

# **BSix Brooke House Sixth Form College**

## **Risk Management Policy and Strategy**

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For Action By:	All Staff
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# Risk Management Policy and Strategy

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## RISK POLICY

### 1. Purpose of the Policy

- 1.1 Risk management is an integral part of the college's arrangements for internal control and corporate governance. This policy outlines the college's underlying approach to risk management and sets out the responsibilities of the Corporation and the Audit Committee, the Senior Management Team, the College Management Group, the Vice Principal – Finance & Resources and all other key parties.

### 2. Underlying approach to risk management

- 2.1 The risk management process will:
- i. Identify risks that may prevent the college from achieving its objectives
  - ii. Analyse those risks
  - iii. Avoid certain risks
  - iv. Manage the risks that remain.

### 3. Risk Management policy context

- 3.1 BSix Sixth Form College has adopted the view that successful risk management should be an integrated process that aims to ensure the most efficient combination of controls necessary to provide reasonable assurance that the objectives of the College can be achieved.
- 3.2 What is a risk?  
“The threat or possibility that an action or event will adversely or beneficially affect an organisations ability to achieve its objectives”.
- 3.3 What is risk management?  
“A process which provides assurance that:
- i. objectives are more likely to be achieved.
  - ii. damaging events will not happen, or are less likely to happen.
  - iii. beneficial events will be or are more likely to be achieved”. \*Marsh UK

#### **4. Risk Management Policy**

- 4.1 The College's Risk Management Policy is that it aims to ensure that the College employs risk management best practice including the Turnbull guidance (first published in 1999).
- 4.2 The college is seeking to ensure that its risk management is a process whereby the College methodically addresses the risks attaching to its objectives and associated activities with the goal of achieving sustained benefit within each activity and across the whole range of activities.
- 4.3 The college will follow the disclosure requirements under the Turnbull guidelines for Corporate Governance published in 1999 that were subsequently reflected in the FE sector's Audit Code of Practice. The disclosure requirements under Turnbull can be summarised as follows:
- i. The Corporation acknowledges responsibility for the system of internal control.
  - ii. An ongoing process is in place for identifying, evaluating and managing all significant risks.
  - iii. An annual process is in place for reviewing the effectiveness of the system of internal control.
  - iv. There is a system in place to deal with internal control aspects of any significant issues disclosed in the annual report and accounts.
- 4.4 The college will follow the Turnbull view on what constitutes a sound system of internal control, by ensuring that consideration is given to:
- i. The nature and extent of the risks facing the organisation.
  - ii. The extent and categories of risk which it regards as acceptable.
  - iii. The likelihood of the risks concerned materialising.
  - iv. The organisation's ability to reduce the incidence and impact of the risks that do materialise.
- 4.5 It will also incorporate the Turnbull view that "the system of internal controls should:
- i. be capable of responding quickly to evolving risks;
  - ii. include reporting procedures of any significant failings; and
  - iii. incorporate a Risk Management Group".
- 4.6 This policy is based on the Corporation having overall responsibility for the adequacy and effectiveness of the Colleges system of internal control (usually through receiving reports from the Audit Committee). The Audit Code of Practice also requires the Audit Committee to make a statement within its annual report to the Corporation confirming it is satisfied with the assessment of risk.

## **5. Underlying approach to risk management**

5.1 The following key principles outline the college's approach to risk management and internal control:

- i. The board of governors has responsibility for overseeing risk management within the college as a whole.
- ii. An open and receptive approach to solving risk problems is adopted by the board of governors.
- iii. The principal and the senior management team supports, advises and implements policies approved by the board of governors.
- iv. The college makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks.
- v. Heads of curriculum and business support department are responsible for encouraging good risk management practice within their department.
- vi. Key risk indicators will be identified and closely monitored on a regular basis.

## **RISK MANAGEMENT STRATEGY**

### **6. Purpose of the Risk Management Strategy**

6.1 This strategy aims to:

- i. Set out the Risk Management Objectives of the college;
- ii. Outline the roles and responsibilities for risk management;
- iii. Identify risk management processes to ensure that all risks are appropriately identified, controlled and monitored; and
- iv. Ensure appropriate levels of awareness throughout the College.

