Risk Management Policy

Version 2.0 February 2020
### Document Control

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<th>Name</th>
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</tbody>
</table>
## Contents

1. **Introduction** .................................................................................................................................................. 4
2. **Objectives of Risk Management** .............................................................................................................. 4
3. **Risk Management Governance** ................................................................................................................ 5
4. **Risk Management Structure** .................................................................................................................... 7
5. **Risk Assessment Definitions** .................................................................................................................... 7
   - Likelihood and impact ................................................................................................................................. 7
   - Controls ....................................................................................................................................................... 7
   - Residual Risk ............................................................................................................................................ 8
   - Risk Appetite ............................................................................................................................................ 8
6. **Risk Scoring** .............................................................................................................................................. 8
7. **Risk Reporting** .......................................................................................................................................... 9
1 Introduction

1.1 This document sets out the University of York’s approach to risk management.

1.2 The University is committed to achieving its aims as defined in the University Strategy and associated documents. In doing so, the University realises that it will face a variety of risks. Risk management supports the university in achieving its aims and objectives whilst protecting its ongoing sustainability.

1.3 Risk is regarded as a quantifiable level of exposure to the threat of an event or action that will adversely affect the University’s ability to achieve its business objectives successfully. In simple terms, risk is ‘uncertainty’. The task of management is to respond to these risks effectively so as to maximise the likelihood of the University achieving its purposes and ensure the best use of finance and resources.

2 Objectives of Risk Management

2.1 The establishment of effective risk management is recognised as being fundamental in ensuring good corporate governance, and the application of this policy will enable the University to obtain, maintain and respond to a changing risk profile.

2.2 Risk Management seeks to identify, measure, control and report on any business risk that will undermine the achievement of the University’s business priorities, both strategically and operationally, through appropriate assessment criteria.

2.3 Decision making often involves a degree of uncertainty, and therefore a level of risk. In order for the University to effectively manage risk, a framework is required to provide assurance over the management of key risks, to enable and promote informed risk taking which prevents avoidable dangers, minimises the impact of adverse outcomes, or exploits valuable opportunities.

2.4 By taking a measured approach to risk taking, the University can ensure that decision making and planning are informed across its departments and subsidiaries, both operationally and at a strategic level.

2.5 The University’s approach to risk management enables:
- Understanding the type of risks faced and how to measure them
- Understanding the level of risk exposure that can be tolerated
- Assessment of risk exposure
- Mitigation against unacceptable risk exposure
- Taking action where existing arrangements are found to be inadequate or ineffective
- Building an awareness of risk at all levels of the University, from Council’s ultimate oversight of risk, UEB’s identification and management of risk and ensuring a wider culture whereby staff escalate risks to a level of management that can effectively respond to them.
- Proportionate, efficient, and cost effective practices in both managing risks and pursuing opportunities.

2.6 The University Executive Board recognises that the application of risk management practices should not and will not eliminate all risk exposure. Moreover, through the application of the risk management approach identified in this policy the aim is to achieve a better understanding of the risks being faced and their implications for the business, thus informing decision-making.
2.7 Since risk can never be eliminated fully, it is vital that the University has in place plans to ensure business recovery and continuity in the event that serious risks do occur. As such the University’s business continuity management process forms an integrated part of its risk management process.

2.8 The University Executive Board expects management to take action to avoid or, where appropriate, mitigate the effects of those risks that are considered to be in excess of the University’s risk appetite. Where a risk is deemed to be in excess of the University’s risk appetite this will be captured on the University’s corporate risk register, along with the actions being undertaken to address the risk.

