QUANTOCK
EDUCATION TRUST

Risk Management Strategy

DATE: Sept 2022
POSTHOLDER RESPONSIBLE: CEO
TRUSTEES/GOVERNORS COMMITTEE: Audit & Risk
STATUS: Ratified
DATE RATIFIED: December 2022
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Contents

1. Overview

1.1. This document seeks to present a robust and appropriate approach to risk management reflecting the categories identified in the Academy Trust Handbook and in the HM Treasury publication – 'The Orange Book: Management of Risk – Principles and Concepts'. It underpins the statement on internal control and risk management that is within our Financial Procedures and must be included in the Trustees' annual report.

1.2. The Academy Trust Handbook states:

- The Trust must manage risks to ensure its effective operation and must maintain a risk register;
- Overall responsibility for risk management, including ultimate oversight of the risk register, must be retained by the board of trustees, drawing on advice provided to it by the audit and risk committee;
- Other committees may also input into the management of risk at the discretion of the board;
- Aside from any review by individual committees, the board itself must review the risk register at least annually;
- Risk management covers the full operations and activities of the trust, not only financial risks;
- The trust's management of risks must include contingency and business continuity planning.

1.3. This document does not, in any way, reduce the corporate governance requirements placed upon us as a Trust, it provides an approach to the risk management process that is appropriate to our size.

1.4. This document is not about imposing an additional process as the risks facing the organisation are already well considered and managed in the course of normal daily activities. However, it is useful in ensuring that we have considered all risks and activities adequately. The aim is to achieve an acceptable level of comfort using the available resource and for the Trust Board to be able to report sound arrangements in annual accounts.

1.5. Given the pressure on resources, as well as our Trustees and LGCs taking ownership of risk management, we also make use of available internal audit resources as per our statutory obligations to help us check financial controls and monitor risk. A trustee committee (FO&A) is also involved in this process so that the Trust and schools benefit from their experience of other organisations' risk management processes, as well as their experience of the body itself.

1.6. The key starting point for the process is the strategic objectives of the Trust, as it is the risks to the achievement of these objectives on which the body should focus attention. Risk management will be embedded into the ongoing planning and strategy process. We will seek to judge the significance of the risks we face and how much attention needs to be given to them.

2. Our approach

2.1. **Directing Internal scrutiny - the Audit and Risk Committee:**

2.1.1. **Requirement for a committee:**

The Academy Trust Handbook states that 'the academy trust must establish and audit and risk committee, appointed by the Board'. It goes on to state:

The audit and risk committee must:

- oversee and approve 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.
- have written terms of reference describing its remit
- agree a programme of work annually to deliver internal scrutiny that provides coverage across the year
- review the ratings and responses on the risk register to inform the programme of work, ensuring checks are modified as appropriate each year
- agree who will perform the work
- consider reports at each meeting from those carrying out the programme of work
- consider progress in addressing recommendations
- consider outputs from other assurance activities by third parties including ESFA financial management and governance reviews, funding audits and investigations
- have access to the external auditor, as well as those carrying out internal scrutiny, review their plans and reports and also consider their quality.
- oversight must ensure information submitted to DfE and ESFA that affects funding, including pupil number returns and funding claims (for both revenue and capital grants) completed by the trust and (for trusts with multiple academies) by constituent academies, is accurate and in compliance with funding criteria.
- ensure that it considers the findings in ESFA's guidance on reducing fraud as part of its risk management approach.

As a multi academy trust, the committee's oversight must extend to the financial and non-financial controls and risks at its constituent academies: Sexey's, Haygrove, Spaxton and Stogursey Schools.

2.2. The responsibility for risk management is shared across the Trust, but with clearly specified delegated powers set out in the QET Scheme of Delegation. The process is summarised below:

Controls	Activity
Stage 1: Preparation	The CEO and DFO regularly review the risk register, consider the strategic threats and opportunities in relation to the Trust and make recommendations to Trustees about the contents of the Risk Register, including: - determining the appropriate response to each risk; - assessing existing controls and determine appropriate mitigations/action; - allocating responsibility for action; - agreeing future reporting and review procedures.
Stage 2: Risk Meetings	Risk Management is a standing agenda item at FO&A Committees and outcomes from these regular reviews are shared with Trustees. In these meetings, Trustees reflect upon recommendations made by the CEO and DFO on the risk register and discuss review, endorse, challenge as needed.
Stage 3: Maintaining and reviewing the Risk Register	Schools provide the CEO with a school level risk register, which in turn informs the Trust level register. Risk assessment is embedded into the school management and planning processes and is a regular focus of LGC meetings, Central Exec meetings, FO&A meetings and Trustee meetings and staging points are embedded into the QET central calendar.

