D

AUDIT & RISK COMMITTEE

08 February 2024

BORDERS COLLEGE REGIONAL BOARD

Risk Management Framework

1.0 PURPOSE OF PAPER
For discussion

1.1 The purpose of this paper is to provide the Committee with a revised draft of 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 revised to reflect the agreed changes and is provided in Appendix 1.

3.0 RECOMMENDATION(S)/ACTION(S) REQUIRED

3.1 It is recommended that the Committee: -

3.1.1 Agree the revised Risk Management Framework contained in Appendix 1.

3.1.2 Recommend the revised Risk Management Framework for approval to the Regional Board.

4.0 BACKGROUND

4.1 The Terms of Reference for the Audit and Risk Committee require the Committee to:

"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"

4.2 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.

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 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

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:

Alternative formats

If you need access to a college document in an alternative format, for example, accessible PDF, large print, easy read, audio recording and braille:

- Complete an accessibility request form by **clicking on this link**.
- Call **01896 66 26 00** and ask to speak with the Marketing Team.

We will consider your request and get back to you within 5 working days.

Translate documents from this website into other languages

You can download any of our published documents and translate them into many languages. Please click this link to use **Google Translate**

For publication ☒	**Not for publication** ☐ **If not, why not?**

BORDERS COLLEGE

Regionally Focused – Globally Engaged

Risk Management Framework

March 2024~~September 2021~~

Uncontrolled Copy

Uncontrolled Copy

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	Feb 2024

Uncontrolled Copy

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 ~~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~~
- agrees the risk appetite
- agrees additional mitigation actions to be implemented
- reports the progress on agreed actions
- ~~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 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

Uncontrolled Copy

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 my 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.

Uncontrolled Copy

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.

3.0 Risk Management Arrangements

3.1 The governance structure for risk management is shown below.

Regional Board

- Sets the culture of risk management within the College
- Approves the risk management framework
- Agrees the addition or removal of risks from the strategic register
- Determines the College's tolerance or appetite for risk and uncertainty
- Ensures that governance arrangements provide for appropriate scrutiny on major decisions relating to the College's approach to managing uncertainty
- Sets the standards and expectations of staff
- Monitors the management of risk and uncertainty
- Annually reviews the College's strategic register

Audit & Risk Committee

- Provides assurance to the Regional Board that risks are being actively managed, with the appropriate controls in place and working effectively, and improvement actions are implemented.
- Recommends changes to the risk management framework to the Board

Governance Committees

- Scrutiny of risks designated to them
- Consideration of the action plan and progress of implmentation~~erformance against KPIs, and tolerances~~
- Recommend changes to designated risks

Uncontrolled Copy

3.2 Management arrangements for risk management are shown below.

Senior Leadership Team (SLT)	• Implements approved policies • Maintains a strategic risk register which realistically discloses the implications of positive and negative uncertainty and actions to be taken to maximise benefit to the College • Incorporates management of uncertainty into delivery plans • Provides adequate information to the Board and its Committees on the status of strategic risks, actions, and performance • Supports the Board in its annual review of the strategic risk register
Projects' Board	• Receives reports on significant programme risks • Maintains a schedule of project risks for monitoring by project sponsors, managers and teams
Risk owner	• Designated post holder who is responsible and accountable for managing the risk in question

3.3 Risk management process

3.3.1 The risk management process in 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.

Uncontrolled Copy

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

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.

Impact scoring

Uncontrolled Copy

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

3.3.6 Treat the risk

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

Uncontrolled Copy

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

3.4 Risk Reporting

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

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

Reports to the committees and Board will highlight:

- New risks
- Changes in controls
- New actions
- Actions progress and actions which are behind schedule
- ~~KPIS which are outwith tolerance levels~~Risks that are above the agreed risk appetite
- 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 monthly~~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 a Risk Owner~~Executive lead~~ who~~and SLT l~~ 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.

Uncontrolled Copy

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 and Risk 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.

Uncontrolled Copy

Formatted: Space Before: 0.15 pt

Formatted: Normal, Right: 0 cm, Space Before: 4.5 pt, Line spacing: Exactly 14.25 pt, Tab stops: 8.51 cm, Left + 15.99 cm, Right

APPENDIX 1 ~~TEMPLATE STRATEGIC RISK REGISTER~~RISK EVALUATION _ - Scoring

~~Strategic Risk Management Report~~

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), pubic 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 incapcity

Risk Management Framework

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

Uncontrolled Copy