



# PRINCE REGENT

## STREET TRUST

# Risk Management Policy

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## Purpose

The purpose of this policy and procedure is to outline Prince Regent Street Multi Academy Trust's (the Trust) risk appetite and approach to managing risk.

“Risk” is used in this policy and procedure to describe the uncertainty surrounding events and their outcomes that might have a significant effect, either enhancing or inhibiting operational performance; achievement of aims and objectives; or meeting the expectations of stakeholders.

“Critical Risks” are those risks which have a high likelihood of occurring and would, if they occurred, have a severe impact on operational performance, achievement of aims and objectives, or could damage the reputation of the Trust.

## Scope

This policy and procedure apply to the risk management strategy for the Trust as a whole.

## Key Principles

The Trust believes that the risk management strategy is integral to its organisational practice, lying at the heart of effective management and good governance and is the responsibility of all within the organisation.

The Board of Trustees has a responsibility under company and charity law to state in its annual accounts that the critical risks to which the Trust is exposed, have been reviewed and systems have been established to mitigate those risks.



Overall risk management is aimed at:

- protecting pupils, 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 the Trust and its academies;
- adopting legal compliance as a minimum standard.

## Risk Appetite

The Trust's approach to risk is to minimise its exposure to reputational, compliance and financial risk, whilst accepting and encouraging an increased degree of risk in pursuit of its mission and objectives.

It recognises that its appetite for risk varies according to the activity undertaken, and that its acceptance of risk is subject always to ensuring that potential benefits and risks are fully understood before developments are authorised, and that sensible measures to mitigate risk are established.

The Trust's appetite for risk across its activities is provided in the following statements, and is illustrated diagrammatically below:

	Unacceptable to take risks ←————→ Higher willingness to take risks									
	1	2	3	4	5	6	7	8	9	10
Reputation	←————→									
Safeguarding	←————→									
Compliance	←————→									
Financial			←————→							
Education and Student Experience			←————→							
People and culture			←————→							
Major change activities			←————→							
Environmental and Social Responsibility			←————→							

### Reputation

The Trust has low appetite for risk in the conduct of any of its activities that puts its reputation in jeopardy, could lead to undue adverse publicity, or could lead to loss of confidence by stakeholders.

### Safeguarding

The Trust set out their expectations regarding safeguarding within the Governance Handbook,



scheme of delegation, Trust safeguarding statement, and academy safeguarding policies. Trustees expect the highest standards are maintained in selection and monitoring of staff and in the operation of safeguarding and child protection policies and procedures. The Trust works with the Local Safeguarding Board to ensure that regular training and audits are conducted. The Trust has no appetite for any deviation from standards in these areas.

## **Compliance**

The Trust places great importance on compliance, and has no appetite for any breaches in statute, regulation, professional standards, bribery or fraud.

## **Financial**

The Trust aims to maintain its long-term financial viability and its overall financial strength. The Trust has considerable reliance on continued Government funding through the ESFA.

The Trust will aim to manage its financial risk by ensuring that all academies in the Trust will hold a prudent level of reserves. It is expected that the target level of reserves represents 1 month of annual expenditure, however it is expected that each academy will be reviewed on an annual basis with reference to their funding needs and requirements. It is expected that the academies within the Trust will set a balanced budget for the year.

Any forecast in-year surplus will be reviewed by the Board of Trustees, Chief Executive Officer and Chief Finance Officer for the Trust to ensure that existing pupils / students are not disadvantaged through the retention of excessive reserves. Any request for expenditure against the reserves balance must be approved by Trustees. Any in-year deficit budget that is forecast for the following financial year must be accompanied by a deficit recovery plan to ensure the long- term financial stability of the academy. Academies are able to make a request for expenditure against reserves.

The Trust recognises that their financial approach should involve an increased degree of risk and is comfortable in accepting this risk subject always to ensuring that potential benefits and risks are fully understood before developments are authorised and that sensible measures to mitigate risk are established.

The above statements take priority over the statements of areas of risk appetite below.

## **Education and Pupil/Student Experience**

The continuing success of the Trust is dependent on securing sustained improvement and strong educational outcomes in each of its academies and that no academy is graded less than 'good' by Ofsted. The Trust recognises that development of educational approaches and teaching and learning strategies may involve a degree of risk. The Trust is comfortable in accepting this risk subject to always ensuring that potential benefits and risks are fully understood before developments are authorised and that sensible measures to mitigate risk are established.



