

Risk Methodology

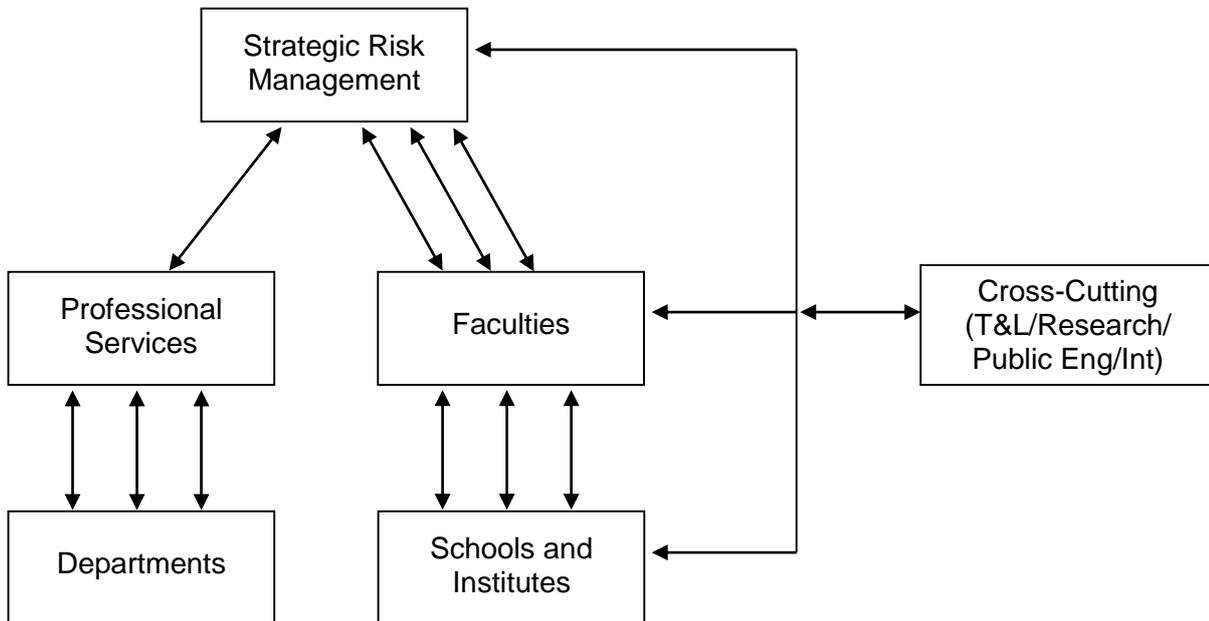
Introduction.....	2
The Risk Management Structure.....	2
The Risk Management Cycle.....	2
Methodology.....	3
Appendix 1 - Definition of Impact.....	5
Appendix 2 - Definition of Likelihood.....	6
Appendix 3 - Definition of Controls.....	7
Appendix 4 - Risk Severity and Risk Matrix.....	8

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Introduction

QMUL's risk management methodology conforms to standard practice, but is tailored to QMUL's requirements and reflects its internal systems and procedures, for example, relating each risk to Strategic Aims and Objectives.

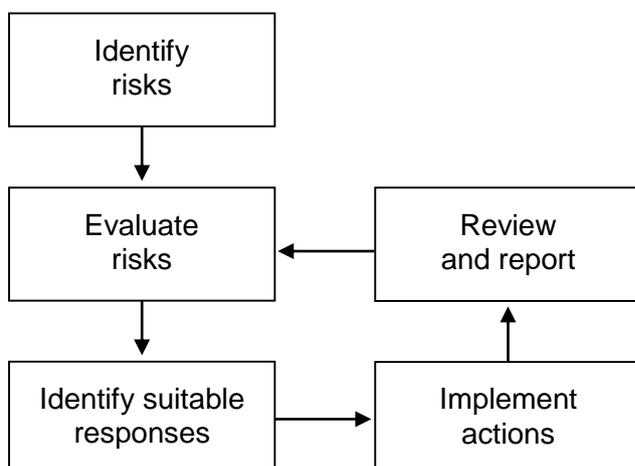
The Risk Management Structure



Risk management takes place at all levels and in all areas of QMUL, using the same methodology and reporting through the use of Risk Registers. These are essentially the same at each level, although additional reports are produced at the Strategic Level, for reporting to Audit and Risk Committee, and Council.

