Arts University Bournemouth

RISK MANAGEMENT POLICY

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Introduction and Purpose

The University recognises that there is a degree of risk in all its activities. Understanding, evaluating and mitigating these risks is an essential component of good management practice to protect its people (staff, students and visitors), academic activity (teaching, learning and research), assets and reputation. Risk management is an essential component of good governance, and the University adopts an open and receptive approach to identifying, discussing and managing risk.

1. Risk can never be totally eliminated. The purpose of the Risk Management Policy is to support the development of a consistent approach to determining, analysing, reporting and managing risk to ensure that all reasonable steps are taken to mitigate risk and that the level of risk accepted is balanced against the expected reward. AUB is therefore committed to an open approach to identifying, discussing and addressing risk.

2. The CUC Code of Higher Education Governance expects a University to have 'effective systems of control and risk management'. This policy helps to ensure that the University complies with this requirement. The University's risk management framework also supports compliance with Office for Students Conditions of Registration and the University's obligations as an exempt charity.

3. The University's risk management framework operates alongside a range of other institutional policies and frameworks, including the Financial Regulations, Internal Audit arrangements, Business Continuity Plan, Health and Safety Policy, Information Security Policy and Data Protection Policy, and policies relating to Safeguarding, Prevent and student rights and responsibilities. These collectively support the effective management of risk across the University.

4. The University encourages a positive and open risk culture in which staff feel confident to identify, raise and discuss risks at an early stage. The reporting of risks is regarded as good management practice and an essential part of protecting the University's people, reputation and long-term sustainability.

What is Risk?

5. Risk exists as a consequence of uncertainty and is present in all activities whatever the size or complexity and whatever industry or business sector. It is important to understand that risk is a broader concept than the traditional view of merely a threat. It also recognises the consequences of taking or not taking opportunities.

6. Risk appetite is an important concept. It is easy to define but can be difficult to assess. It refers to the level and type of risk an organisation is willing to accept to achieve its strategic objectives. Most universities recognise that their appetite for taking risk is

influenced by their portfolio of activities, their structure and other factors such as their market position and financial health; and that different levels of risk appetite may apply to different aspects of their business.

7. The University's Board of Governors has determined its risk appetite which is expressed in the Risk Appetite Statement at Appendix 1.

8. The recognition of risks in light of the University's risk appetite include:
   - Threats (damaging events) which could lead to failure to achieve objectives
   - Opportunities (challenges) which if exploited could offer an improved way of achieving the desired objectives but which could potentially have negative impacts.

9. The University considers all types of risk it faces: strategic, operational, reputational, financial and regulatory compliance. Examples of different categories of risks are given at Appendix 2.

Approach to Risk Management: summary

10. The University wishes to take a pragmatic approach to risk management, which ensures that risk management processes are fit for purpose and are integrated into the planning and management of the University. Effective risk management should not create an unnecessary administrative burden but must require regular monitoring and review of both potential risks, and the impact of any mitigation actions. Likewise, agreed mitigating actions should be proportionate to the level of risk identified.

11. In assessing the level of risk for the University in achieving the goals and targets within its Strategy 2030+, risk can be addressed at two levels.

    - *Strategic risks* which relate to the long-term health of the University and might prevent fulfilment of the corporate objectives and goals. Such risks are of particular interest to the University's governing body and Senior Leadership Team.
    - *Operational/ Compliance risks* which are associated with specific business process or projects which are a normal part of the annual business cycle. In addition, many compliance risks are associated with statutory and regulatory requirements.

12. Risk management is embedded into ordinary day-to-day operations. All staff are engaged in some form of risk management, even if they do not do so consciously. Many risks are managed at a local level through routine maintenance or management oversight; controls are built into key processes to ensure that they are effective and efficient. This includes issues such as accuracy of data entry and processing, the safe use of equipment and the correct application of process. This is a normal part of business operations; the risks and appropriate responses may be documented within operational teams, but this process might also be informal as long as it is effective.

13. Risk identification is both “top-down” and “bottom-up”. Significant risks might be identified by the Senior Leadership Team, but they might also be recognised at a local level and escalated through the line management structure. Risks which have the potential to have a significant strategic, financial or reputational impact are included on the AUB Risk Register.

14. For this category of risk, the overall approach is as follows:

- the responsible manager should identify any risks which pose threats to the desired outcome (which may include the delivery of a project but may also be the continued smooth running of the University)
- evaluate both the likelihood of this risk crystalising, and the impact it would have if realised. This will lead to a risk assessment value which can be used to evaluate and prioritise risks.

