



# Risk Management Policy & Strategy

<b>Approved by:</b>	FINANCE, AUDIT & RISK COMMITTEE	<b>Date:</b> 6 <sup>th</sup> July 2020
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## **Risk Management Policy**

### **Purpose of the Policy**

1. Risk management is an essential part of governance and leadership and an integral part of business planning and decision-making processes. It involves the identification, measurement, management, monitoring and reporting of threats to an academy trust's business objectives.
2. Taking risk management seriously is a priority for Greensand Multi-Academy Trust (the Trust). The Risk Management Policy forms part of the Trust's internal control and corporate governance arrangements. It is designed to provide assurance that the Trust has adopted best practice in this area, as advocated by the Turnbull Report on internal control of companies and in other parts of the education and voluntary sectors.
3. Through effective management of risk, this informs the Trust's business decisions, enables a more effective use of resources, enhances strategic and business planning and strengthens contingency planning.
4. The Policy explains the Trust's underlying approach to risk management.
5. The Policy should be read in conjunction with the Trust's Risk Management Strategy, which forms part of this document and which sets out the framework the Trust has adopted for risk management.

### **Aims and underlying approach to risk management**

Risk management can be considered in terms of the ICAEW (Institute of Chartered Accountants in England & Wales) four lines of defence model which is a concept for helping to identify and understand the different contributions various sources can provide:

- **1st line of defence** – management and staff who own and manage risk on a day-to-day basis.
- **2nd line of defence** – the board who oversee the effectiveness of the risk management framework.
- **3rd line of defence** - the internal scrutiny function who provide independent assurance on the overall effectiveness of risk management and controls.
- **4th line of defence** - assurance from external independent bodies such as the external auditors and other external bodies.

The Trust has a Risk Management Strategy which aims to:

1. Identify and evaluate risks which could prevent the Trust from achieving one or more of its strategic aims and objectives and delivering targets or make their achievement substantially more difficult;

2. Assess the likelihood of such risks occurring and the potential impact of such occurrences with particular reference to the areas of finance, safeguarding, reputation and planning/operations;
3. Enable decisions to be taken on how much risk to accept, the actions/controls applied to avoid or mitigate the likelihood of such circumstances arising, to transfer risk or insure against the consequences and assign responsibility for implementation;
4. Ensure that risks are being addressed appropriately through internal scrutiny;
5. Assess the adequacy of the Trust's internal control framework, including financial and non-financial controls and management of risks.

All Trust schools use Every software to record and update their school risk registers. The Executive Team prepares the risk register for central operations and activities. The FOD has access to all risk registers within the Trust.

The following key principles outline the Trust's approach to risk management and internal control in pursuing the aims set out above:

1. The Trust Board of the Greensand Multi-Academy Trust (the Trust Board) is accountable for risk management within the Trust as a whole and, in accordance with the Academy Trust Handbook, have appointed a Finance, Audit and Risk Committee (the FAR Committee) responsible for overseeing this area;
2. The Trust Board aims to ensure that its Risk Management Policy and Strategy is fully embedded across the Trust, in both day-to-day operations and governance, with an open and receptive approach to solving risk problems adopted by the Trust and conservative and prudent recognition and disclosure of the financial and non-financial implications of risks;
3. Risk registers are maintained at both individual school level and at Trust level using a weighted scoring for all identified risks;
4. Key risk indicators are identified and closely monitored on a regular basis at school level.

Regular reporting and review includes at a minimum:

- a. Headteachers & the School Committees of the Trust's member schools review their individual school Risk Register and Action Plan on a termly basis.
- b. School level registers are reported up to Trust level and the Trust-wide Central Risk Register updated accordingly on a termly basis and reviewed by the Trust Executive Team.
- c. Risk is a standing agenda item of the FAR Committee who undertake a full annual review of all school level risk registers and the Central Risk Register.

- d. Annual review of the Trust's Central Risk Register is a standing item on the Trust Board's agenda in accordance with the requirements of the current Academy Trust Handbook.

## **Risk Management Strategy**

### **1.0 Introduction**

- 1.1 Risk management is the process whereby the Trust methodically addresses the risks attaching to its objectives and associated activities with the goal of achieving sustained benefit within each activity and across the whole range of activities.
- 1.2 Risk management will be aimed at ensuring that the Trust, and the schools within the Trust, achieve their objectives in the most effective way and the resources are directed at those objectives. It will not be seen as a separate exercise, but as the means of best achieving the Trust's objectives.
- 1.3 This Risk Management Strategy sets a framework for the management of risks, including the Trust's risk appetite, the processes for identifying, categorising, measuring and the strategy for treating risks. It also identifies roles and responsibilities of the Trust and its member schools in the management of those risks, including monitoring, reporting & review procedures.
- 1.4 It has been designed for use by all staff of the Trust and it serves to:
  - Communicate the strategies for managing risk in the Trust;
  - Establish procedures which should be adopted in the risk management process.

