The Pope Francis Multi Academy Trust

Risk Management Policy

May 2021

Presented & Approved by Trust Board	Thursday 13th May 2021
Signed by Chair Of Trust Board	
Name of Chair of Trust Board	Fr Michael Fitzsimons
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The policy and procedures will need to be reviewed and amended in line with any changes to the Academies Financial Handbook.

CONTENTS

1 Introduction

The procedures in this policy will be approved by the Directors and are mandatory and will be effective immediately after approval. Any variation from the procedures is to be notified to the Director responsible for Finance and the Chief Accounting Officer as soon as it becomes apparent.

The purpose of the manual is to ensure that the Pope Francis Multi Academy Trust (PFMAT) maintains and develops proper systems of control. It is essential that these systems operate properly to meet the requirements of our funding agreement with the Department for Education (DfE).

2 Aims and Objectives of Risk Management

2.1 Purpose and Definition

The purpose of identifying, managing and monitoring risk is to identify, assess and control uncertainty and as a result improve the ability of a business or project to succeed. Management of risk should be systematic and not based on chance. Risk management is a continual activity. A risk is an uncertain event or set of events that, should it occur, will influence the achievement of objectives. It consists of a combination of the probability of a perceived threat or opportunity occurring and the magnitude of its impact on delivery.

The Trust's overall risk management plan has been developed with the intentions of:

- Protecting its students, staff and assets;
- Managing risk in accordance with best practice and reducing the costs of risk;
- Anticipating and responding to changing social, environmental and legislative requirements;
- Raising awareness of the need for risk management;
- Integrating risk management into the culture of the Trust; and
- Adopting legal compliance as a minimum standard.

2.2 Risk Management, Risk Appetite, and Risk Capacity

2.2.1 The Trust manages risk on a daily basis. We consider what might go wrong and take steps to reduce the impact if things do go wrong. However, the Trust cannot rely on informal processes. Also, as a public body, we must provide assurance to the Department of Education, the Charity Commission, Ofsted, auditors, the Trust Finance, Audit and Resources Committee and Directors that we are managing risk correctly. We do need to formally identify corporate risk and mitigating actions. The process of risk identification should be undertaken with care, the analysis will contain some subjective judgements – no process can identify all possible risk that may arise. The process can only provide reasonable assurance to Directors that all relevant risks have been identified. Identified risks need to be put into perspective in terms of potential severity of their impact and likelihood of their occurrence. Assessing and categorising risks helps in prioritising and filtering them, and in establishing whether any further action is required.

2.2.2 This approach attempts to map risk as a product of the likelihood of an undesirable outcome and the impact that an undesirable outcome will have on Trust's ability to achieve its operational objectives. It enables the Directors to identify those risks that fall into the major risk category identified by the risk management structure. The process begins with listing each item of risk that Directors and Local Governing Board (or Interim Executive Board where appropriate) believe are appropriate for the Trust. Once identified each risk is looked at and a decision taken as to how likely it is to occur and how severe its impact would be on the Trust if it did occur.

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

2.2.4 Risk capacity refers to the resources (finance, staff, etc) which the Trust is able to put in place with regard to managing risk.

2.2.5 Risks should be prioritised as follows once considered through the assessment matrix:

Risk Score	Risk Category	Level of Monitoring
1 - 3	Low	Accept Risk – Monitor through the senior leadership team quarterly. Only review annually at Board level unless changes occur.
4 - 6	Medium	Monitor Risk – Monitor by Headteacher termly. Only review annually at Board level unless changes occur.
8	Medium-High	Mitigate Risk – Monitor through Local Governing Board/IEB termly.
9 - 16	High	Mitigate Risk – Monitor through Local Governing Board/IEB termly and at all Board meetings (or appropriate committee).

2.2.6 The Directors of the Pope Francis Multi Academy Trust have agreed a two-phase risk appetite. A score of 8 or less will be the appetite for risks reviewed by the Local Governing Boards (or Interim Executive Board where applicable) and a score of 9 or more will be the appetite for risks to be reviewed by the Directors termly, in addition to the annual review cycle.

3. Structure and Administration of Risk Management

3.1 All Directors of the Trust have a responsibility to:

- 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;
• 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.

3.2 The executive team of the Trust will:

• Support and implement policies approved by the Trust Board;
• Develop and support risk policy and structures for individual schools within PFMAT;
• 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.

3.3 The Academies within the MAT 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 their businesses;

• Identify and evaluate the significant risk face by their operations for consideration by the Local Governing Board/IEB, executive leadership team, 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 executive team.

3.4 The Chief Operations Officer, as the Risk Management Champion, is responsible for:

• Developing specific programmes and procedures for establishing and maintaining risk management activities within the Trust;

• Ensuring the dispersal of vital information; and

• Providing guidance, interpretation and understanding of the risk management systems.

