



# **MORLEY COLLEGE LONDON**

## **Risk Management Policy**

POLICY OWNER:

Chief Finance Officer

FINAL APPROVAL BY:

Governing Body

Policy Category:

Corporate

Approved by Policy Committee:

23 May 2024

Approved by Governing Body:

26 November 2024

Review Date:

31 July 2028

## **1. Introduction, Purpose and Scope of Policy:**

- 1.1 Morley College London is committed to building increased awareness and a shared responsibility for risk management throughout the organisation.
- 1.2 The purpose of this policy is to clarify the College's underlying approach to risk management through an overall framework which includes principles, mandate and commitment, and process. Risk management will further assist the college in improving its management of uncertainty thereby helping to optimize the achievement of objectives.

## **2. Equality and Diversity Analysis Screening:**

- 2.1 In accordance with the College's Equality and Diversity Policy, the development of this policy complies with the Equality Act 2010 in ensuring due regard to eliminating discrimination, advancing equality of opportunity and fostering good relations.
- 2.2 This policy applies equally to all persons.

## **3. Applicability:**

- 3.1 This policy applies to all staff, students and stakeholders of the College community.

## **4. Definitions:**

- 4.1 *Risk* – the effect of uncertainty on the College's goals and objectives, where an *effect* is a deviation from an intended or expected outcome
- 4.2 *Risk Management* - the co-ordinated activities, systems and processes for managing risk in the context of the College's strategic plan.
- 4.3 *Risk appetite* – the amount and type of risk an organisation is willing to take to meet their strategic objectives, whether these are existing activities or new
- 4.4 *Risk capacity (tolerance)* – the maximum amount of risk the College can assume after all mitigating factors have been implemented, and can vary depending on the driver
- 4.5 *Risk owner* – the person(s) responsible for the effective management of a risk

## **5. Statutory and regulatory requirements:**

- 5.1 Guidance from regulatory bodies, including ESFA and the OfS, has been taken into consideration in the development of this policy to ensure the College has robust and comprehensive systems of risk management.

## **6. Policy Objectives:**

- 6.1 Risk Management aims to:
  - identify the set of critical risks for the College and maintain a risk register;
  - assess the likelihood and impact for each risk with a score of Low, Medium, High or Very High;
  - identify the risk triggers, the consequences and the controls for every identified risk;
  - identify the risk controls and be satisfied in the assurance of these controls;
  - identify and prepare mitigating actions for both slow emerging risk and rapid high impact event risks;
  - identify and take actions required to reduce risk to an acceptable level; and

