

Plumpton College
Risk Management Policy

Introduction

- 1 In September 2006 the College adopted ambitious new Strategic Objectives and subsidiary Aims for the following 5-7 years under 5 headings: Growth, Quality Improvement, Financial Strength, Resource Management, and Reputation/External Relationships. The Objectives and Aims (and the Key Operating Targets which underpin them) are reviewed and updated by the Corporation annually in the January-March period. Achieving these goals will require outstanding governance, leadership and management. The College accordingly aims to maintain robust planning and control systems across all aspects and levels of its business, with (amongst other things) appropriate delegation of decision-taking, regular upward identification of opportunities as well as risks, and effective coordination and prioritisation from the top.
- 2 The College means to monitor progress towards its aim of outstanding governance, leadership and management against a number of indicators. They include Governors' awareness of key risks, and the embedding of risk awareness and effective risk management at all levels. The College is also concerned to roll back excessive bureaucracy and over-regulation in its governance arrangements. In the area of risk management the Corporation is particularly intolerant of over-elaborate analyses, processes, and presentations which not only fail to deliver value for money but also blur the College's focus on the key issues. The LSC criteria for a successful risk management process is the most efficient combination of controls necessary to provide reasonable assurance that the College's objectives can reliably be achieved. The College has applied this efficiency criteria rigorously in formulating this current policy.
- 3 The Risk Management Policy set out below covers the management of both strategic and operational risks*, and it applies to risks to the existing business as well as those associated with new developments. It includes risks to health and safety as well as wider business, financial and reputational risks; and also the risks to business continuity in the event of a catastrophe.
- 4 The Policy document is structured as follows:

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* There is no clear cut distinction between "strategic" and "operational" risks. Strategic Objectives and Aims tend to focus on medium/longer-term (3-7 year) goals, while most Operating targets are associated with the achievement of annual operating plans. However some Strategic Aims and their related risks are more short-term than this. Some operating targets - particularly the Key Operating Targets grouped under each Aim in the Strategic Plan – have a horizon going beyond the immediately following year. Even where Operating

Targets have a short-term timescale, in many cases they are essentially milestones towards achieving the longer-term strategic aim. In practice what is “strategic” is generally determined by whether it is addressed in the Strategic Plan.

Principles of Our Approach to Risk Management

- 5a As an integral part of its strategic planning process, the Corporation articulates, and annually reviews, its appetite for risk in respect of each Strategic Objective. This Statement of Risk Appetite, along with the Strategic Risk Register, forms part of the Strategic Plan documentation. The College encourages risk-taking in pursuit of agreed objectives and plans, provided the benefits outweigh the risks, the risks taken are in line with the Corporation’s stated appetite for risk, are no greater than they need to be, and are well-managed.
- 5b In line with its success criteria (see para 2 above) the College believes risk management should generally be integral to strategic and operational planning and control, and firmly embedded into the planning/control and decision-making process. It should not be seen as a standalone function or the subject of standalone action planning. The College accordingly no longer has a separate Risk Management Committee, and does not maintain a separate Risk Management Action Plan, both features of the LSC’s illustrative guidance on risk management. Where specific mitigating actions are initiated or intensified in response to a materialising risk, they will be planned and controlled in the same way as any other action designed to make progress towards the College’s strategic and operational objectives.
- 5c LSC guidance calls for scoring of all gross risks (ie before applying potential mitigating measures). However the College has concluded that routine scoring of long-term strategic risks, particularly external policy risks, is complex and time-consuming, and is unlikely to be either appropriate or represent value for money. It therefore fails the efficiency test at para 2 above. Moreover the Corporation wishes to prioritise strategic risks on the basis of their net, ie unmitigateable, impact. (A “significant” risk is accordingly one where the net impact could jeopardise the achievement of its long-term strategic objectives) Subject to these points, the Corporation believe its risk management policy is fully compliant with current LSC guidance, and in some respects (eg Statement of Risk Appetite) it goes further. It is also considered fully compliant with the Combined Code on Corporate Governance.
- 5d Operational decisions, and the identification, assessment, and management of the associated risks, should be devolved to staff best placed to take them. Risk registers (or their equivalent) should identify the individual responsible for managing each risk.
- 5e More senior levels of management nevertheless need to be made aware of all the most significant risks facing the business, and the potential for mitigating them, so that they can identify and coordinate any interactions between them, and can reach a well-informed judgement as to the overall achievability of / Operating Targets and annual budgets. The Strategic Risk Register and the other upward reporting discussed in this Policy fulfil this role. Governors look to senior management to highlight to them during the year the emergence of major new or increased risks, particularly where this threatens the achievement of longer-term Strategic Objectives and Aims. Governors and senior managers also need to be assured that at lower levels of the organisation appropriate

