

# NMAT Risk Management Strategy (Non-Statutory)



## 1.0 Introduction

- 1.1 Risk management is the process whereby the Trust methodically addresses the risks attaching to its objectives and associated activities with the goal of achieving sustained benefit within each activity and across the whole range of activities.
- 1.2 Risk management will be aimed at ensuring that the Trust achieves its objectives in the most effective way and where appropriate, resources are directed at those objectives. It will not be seen as a separate exercise but as the means of best achieving the Trust's objectives.
- 1.3 This risk management strategy has been designed to provide a framework for managing the risks the Trust faces and ensuring its objectives are achieved in the most effective way.
- 1.4 It has been designed for use by all Trust staff and it serves to:
  - Communicate the strategies for managing risk in the Trust;
  - Establish procedures which should be adopted in the risk management process.
- 1.5 The Risk Strategy should be read in conjunction with relevant and appropriate Trust Policies and Procedures, including but not limited to: NMAT Whistleblowing Policy, NMAT Child Protection and Safeguarding Policy, NMAT Information Security Incidents Reporting Policy, and the NMAT Staff Concerns Policy, along with line management protocols, when considering how to appropriately raise a 'risk' concern depending on the scenario.

## 2.0 The Aims and Objectives of Risk Management

- 2.1 The Trust's overall risk management plan is aimed at:
  - Protecting its students, staff and assets;
  - To comply with risk management best practice;
  - To ensure risks facing the MAT are identified and appropriately documented;
  - To provide assurance to the MAT Board that risks are being adequately controlled, or identify areas for improvement;
  - To ensure action is taken appropriately in relation to accepting, mitigating, avoiding and transferring risks.
  - Anticipating and responding to changing social, environmental and legislative requirements;
  - Raising awareness of the need for risk management and integrating risk management into the culture of the Trust;
  - Adopting legal compliance as a minimum standard;
  - Having a whistle blowing procedure in place, to protect staff who report individuals they believe are doing something wrong or illegal.
- 2.2 These aims and objectives will be achieved by:
  - Maintaining documented procedures for the control of risk;
  - Providing suitable information, training and supervision;
  - Maintaining effective communication and the active involvement of all staff;
  - Maintaining an appropriate incident reporting and recording system, with investigation procedures to establish cause and prevent recurrence;
  - Monitoring arrangements on an ongoing basis.

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## 3.0 The Potential Benefits of Risk Management

3.1 Effective risk management protects and adds value to the Trust and its stakeholders through supporting the Trust's objectives by:

- Improving decision making, business planning and prioritisation by comprehensive and structured understanding of the wider business environment;
- Supporting more efficient allocation and use of resources within the Trust;
- Protecting and enhancing Trust assets, reputation and image;
- Developing and supporting staff and the Trust's knowledge base;
- Helping to focus the internal control & scrutiny and audit plans.

## 4.0 The Structure and Administration of Risk Management

4.1 The Trust has a fundamental role to:

- Set the tone and influence the culture of risk management across the Trust;
- Determine, and review the appropriate risk appetite or level of exposure for the Trust;
- Approve major decisions affecting the Trust's risk profile or exposure;
- Set policy and strategy for risk management;
- Frequently monitor the management of significant risks to reduce the likelihood of unwelcome surprises or impact;
- Satisfy itself that the less significant risks are being actively managed, with the appropriate controls in place and working effectively;
- Annually review the Trust's approach to risk management and approve changes or improvements to key elements of its processes and procedures;
- Ensure regular promotion and reinforcement of the Trust's culture of risk management across all academies and with all stakeholders through the use of various Academy management tools such as CPD; staff/parental/student communications and SLT and Middle Leaders.

4.2 Academy Senior Leaders will:

- Support and implement policies approved by the Trust;
- Comply with risk response processes, including contingency and business continuity programmes;
- Provide adequate information in a timely manner to the Trust on the status of risks and controls;
  - Focus and co-ordinate risk management activities throughout the Academy for the Trust;
  - Raise the level of management awareness and accountability for the business risks experienced by the Academy and ultimately, the Trust;
  - Develop risk management as part of the culture of the Academy and ultimately, the Trust;
  - Ensure that risk management is a regular management meeting agenda item with staff and communicate this to the Head of School to give consideration of exposure and to prioritise work in the light of effective risk analysis;
  - Provide a mechanism for risk management issues to be discussed and disseminated to all areas across the Trust through staff CPD and staff communications.

