

# RISK APPETITE STATEMENT

**Introduction**

1. The University of Stirling acknowledges that there are risks associated with everything we do but that informed risk taking is essential if the University is to innovate and succeed. Key decisions at all levels need to be informed by a robust assessment of risk and balanced against the University’s responsibilities in terms of accountability, propriety, regularity, and value for money.
2. The University is involved in a wide range of activities so it is not possible to define risk appetite in absolute terms. As outlined in our Risk Policy, the University is committed to intelligent risk taking, where risks are identified, assessed and managed within a risk management framework ensuring that risks are understood and managed effectively in order to achieve our goals.

# Statement

1. The University engages in a range of activities in pursuing its Strategic Plan objectives and in doing so will assess the level of risk associated with those activities. Some of the University’s activities will be judged to be low in terms of risk likelihood and impact and others may be highly likely to occur or high in terms of the potential impact. The University will manage the risks associated with individual activities through a system of internal controls and, if appropriate, external controls. Activities that are judged to be high risk will be undertaken only where they offer benefits proportionate with the level of risk involved and do not increase risk to an unacceptable level, for instance, where an adverse outcome would seriously jeopardise the overall achievement of the University’s Strategic Plan.

# Assessment

1. The diagram below should be used to as part of the risk assessment process to determine whether activities fall above the guideline risk appetite (thick line) or below. When considering the risks associated with new activities it is important to take into consideration other existing activities or planned projects which when considered cumulatively could lead to a greater risk to the University than the individual projects alone. There may be occasions where projects are considered of significant importance to the University to justify increased risk exposure. Where it is deemed that activities should be pursued that are above the risk appetite line the rationale for supporting this decision should be including in the relevant documentation and risk registers along with details of mitigating action.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  | **Likelihood** |  |  |
|  | **1** | **2** | **3** | **4** | **5** |
| **Consequence and time to recover** | **Rare (<10%)** | **Unlikely (10-30%)** | **Moderate (31-50%)** | **Likely (51-80%)** | **Almost Certain (>80%)** |
| **1 Insignificant** | 1 – low | 2 – low | 3 – low | 4 – low | 5 – moderate |
| **2 Minor** | 2 – low | 4 – low | 6 – moderate | 8 – moderate | 10 – high |
| **3 Moderate** | 3 – low | 6 – moderate | 9 – moderate | 12 – high | 15 – high |
| **4 Major** | 4 – low | 8 – moderate | 12 – high | 16 – critical | 20 – critical |
| **5 Extreme**  | 5 – moderate | 10 – high  | 15 – critical | 20 – critical | 25 – critical  |

# In Practice

1. When a new activity is proposed, for example as part of the annual planning and budgeting process, it is vital that a risk assessment is undertaken. This will quantify the level of risk and will inform whether an activity should be pursued. As noted above, activities that are judged to be high-risk will be undertaken only where they offer benefits proportionate with the level of risk involved. For instance the University has undertaken some significant capital developments over recent years funding by borrowing. This borrowing has increased the level of financial risk for the University and core business risks in the event of the milestones for the projects are not met. There were other risks that were considered if the long term investment in the University’s estate was not taken forward including competitiveness and stewardship. The benefits associated with the projects were deemed to outweigh the financial risks identified and address the reputational risks, and hence the projects were all approved by University Court.

# Monitoring

1. In accordance with the above statement, appetite for risk will be assessed for individual activities. The University’s overall risk appetite can therefore be discerned through decisions made by Court, Academic Council and the University Strategy & Policy Group (USPG). The monitoring of risk appetite will be linked to the monitoring of performance through the use of key performance indicators and the Register of Strategic Risk. The overall balance of these decisions, and therefore risk appetite, will be reviewed periodically through the University’s annual planning process and will be reported to Audit Committee and University Court.

Policy & Planning

Approved by Court June 2021

Data Classification: Public