



REGIONAL BOARD

28 March 2024

Risk Management Framework

1.0 PURPOSE OF PAPER **For discussion**

- 1.1 The purpose of this paper is to provide the Committee with draft revised the Risk Management Framework for review and recommendation to the Strategic Board.

2.0 EXECUTIVE SUMMARY

- 2.1 Following the Board approval at the Board development day on 9th November the current Risk Management Framework was reviewed, and changes were agreed to simplify the reporting.
- 2.2 The draft Risk Management Framework has been reviewed by the Audit and Risk Committee on 8 February 2024.
- 2.4 The Board agreed the inclusion of Risk Appetite within the risk management process. Risk appetite
- 2.3 The revised Risk Management Framework is provided in Appendix 1.

3.0 RECOMMENDATION(S)/ACTION(S) REQUIRED

- 3.1 It is recommended that the Board
- 3.1.1 Agree the Risk Appetite Statement detailed in para 5.3
- 3.1.2 Approve the revised Risk Management Framework contained in Appendix 1.

4.0 BACKGROUND

- 4.1 Identifying and managing risk is a corner stone of effective management and good governance. The Board development day on 9th November agreed the revised format of the risk register and the inclusion of risk appetite.
- 4.2 The Risk Appetite is set at an overarching level for the College and at individual levels per risk. The Board has approved the risk appetite for each of the strategic risks which are included in the risk register. The Board requires to approve an overarching risk appetite.
- 4.2 The Board has delegated the below to the Audit and Risk Committee require the Committee:

“To monitor and ensure the effectiveness of the College Strategic Risk Register, the Risk Management Framework and the College approach to risk assessment and risk appetite, undertaking reviews as appropriate, and to oversee and approve revisions of, and amendments to, the College Business Continuity Plan”

5.0 RISK FRAMEWORK CHANGES

- 5.1 The current Framework was approved by the Board on 17 June 2021. A review was undertaken of this by the Board on 26 April which agreed the need to simplify the reporting and include Risk Appetite.
- 5.2 The Senior Leadership completed the review and presented the revised risk register template and strategic risk register to the Board at the development day on 9th November. The Board endorsed the revised template, agreed individual risk appetite for each risk and allocated each risk the Committee's for monitoring.
- 5.3 The draft Risk Management Framework contained in Appendix 1 includes a draft overarching risk appetite statement. This is shown below:

The College must take risks in order to achieve its aims and deliver beneficial outcomes to owners/stakeholders.

Risks will be taken in a considered and controlled manner.

Exposure to risks will be kept to a level deemed acceptable by the Board. The acceptable level may vary from time to time.

Some particular risks above the agreed acceptable level may be accepted because of the reward/benefit that might arise, the cost of controlling them, or the period of exposure.

No risks will be acceptable (and therefore must always be controlled) if they have the potential to cause significant harm, compromise severely the College's reputation, have financial consequences that could endanger the College's viability, jeopardise substantially the College's ability to deliver its core purpose or threaten the College's compliance with law and regulation.

5.4 The draft Risk Management Framework has been updated to reflect the agreed changes and is contained in Appendix 1. The main changes to the Framework are shown below and changes are shown via track changes in the document.

- Inclusion of definitions
- Inclusion of risk appetite levels
- Inclusion of overarching risk appetite statement
- Deletion of previous templates

5.5 The draft Framework was reviewed by the Audit and Risk Committee on 8 February and changes have been made to reflect the discussions.

6.0 IMPLICATIONS AND CONSIDERATIONS

6.1 Financial Implications

There are no direct financial implications from the contents of this report

6.2 Learner Implications

There are no direct learner implications from the contents of this report.

6.3 Staff Implications

There are no direct staff implications from the contents of this report.

6.4 Equality and Diversity Implications/Equality Impact Assessment

There are no direct equality implications from the contents of this report.

6.5 Sustainability/Environmental Implications

There are no direct sustainability implications from the contents of this report.

7.0 RISK COMMENTARY

7.1 The management of risks is an essential part of good governance for an organisation. The Risk Management Framework details the agreed management of the Colleges risks.

