

Loughborough College

Risk Management Framework

Overview

This document provides an explanation of the College's approach to risk and risk management. It comprises the following sections:

1. Introduction to risk management
 - a. Definition
 - b. Benefits and goals of risk management
2. Risk Management Policy reviewed annually by the Corporation
3. Underlying approach to risk management
4. Roles and responsibilities
 - a. Role of the Corporation
 - b. Role of the Audit and Risk Committee
 - c. Role of the College Executive Team
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5. Annual review of effectiveness
6. Key components of the system of internal control and risk management
7. Steps in risk management
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 - b. Alignment of risks to core objectives and aims
 - c. College risk register
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 - e. Risk description and analysis
 - f. Risk assessment
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 - h. Risk mitigation action plans
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- k. Exception reporting
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- m. Annual Review
- n. Report on Risk Management and Internal Control
- o. Independent Assurance by Internal Audit

1. Introduction to Risk Management

Definition

A risk is an uncertain future event that may impact the ability of the College to achieve its strategic and operational objectives. Risk may have a positive or adverse impact.

The purpose of the risk management process is to better enable the following to happen:

- the College objectives are more likely to be achieved
- adverse results are less likely to happen
- positive outcomes are more likely to be achieved

Risk Management will be used to complement the College's business planning and resource allocation processes, at a strategic level or at all levels. However, it is not solely designed to avoid risk. When used well, it can actively encourage the College to take on the activities that have a higher level of risk, because the risks have been identified and are being well-managed, thereby assuring that risk is both understood and accepted.

Benefits and Goals of Risk Management

Risk management is not simply about compliance, it is about sound management of the organisation, and about achieving pre-determined objectives. Effective risk management can help the College to:

- Put in place mitigating controls to prevent risks from crystallising or reduce their impact in the event they do crystallise
- Ensure that everyone is aware of risk and that risk management is their responsibility
- Provide evidence that the College is being effectively managed

- Reduce the duplication of activities
- Spread knowledge and best practice
- Meet funding agency and corporate governance requirements
- Support strategic and business planning
- Enhance communication between Curriculum and Business Support departments
- Support effective use of resources
- Promote continual improvement
- Help focus the programme of independent external assurance reviews
- Avoid sudden shocks and unwelcome surprises
- Grasp and assess new opportunities
- Focus internally on doing the right thing properly

2. Risk Management Policy

The policy explains the College's underlying approach to risk management, documents the roles and responsibilities of the corporation and management. It also outlines the key aspects of risk management process and identifies the main reporting procedures.

3. Underlying Approach to Risk Management

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

- An open and receptive approach to managing risk is adopted by the Board
- The College makes prudent recognition and disclosure of the financial and non – financial implications of risks
- Management level is responsible for rigorous risk management practice within their designated area and across college
- Key risk indicators will be identified and closely monitored through the key business processes

Appendix 2 outlines the steps to risk management.

4. Roles and Responsibilities

Role of the Corporation

The Corporation has a fundamental role to play in the management of risk. Its role is to:

- Set the tone and influence College's attitude towards risk
- Agreeing the appropriate risk appetite or level of exposure

- Approve major decisions affecting the College's risk profile or exposure

Role of the Audit and Risk Committee

The Audit & Risk has the delegated responsibilities to:

- Monitor the effectiveness of the risk management
- Monitor reports on the status of risks and satisfy itself that they are being actively managed and to propose an appropriate risk appetite for any category of risk
- Report to the Corporation annually on the effectiveness of risk management and control and form an opinion on whether or not the college has complied with guidance from the Turnbull Report
- Approve changes or improvements to agreed elements of the risk management processes and procedures

Role of College Executive Team

The College Executive Team are responsible for the following:

- Compiling and reviewing the College's risk register, corporate risk register and supporting risk registers and monitor impact of mitigating actions
- Performing the role of 'risk leads' for the allocated corporate level risks on the risk register
- Updating the Audit and Risk Committee as required

Role of College Senior Leadership Team

The College SLT are responsible for the following:

- Identifying and evaluating the significant risks faced by their areas of responsibility and present them to the Executive with mitigating action plans through department risk registers
- Having due regard to changes which have an impact on risk, including the introduction of new projects
- Actively managing the mitigation plan
- Monitoring the effectiveness of risk management and mitigation
- Reporting on a quarterly basis as part of quarterly business review process to the Executive

Role of Auditors

The College auditors are responsible for the following:

- External Audit review and report on corporate governance of which risk management is a part
- Independent assurance review advisors undertake a programme of work in key areas of the College of which risk management procedures may be a part

5. Annual Review of Effectiveness

The Corporation is responsible for approving the effectiveness of internal control of the College. It is advised by the Audit and Risk Committee.

