ARDEN
Multi-Academy Trust

## This policy covers all academies/schools within Arden Multi-Academy Trust

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|---|---|---|
| **Name of Policy** | **Risk Management Policy** | |
| **Lead** | Martin Murphy, CEO | |
| **Governor Committee** | Audit & Risk Committee | |
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| | Trustee Approved | 12th December 2023 |
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| **Next Review** | Autumn Term 2024 | |
| **Amendments** | | |
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ARDEN

PARK HALL ACADEMY

HENLEY-IN-ARDEN SCHOOL

DORRIDGE PRIMARY SCHOOL

COPPICE ACADEMY

## 1. Introduction

1.1. Identifying and managing the possible and probable risks that our Trust may face is a key part of effective governance for Arden Multi-Academy Trust. By managing risk effectively, trustees can help ensure that:

- Significant risks are known and monitored, enabling trustees and governors to make informed decisions and take timely action;
- The Trust makes the most of opportunities and develops them with the confidence that any risks will be managed;
- Forward and strategic planning are improved;
- The Trust's aims are achieved more successfully;
- Reporting in its annual report on the steps the Trust has taken to manage risk helps to demonstrate accountability to stakeholders including beneficiaries, funders, employees and the general public.

1.2. The Education Funding Agency (ESFA) also has a requirement for each single and multi-academy trust to exercise robust risk management.

1.3. The responsibility for the management and control of the Arden Multi-Academy Trust rests with the Trust Board and the Chief Executive Officer. Their involvement in the key aspects of the risk management process is therefore essential, particularly in setting the parameters of the process and reviewing and considering the results.

## 2. Context

2.1. Organisations will face some level of risk in most of the things they do. The diverse nature of the education sector means that multi-academy trusts face different types of risk and levels of exposure. The AMAT has aligned its response to risk alongside their strategic objectives and will ensure that the Trust continues to fulfil these now and, in the future, sustainably.

2.2. In a period of economic uncertainty, the major financial risks for multi-academy trusts are likely to be:

- Changes to ESFA funding, including a reduction in pupil placement funding and Education Services Grant;
- Changes to the local authority commissioning arrangements for children with special educational needs;
- Changes to terms and conditions of employees as part of national or local pay settlements;
- Increased liability costs on employers e.g. increased NI or pension costs.

2.3. Generally, risk will need to be considered in terms of the wider environment in which the Trust operates. The financial climate, society and its attitudes, the natural environment and changes in the law and government policy, technology and knowledge will all affect the types and impact of the risks that the Trust is exposed to.

2.4. Although the risks that any Trust might face are both, financial and non- financial, the ultimate impact of risk is financial in most cases. This could be where a party seeks compensation for loss, or costs incurred in managing, avoiding or transferring the risk, for example by buying employers' liability insurance or buildings insurance.

**3. Classification of risks**

3.1. A system of classification is helpful for ensuring key areas of risk arising from both internal and external factors are considered and identified. AMAT has utilised the following model as its means of defining and assessing risk, in the following areas:

3.2. **Categories of risk**

| Risk category | Examples |
|---|---|
| Strategic and reputational risks | • Failure to recruit sufficient learners<br>• Failure to monitor and react to the risks associated with competitor establishments<br>• Failure to have procedures in place to cover the absence of senior staff of the Trust |
| Operational risks | • Changes in local authority strategy for SEND provision<br>• Poor staff recruitment and training<br>• Doubt about security of assets |
| Compliance risks | • Acting in breach of trust<br>• Poor knowledge of the legal responsibilities of an employer<br>• Poor knowledge of regulatory requirements e.g. failure of schools to be meeting at least “Good” standards as per Ofsted inspection framework, or failure to adhere to requirements of SEND Code of Practice. |
| Financial risks | • Inaccurate and/or insufficient financial information<br>• Inadequate reserves and cash flow dependency on limited income sources<br>• Reduced funding from EFA/local authority<br>• Insufficient insurance cover |

**4. Strategic approach**

4.1. Following identification of the risks that a trust might face, a decision will need to be made about how they can be most effectively managed. The Board of Trustees have adopted this Risk Management Policy to help them make decisions about the levels of risk that can be accepted on a day to day basis and what matters need to be referred to them for decision.

