

RISK MANAGEMENT POLICY

Date Approved by Board:	3 July 2018
Date of Review:	July 2020
Responsible Department:	Central Operations
Policy Applies to:	Wellspring Trust and all Academies within the Trust

The Equality Act 2010 requires public bodies, in carrying out their functions, to have due regard to the need to:

- eliminate discrimination and other conduct that is prohibited by the Act*
- advance equality of opportunity between people who share a protected characteristic and people who do not share it*
- foster good relations across all characteristics - between people who share a protected characteristic and people who do not share it.*

In the development of this policy due regard has been given to achieving these objectives.

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Statement of intent

The Risk Management & Strategy Policy forms part of Wellspring Academy Trust's (WAT's) internal control and corporate governance arrangements. It is designed to provide assurance that the Trust 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.

1. Purpose of the Policy

- WAT takes Risk Management seriously. The Risk Management Policy forms part of the Trust's internal control and corporate governance arrangements. It is designed to provide assurance that WAT has adopted best practice in this area, as advocated in the Turnbull Report on internal control of companies and in other parts of the education and voluntary sectors.
- The policy explains WAT's underlying approach to risk management
- The policy should be read in conjunction with the Trust's Risk Management Strategy and Trust Risk Register, which set a framework for the management of risks and identifies the roles and responsibilities of WAT in the management of those risks.

2. Aims and Underlying Approach to Risk Management

The Trust has a Risk Management Strategy which aims to:

- Identify and evaluate risks which could prevent the Trust from achieving one or more of its strategic aims and objectives and delivery targets or make their achievement substantially more difficult.
- Assess the likelihood of such risks occurring and the potential impact of such occurrences with particular reference to the areas of finance, reputation and planning/operations.
- Enable decisions to be taken on how much risk to accept, the actions/controls applied to avoid or mitigate the likelihood of such circumstances arising, to transfer risk or insure against the consequences and assign responsibility for implementation.

The following key principles outline the Trust's approach to risk management and internal control in pursuing the aims set out above:

- The Trust has responsibility for overseeing risk management within the institution as a whole.
- The Trust carries out this responsibility through its Assurance Frameworks and Audit Committee.
- An open and receptive approach to solving risk problems is adopted by the Trust.
- Key risk indicators are identified and closely monitored on a regular basis at a departmental level. The departmental and regional/Trust-wide Risk Register are updated on a termly basis.
- The Executive Leadership Team reviews the Trust's Risk Register and Action Plan on a termly basis and it is a standing item of the Audit Committee.
- 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 colleagues within WAT are encouraged to be involved in the risk management process by the reporting of risks through the risk template for both college wide and departmental risks. The Trust aims to ensure that its Risk Management Policy and Strategy is embedded universally.

3. Risk Management Strategy

- 3.1. 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.
- 3.2. Risk management aims to ensure that the Trust achieves its objectives in the most effective way and that resources are directed at those objectives. It will not be seen as a separate exercise but as the means of best achieving the Trust's objectives.
- 3.3. The risk management strategy has been designed for use by 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.

4. The Aims and Objectives of Risk Management

- 4.1. The Trust's overall risk management plan is aimed at:
 - Protecting its students, staff and assets.
 - Managing risk in accordance with best practice and reducing the cost of risk.
 - Anticipating and responding to changing social, 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.
- 4.2. 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.

5. The Potential Benefits of Risk Management

- 5.1. Effective risk management protects and adds value to the Trust and its stakeholders through supporting the Trust's objectives by:
 - 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 schools and services.

- Protecting and enhancing Trust assets and image.
- Developing and supporting staff and the Trust's knowledge base.
- Helping to focus the internal audit plan.

6. The Structure and Administration of Risk Management

6.1. The Trust 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.
- Approve major decisions affecting the 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 lesser risks are being actively managed, with the appropriate controls in place and working effectively.
- Annually review the Trust's approach to risk management and approve changes or improvements to key elements of its processes and procedures.

6.2. The Executive Leadership Team will:

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

6.3. The Chief Operating Officer 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 the Executive Leadership Team, 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 Executive Leadership Team.

6.4. The Chief Operating Officer as the Risk Management Champion is responsible for:

- Developing specific programmes and procedures for establishing and maintaining risk management activities within the Trust.

- Ensuring the dispersal of vital information.
- Providing guidance, interpretation and understanding of the risk management systems.

7. Risk Identification

- 7.1. 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 Trust faces will be those that would stop it achieving its objectives in these areas.
- 7.2. As the first step in the risk identification process all staff with responsibility for delivering aims or targets must understand the Trust's corporate objectives and the legal and regulatory environment in which it operates.
- 7.3. The second step is the translation of these objectives into operating aims in the form of detailed business plans and performance indicators for each area of activity. This should be an ongoing annual exercise.
- 7.4. The next step is to identify what would stop each area being as successful as it should.
- 7.5. Categories for risks 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.
 - **Operational risks** – 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** – effective management and control of the finances of the Trust including market exposures.
 - **Compliance risks** – i.e health and safety, environmental, trade descriptions, consumer protection, GDPR, employment practices and regulatory issues.
- 7.6. Identified risks should be recorded on the WAT risk template and updated to the register for each school/service and incorporated, as necessary, into the Corporate Risk Register.

