



## **Risk Management Framework**

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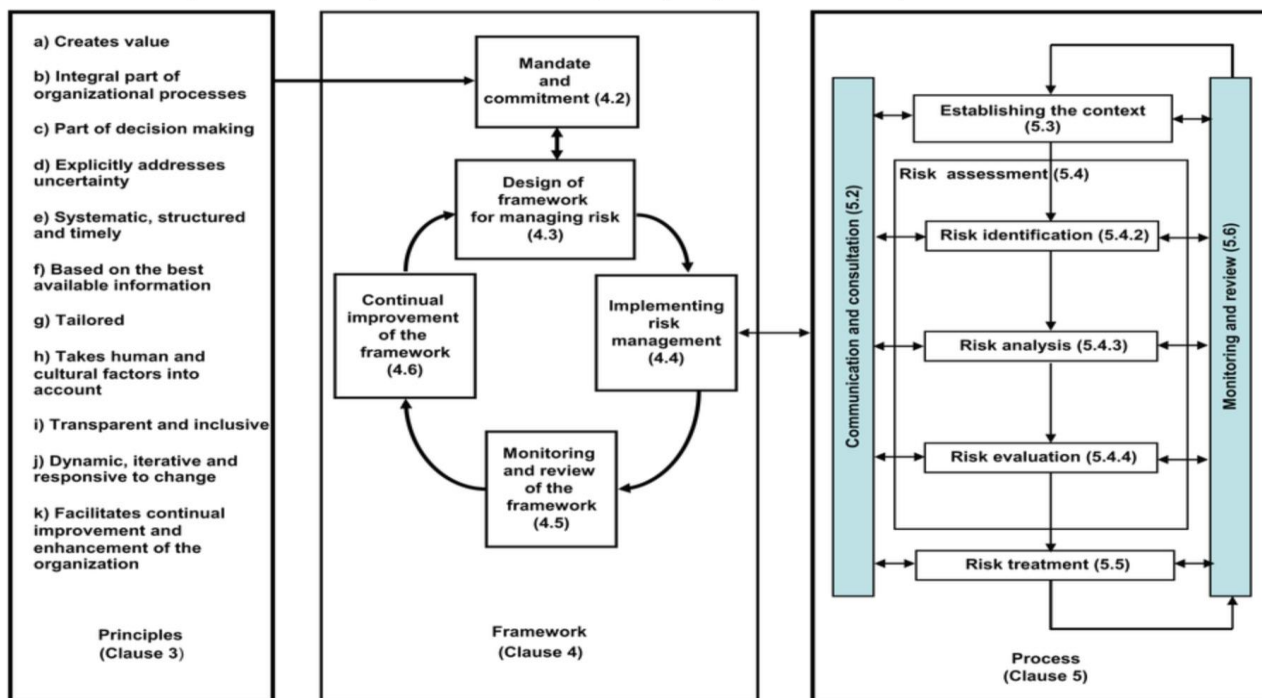
# Risk management: guidance for LCC Boards, Committees, Groups, Departments, Programmes and Staff

## 1. Introduction

- 1.1. The International Standard on Risk Management (ISO 31000:2018) defines risk as ‘the effect of uncertainty on objectives’<sup>1</sup>. LCC, like other organisations, faces external and internal factors and influence that make it uncertain whether it will achieve its strategic aims, associated objectives and metrics as outlined in LCC’s strategy framework document;
- 1.2. In definition, ISO 31000:2009<sup>2</sup> “risk management” refers to the architecture (principles, framework and process) for managing risks effectively, while “managing risk” refers to applying that architecture to particular risks;
- 1.3. All activities of an organisation involve risk. LCC manages risk by identifying it, analysing it and then evaluating whether the risk should be modified by risk treatment to satisfy its risk criteria.

