
BOARD OF MANAGEMENT MEETING

Date of Meeting	13 December 2017
Paper Title	College Risk Appetite
Agenda Item	17.102
Paper Number	17.102A
Responsible Officer	Janet Thomson, Vice Principal Resources & College Development
Status	Disclosable
Action	For Approval

1. REPORT PURPOSE

Within the Code of Good Governance for Scotland's Colleges it states that the Board must set the risk appetite of the College. The College risk appetite across key risk activity areas was first set by the Board of Management in October 2016. It was stated that it would be reviewed annually hence this paper provides an update position on the College's risk appetite.

2. RECOMMENDATION

Members are invited to **discuss** the attached paper and **approve** the updated College Risk Appetite or agree amendments as appropriate.

3. BACKGROUND

- 3.1 Within the Code of Good Governance for Scotland's Colleges the Board of a College is responsible for the overall management of risk and opportunity. The Code states that the Board must set the risk appetite of the College ensuring that there is an appropriate balance between risk and opportunity and that this is communicated via the Principal to the College's management team.
- 3.2 The College's Risk Appetite was first assessed in September 2016 by the Senior Management Team (SMT) across four risk activity areas along with the overall risk appetite assessment. This was done using the HM Treasury methodology, which was identified as a possible process by our internal auditor Henderson Loggie. The College risk appetite was then discussed and approved at the October 2016 Board of Management meeting.
- 3.3 The risk appetite as agreed at October 2016 overall was cautious and against each of the four key risk categories used for the risk appetite as follows:

- strategic and operational delivery – cautious;
 - reputation and credibility – cautious;
 - financial/VFM – cautious; and
 - compliance/legal/ regulatory - cautious.
- 3.4 It was stated in the minute of the October 2016 Board meeting, “Board Members discussed the College risk appetite and agreed that the risk appetite was appropriate for the current environment and political sensitivities. However, Board members recognised the benefits of being more open in some areas and agreed that the risk appetite should be reviewed annually”.
- 3.5 The College Senior Management Team have recently reassessed the College risk appetite based on the current position of the College. The risk appetite was assessed by SMT for the four key risk categories as previously. An explanation of the updated assessment for each category is given below giving the rationale for that assessment. A copy of the assessment table is attached with the updated assessment for each risk category shown as the shaded boxes.
- 3.5.1 Strategic and operational delivery – the risk appetite for strategic and operational delivery risks was assessed by SMT as **Open** and verging towards **Hungry** because innovation is supported and pursued particularly in relation to commercial delivery and curriculum planning, systems and technology developments are supported to enable operational delivery, and non-critical decision making is devolved within the College. The advice of the Board is sought as to whether the College should target hungry as its appetite with the level of devolved authority being the area where SMT felt that this was perhaps not the assessment at this stage.
- 3.5.2 Reputation and credibility – the risk appetite for reputation and credibility risks was assessed by SMT as **Open** because the level of risk tolerance is at this stage felt to be where there is some exposure to additional scrutiny but where appropriate steps have been taken to minimise this.
- 3.5.3 Financial/VFM – the risk appetite for financial/ value for money risks was assessed by SMT as **Open**. This was because the College is prepared to take decisions which may involve small amounts of financial loss providing the risks are at a tolerable level e.g. in potential new commercial projects or in some areas of the curriculum which are undertaken for specific reasons e.g. schools provision. Value for money is still the primary concern however the College are willing to balance the benefits against the costs and accept an appropriate level of risk, and resources are allocated to capitalise on potential opportunities.
- 3.5.4 Compliance/Legal/Regulatory – the risk appetite for Compliance/legal/regulatory risks was assessed as **Open** because following a discussion at

SMT on what the College appetite in this area is it was agreed that the College does face challenges in this area which are problematic however the view is to continue if we are likely to win and gain outweigh the consequences.

- 3.5.5 The overall College Risk Appetite was assessed as **Open** by SMT as this was the assessment across the four categories and it was recognised that the risk appetite now was different from the last assessment where there had been an overall view that cautious was appropriate.

4. **RISK ANALYSIS**

The risk appetite is an essential element of the overall College risk management framework and the risk is that the assessment is not appropriate and either overstates or understates the College Risk Appetite position.

5. **LEGAL IMPLICATIONS/ FINANCIAL IMPLICATIONS/ REGIONAL OUTCOME AGREEMENT IMPLICATIONS**

There may be financial or legal implications of risks associated with those risk category groupings.

6. **HAS AN EQUALITY IMPACT ASSESSMENT BEEN CARRIED OUT**

N/A