THE UNIVERSITY OF LEEDS

Risk management: guidance for faculties, schools and services

Introduction

The Higher Education Funding Council for England (HEFCE) defines risk as ‘the threat or possibility that an action or event will adversely or beneficially affect an organisation’s ability to achieve its objectives’. In other words, risk management can be characterised as a process which can provide assurance that damaging things will not happen or are less likely to happen; that beneficial things will be or are more likely to be achieved; and that as a consequence, an institution’s objectives are more likely to be realised. Effective risk management is synonymous with good management and good governance; and at the University it is one of the key institutional tools employed as we seek to meet our aims as set out in the Strategic Plan 2014:2020.

In addition to this, the University Council has adopted the following statement of risk appetite to provide a helpful point of reference for the executive and the Council when considering strategic decisions:

The creation, dissemination and application of knowledge are at the heart of all that we do at the University. We are committed to providing a wide range of opportunities for our students and staff; ensuring excellence in every aspect of student education, research and innovation; and promoting enterprise and creativity. We recognise that in pursuance of ground-breaking research and innovative teaching, we will need to take risks; and subject to their robust assessment, we will not shy away from doing so.

Similarly, and notwithstanding the possibility of reputational damage, the University has a significant appetite for risk in encouraging critical enquiry, free debate and freedom of expression within the law.

In striving to achieve a balanced academic portfolio of development in a more uncertain environment, the University remains mindful of its responsibilities as a charity, and a body in receipt of public funds. In particular, the University’s approach to risk will be informed by the need to demonstrate responsible stewardship in all aspects of its business, especially in respect of institutional sustainability, governance, financial control, legal compliance, environmental sustainability and health and safety. Similarly, the University will also ensure that, in all matters it undertakes, the preservation of its reputation as a body committed to academic excellence, the fulfilment of its other values and the delivery of the best student experience possible under prevailing circumstances will all be paramount considerations.

This document aims to provide practical guidance to deans and heads of schools and services on the implementation of effective risk management practice and on the embedding of the process within all University activities.

Summary of existing risk management arrangements

1. The University seeks to operate a systematic process of risk management which is both bottom up and top down, integrated into existing structures and aligned to its strategic aims. The approach is deliberately multi-faceted, to maximise the chances of successfully identifying risks and to ensure so far as possible that risks feature at the front of management thinking at all levels within the institution.

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1 www.hefce.ac.uk/pubs/hefce/2001/01_24.htm
2 There are a number of definitions of risk appetite, but, in essence, it can be seen as the total amount of risk that an organisation is willing to tolerate in pursuit of its strategic objectives.
2. The Council itself is ultimately responsible for risk management arrangements, but the Audit and Risk Committee (ARC) acts on behalf of the Council in overseeing those arrangements. At the executive level, risk management arrangements are the responsibility of the University Secretary, whose office maintains an institutional risk register.

3. The register categorises institutional risks as follows:
   - Risks to the main strands of the University's Strategic Plan relating to:
     ~ Students
     ~ Research and innovation
     ~ International-related activities
     ~ Human resources
     ~ Facilities and infrastructure
   - Overarching financial risks
   - Reputational risks
   - Hazard risks
   - Other operational risks (not easily categorised as above).

4. For each risk, the register identifies its category, and its sub-risks or likely causes; it indicates both the impact and the likelihood (each on a four-point scale producing an overall inherent score\(^3\)); it identifies the risk ‘owner’ - the executive responsible for managing the risk - and the controls already in place to mitigate the risk (producing an overall net score); and, finally, it records what other mitigating steps might be required to manage the risk further. Where a risk reoccurs from one year to the next, any changes in the direction of travel of its inherent and net scores are also noted\(^4\).

5. The University Executive Group (UEG) reviews risks at least once a year. There are two separate components. First, UEG reviews the risk register; the Group is expected to identify any new risks, reassess existing risks where relevant, and monitor progress on managing existing risks. Secondly, the Group reviews the outcome of a tabula rasa exercise by way of a cross-bearing on the current key institutional risks. Recently, the practice has been adopted of exploring the key risks on the register in depth at a Council Away Day.

