



**Calday Grange**  
Grammar School

# **RISK MANAGEMENT POLICY**

**Date of Review:**

**June 2023**

**Member of staff responsible:**

**Miss Sofia Palios**

**Approval by Full Governing Body:**

**13<sup>th</sup> July 2023**

**Date of next review:**

**June 2025**

## 1. Introduction

### 1.1 Risk is defined by the International Organization for Standardization as:

The ISO 31000 (2009) / ISO Guide 73:2002 definition of risk is the 'effect of uncertainty on objectives'. In this definition, uncertainties include events (which may or may not happen) and uncertainties caused by ambiguity or a lack of information. It also includes both negative and positive impacts on objectives. In layman's terms risk is a combination of the probability of something occurring and the impact that it will have:

$$\text{Risk} = \text{Probability} \times \text{Impact}$$

1.2 Risk management is the planned and systematic process of identifying, quantifying, and managing the risks that the Trust faces. As the outcomes of activities are uncertain, they are said to have some element of risk. These risks include strategic failures, operational failures, financial failures, market disruptions, environmental disasters, and regulatory violations. On the positive side, some uncertainties provide opportunities and these should be analysed using a similar systematic process. Risk is a statistical concept that is measured using statistical concepts that are related to the unknown future.

1.3 Risk management involves identifying the types of risk exposure within the Trust, measuring those potential risks, proposing means to hedge, insure, mitigate or avoid some of the risks and estimating the impact of various risks on the future success of the organisation. Risk management also provides a system through which opportunities may be exploited to the benefit of the Trust.

1.4 While it is impossible for the Trust to eliminate all elements of risk, it is important to understand and manage the risks that the Trust is willing to accept in the context of the overall strategy. The Senior Leadership Team (SLT) are primarily responsible for risk management, but the Board of Governors and External Auditors also play critical roles.

1.5 Risk and Opportunities Management is a core management function. It should be a continuous and interactive process, used to inform strategic and routine decision making. Risk and Opportunities Management is most effective when all interested stakeholders are actively engaged in the process. The four main stages of Risk and Opportunities Management are:

- **Identification:** What is the Trust trying to achieve and what are the associated risks and opportunities?
- **Analysis:** What is the probability of something occurring, what is the likely impact and who is best placed to "own" the risk or opportunity?
- **Planning:** What should be done to reduce the risk or exploit the opportunity?
- **Managing:** Is the plan being effectively implemented?

## 2. Background

The Risk and Opportunities Management Policy aims to ensure that the Trust complies with risk management best practice and sets out the current processes and responsibilities for risk and opportunities management in the Trust.

### 2.1. The requirements can be summarised as:

- The Governors acknowledge responsibility for the system of internal control
- An ongoing process is in place for identifying, evaluating and managing all significant risks
- 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

2.2. 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 Trust's ability to reduce the incidence and impact of the risks that do materialise, whilst increasing its ability to exploit opportunities.

2.3. Risk Management best practice is encapsulated in the Government's Academy Risk Management Publication which can be found at:

<https://www.gov.uk/government/publications/academy-trust-financial-management-good-practice-guides/academy-trust-risk-management>

### **3. Risk and Opportunities Management Objectives**

3.1. The objectives for managing risk and opportunities across the Trust are:

- Embed risk and opportunities management into the culture of the school
- Comply with statutory obligations
- Preserve and enhance the delivery of education within the school
- Safeguard students, staff and other persons to whom the school has a duty of care
- Protect its property including buildings, equipment, vehicles and all other assets and resources
- Maintain effective control of public funds
- Protect the reputation of the school
- Support the quality of the environment
- Identify and exploit opportunities to improve the quality of education and student enrichment activities.

3.2. These aims and objectives will be achieved by:

- Establishing and maintaining a risk management organisational structure to act in an advisory and guiding capacity which is accessible to all staff
- Maintaining documented procedures for the control of risk
- Providing suitable information, training and supervision
- Maintaining effective communication and the active involvement of all staff
- Maintaining an appropriate incident reporting and recording system, with investigation procedures to establish cause and prevent recurrence
- Monitoring arrangements on an ongoing basis

### **4. Risk and Opportunities Management Policy**

This policy aims to:

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

#### 4.1. Roles and responsibilities

Risk and Opportunities Management is the responsibility of everyone in the Trust. The best people to identify risks and opportunities are those who are working on their routine daily activities or extra-curricular tasks. The Chief Financial Officer / Academy Business Manager has lead responsibility for risk and opportunities management processes and the Trust Risk Register.

The Risk Register is formally reviewed and updated each term by the Chief Financial Officer / Academy Business Manager. The Risk Register is a standing item on the Board of Governors' agenda and they will monitor the identification and mitigation of risk and opportunities within the Trust.

