



Three  
Spires  
TRUST

*'Life in all its fullness'*

# Risk Management Policy

Policy owner	Chief Financial Officer
Approved by	Trust Board
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## Policy Version Control

Version	Date	Author	Changes
1.0	27.08.2024	R Mayfield	Risk identification Risk process Risk evaluation Risk management Risk scoring Roles & responsibilities

## Purpose

The purpose of this policy is to set out how Three Spires Trust will identify and manage current and future risks to ensure it can further its charitable objects, protect its students, staff and assets and ensure financial sustainability.

## Scope

This policy applies to both the Three Spires Trust and its academies.

## Policy statement

The Three Spires Trust are committed to effectively identifying and assessing risks, evaluating the actions that need to be taken to manage those risks and ensuring there is periodic monitoring and assessment.

Our aim is to ensure that:

- Significant strategic and operational risks in the current context are known and monitored, enabling informed decisions and timely action to be taken;
- Risks are identified and assessed at a formative stage as future opportunities arise;
- Our common purpose, vision, strategic priorities and operational plans are achieved more successfully.

## Risk Management

Risk is inherent in everything that Three Spires Trust does to deliver high quality services. Risk management is an essential part of governance and leadership and an integral part of business planning and the decision-making processes. Three Spires considers risk management in line with the ICAEW four lines of defence principle:

- **1st line of defence** – management and staff who own and manage risk on a day-to-day basis.
- **2nd line of defence** – the board who oversee the effectiveness of the risk management framework.
- **3rd line of defence** - the internal scrutiny function who provide independent assurance on the overall effectiveness of risk management and controls.
- **4th line of defence** - assurance from external independent bodies such as the external auditors and other external bodies.

Risk management involves the identification, measurement, management, monitoring and reporting of threats to Three Spires Trust's business objectives. Such threats can arise from a wide variety of sources such as litigation relating to safeguarding failures, financial uncertainty from a falling roll, security risk from inappropriate access to data, property risk from fire or flood, accidents resulting in injury, natural disasters, and of course a global pandemic. School leaders identify risks and implement appropriate mitigating control measures as part of normal business, for example managing the risks associated with school trips.

Risk management is not about adding new processes, but ensuring processes are integrated in the management and operation of businesses. Effectively managing risk informs business decisions, enables a more effective use of precious resources, enhances strategic and business planning and strengthens contingency planning.

Three Spires works hard to mitigate risk throughout our risk management process. The Trust also recognises that if we are to be innovative and to improve the life chances of young people education will have to change to reflect a changing society. Innovation and challenge of the status quo can be inherently risky. As a trust we are keen to foster innovation and improvement even if this means that we will be taking on additional risk if this enable the trust to achieve it's strategic plan. This additional risk will be carefully managed.

## **Risk Identification**

All potential events that are a threat to the achievement of business objectives (including not capitalising on opportunities) are identified, defined and categorised. Events that appear to be negative, but which do not have any direct impact on business objectives, may not be risks at all.

To ensure all major risks are identified it is helpful to consider risks under the following categories:

- **Internal risks** - these are risks over which Three Spires has some control, by managing them through internal controls/ additional mitigating actions. Examples of such risks include health and safety risks, data security.
- **External risks** - this focuses on big external events/perils and then considers how to make the academy trust more resilient to such events. Examples of such risks include a pandemic and extreme weather.
- **Strategic risks** – these are risks to the achievement of Three Spires' core objectives. For example, the risk of high staff turnover.
- **Project risks** – risks associated with any critical projects Three Spires may be involved in. For example, slippage on the delivery timescale for a new build.

Whilst risk management assessment at board level will focus on the highest priority risks, which will have the greatest impact on the trust, there is also a need for school leaders to assess operational risks. In Three Spires where we have multiple academies, our academy committees play an vital role in working with the trust leadership team to identify these risks and ensure plans are in place to minimise any impact on the academy trust and its pupils. The FAR committee's role is to oversee that all categories of risk are identified and must extend to ensuring the risks at constituent academies are being assessed and addressed appropriately.