### **7. Risk Management Objectives**

7.1 The objectives for managing risk across the College are:

- i. To employ risk management best practice;
- ii. To ensure risks facing the College are identified and appropriately documented;
- iii. To provide assurance to the Corporation that risks are being adequately controlled, or identify areas for improvement.
- iv. To ensure action is taken appropriately in relation to accepting, mitigating, avoiding and transferring risks.

### **8. Overview of how the objectives will be delivered**

8.1 These aims and objectives will be achieved by:

- i. Maintaining a risk management organisational structure to act in an advisory and guiding capacity which is accessible to all staff.
- ii. Maintaining documented procedures for the control of risk.
- iii. Providing suitable information, training and supervision.
- iv. Maintaining effective communication and the active involvement of all staff.
- v. Monitoring arrangements on a regular and on-going basis.

## **9. Roles and responsibilities**

### ***Corporation***

9.1 The Corporation has a fundamental role to:

- i. Set the tone and influence the culture of risk management within the College.
- ii. Determine the appropriate risk appetite or level of exposure for the College.
- iii. Approve major decisions affecting the College's risk profile or exposure.
- iv. Set policy and strategy for risk management.
- v. Review the Risk Register termly
- vi. Frequently monitor the management of significant risks to reduce the likelihood of unwelcome surprises or impact.
- vii. Satisfy itself that the less significant risks are being actively managed, with the appropriate controls in place and working effectively.
- viii. Annually review the College's approach to risk management and approve changes or improvements to key elements of its processes and procedures.

### ***Audit Committee***

9.2 The Audit Committee will:

- i. Review the Corporate Risk Register at its meetings, at least once termly.
- ii. Consider how these risks should be managed.
- iii. Consider the College's ability to minimise the probability and impact of these risks.
- iv. Consider the effectiveness of the risk management process.
- v. Consider the risk implications of Corporation Board decisions.
- vi. Provide on-going advice on the effectiveness of the risk management process.

### ***College Senior Management Team ("SMT")***

9.3 SMT has overall responsibility for risk management. It will:

- i. Review the Corporate Risk Register and Risk Management Plan through the Risk Management Group Meetings.
- ii. Review key performance indicators and progress towards objectives.
- iii. Take necessary action to address adverse departures from objectives.
- iv. Provide adequate information on a regular basis to the Audit Committee on the most significant risks.

### ***Vice Principal – Finance and Resources***

- 9.4 The Vice Principal – Finance and Resources has lead responsibility for risk management processes and the College-wide Risk Register. This responsibility includes:
- i. Monitoring the performance of risk management processes.
  - ii. Ensuring that appropriate controls are in place to manage identified risks.
  - iii. Preparation of periodic reports to Audit Committee.

### ***Risk Management Group***

- 9.5 The Risk Management Group will formally review the Risk Register and Risk Management Plan at least termly with meetings timed to feed in to the meetings of the Audit Committee. The Group will be chaired by the Vice Principal. Following each meeting of the Risk Management Group, the revised Risk Register will be considered by the Audit Committee and form part of that Committee's report to the Corporation.

### ***College Management Group (CMG)***

- 9.6 Members of CMG will:
- i. Have primary responsibility for managing risk on a day-to-day basis.
  - ii. Have responsibility for promoting risk awareness within their operations.
  - iii. Introduce risk management objectives into their businesses.
  - iv. Identify and evaluate the significant risks faced by their operations for consideration by the **SMT** and Risk Management Group.
  - v. Ensure that risk management is incorporated at the conceptual stage of projects as well as throughout a project.
  - vi. Ensure that risk management is a monthly management meeting item to allow consideration of exposure and to prioritise work in the light of effective risk analysis.
  - vii. Report early warning indicators to **SMT**.

### ***Staff***

- 9.7 Staff will
- i. Understand their accountability for individual risks.
  - ii. Understand that risk management and risk awareness are a key part of the College's culture.
  - iii. Understand how they can enable continuous improvement of risk management response.
  - iv. Report systematically and promptly to senior management any perceived new risks or failures of existing control measures.

## 10. Identification and evaluation of risks

### *Identification of risks*

- 10.1 The college will follow best practice and will have a process that provides for risk identification to be approached in a methodical way to ensure that all significant activities have been identified and all the risks flowing from these activities have been defined. BSix Sixth Form College's approach to risk management is linked to its strategic objectives.

