

UNIVERSITY OF WARWICK

Guidelines for Departments 2011: Completing the Risk Assessment Forms

1. Introduction

These Guidelines should be read alongside the general 5 Year Plan Guidelines issued by the Finance Office and the supplemental Guidelines on Undertaking a Departmental Risk Assessment. *Your Departmental Risk Assessment (along with the SWOT Analysis for non-academic departments) should be returned by **16 March 2012** to your Finance Contact Officer, copied to the Governance Team in the Deputy Registrar's Office by email to: risk.management@warwick.ac.uk.*

These Guidelines are aimed at individuals who are completing a Departmental 5 Year Plan and who may be unfamiliar with undertaking a SWOT Analysis and/or Risk Assessment at Warwick. They are not designed to be a comprehensive guide to developing Departmental strategy or analysing uncertainty in relation to risk and new opportunities. The inclusion within a 5 Year Plan Submission of the outcomes of the department's SWOT Analysis and Risk Assessment will help decision-making bodies to understand the needs of the department and to prioritise the allocation of resources.

You may also want to look at the summary of previous returns which give some examples of the range of issues you might want to consider. *All documents are available on the University website at <http://www.warwick.ac.uk/go/governance/riskmanagement/>* Additional examples and further advice can be provided by contacting the Governance Team.

The Guidelines outline how Departments can:

- (a) undertake a simple analysis of Strengths, Weaknesses, Opportunities and Threats (SWOT), noting that academic departments may wish to use instead the information regarding risks and opportunities provided in the Strategic Planning Log
- (b) use this to inform their 5 year plan
- (c) assess the uncertainty or 'risk' in undertaking, or indeed not undertaking, the Department's planned activities.

Electronic forms have been designed in Excel for easy input of the outcomes of a department's Key Objectives, SWOT (if applicable) and Risk Assessment. You are advised to complete these forms electronically as there are various hints and tips available on the electronic version. The forms (or worksheets) within the overall 'SWOT And Risk Assessment List' workbook can be downloaded from the University Governance webpages at the following address by logging in with your University username and password and then using the password "rmatwarwick", if required, to download the documents: <http://www.warwick.ac.uk/go/governance/riskmanagement/swotandrm/>

2. Undertaking a SWOT Analysis

Many Departments undertake a process of consultation as part of the 5 year planning already – the SWOT is just one simple way of facilitating and enhancing this process. For 2010/11 it is recognised that, as part of the Strategic Planning Process, academic departments will have completed a Department Strategic Planning Log for the consideration of the Academic Resourcing Committee. Academic departments are not therefore required to undertake a SWOT analysis (as in previous years) in addition to the completion of the Strategic Planning Log. However, academic departments are encouraged to use the information provided in the Strategic Planning Log to inform the development of the departmental Risk Assessment which is required to be submitted as part of the five year planning process.

When undertaking a SWOT Analysis and/or Risk Assessment will need to have a clear idea of the Department's strategic objectives which are requested in the five year plan commentary. It is helpful to have these available when completing the SWOT and identifying key areas of uncertainty. Therefore, a form entitled 'Objectives' has been included for you to list strategic objectives.

When looking at your Department's key strategic objectives, you should then consider the factors internal and external to the Department which will help or hinder attainment of those objectives. There is a worksheet entitled 'SWOT' for use by all non-academic departments where the following should be entered:

- (a) Internal Departmental **S**trengths: Attributes of the Department which are helpful to attaining Departmental objectives.
- (b) Internal Departmental **W**eaknesses: Attributes of the Department that could hinder attaining Departmental objectives.
- (c) External Departmental **O**pportunities: External conditions which are helpful to attaining Departmental objectives.
- (d) External Departmental **T**hreats: External conditions that could hinder attaining Departmental objectives.

The SWOT Analysis is a list of internal and external factors, not a list of current or proposed activities. It should, however, inform the consideration of what actions the Department should undertake in order to achieve its objectives and what uncertainty (or 'risk') is involved in doing so. The identification of Strengths, Weaknesses, Opportunities and Threats should inform the future strategies and related activities being put forward in the 5 year plan. While many of the external opportunities and threats may be outside of the Department's control, the Department should aim to:

- use its strengths as leverage for building a competitive advantage and achieving strategic objectives,
- correct weaknesses which may hinder success,
- capitalise on opportunities (and make preparations to be able to take advantage of unexpected opportunities that are in tune with a Department's strengths), and
- deter and minimise, where possible, potential external threats.