6. The risk register is also reviewed once a year by the ARC, this exercise providing the opportunity for a more general review of risk management arrangements, and risk management is included in the internal audit programme. (During the year the ARC also scrutinises a number of specific strand of the register in more detail, as part of its rolling programme of drilling down into the detail of some of the principal risks.)

7. The formation of the risk register is also informed by any risks flagged by the Strategy and Investment Committee as it monitors the implementation of strategy.

8. At local level, UEG members are responsible for ensuring that risk management is embedded in existing management processes within the faculties and the corporate services respectively. (Heads have equivalent responsibilities within their own schools and services.) The annual Integrated Planning Exercise (IPE) requires submission of a schedule of key risks; and UEG members are expected to flag to the Secretariat, on an exception basis, high impact, high likelihood risks, significant risks that are beyond their capacity to handle and risks that are likely to have a wider institutional impact.

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\(^3\) In this context, the inherent score reflects the situation where no mitigating action has been taken to control or reduce the risk.

\(^4\) E.g. ‘I’ or ‘↑’ = increase; ‘D’ or ‘↓’ = decrease; ‘NC’ or ‘↔’ = no change
Responsibilities of deans and heads of schools and services

9. It is the responsibility of deans to ensure that risk management is embedded in existing management processes within their respective faculties; specifically, they are responsible for seeing that the faculty
   - identifies, assesses and responds to key risks
   - establishes and maintains a risk register
   - and for ensuring
     - that key risks are reported at management team meetings and that emerging risks are discussed and recorded
     - that responsibility for each specific risk is allocated to an individual
     - that actions are identified and implemented
     - that an individual is appointed to manage the risk management process within the faculty
     - that an annual review of risk is undertaken as part of the annual planning exercise
     - that risk is assessed as part of every new project appraisal.

9. Members of the University’s executive have similar responsibilities in respect of service groups, as do heads of schools and services in respect of their own units.

10. Heads of schools and services must report to their UEG lead any of the following when they are identified:
   - high impact, high likelihood risks
   - significant risks that are beyond the capacity of the school or service to reduce or eliminate and/or that require transfer to another responsible body
   - risks where the school or service requires assistance with reduction or elimination
   - risks that are likely to have a wider institutional impact.

11. UEG leads are in turn asked to notify the Secretariat of any risks which fall into one of the categories in 10 above when judged from the perspective of the faculty or service group.

12. The annual Integrated Planning Exercise (IPE) is a key element in the framework for monitoring, assessing and reporting risks at faculty, school and service level. Appropriate advice is included in the annual IPE instructions.

Specific Guidance to Faculties and Schools

Identifying Risk

13. As indicated above, it is the ultimate responsibility of UEG leads and heads of schools and services to ensure that risk management is sufficiently embedded at their respective levels. They are free to choose whichever methodology they prefer for identifying, evaluating and controlling risk – given the time and resources available to them – but must use the template provided in the IPE when making an annual risk return.

Categorising Risk

14. Risks should be categorised along the lines described in paragraph 3 above. This helps to ensure that key risks are not overlooked, assists in documenting the process and prevents the final risk register becoming unnecessarily overlong. Inevitably some risks may be placed in more than one category; faculties, schools and services should select whichever category they believe to be the most appropriate.

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5 David Wardle, Deputy Secretary ☎ 34452, d.wardle@adm.leeds.ac.uk
6 The template is also available from the Secretariat: www.leeds.ac.uk/secretariat/risk_management.html
Risk Assessment

16. There are two main parameters for assessing risk:
   ~ **Likelihood** – how likely is it to happen?
   ~ **Impact** – how significant might the consequences be?

17. Annex 1 illustrates typical steps in the risk assessment process, and Annex 2 shows an illustration of how a faculty, school or service might organise its identified risks, according to impact and likelihood, in preparing its risk register. Annex 2 also provides explanations regarding the risk assessment scale, the inherent and net risk scores and the mitigating actions that should be recorded.

