Essential Elements of a Risk Appetite Statement for a Higher Education Institution

Greg Whateley and Tom O'Connor

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A risk appetite statement is a critical component of an effective risk management framework within higher education institutions. It communicates the amount and type of risk an institution is willing to pursue or retain in order to achieve its objectives. A well-crafted risk appetite statement helps guide decision-making, resource allocation, and strategic planning - while ensuring alignment with the institution's mission, values, and regulatory obligations.

Alignment with Mission and Values

The risk appetite statement (RAS) should explicitly reference the institution's mission, vision, and core values. This alignment ensures that risk-taking supports the broader strategic objectives and cultural context of the provider. It should articulate how risk tolerance supports or enables the delivery of educational, scholarship, and community engagement goals.

Our own institution has a clearly defined **strategic intent** that notes context, vision, intent and values - 87330e_4edc9c9a6efa429ea75b56ebb85271b6.pdf

Clear Definition of Risk Appetite

The statement must clearly define what "risk appetite" means for the institution. It should distinguish between risk **appetite** (*the amount of risk willing to be taken*) and risk **tolerance** (*the acceptable level of variation around targets*). This definition sets the foundation for consistent understanding across the institution.

Scope of Risk Categories

A comprehensive risk appetite statement addresses key risk categories relevant to higher education that usually includes matters such as – reputational standing; financial safeguards and viability; academic and corporate governance; academic quality and integrity; management and human resources; responsibilities to the student body; quality of the curriculum; and information technology and security.

For each category, the institution may specify different levels of risk appetite (such as low, moderate, high). Our own institution has in place a **Risk Register** that is regularly reviewed and adjusted accordingly - Risk Register – divided into 8 categories.

Quantitative and Qualitative Measures

Effective risk appetite statements often blend *qualitative* descriptions with *quantitative* measures. Qualitative measures might include narrative statements about the institution's willingness to accept risk in certain areas - while quantitative measures could involve financial thresholds, performance metrics, or tolerance ranges.

Academic and Corporate Governance

The statement should clarify governance arrangements, including who is responsible for setting, reviewing, and monitoring risk appetite. Roles and accountabilities - typically at the level of Corporate Board, Academic Board (Senate) and/or Senior Executive need to be articulated. This should be clearly outlined.

Reviewing and Updating

Risk appetite is by no means static. The statement needs to specify how and when it will be reviewed and updated (ideally quarterly – though annually is acceptable). This ongoing (rolling) auditing ensures relevance and responsiveness to new challenges or opportunities.

See – Rolling audits – a mechanism for self-assurance (2024) - 6113ad_beb80a2de7ae43dc9fb8c7bedfa4e78b.pdf

Communication and Integration

It is essential that the risk appetite statement (RAS) is effectively *communicated* across the institution and integrated into key processes. *Communication* is an essential element of good management – including risk. This integration should embrace strategic planning; project management; and finance/resource allocation. It should, ideally, serve as a reference point for decision-making at all organisational levels.

A well thought through (and preferably benchmarked) Risk Appetite Statement (RAS) is an essential governance tool for higher education institutions. By addressing the key elements of alignment with mission; clear definitions; comprehensive risk coverage; measurable criteria; governance clarity; regular ongoing review; and effective communication - the statement provides a foundation for sound risk management and strategic success.

Emeritus Professor Greg Whateley is currently Chief Executive and Executive Dean of the Australian Guild of Education (Melbourne)

Associate Professor Tom O'Connor is currently Academic Director at the Australian Guild of Education (Melbourne)