Risks from the Strategic Register which are specifically relevant to a particular department, faculty, or school will be cascaded down to the lower level risk register by the representative of that area on the SRMG. Similarly, risks on school, department, or faculty risk registers which are considered to have a strategic impact will be cascaded up by that same representative.

The Risk Management Cycle



Because circumstances change and initial responses may not be effective, regular review is an important part of managing risk.

Methodology

Risk Groups

Risk is grouped according to the strategic area that it relates to:

- Student recruitment
- Student experience
- High quality staff
- Research quantity and quality
- Development and implementation of the Life Sciences strategy
- Innovation and Impact
- Design and delivery of high quality portfolio of programmes
- Commitment to public engagement
- Reputational development and external relations
- Partnerships
- Sustainable income streams for activities
- Cost control, VFM and expenditure
- Maintain effective and constructive governance
- Failure to develop and implement strategic development projects in support of the College's overarching Strategic Plan
- Security of people, assets and data appropriate contingency arrangements for facilities and functions

Risk Score

This is a product of the *Impact* score multiplied by the *Likelihood* score, which is calculated twice:

The **Initial Risk Score** represents the initial estimation of the severity of the risk:

Initial risk score	Impact x Likelihood before controls are in place
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The **Residual Risk Score** is calculated by reassessing the risk taking into consideration the effect of the current controls on the Impact and likelihood:

Residual risk score	Impact x Likelihood with current controls are in place
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Impact

This indicates the seriousness of the risk materialising, and is scored on a scale of 1 – 5:

1. Negligible
2. Minor
3. Moderate
4. Major
5. Catastrophic

(see Appendix 1)

Likelihood

This represents the likelihood of the risk materialising, and is scored on a scale of 1 – 5:

1. Rare
2. Unlikely
3. Possible
4. Likely
5. Almost Certain

(see Appendix 2)

Controls

These are actions that are intended to manage risk by reducing its impact, its likelihood of occurrence, or both. They should be genuine, practicable and realistic.

(see Appendix 3)

Direction of Travel

The Risk Register allows for the current ratings to be compared with those from the previous register. The Direction of Travel indicates whether the measure it relates to has *Improved* (↓), *Worsened* (↑) or is *Unchanged* (↔).

Further Actions

These can be considered as actions to be taken to mitigate against the risk materialising. May be thought of as controls that have yet to be implemented.

Owner and Lead Officer

The **Owner** has overall responsibility for the management and reporting of the risk, and may be an individual or a committee.

The **Lead Officer** has operational responsibility for the risk, ensuring that mitigating actions (Controls) are in place and ensuring that they are operating effectively.

Strategic Objective

Each risk is related to one or more Strategic Objective, as published in the ‘Strategic Plan 2014 – the next five years’.

Term

This is the period in which the risk may occur:

- Short Up to 2 years
- Medium Likely to continue for 2 to 5 years
- Long Lasting more than 5 years

Risk registers can be updated using the Risk Register web application
<https://webapps2.is.qmul.ac.uk/risk>

APPENDIX 1

Definition of Impact

Impact indicates the potential seriousness should the risk materialise.

Score	Impact	Possible consequences	Examples
1	Negligible	Minimal impact or no discernable impact at all.	<ul style="list-style-type: none"> ▪ slippage by one or two points in a newspaper league table
2	Minor	<p>Impact of risk materialising or opportunity lost is unlikely to have any permanent or significant effect on performance or reputation:</p> <ul style="list-style-type: none"> ▪ loss of less than 1% of total turnover ▪ no regulatory consequence ▪ minor adverse publicity ▪ minor reversible injury 	<ul style="list-style-type: none"> ▪ failure to apply for low value research grant ▪ limited assurance of risk management audit ▪ failure to improve in National Student Survey
3	Moderate	<p>Impact of risk materialising or opportunity lost will have a significant effect on performance or reputation in the short term:</p> <ul style="list-style-type: none"> ▪ loss of up to 2% of total turnover in any year ▪ limited regulatory consequence ▪ local adverse publicity ▪ major reversible injury 	<ul style="list-style-type: none"> ▪ overspend on capital programme ▪ academic programme fails QAA audit ▪ sustained fraud reported in relation to public funding
4	Major	<p>Impact of risk materialising or opportunity lost will have a serious effect on performance or reputation in the medium term:</p> <ul style="list-style-type: none"> ▪ loss of over 2% of total turnover in any year ▪ significant threat to a key business area ▪ major savings programme required to address this in the medium term ▪ significant regulatory consequence ▪ negative headlines in national press ▪ irreversible injury or death 	<ul style="list-style-type: none"> ▪ collapse of overseas recruitment ▪ discipline's financial position requires major restructuring programme to regain sustainability ▪ health and safety regime found to be non-compliant and reported by national press
5	Catastrophic	<p>Impact of risk materialising or opportunity lost will have a serious effect on performance or reputation in the long term:</p> <ul style="list-style-type: none"> ▪ loss of over 2% of total turnover in consecutive years ▪ closure of a key business area ▪ substantial regulatory consequence ▪ sustained negative headlines in national press ▪ irreversible injury or death 	<ul style="list-style-type: none"> ▪ HEFCE ceases to fund research ▪ major discipline is unsustainable ▪ failure to satisfy institutional audit ▪ falsification of health-related research results condoned at a high level

