



Policy Name:	<b>Risk Management Policy &amp; Procedure</b>
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For Action By:	Corporation/College Managers
For Information to:	All Governors & Staff

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# Richmond upon Thames College

## 1. Introduction

The College acknowledges that there are a number of risks inherent in its business, and is committed to managing those risks that pose a significant threat to the achievement of its strategic objectives and financial health.

The College uses risk management to identify risk, and the actions to mitigate it, and to inform and improve its decision-making.

## 2. Policy Statement

**Richmond upon Thames College has adopted a risk based approach to internal control which is designed to provide reasonable assurance that it will achieve the corporate objectives and overall mission.**

The College recognises that in pursuit of its mission and objectives it may choose to accept varying levels of risk. It will do so subject always to ensuring that potential benefits and risks are fully understood before developments are authorised and that sensible measures to mitigate risk are established.

Risk management is fundamental to good management practices and forms part of the corporate governance arrangements. It is an integral part of the College's decision making and routine management, and will be incorporated within the strategic and operational planning processes at all levels across the College. The Corporation, the Audit and Risk Committee (ARC) and College Leadership Team (CLT) need a mechanism through which they can gain assurance regarding the ability to meet the College's objectives. The risk based approach to internal control described in the procedures that follows provides a basis for the provision of assurance regarding the achievement of the College's objectives.

The College will maintain a regularly reviewed strategic risk register. Similarly, all Departments will maintain, and regularly review the operational risk registers.

The College will regularly review and monitor the implementation and effectiveness of the risk management procedures. The policy will be reviewed every three years and updated as necessary.

## 3. What is Risk?

The College defines risk as the combination of the probability of an event and its consequences. In all types of undertaking, there is the potential for events and consequences that constitute opportunities for benefit (upside) or threats to success (downside). Risk management is a central part of any organisation's strategic management. It is the process whereby organisations methodically address the risks attaching to their activities with the goal of achieving sustained benefit within each activity and across the portfolio of all activities<sup>1</sup>.

## 4. Approach to Risk Management

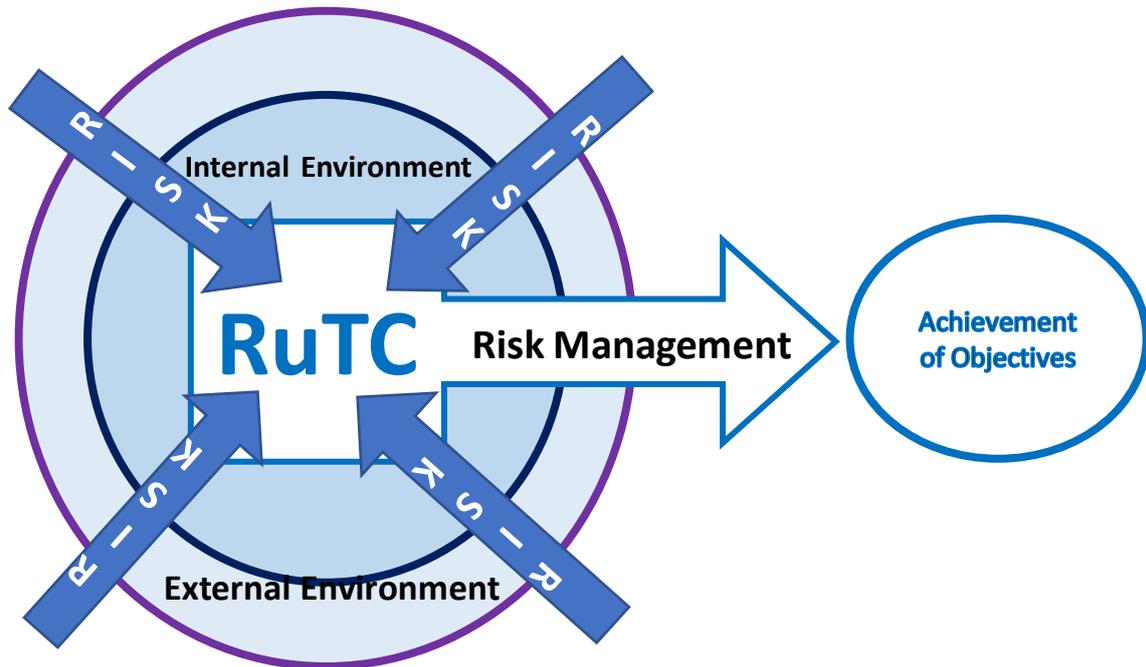
The approach to risk management, set out in this Policy and Procedures, has been approved by the CLT, the ARC and the Corporation. The identified risks should be intrinsically linked to the College Strategic Plan, and identify risks that have a fundamental impact on the College's ability to operate as a business and/or deliver its Strategic Plan. See Fig 1.