The risk climate can change rapidly, and it is important emerging risks are carefully assessed and where appropriate are reflected in academy trust risk registers.

## **Roles & Responsibilities**

### **Introduction**

The Trust Board is responsible for risk management and for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives whilst safeguarding the public funds and assets for which it is responsible. The Trust Board is advised in this role by the Finance,

Audit & Risk (FAR) Committee and both are advised and informed by the Trust Executive Leadership Team.

This document is supported further by the individual Academy level risk registers, which are maintained at Academy level and reviewed by their Local Governing Bodies. These are then reviewed on an annual basis by the Trust CFO who will raise any concerns with the Finance, Audit & Risk Committee and ensure that significant risks affecting the Trust as a whole are included in the Trust Risk Register.

### **Trust Board**

The Trust Board fulfils its risk management role by establishing the system of internal controls:

- Approving and reviewing a series of policies that underpin the internal control process.
- Agreeing objectives, plans and resources by means of the whole Trust budget, the detailed Trust strategy and its underlying delivery plan.
- Approving this policy statement and the associated risk register and reviewing them carefully each year to identify risks, near misses and opportunities.
- Considering carefully advice from the Internal Auditors and External Auditors together with advice from any other third parties including external consultants or inspectors.

In its ongoing consideration of the risk register the Trust Board should consider these issues:

- Whether risk management continues to be linked to the achievement of overall Trust objectives;
- The appropriate risk appetite or level of exposure for the Trust as a whole;
- Whether risk assessment and risk-based internal control are embedded in ongoing operations and form part of the Trust's culture;
- Changes in the nature and extent of fundamental risks and the Trust's ability to respond to those changes;
- The extent and frequency of reports on internal control to the Trust Board;
- The incidence of and fundamental control failings (risk events) or weaknesses identified at any point (near misses) and the impact that they could have;
- The effectiveness of the overall approach and policy to risk management and whether changes or improvements to processes and procedures are necessary.

### **The Finance, Audit & Risk (FAR) Committee**

The FAR committee oversees internal controls, internal assurance and external audit across the trust. It will monitor the implementation of this policy, ensure that risks are being addressed appropriately through internal scrutiny and report to the board on the adequacy of the trust's internal control framework, including financial and non-financial controls and management of risks.

### **Accounting Officer**

The trust's accounting officer, who is the Chief Executive Officer (CEO), is accountable to the board for the management of opportunities and risks on behalf of the trust and ensuring agreed actions are implemented.

### **Principals / Academy Committee's (AC's)**

The Principal and AC's will be involved in identifying, assessing and managing risks relevant to their individual school and producing, and updating their risk register.

### **Trust Executive Leadership Team**

The Trust Executive Leadership Team fulfils its risk management role by:

- Implementing the Trust's policies on risk management and internal control;
- Advising the Finance, Audit & Risk Committee and the Trust Board of the fundamental risks faced by the Trust and helping them to evaluate those risks;
- Providing timely and sufficient information to the Trust Board;
- Assisting the Finance, Audit & Risk Committee in drawing up the risk register;
- Working to embed risk management and risk-based internal control in all aspects of Trust management.

### **Co-ordination of Risk Management Activities across the Trust**

Risk management activities across the Trust will be co-ordinated by the Chief Financial Officer (CFO).

The Academy Principals, their Academy Leadership Teams and Academy Committees are responsible for championing risk assessment and management within their own setting and for reinforcing risk-aware attitudes and responses.

They are responsible for risk identification and assessment. They must review and update their risk register at every meeting of the Academy Committee and report any changes directly to the Trust CFO. This review will include action planning for significant risks as well as monitoring of other risks.

At the beginning of each new academic year Academy Principals must ensure that their academy risk register has been fully updated and reviewed so that it can be presented and discussed at the Autumn term Academy Committee meeting.

The CFO, together with the wider Trust Executive Leadership Team, is responsible for reviewing the Academy level risk registers and reflecting any relevant changes in the Trust risk register.

The CFO is also responsible for ensuring that the Trust risk register is maintained via discussion at Trust Leadership Team meetings. Changes made to the Trust risk register must be tracked in order to ease reporting to the Finance, Audit and Risk Committee.

