Risk Management Policy

Version 1.0

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Related Documents:	The Academy Trust Handbook The BFLPT Strategic Risk Register Academy Operational Risk Registers

Contents:

Purpose

The purpose of this Risk Management Policy is to outline the strategy Brighter Futures Learning Partnership Trust adopts in relation to risk management and to explain the Trust's underlying approach to risk management. The policy further outlines the framework for risk management in the Trust and explains the roles and responsibilities of everyone within the Trust in managing risk.

Risk management is the process by which risks are identified, the severity assessed and actions that are taken to mitigate and bring them down to acceptable levels if appropriate. Risk management covers the whole spectrum of risks and not just those associated with finance, health and safety, and insurance. It also includes risks associated with public image (reputation), projects, partnership working, the environment, technology, breach of confidentiality etc.

The process of identifying risks and the introduction of internal controls to help mitigate such risks helps to improve the Trust's ability to respond quickly and effectively to opportunities and threats. It is an effective tool for strategic and business planning; is a key element of the Trust's governance framework; and is central to the achievement of the Trust's objectives.

Risk management is not about being "risk averse" – it is about being "risk aware" to achieve the Trust's objectives and is an essential component of the Trust's operation.

Aims and Underlying Approach to Risk Management

The following key principles outline the Trust's approach to risk management and internal control:
- The Board of Trustees has overall responsibility for overseeing risk management within the Trust as a whole.
- The Board of Trustees carry out this responsibility through its Finance Audit and Risk Committee via a Strategic Risk Register and each academy LGB and Principal is responsible for maintaining and Operational Risk Register.
- An open and receptive approach to solving risk problems is adopted by the Trust.
- Key indicators are identified and closely monitored on a regular basis at Trust and academy level.
- 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.
- All Trustees, Governors and employees are encouraged to be involved in the risk management process by reporting of risks through line management and governance structures in place.

Legal Framework

It is a requirement:
- of the Academies Trust Handbook that the Trust has sound internal control and risk management processes in place.
- under the Charities Act, which has also provided a Charities and Risk Management Guidance to follow under CC26.
- to include a section in the Trust's Annual Report on principal risks and uncertainties, which are derived from the Trust's Strategic Risk Register, which is managed by the Board of Trustees Finance, Audit and Risk Committee.

Figure 1: Risk management cycle

Identifying risks

Risk identification cannot be centralised to a core team or function, it must be a fluid part of the day to-day operation of the organisation across the Trust. Risk identification is a core competency and must be developed through the performance management process.

The Trust works to a framework of four key areas to identify and classify risks. This allows the organisation to take into consideration both internal and external factors that can positively or negatively affect the organisation.

A list of risks will be identified using a variety of techniques including data analysis, incident investigation and discussion sessions, among others.

Risks will be categorised into the following framework on the Trust's Strategic Risk Register and academies Operational Risk Registers.

Factor		Examples
1	**Educational Standards**	e.g. Ofsted categories; staffing issues affecting academy performance; academy results and rate of progress.
2	**Financial**	e.g. internal or external micro- or macro- economic factors.
3	**Reputational**	e.g. local and national factors which can affect the organisation; social and cultural dynamics which can affect the education system.
4	**Operational**	e.g. management information systems; HR and human capital; income risks.

Figure 2: Risk framework

Assessment of risk

Risks will be assessed on two core criteria:
- **Probability**: the probability of the risk occurring
- **Impact**: the positive or negative ramifications of the risk coming to fruition.

Figure 3: Risk profile

Both criteria will be scored on the risk register, between 1 (the lowest) and 5 (the highest). When multiplied together, the total provides a quantifiable risk score. The risk score will then determine the severity of the risk through a simple Red, Amber, Green framework (severity).

