POLICY

Document Title	Risk Management Policy
Version	Version 1
Approved by	Audit Committee
Date approved	7th July 2014
Effective date	7th July 2014
Date of next review	July 2015
Lead responsibility	Director of Finance and Resources

1. Purpose

1.1.   This Risk Management Policy forms part of the internal control and corporate governance arrangements for Derwentside College.

1.2.   The Policy's purpose is to provide clarity on the College's underlying approach to risk management and a clear framework for the management of risk within the organisation.

1.3.   The policy describes how risks are identified, assessed and managed to ensure the College deals with risk in the most appropriate manner and in line with its established risk appetite.
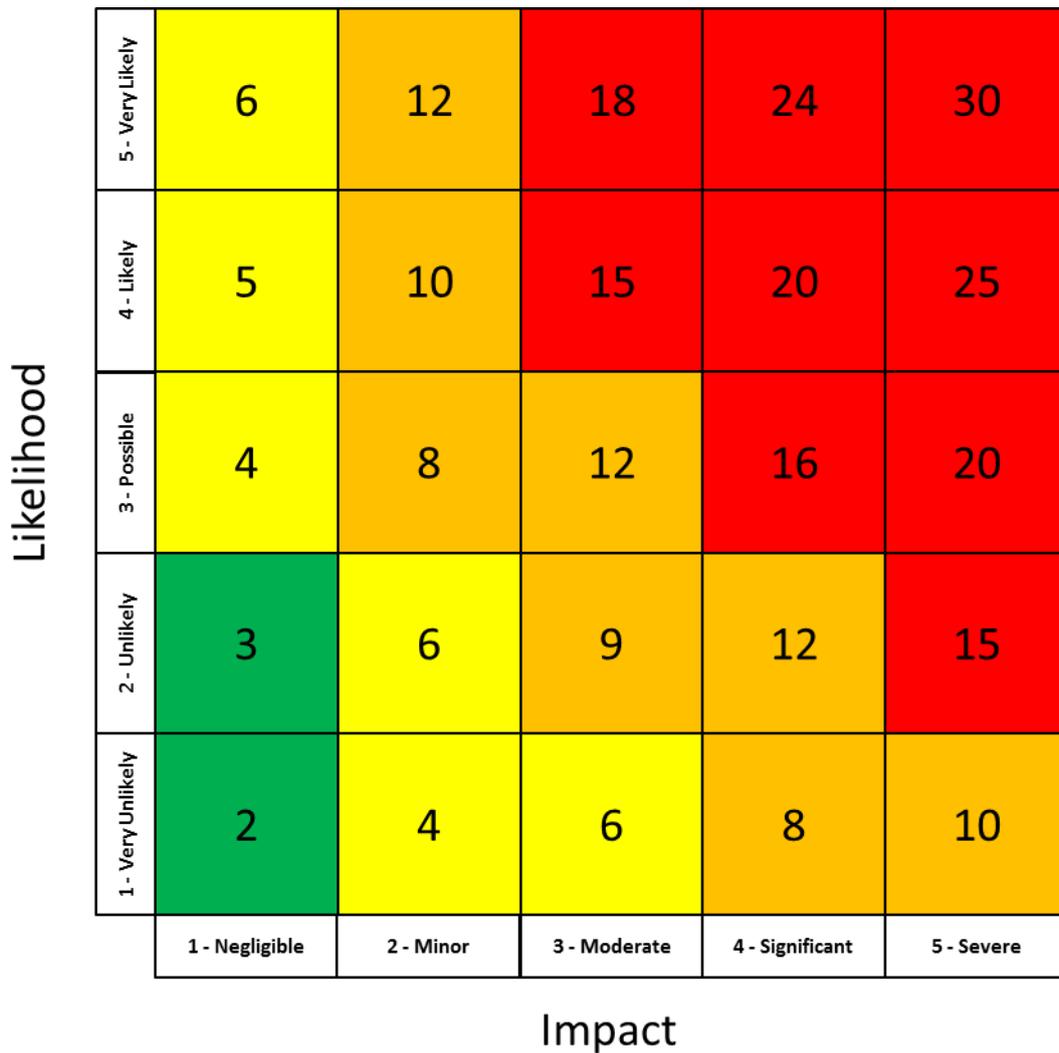