The Audit and Risk Committee will:

- Review the previous year report and action plan
- Consider the risk profile and consider if existing internal control arrangements are adequate
- Consider reports arising from external reviews
- Consider the control environment
- The College's objectives and its financial and non-financial targets
 - culture, approach and resources with respect to the management of risk
 - delegation of responsibility
 - public reporting
- Consider on-going identification and evaluation of significant risks and their prioritisation along with the allocation of resources to address area of high exposure
- Review Information and communication
 - quality and timeliness of information on significant risks
 - the effectiveness of the control of existing risks and identification of new risks
- Monitor and review corrective action:
 - ability of the College to learn from its experience
 - its commitment and responsiveness
- Summarise and present its conclusions to the organisation

6. Key components of the system of internal control and risk management

The systems of internal control include risk management. They encompass a number of elements that together facilitate an effective and efficient operation, enabling the College to respond to a range of operational, financial and commercial risks. These elements include:

6.1 Policies and Procedures

Attached to significant risks are policies that underpin the internal control process. The policies are approved by the College's Executive and where appropriate the Corporation. Written procedures support the policies where appropriate.

6.2 Reporting

Reporting is designed to monitor key risks and controls. Decisions to rectify problems are made at regular management meetings and the Corporation if appropriate. Risk reports are presented on a quarterly basis.

6.3 Business Planning and Budgeting

The Business Planning and budgeting process is used to set objectives, agree action plans and allocate resources – these take account of risk. Progress towards meeting business plan objectives is monitored at monthly meetings and also quarterly at Quarterly Business Review meetings. Risk identification and mitigation forms part of this process.

6.4 Project Management

Project proposals for approval include an initial assessment of risk. All approved projects have their own ongoing risk register.

6.5 New Programme / Course Approvals

All approvals for new provision include an assessment of risk.

6.6 Department Risk Frameworks

Managers will use the College risk framework to ensure that significant risks in their areas of responsibility are identified, assessed and monitored. At Departmental and Business Support level, risks are considered as part of processes noted above, and individual registers maintained.

6.7 Audit and Risk Committee

The Audit and Risk Committee is responsible to report to the Corporation on internal controls and to alert them to any emerging issues. As part of this function the Committee oversees the work of the independent assurance advisors and external audits. The committee is responsible for one the provision of advice regarding the effectiveness of the internal control system, including the College's system for the management of risk.

The Committee receives regular reports on both operational and strategic risks and will include consideration of the College's system for the management of risk in its own annual report to the Corporation, delivering an opinion on the effectiveness of the College's system of internal controls.

6.8 Programme of external independent assurance reviews

External independent assurance review is an important element of the internal control process and will review the effectiveness of the internal control system in its reports. Independent assurance reviews are also used to understand if best practice or value for money is being applied. This underpins the work of the Audit and Risk Committee.

6.9 External audit

External audit provides feedback to the Executive, Audit Committee and the Funding Agencies on the operation of the internal and financial controls reviewed as part of the annual audit.

6.10 Third Party Reports

On occasions other agencies (e.g. OFSTED, Audit Commission, ESFA funding auditors) and consultants will provide reports will make reference to the effectiveness of the relevant internal control systems.

7. Steps in risk management

7.1 Risk Identification and the Risk Register

The College will ensure that all significant risks are identified and evaluated on an on-going basis. The following process defines how we evaluate and report on risks on an on-going basis so that a Corporate Risk Register and Department Risk Register is constructed in a structured way and which will be maintained on a regular basis. The College risk register is the combined sum of the Department Risk Registers in the College.

7.2 Risk Alignment to Core Objectives

Risks will be aligned to the Strategic drivers and Leadership and Business Plan Objectives for the College. This will allow for the identification of risks that could prevent the achievement of the strategic plan to 2025.

