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1. 21.10.2021	Trust Board	New Policy
2. 09.12.2021	Trust Board	New Policy updated

Risk Management Policy

Purpose of the Policy

Taking risk management seriously is a priority for Activate Learning Education Trust (ALET). The Risk Management Policy forms part of the organisation's internal control & scrutiny and governance arrangements. It is designed to provide assurance that the organisation 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 and to meet expectations of the Department for Education/ESFA as detailed in the Governance Handbook and Academies Financial Handbook.

All staff have a role to play in identifying, reporting and managing risks (both threats and opportunities).

The policy should be read in conjunction with the Trust's Risk Management Strategy which sets a framework for the management of risks and identifies roles and responsibilities in the management of those risks.

Aims and approach to risk management

The Trust has a Risk Management Strategy which aims to:

- Identify and evaluate risks which could prevent the Trust from achieving one or more of its strategic aims and objectives and delivery targets or make their achievement substantially more difficult.
- Assess the likelihood of such risks occurring (high, medium, low) and the potential impact of such occurrences with particular reference to the areas of finance, reputation and planning/operations.
- 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. All decisions should be taken within the bounds of the risk appetite agreed by the Trust Board.

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

- The Trust has responsibility for overseeing risk management within the institution as a whole and setting the risk appetite
- The Trust carries out this responsibility through its Finance Committee and/or Audit Committee.
- An open and receptive approach to solving risk problems is adopted by the Trust.
- All those working for the institution must be vigilant in identifying risks and be proactive in ensuring that they are communicated to and acted upon by management. All colleagues within the institution are encouraged to be involved in the risk management process by the reporting of risks. The Trust aims to ensure that its Risk Management Policy and Strategy is fully embedded across the institution
- Key risk indicators are identified and closely monitored on a regular basis at an operational level. The Trust wide risk register is updated half termly.
- Senior Leaders review the Trust's Risk Register and Action Plan on a half termly basis and it is a standing item of all Sub Committees.
- The Trust makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks.
- The Trust uses a weighted scoring for all identified risks, early warning indicators, milestones on actions and details sources of assurance over the controls in place, relevant to each identified risk.
- The Trust has procedures for whistleblowing, to protect staff who report individuals they believe are doing something wrong or illegal. Staff should know what protection is available to them if they report someone, what areas of malpractice or wrongdoing are covered in the Trust's whistleblowing procedure, and who they can approach to report a concern. The Trust must ensure all concerns raised with them by whistle-blowers are responded to properly and fairly.

Monitoring arrangements

This policy will be reviewed by the Trust Board every 5 years in line with the Policy Register.

Links with other policies

This policy is linked to our Strategic Plan

Additional Information and Resources

Academies Trust Handbook 2021

For academy members, trustees, accounting officers, chief financial officers and auditors published June 2021

https://assets.publishing.service.gov.uk/media/60c8d0318fa8f57ce8c4621e/Academy_trust_handbook_2021.pdf

Governance Handbook 2020

For academies, multi academy trusts and maintained schools published October 2020

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/788234/governance_handbook_2019.pdf

Activate Learning Academy Trust

Risk Management Strategy

1.0 Introduction

- 1.1 Risk management is the process whereby the Trust methodically addresses the risks (both threats and opportunities) 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 achieves its objectives in the most effective way and those 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 has been designed to provide a framework for managing the risks the Trust faces and ensuring its objectives are achieved in the most effective way.
- 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
 - Ensure that risks are identified and effectively managed
 - 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 people, assets, environment, and reputation
 - Managing risk in accordance with best practice and reducing the cost of risk
 - Promoting good Corporate Governance by ensuring that decisions are taken within the Trust's risk appetite, integrating risk management and internal control
 - 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
 - Having a whistle blowing procedure in place, to protect staff who report individuals they believe are doing something wrong or illegal
- 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
 - 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, reputation and image
- Developing and supporting staff and the Trust's knowledge base
- Helping to focus the internal control & scrutiny and audit plan

4.0 The Structure and Administration of Risk Management

4.1 The Trust 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
- Frequently monitor the management of significant risks to reduce the likelihood of unwelcome surprises or impact
- Satisfy itself that the less significant risks are being actively managed, with the appropriate controls in place and working effectively
- Annually review the Trust's approach to risk management and approve changes or improvements to key elements of its processes and procedures

4.2 ALET Executive Team will:

- Support and implement policies approved by the Trust
- Develop risk response processes, including contingency and business continuity programmes
- Provide adequate information in a timely manner to the Trust and its committees on the status of risks and controls
- 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 areas of the Trust

4.3 The School/Executive Team/ Heads of Schools / Heads of School Team will:

- Have primary responsibility for managing risk on a day-to-day basis
- Have responsibility for promoting risk awareness within their operations; introduce risk management objectives into their businesses
- Identify and evaluate the significant risks faced by their operations for consideration by Senior Leaders, the Audit Committee, the Trust and the other sub-Committees
- 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 Senior Leaders

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- Understand their role within the risk management system

- Remain alert to risks and opportunities, report to management and take active ownership and management of the risks that fall within their area of responsibility
- Self-awareness of limitations and raising training requirements

