



Regionally Focused – Globally Engaged

Risk Management Framework

September 2021

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

1.0 Introduction and Context

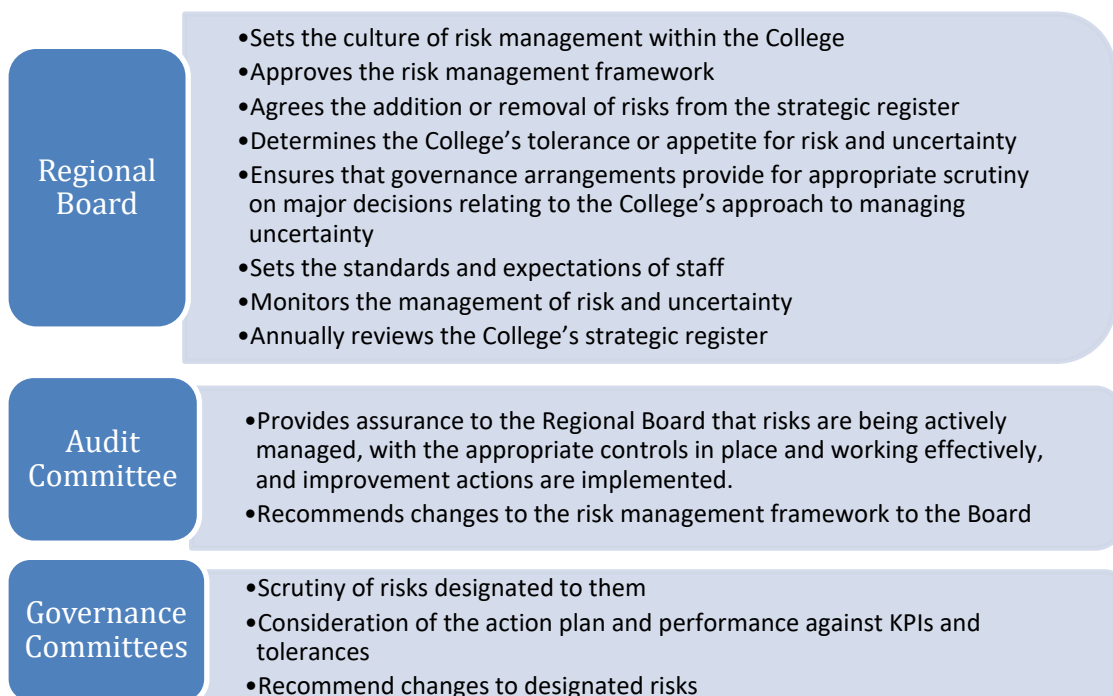
- 1.1 An effective risk management framework is essential to identify and manage uncertainty which impacts on the ability of the College to provide services and meet its objectives. This framework explains the College's approach to risk management, and documents the roles and responsibilities of the Regional Board, the Senior Leadership Team, and other key parties.
- 1.2 The Board has agreed that the College's risk appetite will be defined for individual risks, not as a global statement for College activity, nor as a statement per strategic objective. 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 priority actions and tolerances
 - sets target risk level and measures impact through KPIs and outcomes of change management activities, rather than just through scores.

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 Risk Management Arrangements

3.1 The governance structure for risk management is shown below.



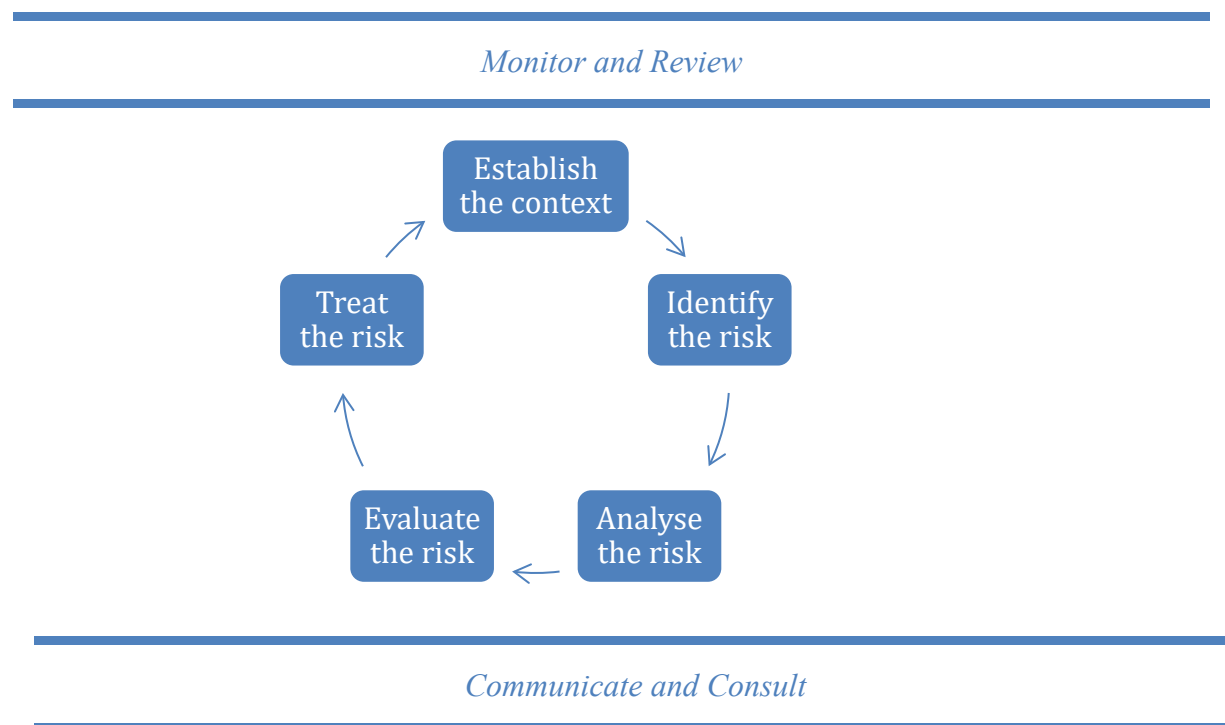
3.2 Management arrangements for risk management are shown below.