management systems are in place on a continuous basis to monitor and if necessary respond to risks, particularly the most significant risks.

- 5f Many risks, particularly at the operational level, are largely or sometimes wholly within management control. The approach towards controlling these risks will often be the subject of policy and procedural guidance to be found on the College's Q drive. Where risks lie partly or wholly outside the College's control, the aim should be to demonstrate that they could be mitigated by adopting or intensifying policies which offset their impact.
- 5g Risks can arise where business objectives are delivered jointly with other organisations. Where these are significant, the risks associated with joint working should be jointly assessed and clearly assigned between the organisations. There are no such significant risks at present, but partnership operations are becoming increasingly important and the position will be kept under review.
- 5h There is a fundamental difference between the risks associated with the delivery of the College's business goals and the risks of catastrophes which threaten the College's ability to operate normally and perhaps its ability to operate at all. Catastrophes will often require urgent responses (and hence a high degree of pre-planning) and clear lines of command in order to manage the crisis successfully. Business Continuity planning is accordingly devolved to the Senior Management Team, with upward reporting largely limited to assurances that proper arrangements are in place for preventing/mitigating the risk of specific catastrophes and for identifying and addressing potential new disasters.

Roles and Routines

- 6 The Corporation, either itself or through its Committees,**
- (a) sets the tone and influences the culture of risk management throughout the College.** It does so principally by
- articulating its risk management policy (this document) and its appetite for risk;
 - agreeing Strategic Objectives, subsidiary Aims and Key Operating Targets which incorporate a well-debated degree of "stretch" and risk, and which are either expressed in quantified terms or where progress towards them can be gauged by reference to well-defined performance indicators;
 - embedding the identification and prioritisation of strategic risks, and possible mitigation measures for each of them, into the strategic objective-setting process (see strategic risk register);
 - agreeing a timetable for the embedding of operational / Departmental risks into shorter-term planning and self-assessment processes;
 - ensuring that the Business Continuity plan and the adequacy of the College's insurance cover is reviewed and adjusted as necessary by the Senior Management Team at least annually;

- the Chairman of the Corporation acting as Corporation Risk Champion, with a personal responsibility for the quality and coherence of the Corporation's strategic risk management.

(b) approves all major decisions affecting the College's risk profile or exposure, and in particular:

- the Strategic Plan, including strategic risks, is reviewed by Governors at an annual strategic workshop held in January. The Strategic Objectives, Aims and Key Operating Targets, the Strategic Risk Register, the measures available to mitigate those risks, and the Statement of the Corporation's appetite for risk, are then amended in the light of discussion at the workshop and any follow-up work commissioned there; and their final version is then formally approved by the Corporation at its March Meeting. The primary purpose of the Strategic Risk Register is to identify for Governors the risks which could significantly jeopardise achievement of each strategic objective and the potential steps open to the College to mitigate these risks, should they materialise; to help Governors satisfy themselves that the Objectives and Aims have been pitched at a level which represents the College's central estimate of what is achievable after due allowance for risk; and to provide a basis for discussion and agreement on the, say, 8-12 risks which could have the most significant net impact on their achievability. New potential mitigation measures may be added to the Strategic Risk Register in the course of the review process. Governors may also agree that potential mitigation measures should be activated or intensified within the following 12 months in response to increased strategic risk; in this case the agreed actions will be added by SMT to the College's operating plans and managed as an integral part of those plans.
- the Corporation also approves the Annual Budget and 3-year projections submitted to LSC including due relaxation for risk. The risk factors applied to these growth and financial forecasts are typically more cautious than for longer-term Objectives, for the reasons discussed in the Statement of Risk Appetite. As part of this process the Corporation sets annual allocations for capital expenditure, and within this a sub-allocation for projects up to £100k where approval authority is delegated to the Principal.
- the Corporation also approves any borrowing and major applications for capital grant on the recommendation of the Finance & General Purposes Committee (F&GP). Covenants and assurances given in connection with applications for external loans and grant will typically reflect a more conservative view of risk than the central estimates used for internal purposes.
- all capital projects above £100k require the approval of F&GP, on the basis of project documentation which includes identification and discussion of the main risks in the areas of timing, cost, and project benefits. The project appraisal is normally examined in depth beforehand by the Building Projects Sub-Committee of Governors, although there may be occasions where time does not allow the Sub-Committee to vet the appraisal, or the project is very simple or outside

the Sub-Committee's terms of reference, in which case it will go direct to F&GP.

- receiving an annual report on insurance claims and reviewing the entirety of the College's insurance cover when insurance contracts come up for renewal (typically every three years).

(c) regularly monitors the management of significant risks, principally in the following ways:

- although the strategic risk register is not tabled in its entirety at other meetings, a version including in-year updates is available for Governors to view on the Governors' website. New Governors receive a copy of the College's risk management policy, the Strategic Objectives and Aims, the Strategic Risk Register, and the Statement of the Corporation's appetite for risk as part of their induction briefing.
- during the year, new risks (or significant developments in already identified risks) are highlighted in the Principal's report to each Corporation meeting, together with major new opportunities and the risks associated with them.
- any significant "shocks" with immediate impact between Corporation meetings are notified to the Chairman and other Governors with particular involvement in the issue, and are normally the subject of informal discussion. This includes "catastrophes" of the sort listed at the end of the Strategic Risk Register, for which a pre-planned Business Continuity response is already in place. Shocks with immediate impact tend to call for immediate action. In other words, the risk has materialised, and it is no longer of the contingent nature that needs documenting as a risk. Some shocks can generate the risk of subsequent significant "aftershocks", and these should be included immediately in the Strategic Risk Register and aired at the next annual Strategic Workshops. Governors will in the meantime be kept informed about the overall situation as events unfold, eg by e-mails from the Principal, Clerk, Chair or via the Principal's regular report to the Corporation. Such shocks will be reported to the next appropriate Committee or Corporation meeting, whichever occurs first. They will also be discussed at the weekly SMT meetings and recorded in SMT minutes.
- more in-depth monitoring of significant risks is carried out in Committees, to whom also the Senior Management Team report significant new risks emerging during the year. The Academic Committee, meeting quarterly, monitors significant developments in the key risks attending the Growth and Quality Objectives, usually through regular reports by the Deputy Principal (Academic & Quality) to each meeting. F&GP receives a report from the Finance Director at each quarterly meeting on progress against the annual budget, highlighting and explaining prospective variances and identifying potential further shortfalls. F&GP also considers, on a 12-18 month cycle, policy reviews of major resource strategy areas such as IT, the farm, marketing strategies, etc; these reviews include how far the Strategic Aims set by

the Corporation for these activities are likely to be achieved, newly emerging risks, and what further steps are available to mitigate them if they materialise. The Building Projects Sub-Committee similarly reviews the progress of the College's building programme on the basis of regular reports from the Deputy Principal (Resources), and in particular the risks associated with completion dates, project costs, and funding. The Building Projects Sub-Committee usually meets quarterly but will meet more frequently at times of high planning activity or uncertainty. The Strategic Risk Register identifies those risks which are expected to be discussed in fuller depth by a particular Committee during the year.

