

Risk Management Policy

This policy applies across all partner schools in the Stephen Sutton Multi-Academy Trust (SSMAT). It is available on the SSMAT website and is accessible from our schools' websites.

POLICY APPROVAL and REVIEW

Review date: **May '21**

Approval needed by: **Finance, Audit and Risk Committee**

Adopted: **June '18**

Next review date: **May '23**

1. Background and Overview

1.1 The Stephen Sutton Multi-Academy Trust's Risk Management Policy aims to ensure that the Trust complies with best practice in risk management that is appropriate to the context in which the Trust operates. It is a key document with regard to governance, in relation to meeting the requirements of the Turnbull guidance (see below). The policy sets out the processes and responsibilities relating to risk management in the Trust.

1.2 The 'Turnbull Guidelines for Corporate Governance' was published in 1999 and updated in 2005. Its key recommendations were as follows:

- Boards should acknowledge their responsibility for the system of internal control;
- There should be an ongoing process for identifying, evaluating and managing all significant risks;
- An annual process should be in place for reviewing the effectiveness of the system of internal control; and
- There should be a system in place to deal with the internal control aspects of any significant issues disclosed in the annual report and accounts.

1.3 In assessing what constitutes a sound system of internal control, in relation to risk management, the Turnbull report states that consideration should be given to:

- the nature and extent of the risks facing the organisation;
- the extent to which the Trust regards risk as acceptable in relation to several categories of risk;
- the likelihood of the risks concerned materialising;
- the organisation's ability to reduce the incidence and impact of the risks that do materialise.

1.4 Risk management best practice for public organisations is encapsulated in the following documents:

- 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.
- HM Treasury's 'Management of Risk – Principles and Concepts' (also known as 'The Orange Book'), which provides guidance on developing a strategic framework for the organisational consideration of risk.

2. Risk Management Objectives

2.1 For SSMAT, the objectives of risk management are:

- to ensure that the risks facing schools in the Trust are identified and appropriately documented;
- to provide assurance to the Board that risks are being adequately controlled and to identify areas for improvement; and
- to ensure that action is taken appropriately in relation to accepting, mitigating, avoiding and transferring risks, taking account of 'good practice' guidelines.

3. Purpose of Risk Management Policy

3.1 This policy:

- outlines the roles and responsibilities relating to risk management;
- identifies risk management processes to ensure that all risks are appropriately identified, controlled and monitored; and
- provides a basis for ensuring that there are appropriate levels of awareness and understanding throughout SSMAT.

4. Roles and Responsibilities

4.1 The Executive Headteacher, as the Trust's Accounting Officer, has overall responsibility for risk management and has lead responsibility for risk management processes and the SSMAT-wide Risk Register. This responsibility includes:

- monitoring the performance of risk management processes;
- ensuring that appropriate controls are in place to manage identified risks; and
- preparing periodic reports to the Trust Board.

4.2 The Executive Headteacher reviews the significant risks faced by the school on a termly basis, consulting with other colleagues and the wider school community.

4.3 The Trust's Risk Register is formally reviewed each term by the Executive Headteacher and Trust Business Manager. An update on risk status is submitted to the Finance, Audit and Risk Committee annually, in the Autumn Term. The Risk Register is monitored by the Finance, Audit and Risk Committee and forms part of that Committee's report to the Trust Board.

5. Identification of Risk

5.1 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. The Trust's approach to risk management is linked to its strategic aims and objectives and covers the following key areas:

- controlling risk to create the capacity for sustainable and managed growth;
- engender a culture of acute awareness of financial risks throughout the Trust;
- creating clear 'lines of sight' of accountability;
- ensuring clarity with regard to the use of public funds; and
- providing efficient central support for the Trust as a whole.

5.2 The Trust's Risk Register is structured around the five areas above to ensure that all significant objectives and activities, and their associated risks, are identified. Through the use of the Register, accountabilities and the use of public funds are both identified and protected

6. Categories of Risk

6.1 For each area/objective, there are many potential risks and these can be grouped into categories. The risk categories defined by the Treasury are 'external risks', 'strategic / operational risks' and 'change risk'.