15. Once a value has been assigned, the manager should consider the most appropriate course of action. This will commence by noting the agreed appetite for this type of risk, which will determine the level of residual risk that the University is prepared to bear. Having identified the risk appetite, the manager must identify the measures required to mitigate this risk to an acceptable level. If these measures are disproportionate to the benefit, this may result in the activity not proceeding as initially intended.

16. If mitigating actions are agreed, the manager should also clarify how the impact of these actions will be monitored; there should be a way of registering any early warning signs of raised risk levels. If the risk remains high, additional mitigation may then be required.

17. It may also be necessary to review the policy or process in light of this experience such that any mitigations form an established aspect of the policy or process in future.

Roles and Responsibilities

18. The Vice-Chancellor has ultimate responsibility for risk management. The Vice-Chancellor may delegate the day-to-day management of this responsibility to another member of the Senior Leadership Team (SLT).

19. SLT is responsible for identifying, evaluating and monitoring the key risks faced by the University and for scrutinising the actions taken to manage these risks. SLT will review the AUB Risk Register at each meeting.

20. Each of these risks is allocated to one of the Committees of the Board, which are established to oversee specific areas of the University’s work. In most cases, the risk aligns to the established remit but some my be allocated as a “best fit”. At each meeting, the Committee should review its allocated risks and ensure that these are being managed effectively.

21. Audit & Risk Committee is responsible for the oversight of risk management. The Committee reviews the key strategic risks at each meeting; at least annually, it also reviews the full AUB Risk Register. This enables the Committee to understand the management of risks and to gain assurance that the risks which have been identified are being actively managed (for example, that appropriate controls have been put in place and that these controls are working effectively).

22. The Committee is also responsible for advising the Board of Governors on the effectiveness of the University's risk management processes. It provides a formal opinion on the effectiveness and reliance that may be placed on the University's risk management systems via its annual report.

23. The Board of Governors is responsible for determining the risk appetite and the appropriate level of exposure for the University, on the recommendation of Audit & Risk Committee. At least annually, the Board will receive the full AUB Risk Register for information.

24. AUB appoints internal auditors to support its risk management process. The Internal Auditors develop an annual internal audit plan that is informed by the risk profile of the University and the impact that this has on its businesses processes. The annual internal audit plan is discussed and approved by the Audit & Risk Committee.

25. Notwithstanding the responsibilities outlined above, all managers have responsibility for risk management within their own areas of responsibility and have a duty to inform their respective SLT member where exposure to risk is of a material nature.

Risk Management Process

26. The University maintains a corporate risk register. This records the key risks which may have a significant strategic, financial or reputational impact. The AUB Risk Register records the risk scores and mitigating actions for each risk, and also includes a "post-mitigation risk score", which is an assessment of the residual risk once these mitigations are taken into account. This section describes the process for developing and reviewing the Risk Register.

27. The Chief Financial and Operating Officer has overall responsibility for coordinating the University's risk management process and for maintaining and updating the institutional Risk Register on behalf of the Senior Leadership Team. Each member of SLT is responsible for leading the risk process for a discrete area, as follows:

Financial Sustainability	Chief Financial and Operating Officer
Financial management	Chief Financial and Operating Officer

Portfolio management	Pro-Vice-Chancellor (Academic)
Student recruitment	Director of Brand, Marketing and Future Students
National / local policy environment	Vice-Chancellor
People	Director of People and Inclusion
Legal and compliance	University Secretary
Student Safety, Health and Wellbeing	Director of Student Experience
Physical estate	Director of Estates and Campus Strategy
Digital estate	Chief Financial and Operating Officer
Academic partnerships	University Secretary

28. This allocation does not mean that the SLT member has sole responsibility for this area, and many areas of risk require liaison between a range of staff across the University. Each of these headline areas will be broken down into specific risks which might be overseen, managed and mitigated by other members of University staff.

29. While the specific risk owner will draft the nature of the risk, the proposed scores, the mitigation and the residual post-mitigation risk, it is for the SLT lead to review this information and ensure that it is clear, accurate and realistic, and that the scores are in line with the guidance and are applied consistently.

30. Risk management is a continuous process; however, AUB accepts that it is not realistic for risk commentary to be updated on a daily basis. While any major changes should be recorded as soon as possible, the SLT lead will review the risks areas allocated to them at least quarterly, in discussion with the relevant risk owners, and will ensure that these risks are recorded accurately. This will normally be at the start of each academic term (October; January; April; July).

Step 1: Identifying risks and opportunities

31. The SLT lead for each area of risk will invite relevant AUB staff to identify the risks associated with this area of activity which have the potential to have a significant strategic, financial or reputational impact. The nature of the specific risks to be included will depend on the area being considered. An indicative list of the types of risk that could arise are provided at Appendix 2.

