Pennine Academies Yorkshire

Risk Management Policy

Date Policy Written:	4 May 2020
Date Policy Ratified:	27 May 2020
Date Policy to be Reviewed:	May 2021

1 Summary

1.1 The Risk Management Strategy is a fundamental element of Pennine Academies Yorkshire's (PAY's) (The Trust's) overall governance arrangements. Recognising and managing the risks that PAY face is key to achieving PAY's vision, strategic priorities and corporate objectives.

1.2 The Trusts approach to risk management is most effective when it is dynamic and constantly challenging, using different methods of identifying, assessing and managing risks. This strategy sets out our approach to risk management, and implementation of it which will ensure that PAY has appropriate measures and actions in place to properly respond to the risks that it faces.

2 Background

2.3 The Risk Management Strategy is supported by a strategic risk register. The register is used to record the key risks faced by the Trust and the responses to them. It is maintained by relevant senior management staff, drawing on input from their teams, and is regularly reported to the Board and the Finance, Audit and Risk Committee which is the assurance owner for the risk.

2.4 PAY operates within a challenging environment, and a number of external pressures combine to create operating conditions which require active management and response. The Corporate Plan recognises and identifies these key factors.

3 Definitions

3.1 The definition of risk for the purposes of this Strategy is defined as:

"The threat that an action or event or failure to react will expose the organisation to loss and/or adversely affect its ability to meet its objectives"

3.2 The definition of risk management for the purposes of this Strategy is defined as:

"Taking actions to reduce uncertainty and prepare for the consequences of risks, and making sure that the organisation can leverage risk to its best advantage"

4 Governance Framework

4.1 All Academy Trusts must comply with the ESFA's Academies Financial Handbook as a condition of their funding agreement. It provides an overarching framework for implementation of effective financial management and control. The Handbook states that Trusts must manage risks to ensure its effective operation and must maintain a risk register.

4.2 Irrespective of external requirements and guidance, PAY has its own compelling reasons for needing a robust approach to risk management, and over time the internal controls framework of the business has evolved to ensure that this is the case. The Board recognises that it has overall responsibility for risk management. This is a duty that the Board takes very seriously, and the Board sets a culture for the business to ensure that risk is appropriately managed within the context of the organisation's risk appetite. The Board recognises that both risk appetite and the key risks that the Trust is exposed to are fluid, and therefore it is crucial that the risk management framework in place has sufficient flexibility to meet the changing needs of the Trust over time.

4.3 Under its Terms of Reference, the Finance, Audit & Risk Assurance Committee is required to review the risk management processes of the Trust, and assessment of business risk is delegated to executive management. The Committee also review the top 5 strategic risks by score at each meeting.

4.4 All reports to all Boards and Committee meetings require specific consideration of risk factors which are relevant to the paper being presented. This strategy states that the 'Risk' section of all Board and Committee papers will be split into two sub-sections:

• Are there any risk implications within the paper being presented?

• Is the risk issue identified outlined in the risk register?

5 Risk Categories

5.1 The Board has set five headline strategic priorities for PAY:

- Improve outcomes for children and young people and expand opportunities for all in PAY schools communities.
- Establish PAY as a well governed and effective Multi Academy trust.
- Develop business and financial systems efficiently and transparently to ensure good stewardship of public funds and assets.
- Develop a growth strategy to sustain and strengthen our partnerships
- Develop our workforce

5.2 All identified risks must in some way have a negative impact on the above priorities, otherwise they are not risks which are relevant to the strategic risk register. This will be clear within the risk register.

6 Risk Appetite

6.1 Setting the business risk appetite is a key Board responsibility. If this is not done then employees, when faced with real life decisions, will make choices based on their own risk appetites. Where this differs from the corporate view of risk appetite then the wrong decision may be made.

6.2 For PAY, classification of risk appetite is as follows:

Classification	Description
Averse	Avoidance of risk and uncertainty is a key organisational objective
Minimalist	Preference for ultra-safe business delivery options that have a low degree of inherent risk and only have potential for limited reward
Cautious	Preference for safe delivery options that have a low degree of residual risk and may only have limited potential for reward
Open	Willing to consider all potential delivery options and choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward (and value for money, etc.)
Hungry	Eager to be innovative and to choose options offering potentially higher business rewards, despite greater inherent risk

6.3 PAY' risk appetite will be measured against the key elements of the following business operations periodically, and approved by the Board no less than annually, these include but are not limited to:

- Compliance
- Financial Management
- Image and Reputation
- Service Delivery
- Growth

6.4 The PAY Board approved risk appetite statements are listed below as at May 2020:

Operational Area	Risk Appetite	Appetite Description
Compliance	Averse	Failure not an option, governance framework developed to support full compliance with all external requirements all of the time.
Financial Management	Minimalist	Strong financial management required at all times with scope to flex the business plan (within viability parameters) to support corporate objectives.
Image and Reputation	Open	Emphasis on promoting and strengthening the brand and recognition that properly assessed risk taking can lead to opportunities for brand strengthening and other opportunities.
Service Delivery	Open	Emphasis on adherence to policies and procedures, need for quality assurance but appetite to consider new ways of working and technological innovation.
Growth	Open	Emphasis on organisational growth and prepared to consider taking on failing schools that deliver an acceptable level of reward and a greater opportunity to turnaround performance and achieve objectives.