The 5 year planning summary can outline how proposed activities coincide with Strengths and Opportunities or how they might minimise threats or overcome weaknesses.

The departmental SWOT Analysis and Risk Assessment should be undertaken initially at an early stage in the development of your five year plan. With the aim of ensuring opportunities and risks from the full range of a department's activities are identified, Heads of Department are encouraged to engage a wide group of staff in the process, perhaps by discussing the SWOT Analysis or the Strategic Planning Log and Risk Assessment with the Departmental Management Group (or equivalent), together with those staff with responsibility for managing specific areas of risk and for departmental business continuity arrangements. Following the 5 year planning process, departments will wish to reconsider their risks in the light of the agreed Financial Plan which could inform the setting of priorities and actions to be taken.

3. Developing the Departmental Risk Assessment

a) Identifying Key Risks

The completion of the Strategic Planning Log or the SWOT Analysis should aid the Department in identifying the key risks to achieving Departmental objectives. For the purposes of the Departmental Risk Assessment, risk can be defined as any area where you cannot be sure of the outcome (i.e. key areas of uncertainty) and that, if realised, would hinder the Department in achieving its objectives. Risks can most easily be identified when considering those factors included in the 'Weaknesses' and 'Threats' sections of your Departmental SWOT Analysis for

example. However, there may also be risks associated with new opportunities which the Department wishes to develop or with strengths that may not be fully exploited. In order to aid assessment and monitoring of risks, the 'risk' however should be written as a negative statement rather than a neutral or positive one.

Departments are requested to identify their key 6 to 10 risks to achieving their Departmental objectives (and, where possible, there are direct risks to the achievement of University goals and objectives). When identifying risks to Department objectives, it is easy to identify initially a very long list of risks. In looking at the risks, however, it should be the case that many of them are closely related and can be combined into one key risk for the Department, noting the various elements within it. While risk should particularly be considered over the life of the 5 year plan and in relation to any activities proposed within it, it is important also to look to the more distant horizon of 10 – 15 years if there are any key areas of uncertainty that can be identified which would hinder Departmental strategic objectives.

As part of the risk identification process, you may wish to consider your Business Continuity Plans, any recent reviews undertaken (SDRs, ASDARs, etc.), and health and safety assessments which may inform some of the risks faced by the Department. Business Continuity Planning relates to identifying the crucial activities of the Department (linked to strategic priorities and activities), and how and when these may be recovered following a major system failure, emergency or incident.

b) Classifying Risks

The University uses eight general categories to classify risks:

R	Reputation
T	Teaching
Res	Research
S	Staffing issues
SA	Buildings and Facilities/ Health & Safety
F	Financial issues
O	Organisational issues
IT	Information and IT

On the 'Risk List' form in the workbook, please identify the key 6 to 10 risks for the Department and classify them within the most relevant category above. Risks are obviously inter-related and may touch on a number of the above categories, but just choose the one with the closest fit from the list provided. Also, it is helpful if the context of the 'risk' is briefly outlined. This can be included under each risk within the space for 'Contributing Factors'.

As risks are in part defined as those uncertainties which would hinder or halt the achievement of strategic objectives, a space is also given to note the particular objective(s) that would most be affected. It may be helpful here to reference the number of the particular strategic Departmental objective as outlined on your 'Objectives' sheet.

c) Analysing and Evaluating Key Risks

When considering the risks to achieving Departmental objectives, the next step is to consider what activities or management measures are being undertaken to minimise the likelihood of the risk occurring and/or its level of impact (or in the case of a new opportunity, to maximise the possibility and/or scale of success). These actions to minimise risk can be briefly outlined within the section entitled 'Management Measures in Place' for each of the risks. It is also helpful to identify in brackets the position of the person who is responsible for the measures. Sometimes these measures may be undertaken within the Department and sometimes they may be managed within the central administration, or indeed in liaison between both. Sample risks are given on the form for reference and further examples are available from the Governance Team, however, these will not be relevant to all departments and are given as an indication of the breadth of key risks that

might be faced by your department. Some common themes arising from departmental risk assessments in 2009/10 are also available on the risk management website.