3 Risk Management Governance

3.1 Council and the University Executive Board (UEB) are collectively committed to ensuring that the management of risk underpins the strategic management and all wider activities of the University and that thorough risk management procedures are in place throughout the University. Within this collective commitment, the effective management of risk is based on a clear governance framework setting out the culture, conditions and responsibilities of key University bodies for risk as outlined below:

3.2 Council is the governing body of the University, ultimately accountable for the strategic direction, sustainability and effective stewardship of the University to protect its reputation, assets and resources in the widest sense. Council’s role is to ensure that comprehensive corporate risk management are in place. Within this, there are four key roles in relation to corporate risk:

- **culture**: to set the tone for corporate risk making and taking in the University, thereby signalling a mandate for UEB and other senior leaders to innovate and take measured and calculate risks which advance the purpose of the University;
- **appetite**: to determine acceptable strategic levels of exposure to risk, which is interpreted by UEB into risk appetite for translation into risk action and management
- **accountability**: to set the overall approach to be adopted for risk, including the sign of, and periodic review of the framework for, and set of corporate risks. This is supported by delegation of responsibility for risk review to Audit and Risk Committee and other Council sub-committees, as appropriate, and to UEB for risk management;
- **assurance**: to seek assurance from UEB on the effective management and mitigation of risks and that they are being appropriately managed, supported by independent advice from Audit and Risk Committee on the effectiveness of the controls to manage corporate risks.

3.3 The Council’s Terms of Reference includes the following in connection with Risk Management:

To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment.

3.4 The Audit and Risk Committee has delegated responsibility from Council to:
• monitor and review the adequacy of the risk management arrangements, including seeking information and assurance from UEB on the adequacy of the controls to mitigate risks;
• commission any wider investigations or seek reports on any other matter which has implications for the risk and control environment of the University;
• report, and provide assurance to Council on the effectiveness of the University’s risk management arrangements.

3.5 The Audit and Risk Committee’s Terms of Reference include the following in connection with Risk Management:
• to keep under review on behalf of the Council the effectiveness of the University’s approach to risk management;
• to receive regular reports and a series of presentations on the management of the University’s significant risks and;
• to forward to the Council reports of the Committee’s consideration of issues relating to risk management and internal controls.

3.6 The active, ongoing commitment and full support of the Vice-Chancellor and the University Executive Board is a necessary and essential part of this policy. The Vice-Chancellor and President is Accountable Officer under the Office for Students (OfS) regulatory framework and, irrespective of this is accountable to Council for the effective management of the University, including its corporate risks and for all wider matters of compliance.

3.7 The University Executive Board is the senior, central leadership team of the University, and is collectively responsible for:
• championing and supporting a culture of effective risk management across the leadership and wider organisational structure of the University;
• developing, maintaining and reviewing this Risk Management Policy and ensuring it is delivered;
• the collective identification of risks and reviewing of the corporate risk register to ensure that it covers the main risks facing the University;
• the identification and reviewing of individual corporate risks, including the assignment of an UEB owner to each corporate risk. The UEB owner has responsibility for ensuring the risk is managed, reviewed and the controls are effective and implemented;
• receiving reports on each corporate risks to provide an in-depth understanding of the nature of each corporate risk and to test the effectiveness of the controls to respond to or mitigate each corporate risk.

3.8 The Finance Director has lead management responsibility on behalf of UEB for:
• implementing the Risk Management Policy;
• updating the corporate risk register;
• promoting Risk Management and ensuring its effectiveness across the University;
• ensuring that designated individuals receive the necessary training, ongoing support and advice in connection with risk management;
• chairing the Risk Review Group.

3.9 The aim of the Risk Review Group is to:
• review and own the Risk Management process;
• review the corporate and departmental risk registers;
• create and review a corporate risk register;
• review and update the Risk Management Policy.

3.10. The terms of reference for the Risk Review Group are:

• review the risk management process;
• seek assurance that risk management practices are embedded within the University
• review the corporate and departmental risk registers to ensure consistency and sharing of best practice;
• recommend the movement of risks between the corporate and department risk registers;
• monitor progress against action plans;
• review internal audit reports relevant to risk management;
• report to UEB, Audit & Risk Committee, Finance Committee and Council on the management of risk across the University;
• implement and monitor risk management arrangements across the organisation at all levels.

3.11. All employees are expected to have an understanding of the nature of risk within the University and those acting on behalf of the University must further accept responsibility for risks associated with their activities.

3 Risk Management Structure

4.1 To ensure that the University has a full understanding of the risks being faced and the implications for the business, risks will be identified and assessed at three levels, Corporate, Departmental and Project.

