



## Risk Management Policy

AVANTI SCHOOLS TRUST

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| This policy is in force until further notice from:   | Jun-22   |
| This policy must be reviewed by:   | Jul-23   |
| Policy Author(s):  | Shamita Kumar  |
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| Under the Trust's Scheme of Delegation this policy must be approved by<br>A&R Committee<br>Such approval was given on: | Audit and Risk Committee<br>30 <sup>th</sup> June 2022 |

# Risk Management Policy

## Introduction

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, officers and trustees can help ensure that:

- Significant risks are known and monitored, enabling Executive and Trustees 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.

The responsibility for the management and control of Avanti Schools Trust rests with the Trust Board (particularly the Audit and Risk Committee), the Chief Executive Officer and Compliance 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.

## The approach to Risk Management

Risk management is a central part of our strategic management and culture. It is the process whereby we methodically address the risks attached to our activities with the goal of achieving sustained benefit within each activity and across the portfolio of all activities.

The focus of good risk management is the effective identification and treatment of risks. Its objective is to add the maximum sustainable value to all our activities. It focuses on understanding the potential upside and downside of all those factors, which can affect our organisation.

Employees at all levels throughout the Trust should support and have an awareness of risk management that is at the level of their role. This supports accountability, performance measurement and reward, thus promoting proactivity.

## Risk Management Cycle

**Identify Risk > Assess > Determine Risk Management Strategy > Respond**

### Identifying Risks

Risk identification cannot be centralised to a core team or function, it must be a fluid part of the day to-day operation of the organisation and across the estate. Risk identification is a core competency and must be developed through the performance management process.

AST works to a framework of two key categories (shown below) to identify and classify risks. This allows the organisation to take into consideration both internal and external factors that can positively or negatively affect the organisation.

A list of risks will be identified using a variety of techniques including data analysis, risk identification workshops, options appraisals and incident investigation among others. The Compliance Officer will maintain the Trust's Risk Register.

Risks will be categorised into the following framework on the Trust Risk Register:

- Strategic
- Tactical

### Assessment of Risk

Likelihood x Impact = Risk profile (severity). Risks will be assessed on two core criteria:

- Probability: the probability of the risk occurring
- Impact: the positive or negative ramifications of the risk coming to fruition.

Both criteria will be scored on the Risk Register, between 1 (the lowest) and 3 (the highest). When multiplied together, the total provides a quantifiable risk profile. The risk profile will then determine the severity of the risk through a simple Red, Amber, Green framework (severity).

| <b>Definition</b>         |  |
|---------------------------|--|
| <b><i>Probability</i></b> |  |
| <b><i>Low</i></b>         | Unlikely occur in next 2 years                                   |
| <b><i>Medium</i></b>      | Possibly could occur in next 2 years                             |
| <b><i>High</i></b>        | Almost certain to occur in next 2 years                          |
|                           |  |
| <b><i>Impact</i></b>      |  |
| <b><i>Low</i></b>         | <20% of schools are affected / <£50k or 5% of reserves at risk   |
| <b><i>Medium</i></b>      | <30% of schools are affected / <£100k or 10% of reserves at risk |
| <b><i>High</i></b>        | <40% of schools are affected / <£200k or 20% of reserves at risk |

### Risk profile score (severity) RAG rating (Red, Amber, Green)

- Green: 1 ≥ 3
- Amber: 4 ≥ 6
- Red: 7 ≥ 9

### Risk heat map

The below heat map, will be used as a template to display Strategic Risks on a termly basis. This gives a visual representation of the risks and their RAG status as per the scoring above.

|                              |          |             |           |
|------------------------------|----------|-------------|-----------|
| High – 3                     | 3        | 6           | 9         |
| Medium- 2                    | 2        | 4           | 6         |
| Low – 1                      | 1        | 2           | 3         |
| Probability^<br>Likelihood-> | 1<br>Low | 2<br>Medium | 3<br>High |

### Risk Management

The risk management strategy determines the way in which the organisation will respond to a risk. The Trust has adopted four approaches to addressing risks identified:

- **Transfer** – Through conventional insurance or by supporting a third party to take the risk in another way.
- **Tolerate** – The Trust’s ability to do anything about some risks may be limited, or the cost of taking any action may be disproportionate to the potential benefit gained: common for large external risks. In these cases, the response may be to tolerate, but the risk should be tracked so the Trust is ready to reconsider, and act should the risk escalate. Tolerance levels must be set that determine the level of risk and inform the decision-making process.
- **Treat** - Most risks will fall within this category. The purpose of taking action to reduce the chance of risk occurring is not necessarily to obviate the risk, but to contain it to an acceptable level. Risk will be dealt with at an appropriate level where the responsibility to decide on action will rest. Other risks may translate into activities designed to mitigate them. As is the case with any change in course of action, new risks may be encountered which subsequently require management.
- **Terminate** – Do things differently thus removing the risk wherever it is feasible to do so.

### Risk Owner

Once a response type is elected, a strategy will be outlined and communicated by the risk owner. One individual, where possible, should be elected as the risk owner. During the formation of the risk management strategy phase, the risk owner will identify stakeholders with an interest in or affected by the risk. Where appropriate, stakeholders should be consulted to establish their relationship with the risk and what influence this might have on the risk management process. To ensure a holistic approach to risk management consultation must be ongoing.

### **Risk response**

The risk owner will then coordinate activities to ensure the successful implementation of the strategy and will remain responsible for effective communication throughout the implementation phase.

### **Risk Register Review**

- The Strategic Risk Register is reviewed by the Audit and Risk Committee at each committee meeting.
- The strategic and tactical risk registers are reviewed on a monthly basis.

### **Escalation**

#### **The Trustees should:**

- know about the most significant risks facing the organisation through owning and monitoring of the Risk Register;
- ensure appropriate levels of awareness throughout the organisation;
- know how the organisation will manage a crisis;
- know the importance of government and stakeholder confidence in the company;
- be assured that the risk management process is working effectively; and
- publish a clear risk management policy covering risk management philosophy and responsibilities.

#### **Executive Leaders and Principals should:**

- be aware of risks which fall into their area of responsibility, the possible impacts these may have on other areas and the consequences other areas may have on them;
- have performance indicators which allow them to monitor the key business and financial activities, progress towards objectives and identify risk which require intervention;
- report systematically and promptly to the Compliance Officer and Trustees any perceived new risks or failures of existing control measures.

#### **Individuals should:**

- understand their accountability for individual risks;
- understand how they can enable continuous improvement of risk management response;
- understand that risk management and risk awareness are a key part of our culture; and
- report systematically and promptly to senior management any perceived new risks or failures of existing control measures.