2018 -2019

Potential in Everyone Academy Trust

CEO – David Whitehead

Risk Management Policy

January 2019

Committee	Finance & Staffing Committee
Version	1.0
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Approved on	13 March 2018
Version	1.1
	25 January 2019
Signature	David Crombie Chair F&S Committee
New Review date	January 2020

Associated Documentation	

Contents

1. Purpose

This risk management policy (the policy) forms part of the Trust's internal control and governance arrangements. The policy explains the Trust's underlying approach to risk management. It gives key aspects of the risk management process, and identifies the main reporting procedures. It describes the process the Trust uses to evaluate the effectiveness of the Trust's internal control procedures.

2. Why Do we need to Manage Risk

Daily we manage risk without describing this as "risk management". We consider what might go wrong and take steps to reduce the impact if things do go wrong. However, the Trust cannot rely on informal processes. Also, as a public body, we must provide assurance to the Department of Education, the Charity Commission, Ofsted, auditors, the Finance & Staffing Committee and Board of Directors that we are managing risk correctly. We do need to formally identify corporate risks and mitigating actions.

3. Risk Appetite

"Risk appetite" is an expression of how much risk an organisation is prepared to take. It can vary over time and from work area to work area. If the Trust's risk appetite is clearly articulated staff can take this into account when making their decisions. The Chief Executive Officer and Trust Leadership Team (TLT) should therefore, when considering risk, discuss and express the risk appetite as they see it.

The risk register steers risk owners into considering risk appetite when updating a risk entry. They need to consider not only the risk status before and after existing mitigating action but also the final tolerable risk status; i.e. what they are aiming for in terms of status for that particular risk.
Within the Risk Register the following responses to the risk are used:

NOTE	Explanation of the Response to Risk outlined in the Risk Register
TRANSFER	This may be done by conventional insurance or by paying a third party to take the risk in another way
TOLERATE	Exposure to risk may be tolerable without any further action. Alternatively, it may not be possible to do anything about the risk without a disproportionate cost.
TREAT	This may not obviate the risk – it is more likely that the aim will be to contain it to an acceptable level
TERMINATE	This response is used when the only way to contain a risk to acceptable levels is to discontinue the activity that gives rise to the risk (not possible if there is a legal duty to engage in the activity)

4. Approach to Risk Management

The following key principles outline the Trust's approach to risk management:
- As the principal executive and policy-making body of the Trust, the Trust Board is responsible for risk management.
- The Trust is responsible for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives.
- There should be an open and receptive approach to mitigating risk.
- The Finance & Staffing Committee advises the Trust Board on risk management.
- The Trust makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks.
- The Trust Board and Local Governing Bodies are responsible for encouraging and implementing good risk management practice within the Trust and its schools.
- Head teachers and SLT of each school within the Trust are responsible for encouraging and implementing good risk management practice within their areas of responsibility.
- Early warning mechanisms will be put in place and monitored to alert the Trust so that remedial action can be taken to manage any potential hazards.

- The CEO has a moderation role and should discuss key risks at each school with the Head teacher and reports outcomes of these discussions to the Board

5. Completing the Risk Register

The Charity Commission says that the process of risk identification should be undertaken with care, the analysis will contain some subjective judgements - no process is capable of identifying all possible risks that may arise. The process can only provide reasonable assurance to trustees that all relevant risks have been identified.

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.

This approach attempts to map risk as a product of the likelihood of an undesirable outcome and the impact that an undesirable outcome will have on the Trust's ability to achieve its operational objectives. It enables the trustees to identify those risks that fall into the major risk category identified by the risk management statement. The process begins with listing each of the items of risk that trustees believe are appropriate for the Trust. Once identified each risk is looked at and a decision taken as to how likely it is to occur and how severe its impact would be on the Trust if it did occur.

