

Royal Northern College of Music

# **Risk Management Policy**

**Policy & Procedure**

**Department: Finance**

**Document owner: Director of  
Finance**

**Approval Committee: Audit and  
Risk Committee/Executive  
Committee**

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**RNCM**  
ROYAL NORTHERN  
COLLEGE of MUSIC

## **Introduction and Purpose**

1. The Risk Management Policy forms part of the Royal Northern College of Music (RNCM) strategic planning and performance management procedures, including internal control and governance arrangements. The Policy informs the approach taken by the College to identify, assess and manage risk, in order to achieve its planned objectives.

## **Definition of Risk and Risk Management**

2. Risk is defined as:
  - Actions, events or sets of circumstances that could adversely affect our ability to achieve the College's goals.

Within this policy, risk management is defined as:

- The College's approach to identifying, evaluating and managing the likelihood and impact of risk.

## **RNCM Risk appetite**

3. The College's general approach is to adopt a lower risk appetite, particularly in areas of statutory or regulatory compliance. It will seek to recognise risk and mitigate, where possible, the adverse consequences. However, in pursuit of its strategic objectives the College may, at times, choose to accept an increased degree of risk exposure. The College will bear the additional exposure if strategically justified, but only on the basis that the potential benefits and risks are fully understood, and that sensible risk mitigation measures have been agreed and established. This does not reduce the ability of the College to innovate or take risks which are in line with strategic objectives.

## **Risk Management Framework**

4. The RNCM framework consists of a "plan-do-check-improve" cycle to the management of risk, which recognises that there is great value in aligning/embedding its risk management practices with its corporate and strategic planning, and performance monitoring processes.
5. In most cases it is not possible (or affordable) to prevent, or entirely eliminate, risks, and it is rarely possible to design a risk response which will deliver a "cast-iron" guarantee. However, it is generally possible to establish a risk response that will provide a reasonable assurance that risks can be well-managed. The aim therefore should be to have an integrated and structured portfolio of risk responses that do not exceed agreed boundaries for risk taking, and are net cost/benefit effective. Determining whether risk responses are fit for purpose requires an assessment of whether the net risk is acceptable, given the risk appetite/capacity of RNCM.
6. It is also important to recognize that a risk based control framework will never be static or complete. Risk responses will need to be dynamic and adaptable to changing pressures, conditions and demands. RNCM must therefore ensure that there is the appropriate balance between 'doing' (i.e. dealing with and addressing the risks) and 'documenting' the risks. Documentation should therefore be practical, appropriate, focused and relevant.
7. The 'do-check-improve' element of the framework will contribute to sustaining an effective approach. It demands that the 'who/what/when/where/why/how' questions are being addressed, and that College Executive and management colleagues are ensuring that risk responses actually happen.

8. To be sustainable the framework also needs:

- The demonstrable commitment of the Principal, the Senior Executive and the Governing Body;
- To be integrated with existing roles, activities and processes of the College;
- To be resourced, managed and effectively communicated to staff;
- To demonstrate that it is a useful tool to support and improve the objectives and performance of the organisation.

### Roles and Responsibilities

9. A summary of key roles and responsibilities are set out in the following table:

<b>Role</b>	<b>Responsibilities</b>
<b>Board of Governors</b>	<ul style="list-style-type: none"> <li>• Setting the tone and influencing the culture of positive and effective risk management best practice.</li> <li>• Oversight of decision making processes that will significantly impact on the College's overall risk exposure.</li> <li>• Oversight of the College's risk appetite and management of significant risks (as contained within the Strategic Risk Register).</li> </ul>
<b>Audit and Risk Committee</b>	<ul style="list-style-type: none"> <li>• Oversight of the effective implementation of risk management within the College, including the provision of an effective risk management policy</li> <li>• Oversight of the Risk Management Report to the Board of Governors.</li> <li>• Assessing the level of assurance on controls in place.</li> <li>• Receiving reports of breach</li> <li>• Challenging the register, the scoring and the risks.</li> </ul>
<b>Director Of Finance</b>	<ul style="list-style-type: none"> <li>• Accountable for the effective development and implementation of risk management approaches in the College, including regular reporting to Board of Governors, Audit Committee and Executive Committee.</li> <li>• Responsible for the development of risk policy, process and standards, and the assurance against those standards.</li> </ul>
<b>Executive Committee</b>	<ul style="list-style-type: none"> <li>• Ensuring the effective implementation of the policy's intention within their spans of control.</li> <li>• Identifying, evaluating threats and risks to the strategic viability of the College and the delivery of the agreed portfolio of activity.</li> <li>• Implementing the mitigations and contingencies to manage down the risks.</li> <li>• Reviewing the cost/benefit analysis of the current framework</li> <li>• Identifying and reporting on changes within the external or internal environment which effect the risk profile</li> </ul>
<b>Individual Employees</b>	<ul style="list-style-type: none"> <li>• Understanding the risk management process</li> <li>• Being alert to risks associated with activities that they perform</li> </ul>

