

STRATEGIC RISK MANAGEMENT POLICY



Version	1
Executive Sponsor	Chief Operating Officer
Officer Responsible for Policy/ Procedures	Director of Finance
Consultation Process	Executive Operations Group
Date of Approval and Committee and/or Executive Officer	Executive Audit and Risk Committee
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INTRODUCTION AND CONTEXT

It is the policy of the University to adopt a proactive approach to the management of risk and opportunities using a structured and focused process.

Aston's 2018-23 Strategy will be delivered through 4 core activities that we deliver on behalf of our beneficiaries i.e. i) students; ii) business and the professions; and iii) our region and society.

These core activities are:

- Community engagement and development
- High quality teaching and student support
- Collaborative research with high translation and impact
- Skill building and industry development

Delivering the Strategy requires the University to focus and strengthen how these core activities are delivered and in doing so there will be an inherent amount of risk and uncertainty. As such, there is an appetite for higher levels of risk where appropriate in order to deliver upon strategic aims, objectives, and targets. However, it is also important to note that the University's approach to risk taking will continue to be managed within our established risk management policy, framework, and process. As such, higher levels of risk will only be accepted on the basis of a comprehensive understanding of the exposures involved, potential benefits arising and subject to appropriate mitigation, control responses, and approval arrangements being in place.

1. SCOPE OF THE POLICY

1.1 Purpose of this Policy

The University recognises that all risks need to be managed. The purpose of this Policy is to provide a framework for the effective management of risk across the University.

The objectives of the Policy are to:

- Continuously develop risk management and raise its profile across the University.
- Further integrate risk management into the culture and decision making of the University.
- Manage risk, including the identification of the University's risk appetite in accordance with best practice.
- Operate effective processes that will allow the University to make risk management assurance statements annually.

1.2 What is covered by the Policy

The management of risks in the University is undertaken within a framework comprising:

- Governance processes
- Risk Policy and Appetite statement.
- Identification, evaluation and management of significant risks
- Assurance and audit processes
- The underlying policy and control environment.

The Statement of Risk Policy and Appetite (Statement) specifies the amount of risk the University is willing to tolerate or accept in the pursuit of its long-term objectives. It indicates the parameters within which the University would want to conduct its activities. The Statement has been considered by the University Executive, the Audit and Risk Committee and formally adopted by the University Council.

In terms of priorities, the need to avoid reputational, compliance and excessive financial risk will take priority over other factors, for example, it will be acceptable to undertake risks in research activities providing they do not expose the University to undue reputational, compliance, or excessive financial risk. A balanced assessment has to be taken of risks, in many cases there are risks attached to both doing something and doing nothing.

Given the devolved nature of the University, the Statement is intended to act as a guide to academic and professional managers and committees indicating the:

- areas where colleagues should step out and be innovative,
- areas where colleagues should be conservative and compliant in their activities, and
- the "Lines" across which the University Council and the University Executive would not wish to cross, and where the University Executive and Council would need to be notified and provide authority.

1.3 Who is covered by the Policy

All those who act on behalf of the University, including staff, must be aware of and comply with the Policy. The Policy does not form part of any contract of employment and may be amended at any time.

1.4 Breach of this Policy

Any breach of this Policy and its associated procedures by staff will be investigated in accordance with the University's disciplinary procedure. A serious breach may amount to gross misconduct and could therefore result in summary dismissal. Any breach of this Policy and its associated procedures by non-staff will be investigated and steps taken in accordance with the law and any relevant contract.

1.5 Policy Ownership

Council, Audit and Risk Committee and the Executive have approved the Policy, the Chief Operating Officer is the Executive sponsor and the Director of Finance is the officer responsible for the Policy. Any questions about the operation of the Policy or any concerns that the Policy has not been followed should be referred in the first instance to the Director of Finance.