2. Scope

2.1.   The College currently identifies risks at two levels within the organisation, strategic and operational.

2.2.   Strategic risks reflect those risks that the Board of Governors and Senior Management Team consider to be organisationally significant. As such, strategic risk identification is focused towards factors that are significant in the achievement of the College's overall mission, vision and strategic development plan.   The Board of Governors and Senior Management Team retain responsibility over the strategic risk register, with specific SMT leads assigned to each risk.

2.3.   Operational risks reflect those risks that Departmental Managers consider to be significant within their individual areas of responsibility. As such, operational risk identification is focused towards factors that are significant in the delivery of the Department's Business and or Curriculum Plan. Individual department managers are responsible for operational risk registers within their areas.

2.4.   The College currently classifies risks under the following categories:

- Financial
- Quality
- Reputation
- Health & Safety

2.5.   The categories identified above are not mutually exclusive and more than one category may be applied to each risk as part of the identification process.

3. Policy / Principles

3.1.   **Risk Assessment**

3.1.1.   Once risks have been identified, they are then put into perspective in terms of the potential severity of their impact and likelihood of their occurrence. Assessing and categorising risks helps in prioritising and filtering them and in establishing whether any further action is required.

3.1.2.   The 'heat map' identified below shows the method adopted by the College, which incorporates an increased weighting of impact. It works on a scoring of **XY + Y**, where **X** is **likelihood** and **Y** is **impact**. This formula multiplies impact with likelihood and then adds a weighting again for impact.

3.1.3. RISK HEAT MAP CHART

Likelihood	1 - Negligible	2 - Minor	3 - Moderate	4 - Significant	5 - Severe
5 - Very Likely	6	12	18	24	30
4 - Likely	5	10	15	20	25
3 - Possible	4	8	12	16	20
2 - Unlikely	3	6	9	12	15
1 - Very Unlikely	2	4	6	8	10

Impact

3.1.4. In interpreting the risk heat map, the colour codes are:

- Red – major or extreme / catastrophic risks that score 15 or more;
- Orange / Amber – moderate or major risks that score between 8 and 14;
- Yellow or Green – minor or insignificant risks scoring 7 or less.

3.1.5. All risks are initially scored on the basis of 'residual risk', i.e. after current controls are applied. The following tables are used in the scoring of individual risks:

Likelihood		
Descriptor	**Score**	**Example**
Very unlikely	1	May only occur in exceptional circumstances
Unlikely	2	Expected to occur in a few circumstances
Possible	3	Expected to occur in some circumstances
Likely	4	Expected to occur in many circumstances
Very likely	5	Expected to occur frequently in most circumstances

Impact		
Descriptor	**Score**	**Example**
Negligible	1	- No impact on service - No impact on reputation - Complaint unlikely - Litigation risk remote - No financial impact
Minor	2	- Slight impact on service - Slight impact on reputation - Complaint possible - Litigation possible - Low financial impact (£25k or more)
Moderate	3	- Some service disruption - Potential for adverse publicity – avoidable with careful handling. - Complaint probable - Litigation probable - Moderate financial impact (£100k or more)
Significant	4	- Service disrupted - Adverse publicity not avoidable (local media) - Complaint probable - Litigation probable - High financial impact (£500k or more)
Severe	5	- Service interrupted for significant time - Major adverse publicity not avoidable (national media - Major litigation expected - Resignation of senior management and board - Loss of stakeholder confidence - Severe financial impact (£1m or more)

3.1.6.   Risk scoring often involves a degree of judgement or subjectivity; where data or information on past events or patters is available more evidence-based judgements are applied.

3.2.   **Risk Evaluation and Action Planning**

3.2.1.   Where major risks are identified, a consideration is given to any additional action that needs to be taken to manage the risk, either by reducing the likelihood, or reducing the impact. Examples of possible actions are:

- Avoid the risk by ending the activity;
- Transfer the risk to a third party;
- Share the risk with others;
- Limit exposure to the risk;
- Reduce or eliminate the risk by establishing or improving internal controls;
- Insure against the risk;
- Accept the risk as being unlikely to occur and / or of low impact and therefore review annually.