Following an external review of risk management conducted in February 2021, the Trust has agreed to structure its risk register according to the seven key areas detailed in the Trust’s Strategic Plan:

I. Leadership and management
II. Outcomes for pupils
III. Teaching, learning and assessment
IV. Personal development, pastoral care, behaviour and safeguarding
V. Community and parental engagement
VI. Effective management and Trust services
VII. Governance and quality assurance

The intention of this is to ensure that risk management is as closely related to key strategic objectives as possible.

Risk registers at school/academy level replicate this structure and are monitored through school/academy management meetings and by LGBs.

4.2. There are four basic strategies that can be applied to manage an identified risk:

- Transferring the financial consequences to third parties or sharing it, usually through insurance or outsourcing
- Avoiding the activity giving rise to the risk completely, for example by not bringing another school into the Trust or stopping a particular activity or service
- Management or mitigation of risk
- Accepting or assessing it as a risk that cannot be avoided if the activity is to continue. An example of this might be where the Board take out an insurance policy that carries a higher level of voluntary excess or where the Trust recognises that a core activity carries a risk but takes steps to mitigate it - public use of a school property would be such a risk

4.3. Although there are various tools and checklists available, the identification of risks is best done by involving those with a detailed knowledge of the way the Trust and its constituent schools/academies operate, and therefore Associate Headteachers and Local Governing Bodies are pivotal.

4.4. The Trust will keep a risk register which will be a working document owned by the Trust Board, with delegated responsibilities for ongoing review and oversight passed to the Audit and Risk Committee.

4.5. The risk identification process, whilst focusing on the risk to the Trust itself, is therefore also likely to include identifying risks that may arise in individual schools as well as Trust-wide activities.

4.6. Trustees will seek to ensure that Local Governing Bodies follow the risk management procedures of the Trust Board, with the results being incorporated into the overall risk management processes of the Trust. Discussion between the CEO, Executive Headteacher, Director of Finance and Associate Headteachers will be essential in ensuring that each school follows appropriate procedures and that the Trust Risk Register as a whole represents a reliable assessment of the Trust's overall risk position. On an ongoing basis, risks identified at school/academy level may feed into the Trust risk register and vice versa.

**5. Risk assessment and categorisation**

5.1. Identified risks need to be put into perspective in terms of the potential severity of their impact and likelihood of their occurrence. Assessing and categorising risks helps in prioritising and filtering them, and in establishing whether any further action is required.

5.2. One method is to look at each identified risk and decide how likely it is to occur and how severe its impact would be on the Trust if it did occur.

5.3. Risks which have very high impact and very low likelihood of occurrence are now accepted by many as having greater importance than those with a very high likelihood of occurrence and an insignificant impact. In these cases, the concept of impact and the likelihood of risks occurring, and their interaction should be given prominence in both the risk assessment and risk management processes.

5.4. If an organisation is vulnerable to a risk that potentially might have an extremely high impact on its operations, it should be considered and evaluated regardless of how remote the likelihood of its happening appears to be. The descriptors for high, medium and low impact and probability are set out in Table 1.

5. AMAT needs to find a balance and need to weigh the nature of risk and its impact alongside its likelihood of occurrence. With limited resources, the risks and the benefits or rewards from the activity concerned will need to be considered. It is important to bear in mind that on rare occasions improbable events do occur with devastating effect whilst at other times probable events do not happen.

5.6. A focus on high-impact risk is important, but what may be a lower impact risk can change to very high impact risk because of the possible connection between it happening and triggering the occurrence of other risks.

5.7. One low impact risk may lead to another and another so that the cumulative impact becomes extreme or catastrophic. Many studies have shown that most business failures are the result of a series of small, linked events having too great a cumulative impact to deal with rather than a single large event. If organisations only look at the big risks they can often end up ill-prepared to face the interaction of separate adverse events interacting together.

**6. Risk management**

6.1. Where major risks are identified, the Board will make sure that appropriate action is being taken to manage them, including an assessment of how effective the existing controls are.

