

Trust Risk Management Policy

Summary

The Risk Management Policy aims to ensure that the Trust complies with risk management best practice and sets out the processes and responsibilities for risk management in the trust



If you are unsure about the validity of the content of this policy please refer to the Policy Owner.

Please Note: This policy is applicable to All settings within the Trust.

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Approved by

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01	Amended risk framework	Audit	June 2024

Trust Risk Management Policy

1. Background

The Risk Management Policy aims to ensure that the Trust complies with risk management best practice and sets out the processes and responsibilities for risk management in the trust

1.1. The guidelines for Corporate Governance can be summarised as:

- The Board acknowledges responsibility for the system of internal control
- An ongoing process is in place for identifying, evaluating and managing all significant risks
- An annual process is in place for reviewing the effectiveness of the system of internal control
- There is a system in place to deal with internal control aspects of any significant issues disclosed in the annual report and accounts

1.2. In assessing what constitutes a sound system of internal control, consideration should be given to:

- The nature and extent of the risks facing the organisation
- The extent and categories of risk which it regards as acceptable
- The likelihood of the risks concerned materialising
- The organisation's ability to reduce the incidence and impact of the risks that do materialise

Definition of risk

A risk is defined as the possibility of an event that can adversely impact on an organisation's ability to deliver its objectives.

2. Risk Management objectives

The objectives for managing risk across the Trust are:

- To comply with risk management best practice,
- To ensure risks facing the Trust and its Academies are identified and appropriately documented;
- To provide assurance to the Board of Trustees 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.

3. Risk Management policy

This policy aims to:

- Outline the roles and responsibilities for risk management.
- Identify risk management processes to ensure that all risks are appropriately identified, controlled and monitored

- Ensure appropriate levels of awareness throughout the Trust and its academies of its risks and the actions taken to address these risks, as detailed in the Risk Register

3.1. Roles and responsibilities

The Trust Executive Leadership Team has overall responsibility for risk management. The Chief Finance Officer has lead responsibility for risk management processes and the Trust-wide Risk Register. This responsibility includes:

- Monitoring the performance of risk management processes
- Ensuring that appropriate controls are in place to manage identified risks
- Preparation of periodic reports to the Audit & Risk Committee and the Board of Trustees

The Risk Register is formally reviewed a minimum of twice a year by the Audit & Risk Committee although the Chief Finance Officer would be expected to bring any material changes / new risks to the attention of the Chief Executive Officer at any point.

The Internal Auditors will review risk management procedures each year and will carry out a risk management exercise at least three times a year with Directors, Governors and the Leadership Teams. Their programme of work will, at least in part, be informed by the Trust Risk Register.

3.2. Identification of risks

Risk identification should be approached in a methodical way to ensure that all significant activities have been identified and all the risks flowing from these activities have been defined.

The Trust Risk Register follows the structure of outlining the risk, assessing the initial impact and likelihood, identifying the actions in place to mitigate the risk and assessing the amended impact and likelihood. The report is structured to focus on the objectives / priorities and to report on high level risks.

Each Academy will operate a risk register. The Chief Financial Officer is responsible for ensuring that this is done and Principals are responsible for maintaining the risk register. In addition, risk management needs to feature regularly on the agenda of the Academy ALT meetings.

High level Academy risks will be used to inform the Trust risk register and will be recorded on the Trust Risk Register if they are considered to be of high significance.

3.3. Evaluation of risks

The Risk Management Standard states that risks should be evaluated against agreed criteria to make decisions about the significance of risks to the organisation.

The Trust uses a 5 x 5 matrix to assess impact and probability as

- | | |
|---------------|-------------|
| • High | red |
| • Medium high | orange |
| • Medium | yellow |
| • Medium low | light green |
| • Low | green |

as illustrated in the diagram below:

RISK MATRIX		IMPACT					
		Very Low	Low	Medium	High	Very High	
		1	2	3	4	5	
LIKELIHOOD	Very High	5	5	10	15	20	25
	High	4	4	8	12	16	20
	Medium	3	3	6	9	12	15
	Low	2	2	4	6	8	10
	Very Low	1	1	2	3	4	5

The **descriptors** for high, medium and low impact and probability can be expanded as follows:

Impact of risk occurring

Impact	Description
Very High	The financial impact will be significant [in excess of £100,000] Has a significant impact on the Academy's strategy or on teaching and learning Has significant stakeholder concern
High	The financial impact will be high [between £50,000 and £100,000] Has a high impact on strategy or on teaching and learning High stakeholder concern
Medium	The financial impact will be moderate [between £25,000 and £50,000] Has a moderate impact on strategy or on teaching and learning Moderate stakeholder concern
Low	The financial impact is likely to be low [between £10,000 and £25,000] Has a low impact on strategy or on teaching and learning Low stakeholder concern
Very Low	The financial impact is likely to be very low [below £10,000] Has a very low impact on strategy or on teaching and learning Minimal stakeholder concern

Probability of risk occurring

Probability	Description	Indicator
Very High	Likely to occur each year, or more than 50% chance of occurrence within the next 12 months	Potential of it occurring several times within a 4 year period. Has occurred recently
High	Likely to occur within a 2 year time period or less than 50% chance of occurring within the next 12 months	Likely to occur more than once within a 4 year period. History of occurrence
Medium	Likely to occur with a 4 year time period or more than 25% chance of occurring with the next 12 months	Likely to occur within a 4 year period. Some history of occurrence

Low	Likely to occur within a 4 year time period or less than 25% chance of occurring within the next 12 months	Possibility of occurrence within a 4 year period No history of occurrence
Very Low	Not likely to occur within a 4 year time period or less than 5% chance of occurrence	Has not occurred Is not likely to occur

3.4. Risk threshold

The Trust's risk threshold is represented by scores of 3 and above in the risk matrix in paragraph 3.3. Above this threshold, the Trust will actively seek to manage risks and will prioritise time and resources to reducing, avoiding or mitigating these risks. This categorisation should be for guidance and must not override the judgement that other risks need to be included

3.5. Addressing risks

When responding to risks, the Trust will seek to ensure that it is managed and does not develop into an issue where the potential threat materialises.

The Trust will adopt one of the 4 risk responses outlined below:

Prevention	Counter measures are put in place that will either stop a problem or threat occurring or prevent it from having an impact on the business
Transfer	The risk is transferred to a third party, for example through an insurance policy.
Actions	The response actions either reduce the likelihood of a risk developing, or limit the impact on the organisation to acceptable levels.
Accept	Accept the possibility that the event might occur, for example because the cost of the counter measures will outweigh the possible downside, or we believe there is only a remote probability of the event occurring.

4. Risk Reporting and Communication

One of the key aims of reporting risk is to provide assurance to the Board of Directors, Senior Management and Internal Auditors that the Trust is effectively managing its risks and has a robust system of internal controls.

4.1. Risk register

The reporting mechanism will be the Risk Register. This will highlight the key risks facing the Trust or Academy. The Risk Register and any supporting action plans will be monitored by the Audit & Risk Committee on a rolling basis.

Any significant changes in risk impact or probability, or the occurrence of an event which raises the profile of a risk will be recorded on the risk register as it occurs. Any new or increased risks identified in Directorate or ELT meetings, or raised by a member of staff will be evaluated and, if appropriate, recorded in the Risk Register.

There is a strong correlation between the Risk Register and the Trust / Academy Development Plans. It is therefore expected that significant risks are addressed in the development plans and feature as priorities in budgeting exercises.

4.2 Communicating Risks

The Audit & Risk Committee monitors the Risk Register twice a year and also monitors the risk management policy and procedures.

Each Academy Committee will review its own Risk Register termly.

The Chief Financial Officer will ensure that any perceived new or increased risks or significant failure of risk management control measures are considered by the Audit Committee, along with a summary of actions taken.

The Chief Financial Officer will endeavour to raise awareness that risk management is a part of the Trust's culture and seek to ensure that:

- individual members of staff are aware of their accountability for individual risks
- individuals report promptly to senior management any perceived new risks or failure of existing control measures.

4.3 Annual risk review and assessment

The Internal Audit report provides an annual assessment of the effectiveness of the Trust's management of risk.

