	Response
Low	• Not a priority for treatment / management • In some situations, it may be acceptable for no mitigating action to be taken • All low risks must still be reviewed to ensure no change to their assessed rating
Medium	• Steps should be taken to address these risks • Medium term plans are required to reduce the risk • Normally, as a general rule, within one year but this should be considered on a case by case basis
High	• To be monitored regularly and closely at a senior level • Action is likely to be required to reduce the probability and/or impact to an acceptable level in the short term
Very High	• Priority risks to be actively monitored by extended senior management • Likely to require action to reduce the probability and/or impact urgently

High Likelihood / Low Impact	High Likelihood / High Impact
Develop controls if obvious and cost effective Housekeeping Monitor on a moderate frequency	Allocate resource to mitigate and develop strategic response Avoid Transfer (let another party carry the risk) Active and frequent monitoring Escalate and report
Low Likelihood / Low Impact	**Low Likelihood/ High Impact**
Accept Monitor at least every quarter Develop controls if obvious and cost effective	Contingency plans Audit controls Consider transfer Monitor regularly