Purpose
This risk management policy forms a key part of the College's internal control and corporate governance arrangements.

The policy outlines:

1. What is risk?
2. The College’s approach to risk management
3. Risk appetite
4. Methodology and terminology used to identify and assess risks
5. Risk management process
6. Recording of risks
7. Reporting of risk
8. Monitor and review of risk
9. Risk management for business cases
10. Risk management for projects
11. Risk training and awareness

1. What is risk?
A risk is defined as a threat to achieving the College’s objectives and is measured in terms of impact and likelihood. Risk can be directly related to the various Schools, programmes, support functions such as IT, human resources and finance and external risks affecting the College – third parties, suppliers, regulators, competitor institutions, partner institutions, the economic and geopolitical climate.

Risk also relates to opportunities which enable an objective to be met more completely, more quickly, and with more impact.

The Risk Management Policy outlines the College's policy, management processes, responsibilities, reporting and appetite for risk. It is formally approved and signed off by the Audit & Risk Committee and applies to all staff. A risk
policy should go beyond the production and approval of a policy document: it should be reflected in the active processes and culture of the organisation.

The Risk Management Policy is intended to minimise the College’s risks to achieving its objectives, to a level which the College is prepared to accept or tolerate. It means that some of the College’s decisions may involve a degree of risk, but the decisions and actions that follow, are undertaken in a managed way, with due consideration of risk before the decision is made and with due consideration of the environment in which the College operates.

Risk is considered in strategy, planning, the development of business cases, day to day monitoring of operations, performance measurement and project management activities, and part of the selection and oversight of partners and suppliers.

The purpose of risk management is to ensure that the College carries out its activities in a way which avoids unnecessary risk to the College’s:

- ability to achieve strategic and operational objectives
- reputation and standing
- partners, stakeholders and the communities that the College operates within
- operational effectiveness,
- financial sustainability and viability
- ability to comply with statutory and regulatory obligations.

Risk management is part of good management practice that operates throughout the organisation. Risk management is about managing risk but is also about understanding the risk of failure to take opportunities.

The Risk Management Policy applies to all College activities.

2. The College’s approach to risk management
Like every organisation, the College faces numerous risks which have the potential to disrupt achievement of its strategic and operational objectives. As a small institution with limited resources, the College generally takes a cautious approach to risk, but recognises that it is neither possible nor desirable to eliminate risk completely and that risks must be considered alongside the opportunities presented by new or existing activities, particularly for an innovative, first-in-class player such as the RCA.

The College therefore aims to manage and balance risk appropriately to maximise potential opportunities and minimise the adverse effects of risk.
Effective risk management will enable the College to take informed decisions, and to improve the probability of achieving its objectives.

The College avoids risk within its risk appetite and tolerance framework to the health, safety and wellbeing of staff and partners’, stakeholders, employees and contractors.

3. Risk appetite
Risk appetite is the amount of risk that an organisation is prepared to accept, tolerate or be exposed to at any point in time. While the College generally takes a cautious approach to risk it may, on occasion, be willing to accept a higher level of risk in a specific area where the long-term benefits to the institution are expected to be greater than could otherwise be achieved. The greater the opportunity (especially its impact), the more likely the College may wish to pursue it, subject to the risk appetite it has and the level of mitigating controls that can be put in place. Such risks are most likely to fall within the areas of academic innovation and research ventures, rather than investment strategy, estates policies, or financial decision making.

The College’s risk appetite will develop over time and will differ between areas of activity. The College has not adopted a single, over-arching definition of its risk appetite but has set target ratings for each of the risks included in its Strategic Risk Register. These target ratings provide a picture of the College’s risk appetite than a single overarcheing statement. This approach also helps to ensure that risk management remains an active process by enabling SMT and Council to assess the College’s progress in managing individual risks towards their target rating. Risk appetite is periodically reviewed by SMT and ARC.

In order for the College to identify and categorise its approach to risk appetite, it has introduced the following priority levels:

<table>
<thead>
<tr>
<th>RISK APPETITE</th>
<th>DESCRIPTION</th>
<th>RISK TOLERANCE</th>
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</thead>
<tbody>
<tr>
<td>AVERSE</td>
<td>Prepared to accept only the very lowest levels of risk, with the preference being for ultra-safe delivery options, while recognising that these will have little or no potential for reward/return</td>
<td>Residual risk score up to 5 (Green)</td>
</tr>
<tr>
<td>CAUTIOUS</td>
<td>Willing to accept some low risks, while maintaining an overall preference for safe delivery options despite the probability of these having mostly restricted potential for reward/return.</td>
<td>Residual risk score up to 6 (Green)</td>
</tr>
</tbody>
</table>
**MODERATE**

Inclined towards a balanced approach to achieving objectives, with exposure limited to moderate level risks and an acceptance of some resulting limitations on the level of reward/return.