8. Risk Estimation (Assessing Likelihood and Impact) - Trust and Academy Guidelines

- 8.1. Identified risks must be prioritised so that action can be focused on significant risks. At this stage in the risk management process you should only be concerned about the risks that threaten the achievement of your operating aims and objectives. Risk prioritisation will enable necessary action to be taken at the relevant level of management.
- 8.2. Each risk should be assessed in terms of **likelihood** of its occurrence, and its **impact** on the Trust, should it occur.
- 8.3. Not all risks will affect the Trust with the same impact, and some are far more likely to occur within the Trust than others.
- 8.4. The impact of a risk and the likelihood of it occurring should be scored as follows:
 - **Likelihood**
For each of the risks you have listed, assess the likelihood of their occurrence on the following scale:

1. Rare
2. Unlikely
3. Possible
4. Likely
5. Almost Certain

- **Impact**

Also assess their impact on the following scale:

1. Negligible
2. Minor
3. Moderate
4. Major
5. Catastrophic

8.5. Multiply the scores for likelihood and impact (Financial and Reputational) and then rank the risk by numerical value, e.g.

Major fire	impact 5	likelihood 2	total = 10
Small scale theft	impact 1	likelihood 3	total = 3

9. Risk Prioritisation

9.1. Risks should be prioritised as follows:

Risk	Likelihood				
Impact	Rare	Unlikely	Possible	Likely	Almost Certain
Catastrophic	15	19	22	24	25
Major	10	14	18	21	23
Moderate	6	9	13	17	20
Minor	3	5	8	12	16
Negligible	1	2	4	7	11

10. Risk Mitigation

10.1. Once risks have been identified and prioritised, mitigating actions are required.

10.2. As the first step, the 'cost' of accepting risk requires assessment. This may be a financial cost or a lost opportunity. You may decide that accepting a particular risk is appropriate and not take any further action.

10.3. If mitigation is required, consider:

- avoiding the risk
- transferring all or part of the risk
- mitigating the risk

10.4. A risk may be avoided by withdrawing from that area of activity but doing so may result in a missed opportunity.

- 10.5. A risk may be transferred wholly or in part to a third party, possibly through insurance or a partnership arrangement.
- 10.6. In the majority of 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. Risk mitigation should provide as a minimum:
- Effective and efficient operation of the Trust
 - Effective internal controls
 - Compliance with law and legislation
- 10.7. 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:
- Smart
 - Measurable
 - Achievable
 - Realistic
 - Time constrained

They should also include sources of assurance over the controls in place to mitigate each risk identified, i.e. the Wellspring Assurance Framework.

- 10.8. Source of Assurance is defined as evidence that mitigating action/controls are in place and being regularly reviewed. As part of the termly risk review the Assurance should be reviewed to ensure that the mitigating action/controls are appropriate and functioning. The residual risk should also be considered at each review if Assurances indicate that mitigating actions/controls are working better/worse than originally planned.

11. Gross and Net Risk

- 11.1. In assessing risk, recognition should be given to the impact of the mitigating actions. Accordingly, risks should initially be recorded at their gross value – the impact without mitigating actions. The same risks should then be recorded allowing for the impact of the mitigating actions. By doing so, the Trust is able to value the impact of the mitigating factors to determine whether they are cost effective.
- 11.2. Both the gross risk and net risk scores are to be recorded on the Risk Register
- 11.3. The movement in these risk scores between reporting periods is to be recorded on this key document to enable the reader to understand whether each risk is constant, decreasing or increasing over time. This will be denoted by a directional arrow.

12. Risk Monitoring

- 12.1. The likelihood or impact of an identified risk can change for a number of reasons including:
- Nature of the risk has changed or is changing
 - Existing controls are inadequate or not functioning
 - New controls are introduced

12.2. Early warning indicators should be designed to each risk to alert management to the situation effectively. These should have triggers, be described in the register and be highlighted in monthly reports to management and the Trust. The Trust's Assurance Framework provides a key live monitoring function in this regard. 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.

12.3. The Trust and Individual Academies should:

- Review termly the risks which fall into their area of responsibility, the possible impacts these have on other areas and the consequences other areas may have on them.
- Use performance indicators to monitor the key business and financial activities, progress towards objectives and identify developments which require intervention.
- Have systems which communicate monthly variances in budgets and forecasts to allow action to be taken.
- Report systematically and promptly to the CFO any perceived new risk or failures of existing mitigating or control measures.

12.4. The Chief Operating Officer should:

- Ensure that the Trust risk Register is updated in the light of developments within the Trust and wider business environment.

12.5. The Executive Leadership Team should:

- Review the Trust Risk Register termly.
- Review key performance indicators and progress towards objectives.
- Take necessary action to address adverse departures for objectives.
- Provide adequate information to the relevant Trust's Committee on the most significant risks.

12.6. The Audit Committee should:

- Review the Trust Risk Register and the Internal Audit monitoring document at its meetings.
- Provide ongoing advice on the effectiveness of the risk management process.

13. Risk Reporting

13.1. Different levels within the Trust need different information from the risk management process.

13.2. 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.

13.3. 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 enable continuous improvement of risk management response.
- Report systematically and promptly to senior management any perceived new risks or failures of existing control measures.

13.4. Trust Executive Leadership Team and (Exec) Principals should:

- Report to the Risk Champion the outcome of their termly review of business and financial activities and progress towards objectives.
- Report systematically and promptly to the Risk Champion any perceived new risks or failures of existing control measures.

13.5. (Exec) Principals and the Head of Estates should:

- Review the findings of the reviews within their remit.
- Ensure accurate reporting of risk in terms of issue and risk values.
- Assist the Risk Champion in assessing each risk and its reporting to the Audit Committee and the Trust.
- Report monthly to the (Exec) Leadership Team on the progress towards objectives in Individual schools and inform the Risk Champion in order that the Trust risk register may be updated.
- Report systematically and promptly to Executive Leadership Team any perceived new risks or failures of existing control measures.

13.6. The Chief Operating Officer should:

- Report annually on the effectiveness' of the risk management process in the Trust.
- Report to the Trust's Directors on a regular basis its risk management policies and the effectiveness in achieving its objective.