32. Any new activities or projects should also be subject to careful risk review, and should be included on the Risk Register if appropriate.

Step 2: Documenting and evaluating the risks

33. Risks which are likely to have a significant strategic, financial or reputational impact should be documented, with a brief explanation of the issues which might arise and prevent achievement of the intended outcome.

34. The SLT lead, in consultation with relevant staff, should then consider the current measures available to control or minimise the risk and evaluate their effectiveness. Based on this information, the SLT lead should assess the likelihood and impact using the criteria in Appendix 3 to determine the risk rating. These criteria provide a description and numeric rating to assist with this assessment. The resulting score provides an indication of risk severity and risks are graded as high, medium low in a traffic light colour method of reporting, as set out in the table below.

High	Should trigger a review of existing controls, is likely to require the implementation of additional controls.
Medium	Should trigger a review of existing controls, if a new risk, and may require the implementation of additional controls for existing risks.
Low	Requires no mitigating action. However risk owners should review controls for low risk areas to ensure they are effective and not disproportionate.

Step 3: Assessing the need for further action

35. Once a risk has been rated, the risk owner must determine whether further action is required to reduce the risk. While the University aspires to reduce risks to as low a level as is reasonably practicable, this must also be balanced against the cost of implementing measures to mitigate the risk. Measures must be proportionate and realistic. In general, risks which are of low severity are likely to require only a "watching brief", whereas those of medium and, in particular, high severity will require mitigating actions. This decision should also be informed by a review of the level of risk appetite agreed for this type of risk.

36. Having summarised the mitigating actions, the risk owner must then reassess the level of residual risk. They should also note any potential 'early warning signs' which can demonstrate whether or not the mitigation has been effective.

37. AUB accepts that, even with rigorous mitigating actions, some risks may remain severe. This is a function of a challenging operating environment and also recognises that some risks are not within the University's exclusive control. These risks are subject to closer and more regular scrutiny to ensure that additional mitigation is undertaken when required.

Step 4: Monitoring and reviewing the risks

38. Risk owners are expected to monitor the risks allocated to them, and to undertake the relevant mitigating actions, as a matter of good management practice. They are not expected to update the entry in the Risk Register unless there has been a substantive change to the position outlined.

39. At least quarterly, the SLT lead (in collaboration with the relevant risk owners) will:
- Review the risks that are entered onto the register, deleting any which are outdated and confirming the commentary and scoring for those which remain live
- Confirm the inclusion and assessment of new risks.

40. Where the risk factors have changed or controls are not operating as intended, further action will be required and it is critical that the Risk Register is updated to reflect this.

Step 5: Reporting

41. Once the respective SLT leads have completed their review, the overall lead (as described in paragraph 17 above) will review the complete Risk Register and will ensure that a consistent approach has been taken to commentary, mitigation and scoring. The full Risk Register will then be subject to review by SLT.

42. As noted in paragraph 19 above, each area of risk is allocated to one of the Committees of the Board. The Committee will review these risks, together with the commentary and scoring, at each meeting. The allocation is as follows:

Financial Sustainability	Finance & Resources
Financial management	Finance & Resources
Portfolio management	Academic Matters
Student recruitment	Audit & Risk
National / local policy environment	Audit & Risk
People	Human Resources
Legal and compliance	Audit & Risk
Student Safety, Health and Wellbeing	Audit & Risk
Physical estate	Finance & Resources
Digital estate	Finance & Resources
Academic partnerships	Academic Matters

43. In addition, Audit & Risk Committee holds oversight of risk management on behalf of the Board. At each meeting, it should receive an update on the most significant risks, and should review the overall AUB Risk Register at least annually. The Committee will also review

the risk management policy arrangements on an annual basis. It will be supported in this by the internal auditors, who will use the Risk Register to inform the proposed audits for the coming year and will suggest areas for improvement or development as well as identification of areas of good practice in each report.

44. The Board of Governors should receive an annual report on risk management (normally in April). This, together with the regular feedback from the Audit & Risk Committee, will inform the annual statement of assurance.

Project Risk Management

45. There are regularly projects being undertaken by the University and new ones are being established on an ongoing basis. It is important that risk management is implemented at the very early stages of a project and maintained throughout the entire project lifecycle. The risk management methodology outlined above should be applied at project level. Where projects have a significant impact on the University the risks associated should be recorded in the Risk Register. Major projects must maintain a project risk register aligned with the corporate framework.

