



LIVERPOOL  
HOPE  
UNIVERSITY  
Est. 1844

# Risk Management Policy

## Document Control

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# **RISK MANAGEMENT POLICY**

## **Purpose of this document**

1. This risk management policy (the policy) forms part of the University's internal control and corporate governance arrangements.
2. The policy explains the University's underlying approach to risk management and documents the roles and responsibilities of Council, USET, and other key parties. It also outlines key aspects of the risk management process and identifies the main reporting procedures.
3. In addition, it describes the process the Council will use to evaluate the effectiveness of the University's internal control procedures.

## **Underlying approach to risk management**

4. The following key principles outline the University's approach to risk management and internal control:
  - the Council has responsibility for overseeing risk management within the University as a whole
  - the Council adopts an open and receptive approach to managing and discussing risk with USET
  - the Council approves the University's strategic plan and considers any risks that may arise when monitoring the achievement of the objectives and indicators set out in the plan
  - the Vice Chancellor and USET supports, advises and implements policies approved by the Council
  - the University generally has a pragmatic and prudent approach towards the financial and non-financial implications of risks, and has an agreed risk appetite statement, reviewed annually by Council, that sets out our tolerance for particular categories of risk.
  - Heads of all Departments (Academic and Professional Services), in partnership with the Deputy Vice Chancellor or Executive Director of Finance, Services and Resources (as appropriate) are responsible for encouraging good risk management practice. Every risk identified has an owner
  - risk indicators will be identified and closely monitored on a regular basis

## **Role of the Council**

5. The Council has a fundamental role to play in the identification and management of risk. Its role is to:
  - set the tone and influence the culture of risk management within the University including setting the standards and expectations of staff with respect to conduct and probity
  - approve major decisions affecting the University's risk profile or exposure
  - monitor the management of high-level risks
  - satisfy itself that the operational risks are being actively managed, with the appropriate controls in place and working effectively
  - annually review the University's approach to risk management and approve changes or improvements to key elements of its processes and procedures

## **Role of the Vice-Chancellor and USET**

6. Key roles of the Vice-Chancellor and USET are to:

- implement policies on risk management and internal control
- identify and evaluate the high-level risks faced by the University for consideration by the Council
- provide adequate information in a timely manner to the Council and its committees on the status of risks and controls
- undertake an annual review of effectiveness of the system of internal control and provide a report to the Audit Committee and Council; this includes providing Council with information that enables it to approve the risk appetite.

## **Role of Heads of Academic Departments and Deputy Vice-Chancellor**

7. The Head of each academic department and the Deputy Vice-Chancellor are responsible for identifying and managing the risks specific to their areas in accordance with this policy.

## **Roles of Directors and Heads of Professional Service Departments and the Executive Director of Finance, Services and Resources**

8. The Director/Head of each professional service department and the Executive Director of Finance, Services and Resources is responsible for identifying and managing the risks specific to their areas in accordance with this policy.

## **Risk management as part of the system of internal control and assurance**

9. The system of internal control incorporates risk management. This system encompasses a number of elements that together facilitate an effective and efficient operation, enabling the University to respond to a variety of operational, financial, and commercial risks. These elements include:

- *Policies and procedures*  
Attached to high-level risks are a series of policies that underpin the internal control process. The policies are set by Council and implemented and communicated by senior management to staff. Written procedures support the policies where appropriate.
- *Business planning and budgeting*  
The business planning and budgeting process is used to set objectives, agree action plans, and allocate resources. Progress towards meeting business plan objectives is monitored regularly. Departmental risks are considered during this process.
- *The University risk register*  
This register is compiled from Departmental registers created by managers and helps to facilitate the identification, assessment and ongoing monitoring of risks significant to the University. The document is formally appraised and on an “as required” basis in response to emerging risks and risk change. The causes and effects of risk are considered and the controls and assurance evidence are monitored regularly.
- *Departmental risk registers*  
Directors and Heads of Departments develop and use departmental registers to ensure that risks in their department are identified, assessed and monitored. The registers are formally appraised annually as part of the departmental annual Business Planning Process, with emerging risks and risk change recorded as

required on an on-going basis. Risk controls and mitigating actions are monitored regularly. This is for all departments, both academic and professional services. The Deputy Vice Chancellor maintains responsibility, along with the Heads and Directors, for academic departmental risks.