4. Completing the Register

4.1 Identifying Risk

4.1.1 All PFMAT employees have responsibility for contributing to the PFMAT risk management strategy by alerting a member of their senior leadership team to potential risks. It is the collective responsibility of the senior leadership team and Local Governing Board/IEB to determine how these risks are evaluated and mitigated in the Trust risk register. This is provided at Appendix 1.

4.1.2 Risk is not only about adverse events; it is also about missed opportunities. All areas of activity within the Trust and partnerships with third party organisations should be considered together with what would stop them being as successful as they should. The key risks that the Trust faces will be those that would stop it achieving its objectives in these areas. As the first step in the risk identification process all staff with responsibility for delivering operations aims or targets need to understand the Trust's corporate objectives and the legal and regulatory environment in which it operates. The Charity Commission says the process of risk identification should be undertaken with care; the analysis will contain some subjective judgements – no process can identify all possible risk that may arise. The process can only provide reasonable assurance to Directors that all relevant risks have been identified.

4.1.3 Identified risks need to be put into perspective in terms of potential severity of their impact and likelihood of their occurrence. Assessing and categorising risks helps in prioritising and filtering them, and in establishing whether any further action is required. This approach attempts to map risk as a product of the likelihood of an undesirable outcome and the impact that an undesirable outcome will have on Trust's ability to achieve its operational objectives. It enables the Directors to identify those risks that fall into the major risk category identified by the risk management structure.

4.1.4 The process begins with listing each item of risk that Directors and Local Governing Boards believe are appropriate for the Trust. Once identified each risk is looked at and a decision taken as to how likely it is to occur and how severe its impact would be on the Trust if it did occur. All PFMAT employees have responsibility for contributing to the PFMAT risk management strategy by alerting a member of their senior leadership team to potential risks. It is the collective responsibility of the senior leadership team and Local Governing Board/IEB to determine how these risks are evaluated and mitigated in the Trust risk register.

4.1.5 The second step is the translation of these objectives into operating aims in the form of detailed business plans and performance indicators for each area of activity. This should be an ongoing annual exercise with regular updating of the aims.

4.2 Categorising Risk

4.2.1 The next step is to identify what would stop each area being as successful as it should. Risks can readily be identified through either brainstorming or a more structured approach.

4.2.2 PFMAT categorises risks into six core areas, see below:

a) Building Risks
b) Educational Risks
c) Financial Risks
d) Safeguarding Risks
e) Legal Risks
f) Reputational Risks
g) Strategic Risks

It is accepted that some risks may cut across more than one of the categories.

4.2.3 PFMATs level of risk tolerance is kept under review and all risk, regardless of severity will be monitored. All risks will be allocated an owner(s) to monitor the risk. The tolerance level will be reported within the risk register which will be updated monthly.

4.2.4 Newly identified risk should be logged on the Trust risk register including the actions to mitigate the risk. This will show how the senior leadership team have considered reducing the impact/likelihood of the risk.

4.3 Assessing Risk

4.3.1 Once a risk has been identified and logged, the impact and likelihood of the risk should be estimated. PFMAT assesses risk by considering:

- The likelihood of the risk occurring (unlikely, possibly, likely, highly likely); and
- The impact should the risk occur (minimal, minor, significant, major).

4.3.2 Defining likelihood:

- Unlikely is a risk that could happen but is more unlikely (less than 50%) based on current circumstances.
- Possibly is when there is a 50:50 chance of a risk occurring.
- Likely is where there is more than 50% chance a risk will happen.
- Highly likely is where there is a high chance of a risk occurring (more than 80%)

4.3.3 Defining impact:

- Minimal impact is where, should a risk occur, it is likely to have a minor impact on the delivery of PFMAT objectives or finances, however this risk will not impact on business success. In many cases this kind of risk can be accepted.

• Minor impact is where, should a risk occur, it will have a notable impact on the delivery of an objective or business. Mitigating action may need to be planned in case of a minor risk.
• Significant impact is where, should a risk occur, it will have a wide-reaching impact on more than one PFMAT business objective and will require some re-profiling of resources and finance to mitigate.
• Risks with major impact are those likely to cause core business disruption and invoice significant business re-planning and resourcing to priorities and mitigate. These types of risks are likely to have a major financial impact.

4.3.4 The overall cumulative prioritisation of risk needs to be assessed using a combined assessment of both likelihood and impact. PFMAT has adopted the heat map below to aid the Headteacher and executive team to score risk areas.

4.4 Heat Map

4.4.1 The overall cumulative prioritisation of risk needs to be assessed using a combined assessment of both likelihood and impact. PFMAT has adopted the heat map below to aid the Headteacher and executive team to score risk areas.

LIKELIHOOD

IMPACT		1 Unlikely to Occur	2 Possibility of Occurring	3 Likely to Occur	4 Highly Likely to Occur
1	Minimal	1	2	3	4
2	Minor	2	4	6	8
3	Significant	3	6	9	12
4	Major	4	8	12	16

4.4.2 Once action is taken to mitigate each risk a residual or net risk score is applied, and colour coded. This doesn’t mean the risk is necessarily diminished in any way but it does mean the significance of the risk should be less.