(d) satisfies itself that less significant risks are being actively managed, with the appropriate controls in place and working effectively. It satisfies itself that less significant risks are being actively managed, mainly through:

- annually updated Self-Assessment Reports (SAR) which set out the strengths and weaknesses, opportunities and threats within the main areas of College activity, and the Quality Improvement action proposed to address those weaknesses or available to mitigate risks if they materialise. The College's inclusion of opportunities and risks as well as strengths and weaknesses in the SAR provides a more structured framework for the identification and management of risk at Departmental and/or Activity level. The Corporation considers the Overview SAR. It also reviews in depth the SAR on Governance, agrees the Quality Improvement actions needed to deal with any weaknesses in governance, and notes the contingent measures available to mitigate the more serious risks if they materialise.
- Link Governor arrangements whereby some individual Governors shadow particular curriculum areas or activities: Link Governors receive a copy of the SAR for their area, and it provides a basis for occasional discussion between the Governor and the Head of Department (HoD) on areas of weakness and risk. Similarly an informal Farm Advisory Group, including Governors with specialist farming experience, meets the Principal regularly to review the business and operations of the College's farm and estates; and an Environmental Advisory Group of Governors has recently been set up to monitor opportunities and risks in respect of the College's environmental programme.
- all Governors receive a copy of the College's Quality Assurance Overview which sets out the management controls in place across the College.

As to the effective working of risk controls, the Corporation satisfies itself in several ways:

- many areas are subject to periodic external validation, by Ofsted, by LSC (particularly their Annual Assessment Visit, but also their review of our safety management, our performance against the Action for Business criteria, our property strategy, etc), and by specialist assessors (eg IIP, Matrix) or peer review (University of Brighton). Our management controls in the relevant area are generally a focal point for

these reviews. Copies of significant reports (or executive summaries of them) are normally circulated to the Corporation or the relevant Committee, together with proposals for remedial action where required; where no action or discussion is considered necessary they are normally still posted for information on the Governors website.

- the Committees monitor several of the less significant risks directly on a regular basis. For example, the HoDs' reports to each meeting of the Academic Committee identify for discussion the 2 or 3 main risks facing each curriculum area. In addition to regularly reviewing the cost and timing risks associated with major projects in progress the Building Projects Sub-Committee also considers post-completion reports on each major project which examine how successfully the business and project implementation risks were identified and controlled. F&GP reviews at 12-18 month intervals the effectiveness of the high level controls over health and safety, including assurances that the contingency plans for maintaining Business Continuity have been reviewed.

(e) annually reviews the rigour, efficiency, and effectiveness of the College's risk management process and agrees changes and improvements as appropriate. This is discussed at paras 9-11 below.

(f) gives a full and transparent account in its Annual Report of its management of risk, including the key risks facing the business This is discussed at paras 12 -13 below.

7 The Senior Management Team (SMT)

(a) ensures that risk management is embedded into decision-taking at all levels

- at the strategic level, by registering strategic risks (other than disaster/business continuity risks) by reference to the specific Objective and Aim which they threaten.
- at the operating level guidance on the Q Drive ensures that operational risks are evaluated and monitored by departmental managers as an integral part of preparing and reviewing proposals and projects rather than as a standalone exercise.
- as noted at para 6d the identification of risks (and opportunities) has been embedded into every SAR alongside strengths and weaknesses, so that the SAR presents a full SWOT analysis, and incorporates in one place both the quality improvement action flowing from weaknesses and the risk mitigation action flowing from the risks identified in the SAR.

The College does not maintain a standalone risk register for operational risks. Plumpton is relatively small and its business is relatively diversified and complex compared with other colleges. As a result the operational risks are too many and individually too insignificant and short-term to justify a standalone risk register against the criteria set out

at para 2 above. The Corporation also believes that a standalone operational risk register would cut across its aim of embedding risk management into operational decision-taking. Instead the risk management sections of the individual SARs now provide the basis for registering operational risks. These will be updated and rolled forward annually. During 2009 the SAR process is being further extended to cover a wider number of non-academic activities, thus supplementing the oversight of these areas by F&GP described at para 6(c) above. The arrangements for reviewing and adding operational risks in-year are discussed at para 7(c) below.

