Risk Management Policy

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"Learning together, to be the best we can be"

1. Introduction

1.1. Identifying and managing the possible and probable risks that an organisation may face over its working life is a key part of effective governance for Multi Academy Trusts of all sizes and complexity. By managing risk effectively, trustees can help ensure that:

- significant risks are known and monitored, enabling Directors and governors to make informed decisions and take timely action;
- the Trust makes the most of opportunities and develops them with the confidence that any risks will be managed;
- forward and strategic planning are improved;
- the Trust's aims are achieved more successfully.

1.2. Reporting in its annual report on the steps a Trust has taken to manage risk helps to demonstrate accountability to stakeholders including beneficiaries, funders, employees and the general public.

1.3. The central government also has a requirement for each Single and Multi-Academy Trust to exercise robust risk management.

1.4. **The responsibility for the management and control of Nexus Multi Academy Trust rests with the Trust Board and the Chief Executive Officer and therefore their involvement in the key aspects of the risk management process is essential, particularly in setting the parameters of the process and reviewing and considering the results.**

2. Scope

2.1. This policy relates to all academies and settings across Nexus MAT and supersedes any local policies and procedures that have been in use prior to the academy conversion. Where required, an individual Nexus MAT academy – in agreement with the Trust Chief Executive Officer - may publish a supplementary policy guidance document or procedure in line with this policy, to ensure that any idiosyncrasies associated with that specific academy are covered in their local policy library.

3. Context

3.1. Organisations will face some level of risk in most of the things they do. The diverse nature of the education sector means that Multi Academy Trust faces different types of risk and levels of exposure.

3.2. An essential question for MATs when considering risk is whether or not they can continue to fulfil their objects now and, in the future, sustainably.

3.3. For example, in a period of economic uncertainty, the major financial risks for Multi Academy Trusts are likely to be:

- Changes to central government funding, including a reduction in pupil funding;
- Changes to the Local Authority commissioning arrangements for children with special educational needs;
- Changes to terms and conditions of employees as part of national or local pay settlements;
- Increased liability costs on employers e.g. increased NI or pension costs.

3.4. Generally, risk will need to be considered in terms of the wider environment in which the Trust operates. The financial climate, society and its attitudes, the natural environment and changes in the law and Government policy, technology and knowledge will all affect the types and impact of the risks that the Trust is exposed to.

3.5. Although the risks that any Trust might face are both financial and non-financial, the ultimate impact of risk is financial in most cases. This could be where a party seeks compensation for loss, or costs incurred in managing, avoiding or transferring the risk, for example by buying employers' liability insurance or buildings insurance.

4. Classification of risks

4.1. A system of classification is helpful for ensuring key areas of risk arising from both internal and external factors are considered and identified, and Nexus Multi Academy Trust has utilised the model developed by the Charity

Commission as its means of defining and assessing risk, in the following areas:

4.2. Categorisation of Risk

4.2.1. The Trust takes a strategic approach to Risk Management. Therefore, risks are segmented into four key strategic areas:

4.2.1.1. Accountability (which includes governance);
4.2.1.2. Improvement - Increasing quality of provision in our education system;
4.2.1.3. Strategic Partnerships - Developing partnerships to better meet need;
4.2.1.4. Resource Management - Maintaining a financially viable, sustainable and ethically driven Multi Academy Trust protecting and maintaining the Trust's physical and digital assets.

5. Strategic Approach

5.1. Following identification of the risks that a Trust might face; a decision will need to be made about how they can be most effectively managed. The Board of Directors have adopted this risk management policy to help them make decisions about the levels of risk that can be accepted on a day-to-day basis and what matters need to be referred to them for decision.

5.2. Nexus MAT recognises that not all risk is negative. The Trust embraces a balanced approach to risk-taking, particularly where innovation, commercial growth, and school improvement opportunities align with our strategic goals. Our appetite is lowest in areas of compliance and safeguarding, but we accept a higher degree of calculated risk in areas that support transformation, collaboration, and sustainable expansion.

5.3. There are four basic strategies that can be applied to manage an identified risk:

- transferring the financial consequences to third parties or sharing it, usually through insurance or outsourcing
- avoiding the activity giving rise to the risk completely, for example by not bringing another academy into the Trust or stopping a particular activity or service

- management or mitigation of risk
- accepting or assessing it as a risk that cannot be avoided if the activity is to continue. An example of this might be where the Board take out an insurance policy that carries a higher level of voluntary excess or where the Trust recognises that a core activity carries a risk but take steps to mitigate it - public use of an academy property would be such a risk.

5.4. Although there are various tools and checklists available, the identification of risks is best done by involving those with a detailed knowledge of the way the Trust and its constituent academies operate, and therefore Headteachers are pivotal.

5.5. The Trust will keep a strategic risk register which will be a working document owned by the Trust Board, with delegated responsibilities for ongoing review and oversight passed to Board Committees.

5.6. The risk identification process, whilst focusing on the risk to the Trust itself, is therefore also likely to include identifying risks that may arise in individual academy as well as Trust-wide activities.

6. Risk Assessment and Categorisation

6.1. Identified risks need to be put into perspective in terms of the potential severity of their impact and likelihood of their occurrence. Assessing and categorising risks helps in prioritising and filtering them, and in establishing whether any further action is required.

6.2. One method is to look at each identified risk and decide how likely it is to occur and how severe its impact would be on the Trust if it did occur.

6.3. Risks which have very high impact and very low likelihood of occurrence are now accepted by many as having greater importance than those with a very high likelihood of occurrence and an insignificant impact. In these cases, the concept of impact and the likelihood of risks occurring and their interaction should be given prominence in both the risk assessment and risk management processes.

6.4. If an organisation is vulnerable to a risk that potentially might have an extremely high impact on its operations, it should be considered and

evaluated regardless of how remote the likelihood of its happening appears to be.