6.2. For each of the major risks identified, the Board will consider any additional action that needs to be taken to manage the risk, either by lessening the likelihood of the event occurring, or lessening its impact if it does.

6.3. Once each risk has been evaluated, the Board will draw up a plan for any steps that need to be taken to address or mitigate significant or major risks. This action plan and the implementation of appropriate systems or procedures allow the Board to make a risk management statement in accordance with the regulatory requirements.

6.4. Risk management is aimed at reducing the 'gross level' of risk identified to a 'net level' of risk - in other words, the risk that remains after appropriate action is taken.

6.5. The Board are required to form a view as to the acceptability of the net risk that remains after management. In assessing additional action to be taken, the costs of management or control will generally be considered in the context of the potential impact or likely cost that the control seeks to prevent or mitigate.

6.6. It is possible that the process may identify areas where the current or proposed control processes are disproportionately costly or onerous compared to the risk they are there to manage. A balance must be struck between the cost of further action to manage the risk and the potential impact of the residual risk.

6.7. Good risk management is also about enabling organisations to take opportunities and to meet urgent need, as well as preventing disasters. For example, an organisation may not be able to take advantage of technological change in the absence of a reserves policy that ensures there are adequate funds.

**7. Monitoring and assessment**

7.1. Risk management is a dynamic process ensuring that new risks are addressed as they arise. It should also be cyclical to establish how previously identified risks may have changed.

7.2. Risk management is not a one-off event and should be seen as a process that will require monitoring and assessment. Senior leaders must take responsibility for implementation.

7.3. A successful process will involve ensuring that:

- New risks are properly reported and evaluated;
- Risk aspects of significant new projects are considered as part of project appraisals;
- Any significant failures of control systems are properly reported and actioned;
- There is an adequate level of understanding of individual responsibilities for both implementation and monitoring of the control systems;
- Any further actions required are identified;
- The Board consider and review the annual process;
- The Board are provided with relevant and timely interim reports.

7.4. To provide a systematic means of compliance, the Trust will hold a risk register. The register seeks to pull together the key aspects of the risk management process. It schedules gross risks and their assessment, the controls in place and the net risks, and can identify responsibilities, monitoring procedures and follow up action required.

7.5. Ongoing monitoring and assessment of the risk register will be delegated by the Trust Board to the Audit and Risk Committee. This Committee, in turn, may delegate some duties to a school/academy Local Governing Body. AMAT school/academy LGBs will have their Risk Register as an agenda item at each termly meeting and the Associate Headteacher will update as required and report to the CEO.

7.6. Terms of reference for this committee will be published on the Trust website, and will be subject to annual review.

| Impact of risk occurring | Description |
|---|---|
| High - 3 | The financial impact will be significant [in excess of £50,000]<br>Has a significant impact on the Trust/school/academy's strategy or on teaching and learning<br>Has significant stakeholder concern<br>Can cause significant reputational damage to the Trust/school/academy |
| Medium - 2 | The financial impact will be moderate [between £25,000 and £49,000]<br>Has no more than a moderate impact on strategy or on teaching and learning<br>Moderate stakeholder concern<br>Can cause moderate reputational damage to the Trust/school/academy |
| Low - 1 | The financial impact is likely to be low [below £5,000 and £24,000]<br>Has a low impact on strategy or on teaching and learning<br>Low stakeholder concern<br>Is unlikely to cause any reputational damage to the Trust/school/academy |

| Probability of Risk Occurring | Description | Indicator |
|---|---|---|
| High – 3 | Likely to occur each year, or more than 25% chance of occurrence within the next 12 months | Potential of it occurring several times within a 4 year period<br>Has occurred recently |
| Medium - 2 | Likely to occur within a 4 year time period or less than 25% chance of occurring within the next 12 months | Could occur more than once within a 4 year period<br>Some history of occurrence |
| Low - 1 | Not likely to occur within a 4 year time period or less than | Has not occurred<br>Is not likely to occur |

| | | |
|---|---|---|
| | 5% chance of occurrence | |

Table 1