RISK MANAGEMENT POLICY

This policy is informed by the Christian values which are the basis for all of CDAT's work and any actions taken under this policy will reflect this.

'Blessed are those who act justly, who always do what is right'

Psalm 106:3

Approved by	Date	Review Schedule	Date of next review
Trust Board	20 December 2023	Annually	December 2024

1. Introduction

The Chester Diocesan Academies Trust views risk management as an integral part of good governance. The purpose of this policy is to ensure that the Trust develops and maintains proper systems of control. It is essential that these policies operate properly to meet the requirement of the Trust's funding agreement with the Department for Education (DfE).

This policy explains the Trust's underlying approach to risk management and should be read in conjunction with the Trust's risk register which sets a framework for the identification and management of key risks.

For the purposes of this policy, risk is defined as something, currently unknown, that might have a detrimental impact on the achievement of the Trust's objectives. Risk management is defined as encouraging innovation through a managed process; ensuring tangible and intangible assets are safeguarded.

2. Key Principles

The following key principles outline the Trust's approach to risk management and internal control in pursuing the aims set out above:

1. The Trust has responsibility for overseeing risk management within the institution as a whole.
2. Key risk indicators are identified and closely monitored on a regular basis.
3. The Trust carries out this responsibility through its Board of Directors.
4. The Board recognises that risk needs to be managed rather than avoided and consideration of risk should not stifle innovative decision-making.
5. Senior leaders at both the school level and the Trust central team are expected to review the risk register on a termly basis.
6. All colleagues within the Trust are encouraged to be involved in the risk management process by the reporting of risks to the Director of Operations and/or their School Business Manager.
7. The Trust and its schools aim to ensure that its Risk Management Policy is fully embedded across the institution.
8. In addition to identifying and defining risks associated with the activities of the Trust and its schools, risk management is seen as a tool for identifying and assessing opportunities. The documented assessment of opportunities will provide the level of confidence required to make informed decisions.
9. A consistent approach to risk analysis will be an integral part of Trust/school planning and project management and will be developed with the minimum of bureaucracy.

The DfE provide the following framework upon which this policy is based:

3. Risk Appetite Statement

Risk appetite is an expression of how much risk an organisation is prepared to take. It can vary over time and across work areas. If a risk appetite is clearly articulated, staff can take it into account when making decisions. The Trust Board should therefore, when considering risk, discuss and express the risk appetite as they see it.

The Trust will not take unnecessary risks unless they are justifiable and in furtherance of the Trust's Articles of Association. If taking a risk indicates that the Trust's reputation and operation could be jeopardised, the Trust will always consider the likelihood of this happening and how the risk will be controlled.

The Trust accepts that risk is inevitable and is part of improvement, development and implementation; however, risk taking will be subject to the satisfactory completion of assessment and due diligence.

Where the cost or consequence of the risk and its likelihood of capitulating is deemed too high, and the methods involved which create the risk cannot be amended or removed to decrease the probability of severe consequence, the action will not take place as long as the Trust and/or school can control this.

The risk appetite will be informed by an understanding of the Trust's capacity, such as finances and staff availability, to mitigate the risk and secure positive outcomes.

4. Roles and Responsibilities

The Audit and Risk Committee will:

- Influence the culture of risk management within the Trust;
- Determine the appropriate risk appetite or level of exposure for the Trust;
- Consider all decisions that may impact the Trust's risk profile or exposure;
- Set policy and strategy for risk management;
- Frequently monitor the management of significant risks to reduce the likelihood of unwelcome surprises or impact;
- Review the Trust's risk management arrangements in line with its agreed dates;

- Provide an annual report as part of the Trust's internal control process;
- Satisfy themselves by their actions that the less significant risks are being actively managed, with in the appropriate controls in place and working effectively, and;
- Support an annual review the Trust's approach to risk management and approve changes or improvements to key elements of its processes and procedures.
- Advise the Trust Board on all matters relating to risk and risk management.

The CDAT central team will:

- Support and implement policies approved by the Trust Board;
- Ensure all schools are aware of and follow the Trust risk management policy and expectations;
- Develop and support risk policy and structures for individual schools within CDAT;
- Develop risk response processes, including contingency and business continuity programmes;
- Provide adequate information in a timely manner to the Trust Board 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 accountability for the business risks experienced by the Trust;
- Develop risk management as part of the culture of the Trust; and
- Provide a mechanism for risk management issues to be discussed and disseminated to all areas of the Trust.

The headteachers of each school within CDAT 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 school operations;
- Identify and evaluate the significant risk face by their operations for consideration by the Local Governing Board, the Trust Board and any relevant 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 effective risk analysis; and
- Report early warning indicators to the CDAT central team.

