

Board of Management

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| Date of Meeting | Wednesday 27 March 2024 |
| Paper No. | BoM4-O |
| Agenda Item | 7.1.1 |
| Subject of Paper | Risk Management Policy |
| FOISA Status | Non-Disclosable - (BoM agreed to Disclose 27 03 24) |
| Primary Contact | Drew McGowan Associate Director of Governance and Risk |
| Date of production | 19 March 2024 |
| Action | For Approval |

1. Recommendations

- 1.1. To approve the Risk Management Policy, as reviewed and recommended by the Audit & Assurance Committee.

2. Purpose

- 2.1. To seek the Board of Management's approval for the updated Risk Management Policy.

3. Consultation

- 3.1. The Associate Director of Governance and Risk facilitated a session with the Board and Executive Leadership Team on strategic risk in November 2023. Part of this session, which focussed on setting a new risk appetite for the College, informs the main amendments to the Risk Management Policy.
- 3.2. The Audit & Assurance Committee reviewed the Risk Management Policy at their most recent meeting. Subject to agreed amendments, which have been incorporated into the version tabled, members agreed to recommend it to the Board for final approval.

4. Key Insights

- 4.1. Risk management is a key component of the College's internal control and governance arrangements and, as such, is an important responsibility of the Board of Management, the Executive Leadership Team and the Senior Management Team.
- 4.2. The Risk Management Policy has been amended to include new risk appetite statements (section 7) and to outline the role of the Associate Director of Governance and Risk (section 6). The Audit & Assurance Committee also requested that the role of the Audit & Assurance Committee (section 6) and wider staff (section 4) be added. Members also requested that training and development for the Board and the wider College be included (section 4) and descriptions of risk appetite categories be added (section 7).
- 4.3. The Audit & Assurance Committee oversees the College's Risk Management Policy and, as these changes represent a significant amendment, it has been reviewed by members. As outlined in the Risk Management Policy (section 4.8), the Board of Management is responsible for setting the risk appetite of the College. At the recommendation of the Audit & Assurance Committee, the Board is therefore asked to issue final approval.

5. Impact and Implications

- 5.1. The effective management, control and mitigation of risks are essential to the College's institutional and financial sustainability, compliance, reputation and future growth. The continuous review and improvement of the College's policies and procedures in this area is essential in ensuring that our arrangements remain appropriate and effective.

Appendices:

Appendix 1: Risk Management Policy



Risk Management Policy

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Risk Management Policy

1. Introduction

- 1.1. The Risk Management Policy and the associated Risk Management Procedure form part of the College's internal control and corporate governance arrangements. The College's approach to risk management is underpinned by the College's purpose, way, values and strategic priorities – in particular, our priority “to be efficient, effective, innovating and vigilant”.

2. Purpose and Aims

- 2.1. The policy explains the College's approach to risk management and documents the roles and responsibilities of the Board of Management (the Board) and the Executive Leadership Team (ELT) in developing a culture of risk management throughout the College.
- 2.2. The associated Risk Management Procedure outlines the key aspects of the risk management process and identifies the main reporting procedures. In addition, it describes the process the Board will use to evaluate the effectiveness of the College's internal control procedures.

3. Scope

- 3.1. This policy applies to all activities undertaken by, and at all levels within, the College.

4. Policy Statement

- 4.1. The Board is responsible for overseeing risk management within the College as a whole. The Audit & Assurance Committee is responsible for the Risk Management Policy. All of the Board's committees are responsible for reviewing risks within their remit on a regular basis and referring changes to the Board for final approval.
- 4.2. The College adopts an open and receptive approach to risk management and makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks.
- 4.3. The College would, in general, seek to treat risks with the potential for negative impact prudently. However, the Board and ELT recognise the possibility of positive outcomes in the treatment of risks, and accordingly will be careful to evaluate each risk individually. Risk appetite and tolerance will be determined by the Board with guidance from ELT.
- 4.4. The Principal and ELT support, advise and implement policies and strategies approved by the Board.
- 4.5. While the identification and management of risk is seen as a key responsibility of the Board, ELT and Senior Management Team (SMT), all staff should be encouraged to be aware of the importance of risk management and identify risks to the College within their departments and teams. The point of contact and escalation route for risk is the Associate Director of Governance and Risk.
- 4.6. Senior managers are responsible for encouraging good risk management practice within their areas of responsibility.