##### 4.1.1 The Full Governing Body has a fundamental role to:

- Set the tone and influence the culture of risk management within the School/Trust
- Determine the appropriate risk appetite or level of exposure for the School/Trust
- Approve major decisions affecting the School/Trust's risk profile or exposure
- Set policy and strategy for risk management
- Frequently monitor the management of significant risks to reduce the likelihood of unwelcome surprises or impact
- Satisfy itself that the less significant risks are being actively managed, with the appropriate controls in place and working effectively
- Annually review the School/Trust's approach to risk management and approve changes or improvements to key elements of its processes and procedures

##### 4.1.2 Senior Leaders will:

- Support and implement policies approved by the School/Trust
- Establish internal risk policy and structures for individual school / services
- Develop risk response processes, including contingency and business continuity programmes
- Provide adequate information in a timely manner to the School/Trust and its committees on the status of risks and controls
- Focus and co-ordinate risk management activities throughout the School/Trust
- Raise the level of management awareness and accountability for the business risks experienced by the School/Trust
- Develop risk management as part of the culture of the School/Trust
- Provide a mechanism for risk management issues to be discussed and disseminated to all areas of the School/Trust

##### 4.1.3 The School/Trust Leadership Team / Heads of Schools / Service Areas 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 businesses
- Identify and evaluate the significant risks faced by their operations for consideration by Senior Leaders, the 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 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

4.1.4 The Chief Financial Officer / Academy Business Manager is responsible for:

- Developing specific programmes and procedures for establishing and maintaining risk management activities within the School/Trust
- Ensuring the communication dispersal of vital information
- Providing guidance, interpretation and understanding of the risk management systems
- Monitoring the performance of risk and opportunities management processes
- Ensuring that appropriate controls are in place to manage identified risks
- Ensuring that identified opportunities are analysed and exploited when appropriate
- Preparation of periodic reports to the Board of Governor

#### 4.2. Identification of Risks and Opportunities

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 is committed to establishing a systematic and consistent approach to risk and opportunities identification, analysis and control that:

- Embeds risk and opportunities management as part of the school decision making; strategic planning and project management
- Enables the Trust to deliver its priorities and service effectively
- Contributes towards the achievement of sustainable improvement
- Contributes to the school discharging its duty of care to students and employees
- Reduces the number and cost of insurance and contractual claims arising
- Minimises damage to the Trust's reputation

All staff have a responsibility to identify risks and opportunities. The following outline process should be followed:

- All staff, at whatever level, should constantly review their workplace and processes to identify risks and opportunities
- Identified risks and opportunities (except health and safety) should be reported to Curriculum Co-ordinators or Heads of Faculty if capable of management at a local level
- If the risk cannot be managed or the opportunity exploited at a local level it should be discussed with the Chief Financial Officer / Academy Business Manager who may consider including it within the Risk Register or Opportunities Register
- All health and safety risks and opportunities must be raised directly with the Chief Financial Officer / Academy Business Manager
- Risks and opportunities should be analysed by appropriate stakeholders, a Risk or Opportunity "Owner" appointed and plan developed to mitigate the risk or exploit the opportunity as appropriate
- The Risk or Opportunity Owner becomes responsible to the SLT for ensuring that the mitigation/exploitation plan is acted upon
- All new or increased risks and opportunities should be considered by the SLT and the main strategic risks and opportunities reported to the Governing Body (see section 5 below).

The structure and organisation of the Trust'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.

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 School/Trust. They can be affected by such areas as capital availability, legal and regulatory changes, reputation and changes in the physical environment. For example, failure to recognise sector message.
- **Operation risks** – concern the day-to-day issues that the organisation 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 School/Trust and the effects of external factors such as interest rate movement and other market exposures. For example, failure to balance 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.

#### 4.3. Analysis of Risks and Opportunities

The Risk Management Standard states that risks should be evaluated against agreed criteria to make decisions about the significance of risks to the organisation. Qualitative and quantitative techniques should be used to analyse risks and opportunities. The specific techniques will depend upon the nature of the risk or opportunity.

The table below is a matrix offering a straightforward means of plotting the probability of the risk occurring and its likely impact. Impact should be considered in terms of contribution to achieving the Trust’s mission, financial or resources costs, and time criticality. This will demonstrate clearly those risks and opportunities that should be addressed at a strategic level – high probability of occurrence and high impact.

Once all risks have been assessed using the matrix those that fall in the Red or Amber squares will need to be considered for further management action to reduce the residual risk. Red risks are higher priority than amber risks and will be addressed first.