### **2.0 The Aims and Objectives of Risk Management**

- 2.1 The Trust's overall risk management plan is aimed at:
  - Protecting its children, staff and assets;
  - Managing risk in accordance with best practice and reducing the cost of risk;
  - Anticipating and responding to changing social, environmental and legislative requirements;
  - Raising awareness of the need for risk management;
  - Integrating risk management into the culture of the Trust;
  - Adopting legal compliance as a minimum standard.
- 2.2 These aims and objectives will be achieved by:
  - Establishing and maintaining a risk management organisational structure to act in an advisory and guiding capacity which is accessible to all staff;
  - Maintaining documented procedures for the control of risk;
  - Providing suitable information, training and supervision to staff;
  - Maintaining effective communication and the active involvement of all staff;
  - Maintaining an appropriate incident reporting and recording system, with investigation procedures to establish cause and prevent recurrence;

- Monitoring arrangements on an ongoing basis.

### **3.0 The Potential Benefits of Risk Management**

3.1 Effective risk management protects and adds value to the Trust and its stakeholders through supporting the Trust's objectives by:

- Improving decision making, business planning and prioritisation by comprehensive and structured understanding of the wider business environment;
- Supporting more efficient allocation and use of resources within the Trust;
- Enhancing communication between schools and services;
- Protecting and enhancing Trust assets and image;
- Developing and supporting staff and the Trust's knowledge base;
- Helping to focus the internal audit/scrutiny plan.

### **4.0 The Structure and Administration of Risk Management**

4.1 The Trust Board has a fundamental role to:

- Set the tone and influence the culture of risk management within the Trust;
- Determine the appropriate risk appetite or level of exposure for the Trust;
- Approve major decisions affecting the Trust's risk profile or exposure;
- Set policy and strategy for risk management;
- Ensure there is an individual identified who has responsibility for risk management on a day-to-day basis for the Trust;
- Ensure that risk registers are in place & maintained at individual school level and at Trust level (ATH Part 2);
- Frequently monitor through its FAR Committee the management of significant risks at both school and Trust level to reduce the likelihood of unwelcome surprises or impact;
- Satisfy itself that the less significant risks at both school and Trust level are being actively managed, with the appropriate controls in place and working effectively;
- Annually review, through its FAR Committee, the Trust's Central Risk Register and the risk registers for each member school;
- Annually review the Trust's approach to risk management and approve changes or improvements to key elements of its processes and procedures;
- Ensure that contingency and business continuity planning are included as part of the Trust's management of risks (ATH Part 2);
- Through its FAR Committee direct the Trust's programme of internal scrutiny, ensure that risks are being addressed appropriately through internal scrutiny and report (to the Trust Board) on the adequacy of the Trust's internal control framework, including financial and non-financial controls and management of risks (ATH Part 3)

4.2 The Trust's Executive Team will:

- Support and implement policies approved by the Trust;
- Establish internal risk policy and structures for individual school / services;

- Develop risk response processes, including contingency and business continuity programmes;
- Provide adequate information in a timely manner to the Trust Board and its committees on the status of risks and controls at both school and Trust level;
- Focus and co-ordinate risk management activities throughout the Trust;
- Raise the level of management awareness and accountability for the business risks experienced by the Trust;
- Develop risk management as part of the culture of the Trust;
- Provide a mechanism for risk management issues to be discussed and disseminated to all schools within the Trust.

#### 4.3 The Headteachers of individual schools within the Trust will:

- Have primary responsibility for managing risk on a day-to-day basis in their school;
- Have responsibility for promoting risk awareness within their operations;
- Introduce risk management objectives into their school;
- Establish, maintain and have responsibility for regularly reviewing their school's risk register covering the Top 10 risks for their school;
- Ensure that their risk register is reviewed by their school's School Committee (SC) at least once per year, and any changes to the risk register are reviewed by the SC termly, and that this is evidenced in the SC's minutes;
- Identify and evaluate the significant risks faced by their operations for consideration by their SC and subsequently the Trust's Finance, Audit and Risk Committee;
- Report up to the Finance & Operations Director (FOD) each term any changes to their school's Top 10 risks/their risk register;
- Ensure that risk management is incorporated at the conceptual stage of projects, as well as throughout a project;
- Ensure that risk management is a regular management meeting item to allow consideration of exposure and to prioritise work in the light of effective risk analysis;
- Report early warning indicators to the Executive Team of the Trust.

