Cumbria Education Trust

RESPECT | RESPONSIBILITY | RESILIENCE

Risk Management Policy

DOCUMENT CONTROL

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Please note that a record of the changes made to the original issue of this document can be found at Schedule 1 after any Appendices to the Policy/Procedure.

1. Purpose of this Policy

1.1. This Policy explains the Trust Board's approach to risk and how responsibilities for risk management are delegated. The policy explains how the risk register is created and the way in which it is used by the Executive Team and the Trust Board to identify, measure, manage, monitor, and report risk.

2. Explanation of Risk

2.1. Risk is the exposure to something happening, often negative but sometimes positive, associated with the achievement of strategic objectives. Only in extreme circumstances is the risk unforeseen.

2.2. The Trust will manage risk effectively and in a consistent framework in all aspects of its business including planning, delivering, operating, and overseeing programmes and performance. This will include risk associated with lost opportunity.

2.3. The Trust Board recognises that opportunities to further the Trust's mission will always have associated risks. The Trust Board also recognises that not capitalising on emerging opportunities may adversely influence the achievements of the Trust. In managing risks and opportunities, the Trust Board will assess the appropriateness and strength of plans to manage them. New opportunities will always be discussed, debated, and challenged, and considered the risk capacity of the Trust.

3. Risk Management Strategy

3.1. The Trust's Risk Management Strategy aims to:

- Make risk management a part of its strategic and operational decision making such that whenever there are risks that could significantly affect the Trust achievement of objectives then resources are deployed proportional to these risks.
- Communicate the risk appetite across the organisation and makes decisions consistent with that statement.
- Establish a recognisable risk management framework and maintains organisation-wide procedures, practices, and processes to support the management of risk.
- Provide clearly defined and documented accountabilities for risk management, requiring involvement from all members of the Trust, which ensures risks are being managed and where the risk owner has the authority, responsibility, and resources to take effective action.
- Ensure risks are managed in an integrated way across the Trust recognising and accommodating key interdependencies.
- Ensure effective risk-based assurance arrangements are in place to monitor the effectiveness of the risk management processes on a routine basis via the control framework.
- Maintain reviews and updates of risks facing the Trust and how they are being mitigated and ensures that these are visible at appropriate levels in the Trust.
- Develops and maintain a core competency in risk management and has a robust continuous improvement and learning culture, that learns from internal and external experience, assesses our performance against high standards and supports personnel growth and development.
- Incorporate strategic risks as part of the Trust planning.

4. Risk Management Objectives:

4.1. The objectives for managing risk across the Trust are:

- to comply with risk management best practice
- to ensure risks facing the Trust and individual academies are identified and appropriately documented
- to provide assurance to the Trust Board that risks are being adequately controlled, and / or identify areas for improvement
- to ensure action is taken appropriately in relation to accepting, escalating, mitigating, avoiding, and transferring risk
- to ensure the risk management maturity reflects good practices and guidelines

5. Roles and Responsibilities

5.1. The Trust Board, supported by the Audit and Risk Committee, is accountable for risk management and for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, whilst safeguarding against threats to all assets (including human and non-material) for which it is responsible.

5.2. The Trust Board acknowledges that risk cannot be eliminated, however, it will hold the CEO to account for putting in place appropriate mitigation to ensure risk is not damaging. In turn, the Audit and Risk Committee will hold the Executive Team to account for ensuring that the Trust meets all aspects of statutory compliance.

5.3. The Trust Board has overall accountability for managing risk, and in doing this it will:

- consider the tone and culture of risk management within the Trust
- determine the appropriate risk appetite and whether the Trust is “risk taking” or “risk averse” at any given time in relation to capacity. The risk register will support this judgement, and a decision will be taken as to whether the Trust has the capacity to manage further risk, or, if not taking an opportunity, a risk is presented (e.g. growth)
- Determine which risks are acceptable and which are not:
- approve the framework for managing risk
- approve major decisions affecting the organisation’s risk profile or exposure • monitor the management of fundamental risks through the Audit and Risk Committee
- satisfy itself that fewer fundamental risks are being effectively managed and there are clear lines of accountability
- ensure all aspects of compliance are adhered to (see compliance dashboard)
- review the Trust’s approach to risk management, including risk maturity, and approving changes and / or improvements to key elements of the processes and procedures.