3. Roles and Responsibilities:

The Trust Board:

The Trust Board is responsible for making a statement on risk management within the annual report and financial statements of the Trust. In order to be able to make the required statement with reasonable confidence Board Members should:

- Ensure that the identification, assessment and mitigation of risk is linked to the achievement of the Trust's vision and strategic goals as set out in its development plan;
- Ensure that the process covers all areas of risk, e.g. governance & management, operational, financial, reputational and external factors and is focused primarily on major risks;
- Ensure that the process produces a risk exposure profile that reflects collective views as to levels of acceptable risk;
- Review on a regular basis (minimum of quarterly) and consider the principal results of risk identification, evaluation and management; and
- Ensure that the risk management is ongoing and embedded in management and operation procedure (including the delivery of appropriate assurances, skills, knowledge and training).

Finance, Audit and Operations Committee:

The Trust Board delegates operation responsibility for the development and management of this policy to the Finance, Audit and Operations Committee (FO&A) including developing and setting of 'Risk Appetite' at both Trust and Academy level. The Trust Board is responsible for overseeing the development and implementation of the risk management strategy and the categorisation of academy risk type, as well as regular scrutiny and review of the Risk Register.

Governing Body of each school within the Trust (LGC):

The LGC is responsible for managing, monitoring and reporting risks within each individual Academy. In order to deliver this with reasonable confidence the LGC should:

- Ensure that the identification, assessment and mitigation of risk is linked to the achievement of the Trust's vision and strategic goals as set out in its development plan;
- Ensure that the process covers all areas of risk, e.g. governance & management, operational, financial, reputational and external factors and is focused primarily on major risks;
- Review (minimum of a termly basis) school risks and consider the principal results of risk identification, evaluation and management; and
- Ensure that the risk management is ongoing and embedded in management and operation procedure.

QET Central Team:

The CEO, through the Central Operations Team, has responsibility for ensuring that the risk management policy is implemented and for coordinating risk management activity across the Trust, including liaison with the Headteacher of the Trust's constituent schools. The CEO will provide a regular report on risk management to the Trust Board. The CEO is responsible for ensuring that they take personal responsibility for championing risk assessment across the Trust and its constituent schools and for reinforcing risk-aware attitudes and responses. Their role is to provide objective assurance to the Trust Board that:

- Risks are being correctly identified and evaluated;
- Key risks are being managed appropriately including the effectiveness of the controls and other responses to them;
- The risk management framework and internal control framework is operating effectively; and
- Management is properly reporting (minimum of a quarterly basis) the status of key risks and controls.

Headteachers within the Trust:

The Headteacher, through their respective senior leadership teams, and LGCs has responsibility for ensuring that the risk management policy is implemented and for coordinating risk management activity across the school including liaison with the CEO. The Headteacher will provide a regular report on risk management to their respective LGCs. The Headteacher and their respective leadership teams are responsible for ensuring that they take personal responsibility for championing risk assessment across their schools and for reinforcing risk-aware attitudes and responses. Their role is to provide objective assurance to their LGC and the CEO that:

- Risks are being correctly identified and evaluated;
- Key risks are being managed appropriately including the effectiveness of the controls and other responses to them; and

- Management is properly reporting (minimum of a termly basis) the status of key risks and controls.

4. Assessing Risk and Risk Appetite

4.1. **Risk appetite is the amount of risk to which the organisation is prepared to be exposed before it judges action to be necessary.** Even risk as opportunity is surrounded by threats which potentially limit ability to exploit the opportunity, and for which an appetite in relation to the opportunity benefit has to be assessed.

4.2. **Risk appetite is also about comparing the cost (financial or otherwise) of constraining the risk with the cost of exposure should the risk become a reality and finding an acceptable balance.** The fact that the resources available to control risks are likely to be limited means that value for money decisions have to be made – what resource cost is it appropriate to incur to achieve a certain level of control in respect of the risk? Apart from the most extreme circumstances it is unusual for good value for money to be obtained from any particular risk being completely obviated with total certainty.

4.3. **Some risk is unavoidable, and not within the ability of the organisation to completely manage it down to a tolerable level**. Contingency and business planning are included in the trust's management of risk.

4.4. Risk appetite may be very specific in relation to a particular risk, or it may be more generic in the sense that the total risks which an organisation is prepared to accept at any one time will have a limit.