8.0 CONCLUSION

- 8.1 The draft Framework contained in Appendix 1 has been updated to reflect the methodology agreed by the Regional Board on 9th November 2023.

Kirsty Robb, Vice Principal Finance & Corporate Services

Previous Board or College Committee Approvals: Audit and Risk Committee 8 February 2024

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Regionally Focused – Globally Engaged

Risk Management Framework

March 2024

History of Changes

| Version | Description of Change | Authored by | Date |
|---------|---|-------------|---------------|
| 1.1 | Policy created | P Smith | August 2011 |
| 1.2 | Minor updates to policy | P Smith | August 2014 |
| 1.3 | Updated to include risk appetite and other minor changes | P Smith | December 2016 |
| 2.1 | Complete rewrite to reflect new approach as discussed through Board level risk workshops | H Robertson | August 2021 |
| 3.1 | Update to reflect agreed amendments to Risk Management by the Board and to include risk appetite. | K Robb | March 2024 |
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1.0 Introduction and Context

- 1.1 An effective risk management framework is essential to identify and manage uncertainty which impacts on the ability of the College to provide services and meet its objectives. This framework explains the College's approach to risk management, and documents the roles and responsibilities of the Regional Board, the Senior Leadership Team, and other key parties.
- 1.2 The Board has agreed that the College's overarching risk appetite and the risk appetite for individual risks. This will encourage maximisation of positive benefits of uncertainty as well as mitigating negative impacts.
- 1.3 Risk management systems can become over-engineered with too much focus on agreeing the risk score and on managing scores downwards or closing risks. The reality is more subtle, some uncertainty will be acceptable and some uncertainty we will want to exploit.
- 1.4 The risk management process:
 - considers perspectives and identifies uncertainty, both threats and opportunities
 - sets out existing controls
 - assesses the risk exposure if no further action is taken
 - agrees the risk appetite
 - agrees additional mitigation actions to be implemented
 - reports the progress on agreed actions

2.0 Scope

- 2.1 This framework outlines principles of risk management, identifies roles and responsibilities and describes the risk management process.
- 2.2 Risk is about uncertainty: the threat or possibility that an action, omission or event will adversely or beneficially affect the College's ability to achieve its strategic ambition.

3.0 Definitions

- 3.1 Risk – an uncertain event or set of events which, should it/they occur, will have an effect upon the achievement of objectives.
- 3.2 Risk Management – the activities required to identify and control exposure to uncertain events which may threaten the achievement of objectives.
- 3.3 Risk Appetite – A statement of an organisations attitude towards risk. The College has adopted a five point scale: Averse, Minimal, Cautious, Open and Hungry. The table over defines each of these.

| Risk Appetite | Description |
|---------------|--|
| Averse | Avoidance of risk and uncertainty in achievement of key deliverables or initiatives is key objective. Activities undertaken will only be those considered to carry virtually no inherent risk. |
| Minimal | Preference for very safe business delivery options that have a low degree of inherent risk with the potential for benefit/return not a key driver. Activities will only be undertaken where they have a low degree of inherent risk. |
| Cautious | Preference for safe options that have low degree of inherent risk and only limited potential for benefit. Willing to tolerate a degree of risk in selecting which activities to undertake to achieve key deliverables or initiatives, where we have identified scope to achieve significant benefit and/or realise an opportunity. Activities undertaken may carry a high degree of inherent risk that is deemed controllable to a large extent. |
| Open | Willing to consider all options and choose one most likely to result in successful delivery while providing an acceptable level of benefit. Seek to achieve a balance between a high likelihood of successful delivery and a high degree of benefit and value for money. Activities themselves may potentially carry, or contribute to, a high degree of residual risk. |
| Hungry | Eager to be innovative and to choose options based on maximizing opportunities and potential higher benefit even if those activities carry a very high residual risk. |

- 3.4 Risk Control – the process by which an organisation reduces the likelihood of a risk event occurring or mitigates the effects that risk should it occur.

4.0 Risk Appetite Statement

- 4.1 The Regional Board has adopted the following Risk Appetite Statement:

The College must take risks in order to achieve its aims and deliver beneficial outcomes to owners/stakeholders.