4.3 Heads of School, as the Risk Management Champion for the Academy will:

- Have primary responsibility for managing risk on a day-to-day basis;
- Contribute to, and comply with risk response processes, including contingency and

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business continuity programmes;

- Have responsibility for promoting risk awareness within their operations;
- Identify and evaluate the significant risks faced by their operations for consideration by the Executive Principal and Trustees;
- Ensure that risk management is a regular management meeting item to allow consideration of exposure and to prioritise work in the light of effective risk analysis;
- Report early warning indicators to the Executive Principal.

4.4 The NMAT Leads and the Executive Principal will, as the Risk Management Champions for the Trust, be responsible for:

- Developing specific programmes and procedures for establishing and maintaining risk management activities within the Trust;
- Ensuring the communication dispersal of vital information;
- Providing guidance, interpretation and understanding of the risk management systems.

## 5.0 The Trust’s Risk appetite and Risk tolerance

5.1 Risk Appetite is the level of risk with which the Trust aims to operate.

Risk Appetite	Description
<b>Averse</b>	Avoidance of risk and uncertainty in achievement of key deliverables or initiatives is key objective. Activities undertaken will only be those considered to carry virtually no inherent risk.
<b>Minimalist</b>	Preference for very safe business delivery options that have a low degree of inherent risk with the potential for benefit/return not a key driver. Activities will only be undertaken where they have a low degree of inherent risk.
<b>Cautious</b>	Preference for safe options that have low degree of inherent risk and only limited potential for benefit. Willing to tolerate a degree of risk in selecting which activities to undertake to achieve key deliverables or initiatives, where we have identified scope to achieve significant benefit and/or realise an opportunity. Activities undertaken may carry a high degree of inherent risk that is deemed controllable to a large extent.
<b>Open / Receptive</b>	Willing to consider all options and choose one most likely to result in successful delivery while providing an acceptable level of benefit. Seek to achieve a balance between a high likelihood of successful delivery and a high degree of benefit and value for money. Activities themselves may potentially carry, or contribute to, a high degree of residual risk.
<b>Eager</b>	Eager to be innovative and to choose options based on maximising opportunities and potential higher benefit even if those activities carry a very high residual risk.

After a review of Trustee’s Risk Appetite (May 2021), the level of risk with which the Trust aims to operate is that of ‘Open and Receptive’. Trustees are willing to consider all options and choose one most likely to result in successful delivery while providing an acceptable level of benefit. However, each risk is to be assessed individually with sufficient research and challenge undertaken. This Risk Appetite will be reviewed biannually (in the Autumn and Summer terms)..

5.3 Risk Tolerance is the level of risk with which the Trust is willing to operate.

- **Tolerating** risk is where no action is taken. This may be because the cost of instituting controls is not cost-effective or the risk or impact is so low that they are considered acceptable.

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- **Treating** risk involves controlling it with actions to minimise the likelihood of occurrence or impact. There may also be contingency measures to reduce impact if it does occur.
- **Transferring** risk may involve the use of insurance or payment to third parties willing to take on the risk themselves (for instance, through outsourcing). A Trust may decide to take out insurance to mitigate the risk of the excessive costs of supply staff in the event of extended staff absences.
- **Terminating** risk can be done by altering an inherently risky process to remove the risk. If this can be done without materially affecting operations, then removal should be considered, rather than attempting to treat, tolerate or transfer. Alternatively, if a risk is ranked highly and the other potential control measures are too expensive or otherwise impractical, the rational decision may well be that this is a process the Trust should not be performing at all.

In the table below, NMAT Board of Trustees have identified their generic Risk Tolerance for each Orange Book defined category of risk. However, Trustees continue to assess each risk individually with the required levels of research and challenge undertaken.

Categories of risk from the government's Orange Book <a href="https://www.gov.uk/government/publications/orange-book">https://www.gov.uk/government/publications/orange-book</a>	Risk Tolerance level Tolerate, Treat, Transfer, Terminate or Take advantage of
Strategic risks	Treat.
Governance risks	Treat.
Operational risks	Treat and where appropriate transfer.
Legal risks	Treat and where appropriate transfer.
Property risks	Treat.
Financial risks	Treat.
Commercial risks	Treat and where appropriate transfer.
People risks	Treat.
IT risks	Treat.
Information risks	Treat.
Security risks	Treat.
Project/Programme risks	Treat.
Reputation risks	Treat.