4.2 To ensure a consistent understanding across the organisation the definitions for the levels of risk being captured at the University are:

• Corporate: Those business risks that, if realised, could have a significant detrimental effect on the University’s key business processes, activities, governance or reputation. The risk realisation may lead to inefficiency, ineffectiveness, loss of opportunity, compliance issues arising from legal/ regulatory environment or harm to institutional reputation.
• Departmental: Those business risks that, if realised, could have a significant detrimental effect on a department or directorate’s key business processes, activities or reputation. The risk realisation may lead to inefficiency, ineffectiveness, loss of opportunity or harm to reputation
• Project: Those business risks that, if realised, could have a significant detrimental effect on the outcome of a project.

5 Risk Assessment Definitions

Likelihood and impact

5.1 Likelihood is defined as the probability of the realisation of a risk.
5.2 Impact is defined as the effect of a risk if it is realised.

Controls

5.3 These are the mechanisms and arrangements that are in place within the University to either reduce the likelihood of occurrence of the risk or minimise the impact of the risk if it does occur.
An internal control system encompasses the policies, processes, tasks, behaviours and other aspects of the University that, taken together:

- facilitate its effective and efficient operation by enabling it to respond appropriately to significant business risks. This includes the safeguarding of assets from inappropriate use or from loss and fraud, and ensuring that liabilities are identified and managed;
- help to ensure the quality of internal and external reporting. This requires the maintenance of proper records and processes that generate a flow of timely, relevant and reliable information; and
- help to ensure compliance with applicable laws and regulations, and also with internal policies.

Once a risk has been identified and assessed then controls and actions can fall into the following categories:

- **Tolerate** - accept the risk
- **Treat** - take cost effective actions to reduce the risk
- **Transfer** - let someone else take the risk (e.g. by insurance or passing responsibility for the risk to a contractor)
- **Terminate** - agree that the risk is too high and do not proceed with the project or activity

**Residual Risk**

5.4 The residual risk is defined as the risk that remains even taking account of the relevant controls.

**Risk Appetite**

5.5 The University recognises that its risk appetite will change continuously over time as a response to changing circumstances. Moreover it is not possible to quantify a single, overall risk appetite. Rather at a given point in time the University will be willing to accept additional risk in some areas (in order to achieve additional returns) and will be seeking to reduce risk in other areas. Therefore the risk appetite of the University will be described by specifying the different key areas in which it is desirable to increase or decrease risk. The statement of risk appetite will be kept under review and updated as necessary.

5.6 The University’s whole-of-institution appetite for risk is displayed in Appendix 2

### 6 Risk Scoring

6.1 The University of York has adopted a scale of 1 to 5 to measure likelihood and impact. The most significant risks will be identified by multiplying likelihood by impact.

<table>
<thead>
<tr>
<th>Likelihood</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highly likely to occur</td>
<td>5</td>
</tr>
<tr>
<td>Significant likelihood of occurring</td>
<td>4</td>
</tr>
<tr>
<td>Moderate likelihood of occurring</td>
<td>3</td>
</tr>
<tr>
<td>Unlikely to occur</td>
<td>2</td>
</tr>
<tr>
<td>Highly unlikely to occur</td>
<td>1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Likelihood</th>
<th>Impact</th>
</tr>
</thead>
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<td>Highly likely to occur</td>
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<tr>
<td>Moderate likelihood of occurring</td>
<td>3</td>
</tr>
<tr>
<td>Unlikely to occur</td>
<td>2</td>
</tr>
<tr>
<td>Highly unlikely to occur</td>
<td>1</td>
</tr>
<tr>
<td>Overall Rating</td>
<td>Score (Likelihood * Impact)</td>
</tr>
<tr>
<td>---------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td>Severe</td>
<td>15 - 25</td>
</tr>
<tr>
<td>High</td>
<td>8 - 12</td>
</tr>
<tr>
<td>Medium</td>
<td>4 - 7</td>
</tr>
<tr>
<td>Low</td>
<td>1 - 3</td>
</tr>
</tbody>
</table>

Appendix 1 contains further details on the definitions of impact and likelihood.

