

Risk Management Policy

Author:	Chief Operating Officer
Date:	June 2023
Version:	v1
Review requirements:	Every three years
Date of next review:	June 2026
Approval body:	Board of Governors (via Audit & Risk Committee)
Checked by:	ELT
Publication:	Staff SharePoint

This policy and procedure is subject to The Equality Act 2010 which recognises the following categories of individual as Protected Characteristics: Age, Gender Reassignment, Marriage and Civil Partnership, Pregnancy and Maternity, Race, Religion and Belief, Sex (gender), Sexual orientation, Disability.

RISK MANAGEMENT POLICY

SECTION 1: INTRODUCTION

In complex organisations such as colleges, management operates at different levels, with each level delegating tasks and authorities to others with the combined aim of delivering the agreed objectives. Delegation does not remove accountability and managers exercise this through seeking assurance that responsibilities that they have delegated are being carried out in the way intended. Most college governors are substantially removed from day-to-day activity and rely on assurances through management representations and information in order to carry out their role.

Assurance for governors and Accounting Officers is most likely to be about confirming that:

- Plans, policies, and procedures are fit for purpose and being operated.
- Agreed actions are taken to timescale and planned outcomes achieved.
- Performance is in line with expectations.
- Risks are being managed.
- Management reports are reliable.
- Planned internal or contracted audit activities are taking place and unacceptable activities (including fraud or corruption) are not taking place; and
- Value for money is being achieved.

SECTION 2: POLICY STATEMENT

Milton Keynes College Group will effectively manage risk, taking all reasonable and practicable steps to ensure the protection of staff, students, assets, and the reputation of the College.

SECTION 3: AIM OF THE POLICY

To ensure there are appropriate arrangements and clear responsibilities for risk management in the College.

- To establish an open and receptive approach to solving risk.
- To make conservative and prudent recognition and disclosure of the financial and non-financial implications of risks.
- To gain a clear and complete understanding of the services delivered, the activities undertaken, and the types of assurance currently obtained, and consideration as to whether they are effective and efficient.

- To identify areas where assurance activities are not present or are insufficient for the needs of the College.
- To identify areas where assurance is duplicated, or is disproportionate to the risk of the activity being undertaken (i.e., there is scope for efficiency gains).
- To identify areas where existing controls are failing and as a consequence the risks that are more likely to occur.
- To ensure controls are effective to detect and prevent fraud or corruption. Where fraud or corruption, or a suspicion of fraud or corruption, is identified the MK College Group Anti-Fraud and Corruption Policy must be followed.
- To provide an evidence base to assist the College in the preparation of its annual Statement of Corporate Governance and Internal Control.

SECTION 4: SCOPE OF THE POLICY

All activities undertaken on behalf of the College that may contain a level of risk that could impact on the achievement of College objectives.

SECTION 5: ROLES AND RESPONSIBILITIES

Audit and Risk Committee

- To advise the Board of Governors on the concepts and requirements of risk management.
- To act as a catalyst for risk management activity across the College.
- To ensure appropriate audit work is performed on risk management.
- Bringing higher level risks to the attention of the Board of Governors.
- To review new risks or failures of existing control measures.
- To review the adequacy of internal control systems designed to minimise risk.
- To receive the reports from the Risk Management Group and make appropriate recommendations to the College's Senior Leadership Team, which will effectively improve systems of control.
- To ensure that the risk management arrangements are audited and scrutinised to ensure they are effective.

Risk Management Group

- To develop the College's Risk Management Policy.
- To compile the College's Strategic and Operational Risk Registers.
- To identify, from the risk registers, the key risks faced by the College.

- To identify new risks and take controlling actions where necessary, responding appropriately to risks.
- Overall co-ordination of risk management.
- To review impact and mitigating factors i.e., actions for risks occurring and risk reduction/elimination on the Risk Registers.
- To maintain the Audit and Risk Committee and Board of Governor's confidence that risk is being managed effectively within the College and that solutions to identified risks are in place and are appropriate.
- Via the Chief Operating Officer, to report the status of risk management and the risk registers to the Audit and Risk Committee at each meeting, and to the Board of Governors annually.

