Heriot Watt University

Risk Appetite Statement

September 2019

Introduction and background

Heriot-Watt's vision is to be world-leading within all our areas of specialism, and we have made it our mission to create and exchange knowledge that benefits society. Strategy 2025, which was approved in December 2018, will require the University to take significant risks in a controlled and managed way, in order to achieve its stated ambitions. The four strategic themes of Strategy 2025 are as follows:

SHAPING A GLOBALLY CONNECTED UNIVERSITY TOGETHER　　SHAPING PIONEERING EDUCATION TOGETHER　　SHAPING EXCELLENCE IN RESEARCH AND ENTERPRISE TOGETHER　　SHAPING FLOURISHING COMMUNITIES TOGETHER

The University has taken the decision to review and refresh its risk appetite statement in light of Strategy 2025. This has been done in consultation with groups of senior stakeholders including University Executive.

The categories of risk in use by the University have been reviewed and revised to align with Strategy 2025. The updated risk categories and their descriptions can be found at Appendix 1.

Using the Risk Appetite Statement to make decisions

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, documented below, 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. The decision-making framework, including risk acceptance, is documented elsewhere.

Our Values:

Inspire　　Collaborate　　Belong　　Celebrate

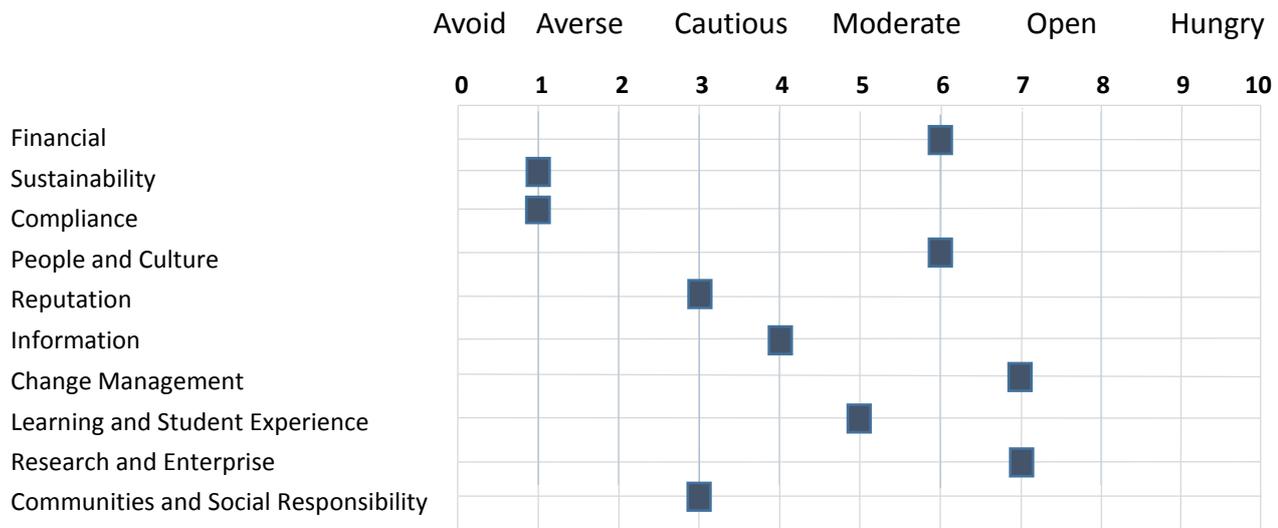**Inspire** curiosity to learn and find solutions that transform lives.

Collaborate by working in partnership to shape the future whilst taking responsibility for our own actions.

Belong to a diverse, inclusive and international community working together across boundaries and cultures.

Celebrate excellence and take pride in the achievements of our students, staff and alumni.

Risk Appetite Statement

The chart and associated statements below outline the University's stated risk appetite against the 11 defined categories of risk. The definition of the scale can be found at Appendix 2.

	Avoid	Averse	Cautious	Moderate	Open	Hungry
	0	1 2	3 4	5 6	7 8	9 10
Financial				6		
Sustainability		1				
Compliance		1				
People and Culture				6		
Reputation			3			
Information			4			
Change Management					7	
Learning and Student Experience				5		
Research and Enterprise					7	
Communities and Social Responsibility			3			

Note: **External** risks are outside the control of the University and a risk appetite position for these risks has not been defined. However external risks will be considered in the overall context of their impact on the other risk categories in the decision-making process.

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

> The University's position in relation to **Financial** risks is **Moderate**. This recognises that there is a degree of financial risk involved in the pursuit of ambitious strategic goals which require significant change. There are also demanding financial targets set in the implementation of the strategy. The University ensures that financial risk is appropriately managed by ensuring it has sound systems and processes for financial planning, budgeting, reporting and control. The University has an averse position to financial risks which would be material to the long-term sustainability of the University as outlined below.

> The University's position in relation to **Sustainability** risks is **Averse**. Whilst the University has set challenging strategic targets which will involve taking some risk, in a managed way to achieve them, the University is averse to risks which would threaten the long-term viability and sustainability of the institution.

