



# EBOR ACADEMY TRUST

Policy Number

26

## Risk Management Policy

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**Author:** Wendy Harrington  
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## **1. Purpose of this policy**

**This Risk Management Policy (the policy) forms part of the Trust's internal control and corporate governance arrangements.** The policy defines the trust's approach to risk management, sets out the framework the trust has adopted for risk management and includes the trust's risk appetite, the processes for identifying, categorising, measuring risks and its strategy for treating risks. The policy documents the roles and responsibilities, monitoring, reporting and review procedures as well as training arrangements to ensure effective risk management is embedded throughout the trust.

## **2. Underlying approach to Risk Management**

**The trust board is accountable for risk management and for maintaining a sound system of internal control that supports the achievement of trust policies, aims and objectives, whilst safeguarding public funds. The Board is advised in this role by the Audit and Risk Scrutiny Committee and both are informed by the Executive Team and Scrutiny Committees. The following key principles outline the Trust's approach to risk management and internal control:**

- a) **the Board of Trustees has responsibility for overseeing risk management within the Trust as a whole and agreeing the level of risk appetite.**
- b) **an open and receptive approach to solving risk problems is adopted by the Board of Trustees.**
- c) **day to day identification and management of risk is owned by every employee.**
- d) **trusts make conservative and prudent recognition and disclosure of the financial and non-financial implications of risks. Papers for Trustee approval are required to include a section on any key risks in relation to the proposal.**
- e) **risk register owners are responsible for encouraging good risk management practice within their areas of responsibility, monitoring and managing risk proactively.**
- f) **key risk indicators will be identified and closely monitored each half term by the Central Support Team and reported in the Audit & Risk Committee.**
- g) **The management of risks to the trust is undertaken in accordance with the Funding Agreement, the Academy Trust Handbook and Academy Trust Financial Management Good Practice guide.**

## **3. Role of the Board of Trustees**

**The Board of Trustees has a fundamental role to play in the management of risk. Its role is to:**

- a) **Set the tone and influence the culture of risk management within the Trust. This includes:**

- I. **determining and reviewing strategic risks**
- II. **determining the risk appetite of the trust, see appendix 1;**
- III. **determining what types of risk are acceptable and which are not**
- IV. **determining the risk capacity of the trust.**  
**setting the standards and expectations of staff with respect to conduct**

**and probity**

**V. approving major decisions affecting the Trust's risk profile or exposure**

**VI. developing a risk control strategy, see appendix 2**

**b) Monitor risks:**

- I. Addressing risks identified as significant (based on the post-mitigation score)**
- II. Satisfying itself that the less significant risks are being actively managed, with the appropriate controls in place and working effectively**
- III. Annually reviewing the Trust's approach to risk management and approve changes or improvements to key elements of its processes and procedures**
- IV. Delegating the Audit & Risk Committee to review the Trust's Risk Register**

**4. Role of the Audit & Risk Committee:**

**The key role of the Audit & Risk Committee is to act on behalf of the Board of Trustees to:**

- b) Review and evaluate the key risks identified by the Executive team-**
- c) Review the Trust's Risk Register and satisfy itself that risks are identified and being managed and mitigated.**
- d) Ensuring the risks at constituent academies are being assessed and addressed appropriately. (Gov.uk Academy Trust Risk Management).**
- e) Report annually to the Board of Trustees on the Trust's systems of internal control and Risk Register.**
- f) Monitor the work of internal and external audit. Considering the advice from the Auditors and determining the internal scrutiny programme after reviewing the Risk Register.**
- g) Report to the Board of Trustees**

**The committee is well-placed to provide advice to the Board of Trustees on the effectiveness of the internal control system, including the Trust's system for the management of risk.**

**5. Role of Scrutiny Committees**

**The scrutiny Committees will review risk extracts for their area of control and ensure all appropriate risks are being identified, monitored and managed appropriately.**

**6. Role of the Executive team is to:**

- a) Develop and implement policies on risk management and internal control**
- b) Review the Trust's Risk Register on a 1/2 termly basis**
- c) Monitor risk trends**
- d) Identify and evaluate the significant risks faced by the Trust for consideration by the Audit Committee.**
- e) Provide adequate information in a timely manner**

- f) Undertake an annual review of effectiveness of the system of internal control and provide a report to the Audit Committee and from that committee to the Board of Trustees.
- g) Work to embed risk management and risk-based internal control in all aspects of Trust management
- h) Monitor risks at constituent academies

## **7. Risk Management as part of the system of internal control**

The trust risk tolerance and capacity, will help to inform the development of a risk control strategy. Selecting the most appropriate risk treatment option(s) will involve balancing the potential benefits from the achievement of objectives against the costs, efforts, or disadvantages of proposed actions.