7 Risk Reporting

The cyclical risk management reporting and monitoring are key to the effective risk management. This section outlines the risk reporting undertaken at the University.

7.1 Risk Management Policy
Council is responsible for the approval, and approval of material changes to, the Risk Management Policy on the recommendation of Audit and Risk Committee. For the purpose of executive ownership, all major changes for approval are escalated to Audit and Risk Committee from UEB.

7.2 Corporate Risks
The University of York will maintain and regularly review and update a corporate register of key risks facing the University, which should be subject to review as follows:

<table>
<thead>
<tr>
<th>Council</th>
<th>Review of the Corporate Risk Register on an annual basis (normally at its final meeting of the academic year, OR first meeting of the following academic year).</th>
</tr>
</thead>
</table>
| Audit and Risk Committee | • Review the Corporate Risk Register on an annual basis ahead of its consideration by Council, providing advice and assurance to Council as required.  
• Receive and consider risk judgments via internal audit through individual internal audit reports and as part of its annual opinion derived from its internal audit annual report.  
• Provide an overview and annual opinion to Council and the Vice-Chancellor on the adequacy of the risk management arrangements to Council through the Audit Committee Annual Report, for onward submission to the OfS. |
| Other sub-committees | Other Council and Senate sub-committees may consider the corporate risk(s) most relevant to the remits of their committees on an annual basis |
| UEB               | • Consider the full corporate risk register at least twice per year on the recommendation of the Risk Review Group;  
• Consider a paper and presentation on each corporate risk on an annual basis, in line with an agreed schedule. |

7.3 Departmental risks
Academic departments and support services will review the risks facing them and record their most important risks on their risk registers. The Deans of Faculty/Registrar & Secretary will submit details of the risks in their areas to the Risk Review Group.

7.4 The Risk Review Group will receive details of the risks from Faculties, Professional Services & Subsidiaries and make recommendations to UEB to incorporate these risks into the corporate risk register.

7.5 Project risks
Risks associated with projects will be reviewed by the Planning Committee, Capital Management Group, Operations Group or other committee depending on the nature of the project. The Registrar & Secretary, Director of Planning and Finance Director will ensure that risks identified at the project approval stages which may have wider impact are considered in the course of reviews of the corporate risk register.

7.6 The overall risk governance structure is shown below:
7.7 The hierarchy of risk reporting is shown:
7.8 The risk reporting structures are based on the feedback loops outlined below:

- **Department prepares and maintains Risk Register**
  - Faculty review
    - Feedback to Departments
  - Prepare Faculty risk register and submit to Risk Review Group
    - RRG reviews Faculty registers and submits report to UEB
      - Feedback to Faculties
    - UEB receives report from RRG
      - Feedback to Risk Review Group
7.9 Academic Departments Risk Reporting

Departments prepare and maintain Risk Registers. These registers are reviewed by Faculties. These groups then construct a composite risk register of the top risks in the area which is reported up to Risk Review Group. The Risk Review Group then reviews these composite Risk Register and submits them to UEB.

The above process is supplemented by regular reports from Deans of Faculties to UEB regarding the issues/risks arising within their faculty. This reporting process picks up any urgent/important items that are not identified by the regular reporting route.

The detailed review process for Academic Departments is:

1. Initial Deans Support Group (“DSG”) review to identify any disparities/similarities of risks between departments
2. Core risks will be identified and where DSG thinks it needs to resolve any material differences this will be raised with each department (prior to Faculty Executive Group (“FEG”))
3. A consolidated version of the departmental risks will be produced (i.e. where the commonality lies) and will highlight this to departments at first Faculty Executive Group Meeting (FEG) of the academic year where issues will be resolved and the draft Faculty Risk Register will be finalised.
4. The final version of Faculty risk register will be confirmed before the end of the calendar year at the second FEG. Minutes for this will be circulated to Risk Review Group UEB so that feedback loop will be completed.
5. Deans will actively reconsider the Faculty risk register twice during the year - Q1 (at October FEG) when student numbers are finalised and the second at the end of MTP cycle.

