**Risk Management Policy
2021/22**

1. **Background**
   The Risk Management Policy aims to ensure that the MKC Group complies with risk management best practice including the Turnbull guidance and sets out the current processes and responsibilities for risk management across the MKC Group.

1.1. The AOC Code of Good Governance provides the reference point for the Corporation attitude and controls of risk. The Corporation:

   - Acknowledges responsibility for the system of internal control
   - Ensures that an ongoing process is in place for identifying, evaluating and managing all significant risks
   - Ensures that an annual process is in place for reviewing the effectiveness of the system of internal control
   - Ensures that there is a system in place to deal with internal control aspects of any significant issues disclosed in the annual report and accounts

   These principles are also reflected in the ESFA's Financial Memorandum which applies to the FE sector.

1.2. In assessing what constitutes a sound system of internal control, the Corporation ensures that consideration should be given to:

   - The nature and extent of the risks facing the organisation
   - The extent and categories of risk which it regards as acceptable
   - The likelihood of the risks concerned materialising
   - The organisation's ability to reduce the incidence and impact of the risks that do materialise

1.3. Risk Management best practice is encapsulated in the Risk Management Standard published jointly by the major risk management organisations in the UK – The Institute of Risk Management (IRM); The Association of Insurance and Risk Managers (AIRMIC); and ALARM, The National Forum for Risk Management in the Public Sector.

2. **Risk Management objectives**
   The objectives for managing risk across the Group are:

   - To comply with risk management best practice
   - To ensure risks facing the Group are identified and appropriately documented
   - To provide assurance to the Corporation that risks are being adequately controlled, or identify areas for improvement
   - To ensure action is taken appropriately in relation to accepting, mitigating, avoiding and transferring risks

3. **Risk Management policy**
   This policy aims to:

   - Outline the roles and responsibilities for risk management
   - Identify risk management processes to ensure that all risks are appropriately identified, controlled and monitored
   - Ensure appropriate levels of awareness throughout the College

3.1. Roles and responsibilities
   The Executive Group has overall responsibility for risk management and the strategic Risk Register. The Executive Director of Finance and Estates (or deputy) has lead responsibility for

risk management processes and the completion of the Operational Risk Register. This responsibility includes:

- Monitoring the performance of risk management processes
- Ensuring that appropriate controls are in place to manage identified risks
- Preparation of periodic reports to the Audit and Risk Committee

The Operational Risk Register summary and individual risks are formally reviewed each term by the relevant management teams (Executive Group and Managers in accordance to the risk owners and those responsible for the risk and also the MKCTS Board). The Risk register is made available to all Governors using the Board Intelligence software. At each meeting of the Audit and Risk Committee, a summary report of the changes to the Strategic Risk Register is received, including mitigation action plans and an assessment of the current level of risk.

The Operational Risk Register is included on Board sub-committee agendas in order that relevant risks can be reviewed and updated as required. The Risk Register identifies the overseeing review committee. The committee meetings can then ensure that at each meeting the risks are either covered in the discussions in the meeting or are separately discussed under risk management. This ensures the register is maintained as a live document. This is also noted in the AOC Code of Good Governance.

3.2. Identification of risks
The Risk Management Standard states that risk identification should be approached in a methodical way to ensure that all significant activities have been identified and all the risks flowing from these activities have been defined.

MKC's approach to risk management is linked to the strategic objectives. These have been set and agreed with the Corporation and encompass six strategic priorities:

- We will provide first rate teaching, learning and assessment
- Our programmes will improve the employment prospects of all our students
- We will engage actively with our local and regional economy to benefit all our community
- We will secure the work we do with the RSME and develop other activities from it
- We will develop strategies to ensure our long-term success and prosperity

The organisation of the Risk Register ensures that links between each risk and the strategic priorities have been identified. The relevant strategic risks are noted in the Operational Risk Register

3.3. Risk Types
There are a range of risk types. These include:
- Well-known risks – based on good knowledge
- Hypothetical risk – based on uncertain or incomplete knowledge
- Unknown risks - based on an absence of knowledge
- Black Swan Events (Black Risks) – Donald Rumsfeld's unknown-unknowns:
    – *unknown-but-knowable unknowns*; those that we could find out
    – *unknown-but-unknowable unknowns*; the true black swans

3.4. Evaluation of risks
The Risk Management Standard states that risks should be evaluated against agreed criteria to make decisions about the significance of risks to the organisation. The College has three measures of impact of the risk, student, financial and reputational. These are scored and then multiplied by an assessment of the likelihood of the risk occurring to give an overall score.

The **descriptors** for impact and probability are expanded as follows:

	Impact			
	1 **low**	*2* **Medium**	*3* **High**	*4* **Critical**
Financial impact	< £100,000	< £100,000 - £500,000	£500,000 - £1,000,000	£1,000,000 +
Impact on Students	Not immediately required if at all	Issue needs to be addressed with 12 months with some input by governors / senior staff	Issue needs to be resolved as a matter of priority with substantial input by governors / senior staff	Issue needs the immediate and prolonged attention of governors / senior staff
Reputation impact	Temporary operational inconvenience that can be resolved at a faculty level. No lasting impact on reputation.	May have an impact on a curriculum area and be embarrassing in the medium term (up to 6 months). Would not lead to a significant change in the College's operation.	Likely to damage the College's reputation in the medium term (6-12 months). May lead to significant changes in operation / withdrawal from an important curriculum area	Loss of credibility with key stakeholders. May lead to merger / changes in senior management

	Probability				
1 **Infrequent** *0% to 20%*	*2* **Possible** *20% to 50%*	*3* **Probable** *50% to 70%*	*4* **Likely** *70% to 99%*	*5* *Inevitable* *100%*

3.5. Risk Appetite

MKC Group has adopted the following appetite definitions:

Risk Appetite	Definition
Risk Averse	Zero tolerance, keeping the risk as low as reasonably practical.
Risk Neutral	Willing to consider all options, choosing the one that is likely to result in a successful outcome whilst providing an acceptable level of reward for the level of risk involved.
Risk Taking	Eager to be innovative and to choose options offering potentially higher rewards, despite the greater level of risk involved.