2. ROLES AND RESPONSIBILITIES

2.1 University Council

The University Council has a fundamental role to play in the management of risk. Its role is to:

- a) Set the tone and influence the culture of risk management within the University. This includes:
 - determining whether the University is 'risk taking' or 'risk averse' as a whole or on any relevant individual issue
 - determining what types of risk are acceptable and which are not
 - setting the standards and expectations of staff with respect to conduct and probity
- b) Approve the appropriate risk appetite or level of exposure for the University
- c) Approve major decisions affecting the University's risk profile or exposure
- d) Monitor the management of significant risks to reduce the likelihood of unwelcome surprises
- e) Satisfy itself that the less significant risks are being actively managed, with the appropriate controls in place and working effectively
- f) Annually review the University's approach to risk management and approve changes or improvements to key elements of its processes and procedures

2.2 University Executive

Key roles of senior management and University officers is to:

- a) Implement procedures for risk management and internal control
- b) Identify and evaluate the significant risks faced by the University for consideration by Council
- c) Ensure actions are put in place to mitigate and eliminate risk where possible
- d) Provide adequate information in a timely manner to the University Council and its committees on the status of risks and controls
- e) Undertake an annual review of effectiveness of the system of internal control and provide a report to the Council.

2.3 Wider University

Responsibility for managing the activities of the University within the Statement lies with the management of the University in particular Heads of Schools, Institutes and Professional Service and subsidiary companies, as well as key University Committees.

3. STATEMENT OF RISK POLICY AND RISK APPETITE

The University's approach is to minimise its exposure to reputational, compliance and excessive financial risk, whilst accepting and encouraging more risk in pursuit of its mission and objectives. It recognises that its appetite for risk varies according to the activity undertaken, and that its acceptance of risk is subject always to ensuring that potential benefits and risks are fully understood before developments are authorised, and that proportionate

measures to mitigate risk are established. The University's appetite for risk across its activities is provided in the following table of descriptions.

Strategic Risk Category	Risk Appetite	Description	Proposed Risk Appetite
Compliance, Regulation & Ethics	Low	The University is committed to maintaining the highest standards of integrity, compliance, and ethics. As such the University has no appetite for any breaches in statute, regulation, professional standards, research ethics, bribery, or fraud. Including systems and processes.	Low
Learning & Teaching	Low	The University is committed to delivering high quality learning and teaching for all of its students as well as developing enhanced approaches to learning and teaching. This will involve further investment in learning and teaching facilities / infrastructure and continual updating and refreshing of the curriculum. In delivering its objectives, the University recognises the need to identify solutions to meet increasingly diverse student needs and to further its work with professional bodies and industry to ensure success for our graduates and their employers. As such, we will continue to seek and invest in new and innovative approaches. We recognise that this will involve an increased degree of risk in developing education and are comfortable in accepting this risk subject always to ensuring that potential benefits and risk are fully understood before developments are authorised and that sensible measures are in place to mitigate risk are embedded.	Medium to High
Research and Knowledge Transfer	Low	The University is committed to ambitious and performance-driven progress in research and knowledge exchange including: promoting new fields of research and generating critical mass in research capacity; developing further strategic academic and industrial collaborations and partnerships nationally and internationally; facilitating enhanced research opportunities, performance and funding through institutes, international campuses and research centres; supporting innovation and entrepreneurship and increasing the number of research students. The University recognises this this will involve an increased degree of risk in developing research subject to: limitation imposed by ethical considerations and ensuring that potential	Low to Moderate

Strategic Risk Category	Risk Appetite	Description	Proposed Risk Appetite
		benefits and risks are fully understood before developments are agreed and that appropriate measures to mitigate risk are established.	
Internationalisation	Low to Moderate	The University has committed to international growth and will continue to assess further overseas activities where appropriate as well as increasing the internationalisation of its research/knowledge exchange activities and the international mobility of students and staff. The University recognises that this will involve an increased degree of risk in developing international activities. The University is comfortable in accepting this risk subject to ensuring that the potential benefits and risks are fully understood before developments are agreed and that appropriate measures to mitigate the risks have been agreed.	High
Student Experience	Low to Moderate	The University is committed to further development of facilities and support arrangements for the student learning and living experience and in ensuring that programmes are accessible to the brightest and best from all backgrounds. We will maintain a generally low-moderate appetite for any risks which threaten the delivery of objectives in this area.	Low to Moderate
Reputation	Low to Moderate	The University has an established track record for world-class international learning, teaching, research, and student experience. As such, there is a low appetite for any risks which would impact negatively upon its reputation, 'brand', ethical standing, or heritage which could lead to undue adverse publicity, or could lead to loss of confidence by the political establishments and funders of its activities.	Low to Moderate
Financial Performance and Sustainability	Low	The University has a sound financial base in terms of annual operating surpluses, diversified and growing income streams, and effective control of costs. The University has a moderate appetite for any risks which impact upon the achievement of the financial targets. The University will ensure that potential benefits and risks are fully understood before developments are agreed and that appropriate measures to mitigate risk are established.	Moderate to High
People and Culture	Low	The University aims to utilise the full potential of our staff to make the University a stimulating and safe place to work. It	High

