POLICY DOCUMENT

For use by all member schools

RISK MANAGEMENT

	Name	Date
Written By	Simon Narracott	1 December 2011
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Risk Management Policy

1. Introduction and purpose

This Risk Management Policy Statement ("Policy") sets out the Trust's high level policy and requirements for risk management.

In setting out the high level principles and roles and responsibilities for the management of risk in partnership schools, the policy aims to ensure that effective risk management processes and procedures are established to protect partnership schools reputation and assets.

This policy will be implemented in line with the DfE 'Orange Book' guidance on risk management and the current version of the Academy Trust Handbook.

2. Risk management strategy

The risk management strategy is proportionate to the size and simplicity of each school's activities.

- The Finance and Resources Committee owns the risk management policy and is responsible for the oversight of risk management activity.

- The Headteachers and Senior Leadership Teams have responsibility for the implementation of the policy. They are responsible for understanding the full range of risks facing partnership schools and for ensuring that those risks are managed appropriately and effectively.

- Risk management is the responsibility of every member of staff in their day to day activities.

3. Policy requirements

The policy requires the following:

a. compliance with all school and Trust policies and procedures on risk and internal control;
b. an embedded framework to be in place to support the timely identification, assessment, monitoring and reporting of key risks. This should include, as a minimum:
   i. an annual assessment of key risks facing the school;
   ii. the maintenance of risk and incident registers;
   iii. regular monitoring and reporting on key risk exposures, including use of appropriate key performance and risk indicators; and
   iv. monitoring of actions identified to mitigate risks or address risk events in order to prevent reoccurrence.
c. management of risk in line with the Risk Appetite Statement;
d. notification and/or escalation of near miss and loss/gain events in line with the Event Notification and Escalation Minimum Standards in Appendix I; and
e. maintenance of appropriate insurance arrangements.

Trust Committees should review the following information regularly:

- assessment of the most significant risks and the effectiveness of the system of internal control in managing those risks;
- consideration of these risks against the Trust's risk appetite;
- issues that resulted (or could have resulted in) significant losses, or with a significant legal or reputational impact; and

- significant control failings or weaknesses identified, including their impact and the actions being taken to rectify them.

4. Definitions and risk categories

Risk is defined as the threat that an event or action hinders business objectives and the ability to successfully execute planned strategies. It describes uncertainty of outcome, whether positive opportunities or negative threats, arising from a combination of impact and probability, including perceived importance.

5. Risk appetite
a. Introduction
Risk appetite is the amount of risk to which a Trust is prepared to be exposed before it judges action to be necessary. Even risk as opportunity is surrounded by threats which potentially limit ability to exploit the opportunity, and for which an appetite in relation to the opportunity benefit has to be assessed.

Risk appetite is also about comparing the cost (financial or otherwise) of constraining the risk with the cost of exposure should the risk become a reality, and finding an acceptable balance. The fact that the resources available to control risks are likely to be limited means that value for money (VfM) decisions have to be made to assess the appropriate costs to incur in order to achieve a certain level of control in respect of the risk. Except in the most extreme circumstances it is unusual for good value for money to be obtained from any particular risk being completely obviated with total certainty.

Some risk is unavoidable, and not within the ability of the Trust or partnership school to manage it down to a tolerable level. In these cases the organisation needs to make contingency plans.

b. Risk appetite statement
The Trust and the member schools are committed to:
- Providing the best possible education for each pupil; and
- Complying with all legal and regulatory requirements.

The Trust is not a commercial enterprise and does not need to take risks in order to make returns for its owners. Therefore, the overall risk appetite of the Trust Board can be categorised as **<u>LOW</u>**. In achieving this, it has the following broad appetites:

Low tolerance - acceptance that some risk exists inherent to activities, but take all reasonable steps to mitigate:
- Breach of law and regulations;
- Conflicts of interest;
- Fraud and theft of assets;
- Borrowing or investment risks;
- Any actions that may jeopardise the continued existence of the school;
- Any measures that may endanger the financial strength of partnership schools; and
- Any risks to the safety of staff, pupils or visitors

Some tolerance - acceptance that some risk is inherent in activities or that it may be necessary in order to effect change, but seek to keep within manageable limits:
- Failure to achieve performance targets; and
- Disruption due to adverse weather/industrial action.

Accepted - some risks are outside the control of partnership schools and are accepted:
- Political and funding risks

c. Responses to risks
Responses to risk can be divided into four response categories:

Transfer: For some risks the best response may be to transfer them. This might be done by conventional insurance, or it might be done by paying a third party to take the risk in another way. This option is particularly good for mitigating financial risks of risks to assets.

Tolerate: The exposure may be tolerable without any further action being taken. Even if it is not tolerable, ability to do anything about some risks may be limited, or the cost of taking any action may be disproportionate to the potential benefit gained. In these cases the response may be toleration. This option may be supplemented by contingency planning for handling the impacts that will arise if the risk is realised.

Treat: By far the greater number of risks will belong to this category. The purpose of treatment is not necessarily to obviate the risk, but more likely to take control action to contain the risk to an acceptable level. Such controls can be **corrective, detective, directive or preventive** (see below)

Terminate: Some risks will only be treatable, or containable to acceptable levels, by terminating the activity. It should be noted that the option of termination of activities may be severely limited in the public sector when compared to the private sector; a number of activities are conducted in the public sector because the associated risks are so great that there is no other way in which the output or outcome, which is required for the public benefit, can be achieved.

Take the Opportunity: this option is not an alternative to those above; rather it is an option which should be considered whenever tolerating, transferring or treating a risk. There are two aspects to this. The first is whether or not at the same time as mitigating threats, an opportunity arises to exploit a positive impact. The second is whether or not circumstances arise which, whilst not generating threats, offer positive opportunities – for example a drop in the cost of goods or services might free up resources for redeployment.

Types of control:

- Corrective Control: a control designed to correct undesirable outcomes
- Detective Control: a control designed to detect undesirable outcomes which have arisen
- Directive Control: a control designed to ensure a particular outcome
- Preventive Control: a control designed to prevent an undesirable happening.