Risk Score (severity)	RAG rating (Red, Amber, Green)	
0 ≥ 8		Green
9 ≥ 16		Amber
17 ≥ 25		Red

Figure 4: Risk Score and RAG

5	5	10	15	20	25
4	4	8	12	16	20
3	3	6	9	12	15
2	2	4	6	8	10
1	1	2	3	4	5
Impact / Probability	1	2	3	4	5

Figure 5: Risk severity table

Probability	
*Probability scores are based on an event taking place within one academic year or less	
1	Under 1% chance of occurring. (i.e. exceptional circumstances)
2	1% - 25% chance of occurring. (i.e. few circumstances)
3	25% - 50% chance of occurring. (i.e. some circumstances)
4	50% - 75% chance of occurring. (i.e. many circumstances)
5	Over 75% chance of occurring. Almost certain. (i.e. frequently and in most circumstances)

Figure 6: Likelihood definitions table

Impact		
1	Very Low	Insignificant. Nothing to worry about.
2	Low	Fairly serious. Possibly important, but can be managed although it would take up some time and resources.
3	Medium	Serious. A threat, which could cause us reasonable problems and would definitely take up time and resources.
4	High	Very serious. Would hinder the achievement of our strategic objectives and/or would take up considerable time and resources.
5	Very High	Major disaster. Could seriously undermine the standing and position of the organisation.

Figure 7: Impact definitions table

In assessing impact, consideration may also be given to the descriptors for "impact" from the Charity Commission (CC26) publication, as follows:-

Impact Description	Score	Impact on service and reputation
Insignificant (Very Low)	1	- no impact on service - no impact on reputation - complaint unlikely - litigation risk remote
Minor (Low)	2	- slight impact on service - slight impact on reputation
Moderate (Medium)	3	- some service disruption - potential for adverse publicity - avoidable with careful handling - complaint probable - litigation probable

Major (High)	4	• service disrupted • adverse publicity not avoidable (local media) • complaint probable • litigation probable
Extreme/Catastrophic (Very High)	5	• service interrupted for significant time • major adverse publicity not avoidable (national media) • major litigation expected • resignation of senior management and board • loss of beneficiary confidence

Risk Owner

Once a response type is elected, a detailed strategy will be outlined and communicated by the risk owner. One individual, where possible, should be elected as the risk owner.

During the formation of the risk management strategy phase, the risk owner will identify stakeholders with an interest in or affected by the risk. Stakeholders must be consulted to establish their relationship with the risk and what influence this might have on the risk management process. To ensure a holistic approach to risk management consultation must be ongoing.

Risk response/Owner's Update

The risk owner will then coordinate all activities to ensure the successful implementation of the strategy and will remain responsible for effective communication throughout the implementation phase.

Post implementation debrief

The final stage of the risk management cycle is to conduct a debrief after the implementation of the management strategy to assess the effectiveness of the strategy. A residual probability score is assigned, as against the original probability score, and this when multiplied with the impact score, gives an overall residual risk score. The residual risk score is RAG rated in accordance with fig.4 and fig.5 above.

Escalation

Risk should be understood and reported at all levels within the Trust.

The Board of Trustees and Finance, Audit and Risk Committee should:

- know about the most significant risks facing the Trust

- ensure appropriate levels of awareness throughout the organisation

- know how the organisation will manage a crisis

- know the importance of government and stakeholder confidence in the company

- be assured that the risk management process is working effectively; and

- publish a clear risk management policy covering risk management philosophy and responsibilities.

Local Governing Bodies should:

- know about the most significant risks facing the schools within the Trust via the operational risk register
- ensure appropriate levels of awareness throughout the academy
- know how each school will manage a crisis
- know the importance of government, parents and local community confidence in the schools
- be assured that the risk management process is working effectively.

Executive Leaders, Principals, and Senior Leaders within schools should:

- be aware of risks which fall into their area of responsibility, the possible impacts these may have on other areas and the consequences other areas may have on them
- have performance indicators which allow them to monitor the key business and financial activities, progress towards objectives and identify developments which require intervention
- have systems which communicate variances in budgets and forecasts at appropriate frequency to allow action to be taken; and
- report systematically and promptly to the Finance, Audit and Risk Committee any perceived new risks or failures of existing control measures.
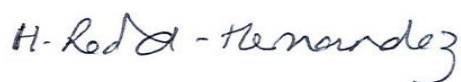
Individuals should:

- understand their accountability for individual risks
- understand how they can enable continuous improvement of risk management response
- understand that risk management and risk awareness are a key part of our culture; and
- report systematically and promptly to senior management any perceived new risks or failures of existing control measures.

Policy to be reviewed: April 2023

Risk Management Policy agreed: April 2022 – Version 1

Signed – CEO of BFLPT – Helen-Redford-Hernandez:

Date: April 2022

Signed – Chair of BFLPT – Marcus Isman-Egal:

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