Risk Management Framework

3.3 Risk management process

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



3.3.2 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.

3.3.3 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.

3.3.4 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.

3.3.5 Evaluate the risk

The table below sets out the method for capturing risk analysis and moving onto evaluation activity.

<u>Positive uncertainty – opportunity</u>	<u>Negative uncertainty – threat</u>
<u>Existing controls</u>	<u>Planned activity</u>
<u>Performance measures</u>	<u>Tolerance level</u>

Evaluative activity enables the assessment of the impact of risk.

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.

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.

Risk Management Framework

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	Minor	Moderate	Major	Extreme
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	Rumours, 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 deliver 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 incapacity
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.

Risk Management Framework

Likelihood scoring

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

Probability	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
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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

3.3.6 Treat the risk

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

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 theme. The Board will agree if this risk can be delegated to a committee for detailed scrutiny.

Risk Management Framework

Decisions to rectify problems are made at meetings of the SLT, Projects' Board, committees of the Board and the Board.

3.4 Risk Reporting

The risk reporting system includes controls, actions and performance indicators.

Risk and action owners will update their actions and progress quarterly. More frequent reporting will be required for risks where urgent action is required or the level of risk is significantly above tolerance levels.

Reports to the committees and Board will highlight:

- New risks
- Changes in controls
- New actions
- Actions which are behind schedule
- KPIS which are outwith tolerance levels
- Changes in risk score
- Risks recommended for closure.

3.5 Strategic risk register

The strategic risk register is owned by the Regional Board and is considered quarterly 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 an Executive lead and SLT leads for each action / indicator.

3.6 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.

4.0 Supporting roles and arrangements

4.1 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.

4.2 SLT leadership

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

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

4.3 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.

4.4 External audit

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

4.5 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.

5.0 Related Documents

5.1 Strategic Ambition

5.2 Supporting Strategies and Financial Plan

5.3 Financial Regulations

5.4 College Policies

6.0 Review

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

APPENDIX 1 TEMPLATE STRATEGIC RISK REGISTER

Strategic Risk Management Report

Ref	Strategic ambition performance measures	Strategic Risk Theme	Scrutiny	Perspective	Target	Rating Oct 21	Rating Aug 21
1a	Recognised leader in sustainable practice; influential and collaborative partner; recognised nationally as progressive organisation; delivery models are personalised focus on individual and business need	Major changes / opportunities in political environment	Board	Customer			
1b	Alumni skilled, resilient and agile; student outcomes in the top quartile; engaged and empowered student body; student satisfaction in the top quartile	Profound impact of COVID19 on delivery and student achievement	Board	Customer			
1c	Alumni skilled, resilient and agile; student outcomes in the top quartile; engaged and empowered student body; student satisfaction in the top quartile	Ability to proactively engage with our community and stakeholders to ensure our practice reflects their needs	Curriculum & Quality	Customer	TREAT (6)		9
2	Financial plan objectives to be met	Uncontrolled variability in income streams	Finance & GP	Financial	TREAT (6)		6
3a	Internal processes to be observed						
3b	Integrated asset management - maximise technology deployment	Inadequate IT and information management and security leading to information breach, excess costs and service unavailability	Audit	Organisational	TREAT (6)		9
3c	Compliance with financial regulations	Potential breakdown in internal financial controls leading to loss of funds / excess costs / fraud	Audit	Organisational	TREAT (6)		9
4	Agile and creative staff body; engaged and empowered staff body; staff satisfaction in the top quartile	Staff are not motivated, engaged or capable	Finance & GP	Organisational	TREAT (4)		6

TEMPLATE STRATEGIC RISK THEME

Choose perspective (high level description)

Number and describe the risk theme and potential impact			
Positive uncertainty – opportunity		Negative uncertainty – threat	
Existing controls	Planned activity	Responsible	Date
Performance measures	Tolerance level		

Owner	Scrutiny	Impact	Likelihood
responsible Executive	Delegated committee		
		Overall score	
		Strategy and appetite	

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