Risk Management Strategy and Process

1.0	**Introduction**
1.1	Risk management is the process whereby the Great North Wood Education Trust (the Trust) methodically addresses the risks attaching to its objectives and associated activities with the goal of achieving sustained benefit within each activity and across the whole range of activities.
1.2	This risk management strategy has been designed to provide a framework for managing the risks the Trust faces and ensuring its objectives are achieved in the most effective way.
1.3	The risk management strategy and process is for use by all staff, The Board of Trustees, its committees and local governing bodies and it serves to: • Communicate the strategies for managing risk in the Trust • Establish procedures to be used for the management of risk

2.0	**The Benefits of Risk Management**
2.1	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.

3.0	**The Aims and Objectives of Risk Management**
3.1	The aim for risk management is to: • Protect its students, staff and assets • Understand the importance of managing reputational risk whilst being open and transparent • Manage risk in accordance with best practice and reducing the cost of risk • Anticipate and respond to changing social, environmental and legislative requirements • Raise awareness of the need for risk management • Integrate risk management into the culture of the Trust • Adopt 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 • Assessing and prioritising risks and allocating resources to mitigate them where appropriate • 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.

4.0	**The Structure and Administration of Risk Management**
4.1	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 a strategy and process for risk management • Frequently monitor 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 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 • The Board of Trustees retains overall responsibility for risk management, but has given oversight and monitoring of the risk management strategy and register to the Audit Committee. The acceptance or closure of risk items on the register will be within an agreed level of risk tolerance set by the Board of Trustees. (see 8.2)
4.2	School Leadership will: • Support and implement the strategy and process approved by the Trust • Establish internal risk management structures for individual school activities • 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
4.3	The Trust Management (Chief Executive and Chief Financial 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 Trust Management 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 senior leadership at school level • Develop specific programmes and procedures for establishing and maintaining risk management activities within the Trust • Ensure the dispersal of vital information • Provide guidance, interpretation and understanding of the risk management systems.

5.0	**Risk Process**
5.1	**The risk management process is made up of 6 stages** Risk Identification → Risk Estimation → Risk Prioritiation → Risk Mitigation → Risk Monitoring → Risk Reporting Through this process the Trust will be able to ensure that risk is appropriately managed at all levels throughout the organisation

6.0	**Risk Identification**
6.1	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.
6.2	As the first step in risk identification all staff with responsibility for delivering operations aims or targets need to understand the Trust's corporate and charitable objectives and the legal and regulatory environment in which it operates.
6.3	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 with regular updating of the aims. These are not separate documents to existing Trust or school development plans and self-evaluation.
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 will 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, reputation and changes in the physical environment • **Operation risks** – concern the day-to-day issues that the organisation is confronted with as it strives to deliver its strategic objectives

	• **Financial risks** – concern the effective management and control of the finances of the Trust and the effects of external factors such as government policy • **Compliance risks** – concern such issues as health and safety, environmental, trade descriptions, consumer protection, data protection, employment practices and regulatory issues
6.6	The risks that have been identified should be recorded on the risk template (see appendix 1) and updated to the register for each school and incorporated, as necessary, into the trust risk register.

7.0	**Risk Estimation**
7.1	Having identified the risks that the Trust is facing, a process of estimating the level of risk will be carried out by assessing in terms of the likelihood of its occurrence, and its impact on the Trust, should it occur.
7.2	Not all risks will affect the Trust with the same impact. Some are far more likely to occur within the Trust than others. Some risks will have a low likelihood but have a significant impact.
7.3	The impact of a risk and the likelihood of it occurring should be scored as follows: • **Likelihood** For each of the risk you have listed assess the likelihood of their occurrence on the following scale: 1. unlikely 2. moderately unlikely 3. very likely, regular occurrence 4. highly likely 5. extremely likely; frequent occurrence • **Impact (financial/reputational)** Also assess their impact on the following scale: 1. minor impact in limited areas 2. minor impact in many areas 3. significant impact; would not affect continued operations in short-term but might in long-term 4. significant impact; in medium term relates to substantial operational areas 5. fundamental to continuing operations
7.4	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

8.0	**Risk Prioritisation**
8.1	Prioritisation will be applied so that the mitigation of the most significant risks can be worked on; primarily anything that threatens 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.
8.2	Risks should be prioritised using the matrix below that categorizes likelihood and impact into low, medium and high.

