Risk Management Framework

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1. Introduction to Risk Management

Managing risk is critical to ensuring that LWCET academies flourish. Risk management is an essential part of governance and leadership (at all levels). It is an integral part of the decision-making process and should support the effective use of resources and enhance strategic and contingency planning.

LWCET's approach to risk management is not about adding new processes, but ensuring risk is integrated into the management and governance of the Trust.

2. Context: Managing Risk

It is a requirement of the Academy Trust Handbook that multi-academy trusts (MATs) manage risk and maintain a risk register. This must include contingency and business continuity planning. Although the overall responsibility for risk management lies with the Board, it is a requirement of the Academy Trust Handbook that the Board establish an Audit and Risk sub-committee. This sub-committee oversees the Board's programme of internal scrutiny, ensuring that risks are addressed. The sub-committee also reports to the Board on the adequacy of the Trust's internal control framework, including financial and non-financial controls and the management of risks.

3. Framework for Managing Risk

In order to ensure a balanced view to managing opportunity and risk, the Board has developed a risk framework to help Directors and Local Governance Committees (LGCs) to manage risk appetite and support governors at all levels to identify, categorise and measure risk, as well as identifying potential mitigations.

To ensure that risk management is embedded in all elements of the Trust's work, LWCET's approach involves the identification, measurement, management, monitoring and reporting of risks.

The risk management framework includes the following five stages:

4. Identification

In the first instance, all potential risks (including not maximising opportunities) will be identified, defined and categorised. This includes:

- o **Internal risks** – these are risks over which the Trust has some control, by managing them through internal controls/ additional mitigating actions.
- o **External risks** – these focus on external events which impact on the organisation. Consideration should be given to how the Trust and its academies can become more resilient to responding to such events. Examples include a pandemic and extreme weather.
- o **Strategic risks** – these are risks to achieving the Trust's or academies' core objectives.
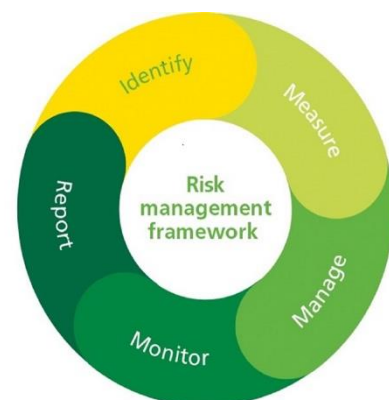
o **Project risks** – these are risks associated with any critical projects the Trust or individual academies are involved in. For example, slippage on the delivery timescale for a new building.

5. Measurement

Once an issue has been identified, governors will measure risk using the matrix below to ensure a consistent standard for comparative purposes. When measuring risk, governors will assess, evaluate and rank risk.

The Board and LGCs will firstly consider the **likelihood** (or probability) of a risk occurring, and the **impact** it will have on an individual academy or the wider Trust.

Likelihood	
Unlikely	Low probability of headline risk occurring between the present and the next LGC meeting
Possible	Some possibility of headline risk occurring between the present and the next LGC meeting
Likely	High probability of headline risk occurring between the present and the next LGC meeting

Impact	
Minor	Will cause small disruption to ongoing strategic and/or operational work. Will have little or no impact on educational standards or school ethos. Can be managed within the budget. No threat to health and safety. No safeguarding implications
Moderate	Will cause some disruption to ongoing strategic and/or operational work. Will have contained impact on educational standards or school ethos. Budget may need to be re-prioritised. Possible threat to health and safety. Additional safeguarding measures required
Major	Will cause significant disruption to ongoing strategic and/or operational work. Will have significant impact on educational standards or school ethos. Budget will need to be re-prioritised and additional funding may be necessary. Possible threat to health and safety. Significant safeguarding risk identified

To evaluate the risk, these two scores will be combined to derive a single risk score reflecting the overall level of threat. This risk will then be plotted onto the following risk tolerance grid.

