



# Interaction & Communication

— Academy Trust —

# Risk Management Strategy

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# ICAT

## Risk Management Strategy

### 1.0 Introduction

In addition to Health and safety and Safeguarding this policy is referring to business risk

- 1.1 Risk management is the process whereby ICAT methodically addresses the risks attaching to its objectives and associated activities with the goal of achieving sustained benefit within each activity and across the whole range of activities.
- 1.2 Risk management will be aimed at ensuring that ICAT achieves its objectives in the most effective way and resources are directed at those objectives.
- 1.3 This risk management strategy has been designed to provide a framework for managing the risks ICAT faces and ensuring its objectives are achieved in the most effective way.
- 1.4 It has been designed for use by all staff of ICAT and it serves to:
  - Communicate the strategies for managing risk in ICAT
  - Establish procedures which should be adopted in the risk management process

### 2.0 The Aims and Objectives of Risk Management

- 2.1 ICAT's overall risk management plan is aimed at:
  - Protecting its students, staff and assets
  - Managing risk in accordance with best practice and reducing the cost 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 ICAT
  - Adopting legal compliance as a minimum standard
- 2.2 These aims and objectives will be achieved by:
  - Establishing and maintaining a risk management organisational structure to act in an advisory and guiding capacity which is accessible to all staff
  - Maintaining documented procedures for the control of risk
  - Providing suitable information, training and supervision
  - Maintaining effective communication and the active involvement of all staff
  - Maintaining an appropriate incident reporting and recording system, with investigation procedures to establish cause and prevent recurrence
  - Monitoring arrangements on an ongoing basis

### **3.0 The Potential Benefits of Risk Management**

3.1 Effective risk management protects and adds value to ICAT and its stakeholders through supporting ICAT's objectives by:

- Improving decision making, business planning and prioritisation by comprehensive and structured understanding of the wider business environment
- Supporting more efficient allocation and use of resources within ICAT
- Enhancing communication between schools and services
- Protecting and enhancing School/Trust assets and image
- Developing and supporting staff and ICAT's knowledge base
- Helping to focus the internal audit plan

### **4.0 The Structure and Administration of Risk Management**

4.1 The Board of Directors has a fundamental role to:

- Set the tone and influence the culture of risk management within ICAT
- Determine the appropriate risk appetite or level of exposure for ICAT
- Approve major decisions affecting ICAT'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 itself that the less significant risks are being actively managed, with the appropriate controls in place and working effectively
- Annually review ICAT's approach to risk management and approve changes or improvements to key elements of its processes and procedures

The detailed work will be delegated to the Resources Audit and Risk committee, senior leadership, governing bodies and principals. For details of how this will work in practice please see the Scheme of Delegation.

### **5.0 Risk Identification**

5.1 Risk is not only about adverse events; it is also about missed opportunities. All areas of activity within ICAT 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 ICAT faces will be those that would stop it achieving its objectives in these areas.

5.2 As the first step in the risk identification process all staff with responsibility for delivering operations aims or targets need to understand ICAT's corporate objectives and the legal and regulatory environment in which it operates.

5.3 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.

- 5.4 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.
- 5.5 There are many methods for grouping risks, starting from either categorising risk or analysing it using a functional approach. Consideration by category, for example, would include:
- **Strategic risks** – concern the long-term strategic objectives of ICAT. They can be affected by such areas as capital availability, legal and regulatory changes, reputation and changes in the physical environment. For example, failure to recognise sector message.
  - **Operation risks** – concern the day-to-day issues that the organisation is confronted with as it strives to deliver its strategic objectives. For example, failure to maintain timely and accurate learner data.
  - **Financial risks** – concern the effective management and control of the finances of ICAT and the effects of external factors such as interest rate movement and other market exposures. For example, failure to balance budget.
  - **Compliance risks** – concern such issues as health and safety, environmental, trade descriptions, consumer protection, data protection, employment practices and regulatory issues. For example, breach of employment laws.

5.6 The risks that have been identified should be recorded on the risk template and updated to the register for each school / service and incorporated, as necessary, into the corporate risk register.

