

## Risk Management Policy

<b>Responsible office</b>	<i>Better Futures Multi-Academy Trust</i>
<b>First approval date</b>	May 2020
<b>Approved by</b>	<i>Better Futures Multi-Academy Trust</i>
<b>Date of commencement</b>	May 2020
<b>Date for review</b>	March 2022
<b>Dates of subsequent re-approvals</b>	<i>September 2025</i>

# Risk Management Policy

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## Purpose

This policy does not form part of your terms and conditions of employment and can be changed by Better Futures Multi-Academy Trust (BFMAT) at any time.

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## Scope

This policy applies to Better Futures Multi-Academy Trust which will be referred to as BFMAT or the Trust for the purposes of the policy.

Terminology for job titles may vary across BFMAT. If this is the case, the terminology used within this policy is deemed to apply to staff/functions in equivalent roles and positions and of equivalent standing.

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## Definitions

*A summary of key terminology used within the Policy, if useful and applicable.*  
N/A

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## Equality Statement

Equality, freedom and treating all persons with dignity and respect are fundamental human rights. As such, BFMAT is committed to making these central in all its work.

A diverse student body and workforce benefit BFMAT's role as a provider of high quality education and employment in a modern and ever-changing society. BFMAT is firmly committed to the promotion of equality and will not unlawfully discriminate, or tolerate discrimination (direct or indirect, harassment or victimisation) on grounds of age, disability, ethnicity (including race, colour, caste and nationality), gender identity, marriage or civil partnership, pregnancy or maternity, religion or belief, sex and sexual orientation; this includes discrimination by association or due to perception. This policy will operate in furtherance of this.

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## The Policy

### Introduction

This risk management policy (the policy) forms part of the BFMAT's internal control and corporate governance arrangements.

The policy explains the Trust's underlying approach to risk management, documents the roles and responsibilities of the Board of Trustees, the leadership team, and other key parties. It also outlines key aspects of the risk management process, and identifies the main reporting procedures. In addition, it describes how risk management fits in to the Trust's internal control procedures.

## **Underlying Approach to Risk Management**

The following key principles underlie the Trust's approach to risk management and internal control:

- The Board of Trustees has responsibility for overseeing risk management within the Trust as a whole;
- Local Governing Boards have responsibility for overseeing risk management at local level;
- An open and receptive approach to solving risk problems is adopted by the Board of Trustees;
- The CEO, Executive Team and College Leadership Teams, advise on and implement policies approved by the Board of Trustees;
- Risk management forms part of the Trust's system of internal control;
- The Trust makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks;
- Principals and other leaders within colleges are responsible for encouraging good risk management practices within their areas of responsibility;
- Key risk indicators are identified and closely monitored on a regular basis.

## **Roles and Responsibilities**

### **The Board of Trustees should:**

- Set the tone and influence the culture of risk management across the Trust, including;
  - Determining whether the Trust is 'risk taking' or 'risk averse' as a whole or on any relevant individual issue.
  - Determining what types of risk are acceptable and which are not, and the setting the standards and expectations of staff with respect to conduct and probity.
- Approve major decisions affecting the Trust's risk profile or exposure.
- Monitor the management of significant risks and actions taken to militate against such risks to reduce the likelihood or impact.
- Monitor that the less significant risks are being actively managed, with the appropriate controls in place and working effectively.
- Annually review the Trust's approach to risk management and approve changes or improvements to key elements of its processes and procedures.

### **The Finance and Audit Committee should:**

- Take overall responsibility for oversight of implementation of the risk management process;
- Identify and evaluate the significant risks faced by the Trust for consideration by the Board of Trustees;
- Monitor the management of residual 'RED' risks;
- Provide adequate information in a timely manner to the Board of Trustees and its Committees on the status of risks and controls;
- Undertake an annual review of effectiveness of the system of internal control and provide a report to the Board of Governors.