Chief Executive Officer, as the Risk Management Champion, is responsible for:

- Developing specific programmes and procedures for establishing and maintaining risk management activities within the Trust
- Ensuring the communication dispersal of vital information
- Providing guidance, interpretation and understanding of the risk management systems

5.0 Risk Identification

- 5.1 Risk is not only about adverse events, it is also about opportunities. All areas of activity within the Trust 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 faces will be those that would stop it achieving its objectives in these areas. The Trust Board is responsible for setting the risk appetite. (See appendix 1)
- 5.2 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 corporate objectives and the legal and regulatory environment in which it operates. All staff must be vigilant in identifying risks and be proactive in ensuring that they are communicated to and acted upon by management
- 5.3 The second step is the translation of these objectives into operating aims in the form of detailed business plans and performance indicators for each area of activity. This should be an ongoing annual exercise with regular updating of the aims.
- 5.4 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.
- 5.5 There are many methods for grouping risks, starting from either categorising risk or analysing it using a functional approach. Consideration by category, for example, would include:
- **Strategic risks** – concern the long-term strategic objectives of the School/Trust. They can be affected by such areas as capital availability, legal and regulatory changes, reputation and changes in the physical environment. For example, failure to recognise sector message.
 - **Operation risks** – concern the day-to-day issues that the organisation is confronted with as it strives to deliver its strategic objectives. For example, failure to maintain timely and accurate learner data.
 - **Financial risks** – concern the effective management and control of the finances of the School/Trust and the effects of external factors such as interest rate movement and other market exposures. For example, failure to balance budget.
 - **Compliance risks** – concern such issues as health and safety, environmental, trade descriptions, consumer protection, data protection, employment practices and regulatory issues. For example, breach of employment laws.
- 5.6 The risks that have been identified should be recorded on the risk register.

6.0 Risk Estimation (Assessing Likelihood and Impact)

- 6.1 Having identified the risks that the Trust is facing, they need to be prioritised into a manageable order so that action can be focused on the significant risks. At this stage in the risk management process the concern is about the risks that threaten the achievement of operating aims and objectives. Risk prioritisation will enable necessary action to be taken at the relevant level of management in the Trust.
- 6.2 Each risk should be assessed in terms of the **likelihood** of its occurrence, and its **impact** on the Trust, should it occur.
- 6.3 Not all risks will affect the Trust with the same impact, and some are far more likely to occur within the Trust than others. For example, there is perhaps a low likelihood of fire but there would be a significant disruption if the buildings were burnt down. However there may be a greater likelihood of petty thefts at this site.
- 6.4 The impact of a risk and the likelihood of it occurring should be scored as follows:

- **Likelihood**

For each of the risk you have listed assess the likelihood of their occurrence on the following scale:

1. extremely unlikely; rare occurrence
2. unlikely
3. moderately unlikely
4. very likely, regular occurrence
5. highly likely
6. extremely likely; frequent occurrence

- **Impact (financial/reputational)**

Also assess their impact on the following scale:

1. not critical to continued operations
2. minor impact in limited areas
3. minor impact in many areas
4. significant impact; would not affect continued operations in short-term but might in long-term
5. significant impact; in medium term; relates to substantial operational areas
6. fundamental to continuing operations

Financial and Reputational Impact are scored separately and the two scores are added to give the total Impact score

- 6.5 Multiply the scores for likelihood and impact (Financial and Reputational) and then rank the risk by numerical value, e.g.

Major fire	impact 6	likelihood 2	total = 12
Small scale theft	impact1	likelihood 3	total = 3

7.0 Risk Prioritisation

7.1 Risks should be prioritised as follows:

Risk Score	Prioritisation	Colour	Action
1 to 14	Low	Green	Keep under review
15-24	Medium	Amber	Consider action or contingency plan
>25	High	Red	Immediate action

8.0 Risk Mitigation

8.1 Once risks have been identified and prioritised, a decision is needed on how the School/Trust is going to address them.

8.2 As the first step, the 'cost' of accepting the risk should be assessed. This may be a financial cost or a lost opportunity. It may be decided that accepting a particular risk is appropriate and does not require any further action.

8.3 If further action is needed then there are five options (**5 Ts**) main options:

- **Tolerating** risk is where no action is taken. This may be because the cost of instituting controls is not cost-effective or the risk or impact is so low that they are considered acceptable. For instance, the academy trust may decide to tolerate the risk of contracting with a supplier with a poor credit rating provided the goods/services could be obtained relatively easily from someone else.
- **Treating** risk involves controlling it with actions to minimise the likelihood of occurrence or impact. There may also be contingency measures to reduce impact if it does occur. For instance, an academy trust may decide to train more than the statutory minimum of staff as paediatric first aiders and to put in place a rota for first aid cover during lunchtimes.
- **Transferring** risk may involve the use of insurance or payment to third parties willing to take on the risk themselves (for instance, through outsourcing). An academy trust may decide to take out insurance to mitigate the risk of the excessive costs of supply staff in the event of extended staff absences.
- **Terminating** risk can be done by altering an inherently risky process to remove the risk. If this can be done without materially affecting operations, then removal should be considered, rather than attempting to treat, tolerate or transfer. Alternatively, if a risk is ranked highly and the other potential control measures are too expensive or otherwise impractical, the rational decision may well be that this is a process the academy trust should not be performing at all. For instance, an academy trust may decide not to contract with a related party to eliminate reputational risk.
- **Take advantage**, in recognition that the uncertainty attached to risk sometimes offers opportunities as well as threats. For example, an academy trust may take advantage of working with a local university's media faculty on a campaign to publicise the academy trust, this may run the risk of taking up staff time, but could lead to the opportunity to increase pupil numbers and funding.

