

# Risk Management Policy

**Issued: June 2017**  
**Next Review Due: July 2020**

## Purpose

The purpose of identifying, managing and monitoring risk is to identify, assess and control uncertainty and as a result improve the ability of a business or project to succeed. Management of risk should be systematic and not based on chance. Risk management is a continual activity.

## What is a risk?

*“A risk is an uncertain event or set of events that, should it occur, will have an effect on the achievement of objectives. It consists of a combination of the **probability** of a perceived threat or opportunity occurring and the magnitude of its **impact** on delivery”.* (PRINCE 2)

## Why 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 Audit Committee and Trustees that we are managing risk correctly. We do need to formally identify corporate risks and mitigating actions.

## 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 Board should therefore, when considering risk, discuss and express the risk appetite as they see it.

BDAT’s Board of Trustees have agreed a two-phase risk appetite, +8 will be the appetite for risks reviewed by the Local Governing Bodies and +12 will be the appetite for risks to be reviewed by the Trustees termly, in addition to the annual review cycle.

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 risk target score status, i.e. what they are aiming for in terms of status for that particular risk.

## **BDAT 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, however, identification and mitigation of risks is the responsibility of the Local Governing Body (LGB) of each academy.
- 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 Audit Committee monitors the effectiveness of the Trust Board's approach to risk management.
- The Executive Team and Local Governing Bodies are responsible for encouraging and implementing good risk management practice within the Trust and its academies.
- Principals / Head Teachers and SLT of academies within the Trust are responsible for encouraging and implementing good risk management practice within their areas of responsibility.
- Early warning mechanisms will be put into 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 academy with the Principal / Head Teacher and report outcomes of these discussions to the Board.
- Identified risks must be controlled and monitored by risk assessments.

### **Completing the Register**

The Charity Commission says 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 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.

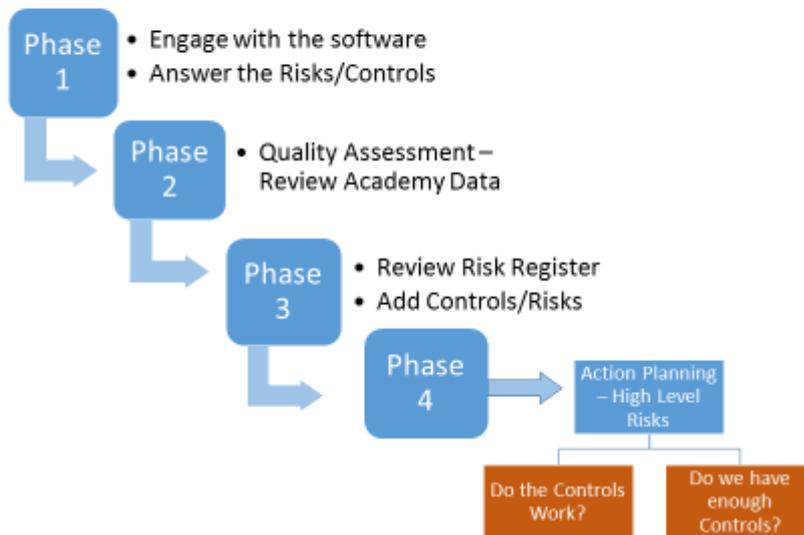
This approach attempts to map risk as a product of the likelihood of an undesirable outcome and the impact that an undesirable outcome will have on Trust's ability to achieve its operational objectives. It enables the trustees to identify those risks that fall into the major risk category identified by the risk management structure.

The process begins with listing each item of risk that Trustees and LGB's 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.

## Phasing

Progress has already been made across the Trust in implementing the software and operational procedures. This has been managed by four phases. There is an expectation for new academies to have completed all four phases within 12 months of joining the Trust; it is anticipated that each phase will take approximately three months to complete and central staff will work with academies to provide tailored support to achieve the timescales.

### Risk Register Phases



**Phase 1** Complete all Risk & Control descriptions and mitigate risks where possible.

**Phase 2** Central staff will Quality Assure academy risk register completion and feedback.

**Phase 3** Tailor the software to the individual academy setting; e.g. “what else is taking place in your academy that needs reflecting on the register?”

**Phase 4** In-house academy Quality Assurance process; “what are you doing about high level risks” – “are your existing controls effective, are there sufficient controls?”

**When adding risks in Phase 3, it is advised that all academies should consider what (if anything) will prevent the academy from achieving its overall goals?**

## Identifying Risk

1. All BDAT employees have responsibility for contributing to the BDAT risk management strategy by alerting a member of their SLT to potential risks. It is the collective responsibility of the SLT and LGB to determine how these risks are evaluated and mitigated in the Trust risk register.
2. BDAT categorises risks into six core areas, see below (however the risk management software does allow the broadening of categories):
  - a) Building Risks
  - b) Educational Risks
  - c) Financial Risks
  - d) Safeguarding Risks
  - e) Legal Risks
  - f) Reputational Risks

It is accepted that some risks may cut across more than one of the categories.

3. BDAT has a medium tolerance to risk, accepting that while the company continues to grow some risk will occur and can be managed. All risk regardless of severity will be monitored. All risks will be allocated an owner(s) to monitor the risk. More extensive actions will be put in place depending on the impact or probability of the risk occurring.
4. Newly identified risks should be logged on the Trust risk register, following the same structure already in place on the risk management software i.e. all risks should be linked to a Control, this shows how the SLT have considered reducing the impact/likelihood of the risk.