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<sup>1</sup> The Institute of Risk Management: A Risk Management Standard

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Fig 1.



Risk management therefore involves a planned and systematic approach to the identification, assessment and mitigation of the risks that could hinder the achievement of strategic objectives. The College's risk management procedures involve the following steps:

1. Articulate the Corporation's risk appetite
2. Assign responsibility for co-ordinating and delivering the management of risk
3. Identify the key strategic risks that would prevent achievement of objectives
4. Evaluate the significance of identified risks
5. Identify suitable responses to identified risks
6. Establish internal control procedures to manage risks
7. Establish assurance mechanisms to the ARC and Corporation
8. Regular review of the Risk Management Policy and Procedures.

The College approach to Risk Management combines oversight by the CLT and the ARC. Members of the CLT are responsible for the management of specific risks. It is the responsibility of CLT to prepare a Risk Register that identifies specific risks and how they are managed. The Risk Register forms the basis for action plans designed to address weaknesses in controls identified and mitigate risks where this is considered to be necessary.

## 5. Key Principles

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

- The risk appetite of the College will emanate from the Strategic Plan & Priorities which are considered and approved by the Corporation.

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- The ARC will be responsible for providing the Annual Assurance to Corporation on the adequacy of risk management. The ARC will receive reports via the ARC meetings.
- The CLT will ensure that the necessary steps are taken to actively manage the major risks facing the College, and it will regularly receive the Risk Register and monitor the management of the key risks.
- A Strategic Risk Register, built around the key strategic risk areas (as identified by the Priorities within the Strategic Plan), will be created and maintained and will be subject to at least termly review by risk owners and the CLT.
- Heads of Departments are responsible for the management of all risks within their areas of control, including ensuring appropriate systems are created to identify, assess, manage and review risks in line with the College Risk Management process.
- Each Department will be required to maintain, create and termly review its own operational Risk Register.
- New initiatives and projects will undergo a risk assessment, and where appropriate a risk register for the project will be generated.
- CLT will develop a list of occasional activities which require a standardised risk assessment (e.g. offsite trips involving students).
- Reporting and escalation of risks will be carried out when risks cannot be managed within Department in accordance with the procedure outlined under point 6 below.
- The Internal Audit function will consider annually the risk management process at a College and Departmental level.

### 6. Risk Management Responsibilities

#### Role of the Corporation

The Corporation is responsible for ensuring there is an effective system of internal control, of which risk management is a key area. The Corporation sets the tone and influences the culture of risk management at the highest level including determining the 'risk appetite' which is the extent to which the College is 'risk taking' or 'risk averse' as a whole and sets the College's risk tolerance limits.

#### Role of the Audit & Risk Committee (ARC)

The Corporation has a standing ARC who have delegated responsibility for overseeing risk and risk management and providing advice to Corporation on the effectiveness of the internal control system and any emerging issues. The Terms of Reference of the Committee are on the website and in the Standing Orders.

#### Role of the CLT

The CLT is responsible to Corporation for ensuring that the College's risk appetite is applied and that there is an effective process of risk assessment, management, evaluation and review in place. This is to both support the achievement of the College's strategy and to ensure that risks connected to core operations are appropriately managed.

Members of the CLT, as owners of strategic risks, will ensure all risks are managed appropriately within their relevant areas of responsibility, and that actions on risks affecting multiple areas of responsibility are co-ordinated. The CLT also provides direction to College staff on matters of risk management.

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## Role of Internal Audit

The Internal Auditors will develop a risk-based audit plan, in consultation with members of CLT and approved by the ARC, so that audit assurance is focussed on the effectiveness of controls in place to manage the most significant risks. Internal Audit is also responsible for providing an annual opinion on the adequacy and effectiveness of the College's corporate governance, risk management and internal control based on the risk-based audit plan.

## Role of Heads of Departments/Heads of Schools

Heads are responsible for actions to manage all risks within their areas and are responsible for implementing appropriate procedures to manage and monitor these risks, and for ensuring that all changes in key risks are reflected in their operational risk register.

Where a risk cannot be managed at department or school level it should be escalated to the appropriate member of the CLT for guidance.

## Role of Individual Members of Staff

Individual members of staff within College are responsible for ensuring individual risks are controlled and monitored, including the implementation of actions identified to strengthen controls, and where appropriate escalating any changes or concerns to their line manager.

