

**RISK APPETITE STATEMENT**

**1 Introduction**

“Risk appetite is the amount of risk an organization is willing to accept in pursuit of strategic goals … Risk appetite is a matter of judgement based on each company’s specific circumstances and objectives. There is no one-size-fits-all solution.”[[1]](#footnote-1)

The University takes a responsible and managed approach to risk, recognising key risks and managing those risks through effective implementation of:

1. An institutional risk management policy;
2. An institutional risk register (with underlying registers for each academic school and professional services department).

The degree of risk that is acceptable will vary considerably within and across core domains of the University’s business. Nevertheless, describing the broad parameters within which the University considers its appetite for risk is helpful in ensuring that Governors, University managers and staff are all aware of those parameters.

The risk appetite statement is a key part of the University’s decision-making processes. It is intended to be used when significant proposals and initiatives are being considered for implementation by the University. Risk appetite is one aspect of a larger decision-making framework which includes consideration of alignment with strategy and underlying values and ethical considerations.

It is expected that there will be times where decisions will be taken on proposals and initiatives whose risk profiles sit to some degree outside the risk appetite statement. Risk acceptance processes will be used to document and agree those decisions including any additional oversight and mitigation.

**2 Risk appetite by domain of activity**

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| --- | --- | --- | --- | --- | --- | --- |
|  | **Avoid** | **Averse** | **Cautious** | **Moderate** | **Open** | **Hungry** |
| **Domain** | **0** | **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** | **10** |
| Recruitment |  |  |  |  |  |  |  |  |  |  |  |
| Reputation |  |  |  |  |  |  |  |  |  |  |  |
| Compliance |  |  |  |  |  |  |  |  |  |  |  |
| Government Policy/External Environment |  |  |  |  |  |  |  |  |  |  |  |
| Financial |  |  |  |  |  |  |  |  |  |  |  |
| Education and Student Experience |  |  |  |  |  |  |  |  |  |  |  |
| Research and Knowledge Exchange |  |  |  |  |  |  |  |  |  |  |  |
| External Relations |  |  |  |  |  |  |  |  |  |  |  |
| Major Change Projects |  |  |  |  |  |  |  |  |  |  |  |
| Estates and Infrastructure |  |  |  |  |  |  |  |  |  |  |  |
| Sustainability |  |  |  |  |  |  |  |  |  |  |  |
| People and Culture |  |  |  |  |  |  |  |  |  |  |  |

**3 Risk domains**

The following statements reflect the appetite position in the above table, and outline the degree of risk the University wishes to take in each category:

| **Risk Domain** | **Explanation of risk appetite** |
| --- | --- |
| Recruitment | The University regards student recruitment, through its Bath-based activities and through its carefully selected educational partners, as fundamental to achieving a sustainable financial base. The University’s appetite in relation to **Recruitment** risk is **Open**. |
| Reputation | The University regards any project or activity that would seriously threaten its reputation as a high-quality provider through adverse publicity or loss of status as an autonomous institution as unacceptable. The University will carefully manage risks in order to preserve and enhance its reputation. It will take a long-term view of reputation risk, and not consider this risk domain in isolation. Overall, the University’s appetite in relation to **Reputation** risk is **Averse**. |
| Compliance | The University regards any project or activity that would threaten its compliance with statutory, regulatory, professional or ethical requirements and standards as unacceptable, nor does it tolerate occurrences of bribery, corruption or fraud. The University’s position in relation to **Compliance** risk is **Averse**. |
| Government Policy/External Environment | The University will engage with Government and other policy influencers and makers with a view to ensuring a favourable external environment to the pursuit of its charitable status and mission. The University’s appetite in relation to Government Policy/External Environment risk is **Moderate**. |
| Financial | The University will always aim to work within financial parameters that maintain the long-term financial viability of the University within generally accepted boundaries of financial prudence. Therefore, the University currently has an **Open** appetite for risk to achieve its overall **financial** goals, while carefully managing current operations, income targets and the University’s financial investment portfolio. |
| Education and Student Experience | The University wishes to encourage an innovative and enterprising attitude in enhancing the educational offering and student experience. The University acknowledges that such activities may carry medium to high risk but will always ensure that the benefits and risks are fully understood before activities or projects are authorised, and that reasonable and sensible measures of risk mitigation are established. The University also recognises the powerful role that current students and alumni play in cultivating a positive reputation for the University. Overall, the University has an **Open** appetite for the strategic aim to ensure a **high-quality education and student experience**, whilst its appetite for risk in relation to the maintenance of academic standards and integrity is **Averse.** |
| Research and Knowledge Exchange | The University wishes to encourage an innovative and enterprising attitude in research and knowledge exchange. The University acknowledges that such activities may carry low to high risk, but will always ensure that the benefits and risks are fully understood before activities or projects are authorised, and that reasonable and sensible measures of risk mitigation are established. The importance of maintaining reputation and compliance is paramount in such activities. The University’s appetite in relation to **Research and Knowledge Exchange** risk is **Hungry**. |
| External Relations | The University wishes to work with appropriate external organisations and manage its external relations in an effective and positive manner. The University acknowledges that some activities may carry low to high risk, but will always ensure that the benefits and risks are fully understood before activities or projects are authorised, and that reasonable and sensible measures of risk mitigation are established. The importance of maintaining reputation and compliance are paramount in such activities. The University’s position in relation to **External Relations** risk is **Cautious**. |
| Major Change Projects | All universities must undergo change, and at times such changes may be major and potentially high-risk with the aim or potential to affect substantial parts of the University’s activities. The University will always ensure that the benefits and risks are fully understood before activities or projects are authorised, and that reasonable and sensible measures of risk mitigation are established. In delivering strategic and operational change the University will ensure actions are aligned with its values and that staff are supported to manage in a dynamic and evolving environment. The importance of maintaining reputation, financial sustainability and compliance are paramount in major change projects. The University’s appetite in relation to **Major Change Projects** risk is **Open**. |
| Estates and Infrastructure | All universities must undertake estates and infrastructure projects, and at times such projects may be major and potentially high-risk with the aim or potential to affect substantial parts of the University’s activities. The University will always ensure that the benefits and risks are fully understood before activities or projects are authorised, and that reasonable and sensible measures of risk mitigation are established. The importance of maintaining, financial sustainability is paramount in such major projects. The University’s appetite in relation to **Estates and Infrastructure** risk is **Cautious**. |
| Sustainability | The University is responsible for historically designated environments and has environmental sustainability commitments. There is a low risk appetite for deviating from these responsibilities and commitments but with an **Open** appetite for risk to achieve the University’s overall **Sustainability** goals. |
| People and Culture | The University is committed to valuing, supporting and developing its workforce and to maintaining the reputation of the University as a good place to work. It wishes to gain the most value from its workforce and encourage thinking and action in innovative ways to work in order to achieve its strategic aims. The University believes strongly in the importance of positive staff engagement and maintaining a values-led culture in support of our flourishing community of students and staff, putting wellbeing at the centre of risk management and measuring staff engagement as a key performance indicator. The importance of maintaining compliance with statutory employment obligations is paramount. The University’s position in relation to **People and Culture** risks is **Open.** |

**4 Risk classifications**

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| --- | --- |
| **Risk Classification**  | **Description**  |
| **Avoid (0)**  | The University is not prepared to accept any risks.   |
| **Averse (1 – 2)**  | Prepared to accept only the very lowest levels of risk, with the preference being for very safe decision making and strategy implementation, while recognising there may be little opportunity for innovation or the exploitation of new opportunities.  |
| **Cautious (3 – 4)**  | Willing to accept some low risks, while maintaining an overall preference for safe decision making and strategy implementation, despite the probability that there is restricted potential for innovation and increased outcomes and benefits.  |
| **Moderate (5 – 6)**  | Inclining predominantly towards exposure to only modest levels of risk in order to achieve acceptable, but possibly unambitious outcomes or benefits.  |
| **Open (7 – 8)**  | Prepared to consider innovative decisions and strategic implementation with the highest probability of productive outcomes and benefits, even where there are elevated levels of associated risk. |
| **Hungry (9 – 10)**  | Proactively taking innovative / creative / pioneering decisions and adopting forms of strategic implementation, while accepting the associated substantial risk levels in order to secure highly successful outcomes and benefits.  |

1. Price Waterhouse Coopers (2014) *Board oversight of risk: Defining risk appetite in plain English*. p3. [↑](#footnote-ref-1)