

RISK MANAGEMENT POLICY OPEN TRAINING COLEGE

1. Introduction

Risk management is the on-going process that informs strategic development through the identification and treatment of risk so that strategic objectives are more likely to be achieved, damaging events are avoided or minimised and opportunities are maximised. Good risk management increases the probability of success, and reduces the probability of failure and uncertainty of achieving the College's objectives. The OTC is committed to establishing and maintaining a systematic approach to the identification, assessment and management of risk.

Note: prior to the QA review for Re-engagement risk management in the College was more implicit and informal than explicit and formal. This following Risk Management Policy and procedures will operate from Autumn 2018.

2. Purpose

The purpose of the risk management policy is to provide guidance regarding the management of risk and to explain the College's underlying approach to risk management and to document the roles and responsibilities of SMH Board (finance and business) , OTC Academic Council (academic matters) and its sub-committees, the senior management team and other key parties in order to:

- support the achievement of strategic objectives;
- protect staff, students and assets;
- ensure financial sustainability; and
- to comply with the requirements of self-monitoring.

It also outlines key aspects of the risk management process, and identifies the main reporting procedures.

3. Scope

3.1 This policy applies to all College academic, administrative and corporate services, and to its partner providers. In addition, where relevant other third party risk registers, will also be reviewed as part of the College's risk management process.

3.2 This policy forms part of the College's internal control and corporate governance arrangements. It explains the College's underlying approach to risk management, documents the roles and responsibilities of SMH Board, Academic Council, College Directorate, senior management, and other key parties. It also outlines key aspects of the risk management process, and identifies the main reporting procedures.

- **At a College level:** risks can affect either positively or negatively the College's ability to operate and/or deliver its long term aims and objectives.
- **At an operational level:** risks can affect the successful delivery of operational plans and hence achievement of academic and financial priorities as contained in the College's key sub-strategies.
- **At a project level:** risks can affect the successful delivery of the project's stated benefits by impacting the cost, time and/or quality of outputs.

4. Policy Statements

4.1 Underlying approach to risk management

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

- SMH Board (finance and business) , OTC Academic Council (academic matters) have responsibility for overseeing risk management within the College as a whole;
- An open and receptive approach to solving risk problems is adopted by SMH Board and Academic Council;
- The College Directorate and the College Management Team supports, advises and implements policies approved by SMH Board and Academic Council;
- Course Directors, Manager of Academic Affairs and Manager of Corporate Governance are responsible for encouraging good risk management practice within their areas.
- The College's significant risks will be identified and closely monitored on a regular basis.

The College has a responsible approach to risk management, seeking to recognise and manage its exposure to risks. In pursuit of achieving its strategic aims and academic mission the College will, therefore, accept a degree of risk, commensurate with the potential reward within defined tolerances for risk agreed by SMH Board (finance and business), OTC Academic Council (academic matters) for key areas:

Corporate and operational risk appetite: The College's general approach is to minimise its exposure, with respect to its core business and values specifically:

- Adherence to the stated College values, principles and mission;
- Prioritisation of the health and safety of staff, students and visitors to the College;
- Ensuring business continuity – that is, the continued operation of College systems and processes that support the ongoing delivery of critical business operations;
- Maintenance of the quality of academic provision; and
- Compliance with statutory requirements.

Project risk appetite: in pursuing its distinctive mission and goals the College's project risk appetite is classified as “open”. The College is committed to seizing the opportunities provided by the imagination and enthusiasm of its staff, the co-operation of partners and its support for innovation. It will do so, subject always to ensuring that the opportunities are consistent with its mission, that the potential benefits (reward and value for money) and risks are fully understood before developments are authorised, and that appropriate measures to mitigate risk are established.

Strategic risk appetite: The College's strategic risk appetite is classified as “cautious”. The College is driven to pursue its distinctive mission and goals, through seizing developed and presented opportunities, but it also has to protect its core business and values.

