

RISK MANAGEMENT METHODOLOGY

This paper sets out how Goldsmiths judges risk, and how these judgments are used to inform management. The Risk Management Policy sets out the overall framework for risk management, and this paper should be read in the light of that policy.

Concepts

We judge a risk in terms of its **likelihood** of coming to pass, and the **impact**, on the College as a whole, should the risk occur. These two factors combine to determine the **level of risk**, using a standard table.

The judgements about likelihood and impact, and hence of the level of risk, take into account actions the College is already taking. The College does not yet use the distinction between raw and residual risk, as being unnecessarily complicated. Judgements about risk are based upon the current actual state of affairs, and do not therefore include planned actions. Equally we do not use numbers to define levels of risk, to avoid the problems of inappropriate arithmetical risk calculation.

Having made judgments about the level of risk that we face, we use those judgments to inform action. If we are unhappy with the level of risk, we can decide to do more about it (add more controls, in the language of risk management); if we are content with the level of risk, no change to control is necessary; if we think that we could bear a little more risk, we can relax the controls that we have.

Likelihood

The following descriptors are used in assessing likelihood:

Likelihood	Very likely	Almost certain to happen.
	Likely	More likely to happen than not.
	Possible	The risk is as likely as not to come to pass.
	Unlikely	Less likely to happen than not to happen, but not impossible.
	Very unlikely	Very unlikely to happen.

We have deliberately refrained from using numeric indicators of probability, in order to avoid a false sense of accuracy. Remember that a judgment about likelihood is just that – a judgment.

Impact

The following descriptors are used in assessing the impact of a risk:

Impact	Very serious	The College's sustainability is threatened; the issue would predominate Council discussions and those of the Senior Management Team
	Serious	The College's strategic plans, and operation, would be severely affected; considerable time and other resource would need to be expended to address the issues
	Moderate	This describes either small issues which affect all or most of the College, or more significant issues which have a more restricted impact. In either event, actions in response might require the reallocation of budgets, but this would be within the contingencies and normal expectations of management time.
	Minor	Only small changes to procedures, plans or actions would be necessary to accommodate this, although the event might have an impact upon more than one or two of the College's departments
	Insignificant	Only a small number of people in the College would be affected; any issues that arise could be considered 'business as usual'

The impact is the impact on the College as a whole of the risk coming to pass. It is very important to remember this, otherwise the risk register will not be a useful tool to make choices and prioritise actions.

Departments will have their own risk registers, addressing risks to the department alone. These are useful and necessary for departments, but the results cannot simply be read across to the College's risk register: the judgments about impact will need to be recast in the light of the structure above. This does not preclude risks identified within a department's risk register making it onto the College's risk register (or even onto the strategic risks which are flagged for Council's attention), but it does mean that some thought and judgment needs to be applied in considering them as a wider risk.

Risk-Management Sub-Committee will develop guidance for departments on their risk registers. This will include how to deal with risks which are common across departments, but not identified centrally. This might be dealt with by starring of risks by departments in their own registers, to prompt specific consideration by Risk Management Sub-Committee. In developing guidance the Sub-Committee will consider the varying needs of different departments and the varying capacities of departments to deal with risk management. It is likely that we will pilot a small number of different approaches before issuing final guidance on departmental risk registers.

Risk Table

Judgments on likelihood and impact of a risk are used to determine the level of risk which is associated with a particular issue. To ensure that the level of risk is consistently assigned, the following table is used:

		Impact on the College				
		Insignificant	Minor	Moderate	Serious	Very Serious
Likelihood	Very likely	Low	Medium	High	Very high	Very high
	Likely	Low	Medium	Medium	High	Very high
	Possible	Low	Low	Medium	Medium	High
	Unlikely	Low	Low	Low	Medium	Medium
	Very unlikely	Low	Low	Low	Low	Low

The terms *Low*, *Medium*, *High* and *Very high* in this table have their commonsense meanings. They provide a basis for prioritising management actions, but because they are based upon judgments, they are amenable to interpretation.

Registers

The Risk-Management Sub-Committee maintains the College's risk register. This comprises all of the identified risks facing the College, and includes judgments made by the Risk Management Sub-Committee on the likelihood and impact of the risks, and hence on the level of risk associated.

The most significant (highest) risks which arise from this register form the strategic risk register. These are the risks which will be described in more detail and specifically drawn to the attention of SMT.

Each Department in the College will be encouraged to maintain its own risk register. This is because an understanding of the risks facing the department will help Heads of Department and their management teams in making better decisions about strategy and action. The departmental risk register should focus on risks to the department, using the descriptors for impact and likelihood above, read so as to be relevant to the departmental context.

Reporting

The Risk-Management Sub-Committee will report, after each meeting, to SMT. This report will set out in detail the strategic risk register, and give an overview of the College's risk register, to give SMT context for the strategic risk register. This will enable SMT to take action as necessary in the light of the identified risks. Risk Management Sub-Committee

will also flag the changing levels of risk in the risk register – what are the rising risks which are likely to be significant in the future?

SMT will report to Audit Committee on the strategic risk register. This is to enable Audit Committee to advise Council on the College's use of risk management, and is the means where by the requirements of the HEFCE Audit Code of Practice are met. Audit Committee's reporting to Council will depend upon the content of the risk registers and action taken, but may be annual or more frequent, and will be a conduit for reporting of the risk registers themselves.

Once a year, the Risk Management Sub-Committee will ask to see a department's risk register. (These will be spread over the year to make the Sub-Committee's workload tolerable.) This will serve two purposes. Firstly, the Sub-Committee will be able to identify any risks which should be promoted to the College's risk register. Secondly, the information contained will help the members of the Risk Management Sub-Committee, and particularly those from the administrative and support departments, to respond as appropriate to the identified needs of the department concerned.

Development

In line with the risk management policy, we will be developing our approach to risk, learning from the experience of others and enhancing our approach in line with our capacity to make good use of more sophistication. Likely areas for development include addressing the issue of risks which have interactions (that is, one risk coming to pass affects the likelihood, impact or risk of another); and the impact of mitigating actions on raw risk (that is, the concepts of raw and residual risks).

Risk Management Sub-Committee

The membership of the Risk Management Sub-Committee is designed to ensure the right balance between formal working and informal sharing of knowledge and information.

[View membership of Risk Management Sub-Committee (with terms of reference) at <http://www.gold.ac.uk/committees/tor/smt/risk-management/>]

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