	<ul style="list-style-type: none"> <li>• Reporting inefficient, unnecessary or unworkable controls</li> <li>• Reporting losses or near misses</li> </ul>
<b>Internal Audit</b>	<ul style="list-style-type: none"> <li>• Developing a risk-based internal audit programme and presenting to Audit and Risk Committee for approval</li> <li>• Receiving and providing assurance on the management of risk</li> <li>• Reporting on the efficiency and effectiveness of internal controls to the Audit and Risk Committee</li> </ul>
<b>External Audit</b>	<ul style="list-style-type: none"> <li>• Undertake statutory audit using a risk-focussed approach</li> <li>• Identify to Audit and Risk Committee (and Board of Governors where necessary) where audit work has identified increased risk as a result of control weaknesses or material misstatements</li> </ul>

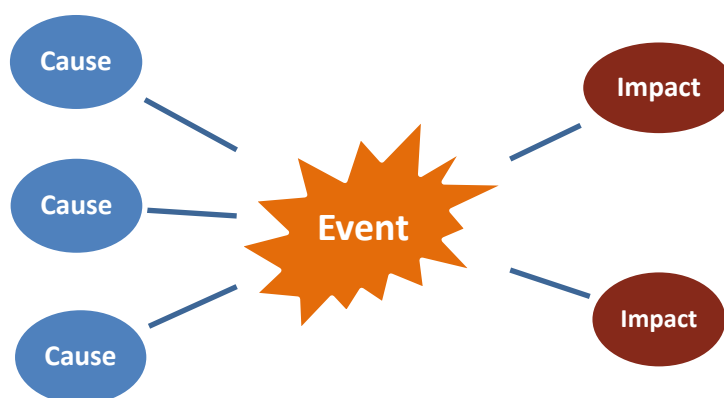
### Using the Risk Register to monitor strategic and delivery risks

10. The Strategic Risk Register is the main document for recording strategic threats and delivery risks, with their severity and associated management plans. The Strategic Risk Register *should* be characterised by its focus, brevity, accuracy and completeness. It will include:

- Identification of meaningful risks
- Evaluation of likelihood and impact to determine severity
- Risk escalation
- Identifying mitigations and contingency plans (controls)
- Progress at delivering mitigations and contingencies.

11. The Strategic Risk Register will be regularly reviewed and recorded, with agreed actions and managed responses considered at the College’s Executive Committee, and by the Audit and Risk Committee at each of its meetings during the year

12. To make risks concrete and tangible, and in keeping with standard approaches, risks will be identified in terms of causes – event – impacts.



### **Evaluation of likelihood and impact to determine severity**

13. The severity of a risk is an overall assessment of both how likely it is to happen and the impact if it does happen. RNCM assesses the severity its risks on a five point scale using the matrix in **Appendix A**.

### **Risk Escalation**

14. Severe risks within a department, identified through the integrated planning process, or thematic risks across departments, may be raised to the level of a corporate risk for inclusion on the Strategic Risk Register.

### **Mitigations, contingency plans and progress**

15. A mitigation is something that is put in place to reduce the likelihood of a risk occurring or reduce its potential impact. A contingency is put in place to manage the consequences of the risk actually occurring. Mitigations most commonly address the underlying causes of the risk, with contingencies addressing the impact.
16. Each Risk Owner is responsible for identifying the mitigations and contingencies for their risks and report on completion progress on a routine basis, with responses collated, assured and reported to Audit and Risk Committee (three times per year) by the Director of Finance. The Risk Owner will also be required to estimate the effects, in terms of reduced likelihood and impact, of implementing the proposed mitigations and contingencies.