- (b) ensures that strategic risks are identified promptly, evaluated accurately according to their probability and potential impact, and prioritised broadly according to their significance; and that responsibility for their management is clearly defined.**

The overall significance of any risk is a factor of its probability and potential severity, each of which is given a High/ Medium/Low assessment, and of the scope for mitigating the risk's impact through offsetting measures. The SMT reviews the significance of the main strategic risks in their presentations to the Corporation's annual Strategic Workshops, and again in reviewing the Strategic Risk Register prior to the March Corporation meeting at which revisions to the Strategic Plan are submitted for approval. For this purpose the prioritisation of risks is a very broad one: Governors are simply looking to SMT to highlight the 8-12 most significant risks to achievement of the Strategic Objectives after applying the mitigating measures available in order to ensure they can focus collectively on the more serious threats. The Corporation believes a more elaborate scoring and ranking exercise than this does not add value particularly because the risks being assessed can have different impacts on different time-scales and often impact in different ways on growth, quality, reputation and finance: it therefore cannot be justified against the efficiency criteria set out at para 2.

New strategic risks may emerge in discussions with Governors at the annual Strategic Plan Workshops, particularly where they flow from the adoption of changed or additional Objectives and Aims. But most new strategic risks, and changes in the significance of already identified risks, are typically first identified by the SMT in the normal course of business, particularly those arising from policy proposals from Government and funding bodies, and are raised and their significance discussed at weekly or monthly meetings of SMT, and mitigating measures identified and, where appropriate, initiated (see para 7e below).

"Significance" is assessed by reference to the degree of risk after application of mitigating measures. Accordingly most such in-year changes will not be significant enough to lead to additions or amendments to the Strategic Risk Register, at least at that point, although in some cases the combination or accumulation of individually minor risks can have a significant impact. New risks should be added to the Strategic Risk Register during the year where they are sufficiently significant to threaten long-term achievement of a Strategic Aim: SMT should normally bring such new risks (and major changes in the

significance of already identified risks) to the attention of Governors at the next Corporation or Committee meeting.

Sensitivity analysis is an important tool in the management of financial risk. It is currently applied to short-term operating budgets and as part of the capital project submissions to LSC. In 2010 it is planned to explore the sensitivity of the long-term cash flows based on the Strategic Objectives and Aims to each of the 8-12 most significant risks, including some combinations of risks, so as to underpin judgements about the affordable scale and pace of further capital expenditure over the following 7-year period.

The Strategic Risk Register should also show the individual responsible for management of each risk. This will normally be the member of SMT or HoD responsible for achieving the Aim; but in certain specialist areas SMT may devolve responsibility directly to a lower level. The Register should also highlight whether particular risks are expected to be discussed more fully by one or other Committee during the year.

- (c) ensures that the operational risks identified in the annual SARs are regularly reviewed during the year, and that newly emerging risks are appropriately captured, and responsibility for their management clearly allocated.**

Most operational risk is associated with development and delivery of the curriculum, with fee income/project expenditure/funding (ie financial risks), or with health and safety and other regulatory issues. Curriculum issues, and specifically progress in carrying forward the Quality Improvement Programmes, are overseen by the Academic and Quality Sub-Committee, which comprises the SMT and HoDs and meets quarterly. Emerging prospective shortfalls against annual budget are identified in monthly budget reports to SMT. Health and Safety issues are managed at departmental level by appropriate HoDs. The Deputy Principal (Resources) and the Health and Safety Advisor meet with HoDs on a termly basis. The Health and Safety Advisor carries out regular monitoring of Health & Safety throughout all departments and produces reports which are referred to the Deputy Principal (Resources) and the appropriate HoD for action. The Finance & General Purposes Committee receive an annual insurance claims report which identifies areas with high incidences of accidents and incidents.