3.6. Appetite Ratings For Risk Categories
The following risk categories have been identified, with the attendant appetite definition shown.

Risk appetite is to be reviewed annually by the Audit and Risk Committee for approval by the Corporation.

It should be noted that the risk appetite statement is a guide and should not be applied rigidly in all cases as it is not possible to foresee all types of risk and circumstances may require a different approach than that indicated. It is expected that the policy will be applied intelligently by the risk managers concerned, however any departure from the policy shall be disclosed on the Risk Register.

Category	Includes	Risk Appetite
HR (1)	Capacity & Capability, Staff utilisation, Recruitment, Employment law, Performance	AVERSE
HR (2)	Training & development, Succession	TAKING
Funding Targets	Allocation targets, ILR data & returns	AVERSE
Curriculum delivery	Franchising, Curriculum planning & structure	NEUTRAL
Higher Education	HE Policy and funding	NEUTRAL
Financial health & stability	Budgets & Forecasts, Cash requirements, Surplus / deficit	NEUTRAL
Teaching & learning (1)	Quality & Success, Retention & Attendance	AVERSE
Teaching & learning (2)	Admissions & Enrolments, Information, Advice & Guidance	NEUTRAL
Teaching & learning (3)	Additional Learning Support	NEUTRAL
Teaching & learning (4)	Employability Skills, Personal development, behaviour and welfare, Destinations and progression	TAKING
Capital Project	Quality, Budget, Time	NEUTRAL
Partnerships	Public and Private Joint Ventures	TAKING
ICT	Network & system failure, Disaster recovery, Data security, Unauthorised access, Inappropriate access, Misuse	AVERSE
Health & Safety	Safe environment, RIDDOR accidents, Near misses, Hazards, Legislation	AVERSE
Building	Disasters - Fire etc, Maintenance, Security	AVERSE
Reputation	Management and administration of examinations	AVERSE

Category	Includes	Risk Appetite
Reputation	Media & Marketing	NEUTRAL

4. Risk Mitigation Strategies

The grid below sets out the appropriate strategy to be adopted dependent on the risk appetite and risk scoring.

		Risk Appetite		
		Risk Averse	Risk Neutral	Risk Taking
Risk Score	0-10	TOLERATE	TOLERATE	TOLERATE
	11-	MONITOR	TOLERATE	TOLERATE
	20-	TREAT	MONITOR	TOLERATE
	36+	TRANSFER / TERMINATE	TREAT	MONITOR or TREAT

5. Risk Monitoring Framework

Based on the above, the following risk management activity will apply

Strategy	Action
TOLERATE	Recorded on Risk Register (at scores of 0-10 this is optional). Monitored by the risk owner. Reported annually to Audit and Risk Committee and the Corporation.
MONITOR	Recorded on Risk Register. Monitored by Executive Group, MKCTS Board and SLT. Reported annually to Audit and Risk Committee and the Corporation.
TREAT	Recorded on Risk Register. Added to the Risk Management Action Plan on individual risk as the level of risk is deemed to be unacceptable and action is required to reduce the level of risk to a more acceptable level. Plan reviewed quarterly at Executive Group, MKCTS Board. Reported termly to the Audit and Risk Committee and the Corporation.

TRANSFER / TERMINATE	Recorded on Risk Register.
	Added to the action plan as the level of risk is deemed to be unacceptable and action is required to reduce the level of risk to a more acceptable level or to transfer the risk to a third party or terminate the activity.
	Risk reviewed monthly by Executive Group, MKCTS Board and SLT.
	Reported termly to the Audit and Risk Committee and the Corporation.

6. Risk Reporting and Communication

The aim of reporting risk is to provide assurance to the Corporation, Exec Team and Auditors that the College is effectively managing its risks and has a robust system of internal controls.

7. Risk register

The College's Operational Risk Register and risks assessment will highlight the key risks facing the College, together with a breakdown for each key strategic priority. The Strategic Risk Register will be monitored by the Audit and Risk Committee on a termly basis.

The Risk Registers will include those items requiring further mitigation actions as determined above, and for each risk will indicate:

- The previous and current net risk scores
- Measures already in place to control the risk
- Proposed actions to address the risk, with due by dates
- Which strategic priorities are affected by the risk
- An appropriate future review date or frequency.
- The Committee responsible for overseeing the risk
- The appropriate risk owner

Any significant changes in risk impact or probability, or the occurrence of an event which raises the profile of a risk, will be recorded on the Risk Register as it occurs. Any new or increased risks will be evaluated and, if appropriate, recorded in the Risk Register.

8. Communicating Risks

The Audit and Risk Committee monitors the Risk Register each term. The Executive Director of Finance and Estates (or deputy) will ensure that any perceived new or increased risks or significant failure of risk management control measures are considered by Executive Group and reported to the Audit and Risk Committee, along with a summary of actions taken.

The Executive Director of Finance and Estates (or deputy) will endeavour to raise awareness that risk management is a part of the Group's culture and seek to ensure that:

- individual managers and members of staff are aware of their accountability for individual risks
- individuals report promptly to senior leadership any perceived new risks or failure of existing control measures.

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               be conducted in 2021/22 with the Internal Auditors