Training on risk management will be developed and provided to those responsible for risk identification and assessment across the Trust.

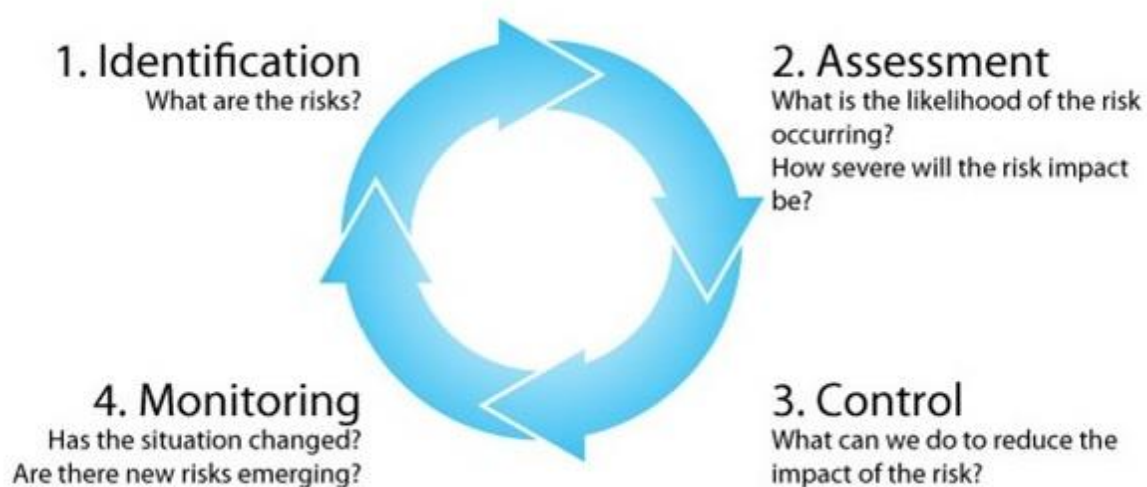
## Risk Management Process

1. Within the academies, detailed consideration of risk is the responsibility of the Principal in conjunction with his Senior Leadership Team. The SLT identify, assess and control risks throughout the year and produce a Risk Register for consideration by the Three Spires Trust Finance, Risk and Audit Committee. The Finance, Risk and Audit Committee reviews the Risk Register and reports on the Academies, and the Trusts risk framework to the Trust board.
2. In accordance with their policies the Three Spires Trust Board delegates' responsibility for risk management in the Academies to the Principal and his SLT. The Principal is responsible for the initial identification of the risks with the support of the SLT. It is expected that these would take into account the Academy's operational and strategic objectives. Following that identification of the risks, the Trust Leadership team takes responsibility for detailed assessment of risk at the Academies, and is assisted in this responsibility by input from the Academy's Senior Leadership Team.
3. The key controls used by the SLT and the Trust Leadership Team should include:
  - Formal agendas for all Committee and Board activity;
  - Detailed terms of reference for all Committees;
  - Comprehensive strategic planning, budgeting and management accounting;
  - Established organisational structure and lines of reporting;
  - Formal written policies on all aspects of activity;
  - Clear authorisation and approval levels for financial expenditure; and
  - Vetting procedures as required by law for the protection of the vulnerable.
4. The Risk Register analyses:
  - The financial procedures and controls
  - The major risks to the Academy, including (but not limited too):
    - › Strategic risk
    - › Loss of income
    - › Damage to reputation
    - › Failure to teach the current syllabus
    - › Risk of a child protection issue
    - › Gaps in Trust Board skills
    - › Conflict of interest
    - › Employment disputes
    - › Major health and safety issues
    - › Possible data loss
    - › Risk of fire, flood and land slip
    - › Poor cash flow management
    - › Fraud
    - › Loss through inappropriate investments
    - › Safeguarding

