



Risk Management Policy

Date First Published	June 2016
Version	3
Date Last Approved	20th June 2018
Review Cycle	1 Year
Review Date	June 2019

“Learning together; to be the best we can be”

1. Introduction

1.1. Identifying and managing the possible and probable risks that an organisation may face over its working life is a key part of effective governance for Multi Academy Trusts of all sizes and complexity. By managing risk effectively, trustees can help ensure that:

- significant risks are known and monitored, enabling Directors 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.

1.2. Reporting in its annual report on the steps a Trust has taken to manage risk helps to demonstrate accountability to stakeholders including beneficiaries, funders, employees and the general public.

1.3. The Education and Skills Funding Agency (ESFA) also has a requirement for each Single and Multi Academy Trust to exercise robust risk management.

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

2. Scope

2.1. This policy relates to all academies and settings across Nexus MAT and supersedes any local policies and procedures that have been in use prior to the academy conversion. Where required, an individual Nexus MAT academy – in agreement with the Trust Chief Executive Officer - may publish a supplementary policy guidance document or procedure in line with this policy, to ensure that any idiosyncrasies associated with that specific academy are covered in their local policy library.

3. Context

- 3.1. 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 Trust faces different types of risk and levels of exposure.
- 3.2. An essential question for MATs when considering risk is whether or not they can continue to fulfil their objects now and in the future, sustainably.
- 3.3. For example, 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.
- 3.4. 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.
- 3.5. 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.

4. Classification of risks

- 4.1. A system of classification is helpful for ensuring key areas of risk arising from both internal and external factors are considered and identified, and Nexus Multi Academy Trust has utilised the model developed by the Charity

Commission as its means of defining and assessing risk, in the following areas:

4.2. Categories of Risk

Risk Category	Examples
Governance risks	<ul style="list-style-type: none"> ▪ inappropriate organisational structure ▪ Directors/governors lack relevant skills or commitment ▪ conflicts of interest
Operational risks	<ul style="list-style-type: none"> ▪ changes in local authority strategy for SEND provision ▪ poor staff recruitment and training ▪ doubt about security of assets
Financial risks	<ul style="list-style-type: none"> ▪ inaccurate and/or insufficient financial information ▪ inadequate reserves and cash flow dependency on limited income sources ▪ reduced funding from EFA/Local Authority ▪ insufficient insurance cover
External risks	<ul style="list-style-type: none"> ▪ poor public perception and reputation ▪ demographic changes such as an increase in the size of key stage cohort ▪ turbulent economic or political environment ▪ changing government policy
Compliance with law and regulation	<ul style="list-style-type: none"> ▪ acting in breach of trust ▪ poor knowledge of the legal responsibilities of an employer ▪ poor knowledge of regulatory requirements e.g. failure of academies to be meeting at least "Good" standards as per Ofsted inspection framework, or failure to adhere to requirements of SEND Code of Practice.

5. Strategic Approach

- 5.1. 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 Directors 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.
- 5.2. 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 academy 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 take steps to mitigate it - public use of a academy property would be such a risk.
- 5.3. 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 academies operate, and therefore Headteachers and Local Governing Bodies are pivotal.
- 5.4. 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.
- 5.5. Individual academies within the Trust will also keep a risk register which will be a working document, owned by the Local Governing Body.
- 5.6. 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

academy as well as Trust-wide activities. These risks will be passed onto the individual academy's risk register.

6. Risk Assessment and Categorisation

- 6.1. 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.
- 6.2. 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.
- 6.3. 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.
- 6.4. 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.
- 6.5. MATs need 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.
- 6.6. 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.
- 6.7. 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.

6.8. The following tables provide the values by which the Charity Commission recommends organisations should base risk calculation on:

6.9. Impact of Risk

Descriptor	Score	Impact on service or reputation
Insignificant	1	<ul style="list-style-type: none"> ▪ no impact on service ▪ no impact on reputation ▪ complaint unlikely ▪ litigation risk remote
Minor	2	<ul style="list-style-type: none"> ▪ slight impact on service ▪ slight impact on reputation ▪ complaint possible ▪ litigation possible
Moderate	3	<ul style="list-style-type: none"> ▪ some service disruption ▪ potential for adverse publicity - avoidable with careful handling ▪ complaint probable ▪ litigation probable
Major	4	<ul style="list-style-type: none"> ▪ service disrupted ▪ adverse publicity not avoidable (local media) ▪ complaint probable ▪ litigation probable
Extreme/Catastrophic	5	<ul style="list-style-type: none"> ▪ Service interrupted for significant time ▪ major adverse publicity not avoidable (national media) ▪ major litigation expected ▪ resignation of senior management and board ▪ loss of DfE/EFA/LA confidence

6.10. Likelihood

Descriptor	Score	Example
Remote	1	May only occur in exceptional circumstances
Unlikely	2	Expected to occur in a few circumstances
Possible	3	Expected to occur in some circumstances
Probable	4	Expected to occur in many circumstances
Highly Probable	5	Expected to occur frequently and in most circumstances

6.11. The 'heat map' (5.14) shows a different way of assessing risk by increasing the weighting of impact.

6.12. This works on a scoring of “**x multiplied by y plus y**” where **x is likelihood** and **y is impact**. This formula multiplies impact with likelihood then adds a weighting again for impact. The effect is to give extra emphasis to impact when assessing risk.

6.13. Risk scoring often involves a degree of judgement or subjectivity. Where data or information on past events or patterns is available, it will be helpful in enabling more evidence-based judgements.

6.14. In interpreting the risk heat map below, likelihood is x and impact is y. The colour codes are as :

6.15. **Red** - major or extreme/catastrophic risks that score 15 or more;

6.16. **Yellow** - moderate or major risks that score between 8 and 14;

6.17. **Blue** or **green** - minor or insignificant risks scoring 7 or less.

6.18. Risk heat map

Impact (y)	Extreme/Catastrophic - 5	10	15	20	25	30
	Major - 4	8	12	16	20	24
	Moderate - 3	6	9	12	15	18
	Minor - 2	4	6	8	10	12
	Insignificant - 1	2	3	4	5	6
		1 Remote	2 Unlikely	3 Possible	4 Probable	5 Highly Probable
Likelihood (x)						

7. Risk Management

- 7.1. Where major risks are identified, the Board (or LGB if it is an academy level risk) will make sure that appropriate action is being taken to manage them, including an assessment of how effective the existing controls are.
- 7.2. For each of the major risks identified, the Board (or LGB if it is an academy level risk) 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.
- 7.3. Once each risk has been evaluated, the Board (or LGB if it is an academy level risk) 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 (or LGB if it is an academy level risk) to make a risk management statement in accordance with the regulatory requirements.

- 7.4. 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.
- 7.5. The Board (or LGB if it is an academy level risk) 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.
- 7.6. 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.
- 7.7. 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.

8. Monitoring and assessment

- 8.1. 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.
- 8.2. 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.
- 8.3. 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 (or LGB) consider and review the annual process;
- The Board (or LGB) are provided with relevant and timely interim reports.

8.4. To provide a systematic means of compliance, the Trust and its constituent academies 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.

8.5. Ongoing monitoring and assessment of the risk register will be delegated by the Trust Board to the Audit and Finance Committee. This Committee, in turn, may delegate some duties to an academy Local Governing Body.

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

9. Thanks to contributors

9.1. Nexus Multi Academy Trust is grateful the Charity Commission and – in particular - to Pesh Framjee, Head of Not for Profits at Howarth Clark Whitehill, for their work on the published guidance document *Charities and Risk Management (CC26)*, June 2010.