RISK MANAGEMENT POLICY

Inspire Partnership Academy Trust

Date approved by trustees: 14th December 2017

Date of next review: December 2018

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Risk Management Policy

Purpose

1.1 Identifying and managing the possible and probable risks that an organisation may face over its working life is a key part of effective governance for Multi Academy Trusts of all sizes. Risk is an event or cause leading to uncertainty in the outcome of the Trust's operations; the possibility that an action or event will adversely (or beneficially) affect the Trust's ability to achieve a planned objective. By managing risk effectively, trustees can help ensure that:

- Significant risks are known and monitored, enabling Directors and Trustees to make informed decisions and take timely action;
- The Trust's aims and objectives are more likely to be achieved;
- Adverse risks are less likely to happen;
- The impact of adverse risks which are realised is reduced;
- Forward and strategic planning are improved.

1.2 Risks represent opportunities as well as threats. We manage risk on a daily basis without describing this as "risk management". We consider what might go wrong and take steps to reduce the impact if things do go wrong. The Education Funding Agency (EFA) also has a requirement for every Multi Academy Trust to exercise robust risk management. We need to formally identify corporate risks and mitigating actions.

1.3 The responsibility for the management and control of Inspire Partnership Academy Trust rests with the Board of Trustees and the Chief Executive Officer. This policy explains the Trust's underlying approach to risk management, documents the roles and responsibilities of the Board of Trustees, the Resources and Audit Committee and other key parties.

Scope

2.1 This policy relates to all schools and settings across the Inspire Partnership Academy Trust and supersedes any local policies and procedures that have been in use prior to the academy conversion.

Context

3.1 Organisation will face some level of risk in most of the things they do. The diverse nature of the education sector means that Multi Academy Trusts face different types of risk and levels of exposure.

3.2 An essential question for MATs when considering risk is whether or not they can continue to fulfil their objects now and in the future.

3.3 For example, in a period of economic uncertainty, the major financial risks for MATs are likely to be:

- Changes to EFA funding (including a reduction in pupil placement funding and Education Services Grant);
- Changes to Local Authority commissioning arrangements for children with special educational needs;

- Changes to terms and conditions of employees as part of national or local pay settlements;
- Increased liability costs on employers (eg increased NI or pension costs).

3.3   In general, risks will need to be considered in terms of the wider environment in which the Trust operates. The financial climate, natural environment and changes in the law and Government policy, technology and knowledge and society and its attitudes, will all affect the types and impact of the risks that the Trust will be exposed to.

3.4   Although the risks that any Trust might face are both financial and non-financial, the ultimate impact of risk is financial in most cases. This could be where a party seeks compensation for loss, or costs incurred in managing, avoiding or transferring the risk, for example by buying employers' liability insurance or buildings insurance.

Classification of Risks

4.1   A system of classification is helpful for ensuring key areas of risk arising from both internal and external factors are considered   and identified. The Trust has utilised the model developed by the Charity Commission as its means of defining and assessing risk, as follows:

4.2   **Categories of Risk:**

Risk Category	Examples
Governance risks	- Inappropriate organisational structure - Directors/trustees/governors lack of relevant skills or commitment - Conflicts of interest
Operational risks	- Changes in local authority strategy for SEND provision - Poor staff recruitment and training - Doubt about security of assets
Financial risks	- Inaccurate and/or insufficient financial information - Inadequate reserves and cash flow dependency on limited income sources - Reduced funding from EFA/local authority - Insufficient insurance cover
External risks	- Poor public perception and reputation - Demographic changes such as an increase/decrease in the size of key stage cohort - Turbulent economic or political environment - Changing government policy
Compliance with law and regulation	- Acting in breach of trust - Poor knowledge of the legal responsibilities of an employer - Poor knowledge of regulatory requirements, eg failure of schools to be meeting at least "good" standards as per Ofsted inspection framework, or failure to adhere to requirements of SEND Code of Practice.

5.1   The Risk Management Strategy aims to ensure that the Academy complies with risk management best practice and sets out the current processes and responsibilities for risk management in the Academy.

5.2   This strategy aims to:

- Outline the roles and responsibilities for risk management.
- Identify risk management processes to ensure that all risks are appropriately identified, reported, controlled and monitored
- Ensure appropriate levels of awareness throughout the Academy

5.3   The requirements can be summarised as:

- The Trustees acknowledge responsibility for the system of internal control
- An on-going process is in place for identifying, evaluating and managing all significant risks
- A process is in place for termly reporting of such risks to the Trust
- An annual process is in place for reviewing the effectiveness of the system of internal control
- There is a system in place to deal with internal control aspects of any significant issues disclosed in the annual report and accounts.