7.10 Professional Services Risk Reporting

All the risk registers for Professional Services will be presented to Operations Group for review. The Professional Services have very different activities so it is unlikely that consolidation of risks will be feasible, however Operations Group will prioritise the top risks.

7.11 Subsidiaries Risk Reporting

The University Subsidiaries fall into three groups:

1. Commercial Trading entities – YHEC, BDC, PC-MIS
2. Trading entities that are fully embedded into the University commercial activities – York Conferences, York Energy Co, York Sports Village, Student Accommodation 3 LLP
3. Other entities which are either small or exist only for administrative reasons – Amaethon, Property Co, Stodham Investments.

The reporting lines for each group are:

1. Commercial Trading entities – risk reports via Subsidiaries Management Group
2. Embedded Trading entities – risk reports via Operations Group and Subsidiaries Management Group
3. Other entities – no risk reports

If any new subsidiaries are created then their reporting line will be considered by Risk Review Group.
7.12 Strategic Risk Reporting

UEB members report on Strategic Risks in their area of operations on an annual cycle.
# Appendix 1 Definition of Impact and Likelihood

## Impact and Likelihood

<table>
<thead>
<tr>
<th>Impact Area</th>
<th>Negligible</th>
<th>Modest</th>
<th>Significant</th>
<th>Major</th>
<th>Extreme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall for the University</td>
<td>Can be dealt with internally at the Department level. No escalation of the issue required. No media attention. No or manageable stakeholder or client interest.</td>
<td>Can be dealt with at a department level but requires Executive notification. Delay in funding or change in funding criteria. Stakeholder or client would take note.</td>
<td>Recovery from the event requires cooperation across departments. May generate media attention.</td>
<td>Significant damage to Department credibility or integrity. Event that requires a major realignment of how service is delivered. Significant event which has a long recovery period. Failure to deliver a major commitment.</td>
<td>Major problem from which long lasting damage to the organisation is felt Complete loss of ability to deliver a critical program.</td>
</tr>
<tr>
<td>Strategic Objectives</td>
<td>University/ Faculty/ Dept is just achieving most of its objectives, but the objectives need review.</td>
<td>University/ Faculty/ Dept achieves its objectives as planned however its peers are upping their game and improvement plans are being established.</td>
<td>Delayed achievement of University/ Faculty/ Dept objective. Achievement of University/ Faculty/ Dept objective but with areas of concern. Peer group has already implemented ambitious strategies.</td>
<td>Failure to achieve a University/ Faculty/ Dept objective.</td>
<td>Failure to achieve several University/ Faculty/ Dept objectives. University/ Faculty/ Dept Strategy is out of date not in line with external trends/market.</td>
</tr>
<tr>
<td>Reputation (Note 1)</td>
<td>Low consequence politically. Local short term media interest. Isolated community complaints. Reputation contained.</td>
<td>Some community complaints. Possible local long term media interest and/or correspondence with VC’s office. Some reputational damage.</td>
<td>Significant complaints. National short term media interest and/or VC has been questioned. Loss of credibility - Real reputational damage.</td>
<td>Major complaints. National short term media interest and/or Ministry Office have been questioned. Major loss of credibility - Major reputational damage.</td>
<td>Parliamentary questions with National long term media interest. Catastrophic reputational damage</td>
</tr>
<tr>
<td>Financial</td>
<td>Meeting or exceeding financial targets but with minor risk of maintaining this performance beyond the MTP period.</td>
<td>Marginally achieving financial targets, or marginal miss of targets in one year period.</td>
<td>Concerning miss of financial targets in one year. Recovery plan is deliverable.</td>
<td>Persistent missing of targets in many years over the MTP period No deliverable recovery plan.</td>
<td>Persistent missing of targets in many years over the MTP period Consistent and worsening trend in missing financial targets over the MTP period No deliverable recovery plan therefore escalated to University level.</td>
</tr>
</tbody>
</table>