In addition:

- The Director of Operations will be responsible for maintaining the Trust's risk register. It will be updated following meetings of the Audit and Risk Committee and made available to key personnel and the schools to inform their decision making.
- It is the responsibility of all staff to consider risks and opportunities as part of their decision making and day to day activities for the Trust and its schools. This will include highlighting risks and opportunities as well as implementing agreed actions.
- The DPO will ensure the Trust's data is secure and protected from external risks; putting mitigation measures in place for the transfer of data, and; ensuring that risk-taking does not conflict with the Trust's Data Protection Policy.

5. Identifying and Categorising Risk

It is the responsibility of the Trust Board, through the Audit and Risk Committee and the staff in the central team to identify and categorise the risks involved in decision making and operational tasks, which come about as a result of a change of a particular variable. For all risk categories, the Trust will refer to mitigation or contingency plans which will help to minimise the impact of risks.

Risk Category	**Examples (not an exhaustive list)**
Governance	• Failure to meet DfE or ESFA regulations • Failure to comply with Company Law • Health and safety breach • Inappropriate organisational structure • UK GDPR breach
Financial	• Setting and maintaining legal and balanced budgets • Financial liability of transferring school • Pensions obligation increase • Unbudgeted school expenditure • Loss of pupil numbers • Detrimental change to school budget allocations • Fraud
Strategic	• Change in government policy • Diocesan policy and strategy • Changes in employment regulation • Unforeseen event
Educational	• New schools don't join or are delayed in joining CDAT • Staff recruitment/retention is problematic • Pupil outcomes below expectations • Adoption of appropriate curriculum • Ofsted outcomes below good
Buildings	• Building liability on transfer • Unexpected capital investment required • Unexpected challenge to sector (e.g. RAAC) • Reportable health and safety incident
Safeguarding	• Safeguarding failure at school or Trust level • Failure of systems or supplier
Legal	• HR liability from transferring school • New public liability, employer liability, or other legal challenge at Trust or school level • UK GDPR Breach • Failure to comply with Company Law
Reputational	• Trust or school involved in media stories • Social media • Relationship with partner organisations

6. Measuring Risk

Having identified any risks, the Audit and Risk Committee will measure and rank them to help assess whether the risk is worthwhile and if the risk is likely to be detrimental to the Trust's aims and objectives.

The Audit and Risk Committee will assess all instances of risk by estimating the probability and severity of the risk and how it could negatively impact the Trust's objectives. The Audit and Risk Committee will identify whether risks have minimal, minor, significant or major impact on its aims and objectives, and will take all the necessary steps to mitigate consequences.

The Trust's risk appetite and risk tolerance grid will always be adhered to and, where the likelihood of a risk becoming realised and the impact of this is very high, the Trust Board will not tolerate the risk and will prioritise risks which are less likely to have a negative impact on the Trust's objectives. Where the risk tolerance grid indicates that an activity is too perilous, actions will be taken to reduce the risk score in an attempt to mitigate this risk and minimise the impact or likelihood of capitulation. Risks which are deemed low level may be accepted, while medium level risks will be monitored with mitigation plans in place should the impact and likelihood of capitulation increase for any reason.

The table below outlines what level of risk will be tolerated. This table will be utilised whenever making operational decisions. The columns and rows are numbered from one (very low likelihood/impact) to five (very high likelihood/impact) to indicate when risks cause intolerable detriment towards the Trust's objectives, reputation and operations.

			Impact				
			VERY LOW	LOW	MEDIUM	HIGH	VERY HIGH
Likelihood	>75%	VERY HIGH	5	10	15	20	25
	<75%	HIGH	4	8	12	16	20
	<50%	MEDIUM	3	6	9	12	15
	<25%	LOW	2	4	6	10	10
	<1%	VERY LOW	1	2	3	4	5

Term	Definition
Likelihood	The likelihood that a risk or opportunity will occur (on a scale from 1-5 with 5 being the highest)
Impact	The impact of the risk on the organisation if the risk occurs (on a scale from 1-5 with 5 being the highest)
Gross Risk Score	Determined by multiplying probability and impact (scale from 1-25)
Residual Risk Score	The risk response action should either reduce the likelihood the risk will occur or the impact of the risk if it were to occur. Residual risk is what if left after considering the actions.

Score	Actions
1 – 5	Low risk at an acceptable level; no further action.
6 – 12	Medium risk within an acceptable tolerance level; will require the implementation of additional controls.
13 – 25	Above an acceptable tolerance level; will require the Board to set an action plan to reduce the risks.

7. Managing Risk

After assessing, evaluating and ranking the risks, the Audit and Risk Committee will recommend preventative controls, such as contingency planning and strictly adhering to the Trust's risk appetite and risk capacity. The Trust's risk appetite and capacity to take risks will inform how risks will be managed, mitigated or prevented. The Trust will discuss and challenge the effectiveness of these controls and determine if they are appropriate.

