

<b>Policy Title</b>	<b>NCG Risk Management Policy</b>	
<b>Policy Category</b>	Compliant	
<b>Owner</b>	Director of Assurance and Risk	
<b>Group Executive Lead</b>	Chief Operations & Compliance Officer	
<b>Date Written</b>	March 2019 / Reviewed in July 2022 and July 2023	
<b>Considered By</b>	Audit Committee	
<b>Approved By</b>	Corporation	
<b>Date Approved</b>	July 2023	
<b>Equality Impact Assessment</b>	The implementation of this policy is not considered to have a negative impact on protected characteristics	
<b>Freedom of Information</b>	This document will be publicly available through the Groups Publication Scheme.	
<b>Review Date</b>	July 2024	
<b>Policy Summary</b>	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.	
<b>Applicability of Policy</b>	<b>Consultation Undertaken</b>	<b>Applicable To</b>
<b>Newcastle</b>	Yes	Yes
<b>Newcastle Sixth Form</b>	Yes	Yes
<b>Kidderminster</b>	Yes	Yes
<b>Lewisham</b>	Yes	Yes
<b>Southwark</b>	Yes	Yes
<b>West Lancashire</b>	Yes	Yes
<b>Professional Services</b>	Yes	Yes
<b>Changes to Earlier Versions</b>		
<b>Previous Approval Date</b>		
May 2019	Introduction of the revised policy	
May 2020	Policy reviewed and no changes made.	
August 2020	Merger of 'Business' and 'College' Risks	
July 2022	Policy reviewed and minor changes applied (narrative, templates).	
July 2023	Policy reviewed. No material changes.	
<b>Linked Documents</b>		
<b>Document Title</b>	<b>Relevance</b>	

## 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 vary 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:

- **Culture**

NCG approach to risk management seeks to foster a positive risk management culture, where colleagues feel empowered and competent to identify and escalate risks.

- **Greater assurance**

An effective risk management framework will map the key challenges facing the business and the corresponding mitigating controls and action plans. It's essential that NCG not only identify its risks but can demonstrate a proactive and transparent approach to managing and reducing them. This provides useful internal assurance to management, the governing body and other internal and external stakeholders.

- **Enhanced 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**

Effective risk management practices also allow for the identification of opportunities. Defining the Group's risk appetite 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 Chief Operations and Compliance Officer (COCO)) 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.

To support the development of a positive risk culture, leaders and managers should work collaboratively and draw on expertise and networks to regularly identify and discuss risks as part of ongoing governance arrangements. Risk management should be undertaken in the following scenarios:

- **Proactively** - Risk management should be integrated into all planning processes, projects and day to day management of operations. Colleagues should undertake regular horizon scanning to ensure future emerging risks are considered.
- **Reactively** – To support the identification of risks following an unforeseen event, a business continuity event or other assurance activity such as internal audit. Risks that have been logged as a result of previous events can be considered again for similar planning activities or projects. These risks may be identified following a debrief / lessons learned exercise or review of historic risks.
- **Group Discussion** – This applies to the first two scenarios but it is also good practice to include risk management as a standing agenda item for meetings as part of the regular governance cycle (e.g. Principalship meetings). This should create an environment where potential risks can be identified and escalated in a structured format (drawing on the varied experience of colleagues attending those meetings).

### 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 risks are owned by a member of the Chief Executive's Group. Colleges 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 accountability and responsibility has been established.

In addition to management all staff also have a responsibility under this risk framework to report potential risks.

- **Audit & Risk Committee, College Boards and Corporation**

The Audit & Risk 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 Chief Operations and Compliance Officer and Secretary to the Board and proposed for submission to the Corporation by the Audit & Risk Committee.

Regular reporting of risk occurs between the senior management team and the Audit & Risk 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.

The Corporation Board are ultimately 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 Audit & Risk Committee has delegated responsibility to monitor the strategic risks.

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

### **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).

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.

Risks should not be considered in isolation and inter-dependencies identified through open discussion.

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

### **Department Risk Registers**

Record risks which pose a threat at a 'local' level and threaten the achievement of departmental objectives.

### **Project Risk Registers**

Record risks associated with Programme and Project Management activities.

Risks identified at this level may be escalated to the strategic and / or College risk registers if appropriate.

## **7. Risk Appetite**

Risk appetite can be defined as the amount and type of risk that an organisation is willing to accept in order to meet it's strategic objectives.

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).

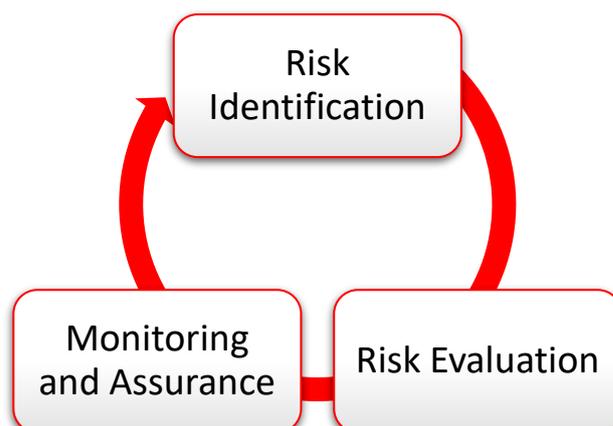
It is therefore the understanding and agreeing of the risk appetite that will enable NCG to make informed and consistent decisions.

