University of Edinburgh Risk Policy and Risk Appetite

1. Pushing the boundaries of knowledge, innovating, and implementing strategic developments will always have risks. Effective risk management increases the probability of successful outcomes, whilst protecting the reputation and sustainability of the University.

2. The management of risks in the University is undertaken within a framework comprising
   a. governance processes
   b. a defined Risk Policy and Appetite statement.
   c. identification, evaluation and management of significant risks
   d. assurance and audit processes,
   e. the underlying policy and control environment.

3. The Statement of Risk Policy and Appetite specifies the amount of risk the University is willing to seek or accept in the pursuit of its long term objectives. It indicates the parameters within which the University would want to conduct its activities. The statement below has been considered by the University Central Management Group and was formally adopted by the University Court at its meeting on 24 June 2013 and endorsed at its meeting on 23 June 2014. It was approved by Court on 22 June 2015 with minor amendments and endorsed by Court on 20 June 2016 and re-endorsed by Court on 19 June 2017.

4. In terms of priorities, the need to avoid reputational, compliance and overall financial risk will take priority over other factors e.g. it will be acceptable to undertake risks in research activities providing they do not expose the University to undue reputational, compliance or financial risk. Similarly, the University is open to innovation in education and student experience, if this supports and enhances its reputation and does not expose it to undue finance or compliance risks. A balanced assessment has to be taken of risks – in many cases there are risks attached to both doing something and doing nothing.

5. Given the devolved nature of the University, the Statement is intended to act as a guide to academic and professional managers and committees indicating
   a. the areas where colleagues should step out and be innovative,
   b. the areas where colleagues should be conservative and compliant in their activities, and
   c. the “lines” across which the University Court and senior management would not wish to cross, and where the University’s senior management and Court would need to be notified.

6. Where appropriate, the implementation of the Statement will be incorporated into processes and procedures of the University.

7. Responsibility for managing the activities of the University within the Statement of Risk Policy and Risk Appetite lies with the management of the University in particular Heads of Colleges, Schools, Support Services and Subsidiary Companies, as well as key University and College Committees.
Statement of Risk Policy and Risk Appetite

The University’s approach is to minimise its exposure to reputational, compliance and financial risk, whilst accepting and encouraging an increased degree of risk in pursuit of its mission and objectives. It recognises that its appetite for risk varies according to the activity undertaken, and that its acceptance of risk is subject always to ensuring that potential benefits and risks are fully understood before developments are authorised, and that sensible measures to mitigate risk are established.

The University’s appetite for risk across its activities is provided in the following statements, and is illustrated diagrammatically.

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<th>Unacceptable willingness to take risks</th>
<th>Higher willingness to take risks</th>
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<td>1 2 3 4 5 6 7 8 9 10</td>
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**Reputation** – It is regarded as critical that the University preserves its high reputation. The University therefore has low appetite for risk in the conduct of any of its activities that puts its reputation in jeopardy, could lead to undue adverse publicity, or could lead to loss of confidence by the Scottish and UK political establishment, and funders of its activities.

**Compliance** – The University places great importance on compliance, and has no appetite for any breaches in statute, regulation, professional standards, research or medical ethics, bribery or fraud. It wishes to maintain accreditations related to courses or standards of operation, and has low appetite for risk relating to actions that may put accreditations in jeopardy.

**Financial** – The University aims to maintain its long term financial viability and its overall financial strength. Whilst targets for financial achievement will be higher, the University will aim to manage its financial risk by not breaching the following minimum criteria:

- achieve a target surplus of a minimum of an average of 2% of gross income per annum over any 3 year period except when Court approves a specific alternative
- operate with a Staff/Total Expenses ratio of less than 60%
- achieve a rate of return of at least 2% above inflation on its endowment investments over a 3 year period
- ensure long term borrowings never exceed 20% of net assets except in exceptional circumstances as approved by Court
- ensure its surplus before interest always exceeds 2 times net interest charge except in exceptional circumstances as approved by Court
- ensure that at least three months equivalent spend is held cash or cash equivalents or in negotiated bank facilities

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1 These have been developed in conjunction with the Director of Finance

Approved by Court 19 June 2017
The above statements take priority over the statements of areas of risk appetite below

Research – The University wishes to be at the leading edge in the creation of knowledge and making a difference to society. It wishes to grow its research activities, and improve its performance in each REF assessment compared to the previous assessment. It recognises that that this will involve an increased degree of risk in developing research activities, and is comfortable in accepting this risk subject to a) limitations imposed by ethical considerations, and b) ensuring that potential benefits and risks are fully understood before developments are authorised and that sensible measures to mitigate risk are established.

Education and Student Experience – The University wishes to stimulate students to develop a lifelong thirst for knowledge and learning, and encourage a pioneering innovative and independent attitude and an aspiration to achieve success. It expects as a minimum to be in the top quartile of surveys related to student experience. It recognises that this should involve an increased degree of risk in developing education and the student experience, and is comfortable in accepting this risk subject always to ensuring that potential benefits and risks are fully understood before developments are authorised and that sensible measures to mitigate risk are established.

Knowledge Exchange – The University wishes to be amongst the leaders in transforming knowledge, ideas, skills, and expertise into advice, innovation, intellectual property, and enterprise, thereby enriching society. It recognises that developing this may involve an increased degree of risk, and is comfortable in accepting this risk subject always to ensuring that potential benefits and risks are fully understood before developments are authorised and that sensible measures to mitigate risk are established.

International Development – the University aims to achieve global impact in its activities and to promote research and other collaborations and staff/student exchanges with leading institutions across the world. It has a strong appetite for developing such networks to the extent that they support the mission and reputation of the University, a medium appetite for investing in research facilities overseas, and a low appetite for investing in the development of student campuses outside of the UK.

Major Change activities (e.g. projects, collaborations, mergers) – Major change activities are required periodically to develop the University, and to adapt to changes in the regulatory and technological environment and in the nature and conduct of the University’s activities. The University expects such changes to be managed according to best practice in project and change management, and has low appetite for deviating from such standards.

Environment and Social Responsibility – The University aims to make a significant, sustainable, and socially responsible contribution to Scotland, the UK and the world through its research, education, knowledge exchange and operational activities. It recognises that this should involve an increased degree of risk and is comfortable in accepting this risk subject always to ensuring that potential benefits and risks are fully understood before developments are authorised and that sensible measures to mitigate risk are established.

People and culture – The University aims to value, support, develop and utilise the full potential of our staff to make the University a stimulating and safe place to work. It places importance on a culture of academic freedom, equality and diversity, dignity and respect, collegiality, annual reviews, the development of staff, and the health and safety of staff, students and visitors. It has low appetite for any deviation from its standards in these areas.

Approved by Court 19 June 2017