The Audit and Risk Committee will work with the central team to ensure that stakeholders are comfortable with the control measures in place to minimise risks having a negative impact.

The Trust Board understands that good methods for risk prevention and mitigation will give greater control of the risk and consider the capacity of the Trust's resources to deal with mitigating or preventing the risk. To manage risks, the Trust Board will either:

1. Accept (tolerate) risk and take no action to control the risks if control measures are deemed unnecessary for the level of risk or impact.
2. Mitigate the risk through contingency planning and preparation to minimise the likelihood of occurrence and impact.
3. Transfer risk by taking out insurance or carrying out strategic risks through third parties and mitigate any negative impact risk occurrence would have on the Trust.
4. Reject (terminate) risk by altering and removing potential risks, making rational decisions, and deciding when the risk is too high to perform an action.

8. Monitoring Risk

The Audit and Risk Committee will monitor risk profile continuously and recognise the dynamic nature of risk. A risk register will be maintained to identify and document risks and control measures. The Audit and Risk Committee will review the Trust's risk management arrangements at each meeting to ensure they reflect the current position for the Trust. The risk register will include the following, in line with DfE recommendations:

- **Risk type** – risk should be categorised under, for example, IT, finance, HR, premises to facilitate their effective management. Categorisation helps tease out other likely risks as well as potential duplication.
- **Risk definition** – this will either be **inherent risk** (untreated risk, the natural level of risk that is inherent within the Trust), or **control risk** (the risk posed due to a lack or failure of internal controls. Controls can be identified as direct or indirect controls).
- **Risk description** – a brief description of the potential risk, namely the event itself, for example "a cyber-attack on the Trust's IT systems" and its consequences "students cannot access their saved work".
- **Risk ID** – a unique number used to identify and track the risk.
- **The estimated likelihood that the risk will occur** - this is scored very low (1) to very high (5), as set out in section 6 of this policy.
- **The estimated impact of the risk if it materialised** - this is scored in the same way as likelihood.
- **The gross risk score** - this is the combined score of the estimated likelihood and impact, without control measures being implemented. It is also known as the inherent risk.
- **Risk treatment strategy** – this reflects the management of the risk and appropriate categorisation: accept, mitigate, transfer, or reject.

- **Control measures** – which of the risk treatment option(s) have been opted for and the rationale for the decision. Also, what the proposed actions are, including relevant information or requirements for implementation and any resources required. This part of the risk register will also determine whether control measures are direct (i.e. specific to address the risk) or indirect (i.e. general controls, not specific measures associated with the risk but which support any direct controls)
- **The net risk score** – the risk that remains after control measures have been put in place. This is essentially a re-assessment of likelihood and impact assuming that control measures are in place. It is also known as the residual risk.
- **Risk ranking** – this is the overall level of the residual risk, it reflects its position on the risk matrix and, if appropriate, its "traffic light" rating.
- **Risk trigger** – what is the event that would trigger implementation of contingency plans?
- **Contingency plan** – an action plan to address the risk if it does materialise and what plans are in place to mitigate the risk.
- **Risk owner** – the person responsible for deciding whether the risk trigger needs to be activated and managing the control measures and contingency plans. This should always be in identifiable individual who will ensure effective communication where necessary.
- **Date of last review** – this is an indication of when the Audit and Risk Committee or the Trust Board last reviewed the risk. It may be that the risk climate has changed, and the risk level is of a sufficient level that it can be retired from the register. A date supports regular monitoring of risk.
- **Current status of risk** – this should include any comments that will support the review of the risk at the appropriate time. Where applicable, this will show when a risk has been closed and the rationale for doing so.

9. Reporting Risk

The Trust Board and the Audit and Risk Committee will set out when and what information regarding risks should be received. This information will be clear and offer important information on the Trust's risks. The Audit and Risk Committee will review the Risk Register termly and report back to Trust Board, promoting greater scrutiny and assurance.

The information reported to the Trust Board will help decide whether risks are being performed within the Trust's risk appetite and being thoroughly mitigated. The number of risks reported and assessed will be a manageable number in order to ensure the Trust's quality control and understanding of risks is not diminished.

The Trust will report to stakeholders regarding the effectiveness of its risk management processes on an annual basis. Stakeholders will be made aware of whether the Trust's risk management policies are effective in achieving its objectives.

The Trust Board ensures that the Trust does not report too many overlapping risks and that the Trust makes attempts to ensure risks are only being reported where they are significant. The Trust will ensure communication is clear on all levels and the organisational politics allow for transparency so that all risks can be easily reported by all stakeholders.

10. Insurance

The Trust and its schools are members of the Risk Protection Arrangement (RPA). The Trust will cooperate with risk management auditors and risk managers and will implement reasonable risk management audit recommendations that are made.