The Chief Finance Officer will prepare an annual review of risk management for the Audit & Risk Committee at its first meeting of the year. This will enable the Committee to report to Board of Trustees on:

- The significant risks facing the trust
- The effectiveness of the risk management processes
- That the Trust has published a risk management policy covering risk management philosophy and responsibilities

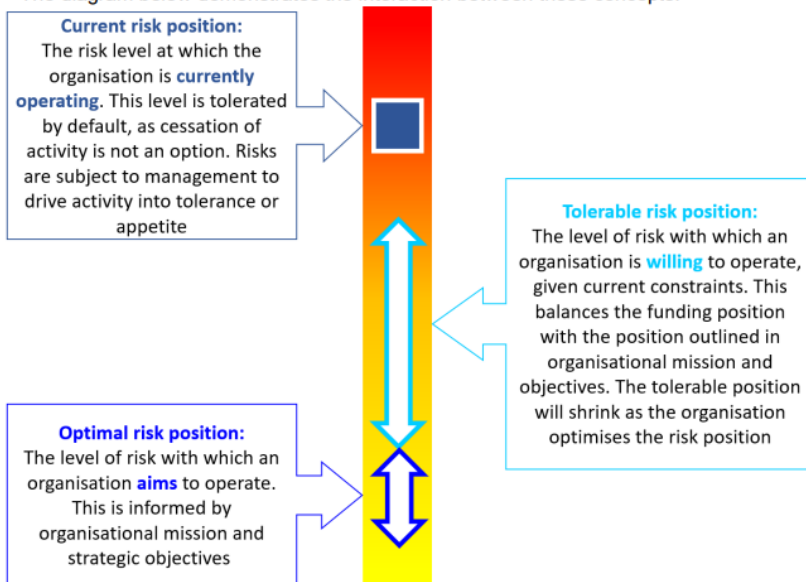
4.4 Risk Appetite

Risk appetite refers to two key definitions:

Optimal risk position: the level of risk with which the trust *aims* to operate.

Tolerable risk position: the level of risk with which the trust is *willing* to operate.

The diagram below demonstrates the interaction between these concepts.





Risk Appetite Description and categories

Risk Appetite	Description
Averse	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.
Minimalist	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.
Cautious	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.
Open	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.
Eager	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.

Risk Appetite Statement and categories

Our risk appetite has been defined following consideration of organisational risks, issues and consequences. Appetite levels will vary, in some areas our risk tolerance will be cautious in others, we are open/hungry for risk and are willing to carry risk in the pursuit of important objectives. We will always aim to operate organisational activities at the levels defined below. Where activities are projected to exceed the defined levels, this will be highlighted through appropriate governance mechanisms.

-  **Reputational risks:** We have adopted a **cautious** stance for reputational risks, with a preference for safer delivery options, tolerating a cautious degree of residual risk and choosing the option most likely to result in successful delivery, thereby enhancing our reputation for delivering high quality, cost-effective education to all of our children.
-  **Financial risks:** We have adopted a **cautious** stance for financial risks with reference to core running costs, seeking safe delivery options with little residual risk that only yield some upside opportunities. The Board will receive ongoing assurance through the annual governance statement that policies and procedures are in place in line with the Academy Trust Handbook, Articles and the Master Funding Agreement.

-  **Information risks:** We have adopted an **open** stance to information risk, to reflect the sensitivity of information as defined by Government Security Classifications (GSC). The Board will receive an annual assurance that guidance and procedures are in place and training undertaken by staff. As a trust we do not have any Tier 2 (Secret) or Tier 3 (Top Secret) information
 - Tier 1 (Official/Official Sensitive): We have adopted an open stance, given the need for operational effectiveness with risk mitigated through careful drafting and/or limiting distribution;
-  **Personnel security risks:** We have adopted a **cautious** stance for personnel security risks, and a cautious stance for security risks to staff. The Board will receive an annual assurance that appropriate advice and briefings are undertaken, and vetting, procedures and duty of care is in place.
-  **Cyber risks:** We have adopted a **minimalist** stance for cyber risks. The Board will have independent assurance on the risk of fraud and inadvertent or malicious corruption or modification of data on its IT systems.
-  **Assets/Estates risks:** We have adopted **cautious** and **open** stances for assets and estates respectively, seeking value for money but with a preference for proven delivery options that have a cautious residual risk. This means that we use solutions for purchase, rental, disposal, construction, and refurbishment that ensure we protect public money from as much risk as possible, producing good value for money whilst fully meeting organisational requirements.
-  **Business continuity risks:** We have adopted a **cautious** stance for incident management and business continuity risks. The Board will receive ongoing assurance from annual reviews of business continuity plans.
-  **Legal/Regulatory compliance risks:** We have adopted a **minimalist** stance for compliance, seeking a preference for adhering to responsibilities, and safe delivery options with little residual risk. The Board will have annual assurance that compliance regimes are in place.