- 4.7. Senior managers, and those responsible for reviewing risks, taking into account the possibility of the differential impact of risks, and risk treatments, upon people who share protected characteristics.
- 4.8. The College will ensure appropriate training and development is provided for the Board and wider staff.
- 4.9. Key risk indicators will be identified and closely monitored on a regular basis.

5. Definitions

- 5.1. HM Treasury states that “risk is defined as this uncertainty of outcome, whether positive opportunity or negative threat, of actions and events. The risk has to be assessed in respect of the combination of the likelihood of something happening, and the impact which arises if it does actually happen”.
- 5.2. Risk in the context of the College will focus upon those uncertain events, which would, if they occurred, result in a negative impact on the operation and objectives of the College. This is the definition of risk understood in all of the College’s documents relating to risk management.
- 5.3. BS 31100:2008 defines risk appetite as “the amount and type of risk that an organisation is prepared to seek, accept or tolerate”, while risk tolerance is defined as “the organisation’s readiness to bear the risk after risk treatments in order to achieve its objectives”. In broad terms, appetite relates to willingness to seek potential benefits, while tolerance sets limits on acceptable loss in pursuit of these benefits.
- 5.4. These are the definitions of the respective terms understood in all of the College’s documents relating to risk management.

6. Responsibilities

Role of the Board of Management

- 6.1. Set the tone and influence 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. i.e., determining risk appetite and tolerance.
 - Deciding what types of risk are acceptable and which are not.
 - Setting the standards and expectations of members of staff with respect to conduct and probity.
- 6.2. Approve major decisions affecting the College’s risk profile or exposure.
- 6.3. Monitor the management of significant risks to reduce the likelihood of significant adverse outcomes.
- 6.4. Seek assurance that the less significant risks are being actively managed, with the appropriate controls in place and working effectively.
- 6.5. Review risks on a regular basis (at least quarterly) throughout the academic year at both a Board and committee level.

- 6.6. Review annually the College's approach to risk management and approve changes or improvements to key elements of its processes.
- 6.7. Review annually the effectiveness of internal control of the College, based on information provided by the ELT. This approach is outlined in the Risk Management Procedure.

Role of the Audit & Assurance Committee

- 6.8. Oversee the Risk Management Policy and ensure that the College's approach to risk management is appropriate and adequate.
- 6.9. Provide support and advice to the Board and Accountable Officer on risk management, internal control and governance.

Role of the Executive Leadership Team

- 6.10. Implement policies on risk management and internal control.
- 6.11. Identify and evaluate regularly the significant risks faced by the College for consideration by the Board and its committees.
- 6.12. Ensure appropriate channels are in place to enable risk reporting at all levels of the College – and through these levels to the ELT and, where appropriate, recorded on the risk register. For example, risk identification and reporting will be regularly reviewed at operational team meetings, minuted where appropriate, and escalated as necessary.
- 6.13. Provide adequate information in a timely manner to the Board and its committees on the status of risks and controls.
- 6.14. Undertake an annual review of the effectiveness of the system of internal control and provide a report to the Board.

Role of the Associate Director of Governance and Risk

- 6.15. Review and update the College's Risk Management Policy, Risk Management Procedure and Assurance Framework.
- 6.16. Coordinate quarterly reviews of the Strategic Risk Register and Management Action Plans with SMT and ELT members and report to the Board and its committees.
- 6.17. Provide advice and guidance to the Board, ELT, SMT and staff on risk management.
- 6.18. Act as the key point of contact and escalation route for risk management at the College.

7. Risk Appetite

- 7.1. The College's appetite for risk across its core activities is outlined below and uses the following six classifications:
 - **Avoid:** The College avoids any form of risk, striving to maintain an entirely risk-free approach.

- **Averse:** The College prefers to accept minimal risk, prioritising safe decision-making while recognising potential limitations on innovation and opportunities.
- **Cautious:** The College is willing to accept some low risks while primarily favouring safe decision-making, acknowledging the potential for restricted innovation and limited outcomes.
- **Moderate:** The College tends to expose itself to moderate levels of risk, aiming for acceptable, though not overly ambitious, outcomes.
- **Open:** The College is open to innovative decisions and strategic implementations, prioritising productive outcomes even when accompanied by elevated risk levels.
- **Hungry:** The College actively seeks pioneering decisions and strategic implementations, embracing substantial risk to secure highly successful outcomes and benefits.