18. Faculties, schools and services should tailor the financial column so that the figures used are appropriate to their size and turnover. When informing the Secretariat of any high impact/high likelihood risks, they should highlight the criteria used.

19. It is recommended that faculties, schools and services use a defined time period over which to assess likelihood. Generally, this will be the University planning horizon (five years) though it is helpful also to identify once a year what the key risks facing the unit concerned over the following 12-18 months. Any year-on-year changes to the risk scores should also be noted; and a brief summary of any risks that have been deleted, including the rationale for doing so, should be included at the end of the risk register.

Health and safety risks and hazards

20. The identification, assessment and management of health and safety risks and hazards will usually require specialist input from the faculty health and safety manager or equivalent, and faculties in particular might find it helpful to maintain a separate risk register for health and safety.

21. The University’s Health and Safety Services are continually reviewing and updating the written advice and guidance that is issued to faculties and services and information is available from the website http://www.leeds.ac.uk/safety.

Managing risks: actions and ownership

22. After assessing risks, it is important that the necessary action is identified (as outlined in Annex 1). Such action can be summarised as a decision to do one of the following:-
   - **Terminate** the risk (by withdrawing from an activity, for example)
   - **Transfer** the risk (such as by purchasing insurance, where applicable)
   - **Tolerate** the risk (in the case of unavoidable risks)
   - **Treat** the risk (by preparing a contingency plan)

23. Wherever possible a risk ‘owner’ should be identified – someone who is responsible for managing a particular risk. This should normally be a specific role-holder rather than a committee.

Documentation, Reporting and Review

24. A template that may be used for risk registers is shown as Annex 3. This form is useful for recording actions used to mitigate or eliminate the risk, the person responsible for the actions and the dates by which actions are taken or should be taken. It also serves as a useful audit trail for those risks where the risk score has changed or has been eliminated completely.

Further guidance

25. Please contact the Secretariat if you require further guidance on risk management, by referring to Annex 4, which also contains sources for further reading.

February 2017
A guide to the risk assessment process

1. Identify significant risks: strategic, operational or hazards.
2. Identify the impact and likelihood of the risk; and on who/what it may impact (e.g. staff, students, stakeholders, the University’s reputation).
3. Identify existing control measures for each risk.
4. Estimate the level of risk once immediate mitigation has been considered (e.g. minor, moderate, major or critical).
5. Determine the tolerability of the risks.
6. Prepare action plan/improve existing risk controls/mitigation as necessary.
7. Review adequacy of action plan – confirm whether risks are tolerable.
8. Ensure that risk assessments and controls are effective and kept up-to-date.
Annex 2

Criteria for evaluating likelihood and impact of risk

Both the likelihood and the impact of any particular risk are to be scored in a four-point scale as shown below. (‘Impact’ should be given the score of the highest example in any of the four columns. For example, a risk will be ‘major’ (3) if it would lead to a loss of 2-5% of turnover, even if its score in other columns would be 1.) Risk score is the multiple of likelihood and impact.

**Likelihood**

<table>
<thead>
<tr>
<th>Scale</th>
<th>Narrative</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>A risk that is <em>almost certain</em> to arise (&gt;90% likelihood)</td>
<td>Change to visa regulations lead to pressures on international recruitment</td>
</tr>
<tr>
<td>3</td>
<td>A risk that is <em>likely</em> to arise (50-90%)</td>
<td>Increased USS costs</td>
</tr>
<tr>
<td>2</td>
<td>A <em>possible</em> risk that could happen (10-50%)</td>
<td>Major power cut on campus</td>
</tr>
<tr>
<td>1</td>
<td>A risk that is <em>unlikely</em> to occur (&lt;10%)</td>
<td>Terrorist attack on University</td>
</tr>
</tbody>
</table>