Strategic Risk Category	Risk Appetite	Description	Proposed Risk Appetite
		places importance on a culture of academic freedom, equality and diversity, dignity and respect, collegiality, annual review, the development of staff and the health and safety of staff, students, and visitors. It has a low to moderate appetite for any deviation from its standards in these areas.	
Manage Major Project Activities – projects, change, collaborations, and mergers	Low to Moderate	Major change activities are required periodically to develop the University, and to adapt to changes in the regulatory and technological environment and in the nature and conduct of the University's international activities. The University expects such changes to be managed according to best practice in project and change management. The University is willing to tackle very difficult projects that pose moderate risk if the resulting benefits justify this.	High
Organisational Continuity	Low to Moderate	The University is committed to maintaining continuity of all aspects of its operations and has a low appetite for any adverse risks, incidents, or events which could impact upon the University's brand or upon the normal operation of learning, teaching, research and support operations, or access to relevant buildings or facilities.	Low to Moderate
Environment and Social Responsibility	Low to Moderate	The University aims to make a significant, sustainable, and socially responsible contribution to the UK and the world through its research, education, knowledge exchange, and operational activities. It recognises that this should involve an increased degree of risk and is comfortable in accepting this risk subject always to ensuring that potential benefits and risks are fully understood before developments are authorised and that sensible measures to mitigate risk are established.	Low to Moderate

4. IMPLEMENTATION OF RISK MANAGEMENT

4.1 The risk management process

The University aims to maintain its long-term financial viability and its overall financial strength. It will not consider risk projects where it can lead to breaching the following minimum criteria:

- University Financial KPIs (Income/Surplus/Net Debt)
- OfS Financial Regulations

Activities which are judged to be high risk are activities which are important to the University in achieving its objectives and will be undertaken only where they offer benefits commensurate with the level of residual risk involved and do not increase risk to an unacceptable level i.e. where an adverse outcome would seriously jeopardise the overall achievement of the University's strategic plan.

Where risks are either to be tolerated above the red risk line or where mitigating actions are taken to reduce risks significantly below this level the rationale must be documented in the relevant risk register and evidenced through the appropriate governance framework (e.g. through project teams, College Senior Management teams, Executive Operations Group minutes etc.) Where the residual risk remains above the red threshold, these must be reported to Council and have Council approval for the actions etc.

As an example, there may well be occasions or projects that are considered to be of sufficient importance to the University to warrant an increased risk exposure. These will typically be opportunities where the University considers a more entrepreneurial approach is warranted or external environmental changes. These risks will be subject to rigorous review and monitoring. For example, by the Executive Operations Group, including inclusion within the Strategic Risk Register and reporting to Council.

Amber residual risks are dealt with by the Executive as a usual business operational event.

Green residual risks are managed at the College or central support business unit level.

The identification of risks is derived from both a 'top down' (Strategic) and a 'bottom up' (College) process of risk assessment and analysis resulting in coverage of the whole University. The process then prioritises the risks resulting in a focus on the key risks and priorities. The risks are then managed through the development of appropriate action plans and fed into overall corporate and improvement plans.

Stage 1 – Identification of the risks

Stage 1 is to identify the 'key' risks that could affect the achievement of objectives. The diagram below outlines risk categories that can be used as a prompt to ensure that consideration is given to the broad spectrum of potential risk areas. The focus is on identifying 'key' or 'significant' risks that would impact on the key objectives.

