Skills and Training Services (STS)

Risk Management Framework

serco

Version Control Sheet

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Version History

Version	Date	Summary of changes
draft	30/10/2023	drafted
V1.0	22/11/2023	First Issued
V2.0	17/02/25	Changed BAM (Business Assurance Manager) to BAF (B Assurance Function), changed SLT to SMT and changed Director of Skills to Head of Delivery Assurance.

Approval

Name	Job Role	Date	Signature
Jo Wood	Business Assurance Manager	22/11/2023	
Jo wood	Head of Funding Registry & Governance	17/02/25	

Change Control

Any requested changes to this document should be emailed to: joanne.wood@serco.com

Contents

Introduction

The purpose of this framework is to ensure a consistent approach to managing risk for all activities undertaken by Serco Skills & Training Services (STS) as well as fostering a robust risk management culture within the business area. Aim is to ensure we have a robust control environment that reduces negative impacts to our business performance, people, and reputation.

STS recognises that effective risk management:
- Is fundamental to good management practice and is a significant aspect of good Serco governance
- Clearly links risks to STS strategic aims and/or clearly defined STS operational objectives
- Contributes to the successful delivery of the business's strategic aims
- Should be easily understood by all STS staff, provider partners/stakeholders and programme participants

What is risk? Risk is defined as an uncertain event or set of events that, should it occur, will have an effect on the achievement of objectives. A risk is measured by the combination of the probability of a perceived threat or opportunity occurring and the magnitude of its impact on objectives.

What is Risk Management? The identification, assessment and prioritisation of risks followed by coordinated and effective application of resources to minimise, monitor, and control the probability and/or impact of negative events.

How we identify, manage and report risk

STS adopts the Serco wide approach to risk management by following the risk management lifecycle:

Serco's Chief Executive Officer and the Group Risk Committee has the ultimate responsibility for risk within the business. Management and reporting of risk within STS is delegated to the Business Assurance function (BAF) who is responsible for ensuring there are effective and robust control systems to mitigate exposure to risk and for the implementation and maintenance of risk registers that identify risks to which the business is exposed. This includes registers for funded contracts and Apprenticeship delivery across the STS business area.

Identified risks are recorded within 'Risk Manager,' Serco's on-line risk management tool, details of which are reported into the Business Unit and Divisional Risk Registers using the same format and template to allow effective escalation and cascade of risk. Material risks are featured on the Contract/Apprenticeship Risk Registers and escalated to Divisional Risk Registers as appropriate.

All risks described in the risk register are allocated an owner, assessed in terms of probability and impact and prioritised. Management processes that control the probability and impact of the risk are identified and recorded on the risk register along with plans describing the specific actions to be taken to address significant risks. Identified reduction and mitigation measures are recorded against each risk on the risk register to produce a residual level or risk.

Identifying risk - the process of identifying risk starts with the strategic aims and objectives of the STS business/contract including potential risks from external factors arising from the environment within which we operate. The Key sources to inform risk management activity are:
- STS business plans/strategy
- Performance objectives/KPIs
- Management Information from each area of STS such as contract and apprenticeship performance, information security, health & safety, systems and IT, accurate reporting, effective supplier management, effective learner management and people (transfer of knowledge)

Risk analysis - the following three principles are applied when assessing risk:
- Ensure that there is a clearly structured process in which both probability and impact are considered for each risk
- Record the assessment of risk in a way which facilitates monitoring and the identification of risk priorities
- Be clear about the difference between, inherent and residual risk

Each risk identified is profiled to determine its probability and impact to STS. The following standardised approach is used to measure the proximity and impact of risks. The risk score is calculated using the following equation:

Risk Score = (Probability Scale Value x 3) + (Impact Scale Value x 4)

Risk Manager tool automatically allocates the risk scoring rating in the risk register based on the data entered. It creates a colour-coded score category based on the significance of the risk as per the table below:

Serco Risk Heat Map					
Probability	**Impact**				
	VLO	**LO**	**MED**	**HI**	**VHI**
Highly Likely	19	23	27	31	35
Likely	16	20	24	28	32
Possible	13	17	21	25	29
Unlikely	10	14	18	22	26
Rare	7	11	15	19	23

Risks that have an inherent or residual risk score of 20 and above, i.e., categorised as 'major' and/or 'severe' will be considered material risks as per the table below:

Risk Categorisation			
Category	**Score**	**Colour**	**Material/ Non-material**
Severe Risk	> 26	Red	Material risk
Major Risk	20 – 26	Orange	
Moderate Risk	12 – 19	Yellow	Non-material risk
Minor Risk	< 12	Green	

The risk assessment is managed across two stages:
- Measure the inherent risk - this is the level of exposure before any mitigation or control is applied.
- Measure the anticipated residual risk - this is the level of risk exposure after the mitigation or control is applied, with the assumption it is successful. If controls are effective, then the residual risk will match the target risk.

The inherent risk is also be used to inform STS and the Business what its exposure will be if the mitigation or control fails.