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**Note 1:**

- Low consequence politically.
- Local short term media interest.
- Isolated community complaints.
- Reputation contained.
- Some community complaints.
- Possible local long term media interest and/or correspondence with VC’s office.
- Some reputational damage.
- Significant complaints.
- National short term media interest and/or VC has been questioned.
- Loss of credibility - Real reputational damage.
- Major complaints.
- National short term media interest and/or Ministry Office have been questioned.
- Major loss of credibility - Major reputational damage.
- Parliamentary questions with National long term media interest.
- Catastrophic reputational damage.
<table>
<thead>
<tr>
<th>Impact Area</th>
<th>Negligible</th>
<th>Modest</th>
<th>Significant</th>
<th>Major</th>
<th>Extreme</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Core Activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impact</td>
<td>Consequences are dealt with by routine operations.</td>
<td>Consequences would not threaten the provision of key services, but would have a medium term impact meaning the organisation could be subject to a significant review or change in operating procedures.</td>
<td>Consequences may threaten continued effective provision of services and require top level management intervention.</td>
<td>Consequences would threaten continued effective provision of services and require top level management intervention.</td>
<td>Consequences would affect the long term provision of key services, causing major problems for the organisation, and threatening its existence.</td>
</tr>
<tr>
<td>Small fall in service levels, Staff disengagement in one area, Some minor quality standards not met.</td>
<td>Moderate fall in service levels, Staff disengagement across many areas, Quality requirements partly met. Student relationships strained. Project &amp; grant delays.</td>
<td>Significant fall in service levels, Noticeable staff disengagement requiring targeted University wide response Quality specifications not met. Students go elsewhere. Project &amp; grant requirements not achieved.</td>
<td>Major fall in service levels, Widespread staff disengagement requiring University wide response Major loss or reduction in quality of research outputs &amp; grant values, achievement of 1st degrees, student satisfaction &amp; employability, international students.</td>
<td>Catastrophic fall in service levels. Long term and widespread staff disengagement requiring University wide response Catastrophic loss or reduction in quality of research outputs &amp; grant values, achievement of 1st degrees, student satisfaction &amp; employability, international students.</td>
<td></td>
</tr>
</tbody>
</table>

| **Legal/Statutory** |
| Impact | Internal investigation necessary to identify learnings and prevent future occurrences | Reporting required to regulator Investigation by regulator Reprimand from regulator | | |

<p>| <strong>Safety (Note 1)</strong> |
| Impact | Minor incident causing injury/disease to one or more persons | Single major injury, or long term incapacity / disability (mental or physical) A number of major injuries, or long term incapacity / disability (mental or physical), localised disease outbreak | Incidents of death or major permanent incapacity (mental or physical), widespread disease outbreak. | Negligence resulting in multiple incidents of death or major permanent incapacity, regional/national disease/chemical outbreak. |</p>
<table>
<thead>
<tr>
<th>Level</th>
<th>Colour</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low risk</td>
<td></td>
<td>1-3</td>
</tr>
<tr>
<td>Medium risk</td>
<td></td>
<td>4-8</td>
</tr>
<tr>
<td>High risk</td>
<td></td>
<td>9-12</td>
</tr>
<tr>
<td>Severe risk</td>
<td></td>
<td>15-25</td>
</tr>
</tbody>
</table>

**Notes and Guidance**

Note 1: If reputation or safety are significant, major or extreme then this is likely to override the other risk areas

**Financial Targets**
These are the targets for the entity, e.g. profits for subsidiary companies, budgets for professional services

**Regulator**
This depends on the activity, e.g. Health and Safety Executive, Office for Students, Border Agency

**Core Activities**
This includes teaching and research conducted by academic departments, as well as services provided by professional services.
Appendix 2 Risk Appetite

The diagram illustrates the net risk appetite across different categories, ranging from 'Unacceptable to take risks' to 'Higher willingness to take risks'. Each category is color-coded from 'Low' to 'Severe', with intermediate levels of 'Moderate' and 'Major'. The categories include:

1. Research
2. Teaching and Learning
3. Student Experience
4. Capital Developments
5. Student Numbers
6. People and Culture
7. Financial Performance and Sustainability
8. Compliance, Regulation & Ethics
9. Reputation

Each category shows a gradient from 'Comfortable' to 'Dangerous', indicating the willingness to take risks.