

**Risk Management Policy**

# **Introduction**

The University faces numerous risks that could affect any aspect of its academic, administrative or commercial business activities. Sound risk management is therefore required to ensure the University is able to achieve its strategic objectives and academic mission.

The University considers risk management to be fundamental to good management practice and a significant aspect of corporate governance. Risks include not only threats facing the University, but also a failure to seize opportunities. An assessment of risk must therefore be conducted to identify, analyse and report to the most appropriate management level within the University. The aim of the policy is not to eliminate risk from the University’s activities, but rather to manage risk appropriately.

It should be noted that risk management is the responsibility of everyone at the University, not just a small number of named individuals. The University maintains a register of strategic risks (the Strategic Risk Register) and a separate register of high level operational and compliance risks (the Operational Risk Register). While the focus of discussion at the Non-Executive and Executive level should be on strategic risks, Newman recognises that from time to time operational or compliance risks will necessarily take priority and the process has been developed to ensure that these types of risks can be escalated to the Strategic Risk Register as and when appropriate.

To encourage a culture of risk management across the institution in a cohesive and integrated manner, the Faculties and service areas are expected to maintain local operational risk registers that are integrated into the planning and budgeting process. Individual risk registers are also developed for all major projects or significant new initiatives.

Newman recognises that risk management is about meaningful discussion, planning and action, to effectively assess and manage risk and should not simply be seen as a paper tick box exercise and as such aims to maintain a light as touch as possible set of processes, while at the same time acknowledging the need to provide recorded evidence of an effective risk management process. Risk management is therefore everybody’s responsibility and the “Three Lines Model” outlined below emphasises this further.

# **Purpose**

This Policy forms part of the institution’s internal control and corporate governance arrangements and identifies the underlying approach to risk management across the University. It defines the roles and responsibilities of Council and senior managers. It also outlines key aspects of the risk management process, and identifies the main reporting procedures. Based on the principles of the “Three Lines Model” (updated by the Institute of Internal Auditors, July 2020) the Executive and management teams - owning and managing risks and establishing risk control and compliance provide the first and second lines with the third line provided by the Internal Audit function (independent assurance).

# **Risk Appetite (also see Appendix B)**

In pursuing its mission and strategic goals the University will assess the level of risk associated with its various activities. Council will determine the appropriate risk appetite for the University, what types of risk will be tolerated and monitor the risk profile of the University to ensure it remains within acceptable levels. The risk appetite then drives the investment in risk mitigation and supports decision making around how much resource (time and/or money) should be spent to mitigate against the likelihood or impact of any risk being realised.

The University engages in a portfolio of activities, some of which are judged to be low or medium risk and others that are higher risk. There will be occasions when taking high calculated risks will be justified in terms of the benefits expected to accrue to the University.

It is recognised as critical that the University preserves its reputation for high quality teaching and research, locally, nationally and internationally. The University therefore has a low appetite for risk in the conduct of its activities and approach to judgement-based decision-making that could put its reputation in jeopardy, could lead to undue adverse publicity or could lead to loss of confidence by its partners, funders or regulators.

The University places high importance on compliance and will not knowingly commit breaches in statute, regulation, professional standards, research, commercial contracts or ethics, bribery or fraud.

The University aims to maintain its long-term financial viability and its overall financial sustainability. It will not consider projects where they could lead to breaching its banking covenants or failing to meet its Financial strategic goals.

# **Risk Roles and Responsibilities**

It is essential that all participants in risk management are aware of their roles in the overall process and their own responsibilities. The key responsibilities are outlined below:

## **University Council**

Council has a fundamental role to play in the management of risk and in setting an overall culture of risk management within the University. This includes:

* Determining and reviewing the risk appetite of the University as a whole, and agreeing a risk appetite statement that is reviewed annually
* Approving major decisions affecting the University’s risk profile or exposure
* Determining what types of risk are acceptable or not acceptable

## **Audit and Risk Committee**

Acting on behalf of Council, Audit and Risk Committee will:

* Monitor the management of key strategic risks (Strategic Risk Register)
* Satisfy itself that less significant risks are being actively managed, with the appropriate controls in place and working effectively (i.e. effective management of the Operational Risk Register as well local or project risk registers)
* Annually review the University’s approach to risk management, and approve changes or improvements to key elements of its processes and procedures
* Approve the internal audit plan which is linked to the Strategic Risk Register and the Operational Risk Register
* Report to Council on the effectiveness of risk management processes as appropriate
* (Suggested)Regularly monitor specific areas of risk in greater detail via a “deep dive”

## **University Leadership Team**

The University Leadership Team is responsible for strategic risks by:

* Identifying, evaluating and acting as risk owner for significant risks faced by the University for consideration by Council, via Audit and Risk Committee
* Implementing policies on risk management and internal control
* Providing adequate information in a timely manner to Council, via Audit and Risk Committee, on the status of risks and control measures
* Regularly reviewing the effectiveness and implementation of internal controls and mitigations
* Overall responsibility for ensuring that the Operational Risk Register is effectively managed
* Overall responsibility for promoting a culture of risk management across the institution
* Monitor and discuss risk as a standing item on the agenda of ULT

## **University Operations Team**

The University Operations Team are responsible for identifying, assessing and monitoring risks at Faculty and service level, this includes operational or compliance risks across the University. They will:

* Identify and act as risk owners for appropriate University level operational or compliance risks, escalating such risks to the Strategic Risk Register when appropriate
* Disseminate good and appropriate risk practice within their Faculty/service area
* Identify, monitor and assess risk issues within their Faculty/service or area of operational responsibility
* Monitor and discuss risk as a standing item on the agenda of UOT

**NB The overlap in membership between UOT and ULT will ensure that operational or compliance risks are escalated appropriately to the Strategic Risk Register and hence to the attention of Council (via Audit and Risk Committee)**

## **Staff and students**

Effective risk management depends on the commitment and co-operation of all staff and students (refer to the “Three Lines Model” as cited above). All staff have a significant role in the management of risk, particularly within their own areas of control. Project managers and project teams are responsible for managing project-specific risk and will complete a project risk register to demonstrate that this is being done.

# Appendix A

## **Risk Management Process**

### **Identification of Risks**

#### 1.1 Defining the Risks

The Strategic Risk Register is linked directly to the University Strategy. For each objective ULT should consider the range of potential events that may have an effect on its achievement. Each event will have an associated likelihood of occurrence and an impact if it occurs. Similarly, for Operational Risks, UOT should use their professional expertise to assess the risks to the University. An accountable Risk Owner should be agreed and (leading) measures identified to allow the team to assess if a risk is about to be realised.

#### 1.2 Assessing each Risk

1. Complete the Risk Descriptor in the form of “Failure to… Caused by… Leading to”
2. The Impact and Likelihood should then be scored using the tables below – this provides a score for the “Initial Risk Rating”.
3. A “Risk Appetite” statement and score for each Risk should then be agreed – this summarises how much risk the University is prepared to accept in order to achieve the objective (in each area which is the agreed capacity for tolerating the risk).
4. Compare the initial risk rating to the risk appetite score. If the risk rating is higher than the risk appetite, then action needs to be agreed to mitigate the likelihood and/or the impact. Mitigations that are already in place should be considered and the residual risk rating calculated. If the residual risk is still higher than the risk appetite further action is required.

#### 1.3 Mitigating Actions or Controls (what are you doing to control the risk?)

1. **Treat**– take action to reduce *either*the probability of the risk occurring *or* the severity of the impact were it to occur.
2. **Tolerate** – accept the risk and do not attempt to reduce it. This response is appropriate when the risk score is below the risk appetite, or occasionally when the risk is above the appetite but the costs of treating it outweigh the potential benefits.
3. **Transfer** – transfer the risk to a third party, e.g. through insurance.
4. **Terminate** – eliminate the risk, e.g. by changing the objective or the approach being taken to achieve it, or by abandoning the objective entirely.