## 2. LCC’s Risk Management Architecture:

Figure 1 — Relationships between the risk management principles, framework and process



<sup>1</sup> <https://www.iso.org/iso-31000-risk-management.html>

<sup>2</sup> <https://www.iso.org/obp/ui/#iso:std:iso:31000:ed-1:v1:en>



### 3. Risk Management Arrangements

- 3.1. The Board of Directors is ultimately responsible for risk management arrangements, and the PEG acts on behalf of the BoD in managing College risks and the ARRC oversees these arrangements;
- 3.2. The Board of Directors is responsible to establish effective systems of control and risk management;
- 3.3. The BoD delegates responsibility to the ARRC for advising on the adequacy and reliability of the processes relating to risk management on an annual basis. The ARRC will review the risk management framework, comment on its effectiveness and approve the College's statement on risk and internal control. In addition, the ARRC will also report on register compliance with the framework and consider the extent to which a shared understanding of the risks and risk registers exists across the various functional departments.
- 3.4. The BoD also seeks opinion on the strategic oversight, strategic aims, risk management and comment from the COB on the corporate risk management and academic risk management. The COB oversees the College's risk registers on a termly basis (three times per annum);
- 3.5. At the executive level, risk management arrangements are the responsibility of the Principal's Executive Group (PEG), supported by the Company Secretary and Directors;
- 3.6. The College will maintain at least three separate risk registers covering regulatory, academic and corporate risks. The College will also consider having additional risk registers to deal with specific and exceptional risks (for example, during the Covid19 pandemic, the College decided to maintain a Covid-19 Risk Register). Since the distinction between corporate, Prevent Duty and academic matters can be blurred, the College states the scope of each register in the table below. As part of the CoB regular oversight and the ARRC's annual review, all the risk registers should be considered and reviewed concurrently;
- 3.7. The oversight responsibilities of the risk registers are as follows:

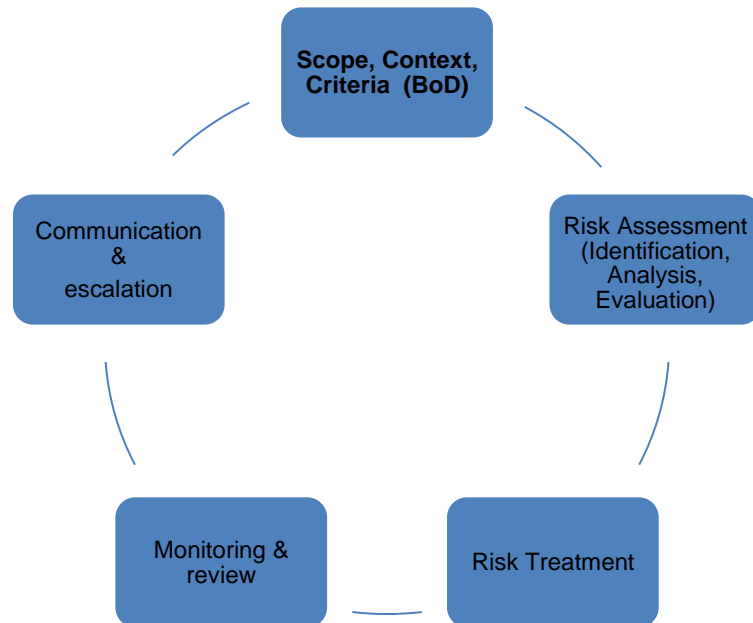
Risk Register	Scope	Risk Assessment	Comment/ Advice	Approval
Corporate Risk Register	OfS, Finance, IT, HR, Administration,	PEG	COB oversight on a termly basis; annual oversight by ARRC	BoD
Academic Risk Register	QAA, Academic Objectives and Widening Participation Objectives, Awarding Body regulations, Student Experience.	QESC	COB oversight on a termly basis; annual oversight by ARRC	Academic Board
PREVENT Duty Risk Register	The Counter-Terrorism and Security Act 2015 (CTSA), The Prevent Risk Assessment.	PEG	COB oversight on a termly basis; annual oversight by ARRC	BoD
Casual Risk Registers COVID-19 Risk Register	Mitigation of pandemic impact across the College	PEG	COB oversight on a termly basis; annual oversight by ARRC	BoD



## 4. Risk Management Processes

### 4.1. Overall Risk Assessment Process Stages

4.1.1. An outline of the stages in the risk assessment process is shown in the diagram below:



### 4.2. Scope, Context and Criteria for LCC's Risk Management:

4.2.1. The scope of the risk management process should be restricted to the uncertainties that can have significant negative impact on the achievement of LCC's strategic objectives, can threaten the College's compliance with the regulatory expectations and can affect the sustainability and reputation of the College. The LCC's Strategy Framework includes a statement of the College's Mission, Strategic Aims and Objectives, together with the Key Metrics. In addition to meeting its strategic objectives, LCC needs to comply with the regulations and expectations of a number of external organisations, including but not limited to Pearson, its awarding body, the QAA and the Office for Students, the regulator for Higher Education in the UK. Therefore, the scope and context of the risk management framework will be influenced by the above internal and external forces.