4.5. **Features of Identifying the Risk Appetite**

4.5.1. In consequence every organisation has to identify its risk appetite. Decisions about response to risk have to be taken in conjunction with an identification of the amount of risk that can be tolerated. Any particular organisation is unlikely to have a single risk appetite.

4.5.2. The tolerable extent of risk will vary according to the perceived importance of particular risks. For example, tolerable financial loss may vary in accordance with a range of features including the size of the relevant budget, the source of the loss, or associated other risks such as adverse publicity. Where a particular risk can give rise to a number of effects, an effect of quite large financial loss may be acceptable whilst an associated effect of damage to health and safety may not be tolerable at all. Both the risk framework and the control responses therefore have to be considered in detail to identify the appropriate balance of potential realisation of risk against the costs of limiting that risk.

4.5.3. The most significant issue is that it is unlikely, except for the most extreme risks, that any particular risk will need to be completely and absolutely obviated. Identification of risk appetite is a subjective (rather than an objective or scientific) issue but nevertheless is an important stage in formulating the overall risk strategy.

5. Risk Responses

5.1. Responses to risk can be divided into four response categories:

5.1.1. **Transfer**: For some risks the best response may be to transfer them. This might be done by conventional insurance, or it might be done by paying a third party to take the risk in another way. This option is particularly good for mitigating financial risks of risks to assets.

5.1.2. **Tolerate**: The exposure may be tolerable without any further action being taken. Even if it is not tolerable, 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. In these cases the response may be toleration. This option may be supplemented by contingency planning for handling the impacts that will arise if the risk is realised.

5.1.3. **Treat**: By far the greater number of risks will belong to this category. The purpose of treatment is not necessarily to obviate the risk, but more likely to take control action to contain the risk to an acceptable level. Such controls can be **corrective, detective, directive or preventive** (see glossary)

5.1.4. **Terminate**: Some risks will only be treatable, or containable to acceptable levels, by terminating the activity. It should be noted that the option of termination of activities may be severely limited in the public sector when compared to the private sector; a number of activities are conducted in the public sector because the associated risks are so great that there is no other way in which the output or outcome, which is required for the public benefit, can be achieved.

5.1.5. **Take the Opportunity:** this option is not an alternative to those above; rather it is an option which should be considered whenever tolerating, transferring or treating a risk. There are two aspects to this. The first is whether or not at the same time as mitigating threats, an opportunity arises to exploit a positive impact. The second is whether or not circumstances arise which, whilst not generating threats, offer positive opportunities – for example a drop in the cost of goods or services might free up resources for redeployment.

See Appendix 1 for the Risk Rating Template which should be used as part of Assessing Risk and determining Risk Appetite.

Appendix 1 - Risk Register Template

A risk is something that might happen to threaten the project. Mitigations are actions taken to reduce the chance of the risk coming to pass (probability, P) or how bad it will be if it does (impact, I). If a risk does come to pass, it becomes an issue and generally needs a contingency action to address it. Contingencies can be planned in advance but only undertaken when the issue occurs. Contingencies have been inserted below for all those risks where the post-mitigation rating is medium or high; in some cases, contingency is not feasible or affordable (financially or politically). The key risks are listed first in each section and highlighted in grey.

Key for ‘Probability’ & ‘Impact’ – **H**igh, **M**edium, **L**ow Key for ‘Response’– **Tra**nsfer, **Tre**at, **To**lerate, **Te**rminate

Risk Category	Risk Sub Category		Description of Risk	Pre-Mitigation Risk Analysis			Mitigation	Post-Mitigation Risk Analysis			Mitigation Owner
				Probability	Impact	Response		Probability	Impact	Response	
STRATEGIC AND REPUTATIONAL	1.1										
	1.2										
	1.3										
	1.4										
	1.5										
OPERATIONAL	2.1										
	2.2										

Risk Category	Risk Sub Category		Description of Risk	Pre-Mitigation Risk Analysis			Mitigation	Post-Mitigation Risk Analysis			Mitigation Owner
				Probability	Impact	Response		Probability	Impact	Response	
	2.3										
	2.4										
	2.5										
BUSINESS CONTINUITY AND FINANCIAL	3.1										
	3.2										
	3.3										
	3.4										
	3.5										

Appendix 2 – Risk Matrix and Impact Rating Guide

Risk Matrix

LIKELIHOOD					
Very High = 5	5	10	15	20	25
High = 4	4	8	12	16	20
Medium = 3	3	6	9	12	15
Low = 2	2	4	6	8	10
Very Low = 1	1	2	3	4	5
	Very Low = 1	Low = 2	Medium = 3	High = 4	Very High = 5
	IMPACT				

