



RISK MANAGEMENT POLICY & PROCEDURES

Summary

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

Policy Owner:	Chief Financial Officer
Date of last approval:	31 March 2021
Approval / Review Body:	Corporation (via Audit Committee)
Review Date:	March 2022
<i>Date / status of this issue:</i>	Approved

1. Introduction

Successful business management is about

‘identifying, managing and exploiting risk – being ready for opportunities and challenges, and being able to exploit or deal with them before it is too late’

Like every other business, the College is both surrounded by, and cannot operate without, facing risks.

Through the implementation of our Risk Management Policy and Procedures, the College aims to develop and embed a robust approach to Risk Management as an integral part of both strategic and operational management processes.

The Corporation has overall responsibility for the Risk Management Policy, setting the risk appetite of the College and actively monitoring the position relating to the higher priority risks. The Corporation has also agreed a Business Continuity Policy which is reviewed and revised annually.

In addition, the Internal Audit Service has a key role in monitoring the effectiveness of control measures which it is suggested moderate identified risks.

2. Risk Management Policy

A Corporate Statement

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

Risk Appetite

At the Corporation Strategy Meeting on 23 November 2019 the Governors set the risk appetite for the College as moderate risk described as Shaping and Transforming.

2.1 Scope

This policy forms part of the College’s internal control and corporate governance arrangements.

The policy outlines key aspects of the risk management process, and identifies the main reporting procedures that apply to the Corporation, Senior Leadership Team, Senior Management across the College and all line managers.

2.2 Roles and Responsibilities

The College will clearly identify roles and responsibilities within its management structure. These roles are as follows:

Corporation

The Corporation has a fundamental role to play in the management of risk. It must set the overall tone and influence the culture of risk management within the College. This includes:

- determining the risk appetite 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.

The Corporation itself and through its Audit Committee, will monitor the management of significant risks and will satisfy itself that the less significant risks are being actively managed, with the appropriate controls in place and that these are working effectively.

The Corporation will annually review the College's approach to risk management and approve changes or improvements to key elements of its processes and procedures.

Senior Leadership Team

The Senior Leadership Team (SLT) will act as the College's Risk Management Team. Specifically it will:

- implement policies on risk management and internal control.
- identify and evaluate the significant risks faced by the College.
- construct and maintain a risk register which makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks.
- produce and review subsidiary risk registers detailing operational risks for monitoring by heads of service.
- provide adequate information in a timely manner to the Corporation and its Committees on the status of risks and mitigating action plans
- undertake termly reviews of the risk register and provide reports to the Corporation and its committees as relevant.

2.3 Key Principles

The College will ensure that its system of internal controls meets the requirements to properly manage its risks. This will encompass a number of elements that together facilitate an effective and efficient operation, enabling the College to respond to a variety of operational, financial and commercial risks. These elements include:

Written Procedures

The procedures for managing risks at all levels of the College are attached to this Policy and are communicated to staff by senior management.

Monthly reporting

Comprehensive monthly reporting is designed to monitor key risks and their controls. Decisions to rectify problems are made at the regular meetings of the Senior Management Teams.

Business Planning and Budgeting

The business planning and budgeting process is used to set objectives, agree action plans and allocate resources. Progress towards meeting business plan objectives is monitored regularly in line with monitoring of key risks.

High Level Risk Framework

This framework is compiled by the SLT and helps facilitate the identification, assessment and ongoing monitoring of risks significant to the College. The document is reviewed by the Audit Committee and relevant sections are reviewed by the corresponding Committee (i.e. academic risk register reviewed by Teaching, Learning and Skills Committee). The risks with the highest residual risk with mitigating action plans provided are reviewed by the Corporation each term. The movement of the risk from one assessment of it to the next is included on the framework.

Operational Risk Framework

Managers develop and use this framework to ensure that significant risks in their service areas are identified, assessed and monitored. The document is formally appraised termly by the SLT but emerging risks are added as required, and improvement actions and risk indicators are monitored by heads of service.

Audit Committee

The Audit Committee is required to report to the Corporation on internal controls and alert Corporation members to any emerging issues. In addition, the Committee oversees internal audit, external audit and management as required in its review of internal controls. The Audit 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 management of risk. The Audit Committee reviews the Risk Management Policy and Procedures and recommends them for Corporation approval. The Audit Committee reviews all risk registers including that of the Wembley & Willesden Build Project.

3. Risk Management Procedures

The following categories of risk have been agreed as forming the College risk register

Strategic
Financial
People
Health & Safety
Reputational
Regulatory

Informing these will be the following operational risk registers.