Stage 2 – Analysing the risks

The information that is gathered is analysed into risk scenarios to ensure clear understanding of the root cause and consequences.

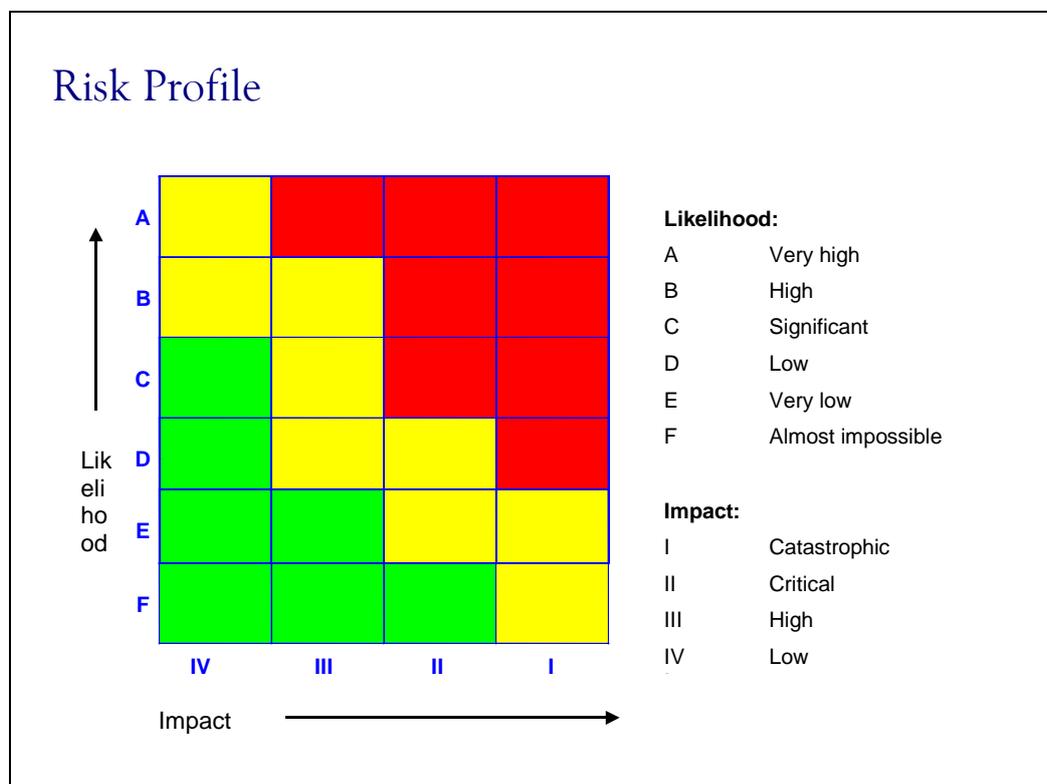
Stage 3 – Risk profiling and prioritisation

Risks are assessed using a 6x4 matrix, recognising the importance of the event to the University according to the potential likelihood of the risk occurring (within a specified timescale) and its impact on objectives if it does.

Once risks are profiled the matrix is overlaid with red, amber and green sections. The Executive Risk owner will consider the risks assigned to them as follows;

- Red risks are high priority and must be addressed immediately then reviewed monthly
- Amber risks are medium priority and must be addressed as soon as possible then reviewed quarterly
- Green risks are those which are judged to be adequately controlled currently but must still be reviewed 6 monthly as things change.

a) Example Risk Prioritisation matrix and definitions



b) Example Likelihood definitions

Level	Likelihood	Description
A	Very High	Is expected to occur in most circumstances 70% - 100%
B	High	Will probably occur at some time, or in most circumstances 50% - 70%
C	Significant	Likely to occur at some time, or in some circumstances 30% - 50%
D	Low	Unlikely to occur 10% - 30%
E	Very Low	Very unlikely to occur 1% -10%
F	Almost Impossible	May occur only in exceptional circumstances 0% - 1%