### **Monitoring business as usual compliance risks**

17. Business as usual compliance (such as Health & Safety, regulatory compliance, financial controls) is managed through the effective deployment of the appropriate College policies, processes, procedures and standards. The College will monitor this by:
  - Inspection/ routine internal audit of compliance relevant processes, procedures and standards with an overall assessment of compliance.
  - Measurement of non-compliance breaches reported to the Audit and Risk Committee.

## Appendix A: Risk Mapping – definition of Impact and Probability

Risks are regularly reviewed and recorded in the College’s Risk Register with agreed actions and management responses reviewed at the College’s Executive and Audit and Risk Committees.

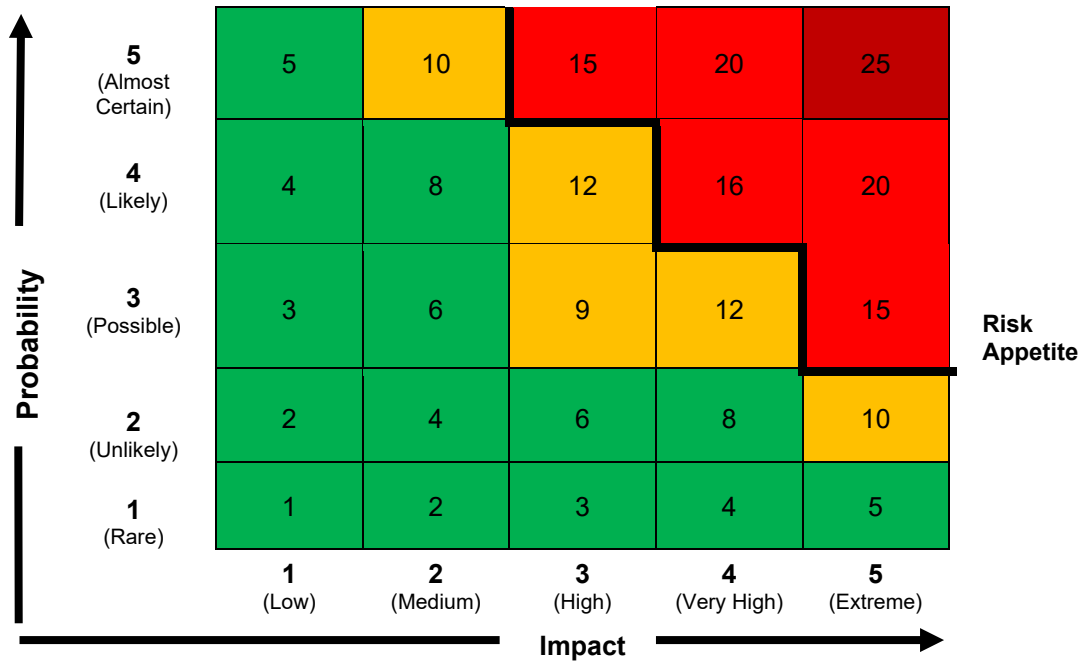
### Impact Scale

Impact	Score	Description
Insignificant	1	Slight injury / slight environmental impact / slight damage to assets / slight reputational damage / minimal financial loss (<£50k)
Minor	2	Minor injury / impact / damage / limited reputational impact / small financial loss (<£250k)
Moderate	3	Major injury or health effects / moderate environmental impact / local damage to assets / considerable impact to reputation / moderate financial loss (<£500k)
Major	4	Life changing injury / major environmental damage / major asset damage / national reputational damage / large financial loss (<£1m)
Catastrophic	5	Fatality / massive environmental damage / extensive asset damage / international reputational damage / huge financial loss (>£1m)

The following grading system is also used to assess the likelihood/probability of a risk materialising:

Likelihood	Score	Description
Rare	1	Conceivable but only in extreme circumstances
Unlikely	2	Hasn’t happened recently but could do
Possible	3	Could happen or known to happen
Likely	4	Could easily happen
Almost Certain	5	Very likely to happen

Risks are regularly reviewed and recorded in the College’s Strategic Risk Register with agreed actions and management responses reviewed at the College’s Executive and Audit and Risk Committees. The Executive have set out a quantifiable risk appetite for the College based on the mapping of Impact and Probability as follows:



To the left of the black line, shaded green and amber, identified risk scores are within the agreed risk appetite of the College. The red shaded area represents risks that need to be urgently addressed and most actively managed.