Change and Development: Open

- 7.2. The College periodically undertakes major change and development projects/activities in pursuit of our strategic priorities or in response to external factors. Our approach to this work should always be based on robust planning and best practice in project and change management. Change and development projects may, by their nature, involve elevated levels of risk; however, as there is also a risk of not undertaking change and development activity, the College adopts an open appetite in this area.

Compliance and Governance: Averse

- 7.3. The College is committed to upholding the highest standards of governance and compliance with legislation, regulation and professional/ethical standards. It is acknowledged that innovative, adaptable and enterprising ways of working, together with digital solutions, are necessary to achieve high levels of effectiveness, efficiency and compliance. By accepting minimal risk and prioritising safe decision-making in the pursuit of compliance, the College is risk averse in this area.

Education and the Student Experience: Hungry

- 7.4. The College strives to be an inspirational place of learning and to enable students to excel and realise their full potential. It is a priority of the College to equip students to flourish in the ever-changing and complex world of work and to be an industry partner of choice. To achieve these aims, the College will have to actively seek and embrace pioneering and innovative approaches to learning and teaching – and ensure that our physical and digital infrastructure can continue to facilitate a modern curriculum.
- 7.5. It is acknowledged that such activities may involve a significant level of risk. However, subject to the early identification of the associated risks and planned mitigations being in place, this level of risk is acceptable as the College is hungry to secure highly successful benefits to our pedagogical model and outcomes for our students.

Financial: Cautious

- 7.6. The College is committed to maintaining our long-term financial stability, managing our assets appropriately and securing the best value for money. While work should be undertaken to secure a diversity of income and sustainable development to improve our

financial position, the College is cautious of risks that will have an adverse impact on our finances – and, instead, primarily favours low-level risks and safe decision-making.

People and Culture: Open

- 7.7. We recognise that it is impossible to Let Learning Flourish without our lecturing and support staff. As a college and an employer, we are committed to attracting and retaining the best talent and valuing the professional development and contribution of all our staff. Our culture, underpinned by the College's way and values, must allow us to fulfil the potential of our staff while ensuring their health, safety and well-being.
- 7.8. The College will actively seek innovative, adaptable and enterprising ways of working, together with harnessing digital solutions, to deliver on our strategic priorities and achieve high levels of efficiency and effectiveness. We recognise that this may involve an elevated level of risk; however, the College is comfortable with this subject to ensuring that the risk is well defined, treated early and the benefits are clearly understood. While the College adopts an open approach in this area of risk to achieve successful outcomes, it has no appetite for deviation from statutory legislation or regulation at any time.

Preparedness: Averse

- 7.9. The world we live in, and the College operates in, is increasingly volatile, uncertain, complex and ambiguous. There are events and incidents that by sheer accident, or by concerted effort and design, threaten to disrupt the College's work or breach our security. The protection of life, security of our physical/digital infrastructure and maintenance of communication channels with key stakeholders are of paramount importance to the College. It is therefore essential that effective measures are in place at all times, and continuously reviewed, to ensure the College is prepared to prevent and manage these incidents and recover from them.
- 7.10. While it is recognised that there is considerable variation in the severity of such incidents and that the probability of major incidents is low, there exists the possibility of major extended disruption to the College – as experienced during the Covid-19 pandemic. Given the adverse impact that poor incident preparedness and management can have on our students, people, operations, finances and reputation, the College is averse to risk in this area – accepting minimal risk and safe decision-making.

Reputation: Moderate

- 7.11. The College values its reputation as a world-class institution and respected partner in Glasgow, across Scotland and throughout the world. To maintain our reputation for excellence, innovation and inspiration, we recognise that the College must undertake work and foster partnerships that will undoubtedly involve a degree of risk. With our experience and track record, and effective risk management in place, the College is comfortable with a moderate level of risk in this area.