- *Audit Committee*

The role of the Council set out above is a corporate one for Council and its committees as a whole. However, Audit Committee has a particular responsibility to monitor and review risk management, control and governance arrangements. It is therefore required to report to the Council on internal controls and alert council members to any emerging issues. In addition, the committee oversees internal audit, external audit and management as required in its review of internal controls. The committee is therefore well-placed to provide advice to the Council on the effectiveness of the internal control system, including the University's system for the management of risk.

- *Periodic reporting*

Comprehensive periodic reporting is designed to monitor key risks and the effectiveness of their controls. Once a term, Operational and Academic leads submit their local risk register to the Legal Services Governance and Risk Senior Officer. Decisions to rectify problems are made at regular meetings of USET and reported to Audit Committee and the Council if appropriate.

- *Internal audit programme*

Internal audit is an important element of the internal control process. Apart from its normal programme of work, internal audit is responsible for aspects of the annual review of the adequacy and effectiveness of the internal control system within the organisation.

- *External audit*

External audit provides feedback to the Audit Committee on the operation of the internal financial controls reviewed as part of the annual audit.

- *Third party reports*

From time to time, the use of external consultants may be necessary. The use of specialist third parties for consulting and reporting can increase the reliability of the internal control system.

## **Business Continuity Management**

10. There is a direct link between Risk Management and Business Continuity Management (BCM). BCM is an established part of the UK's preparations for managing risks faced by organisations, whether from internal system failures or external emergencies such as extreme weather, flooding, terrorism or infectious diseases. It is about identifying parts of an organisation that it cannot afford to lose. Directors and Heads of Departments have reviewed the risks to the services they provide and produced plans to meet those risks.

## **Health and Safety**

11. Directors and Heads of Departments will include risks to health and safety as part of their risk management processes, and will undertake risk assessments for new initiatives, projects and other proposals and revise existing risk assessments as required. Details of all health and safety risk assessments will be maintained within the Department as long as the particular process or activity, to which the assessments refer, is performed. Risk Assessment involving an accident or a claim should be sent to the Health and Safety office for record and appropriate action.

12. The University has a Health and Safety Officer who is responsible for developing and maintaining the University's health and safety management systems, advising on health and safety matters and auditing performance. The Health and Safety Committee of Council considers health and safety matters across the University, including matters within individual colleges, and reports of these meetings are considered by Council.

## **Implementation**

13. Risk must be managed in every aspect of the University's activities using the following procedure:

- *Identification*

The potential risks which each event or activity poses to the people, assets, reputation or sustainability of the University must be determined.

- *Measurement*

Each risk must be evaluated in terms of:

- The severity of the potential impact of the risk.
- The likelihood of the risk occurring.
- The risk appetite for the risk (the is the amount of risk the University is willing to seek, accept or tolerate in order to achieve its strategic aims and objectives). See the risk appetite statement at appendix 1.

This allows the risk to be evaluated and the relative importance of each risk to be ascertained. Decisions can then be made on priorities for risk management.

- *Risk Mitigation*

Once each risk has been identified and evaluated, a proportionate action plan must be devised to eliminate or mitigate the risk. Wherever possible, risk should be removed before it occurs by taking measures to negate or to reduce the possibility of it occurring. Where this is not possible, risk management must concentrate on control and damage limitation.

Risk management controls and early warning mechanisms must be identified, documented and monitored, with responsibility for each risk being allocated to a named risk owner.

In the University risk register the gross risk is scored before controls / mitigations are put in place; the net risk score reflects the level of risk once mitigation measures and controls are in place. the risk score reflects the impact of the risk on the University and the likelihood of it taking place.

Where possible, the University has appropriate insurance policies in place to deal with the consequences of risk.

On rare occasions, risks may be mitigated via contractual transfer to third parties where it is appropriate to do so

It is never possible to remove all risks entirely. The University will therefore have to make judgements as to which risks it is prepared to bear, balanced against the costs of mitigating or transferring them, in accordance with the agreed risk appetite statement.