Impact Rating Guide

Impact	Description
Very high	The financial impact will be in excess of £75,000 and/or it has a serious impact on the trust's strategy and vision
High	The financial impact will be high (between £50,00 and £75,00) and/or it has a significant impact on the trust's strategy and vision
Medium	The financial impact will be moderate (between £25,000 and £49,000) and/or it has no more than a moderate impact on strategy or on teaching and learning
Low	The financial impact is likely to be low (between £5,000 and £24,000) and it has a low impact on strategy or on teaching and learning. It is unlikely to cause any reputational damage to the trust
Very low	Little or no financial impact

Appendix 3 – Categories of Risk

External Risk – arising from the external environment, not wholly within the organisation's control, but where action can be taken to mitigate the risk		
1	Political	Possible political constraints such as change of government or leaving the EU
2	Economic	Economic factors such as interest rates, exchange rates, inflation
3	Socio Cultural	Demographic change affecting demand for services; change of stakeholder expectations
4	Technological	Obsolescence of current systems; procurement and best use of technology to achieve objectives
5	Legal / Regulatory	Laws and regulations which impose requirements (e.g. health & safety and employment legislation)
6	Environmental	The need for buildings to comply with changing standards (e.g. energy efficiency); the need for disposal of rubbish and surplus equipment to comply with changing standards
Operational Risk – relating to delivery of current activities, and building capacity and capability		
7	Operations	Overall capacity and capability to achieve objectives; procedures employed
8	Service / Project Delivery	Failure to deliver the agreed service
9	Resources - Financial	Availability and allocation of funding; poor budget management, school finances
	- Physical	Security against loss, damage and theft of physical assets, and fraud including identification of areas which can be insured
	- Human	Availability, retention, skills and capacity of staff
	- Information	Adequacy of information for decision making; security of information against loss, damage, theft and fraud
10	Relationships	Threats to relationships with delivery partners; customer satisfaction; accountability (particular to Parliament)
11	Reputation	Confidence and trust which stakeholders have in the organisation
12	Governance	Propriety and regularity; compliance with relevant requirements; ethical considerations
13	Scanning	Failure to identify threats and opportunities
14	Resilience	Capacity of accommodation, systems and ICT to withstand adverse impacts and crises; contingency planning and disaster recovery (e.g. fire, flood, failure of power supply, failure of transport systems)
Change Risk – created by decisions to pursue new endeavours beyond current capability		
15	Public Sector Targets	New targets challenge the organisation's capacity to deliver
16	Change Programmes	Programmes for organisational or cultural change threaten current capacity to deliver as well as providing opportunity to enhance capacity
17	New Projects	Making optimal decisions/prioritising between new activities that are competing for resources
18	New Policies	Policy decisions creating expectations where the organisation has uncertainty about delivery

Appendix 4 - Glossary of Risk Terms (taken from the Academy Trust Handbook)

Assurance	Gaining (independent) confirmation that the organisation's governance, risk management and internal control framework is appropriate, adequate and achieving the effects for which it has been designed.
Corrective Control	A control designed to correct undesirable outcomes
Detective Control	A control designed to detect undesirable outcomes which have arisen
Directive Control	A control designed to ensure a particular outcome
Embedding Risk Management	Ensuring that the risk management strategy is reflected in the objectives and function of every level of the organisation
Exposure	The consequences, as a combination of impact and likelihood, which may be experienced by the organisation if a specific risk is realised.
Horizon Scanning	Systematic activity to identify changes in risk as early as possible
Inherent Risk	The exposure arising from a specific risk before any action has been taken to manage it
Internal Control	Any action taken within the organisation to manage risk, including the impact if the risk is realised and the frequency of it
Impact	The evaluated effect or result of a particular outcome actually happening
Likelihood	The evaluated probability of a particular outcome actually happening (including a consideration of the frequency with which the outcome may arise)
Preventive Control	A control designed to prevent an undesirable happening
Residual Risk	The exposure arising from a specific risk after action has been taken to manage it.
Risk	Uncertainty of outcome, whether positive opportunities or negative threats, arising from a combination of impact and probability, including perceived importance
Risk Appetite	The amount of risk that an organisation is prepared to accept, tolerate, or be exposed to at any point in time
Risk Assessment	The evaluation of risk with regard to the impact if the risk I realised and the likelihood of the risk being realised
Risk Management	All the processes involved in identifying, assessing and judging risks, assigning ownership, taking actions to mitigate or anticipate them, and monitoring and reviewing progress