- (d) ensures that those responsible for managing risk have the knowhow to do so, and in particular are familiar with the College's risk management policy and the Corporation's strategic risk appetite.**

The risk management policy along with the Strategic Risk Register and Statement of Risk Appetite, are circulated to HoDs for onward dissemination to Departmental members. The documents are also available to staff on the Q drive of the staff network. To supplement this, the Corporation Chair and Vice-Chair – together with the relevant Link Governor where possible – visit each HoD on a 12-18 month cycle to discuss the Corporation's Appetite for Risk and the strategic risks facing the individual Department.

- (e) ensures that appropriate, timely, and cost-effective action is taken to manage risks, whether strategic or operational.** SMT achieves this mainly as follows:
- in respect of strategic risks, the risk mitigation measures set out in the Strategic Risk Register represent potential further actions. Where it is agreed by Governors, either in the Strategic Workshops or by the Corporation or Committees later in the year, or by SMT, that specific early action is needed to avert or mitigate a deteriorating strategic risk, the agreed action will be incorporated into the College's operating plan by SMT and simply managed as part of the operating plan. Where the action has been initiated following Governor discussion, their agreement will normally have been recorded in the minutes of the Corporation or the relevant Committee; SMT should report back subsequently on the action taken in whatever form seems appropriate, and the action (where significant) should be recorded in the minutes.
 - apart from specific actions, SMT reviews progress towards the Strategic Objectives and Aims at least termly. As part of this termly review, and alongside consideration of future plans and development/improvement opportunities SMT also reviews all the strategic risks and potential mitigation measures and considers whether further mitigating action should be initiated.
 - in respect of continuing or recurring operational risks, SMT generally manages risks through a series of control policies designed to avoid or limit risk. These policies are in many cases formally approved and periodically reviewed by the Corporation or its Committees. They are implemented and communicated to staff by SMT, and are supported by written procedures where appropriate. Examples are the College's accounting and financial control policies, health and safety processes, and the guidelines about the College's ways of working contained in the Staff Handbook and in other policy and procedural documents on the Q drive.
 - in respect of new one-off operational risks, SMT may either initiate control/mitigation action at the time the risk is identified, or the appropriate action may first need to be further discussed with Departments at the Academic and Quality Sub-Committee or in bilateral meetings between SMT and an individual Department. Agreed mitigation action will be recorded in the minutes of the SMT, or in subsequent HoD's reports to the Academic and Quality Sub-Committee.
- (f) is responsible for putting in place and annually reviewing and updating of Business Continuity plans.** The plans cover planned responses to the following disaster scenarios:
A - Closure or Partial Closure of a site;
B - Loss of life &/or major injury &/or major outbreak of disease/illness
C - Major loss of information/ communication.
- (g) is responsible for the administration and coordination of the risk management process.** Within SMT the Deputy Principal (Resources) is responsible for ensuring that the Strategic Risk Register is completed and updated where appropriate in accordance with this guidance, that

there is consistency between the shorter term risks identified in the SARs and the Strategic Risk Register, and that the SARs and the management committee papers and minutes collectively serve the purpose of an operational risk register effectively. The Deputy Principal (Resources) is the liaison point between the strategic and operational risk management processes, and the recognised Risk Champion at senior management level. He is also responsible for the College documentation on risk management systems and for liaison with Internal Audit on their annual audit of risk control, and for ensuring that the Business Continuity Plan is reviewed annually.