The Risk Management Group meets on a monthly basis. Minutes are taken at the meetings and there are arrangements in place to ensure that agreed actions are carried out. The workings of the Risk Management Group are summarised in a report to each subsequent meeting of the Audit and Risk Committee.

A key source of assurance is obtained from the Internal Audit Service. There is a clear link between the College's Risk Register and the Internal Audit Strategy and Annual Internal Audit Plan.

Consequently, where the Risk Management Group, the Senior Leadership Team (most of whom are members of the Risk Management Group), or the Board identify any emerging risks, and/or where the risk priorities for the College change, and/or where there are concerns about a particular area of activity, subject to the agreement of the Audit and Risk Committee the Internal Audit Strategy and Annual Plan is revised accordingly.

Senior Leadership Team

- Implementation of the Risk Management Policy.
- Promotion of a holistic approach to risk management.
- Report risks to the Risk Management Group, via the Chief Operating Officer.
- Ensure appropriate levels of awareness throughout the organisation.

College Staff

- Understand their accountability for individual risks.
- Understand how they can enable continuous improvement of risk management and risk awareness.
- Report systematically and promptly to a member of the College Management Team or Senior Leadership Team any perceived new risks or failures of existing control measures.

- Report on current 'active' risks highlighting mitigating actions and effect towards risk reduction.

SECTION 6: RISK REGISTER

The Strategic Risk Register spreadsheet lists those risks identified by the Senior Leadership Team as having a potential impact on the achievement of College strategic aims.

a. Identification of Risks

The starting point for the identification of risks is through the Milton Keynes College Group Strategy, which is underpinned by six strategic aims.

1. Drive aspirational, innovative, and student-focussed experiences.
2. Develop meaningful partnerships to grow our influence and create opportunities.
3. Achieve and maintain financial and operational sustainability.
4. Deliver the skills needed by employers to aid productivity.
5. Promote and live fairness, equality, diversity, and inclusion.
6. Create organisational unity around our shared vision and purpose.

A risk can be described as an activity which could be considered to impact upon one or more of these strategic aims.

b. Responding to Risk

Risk management responses can be a mix of four main actions: transfer, tolerate, treat, or terminate.

- **Transfer** - for some risks, the best response may be to transfer them. This might be done by conventional insurance or by supporting a third party to take the risk in another way.
- **Tolerate** - the ability to do anything about some risks may be limited, or the cost of taking any action may be disproportionate to the potential benefit gained. This course of action is common for large external risks. In these cases, the response may be toleration, but the risk should be tracked so managers are ready to reconsider should it start to escalate. Tolerance levels determining how much risk can be taken at each level need to be set and should inform decisions.
- **Treat** - by far the greater number of risks will belong to this category. The purpose of taking action to reduce the chance of the risk occurring is not necessarily to obviate the risk, but to contain it to an acceptable level. Risk will be passed up and down the management line. High-level risks may have to pass to a higher level of responsibility to decide on an action, whereas other risks may translate into activities designed to mitigate them.

- **Terminate** the risk by doing things differently thus removing the risk where it is feasible to do so.

Identified risks will be discussed at Risk Management Group in the first instance to agree risk response. Where required, recommendations will be made to Audit and Risk Committee and ultimately the Board of Governors on the College’s response to risk.

c. Risk Register

Once identified by a Risk Owner a potential risk should be discussed at the Risk Management Group and included on the Risk Register. The following information is provided for each risk in the Risk Register:

- Risk description
- Risk owner, a member of SLT. This is the person who has overall accountability to manage a risk.
- Inherent risk score, the sum of Impact and Likelihood each on a 1 to 5 basis. This is the risk score if no control measures and mitigations are in place.
- Residual Risk score, the score after taking into account the control measures and mitigation arrangements that the College has in place for that risk.
- Risk contributory measures.
- Risk mitigation and control measures.
- Assurance and evidence of risk mitigation in place.
- Assessment of the three lines of defence.

d. Risk Scoring

Inherent and residual risk scores are measured in terms of the Impact on the organisation and the Likelihood of a risk crystallising on a 1 to 5 basis as summarised in the tables below.