Aligned to Risk Manager, the following matrices are used to inform the assessment and classify specific areas of risk:

Probability

Probability	Description ❓
Highly Likely	Likelihood: Event is highly likely to occur Likelihood %: >85% Occurrences: Event will probably occur in most circumstances Years: Multiple events in 1 year
Likely	Likelihood: Event is likely to occur Likelihood %: 50% - 85% Occurrences: Event will occur at sometime Years: Several events in 1 year
Possible	Likelihood: Event is fairly likely to occur Likelihood %: 21% - 49% Occurrences: Event could occur at sometime Years: Several events in 10 years
Unlikely	Likelihood: Event is unlikely to occur Occurrences: Event may occur in exceptional circumstances
Rare	Likelihood: Event is very unlikely to occur Occurrences: Event may occur only in exceptional circumstances

Impact

Impact	Description
Very High	Long term reputation damage at a national and global level.
High	Serious damage to reputation at a national level.
Medium	Prolonged local damage to reputation.
Low	Limited local damage to reputation.
Very Low	Zero or limited reputational impact.

Once all STS risks have been assessed, the risk priorities are gauged. The less acceptable the exposure in respect of a risk, the higher the priority it is given. The highest priority risks (the key risks) feature on the Contract/Apprenticeship Risk Register as a minimum. The specific risk priorities will change over time as risks are addressed (mitigated).

Risk Mitigation – responding to a risk is known as 'internal control' and may involve one or more of the following:
- Tolerating the risk – no action taken
- Treating (mitigating) the risk – act in an appropriate way to constrain the risk to an acceptable level or actively taking advantage, regarding the uncertainty as an opportunity to gain a benefit
- Transferring the risk – where the risk is passed to another party i.e., outsourcing or insurance
- Terminating the activity giving rise to the risk.

Mitigating a risk defines the clear actions required to improve current controls and all actions are assigned an owner by the BAF. Any treatments (mitigation) assigned seeks to reduce either or both impact and probability.

Monitoring Risk – STS benefits from risk monitoring as it:
- increases management and stakeholder confidence that mitigations are progressing as planned and remain effective
- increases management confidence that changes in material risk exposures are understood and visible
- allows for enhanced management of escalated risks
- ensures that risk profiles remain relevant and considerate of future challenges

Risk Reporting – STS BAF reviews each risk registers monthly, updating on action points, effectiveness of controls, managing causes and noting change to risk scoring as appropriate. This facilitates the up and down reporting to the business and provides visibility of material risks and the effectiveness of mitigation and monitoring. It provides transparency and understanding of STS contract/apprenticeship risks and therefore an improved focus and perspective on risk. The cascaded approach is as follows:
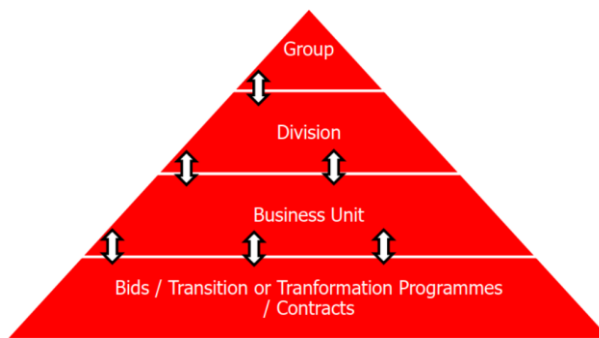
STS BAF consults with; Head of Contracts, Contract Leads and Head of delivery (risk register appropriate) on progress against each register and is informed of any new risks to be added. Any risks identified between reporting periods cascaded to BAF for action. There are a number of reports available in Risk Manager that are used by the BAF to inform the EST Senior Management Team (SMT) of progress against risks including:

Risk Analysis	Dashboard – All Risks Report	To seek approval of the new risks
Risk Mitigation	Dashboard – All Material Risks Report	To see approval of proposed risk mitigation activities
Risk Monitoring	Dashboard – All Risks Report	To seek approval to changes to the risk register, e.g. upgrading / downgrading a risk, closing a risk, escalating a risk etc.
	Dashboard – Actions Report	To give SMEs and actionees visibility of their mitigation actions
Risk Reporting	Dashboard – All Material Risks Report	To give visibility of material risk to management teams up and down the organisation

Escalation of Risk - irrespective of reporting cycles, any risk identified at the STS contract/Apprenticeship level that cannot be mitigated by the BAF within the local register is escalated to Division level via BAF and Head of Delivery Assurance (detailed information provided in monthly EST SMT report and BPR report). In this event, the risk may be closed on the original risk register and created on the divisional risk register.

We will escalate risk immediately according to any of the following criteria:
- risk management activities are not being performed
- risk mitigation actions are not reducing the risk as expected
- risk mitigation is ineffective
- the financial impact of the risk is at the escalation threshold and/or
- issue containment actions cannot be identified

The risk will be escalated to the Executive Committee, via BAF and Head of Delivery Assurance if the financial impact value exceeds any of the criteria in the below table.

Cash	EBIT	Revenue
Cash impact of >£500k in any rolling one year	EBIT impact of >£1m in any rolling one year	Revenue impact of >£5m in any rolling one year

The appropriate level of ownership and reporting requirements will be agreed and documented by the Group Risk Function. Where the risk remains with the Division, that Division will be required to provide ongoing risk reporting regarding mitigation until such time as that risk no longer requires Group oversight.

Reporting a risk to the Business
In the event that a staff member, stakeholder, partner provider, learner or programme participant wishes to notify STS of a potential risk, please contact joanne.wood@serco.com.

STS policies to be read in conjunction with this Risk Management Framework
- Safeguarding Policy
- Prevent Policy
- Equality, Diversity, and Inclusion Policy
- Health & Safety Policy
- Serco Code of Conduct
- Conflict of Interest Policy