6.2 External Risks

These are risks arising from the external environment and are not wholly within the organisation's control. Nonetheless, action can be taken to mitigate the risk. There are subcategories of 'external risk' as follows:

- *Political* constraints, such as change of government;
- *Economic* risks, such as increases in interest rates and inflation;
- *Socio-cultural / demographic* changes, which may affect the demand for services and changes in stakeholder expectations
- *Technological* developments, which may, e.g., result in obsolescence of current systems and equipment

- New *Legal / regulatory* laws and regulations that impose requirements (e.g. health & safety and employment legislation)
- *Environmental demands*, such as the need for buildings and equipment to comply with changing standards.

6.3 Strategic/Operational Risks

These are risks that relate to the delivery of current activities and the ability to build capacity and capability. There are subcategories, as follows:

- *Operations* – the capacity and capability to achieve objectives through the procedures employed;
- *Service/Project Delivery* – the potential failure to deliver an agreed service
- *Availability of Sufficient Appropriate Resources* – financial, physical, human and intelligence / information (for decision-making);
- *Relationships* - with delivery partners, customers / clients, agencies in the local community and agencies to whom the organisation is accountable (particularly to Parliament);
- *Reputation* - the confidence and trust that stakeholders have in the organisation;
- *Governance* - propriety and regularity and compliance with relevant requirements;
- *Scanning* – the failure to identify threats and opportunities; and
- *Resilience* – the capacity of accommodation, systems and ICT to withstand adverse impacts and crises.

6.4 Change Risk

‘Change risk’ refers to the category of risk, whereby new endeavours may be pursued beyond current capability. This includes

- *Change Programmes* - programmes for organisational or cultural change that provide opportunities to enhance capacity but may threaten capacity to deliver; and
- *New Projects* - prioritising between new activities and existing operations that are competing for resources.

7. Evaluation of Risk

7.1 Consistent with the Risk Management Standard, risks are evaluated against agreed criteria, in order to make decisions about the significance of the risks to the Trust. SSMAT uses a 3x3 matrix to assess both the impact and the likelihood (separately) of each identified risk, using a three point ratings scale (matching descriptors from 'low' to 'high'). The product of these the scores assigned for each of these factors assigns a score that enables risks to be ranked and, therefore, prioritised for attention. The diagram below ('Risk Assessment Matrix') shows how the matrix works, assigning overall scores from 1 to 9:

7.2 The descriptors for impact and likelihood are as follows:

IMPACT OF RISK OCCURRING:

<i>Impact</i>	<i>Description</i>
Very High	<ul style="list-style-type: none"> • Very high financial impact (in excess of £250,000) • Very high impact on overall strategy • Very high impact on learning outcomes • Very high stakeholder concern
High	<ul style="list-style-type: none"> • High financial impact (between £100,000 and £250,000) • High impact on overall strategy • High impact on learning outcomes • High stakeholder concern
Moderate	<ul style="list-style-type: none"> • Moderate financial impact (between £25,000 and £100,000) • Moderate impact on overall strategy • Moderate impact on learning outcomes • Moderate stakeholder concern
Low	<ul style="list-style-type: none"> • Low financial impact (between £10,000 and £25,000) • Low impact on overall strategy • Low impact on learning outcomes • Low stakeholder concern
Very Low	<ul style="list-style-type: none"> • Very low financial impact (below £10,000) • Very low impact on overall strategy • Very low impact on learning outcomes • Very low stakeholder concern

LIKELIHOOD OF RISK OCCURRING:

<i>Impact</i>	<i>Description</i>

Very High	<ul style="list-style-type: none"> Greater than 50% chance of occurrence within the next year; OR Greater than 25% chance of occurrence in at least two of the next three years
High	<ul style="list-style-type: none"> 30% - 50% chance of occurrence within the next year; OR 15% - 25% chance of occurrence in at least two of the next three years
Moderate	<ul style="list-style-type: none"> 10% - 30% chance of occurrence within the next year; OR 5% - 15% chance of occurrence in at least two of the next three years
Low	<ul style="list-style-type: none"> 5% - 10% chance of occurrence within the next year; AND 2% - 5% chance of occurrence in at least two of the next three years
Very Low	<ul style="list-style-type: none"> Less than 5% chance of occurrence within the next year; AND Less than 2% chance of occurrence in at least two of the next three years

7.3 For each potential event, the Risk Assessment Matrix combines the scores allocated to the impact and likelihood factors (using their product), as below:

		<i>Likelihood</i>				
RISK:		<i>Very Low</i>	<i>Low</i>	<i>Moderate</i>	<i>High</i>	<i>Very High</i>
<i>Impact</i>	<i>Very Low</i>	1	2	3	4	5
	<i>Low</i>	2	4	4	8	10
	<i>Moderate</i>	3	6	9	12	15
	<i>High</i>	4	8	12	16	20
	<i>Very High</i>	5	10	15	20	25

The degree of risk (based on the overall scores) can be summarised as follows:

<i>Score</i>	<i>Description</i>
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1, 2, 3	Very low risk
4, 5, 6	Low risk
8, 9, 10, 12	Moderate risk
15, 16	High risk
20,15	Very high risk

7.4 Scores are allocated both pre-mitigation and post-mitigation (in the context of identified controls) and both are shown clearly in the Register.

8. Addressing Risk

8.1 SSMAT aims to anticipate and manage risk at the earliest possible stage, in order that operational effectiveness is not compromised through inaction. Responses take the form of one, or more, of the actions outlined below:

	<i>Description</i>	
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		Typical Matrix Risk Scores
AVOID	Counter measures are put in place to stop a problem from occurring or prevent it from having an impact on the Trust	4-25
TRANSFER	The risk is transferred to a third party, e.g. through an insurance policy	4-25
TREAT	Action is taken to reduce the likelihood of occurrence and/or to reduce the impact of an occurrence	4-25
TOLERATE	No action is taken on the basis that: the cost of implementing the counter-measures outweighs the perceived impact of the occurrence; or it is believed that there is a very small probability of the event occurring.	1-3

9. Risk Register

- 9.1 The identification and reporting of risks and potential threats provides collective assurance, at Trust Board level, that risks are being effectively managed, through a robust system of internal controls.
- 9.2 The Trust completes and updates a *Risk Register*, which highlights the key risks facing SSMAT. Risk is monitored, formally, by the Trust Board's Finance, Audit and Risk Committee, on a termly basis, facilitated by termly reports prepared by the Executive Headteacher, in consultation with the Trust Business Manager. Any new risks, or significant changes in risk impact or likelihood relating to previously identified risks, are (as appropriate) recorded in the Risk Register as they arise. The *Risk Register* also records actions taken (including cases where control measures have failed to have the desired effect) to address risks, thereby providing the detail necessary for the Finance, Audit and Risk Committee, with the support of the Executive Headteacher and Trust Business Manager, to monitor and evaluate the effectiveness of the actions taken.

10. Communicating Risks and Control Measures

- 10.1 The Executive Headteacher and Trust Business Manager raise awareness, throughout the Trust, that risk management is an integral part of SSMAT's culture of mutual support and continuous improvement. They ensure that:

- they communicate, and monitor the implementation of, control measures that have been determined for specific identified risks, as decided by the Finance, Audit and Risk Committee;
- colleagues are held accountable for their actions in relation to identified risks, where control measures have been communicated to them; and
- colleagues are encouraged to report promptly any perceived new risks, or the failure of control measures in relation to previously identified risks.

11. Annual Risk Review and Assessment

11.1 The Responsible Officer and Internal Audit reviews contribute to the annual Internal Scrutiny Report which is approved by the Finance, Audit and Risk Committee and submitted to the ESFA.

Stuart Jones; May '21