



**North Essex
Multi Academy Trust**

Risk Management Policy

Committee: Trust Board

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Designated Postholder:	CFO

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1. Introduction

This policy sets out the framework for risk management in the Trust, which allows for ease of understanding and regular review. Risk management is the process by which risks are identified, the severity assessed, and actions are taken to mitigate and bring them down to acceptable levels.

The process of identifying risks and the introduction of internal controls to help mitigate such risks helps to improve the Trust's ability to respond quickly and effectively to opportunities and threats. It is an effective tool for strategic and business planning, is a key element of the Trust's governance framework and is central to the achievement of the Trust's objectives.

2. Definition

The IIA's international standards define a risk as 'the possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.'

3. Legal Framework

It is a requirement:

- of the Academies Financial Handbook that the Trust has sound internal control and risk management processes in place;
- under the Charities Act, which has also provided a Charities and Risk Management Guidance to follow under CC26;
- to include a section in the Trust's annual report on principal risks and uncertainties, which are derived from the Trust's risk register.

4. Risk Management Strategy

The strategy aims to:

- outline the roles and responsibilities of risk management;
- identify risk management processes to ensure that all risks are appropriately identified, controlled and monitored;
- ensure appropriate levels of awareness throughout NEMAT.

5. Roles and responsibilities

5.1 Role of the NEMAT Board

The NEMAT Board has overall responsibility for risk management. Trustees are responsible for:

- annually reviewing and setting the tolerance level for risk exposure;
- reviewing the strategic risk register at every meeting;
- providing strategic leadership, review and challenge to the Executive Leadership Team on the strategic risks
- overseeing the completion of the section regarding risk management within the annual report.

5.2 Role of the Executive Leadership Team

The Executive Leadership Team is responsible for:

- deciding upon the top strategic risks to be reported to Trustees;
- for the risks where they have been assigned as lead for action, ensure controls are monitored and managed and provide regular updates to the risk owner;
- for ensuring that controls are implemented at local academy level.

5.3 Role of the Chief Financial Officer

The Chief Financial Officer (CFO) has lead responsibility for risk management processes and the NEMAT wide risk register. This responsibility includes:

- monitoring the performance of risk management processes;
- ensuring that appropriate controls are in place to manage and identify risks;
- preparation of periodic reports to the Trustees.

5.4 Role of the Local Governing Bodies

The Local Governing Bodies are responsible for:

- Monitoring and reviewing risk management at a local level in each academy.

6. Risk Management Process

The main stages of the risk management process are:

6.1 Identification

The risk management standard states that risk identification should be approached in a methodical way to ensure that all significant activities have been identified and all the risks flowing from these activities have been defined along with their potential impact. Our approach to risk management is to review areas of risk based on the key strategic priorities of NEMAT.

6.2 Ownership

A specific risk owner should be identified for each risk. Ideally the risk owner will also be the owner of the related objective or a person with significant influence over the achievement of the objective. Ownership of risk makes it much more likely that a risk will be understood and monitored, and that appropriate controls are put in place.

6.3 Assessment

The two main parameters for assessing risk are impact, as in how significant the consequences might be and likelihood, as in how likely it is to happen. The scoring is based on a 5x5 scoring matrix and each risk is assigned a score for each parameter. Multiplying the values for impact and likelihood produces the risk score considering the application of mitigating or control procedures. The criteria for assessing risk and the associated scoring matrix is documented in appendix 1.

The risk assessment process will ensure that:

- risks are properly reported and evaluated;
- trustees consider and review the annual process;
- trustees are provided with relevant and timely interim reports;
- any significant failures of control systems are properly reported and actioned;

- there is an adequate level of understanding of individual responsibilities for both implementation and monitoring of the control systems;
- any further actions required are identified.

6.4 Exposure

Once the score for each risk has been determined, it is then assessed against the tolerance levels that has been pre-determined by Trustees. This tolerance level provides triggers for treatment and further action. The risk assessment and evaluation process helps to inform trustees of the Trust's overall risk profile.

The overall level of risk or 'exposure' that will be tolerated is determined by the Trustees and will be reviewed on an annual basis to ensure that it is fit for purpose going forward. The current threshold for the Trust is 15/25, which covers the risks that are rated "High" and "Very high".

6.5 Treatment

If the level of exposure is considered unacceptable then controls may be required. This can include:

- reducing the likelihood or impact of risk via the application of additional controls or the establishment of a contingency plan;
- transferring risk to a third party such as an insurer;
- accepting risk subject to regular monitoring;
- eliminating risk such as withdrawing from a particular activity.