Risks will be taken in a considered and controlled manner.

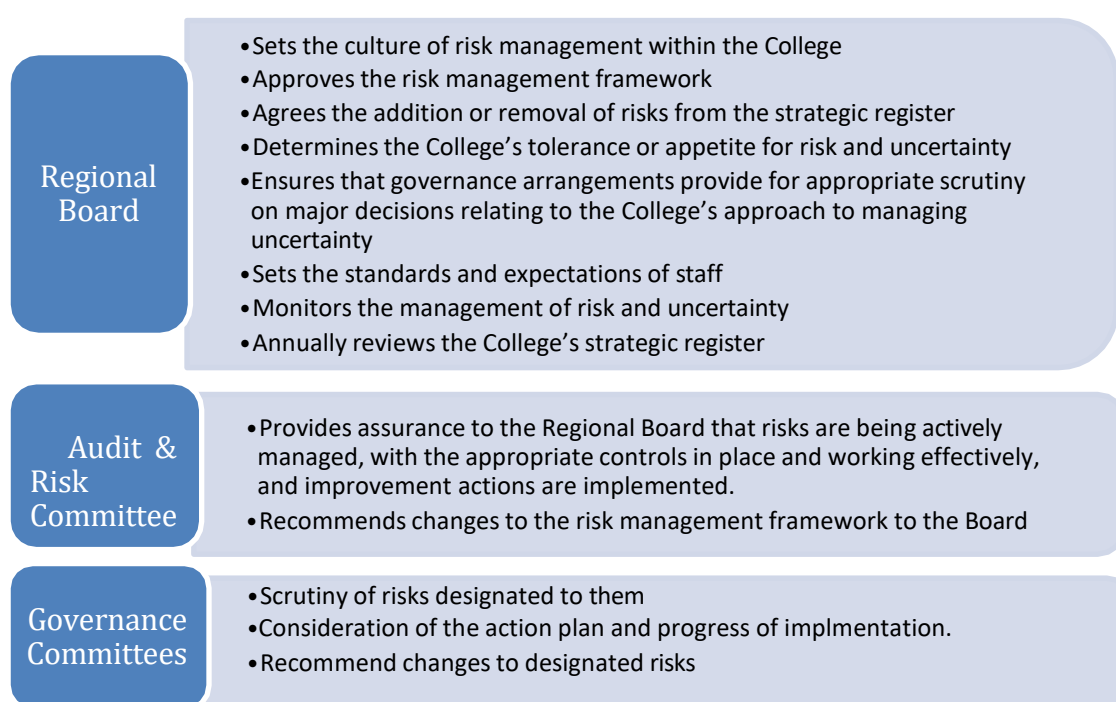
Exposure to risks will be kept to a level deemed acceptable by the Board. The acceptable level may vary from time to time.

Some particular risks above the agreed acceptable level may be accepted because of the reward/benefit that might arise, the cost of controlling them, or the period of exposure.

No risks will be acceptable (and therefore must always be controlled) if they have the potential to cause significant harm, compromise severely the College's reputation, have financial consequences that could endanger the College's viability, jeopardise substantially the College's ability to deliver its core purpose or threaten the College's compliance with law and regulation.