- (h) **provides appropriately tailored information in a timely manner to the Corporation and its Committees on the status of risks and the steps being taken to control/mitigate them.** All members of SMT attend the Strategic Plan workshop for Governors and are able to elaborate there on the significance and status of the 25 or so strategic risks currently identified in the updated Strategic Risk Register. During the year, as noted earlier, progress towards the Strategic Objectives and Aims, together with the emergence of new risks (or changes in the significance of existing ones) may be reported to the Corporation and its Committees through regular upward reports by SMT, principally
- Principal's quarterly report to the Corporation
 - Finance Director's quarterly reports to F&GP and Corporation
 - Deputy Principal (A&Q)'s quarterly overview to Academic Committee
 - Reports to the Building Projects Sub-Committee on progress with the Property Strategy and the Buildings Investment programme.
 - Strategy Review papers to F&GP on non-academic activities (eg Farm, IT, Residential) at typically 12-18 month intervals.
- (i) **reports annually to the Corporation on the rigour, efficiency, and effectiveness of the College's risk management process, with proposals for changes and improvements as appropriate.** See para 9 below.

8 Heads of Department are responsible for

- (a) **developing SARs and operational plans which identify and evaluate all significant risks associated with the Department and set out steps available for mitigating their impact.** HoDs should be aware of the Strategic Objectives and risk appetite agreed by the Corporation, and ensure that departmental plans are consistent with them.
- (b) **ensuring that all significant risks in their department are monitored, and appropriately controlled and/or mitigated, as an integral part of the operating plan reviews.** The process within departments for monitoring progress against annual plan and developments in operational risks may vary from department to department depending on the size of the department and extent of management delegation, and on the complexity of its activity. Where decision-taking is devolved it is the responsibility of the HoD to ensure

that risk identification and management is visibly embedded into the decision-taking process.

- (c) **upward reporting to SMT of developments in significant risks.** The arrangements for regular quarterly reviews of risks have been discussed earlier. But HoDs should also ensure that significant new or intensified risks are brought to SMT attention without delay.

Validation of the Risk Management Process

- 9 SMT will review each year the efficiency and effectiveness of the College's risk management policy, its strengths and weaknesses, and cost-effective opportunities for developing and improving it, including opportunities for streamlining. Reviews should have particular regard to
- LSC Guidance, the Combined Code (in so far as it applies to colleges), and developments in best practice elsewhere. Departures from this guidance should be explicitly justified.
 - The College's Strategic Aim to achieve Outstanding Governance, Leadership and Management (paras 1 and 2 above), and the key principles for Risk Management (para 5 above) including particularly the requirement that risk management should be integral to, and embedded in, the College's decision-making processes, not standalone.
 - Developments in the complexity of the College's business, and in the business and regulatory environment in which it operates.
 - How far the risk management policy is understood at all levels, and how rigorously it is actually being applied, including evidence from the Internal Audit annual review (see para 10). Is there a need for training or cultural change?
 - How effective the policy has been. Is it comprehensive, eg have risks associated with new Strategic Aims/Operating Plan targets been considered?. Have new risks been identified, and either acted on promptly and appropriately or contingent mitigating action promptly identified? Has upward reporting really generated a sufficiently clear understanding of the main risks at more senior levels? How accurate have been the judgements on significance and prioritisation? How effective have the steps taken to mitigate the key risks actually been?
 - How efficient the policy has been. Has too much effort been spent on tracking non-significant risks? What progress has been made towards the Aim of rolling back bureaucracy? Scope for further streamlining?
- 10 Internal Audit annually review and report on the systems of control over the risk management system to provide assurance that the process is well controlled and to confirm that risk management processes are being carried out in accordance with the agreed risk management policy. For this non-financial audit the standard 4-grade definitions of audit outcome should be

adjusted to correspond with the Ofsted gradings (Outstanding, Good, Satisfactory, Inadequate) and criteria, and the reasons for any shortfall from Outstanding should be set out clearly in the Internal Audit report. SMT and Internal Audit should agree at the outset the criteria to be used for determining the gradings and the Control matrix for assessing compliance with the College's risk management policy.