6.6 Risk Register

The risk assessment process will be effectively managed through the use of a risk register which covers the key strategic priorities of the Trust. The register will document the key aspects of the risk management process. It will pull together the risks, assign the risk owner, assess the risk, list the controls in place and the follow up actions required to mitigate the risk. The risk register will be formally reviewed on a yearly basis with the key strategic risks discussed at each Trust Board meeting. If any significant changes in risk impact or probability happen, or the occurrence of an event which raises the profile of a risk, it will be recorded on the risk register as it occurs. Any new or increased risks identified will, if appropriate, be recorded in the risk register.

6.7 Monitoring

The risk register is monitored on a regular basis, with particular emphasis on those with a "high" or "very high" residual risk score.

The Executive Leadership Team use the risk register to monitor risk by:

- ensuring that the identification, assessment and mitigation of risk is linked to the achievement of the Trust's strategic objectives;
- ensuring that the assessment process reflects the trustees' view of acceptable risk;
- reviewing and considering the results of risk identification, evaluation and management;
- considering the risks attached to significant new activities or opportunities;
- regularly considering external factors such as new legislation or new requirements from funders;
- considering the financial impact of risk as part of operational budget planning and monitoring.

7. Policy Circulation

This policy will be published on the Trust's website and included in the Trust's Policy Monitoring Schedule. The policy will be made available to all Members, Trustees/Directors, Governors and senior employees.

8. Policy Review

The Board of Trustees has adopted the policy as follows:

The Risk Management Policy was reviewed and adopted at the NEMAT Trust Board meeting on 2 April 2019. It will be reviewed every three (3) years by the Trust Board.

Signed:

Chair of Trustees

Date

Appendix 1. Assessing Risk

This policy has drawn the descriptors for 'impact' and 'likelihood' from the Charity Commission (CC26) publication as follows:

Impact

Descriptor Score Impact on service and reputation:

Insignificant 1	<ul style="list-style-type: none">• no impact on service• no impact on reputation• complaint unlikely• litigation risk remote
Minor 2	<ul style="list-style-type: none">• slight impact on service• slight impact on reputation• complaint possible• litigation possible
Moderate 3	<ul style="list-style-type: none">• some service disruption• potential for adverse publicity-avoidable if careful handling• complaint probable• litigation probable
Major 4	<ul style="list-style-type: none">• service disrupted• adverse publicity not avoidable (local media)• complaint probable• litigation probable
Extreme/Catastrophic 5	<ul style="list-style-type: none">• service interrupted for significant time• major adverse publicity not avoidable (national media)• major litigation expected• resignation of senior management and board• loss of beneficiary confidence

Likelihood

Descriptor Score Example:

- Remote 1 may only occur in exceptional circumstances
- Unlikely 2 expected to occur in a few circumstances
- Possible 3 expected to occur in some circumstances
- Probable 4 expected to occur in many circumstances
- Highly probable 5 expected to occur frequently and in most circumstances

The risk score is arrived at by multiplying the score in the 'x' column by the score in the 'y'

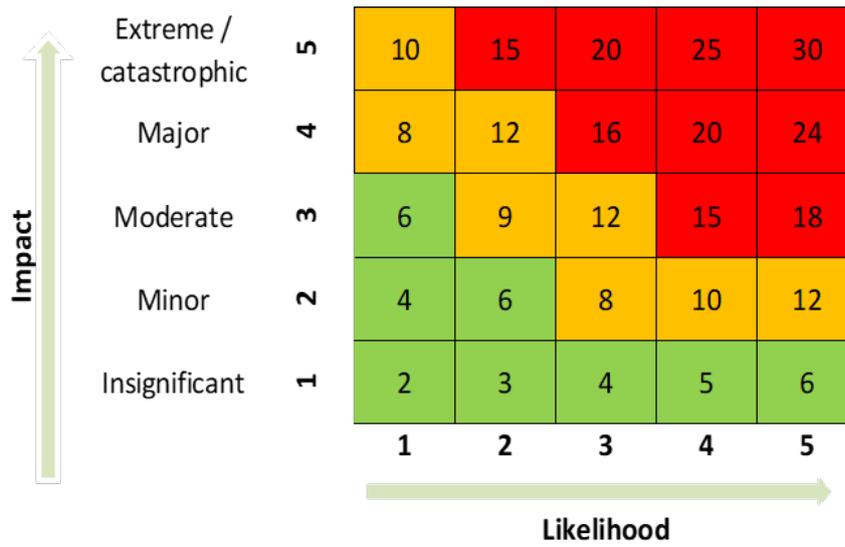
column and then adding the 'y' score to the answer (gross risk).

The effect is to give extra emphasis to impact when assessing risk. This policy reminds those

directly involved in assessing risk that risk scoring often involves a degree of judgement or

subjectivity. Where data or information on past events or patterns is available, it will be

helpful in enabling more evidence-based judgements.



The colour codes in the risk matrix are:
 Red - major or extreme/catastrophic risks that score 15 or more
 Yellow - moderate or major risks that score between 8 and 14
 Green - minor or insignificant risks scoring 7 or less.