### 4.3. Risk Assessment

#### 4.3.1. Risk Identification

4.3.1.1. A risk identification assessment should be carried out by respective groups based on the scope, context and criteria set out earlier in this document;

4.3.1.2. Risk identification involves the identification of risk sources, events, their causes and their potential consequences. Risk can be



identified using historical data, theoretical analysis, informed and expert opinions and stakeholder's needs.

**4.3.2. Risk Analysis**

4.3.2.1. Risk analysis is a process to comprehend the nature of risk and to determine the level of risk (risk estimation) and it provides the basis for risk evaluation and decisions about risk treatment.

**4.3.3. Risk Evaluation**

4.3.3.1. Risk evaluation is a process of comparing the results of risk analysis with risk criteria to determine whether the risk and/or its magnitude is acceptable or tolerable. It assists in the decision about risk treatment.

**4.3.4. Risk Treatment**

4.3.4.1. The purpose of risk treatment is to select and implement options for addressing the risk.

4.3.4.2. To help in the risk treatment, it is recommended to complete a high-level cost/benefit (tangible and intangible costs and benefits) analysis against any proposed mitigating actions:

Risk Treatment COST	High cost Low benefit	High cost High benefit
	Low cost Low benefit	Low cost High benefit (high priority)

4.3.4.3. Using an iterative process, this simple framework can be used against the four main strategies for risk treatment, described by the TRAP acronym:

Strategy	Description
<b>(T)</b> Terminate	Avoid the risk by deciding not to start or continue with the activity.
<b>(R)</b> Reduce	Treat the risk by implementing mitigating actions and control.
<b>(A)</b> Accept	If the costs associated with implementing mitigation measures outweigh the perceived benefits of treating the risk, we may decide to accept the current risk level.
<b>(P)</b> Pass on	Transfer the risk to an insurer or third party, for instance a customer or supplier.



**4.3.5. Monitoring and Review**

4.3.5.1. Risks are expected to be reviewed by the respective governance boards and committees (ARRC, AcB, COB, BoD), on a termly and/or annual basis, in accordance with their terms of reference.

**4.3.6. Communication & Escalation**

4.3.6.1. Risks may need escalating to the BoD and/or ARRC if it is believed that there are barriers, including resources, which prevent the risk owners from mitigating the risk.

4.3.6.2. Any risks that members of LCC consider necessary to escalate further should be discussed in the first instance with the Senior Quality Assurance Officer. An appropriate escalation path to Principal, Board of Directors and/or ARRC, will be agreed together with the respective member in PEG Meetings.