### **The Local Governing Boards should:**

- Take overall responsibility for the implementation of the risk management process at college level
- Know about the most significant risks facing their colleges via the local risk register;
- Ensure appropriate levels of awareness throughout the college;
- Know how each college will manage a crisis;

### **Executive Leaders and Principals should:**

- Be aware of risks which fall into their area of responsibility, the possible impacts these may have on other areas and the consequences other areas may have on them;
- Be responsible for the compilation and maintenance of the local risk register for their college/area of responsibility
- Report systematically and promptly to the Finance & Audit Committee (via the Risk Champion) any perceived new risks or failures of existing control measures highlighted within the local risk registers.

### **All Staff should:**

- Be responsible for identifying risks in performing their day to day duties and taking appropriate action to limit the likelihood and impact of risks.

### **The Risk Champion (currently the CEO) should:**

- Be responsible for the compilation and maintenance of the risk register.
- Oversight of the internal framework.
- Provision of reports to Trust Board and Finance and Audit Committee on the effectiveness of risk management.
- Embedding risk management throughout the senior team(s) across the Trust.

### **Risk Appetite**

The term risk appetite describes the Trust's readiness to accept risks and those risks it would seek to reduce. The Trust's risk threshold is when the total risk score is 15 or above ('Red' on the Trust's risk scoring methodology – Appendix A). Above this threshold, the Trust will actively seek to manage risks and will prioritise time and resources to reducing, avoiding or mitigating these risks.

#### ***Approach***

The Trust's approach to risk appetite is to balance opportunities and risks; opportunities to deliver organisational goals are maximised whilst risks that threaten the achievement of objectives are managed. This approach seeks to ensure that risks are appropriately understood when making decisions and allocating resources, with prudent measures implemented to control downside risks.

It is not possible to define risk appetite in absolute terms because of the variety of relevant organisational/business drivers. In some areas appetite for risk is relatively low, for instance in relation to legal and regulatory compliance. In other areas there is more openness to risk in order to deliver strategic objectives, including institutional sustainability. The Board recognises the need to balance a prudent approach to risk mitigation with sufficient flexibility to enable innovation and entrepreneurial activity.

#### ***Risk Appetite Matrix***

The Finance and Audit Committee have agreed a risk appetite scale and risk appetite matrix (see Annex B) that provides qualitative guidance on the Trust's risk appetite across key organisational/business drivers. The risk appetite matrix provides the context for decision making in support of the Risk strategy and framework. The matrix represents the typical range for appetite in each risk area; where justified and depending on the situation Management vary the appetite.

The risk appetite matrix is used as a reference point to help:

- Align risk scoring descriptors with Trust risk appetite across organisational drivers/themes
- Identify key risk indicators
- Set limits of appetite
- Use agreed appetites when making decisions

## **Risk Management Process**

The Trust Risk Management process features the following four steps;

### **1) Identifying Risks**

Using the Trust's strategic objectives and in line with our risk appetite, leaders will identify the potential threats that could jeopardise their achievement and in turn look at ways to manage these risks.

Having identified the risks, these are recorded on the Risk Register. Where appropriate however, a project level risk register will be maintained for a specific strategic initiative such as a large new capital project.

While strategic risks are aggregated onto one register, operational risks remain devolved within each college or service area. These operational risks and the mitigating actions, should be recorded on the college or area risk register.

### **2) Assess Risks**

Managers shall assess the risks of all new activities, including requests for new staff, and shall review the success of new activities to ensure staff can disseminate good practice and learn from any mistakes.

Emerging risks shall also be identified and discussed by the SMTs of college's and the Trust executive team on an on-going basis. Any information that impacts upon the Trust's risk profile shall be formally assessed and appropriate action identified and monitored in the Trust Risk Register. Risks are assessed by looking at the likelihood of the risk occurring and the impact that the risk would have if it were to occur.

Many controls are in place to minimise identified risks. However, in the first instance, risks are assessed as though there are no controls in place i.e. the worst case scenario or if the controls in place were ineffective. This is known as the 'gross' (inherent) risk priority. The gross risk level is recorded in the risk register.

In most scenarios however, there will be controls in place to minimise the impact or likelihood of the identified risk occurring. Risks are therefore assessed based on the Impact and likelihood of the risk occurring considering that there are mitigating controls in place. This is known as the 'net' (residual) risk priority.

