

Board Meeting

Date of Meeting	Tuesday 27 October 2015
Paper Title	Risk management
Agenda Item	4
Paper Number	BM2-B
Responsible Officer	Martin Fairbairn, Interim Chief Officer
Status	Disclosable
Action	For Approval

1. Report Purpose

- 1.1. This paper seeks input from the Board on GCRB's risk management framework and on the current risk register.

2. Recommendations

- 2.1. The Board is invited to:

- i agree with the recommendation of the GCRB Audit Committee that GCRB adopts the Risk Management Policy (Annex 1) and Risk Management Guidance (Annex 2); and
- ii suggest additions and amendments to the current risk register, specifically:
 - Have all the key risks to effective operation of GCRB and delivery of the Regional Outcome Agreement been identified?
 - Which of the individual risk assessments do Board members think are in most need of revision?
 - What are the most significant improvements Board members would suggest in relation to the individual risk 'treatments'?

3. Consideration by the Audit Committee

- 3.1. GCRB's risk management arrangements were considered by the Audit Committee at its meeting on Monday 31 August 2015 and, as noted in the draft minutes included in the papers for today's meeting,
- "The Committee agreed to recommend to the Board of GCRB the draft Risk Management Policy and Risk Management Guidance"
 - The Committee "...suggested that a risk workshop is set up in order to work through the individual risks for the GCRB. It was agreed that the Chair of the Audit Committee, the Interim Chair of the Board and Interim Chief Officer should agree

how to take this forward”.

- 3.2. The Committee also suggested that the individual risk management actions plans ('MAPS') should include descriptions of how GCRB would respond to the crystallisation of each risk. These will be added to the next version of the risk register.

4. Risk management framework

- 4.1. Attached as annexes to this paper are drafts of a GCRB Risk Management Policy (Annex 1) and Risk Management Guidance (Annex 2). These are largely based on equivalent documents used in the assigned colleges and the concepts are generally consistent with standard risk management practice.

5. Risk Register

- 5.1. Following the suggestion of the Audit Committee, this session of the Board meeting will be run as a workshop to give Board members time to consider the current risk register in detail. The following further annexes have been provided to support the workshop session:

- A 'Risk Matrix', which plots identified risks visually (Annex 3a).
- The 'Risk Register', which summarises all the identified risks (Annex 3b).
- The individual risk 'management action plans', which provide the detailed assessment of each risk (Annexes 3c to 3m).

- 5.2. Since this is GCRB's first risk register, the content and assessment is naturally still 'work in progress'. Consequently, the Board is invited to give particular thought to the following:

- Have all the key risks to effective operation of GCRB and delivery of the Regional Outcome Agreement been identified?
- Which of the individual risk assessments do Board members think are in most need of revision?
- What are the most significant improvements Board members would suggest in relation to the individual risk 'treatments'?

6. Legal Implications

- 6.1. Paragraph 17 of the Financial Memorandum between the Scottish Funding Council and GCRB requires GCRB to have an effective policy of risk management and risk management arrangements.

7. Financial Implications

- 7.1. Relevant financial risks are referred to in the risk register.

8. Regional Outcome Agreement Implications

- 8.1. Through the conditions of grant associated with the Regional Outcome Agreement, GCRB is required to conduct its affairs in accordance with the expected standards of

good governance, which include establishing appropriate risk management arrangements.



Risk Management Policy and Procedure

Table of Contents

1	Introduction	3
2	Purpose and Aims.....	3
3	Scope	3
4	Policy Statement	3
5	Definitions	4
6	Responsibilities.....	4
7	Document Control and Review	7

Risk Management Policy and Procedure

1 Introduction

- 1.1 This Risk Management Policy and Procedure form part of GCRB's internal control and corporate governance arrangements.

2 Purpose and Aims

- 2.1 The Policy and Procedure explains GCRB's underlying approach to risk management, and documents the roles and responsibilities of the Board and management, in developing a culture of risk management throughout GCRB.
- 2.2 The Policy and Procedure also outlines the key aspects of the risk management process, and identifies the main reporting procedures.