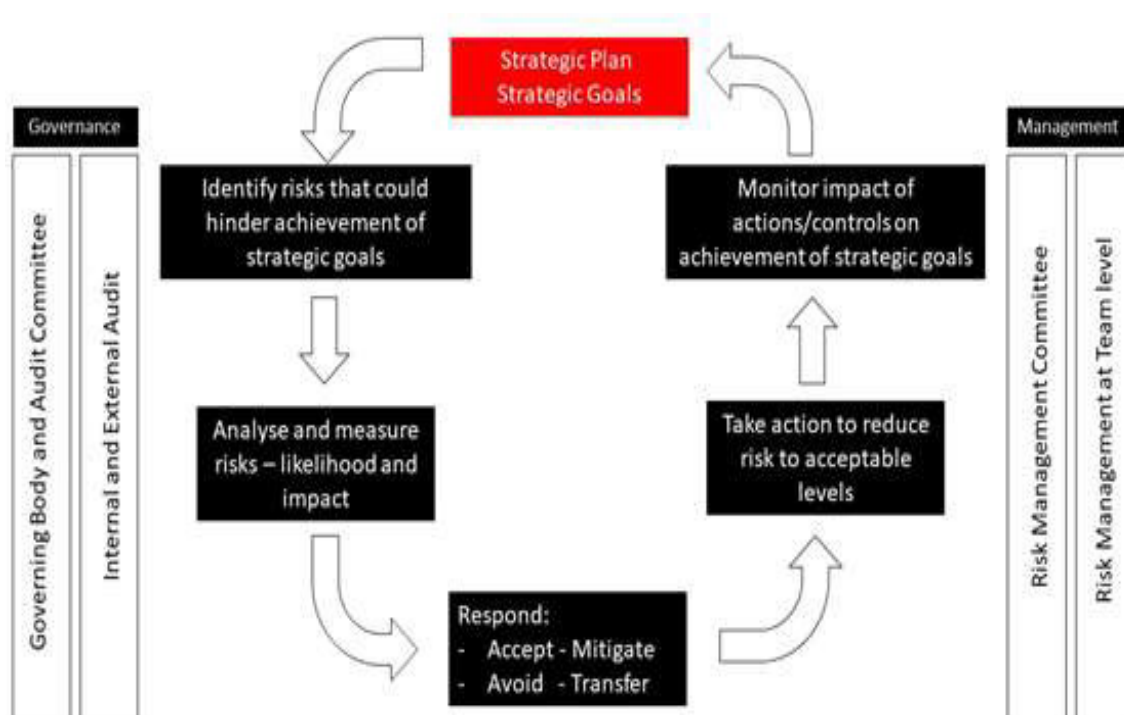
- monitor the effectiveness of these actions in reducing risk.

## 7. Policy Statement

- 7.1 The College will manage risk using a risk management framework that is centred on the achievement of the College's strategic plan.
- 7.2 Although it is acknowledged that risks exist and can never be eliminated, it is important that all staff are aware of risk associated with their area of work.
- 7.3 Every member of staff should be aware of risk and has a responsibility to manage risk effectively. Managers should take responsibility for good risk management within their teams.

## 8. Implementation of Policy:

### 8.1 The Risk Management Process



### 8.2 Role of the Governing Body

- 8.2.1 The Governing Body is responsible for overseeing risk management within the College and adopts an open and receptive approach to solving risk problems.
- 8.2.2 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:
- set the tone and influence the culture of risk management within the College;
  - 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;
  - determine what types of risk are acceptable and which are not, and set the standards and expectations of staff with respect to conduct and probity;
  - approve major decisions affecting the College's risk profile or exposure, having

taken into account the opportunities and risks;

- e) monitor the management of significant risks to reduce the likelihood of occurrence or impact;
- f) satisfy itself that the less significant risks are being actively managed, with the appropriate controls in place and working effectively; and
- g) review the College's approach to risk management and approve changes or improvements to key elements of its processes and procedures.

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

### **8.3 Role of the Risk Management Committee**

8.3.1 The Risk Management Committee is chaired by the Chief Finance Officer and comprises the Senior Leadership Team, with representation selected from People Operations, Premises, Curriculum Managers, Support Managers and Teaching and Learning Staff, and will normally meet three times each academic year.

8.3.2 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;
  - iv. risks and mitigation in respect of major project or programmes and
  - v. 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 in relation to risk management and provide a report to the Audit Committee.

### **8.4 Risk Management as part of the system of Internal Control**

8.4.1 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. Under the Scheme of Delegations a set of policies are approved by the Governing Body, whilst others are approved by the Policy Committee. The policies will be implemented and communicated by senior leadership to staff. Written procedures will support the policies where appropriate.
- f) *Reporting*: Comprehensive regular reporting from the Chief Finance Officer 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, managers will develop and use local risk registers to ensure that any significant risks to their team/[projects/activities] are identified, assessed, and monitored and relevant actions are taken. Key risks from these risk registers will be reflected in the College-wide Risk Register as appropriate.

## **8.5 Risk Register**

8.5.1 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).

8.5.2 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 prevent the occurrence of and/or mitigate the impact of 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.

8.5.3 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.