Further detail is provided in the College corporate risk register for 2023/24. Department register risks will be aligned in a similar way to identify those significant risks preventing the achievement of department and college objectives.

Strategic Drivers for 2023/24	Corporate Risk Alignment
<p>1. Learners and Community-</p> <p>Deliver a technical and academic curriculum offer that enables progression into employment, higher education and supports the community we serve.</p>	<p>Fit for purpose curriculum and Poor Quality of provision</p>
<p>2. Quality</p> <p>High performance standards in all aspects of provision compared to national benchmarks.</p>	<p>Fit for purpose curriculum and Poor Quality of provision</p>
<p>3. Finance</p>	<p>Short and Long-term financial health</p>

Financial Performance enabling investment in learning, staffing and resources required for industry 4.0.	
<p>4. People</p> <p>Learners, staff and employers have a great experience at the college</p>	High quality people
<p>5. Operational Excellence</p> <p>Excellence in all aspects of our work. Our college is operating effectively, efficiently and safely</p>	All corporate risks

7.3 College risk register and Corporate risk register

The responsibility for compiling the overall College risk register and corporate risk register sits with the Chief Executive and Executive team. The Chief Financial Officer is responsible for the reporting of strategic corporate risks to the Board. The College and corporate risk register are reviewed annually as part of formal annual review, quarterly as part of the risk monitoring or more frequently in the case of a warning indicator. Members of the Executive team will be identified as 'risk leads' and are responsible for the definition of top-level corporate risks (controllable and non-controllable) within their allocated category and for ensuring the monitoring and review of risks. The College risk register is the combined sum of the Department risk registers in the College.

7.4 Departmental risks

The responsibility for compiling the departmental risk register sits with the Head of Department. The risk register will be reviewed quarterly as part of performance monitoring, or more frequently in the case of a warning indicator. A combined register of all department risks is held centrally and is the College risk register.

7.5 Risk Description and Analysis

All risks will be provided with a supporting description and the underlying cause and effect identified and recorded in the risk register. This supports the formation of mitigating action plans and the assessment of key controls and monitoring systems that are in place to manage and mitigate the risk. This is the responsibility for the head of department for departmental risks and the Chief Financial Officer for the corporate risk register.

7.6 Risk Assessment

All risks will be assessed in terms of their likelihood of arising and their impact in line with guidelines below-

Assessment of likelihood

Thresholds in terms of the likelihood of a risk becoming a reality are as follows:

	Gross Likelihood	Example Benchmark Guide
1	Rare	<10% and could occur within 3 to 5 years
2	Unlikely	10-49% and could occur within 2 to 3 years
3	Possible	50-74% and could occur within 1 to 2 years
4	Likely	75%-89% and could occur within 6 to 12 months
5	Almost certain	>90% and could occur within 6 months

Assessment of Impact

The following level rankings and definitions have been used:

Gross impact

1	Low: minimum impact on performance and reputation. Organisationally localised, with position recoverable within the financial period. Examples include minor employee accidents, failure to meet minor project deadlines. No external interest. Financial impact threshold up to £49k at corporate level and less than £25k at department level for impact to profits.
2	Minor: Short-term impact on performance and reputation. May attract the short-term attention of legislative/regulatory bodies. Examples include uncontrolled course set-up, links with third parties. Financial impact threshold £50k to £99k at corporate level and £25k to £49k at department level for impacts to profits.
3	Moderate: Medium- term impact on performance and reputation. Attracts the medium-term attention of legislative/regulatory bodies. Examples include loss of low-level fraud. Financial impact threshold £100k to £249k at corporate level or at department level £50k to £99k for impacts to profits.
4	Major: Wide-spread, cross-college impact over the medium term. Examples include poor performance at audit or inspection. Financial impact threshold broadly £250k to £499k at corporate level and at department level £100k to £249k for impacts to profits.
5	Severe: medium to long term impact on performance, with long term damage to reputation. National impact, with the potential rapid intervention of legislative /regulatory bodies. Examples include serious financial failure or failures in governance, serious breach of health & safety legislation or catastrophic incident. Financial impact threshold broadly above £500k at corporate level for impact to profits or at department level £250k or greater.