3 Scope

- 3.1 This applies to all GCRB activities, and at all levels within the organisation.

4 Policy Statement

4.1 Key Principles

The following key principles outline GCRB's approach to risk management and internal control:

- 4.1.1 The Board has responsibility for overseeing risk management within GCRB as a whole. Regular monitoring of Risk is undertaken by the Audit Committee
- 4.1.2 The GCRB adopts an open and receptive approach to risk identification and management
- 4.1.3 The management team supports, advises and implements policies and strategies approved by the Board
- 4.1.4 The GCRB makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks
- 4.1.5 The management team is responsible for ensuring good risk management practice
- 4.1.6 The management team takes into account the possibility of the differential impact of risks, and risk treatments, upon people who share protected characteristics¹.
- 4.1.7 Key risk indicators will be identified and closely monitored on a regular basis.

¹ <http://www.equalityhumanrights.com/advice-and-guidance/new-equality-act-guidance/protected-characteristics-definitions/>

4.1.8 The GCRB would, in general, seek to treat risks with the potential of negative impact prudently. However the Board and the management team recognises the possibility of positive outcomes in the treatment of risks, and accordingly will be careful to evaluate each risk individually. “Risk appetite” will be determined by the Board with guidance from the management team. (See 7.1.1 below).

5 Definitions

5.1 HM Treasury defines “Risk” thus:

“Risk is defined as [the] 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”². Risk in the context of GCRB will focus upon those uncertain events, which would, if they occurred, result in a negative impact on the operation and objectives of GCRB.³ This is the definition of risk understood in all GCRB documents relating to Risk Management.

6 Risk tolerance

6.1 GCRB’s approach is to minimise its exposure to reputational, compliance and financial risk, whilst accepting and encouraging an increased degree of risk in pursuit of its mission and objectives. It recognises that its appetite for risk varies according to the activity undertaken, and that its 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. GCRB’s appetite for risk across its activities is provided in the following statements, and is illustrated diagrammatically:

² HM Treasury Orange Book

³ It should be noted, however, that the opportunity for a positive outcome should not be overlooked in the management of risks.

Tolerance type	Risk score					
	1	2	3	4	6	9
Reputation						
Compliance						
Financial						
Education and student experience						
Major change activities						
Environment and social responsibility						
People and culture						

- 6.2 Reputation – It is regarded as critical that the GCRB preserves its high reputation. The GCRB therefore has low appetite for risk in the conduct of any of its activities that puts its reputation in jeopardy, could lead to undue adverse publicity, or could lead to loss of confidence by the Scottish and UK political establishment, and funders of its activities.
- 6.3 Compliance – GCRB places great importance on compliance, and has no appetite for any breaches in statute, regulation, professional standards, bribery or fraud.
- 6.4 Financial – GCRB aims to achieve long term financial viability and overall financial strength for both itself and the region. Any activity which has a risk score of 4 or greater where the financial impact is greater than 1% of total income exceeds GCRB’s risk tolerance.
- 6.5 Education and Student Experience – GCRB hopes that students in the region will be stimulated to develop a lifelong thirst for knowledge and learning, and therefore encourages a pioneering and innovative approach to learning delivery. It recognises that this should involve an increased degree of risk in developing education and the student experience, and is comfortable in accepting this risk subject always to ensuring that potential benefits and risks are fully understood and that sensible measures to mitigate risk are established.
- 6.6 Major Change activities (e.g. projects and collaborations) – Major change activities are required periodically. GCRB expects such changes to be managed according to best practice in project and change management, and has low appetite for deviating from such standards.

- 6.7 Environment and Social Responsibility – GCRB wishes the region to make a significant, sustainable, and socially responsible contribution to Glasgow and Scotland through its education and operational activities. It recognises that this should involve an increased degree of risk and is comfortable in accepting this risk subject always to ensuring that potential benefits and risks are fully understood and that sensible measures to mitigate risk are established.
- 6.8 People and culture – GCRB will support the assigned colleges in their efforts to value, support, develop and utilise the full potential of staff across the region. GCRB places importance on a culture of equality and diversity, dignity and respect, collegiality, the development of staff, and the health and safety of staff, students and visitors. It has low appetite for any deviation generally recognised standards in these areas.