5.0 Risk Management Arrangements

5.1 The governance structure for risk management is shown below.

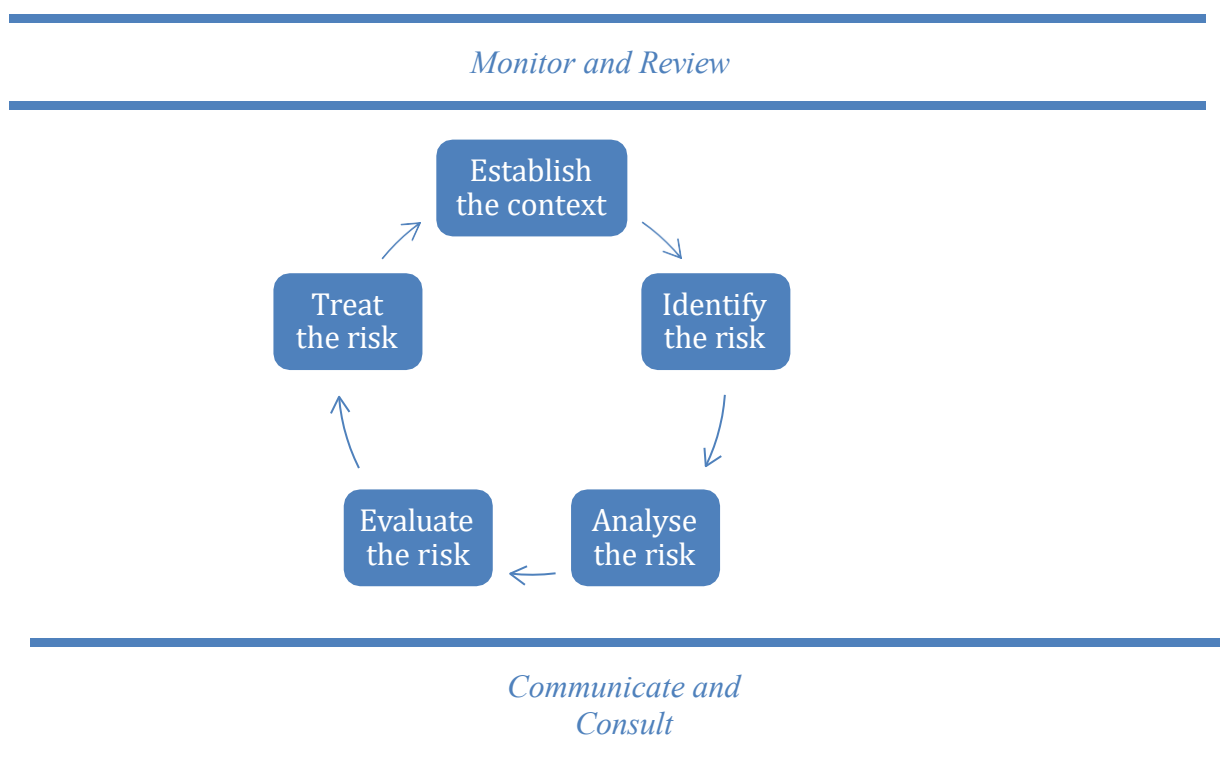


5.2 Management arrangements for risk management are shown below.



5.3 Risk management process

5.3.1 The risk management process is set out in the diagram below.



5.3.2 Establish the context

The context for the strategic risk register is the Board's Strategic Ambition, which is underpinned by supporting strategies, the financial plan and annual priorities, agreed by the Board as the means to realise the Strategic Ambition. This is supported by a comprehensive suite of policies/procedures.

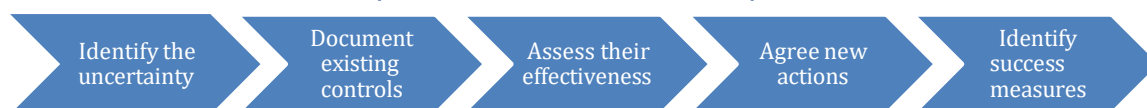
5.3.3 Identify the risk

Risks can be identified:

- when setting the Strategic Ambition it is good practice for the Board to reach a common understanding of strategic risk. This is often achieved through workshop activity.
- during the year by:
 - poor outcomes on KPIs
 - significant complaints or adverse events
 - the budgetary control process
 - considerations of the SLT
 - committees of the Board or the Board itself
 - audit activity
 - external reviews.

5.3.4 Analyse the risk

The risk is described in depth, which involves the steps below.



Analysing potential impact will involve reviewing the adequacy of the policy and internal control system, and performance management arrangements for that area of activity. This can be a self-evaluation, an audit review, or via an external evaluation. Best practice from other organisations can be a useful source of material.

5.3.5 Evaluate the risk

Evaluative activity enables the assessment of the impact of risk. Once a risk has been identified it should be evaluated for the likelihood of the risk occurring and the impact of the risk on the organisation. The criteria for scoring these are contained in Appendix 1.