4.4.3 Those risks identified as ‘red’ in the net risk score should be reviewed by Directors and Local Governing Board/IEB on a half-yearly basis and all other risk areas at least annually.

4.5 Controlling Risk

Depending on the level of cumulative risk score, risk may be accepted, monitored or mitigated. The following table sets out the action required to mitigate the level of cumulative risk, the forum for risk management and frequency of risk review.

5. Risk mitigation

5.1 Once risks have been identified and prioritised, a decision needs to be made on how the individual schools, or Trust is going to address them. As the first step, an assessment of the 'costs' of accepting the risk is made. This may be a financial cost or a lost opportunity. It may be decided that accepting a particular risk is appropriate and no further action is taken.

5.2 If it is decided that further action is needed then there are three main options:

- Avoid the risk;
- Transfer all or part of the risk; or
- Mitigate the risk.

5.3 A risk may be avoided by withdrawing from that area of activity; but doing so may result in a missed opportunity. A risk may be transferred wholly or in part to a third party, possibly through insurance or a partnership arrangement. In the majority of cases, the next step will be put in place systems to mitigate either the likelihood or the impact of the risk. These will include systems addressing the whole operation of the Trust as well as the areas where risks have been identified. Any system of risk mitigation should provide as a minimum:

- Effective and efficient operation of the Trust;
- Effective internal controls; and
- Compliance with law and legislation.

5.4 Mitigating action plans should be recorded against each risk that has been listed in the risk register with appropriate milestones. For an action plan to be successful the action plan should be:

- Specific
- Measurable
- Achievable
- Realistic
- Time constrained

They should also include sources of assurance over the controls in place to mitigate each risk identified.

5.5 Source of Assurance is defined as evidence that mitigating action/controls are in place and being regularly reviewed. As part of the termly risk review the Assurance should be reviewed to ensure that the mitigating action/controls are appropriate and functioning. The residual risk should also be considered at each review if assurance indicates that mitigating actions/controls are working better/worse than originally planned.

6. Risk monitoring

6.1 The likelihood or impact of an identified risk can change for a number of reasons including:

- Nature of the risk has changed or is changing;
- Existing controls are inadequate or not functioning; or
- New controls introduced.

6.2 Early warning indicators should be designed for each risk to alert management to the situation effectively. These should have triggers, be described in the register and be highlighted in termly reports to management and the Trust. Key characteristics of monitoring mechanisms are:

- Information must reach the level of management where decisions can be made; and
- Mechanisms must pick up the problem before it happens, or at least before it gets too serious.

6.3 Individual schools should:

- Review monthly the risks which fall into their area of responsibility, the possible impacts these have on other areas and the consequences other areas may have on them;
- Use performance indicators to monitor the key business and financial activities' progress towards objectives and identify developments which require interventions;
- Have systems which communicate monthly variances in budgets and forecast and allow action to be taken; and
- Report systematically and promptly to the Chief Operations Officer
- Identify any perceived new risk or failure of existing mitigating or control measures.

6.4 The Chief Operations Officer should:

- Ensure that the MAT Risk Register is updated considering developments within the Trust and the wider business environment.

6.5 The Executive Leadership Team should:

- Review the MAT Risk Register monthly;
- Review key performance indicators and progress towards objectives;
- Take necessary action to address adverse departures for objectives; and
- Provide adequate information to the Board or relevant Committee on the most significant risks.

6.6 The Finance, Audit and Risk Committee should:

- Review the MAT Risk Register at its meetings; and
- Provide ongoing advice on the effectiveness of the risk management process.

7. Annual Review of Effectiveness

7.1 The core risks of each school and for the Trust overall, will be reported to the Board of Directors on a termly basis.

7.2 In addition, the Trust will undertake an annual review to consider:

- Consistency in the approach to risk management across individual schools;
- Whether risk management continues to be linked to the achievement of the Trust's objectives;
- Each Local Governing Board/IEB risk register to ensure the appropriate risk appetite or level of exposure for the Trust as a whole;
- Whether risk review procedures cover fundamental reputational, governance, staff, teaching, operational, compliance, student experience, estates, financial and other risks to achieving the Trust's objectives;
- Whether risk assessment and risk-based internal control are embedded in ongoing operations and form part of its culture
- Changes in the nature and extent of fundamental risks and the Trust's ability to respond to changes in its internal and external environment since the last assessment;
- The scope and quality of management's on-going process of monitoring the system of internal control including such elements as the effectiveness of internal audit and other assurance functions;
- The extent and frequency of reports on internal control to the Board and whether this is sufficient for the Directors to build up a cumulative assessment of the state of control and effectiveness of risk management;
- The incidence of any fundamental control failings or weaknesses identified at any point within the year and the impact that they have had or could have on financial results;
- The effectiveness of the Trust's public reporting processes; and
- The effectiveness of the overall approach and policy to risk management and whether changes or improvements to processes and procedures are necessary.