LIKELIHOOD

	1	2	3	4	5
5	L	M	M	H	H
4	L	M	M	H	H
3	L	M	M	M	H
2	L	L	M	M	M
1	L	L	L	L	L
	1	2	3	4	5

IMPACT

Risk Score	Prioritisation	Colour	Action
1 - 5	Low	Green	Keep under review
6 - 10	Medium	Amber	Consider action or contingency plan
15 - 16	High	Red	Immediate action
20+	Very High	Purple	Immediate referral to Trustees

8.3	The risks can be further prioritised by reference to the following descriptors for both likelihood and impact.

8.4	**Probability**	**Description**	**Indicator**
	High	• 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. • Has occurred recently

Medium	• 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. • Some history of occurrence
Low	• Not likely to occur within a 4 year time period or less than 5% chance of occurrence	• Has not occurred • Is not likely to occur

Impact	**Description**
High	• The financial impact will be significant [in excess of £100,000] • Has a significant impact on the Academy's strategy or on teaching and learning Has significant stakeholder concern
Medium	• The financial impact will be moderate [between £25,000 and £100,000] • Has no more than a moderate impact on strategy or on teaching and learning • Moderate stakeholder concern
Low	• The financial impact is likely to be low [below £25,000] • Has a low impact on strategy or on teaching and learning • Low stakeholder concern

9.0	**Risk Mitigation**
9.1	Once risks have been identified and prioritised, a decision can be made on how the risk is to be addressed.
9.2	As the first step of mitigation, 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. Use of the impact descriptors in 8.4 will assist in understanding the impact of accepting the risk.
9.3	If further action is needed then there are three main options: • avoid the risk • transfer all or part of the risk • mitigate the risk
9.4	A risk may be avoided by withdrawing from that area of activity but doing so may result in a missed opportunity.
9.5	A risk may be transferred wholly or in part to a third party, possibly through insurance or a partnership arrangement.
9.6	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. 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
9.7	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 • Specific • Measurable • Achievable • Realistic • Time constrained They should also include sources of assurance over the controls in place to mitigate each risk identified.
9.8	Source of Assurance is defined as evidence that mitigating action/controls are in place and being regularly reviewed. As part of the monthly 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.

10.0	**Gross and Net risk**
10.1	In completing the above mentioned assessment of risk, recognition needs to be given to the impact of the mitigating actions taken by management to reduce the impact of the risk. 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.
10.2	Both the gross risk and net risk scores are to be recorded on the Risk Register.

11.0	**Risk Monitoring**
11.1	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

11.2	Early warning indicators should be designed for 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. 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.

11.3	Individual school / services should:
	• Review monthly 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 Head of Finance any perceived new risk or failures of existing mitigating or control measures.
11.4	The Chief Financial Officer will: • Ensure that the Trust Risk Register is updated in the light of developments within the Trust and the wider business environment
11.5	School Leadership should: • Review the Corporate Risk Register half 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

11.6	The Audit Committee should: • Review the Corporate Risk Register, Risk Reduction Plan and the Internal Audit monitoring document at its meetings • Provide ongoing advice on the effectiveness of the risk management process

12.0	**Risk Reporting**
12.1	Different levels within the Trust need different information from the risk management process.
12.2	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.
12.3	The movement in the net risk scores between reporting periods are to be recorded in the risk register to enable the reader to understand whether each risk is constant, decreasing or increasing over time.
12.4	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
12.5	School and Trust Leadership should: • Report on the outcome of their half termly review of business and financial activities and progress towards objectives • Report systematically and promptly to the Chief Financial Officer any perceived new risks or failures of existing control measures • Report to each Audit Committee meeting the most significant risks facing the Trust • Ensure appropriate levels of awareness throughout the Trust
12.6	The Trust should: • Report annually on the effectiveness of the risk management process in the Trust • Report to the Trust's stakeholders on a regular basis its risk management strategy and the effectiveness in achieving its objective

Document Created	12/02/2018
Agreed by Audit Committee	06/03/2018
Approved by Trust Board	
Signature of Chair of Trustees	Signature of CEO
Next Review	

Appendix 1 – Risk Register