Residual risk score up to 9 (Amber)

**OPEN**

Prepared to consider all delivery options and select those with the highest probability of productive outcomes, even when there are elevated levels of associated risk.

Residual risk score up to 12 (Amber)

**HUNGRY**

Eager to seek original/creative delivery options and to accept the associated substantial risk levels in order to secure successful outcomes and meaningful reward/return.

Residual risk score up to 15 (Amber)

<table>
<thead>
<tr>
<th>Strategic priority</th>
<th>Risk appetite</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance</td>
<td>Averse</td>
</tr>
<tr>
<td>Reputation</td>
<td>Cautious</td>
</tr>
<tr>
<td>Financial sustainability</td>
<td>Cautious</td>
</tr>
<tr>
<td>Pedagogic innovation and the introduction of new disciplines always delivered</td>
<td>Moderate/Open</td>
</tr>
<tr>
<td>through rigorous QA teaching and learning frameworks</td>
<td></td>
</tr>
<tr>
<td>Enhancing art and design and society through inspiring research impacts and</td>
<td>Open</td>
</tr>
<tr>
<td>enterprise</td>
<td></td>
</tr>
<tr>
<td>Creating engaging campus environments and services</td>
<td>Open</td>
</tr>
<tr>
<td>Supporting and developing our staff</td>
<td>Moderate</td>
</tr>
<tr>
<td>Internationalisation</td>
<td>Open</td>
</tr>
<tr>
<td>Enhancing student employability</td>
<td>Moderate</td>
</tr>
</tbody>
</table>

### 4. Methodology and terminology used to identify and assess risk

The College uses a standard methodology and terminology to identify and assess risks as outlined below.

**Identification**
The College identifies the risks through a comprehensive consideration of the key risk areas affecting an activity and its explicit and implicit key objectives, mission and values. Identification is achieved through periodic reviews of key risks, providing the various levels of staff with the opportunity to flag risks to be included. This process of identification is owned and supported by the Executive Director, Operations. It is, however, the responsibility of all staff and stakeholders, whatever their position, to identify risks.

Ownership

Each risk identified is assigned an owner who is regarded as the lead person responsible for ensuring that the risk is being managed. The owner of the risk may not be the owner of the current mitigations in place or future mitigations planned to be put in place, but have the overall accountability for the management of the risk. The Vice-Chancellor does not own most of the risks, but is accountable for risk under authority delegated by the Council. The Council is ultimately accountable for ensuring that risk is effectively managed.

Assessment

The College assesses and scores risk based on a perceived likelihood of the risk occurring and the impact if the risk were to occur. The College will assess the risk both before taking account of the key mitigations or controls (called the inherent risk) and after those controls are taken into account (called the residual risk). The College is then able to establish the importance of the risk and focus on material risks. The College assesses inherent (or gross) risk using a five-point scale for likelihood and impact using the terms in the diagram below. Detailed definitions for likelihood and impact are given in Appendix A. The likelihood and impact scores are multiplied to gain an overall risk assessment. Generic terms for each point on the scale are used so that a wide variety of risks can be compared using a common point of reference.

RCA Risk Scoring methodology
Risk score = Impact x Likelihood
e.g. Possible 3 x Minor 2 = 6 (Green)
The College pre-defines its **risk appetite** by attributing the appetite level to a given *residual* risk combined score. The College uses a traffic light system to indicate whether a risk is within tolerance (green); outside of tolerance (amber); significantly outside of tolerance (red). The table shows the tolerance level for a given combined residual risk score in a ‘heat map’.

**Options to treat (mitigate), transfer and terminate a risk**

It is usual to wish to treat or mitigate (sometimes called ‘treatment’) a risk, but there are other options. Some risks, or at least the management of them, can be partly **transferred** to another party. Examples might include outsourcing an activity. However, risks are never entirely transferred, because the transferor retains ultimate responsibility (e.g. reputation). Alternatively, if an activity is too risky, it can be **terminated**, temporarily or permanently. Another option is to **tolerate** a risk and not do anything more to mitigate.

5. The risk management process

5.1 Overview

- Council is responsible for ensuring that the RCA has effective systems of internal control, including Strategic risk management and is ultimately accountable for effectiveness risk management at the College.
- The Senior Management Team (SMT) is responsible for identifying and managing strategic risks, and reviews the Strategic Risk Register on a quarterly basis.
- SMT has identified key risk indicators, and will continue to refine these as part of its regular reviews of the Strategic Risk Register.
The Strategic Risk Register informs the agenda for meetings of Council, ensuring robust reporting to Council on the management of key strategic risks, internal and external developments affecting the College’s exposure to risk, and the further action planned by SMT to manage or mitigate the potential impact of strategic risks on the College.

The Strategic Risk Register informs the College’s internal audit plan which is mapped against key strategic risks and is agreed by the Audit & Risk Committee annually or more frequently if required.