Appendix 1: Risk Appetite Statement – see separate document

Appendix 2: Categories of Risk

Category	Indicative Guidelines given as examples
Strategic Risks	Political and market factors (for management of risk security etc)
	Failure to address economic factors (e.g. interest rates, inflation etc.)
	Public perception and reputation
	Product and/or services failure (resulting in lack of support to business areas)
	Failure to complete to published deadlines or timescales
	Civil Action
	Failure to comply with legal and regulatory obligations and/or contractual aspect (able to sue or be sued)
	Health & Safety mismanagement and/or liability
	Budgeting (relates to availability or allocation of resources)
	Fraud or theft
	Unethical dealings including bribery
	Exploitation of employees and/or suppliers and their employees
	Environmental (mismanagement issues relating to pollution, energy consumption etc.)
	Failure to invest appropriately
	Failure to take on new technology as appropriate and to control IT effectively
	Failure to establish a positive culture following business change
	Failure to establish effective continuity arrangements in the event of a disaster

Category	Indicative Guidelines given as examples
	Inadequate insurance/contingency provision for disasters such as fire, floods and bomb incidents
Political	Change of government policy
	Change of Government
	War and disorder
	Adverse public opinion/media intervention
Commercial risks	Underperformance of services relative to specification
	Management will underperform against expectations
	Collapse of contractors/suppliers
	Failure of suppliers to meet contractual commitments (could be in terms of quality, quantity and timescales)
	Insufficient capital investment, shortfall in revenue expected/ planned
	Partnerships failing to deliver desired outcome
	An event being non insurable or the cost of insurance outweighs the benefits
Economical/Financial Market	Exchange rate fluctuation
	Interest rate instability
	Inflation
	Shortage of working capital
	Failure to meet project revenue targets
	Market developments will adversely affect plans
Legal and Regulatory	New or changed legislation may invalidate assumptions on which the activity is based
	Failure to obtain appropriate approval (e.g. planning consent)
	Unforeseen inclusion or contingent liabilities
	Loss of intellectual property rights
	Changes in tax structure
	Unexpected regulatory controls of licensing requirements

Category	Indicative Guidelines given as examples
Reputation	Adverse media attention
	Policies misunderstood or misinterpreted
	Negative implications identified by others which have not previously been considered
	Failure to keep partners on side
	Breach of confidentiality
	Failure to maintain property
	Lack of business continuity plan
Organisation/ Management/ Human Factors	Management incompetence
	Inadequate corporate policies
	Inadequate adoption of management practices
	Poor leadership
	Lack of clarity over roles and responsibilities
	Key personnel have inadequate authority to fulfil roles
	Poor staff selection procedures
	Individual or group interests given unwarranted priority.
	Indecisions or inaccurate information
	Health and safety constraints
	Industrial action
Environmental	Natural hazards
	Security
	Public Health (legionella/food safety)
	Pollution incidents
	Transport problems
Operational risks	Failing to meet legal or contractual obligations
	Lack of clarity of service requirements (e.g. CMA)
	Cyber security threats
	Changing requirements enabled in an uncontrolled way

Category	Indicative Guidelines given as examples
	Inadequate or inappropriate people available to support the required service provision
	Inadequate infrastructure to provide required operational services

Appendix 3: Risk scoring guidance

The likelihood and impact of occurrence arising from a particular event are determined using the following criteria:

IMPACT

Impact	Selection criteria – financial and image/reputational
High (score 3 for each)	• Impact in financial terms of greater than 3% on either income or expenditure • Likely to create adverse publicity for AUB which could impact on credibility of courses and reduce uptake levels • Likely to have significant impact on all employees motivation leading to dissatisfaction and poor quality delivery
Medium (score 2 for each)	• Financial impact greater than 1% but less than 3% • Limited local publicity based on hearsay • Impact applies to only a few employees
Low (score 1 for each)	• Financial impact less than 1% • No adverse publicity • Limited to individuals

LIKELIHOOD

High (score 3)	Definite/Probable – e.g. this has happened or is expected to happen
Medium (score 2)	Possible – e.g. this could happen in the near future
Low (score 1)	Unlikely – e.g. this is not likely to happen in the foreseeable future

RISK RATING & REQUIRED ACTION

Risk Rating = (Impact score Financial + Impact score Reputation) x Likelihood score

Impact				
	6	6	12	18
	5	5	10	15
	4	4	8	12
	3	3	6	9
	2	2	4	6
		1	2	3
		Likelihood		

To decide on further action as illustrated by the table below

Risk Rating	Risk	Guide to Required Action
12 - 18	**High**	Improve risk control measures within a specified timescale. Continuous review of risk and associated mitigating action
6 - 10	**Medium**	Plan to improve risk control measures at time of next review, or sooner if a new risk
2 -5	**Low**	No further action, but ensure risk control measures remain effective and are not disproportionate