8. References

8.1. Policy Framework

| Associated Policies and Procedures | Title |
|------------------------------------|---------------------------|
| Policy | Risk Management Policy |
| Procedure | Risk Management Procedure |

8.2. Other College Policies and Procedures

| Policy / Procedure | Title |
|--------------------|-----------------------------|
| Framework | College Assurance Framework |

8.3. External References

| Source | Title |
|-----------------------------|--|
| HM Treasury | Orange Book |
| British Standards Institute | BS 31100:2008 Risk Management Code of Practice |

9. Document Control and Review

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| Approval Status | Approved |
| Approved by | Audit & Assurance Committee |
| Date Approved | September 2011 (v1); November 2016 (v2.1); November 2018 (v2.2); March 2024 (v3). |
| EQIA Status | EQIA Conducted? Yes: <input checked="" type="checkbox"/> No: <input type="checkbox"/> |
| Proposed Review Date | March 2026 |
| Lead Department | Executive Office |
| Lead Officer(s) | Principal & Chief Executive Officer Associate Director of Governance and Risk |
| Board Committee | Audit & Assurance Committee |
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10. Revision Log

| Version Date | Section of Document | Description of Revision |
|--|---------------------|--|
| Version 1.1 February 2013 | Various | Revised post titles and responsibilities relating to these changes. |
| | 4.1.3 | Insert: "and strategies" after "policies" |
| | 6.1.1 | Insert "for each risk" after "risk appetite" |
| Version 1.2 March 2013 | All | Policy redesigned within new College Policy template (June 2012). Order of text rearranged under template headings. |
| | 1.1 | Insert: "The College's approach... Transparency". |
| | 2.1 | Replace "This reflects the development of a" with "in developing". |
| | 5. | New section "Definitions" added. Text mirrors that in Risk Guidance document. |
| | 6.1.3 | Insert "where appropriate" after "minuted" |
| Version 1.3 April 2013 | All | EQIA undertaken with revised EQIA proforma. |
| | 4 | Insertion of 4.1.6 relating to people who share protected characteristics, including footer link to EHRC definitions of "protected characteristics". |
| | 7.2 | To note: Risk Guidance Document |
| | 8. | Approval Status clarified |
| Version 1.4 December 2013 | 7.1 | Added Planning: Risk document to list of associated documents |
| Version 1.5 December 2014 | 6.2.3 8 | Minor revision to reflect new job titles/responsibilities. |
| Version 2/2.1 November 2016 | 5.2 | Insertion of Risk Appetite and Risk Tolerance definitions |
| | 6 | Addition of new section: Risk Tolerance |
| | 7.1.1 | Reference to Risk Tolerance |
| | 8.2 | "College Documents" replaces "College Policies" |
| | 8.3 | Added references to source guidance |
| Version 2.2 November 2018 | 6.9 | Revision of Risk Tolerance: Business Continuity Section. |
| | All | Minor language and format improvements throughout. |

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| Version 2.3 | 6.9 | Under Business Continuity, reference made to Covid 19 pandemic. Also reference made to management of snow impact on building closure as relatively minor incident with potential for reputational damage. |
| | 8.2 | College Assurance Framework referenced |
| Version 2.4 May 2023 | Footer | 'Lead Department' and 'Policy Lead' amended to remove 'Planning' due to changes in 2022. |
| | Various | 'Planning' changed to 'College Secretary' throughout the document. Small changes to formatting throughout the document. |
| | 5.1-2 | Deleted "In agreement with the approach taken by the New Campus Project..." but left substantive statement in a new paragraph. |
| | 7 | Changed timeframe of the Board's review of risks from 'annual' to 'regularly throughout the academic year', and added reference to the committees, to reflect current practice. |
| | 9 | Changed dates of approval and proposed review. |
| | Table of contents | Corrected table of contents. |
| Version 3.0 March 2024 | All | Transferred policy to new template. |
| | Various | "Associate Director of Governance and Risk" was inserted to replace "College Secretary". Use of acronyms standardised. |
| | 1.1 | Amended to reflect the College's purpose, way, values and strategic priorities. |
| | 2.1 | Removed "underlying". |
| | 3.0 | Clarified that the escalation route for identifying risks to the College is to the Associate Director of Governance and Risk. |
| | 4 | Clarified the role of the Audit & Assurance Committee for the Policy and all committees for risk management. Added section about training and development for the Board and the wider College. |
| | 5.3 | Removed duplicate definitions. |

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| | 6/7 | <p>Elevated the responsibilities section earlier in the document.</p> <p>Added responsibilities of the Audit & Assurance Committee and the Associate Director.</p> <p>Added new risk appetite category criteria and statements.</p> |
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