7 Risk Identification and Assessment

7.1 PAY has an established framework for identifying, evaluating, monitoring and reporting risks. This is performed via the strategic risk register that is in place, with regular reporting to the Board and the relevant committee.

7.2 All risks will be scored against a common grading methodology as follows:

Likelihood	Very likely	**5**	5 Low	10 Medium	15 High	20 High	25 High
	Likely	**4**	4 Low	8 Medium	12 Medium	16 High	20 High
	Unlikely	**3**	3 Low	6 Medium	9 Medium	12 Medium	15 High
	Very Unlikely	**2**	2 Low	4 Low	6 Medium	8 Medium	10 Medium
	Rare/Impossible	**1**	1 Low	2 Low	3 Low	4 Low	5 Low
			1	2	3	4	5
			No consequence	Minor	Moderate	Significant	Major
			Impact				

7.3 The probability scoring of risks will be based on the likelihood of them occurring within the period covered by the current strategic plan, using the following scale:

5	Very High Probability	>75%
4	High Probability	50%-75%
3	Medium Probability	10%-50%
2	Low Probability	1%-10%
1	Very Low Probability	<1%

7.4 The impact scoring of risks will be based on the following scale:

Grade	Financial (in any one year)	Strategic	Reputational	Compliance
5	Over £500,000	Non achievement of major strategies	Long term damage to reputation with stakeholders	Unrecoverable breach of stakeholder standards
4	Over £200,000	Non achievement of key elements of major strategies	Multiple customer complaints, local media reports	Recoverable but major breach of stakeholder standards
3	Over £100,000	Delayed achievement of major strategies	Isolated customer complaints	Minor breach of stakeholder standards
2	Over £50,000	Delayed achievement of key element of major strategies	Failure against performance standards	Requires closer engagement with stakeholders
1	Under £50,000	No direct strategic impact	Short term measurable issue	No material impact to stakeholders

8 Risk Management and Review

8.1. Tactics for risk management are as follows:

Tolerate accept the risk and monitor;

Treat take further action to reduce the likelihood of occurrence or the impact;

Transfer move the impact of the risk outside of the organisation (e.g. insurance);

Terminate stop carrying out the risky activity;

or

Take advantage of an opportunity

8.2 For any given risk, whichever of the above tactics are deployed should be designed to contain or reduce the probability that the risk will occur in the first place, and/or the impact that it will have on the business if it does occur. In practice, the vast majority of identified risks will fall into the 'tolerate' or 'treat' categories since ability to transfer, terminate or take risks is often limited.

8.3 Senior managers will be responsible for operational management of risks in their areas of operation.

9 Assurance Framework

9.1. The Trust will operate the three lines of defence model for assuring itself that risks are being appropriately managed.

9.2 The three lines of defence are as follows:

First Line – Assurance from the function that owns and manages the risk department

Second Line – Assurance from another part of the business not part of the function that owns and manages the risk

Third Line – Assurance provided by an external source appropriate to the risk, eg, internal audit or other external advisors with specialist knowledge

9.3 Each risk in the risk register has an Assurance Owner, this will either be the Board itself or the Finance, Audit and Risk Committee, dependant on the nature of the risk. The relevant assurance owner will undertake a periodic "deep dive" of risks led by the risk lead.

9.4 An Annual Assurance Plan will be devised with feedback from assurance owners and will be shaped by the strategic risk register scores as well as the external operating environment and information made available from stakeholders including the Regulator. The Annual Assurance Plan will include, but is not limited to, the Annual Internal Audit Work Plan.

10 Effectiveness Assessment

10.1. To ensure that its risk management framework remains suited to business need and meets good practice expectations, PAY will undertake the following activities:

• Self-assessment of the risk management framework through review and update of the Risk Management Strategy in line with agreed review dates

• Benchmarking the framework against best practice in the sector and beyond

• Accessing external learning opportunities to develop risk management expertise within the business

• Periodic external validation by internal audit aligned to the annual assurance plan

11 Implementation and Delivery

11.1 Management and review of the risk register will take place in accordance with the following cycle:

By Risk Lead	No less than bi monthly
By Finance, Audit and Risk Committee	Top 5 Risk by Score at each meeting
By the Board	At least four times annually

12 Review

12.1 This policy will be reviewed no less than annually or earlier as needed.

Approved By (print name):	Nick Briggs
Role Title:	Chair of Trustees
Signature:	
Date:	27 May 2020