Each risk is allocated a risk owner / risk lead whose name is recorded on the risk register. Guidance on how the impact and likelihood levels of a risk should be assessed can be found in Appendix A.

### **Step 3 – Prioritise Risks**

Some risks command a higher priority due to their likelihood and impact. Both the gross and net likelihood and impact levels of each risk are plotted and prioritised using a 5 x 5 matrix (See Appendix B). A 'traffic light' system is used to show Red, Amber and Green risks. This results in the prioritisation of both gross and net risks, which are recorded in the Risk Register.

**Step 4 – Control Risks**

Once the net priority of a risk has been assessed the Trust’s risk appetite should indicate how the risk is then managed. In managing the risk there will be four categories of response – transfer, treat, terminate and tolerate. Details of each response can be found in the following table:

<b>Response</b>	<b>Description</b>
Transfer	Risks are transferred to an insurer, e.g., legal liability. However it must be remembered that this is not possible for all risks. Some service delivery risks can also be transferred to a partner or contractor by way of a formal contract or written agreement. Some aspects of risk however cannot be transferred, for example those that have a reputational impact.
Treat	Risks need additional treatments (controls) to reduce the likelihood and impact levels. This response is most likely where the risk has been identified as a high risk due to the likelihood and impact levels and the Trust has the ability to introduce further controls that will reduce the likelihood and/or the impact of a risk.
Terminate	A risk maybe outside the Trust’s risk appetite and the Trust does not have the ability to introduce additional controls to reduce likelihood and/or impact of the risk therefore there is no other option than to terminate the activity generating the risk.
Tolerate (accept)	The controls in place reduce the likelihood and impact levels to an acceptable level (within appetite) the introduction of additional controls would be cost-benefit prohibitive. It is therefore decided to <i>tolerate</i> the risk.

**Red Risks**

- Risks that fall in to the area highlighted as red will require immediate attention. The status of the risk will require it to be monitored with regard to effect on the Trust’s activities and the progress of action taken to ensure its effective completion.

**Amber Risks**

- Risks that fall in to the area highlighted as amber may require action but will require to be monitored for any changes in the risk or control environment which may result in the risk attracting a higher score. In all cases the organisation will look to pass-on this risk where possible i.e. insurance, indemnities, to 3rd parties.

**Green Risks**

- Risks that fall in to the area highlighted as green will require review only, but no further action.

**Risk owners are responsible for:**

- ensuring that appropriate resources and importance are allocated to the process;
- confirming the existence and effectiveness of the mitigating controls and ensuring that any proposed mitigating actions are implemented;
- providing assurance that the risks for which they are Risk Owner are being effectively managed.

## Risk Management as part of the system of internal control

The system of internal control incorporates risk management. The system encompasses a number of elements that together facilitate an effective and efficient operation, enabling the Trust to respond to a variety of operational, financial and commercial risks. These elements include:

<i>Policies and Procedures</i>	Attached to significant risks are a series of policies that underpin the internal control process. Written procedures support the policies where appropriate
<i>Reporting</i>	The Trust Board and its Committees (inc. LGBs) receive a number of key reports on a regular basis which allow for the monitoring of key risks and their control – e.g. the monthly management accounts
<i>Planning and Budgeting</i>	The planning and budgeting process is used to set objectives, agree action plans and allocate resources – these take account of risk. Progress towards meeting business plan objectives is monitored regularly
<i>Project Management</i>	All approvals for the execution of substantial new projects include an examination of risk
<i>Trust and local Risk Registers</i>	These documents are formally appraised annually but emerging risks are added as required, and improvement actions and risk indicators are monitored regularly at LGB and Trust level
<i>Finance and Audit Committee</i>	The Finance and Audit Committee is required to report to the Board of Trustees on internal controls and to alert Trustees to any emerging issues. As part of this function the Committee oversees internal and external audit, financial controls and student records audit as required. The Committee is, therefore, well placed to provide advice to the board on the effectiveness of the internal control system, including the Trust's system for the management of risk.

