

## RISK MANAGEMENT POLICY

### 1. INTRODUCTION

#### 1.1 Purpose

- The purpose of the risk management policy is to explain the University's underlying approach to risk management and to document the roles and responsibilities of Council and its sub-committees, the senior management team and other key parties. It also outlines key aspects of the risk management process, and identifies the main reporting procedures.
- Risk management informs strategic development through the identification and treatment of risk so that strategic objectives are more likely to be achieved, damaging events are avoided or minimised, and opportunities are maximised. Good risk management increases the probability of success, and reduces the probability of failure and uncertainty of achieving the University's objectives.

#### 1.2 Scope

- This risk management policy forms part of Keele University's governance and internal control arrangements. It applies to institutional, local, project and any subsidiary company risk management. The University Council has ultimate responsibility for risk management. Council is therefore responsible for the approval and review of the Risk Management Policy and for ensuring that it is appropriately managed.

#### 1.3 Definitions

- A frequently used definition of risk is:

*“the threat or possibility that an action or event will adversely or beneficially affect an organisation's ability to achieve its strategic objectives”*

- At an institutional level, risks can affect either positively or negatively the University's ability to operate as a business and/or deliver its strategic objectives. Risk management is also important in key operational areas in the University, namely Faculties, Directorates and any Subsidiary Companies to ensure that threats and opportunities affecting the successful delivery of operating and commercial plans are appropriately addressed and managed.

## 2. POLICY

### 2.1 Risk Identification and Assessment

- Risk identification and assessment throughout all levels of the University follow similar methodologies and are completed in standard templates. For the **University Risk Register**, the University uses a 5x5 risk rating mechanism to assess the impact (rated A to E) and likelihood of risk (rated 1 to 5), with a scoring of A1 denoting the highest risk on the scale as high impact and high likelihood.

**LIKELIHOOD**

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	A5	A4	A3	A2	A1
	B5	B4	B3	B2	B1
	C5	C4	C3	C2	C1
	D5	D4	D3	D2	D1
	E5	E4	E3	E2	E1
<b>IMPACT</b>	↑				

**Local Risk Registers** (see also section 2.3 below) may operate the same 5x5 risk rating mechanism used for the University Risk Register, or a simplified 3x3 mechanism (i.e. low/medium/high impact and likelihood) as appropriate, depending on the size and scope of the area being considered.

The following criteria can be used as a framework for assigning scores within the 5x5 risk rating mechanism:

#### Impact

The score should reflect the higher of the financial value, the proportion of the institution affected, or the degree to which the whole University is affected.

#### **Score A (highest)**

- The incident would significantly affect the operation, reputation or strategic direction of the whole university; or
- The incident would cost the University **£10m** or more. For example, this could equate to a **£10m** in a single year or **£2.5m** over four years.

#### **Score B**

- The incident would affect the operation, reputation or strategic direction of the whole University but not significantly; or

- The incident would significantly affect the operation, reputation or strategic direction of more than one faculty, or all/most professional directorates (but does not affect the whole university); or
- The incident would cost the University between **£5m** and **£10m**. For example, this could be **£5m - £10m** in a single year or **£1.25m - £2.5m** over four years.

#### **Score C**

- The incident would affect the whole University to a small extent; or
- The incident would significantly affect the operation, reputation or strategic direction of several schools (possibly a whole faculty) or professional directorates or;
- The incident would cost the University between **£2m** and **£5m**. For example, this could equate to **£2m - £5m** in a single year or **£500k – £1.2m** over four years.

#### **Score D**

- The incident would affect the operation, reputation or strategic direction of a small number of schools/directorates but would have little or no effect on other areas of the University; or
- The incident would cost the University between **£1m** and **£2m**. For example, this could be **£1m - £2m** in a single year or **£250k - £500k** over four years.

#### **Score E (lowest)**

- The incident would affect the operation, reputation or strategic direction of a single school or professional directorate but would have little or no impact on other areas of the University; or
- The incident would cost the University up to **£1m**. For example, this could equate to **£1m** in a single year or up to **£250k** over four years.

### **Likelihood**

#### **Score 1 (highest)**

- It is expected that this risk will materialise at least once within the next two years, or has already materialised. A risk of this kind is likely to be reflected as a contingency or directly in the University's budgets and medium-term financial plan.

#### **Score 2**

- It is reasonable to assume that this risk will materialise at some point (possibly once or twice within the next five years). This kind of risk may be reflected as a contingency in the University's budgets.

#### **Score 3**

- It is reasonable to assume that the risk will materialise once or twice within a period of five to ten years.

#### **Score 4**

- There is a low likelihood of the risk materialising (there is a possibility that this could happen at least once within a period of five to ten years, but it is considered unlikely).

#### **Score 5 (lowest)**

- There is a very low likelihood of the risk materialising (this is not expected to happen but it may do in exceptional or unusual circumstances - it has been known to happen at this or another University once in the past).

## 2.2 Gross and Net Risk Rating

- In identifying and assessing risk, two types of risk are recorded on risk registers:
  - **Gross Risk** refers to the initial assessment of a risk without any controls or response from the University to help mitigate either the likelihood of the risk occurring and/or the impact on the operation of the University
  - **Net Risk** is the risk rating remaining after the implementation of current controls or response/actions which are recorded in the risk register.