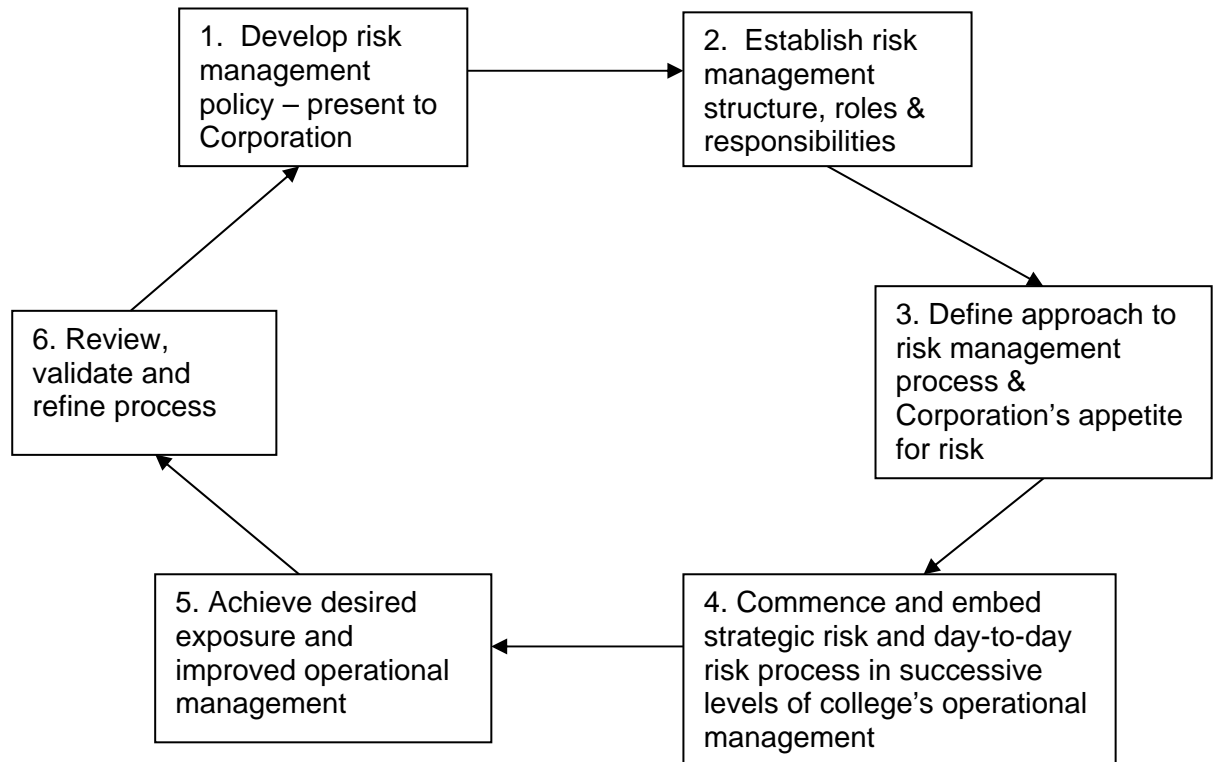
- 11 The Audit Committee considers both the SMT Review at para 9 and the Internal Audit Report at para 10 (and the management response to it). The Audit Committee's conclusions and recommendations on the risk management process form part of the Committee's annual report to the Corporation on its activities, and the Corporation will review and consider amendments to its Risk Management Policy in the light of the Committee's report.

Corporation Accountability for Risk Management

- 12 The College is expected by LSC to comply with the Combined Code in reporting on its Corporate Governance, internal control and risk management systems in its Annual Report. As a body still largely dependent on public funds and whose growing activities impact upon many aspects of the local community, the Corporation recognises the need for a high standard of accountability and is anxious that there should be not only public transparency but also a wider understanding of its objectives and the risks associated with them. The Annual Report will accordingly highlight and discuss the key strategic risks that the Corporation faces in respect of each of its strategic objectives.
- 13 Annual SMT and Internal Audit Reviews, and the Audit Committee's conclusions on them, provide the basis for the Corporation's view in the Corporate Governance section of its Annual Report on the overall effectiveness and efficiency of its risk management.

Approved by the Corporation on 24th March 2009

a) Key stages in the risk management cycle



b) Risk management structures, roles and ownership

