NCG Risk Management Policy

Policy Title	NCG Risk Management Policy	
Policy Category	Compliant	
Owner	Director of Assurance and Risk	
Group Executive Lead	Executive Director and Secretary to the Board	
Date Written	March 2019 / Reviewed in July 2021	
Considered By	Executive Board	
Approved By	Corporation	
Date Approved	July 2021	
Equality Impact Assessment	The implementation of this policy is not considered to have a negative impact on protected characteristics	
Freedom of Information	This document will be publicly available through the Groups Publication Scheme.	
Review Date	July 2022	
Policy Summary	Any organisation will face risk as a matter of routine with the only way to avoid it completely being not to operate. It is also important to recognise that the level and nature of the risks faced will fluctuate over time and the success of the business will depend upon its ability to respond to them.	
Applicability of Policy	**Consultation Undertaken**	**Applicable To**
Newcastle	Yes	Yes
Newcastle 6th Form	Yes	Yes
Kidderminster	Yes	Yes
Lewisham	Yes	Yes
Southwark	Yes	Yes
West Lancashire	Yes	Yes
Professional Services	Yes	Yes
Changes to Earlier Versions		
Previous Approval Date		
May 2019	Introduction of the revised policy	
May 2020	Policy reviewed and no changes made.	
August 2020	Merger of ‘Business’ and ‘College’ Risks	
Linked Documents		
Document Title	**Relevance**	

1. Introduction to Risk Management

Any organisation will face risk as a matter of routine with the only way to avoid it completely being not to operate. It is also important to recognise that the level and nature of the risks faced will fluctuate over time and the success of the business will depend upon its ability to respond to them.

2. The Benefits of Risk Management

Beyond the regulatory requirement for risk management and the need to safeguard the group's investments and assets, there are also a number of additional benefits which can be derived from an effective risk management framework:

Greater assurance

An effective risk management framework can usefully map the key challenges facing the business and the corresponding mitigating controls and action plans. This provides useful internal assurance to management, the governing body and other internal and external stakeholders.

Better decision making

Risk management techniques and effective reporting of risk enables management and the governing body to achieve a greater understanding of the real impact of the decisions they make.

More effective use of resources

An assessment and mapping of the controls in place to mitigate the Group's key risks offers an opportunity to remove any duplication in control or to reduce control in areas of low importance. An effective risk management framework should also lead to the effective use of assurance resources (e.g. by directing internal audit to areas of greatest importance and value).

Improved innovation

Defining the Group's risk appetite as part of an effective risk management framework will help the group to articulate its areas of planned development and can empower management and staff to take more (measured) risks in areas that will bring significant reward.

3. The role of Corporation and senior management

As with any governance process, risk management is most effective when led strategically from the top. Whilst a successfully embedded risk management framework will have both top-down and bottom-up characteristics, implementation is best achieved at a strategic level in the first instance.

As a result of this the Corporation of NCG are responsible for the approval of a Group wide risk approach. Audit and Risk Committee are responsible for periodically reviewing NCG's risk management arrangements, making recommendations to the Corporation where appropriate.

To support this a ‘risk lead’ (the Executive Director and Secretary to the Board (EDaSttB)) has been identified within the executive management team.

4. Good practice risk policies

The Corporation approved approach outlines the Group’s overall stance to risk management. It is the first step in developing and recording an effective risk management framework across the business.

5. Reporting lines

A key part of developing the Risk approach is establishing effective and clear lines of reporting. Within NCG the following groups roles have been defined:

Management team and staff members

- It is essential that managers from across NCG are fully aware of the Groups approach to risk. Therefore, all management teams will be briefed on NCG’s approach and will be required to take responsibility in their area for the oversight and delivery of the agreed approach.
- All strategic riskswill be owned by a member of the Executive Board. College’s are able to nominate risk owners in their individual risk registers, with ultimate responsibility sitting with the Principal. In doing this it ensures that all identified risks are ‘owned’ and that a clear line of responsibility has been established.
- In addition to management all staff also have a responsibility under this risk framework to report potential risks.