## **Delegation of responsibility for risk management**

An organisation of the complexity of Liverpool Hope University cannot centrally identify and manage all risks. Responsibility for local risk management is delegated to Schools and Departments, with an expectation that staff communicate with Senior Management regarding emerging risks and risks of significant concern.

## **Risk Registers**

14. At a corporate level, identified and prioritised risks are contained within the University Risk Register. The University Risk Register is reviewed and updated regularly as detailed in the risk management framework below. It is available on My Hope so that it can be accessed readily by those with responsibilities for managing it.
15. Academic and professional service departments are also required to maintain their own risk registers and to review these in accordance with the risk management framework. Departments should use the University's department risk register template when compiling their registers. The Deputy Vice Chancellor maintains responsibility, along with the Heads and Directors, for academic departmental risks.

## **Projects and Other Proposals**

16. Risk identification and control are major considerations in planning and budgeting processes at all levels in the University. Risks must be considered and documented as part of the justification for all new activities (i.e., academic programmes), investments and projects. Each proposal for a new activity will contain a section addressing any risk issues, and all new capital project proposals must address fully any potential risks.

## **Risk Management Framework**

17. USET will formally review the risks recorded in the University Risk Register at least three times a year. The University Risk Register is a "live" document that reflects the risks faced by the University; risks are added, evaluated and removed on an on-going basis, as required.
18. As part of the Annual Assurance Exercise USET will receive updates on professional service and academic department risks.
19. The reports will include:
  - The outcomes of discussions on risk management at department level or among the academic departments as a whole.
  - New risks identified and a summary of the actions planned to address them at department level or among the academic departments as a whole.
  - Whether or not identified risks should be escalated to the University Risk Register because they are assessed as being likely to impact upon the delivery of the University's strategic objectives.
20. The outcome of discussions by USET will be regularly and promptly reported to the Audit Committee and Council.

## **Annual review of effectiveness**

21. The Council is responsible for reviewing the effectiveness of internal control of the University, based on information provided by USET. Its approach is outlined below:
22. For each risk identified, the Council will:
  - review the previous year and examine the University's track record on risk management and internal control
  - consider the internal and external risk profile of the coming year and consider if current internal control arrangements are likely to be effective

23. In making its decision the Council will consider the following aspects:

- Control environment
- the University's objectives and its financial and non-financial targets
- organisational structure, capability and capacity
- culture, approach, and resources with respect to the management of risk
- delegation of authority
- public reporting
- On-going identification and evaluation of corporate risks timely identification and assessment of corporate risks
- prioritisation of risks and the allocation of resources to address areas of high exposure
- Information and communication
- quality and timeliness of information on corporate risks

Monitoring and corrective action

- ability of the University to learn from its problems
- commitment and speed with which corrective actions are implemented

24. USET will prepare a report of its review of the effectiveness of the internal control system annually for consideration by Audit Committee and Council.



## APPENDIX 1

### Risk Appetite Statement

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#### 1. Introduction

Liverpool Hope University takes a responsible approach to risk management and managing its exposure to risk. The University considers it appropriate that it will have a different level of risk appetite for particular categories of risk in pursuit of the University's objectives and targets.

#### 2. Scope of Statement

The Risk Appetite Statement sets out the University's risk appetite. Risk appetite can be defined as *'the University's willingness to accept certain levels of risk, on an informed basis, in pursuit of its objectives'*

The statement is intended to establish the level of risk the University is prepared to accept, with each individual risk appetite decisions being informed and defensible.

The University will, on occasions, take risks in order to deliver on its objectives, as set out in the Enabling Strategies.

#### 3. Responsibilities

The University's Risk Appetite Statement is part of a broader set of controls that form the basis for the approach to risk management and mitigation.

The University Council is the governing body of the University which carries responsibility for ensuring the effective strategic management of the University and for planning its future development. Council is also ultimately responsible for the management and mitigation of risk, and delegates this responsibility in part to Audit Committee. Audit Committee receive an update on progress against actions to mitigate risks in the University's risk register at each meeting.