Impact	Impact – the consequence when the risk occurs is	Potential Indicators
1 – Very Low	<ul style="list-style-type: none"> • Financial impact likely to be small. • Minimal impact on strategy or operational activities. • Low stakeholder concern. • Likely to have minor impact in many areas of the organisation. 	Less than £50k in cost <ul style="list-style-type: none"> • Little or no reputational damage • Little effect on service delivery • Short term embarrassment • Staff / user complaints - standard process

	<ul style="list-style-type: none"> • Primary impact is on the internal business. • Unlikely to require specific application of additional resources. • Manage through existing controls. • Action required: Monitor and review. 	<ul style="list-style-type: none"> • Minor delay or interruption / maybe distinct business area • Increased reportable accidents.
2 – Low	<ul style="list-style-type: none"> • Financial impact likely to be moderate. • Low impact on the strategy or operational activities. • Some stakeholder concern having some impact on the organisation’s ability to service its customers. • Likely to have some impact in one or a few distinct areas of the organisation. Unlikely to cause much damage and/or threaten the company. • Action required: Monitor and review. 	<p>£50k to £250k in cost</p> <ul style="list-style-type: none"> • Some cost impact upon current year performance • Distraction of management team and resources • Contained contamination of site • Potential insurance claim / employment tribunal • Negative local media attention • Slight reputational damage • Some reduction in service delivery • Waste of time and/or resources
3 - Moderate	<ul style="list-style-type: none"> • Serious financial impact • Moderate impact on strategy or operational activities • Moderate stakeholder concern having some impact on the organisation’s ability to service its customers. • Likely to have major impact in one or a few distinct areas of the organisation. • May cause some damage, disruption or breach of legislation. 	<p>£250k to £500k in cost</p> <ul style="list-style-type: none"> • Financial costs impact upon current year performance and accounts • Significant distraction of management team and resources • Contained contamination of site • Dismissal of staff member(s) • Potential insurance claim / employment tribunal • Negative local media attention

	<ul style="list-style-type: none"> • Action required: Risk controls and actions to be developed. 	<ul style="list-style-type: none"> • Moderate but recoverable reputational damage • Significant reduction in service delivery • Significant waste of time and / or resources
4 – High	<ul style="list-style-type: none"> • Substantial financial impact on the organisation. • Significant impact on strategy or operational activities. • Significant stakeholder concern seriously damaging the organisation’s ability to service its customers. • Likely to have major impact in many areas of the organisation. • Likely to cause some damage, disruption, or breach of legislation. Prompt attention is required. • Action required: Risk controls and actions to be introduced as a matter of urgency. 	<p>£500k to £1m in cost</p> <ul style="list-style-type: none"> • Significant reputational damage with key stakeholders • International / national negative publicity • Significant impairment of service delivery • Loss of confidence by user groups • Loss of staff morale / large scale staff turnover • Critical impact on the achievement of objectives and overall performance • Action plan will require significant investment - cash, premises, equipment, staff. • Safeguarding / Death
5 – Severe	<ul style="list-style-type: none"> • Likely to threaten the survival or continued effective functioning of the organisation, either financially or significantly impair its reputation. • Likely to have major impact on the whole organisation. • Action required Immediate action required. Must be managed with an effective control. 	<p>Over £1m in cost / beyond reserves</p> <ul style="list-style-type: none"> • Severe reputational damage with key stakeholders calling into doubt ability to survive / continuity. • Prolonged national / international media attention - legal prosecution etc • Loss of confidence • Severe impairment of service delivery

		<ul style="list-style-type: none"> • Failure to achieve objectives and overall performance. • Multiple Safeguarding / Deaths
--	--	------------------------------------------------------------------------------------------------------------------------------------------------------