## 6.0 Risk Estimation (Assessing Likelihood and Impact) – School/Trust and School/Service Guidelines

- 6.1 Having identified the risks that ICAT is facing, they need to be prioritised into a manageable order so that action can be focused on the significant risks. At this stage in the risk management process you should only be concerned about the risks that threaten the achievement of your operating aims and objectives. Risk prioritisation will enable necessary action to be taken at the relevant level of management in ICAT.
- 6.2 Each risk should be assessed in terms of the **likelihood** of its occurrence, and its **impact** on ICAT, should it occur.
- 6.3 Not all risks will affect ICAT with the same impact, and some are far more likely to occur within ICAT than others. There is perhaps a low likelihood of fire, but there would be a significant disruption if the buildings were burnt down. There may be a greater likelihood of petty thefts and ICAT suffers from this regularly.
- 6.4 The impact of a risk and the likelihood of it occurring should be scored as follows:
- **Likelihood**

For each of the risk you have listed assess the likelihood of their occurrence on the following scale:

1. extremely unlikely; rare occurrence
2. unlikely
3. moderately unlikely
4. very likely, regular occurrence
5. extremely likely; frequent occurrence

- **Impact**

Also assess their impact on the following scale:

1. not critical to continued operations
2. minor impact in limited areas
3. minor impact in many areas
4. significant impact; could affect significant operational areas
5. fundamental to continuing operations

6.5 Multiply the scores for likelihood and impact and then rank update the 'raw risk'

## **7.0 Risk Mitigation**

7.1 Once risks have been identified and prioritised, you need to decide how ICAT is going to address them.

7.2 As the first step, you should assess the 'cost' of accepting the risk. This may be a financial cost or a lost opportunity. You may decide that accepting a particular risk is appropriate and not take any further action.

7.3 If you decide further action is needed, then there are three main options:

- avoid the risk
- transfer all or part of the risk
- mitigate the risk

7.4 A risk may be avoided by withdrawing from that area of activity but doing so may result in a missed opportunity.

7.5 A risk may be transferred wholly or in part to a third party, possibly through insurance or a partnership arrangement.

7.6 In the majority of cases, the next step will be to put in place systems to mitigate either the likelihood or the impact of the risk. These will include systems addressing the whole operation of ICAT 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 ICAT
- effective internal controls
- compliance with law and legislation

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

- smart
- measurable
- achievable
- realistic
- time constrained

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

7.8 Source of Assurance is defined as evidence that mitigating action/controls are in place and being regularly reviewed. As part of the monthly 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 and recorded at each review if Assurances indicate that mitigating actions/controls are working better/worse than originally planned.

## **8.0 Gross and Net risk**

8.1 In completing the above-mentioned assessment of risk, recognition needs to be given to the impact of the mitigating actions taken by management to reduce the impact of the risk. Accordingly, risks should initially be recorded at their gross value – the impact without mitigating actions. The same risks should then be recorded allowing for the impact of the mitigating actions. By doing so, ICAT is able to value the impact of the mitigating factors to determine whether they are cost effective.

8.2 Both the gross risk and net risk scores are to be recorded on the Risk Register.

8.3 The movement in these risk scores between reporting periods are to be recorded on these key documents to enable the reader to understand whether each risk is constant, decreasing or increasing over time.

## **9.0 Risk Monitoring**

9.1 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
- new controls are introduced

9.2 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 monthly reports to management and the Trust. Key characteristics of monitoring mechanisms are:

- information must reach the level of management where decisions can be made

- mechanisms must pick up the problem before it happens, or at least before it gets too serious.

9.3 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 intervention
- have systems which communicate monthly variances in budgets and forecasts to allow action to be taken
- report systematically and promptly to the Head of Finance any perceived new risk or failures of existing mitigating or control measures

9.4 The Trust's Director of Operations should:

- ensure that the Risk Register is updated in the light of developments within ICAT and the wider business environment

9.5 The Senior Management Team should:

- review the Risk Register monthly
- review key performance indicators and progress towards objectives
- take necessary action to address adverse departures for objectives
- provide adequate information to the Resource, Audit and Remuneration Committee on the most significant risks

9.6 The Resource, Audit and Remuneration Committee should:

- Review the Risk Register, Risk Reduction Plan and the Internal Audit monitoring document at its meetings
- Provide ongoing advice on the effectiveness of the risk management process

9.7 The Board of Directors will formally review the risk register annually.

## **10.0 Risk Reporting**

10.1 Different levels within ICAT need different information from the risk management process.

10.2 Early warning indicators should be reported systematically and promptly to senior management to allow action to be taken. The frequency of reporting should be related to how quickly a risk can materialise and its likely impact.

10.3 Staff should:

- Understand their accountability for individual risks
- Understand that risk management and risk awareness are a key part of ICAT's culture
- Understand how they can enable continuous improvement of risk management response

- Report systematically and promptly to senior management any perceived new risks or failures of existing control measures

10.4 Principals/School leadership/LGBs should:

- Ensure accurate reporting of risk in terms of issue and risk values
- Ensure that each risk is assessed and reported to the Trust business manager.
- Report systematically and promptly to the Trust business manager any perceived new risks or failures of existing control measures
- Ensure appropriate levels of awareness throughout ICAT

10.5 The Trust should:

- Report annually on the effectiveness of the risk management process in ICAT
- Report to ICAT's stakeholders on a regular basis its risk management policies and the effectiveness in achieving its objective