These levels of Risk Tolerance will be reviewed biannually (in the Autumn and Summer terms).

## 6.0 Risk Identification

- 6.1 Risk is not only about adverse events; it is also about missed opportunities. All areas of activity within the Trust and partnerships with third party organisations should be considered together with what would stop them being as successful as they should. The key risks that the Trust faces will be those that would stop it achieving its objectives in these areas.
- 6.2 As the first step in the risk identification process, all staff with responsibility for delivering operations aims or targets need to understand the Trust's corporate objectives and the legal and regulatory environment in which it operates.
- 6.3 The second step is the translation of these objectives into operating aims in the form of detailed Development plans and performance indicators for each area of activity. This should be an ongoing annual exercise with regular updating of the aims.

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- 6.4 The next step is to identify what would stop each area being as successful as it should.
- 6.5 There are many methods for grouping risks, starting from either categorising risk or analysing it using a functional approach. Consideration by category, for example, would include:
- **Strategic risks** – concern the long-term strategic objectives of the Trust. They can be affected by such areas as capital availability, legal and regulatory changes, reputation and changes in the physical environment.
  - **Operational risks** – concern the day to day issues that the organisation is confronted with as it strives to deliver its strategic objectives.
  - **Financial risks** – concern the effective management and control of the finances of the Trust and the effects of external factors such as interest rate movement and other market exposures.
  - **Compliance risks** – concern such issues as health and safety, environmental, trade descriptions, consumer protection, data protection, employment practices and regulatory issues.
  - **Governance** – concerns risks arising from unclear plans, priorities, authorities and accountabilities, and/or ineffective or disproportionate oversight of decision-making and/or performance.
  - **Health and Safety** – concerns risks arising from property deficiencies or poorly designed or ineffective/ inefficient safety management resulting in non-compliance and/or harm and suffering to employees, contractors, service users or the public.
  - **IT** – concerns risks arising from IT not delivering the expected services due to inadequate or deficient system/process development and performance or inadequate resilience.
  - **Legal** – concerns risks arising from a defective transaction, a claim being made (including a defence to a claim or a counterclaim) or some other legal event occurring that results in a liability or other loss, or a failure to take appropriate measures to meet legal or regulatory requirements or to protect assets (for example, intellectual property).
  - **Reputation** – concerns risks arising from adverse events, including ethical violations, a lack of sustainability, systemic or repeated failures or poor quality or a lack of innovation, leading to damages to reputation and or destruction of trust and relations.
  - **Safeguarding** – concerns protecting the health, wellbeing and human rights of young people and adults, enabling them to live safely, free from abuse and neglect.
- 6.6 Risks that have been identified should be recorded on the Trust's risk register.
- 7.0 Risk Estimation (Assessing Likelihood and Impact)**
- 7.1 Having identified the risks that the Trust is facing, they need to be prioritised into a manageable order so that action can be focused on the significant risks. Risk prioritisation will enable necessary action to be taken at the relevant level of management in the Trust.
- 7.2 Each risk should be assessed in terms of the **likelihood** of its occurrence, and its **impact** on the Trust, should it occur.
- 7.3 Not all risks will affect the Trust, or the individual Academies with the same impact, and some are far more likely to occur within the Trust than others.

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7.4 The impact of a risk and the likelihood of it occurring should be scored as follows:

### Likelihood

For each risk listed, the likelihood of their occurrence is assessed on the following scale:

1. rare
2. unlikely
3. possible
4. likely.

### Impact

Their impact is assessed on the following scale:

1. almost none
2. minor
3. moderate
4. major

**Impact are scored separately and the two scores are added to give the total Impact score**

7.5 Multiply the scores for likelihood and impact and then rank the risk by numerical value, e.g.

Major fire	impact 4	likelihood 2	total = 8
Small scale theft	impact1	likelihood 3	total = 3

## 8.0 Risk Prioritisation

8.1 Risks are prioritised as follows:

Risk Score	Prioritisation	Colour	Action
1 or 2	Low	Green	Keep under review
3 to 6	Medium	Amber	Consider action or contingency plan
7 or greater	High	Red	Immediate action

## 9.0 Risk Mitigation

9.1 Once risks have been identified and prioritised, you need to decide how the Trust is going to address them.

9.2 As the first step, you should assess the ‘cost’ of accepting the risk. This may be a financial cost or a lost opportunity. You may decide that accepting a particular risk is appropriate and not take any further action.

