# RISK MANAGEMENT POLICY

## Ludlow Junior School

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| **Approved by:** | Trustees | **Date:** | 25.06.2025 |
| **Last reviewed on:** | Summer 2 2024.25 | | |
| **Next review due by:** | Summer 1 2025.26 | | |

**RISK MANAGEMENT POLICY**

Statutory

1. 1. **Introduction**

This risk management policy forms part of the Trust's internal control and governance arrangements. The policy explains the Trust's underlying approach to risk management. It details key aspects of the risk management process, and identifies the main reporting procedures. It describes the process the Trust uses to evaluate the effectiveness of the Trust's internal control procedures.

2. **What is "risk"?**

"Risk" is: An event or cause leading to uncertainty in the outcome of the Trust's operations.

3. **Why we need to manage risk**

Daily we manage risk without describing this as "risk management". 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 Education and Skills Funding Agency, the Charity Commission, Ofsted and Auditors that we are managing risk correctly. We need to formally identify organisational risks and mitigating actions.

4. **Who should think about risk?**

The Trust's Executive Head/Accounting Officer (EHT/AO) and School Business manager (SBM/PFO), and Senior Leadership Teams (SLT) in individual schools and the board of trustees form the risk management core group (RMCG) – allowing for Unity development

The Members, Ludlow and Unity Trust Board, Local Governing Bodies and other sub committees also have a role. The Trust's Audit & Risk Committee has a responsibility to advise the Trust Board and to oversee this area of the Trust's operations. Because of this, the risk register will be taken to relevant groups as appropriate.

5. **When to consider risk**

Risk needs to be considered whenever decisions are made. In particular, as the organisation's aims develop during the planning round and budgets for future years become available.

School SLT members, Trustees and members need to consider afresh existing organisation risks; looking at what we want to do over the next few years and identifying risks which may arise. Timing is important if mitigating actions are to be included in business plans.

6. **Risk appetite**

“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 the RMCG can take this into account when making their decisions.

7. **Approach to risk management**

The following key principles outline the Trust's approach to risk management:

• As the principal executive and policy-making body of the Trust, the Trust Board is responsible for risk management

• The Trust is responsible for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives.

• There should be an open and receptive approach to mitigating risk.

• The Audit & Risk Committee advises the Trust Board on risk management.

• The Trust takes a conservative and prudent approach to the recognition and disclosure of the financial and non-financial implications of risks.

• The RCMG is responsible for encouraging and implementing good risk management practice within the Trust and its school(s).

• Headteachers and SLT of each school within the Trust are responsible for encouraging and implementing good risk management practice within their areas of responsibility (as the Mat develops)

• Early warning mechanisms will be put in place and monitored to alert the Trust so that remedial action can be taken to manage any potential hazards

• The Executive headteacher/AO has a moderation role and will review key risks at each school (as the MAT develops) with the Headteacher, where necessary, and reports outcomes of these discussions to the Board.

• Identified risks must be controlled and monitored by risk assessments.

**8. The risk register**

The risk register steers risk owners into considering risk appetite when updating a risk entry. They need to consider not only the risk status before and after existing mitigating action but also the final tolerable risk status;

i.e. what they are aiming for in terms of status for that particular risk. A template risk register is provided as Appendix A.

The **Charity Commission** says that the process of risk identification should be undertaken with care, the analysis will contain some subjective judgements - no process is capable of identifying all possible risks that may arise. The process can only provide reasonable assurance to trustees that all relevant risks have been identified.

Identified risks need to be put into perspective in terms of (1) the **potential severity of their impact** and (2**) 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 the Trust's ability to achieve its operational objectives. It enables the trustees to identify those risks that fall into the major risk category identified by the risk management statement. This is called the "Risk Status"

The process begins with listing each of item of risk. 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 if it did occur.

This policy has drawn the descriptors for 'impact' and 'likelihood' from the Charity Commission (CC26) publication as follows:-

| **Likelihood of occurrence** (5=highly probable, 1=remote) | **Descriptor** | **Criteria** |
|---|---|---|
| 1 | Remote | May only occur in exceptional circumstances |
| 2 | Unlikely | Expected to occur in a few circumstances |
| 3 | Possible | Expected to occur in some circumstances |
| 4 | Probable | Expected to occur in many circumstances |
| 5 | Highly Probable | Expected to occur frequently and in most circumstances |

| Impact<br><br>if occurs<br><br>(5=catastrophic, 1=insignificant) | Descriptor | Impact on service and reputation |
|---|---|---|
| 1 | Insignificant | • no impact on service<br>• no impact on reputation<br>• complaint unlikely<br>• litigation risk remote |
| 2 | Minor | • slight impact on service<br>• slight impact on reputation<br>• complaint possible<br>• litigation possible |
| 3 | Moderate | • some service disruption<br>• potential for adverse publicity - avoidable with careful handling<br>• complaint probable<br>• litigation probable |
| 4 | Major | • service disrupted<br>• adverse publicity not avoidable (local media)<br>• complaint probable<br>• litigation probable |
| 5 | Extreme/Catastrophic | • service interrupted for significant time<br>• major adverse publicity not avoidable (national media)<br>• major litigation expected<br>• resignation of senior management and board<br>• loss of beneficiary confidence |