#### 4.4 The CEO for the Trust has responsibility for:

- Developing specific programmes and procedures for establishing and maintaining risk management activities within the Trust;
- Ensuring the dispersal of vital information;
- Providing guidance, interpretation and understanding of the risk management systems;
- Managing the overall, collective risks faced by the Trust;
- Risk management across the Trust on a day-to-day basis.

## 5.0 Risk Identification

5.1 At the risk identification stage, all potential events that are a threat to the achievement of the Trust's business objectives are identified, defined and categorised.

- 5.2 Risk is not only about adverse events, it is also about missed opportunities. All areas of activity within the Trust, its schools and partnerships with third party organisations should be considered, together with what would stop them being as successful as they should. The key risks that the Trust and the schools within it face will be those that would stop the Trust or its schools achieving their objectives in these areas.
- 5.3 As the first step in the risk identification process, all staff with responsibility for delivering operations aims or targets need to understand the Trust's vision and the legal and regulatory environment in which it operates.
- 5.4 The second step is the translation of these objectives into operating aims and performance indicators for each area of activity. This should be an ongoing annual exercise with regular updating of the aims.
- 5.5 The next step is to identify what would stop each area being as successful as it should. Risks can readily be identified through either brainstorming or a more structured approach.
- 5.6 Understanding the type of risk being faced can help to determine what action is best to take. Risks are grouped according to the following categories:
- **Strategic risks** – Risks arising from identifying and pursuing a strategy, which is poorly defined, is based on flawed or inaccurate data or fails to support the delivery of commitments, plans or objectives due to a changing macro-environment (e.g. political, economic, social, technological, environment and legislative change).
  - **Governance risks** – Risks arising from unclear plans, priorities, authorities and accountabilities, and/or ineffective or disproportionate oversight of decision-making and/or performance.
  - **Operations risks** – Risks arising from inadequate, poorly designed or ineffective/inefficient internal processes resulting in fraud, error, impaired customer service (quality and/or quantity of service), non-compliance and/or poor value for money.
  - **Legal risks** – Risks arising from a defective transaction, a claim being made (including a defence to a claim or a counterclaim) or some other legal event occurring that results in a liability or other loss, or a failure to take appropriate measures to meet legal or regulatory requirements or to protect assets (for example, intellectual property).
  - **Safety risks** – Risks arising from safety deficiencies or poorly designed or ineffective/inefficient hazard management resulting in non-compliance and/ or harm and suffering to pupils, staff, contractors, service users or the public.
  - **Financial risks** – Risks arising from not managing finances in accordance with requirements and financial constraints resulting in poor returns from investments, failure to manage assets/liabilities or to obtain value for money from the resources deployed, and/or non-compliant financial reporting.
  - **Commercial risks** – Risks arising from weaknesses in the management of commercial partnerships, supply chains and contractual requirements, resulting in poor

performance, inefficiency, poor value for money, fraud, and /or failure to meet business requirements/objectives.

- **People risks** – Risks arising from ineffective leadership and engagement, suboptimal culture, inappropriate behaviours, the unavailability of sufficient capacity and capability, industrial action and/or non-compliance with relevant employment legislation/HR policies resulting in negative impact on performance.
- **Technology risks** – Risks arising from technology not delivering the expected services due to inadequate or deficient system/process development and performance or inadequate resilience.
- **Information risks** – Risks arising from a failure to produce robust, suitable and appropriate data/information and to exploit data/information to its full potential.
- **Security risks** – Risks arising from a failure to prevent unauthorised and/or inappropriate access to the estate and information, including cyber security and non-compliance with General Data Protection Regulation requirements.
- **Project/Programme risks** – Risks that change programmes and projects are not aligned with strategic priorities and do not successfully and safely deliver requirements and intended benefits to time, cost and quality.
- **Reputational risks** – Risks arising from adverse events, including ethical violations, a lack of sustainability, systemic or repeated failures or poor quality or a lack of innovation, leading to damages to reputation and or destruction of trust and relations.