The risk control strategy will facilitate an effective and efficient operation, enabling the Trust to respond to a variety of educational, operational, financial, and business risks. These elements include:

- a) A series of policies that underpin the internal control process which are set by the Executive and implemented and communicated to staff.
- b) Written procedures support the policies where appropriate.
- c) Half termly reporting to monitor key risks and their controls. Decisions to rectify problems are made at regular meetings of the Executive and the Audit & Risk Committee.

## **8. Business planning and budgeting**

The business planning and budgeting process is used to set objectives, agree action plans, and allocate resources. Progress towards meeting business plan objectives is monitored regularly. Financial risk is monitored regularly and considered with every financial decision.

## **9. Risk framework**

This framework helps to facilitate the identification, assessment and ongoing monitoring of risks significant to the Trust, aligning strategic and operational risk. Risk register owners develop and use this framework to ensure that significant risks in their area of responsibility are identified, assessed and monitored.

The document is formally appraised annually by the Board of Trustees but emerging risks are added as required, and improvement actions and risk indicators are monitored by the Executive on a termly basis and reported to the Audit & Risk Committee.

The Trust Board receives a risk report which shows the impact of operational risk on strategic risk as well as the risk profile.

## **10. Internal audit**

Internal audit is an important element of the internal control process. Apart from its normal programme of work, internal audit is responsible for aspects of the annual review of the effectiveness of the internal control system within the Trust.

#### **11. External audit**

External audit provides feedback to the Audit Committee on the operation of the internal financial controls reviewed as part of the annual audit. Third party reports from time to time, the use of external consultants will be necessary in areas such as health and safety, and human resources.

The use of specialist third parties for consulting and reporting can increase the reliability of the internal control system. Occasionally the Trust will be subject to audit from third parties and these may provide some review of the Trust's risk arrangements.

#### **12. Annual Review of effectiveness**

The Board of Trustees is responsible for reviewing the effectiveness of internal control of the Trust, based on information provided by the Audit and Risk committee. Its approach is outlined below.

For each significant risk identified, the Board of Trustees will oversee the effectiveness of the risk management framework in managing those risks.

The board will examine the Trust's track record on risk management and internal control.

It will consider the internal and external risk profile of the coming year and consider if current internal control arrangements are likely to be effective.

In making its decision, the Board of Trustees will consider the following aspects:

- a) **Control environment:** the Trust's objectives and its financial and non-financial targets; organisational structure and calibre of the Executive; culture, approach, and resources with respect to the management of risk; delegation of authority.
- b) **On-going identification and evaluation of significant risks:** Timely identification and assessment of significant risks; prioritisation of risks and the allocation of resources to address areas of high exposure.
- c) **Information and communication:** quality and timeliness of information on significant risks; time it takes for control breakdowns to be recognised or new risks to be identified.
- d) **Monitoring and corrective action:** Ability of the Trust to learn from its problems; commitment and speed with which corrective actions are implemented.

**Appendix 1: Risk appetite – the amount of risk the academy trust is willing to accept in the pursuit of its objectives**

Risk Level / Risk Category	Avoid	Minimal	Cautious	Open	Entrepreneurial/Eager
Strategic & Reputational	No tolerance for any decisions that could lead to scrutiny of, or indeed attention to, the organisation. External interest in the organisation viewed with concern.	Tolerance for risk taking is limited to those events where there is no chance of any significant repercussion for the organisation. Senior management distance themselves from chance of exposure to attention.	Tolerance for risk taking limited to those events where there is little chance of any significant repercussion for the organisation should there be a failure. Mitigations in place for any undue interest.	<b>We are prepared to expose the organisation to additional scrutiny with the aim of enhancing our reputation for delivering a good service to our schools and families.</b>	Willingness to take decisions that are likely to bring scrutiny of the organisation but where potential benefits outweigh the risks. New ideas seen as potentially enhancing the reputation of the organisation.
Operational	<p>We have adopted a varied stance to operational risk: <b>IT:</b> Innovation within IT will be supported with an open attitude to risk to enable improvements to operational delivery. <b>Cyber security:</b> A cautious approach to cyber security risks will be taken with protective measures taken to reduce exposure to risk or mitigate the impact of cyber risk. <b>Data management:</b> A cautious attitude to risk has been adopted to ensure data is protected whilst retaining a proportionate and pragmatic approach to full UK GDPR compliance. <b>Educational:</b> An open stance has been adopted to educational risk. Ensuring risks of not meeting Ofsted standards are avoided whilst being open to opportunities for innovation in curriculum delivery to provide more engaging learning opportunities. <b>Estates:</b> An open stance to risk will be taken. Innovation supported, with demonstration of commensurate improvements to sites or their sustainability. Systems/ technological developments used routinely to enable operational delivery. Responsibility for non-critical decisions may be devolved. Sound procurement strategies and a strategic approach to investments will mitigate exposure to risk.</p> <p><b>Business continuity risks:</b> An open stance has been taken. Emergency plans are in place and tested.. The ability to provide remote education and the number of sites available for use in an emergency, allows for greater protection from the impact of emergencies.</p>				