> The University's position in relation to **Compliance** risks is **Averse**. The University has no appetite for breaches of legislation, regulation, professional standards or ethics, nor does it tolerate occurrences of bribery, corruption or fraud. The University maintains accreditations relating to the jurisdictions in which it operates, and has an averse position relating to risks which may threaten those accreditations.

> The University's position in relation to **People and Culture** risks is **Moderate**. 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. 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 more dynamic and quickly evolving environment, putting wellbeing at the centre of risk management and measuring staff engagement as a key performance indicator.

The University's position in relation to **Reputation** risks is **Cautious**. The University has a long-established reputation for high quality across both its teaching and research, continuing to grow as a university characterised by a commitment to excellence as a values-led institution. It also continues to build an excellent reputation for the student experience it offers.   Significant innovation and change will be required in order to successfully implement Strategy 2025, however the University will carefully manage risks throughout the change activities in order to preserve and enhance its reputation.

The University's position in relation to **Information** risks is **Cautious**. The University takes seriously its responsibility for ensuring the security and privacy of the personal data held by it. Innovation will be required if the University is to achieve its strategic aim of being a globally connected institution although it remains cautious in its approach to risks around the management and storage of information.

The University's position in relation to **Change Management** risks is **Open**. The University recognises that major change and innovation is required to deliver the strategic objectives set by Strategy 2025 in order to achieve its ambition of being a globally connected University. Careful forward planning is required to safeguard the current and future employment of staff through the changes ahead. The change agenda necessarily introduces some degree of risk, however the University is committed to managing any change situation with care and sensitivity to all staff, as a Values-led organisation. The University professionally manages its major change initiatives using project management standards and practices, which includes robust procedures for the oversight and management of risks around change.

The University, through the implementation of its Strategy 2025 Learning and Teaching Strategy intends to take a pioneering approach to education through inspiring learning amongst its students. The University's overall position in relation to **Learning and Student Experience** risks is **Moderate**, whilst our appetite for risk in relation to maintenance of our academic standards is **Averse.**

The University's position in relation to **Research and Enterprise** risks is **Open**. This is consistent with its intention to enhance its position at the forefront of knowledge creation and development of enterprise in all of its communities. It recognises that this will involve a degree of risk in growing research and enterprise activities, particularly outwith the UK, and is comfortable in accepting this risk subject to: limitations imposed by ethical considerations; and ensuring that potential benefits and risks are fully understood before projects are authorised, and that sensible measures to mitigate risk are established.

The University's position in relation to **Communities and Social Responsibility** risks is **Cautious**. The University is committed to the social, economic, environmental and cultural life of our local communities, consistent with our values, and willing to accept some risks, while maintaining an overall preference for safe decision making and strategy implementation. As such we will ensure risks are fully understood and that sensible measures to mitigate risk are established when developing new initiatives.

Appendix 1: Risk Categories, subcategories, and definitions.

Risk Category	Subcategories	Description
Financial	• Student Recruitment Income • Other Income • Investment • Budget Management	Risks relating to the ability of the University to meet its income targets, and manage its expenditure on a year-to-year basis.
Sustainability	• Sustainability of Income Streams • Infrastructure (maintenance /investment) • Major investment	Risks relating to the ability of the University to continue to remain financially sustainable in the long term.
Compliance	• Health and Safety • Legal • Regulatory • UKVI • Equality and Diversity • GDPR • Policies	Risks relating to the University's compliance with all relevant laws, legislation, regulations, policies, funding requirements and health and safety practices.
People and Culture	• Equality and Diversity • Staff Engagement and Morale • Recruitment and Retention • Succession Planning • Staff Management • Adherence to University values • Security	Risks relating to the University recruiting, maintaining, and developing a high-quality academic and Professional Services workforce in order to achieve its strategic aims.
Reputation	• Academic Integrity • Relationship with Scottish and UK Governments, funders, Approved Learning Partners • Perception within communities and wider public	Risks relating to the University's reputation, its ability to attract students, staff, researchers, grants, collaborations and partnerships, and its perception in the wider community.
Information	• Data Privacy /Protection /Confidentiality • Record retention	Risks relating to the ability of the University to securely carry out its role as a data controller and processor, maintaining the security of its data subjects' personal information.
Change Management	• People, roles, teams and structures • Project Risk • Engagement and Communication • Training and implementation of new structures /systems /processes	Risks relating to change management across the University.
Learning and Student Experience	• Student Surveys /Student Satisfaction • Quality of Facilities • Quality of Teaching • Standing in National Student Survey • Student safety and security	Risks relating to the quality of learning and teaching and overall student experience.
Research and Enterprise	• Industry /Enterprise Engagement/Partnerships • Intellectual Property • Alumni • Standing in Research Excellence Framework (REF)	Risks relating to the Successful development of the University's ambitions and strategy for Research and Enterprise.
Communities and Social Responsibility	• Engagement • Reputational • Environmental standards	Risks relating to the University's strategic aims around developing stronger engagement with its communities and wider social responsibility.

External	• Governmental Policy • International Political Events • Climate	Risks relating to external events or policies which may impact on the University and its ability to successfully implement its strategy.

Appendix 2: Risk Appetite Scale

Classification	Description
Avoid (0)	The organisation 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 possibility 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.