5.4. The Trust Board delegates the function of overseeing risk management and the assessment and management of risk to the Audit and Risk Committee. In fulfilling its duties, the Audit and Risk Committee will:

- understand the Trust's business strategy, operating environment, and associated risks • understand the framework for risk management and assurance
- critically challenge and review the risk management and assurance framework and all controls
- understand how risks and opportunities support the key business objectives and the mission
- work with Executive in identifying annual internal audits in relation to risk: - review the risk register at every meeting - recommend any amendments to the Trust Board and authorise who is overseeing the risk register from the Executive - focus on the top 10 risks faced by the Trust at every meeting and review the update from the Executive - review the full register and compliance on an annual basis.

5.5. The CEO is the Accounting Officer and has the delegated responsibility for risk management and is supported in this by the Executive Team, who are the Risk Owners. The CEO has delegated responsibility for:

- evaluating and reporting to the Trust Board whether the Trust values, leadership style, opportunities for debate and learning, and human resources policies support the desired risk culture, incentivise expected behaviours and sanction inappropriate behaviours
- delegating to a member of the Executive oversight of risk management and reporting to the Audit and Risk Committee on an annual basis
- ensuring the responsible executive has adequate resources, including access to training
- ensuring the expected values and behaviours are communicated and embedded at all levels of the Trust through regular training
- ensuring risk is an integral part of appraising option choices, evaluating alternatives and making informed decisions so that risk management is integral to all decision making
- accurately reporting to the Audit and Risk Committee and the Trust Board on current and future risk
- ensuring the language of risk management is used at every level of the Trust and that risk management is part of the Trust's culture, not an add-on process
- reviewing the risk register each cycle with the Executive leaders, through the Risk Working Group.

5.6. The Local Advisory Boards: (LABs) support the risk managed process at school level by:

- considers the main risks faced by the school and how those are being managed
- reviews health and safety reports and that hazards are effectively managed by the school
- have a named LAB member for safeguarding and review safeguarding data and challenges safeguarding procedures

5.7. Headteachers, supported by Head of Business Operations, are responsible for:

- implementing policies on risk management and internal control though the identification and evaluating risks faced by their schools
- assisting the Executive and internal auditors to undertake an annual review of risk management and the effectiveness of the systems of internal control, where appropriate
- communicating school level risks and escalating risk matters to their Executive Leader.

6. Internal Controls

6.1. The systems on internal control incorporate risk management. It encompasses several elements that together facilitate an effective and efficient operation, enabling the Trust to respond to a variety of risks. These elements include:

- policies and procedures - attached to fundamental risks, are a series of policies that underpin the internal control process. The policies are reviewed by the Board. Written procedures support the policies where appropriate
- management of risk and risk register - every school hold its own risk register which is always kept up to date and available to the Executive. The responsibility for this lies with the headteachers. They will discuss the register formally with their Executive leader each term and at any point where there is a need for an update. The Headteacher must assess all risks and any which are scored at a risk score of 16 or above are escalated to the relevant Executive leader for wider consideration by the Risk Working Group.

7. Structure of Risk Registers

7.1. The risks to the Trust are divided into three sections, within each section there are several risk areas to manage and report upon:

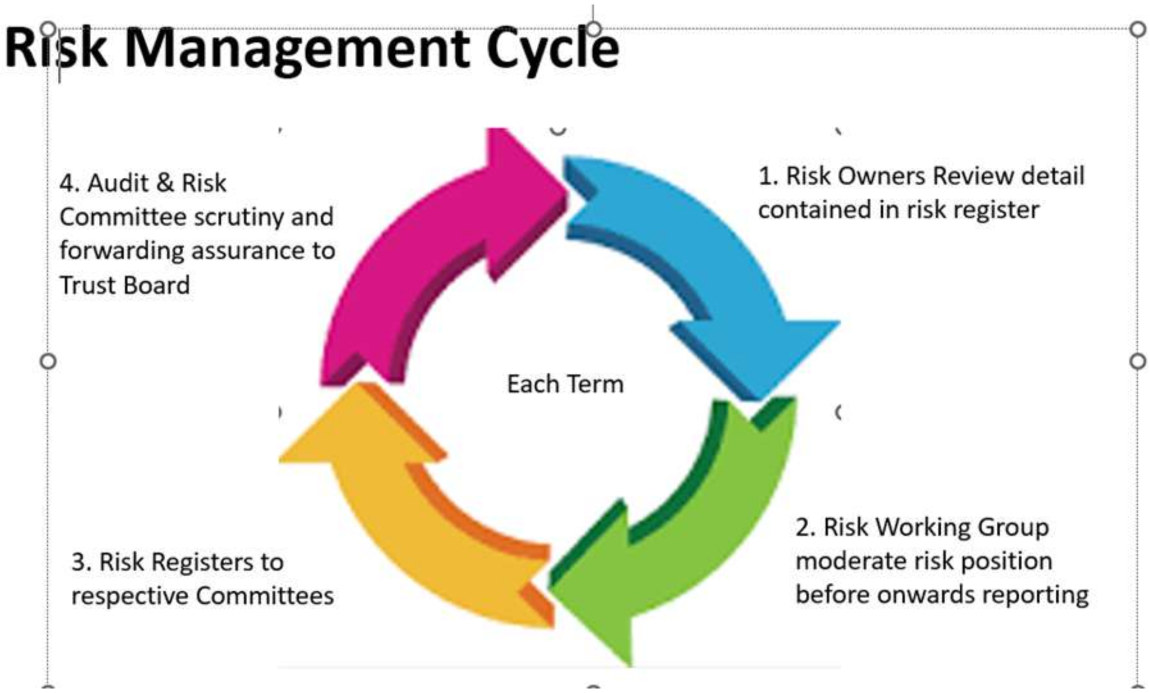
<u>Strategy Section</u>
- Strategy
- External Factors