6.5. MATs need to find a balance and need to weigh the nature of risk and its impact alongside its likelihood of occurrence. With limited resources, the risks and the benefits or rewards from the activity concerned will need to be considered. It is important to bear in mind that on rare occasions improbable events do occur with devastating effect whilst at other times probable events do not happen.

6.6. A focus on high-impact risk is important, but what may be a lower impact risk can change to very high impact risk because of the possible connection between it happening and triggering the occurrence of other risks.

6.7. One low impact risk may lead to another and another so that the cumulative impact becomes extreme or catastrophic. Many studies have shown that most business failures are the result of a series of small, linked events having too great a cumulative impact to deal with rather than a single large event. If organisations only look at the big risks they can often end up ill-prepared to face the interaction of separate adverse events interacting together. For example, a minor risk like occasional IT system downtime may escalate into a major disruption if it triggers a series of failures in other connected systems, with consequences for educational delivery.

6.8. The following tables provide the values by which the Charity Commission recommends organisations should base risk calculation on:

6.9. **Impact of Risk**

Descriptor	Score	Impact on service or reputation
Insignificant	1	▪ no impact on service ▪ no impact on reputation ▪ complaint unlikely ▪ litigation risk remote
Minor	2	▪ slight impact on service ▪ slight impact on reputation ▪ complaint possible ▪ litigation possible
Moderate	3	▪ some service disruption

Descriptor	Score	Impact on service or reputation
		▪ potential for adverse publicity - avoidable with careful handling ▪ complaint probable ▪ litigation probable
Major	4	▪ service disrupted ▪ adverse publicity not avoidable (local media) complaint probable ▪ litigation probable
Extreme/Catastrophic	5	▪ Service interrupted for significant time ▪ major adverse publicity not avoidable (national media) ▪ major litigation expected ▪ resignation of senior management and board loss of government/LA confidence

6.10. **Likelihood**

Descriptor	Score	Example
Remote	1	May only occur in exceptional circumstances
Unlikely	2	Expected to occur is 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

6.11. The 'heat map' (6.18) shows a different way of assessing risk by increasing the weighting of impact.

6.12. This works on a scoring of "**x multiplied by y plus y**" where **x is likelihood** and **y is impact**. This formula multiplies impact with likelihood

then adds a weighting again for impact. The effect is to give extra emphasis to impact when assessing risk.

6.13. 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.

6.14. In interpreting the risk heat map below, likelihood is x and impact is y. The colour codes are as :

6.15. Red - major or extreme/catastrophic risks that score 15 or more;

6.16. Yellow - moderate or major risks that score between 8 and 14;

6.17. Blue or green - minor or insignificant risks scoring 7 or less.

6.18. **Risk heat map**

Impact (y)						
	Extreme/Catastrophic - 5	10	15	20	25	30
	Major - 4	8	12	16	20	24
	Moderate - 3	6	9	12	15	18
	Minor- 2	4	6	8	10	12
	Insignificant - 1	2	3	4	5	6
		1 Remote	2 Unlikely	3 Possible	4 Probable	5 Highly Probable
				Likelihood (x)		

7. Risk Management

7.1. Where major risks are identified, the Board will make sure that appropriate action is being taken to manage them, including an assessment of how effective the existing controls are.

7.2. For each of the major risks identified, the Board will consider any additional action that needs to be taken to manage the risk, either by lessening the likelihood of the event occurring, or lessening its impact if it does.

7.3. Once each risk has been evaluated, the Board will draw up a plan for any steps that need to be taken to address or mitigate significant or major risks. This action plan and the implementation of appropriate systems or procedures allow the Board to make a risk management statement in accordance with the regulatory requirements.

7.4. Risk management is aimed at reducing the 'gross level' of risk identified to a 'net level' of risk, in other words, the risk that remains after appropriate action is taken.

7.5. The Board are required to form a view as to the acceptability of the net risk that remains after management. In assessing additional action to be taken, the costs of management or control will generally be considered in the context of the potential impact or likely cost that the control seeks to prevent or mitigate.

7.6. It is possible that the process may identify areas where the current or proposed control processes are disproportionately costly or onerous compared to the risk they are there to manage. A balance must be struck between the cost of further action to manage the risk and the potential impact of the residual risk.

7.7. Good risk management is also about enabling organisations to take opportunities and to meet urgent need, as well as preventing disasters. For example, an organisation may not be able to take advantage of technological change in the absence of a reserves policy that ensures there are adequate funds.

8. Monitoring and assessment

8.1. Risk management is a dynamic process ensuring that new risks are addressed as they arise. It should also be cyclical to establish how previously identified risks may have changed.

8.2. Risk management is not a one-off event and should be seen as a process that will require monitoring and assessment. Senior leaders must take responsibility for implementation.

8.3. A successful process will involve ensuring that:

- new risks are properly reported and evaluated;
- Risks associated with capital investment, estates compliance, and large-scale infrastructure projects are monitored through the Trust's capital governance processes and Asset & Capital Funding Policy. All major projects are risk-assessed at planning stage and tracked through the Project Overview Platform (POP), with escalation to the Trust Board as required; 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 ;
- The Board consider and review the annual process;
- The Board are provided with relevant and timely interim reports;
- Asset registers are updated regularly and that there are protocols for reporting and addressing any issues related to physical and digital assets;
- Risk aspects of asset acquisition and disposal are considered and recorded in the relevant platforms.

8.4. To provide a systematic means of compliance, the Trust will hold a strategic risk register and a more detailed financial risk register. These registers seek to pull together the key aspects of the risk management process. They schedule gross risks and their assessment, the controls in place and the net risks, and can identify responsibilities, monitoring procedures and follow up action required.