Risk Management Policy 2023

The Link Academy Trust is a company limited by guarantee and an exempt charity, regulated by the Education & Skills Funding Agency (ESFA). All Members of the Board of Trustees of the exempt charity are also Directors of the company; the term 'Trustee' used in this Policy also means Director. This Policy applies to all academies within the Link Academy Trust.

1. Introduction

The Academies Trust Handbook (ATH) states: "The trust must manage risks to ensure its effective operation and must maintain a risk register" with "overall responsibility for risk management, including ultimate oversight of the risk register, must be retained by the board of trustees, drawing on advice provided to it by the audit and risk committee".

Taking risk management seriously is a priority for the Link Academy Trust (Link). This Policy forms part of the Trust's internal control and corporate governance arrangements. It is designed to provide assurance that the institution has adopted best practice in this area as advocated by the Turnbull Report on internal control of companies and in other parts of the education and voluntary sectors.

This Policy applies to all academies within the Link and is designed to provide a tool whereby the Board of Trustees, Local Boards, Senior Management, Executive/Academy Heads and staff may assess the risks which may preclude it from achieving one or more of its strategic aims or operational objectives, monitor any changes to the risk environment and test mitigating actions to reduce the level of risk.

All colleagues within the Trust are encouraged to be involved in the risk management process through identifying new risks and challenging the probability and impact of scores of known risks which are included in the Trust's Risk Register. The Register is an operational document; it is not intended for it to be one that is reviewed through acceptance but one which can enhance the effective management of the Trust and secure its long-term sustainability.

2. Approach to Risk Management

2.1 Risk Management is the process whereby the Trust methodically addresses the risks attached to its objectives and associated activities with the goal of achieving sustained benefit within each activity and across the whole range of activities.

2.2 Risk Management is aimed at ensuring the Trust achieves its objectives in the most effective way and that resources are directed at those objectives. The management of risk should not be a separate exercise but as integral to the means of best achieving the Trust's objectives.

2.3 This Risk Management Policy has been designed for use by the Board of Trustees, Local Board members and all staff of the Trust and it serves to:

- Communicate the strategies for managing risk in the Trust.
- Establish procedures which should be adopted in the risk management process.

3. The Aims and Objectives of Risk Management

3.1 The Trust's overall risk management plan is aimed at:
- Protecting its stakeholders and assets
- Managing risk in accordance with best practice and reducing the cost of risk
- Anticipating and responding to changing educational, social, financial, environmental and legislative requirements
- Raising awareness of the need for risk management
- Integrating risk management into the culture of the Trust
- Adopting legal compliance as a minimum standard

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. The Potential Benefits of Risk Management

Effective risk management protects and adds value to the Trust and its stakeholders though supporting the Trust's objectives by:
- Improving decision making, business planning and prioritisation by comprehensive and structured understanding of the wider business environment
- Supporting efficient and effective allocation and use of resources within the Trust
- Enhancing communication between academies and services
- Protecting and enhancing the Trust's assets, reputation, and image
- Developing and supporting staff and the Trust's knowledge base
- Helping to focus the internal audit plan.

5. The Structure and Administration of Risk Management

The Board of Trustees, members of the LACs and all Staff should:
- Understand their accountability for individual risks.
- Understand that risk management and risk awareness are a key part of the Trust's culture.
- Understand how they can improve the management of risk.
- Report systematically and promptly to senior management any perceived new risks or failures of existing control measures

5.1 The **Board of Trustees** has a fundamental role to:
- Set the tone and influence the culture of risk management within the Trust.
- Determine the appropriate risk appetite or level of exposure for the Trust.
- Take account of the Trust's risk exposure or risk profile when approving major decisions
- Set policy and strategy for risk management.

- Keep under review 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 that are working effectively.
- Annually review the Trust's approach to risk management and approve changes or improvements to key elements of its processes and procedures.

5.2 On the Board's behalf, the **Trustees' Audit Committee** will:
- Oversee the arrangements for the identification of new risks and their inclusion on the Risk Register
- Maintain an overview of the Trust's Risk Register and the individual academies' risk registers and identify any adverse trends.
- Agree where risks no longer need to be included on the Register.
- Ensure the Board is made aware of the arrangements to manage the highest risks and the mitigating actions to reduce exposure.
- Interrogate the probability and impact scoring of identified risks, to ensure equity of approach.

5.3 The **Chief Executive Officer (CEO)** and the **Deputy Chief Executive Officer (DCEO)** will:
- Establish internal risk policy and structures for individual academies and services.
- Be responsible for the creation, maintenance, review and updating of the Trust-wide Risk Register
- Ensure that the academies maintain a Risk Register
- Develop risk response processes, including contingency and business continuity programmes.
- Ensure that risk management is a regular discussion item at all levels of the Trust to underpin dissemination of information as appropriate.