5. The measures used to protect the Academies, and the Three Spires Trust, against such risks, including:
  - Safer recruitment of staff, trustees and volunteers
  - Measures to ensure the selection, training and appraisal of appropriately qualified staff and Governors
  - Insurance – Risk Protection Arrangement
  - Strong financial controls that are regularly reviewed
  - Use of professional advice from such professionals such as lawyers, auditors, Health and Safety consultants, architects and surveyors as required
  - Formal review of compliance
6. The Three Spires Trust risk register is supported by the individual Academy level risk registers, which are maintained at Academy level and reviewed by their Academy Committees. These are then reviewed on an annual basis by the CFO who will raise any concerns with the Finance, Audit & Risk Committee and ensure that significant risks affecting the Trust as a whole are included in the Trust Risk Register.
7. The Academy Principals, their Academy Leadership Teams and Academy Committees are responsible for championing risk assessment and management within their own setting and for reinforcing risk-aware attitudes and responses. They are responsible for risk identification and assessment. They must review and update their risk register at every meeting of the Academy Committees and report any changes directly to the CFO. This review will include action planning for significant risks as well as monitoring of other risks.
8. The CFO, together with the wider Trust Leadership Team, is responsible for reviewing the Academy level risk registers and reflecting any relevant changes in the Trust risk register. The CFO is also responsible for ensuring that the Trust risk register is maintained via discussion at Trust Leadership Team meetings on a termly basis. Changes made to the Trust risk register must be tracked in order to ease reporting to the Finance, Audit and Risk Committee. Training on risk management will be developed and provided to those responsible for risk identification and assessment across the Trust.
9. The Three Spires Trust Board is required to approve the Risk Register annually (as a minimum).
10. Three Spires Trust appoint an external supplier as an externally provided internal audit. This enables trustees to have an independent view on all aspects of risk management and provides an effective and essential third line of defence for the trusts risk management.
11. A fourth line of defence is provided by the Trusts external auditors and other regulatory bodies such as DFE, ESFA, OFSTED.

## Risk Assessment & Management Approach

The Academies SLT and Trust Leadership Team use a 4-stage approach to the risk assessment and management process, as follows:



Risks are identified by considering key aspects of the Academy, focusing initially on factors that are significant in the achievement of the Academies overall aims and objectives. Trustees and SLT will draw on their knowledge of the Academies and external factors to draw together a list of risks faced by the Academy. This can be expected to change over time and the list initially identified should be reviewed on a regular basis to ensure that it remains up to date.

## Risk Identification Matrix

The results of risk identification are assessed in terms of likelihood and impact. Each of these factors is scored from 1 to 5, with 5 being the most severe, as follows:

Impact			Likelihood		
1	<b>Insignificant</b>	No impact on service or finances No impact on reputation Complaint unlikely Litigation risk remote	1	<b>Remote</b>	May only occur in exceptional circumstances
2	<b>Minor</b>	Slight impact on service or finances Slight impact on reputation Complaint possible Litigation possible	2	<b>Unlikely</b>	Expected to occur in a few circumstances
3	<b>Moderate</b>	Some service disruption Some impact on finances Potential for adverse publicity (avoidable with careful handling) Complaint probable Litigation Probable	3	<b>Possible</b>	Expected to occur in many circumstances
4	<b>Major</b>	Service disrupted Major Impact on finances Adverse publicity not avoidable (local media) Complaint probable Litigation Probable	4	<b>Probable</b>	Expected to occur in many circumstances
5	<b>Extreme / Catastrophic</b>	Service interrupted for significant time Severe impact on finances Major adverse publicity not avoidable (national media) Major litigation expected Resignation of senior management and board Loss of beneficiary confidence	5	<b>Highly Probable</b>	Expected to occur frequently and in most circumstances

Once risks have been identified it is important to measure them to give a standard for comparing the risks consistently. Measurement consists of assessment, evaluation, and ranking.

The aim of assessment is to understand better each specific instance of risk, and how it could affect business objectives. Stakeholders should estimate:

- the likelihood (or probability) of it occurring, and
- the consequence (or severity) if it did occur

Three Spires Trust uses a scoring approach, using a range of 1 to 5 for both likelihood and consequence. For example, a score of 5 for likelihood would denote an extremely likely event and 5 for consequence would denote a critical level of damage.