**5. Risk Registers**

**5.1. Risk Matrix**

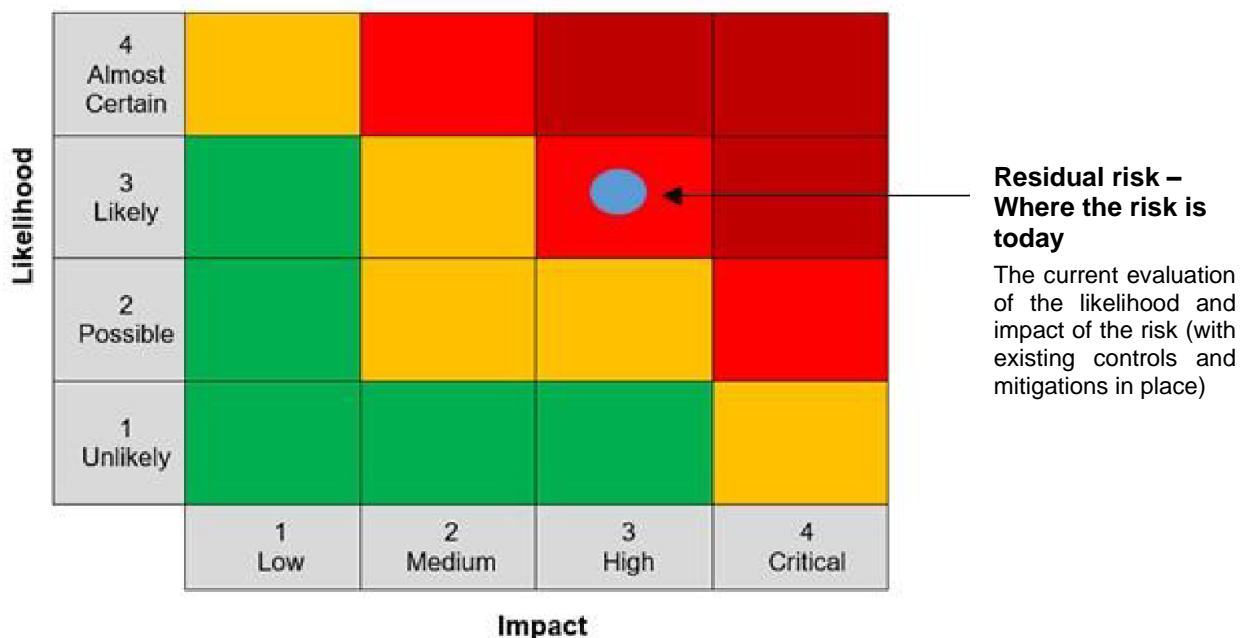
5.1.1. Risk matrix positioning: there are two main parameters for analysing identified risks:

5.1.1.1. Likelihood: How likely is it to happen?

5.1.1.2. Impact: How significant might the consequences be?

**5.2. Risk Placement**

5.2.1. Each risk needs to be carefully positioned on a risk matrix to determine the residual/inherent risk, taking into account where the risk owner considers the risk stands presently with existing mitigating controls in place.





### 5.3. Key Nomenclature

Likelihood and	Impact =	Risk status (Overall score)
4 – Almost Certain (Probability 95-100%)	4.5 - Critical	Major (13+)
4 – Almost Certain (Probability 81% to 94%)	4 – Critical	Major (8 – 12)
3 – Likely (51% to 80% Probability of occurring)	3 - High	Moderate (4- 7)
2 – Evens (31% to 50% Probability of occurring)	2 – Medium	Minor (2-3)
1 - Unlikely (0% to 30% Possibility of occurring)	1 - Low	Insignificant (Low 1)

### 5.4. Risk Assessment

5.4.1. The residual risks will be plotted in one of the following 4 areas of the risk matrix, and each area requires a different level of priority.

Matrix Area	Risk Label	Risk Score	Priority Level
Dark Green	Insignificant	(1)	<b>This risk can be tolerated:</b> It represents no immediate threat or impact. These risks should not require further analysis or treatment as long as the existing mitigating controls remain in place.
Green	Minor	(2-3)	
Amber	Moderate	(4-7)	<b>This risk may be tolerated</b> If the leadership team agree that no further risk analysis is required <ul style="list-style-type: none"> <li>• A full risk analysis is not necessary unless the risk is developing into a major risk.</li> <li>• Monitor this risk and analyse it, if it is a fast-trending risk which could escalate into the red areas.</li> </ul>
Red	Major	(8-12)	<b>This risk cannot be tolerated &amp; more analysis is urgently required</b> It poses an immediate threat, mitigating this risk is a necessity <ol style="list-style-type: none"> <li>6. A full risk analysis should be undertaken as soon as possible and a comprehensive mitigation plan needs to be urgently implemented.</li> <li>7. A clear target risk level should be set and a date agreed to reach it by.</li> <li>8. The mitigation plans will be subject to review by the ARRC.</li> </ol>
Dark Red	Major	(13+)	

### 8.1. Risk Mitigation Plan

8.1.1. Cause consequence analysis: This analysis is aimed at developing a thorough understanding of the risks prioritised within the initial risk identification session;

8.1.2. A Cause Consequence Analysis is a simple process that helps establish a common, holistic understanding of prioritised risks, and serves as a useful



tool to discuss a potential treatment plan. The outcome of the analysis should be a set of data as below which can be added to the Risk Register.