5.4   In assessing what constitutes a sound system of internal control, consideration should be given to:

- The nature and extent of the risks facing the organisation
- The extent and categories of risk which it regards as acceptable
- The likelihood of the risks concerned materialising
- The organisation's ability to reduce the incidence and impact of the risks that do materialise

5.5   Risk Management best practice is encapsulated in the Risk Management Standard published jointly by the major risk management organisations in the UK – The Institute of Risk Management (IRM); The Association of Insurance and Risk Managers (AIRMIC); and ALARM, The National Forum for Risk Management in the Public Sector and the Charities Commission.

Risk Management Objectives

6.1   The objectives for managing risk across the Academy are:

- To comply with risk management best practice;
- To ensure risks facing the Academy are identified, appropriately documented and reported;
- To provide assurance to the Trustees that risks are being adequately controlled, or identify areas for improvement;
- To ensure action is taken appropriately in relation to accepting, mitigating, avoiding and transferring risks.

Risk Management strategy

7.1 **Roles and responsibilities**

The Senior Leadership Team (SLT) has overall responsibility for managing risk. The Chief Finance Officer has lead responsibility for risk management processes and the Academy-wide Risk Register. This responsibility includes:

- Monitoring the performance of risk management processes
- Ensuring that appropriate controls are in place to manage and report identified risks
- Preparation of periodic reports to the Resources and Audit Committee

The Risk Register is formally reviewed each term by the Chief Finance Officer. The Risk Register is a standing item on the Resources and Audit Committee's agenda and they will monitor the identification and mitigation of risk within the Academy. The Resources and Audit Committee's review of the Risk Register forms part of that Committee's report to the Board of Trustees.

7.2 **Identification of risks**

The Risk Management Standard states that risk identification should be approached in a methodical way to ensure that all significant activities have been identified and all the risks flowing from these activities have been defined.

Our approach to risk management is linked to six key aims:

- Aspire, Accomplish, Achieve
- Outstanding staff, leadership and management
- Outstanding infrastructure
- Financial strength
- Inspiring and supportive culture
- Strong community and partnerships

The structure and organisation of the Academy's risk register seeks to ensure that all significant objectives and activities have been identified and the risks associated with each area have been identified.

7.3 **Evaluation of risks**

The Risk Management Standard states that risks should be evaluated against agreed criteria to make decisions about the significance of risks to the organisation.

The following tables provide the values by which the Charity Commission recommends organisations should base risk calculation on:

7.4 Impact of Risk

Descriptor	Score	Impact on service or reputation
Insignificant	1	• The financial impact is likely to be low (below5% of individual school's reserves). • Has a low impact on strategy or on teaching and learning • Low stakeholder concern • No impact on service • No impact on reputation • Complaint unlikely • Litigation risk remote
Minor	2	• Financial impact is low (5-10% or under of individual school's reserves). • Has a low impact on strategy or on teaching and learning • Low stakeholder concern • Slight impact on service • Slight impact on reputation • Complaint possible • Litigation possible
Moderate	3	• Financial impact will be moderate (between 11-24% of individual school's reserves). • Has no more than a moderate impact on strategy or on teaching and learning • Moderate stakeholder concern • Some service disruption • Reputational - Potential for adverse publicity – avoidable with careful handling • Complaint probable • Litigation probable
Major	4	• The financial impact will be significant (25% and over of individual school's reserves). • Has a significant impact on the Academy's strategy or on teaching and learning • Has significant stakeholder concern • Service disruped • Reputational – adverse publicity not avoidable (local media) • Complaint probable • Litigation probable
Extreme/Catastrophic	5	• Service interrupted for significant time • Reputational – major adverse publicity not avoidable (national media) • Major litigation expected • Resignation of senior management and board • Loss of DfE/EFA/LA confidence

7.5 **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	5	Expected to occur frequently and in most circumstances

7.6   The 'heat map' (6.10) shows a different way of assessing risk by increasing the weighting of impact.

7.7   This works on a scoring of "**X multiplied by Y plus Y**" where **X is likelihood** and **Y is impact.** This formula multiplies impact with likelihood then adds a weighting again for impact. The effect is to vie extra emphasis to impact when assessing risk.

7.8   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.

7.9   In interpreting the risk heat map below, likelihood is X and impact is Y. The colour codes are as:

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

7.10   Risk Heat Map

Impact (Y)						
	Extreme/Catastrophic - 5	5	10	15	20	25
	Major - 4	4	8	12	16	20
	Moderate - 3	3	6	9	12	15
	Minor - 2	2	4	6	8	10
	Insignificant - 1	1	2	3	4	5

Likelihood (X)

7.11 **Addressing risks**

When responding to risks, the Academy will seek to ensure that it is managed and does not develop into an issue where the potential threat materialises.