Likelihood	Likelihood – the probability of the risk occurring is	Potential Indicators
1 – Very unlikely to occur	Up to 20% Either unlikely to occur or has not occurred historically.	Beyond 5 years
2 – Unlikely	21 to 40% May occur infrequently.	Within 5 years
3 – Might happen	41 to 60% Might occur, but infrequently.	Within 3 to 5 years
4 – Likely to occur	61 to 80% Likely to occur and could be on a frequent basis.	Within 1 to 2 years
5 – Almost certain to occur	81 to 100% Almost certain to occur; highly likely and could occur several times a year.	Within the current year

e. The Three Lines of Defence

The three lines of defence model sets out an integrated way to manage risks, design and implement internal control and provide assurance through ongoing, regular, periodic, and ad-hoc monitoring and review. The key features are noted below:

- The first line of defence is the internal control environment recognising the policies, procedures and processes put in place by management to treat the risk.
- The second line is management’s own monitoring and risk assurance processes including those escalated up through the governance framework which can aid assessment of the risk position.
- The third line is independent assurance; what sources of assurance exist which can be used to periodically confirm management’s own assessment, controls in place and hence provide comfort over the management of risk by the organisation.

f. Heat Map

A 5 by 5 grid Heat Map shows the current residual score for each risk and identifies the direction of travel since any previous score. Risks are rated Green if the score is 4 or below; Amber for scores between 5 and 14 and Red for scores of 15 and over.

g. Equality Impact Assessment (EIA)

An EIA is carried out for each risk, assessing the impact of the risk on various groups.

h. Closing Risks

When a risk is no longer considered significant the Risk Owner should discuss removal from the Strategic risk register with the Risk Management Group. If agreement for removal is reached, the risk can be closed and moved from the body of the Strategic Risk Register to a 'Closed Risks' tab. The closed risk will remain in the spreadsheet until the end of the year in question, after which it will be permanently removed.

SECTION 7: STATEMENT OF RISK APPETITE

a. Introduction

The MK College Group Statement of Risk Appetite is part of the College's risk management framework. The College must take risks in order to achieve its strategic aims and deliver improved outcomes for students. Risks will be taken in a considered and controlled manner, commensurate with the potential reward and at a level deemed to be acceptable by the Board of Governors. The College will generally accept a level of risk proportionate to the expected benefits gained and with due regard to the impact and likelihood of potential harm.

The Statement of Risk Appetite specifies the amount of risk the College is willing to seek or accept in the pursuit of its long-term objectives. It indicates the parameters within which the College conducts its activities. It is intended to act as a guide to colleagues indicating the:

- Areas where the College should 'step out' and be innovative.
- Areas where the College wishes to be conservative and compliant in its activities.
- The 'lines' across which the College would not wish to cross, and where the College's Executive and the Board of Governors would need to be notified.

b. Risk Appetite Key

The College's appetite to risk will vary depending upon the nature of the activity. The following key is used to identify the College's appetite to risk in the headline organisational activities in section c, and the key strategic priority areas described in section d.

Risk Appetite	Description
Adverse	Prepared to accept only the very lowest levels of risk, with the preference being for ultra-safe delivery options, while recognising that these will have little or no potential for reward/return.
Cautious	Willing to accept some low risks, while maintaining an overall preference for safe delivery options despite the probability of these having mostly restricted potential for reward/return.
Moderate	Inclined towards a balanced approach to achieving objectives, with exposure limited to moderate level risks and an acceptance of some resulting limitations on the level of reward/return.
Open	Prepared to consider all delivery options and select those with the highest probability of productive outcomes, even when there are elevated levels of associated risk.
Hungry	Eager to seek original/creative/pioneering delivery options and to accept the associated substantial risk levels in order to secure successful outcomes and meaningful reward/return.

c. Organisational Risk Appetite Summary

The College's risk appetite has been defined following consideration of organisational risks, issues, and consequences. Appetite levels will vary, in some areas risk appetite will be **cautious**, in others the College is **open** and willing to carry risk in the pursuit of business objectives. The College aims to operate organisational activities at the levels defined below. Where activities are projected to exceed the defined levels, this must be highlighted to the College's Executive Leadership Team and the Board of Governors.