**Evaluation:** the “r scores” for each risk’s likelihood and impact respectively are combined to derive a single risk score reflecting its overall level of threat. Using our range of 1 to 5 generates a numeric score with the minimum being 1 (1x1) and the maximum being 25 (5x5).

### Scoring of Risk

		Likelihood				
		1 Rare	2 Unlikely	3 Possible	4 Likely	5 Almost Certain
Consequences	5 Catastrophic	5 Moderate	10 High	15 Extreme	20 Extreme	25 Extreme
	4 Major	4 Moderate	8 High	12 High	16 Extreme	20 Extreme
	3 Moderate	3 Low	6 Moderate	9 High	12 High	15 Extreme
	2 Minor	2 Low	2 Moderate	6 Moderate	8 High	10 High
	1 Negligible	1 Low	2 Low	3 Low	4 Moderate	5 Moderate

### Key:

Three Spires Trust uses a traffic light system (RAG-rating) for an intuitive representation of the ranking of risks. The matrix also provides a reference for the risk register to identify which risks fall outside of the Trusts level of tolerance, based on its risk appetite, and which need to be managed actively as shown in the key below

Risk Score – R Rating	Risk Severity
1-3	Minor or Insignificant Risk
4-7	Moderate Risk
8-12	High Risk
13-25	Extreme / Catastrophic Risk

**Ranking:** once the scores for likelihood and impact have been combined into a single risk score, they can be plotted on a risk matrix. The matrix is simply a grid showing high likelihood/high impact risks to the upper right and low likelihood/low impact risks to the lower left.

## Management of Risk

Once risks have been assessed, evaluated and ranked, stakeholders will need to ensure there are appropriate plans to manage them. These plans include preventative controls, mitigation processes and contingency plans, if risks materialise. The approach taken will depend substantially on the academy trust's risk appetite and risk capacity:

- **Risk appetite** – the amount of risk that the academy / Three Spires Trust is willing to accept in the pursuit of its objectives
- **Risk capacity** – the resources (financial, human, and so on) which the academy / Three Spires Trust is able to put in place to manage risk

Consideration of these factors may generate disagreement owing to differing views of risk, so it is important that discussion involves debate and challenge. Trustees may feel more comfortable when there is greater control of risk, but the availability of Three Spires resources and capacity must be taken into consideration. Excessive control may be stifling as well as expensive and controls and resources will directly affect how assured trustees feel about risks.

The Trust board reviews its tolerance and capacity for risk management and this informs the risk control strategy. Three Spires uses the “5-T’s” approach to managing its risk strategy.

This approach involves selecting the most appropriate risk treatment option(s) to balance the potential benefits from the achievement of objectives against the costs, efforts, or disadvantages of proposed actions.

- **Tolerating** risk is where no action is taken. This may be because the cost of instituting controls is not cost-effective or the risk or impact is so low that they are considered acceptable. For instance, Three Spires Trust may decide to tolerate the risk of contracting with a supplier with a poor credit rating provided the goods/services could be obtained relatively easily from someone else.
- **Treating** risk involves controlling it with actions to minimise the likelihood of occurrence or impact. There may also be contingency measures to reduce impact if it does occur. For instance, Three Spires may decide to train more than the statutory minimum of staff as paediatric first aiders and to put in place a rota for first aid cover during lunchtimes.
- **Transferring** risk may involve the use of insurance or payment to third parties willing to take on the risk themselves (for instance, through outsourcing). Three Spires may decide to take out insurance to mitigate the risk of the excessive costs of supply staff in the event of extended staff absences.
- **Terminating** risk can be done by altering an inherently risky process to remove the risk. If this can be done without materially affecting operations, then removal should be considered, rather than attempting to treat, tolerate or transfer. Alternatively, if a risk is ranked highly and the other potential control measures are too expensive or otherwise impractical, the rational decision may well be that this is a process the academy trust should not be performing at all. For instance, Three Spires may decide not to contract with a related party to eliminate reputational risk.

- **Take Advantage** - in recognition that the uncertainty attached to risk sometimes offers opportunities as well as threats. This is important for a Trust such as Three Spires where innovation and challenge are an essential part of our vision and values.