Risks are rated by considering both the likelihood that they might occur as well as the potential impact. The definitions that can be applied to a risk are as follows:

Likelihood Score (of occurring within the next 3 years)

1	Improbable (1-20%)
2	Not likely (21-50%)
3	Likely (51-80%)
4	Very likely (81-100%)

Impact Score

1	Will impair achievement of one or a small number of Departmental strategic objectives.
2	Will impair achievement of a number of Departmental strategic objectives and/or significantly impair one Departmental strategic objective.
3	Will significantly impair a small number of Departmental strategic objectives.
4	Will significantly impair a small number of Departmental strategic objectives and/or halt the achievement of one or more strategic objectives.

The following four-tier colour-coded system of status indicators will be applied to establish the overall status of the risk by adding the likelihood score and the impact scores together:

7 or 8	Red	Problematic	Requires urgent and decisive action
5 or 6	Amber/Red	Mixed	Requires substantial attention, some aspects need urgent attention
3 or 4	Amber/Green	Satisfactory	Some aspects require substantial attention, some good
2	Green	Good	Requires refinement and systematic implementation

The overall risk status score is automatically calculated in the spreadsheet once the Likelihood and Impact scores are entered by picking 1, 2, 3 or 4 from the pick list. (In standard risk scoring systems, the scores are typically multiplied rather than added to establish the overall score. Please note here, however, that adding or multiplying the scores does not change the overall status which is assigned to the risk.)

Risks can be considered in relation to their 'inherent or gross risk' as well as their 'residual or net risk'. Inherent or gross risk is the likelihood and impact of the risk before any actions have been taken to manage it. The usefulness of this exercise may not be immediately apparent as we would hope that we are always undertaking some management of the risks we face. However, this helps to assess the effectiveness of current activities being undertaken so that we do not lose sight of their significance when considering new ventures or the University's changing portfolio of activities (for example, if consideration is being given to discontinuing certain activities). After considering inherent risk, you should then assess what the likelihood and impact of the risk is in the light of the management measures in place (assuming they are being effectively undertaken). Score the likelihood and impact of the net or residual risk by picking the appropriate score of 1, 2, 3 or 4 from the pick list.

d) Mitigating Action

When considering the risks a Department or the University faces there are roughly four options for action which can be categorised under the four 'Ts':

- 1) Take/Tolerate: The risk may be worth accepting with no further action. This may particularly be the case if any mitigation would be more resource intensive than the risk itself or indeed if the ability to do anything about the risk is limited.
- 2) Treat: The risk may still not rest within the threshold that is tolerable by the Department and/or the University but we would not wish to terminate the activity so we endeavour to undertake further action to minimise the risk. The majority of risks will probably fall in this category.
- 3) Terminate: The risk may be outside the threshold that is tolerable and bringing it within the threshold would be prohibitively resource intensive so the activity creating the risk would be stopped or the new activity proposed would not be pursued.
- 4) Transfer: This typically relates to insurance or other mechanisms for releasing the burden of risk such as outsourcing.

The Department should consider their key risks and the '4 Ts'. Are there areas where the Department have identified that new activities could or should be undertaken to minimise the risk and therefore maximise achievement of Departmental strategic objectives? These can be briefly outlined in the 'Proposed Further Action(s)' section. One course of action may treat more than one of the risks identified. ***You should refer to these actions within the five year planning summary and refer to your Risk Assessment to support your case.*** The idea of a cost/benefit analysis is inherent in this consideration as it wouldn't be effective to undertake management activity to mitigate a risk that may itself hinder the achievement of strategic objectives. The costs of taking action may be disproportionate to the potential benefits. The University does not wish to create a culture of risk aversion by undertaking risk assessment – a certain amount of risk is needed for future success. We need to ensure that risks are identified and that we are aware of the full portfolio of risks that we are accepting.