### *Evaluation of risks*

- 10.2 Risks will be evaluated against agreed criteria to make decisions about the significance of risks to the organisation. The College will use a 5x9 matrix to assess impact and probability, as illustrated in the diagram below:

		Likelihood				
		1	2	3	4	5
Impact (financial + reputational)	10					
	9					
	8					
	7					
	6					
	5					
	4					
	3					
	2					

- 10.3 Risks with evaluated scores in the green zones are allowed to fall out of the risk register until they arise again.
- 10.4 The College's risk appetite is defined by the boundary delineated by the yellow shaded area (represented by scores of 12 and above) in the risk matrix. Above this threshold, the College will actively seek to manage risks and will prioritise time and resources to reducing, avoiding or mitigating these risks. They will accordingly be included in the Strategic Risk Register.

	<b>Risk</b>	<b>Score</b>
	Very high	34+
	High	24 to 34
	Moderate	12 to 23
	Low	6 to 11
	Very low	3 to 5
	Negligible	Up to 2

### ***Descriptions of risks***

- 10.5 The descriptors for impact (financial and reputational) and probability are expanded as follows:

### ***Financial impact***

Score	Impact	Selection criteria
5	Very high	<ul style="list-style-type: none"> <li>• &gt; 10% of income</li> <li>• &gt;£820,000</li> </ul>
4	High	<ul style="list-style-type: none"> <li>• &gt;3%</li> <li>• &gt;£250,000</li> </ul>
3	Moderate	<ul style="list-style-type: none"> <li>• Between 1% and 3%</li> <li>• £85,000 to £250,000</li> </ul>
2	Low	<ul style="list-style-type: none"> <li>• Less than 1%</li> <li>• &lt;£85,000</li> </ul>
1	Very low	<ul style="list-style-type: none"> <li>• &lt;£20,000</li> </ul>

### **Image/Reputational impact**

Score	Impact	Selection criteria
5	Very high	<ul style="list-style-type: none"> <li>Extremely significant adverse effect on all areas of the College's business</li> </ul>
4	High	<ul style="list-style-type: none"> <li>Likely to create adverse local publicity, which could impact on reputation and on levels of student recruitment</li> <li>Likely to have a significant effect on all staff motivation and on employee relations leading to dissatisfaction and poor quality delivery</li> <li>Impact on health and safety of employees, students and visitors</li> </ul>
3	Moderate	<ul style="list-style-type: none"> <li>Limited local adverse publicity</li> <li>Issues noted by external bodies</li> <li>Some risks of injuries to individuals</li> </ul>
2	Low	<ul style="list-style-type: none"> <li>Impacts at an individual level</li> <li>Little impact for groups of students or staff</li> </ul>
1	Very low	<ul style="list-style-type: none"> <li>No adverse publicity</li> <li>External parties not impacted</li> <li>No impact on students</li> </ul>

### **Likelihood**

Score	Impact	Selection criteria
5	Very high	<ul style="list-style-type: none"> <li>Expected to occur or re-occur</li> </ul>
4	High	<ul style="list-style-type: none"> <li>Probable</li> <li>This is likely to occur in the near future</li> </ul>
3	Moderate	<ul style="list-style-type: none"> <li>Possible</li> <li>This could occur in the near future</li> </ul>
2	Low	<ul style="list-style-type: none"> <li>Unlikely</li> <li>Not likely to occur in the foreseeable future</li> </ul>
1	Very low	<ul style="list-style-type: none"> <li>Very unlikely</li> <li>Minimal chance of occurrence</li> </ul>

### **Risk scoring**

- 10.6 The overall risk score is calculated as the sum of the financial and reputational impact scores multiplied by the likelihood score. This produces a risk score of between 2 and 50.

Risk description	Impact		Likelihood	Risk score
	Financial	Reputational		
Safeguarding learners	3	5	4	32

### ***Addressing risks***

10.7 When responding to a risk, the College will seek to ensure that it is managed and does not develop into an issue where the potential threat materialises. The college will adopt **one** of the four risk management responses outlined below:

- Avoid** Counter measures are put in place that will either stop a problem or threat occurring or prevent it from having an impact on the business.
- Transfer** The risk is transferred to a third party, for example through an insurance policy.
- Mitigate** The response actions either reduce the likelihood of a risk developing or limit the impact on the college to acceptable levels.
- Accept** Accepting the possibility that the event might occur, for example because the cost of the counter measure will outweigh the possible downside, or because there is only a remote probability of the event occurring.