The Audit & Risk Committee reviews and discusses the Strategic Risk Register at each of its meetings, and reports developments to Council.

The Audit & Risk Committee is responsible for ensuring that the risk management process adopted by SMT is operating effectively, and provides a formal opinion on the effectiveness of the RCA’s risk management arrangements in its annual report to Council.

5.2 Roles and responsibilities

Roles and responsibilities of key groups in the risk management process are set out below.

Council

Council has a fundamental role to play in the management of risk and is ultimately accountable for risk. Its role is to set the tone and influence the culture of risk management within the College. This includes:

- Ensuring that appropriate systems of internal control, including risk management, are in place and are operating effectively
- Determining, with advice from ARC, SMT and Council sub-committees, the level of risk that the College is willing to accept on any relevant issue and periodically reviewing the College’s approach to risk appetite.
- Approving major decisions affecting the College’s risk profile or exposure
- Monitoring the management of significant risks to reduce the likelihood of adverse events, and ensure that the potential impact on the College’s objectives is minimised
- Gaining assurance that less significant risks are being actively managed, with the appropriate controls in place and working effectively.

Audit & Risk Committee

The Audit & Risk Committee is responsible for:

- Reviewing the Strategic Risk Register, including any changes to risk status or planned actions agreed on a quarterly basis by SMT.
- Reviewing the effectiveness of the College’s systems for internal control and risk management, taking account of findings and recommendations from the internal and external auditors.
• Approving the annual internal audit plan, which should be risk-based and reflect the priorities identified in the Strategic Risk Register.
• Report as required to Council on the effectiveness of the College’s risk management arrangements, and provide a formal opinion on their effectiveness as part of the Committee’s annual report.

Senior Management Team
SMT is responsible for:

• Identifying, evaluating and prioritising significant risks faced by the College.
• Agreeing which risks should be included in the strategic risk register.
• Actively monitoring the strategic risk register on a quarterly basis, and agreeing any further actions needed to manage each risk or mitigate its impact.
• Advising Council and its sub-committees on the College’s risk profile.
• Oversee the College’s compliance with all legal and regulatory requirements, and ensure that internal controls are implemented effectively.
• Periodically reviewing the College’s risk appetite and advising ARC.
• Appraising the effectiveness of key mitigations on the Strategic Risk Register

Risk owners
The Strategic Risk Register identifies a member of SMT as the owner of each risk. Risk owners are also defined in operational risk registers managed within Schools or professional services. The risk owner is responsible for:

• Managing their individual risks
• Reviewing the status of their risks, as a minimum, on a quarterly basis and reporting to SMT or other appropriate groups on any changes to the risk rating, and progress in implementing previously agreed actions.
• Considering their risks as part of day to day management, and alerting SMT or other appropriate groups to any significant developments affecting the risk rating, should this be necessary between scheduled reviews.

Schools and professional services
As members of SMT, Deans of Schools and Directors of professional services are responsible for encouraging good risk management practice within their area. Schools and professional services are responsible for:

• Maintaining a local risk register, which includes the principal operational risks within their area
• Reporting to SMT on their risk register, as required
• Reporting to SMT significant developments at local or operational level which could potentially affect the Strategic Risk Register.

6. Recording of Risks
Risks are recorded on risk registers which are managed day-to-day by the Operations Manager. The registers are held electronically in live documents and linked up to both the SMT project management site and risk management site. Each School and professional services area has its own risk register.

It is the responsibility of the Executive Director Operations, supported by the Operations Manager and risk leads for each School and professional services area, that the register is reviewed by risk owners and kept up to date to the prescribed frequency and aligned with the reporting cycle to SMT, ARC and Council.

7. Reporting of risks
The top 10 College risks are recorded in the College’s Strategic Risk Register. The number of risks in the top category will vary, but 10 is an indicative maximum level, unless during a period of exceptional turbulence and uncertainty. Risks with an unmitigated score of 8 or above will be recorded in the Strategic Risk Register.

Reporting of Strategic Risks covers the following key areas:

• Summary/ background of risk.
• Risks which have materialised/have become more likely
• Actions or mitigation steps taken
• Material dependencies / potential impacts
• Additional proposed Actions, Date & Owner

Strategic Risk Owners are asked to report on the above areas on the basis of a ‘top 3’ in order to provide focus on key risks, mitigations and areas of dependency. However, materiality should be considered when formulating the ‘top 3’.

School and departmental risk registers use the same template as the Strategic Risk Register, to ensure a consistent and comparable approach.

8. Monitor and review
In overall terms, risks are monitored and reviewed every month by the risk leads in each department, prior to their reporting to Executive Director Operations. Review of risk involves the re-evaluation of the risk ‘title’, its likelihood and
Impact, an assessment of the controls or mitigations and the progress of actions. Monitoring is ensuring that the risk management process is being carried out and the output and activities are appropriate and proportionate. This is conducted in School Leadership Team (SLTs) meetings or Departmental team meetings.