3.2.2.   In assessing additional action to be taken, the cost of management or control will generally be considered in the context of the potential impact or likelihood of the risk occurring. A balance will always need to be struck between the cost of further action to manage the risk and the potential impact of the action taken towards reducing the risk.

3.2.3.   Any additional actions identified to manage the risk are considered in detail and, where appropriate, a target risk score is calculated based on the full implementation of the identified actions. Progress made towards the implementation of the identified actions is monitored regularly and where appropriate, residual risks are re-graded to reflect new controls put in place.

3.3. Risk Appetite

3.3.1.   The Board of Governors and Senior Management Team determine their risk appetite on an annual basis through a process of strategic review and the annual consideration and approval of the College's business plan, budget and three year financial forecast.

3.3.2.   All risks are measured against the College's ongoing strategic plan and the requirement to secure the long term financial health and prosperity of the organisation.

3.4. Risk Monitoring & Review

3.4.1.   The College's strategic risk register is monitored at regular intervals throughout the year, both by the Board of Governors, but also at Senior Management Team meetings. The College's monitoring and review process involves the following:

- New risks are reported and evaluated as they arise;
- Risk aspects of significant new projects are considered as part of project appraisal;
- Any significant failures of control systems are reported and actioned;
- Any further actions required are identified;
- Board members are provided with regular reports on risk management and the strategic risk register at both Corporation and Audit Committee meetings.
- The Risk Management Policy is agreed by the Audit Committee.

3.4.2.   Operational risk registers are also monitored at regular intervals throughout the year through performance reviews that take place on a termly basis. Operational managers are responsible for keeping their individual risk registers up to date.

4. Relevant Legislation / Regulation

4.1.   The following legislation and regulations apply to this policy / procedure:

- College Instrument and Articles of Government
- Joint Audit Code of Practice for Further Education

5. Related Documents

5.1.   The following related documents are relevant to this policy / procedure:

- Strategic Risk Register
- Strategic Risk Register Action Plan

6. Accountability

6.1.   The Director of Finance is responsible for the drafting and implementation of this policy.

6.2. He is also responsible for ensuring that this document is regularly reviewed and updated – and is the first contact point for managers seeking advice and guidance about the Risk Management Policy or making enquiries about its interpretation.

6.3. All managers are responsible for ensuring that they and their team members follow the requirements set out in this document.

6.4. All employees are responsible for adhering to the requirements set out in this document.

7. Equality & Diversity

7.1. The College has paid due regard to equality considerations during the preparation and implementation of this Policy and Procedure.

7.2. These considerations included the potential for any differential negative effect on the grounds of age, disability, gender reassignment, pregnancy and maternity, race (including ethnic or national origins, colour or nationality), religion or belief (including lack of belief), sex, sexual orientation, marriage or civil partnership.

7.3. The College's judgement is that there is no such negative effect on those grounds and, consequently, no potential breach of the Equality Act 2010.

7.4. The operation of this Policy and Procedure will be monitored by the Personnel Manager in order to establish that no unlawful discrimination is taking place and to identify opportunities for the College to enhance equality of opportunity and fair treatment.

8. Review

8.1. This document will be reviewed by July 2015.

8.2. The Director of Finance and Resources will undertake this review, taking into account the outcomes of the monitoring process, legislative changes and developments in good practice.

8.3. As part of the review, the Director of Finance and Resources will seek and consider the views of the College's employees and of the recognised trade unions.

8.4. The outcome of the review will be reported to the Senior Management Team.

## 9.	Document Identification

Category [select ONE only]	☐Programmes/courses ☐Partnerships ☐Finance ☐Quality ☒Governance ☐Health and safety ☐Facilities ☐Computer Services ☐MIS ☐Admissions ☐Teaching and learning ☐Personnel
Audience [select ALL that apply]	☒Employees ☐Learners ☐Partners ☐Suppliers