Risk Management Policy

2023-2025

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*Publication on website			
Denbigh Alliance website		School website	
1	Statutory publication	A	Statutory publication
2	Good practice	B	Good practice
3	Not required	C	Not required

**Policy level			
1	Trust wide	Single policy relevant to everyone and consistently applied across all schools and departments, with no variation. e.g. Complaints procedure	Statutory policies approved by the Denbigh Alliance Board of Trustees (or designated Trustee Committee). Non-statutory policies approved by the CEO with exception of Executive Pay.
2	Trust core values	This policy defines the Trust core values in the form of a Trust statement to be incorporated fully into all other policies on this subject, that in addition contain relevant information, procedures and or processes contextualised to that school. e.g. Safeguarding, Behaviour	Statements in statutory policies approved by the Denbigh Alliance Board of Trustees (or designated Trustee Committee). Statements in non-statutory polices approved by the CEO. Policy approved by Local School Board.
3	School/department	These policies/procedures are defined independently by schools as appropriate. E.g. Anti-bullying	Approved by Local School Board.

1. **Introduction**

    1.1. The Denbigh Alliance Multi Academy Trust (the Trust) recognises that risk management is an integral part of sound management practice and good governance. Managing risk improves the way we operate and increases the likelihood of achieving strategic objectives.

    1.2. The Trust's strategic objectives are currently, to ensure:

- We maintain and improve reputation and educational outcomes
- A financial model is in place that is suitable for sustainable growth
- Robust and challenging Governance
- We develop and maintain our workforce, ensuring capacity to achieve our goals
- An efficient monitoring and auditing programme is in place
- Sustainable and suitable growth

Risks will be grouped by the objectives above to ensure sufficient mitigating controls are in place for the trust to achieve its goals.

2. **Purpose**

    2.1. Risk management processes should be integrated in the management and operation of businesses.

    2.2. Although ultimate overall responsibility for risk management, including the oversight of the risk register, lies with the academy trust's board (the board), who must appoint an audit and risk committee in accordance with The Academy Trust handbook to:

- direct the trust's programme of internal scrutiny
- ensure that risks are being addressed appropriately through internal scrutiny
- report to the board on the adequacy of the trust's internal control framework, including financial and non-financial controls and management of risks.

    2.3. It is also important that academy trusts ensure there is an individual identified who has responsibility for risk management on a day-to-day basis.

3.   Principles

3.1.   The Trust strives to embed a culture where risk management is a key component in all its decision-making. This will enable individuals and groups to take the right risks in an informed manner.

3.2.   Every employee, member of the executive, governor, and trustee is responsible for effective Risk Management. Everyone should remain alert to issues that may have a negative impact on the Trust, its employees, its objectives and ultimately, its pupils.

4.   Identifying risk

4.1.   At the risk identification stage, all potential events that are a threat to the achievement of business objectives (including not capitalising on opportunities) are identified, defined and categorised. Events that appear to be negative, but which do not have any direct impact on business objectives, may not be risks at all.

4.2.   Senior leaders within each school and the central team are responsible for identifying risks and ensuring they are entered into their individual risk registers. At least termly, the risk registers will be reviewed with the CEO, before being presented to the relevant Trust Committee.

4.3.   To ensure all major risks are identified it is helpful to consider the various types of risk and there are several different ways to categorise them:

4.4.   Internal risks - risks over which the academy trust has some control, by managing them through internal controls/ additional mitigating actions. Examples of such risks include health and safety risks, data security.

4.5.   External risks - this focuses on big external events/perils and then considers how to make the academy trust more resilient to such events. Examples of such risks include a pandemic and extreme weather.

4.6.   Strategic risks – risks to the achievement of the academy trust's core objectives. For example, the risk of high staff turnover.

4.7.   Project risks – risks associated with any critical projects the academy trust may be involved in. For example slippage on the delivery timescale for a new building.

4.8.   Whilst risk management assessment at board level will focus on the highest priority risks, which will have the greatest impact on the trust, there is also a need for school leaders to assess operational risks. In a trust with multi academies, local governance plays an important role in working with the trust leadership team to identify these risks and ensure plans are in place to minimise any impact on the academy trust and its pupils. The audit and risk committee's role is to oversee that all categories of risk are identified and must extend to ensuring the risks at constituent academies are being assessed and addressed appropriately.

4.9.   The risk climate can change rapidly, and it is important emerging risks are carefully assessed and where appropriate are reflected in academy trust risk registers.

5.   Measuring risk

5.1.   Once risks have been identified it is important to measure them to give a standard for comparing the risks consistently. Measurement consists of assessment, evaluation, and ranking.

5.2.   The aim of assessment is to understand better each specific instance of risk, and how it could affect business objectives. Academy trusts should estimate:

5.3.   the likelihood (or probability) of it occurring, and

5.4.   the impact (or severity) if it did occur

5.5.   Likelihood and impact will be scored using a range 1 to 5. To ensure consistency with scoring, each point is defined in Appendix 2 and should be used to gauge each risk's score. The score for likelihood is multiplied with the score for impact to give an overall risk score.

5.6. Once the scores for likelihood and impact have been combined into a single risk score, they can be plotted on a risk matrix (as below).

		Impact				
		Insignificant	**Minor**	**Moderate**	**Major**	**Extreme/ Catastrophic**
Likelihood	**Highly Probable**	5	10	15	20	25
	Probable	4	8	12	16	20
	Possible	3	6	9	12	15
	Unlikely	2	4	6	8	10
	Remote	1	2	3	4	5

5.7. Risks which are of very low likelihood and very high impact will be ranked in the same position as a risk with very high likelihood and very low impact. However, as the former could be catastrophic for the trust, if realised, they should be prioritised accordingly. The RAG rating within the matrix above takes this into account.