NCG have deemed that its current Risk Appetite is a mitigated Target Risk score of 6. Refer to Appendix C for further information on risk scoring.

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.

## 8. The Risk Management Cycle

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



### Stage 1 – Risk Identification

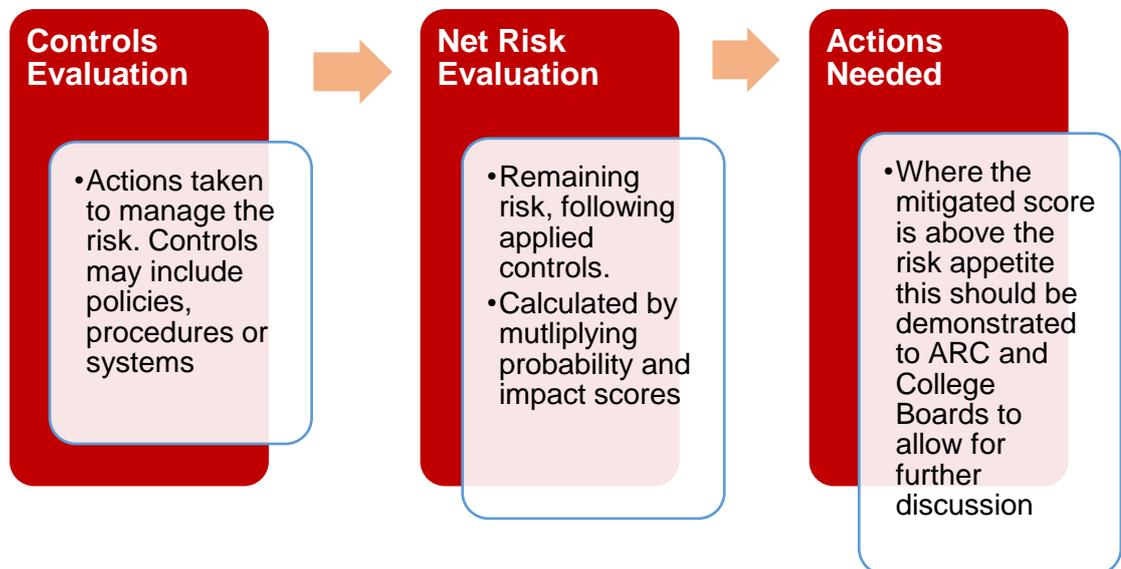
The process of identifying risks will involve consideration of a wide range of factors including the internal and external environment, current strategy & operational activity and also planned changes and new initiatives. Whilst suggestions for additional risks relating to either the strategic or college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

When formulating a risk description, risk managers should adopt the cause, event, effect model. This will assist in producing a detailed description that maps the source, resulting areas of uncertainty and the impact that may arise. An example is shown below.

*Example Risk Description - Failure to risk assess, record and store information assets in accordance with relevant NCG policy and procedure (cause) may result in a loss / breach of information (event) and impact financially / on the reputation of the Group*

## Stage 2 - Risk Evaluation

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



Catastrophic impact on delivery of NCGs objectives, reputation or finances.	4	Impact				
Major impact on delivery of NCGs objectives, reputation or finances.	3					
Moderate impact on delivery of NCGs objectives, reputation or finances.	2					
Minor impact on delivery of NCGs objectives, reputation or finances.	1					
			Probability			
			1	2	3	4
			Unlikely - based on predicted occurrence or no measures in place to mitigate.	Possible to occur based on historical knowledge or no fully effective measures in place.	Probable to occur based on frequent occurrences historically	Highly likely to occur based on history of regular occurrences

Risk Level	Category
<b>&lt;6 - Tolerable</b>	<b>Tolerable</b> - No additional controls are required and risk should be monitored to ensure risk remains maintained.
<b>6-10 - Moderate</b>	<b>Moderate</b> – Further efforts should be made to reduce the risk.
<b>&gt;10 - Intolerable</b>	<b>Intolerable</b> - Considerable resources should be allocated to reduce the risk. Where the risk involves work in progress urgent action should be taken.

The scoring matrix above demonstrates how the net risk score is calculated. Examples of definitions for probability and impact are detailed in Appendix C.

### Stage 3 - Monitoring and Assurance

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

### 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 & Risk Committee

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

Strategic risk registers will be reviewed and updated in line with current governance cycle.

### College Boards

College risk registers will be reviewed and updated prior to each College Board meeting (or more frequently should an emerging risk be identified outside of the agreed monitoring cycle). A risk register paper will accompany the risk register updates to provide an executive summary of risks and any emerging issues appropriate to this level. 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.

Updates to all risk registers should be provided to the Assistant Director – Risk and Protection in advance of the reporting cycle indicated above.

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 / assessment and regulatory reviews which will further inform the governing body.

## **9. Guidance and Support**

The Assurance and Risk team will be responsible for the provision of guidance and support within the discipline of risk management. Working alongside colleagues, support will be available to ensure appropriate governance principles are maintained and assurance through scrutiny, discussion and challenge in accordance with this policy.

## **10. Key Questions for Corporation Consideration**

As part of the responsibility for overseeing NCG's risk management arrangements, Corporation members (and other governing body members where appropriate) 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?







Appendix C – Examples of Probability and Impact Scoring

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