7 Responsibilities

7.1 Role of the Board

The Board has a fundamental role to play in the management of risk. Its role is to:

7.1.1 Set the tone and influence the culture of risk management within the GCRB. This includes:

- Determining whether GCRB is ‘risk taking’ or ‘risk averse’ as a whole or on any relevant individual issue (i.e determining “risk tolerance” for each risk)
- Determining 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

7.1.2 Approve major decisions affecting GCRB’s risk profile or exposure.

7.1.3 Monitor the management of significant risks to reduce the likelihood of significant adverse outcomes.

7.1.4 Seek assurance that the less significant risks are being actively managed, with the appropriate controls in place and working effectively.

7.1.5 Review risks at each main meeting of the Board.

7.1.6 Annually review GCRB’s approach to risk management and approve changes or improvements to key elements of its processes and procedures.

7.1.7 Annually review the effectiveness of internal control of GCRB, based on information provided by the management team. Its approach is outlined in the Risk Management Procedure.

7.2 Role of the Audit Committee

The role of the Audit Committee is to support the Board in the fulfilment of its responsibilities for risk management by:

- 7.2.1 Advising the Board on the appropriate tone and culture of risk management within the GCRB.
- 7.2.2 Advising the Board on major decisions affecting GCRB's risk profile or exposure.
- 7.2.3 Advising the Board on the management of significant risks to reduce the likelihood of significant adverse outcomes.
- 7.2.4 Seeking assurance that the less significant risks are being actively managed, with the appropriate controls in place and working effectively, and advising the Board accordingly.
- 7.2.5 Review risks at each main meeting of the Committee.
- 7.2.6 Annually review GCRB's approach to risk management and approve changes or improvements to key elements of its processes and procedures.
- 7.2.7 Annually review the effectiveness of internal control of GCRB, based on information provided by the management team. Its approach is outlined in the Risk Management Procedure.

7.3 Role of the management team

The key roles of the management team are to:

- 7.3.1 Implement policies on risk management and internal control.
- 7.3.2 Identify and evaluate regularly the significant risks faced by GCRB for consideration by the Board.
- 7.3.3 Liaise with the assigned colleges to share information on the identification and management of risks, and to promote consistency in risk management across the region (to the extent that it is appropriate and relevant to do so).
- 7.3.4 Provide adequate information in a timely manner to the Board and its committees on the status of risks and controls.
- 7.3.5 Include a section on risk management implications on all formal reports the Board and its committees.
- 7.3.6 Undertake an annual review of effectiveness of the system of internal control and provide a report to the Board.

7.4 Role of internal audit

Internal audit will conduct an annual review of the internal control system.

8 Procedure

- 8.1 Progress towards meeting Regional Outcome Agreement objectives is monitored regularly. Risks are linked to strategic priorities as outlined in the Regional Outcome Agreement.
- 8.2 GCRB management will review and update the Risk Register and Risk Matrix at least monthly.
- 8.3 The Executive Director will ensure that the Risk Matrix and Risk Register are maintained. The Risk Register provides detail of the impact and likelihood of individual risks (“risk score”), how risks will be controlled and mitigated, who will manage (“own”) the risks, and an account of risk treatment actions. The Risk Register should indicate linkage of risks to the achievement of strategic priorities.
- 8.4 Guidance on Risk Management in general, and reviewing the Risk Register in particular, is provided in the Risk Management Guidance document, which should be read in conjunction with the Risk Management Policy and Procedure.
- 8.5 The Risk Matrix and Risk Register are approved by the Board with advice from the Audit Committee and guidance from the management team. The documents are formally reviewed at each main meeting of the Board (although emerging risks are added as required, and improvement actions and risk indicators are monitored regularly).