## 7. Evaluating Risks

Risks will be assessed on the likelihood of occurrence and the potential impact on the strategic aims and objectives of the College should they materialise. This produces a hierarchical assessment of risk as illustrated in Appendix 2. This methodology helps to prioritise the response to risk according to which risks the College determines need management and which are less critical.

## 8. Assessing Risk Appetite

The level of risk that is acceptable, the College's 'Risk Appetite', will be advised and determined by the Corporation who, in turn, are advised by the ARC and the CLT. Risk appetite may vary on a case by case basis depending on the perceived benefits of the issue being considered.

## 9. Risk Registers

The College's Risk Register(s) is (are) updated and filed on Teams accessible by CLT.

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## APPENDIX 1

### Risk Management Cycle and Assessment Procedures

Risk Management is a process that affects all areas of planning, decision making and operations and because circumstances change an important part of managing risk is regular review. Key stages in the risk management process are set out below.

The College's risk assessment process is operated at three different levels covering strategic, project and operational risk. The underlying principles and framework of risk assessment is the same at all levels.

#### 1. Identifying Risks

Risk is grouped according to the strategic areas in the College's Strategic Plans. The CLT has overall responsibility for the management and reporting of the risk. Operationally risks are monitored through the Curriculum Operational Group (COG) and the Support Operational Group (SOG).

#### 2. Evaluate Risks

Having identified the key risks an assessment of the likelihood of the event occurring and the potential impact on the College's objectives should the risk be realised needs to be considered. The College have adopted criteria for scoring risks (See Appendix 2)

##### Impact

This indicates the seriousness of the risk materialising, and is scored on a scale of 1 – 16:

1. Negligible
2. Minor
4. Moderate
8. Major
16. Critical

##### Likelihood

This represents the likelihood of the risk happening, and is scored on a scale of 1 – 5

1. Rare
2. Unlikely
3. Possible
4. Likely
5. Almost Certain

##### Risk Score

This is a product of the impact score multiplied by the likelihood score. The score is calculated twice: once to represent the initial estimation of the severity of the risk i.e. gross (inherent) score before controls are assessed, and a second time to calculate the residual risk score once the assessment of the effect of the controls have on the impact and likelihood.

#### 3. Assess Risk Appetite

The level of residual risk that is acceptable, 'risk appetite' has been determined by Corporation, who are advised by the ARC and CLT and is set out in the Risk Appetite Statement (see Appendix 3)

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### 4. Identify suitable risk response – Controls

These are actions that are intended to manage risk by reducing its impact, its likelihood of occurrence, or both. They should be genuine, practicable and realistic.

### 5. Gain assurance on the effectiveness

Assurances are derived from a number of different sources to confirm that risk management systems and processes are appropriately identifying and managing risks. For example:

- Performance reports to CLT via CLT leads outlining achievement against strategic objectives and key performance indicators
- Compliance with Regulatory Standards
- Assurance from internal and external audit reports
- Annual review

### 6. Monitor Review and Reporting Cycle

The relevant risk owner will, on at least a quarterly basis, fully review and, where necessary, update the risks within their sphere of responsibility. The CLT will, on receiving the updated Strategic Risk Register:

- Review the previous term and examine the College's track record on risk management and internal control relating to risks.
- Consider the internal and external risk profile of the coming term and consider if current internal control arrangements are likely to be effective.
- Assess and review the control environment for each significant risk. This will include:
  - The College's objectives and its financial and non-financial targets
  - Organisational structure and effectiveness of the CLT
  - Culture, approach and resources with respect to the management of risk
  - Delegation of authority
  - Public reporting
- Ensure that there is a process for the on-going identification and evaluation of significant risks. This will include:
  - Timely identification and assessment of significant risks
  - Prioritisation of risks and the allocation of resources to address areas of high exposure
  - Assessment of the College's Risk Register, reports by senior managers to the relevant committees and assessment of Colleges and Departments' risk registers.
  - Receive and assess sources of assurance.
- Consider the effectiveness of information and communication on risk management. This will include:
  - Quality and timeliness of information on significant risks
  - The time it takes for control breakdowns to be recognised or new risks to be identified
- Monitor and take corrective action. This will include:
  - Ability of the College to learn from its problems
  - Commitment and speed with which corrective actions are implemented

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### **Reporting Cycle**

A termly review of the Strategic Risk Register, College and Operational Risk Registers by risk owners will take place. There will be termly reporting to the CLT, and also termly reports to ARC.

