



MORLEY COLLEGE LONDON

Risk Management Policy

POLICY OWNER: Chief Finance Officer
APPROVAL BY: Governing Body

Policy Category: Corporate
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Approved by Governing Body: 13 July 2020
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1. Introduction and purpose

- 1.1. The Risk Management Policy forms part of the College's internal control and corporate governance arrangements. It is essential to ensure the effective operation of the College and successful implementation of the College's strategic plan.
- 1.2. The Policy sets out the College's approach to risk management, documents the roles and responsibilities of the Governing Body, the Risk Management Committee, and other key individuals.
- 1.3. It also outlines key aspects of the risk management process and identifies the main reporting procedures, including the contribution the risk management process makes to the Audit Committee and the Governing Body in its evaluation of the effectiveness of the College's internal control procedures.

2. Policy Statement / Definition of risk

- 2.1. A risk is an event that could occur, or a lost opportunity, that could hinder Morley College London in achieving its Strategic Plan.

3. Policy Objectives: Aims of Risk Management

- 3.1. Risk Management complements the College's Quality Enhancement Framework and business planning processes. Risk management is essential for the College to effectively operate all its activities on an ongoing basis and to enable systematic change and growth aligned to the College's Strategic Goals. Risk Management enables both business growth and quality enhancement.
- 3.2. Risk Management aims to:
 - a) identify the set of critical risks for the College and maintain a risk register;
 - b) assess the likelihood and impact for each risk with a score of Low, Medium, High or Very High;
 - c) identify the risk triggers, the consequences and the controls for every identified risk;
 - d) identify the risk controls and be satisfied in the assurance of these controls;
 - e) identify and prepare mitigating actions for both slow emerging risk and rapid high impact event risks;
 - f) identify and take actions required to reduce risk to an acceptable level; and
 - g) monitor the effectiveness of these actions in reducing risk.

4. Diagram of the Risk Management Process



5. Roles and responsibilities

- 5.1. Every member of staff should be aware of risk and has a responsibility to manage risk effectively.
- 5.2. Managers should take responsibility for good risk management within their teams.

6. Role of the Governing Body

- 6.1. The Governing Body is responsible for overseeing risk management within the College and adopts an open and receptive approach to solving risk problems.
- 6.2. Risk Management is reported regularly to Governors through the Audit Committee. The Governing Body delegates the day to day management of risk to the Senior Leadership Team. Its role in the management of risk is to:
 - a) set the tone and influence the culture of risk management within the College;
 - b) determine the 'risk appetite' of the College, and whether the College is 'risk taking' or 'risk averse' as a whole or on any relevant individual issue;
 - c) determine what types of risk are acceptable and which are not, and setting the standards and expectations of staff with respect to conduct and probity.
 - c) approve major decisions affecting the College's risk profile or exposure, having taken into account the opportunities and risks;
 - d) monitor the management of significant risks to reduce the likelihood of unwelcome surprises or impact;
 - e) satisfy itself that the less significant risks are being actively managed, with the appropriate controls in place and working effectively; and
 - f) review the College's approach to risk management and approve changes or improvements to key elements of its processes and procedures.

- 6.3. The Governing Body is responsible for reviewing the effectiveness of internal control of the College, based on information provided by the Senior Management Team as advised by the Risk Management Committee.

7. Role of the Risk Management Committee

- 7.1. The Risk Management Committee is chaired by the Chief Finance Officer and comprises the Principal, Deputy Principal, Centre Principals, representatives from Human Resources, Premises, Curriculum Managers, Support Managers and Teaching and Learning Staff, and will normally meet three times each academic year.
- 7.2. The role of the Risk Management Committee is to:
- a) ensure that a culture of risk assessment and management is embedded throughout the College;
 - b) administer the risk management process, including identifying and evaluating the significant risks faced by the College;
 - c) review the status of the College's key data and risk management documentation throughout the year, including:
 - i. the College Risk Register and detailed Individual Risk Reports;
 - ii. operational action plans (for example via the departmental business plans);
 - iii. the College Business Continuity Plan; and
 - iv. the KPIs for Financial Sustainability;
 - d) review progress on actions resulting from the activities of the College's audit services during the year;
 - e) provide adequate information in a timely manner, through the College Executive, to the Governing Body and Committees on the status of risks and controls, including progress in implementing the high-level risk action plan; and
 - f) undertake an annual review of the effectiveness of the system of internal control and provide a report to the Audit Committee.

8. Risk Management as part of the system of Internal Control

- 8.1. The system of internal control incorporates risk management. This system encompasses a number of elements that together facilitate an effective and efficient operation, enabling the College to respond to a variety of operational, financial, and commercial risks. These elements include:
- (a) **Audit Committee:** The Audit Committee reports to the Governing Body on internal controls and draws attention to any emerging issues. In addition, the Committee oversees internal audit, external audit and management as required in its review of internal controls. The Committee is therefore well placed to provide advice to the Governing Body on the effectiveness of the internal control system, including the College's system for the management of risk.
 - (b) **Internal Audit Programme:** 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.