This policy has drawn the descriptors for 'impact' and 'likelihood' from the Charity Commission (CC26) publication as follows:-

.Impact Descriptor	Score	Impact on service and reputation
Insignificant	1	• no impact on service • no impact on reputation • complaint unlikely • litigation risk remote
Minor	2	• slight impact on service • slight impact on reputation • complaint possible • litigation possible
Moderate	3	• some service disruption • potential for adverse publicity - avoidable with careful handling • complaint probable • litigation probable
Major	4	• service disrupted • adverse publicity not avoidable (local media) • complaint probable • litigation probable
Extreme/Catastrophic	5	• service interrupted for significant time • major adverse publicity not avoidable (national media) • major litigation expected • resignation of senior management and board • loss of beneficiary confidence

Likelihood Descriptor	Score	Example
Remote	1	may only occur in exceptional circumstances
Unlikely	2	expected to occur in a few circumstances
Possible	3	expected to occur in some circumstances

Probable	4	expected to occur in many circumstances			
Highly probable circumstance	5	expected to occur frequently and in most			

The risk score is arrived at by multiplying the score in the 'x' column by the score in the 'y' column and then adding the 'y' score to the answer (gross risk).

The effect is to give extra emphasis to impact when assessing risk. This policy reminds those directly involved in assessing risk that risk scoring often involves a degree of judgement or subjectivity. Where data or information on past events or patterns is available, it will be helpful in enabling more evidence-based judgements. In interpreting the risk heat map below, likelihood is x and impact is y and is described as the 'Net Risk'. The colour codes are:

- Red - major or extreme/catastrophic risks that score 15 or more
- Yellow - moderate or major risks that score between 8 and 14
- Green - minor or insignificant risks scoring 7 or less.

Once action is taken to mitigate each risk a residual or net risk score is applied and colour coded as above. This doesn't mean the risk is necessarily diminished in any way but it does mean the significance of the risk should be less.

Those risks identified as 'red' in the net risk score should be reviewed by trustees on a half- yearly basis and all other risk areas at least annually. The Finance & Staffing Committee is tasked to review the whole register annually and all the red coloured risks at each meeting.

Risk ref No	Potential Risk	Potential Impact	Likelihood of Occurrence (score 1-5) (x)	Severity of impact (score 1-5) (y)	Gross Risk (x*y + y)	Steps to Mitigate Risk
1.	Risk details	What impact the risk may have	2	5	15	Steps in place to mitigate the risk

6. Heat Map

Map used to code level of risk

IMPACT			1	2	3	4	5
	Extreme / catastrophic	5	10	15	20	25	30
	Major	4	8	12	16	20	24
	Moderate	3	6	9	12	15	18
	Minor	2	4	6	8	10	12
	Insignificant	1	2	3	4	5	6

			Remote	Unlikely	Possible	Probable	Highly Probable
		LIKELIHOOD					

7. Trust's Annual Review of Effectiveness

The top three risks for the Trust overall, as identified by the Finance & Staffing Committee will be reported to the Board of Directors on an annual basis.

In addition, the Board of Directors, as advised by the Finance & Staffing Committee, will undertake an annual review to consider:

- Whether risk management continues to be linked to the achievement of the Trust's objectives;
- Each local governing body risk register to ensure the appropriate risk appetite or level of exposure for the Trust as a whole;
- Whether risk review procedures cover fundamental reputational, governance, staff, teaching, operational, compliance, pupil experience, estates, financial and other risks to achieving the Trust's objectives;
- Whether risk assessment and risk-based internal control are embedded in ongoing operations and form part of its culture;
- Changes in the nature and extent of fundamental risks and the Trust's ability to respond to changes in its internal and external environment since the last assessment;
- The scope and quality of management's on-going process of monitoring the system of internal control including such elements as the effectiveness of internal audit and other assurance functions;
- The extent and frequency of reports on internal control to the Board and whether this is sufficient for the Trustees to build up a cumulative assessment of the state of control and effectiveness of risk management;
- The incidence of any fundamental control failings or weaknesses identified at any point within the year and the impact that they have had or could have on financial results;
- The effectiveness of the Trust's public reporting processes;
- The effectiveness of the overall approach and policy to risk management and whether changes or improvements to processes and procedures are necessary.