Audit Committee, College Boards and Corporation

- The audit committee will obtain both management and independent assurances over the adequacy and effectiveness of the risk approach.
- Regular review of the risk management policy and presentation of an annual risk management report is undertaken by EDGAR and proposed for submission to the Corporation by the audit committee.
- Regular reporting of risk occurs between the senior management team and the Audit Committee / College Board / Corporation via standing risk agenda items.

6. Types of risk register

Strategic risk register records strategic risks at a group level. Risks for inclusion at this level are those considered to have a potential significant impact on the success of the Business in the longer term.

College risk registers record risks which are more likely to pose a threat to the achievement of College objectives (therefore more of an impact on the ‘here and now’ and more operational in nature).

Risk appetite

The risk appetite of different organisations differs greatly. For example, newly established private training companies may be willing to take significantly more risk than a more established college in order to pursue growth.

Risk appetite can also be variable across different areas of a business or over time.

For example, an established college may be prepared to take more risk in a new curriculum area that they are looking to develop, or may accept greater risks at particular times (for example when undertaking a significant capital project).

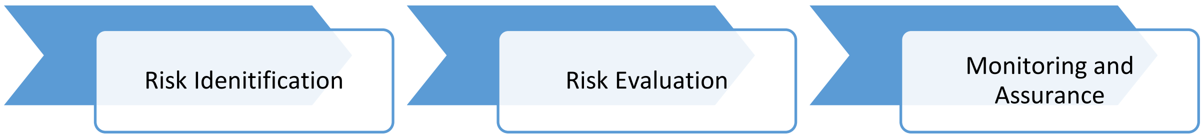
It is therefore the understanding and agreeing of the risk appetite that will enable NCG to make informed and consistent decision making.

At the time of writing the Corporation of NCG have deemed that its Risk Appetite is a <u>mitigated</u> Target Risk score of 6.

Whilst this provides broad direction to the Group it should be noted that on occasion risks with a higher mitigated risk score may be accepted however these will require specific sanction by the Corporation.

7. The Risk Management Cycle

NCG has defined its risk management cycle into 3 stages. These are:



Stage 1 – Risk Identification

The process of identifying risks will involve consideration of a wide range of factors including the internal and external environment, current strategy & operational activity and also planned changes and new initiatives. Whilst suggestions for additional risks relating to either the strategic or college risk registers can be made by any member of staff in the main risks will be identified by NCG's Executive Board / Audit Committee / College Boards / Corporation and approved by Corporation.

Stage 2 - Risk Evaluation

NCG has chosen to evaluate its risks across a 3-phase process. These are:

Controls Evaluation – are any actions taken to manage risk. Controls could include policies, procedures and other activities designed and implemented by management.

Net Risk Evaluation is considered to be the remaining risk, following applied controls. This is established by multiplying the 'probability' score with the 'impact' score.

Probability (of an event happening)			Impact (of an event happening)		
Highly Likely	4	The event is expected to occur in most circumstances. History of regular occurrences. In new event, likelihood of occurrence regarded as almost inevitable	Catastrophic	4	Financial implications are in excess of 15% of turnover. Health and safety impact could result in multiple loss of life or severe permanent disabilities. Complete loss of assets. Business Interruption greater than one month and critical systems unavailable for longer than a day. Prolonged widespread news profile. Reputational damage with funders or regulators result in NCG's inability to continue to operate.
Probable	3	There is a strong probability that the event or risk will occur. History of frequent occurrences. Everyone with knowledge of issues in this area knows this could happen. None or few effective measures to reduce likelihood can be or have been taken.	Major	3	Financial implications are less than 15% of turnover Health and safety impact could result in extensive injuries or long-term illness. Significant loss of assets. Interruption less than one month and critical systems unavailable for longer than a day. Short term national news profile Intervention from external bodies as a result of reputational damage with funders or regulators
Possible	2	The event might occur at some point in time. History of casual occurrence. Most of the team with knowledge of this area know that the risk might occur. Measures that reduce likelihood have been taken but are not fully effective.	Moderate	2	Financial implications are less than 3% of turnover. Health and safety impact could result in minor injuries or short term illness. Minor loss or damage to assets. Interruption less than one week and critical systems subject to a series of incidents. Local media campaign Increased scrutiny arising from reputational damage with funders or regulators
Unlikely	1	Highly unlikely, but it may occur in exceptional circumstances. No or very limited experience of a similar failure. If it has happened, sufficient controls now in place.	Minor	1	Financial implications are less than 1% of turnover Health and safety impact could result in minor personal injury Little damage to assets Interruption less than one day and