5.4 The **CEO/DCEO** will work respectively with the **Executive Improvement Team (EIT)** in respect of the educational provision and the **Central Business Team** for central services to ensure there is effective communication at all levels of the Trust to promote risk awareness. They will ensure that risk management is an integral part of all short- and long-term projects as well as the day-to-day operation of a successful multi-academy trust. The CEO and DCEO will take responsibility for providing guidance on the management of risk and ensuring appropriate training is undertaken.

5.5 **Executive Academy Heads** and **Academy Heads (E/AHs)** will:
- introduce risk management objectives into their practice.
- develop a risk register for each academy which draws on the principals of the Trust-wide register whilst recognising the specific circumstances of their own school(s)
- Ensure timely communication and the dissemination of information which may impact positively or negatively on the management of risks.

6. Risk Identification

6.1 Risk is not only about adverse events, but 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 be. The key risks that the Trust faces will be those that would stop it achieving its objectives in these areas.

6.2 All staff with responsibility for delivering operational aims or targets need to understand the Trust's corporate objectives and the legal and regulatory environment in which it operates.

6.3 These objectives will be translated into operational targets in the form of detailed business plans and performance indicators for each area of activity. This should be an ongoing annual exercise with regular updating of the aims.

6.4 The next step is to identify what would stop each area being as successful as it should. Risks can readily be identified through either brainstorming or a more structured approach.

6.5 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, market competition, reputational damage and changes in the physical environment.

- **Operational 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 standards above those expected nationally or poor Ofsted outcome.

- **People risks** – concern the effective employment of the Trust's most valuable asset in terms of professional accountability and include such issues as staff establishment planning and deployment, appropriate training and development. For example, ensuring that the right number of staff are deployed for future pupil number forecasts.

- **Financial risks** – concern the effective management and control of the finances of the Trust and the effects of external factors such as changes in funding arrangements or falling pupil numbers. For example, failure to maintain a balanced budget.

- **Compliance risks** – concern such issues as health and safety, safeguarding, data protection, environmental, employment practices and regulatory issues. For example, breach of employment laws.

6.6 The risks that have been identified at individual academy level should be recorded on the risk register for each academy and incorporated, as necessary, into the corporate risk register.

7. Risk Estimation (Assessing Likelihood and Impact) – Guidelines

7.1 Having identified the risks that the Trust is facing, they need to be prioritised into a manageable order so that action can be focused on the significant risks. At this stage, the risk management process should only be concerned about the risks that threaten the achievement of the Trust's operating aims and objectives. Risk prioritisation will enable necessary action to be taken at the relevant level of management in the Trust.

7.2 Each risk should be assessed in terms of the **likelihood** of its occurrence and its **impact** on the Trust, should it occur, whether untreated or treated.

7.3 Not all risks will affect the Trust with the same impact, and some are far more likely to occur within the Trust than others. There is perhaps a low probability of fire at one of the academies but there would be a significant disruption if the buildings were burnt down. A poor Ofsted Inspection outcome would, of course, impact on the individual academy but would also have a significant impact on the wider reputation of the Trust and its sustainability. A poor Ofsted outcome at more than one academy would be detrimental to the long-term sustainability of the Trust.

7.4 The impact of risk and the likelihood of it occurring should be scored as follows:

- **Likelihood**
  For each of the risks identified, assess the probability of their occurrence on the following scale:
  1 Rare
  2 Unlikely
  3 Possible
  4 Likely

- **Impact**
  Also assess their impact on the following scale:
  1 Almost None, no financial or reputational impact on a single academy or the Trust.
  2 Minor, the financial impact is likely to be low (<£10,000); has a low impact on the strategy or on teaching and learning; there is low stakeholder concern, or the impact is on a single academy.
  3 Moderate, the financial impact will be moderate (between £10,000 and £100,000); has no more than a moderate impact on strategy or on teaching and learning; there is moderate stakeholder concern, or the impact is on more than one academy.
  4 Major, the financial impact is likely to be significant (>£100,000); has a significant impact on strategy, reputation or on teaching and learning; has significant stakeholder concern and the impact is on the majority of or all the academies of the Trust.

8. Risk Prioritisation

Risks should be prioritised as follows:

Risk score	Prioritisation	Colour	Action
>7	High	Red	Immediate action. Consider including external agencies
4 to 7	Medium	Amber	Implement action or contingency plan
0 to 3	Low	Green	Consider action or contingency plan

9. **Risk Control Strategy**

9.1 Once risks have been identified and prioritised, the relevant person or body must decide how the Trust is going to address them.