Subject	Process questions	Output (for the risk register)
Risk description	<input type="checkbox"/> What is the risk? <input type="checkbox"/> How could it affect the achievement of our objectives?	<input type="checkbox"/> A clear risk description that can be understood by a third party
Causes	<input type="checkbox"/> Why might the risk occur? <input type="checkbox"/> Why would that happen?	<input type="checkbox"/> The key causes of the risk, including underlying drivers that may trigger the risk to occur.
Consequences	<input type="checkbox"/> What would the impact be if this risk materialises?	<input type="checkbox"/> A list of key consequences of the risk, including a description of the potential impacts.
Existing controls	<input type="checkbox"/> What existing processes or controls are in place to manage the risk? <input type="checkbox"/> How do we know these processes/controls are effective?	<input type="checkbox"/> A clear set of existing processes or controls that keep the risk at its current level. <input type="checkbox"/> A list of sources of assurance to monitor the effectiveness of these processes/controls

- 8.1.3. Once the cause-consequence analysis is completed, the contingency plan should consider:
- a) Avoiding the risk by deciding not to start or continue with the activity that gives rise to the risk;
  - b) Removing the risk source;
  - c) Plan to reduce the likelihood;
  - d) Plan to reduce the impact or the consequences;
  - e) Consider options to deal with negative consequences, sometimes referred to as “risk mitigation”, “risk elimination”, “risk prevention” and/or “risk reduction”.



## 9. The LCC Risk Register Template

### 9.1. Example recording of risk

London Churchill College			Inherent Risk			Responsibility		Current Risk			Actions	Review
Risk ID	Risk	Risk Cause	Impact	LH	Risk exposure score (I x L) Risk exposure score (I x L)	Owner	Review/ Owner	Impact	LH	Risk exposure score (I x L) Risk exposure score (I x L)	Mitigating Action(s)	Date for Review
1	The College is unable assure that it can confidently meet all relevant UK Quality Code core practices in a QAA review.	The College has not conducted any internal mock QAA review.	4	4.5	18	Principal	Academic Board	4	3	12	Ensure QAA Action Plan is addressed.  Organise mock QAA review(s) and respond to any issues or concerns.	Annually commencing January 2020



## 10. Risk Appetite

- 10.1. As a for-profit independent institute, the College needs to make a balance between making profit and reducing the risks exposure to its stakeholders. Often minimising or mitigating the risks requires increased expenditure in putting in place systems, processes and people. As a result, the College needs to have an optimal risk-return balance.
- 10.2. It is important to establish the principle of reasonable rather than absolute assurance as almost no system can provide absolute certainty, as such a degree of complete assurance seldom exists, and often this pursuit is counter-productive. In deciding reasonable assurance, the College need to compare the costs of safeguards versus the costs to endure if the risks materialise.
- 10.3. The risk appetite of the College is plotted in one of the following 4 areas of the risk matrix and each area requires a different level of priority:

Matrix Area	Risk Label	Risk Score	Risk Appetite Tolerance Level
Dark Green	Insignificant	(1)	This risk should be tolerated, and it should not require further analysis or treatment as long as the existing mitigating controls remain in place.
Green	Minor	(2-3)	
Amber	Moderate	(4-7)	<b>This risk may be tolerated.</b> A full risk analysis is not necessary unless the risk is developing into a major risk. Monitor this risk and analyse it, if it is a risk that could escalate rapidly into the red areas.
Red	Major	(8-12)	<b>This risk cannot be tolerated and more analysis is urgently required and mitigating this risk is a necessity.</b> 11. A full risk analysis should be undertaken as soon as possible and a comprehensive mitigation plan needs to be urgently implemented. 12. A clear target risk level (ideally maximum risk score is 7) should be set and a date agreed to reach it by. 13. The mitigation plans will be subject to review by the COB.
Dark Red	Major	(13+)	