APPENDIX 2

Definition of Likelihood

Likelihood indicates the chance of a risk materialising in the given Term:

Score	Likelihood	Chance
1	Rare	up to 2% chance
2	Unlikely	up to 5% chance
3	Possible	up to 10% chance
4	Likely	up to 20% chance
5	Almost Certain	50% or over

APPENDIX 3

Controls in Place

Indicates the extent to which the Controls have been implemented:

- A Implemented and operating effectively
- B Identified and being implemented
- C Not yet identified, incomplete or not operating effectively

Definition of Controls

Controls are those actions which are taken to lower the impact of the risk or reduce the likelihood of the risk materialising, or both of these.

The possible effects of Controls are to:

- **avoid** risk, where the only option might be not to proceed with an activity or to withdraw from it
- **seek** risk, where risks have desirable potential consequences
- **modify** risk, to optimise potential opportunities and minimise threats
- **transfer** risk by measures including insurance, contractual arrangements, partnerships and joint ventures
- **retain** risk, where no further worthwhile actions can be devised and the risk is within the risk appetite (see below), or the only remaining responses are unacceptable for some reason.

One way of determining Controls is to consider the indicators of risks materialising and how these might be anticipated. For example:

Risk	Indicator	Control
Negative student experience	NSS score	Internal survey that gives an early indication of NSS score
Quality of research is inadequate	National research assessment score	Review of research quality by external expert
Quantity of research is inadequate	Number of postgraduate research students	Benchmarking PGR numbers against competitor HEIs

APPENDIX 4

Risk Severity

The severity of the *Residual Risk* is broken down into three levels, with actions accorded using a 'traffic light' system as follows:

GREEN 0 - 6.9	Low risk	Review at least annually
AMBER 7 - 13.9	Medium risk	Review and monitor 6-monthly as a minimum and quarterly if necessary
RED 14 - 25	High risk	Review constantly and monitor monthly

Risk Matrix

The Risk Matrix is a graphical representation of the *Risk Severity* and the extent to which the *Controls* mitigate it. This is used only at the Strategic level for reporting to the Audit and Risk Committee and Council.

IMPACT	Catastrophic Impact of risk materialising or opportunity lost will have a serious effect on performance or reputation in the long term: <ul style="list-style-type: none">- loss of over 2% of total turnover in consecutive years- closure of a key business area- substantial regulatory consequence- sustained negative headlines in national press- irreversible injury or death	6						
	Major Impact of risk materialising or opportunity lost will have a serious effect on performance or reputation in the medium term: <ul style="list-style-type: none">- loss of over 2% of total turnover in any year- significant threat to a key business area- major savings or programme required to address this in the medium term- significant regulatory consequence- negative headlines in national press- irreversible injury or death	4						
	Moderate Impact of risk materialising or opportunity lost will have a significant effect on performance or reputation in the short term: <ul style="list-style-type: none">- loss of up to 2% of total turnover in any year- limited regulatory consequence- local adverse publicity- major reversible injury	3						
	Minor Impact of risk materialising or opportunity lost is unlikely to have any permanent or significant effect on performance or reputation: <ul style="list-style-type: none">- loss of less than 1% of total turnover- no regulatory consequence- minor adverse publicity- minor reversible injury	2						
	Negligible Minimal impact or no discernible impact at all	1						
Risk Severity		1	2	3	4	5	6	
High (14-26)		Rare	Unlikely	Possible	Likely	Almost Certain		
Moderate (7-13.9)		2% likely to happen	5% likely to happen	10% likely to happen	20% likely to happen	50% or over		
Low (0-6.9)		LIKELIHOOD						