Likelihood of occurrence (5=highly probable, 1=remote)

Descriptor Criteria

1 Remote May only occur in exceptional circumstances

2 Unlikely Expected to occur in a few circumstances

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5 Highly Probable Expected to occur frequently and in most circumstances

The risk score is arrived at by multiplying the likelihood score by the impact score and then adding the impact score to this number in order to give extra emphasis to impact when assessing risk. This provides the risk scor

It should be remembered that risk scoring often involves a degree of judgement or subjectivity. Where data or information on past events or patterns is available, it should be used to enable a more evidence-based judgement. A traffic light and numerical indicator is used to show the gross risk status as detailed in the table below.

| Impact | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Extreme/Catastrophic | 5 | 10 | 15 | 20 | 25 | 30 |
| | Major | 4 | 8 | 12 | 16 | 20 | 24 |
| | Moderate | 3 | 6 | 9 | 12 | 15 | 18 |
| | Minor | 2 | 4 | 6 | 8 | 10 | 12 |
| | Insignificant | 1 | 2 | 3 | 4 | 5 | 6 |
| | | | 1 | 2 | 3 | 4 | 5 |
| | | | Remote | Unlikely | Possible | Probable | Highly Probable |
| | | | Likelihood | | | | |

**9. Options for dealing with risk**

There are various categories for dealing with risk. These options should be considered for all items on the risk register:

**Transfer:** For some risks the best response may be to transfer them. This might be done by conventional insurance, or it might be done by paying a third party to take the risk in another way. This option is particularly good for mitigating financial risks of risks to assets.

**Tolerate:** The exposure may be tolerable without any further action being taken. Even if it is not tolerable, ability to do anything about some risks may be limited, or the cost of taking any action may be disproportionate to the potential benefit gained. In these cases the response may be toleration. This option may be supplemented by contingency planning for handling the impacts that will arise if the risk is realised. This option should only be considered for risks with a green risk status.

**Treat**: By far the greater number of risks will belong to this category. The purpose of treatment is not necessarily to obviate the risk, but more likely to take control action to contain the risk to an acceptable level. Such controls can be corrective, detective, directive or preventive.

**Terminate:** Some risks will only be treatable, or containable to acceptable levels, by terminating the activity. It should be noted that the option of termination of activities may be severely limited in the public sector when compared to the private sector; a number of activities are conducted in the public sector because the associated risks are so great that there is no other way in which the output or outcome, which is required for the public benefit, can be achieved.

**Take Opportunity:** this option is not an alternative to those above; rather it is an option which should be considered whenever tolerating, transferring or treating a risk. There are two aspects to this. The first is whether or not at the same time as mitigating threats, an opportunity arises to exploit a positive impact. The second is whether or not circumstances arise which, whilst not generating threats, offer positive opportunities – for example a drop in the cost of goods or services might free up resources for redeployment.

Once action is taken to mitigate each risk a net risk score is considered and colour coded as above. This doesn't mean the risk is necessarily diminished in any way but it does mean the significance of the risk should be less.

10. **Roles and responsibilities**

Ludlow Junior School will maintain and review its risks register half termly. Evaluating risks should be considered when working with all partners. Trustees and the SLT should:

• Identify organisation risks, reporting to appropriate Governors/Trustee committees.

• Perform a detailed review of organisation risks and mitigating actions.

• Consider risk when making decisions.

• Articulate a risk appetite when making decisions (see Risk Appetite statement)

• Remain alive to other risks that might develop in year.

Local Governing Body Committees (every Meeting)

• Consider new risks raised at the meeting by SLT members either through agenda items or resulting discussions – add to risk register using above matrix

• Review outstanding risks

• Report to Trustees through committee report, if applicable, on outstanding/new risks and in end of year reports if applicable

• Provide the risk register to the Audit and Risk Committee six times per year

Audit and Risk Committee

• Review quality of the risk registers for individual schools and the Trust's overall risk register six times per year and all the risks with a red net risk score at each meeting

• Identify school risks that should be added to the Trust's overall risk register

• Identification of additional organisation risks

• Question inconsistencies in the Risk Register

• Ensure the register is maintained and kept up to date

• Advise and report to Board of Trustees three times per year

**Board of Trustees**

To manage the risk management process ensuring that they:

• Receive reports from the Audit and Risk committee

• Review risks identified as red in the net risk score three times per year and all other risk areas at least annually