6. Management

6.1. Once risks have been assessed, evaluated and ranked, the board will need to ensure there are appropriate plans to manage them. These plans include preventative controls, mitigation processes and contingency plans, if risks materialise. The approach taken will depend substantially on the academy trust's risk appetite and risk capacity:

6.2. Risk appetite – the amount of risk the academy trust is willing to accept in the pursuit of its objectives

6.3. Risk capacity – the resources (financial, human, and so on) which the academy trust is able to put in place in managing risk

6.4. Consideration of these factors may generate disagreement owing to differing views of risk, so it is important that discussion involves debate and challenge. Trustees may feel more comfortable when there is greater control of risk, but the availability of the trust's resources and capacity must be taken into consideration.

7. Control Strategy

7.1. The trust's control strategy is to consider the "5 T's".

- **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.
- **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.
- **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.

- **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, an academy trust may decide not to contract with a related party to eliminate reputational risk.
- **Take advantage** - recognition that the uncertainty attached to risk sometimes offers opportunities as well as threats.

8. Monitoring

8.1. Monitoring should be ongoing and continuous to inform the board as to if / how the risk profile is changing. Monitoring also provides assurance on the extent to which the mitigating actions and controls are operating as intended and whether risks are being managed to an acceptable level.

8.2. The risk register is central to risk monitoring. As risks are identified, they should be logged on the register and the associated control measures documented. A risk register should be a 'live document' and should be an on-going process.

8.3. Trustees must stress test the controls and mitigating actions to ensure that they have been implemented and are effective.

9. Reporting risk

9.1. The board and the audit and risk committee should set out how and when it wants to receive information about risks. Information should be clear and provide key information on the significant business risks. The information should support the board and the audit and risk committee to assess whether decisions are being made within their risk appetite, to review the adequacy and effectiveness of internal controls, to reprioritise resources and improve controls and to identify emerging risks.

9.2. For this process to be effective it is important that the number of risks reported is appropriate to the trust's own circumstances and is a manageable number. If too many risks are reported the process may become more difficult to manage and may lose focus. With this in mind the board will mainly focus on risks that are RAG rated as red in the risk matrix.

9.3. The board will review the risk register at least annually, as required by the AFH (part 2). The audit and risk committee may request the board to review the risk register more often.

Appendix 1

Risk Appetite Definitions

Appetite	Description
Hungry	Eager to be innovative to maximising opportunities offering potentially high reward, acknowledging these activities carry a high risk exposure.
Open	Willing to consider all potential options recognising that there will be risk exposure.
Cautious	Willing to accept/tolerate a degree of risk in selecting which activities to undertake
Minimal	Ultra-safe leading to only minimum risk exposure
Averse	Maximum avoidance of risk exposure

Risk appetite is set by the Board of Trustees to provide transparency over business decisions and is reviewed at least every two years by the Audit & Risk Committee. The Trust's risk appetite informs the internal scrutiny plan so that the Trust obtains more assurance on effective and proportionate controls in areas that are more at risk.

Risk appetite is defined using the table above to determine the level of risk that the Trust is willing to take in pursuit of objectives it deems to have value. Risk appetite will vary across different areas and projects across the Trust. Plans will have a risk budget, allocated to manage risk responses.

Our current categories are:

- Educational
- Financial
- Governance
- Growth
- Health & Safety
- Operational
- Reputational
- Safeguarding
- Staffing/People

Our current strategic aims are:

- Educational Outcomes
- Financial model suitable for sustainable growth
- Robust and challenging Governance
- Capacity within the workforce
- Monitoring and auditing programme

The Denbigh Alliance Risk Register

	"Risk Assessment: The results of risk identification are assessed in terms of likelihood and impact. Each of these factors is scored from 1 to 5, with 5 being the most severe, as follows:"					
	Impact	H&S	Reputation	Financial	Regulatory	Educational Performance
1	Insignificant	No risk of injury	No adverse media reporting. Stakeholders are not aware	Up to 0.5% of incoming resources	Advice received from external sources	Performance outcomes maintained or improving
2	Minor	Small risk of minor injury. H&S policy not regularly reviewed	Minor media coverage. Some stakeholders are aware but suffer no disruption	Between 0.5% and 2% of incoming resources	Recommendation received from external sources	Slight adjustments to delivery are required to maintain performance
3	Moderate	Risk of injury, possibly serious. H&S standards insufficient / poor training	Some media coverage. Stakeholders are aware & impacted by problems	Between 2% and 5% of incoming resources	External intervention or instruction	Standards of education are falling and change in delivery is required to improve performance
4	Major	Risk of serious injury H&S notification could result in investigation	Widespread media coverage. Significant disruption or cost to stakeholders	Between 5% and 10% of incoming resources	Repeated failings result in intervention	Significant reduction in performance, which may lead to intervention
5	Extreme/ Catastrophic	Potential to cause fatality. H&S breach causing serious fine, investigation, legal fees	Mass media coverage. Major disruption or cost to stakeholders	In excess of 10% of incoming resources	Action brought against the trust for significant failings	Failure in performance levels leading to intervention

	Likelihood	
1	Remote	Will almost never occur. (less than 10%)
2	Unlikely	Will seldom occur (between 10% and 20%)
3	Possible	Will sometimes occur (between 20% and 50%)
4	Probable	Will frequently occur (between 50% and 80%)
5	Highly Probable	Certain or almost certain to occur (over 80%)