

Case study of Hull College Group: Risk Management and Governance

Introduction

Hull College undertook a review into the way in which risk management processes and the risk management strategy feed in at Governance level. This review was facilitated by the Audit Committee and by the Corporation Clerk.

Background

The College has a risk management strategy and a full risk register which captures strategic and operational risks within the organisation. The risk register is updated regularly during the academic year through the Risk Management Group.

In previous years the internal and external auditors had noted that Hull College had in place effective risk management procedures but Governors felt they could be more effective in risk management and have a better understanding of their role in risk management.

Review process

The Audit Committee firstly reviewed the way in which the Committee received updates on the risk register and on the effectiveness of the College's risk management procedures. Governors noted that, although each governance committee (Audit Committee, Finance Committee, Standards Committee, etc.) regularly discussed risk issues, it relied on the clerk minuting these discussions and forwarding relevant information to the Risk Management Group in order for governor discussion and debate to feed into updates in the risk register. Likewise the risk register detailed the level of risk and mitigating actions and assigned a management lead to each risk but no further ownership of risks or risk management. The Clerk reviewed the way in which risks were fed into to, and discussed at, Corporation and Committee meetings in order to better understand Governors' current engagement with risks, and assess with Governors whether this was at the correct level and effective

Changes made

The Corporation requested and received a training session from its internal auditors on the role of Governors in risk management, which was presented in the form of a workshop on 'risk appetite' of Governors. This session succeed in Governors being able to confirm amongst themselves their clear role and responsibilities in relation to risk management and debate different levels of risk in terms of the organisation's overall approach, or 'appetite', for risk, as well as debating different types of risks and how they as Governors would want to be assured on developing risk issues that were critical to the College's success. Governors confirmed their overall role as understanding and being assured on strategic issues that posed risk to the organisation achieving its strategic objectives for the academic year.

To follow on from this session, some practical steps were taken:

- 1) To ensure each risk on the risk register is linked to a Strategic Objective in order to provide an explicit link between risk and achievement of Strategic Objectives. This allows Governors to better understand the relative impact a risk may have on the achievement of the year's Strategic Objectives and assess their 'appetite' to accept or request that the risk be further mitigated or managed.
- 2) To link each risk on the Risk Register to a Governor committee. This provides clearer guidance and boundaries to Governors as to the level of risk, and therefore the level of debate or assurance needed at Governors' meetings and enables the focus to be on strategic risks with a high rating.
- 3) To have an excerpt at each Governor committee meeting of the committee's entries from the Risk Register as a standing agenda item. This provides set-aside time to debate those specific strategic risks that will have the highest impact of on the achievement of the Strategic Objectives as well as use the expertise and skills of Governors on each Committee to review risks systematically over time by exception (i.e. green-rated risks or well-mitigated risks do not require debate). This excerpt is presented at each meeting and provides a quick and effective means for Governors to engage in risk management in the right areas. Feedback is much easier to capture in the minutes and to be forwarded the monthly Risk Management Group for action and to update the Risk Register as required.
- 4) Following this new process of extracts at Committee meetings, the Audit Committee, which had previously received excerpts from all Governor committee minutes as evidence that Governors were engaged in risk management, could instead be provided with a much better summary of changes to the risk register since the last Audit Committee meeting as a result of governor input. This has meant that the Audit Committee spends less time reviewing data and minutes and can spend meeting time instead debating how effective how governors have been at risk management, the impact that Governors have had through their involvement in risk management as well as provide an objective view as to how effective the different elements of risk management and strategic and operational levels come together in the Risk Register.

Further to this, the Governors at one of their strategy away days felt, with the changes to colleges in the Education Act 2011, that the role of Governor needed to be absolutely focussed on the right areas in order that Governors perform their statutory role and add greatest value to the College. Governors reflected upon the changing expectations on Colleges, the volatility in the sector created by changes in

funding and the changing role of the Skills Funding Agency in accordance with the Education Act that Colleges needed to be self-reliant. Following this debate, Governors agreed to establish a Strategy Committee. This is formed by those Governors who chair a College committee plus the members of the College's Strategic Leadership Team (SLT). The Strategy Committee meets every two months but only if a meeting is required and is convened to discuss either escalating risk issues that will affect the College achieving its strategic plan for that academic year or to debate new business opportunities that require governor approval which cannot wait until the next Corporation meeting. The Committee has delegated powers of authority to act on behalf of the Corporation. Governors and the SLT felt that this committee would add value in that it would provide support and challenge to the SLT on high-level risk management issues and ensure there is a means by which the Corporation can act swiftly on risks and opportunities. This group acts as a "fail-safe" to ensure risk issues can be effectively managed without having to convene an Extraordinary Corporation meeting each time, as well as to provide the critical friend and support role to the SLT.

Governors have also started to use the excerpts from the risk register for their particular committee to shape future meeting agendas, in that red and amber rated risks for their committee are reviewed and those requiring more detailed debate or those that will affect the future strategy of the College are selected as agenda items for the next committee meeting. Examples of these include a debate on the impact of the change in HE fees (both the effect on curriculum delivery and quality and the effect on cash flow) at the Standards and the Finance Committees respectively. This ensured that governors were well briefed and had debated the financial and corporate social responsibility aspects of the changes in HE fees and ensured the HE strategy was amended well in time prior to these changes to ensure students had as much support as possible to apply for an HE course at the time that these had become significantly higher. A further example is a debate on recruitment and internal progression which is a high level risk for the organisation and was debated by the Innovation Committee from the perspective of effective marketing and by the First Choice Committee, which is a student led governors' committee to look at organisational culture and development to promote that the College is first choice to all students. These debates provided valuable input from different perspectives on the same risk issue and provided constructive feedback and prioritised actions for the SLT to take away.

In general, and following the time for reflection on the Governor role at their Strategy Day, Governors have restructured the Corporation and Committee agendas to spend 75% of their meeting time on 1-2 significant strategic items for debate and 25% on routine governance matters. This ensures that the meetings continue to support the Governors' role on determining the educational character (strategy) and quality agenda of the College, as well as fulfilling their statutory and regulatory role on business matters.

Future Developments

The next piece of work in relation to risk management is to further review how effective the College's processes are in providing assurance to governors on risk management issues. At present the Audit Committee has a standing agenda item to review changes in the risk register to ensure that progress is being made to mitigate high level risks as well as amber rated risks that have not had much progress over several months. The College also has in place a risk-rated balanced scorecard which routinely is updated to capture progress against the College achieving its strategic objectives in that academic year. Each risk on the risk register is linked to the Strategic Objectives on this balanced scorecard. This is an effective means by which the SLT as well as Governors can be assured at a glance on progress being made during the academic year and also flag up any objectives that are below target. It is proposed that greater use is made of the balanced score card to ensure that Governors can effectively hold the SLT to account and that a high level process to track progress during the year remains in place and is effective. Governors and SLT will also assess how effective the new Strategy Committee has been in providing a 'safety net' on emerging risks and opportunities, including how effectively information from the Strategy Committee has been cascaded to other Governors.

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Further information

Further information on this example of risk management and the Governor role can be obtained from:

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