					critical systems subject to minor incidents Local media unsubstantiated article. Manageable reputational damage with funders or regulators

Actions Needed – Where the mitigated score noted above is above the risk appetite limit specific consideration and minuted approval should be sought from both College Boards and Audit Committee.

Stage 3 - Monitoring and Assurance

Effective risk monitoring provides governors and senior management with assurance upon the adequacy and effectiveness of control and mitigating actions in managing the identified risks.

Ultimately, NCGs management team are responsible to College and Corporation Boards for the system of internal control and should therefore ensure that there are adequate checks in place and adequate assurances provided to the governing body.

Independent assurance may be provided from sources including internal audit, external audit and regulatory reviews which will further inform the governing body.

8. Key Questions for Corporation Consideration

As part of the responsibility for overseeing NCG's risk management arrangements, Corporation members should consider the following questions when determining the adequacy of NCG's risk management approach:

- Do Corporation members receive regular risk management training?
- Are the risk management responsibilities of Corporation and its committees clear?
- Has Corporation approved the risk policy?
- Has Corporation determined the college's risk appetite?
- Have Corporation members been involved in identifying and evaluating the key strategic risks of NCG?
- Does Corporation debate the risk implications when making key decisions?
- Does Corporation receive regular risk reporting from management?
- Does risk reporting include consideration of emerging or changing risks?
- Does internal audit perform an annual review of NCG's risk management arrangements?
- Are you adequately informed on developments within NCG and sector developments which may impact upon NCG's risk profile?

Operational Approach

Noting the above, the following section sets out how NCG will operationalise its approach to Risk.

Strategic Risk Register – The Corporation Board are responsible for the establishment of strategic risks that will be held and monitored within the strategic risk register. These risks (limited to 8-14 encompassing risks) will cover all strategic risks faced by the business.

The template for recording strategic risks is shown as appendix A.

College Risk Register – Each college will 'own' a college specific version of their risk register. All college risk registers will be based on a consistent set of broad cross NCG business risks. Then, on a risk by risk basis, the colleges will document what specifically 'drives' the risk within the College and how it is mitigated.

Note – should further local risks be noted that do not fit under NCG's strategic risks, additional college specific risks can be added.

The template for recording operational risks at a college level is shown as appendix B.

Corporation Reporting – The strategic risk register will be presented to Corporation bi-annually for consideration / challenge and continued ratification of the appropriateness of the risks shown.

Audit Committee - Risk reports covering both strategic and college risks (where appropriate) will be presented to every meeting of the Audit Committee. This will include the tabling of the full strategic risk register at each meeting.

College Boards – College risk registers will be presented to each meeting of the College Board for consideration / challenge and continued ratification of the appropriateness of the risks shown.

Appendix A

Strategic Pillar	Strategic Goals	Strategic Risk ID	Strategic Risk	Strategic Risk Description	Strategic Risk Owner	Identified Mitigation	Net Probability score	Net Impact score	Resulting Net Score	Last review date	Next review date	Risk Appetite met?
		1										
		2										
		3										
		4										
		5										
		6										
		7										
		8										

Appendix B

Business Risk ID	Area	Business Risk	What Drives the Business Risk at XX	Business Risk Owner	Mitigation					Net Probability score	Net Impact score	Resulting Net Score	Last review date	Next review date	Risk Appetite Met
					Specific Action Taken	Measured How	Outcome	Time Scales	Future Actions						