Some examples in support of the gross impact are provided below-

EG 1 Financial impact- Assess the impact on profitability at college level for the corporate risks and at departmental level for the impact of the risk. What is the impact to annual profitability or recurring levels of profitability at department level and College level performance.

EG 2 Brand/Reputation impact- Assess the impact in terms of adversity and time in the local media. Will it gain national media and will it be for a sustained period. What about criticism and negative opinions from other key stakeholders.

EG 3 Customer & Employees impact- Assess the impact in terms of employee engagement and customer satisfaction, will it have a limited short term or significant medium/long term impact. Will it be critical to employee engagement or business culture.

The Likelihood and Impact of each risk is assessed at a Gross inherent risk level, Residual risk level and Target risk level. This will take account of key defences through controls and systems that are in place and are operating effectively. Key controls that are operating effectively are the first line of defence and monitoring controls and systems that are operating effectively are the second line of defence.

The Gross Inherent Risk level is the risk rating prior to considering the operation of key controls and monitoring systems that are in place and operating at the College.

The Residual Risk level is the assessment of the rating of likelihood and impact once the key controls and monitoring systems are identified and evaluated for their effectiveness of operating.

The Target risk rating is the desired level of rating of the risk once the action plan for further controls and systems are put in to place and are agreed as operating effectively.

7.7 Risk Rating

All risks will be rated based on the multiplication of the likelihood and the impact at the gross inherent/ residual and target risk levels. A traffic lights-based system for rating the risk is based on the following points scores.

Red rated risks = 20-25 points

Amber rated risks = 12-19 points

Green rated risks = 1-11 points

7.8 Risk Management Action Plans

Further actions to implement new controls and systems or to improve existing controls to manage and mitigate the risk are assessed, and a plan for them to be put in to place formulated. This is the risk management plan with appropriate deadlines and risk owners to monitor the progress of the managing the risk. This is the responsibility of the head of department for departmental risk registers and the Chief Financial Officer for the corporate risk register.

7.9 Review, Monitoring and Reporting Procedures

An appropriate risk management infrastructure is in place at the College, including:

- regular review and update of the College's corporate risk register and college risk register
- robust ongoing monitoring arrangements including the effectiveness of early warning triggers/indicators
- appropriate structures for review and update of the college and corporate risk register
- regular reporting on individual risks to an appropriate level of management and/or the Corporation integration of risk management within the College's business planning and reporting performance monitoring processes focus on the risks identified by the independent assurance process

The Executive will receive regular reports on the corporate and college risk register and also those that assess any significant risks and the internal control system's ability to manage them. The reports also identify any significant control failings or weaknesses, their potential impact and the corrective actions being taken. These reports enable the College to understand and challenge the following:

- the significant risks, and how they were identified, evaluated and managed
- whether the reports indicate any significant new risks
- whether the current residual position of risks identified is acceptable
- identifying the underlying cause and effect of the risk
- the effectiveness of the internal control system, and assurance over it, in managing the significant risks
- the effectiveness of the first line of defence which are key controls and the effectiveness of the second line of defence which are monitoring controls to manage the risks
- the level of gross inherent risk and residual risk after the effectiveness of the first and second lines of defence are taken in to account
- further actions to manage to the residual risk to a target risk level
- the key risk indicators in place
- whether the risk management policy document needs to be reviewed
- the response time to change

The results of these risk reports and the related reviews that take place during the year are a source of information for the annual self-assessment process.

7.10 Early Warning Indicators and Mechanism

The College risks have been identified, together with monitoring and early warning systems. Early warning indicators will be reported to the appropriate Head of Department and Executive Lead. Mitigating action will be put in place.

Early warning indicators are important to alert management and additional action needs to be taken with respect to a certain risk. Often risk indicators have triggers and are used with exception reporting. For example, if the number of incidents is above a certain level then the Health and Safety Committee is alerted and it can then decide on the appropriate action.

Risk reporting	
Example – Health & Safety Committee	
Risk	Early Warning indicator
Accidents involving students	Adverse report of incidents per month

Serious breach of legislation	Adverse report from H&S officer
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7.11 Annual Review

An annual review is the opportunity to reflect on the impact of risk management in the previous year, and to recommend improvements for the year ahead. It will help to ensure the process continually improves and delivers the expected benefits.