Statutory Compliance and H&S	Play safe, avoid anything which could be challenged, even unsuccessfully.	<b>Trustees have adopted a minimal to cautious attitude for H&amp;S and statutory/regulatory compliance up to a rating of 7, requiring hazards to be managed to reduce risk and preferring to ensure adherence to statutory responsibilities. A very cautious attitude to H&amp;S risks taken. The board will seek to gain assurance of adherence to requirements through auditing and scrutiny at committee level.</b>		Challenge would be problematic but we are likely to win it and the gain will outweigh the adverse consequences.	Chances of losing any challenge are real and consequences would be significant. A win would be a great coup. Consistently pushing back on regulatory burden.
People	Defensive approach to objectives – aim to maintain or protect, rather than encourage staff to create or innovate. Priority for tight management controls and oversight with limited devolved decision taking authority.	Innovations always avoided unless essential or commonplace elsewhere. Decision making authority held by senior management. developments to protect current operations.	Tendency to stick to the status quo, innovations in practice avoided unless really necessary. Decision making authority generally held by senior management.	<b>We have adopted an open stance in relation to people risk, investing in our people with some devolved authority.</b>	Innovation pursued – desire to 'break the mould' and challenge current working practices. High levels of devolved authority – management by trust rather than tight control.
Safeguarding		Accept a very low level of risk. All employees trained and safeguarding procedures adhered to.			
Financial	Avoidance of financial loss is a key objective. We are only willing to accept the low cost option as VfM is the primary concern.			<b>The trust has adopted an open attitude to financial risk, maximising our use of resources and investing monies where appropriate for improved outcomes. Best value will be considered and resources allocated to capitalise on opportunities. We will ensure reserves remain sufficiently protected within an effective financial control framework and all auditing, procurement and</b>	Investing for the best possible outcomes and accept the possibility of financial loss (with controls in place). Resources allocated without firm guarantee of positive outcome.



				assurance formalities are in place to protect and mitigate against risks to a tolerable level.	
Risk Appetite	None	Low	Moderate	High	Significant
Risk Score after mitigations tolerated up to:	Minor - up to 1	Minor - up to 4	Moderate - up to 9	Moderate - up to 12	Major - up to 16

## Appendix 2: Risk Control Strategy

*The trust uses the 4 'T's' approach to risk control strategy. Selecting the most appropriate risk treatment option(s) involves balancing the potential benefits from the achievement of objectives against the costs, efforts, or disadvantages of proposed actions.*

Tolerate	Treat	Transfer	Terminate
Accept or retain	to control or reduce	insure	avoid or eliminate
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. For instance, the Trust may decide to tolerate the risk of contracting with a supplier with a poor credit rating provided the goods/services could be obtained relatively easily from someone else.	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, the Trust may decide to train more than the statutory minimum of staff as paediatric first aiders and to put in place a rota for first aid cover during lunchtimes.	Transferring risk may involve the use of insurance or payment to third parties willing to take on the risk themselves (for instance, through outsourcing). For instance, the Trust may decide to take out insurance to mitigate the risk of the excessive costs of supply staff in the event of extended staff absences.	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 Trust should not be performing at all.

**Appendix 3: Risk Scoring Guide**

**Guidance for assessing impact and likelihood of risks**

Assessment of Impact / Severity						
		Financial	Reputation	Media Attitude	Stakeholders	Health & Safety
1	<b>Negligible/insignificant</b>	£0 – 5,000	Contained within one school.	No adverse media or press reporting.	Affects only 1 group of stakeholders	Minimal impact, no or very minor injury to a small number of individuals
2	<b>Minor</b>	£5,000 – £30,000	Affects significant number of people within one school but with transient small impact	Negative article of which academy is mentioned / social media comments.	Affects more than 1 group of stakeholders	Minor injury with no lasting effect to a small number of individuals or more significant but not life changing injury such as broken arm affecting a single individual
3	<b>Moderate</b>	£30,000 - £250,000	Receives significant attention from within the organisation with potential cause disruption to a small number of stakeholders	Critical article on press or TV. Public criticism from industry body.	Affects 2- 3 groups of stakeholders	Significant but not life changing injury such as broken arm affecting a number of individuals.
4	<b>Major</b>	£250,000 - £750,000	Receives local press attention with immediate significant disruption but not sustained impact	Story in multiple social media platforms and / or national TV.	Affects 4-5 groups of stakeholders	Significant injury with life changing effect H&S notification could result in an investigation
5	<b>Catastrophic/critical</b>	Over £750,000	Receives national / international attention with potential for persisting impact to stakeholders/third parties	Governmental or comparable political repercussions. Loss of confidence by the public. Mass social media coverage.	Affects more than 5 groups of stakeholders	Potential to cause fatality. H&S breach causing serious fine, investigation and legal fees