- **Reputational risks:** We adopt a **cautious** stance for reputational risks, with a preference for safer delivery options, tolerating a cautious degree of residual risk and choosing the option most likely to result in successful delivery, thereby enhancing our reputation for delivering high quality and value for money.
- **Financial risks:** We adopt a **cautious** stance for financial risks, seeking safe delivery options with limited residual financial risk. The Board will receive ongoing assurance through the Monthly Management Accounts and Board reports on progress against the approved Financial Plan.
- **People risks:** We adopt a **moderate** stance for people risks. In the current challenging recruitment climate, we recognise the need to recruit staff with broader industrial experience, as well as those with formal technical and teaching qualifications.

- **Safeguarding risks:** We adopt an **adverse** stance for safeguarding risks. The safety and protection of our students and staff is paramount.
- **Curriculum delivery risks:** We adopt an **open** stance for curriculum delivery risks, as a healthy level of risk is essential to innovate and ensure continued pedagogical development, providing this does not create a high level of financial risk.
- **Project delivery risks:** We adopt an **open** stance for project delivery risks, providing the residual financial and reputational risks are low. What is essential is all projects support us to deliver our vision of Fairer Futures for all.
- **Cyber and Information risks:** We adopt an **adverse** stance for cyber risks. The Board will have independent assurance (through Internal Audit, and ISO27001 accreditation and annual reviews) on the risk of inadvertent or malicious corruption or modification of data on College IT systems.
- **Assets/Estates risks:** We adopt a **moderate** stance for assets and estates, seeking value for money with a preference for proven delivery options. This means that we use solutions for purchase, rental, disposal, construction, and refurbishment that ensure good value for money whilst fully meeting organisational requirements.
- **Business continuity risks:** We adopt a **cautious** stance for incident management and business continuity risks. The Board will receive ongoing assurance from annual testing of business continuity plans.
- **Legal/Regulatory compliance risks:** We adopt a **cautious** stance for compliance, seeking a preference for adhering to responsibilities, and safe delivery options with little residual risk. The Board will have annual assurance that compliance regimes are in place.

d. Risk Appetite Levels for Strategic Plan Objectives

The descriptions in the table below define the College's appetite to risk in key strategic areas, according to the strategic priorities in Building Fairer Futures Strategic Plan 2021-2026.

The College's approach is to minimise its exposure to reputational, compliance and excessive financial risk, whilst accepting and encouraging more risk in pursuit of its vision, purpose and objectives. It recognises that appetite for risk varies according to the activity undertaken, and that acceptance of risk is 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.

The need to avoid reputational, compliance and excessive financial risk will take priority over other factors: e.g., it will be acceptable to undertake risks in activities that further the College's objectives in relation to student achievement and employment outcomes provided they do not expose the College to undue reputational or compliance risks or threaten

financial sustainability targets. A balanced assessment will always be taken of risks - in many cases, there are risks attached to both doing something and doing nothing.

Strategic Aims	Risk Appetite Level	Rationale
Drive aspirational, innovative and student-focussed educational experiences	Moderate	<p>Achieving this strategic aim is fundamental to the College’s vision of Fairer Futures for all. Good progress has been made in this area, demonstrated by improved student outcomes, improved student feedback, improving student progression and good examples of innovative practice and ‘industry wow moments’ like the innovative partnership with Silverstone. However, work remains to be done to drive consistent improvements across all areas to ensure an average self-assessment score of 1.5 by 2025.</p> <p>The College recognises that achieving this strategic aim will require adopting new and innovative approaches to learning, teaching, and improving the student experience. The College takes a balanced approach to the associated risks and is comfortable in accepting moderate risks in the achievement of its objectives, subject to ensuring that the potential benefits and risks are fully understood before developments are authorised and that appropriate measures to mitigate risks are in place.</p>
Develop meaningful partnerships to grow our influence and create opportunities	Open	<p>The College accepts that the development meaningful partnerships will involve risk to enable the College to innovate, grow its influence and create new opportunities.</p> <p>The College is open to the associated risks and is prepared to explore all potential partnerships that deliver the vision, to select those with the highest probability of productive outcomes, even when there are elevated levels of risk, subject to ensuring that the potential benefits and risks are fully understood before developments are authorised and that appropriate measures to mitigate risks are in place. In</p>