9 Document control and review

Approval Status	Draft	
Approved by		
Date Approved		
EQAI Status	Initial Screening Conducted?	Yes: <input type="checkbox"/> No: <input checked="" type="checkbox"/>
	Full EQIA Conducted?	Yes: <input type="checkbox"/> No: <input type="checkbox"/>
Proposed Review Date	October 2016	
Lead Officer(s)	Executive Director	
Board Committee	Audit Committee	



Risk Management Guidance

Table of Contents

1.	Introduction	3
2.	Managing Risk.....	3
3.	Risk Categories.....	3
4.	Risk Management Approach	3
5.	The Risk Matrix	4
6.	The Risk Register.....	5
7.	Risk Management Action Plans	5
8.	Risk Score and Definitions	5
9.	Closed Risks	6
10.	Document control and review	6

Risk Management Guidance

1. Introduction

The document should be read in conjunction with the Risk Policy and Procedure.

2. Managing Risk

The approach to identifying, prioritising, and managing risk should be open and receptive. It is also recognised that effective risk management at strategic and operational levels requires open participation. The purpose of risk management is to manage the barriers to achieving GCRB's objectives. The key to progress and innovation lies in being "risk aware" not necessarily "risk averse". So GCRB's Risk Policy and Procedure clearly recognises "the possibility of positive outcomes in the treatment of risk" and the need to "evaluate each risk individually".

The purpose of this document is to provide st a concise guide to using the Risk Register, Risk Matric and Risk Management Action Plans ("Risk MAPs").

3. Risk Categories

All identified risks have been grouped according to the outcomes as set out in the Regional Outcome Agreement.

The Risk Register shows risks grouped according to these outcomes, providing alignment of risk management with GCRB planning. Risks are recorded at two levels in the Risk Register: Level 1 (strategic) and level 2 risks (contributory, or sub-risks related to the Level 1 risks).

4. Risk Management Approach

Risk management is concerned with addressing uncertainty, and taking steps to manage a situation or potential situation. In so doing, the opportunity to best manage the risk is enhanced with the fullest possible understanding of the associated consequences and opportunities.

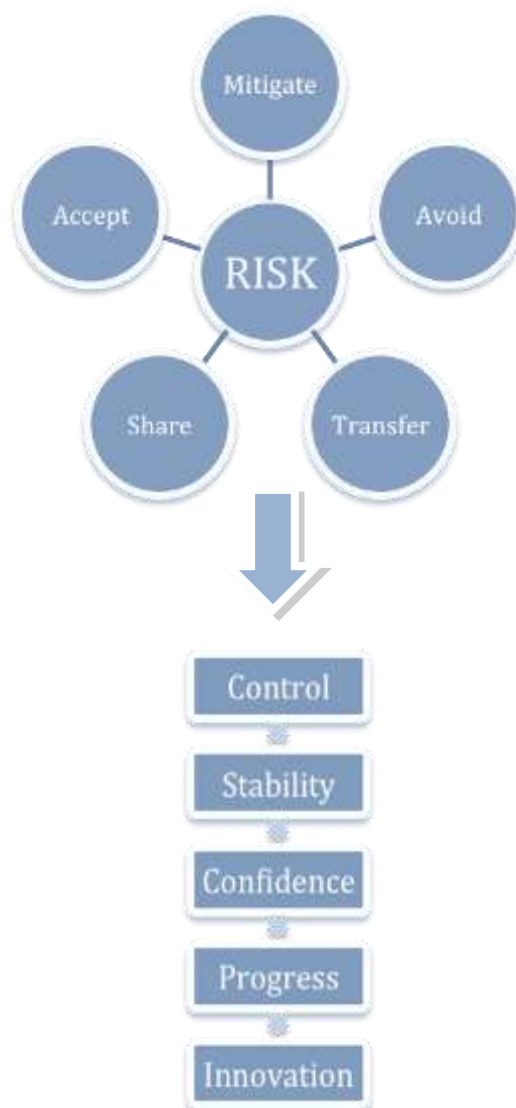
This approach is monitored by the Board, Audit Committee and management team, to increase confidence in the organisation's ability to cope with events or circumstances, which would potentially impact negatively on the operation and function of GCRB. The key treatment strategies for risks are mitigation - that is, to take steps to reduce the impact and/or likelihood of the risk - and avoidance of the risk altogether.

