



Tudor Grange Academies Trust

Risk Management Strategy
(To be read in conjunction with
strategic risk register)

Background

The Risk Management Strategy aims to ensure that TGAT complies with risk management best practice as adopted by academies. It forms the start point for Corporate Governance with the requirements of the Turnbull guidance and sets out the current processes and responsibilities for risk management in TGAT

- 1.1. The Turnbull guidelines for Corporate Governance were published in 1999, updated in 2005 (stood the test of time) and can be summarised as:
 - The Board acknowledges responsibility for the system of internal control
 - An ongoing process is in place for identifying, evaluating and managing all significant risks
 - An annual process is in place for reviewing the effectiveness of the system of internal control
 - There is a system in place to deal with internal control aspects of any significant issues disclosed in the annual report and accounts

- 1.2. In assessing what constitutes a sound system of internal control regards risk management, the Turnbull report states that consideration should be given to:
 - The nature and extent of the risks facing the organisation
 - The extent and categories of risk which it regards as acceptable
 - The likelihood of the risks concerned materialising
 - The organisation's ability to reduce the incidence and impact of the risks that do materialise

- 1.3. Risk Management best practice for public organisations is encapsulated in the following documents, which have been adopted by several academies:
 - Risk Management Standard published jointly by the major risk management organisations in the UK – The Institute of Risk Management (IRM); The Association of Insurance and Risk Managers (AIRMIC); and ALARM, The National Forum for Risk Management in the Public Sector.
 - http://www.theirm.org/publications/documents/ARMS_2002_IRM.pdf
 - HM Treasury's "Management of Risk – Principles and Concepts" ("The Orange Book") that provides guidance on developing a strategic framework for the organisational consideration of risk.
 - http://www.hm-treasury.gov.uk/d/orange_book.pdf

- 1.4. Combining the above with TGAT's strategic objectives has led to the attached risk register. Much of the register was published by DoE in the initial Financial Handbook but has been tailored to the needs and risk management culture at TGAT

Risk Management Objectives

The objectives for managing risk across the Academies are:

- To comply with risk management best practice;
- To ensure risks facing the Academies are identified and appropriately documented;
- To provide assurance to the Board that risks are being adequately controlled, or identify areas for improvement;
- To ensure action is taken appropriately in relation to accepting, mitigating, avoiding and transferring risks.

Risk Management Strategy

This strategy aims to:

- Outline the roles and responsibilities for risk management.
- Identify risk management processes to ensure that all risks are appropriately identified, controlled and monitored
- Ensure appropriate levels of awareness throughout TGAT

Roles and responsibilities

The MAT Board (MATB) has overall responsibility for risk management. The Executive Finance Officer (EFO) has lead responsibility for risk management processes and TGAT-wide Risk Register. This responsibility includes:

- Monitoring the performance of risk management processes
- Ensuring that appropriate controls are in place to manage identified risks
- Preparation of periodic reports to the MATB
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The Risk Register is formally reviewed each term by the EFO. An update on risk status is submitted to the MATB annually in September. The Risk Management Plan is monitored by the Executive Board and forms part of that Board's report to the Board.

Identification of risks

The Risk Management Standard states that risk identification should be approached in a methodical way to ensure that all significant activities have been identified and all the risks flowing from these activities have been defined.

Our approach to risk management is linked to TGAT's strategic aims and objectives. These have been set and agreed with the Board and encompass 5 key aims:

- Control risk to create capacity for sustainable and managed growth
- Engender a culture of acute awareness of financial risks throughout the trust
- Create clear lines of sight of accountability
- Ensure clarity with all use of public funds
- Provide efficient central support for the trust

The structure and organisation of TGAT’s risk register follows the above structure to ensure that all significant objectives and activities have been identified and the risks associated with each area have been identified. Through the register, accountabilities and the use of public funds can be both identified and protected

Evaluation of risks

The Risk Management Standard states that risks should be evaluated against agreed criteria to make decisions about the significance of risks to the organisation.

TGAT uses a 5x5 matrix to assess impact and probability as high, medium or low, as illustrated in the diagram below:

			Likelihood				
			Lowest	Low	Medium	High	Highest
			1	2	3	4	5
Impact	Lowest	1	1	2	3	4	5
	Low	2	2	4	6	8	10
	Medium	3	3	6	9	12	15
	High	4	4	8	12	16	20
	Highest	5	5	10	15	20	25

The **descriptors** for high, medium and low impact and probability can be expanded as follows:

Impact of risk occurring

Impact	Description
Highest	The financial impact will be significant in excess of £50,000 Has a significant impact on TGAT's strategy or on teaching and learning Has significant stakeholder concern
High	The financial impact will be moderate between £25,000 and £50,000 Has a moderate impact on strategy or on teaching and learning High stakeholder concern
Medium	The financial impact will be moderate between £5,000 and £25,000 Has no more than a moderate impact on strategy or on teaching and learning Moderate stakeholder concern
Low	The financial impact is likely to be low below £5,000 Has a low impact on strategy or on teaching and learning Low stakeholder concern
Lowest	The financial impact is likely to be low below £1,000 Has no impact on teaching and learning No stakeholder concern/financial department to monitor