## 8.6 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			

## 8.7 Risk Scoring

- 8.7.1 By multiplying the impact score by the probability score, the Risk Score of each risk is calculated on a scale of 1 to 16.
- 8.7.2 The scores for each risk are assessed using the criteria set out in the table below, with the impact translated into an approximate monetary value to determine the impact scoring level.
- 8.7.3 While elements of some risks will translate directly into financial consequences, others may require the financial impact to be assessed indirectly, for example where a risk crystallises and causes reputational damage, what impact does this have on student recruitment – this will reduce income? Staff recruitment – this will potentially increase recruitment costs, staff turnover? Financial impact can be assessed considering these indirect impacts.

Scoring Basis		Assessed Impact	Assessed Probability
VH	Very High	Financial impact of over £1M, College reputation seriously damaged, College unable to deliver teaching and learning for a sustained period	Very high likelihood of event, events have already happened to trigger the risk
H	High	Financial impact of up to £1M, College reputation harmed, delivery of teaching and learning is disrupted	High likelihood of events, some trigger events have or will happen
M	Medium	Financial impact of up to £250k, College has some negative feedback, some challenges to ensure teaching and learning delivered	There is uncertainty of events or the details may vary and may partially trigger the risk
L	Low	Financial impact is not material, College has to respond to questions or requests, minor alterations needed to maintain teaching and learning delivery	Trigger events are realistic, but unlikely to happen in the near future

- 8.7.4 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:
- Avoid the risk (e.g. by stopping the activity that gives rise to the risk);
  - Transfer the risk (e.g. to a third party via insurance or other external party); or
  - Mitigate the risk (e.g. by putting controls in place).
- 8.7.5 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.

## **8.8 Risk Appetite**

- 8.8.1 Risk appetite is the level of risk that the College is prepared to accept in pursuit of its vision, mission and objectives.
- 8.8.2 The College will accept a level of risk which is proportionate to the expected benefit to be gained, and the scale and likelihood of potential negative impacts.
- 8.8.3 The College may accept have a higher appetite for risk in certain circumstances – for example pursuing an new opportunity, though the level of exposure in this circumstance should be limited and fully understood.
- 8.8.4 The College has a very low appetite for risk where there is a likelihood of significant and lasting reputational damage; significant risk to the outcomes for students; significant financial loss or materially adverse impacts on financial plans; loss of life or harm to students, staff and or stakeholders. The College has zero appetite in respect of an illegal, immoral or unethical activity.
- 8.8.5 The College's approach risk appetite can be classified in the following ways:

High	The College will only have a high risk appetite in limited circumstances. This is likely to be where the risk associated with a given project or course of action is known and contained. The nature of the activity is considered to be within the normal and expected operations of the College, and the potential benefits exceed the adverse impacts.
Medium	The College has a medium level of Risk Appetite for activities which progress the College's mission, objectives and values through the normal course of business without material exposure to adverse consequences. The College will aim to mitigate risks to this extent.
Low	The College maintains a low risk appetite for any activities that will have a potentially materially negative impact on the experience/outcomes for learners, that will materially impact on financial performance/plans/viability, and/or that have any risk of harm to students/staff or stakeholders.
Zero	The College has zero appetite for any illegal, immoral or unethical activity.

## **9. Communication and Training:**

- 9.1 The CFO and Director of Governance will oversee training for staff and Governors in risk management.
- 9.2 The CFO and Finance Management Team will oversee training staff on the consideration and management of risk at operational levels.
- 9.2 Risk updates to be included in staff briefings and communications as appropriate.

## **10. Monitoring and Reporting:**

- 10.1 This policy will be approved by the Governing Body on the recommendation of the Audit Committee.
- 10.2 This policy will be reviewed every four years, or in response to direct or implicit changes in legislation, regulation or statutory guidance.

## **11. Related References, Policies, Procedures, Forms and other Appendices:**

- 11.1 Financial Regulations
- 11.2 Business Continuity Plan