5.7 The risks that have been identified should be recorded on the appropriate risk register, depending on whether the risk is identified by an individual school or the Trust. At school-level, each school within the Trust should identify and thereafter record their Top 10 risks in their school's risk register. The risks that have been identified at Trust-level should be updated to the Trust's Central Risk Register.

5.8 At board level, risk management assessment will focus on the highest priority risks, which will have the greatest impact on the Trust. School leaders will also need to assess operational risks. The role of the FAR Committee is to oversee that all categories of risk are identified and must extend to ensuring the risks at member schools are being assessed and addressed appropriately.

5.9 The risk climate can change rapidly. It is important emerging risks are carefully assessed and, where appropriate, are reflected in risk registers.

## **6.0 Risk Measurement (Assessing Likelihood and Impact)**

6.1 Once risks have been identified, it is important to measure them to give a standard for comparing the risks consistently. Measurement consists of assessment, evaluation and ranking. Having identified the risks that the school/Trust is facing, they are prioritised into a manageable order so that action can be focused on the significant risks.



6.2 The aim of assessment is to better understand each specific instance of risk and how it could affect business objectives. Each risk is assessed in terms of the **likelihood** (or probability) of its occurrence, and its **impact** (or severity) on the school/Trust, should it occur.

6.3 The impact of a risk and the likelihood of it occurring are scored as follows:

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>• <b>Likelihood</b></li> <li>1. very unlikely</li> <li>2. unlikely</li> <li>3. moderately likely</li> <li>4. likely</li> <li>5. very likely</li> </ul> | <ul style="list-style-type: none"> <li>• <b>Impact</b></li> <li>1. Negligible</li> <li>2. Minor</li> <li>3. Moderate</li> <li>4. Major</li> <li>5. Catastrophic</li> </ul> |
|---|--|

6.4 The scores are multiplied for likelihood and impact and then ranked by numerical value.

## 7.0 Risk Prioritisation

7.1 Risks should be prioritised as follows:

Risk Score	Prioritisation	Colour	Action
1 to 5	Low	Green	Keep under review
6 to 12	Medium	Amber	Consider action or contingency plan
13 to 20	High	Red	Immediate action

## 8.0 Risk Management (control)

8.1 Once risks have been identified, assessed and ranked, the school/Trust will need to ensure there are appropriate plans to address and manage them. These plans might include putting in place preventative controls, mitigation processes and contingency plans, if risks materialise. The approach taken will depend substantially on the Trust's:

- risk appetite – the amount of risk the Trust is willing to accept in the pursuit of its objectives; and
- risk capacity – the resources (financial, human etc.) which the Trust is able to put in place in managing risk.

It is important that discussion on the approach involves debate & challenge.

8.2 As an initial step, the school/Trust will assess the 'cost' of accepting the risk. This may be a financial cost or a lost opportunity. The school/Trust may decide that accepting a particular risk is appropriate and not take any further action.

- 8.3 If the school/Trust decides further action is needed, then there are five main options:
- **Treat the risk** – this involves controlling the risk with actions to minimise the likelihood of occurrence or impact;
  - **Transfer all or part of the risk** – this may involve the use of insurance to mitigate risks or payment to third parties;
  - **Terminate the risk** – this can be done by altering an inherently risky process to remove the risk;
  - **Tolerate the risk** – this is where no action is taken;
  - **Take advantage** – this recognises that the uncertainty attached to risk sometimes offers opportunities as well as threats.
- 8.4 A risk may be avoided by withdrawing from that area of activity, but doing so may result in a missed opportunity.
- 8.5 A risk may be transferred wholly or in part to a third party, possibly through insurance or a partnership arrangement.
- 8.6 In the majority of cases, the next step will be to put in place systems to mitigate either the likelihood or the impact of the risk. These will include systems addressing the whole operation of the school/Trust, as well as the areas where risks have been identified. Any system of risk mitigation should provide as a minimum:
- Effective and efficient operation of the school/Trust;
  - Effective internal controls;
  - Compliance with law and legislation.
- 8.7 Mitigating action plans should be recorded against each risk that has been listed in the school's risk register and/or the Central Risk Register.

## 9.0 Gross and Net Risk

- 9.1 In completing the above mentioned assessment of risk, recognition needs to be given to the impact of the mitigating actions taken to reduce the impact of the risk. Accordingly, risks will initially be recorded at their gross value – the impact without mitigating actions. The same risks will then be recorded allowing for the impact of the mitigating actions.
- 9.2 Both the gross risk and net risk scores are to be recorded on the school's risk register and/or Central Risk Register.
- 9.3 The movement in these risk scores between reporting periods are to be recorded on these key documents to enable the reader to understand whether each risk is constant, decreasing or increasing over time.