Probability of risk occurring

Probability	Description	Indicator
Highest	Likely to occur each year, or more than 50% chance of occurrence within the next 12 months	Potential of it occurring several times within a 4 year period. Has occurred recently
High	Likely to occur within a 2 year period or less than 50% chance it will occur in the next 12 months	Potential of it occurring more than once times within a 4 year period. Has occurred in last 2 years recently
Medium	Likely to occur within a 4 year time period or less than 25% chance of occurring within the next 12 months	Could occur more than once within a 4 year period. Some history of occurrence
Low	Unlikely to occur within a 4 year time period or less than 10% chance of occurring within the next 12 months	Unlikely to occur more than once in a 4 year period Has occurred but not in last 4 years
Lowest	Not likely to occur within a 4 year time period or less than 5% chance of occurrence	Has not occurred Is not likely to occur

Risk appetite

The term risk appetite describes TGAT's readiness to accept risks and those risks it would seek to reduce. TGAT's risk threshold is the boundary delineated by the red shaded area (represented by scores of 15 and above) in the risk matrix in paragraph 3.3. Above this threshold, TGAT will actively seek to manage risks and will prioritise time and resources to reducing, avoiding or mitigating these risks.

Addressing risks

When responding to risks, TGAT will seek to ensure that it is anticipated and managed early so risk does not develop into an issue where the potential threat materialises. The main tool for doing so is projected monthly cash flow.

TGAT will adopt one of the 4 risk responses outlined below:

Avoid	Counter measures are put in place that will either stop a problem or threat occurring or prevent it from having an impact on the business
Transfer	The risk is transferred to a third party, for example through an insurance policy.
Treat	The response actions either reduce the likelihood of a risk developing, or limit the impact on TGAT to acceptable levels.
Tolerate	We accept the possibility that the event might occur, for example because the cost of the counter measures will outweigh the possible downside, or we believe there is only a remote probability of the event occurring.

Risk Reporting and Communication

The aim of reporting risk is to provide assurance to the Board, Senior Management and Internal Auditors that TGAT is effectively managing its risks and has a robust system of internal controls.

Risk register

The reporting mechanism will be TGAT's Risk Register and Management plan. This will highlight the key risks facing TGAT, as well as a breakdown for each key strategic aim. The Risk Management Plan will be monitored by MATB on an annual basis and through termly reports prepared by the EFO.

Any significant changes in risk impact or probability, or the occurrence of an event which raises the profile of a risk will be recorded on the risk register as it occurs. Any new or increased risks identified in MATB or LGB meetings, or raised by a member of staff will be evaluated and, if appropriate, recorded in the Risk Register.

Communicating Risks

The MATB monitors the risk management plan each term. The EFO will ensure that any perceived new or increased risks or significant failure of risk management control measures are considered by the MATB along with a summary of actions taken.

The EFO will endeavour to raise awareness that risk management is a part of TGAT's culture and seek to ensure that:

- individual members of staff are aware of their accountability for individual risks
- Individuals report promptly to senior management any perceived new risks or failure of existing control measures.

Annual risk review and assessment

The internal audit reviews will aim to provide an annual assessment of the effectiveness of TGAT's management of risk.

The EFO will prepare an annual review of the risk management plan for the MATB. This will enable the EFO to report to MATB on:

- The significant risks facing TGAT
- The effectiveness of the risk management processes
- That TGAT has published a risk management policy covering risk management philosophy and responsibilities]

Areas for improvement

Categories of Risk

The risk categories defined by the Treasury are set out below for reference

1. External Risks

Risks arising from the external environment, not wholly within the organisation's control, but where action can be taken to mitigate the risk

Political

Political constraints such as change of government

Economic

Interest rates, exchange rates, inflation

Socio Cultural Demographic

Change affecting demand for services

Change of stakeholder expectations

Technological

Obsolescence of current systems

Procurement and best use of technology to achieve objectives

Legal / Regulatory

Laws and regulations which impose requirements (e.g. health & safety and employment legislation)

Environmental

The need for buildings to comply with changing standards (e.g. energy efficiency)
equipment to comply with changing standards

2. Strategic/Operational Risks

Risk relating to delivery of current activities, building capacity and capability

Operations capacity and capability to achieve objectives; procedures employed

Service/Project Delivery failure to deliver the agreed service

Resources

Financial - availability and allocation of funding; poor budget management

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

Relationships - threats to relationships with delivery partners; customer satisfaction; accountability (particularly to Parliament)

Such relationships include ICT Support Contract (CSE), Utilities Suppliers, providers of maintenance contracts for facilities, including fire and intruder alarms etc.

Reputation - confidence and trust which stakeholders have in the organisation

Governance - propriety and regularity; compliance with relevant requirements; ethical considerations

Scanning - failure to identify threats and opportunities

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

Public Sector Targets - new funding regime/formulae being applied to GAG funding

Change Programmes - programmes for organisational or cultural change threaten current capacity to deliver as well as providing opportunity to enhance capacity, for example the RSC requests the Trust to absorb several academies at once

New Projects - making optimal decisions/prioritising between new activities that are competing for resources (example for a MAT would be capacity to manage new conversions), for example allocation capital grant monies