Likelihood	Likely	3	Medium Risk	High Risk	High Risk
	Possible	2	Low Risk	Medium Risk	High Risk
	Unlikely	1	Low Risk	Low Risk	Medium Risk
			Minor	Moderate	Major
			1	2	3
			Impact		

The Board and LGCs should be aware that risks which are of very low likelihood and very high impact will be ranked in the same position as a risk with very high likelihood and very low impact. However, as the former could be catastrophic for the Trust and its academies, if realised, they should be prioritised accordingly.

The Board and LGCs will use a traffic light system (RAG-rating) to represent and rank risk. The RAG (red, amber, green) rating identifies the immediacy of any response and the subsequent regularity of monitoring.

	High Risk, prompt action, closely monitor at least half termly. Inform CEO/CFO
	Moderate Risk, contingency plan, monitor at least termly
	Low Risk, monitor at least yearly

6. Management and Control

Once risks have been assessed, evaluated and ranked, the Board and LGC will need to manage the issue. This will include considering preventative controls, mitigation processes and contingency plans, if risks materialise. The approach taken will depend on the academy's and Trust's current risk appetite and the capacity of the academy or Trust to manage the risk.

Selecting the most appropriate way to treat a risk will involve balancing the potential benefits of an action against the costs and resource required to manage the situation.

The Board and LGC will consider the following four approaches to controlling risk:

o **Tolerate:** take no action. This may be because the cost of instituting controls is not cost-effective or the risk or impact is so low that it is considered acceptable.

o **Treating**: control the risk with actions to minimise the likelihood or impact on the academy or wider Trust.

o **Transferring:** engage a third party to transfer the risk. This may include outsourcing or engaging with insurers.

o **Terminating:** alter or terminate an inherently risky process to remove the risk. This should be considered first if taking an alternative course of action will not materially affect the operation of the academy/Trust. Alternatively, if a risk is ranked highly and the other potential control measures are too expensive or otherwise impractical, the Board or LGC should consider whether the Trust should be engaging in the activity at all.

7. Monitor

Monitoring will be an ongoing and continuous process as it supports LWCET's understanding of how the risk profile is changing and whether mitigating actions and controls are effective in managing risk.

Each LGC will complete its own risk register for an academy, whilst the Trust Board's risk register will address matters affecting the whole organisation. The Board and LGC will consider risk as a standing agenda item on all full Board meetings and the Trust and LGC risk register will be updated accordingly.

To ensure consistency across academies, the Board will work with each LGC to identify core risks for all LWCET academies. These will be identified on each academy risk register. Each LGC will add additional items, as required. These will be dependent on the unique context of each academy.

Monitoring Escalation

Where an LGC identifies a high risk (RAG rated red), the LGC will **immediately** inform the CEO and/or CFO as appropriate.

The CEO and/or CFO is responsible for informing the Trust Board of the risk and determining appropriate action/intervention, including recommending whether the risk is added to the Trust Board risk register. In all eventualities, the risk will be shared with the Board at the next appropriate Trust Board meeting, if not before if the issue is considered critical to the operation or reputation of the Trust or its academies or is a safeguarding matter.

Where the LGC identifies a new amber risk, (RAG rated orange), the LGC will inform the CEO and/or CFO, as appropriate of the risk and any mitigations/actions taken by the LGC. The LGC will continue to monitor termly and will keep the CFO or CEO appraised of any changing circumstances which impact on the risk rating.

8. Reporting and Scrutiny

On behalf of the Board, the Audit and Risk sub-committee is responsible for reviewing the effectiveness of the Risk Management Framework and its compliance with the requirements of the Academy Handbook. The sub-committee will also monitor the effective management of risk across the organisation including the adequacy and effectiveness of internal controls, making recommendations to the full Trust Board where practice can be further developed.

The Audit and Risk sub-committee is responsible for directing the Trust's programme of internal scrutiny. The internal scrutiny function will focus on evaluating the suitability of, and level of compliance with, financial and non-financial controls, offering advice and insight to the Board on how to address weaknesses in financial and non-financial controls and ensuring all categories of risk are being adequately identified, reported, and managed.

The sub-committee will also identify the principal risks and uncertainties for the annual Trustees' report which accompanies the audited financial statements.