4.2 Risk identification, assessment and management

Risk identification, assessment and management is undertaken as an integral part of strategic and operational management:

- Strategic and operational plans will include an assessment of the risks and mitigating actions associated with each objective; these will be reviewed regularly by the local management teams with the most significant risks being reported to and reviewed by the College as part of the monthly Directors meetings;
- Risks must be identified and assessed as part of the business case for all new programmes, investments/spend and projects; once approved risks must be reviewed regularly by the project group or similar governance committee.
- A **College Risk Register (CRR)** will be maintained by the Risk Management Function and will be prepared and reviewed at least annually. This register will contain risks which either have the potential to affect the College as a whole or be of a significantly serious degree, at both a department and College level, to merit their inclusion. Potential risks for inclusion in the CRR

will be reviewed by the Course Directors, Senior management, College Directorate, Academic Council and SMH Board as appropriate. Final approval of the CRR is the responsibility of the SMH Board.

- The **Risk Management Function** will develop procedures to ensure that risk management is implemented across all decision-making functions of the College.
- College will seek to continuously improve its risk management performance by integrating risk management into its business processes, project management and other reporting arrangements.
- Course Directors, Managers of Academic Affairs and QA and Corporate Governance are responsible for the day-to-day management of risks under their control. They will be assisted in this role by all staff as necessary and will cooperate with the Risk Management Function.
- Risks will be evaluated on both a bottom-up and top-down basis.
- Emerging risks will also be evaluated as part of the College's risk management process.
- Preparing contingency plans to ensure business continuity where there is a potential for an event to have a major impact upon the College's ability to function.
- Monitoring arrangements continually and seeking continuous improvement

4. 4 Risk Management Process

The **College Risk Register (CRR)**, which is prepared as part of an annual risk management cycle, is the primary documented output of the College's Risk Management Process. Each cycle begins with a bottom up approach to risk reporting from units across the College, identifying and documenting both current and emerging risks which may impact upon them directly as well as those which may have an impact at a wider College level.

Following on from this, the unit level risk registers are reviewed by College Directorate. It is at this point that the opportunity arises for the Directors level to take a top-down view and to add relevant high level, sector wide, risks into the draft CRR so that the final draft in each cycle is a comprehensive document intended to capture the most significant and strategic risks facing the College. A single agenda item meeting between the College Director and the CEO of SMH to review the draft CRR in the context of the College's Strategy and the sector challenges facing the College is held. Following this review College presents the draft CRR for oversight by SMH Board (finance and business) and OTC Academic Council (academic matters) for its approval. Once approved, the CRR is published on the College's Risk Management Webpage. Updates on any significant changes in risks listed in the current CRR are given at subsequent meetings with SMH and Academic Council.

The College Directorate will maintain the overall College Risk Register. Each Course Director and Senior Manager will maintain their own local risk register.

For each risk the details identified in related documents will be recorded and monitored in a risk register. The register will be maintained by a senior manager within each area with the authority and responsibility to collate the component risks on behalf of College and ensure procedures are in place to enable effective capture of new risks on a timely basis. The risk manager will liaise with relevant staff and use appropriate methods defined by the College Directorate as the custodian of the College Risk Register.

Risks will be assessed using a 5x5 scale for the likelihood and impact of each risk before and after mitigating actions according to the criteria shown in Appendices 3 and 4 respectively. The overall risk score will be assessed using the probability impact matrix shown in Appendix 3. These criteria are incorporated into risk register templates available from College Directorate.

The main options available to the College in dealing with the risks facing it are to:

1. *Terminate* – avoid the risk (e.g. terminating a risky activity);
2. *Transfer* – transfer the risk to a third party if cost-effective (e.g. by contracting out);
3. *Treat* – retain and control the risk;
4. *Tolerate* – exposure to the risk is tolerable without any further action.

Risks should be controlled at a management level with the resources to underwrite the impact of the risk. Such resources may include the holding of a financial or time contingency as a means of mitigating the impact should the risk occur. **Where the degree of exposure increases beyond a management level's ability/delegated authority, the risk should be escalated.** Appendix 3 identifies the risk scores which would require a risk to be escalated to the College Executive. Of these the top 10 will be escalated to SMH Board (finance and business) , OTC Academic Council (academic matters).