The Risk Appetite Statement is informed by the existence of a number of governing documents including and other factors, including:

- Risk Management Policy
- The University Risk Register
- Department, activity and location specific risk registers
- Internal and external audit, assurance and internal control
- Business planning and budgeting
- Business continuity planning.
- The Higher Education market
- Regulatory requirements

- The economy
- The political climate
- Reputation
- Regional factors

#### 4. Definitions

The University's risk appetite varies based upon the specific area of activity and can increase or decrease overtime for a range of reasons. The definitions of appetite are set out in table 1.

In making decisions on the approach to risk, Council and all other committees and individuals consider:

- Level of control
- Change in the environment
- Information and communications
- Monitoring and mitigating actions available.

**Table 1: Definitions of risk appetite**

Risk appetite	Description
1	Very low-level risk is acceptable.
2	Low level risk is acceptable.
3	low to moderate risks are acceptable.
4	Moderate risks are acceptable.
5	Significant risk is acceptable.

## 5. Risk Appetite for Risk Categories

In broad terms the University's risk appetite is set out in the table below:

Table 2 sets this out the risk appetite in relation to a number of categories .

**Table 2: Risk Appetite for Risk Categories Summary**

Risk category	Risk appetite level	Further information
Academic	4	<p>The University is committed to developing new courses in line with new direction of research and enquiry - cutting edge, new entry points and new delivery modes that are designed to meet the needs of prospective students and wider society and balance the expertise of academic staff.</p> <p>To ensure that this is met, the University is open to developing actions with some associated risks that are well assessed and considered to be on balance at a low level and that will deliver high levels of return.</p>
External	2	<p>The external environment in which the University operates is largely out of the University's control. However, by working with local, national, and international agencies and by implementing robust governance and planning structures the University is able to assure that only low-level risks are taken in the approach to the external environment.</p>
Financial	2	<p>The University has an excellent track record of treasury management throughout its history, including when faced with challenging external environments. This approach is underpinned by careful budget management and expenditure. The University is committed to delivering an outstanding student experience and as such will only accept low level financial risks that are mitigated with appropriate plans.</p>
Governance	1	<p>The University is committed to delivering in full on its regulatory obligations and meeting the contractual and moral obligations it has with its students, staff and wider society. This includes ensuring that no ethical, professional, health and safety or moral standards are breached and working with the recognised regulatory and government bodies. The University keeps all and regulatory governance risks under constant review to ensure that they are mitigated to an acceptable threshold and that only very low risks are taken.</p>

Risk category	Risk appetite level	Further information
Reputation	2	<p>The University has developed an excellent reputation over 175 years following the inception of its first college. The reputation of the University is essential to attract prospective students, outstanding staff, research funding and collaboration opportunities. The University therefore has a low appetite for reputational risk. The delivery of core university activity may at times require additional reputational risks to be considered, including where organisational change is required. Where these are essential to deliver on the University's objectives, appropriate mitigations will be put in place to manage risk.</p>
Facilities	3	<p>The University maintains a legacy estate that for the most part is owned by the providing bodies of the institution, whilst also having made significant investment in new buildings including student accommodation and the Library.</p> <p>Recent investment in the IQ building has been made in order to deliver an outstanding student experience. The University is prepared to take balanced risks in the delivery of facilities that meet the needs of our diverse staff and student body and deliver high level returns.</p> <p>However, it should be noted that there is a very low level to no appetite for any risk related to health and safety compliance.</p>
Research	4	<p>The University has performed well in recent research assessment exercises and has significant plans to reach further in the future.</p> <p>Investment in research is at the heart of this commitment, to support winning on bids and helping staff to actively curate research that has a positive impact on the world around them. To achieve this, the University is prepared to take moderate risks in order to pursue research that delivers high levels of return for society, teaching activity and to further fund research provision.</p>
Systems	2	<p>The ability for the University to gather, process and make use of its systems effectively is essential in the delivery of major programmes of work, improvements to processes and delivery of the objectives set out in the enabling strategies. Simultaneously, the systems employed must be robust, efficient, and effective and safe. Therefore, the University is only prepared to take low level risks with systems that are appropriately mitigated.</p>