c) Example Impact definitions

Level	Impact	Description
I	Catastrophic	<ul style="list-style-type: none"> Major financial loss (loss of £10million or more) / major impact on funding Unable to deliver most or all strategic objectives Unable to undertake most or all operations Major disruption to research activities Extensive / multiple injuries Serious breach of legislation leading to legal or disciplinary action Negative coverage in national press and national TV reporting
II	Critical	<ul style="list-style-type: none"> Significant financial loss (loss of £5million to £10million) / significant impact on funding Unable to deliver a number of strategic objectives Significant disruption to normal operations Unable to undertake significant amount of research activities Violence or threat or serious injury Breach of legislation or regulatory frameworks requiring corrective action Negative coverage in national / local press
III	High	<ul style="list-style-type: none"> High financial loss (loss of £0.5million to £5million) / some impact on funding Unable to deliver a strategic objective Some disruption to normal operations Inability to undertake certain research activities Minor injury Minor breach of legislation resolved internally Negative coverage in local press
IV	Low	<ul style="list-style-type: none"> Low financial loss (loss of up to £0.5million) / limited or no impact on funding No impact on delivering strategic objectives Insignificant disruption to operations Limited or no impact on research activities No injuries No breach of legislation No press coverage

Stage 4 – Risk Management (Action Planning)

Risk owners are assigned to each red and amber risk and for each risk an assessment is made as to whether to control, accept, transfer or terminate the risk.

- Control – It is usually possible to mitigate the risk by ‘managing down’ the likelihood, the impact, or both. Any control measures must reflect the potential frequency, severity and financial consequences of the risk event.
- Accept – Some risks may have to be accepted as they form part of, or are inherent in, the activity. In addition there are some risks over which we can have no control and some for which any management actions would be prohibitive in terms of resource. The important point is that these risks are identified, are clearly understood and are acknowledged.

- Transfer – Some risks can be transferred to another body or University i.e. insurance, contractual arrangements, outsourcing, partnerships etc. It is however acknowledged that some risks e.g. reputation can never be transferred.
- Terminate – We may be able to eliminate a risk by ending all or part of a particular activity or project.

Stage 5 – Monitoring risk management

The Executive Operations Group is responsible for ensuring that the key risks on the Strategic Risk Register are managed, and the progress with the risk controls monitored, on an at least 6 monthly basis. The Risk Register is reviewed regularly in light of current activity with risks being added, amended or deleted as appropriate. A full review of the Strategic Risk Register is carried out bi-annually as part of the corporate planning cycle.

Executive Deans are responsible for ensuring that the key risks in their College Risk Registers are managed and that progress with the risk controls are monitored at appropriate intervals on an at least 6 monthly basis. A full review of each College Risk Register is carried out bi-annually as part of the University planning cycle.

The Executive team will, on an at least 6 monthly basis, review the Risk Registers for each of the College and the University Strategic Risk Register in light of changing legislation, government initiatives, best practice and experience gained within the University. Any amendments will be recommended by the Executive for approval by Council. The strategic risk management process including the register is reviewed by the Audit and Risk Committee. At least annually the Strategic Risk Register is to be reviewed by Council.

4.2 Form of the Strategic Risk Register

An approved format for the Strategic Risk Register has been designed to ensure completeness and consistency of reporting of strategic risks and the associated assurances of key control operations. A copy of the current format to be used in the production of University and College Risk Registers is included below.

Each section should be completed as follows:

- Risk No.:* - the number assigned within the Risk Register as agreed by the Executive.
- Risk owner:* - Each risk should have a named member of the Executive or School management team as the risk owner in order to assign accountability.
- Risk Score:* - As defined by the risk matrix.
- Risk Commentary:* - A summary prepared by the Executive risk owner highlighting any key environmental or operational factors currently impacting on the risk.
- Root causes:* - Key issues which have the potential to cause the risk to crystallise.
- Consequences of Risk:* - Key consequences if the risk occurs.
- Current Risk Matrix:* - Risk profile today.
- Target risk matrix:* - Risk profile assuming current and planned activities are effective.
- New Actions/Controls:* - Confirmed new actions in order to reduce the potential of the risk and specifying who is responsible for the action, by when and current progress towards completion of the new action.
- Sources of Assurance:* - External sources which confirm the activity as reported by internal management e.g. Internal & External audit, Regulatory Authorities, External returns etc. or an internal source independent of the risk activity.



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