WHERE EVERY CHILD MATTERS

Community Based Trust

Risk Management Policy

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Introduction
Identifying and managing the possible and probable risks that an organisation may face is a key part of effective governance. By managing risk effectively, Trustees can help ensure that:

- Significant risks are known and monitored, enabling Trustees and Governors to make informed decisions and take timely action
- Forward and strategic planning are improved
- The Trust's aims are achieved

The Education and Skills Funding Agency (ESFA) sets out a requirement for each trust to exercise robust risk management.

The Academy Trust Handbook 2023 states that the trust must manage risks to ensure its effective operation and must maintain a risk register.

Overall responsibility for risk management, including ultimate oversight of the risk register must be retained by the Trust Board, drawing on advice provided by the Audit & Risk Committee. Trust Board must conduct a full review of the Risk Register at least annually.

Whilst the management and control of risk rests with the Trust Board and the Chief Executive Officer and 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. The Chief Executive Officer has delegated day-to-day responsibility for Risk Management to the Chief Financial Officer and Chief Operations Officer.

Context
Risk is inherent in all we do to deliver high quality services. Risk Management is an essential part of governance and leadership and an integral part of business planning and decision making.

As an organisation we will find some level of risk in most of the things they do. The diverse nature of the education sector means that Trusts faces different types of risk and levels of exposure.

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

For example, in a period of economic uncertainty, the major financial risks for a Trust could be:

- Changes to ESFA funding, including a reduction in pupil placement funding and Education Services Grant
- 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.

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.

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.

Classification of risks
A system of classification is helpful for ensuring key areas of risk arising from both internal and external factors are considered and identified.

Internal Risks – these are risks over which the Trust has some control, by managing them through internal controls/additional mitigating actions. Examples of such risks include health and safety risks, data security.
External Risks – this focuses on big external events/perils and then considers how to make the Trust more resilient to such events. Examples of such risks include a pandemic and extreme weather.
Strategic Risks – these are risks to the achievement of the Trust's core objectives. For example, the risk of high staff turnover.
Projected Risks – risks associated with any critical projects the Trust may be involved in. For example, leading on a multi-site expansion project.

Strategic Approach
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 Trust Board has 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 should to be referred to them for decision.

Risk Management at board level will focus on the highest priority risks which may have the greatest impact on the Trust. There is also a need for leaders to assess operational risks. The Audit & Risk Committee's role is to oversee that all categories of risk are identified and addressed appropriate.

The risk climate can change rapidly and it is important emerging risks are carefully assessed and where appropriate reflected within the Risk Registers.

The Trust will keep a risk register which will be a working document owned by the Trust Board, with delegated responsibilities for ongoing review and oversight passed to the Audit & Risk Committee.

Risk Assessment and Categorisation
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.

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.

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.

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.

There is a need to find a balance and to weigh the nature of the 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.

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.

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.

Risk Heat Map

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

Likelihood (x)

Risk Management/Measurement
Once risks have been identified it is important to measure them to give a standard for comparing the risks consistently. Measurement will consist of assessment, evaluation and ranking.

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.

The Board (or LGB if it is an school level risk) is 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.

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.

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.

Once risks have been assessed, evaluated and ranked there will need to be appropriate plans to manage them. These may include preventative controls, mitigation processes and contingency plans. The approach will depend on the Trust's risk appetite and risk capacity:

- **Risk Appetite –** the amount of risk the Trust is willing to accept in the pursuit of its objectives.
- **Risk Capacity** – the resources (financial human, operational …) which the Trust is able to put in place in managing risk.

Trustees must decide how much control they have over the issue of risk, although the day-to-day operation and management of risk should lie with the Chief Executive Officer, Headteacher, Senior Leadership & Management Team, Chief Financial Officer, Chief Operations Officer and the Information Management Systems Manager.

Once the level of risk tolerance and capacity has been decided the Trust will develop its Risk Control Strategy. Consideration of the **Four Ts** should be taken and adopted:

TOLERATE	**TREAT**
To accept or retain	To control or reduce
TRANSFER	**TERMINATE**
To contract out or insure	To avoid or eliminate

Tolerate – where no action is taken. Controls may not be cost-effective, or the risk or impact is so low that they are considered acceptable.
Treat – risk involves control with actions to minimise the likelihood of occurrence or impact. There may need to be contingency measures to reduce impact. An example would be a decision to train more than the statutory number of first aid qualified staff.
Transfer – risk may involve insurance or payment to third parties to take on the risk themselves (through a Service Level Agreement or other means of outsourcing).
Terminate - risk can be completed by altering a process to remove the risk preferably without materially affecting operations. Removal should be considered, rather than treat, tolerate or transfer if this can be considered. If the risk is too highly ranked and other control measures are overly expensive or impractical the rational decision may well be to terminate. (An example of terminating could be a relationship with an external organisation to eliminate reputational risk.)

Monitoring and assessment
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.

Ongoing monitoring and assessment of the risk register will be delegated by the Trust Board to the Audit & Risk Committee. This Committee, in turn, may delegate some duties to the Local Governing Board or Senior Leadership & Management Team.

The Risk Register is central to monitoring risk. As risks are identified they should be logged on the register and associated control measures documented. A Risk Register should be a 'live' document and an on-going process.

Terms of reference for the Audit & Risk committee are contained within the Scheme of Delegation.

Reporting and Scrutiny
The Trust Board will decide how and when to receive information about risk. Audit & Risk remains an Agenda item for all Trust Board meetings.

The Academy Trust Handbook 2023 states that the board must receive a report at least annually.

The Board should be able to review the adequacy and effectiveness of internal controls, to reprioritize resources and improve existing controls and identify emerging risks.

References
Academy Trust Handbook 2023
ESFA Good Practice Guide https://www.gov.uk/government/publications/academy-trust-financial-management-good-practice-guides/academy-trust-risk-management

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