## Appendix A Risk Scoring Descriptors and Residual Risk Heat Map

Impact Chart		
Level	Descriptor	Description
1	Insignificant	<ul style="list-style-type: none"> <li><b>Financial:</b> Loss of &lt; £50k – funding / fines / assets / legal action</li> <li><b>Learner Outcomes:</b> Service delivery is interrupted for up to 4 days in at least one college OR less than 1% drop in achievement rates for at least one college</li> <li><b>H&amp;S:</b> No Injury / near miss</li> <li><b>Reputation:</b> No reputational damage</li> </ul>
2	Minor	<ul style="list-style-type: none"> <li><b>Financial:</b> Loss of £50k to £100k – funding / fines / assets / legal action</li> <li><b>Learner Outcomes:</b> Service delivery is interrupted for up to 1 week in at least one college OR &lt;3% drop in achievement rates for at least one college</li> <li><b>H&amp;S:</b> Minor injury only requiring basic first aid</li> <li><b>Reputation:</b> Slight reputational damage</li> </ul>
3	Moderate	<ul style="list-style-type: none"> <li><b>Financial:</b> Loss of £100k to £200k – funding / fines / assets / legal action</li> <li><b>Learner Outcomes:</b> Delays in effective service delivery for up to 2 weeks in at least one college OR 3-6% drop in achievement rates for at least one college</li> <li><b>H&amp;S:</b> Injury requiring hospital treatment</li> <li><b>Reputation:</b> Reputational damage is localised and moderate for at least one college</li> </ul>
4	Major	<ul style="list-style-type: none"> <li><b>Financial:</b> Loss of £200K- 500k – funding / fines / assets / legal action</li> <li><b>Learner Outcomes:</b> Service delivery is disrupted in a specific building for a significant period of time or 6-15% drop in achievement rates for at least one college</li> <li><b>H&amp;S:</b> Multiple serious injuries requiring professional medical treatment</li> </ul>

		<ul style="list-style-type: none"> <li>• <b>Reputation:</b> Reputation damage is uncomfortable for the Trust</li> </ul>
5	Critical	<ul style="list-style-type: none"> <li>• <b>Financial:</b> Loss of &lt; £500k – funding / fines / assets / legal action</li> <li>• <b>Learner Outcomes:</b> Service delivery severely interrupted across all buildings OR &gt; 15% drop in achievement rates for at least one college</li> <li>• <b>H&amp;S:</b> Long term hospitalisation / fatalities</li> <li>• <b>Reputation:</b> Reputation damage is irrecoverable i.e. regulatory body intervention</li> </ul>

Likelihood Chart		
Level	Descriptor	Description
1	Rare	<ul style="list-style-type: none"> <li>• No history of it happening across any Trust college</li> <li>• The event may occur only in exceptional circumstances / &lt; 20% / Could occur within 1 to 3 years</li> </ul>
2	Unlikely	<ul style="list-style-type: none"> <li>• May have happened at a Trust college in the past</li> <li>• The event could occur at some time / 20% - 40% / Could occur within 1 Year</li> </ul>
3	Possible	<ul style="list-style-type: none"> <li>• Has happened at a trust college in the past.</li> <li>• The event should occur at some time / 40% - 60% / Could occur within 6 months</li> </ul>
4	Likely	<ul style="list-style-type: none"> <li>• Has happened at a Trust college in the recent past.</li> <li>• The event will probably occur in most circumstances / 60% -80% / 1 month</li> </ul>
5	Almost Certain	<ul style="list-style-type: none"> <li>• A history of it happening at a Trust college.</li> <li>• The event is expected to occur / 80% - 100% / Could occur within 1 week</li> </ul>

### Residual Risk Heat Map

Impact	5 Critical	5	10	15	20	25
	4 Major	4	8	12	16	20
	3 Moderate	3	6	9	12	15
	2 Minor	2	4	6	8	10
	1 Insignificant	1	2	3	4	5
		1 Rare	2 Unlikely	3 Possible	4 Likely	5 Almost Certain
		Likelihood				



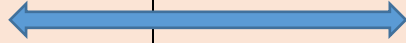




## Appendix B

### BFMAT – Risk Appetite Matrix

**Definition of Risk :** - The ‘effect of uncertainty on objectives’ where an effect is a positive or negative deviation from what is expected

**Definition of Risk appetite:** - Where an opportunity exists: the immediate or short-term willingness to undertake an activity that involves risk.