9.2 As the first step, the 'cost' of accepting the risk should be assessed. This may be a financial cost or a lost opportunity. It may be decided that accepting a particular risk is appropriate and not to take any further action.

9.3 Within the Every Risk Management module there are four main options:

9.3.1 Tolerating risk is where no action is taken. This may be because the cost of instituting controls is not cost-effective, or the risk or impact is so low that they are considered acceptable. For instance, the academy trust may decide to tolerate the risk of contracting with a supplier with a poor credit rating provided the goods/services could be obtained relatively easily from someone else.

9.3.2 Treating risk involves controlling it with actions to minimise the likelihood of occurrence or impact. There may also be contingency measures to reduce impact if it does occur. For instance, an academy trust may decide to train more than the statutory minimum of staff as paediatric first aiders and to put in place a rota for first aid cover during lunchtimes.

9.3.3 Transferring risk may involve the use of insurance or payment to third parties willing to take on the risk themselves (for instance, through outsourcing). An academy trust may decide to take out insurance to mitigate the risk of the excessive costs of supply staff in the event of extended staff absences.

9.3.4 Terminating risk can be done by altering an inherently risky process to remove the risk. If this can be done without materially affecting operations, then removal should be considered, rather than attempting to treat, tolerate or transfer. Alternatively, if a risk is ranked highly and the other potential control measures are too expensive or otherwise impractical, the rational decision may well be that this is a process the academy trust should not be performing at all. For instance, academy trusts may decide to end an established after school club if it is impractical to get suitably qualified staff to cover it.

9.4 In most cases the next step will be to put in place systems to mitigate either the likelihood or the impact of the risk. These will include systems addressing the whole operation of the Trust as well as the areas where risks have been identified. Any system of risk mitigation should provide as a minimum:

- Effective and efficient operation of the Trust
- Effective internal controls
- Compliance with law and legislation

9.5 Mitigating action plans should be recorded against each risk that has been listed in the risk register with appropriate milestones. In order for an action plan to be successful the action plans should be:

- Specific
- Measurable
- Achievable
- Realistic
- Time constrained

They should also include sources of assurance over the controls in place to mitigate each risk identified.

10. Risk Monitoring

10.1 The likelihood or impact of an identified risk can change for several reasons including:

- Nature of the risk has changed or is changing.
- Existing controls are inadequate or not functioning.
- New controls are introduced.

10.2 Early warning indicators should be designed for each risk to alert management of any changes. These should have triggers, be described in the register and be highlighted in reports to management and the Trust. Key characteristics of monitoring mechanisms are:

- Information must reach the level of management where decisions can be made.
- Mechanisms must pick up the problem before it happens, or at least before it gets too serious.

10.3 The timetable for monitoring is as follows:

- As a minimum, the E/AHs will review their Risk Register as prescribed by frequency set up within the Every system and/or when there is an update or change to a recorded risk. Where any significant risk has not been successfully mitigated, this should be highlighted.
- At the first meeting of each term, the Local Boards will review the Risk Registers for their academies, as updated by the AH at the end of the previous term, challenge where appropriate and, in support of the AH, discuss any further mitigating actions which might be introduced to reduce the risk.
- The Executive Improvement Team (EIT) and Senior Management Team (CEO and DCEO) will review the Trust-wide Risk Register on a termly basis or three weeks prior to each Audit Committee to ensure the Register is up to date.
- The Audit Committee will have a standing item on Risk management and the Risk Register. It will also review specific sections of the Risk Register at each meeting to ensure an in-depth discussion takes place on the whole Register across the academic year.
- The Audit Committee will signal to the Board any adverse trends or new risks to ensure that all Trustees are aware of the cumulative risk exposure that the Trust faces.
- The Board of Trustees may discuss the Risk Register at any time during the year and will ensure that all activities and projects assess the level of risk of proceeding or not proceeding. The Board will, however, formally review the Risk Register at its final meeting of each academic year to satisfy itself that risk management has been used effectively as part of the internal control procedures, prior to the Trust's external audit.

11. Risk Reporting

11.1 Different levels within the Trust need different information from the risk management process. Early warning indicators should be reported systematically and promptly to senior management to allow action to be taken.

The frequency of reporting should be related to how quickly a risk can materialise and its likely impact.

11.2 The Board of Trustees will summarise its effectiveness of the management of risk in the Annual Report prefacing the Financial Statements published each year.

11.3 The Board of Trustees will report to the Members events of a significant risk as and when they occur.

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