4.5 Risk governance

The College Directorate, Management Team, and SMH Board have key roles to play in the overall risk management framework. The specific responsibilities of the different groups are shown in Appendix 3. This also shows the frequency with which these groups review risks.

4.6 Scrutiny and Assurance

Annually College will, based upon their quarterly assessment of the risk register, provide the SMH Board (finance and business), OTC Academic Council (academic matters) with an opinion on whether the College has had an effective and mature risk management process in place for the preceding year. It should consider:

- *Leadership*: do senior management and the Executive support and promote risk management?
- *Risk Strategy and Policies*: Is there a clear risk strategy and risk policy?
- *People*: Are staff equipped and supported to manage risk well?
- *Partnerships & Resources*: Are there effective arrangements for managing risks with partners and are there appropriate supporting resources?
- *Processes*: Do the College's processes incorporate effective risk management?
- *Risk Handling*: Are risks handled well?
- *Outcomes*: Does risk management contribute to achieving outcomes?

Based on these reports the SMH Board (finance and business), OTC Academic Council (academic matters), advised by the College, must satisfy itself that key risks have been identified and are being managed in accordance with the College's policy as well as whether any revisions to the policy should be implemented. It should consider:

- Whether risk management continues to be linked to the achievement of the College's objectives;
- The appropriate risk appetite or level of exposure for the College as a whole;
- Whether risk review procedures cover fundamental reputation, governance, staff, research, teaching, operational, compliance, student experience, financial and other risks to achieving the College's objectives;
- Whether risk assessment and risk-based internal control are embedded in ongoing operations and form part of its culture;
- Changes in the nature and extent of fundamental risks and the College's ability to respond to changes in its internal and external environment since the last assessment;
- The extent and frequency of reports on internal control to SMH Board and whether this is sufficient for SMH Board to build up a cumulative assessment of the state of control and effectiveness of risk management;
- The incidence of any fundamental control failings or weaknesses identified at any point within the year and the impact that they have had or could have on financial results or the Colleges reputation;

- The effectiveness of the overall approach, compliance and policy to risk management and whether changes or improvements to processes and procedures are necessary.

5. Related Documentation

Risk Register template (Excel spreadsheet)

6. Roles and Responsibilities

| Roles and Responsibilities Party | Roles & Responsibilities |
|--|--|
| SMH Board (finance and business)and OTC Academic Council (academic matters) | 1) Ultimate responsibility for finance and business risk management within the College. 2) Oversight and review of risk management activities. 3) Final approval of the College’s Risk Management Policy and any amendments 4) Approval of the Annual Risk Plan. 5) Final approval of the College Risk Register. 6) Sets Risk Appetite and Risk Tolerances. |
| Academic Council | 1) Ultimate responsibility for academic matters risk management within the College. 2) Oversight and review of risk management activities. 3) Approval of the College’s Risk Management Policy and any amendments |
| College Directorate | 1) The Directorate is responsible for leading the development and maintenance of the College’s Risk Management process. 2) The Directorate will advise the Board and Council on risk management strategies and provide periodic reports and analysis of risk findings. |
| Senior Managers and Course Directors (Academic, Administrative and Corporate) | 1) Senior Managers act in an advisory role to the Directorate. 2) Responsible for the operations of the Risk Management Function and supports its continued development. |

7. Definitions

Risk:

“The threat or possibility that an action or event will adversely or beneficially affect an organisation’s ability to achieve its objectives”.

Higher Education Council for England (EFCE 01/28) Risk management – A guide to good practice for higher education institutions.

Risk Management:

The planned and systematic approach to the identification, evaluation and control of risk. It is concerned with evaluating the measures an organisation has in place already to manage identified risks and then suggesting actions that the organisation should take to control these risks more effectively. For threats, the outcome of risk management is the reduced likelihood (probability) of a risk occurring or limiting the consequences (impact) should the risk occur by implementing appropriate methods of control (risk mitigations). The opposite is the case for opportunities.

Risk Appetite:

“The amount of risk that an organisation is prepared to accept, tolerate, or be exposed to at any point in time.”