- Governance
- Management
- Academic
- Financial
- Human Resources
- Business Facilities
- Business Systems and IT
- Marketing and Reputational
- Property
- Business Development
- MIS and Exams
- Student Support

For each category of risk, the College has designated a Lead Assessor (see Table B) College Senior Managers will oversee and implement the risk management policy and procedures on behalf of the Senior Leadership Team. All Lead Assessors are members of SLT or the Group operational Team (GOT) and operational risk registers will be reviewed on a regular basis through the GOT meeting schedules.

Successful Risk Management is predicated on completing the following four steps:

- 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:

- shared brainstorming
- SWOT analysis

The Lead Assessor will establish a Task Group to inform this process. Such Groups need to be broad enough to enable a comprehensive view of the risks to be formed while not being too large as to be unwieldy.

Understanding the nature of the risk

Having agreed the associated risks, it is imperative to analyse and reach an agreed understanding of the nature of each risk. Unless this is done with care, the subsequent analysis of each risk will be seriously flawed.

Assessing the potential risk

Each significant business risk will be assessed using the Risk Management Questionnaire (Appendix A) in order 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?

See Chart A: Criteria for Determining Risk Impact

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

See Chart B: Criteria for Determining Risk Likelihood

To assess the impact and probability of each risk, a 4-point scale (Low, Moderate, Significant, High) is used. Employing this method, each business risk will ultimately fall into one of four priority clusters as set out in the Table 1.

4. Risks Identified Mid-Year

Arrangement for dealing with new risks identified mid-year.

Should a new risk arise mid-year, whether identified by GOT, a Reference Group, or otherwise, it will be referred in the first instance to the appropriate Lead Assessor for consideration and assessment of the Residual Risk Rating. If rated “Significant” or “High”, it will then be reported to the SLT at the earliest opportunity and, in the event that it is amongst the Highest Residual Risks, it will be added to the schedule of risks monitored by the Audit Committee on a termly basis.

TABLE 1

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

KEY	Residual Risk Status	Response
	Low	Low risk, to be tracked. (SMTs)
	Moderate	Moderate risk requiring careful monitoring and/or action. (SLT)
	Significant	Significant risk with residual risk score 12 or above requiring immediate action as part of a separate action plan (Corporation)
	High	High risk requiring immediate action as part of a separate action plan. (Corporation)

From this assessment the Inherent Risk will be determined. Against this, it is then necessary to ascertain what, if any, control measures are currently in place to mitigate the risk. From this will emerge the Original Risk, the priority rating of which must then be recorded in the risk register and an appropriate action plan agreed.

The outcomes of Individual Risk Assessments are then summarised in the form presented as Appendix B to this document.

Deciding on appropriate action

Having determined the priority of risk through the assessment process, the next step is to agree the appropriate action. The table set out below indicates the required level of response.

Risk Priority and related action	
HIGH	Take immediate steps to reduce the risk - Full action plan to minimise the risk with formal reporting to the Corporation.
SIGNIFICANT	Reduce Risk / Identify Contingency Plan - Action plan with formal reporting to the Corporation for risk with a residual risk 12 or higher.
MODERATE	Identify further action - Careful monitoring via SLT/SMT
LOW	Note and Monitor - Keep under review

In the event of a Senior Manager becoming aware of a potential risk to the College which falls outside of her/his area of managerial responsibility, she/he must report this directly to the appropriate Lead Assessor for action.

Where a High or Significant Priority Risk is reported to a Lead Assessor, the Lead Assessor will arrange to meet with the SLT in order to centrally moderate the assessment. On completion of this task and where the priority rating is confirmed, a new entry will be recorded in the College's Risk Register.

The College's highest rated residual risks will be monitored regularly by the SLT and, be monitored by the Audit Committee and reported termly to the Corporation.

CHART A: Criteria for Determining Risk Impact

Financial loss is a key quantitative measure used to describe the impact of a risk event occurring. It is measured using a monetary value. Qualitative measures such as reputation and management effort to measure risk impact are also used.

The following factors provide a basis for assessing impact of risks.

