



Risk Management Policy

Date policy agreed	1st November 2022
Date of next review	Autumn 2024
Approved by	Finance and Audit Committee
Updates from previous policy	Rewritten policy using ESFA and NGA Guidance



Introduction to risk management

Effective risk management helps ensure strategic priorities and improvement plans for schools and trusts are maintained or met. Risk management is not an isolated activity, but a continuous cycle central to monitoring the school's/trust's ability to meet its strategic priorities.

The DfE's Governance Handbook for academy trusts and maintained schools says:

"Robust decision making also takes account of risk. Effective boards have a framework for identifying and managing risk and explicitly set and manage their risk appetite and tolerance. In particular, they consider the risks associated with their strategic priorities and improvement plans."

Academy trustees must secure effective risk management through the maintenance of a risk register. It is a requirement of the [Academies Financial Handbook \(AFH\)](#) that:

- Academy trusts must manage risks to ensure their effective operation and they must maintain a risk register (part 2).
- The trust's management of risks must include contingency and business continuity planning (part 2).

The risk management policy outlines the framework for managing risk and is separated into 5 areas:



Identification

At the risk identification stage, all potential events that are a threat to the achievement of business objectives (including not capitalising on opportunities) are identified, defined and categorised. The trust will consider the various types of risk within the following categories:

- **Internal risks** - these are risks over which the academy 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 academy 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 academy trust's core objectives. For example, the risk of high staff turnover, risk of the ability and capacity of the governing boards to provide robust accountability and assurance.
- **Project risks** – risks associated with any critical projects the academy trust may be involved in. For example slippage on the delivery timescale for a new building.

The risk climate can change rapidly, and it is important emerging risks are carefully assessed and where appropriate are reflected in academy trust risk register.

Measurement

Once risks have been identified it is important that the trust measures them to give a standard for comparing the risks consistently. Measurement consists of assessment, evaluation, and ranking.

The aim of **assessment** is to understand better each specific instance of risk, and how it could affect business objectives. The trust estimates:

- the likelihood (or probability) of it occurring, and
- the impact (or severity) if it did occur

The risks are then scored using a range of 1 to 5 for each of the above. For example, a score of 5 for likelihood would denote a certain risk and 5 for impact would denote a major level of damage.

Evaluation: the “scores” for each risk’s likelihood and impact respectively are combined to derive a single risk score reflecting its overall level of threat.

Ranking: once the scores for likelihood and impact have been combined into a single rating, they can be plotted on a risk matrix which is simply a grid showing high likelihood/high impact risks. This matrix then allows each risk to be rag rated.

Combined ratings: (Likelihood x Impact)	
1-4	Rag rated Green and are deemed to be low and acceptable risks that can be managed.
5-12	Rag rated Amber and are deemed to be medium risk where action is required to reduce the level to low
13-25	Rag rated Red and are deemed to be high risk where board action/awareness is required.

Likelihood	1 Rare	2 Unlikely	3 Possible	4 Likely	5 Certain
Impact					
5 Major					
4 Significant					
3 Moderate					
2 Minor					
1 Insignificant					

Commented [1]: Descriptors from CST

Management

Once risks have been assessed, evaluated and ranked the trust will ensure that there are appropriate plans to manage them. These will be managed by identifying risk control measures based on the '4 Ts':

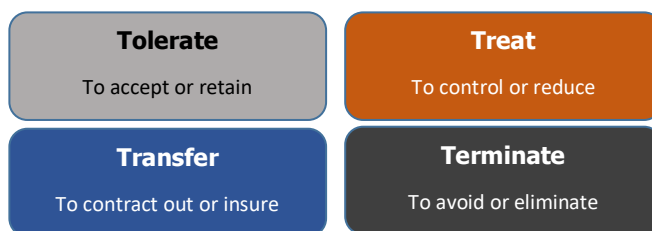
Tolerate: exposure to risk accepted based on a limited potential for mitigation, or because the impact is low enough to be considered acceptable. Generally, no further action will be taken.

Treat: control risk through actions to minimise its likelihood or impact. Also involves some contingency planning.

Transfer: risk is contracted out or insured against.

Terminate: avoid or eliminate the activity because associated risks are too great.

Selecting the most appropriate risk treatment option(s) involves balancing the potential benefits from the achievement of objectives against the costs, efforts, or disadvantages of proposed actions.



Monitoring

The monitoring of risks is ongoing and continuous as this supports the academy trust's understanding of whether and how the risk profile is changing. Monitoring also provides assurance on the extent to which the mitigating actions and controls are operating as intended and whether risks are being managed to an acceptable level.

The risk register is central to risk monitoring. As risks are identified and logged on the register. The associated control measures are documented and contingency/action plans are identified. The contingency/actions plans are delegated to an owner with a target risk retirement date specified.

During the monitoring process, the status of each risk is assessed with control measures and actions/contingency plan progress is evaluated. This results in an updated rag rating being identified as the current status of risk on the Risk Register.

Reporting and scrutiny

The overall responsibility of the risk register sits with the board of trustees. The board has delegated the monitoring of the risks identified on the register to the Finance and Audit committee who review this every term. Every term the committee receives a report stating changes to the identified risks and subsequent actions. Risks rated as high impact (red) are scrutinised in more detail at least once a year.

As part of the trustees' report, which accompanies the audited financial statements, the trust explains the principal risks and uncertainties and the plan for managing those risks.

The Finance and Audit committee is responsible for directing the academy trust's programme of internal scrutiny. This is to ensure that all financial and non-financial controls are effective and that all categories of risk are being adequately identified, reported, and managed.