The Orange Book: Management of Risk – Principles and Concepts, HM Treasury, October 2004.

Risk Management Function:

The Risk Management Function is the collective term for the combination of Directorate and Senior staff in respect of their risk management duties as set out in this policy. It has a standalone responsibility to monitor the risk profile and to flag developing trends for existing risks and the potential consequence of new threats/opportunities– so called “emerging risk”. The Risk Management function should have responsibility to monitor and review the performance of risk management tasks taken as a whole, and to assist management in communicating relevant risk information to a higher level in the organisation and to external parties.

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|---|-----------------------|--------------------------------------|--|-----------------------------|-----------------|
| Policy Title: | | | Risk Management Policy | | |
| OTC Policy No | | | 1809 | | |
| Version | | | 1.0 | | |
| Date approved: | September 2018 | Date policy will take effect: | September 2018 | Date of Next Review: | +3 years |
| Approving Authority: | | | Academic Council and SMH Board | | |
| Document Owner/Contact: | | | College Director | | |
| Supporting documents, procedures & forms of this policy: | | | Risk Register template (Excel spreadsheet) All appendices contained in Appendix 3 to this document. | | |
| Audience: | | | Public access | | |
| Reference(s) | | | SMH Risk Policy and Risk Register OTC Risk Register | | |

APPENDIX 3: RISK MANAGEMENT POLICY INFORMATION

3.1

| Classification of risk appetite Classification | Description |
|--|--|
| Averse | Avoidance of risk and uncertainty is a key College objective |
| Minimalist | Preference for ultra-safe business delivery options that have a low degree of inherent risk and only have a potential for limited reward |
| Cautious | Preference for safe delivery options that have a low degree of residual risk and may only have limited potential for reward |
| Open | Willing to consider all potential delivery options and choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward (and value for money etc.) |
| Hungry | Eager to be innovative and to choose options offering potentially higher business rewards, despite greater inherent risk |

3.2

| Components of the Risk Register Field | Description |
|---------------------------------------|---|
| Id | Unique identifier for the risk |
| Category | The type of risk e.g. financial, operational |
| Risk Description | A short description of the uncertain event and the consequences should it materialise |
| Owner | The senior member of the team with responsibility for managing the risk |
| Probability (pre mitigation) | The likelihood of the risk happening before any additional action (control) is taken (see Appendix 3) |
| Impact (pre mitigation) | The effect of the consequences should the risk occur before any additional action (control) is taken (see Appendix 4) |
| Gross Risk Level | The initial rating of the risk without any additional controls based on the Gross Risk Score |
| Gross Risk Score | Probability x impact score pre mitigation (see Appendix 5) |
| Proximity | The earliest the risk is likely to occur |
| Risk Causes | The events or circumstances which may trigger the risk |
| Mitigating Actions | The current or intended actions with target completion dates to reduce the probability and/ or impact of the risk |
| Probability (post mitigation) | The likelihood of the risk happening after the identified mitigating actions have been implemented (see Appendix 3) |
| Impact (post mitigation) | The effect of the consequences should the risk occur after the identified mitigating actions have been implemented (see Appendix 4) |
| Net Risk Level | The rating of the risk after the mitigating actions based on the Gross Risk Score |
| Net Risk Score | Probability x impact score post mitigation (see Appendix 5) |

| | |
|-------------------|--|
| Status | Open / Closed / New |
| Response Category | Terminate / Transfer / Treat / Tolerate |
| Escalation level | The level to which the risk is escalated (including Executive and Council) |

3.3

| Risk Probability Criteria Scale | | Description | Criteria |
|---------------------------------|---------------|-------------|-------------------------------------|
| Very High | Highly Likely | >75% | 3 out of 4 or more frequently |
| High | Probable | 51-75% | 1 in 2 chance (50-50) to 3 out of 4 |
| Medium | Possible | 26-50% | 1 in 4 chance to 1 in 2 (50-50) |
| Low | Remote | 6-25% | 1 in 20 chance to 1 in 4 |
| Very Low | Very Remote | <5% | 1 in 20 chance or less frequent |