**Impact**

<table>
<thead>
<tr>
<th>Scale</th>
<th>Operations / Business continuity</th>
<th>Compliance with University policies and/or relevant laws &amp; regulations</th>
<th>Reputation</th>
<th>Financial loss or cost*</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Critical</td>
<td>Severe impact on all services university-wide (or on the faculty/service)</td>
<td>Critical breach leading to closure of University (or Faculty/Service)</td>
<td>Long term negative publicity in national and international media</td>
</tr>
<tr>
<td>3</td>
<td>Major</td>
<td>Severe impact on some (but not all) services delivered by University (or by the faculty/service)</td>
<td>Major breach leading to suspension or partial closure of business</td>
<td>Long term negative publicity in national media or short-term negative publicity in national and international media</td>
</tr>
<tr>
<td>2</td>
<td>Moderate</td>
<td>Significant impact on services</td>
<td>Significant breach leading to reprimand or sanctions</td>
<td>Short term negative publicity in regional media</td>
</tr>
<tr>
<td>1</td>
<td>Minor</td>
<td>Minor impact on services – affecting local services only</td>
<td>Minor only, no reprimand or sanction (save improvement notice)</td>
<td>No bad press</td>
</tr>
</tbody>
</table>

* Faculties and services should tailor the financial loss or cost column to their size and turnover.
Assessment scale

The University uses a traffic light system to illustrate the assessment of risk, as follows:

<table>
<thead>
<tr>
<th>Likelihood</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact</td>
<td>L</td>
<td>L</td>
<td>L</td>
<td>L</td>
</tr>
<tr>
<td>1</td>
<td>L</td>
<td>L</td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td>2</td>
<td>L</td>
<td>M</td>
<td>H</td>
<td>H</td>
</tr>
<tr>
<td>3</td>
<td>L</td>
<td>M</td>
<td>H</td>
<td>H</td>
</tr>
</tbody>
</table>

‘Low’ This risk can be tolerated (it represents no immediate threat or impact), as the necessary mitigating action is already taken on a routine basis, through established local processes. The risk can still be tolerated if some additional some additional mitigating action is implemented, beyond that already taken on a routine basis, and monitored by local managers.

‘Medium’ This risk can only be tolerated, if significantly increased and/or additional mitigating action is implemented and closely monitored by senior management in the faculty/school/service.

‘High’ This risk cannot be tolerated (as it poses an immediate threat and its impact would be significant). A detailed and comprehensive action plan will need to be implemented as a matter of urgency, and closely monitored by senior management in the faculty/school/service, with the aim of reducing this risk to a lower level.

Inherent and net risk scores

The Inherent Risk score is an assessment of the likelihood of a particular risk occurring, and the impact it would have, if no mitigating action was taken to control it. This will be an approximate assessment, given that in most cases mitigating actions will already be in place. Its purpose is to provide a benchmark against which the effectiveness of the mitigating actions – is the risk improving or getting worse? - can be judged. It is sensible to re-run the inherent risk assessment regularly, otherwise the benchmark it provides will be become increasingly dated.

The Net Risk score is the outcome of a second likelihood and impact assessment which is carried out after the mitigating actions are recorded to determine the risk that still remains (the residual risk).

Mitigating actions

The mitigating actions are the key to risk management. They should focus on the risk as a whole and should be actions which make it less likely that a risk will occur, or which reduce its impact, probability or both.

Faculties/schools/services should record the existing processes/controls and monitoring actions (sources of assurance) that are being taken to mitigate the risk. It is important that faculties/schools/services record and distinguish between their ‘routine’ risk management actions, i.e. those that are implemented on virtually a permanent basis, and any time-limited actions that are also currently in place. It is likely that the information provided will vary and develop over time, as the faculties/schools/services responds to fluctuations in their assessment of the underlying level of risk. Mitigating actions which stay the same over a long period should be reviewed as they may not be effective, although they might still be necessary.
## Risk Register Template

