Risk Management Policy

May 2021

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Lead Reviewer: Elisabeth Rowlands, Trust Development Director
Approval: Finance, Resources, Audit and Risk Committee
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Introduction

1. This risk management policy forms part of The Futures Trust's governance arrangements and system of internal controls. The policy incorporates the roles and responsibilities of the Board of Trustees, Local Governing Bodies, School Senior Managers and other employees, the trust's risk management methodology, risk exposure reporting and systems in place to evaluate the effectiveness of the internal controls.

Governance

2. The Board of Trustees has responsibility for the trust's risk exposures and directing risk management within the trust.

3. The CEO, Head teachers and senior managers will identify, monitor and report risk to Local Governing Bodies, advise on, and implement risk policies and actions approved by the Board of Trustees, and are responsible for fostering good risk management practice within the trust.

4. All the trust's employees are expected to be aware of and manage risk as part of their day to day duties.

Role of the Board of Trustees

5. The Board of Trustees will:
   - determine the trust's approach to risk management
   - determine risk appetite (levels of acceptable risk) for the trust
   - agree initiatives which materially affect the trust's risk profile or exposure
   - review the trust's risk register regularly (at least annually) and direct mitigating strategies.
   - set the standards and expectations of employees with respect to conduct and probity
   - consider legal and compliance matters
   - anticipate and respond, whenever possible to changing social environmental and legislative requirements
   - raise awareness of the need for risk management.
   - ensure that significant risks are being actively managed, with the appropriate controls in place and working effectively.

6. Local Governing Bodies and School Senior Leaders including the CEO will:
   - implement risk management policy, procedures and mitigating strategies as directed by the Board of Trustees
   - identify and evaluate the significant risks faced by the school for consideration by the Local Governing Body and The Board of Trustees.
   - provide adequate information utilising the risk register and risk reports in a timely manner to the Board of Trustees and its committees on the status of risks and controls.

- undertake (for example, by commissioning internal audit) an annual review of effectiveness of the systems of internal control and risk register for reporting to the Board of Trustees.

Risk Management and Systems of Internal Control

7. The Futures Trust's risk management policy includes systems of internal controls. These controls encompass a number of elements that together facilitate an effective and efficient operation, enabling the trust and its schools to respond to a variety of strategic, financial, and reputational risks.

8. These elements include:

Policies and procedures

9. Attached to significant risks are a series of policies which underpin the internal control process.

10. The policies are set by the Board of Trustees through its committees and implemented by Local Governing Bodies and school senior leaders. Written procedures support the policies where appropriate.

Regular reporting

11. Regular reporting is designed to monitor key risks and their controls. Decisions to rectify problems identified are made at regular meetings of the relevant committees of the Board of Trustees and, if appropriate, of the full Board of Trustees itself.

Planning and budgeting

12. The planning and budgeting process may be used to set objectives, agree action plans, and allocate resources. Progress towards meeting planned objectives will be monitored termly.

Risk management assessment (The Futures Trust Risk Register)

13. A risk management assessment is compiled by school leaders and helps to facilitate the identification, assessment and on-going monitoring of material risks to which the trust and its schools are exposed. The document is formally reviewed annually but emerging risks are added as required, and improvement actions and risk indicators are monitored regularly.

Departmental responsibilities of Middle Leaders

14. Heads of Departments are encouraged to develop and use this approach to ensure that significant risks in their department are identified, assessed and monitored through each department's risk management systems and procedures.

<u>Internal audit programme</u>

15. The Futures Trust initiates internal audit programmes for all financial (and related) matters, and a Finance, Resources, Risk and Audit Committee monitors the effectiveness of internal controls

<u>External audit</u>

16. External audit of the financial statements provides feedback to the Board of Trustees on the operation of internal financial controls reviewed as part of the annual audit.

17. Other external audits (e.g. the health and safety inspections and visits from insurers, the ESFA and Ofsted) may also be the subject of periodic reports to the Board of Trustees.

Annual review of effectiveness

18. The Board of Trustees is responsible for reviewing the effectiveness of internal control of the trust, based on information provided by the CEO, Head teachers and School Leaders to the Finance, Resources, Audit and Risk Committee.

19. The reports of the CEO, internal auditors, external auditors, insurance provider, and the risk register review will be considered and any required action will be minuted and communicated to Local Governing Bodies and School Leaders for implementation. The outcome of this action must be reported to the Finance, Risk and Audit Committee for discussion at the next meeting or sooner if necessary.

Risk Culture

20. The Futures Trust actively identifies, evaluates and mitigates risk to ensure that exposures are managed within agreed and acceptable tolerances. All organisations are exposed to risk and all exposure can never be eliminated. However, using training and development, the trust propagates an awareness of risk which permeates the organisation. Performance management systems are used to develop a culture where all members of staff are aware of the risks associated with their area of work and their role in managing those risks.

The Impact of Risk

21. Risk can be defined as 'uncertainty' which manifests in (often unforeseen) events and threats which can impact an organisation's ability to carry out its core functions, meet its strategic aims and jeopardise its long term survival.

22. Risk is part of life and organisations recognise the need to identify, monitor and manage risk in a manner that is acceptable to itself and its regulators. Risk must be managed in way that protects the organisation from sudden, devastating events whilst accepting that a degree of strategic, financial and reputational loss will occur from time to time.