The annual review includes:

- reflection on the management of significant risks during the previous year
- any controls that failed during the year, and why
- identification of new risks and control
- the changes since the last annual assessment in the nature and extent of significant risks, and the colleges ability to respond to changes in its business
- the management ongoing monitoring of risks and of internal control, and where applicable, the work of its internal audit function and other providers of assurance
- the effectiveness with which risk is being managed
- the effectiveness of the College's reporting processes

To obtain the information required to sign off the annual accounts this process is aligned to the academic/financial year and the annual review process should begin in first quarter of each academic year.

7.12 Reporting on risk management and internal control

The annual assessment will inform the College corporate governance, statement attached to the annual statement of accounts.

8 Change Log

Date	Version Number	Details of change	Review/Revision by
29 th August 2017	2.0	Internal audit reviews changed to independent assurance reviews	H Khurmi, VP Finance & Infrastructure
18 th October 2018	3.0	Dates changed for reviews, additional information on how mitigating controls will be used to manage risks in terms of first line of defence and second line of defence	H Khurmi, VP Finance & Infrastructure

11 th October 2019	4.0	Changes made to reflect new approach to risk management	H Khurmi, VP Finance & Infrastructure and PWC external assurance review
2 ND September 2020	5.0	Updated dates and college objectives for 2020/21 and reference to work to finalise the strategic plan is underway	H Khurmi VP Finance & Infrastructure
1 st September 2021	6.0	Updated dates and College objectives for 2021/22	H Khurmi VP Finance & Infrastructure
1 st September 2022	7.0	Updated dates and College objectives for 2022/23	H Khurmi, Chief Financial Officer
31 st July 2023	8.0	Updated template, titles and date changes	H Khurmi, Chief Financial Officer

Appendix 1 - Steps to risk management

To be completed using the Risk Template

Step 1 - identify your risks	Step 2 - evaluate your risks	Step 3 – manage your risks	Step 4 - monitor and review
<p>Identify your department risks. This is best done in groups, by those responsible for delivering the objectives.</p> <p>RISK: A risk is an uncertain future event that may impact the ability of the College to achieve its strategic and operational objectives. Risk may have a positive or adverse impact.</p> <p>Evaluate risks when:</p> <ul style="list-style-type: none"> • setting business aims and objectives as part of the annual planning cycle • On an ongoing basis as part of business as usual activities to monitor risks; <p>Risk leads according to their business function:</p> <p>Allocate risk leads:</p> <p>Risk register approved by:</p> <ul style="list-style-type: none"> • Corporate level risk register: Board of the Corporation • Department level risk register: Executive 	<p>Combination of the Likelihood and Impact of an event and its consequences.</p> <p>See section 7.6 of this framework to assist in assessing the likelihood and impact.</p> <p>See Section 7.7- A traffic lights-based system for rating the risk is based on the following points scores.</p> <p>Red rated risks = 20–25 points Amber rated risks = 12-19 points Green rated risks = 1-11 points</p> <p>Red - SIGNIFICANT RISKS – REVIEW CURRENT CONTROLS AND IMMEDIATE ACTION NEEDED IN ACTION PLAN</p> <p>Amber - Medium risk. Review current controls / incorporate into action plan</p> <p>Green - low risk limited action. Monitor and incorporate/review as part of action plans</p> <p>Is the planned activity sufficient to achieve the target risk level?</p>	<p>Review your risks:</p> <ul style="list-style-type: none"> • Can you remove the risk? • Can you reduce the likelihood? • Can you reduce the impact/consequences? <p>Devise contingency mitigating actions as part of the new risk register format</p> <p>Business continuity planning for "significant/high risk/ high priority risks".</p> <p>Ensure your risks are highlighted on your annual quality improvement plan and they have the appropriate actions identified.</p>	<p>Risk registers:</p> <p>Use the new format of the risk register on an ongoing basis to-</p> <ul style="list-style-type: none"> • Review top risks regularly as an agenda item, normally at least termly unless an early warning indicator. Review as part of Business planning and QBR, SLT, Executive meetings. • Report progress to senior management as part of the key business processes. • Report progress to Audit & Risk Committee through the executive team lead.