### **Monitoring and Review (how do you know that the mitigating action and controls are working?)**

#### 2.1 Strategic Risk Register

Normally each risk should be reviewed on an annual cycle as the data used to measure progress becomes available. For example, Strategic Risk 4.a (Create and sustain a vibrant and inclusive learning community) should be reviewed in August when the NSS scores are published. This approach is based on the view that an in depth review of each risk at least annually is more beneficial than a paper exercise covering all the risks on a quarterly basis.

#### Operational Risk Register

UOT should review the operational risk register on a quarterly basis and any risks where the residual risk is higher than the risk appetite should be escalated to the Strategic Risk Register. As for the Strategic Risk Register UOT should consider a deep dive review of each risk on periodic basis.

### **Impact and Likelihood Measures**

**Impact**

| **Impact** | **Score** | **Measure** |
| --- | --- | --- |
| Extreme | 5 | >£2.5m (10% turnover) |
| Major | 4 | £1.5m-£2.5m |
| Moderate | 3 | £0.5m-£1.5m |
| Minor | 2 | £0.25-£0.5m |
| Negligible | 1 | £0-£0.25m |

NB Financial measure is proxy for other forms of impact

**Likelihood**

| **Likelihood** | **Score** | **Measure** |
| --- | --- | --- |
| Almost Certain | 5 | Within the next year |
| Likely | 4 | Within the next 1-2 years |
| Possible | 3 | likely in next 5 years |
| Unlikely | 2 | Unlikely in next 10 years |
| Rare | 1 | Unlikely in next 20 years |

Mapping Risk Tolerance to Risk Appetite

| **Low Appetite (1 – 9)** | | | | | | | | | **Medium Appetite (10 – 17)** | | | | | | | | **High Appetite (18 – 25)** | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 |

# Appendix B

## **Risk Appetite Statement**

The University’s approach to risk management is to minimise its exposure to compliance, regulation, and excessive financial risk, whilst accepting and encouraging a moderate level of risk in pursuit of its strategic objectives. It recognises that its appetite for risk varies according to the activity undertaken. Risks are accepted subject to a good understanding of the potential benefits and adverse impacts before proceeding. Unacceptable risks are mitigated through control measures as required. The University is operating in a challenging and competitive environment and within a rapidly changing regulatory framework. In this context, the University recognises the need to accept a level of risk in pursuing its strategic objectives as overall the risk of not achieving these objectives would be greater in the long term.

| **Potential risk exposure area** | **Risk appetite statement** |
| --- | --- |
| Compliance and regulation | The University places high importance on compliance and will not knowingly commit breaches in statute, regulation, professional standards, research, commercial contracts or ethics, bribery or fraud. The University expects compliance with its policies and procedures by all staff, students and partnership organisations (including due diligence of prospective/proposed partnerships) for example: health & safety, company, charities, employment law, OfSted, OfS Regulatory Framework etc. |
| Financial performance and sustainability | The University is committed to significant growth in recruitment across the portfolio to support institutional sustainability. To support this growth the University has a moderate level of risk in developing well managed new initiatives. More generally, the risk appetite overall for borrowing and investment outside of tightly defined parameters is low. |
| Teaching and Learning | A strong teaching and learning offering to improve the outcomes and life opportunities for Newman students is at the heart of University’s mission and as a small, student-centred University, a strong student experience is a key driver. Improvements in outcomes and retention are essential to the University, in terms of our duty to our students, our reputation and the financial impact. As a consequence, the University’s risk appetite for activities that may negatively impact on student outcomes or experience is low. |
| People | People are the most Newman’s most important asset and the University depends on its staff to deliver the 2025 Strategy. It wishes to create a stimulating and inclusive working environment in which people from different areas of expertise and backgrounds are supported and encouraged to work together to deliver the University’s strategic objectives. The University recognises that staff will need to adopt different priorities and ways of working and has a moderate appetite for risk in order to achieve this change towards a more strategically-aligned performance culture. |