The ARC will receive the Risk Management Annual Report and a full Strategic Risk Register for review at the September meeting

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## Appendix 2

### Risk management scoring methodology

- Likelihood Rating: Evaluation Criteria – This table will help determine how likely it is that College will be exposed to each specific risk considering factors such as:
  - Anticipated frequency of occurrence
  - The external environment (e.g. regulatory, economic, community expectations, proximity etc.)
  - History of previous events
- The Impact Rating Evaluation Criteria – This table defines the consequences of impact criteria, assessed against potential financial loss, reputation impact, safety, disruption etc.
- Risk Ranking Matrix – This table has ranked potential risks as High, Moderate and Low.
- Review – Having identified and prioritised the risk this table give a guide to determine the level of review required to monitor the assessed risks.

### Likelihood Rating

#### Rating Scale (within a year)

Rating	Rating Scale	Likelihood & Proximity	Percentage
UNLIKELY	1	This will probably not happen/ recur within the timeframe	0-25%
POSSIBLE	2	Do not expect it to happen/ recur but it is possible that it may do so	25-50%
LIKELY	3	Likely to happen or recur within the time frame	50-75%
HIGHLY LIKELY	4	Will probably happen / recur, and/or soon and/or with frequency	75-90%
ALMOST CERTAIN	5	Will undoubtedly happen/ recur, possibly frequently or very soon	90-100%

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### Impact Rating Evaluation Criteria

Rating	Rating Scale	Safety	Reputation	Media Attitude	Legal Action	Disruption	Direct Loss (£)	Regulatory
Negligible	1	No risk of injury H&S complaint	External parties not impacted or aware of problem	No adverse media reporting	Unsupporte d threat of legal action	Minor service disruption of 1 or 2 days	Less than £50k	No or little change to regulation in recent history / near future
Minor	2	Small risk of minor injury. H&S policy not regularly reviewed	Some external parties aware of problems	Minor short term adverse publicity	Legal action with limited disruption for decision against	Minor but noticeable service disruption of 1 or 2 days	Betwe en £50k and £200k	Limited recent or anticipate d changes
Moderate	4	High risk of injury leading to loss of staff time. H&S standards insufficient / poor training	Significant number of external parties aware of the problems	Critical publicity in local and national media	Probably settlement out of court	1-4 weeks specific service disruption with longer term service delivery implication	Betwe en £200k and £500k	Modest changes recently or anticipate
Major	8	Serious risk of injury. HSE involvement and concern that causes operations to be stopped and possible loss of revenue	Long and short term reputational damage	Sustaine d adverse publicity in national media	Lawsuit against College for major violation with limited potential for a quick settlement	Immediate impact on the majority of the services or one specific service requiring Director involvement	Betwe en £500k and £1mill	Significant changes to regulator framework
Critical	16	Potential to cause one or a number of fatalities. H&S breach causing serious fine, investigation, legal notice and possible stop notice.	Third parties may suffer major loss or cost	Adverse impact on national reputatio n in long and short term. Loss of confiden ce by public	Action brought against the College for significant violation	Immediate impact on the College's strategic mission	More than £1mill	Major complex changes

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### Risk ranking matrix

	IMPACT				
LIKELIHOOD	1	2	4	8	16
	Negligible	Minor	Moderate	Major	Critical
<b>Almost Certain 5</b>	Low (5)	Low (10)	Moderate (20)	High (40)	High (80)
<b>Highly Likely</b>	Low (4)	Low (8)	Moderate (16)	High (32)	High (64)
<b>Likely 3</b>	Low (3)	Low (6)	Moderate (12)	High (24)	High (48)
<b>Possible 2</b>	Low (2)	Low (4)	Low (8)	Moderate (16)	High (32)
<b>Unlikely 1</b>	Low (1)	Low (2)	Low (4)	Low (8)	Moderate (16)

Risk Scores	Overall Risk Rating	Review
21-80	High	Monthly
11-20	Moderate	Quarterly
1-10	Low	Every 6-9 months

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## Appendix 3

### Risk Appetite

The approach to Risk appetite sets the tone and influences the culture of risk management within the College, including;

- Determining whether the college is 'risk taking' or 'risk averse' as a whole or on any relevant individual issue. For example the College has a very low/zero tolerance of Risk in areas such as Safeguarding and Health and Safety. However, the College may accept a higher level of risk on new/pilot/innovative areas and taking account the relative materiality. These will be determined on an individual basis
- Determining what types of risk are acceptable and which are not, and setting the standards and expectations of staff with respect to conduct and probity.
- The way in which risk management reports a risk of high significance reflects the Board's prudent approach to risk

**The Governors set the maximum residual risk acceptable at 20. Any risk with a residual score of 21 and above the Governors will require additional assurance concerning that risk.**

Approved by the Board 15 November 2021