- (c) External Audit: External audit provides feedback to the Audit Committee on the operation of the internal financial controls reviewed as part of the annual audit, which includes the Regularity Audit.
- (d) Third Party Reports: From time to time, the use of external consultants will be necessary in areas such as health & safety, and human resources. The use of specialist third parties for consulting and reporting can increase the reliability of the internal control system.
- (e) Policies and Procedures: The College continues to develop policies that underpin the internal control process in respect of significant risk. The policies will be set by the Governing Body and implemented and communicated by senior management to staff. Written procedures will support the policies where appropriate.
- (f) Reporting: Comprehensive regular reporting from the Principal to the Governing Body and its committees each term identifies the college's key risks and actions that are being taken. The College's key data is included with this report which highlights areas in which the College's performance may put the achievement of its strategic objectives at risk. Decisions to rectify problems will be made at regular meetings of the Senior Leadership Team and the Governing Body if appropriate.
- (g) College Risk Register: this comprises a register of the most significant strategic risks and the current assessment of probability and impact in a clear layout including a risk matrix to map the risks.
- (h) Individual Risk Reports: Each risk listed in the College Risk Register is backed up by a more detailed risk report. This includes risk ownership, the triggers that cause the risk event and the consequences for the college. The report includes the controls the College has implemented and demonstrates the assurance in those control mechanisms. Through regular review of the individual risk report, the mitigating actions to prevent the risk event or to respond to the risk event, are updated.
- (i) Team/Project Risk Registers: College managers are responsible for promoting good risk management practice, including the identification of external as well as internal risks. Where appropriate, team managers will develop and use local risk registers to ensure that any significant risks to their team are identified, assessed, and monitored and relevant actions are taken. Key risks from team risk registers will be reflected in the College-wide Risk Register.

9. Risk Register

- 9.1. The Risk Register allows Governors and Management to review the current assessed status of the critical risks of the College. This enables risk management and over time tracks the movement of college risk levels. The College Risk Register provides:
 - a) a set of clearly worded critical risks;
 - b) management of each risk with named risk owners, links to strategic aims, an assessment of the scope to influence the risk and the date of most recent risk review;
 - c) an assessment of impact for each risk under College wide themes including financial and student experience; and
 - d) current net risk rating and the direction of risk assessment movement compared to the previous review (to identify a risk gaining importance).
- 9.2. Each risk is backed up by a more detailed individual risk report and this expands the detail included in the Risk Register to include:
 - a) A list of potential trigger events which lead to the risk having impact on the College;

- b) A list of potential consequences if the risk starts to have direct impact on the College;
- c) The list of controls the College has set up to monitor the potential risk and to be able to respond to the impacts the risk could have on the College;
- d) An assessment of the gross risk score based on probability and impact if the College took no actions to control or mitigate;
- e) An assessment of the net risk score based on the actions the College has taken to prepare for and respond to the risk;
- f) A list of actions that the College would take to mitigate for a risk event expected to have a direct impact on the College, whether a slowly emerging risk or the consequence of a one-off event; and
- g) Performance indicators or evidence to support the view that the risk is being managed effectively by the College.

9.3. By measuring the likelihood and impact of risks the College is able to effectively prioritise risks and focus actions on those where the level of risk is deemed unacceptable based on the blended scoring and colour coding below.

Risk Scoring Matrix

Impact ⇕	Very High (4)	L/VH 4	M/VH 8	H/VH 12	VH/VH 16
	High (3)	L/H 3	M/H 6	H/H 9	VH/H 12
	Medium (2)	L/M 2	M/M 4	H/M 6	VH/M 8
	Low (1)	L/L 1	M/L 2	H/L 3	VH/L 4
		Low (1)	Medium (2)	High (3)	Very High (4)
		Probability ⇨			

10. Risk Scoring

10.1. By multiplying the impact score by the probability score, the Risk Score of each risk is calculated on a scale of 1 to 16.

10.2. Risk appetite is the level of risk that the College is prepared to accept in both its strategic and operational activities. The College needs to understand the risks it can accept and therefore the risks to take to enable business development and enhance quality of the student experience.

10.3. Using a RAG rating approach risk appetite can be classified in the following ways.

Red	Likely to have a major impact on the whole College. This level of risk is not acceptable – actions must be in place to reduce the level of risk.
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Amber	Potential to significantly impact the College. Risk level is not desirable but may be acceptable – mitigating actions should be in place.
Green	Minor impact. The level of risk is acceptable. Actions to reduce the level of risk would need to be balanced against cost and positive financial impact to allow continuous improvement.

- 10.4. Risks rated 'green' may be considered as acceptable, as the cost of mitigation is more than the cost of the risk event if it occurs. For risks rated Amber or Red, actions should be in place to mitigate the risk. The risk management strategy used can include one or more of the following:
- a) Avoid the risk (e.g. by stopping the activity that gives rise to the risk);
 - b) Transfer the risk (e.g. to a third party via insurance or other external party); or
 - c) Mitigate the risk (e.g. by putting controls in place).
- 10.5. The Risk Register should be reviewed by the Risk Management Committee, Audit Committee and Governing Body termly. It should be a 'live' document that can be altered to reflect changes in external or internal factors contributing to the level of risk.

11. Communication and training

- 11.1. The Chief Finance Officer and Clerk to the Governing Body will oversee training for staff and Governors in risk management.
- 11.2. Risk updates to be included in staff briefings and communications as appropriate.