9.3 If you decide further action is needed then there are six options:

- treat the risk
- tolerate the risk
- assume the risk is treated (this is where the controls adopted do not impact on the risk score due to the nature of the risk e.g. a pandemic).
- transfer the risk
- terminate the risk
- take advantage of the risk

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- 9.4 A risk may be avoided by withdrawing from that area of activity but doing so may result in a missed opportunity.
- 9.5 As identified above (9.3) a risk may be transferred wholly or in part to a third party, possibly through insurance or a partnership arrangement.
- 9.6 In the majority of cases, the next step will be to put in place systems to mitigate either the likelihood or the impact of the risk. These will include systems addressing the whole operation of the Trust as well as the areas where risks have been identified. Any system of risk mitigation should provide as a minimum:
- Effective and efficient operation of the Trust;
  - Effective internal controls;
  - Compliance with law and legislation.
- 9.7 Mitigating action plans should be recorded against each risk that has been listed in the risk register with appropriate milestones. They should also include sources of assurance over the controls in place to mitigate each risk identified.
- 9.8 Source of Assurance is defined as evidence that mitigating action/controls are in place and being regularly reviewed. As part of the risk review the Assurance should be reviewed to ensure that the mitigating action/controls are appropriate and functioning. The residual risk should also be considered at each review if Assurances indicate that mitigating actions/controls are working better/worse than originally planned.

## 10.0 Gross and Net risk

- 10.1 In completing the above mentioned assessment of risk, recognition needs to be given to the impact of the mitigating actions taken by management to reduce the impact of the risk. Accordingly, risks should initially be recorded at their gross value – the impact without mitigating actions. The same risks should then be recorded allowing for the impact of the mitigating actions. By doing so, the Trust is able to value the impact of the mitigating factors to determine whether they are cost effective.
- 10.2 Both the gross risk and net risk scores are to be recorded on the Risk Register
- 10.3 The movement in these risk scores between reporting periods are to be recorded on this document to enable the reader to understand whether each risk is constant, decreasing or increasing over time.

## 11.0 Risk Monitoring

- 11.1 The likelihood or impact of an identified risk can change for a number of reasons including:
- Nature of the risk has changed or is changing;
  - Existing controls are inadequate or not functioning;
  - New controls are introduced.
- 11.2 Early warning indicators should be designed for each risk to alert management to the situation effectively. These should have triggers, be described in the register and be highlighted in reports to Trustees. Key characteristics of monitoring mechanisms are:
- Information must reach the level of management where decisions can be made;
  - Mechanisms must pick up the problem before it happens, or at least before it gets too

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serious.

## 11.3 The Trust should:

- Review the risks and the possible impacts these have on the Trust;
- Use performance indicators to monitor the key business and financial activities, progress towards objectives and identify developments which require intervention;
- Have systems which communicate monthly variances in budgets and forecasts to allow action to be taken;
- Report systematically and promptly to the Executive Principal any perceived new risk or failures of existing mitigating or control measures.

## 11.4 The Executive Principal should:

- Ensure that the Trust Risk Register is updated in the light of developments within the Trust and the wider business environment.

## 11.5 Trustees should:

- Review the Risk Register and related monitoring documents at the Finance and Risk Management meetings;
- Provide ongoing advice on the effectiveness of the risk management process.

## 12.0 Risk Reporting

12.1 Different levels within the Trust need different information from the risk management process.

12.2 Early warning indicators should be reported systematically and promptly to relevant senior leaders to allow action to be taken. The frequency of reporting should be related to how quickly a risk can materialise and its likely impact but through line management will be no longer than two weeks from the concern being raised to SLT review.

12.3 Reporting may be done in a multitude of ways dependant on the risk and records held in multiple formats.

- Reporting through line management will be recorded in line management meeting notes including Head of School line management notes of SLT which are then scrutinised ultimately through the Executive Principal's SLT line management Quality Assurance exercises.
- Reporting through appropriate existing NMAT policies will be recorded through Trust management software and reflected in the Risk Management and Risk Register stored within EVERY software in addition to individual concern specific area recording e.g.
  - Safeguarding concerns – through CPOMS
  - GDPR concerns or breaches – through the GDPR Sentry system and the NMAT website subject access form.
  - Whistleblowing concerns – through the HR and Compliance Lead and Executive Principal reports.
  - Complaints – through the NMAT Complaints email address and central complaints log.
  - Health and Safety through Every software.