The Academy will adopt one of the 4 risk responses outlined below:

Transfer	The risk is transferred to a third party, for example through an insurance policy.
Treat	This may not obviate the risk – it is more likely that the aim will be to contain it to an acceptable level
Tolerate	We accept the possibility that the event might occur, for example because the cost of the counter measures will outweigh the possible downside, or we believe there is only a remote probability of the event occurring.
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

Risk Reporting and Communication

8.1 The aim of reporting risk is to provide assurance to the Trustees, Governors, Senior Management and Auditors that the Academy is effectively managing its risks and has a robust system of internal controls.

8.2 **Risk register**

The reporting mechanism will be the Academy's Risk Register. This will highlight the key risks facing the Academy, as well as a breakdown for each key strategic aim. The Risk Register will be monitored by the Resources and Audit Committee on a termly basis.

Any significant changes in risk impact or probability, or the occurrence of an event which raises the profile of a risk will be recorded on the risk register as it occurs. Any new or increased risks identified by Trustees, SLT, Governors or raised by a member of staff will be evaluated and, if appropriate, recorded in the Risk Register.

8.3 **Communicating Risks**

The Resources and Audit Committee monitors the risk register each term. The Chief Finance Officer will ensure that any perceived new or increased risks or significant failure of risk management control measures are considered and reported to the Resources and Audit Committee, along with a summary of actions taken.

The Chief Finance Officer will endeavour to raise awareness that risk management is a part of the Academy's culture and seek to ensure that:

- individual members of staff are aware of their accountability for individual risks
- individuals report promptly to senior management any perceived new risks or failure of existing control measures.

8.4 **Annual risk review and assessment**

The Responsible Officer review provides a termly assessment of the effectiveness of the Academy's management of risk.

The Chief Finance Officer will prepare an annual review of risk for the Resources and Audit Committee yearly in the autumn term. This will enable the Resources and Audit Committee to report to the Board of Trustees on:

- The significant risks facing the Academy
- The effectiveness of the risk management processes
- That the Academy has published a risk management strategy covering risk management philosophy and responsibilities

Areas for improvement

9.1 Any areas identified as being in need of improvement will be discussed and agreed each term at the Resources and Audit Committee.

An example of the risk register and the process for evaluating risks can be found in Appendix A.

Appendix A: Example of risk register and risk assessment process

Category	Sub Category	Risk Consequences	Likelihood	Impact	Response	Control Procedures	Person Responsible	Date of next review
Strategic Risk	Insurance risk	Risk of financial loss/inability to replace items if Academy does not have adequate insurance cover	1	5	Treat	• Insurance renewed annually • Investigate EFA pooling arrangements • Maternity contingency embedded into budget	Governing Body/Head Teacher	
Human Resources Risk	Management risk	Senior management capability/ experience of risk	1	5	Treat	• Rigorous recruitment process • Active appraisal	Governing Body	
	Staff risk	Low morale risk	1	5	Treat	• Performance management • Regular staff meetings • Training for all staff	EHT/Head Teacher	
		Recruitment risk of employing an unsuitable person	1	5	Treat	• Robust recruitment process • DBS checks • Probationary periods on contracts	EHT/Head Teacher	
		Unable to recruit and retain staff at an acceptable cost	2	4	Treat	• Full review of school staffing to optimise within new funding parameters	EHT/Head Teacher/CFO	
	H & S risk	Staff fatality/injury	1	5	Treat	• Health & Safety policy • Health & Safety audits	Governing Body / EHT/Head Teacher	
		Fatality/injury to pupil/third party	1	5	Treat	• Regular review of H&S • Introduce bereavement policy • Staff training	Governing BodY/EHT/ Head Teacher	
Financial Reporting Risk	Statutory accounts risk	Risk of legislative requirements are not known or complied with	1	5	Treat / Transfer	• Accountants appointed • External auditor appointed • Internal auditor appointed	Governing Body / EHT/Head Teacher / CFO	
	Accounting standards risk	Risk of legislative requirements are not known or complied with	1	5	Treat / Transfer	• Accountants appointed • External auditor appointed • Internal auditor appointed	Governing Body / EHT/Head Teacher / CFO	
		Efficiency risk	1	3	Treat	• Financial regulations in place • Tendering policy in place • Value for money statement to be completed at year end	EHT/Head Teacher /CFO	
Overall Financial Control Risk	Chief Finance Officer Risk	Lack of expertise Absence	2	4	Treat / Transfer	• SLA with Liberata School Finance Support Team	Governing Body / EHT/Head Teacher	