DUDLEY ACADEMIES TRUST
Risk Management Policy

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Introduction

Risk Management involves the identification, measurement, management, monitoring and reporting of threats to the Trust's business objectives. Such threats could arise from a wide variety of sources, including financial uncertainty, IT security, management errors, accidents, natural disasters, and so on.

This risk management strategy has been designed to provide a framework for managing the risks the Trust and its academies face and ensuring its objectives are achieved in the most effective way within each activity and across the whole range of associated activities.

The benefits of ensuring that sound risk management becomes a part of day to day working include:

- Improving decision making, business planning and prioritisation by comprehensive and structured understanding of the wider business environment.
- Supporting more efficient allocation and use of resources within the Trust.
- Enhancing communication between academies, the Trust and services.
- Protecting and enhancing Trust assets, reputation and image.
- Developing and supporting staff and the Trust's knowledge base.
- Helping to focus the internal control and scrutiny and audit plan.

The Trust takes a pragmatic approach to risk management. This Policy will be reviewed regularly. In assessing what constitutes a sound system of internal control, consideration should be given to:

- The nature and extent of the risks facing the Trust.
- 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.

Risk Management Objectives

The objectives for managing risk across the Trust are:

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

Assessment and Management of Risk

This Policy aims to:

- Outline the roles and responsibilities for risk management.
- Identify risk management processes to ensure that all risks are appropriately identified, controlled and monitored.

– Ensure appropriate levels of awareness throughout the Trust and its academies.

Roles and Responsibilities

The correct management of risk must (as a matter of law) ultimately fall to the Trustees and may not be delegated. The Trustees do however delegate the day-to-day operation of this policy to the Trust's Senior Leadership Team (SLT) who report regularly and effectively to the Trustees.

The Chief Executive (CE) has lead responsibility for risk management processes and the Trust-wide Risk Register, including:

– Monitoring the performance of risk management processes.
– Ensuring that appropriate controls are in place to manage identified risks.
– Preparation of periodic reports to the Trust Board.

The full implementation of the Risk Management Policy across the Trust is only possible with the full cooperation and assistance of the Principal of each academy. Each academy has its own risk register. The Principal of each academy shall do all they reasonably can to ensure this policy is implemented effectively in respect of their own individual risk profile.

The academy/Trust leadership team will:

– Have primary responsibility for managing risk on a day-to-day basis.
– Have responsibility for promoting risk awareness within their operations; introduce risk management objectives into their day to day business.
– Identify and evaluate the significant risks faced by their operations for consideration by Senior Leaders, the Business and Audit Committee, the Trust and the other sub Committees.
– Ensure that risk management is incorporated at the conceptual stage of projects as well as throughout a project.
– Ensure that risk management is a regular SLT management meeting item to allow consideration of exposure and to prioritise work in the light of effective risk analysis.
– Report early warning indicators to Senior Leaders.

All staff have an important role to play in identifying, reporting and managing the Trust's risks both at Trust and individual academy level. The Risk Register for each academy is formally reviewed by the Principal and each SLT and reported to the relevant Local Advisory Committee at least once a term.

Identification of Risks

Risk is not only about adverse events; it is also about missed opportunities. All areas of activity within the Trust and partnerships with third party organisations should be considered together with what would stop them being as successful as they should. The key risks that the academy/Trust faces will be those that would stop it achieving its objectives in these areas.

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 the Trust's strategic aims and objectives. These have been set and agreed with the Trustees. There are many methods for grouping risks, starting from either categorising risk or analysing it using a functional approach. Consideration by category, for example, would include:

- **Strategic risks** – concern the long-term strategic objectives of the Trust. They can be affected by such areas as capital availability, legal and regulatory changes, reputation and changes in the physical environment.
- **Operation risks** – concern the day-to-day issues that the Trust is confronted with as it strives to deliver its strategic objectives. For example, failure to maintain timely and accurate learner data.
- **Financial risks** – concern the effective management and control of the finances of the Trust and the effects of external factors such as interest rate movement and other market exposures. For example, failure to balance the budget.
- **Compliance risks** – concern such issues as health and safety, environmental, trade descriptions, consumer protection, data protection, employment practices and regulatory issues. For example, breach of employment laws.

The risks that have been identified should be recorded on the risk register via the 'Every' compliance system and updated for each academy, as necessary, to be incorporated in to the Trust risk register.

Evaluation of Risks

Having identified the risks that the academy/Trust is facing, they need to be prioritised into a manageable order so that action can be focused on the significant risks. Risk prioritisation will enable necessary action to be taken at the relevant level of management in the academy/Trust.

Each risk should be assessed in terms of the **likelihood** of its occurrence, and its **impact** on the academy/Trust, should it occur.

Not all risks will affect the academy/Trust with the same impact, and some are far more likely to occur within a particular academy than others. For example, there is perhaps a low likelihood of a fire but there would be a significant disruption if the buildings were burnt down. However, there may be a greater likelihood of petty thefts at a particular site.