Uncertainty can have a positive impact or a negative impact on the achievement of College objectives. Assessing the level of uncertainty comprises two elements: an uncertain event having an uncertain impact. The risk score is first assessed “as is”, before applying any additional control measures. The second score is based on the current mitigations in place and their effectiveness.

Risk Management Framework

Impact scoring

It is easiest to evaluate a risk by thinking about its impact first, then considering likelihood of that impact occurring. The impact of risk will be considered in four perspectives:

- Customer
- Financial
- internal processes
- organisational capacity.

Setting out criteria for scoring the impact for each perspective allows for comparability of risk scores.

Overall risk scoring

The table below combines impact and likelihood to determine the risk score (sometimes called risk exposure).

| Impact /Likelihood | Negligible | Minor | Moderate | Major | Extreme |
|--------------------|------------|-------|----------|-------|---------|
| Almost certain | 5 | 10 | 15 | 20 | 25 |
| Likely | 4 | 8 | 12 | 16 | 20 |
| Possible | 3 | 6 | 9 | 12 | 15 |
| Unlikely | 2 | 4 | 6 | 8 | 10 |
| Rare | 1 | 2 | 3 | 4 | 5 |

5.3.6 Treat the risk

Once the level of risk has been established the Board retains responsibility for agreeing risk appetite levels.

This stage involves agreeing and implementing plans for how to minimise the adverse aspects or realise the positive aspects of the risk. There are three strategic approaches for managing risk. The agreed approach will be stated in the “action” column of the register.

| | |
|----------|--|
| Tolerate | accept the risk and take no further action |
| Treat | implement additional controls or action plan to reduce negative impact or to increase positive impacts, and/or likelihood |
| Transfer | if the risk relates to working with third parties, put in place actions that mean the risk is shared or indeed fully transferred to that third party |

A new strategic risk will be considered by the SLT and an action plan agreed. New risks which are red or amber should be immediately discussed with a member of the Executive team so that an appropriate response can be agreed.

Depending on the Board reporting schedule, new risks may be considered by the relevant committee before seeking the Board’s permission to add it to the strategic register.

A new risk will be reported to the Board with a recommendation on whether this requires to be a new risk on the register, or incorporated within an existing strategic risk. The Board will agree if this risk can be delegated to a committee for detailed scrutiny.

5.4 Risk Reporting

The risk reporting system includes controls, actions and progress on implementation of the agreed actions.

Risk and action owners will update their actions and progress in line with the Committee cycles. Risk update reports will be included on all Committee and Board agendas. More frequent reporting will be required for risks where urgent action is required or the level of risk is significantly above risk appetite levels.

Reports to the committees and Board will highlight:

- New risks
- Changes in controls
- New actions
- Actions progress and actions which are behind schedule
- Risks that are above the agreed risk appetite
- Changes in risk score
- Risks recommended for closure.

5.5 Strategic risk register

The strategic risk register is owned by the Regional Board and is considered monthly by the SLT. It is fully reviewed as part of setting annual priorities, and emerging risks, new controls, actions and risk indicators are recommended to the Board. Each risk has a Risk Owner who leads for each action.

5.6 Operational and project risk management

Managers will use this framework to ensure that significant risks in their departments are identified, assessed and monitored. Risk owners for projects (and programmes) will also use this to manage risks. New and emerging material operational or project risks should be escalated to the SLT for consideration.

6.0 Supporting roles and arrangements

6.1 Executive leadership

The Vice Principal - Finance and Corporate Services provides leadership for implementation of this framework, and for generating reports for Board and its committees to consider.

6.2 SLT leadership

Departmental managers and project managers are responsible for the application of controls to mitigate risks within their areas of responsibility.

The Audit and Risk Committee will receive assurance from SLT managers that effective risk management is in place within their area of responsibility.

6.3 Internal audit

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 College. The internal audit plan takes account of the risks facing the College.

6.4 External audit

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

6.5 Third party reports

From time to time, the use of external consultants will be necessary in areas such as health and safety, Facilities, Information Technology and human resources. The use of specialist third parties for consulting and reporting can increase the reliability of the internal control system.