<table>
<thead>
<tr>
<th>Risk ref</th>
<th>Category</th>
<th>Risk description</th>
<th>Ownership</th>
<th>Inherent risk score (Inherent Likelihood x Inherent Impact)</th>
<th>Direction of travel of risk year on year, incl reasons for movement</th>
<th>Existing controls</th>
<th>Sources of assurance</th>
<th>Net risk score (Net Likelihood x Net Impact)</th>
<th>Direction of travel of risk year on year, incl reasons for movement</th>
<th>Actions for further mitigation</th>
<th>Action owner</th>
<th>Due date</th>
</tr>
</thead>
<tbody>
<tr>
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</table>

### Risk Identification

- Which strand of the Strategic Plan or key University function would be affected if the risk or event were to occur?
- Describe the event or issue that could occur
- Who has overall accountability for this risk? (Faculty / School / Service level)

### Assessment of Risk and Current Mitigation

- Likelihood: 1=Unlikely 2=Possible 3=Likely 4=Almost certain
- Impact: 1=Minor 2=Moderate 3=Major 4=Critical
- I = Increasing  D = Decreasing NC = No change
- What existing processes / controls are in place to manage the risk?
- How do you know these processes/controls are effective?
- Likelihood: 1=Unlikely 2=Possible 3=Likely 4=Almost certain
- Impact: 1=Minor 2=Moderate 3=Major 4=Critical
- I = Increasing  D = Decreasing NC = No change
- What further action (if deemed necessary) is planned to mitigate the risk?

### Further mitigation - key priority actions to be undertaken in the next year

- Who is responsible for implementing the action plan for this risk?
- When are the agreed actions to be delivered by?

### Colour codes

- 1-5
- 6-8
- 9-16
- I
- D

<table>
<thead>
<tr>
<th>12 (6)</th>
<th>1 - more volatility</th>
<th>6 (4)</th>
<th>I</th>
</tr>
</thead>
<tbody>
<tr>
<td>(4x3)</td>
<td></td>
<td>(3x2)</td>
<td></td>
</tr>
<tr>
<td>9 (12)</td>
<td>D - change of national policy</td>
<td>4 (6)</td>
<td>D</td>
</tr>
<tr>
<td>(2x3)</td>
<td></td>
<td>(2x2)</td>
<td></td>
</tr>
</tbody>
</table>
Further support and advice can be obtained from the following contacts:

<table>
<thead>
<tr>
<th>Advice/Guidance</th>
<th>Contacts</th>
<th>Email</th>
<th>Phone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health and Safety risks</td>
<td>Paul Veevers</td>
<td><a href="mailto:p.veevers@leeds.ac.uk">p.veevers@leeds.ac.uk</a></td>
<td>34207</td>
</tr>
<tr>
<td>Critical incident and continuity planning/general information and guidance on risk management</td>
<td>Roger Gair, David Wardle</td>
<td><a href="mailto:j.r.gair@adm.leeds.ac.uk">j.r.gair@adm.leeds.ac.uk</a>, <a href="mailto:d.wardle@adm.leeds.ac.uk">d.wardle@adm.leeds.ac.uk</a></td>
<td>34011  34452</td>
</tr>
</tbody>
</table>

REFERENCES/SUGGESTED FURTHER READING

HIGHER EDUCATION FUNDING COUNCIL FOR ENGLAND (HEFCE)
http://www.hefce.ac.uk/whatwedo/reg/assurance/guidance/riskmanagement/
(A list of risk management guidance relevant to the HE sector is available on this page. Of these the following are particularly helpful:
- The general briefing on risk for governors and senior managers
- The guide to good risk management practice in a Higher Education context, including examples of possible methodologies for identifying and 'scoring' risks
- The risk prompt list (in the Supporting Materials section)

HEALTH AND SAFETY EXECUTIVE
http://www.hse.gov.uk/pubns/indg163.pdf
(“Five Steps To Risk Assessment” – a helpful guide to thinking about risks which have health and safety implications specifically. Provides further detail on the ‘process’ of risk assessment, as described in Annex 2)

HM TREASURY
(A useful source of reference and additional background on the key concepts behind risk management)