**The Risk Matrix**

<b>Probability</b>	<b>Very High</b>	5	5 <b>Medium</b>	10 <b>High-Medium</b>	15 <b>High</b>	20 <b>Severe</b>	25 <b>Extreme</b>
	<b>High</b>	4	4 <b>Low</b>	8 <b>Medium</b>	12 <b>High-Medium</b>	16 <b>High</b>	20 <b>Severe</b>
	<b>Medium</b>	3	3 <b>Low</b>	6 <b>Medium</b>	9 <b>Medium</b>	12 <b>High-Medium</b>	15 <b>High</b>
	<b>Low</b>	2	2 <b>Very Low</b>	4 <b>Low</b>	6 <b>Medium</b>	8 <b>Medium*</b>	10 <b>High-Medium*</b>
	<b>Very Low</b>	1	1 <b>Negligible</b>	2 <b>Very Low</b>	3 <b>Low</b>	4 <b>Low*</b>	5 <b>Medium*</b>
			1	2	3	4	5
			<b>Very Low</b>	<b>Low</b>	<b>Medium</b>	<b>High</b>	<b>Very High</b>
			<b>Impact</b>				

Notes:

1. By multiplying Probability by Impact a risk score is given i.e. the top score is 25 (5x5), which assists with prioritising the risks within the risk register.

2. Risks or opportunities with a Very High or High Impact, but a Low or Very Low Probability require special attention in the Risk Management process.
3. The **descriptors** for high, medium and low probability and impact can be expanded as follows:

Probability		Description	
Very High	5	Risk or Opportunity is <i>Highly Likely</i> to Occur	> 60% chance
High	4	Risk or Opportunity is <i>Likely</i> to Occur	40 – 60% chance
Medium	3	Risk or Opportunity <i>May Occur</i> (but is not inevitable)	20 – 40% chance
Low	2	Risk or Opportunity is <i>Unlikely</i> to Occur	5 – 20% chance
Very Low	1	Risk or Opportunity is <i>Highly Unlikely</i> to Occur (i.e. will only occur in exceptional circumstances)	< 5% chance

Impact		Description		
		Performance	Cost	Time
Very High	5	Major effect on <b>key</b> activity(-ies) or perception(s)	Requires significant, long-term budgetary action	> 12 months
High	4	Some effect on <b>key</b> activity(-ies) or perception(s)	Requires some long-term budgetary action (3 year plan)	6 – 12 months
Medium	3	Some effect on activity(-ies) or perception(s)	Manageable with some changes to In-Year budget	3 – 6 months
Low	2	Minor effect on activity(-ies) or perception(s)	Manageable within routine budgetary variance	1 – 3 months
Very Low	1	No significant effect	No significant effect on budget	< 1 month

#### 4.4. Risk appetite

The term risk appetite describes the Trust’s readiness to accept risks and those risks it would seek to reduce. The Trust’s risk threshold is the area beyond that shaded Green in the Risk Matrix (represented by scores of 4 and above) in the risk matrix in paragraph 4.3. Above this threshold, the Trust will actively seek to manage risks and will prioritise time and resources to reducing, avoiding or mitigating these risks. In determining the Risk Appetite it may be useful to consider the Risk Exposure and the Risk Reduction Leverage, which help to indicate the resource implications. Risk Exposure is a product of the probability of a risk occurring and the total cost incurred if it does. Risk Reduction leverage is the reduction in the risk exposure compared to the cost of mitigation activities.

#### 4.5. Planning and Management of Risks and Opportunities

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 four risk responses outlined below:

<b>Avoid</b>	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
<b>Transfer</b>	The risk is transferred to a third party, for example through an insurance policy.
<b>Mitigate</b>	The response actions either reduce the likelihood of a risk developing, or limit the impact on the Trust to acceptable levels.
<b>Accept</b>	The Trust accepts the possibility that the event might occur, for example because the cost of the counter measures will outweigh the possible downside, or that it believes that there is only a remote probability of the event occurring.

### 5. Risk Reporting and Communication

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

### **5.1. Risk Register and Opportunities Register**

The reporting mechanism will be the Trust's Risk and Opportunities Registers. These will highlight the key risks and opportunities facing the Trust and will be monitored on a termly basis by the Board of Governors.

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 SLT, Governors or raised by a member of staff will be evaluated and, if appropriate, recorded in the Risk Register.

### **5.2 Communicating Risks**

The Board of Governors monitors the Risk Register each term. The Chief Financial Officer / Academy Business Manager will ensure that any perceived new or increased risks and opportunities or significant failure of risk management control measures are considered and reported to the Board of Governors along with a summary of actions taken.

The Chief Financial Officer / Academy Business Manager will endeavour to raise awareness that risk management is a part of the Trust'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.

### **5.3 Annual risk review and assessment**

The Chief Financial Officer / Academy Business Manager will prepare an annual review of risk for the Board of Governors annually in the autumn term. This will specifically cover, but not be limited to:

- The significant risks facing the Trust
- The significant opportunities presented to the Trust
- The effectiveness of the risk and opportunities management policy and processes
- That the Trust has published a risk and opportunities management process covering risk management philosophy and responsibilities and that this has been communicated widely to members of staff

## **6. Areas for improvement**

Any areas identified as being in need of improvement will be discussed and agreed each term at the Board of Governors meeting.