7.0 Related Documents

7.1 Strategic Ambition

7.2 Supporting Strategies and Financial Plan

7.3 Financial Regulations

7.4 College Policies

8.0 Review

8.1 This policy will be reviewed every 3 years or sooner if required.

Risk Management Framework

APPENDIX 1 RISK EVALUATION _- Scoring

The table below sets out the scoring criteria for risk impact across the four perspectives, eg

- adverse financial impact of £75k would be a major impact (amber)
- sustained loss of service with impact on educational services would be a major impact (amber)
- a single RIDDOR would be a moderate impact (yellow).

| Perspective | Element | Negligible-1 | Minor - 2 | Moderate -3 | Major - 4 | Extreme - 5 |
|--------------------------------|--|---|--|--|---|---|
| Customer (External) | Inspection / Audit | Small number of recommendations - minor quality improvement | Recommendations which can be addressed by low level of management action | Challenging recommendations which can be addressed with appropriate action plan | Enforcement action, low rating. Critical report | Prosecution, zero rating, severely critical report. |
| | Reputation | Rumors, no media coverage, little impact on staff morale | Local press, little impact on morale and public perception | Local media coverage. Long term adverse publicity. Significant effect on staff morale and public perception | National media coverage less than three days. Public confidence undermined. Use of services affected | National media coverage > 3 days. MSP/MP concern (questions in Parliament), public enquiry, enforcement |
| Customer (learners) | Business interruption | Interruption in a service which does not affect delivery of educational services | Short term interruption which has minor impact on educational delivery | Some disruption with unacceptable impact on educational delivery. Temporary loss of ability to provide services. | Sustained loss of service which has serious impact on ability to delivery educational services, resulting in major contingency plans being invoked. | Permanent loss of core service or delivery. Disruption to services causing significant knock on effect |
| | Student experience | Reduced quality of student experience/outcome directly due to curriculum delivery | Unsatisfactory student experience / outcome - readily resolvable | Unsatisfactory student experience / outcome - resolvable within xxx time | Unsatisfactory student experience / outcome - resolvable within xxx time | Unsatisfactory student experience / outcome - long term impact |
| | Complaints | Locally resolved verbal complaint | Justified written complaint | Justified complaint involving lack of professionalism | Multiple justified complaints | Complex justified complaints |
| Financial | Financial | Negligible <£1k | Minor >£1k to £10k | Significant >£10k to £50k | Major >£50k to £100k | Over £100k |
| Internal process | Objectives / Project | Barely noticeable impact on scope, quality or schedule | Minor reduction in scope, quality or schedule | Reduction in scope, quality or schedule | Significant project overrun / reduction in quality | Inability to meet project objectives / impact on reputation |
| | Injury to student/ staff / visitors | Adverse event not requiring first aid | Minor injury/illness requiring first aid | Agency reportable | Long term incapacity requiring medical treatment or counselling | Death or major permanent incapity |
| Organisational capacity | Staffing | Short term low staffing levels temporarily affecting service quality | Ongoing low staffing level reducing service quality. Minor error due to ineffective training | Late delivery of objectives due to lack of staff. Moderate error due to ineffective training. | Uncertain delivery of objectives due to lack of staff. Major error due to ineffective training | Non delivery of key objective due to lack of staff. Loss of key staff and inability to recruit. Critical error due to ineffective training. |

Likelihood Scoring

The table below provides guidance on scoring the likelihood of an event occurring

| Rare – 1 | Unlikely – 2 | Possible – 3 | Likely -4 | Almost Certain - 5 |
|---|--|--|--|--|
| Cant believe this event would ever happen - will only happen in exceptional circumstances | Not expected to happen but definite possibility exists - unlikely to occur | May occur occasionally - has happened before on occasions - reasonable chance of occurring | Strong possibility that this could occur - likely to occur | This is expected to occur frequently - more likely to occur than not |

| | |
|---------------------------|---|
| Status: | Approved |
| Policy Dated: | March 2024 |
| Author: | Vice Principal – Finance & Corporate Services |
| Review Date: | July 2027 |
| Equality Impact Assessed: | Yes |