## Assessing Risk

Once a risk has been identified and logged, the impact and likelihood of the risk should be estimated. BDAT assesses risk by considering:

- a. The likelihood of the risk occurring (unlikely, possibility, likely, highly likely)
- b. The impact should the risk occur (minimal, minor, significant, major)

### Defining likelihood

- a. Unlikely is a risk that could happen but is more unlikely (less than 50%) based on current circumstances.
- b. Possibility is when there is a 50:50 chance of a risk occurring.
- c. Likely is where there is more than 50% chance a risk will happen.
- d. Highly likely is where there is a high chance of a risk occurring (more than 80%)

### Defining impact

- a. Minimal impact is where, should a risk occur, it is likely to have a minor impact on the delivery of business objectives or company finance, however this risk will not impact on business success. In many cases this kind of risk can be accepted.
- b. Minor impact is where, should a risk occur, it will have a notable impact on the delivery of a business objective or company business. Mitigating action may need to be planned in case of a minor risk.
- c. Significant impact is where, should a risk occur, it will have a wide reaching impact on more than one company business objective and will require some re-profiling of resources and finance to mitigate.
- d. Risks with major impact are those likely to cause core business disruption and involve significant business re-planning and resourcing to prioritise and mitigate. These types of risks are likely to have a major financial impact.

The overall cumulative prioritisation of risk needs to be assessed using a combined assessment of both likelihood and impact. BDAT has adopted the heat map (found on page 9) to aid the Head Teacher / Principal and SLT to score risk management.

By combining impact and likelihood scores, BDAT can prioritise risk based on the agreed risk tolerance strategy and agree mitigating actions and risk owners.

### **Heat map**

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 and LGB on a half-yearly basis and all other risk areas at least annually.

## Controlling Risk

Depending on the level of cumulative risk score, risks may be **accepted, monitored** or **mitigated**. The following table sets out the action required to mitigate the level of cumulative risk, the forum for risk management and the frequency of risk review.

Cumulative risk score	Action required
1, 2, 3. Low level risk	<b>Accept Risk.</b> Monitor and mitigate within options available in agreed business plan. Monitor through SLT quarterly, only review annually at Board level unless escalated.
4 and 6. Medium level	<b>Monitor Risk.</b> Plan additional mitigating actions to reduce the likelihood of risk occurring. Monitor through Head / Principal termly, only review annually at Board level unless escalated.
8 + High level	<b>Mitigate Risk.</b> Identify counter measures as soon as possible. Monitor through LGB (or appropriate committee) termly and at all Board meetings.

## Reporting

All reports presented to the Board, Head / Principal and LGB should be downloaded from the risk software; the system enables a wide variety of reports, however, all reports should include cumulative risks in descending order as a minimum requirement.

## Trust's annual review of effectiveness

The core risks for each academy and for the Trust overall, will be reported to the Board of Trustees on a termly basis.

In addition, the Trust will undertake an annual review to consider:

- consistency in the approach to risk management across individual academies;
- whether risk management continues to be linked to the achievement of the Trust's objectives;
- each LGB 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, student 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.

## Heat Map for Assessing Risks – Guidance for Head’s and School Business Managers

		Qualitative Impact				
<b>IMPACT IF RISK OCCURED</b>	<b>4</b>	<b>Major Impact</b> a) Academy can no longer stay open b) Academy results indicate high risk of special measures c) Academy is no longer financially viable d) Academy safeguarding is identified as putting pupils at risk of serious harm e) Serious legal or regulatory breach f) Prolonged reputational damage/recurrent adverse national media coverage	<b>4</b>	<b>8</b>	<b>12</b>	<b>16</b>
	<b>3</b>	<b>Significant Impact</b> a) Part of the Academy cannot stay open b) Academy results drop below floor c) Academy is heading into deficit budget within this academic year d) Academy safeguarding policies and/or procedures identified as not fit for purpose e) Minor legal or regulatory breach f) Medium term reputational damage/actual adverse national media coverage	<b>3</b>	<b>6</b>	<b>9</b>	<b>12</b>
	<b>2</b>	<b>Minor Impact</b> a) Academy requires urgent upgrade/maintenance b) Academy results indicate establishment is coasting c) Academy is predicting a deficit budget within three academic years d) Some elements of safeguarding need to be improved e) Minor interest from regulator f) Minor adverse reputational impact/actual adverse local media coverage	<b>2</b>	<b>4</b>	<b>6</b>	<b>8</b>
	<b>1</b>	<b>Minimal Impact</b> a) Academy requires planned upgrade/maintenance b) Academy results starts to show a downward dip in achievement c) Academy is unable to build/maintain a surplus budget d) Academy safeguarding is identified as generally fit for purpose e) No regulatory interest f) Minimal, short term reputational impact/threat of adverse local media coverage	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
Please use the examples provided as guidance only.			Unlikely to happen	Possibility of happening	Likely to happen	Highly likely to happen
a) Building Risks b) Educational Risks c) Financial Risks d) Safeguarding Risks e) Legal Risks f) Reputational Risks			<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
			<b>LIKELIHOOD OF RISK OCCURRING</b>			

It is the responsibility of the Head and School Business Manager to determine the appropriate threshold for assessing risks.

Medium Risks (Amber) should be reported and reviewed with the Head termly. High Risks (Red) should be reported and reviewed with the Local Governing Body (or appropriate committee) termly.