However, there are other risk management treatments; five in all:

- Mitigate: take actions to reduce the impact/and/or likelihood of the risk
- Avoid: adopt a different approach in order not to take the risk
- Transfer: take out insurance, warranty, or otherwise contract another party to take the risk (usually for a premium or fee)

- Share: similar to Transfer - come to an agreement with another party to spread the risk, e.g. with a partner organisation in collaboration
- Accept: accept the risk; then monitor, review and make contingency plans (e.g. risk of 'flu pandemic). Whether or not it is appropriate to 'accept' a risk will be influenced by the relevant level of risk tolerance as defined in the Risk Policy and Procedure.

It should be emphasised that risk is not an excuse to be unimaginative – being aware of risk should not stifle innovation. But rather, the confidence which proper management of risk gives to an organisation should be the foundation for assured progress.



5. The Risk Matrix

The Risk Matrix provides a summary of the level 1 strategic risks arranged by risk score (likelihood times impact). The Matrix thereby provides a simple reference tool to highlight movement of risks

between the high/low likelihood, and high/low impact axes, and to highlight new or deleted risks. The Matrix is compiled by the management team.

6. The Risk Register

The Risk Register provides a means to record details of all strategic risks with risk owners, a risk evaluation in terms of likelihood and impact, risk tolerance, target risk score, and last review date. The Risk Register also indicates links to the Risk Management Action Plans for each risk.

7. Risk Management Action Plans




The Risk Owners are required to provide regular updates on progress with regards to risk actions and other changes, and highlight any proposed changes to risk likelihood or impact. This is done via the individual Risk Management Action Plans (Risk MAPs). The Risk MAPs provide a format for recording review dates, a full description of the risks (including level 2 “sub-risks”, and an update commentary. Changes to risk score if any, Gross Risk Score, and the Risk Tolerance should also be recorded on the Risk MAPs.




The management team is required to advise the Board and its Audit Committee of any emerging risks to GCRB, together with guidance on appropriate risk score and treatment actions.

8. Risk Score and Definitions

Risks are scored according to likelihood and impact, each scored 1, 2 or 3, low to high. Risk likelihood is largely self-explanatory, and category definitions are provided below.

Risk impact is defined below in terms of potential financial loss to GCRB. It is acknowledged that some risk consequences are easier to quantify by this measure than others. Risks comprising impact score 2 or 3 are typically Level 1 “strategic” risks.

Likelihood	
Category	Description
High (Score 3) 	Almost certain or very likely to occur
Medium (Score 2) 	Some probability it will occur, but still significant uncertainty
Low (Score 1) 	Improbable occurrence, not expected to happen; but possible.

Impact		
Category	Description	Estimated Financial Impact
High (Score 3) 	Failure to deliver outcome.	> 2.5% of total income
Medium (Score 2) 	Significant delay to, or risk of non-achievement of outcome.	1.0 – 2.5% of total income
Low (Score 1) 	Minor or negligible effect on outcome.	< 1.0% of total income

The Risk Score is obtained by multiplying impact by likelihood, e.g. impact of 2 x likelihood of 3 = Risk Score of 6. This may change as likelihood or impact is judged to have changed. Current risk scores are RAG rated on the register: Score 9 = red, score 6 = amber, score 4 or less = green, indicating high, medium, or low scores.

Past versions of the Risk Register, including previous risk scores, are archived to maintain a record of risk management. The Target Risk Score, recorded on the Register, is the intended level of Risk to be achieved given effective implementation of mitigation measures. The Gross Risk Score, recorded on the Risk MAPs, indicates the risk score assuming no mitigation. It is expected that for strategic Level 1 risks, this would be 9 (red).

9. Closed Risks

Some risks are ongoing, although the description of these risks may vary over time as circumstances change. Other risks will have a defined timescale during which they require to be managed to a conclusion. In such cases the management team and Board will confirm closure of the risk, and remove it from the Risk Register and Matrix. The Board will consider the success of the Risk Management Plan for each closed risk.

10. Document control and review

Approval Status	Draft
Approved by	
Date Approved	