## 10.0 Risk Monitoring

10.1 Monitoring should be ongoing and continuous as this supports the Trust's understanding of whether and how the risk profile is changing. The likelihood or impact of an identified risk can change for a number of reasons including:

- Nature of the risk has changed or is changing;
- Existing controls are inadequate or not functioning;
- New controls are introduced.

The risk register is central to risk monitoring. As risks are identified, they should be logged on the register and the associated control measures documented. A risk register is a live document.

10.2 Individual schools should:

- Review termly, through their SC, any changes to the risks within the school's risk register which fall into their area of responsibility, and consider the possible impacts these have on other areas and the consequences other areas may have on them;
- Review annually, through their SC, their school risk register and their school's Top 10 risks and consider any changes to, and the possible impact of, those risks at both school and Trust level;
- Use performance indicators to monitor the key business and financial activities, progress towards objectives and identify developments which require intervention;
- Have systems which communicate termly variances in budgets and forecasts to allow action to be taken;
- Report systematically and promptly to the Executive Team any perceived new risk or failures of existing mitigating or control measures.

10.3 The FOD should:

- Ensure that the Central Risk Register is updated in the light of developments within the individual schools and the wider business environment;
- Review the Central Risk Register termly;
- Ensure that the individual schools are maintaining and regularly reviewing their own risk registers and reporting up any changes to their Top 10 risks to the FOD on a termly basis;
- Review the individual school risk registers termly;
- Review key performance indicators and progress towards objectives;
- Take necessary action to address adverse departures from objectives;
- Provide adequate information to the relevant Trust's FAR Committee on the most significant risks.

10.4 The Finance, Audit and Risk Committee should:

- Review the Central Risk Register at its meetings;

- Review each member school's top 2 to 3 risks from their individual risk register each term;
- Undertake a full annual review in the summer term of all school level risk registers and the Central Risk Register;
- Undertake more frequent reviews during periods of heightened risk;
- Provide ongoing advice to the Trust on the effectiveness of the risk management process.

10.5 The Trust Board should:

- Undertake a full annual review of the Trust's Central Risk Register.

## 11.0 Risk Reporting

11.1 Different levels within the Trust need different information from the risk management process. Information should be clear and support the Trust Board and FAR Committee to assess whether decisions are being made within their risk appetite, to review the adequacy and effectiveness of internal controls, to reprioritise resources and improve controls and to identify emerging risks.

11.2 Early warning indicators should be reported systematically and promptly to the appropriate level to allow action to be taken. The frequency of reporting should be related to how quickly a risk can materialise and its likely impact.

11.3 Staff in schools should:

- Understand their accountability for individual risks;
- Understand that risk management and risk awareness are a key part of the Trust's culture;
- Understand how they can enable continuous improvement of risk management response;
- Report systematically and promptly to the School Leadership Team any perceived new risks or failures of existing control measures.

11.4 Headteachers should:

- Provide an up-to-date copy of their school's risk register to the FOD each term;
- Report to the FOD the outcome of their termly review of business and financial activities and progress towards objectives;
- Report systematically and promptly to the FOD any perceived new risks or failures of existing control measures;
- Report any risks deemed major or above immediately to the FOD & CEO.

11.5 The FOD should:

- Ensure accurate reporting of risk in terms of issue and risk values;
- Report to each FAR Committee meeting the most significant risks facing the Trust;
- Ensure appropriate levels of awareness throughout the Trust.

11.6 The Finance, Audit & Risk Committee should:

- Direct the Trust's programme of internal scrutiny and use the risk register as a reference point for this (ATH Part 3);
- Ensure that the internal scrutiny function focuses on evaluating the suitability of, and level of compliance with, financial and non-financial controls, and offer advice and insight to the Trust Board on how to address weaknesses in those controls;
- Ensure that all categories of risk are being adequately identified, reported and managed;
- Ensure that the control environment remains effective to manage the risks that are already known;
- Stress test the controls and mitigating actions to ensure that they have been implemented and are effective.

11.7 The Trust Board should:

- Consider and report annually on the effectiveness of the risk management process in the Trust;
- Keep the Trust's risk appetite under review;
- Report to the Trust's stakeholders on a regular basis its risk management policies and the effectiveness in achieving its objective.

**Approved by the Finance, Audit & Risk Committee.**

**Next Review date: July 2025**