		<p>particular, it is important that the residual financial and reputational risks remain low, and the College continues to work within the requirements of Managing Public Money.</p>
<p>Achieve and maintain financial and operational sustainability</p>	<p>Cautious</p>	<p>The College has now returned to generating financial surpluses. However, financial forecasts considered by the Board in July 2022 highlighted risks to this position from a range of factors, including student recruitment, staff recruitment and retention, high inflation, the cost-of-living crisis and its impact on pay, use of reserves to match the significant 50% DfE funded CTF project, increasing pension liabilities, and increasing estates, non-pay, and energy costs.</p> <p>The College will be cautious about risks that might jeopardise the achievement of its financial KPIs and forecasts. The College recognises that risks have to be taken to ensure the College’s long-term financial sustainability and will put in place appropriate controls and mitigations to reduce residual financial risks to an acceptable level. For example, in line with the Financial Regulations all contracts over £150k require Board approval. In addition, all Capital projects over £500k are monitored by the Board CPMG enabling scrutiny and affordability checks to be made before major capital commitments are entered into.</p>
<p>Deliver the skills needed by employers to aid productivity</p>	<p>Moderate</p>	<p>The College has made good progress to meet the skills needs of employers. However, policy change including the implementation of the LSIPs, and Level 3 Reform bring significant risk, but also open up a range of new opportunities; both of which will require clear planning and effective leadership over the next three years. MKCG leading the LSIF across SEMLEP, and working closely with Bucks LEP, puts the College in a strong position to influence this agenda.</p> <p>The College recognises that achieving this strategic aim will require adopting new and innovative</p>

		<p>approaches to securing good employment outcomes for students. The College takes a balanced approach to the associated risks and is comfortable in accepting moderate risks to the achievement of its objectives, subject to ensuring that the potential benefits and risks are fully understood before developments are authorised and that appropriate measures to mitigate risks are in place.</p>
Promote and live fairness, equality, diversity and inclusion	Moderate	<p>The delivery of this strategic aim underpins Fairer Futures for all. The College recognises that achieving this strategic aim will require adopting new and innovative approaches. These include the College publishing its EDI data, signing up to the Race at Work Charter and the Disability Confident Employer Scheme, maintaining accreditation for Leaders in Diversity, developing the FE Voices pod cast series to promote EDI, and investing in a designated function to lead on this work.</p> <p>The College takes a balanced approach to the associated risks and is comfortable in accepting moderate risks to the achievement of its objectives, subject to ensuring that the potential benefits and risks are fully understood before developments are authorised and that appropriate measures to mitigate risks are in place.</p>
Create organisational unity around our shared vision and purpose	Moderate	<p>Supporting, developing, and ensuring the wellbeing of our staff so that they can make their best possible contribution is crucial to the delivery of the strategy. The vision to create Fairer Futures for all gives a true sense of purpose across the Group, to support us recruit and retain the most talented staff.</p> <p>In the current economic climate and policy landscape staff retention and recruitment is a challenge and this requires the College to think differently in terms of pay and recognition, and how we source and develop talent from outside the education sector. This will require actions that have associated risks, e.g.,</p>

		<p>changes to organisational structures and staffing models, and how processes are carried out. The College takes a balanced approach to the associated risks and is comfortable in accepting moderate risks to the achievement of its objectives, subject to ensuring that the potential benefits and risks are fully understood before developments are authorised and that appropriate measures to mitigate risks are in place.</p>
--	--	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------