## 2.3 Risk Reporting

- Risks are recorded on Risk Registers which are in place across the following operational areas:
  - **University Risk Register:** The University Risk Register is intrinsically linked to the University's Strategic Plan and KPI Framework. It identifies risks that have a fundamental impact on the University's ability to operate as a business and/or deliver against its Strategic Plan and related KPIs. Risk management is incorporated into the strategic planning process to ensure that the University is able to monitor risks to achieving the University's objectives and determine which risks have the most significant impact. The University Risk Register is reviewed by the University Executive Committee (UEC) at least 3 times a year, and then reported onwards to each meeting of Audit & Risk Committee and then to Council.
  - **Local Risk Registers:** The risks identified in the University Risk Register are underpinned and informed by Risk Registers managed at the local operational level: these local registers identify risks that impact upon and are managed by operational areas or subsidiary companies:
    - Faculty and Directorate Risk Registers
    - Subsidiary Company Risk Registers
    - Project and initiative Risk Registers: which are drawn up for major University projects and initiatives (for example compliance with the Prevent Duty).

## 2.4 Risk Reporting

The criteria included in the University Risk Register are set out in the table below. Wherever appropriate, local risk registers will adopt the same criteria in order to ensure a consistent approach to risk identification and risk management across all areas.

CRITERIA	DETAIL
Risk Area	Aligns the risk identified with relevant area(s) of the University KPI Framework
Risk ID	Provides the risk with a unique identifier
Risk Description	A summary risk description
Contributing Factors	Key factors that would contribute to the risk, including sub-risks.
Risk Ownership	Assigns ownership of the risk to relevant member of the Senior Management Team (see below)
Gross Risk	Initial rating of a risk without any controls or response
Current Controls (Mitigating Factors)	Describes controls and management actions already in place to mitigate against the risk

Net Risk	The rating of a risk after the implementation of existing controls or actions
Direction of Travel	An indication of whether the risk is seen as stable, increasing or decreasing
Planned actions / contingency plans	Describes planned actions or controls that are in the process of being implemented, and notes any contingency plans in place or planned should the risk materialise.
Assurance mechanisms	Links to relevant committees that actively monitor the risk, to relevant University KPIs, and to any other sources of assurance (e.g. internal audits).

### 3. ROLES AND RESPONSIBILITIES

#### 3.1 The University Executive Committee (UEC)

- Led by the Vice-Chancellor, the University’s senior management team are responsible for effective risk management in their areas of responsibility and strategically for the whole institution. Key roles of the senior management team are to:
  - Implement policies on risk management and internal control
  - Identify and evaluate the significant risks faced by the University in the University Risk Register for consideration by Council and Audit & Risk Committee
  - Provide adequate information in a timely manner to Council and its Committees on the status of risks and controls
  - To undertake training and development activities associated with risk management
- UEC members are required to undertake regular reviews and assessment of key risks within their areas of operation as part of routine management arrangements, holding their own local risk register, which should also be updated on a 6-monthly basis. This will allow for the escalation of any risks that are identified at a local level, onto the University Risk Register where relevant and appropriate.
- UEC members are also responsible for risk management as part of their role as project leaders for major institutional projects.
- University Executive Committee are responsible for the operational management of risk. Risk is considered on a regular basis at UEC, as the University Risk Register is discussed and reviewed by UEC before it is submitted to the Audit & Risk Committee. In addition, risk is frequently a consideration for UEC discussions about strategy, KPIs and emerging sector and institutional issues. Any risks or changes to risks identified in the discussion are captured and included in the University Risk Register after the meeting.

#### 3.2 Council

- Council’s role is to determine the overall policy for risk management within the University. This includes:
  - Approval of major decisions affecting the University’s risk profile or exposure
  - Overseeing the University’s approach to risk management and approve changes or improvements to key elements of its processes and procedures

- Receiving a summary report of changes to the University Risk Register and agreeing any changes to the risk descriptors and risk ratings, as part of the Strategy, Performance and Risk update report at each meeting.

### **3.3 Audit & Risk Committee**

- Audit & Risk Committee are responsible for ensuring that the University has a robust process of Risk Management in place. It monitors, on behalf of Council, the management of institutional and local risks and authorises remedial action where necessary. It is also required to report to Council on internal controls and alert members to any emerging issues. Audit & Risk Committee receives the full University Risk Register at each of its meetings. It also receives an annual report on local risk management.

### **3.4 Health & Safety**

- Health and Safety monitoring is undertaken through specific governance arrangements in the form of the Health and Safety Standing Committee which meets on a regular basis. This group has a direct reporting line to the Health and Safety Oversight group, which is a sub-group of UEC and Chaired by the Vice-Chancellor. This oversight group reports to after each of its 6-monthly meetings to UEC or by exception if required. The Oversight Group membership also includes two lay members of Council.

### **3.5 Internal Audit**

- Internal audit is an important part of the internal control process for risk. The University's internal auditors use a risk-based methodology, which is informed by the risks included in the risk register. Reviews of the University's approach to risk management (including the benefits that are derived) are undertaken on an annual basis.

### **3.6 External Audit**

- External audit provides feedback to the Audit & Risk Committee on the operation of the risk management process.

## **4. RELATED POLICIES AND PROCEDURES**

An online version of this document and further information is available at:

<https://www.keele.ac.uk/sas/academicservices/legalgovernance/governance/corporateriskmanagement/>

All related University Legal and Governance policies are available on the Policy Zone at:

<https://www.keele.ac.uk/policyzone/>

## 5. REVIEW, APPROVAL & PUBLICATION

- This policy will be reviewed at least once every three years.
- This policy will be approved by Council following consultation with University Executive Committee and Audit & Risk Committee.
- This policy will be published on the University Policy Zone and the University's Governance website.

## 6. DOCUMENT CONTROL INFORMATION

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