## **People and Culture**

The success of the Trust is reliant upon the quality of its staff and so the Trustees monitor and review the extent to which the Trust and individual academies ensure the continued training and development of staff whilst also seeking to ensure clear lines of succession planning. The Trust aims to value, support, develop and utilise the full potential of our staff to make the Trust a stimulating and safe place to work. It places importance on a culture of academic freedom, equality and diversity, dignity and respect, collegiality, annual reviews, the development of staff, and the health and safety of staff, students and visitors. It has low appetite for any deviation from its standards in these areas

## **Major Change Activities**

These may be required periodically to develop the Trust, and to adapt to changes in the regulatory and technological environment and in the nature and conduct of the Trust's activities. The Trust expects such changes to be managed according to best practice in project and change management. The Trust is comfortable in accepting this risk subject to ensuring that potential benefits and risks are fully understood before developments are authorised and that sensible measures to mitigate risk are established.

## **Environment and Social Responsibility**

The Trust aims to make a sustainable, and socially responsible contribution to society through its education provision and operational activities. It recognises that this may involve an increased degree of risk and is comfortable in accepting this risk subject to ensuring that potential benefits and risks are fully understood before developments are authorised and that sensible measures to mitigate risk are established.

## **Risk Management Roles & Responsibilities**

The Trust's policy is to adopt best practice in the identification, mitigation and effective control of risks to ensure they are managed to an acceptable level.

It is acknowledged that some risks will always exist and will never be eliminated.

The Trust notes that whilst all employees are responsible for risk management, there are some specific responsibilities as identified below.

### **The Board of Trustees**

The Board of Trustees is responsible for making a statement on risk management in the annual accounts of the Trust. In order to be able to make the required statement with reasonable confidence the Trustees should ensure the following:

- a policy and strategy for risk appetite and management are in place; and that the policy will be reviewed annually;
- the identification, mitigation and control of risk is linked to the achievement of the Trust's



- vision and strategic goals as set out in the Trust's Strategic Plan;
- the process covers all areas of risk including Leadership & Governance, Education, HR, ICT, Finance, Compliance, Business & Operations, and Health & Safety and is focused primarily on major risks;
- the process produces a risk exposure profile that reflects the Trustees' views as to levels of acceptable risk;
- the results of risk identification are reviewed, evaluated and managed; and ensure that the risk management is ongoing and embedded in management and operational procedure;
- that the Board is satisfied that the significant risks are being actively managed, with the appropriate controls in place and working effectively;
- that an annual review the Trust's approach to risk management is undertaken and that changes or improvements are made to key elements of its processes and procedures;
- that the Board may choose to delegate some or all of these responsibilities to its Audit & Risk Committee in line with the agreed Scheme of Delegation.

### **Chief Executive Officer**

The CEO is responsible for ensuring that Risk Management Policy is implemented across the Trust. The CEO will report annually on risk management to the Board of Trustees that:

- risks are correctly identified and evaluated;
- key risks are being managed appropriately including the effectiveness of the controls and other responses to them;
- the risk management framework and internal control framework is operating effectively; and
- management is properly reporting the status of key risks and controls.

The CEO will report to each Trust Board Meeting (currently 3 times per year in line with the agreed Governance Calendar) the current position in relation to the key critical risk factors as identified by Trustees. Any new risks will be identified in these reports.

The review of the Risk Register will be a standing item at the three Trust Audit & Risk Committee meetings.

### **Chief Finance Officer**

The Chief Finance Officer will strategically support the CEO in execution of their responsibilities in relation to the implementation of the Trust's Risk Management Policy by.

- ensuring monitoring arrangements are securely in place as part of the Risk Register process with clear lines of accountability to the Central Team and individual academies.
- provide a mechanism for risk management issues to be discussed and disseminated to all areas of the Trust;
- providing guidance, interpretation and understanding of the risk management systems;
- providing suitable information, training and supervision;
- maintain an appropriate incident reporting and recording system, with investigation procedures to establish cause and prevent recurrence;



- develop risk response processes, including contingency and business continuity programmes;
- developing specific programmes and procedures for establishing and maintaining risk management activities within the Trust;

## Risk Champions

Trustees, the CEO and the Chief Finance Officer are responsible for ensuring that each risk area is allocated to a Risk Champion.

Risk Champions are responsible for ensuring that within their area of responsibility that Trust procedures are followed in relation to risk management including:

- establishing and maintaining risk management activities;
- incident reporting and investigation;
- monitoring the Risk Register;
- seeking advice from the Chief Finance Officer/CEO as appropriate.

## Risk Identification

As part of the risk management cycle, consideration will be given to the following factors:

- the vision, beliefs, values and strategic goals of Trust;
- the nature and scale of the Trust's activities, both current and planned;
- external factors that may affect the Trust such as legislation and regulation, and the Trust's reputation with its key stakeholders;  
the Trust's operating structure.