<u>School Improvement Section</u>
- Primary Ofsted
- Primary Outcomes
- Secondary Ofsted
- Secondary Outcomes
- Safeguarding
- Learning Provision

<u>Organisation Development Section</u>
- Financial Planning
- Financial Management
- Procurement
- Workforce
- Health & Safety
- Data Protection
- Major Incident / BCP
- Cyber Security
- Estates

8. Risk Management Cycle

8.1. The Trust’s Risk Management Cycle occurs termly, the stages of which are illustrated below:



8.2. Risk Owners – REVIEW

8.2.1. For each strategic risk area identified, risk owners (members of the Executive team) are required, on a termly basis, to review and update:

- Causes and effects
- Assessment of risk (inherent and residual) to include a review of key controls, including the assurances which can be provided to evidence the effectiveness of these controls
- Assessment of residual (untreated) risk against the agreed risk appetite for each area and what, if any, other actions are needed to mitigate risks further
- An update on the overall position for each risk area, since the last report

8.3. Risk Working Group – MODERATION

8.3.1. The Risk Working Group meet 3 times a year, prior to each Audit and Risk Committee. Attendees of this group are the responsible risk owners and the Chief Executive.

8.3.2. The purpose of the Group is for Risk Owners to shared risk identification, assessment, and mitigation measures within their domain and to challenge recent updates and ensure a fair and balanced presentation of risk. This process provides internal moderation before onward reporting to trustees and is a form of organisational assurance.

8.4. Risk Register – REPORTING

8.4.1. The three key sections of the risk register will be reported to the relevant committees for information: namely:

- Organisation Development

- Student Achievements Committees
- Trust Board

8.5. **Audit & Risk Committee – CHALLENGE**

8.5.1. The Audit and Risk Committee has responsibility for risk management and provides effective scrutiny and challenge to risk management processes and provide associated assurance to the Trust Board.

8.5.2. The Audit and Risk Committee will receive a covering risk report to highlight key changes since the last report and further actions intended to mitigate risk – appendices to this covering risk report will include summary risk registers.

8.5.3. The Trust Board has ultimate responsibility for the Trust's risk management arrangements and maintains oversight of the Trust's strategic risks.

9. Risk Scoring

9.1. Risk scoring is presented through a risk matrix and considers the IMPACT and LIKELIHOOD pre and post mitigation:

- a score of 1-5 for the perceived impact of the risk (IMPACT)
- a score of 1-5 for the likelihood that it happens (LIKELIHOOD)
- multiply the two numbers together to create a risk rating (IMPACT x LIKELIHOOD)

IMPACT SCALE:

Score	Grade	Degree of Impact
1	Very Low	Day to day management
2	Low	Disruption of operational work, short recovery (within 3 months)
3	Medium	Disruption of operational work, longer recovery (between 4- 9 months), some delays to strategic goals
4	High	Disruption of operational work, longer recovery (over 9 months), significant impact on strategic goals
5	Very High	Disruption to business operations, regulatory, legal, compliance, commercial

LIKELIHOOD SCALE:

Score	Grade	Likelihood of Issue
1	Very Unlikely	Highly unlikely in foreseeable future
2	Unlikely	Unlikely in foreseeable future
3	Likely	Likely within 3-9 months
4	Very Likely	Likely within 3-9 months
5	Imminent	Likely within 1-3 months

9.2. Risks are scored at two positions:

- Inherent risk (Untreated risk)
- Mitigated Risk (Treated risk, after the application of controls)

Example:

SCORING

	Impact	Likelihood	Priority
Inherent	4	4	16
Residual	3	4	12

9.3. The risk response is based on the risk rating after mitigation; two responses are used when considering whether any further action is required to mitigate the risk to more acceptable levels:

TREAT	specific further action is required to contain the risk to an acceptable level in line with the Trust's Risk Appetite.
TOLERATE	exposure to risk may be tolerated without any further action, of deemed that this falls within the Trust's Risk Appetite. Each element of risk will be reviewed, and updated where relevant, on a 3 monthly basis.

10. Risk Appetite

10.1. Risk appetite is defined as 'the level of risk an organisation is prepared to accept or take in the pursuit of its objectives.' There is no 'one size fits all,' neither is risk appetite easy to define, the Trust Board's appetite for risk can vary dependent on the nature of the risk and the prevailing operating conditions or circumstances that may exist or are emerging, both locally and nationally.

10.2. The risk appetite is not prescriptive but instead provides several underlying component parts that encourages structured thinking. The aim of the risk appetite being to allow the Trust to reach an informed conclusion as to whether the risk can be accepted, and to what extent, to achieve the desired outcomes.

10.3. Risk Appetite Levels:

Risk appetite level	Risk appetite level description
Averse	We shall seek to reduce the residual risk as far as practically and reasonably possible within the constraints of resources available
Minimal	We shall accept a low degree of residual risk. Benefit will not be the driver.
Cautious	We are willing to accept some degree of residual risk where we have identified scope to achieve significant benefit and / or realise an opportunity.

Open	We are willing to consider a range of options where we can demonstrate a balance between a high level of residual risk and a high likelihood of successful / beneficial outcomes.
Hungry	We are eager to be innovative and choose a range of options based on maximising opportunities and beneficial outcomes even if those activities carry a very high level of residual risk.

10.4. All risks should be considered in the context of the Trust's risk appetite. The Trust has identified several strategic risk themes against which they have assigned a preferred risk appetite.

10.5. Therefore, in the instances where risks are associated with the risk appetite theme and dependent on the risk score assigned, then the Trust Board will be more easily able to determine how they respond and so make best use of resources in the pursuit of the objectives or outcome desired.

10.6. In considering the Trust risk appetite it may be the case that there is inter-play between the risk appetite themes and therefore judgement and due consideration of the different components is required – the objective, the risk, and the potential opportunity.

10.7. The following risk appetite themes and descriptions are identified after considering key negative and positive events that might affect the achievement of the Trust strategic objectives.

11. Risk Reporting

11.1. The risk register will form a standard agenda item at all Trust Board meetings and supported with feedback from the Chair of the Audit and Risk Committee on its appraisal of the risk arrangements.

11.2. The risks will be highlighted on an exception basis, and these will be presented to the relevant meetings as appropriate.

11.3. A cycle of reporting considers risk appetite will be introduced so that the Trust Board can understand their risk exposure in connection with the risk appetite themes across the organisation and in doing so ensure they respond effectively as well as ensuring that decisions are made and referenced in the context of the risk appetite.

11.4. This will include, but not limited to:

11.5. Assurance

11.5.1. Provision of assurance over the management of the risks in the Trust strategic and school risk registers. This will include the adequacy and effectiveness of internal controls which are in place to mitigate risks. The Board Assurance Framework will be derived from assurances from inside the organisation and through independent reviews including Internal Audit.

11.6. Decision-making

11.6.1. Explicit assessment of the decision outcomes on risk appetite and the strategic risks and implications for the Trust.

11.7. Monitoring

11.7.1. Cyclically report to the Audit and Risk Committee on the Trusts emerging and key risk exposures including risk appetite and how these might impact on the Trust improvement Plan (TIP).

11.7.2. Report to both the Organisation Development Committee and the School Improvement Committee, with any updates in associated risk to projects or strategic risks and how these might impact on the outcomes.

11.7.3. Local Advisory Boards routinely monitoring School specific related risks and issues, their management, and the effectiveness of response plans, escalating to the Trust and the Executive where it is appropriate to do so.