IMPACT FACTORS	IMPACT CATEGORY				
	Insignificant	Minor	Moderate	Major	Catastrophic
Strategic	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.
Financial	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.
People	Loss of nonstrategic personnel	Unanticipated loss of one strategic person	Unanticipated loss of 1-3 strategic personnel	Unanticipated loss of CEO or 1-2 senior management team	Unanticipated loss of entire senior management team.
Health & Safety	Medical treatment required (to staff or student)	Extensive injuries	Life threatening	Death	Multiple deaths
Reputational	No impact on image / brand	There is a potential impact on image / brand	College image / brand will be affected in the short term	Serious diminution in image with adverse publicity.	Sustained serious loss in image / reputation in FE sector.
Regulatory	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.

CHART B: *Criteria for Determining Risk 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:

Likelihood	Description	Risk Description
	Almost certain	Event is expected to occur in most circumstances.
	Likely	Event will probably occur in most circumstances
	Moderate	Event might occur at some time
	Unlikely	Event could occur at some time
	Rare	Event may only occur in exceptional circumstances

Responsibilities

The Corporation is responsible for ensuring the effectiveness of internal control of the College, based on information provided by the Senior Leadership Team. The Corporation will review the highest risks on the Risk Register with mitigating action plans on a termly basis and the Risk Management Policy & Procedures on an annual basis on the recommendation of the Audit Committee. The Corporation will set the risk appetite for the organisation whether this be for the organisation as a whole or in regard to a specific issue.

The Audit Committee is responsible for providing advice to the Corporation on the effectiveness of the College's internal control processes and the risk management systems. The Committee will receive termly updates on the entire Risk Register and associated Risk Management Plans. It will review the Risk Management Policy and Procedures and recommend these for approval to the Corporation.

The Committees of the Corporation will review the relevant sections of the risk register to their ToR and feed any comments into the Audit Committee or Corporation as appropriate.

The Senior Leadership Team is responsible for identifying and moderating risks to the business of the College, developing mitigation strategies and improvement actions. The SLT will report to the Corporation, via the Audit Committee, on the system of risk management and will produce and maintain the College Risk Register. The SLT will review the Risk Register at least termly through its SLT meeting schedule.

Individual managers and lead assessors are responsible for the identification of risks within their specified areas of responsibility, the application of internal controls to mitigate such risks and the production and maintenance of operational Risk Registers.

TABLE B**RISK ASSESSMENT BY CATEGORY**

Risk Category	Lead Assessor	Reference Group	Monitoring Group
Strategic	Chief Executive Officer	SLT	Audit Committee/Corporation
Financial	Chief Financial Officer	SLT	Audit Committee/Corporation
People	Director of People and Communications	SLT	Audit Committee/Corporation
Reputational	Chief Executive Officer	SLT	Audit Committee/Corporation
Regulatory	Chief Financial Officer	SLT	Audit Committee/Corporation

Operational Risk Register	Lead Assessor	Reference Group	Monitoring Group
1. Governance	Director of Governance	SLT	Governance Search and Remunerations Committee
2. Management	Chief Executive Officer	SLT	
3. Academic	Group Principal	SLT	Teaching, Learning and Skills Committee
4. Financial	Chief Financial Officer	SLT	Finance and General Purposes Committee
5. Human Resources	Director for People and Communications	SLT	Finance and General Purposes Committee
6. Business Facilities	Head of Estates/Head of Estates and Facilities	SLT	
7. Business Systems and IT	Business Intelligence Director	SLT	
8. Marketing and Reputational	Director for people and Communications	SLT	
9. Property	Chief Executive Officer	SLT	

10. Business Development	Director Business Development	SLT	
11. MIS and Exams	Head Of MIS	SLT	
12. Student Support	Group Principal	SLT	

Appendix A

RISK MANAGEMENT QUESTIONNAIRE: RISK ASSESSMENT

1. Impact

In your opinion and experience, what do you think would be the significance or materiality of the consequences of the following business risks for United Colleges Group?

See Chart A: Criteria for Determining Risk Impact

2. Probability/Likelihood/Frequency

In your opinion, how likely is it that this risk will occur at the College?

See Chart B: Criteria for Determining Risk Likelihood

Risk No:	Risk:	<i>Relates to Strategic Aim:</i>
<u>Control Measures already in place intended to minimise Impact & Likelihood of risk:</u>		<u>Lead Responsibility</u>
<u>Measure</u>		

Assessment of Residual Risk [indicate the assessment by placing tick in appropriate box]	Residual Impact:	Insignificant 1	Minor 2	Moderate 3	High 4	Catastrophic 5
	Residual Likelihood:	Rare 1	Unlikely 2	Moderate 3	Likely 4	Almost Certain 5

<u>Any Further Comments and/or Action Proposed</u>

To be retained by the Lead Assessor