This works on a scoring of $xy+y$ 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 give extra emphasis to impact when assessing risk/

The Trust uses a 5x5 matrix to assess the impact and likelihood as illustrated below:

In interpreting the matrix below, likelihood is x and impact is y. The colour codes are:

Red – major or extreme risks that score 15 or more

Amber – moderate or major risks that score between 8 and 14

Green – minor or insignificant risks scoring 7 or less

Impact		1 Rare	2 Unlikely	3 Possible	4 Likely	5 Extremely Likely
	5 Severe	10	15	20	25	30
	4 Major	8	12	16	20	24
	3 Moderate	6	9	12	15	18
	2 Minor	4	6	8	10	12
	1 Almost None	2	3	4	5	6

Likelihood

Impact of risk occurring	
Impact	Description
Severe	The financial impact will be between £100,000 and £250,000 Has a high impact on the Academy's strategy or on teaching and learning Has high stakeholder concern
Major	The financial impact will be between £10,000 and £100,000 Has a significant impact on strategy or on teaching and learning Has Significant stakeholder concern
Moderate	The financial impact will be between £1,000 and £10,000 Has a moderate impact on strategy or on teaching and learning Has moderate stakeholder concern
Minor	The financial impact is likely to be below £1,000 Has a very low impact on strategy or on teaching and learning
Almost None	Very Low stakeholder concern

Likelihood of risk occurring

Likelihood	Description	Indicator
Extremely Likely	Likely to occur each year, or more than a 80% chance of occurrence within the next 12 months	Potential of it occurring within a year Has occurred within the last year

Likely	Likely to occur within a 2 year time period, or more than a 50% chance of occurrence within the next 12 months	Potential of it occurring within 2 years Has occurred within the last 2 years
Possible	Likely to occur within a 3 year time period, or more than a 30% chance of occurring within the next 12 months	Potential of it occurring within 3 years Has occurred within the last 3 years
Unlikely	Not likely to occur within a 3 year time, and less than a 30% chance of occurrence within the next 12 months	Potential of it occurring within 3-5 years Some history of occurrence
Rare	Conceivable but only in extreme circumstances.	Potential of it occurring with less frequency than once every 10 years

Risk Appetite

The term risk appetite describes the Trusts' readiness to accept risks and those risks it would seek to reduce. The Trust's risk appetite is the boundary described by the red scores (scores of 15 and above) in the risk matrix. At or above this threshold the Trust will actively seek to manage risks and will prioritise time and resources to reducing, avoiding or mitigating these risks. If the risk cannot be avoided or mitigated further, then additional monitoring will be implemented and contingency plans produced in the event of the risk crystallising.

Addressing Risks

When responding to risks, the Trust will seek to ensure that it is managed and does not develop into an issue where the potential threat materialises. The Trust will adopt one of the 4 risk responses outlined below:

Terminate	Counter-measures are put in place that will either stop a problem or threat occurring or prevent it from having an impact on the business
Assume Treated	Acknowledge the existence of a particular risk and make a deliberate decision to accept it without engaging in special efforts to control it.
Treat/Mitigate	The response actions either reduce the likelihood of a risk developing, or limit the impact on the Trust to acceptable levels
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 Likelihood of the event occurring

Risk Reporting and Communication

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

Risk Register

The reporting mechanism will be the academy's/Trust's risk register - this will highlight the key risks (amber or red). Any significant changes in risk impact or likelihood, or the occurrence of an event which raises the profile of a risk, should be recorded on the risk register as it occurs. Any new or increased risks identified by Trustees, Principals and SLT, or raised by a member of staff, should be evaluated and, if appropriate, recorded in the risk register.

Each academy has its own risk register which reflects appropriate risks identified at Trust level but also addresses local risks.

Communicating Risks

The Trust Board monitors the risk management plan each term with detailed scrutiny taking place. The CE will ensure that any perceived new or increased risks or significant failure of risk management control measures are considered by each Principal and SLT and reported to the Local Advisory Committee or Trust Board where relevant, along with a summary of actions taken.

The CE will endeavour to raise awareness that risk management is a part of the Trust's culture and seek to ensure across the Trust and its academies 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.

Risk Review and Assessment

Internal audit will, periodically (not less than triennial), provide an assessment of the effectiveness of the Trust's management of risk.

The CE will update the risk register on a termly basis in consultation with the Trust's SLT, removing those that are green. This will enable reporting to Trustees on:

- The higher risks (amber and red) facing the Trust.
- The effectiveness of the risk management processes.
- That the Trust has published a risk management policy covering risk management philosophy and responsibilities.

Additional Information and Resources

Academies Financial Handbook

Governance Handbook

Monitoring and Review

This policy will be reviewed every three years, or sooner as necessary.

Links to other policies:

- Financial Regulations Policy.

- Health and Safety policy.
- Child Protection and Safeguarding Policy.