8.4 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 Trust

- Effective internal controls
- Compliance with law and legislation

8.5 Mitigating action plans should be recorded against each risk that has been listed in the risk register with appropriate milestones. For an action plan to be successful the action plans should be:

- Smart
- Measurable
- Achievable
- Realistic
- Time constrained

They should also include sources of assurance over the controls in place to mitigate each risk identified.

8.6 Source of Assurance is defined as evidence that mitigating action/controls are in place and being regularly reviewed. As part of the half termly risk review the Assurance should be reviewed to ensure that the mitigating action/controls are appropriate and functioning. The residual risk should also be considered at each review if Assurances indicate that mitigating actions/controls are working better/worse than originally planned.

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 by management to reduce the impact of the risk. Accordingly, risks should initially be recorded at their gross value – the impact without mitigating actions. The same risks should then be recorded allowing for the impact of the mitigating actions. By doing so, the Trust is able to value the impact of the mitigating factors to determine whether they are cost effective.

9.2 Both the gross risk and net risk scores are to be recorded on the 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 Appetite

10.1 The Trust's approach is to minimise its exposure to safeguarding, compliance, health and safety and financial risk, whilst accepting and encouraging an increased degree of risk in pursuit of its strategy. It recognises that its appetite for risk varies according to the activity, and that its acceptance of risk is subject to ensuring that potential benefits and risks are fully understood before developments are authorised, and that measures to mitigate risk and management controls are established.

10.2 Definitions of Risk Appetite:

Risk Appetite Category	Definition
Avoid	No appetite; not prepared to accept any level of risk.

Averse	Prepared to accept only low levels of risk, with a preference for very safe or prudent options, even if these carry potential for only very limited return.
Moderate	A tendency to accept low or moderate levels of risk in order to achieve objectives, a more ambitious outlook, albeit still relatively prudent.
Open	Willing to consider all options/actions/activities to achieve objectives, even where there are elevated levels of associated risk.
High	Eager to pursue original, creative, pioneering options/activities to achieve objectives, and to accept substantial risks in order to achieve successful outcomes and significant rewards.

(See Appendix 1 for an example of a Risk Appetite Matrix)

11.0 Risk Monitoring

11.1 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

11.2 Early warning indicators should be designed for each risk to alert management to the situation effectively. These should have triggers, be described in the register and be highlighted in half termly reports to management and the Trust. Key characteristics of monitoring mechanisms are:

- Information must reach the level of management where decisions can be made
- Mechanisms must pick up the problem before it happens, or at least before it gets too serious.

11.3 Individual schools/Schools Team:

- Review monthly the risks which fall into their area of responsibility, the possible impacts these have on other areas and the consequences other areas may have on them
- Use performance indicators to monitor the key business and financial activities, progress towards objectives and identify developments which require intervention
- Have systems which communicate monthly variances in budgets and forecasts to allow action to be taken
- Report systematically and promptly to the CEO any perceived new risk or failures of existing mitigating or control measures

11.4 The CEO should:

- Ensure that the Trust Risk Register is updated in the light of developments within the Trust and the wider business environment

11.5 Senior Leaders should:

- Review the Risk Register half termly
- Review key performance indicators and progress towards objectives
- Take necessary action to address adverse departures for objectives
- Provide adequate information to the relevant Trust's Committee on the most significant risks

11.6 The Finance and/or Audit Committee should:

- Review the Risk Register and the Internal Control & Scrutiny / Audit monitoring documents at its meetings
- Provide ongoing advice on the effectiveness of the risk management process

12.0 Risk Reporting

12.1 Different levels within the Trust need different information from the risk management process.

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

12.3 Staff 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 senior management any perceived new risks or failures of existing control measures

12.4 The Executive Team and Schools Team leaders should:









- Report to the CEO the outcome of their half termly review of business and financial activities and progress towards objectives
- Report systematically and promptly to the CEO any perceived new risks or failures of existing control measures

12.5 The Trust should:

- Report annually on the effectiveness of the risk management process in the Trust.
- Review the risk appetite and carry out 'deep dives' of key risks including those not within the Trust's direct control (can be delegated to the Finance Committee).

APPENDIX 1 – RISK APPETITE MATRIX

Below is for discussion and review annually:

Strategic risk Area	Avoid	Averse	Moderate	Open	High
Safeguarding					
Quality of Teaching and Learning Standard					
Compliance					
Financial					
Reputation					
Health and Safety					
Delivery of Strategic Plan/Mission					
Cyber security					
Strategic risk Area	Avoid	Averse	Moderate	Open	High