Each identified Risk Champion will populate core risks in their area of responsibility onto the Risk Register held in the electronic portal.

### Inherent Risk Definitions - the following definitions will be used to identify risk:

- **Likelihood of Occurrence** – what is the chance of this risk occurring?

Category	Definition	%
Almost Certain	Event is expected to occur in most circumstances	>90%
Likely	Event will probably occur in most circumstances	60% - 90%
Possible	Event should occur at some time	40% - 60%
Unlikely	Event could occur at some time	0% - 40%



- **Severity of Occurrence** – what would be the impact if this risk occurred and what velocity might the impact occur?

Category	Definition
Minor & Moderate	Some small disruption to the organisation, but normal operations can continue.
Major	The smooth running of the organisation is affected.
Catastrophic	The organisation cannot operate in its normal capacity and/or is affected for a considerable period of time.

The Inherent risk is then calculated using the following matrix:

	Likelihood of Occurrence	1	2	3
Severity of Occurrence		Minor	Likely	Very Likely
1	Minor	1	2	3
2	Major	2	4	6
3	Catastrophic	3	6	9

<b>Outcomes</b>	No significant risk	Minor risk	Critical risk
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## Risk Control Strategy

The Trust will review the Risk Register on an annual basis at the first Audit & Risk Committee of the academic year to ascertain the current Risk Control Strategy based on its Risk Appetite and Risk Capacity.

Risk Appetite is the amount of risk the Trust is willing to accept in the pursuit of its objectives.

Risk Capacity is the resources (financial, human etc) which the Trust is able to put in place in managing risk.

The Trust will agree the control mechanisms in place for each identified risk based on the following definitions:

**Tolerate** - 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.





**Treat** - controlling risks with actions to minimise the likelihood of occurrence or impact. There may also be contingency measures to reduce impact if it does occur.

**Transfer** - the use of insurance or payment to third parties willing to take on the risk themselves.

**Terminate** - 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.

**Take Advantage** - in recognition that the uncertainty attaching to risk sometimes offers opportunities as well as threats. It may be logical to maximise the likelihood of the risk and to “mitigate” the consequences.

## Risk Mitigation

When Trustees have identified risks that should be controlled such as “treat” or “take advantage”, for each risk, the Risk Champion will review the mitigating factors in place to control the risk and identify these Risk Register. These are actions that will reduce the likelihood or impact of the inherent risk.

Additional mitigations/actions may be added by the Risk Champion at any point during the process.

## Residual Risk

At each review point, progress against all mitigating action is reviewed.

The review will then make a judgement on progress made since the last review to see what impact it makes on either the likelihood or impact of the inherent risk.

The default position is none.

The residual risk is calculated using the following:

Likelihood	X	Severity
(inherent Likelihood minus effect of the mitigations on the likelihood)		(inherent Severity minus effect of the mitigations on the severity)



The review process will take place on a termly basis, so that risks are reviewed and recorded at least three times a year.

Risk Champions may review risks as many times as required, but at the review point, the latest review will be considered.

Risk Champions may also add additional risks to the risk register as agreed with the CEO/CFO, which will then be reported to the Board of Trustees at the next appropriate meeting, for review and approval of the control strategy to be adopted.

## Residual Risk Position Reporting

	Likelihood of Occurrence	1	2	3
Severity of Occurrence		Minor	Likely	Very Likely
1	Minor	1	2	3
2	Major	2	4	6
3	Catastrophic	3	6	9

Outcomes	No significant risk	Minor risk	Critical risk
Actions	Monitor and review annually at Audit & Risk Committee	Monitor and report to Trustees three times a year at Audit & Risk Committee	Monitor and report to Trustees six times a year at Board of Trustees

## Monitoring and Review

The Risk Register ensures a framework for Trustees to ensure that monitoring and review dates are set up for each area of Risk.

Risk Register is a standard agenda item with the Audit & Risk Committee which meets three times per academic year. Risk Champions will complete a full review of all of their risks at the predefined review points prior to these meetings.

Trustees also review key critical risks at each of the Full Board meetings, as part of the CEO's report, and can access the Risk Register at any time through the electronic portal at any time.

Changes to significant risks are fed into the Risk Register outside of the existing review cycle where applicable ensuring that risk appetite, identification, control strategy and appropriate mitigation are at the heart of the Trust's operational procedures and strategic priorities.



## Conclusion

The Trust will endeavour to uphold the aims of this policy and apply all procedural elements to ensure risks are managed effectively to limit any possible negative impact or detriment of the Trust.

## Review

The Trust will review this policy every two years and at any such other time should changes to any relevant legislation or procedural process dictate necessary changes.