Significant risks emerging from the School/ departmental review process are reported specifically as potential ‘promotions’ to the Strategic Risk Register, this reporting is facilitated by the Operations Manager. To ensure adequate embedding of risk management culture, the School/ departmental risk register should form the first item on the agenda of departmental team meetings.

The Audit & Risk Committee reviews Strategic Risk Register on a termly basis, following SMT review. Its role is to review the effectiveness and efficacy of the Risk Register. It can call on School or Departmental leads to present a risk ‘deep dive’ in order to gain additional assurance on a specific areas of activity. The Audit & Risk Committee gives assurance to Council that they have undertaken a review of the Strategic Risk Register. The Audit & Risk Committee may challenge management’s interpretation of the risks, risk assessments and progress of recommendations in the register. The Audit & Risk Committee may engage internal auditors or other independent persons to review the risk management process and the management of individual mitigations of risk.

Changes required by SMT, Audit & Risk Committee or Council are cascaded down to the relevant Schools or Departments for action. The College’s review and monitoring of risks is both ‘bottom up’ and ‘top down’.

9. Risk management for business cases

The primary risk management policy and activity is the regular review and update of the risks in the College’s formal risk register.

However, for key business and activity decisions, a risk assessment should also be undertaken and reviewed prior to the decision to commence the activity.

10. Risk management for projects

It is good practice to capture project risks. These should be captured using the same risk templates used for College risks. Significant project risks can be escalated if required, by giving them a high score and flagging them as project top risks. It is important that significant project risks (internal projects and those funded by College) are fully integrated into College’s formal risk management process. In most cases, such risks are going to be significant risks to the College and the success of the College in meeting its strategic goals.
11. Risk management training and awareness

All staff responsible for managing risk will receive training and guidance on risk management. Further resources, templates and guidance and online training on risk awareness is available [here](#).

Policy owner: Executive Director, Operations
Last reviewed: Spring 2021
Next review: Spring 2023
Appendix A
Impact and Likelihood guidance

Impact

Defined as the impact or consequence of the risk if it were to occur. The impact can be one of the following:

5 Catastrophic
- An incident so severe in it effects that a key activity will be unavailable permanently or a significant time (weeks/months)
- Strategic objectives set are not met
- Statutory duties are not met
- Death of an Employee, contractor, or Member of the Public
- Financial impact on EBITDA >10% (>£500k)
- Adverse national media attention - national televised news report, likely to be sustained over a long period of time
- Litigation almost certain and difficult to defend
- Breaches of Law or regulation punishable by imprisonment or leading to significant reputational damage or removal from OfS register
- Certain to be an OfS Reportable Event

4 Major
- Temporary loss of a key activities (<2 days)
- Objectives of a School professional services area are not met
- Non-statutory duties are not met
- Permanent injury to an employee, contractor or member of the public
- Financial impact on EBITDA 5-10% (£250k-£500k)
- Adverse localised media attention or high profile attention which is to be not sustained
- Litigation to be expected
- Breaches of law or regulation punishable by fine and consequent reputational damage.
- Almost certain to be an OfS Reportable Event.

3 Moderate
- Loss of a key activity for a few hours or major depletion of the provision of an activity
- Injury to an employee or member of the public requiring medical treatment
- Financial impact on EBITDA 3-5% (£150k-£250k)
- High potential for a complaint litigation possible
• Breaches of regulations/standards
• Potential to be an OfS Reportable Event

2 Minor
• Depletion of an activity or brief disruption to activities
• Injury to an employee or member of the public requiring onsite first aid
• Financial impact on EBITDA 1-3% (£50-£150k)
• Minor adverse localised media attention
• Unlikely to cause complaint or litigation
• Unlikely to be an OfS Reportable Event.

1 Negligible
• Little visible service impact
• Objectives of an individual are not met
• No injuries
• Financial impact on EBITDA 0-1% (up to £50k)
• No media attention
• No breaches in working practices or complaints/litigation
• Will not be an OfS Reportable Event.

Likelihood
The likelihood of the risk occurring without taking into account of mitigations already operating

<table>
<thead>
<tr>
<th>Likelihood</th>
<th>Probability</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>Almost certain</td>
<td>&gt;95%</td>
</tr>
<tr>
<td>4</td>
<td>Likely</td>
<td>&gt;75%</td>
</tr>
<tr>
<td>3</td>
<td>Possible</td>
<td>50%</td>
</tr>
<tr>
<td>2</td>
<td>Unlikely</td>
<td>&lt;25%</td>
</tr>
<tr>
<td>1</td>
<td>Almost certain not to happen</td>
<td>&lt;5%</td>
</tr>
</tbody>
</table>