## **11. Risk monitoring and reporting**

11.1 The aim of monitoring and reporting risk is to provide assurance to the Corporation, SMT, Funding Bodies, Auditors and other stakeholders that the college is effectively managing its risks and has a robust system of internal controls.

### ***Risk Register***

11.2 The Corporate Risk Register and Risk Management Plan will highlight the key risks facing the College, together with a breakdown for each key strategic priority. The Risk Management Plan will include all items with combined scores of **9** or above, and for each risk will indicate:

- i. The inherent, residual and target risk scores.
- ii. Measures already in place to control the risk.
- iii. Proposed actions to address the risk, with due by dates.
- iv. Contingency plans should the risk materialise.
- v. Which strategic priorities are affected by the risk.
- vi. The risk owner.

11.3 Any significant changes in risk impact or probability, or the occurrence of an event which raises the profile of a risk, will be recorded on the risk register as it occurs. Any new or increased risks will be evaluated and, if appropriate, recorded in the Risk Register.

### ***Risk monitoring***

- 11.4 The college will identify the potential causes of a risk crystallising prior to early warning signs and existing controls.
  - 11.5 The likelihood or impact of an identified risk can change for a number of reasons including:
    - i. Nature of the risk has changed or is changing.
    - ii. Existing controls are inadequate or not functioning.
    - iii. New controls are introduced.
  - 11.6 Early warning indicators will be designed for each risk to alert management to the situation effectively. These should have triggers, be described in the risk register and be highlighted in monthly reports to management and the next Corporation meeting. Key characteristics of monitoring mechanisms are:
    - i. Information must reach the level of management where decisions can be made.
    - ii. Mechanism must pick up the problem before it happens, or at least before it gets too serious.
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# IMPACT

Rating	Rating Scale	Safety	Reputation	Media attitude	Regulatory Action	Legal Action	Staff	Criminal	Regulatory/ Industry Status
<b>Very low</b>	<b>1</b>	No risk of injury. H&S compliant	External parties not impacted or aware of problem	No adverse media or trade press reporting	High compliance standards recognised	Unsupported threat of legal action	Minimal effect on staff	High control standards maintained and recognised	No or little change to regulation in recent history/near future
<b>Low</b>	<b>2</b>	Small risk of minor injury. H&S policy not regularly reviewed	Some external parties aware of the problem, but impact on external parties are minimal	"Routine" sniping	Oral comments received	Legal action with limited potential for decision against	Potential for minor injury or intruding into normal non-working time	Attempted unsuccessful access to operational systems; minor operational information leaked or compromised	Limited recent or anticipated changes
<b>MODERATE</b>	<b>3</b>	High risk of injury, possibly serious. H&S standards insufficient / poor training	Significant number of external parties aware of problems	Critical article in Press or TV. Public criticism from industry body	Findings in written examination report	Probably settlement out of court	Injury requiring hospital treatment for more than one member of staff. Intrusion into normal non-working time	Logical or physical attack into its operational systems	Modest changes recently or anticipated
<b>High</b>	<b>4</b>	Considerable risk of injury, possibly leading to serious risk to health. H&S investigation	Considerable number of external parties aware of problems; potential cost to third parties	Critical article in multiple media outlets. Public criticism from multiple organisations	Written examination report. Single violation	Lawsuit against with opportunity for settlement out of course	Considerable injuries requiring hospital treatment. Considerable intrusion into staff's time	Operational systems may be compromised. Potential for police investigation.	Considerable changes to industry
<b>Very high</b>	<b>5</b>	Serious risk or injury possibly leading to loss of life. H&S investigation resulting in investigation and loss of revenue	Cost to third parties	Story in multiple media outlets and/or national TV main news over more than one day	Multiple or repeat violations	Lawsuit against for major violation with limited opportunity for quick settlement	Significant injuries, potential death. Major intrusion into staff's time	Police investigation launched; operational data or control systems may be compromised	Significant changes to industry