23. The Futures Trust recognises and seeks to manage four main risk impacts:

    i.   **Strategic risks** which threaten its aim to provide outstanding education to the students it serves.

    ii.   **Financial risks** which impact income, increase costs or degrade the value of assets owned by the trust.

    iii.   **Reputational risks** which damage the trust's image and adversely affect its appeal and brand value.

    iv.   **Operational risks** where established controls and procedures are not followed. Individual risks such as changes in government funding, fraud, accidents, increasing utilities costs etc. will result in strategic, reputational and/or financial impact. The trust's Risk Register includes risks which have the potential to **materially impact** the trust.

Assessing and Monitoring Risk and Setting Risk Appetite

24. When assessing risks, each risk's propensity to impact the trust (severity) should be considered, along with the likelihood (probability) of the risk occurring. The severity and probability assigned to each risk will be based upon assumptions and judgement. Past experience and historical data may provide a degree of certainty (increasing costs of utilities for example) and wherever possible the trust and its schools should identify **Key Risk Indicators** and monitor them rigorously. KRIs should be used as an early warning system and often indicate and increase in the **probability** of a risk and its impact materialising. Changes in KRIs should feed into the trust's **risk register** and risk reporting to governors.

25. Subjective risk assessment of potential **severity** (strategic, financial and reputational impact) tends towards a **worst case** scenario. For example, when assessing the threat of fire or flood, it seems prudent to assume that an entire school site could be totally destroyed. Mitigating action such as insurance or business continuity planning may well cater for the worst case. Worst case (high severity) risk will often be assumed to carry a low probability. However, it is worth remembering that outcomes other than the worst case are possible (flooding of only part of the site for example) and that these relatively lower severity outcomes may well carry a higher probability and demand different mitigating response (such as building a barrier between the part of the site closest to the flood source).

26. Where risks are deemed to be difficult to assess, highly variable, or it is thought that the worst case **severity** is threatens the survival of the trust, this indicates a higher degree of uncertainty, and therefore a greater degree of risk.

27. The potential loss to the trust and its associated probability should be weighed against the *entire cost* of any mitigating action.

28. By weighing up how much risk is or isn't acceptable, setting risk limits and directing mitigating actions, Trustees set the trust's **risk appetite**.

Risk Reporting and Communication

29. The aim of reporting risk is to provide assurance to the Governors, Senior Management and Stakeholders that the trust is effectively managing its risks and has a robust system of internal controls.

30. Risks are monitored by senior leaders on the Trust's risk register and emerging risks which are a cause for concern are reported to the Finance, Resources, Audit and Risk Committee.

31. Any significant changes in risk impact or probability, or the occurrence of an event which raises the profile of a risk will be recorded on the risk register as it occurs. Any new or increased risks identified by senior leaders, Governors or raised by a member of staff will be evaluated and, if appropriate, recorded in the Risk Register.

Critical Incidents To Be Escalated To Trustees

32. Escalation of 'critical incidents' will provide Trustees with sight of the major risks facing the trust and how these are being mitigated and managed by senior leaders. Critical incidents are key data points which can signal a need for further investigation or management action as a result of 'lessons learnt'. Critical incidents should be escalated to the first Board of Trustees following identification and are defined as follows:
   - Business Interruptions where public examinations / SATs testing is interrupted or where teaching and learning is interrupted for the majority of students for 3 hours or more
   - Incidents requiring Insurance Claims
   - Incidents which resulted in life threatening injury, loss of life or which could have endangered life
   - Incidents which are or are likely to attract negative media coverage (local and national press)
   - Incidents with a potential financial impact of £100K or more
   - Incidents which are likely to result in court action against the Trust or one of its staff.
   - Safeguarding incidents where school activity was outside nationally agreed practice or where school activity contributed in any way to the incident (e.g. by not following its own procedures).
   - Any incident which has the potential for any school to be forcibly investigated by a 3rd party.
   - Buildings Damage or Deterioration which impacts classroom / teaching space, or leads to significant health and safety concerns.

33. It is envisaged that these definitions should be revisited periodically to ensure that the balance of number and severity of incidents escalated to Trustees is appropriate.

Mitigation and Control

34. When considering the risks which threaten the trust, Trustees, governors and senior leaders will direct the implementation of risk management strategies. Each strategy should attempt to mitigate some aspect of probability and or severity:

35. Avoid: Counter measures are put in place that prevent a risk materialising.

36. Transfer: All or part of the exposure is transferred to a third party, for example via an insurance policy.

37. Mitigate: Interventions to reduce the probability of the risk materialising or limiting the impact to acceptable levels.

38. Accept: An acceptance that the risk exposure is "a cost of doing business" within defined tolerances or is entirely beyond the control of the academy (for example education funding) or that the costs of mitigation outweigh the reduction in exposure.

39. The school should continue to monitor the situation.

40. It is expected that more than one of these are applied to some risks.

41. All trust chools will put in place:
    - Business Continuity Planning – every school will have a plan based on the standard trust template
    - Adequate Insurance cover arranged by the trust and reflecting trust policy
    - Internal controls which mitigate risk within agreed tolerance
    - Tighter contractual arrangements (refer to the trust's procurement policy
    - Provisions (financial contingency) to cushion the impact of unexpected events
    - Investing in new and improved systems
    - Reducing or ceasing activities or practices which expose the trust to unacceptable levels of risk (as notified by Trustees).

42. Each mitigating action carries a degree of cost to the trust. The cost of risk management strategy should be weighed against the extent of risk exposure it mitigates.