- Where a threat exists: the level of risk considered tolerable.

Appetite		1 Averse(Avoid)	2 Minimal(Minimise)	3 Cautious(Tolerate)	4 Open (accept)	5 Hungry(embrace)
Appetite description		Avoidance of risk and uncertainty is a key objective	Preference for ultra-safe delivery options with a low degree of inherent risk and only limited reward potential	Preference for safe delivery options with some degree of inherent risk and moderate reward potential	Willing to consider all potential delivery options and choose one that is most likely to result in successful delivery and an acceptable level of reward	Eager to innovate and to choose options offering potentially higher organisational rewards (despite greater inherent risk)
Risk level		None	Low	Moderate	High	Significant
Organisational drivers	Strategic Commitments alignment	Range of organisational risk appetite				
Regulatory and Compliance	Student Centred Provision 1.1, 1.5 People Strategy 2.1,2.2,2.3 Resources strategy 3.1,3.3,3.4					
Financial	Resources strategy 3.1, 3.2, 3.3, 3.4, 3.5, 3.6					
Teaching and Learning	Student Centred Provision 1.1, 1.2,1.3, 1.4, 1.5, 1.6 People Strategy 2.2,2.3, 2.4,2.5,2.6 Resources strategy 3.1, 3.2, 3.4,3.6					
Enabling operations (Professional Services, ITS, Estates Development etc)	Student Centred Provision 1.1, 1.3 People Strategy 2.1,2.3,2.5 Resources strategy 3.1,3.2,3.3,3.4, 3.6					
People Development	Student Centred Provision 1.3 1.4, 1.5 People Strategy 2.1, 2.2, 2.3,2.4, 2.5, 2.6 Resources strategy 3.2,3.3,3.5					

## Annex C

### BFMAT Strategic Commitments from Strategic Plan

	<b>1. Student Centred Provision</b>	<b>2. People strategy</b>	<b>3. Resource strategy</b>
<b>Our Communities</b>	<b>1.1</b> An inclusive, safe and supportive environment for learning and development (supportive)	<b>2.1</b> An inclusive, safe and supportive environment for learning and development (supportive)	<b>3.1</b> An inclusive, safe and high quality learning environment to enable all of our staff and students to thrive at work (Genuine and Supportive)
	<b>1.2</b> A culture of regular feedback in all directions, being kind and clear, specific and sincere (Genuine)	<b>2.2</b> A culture of regular feedback in all directions, being kind and clear, specific and sincere (Genuine)	<b>3.2</b> Ongoing development of staff at all levels of the organisation to embed financial leadership focussed on enhancing the student experience. (Involved)
<b>Approaches &amp; systems</b>	<b>1.3</b> Students have significant engagement in the design, delivery and evaluation of the education provision. (Involved)	<b>2.3</b> Our systems and practices reflect and encourage curiosity, radical open-mindedness and empower us all to challenge the established ways of working	<b>3.3</b> Our systems and practices embed collaboration, transparency, trust and autonomy as tools to develop more effective use of resources.
	<b>1.4</b> Sustained development of staff to increase skills, building optimism about our own and each other's capacity to grow and develop (optimistic)	<b>2.4</b> People centred systems and practices demonstrate trust, encourage autonomy and build optimism about our own and each others capacity to grow and develop	<b>3.4</b> Our systems and practices will always focus on ensuring they serve the needs of students and staff rather than us serving the needs of the system
<b>Aspirations &amp; Mindsets</b>	<b>1.5</b> We focus on providing students with the skills and mindset they need	<b>2.5</b> We retain an optimistic outlook even in the toughest of times, recognise mistakes as useful resources, but see it as unacceptable not to identify and learn from them	<b>3.5</b> We retain an optimistic outlook even in the toughest of times and ensure we learn from our mistakes
	<b>1.6</b> Success will be measured in terms of student skills acquisition and its impact	<b>2.6</b> Success will be measured in terms of developing staff to thrive at work rather than narrow performance metrics	<b>3.6</b> Success will be measured in terms of how we grow and use resources to develop students and staff rather than narrow performance metrics