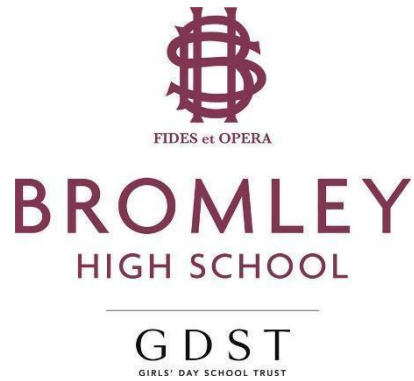


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Responsibility: DfO



GDST Risk Management Policy

Purpose

This policy and procedure forms part of the Trust's internal control and governance arrangements.

It explains the Trust's underlying approach to risk management, provides information about significant aspects of the risk management process and identifies the roles and responsibilities of those with key parts to play. The Trust believes that an effective risk management strategy is a matter of good organisational practice, lying at the heart of good management and good governance.

The Trust's Council has a responsibility under charity law to state in the charity's annual report and accounts that the major risks to which the charity is exposed, as identified by the Trustees, have been reviewed and systems have been established to mitigate those risks. At the same time, properly controlled risk-taking is necessary for the success of the organisation, to build capacity for the future and deliver against strategic goals, and this policy establishes a framework for the taking of such risks.

Risk Tolerance Statement

Risk tolerance is an expression of how much risk an organisation is prepared to take in order to meet strategic objectives.

The GDST manages risk in a responsible way, balancing the need for a very low tolerance in areas such as safeguarding and health & safety, with a greater tolerance for some risks to ensure that the organisation and our schools are innovative and bold.

Risk owners must consider this approach to risk tolerance and carefully consider what constitutes an acceptable level of risk and plan, record and monitor mitigating actions accordingly.

If any member of staff, or other stakeholders, have concerns that risks are not being managed appropriately, please refer to the [GDST's Whistleblowing policy](#).

Why we manage risk

Every day 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. As a registered charity we must provide assurance to the Department for Education, the Charity Commission, ISI, Ofsted, auditors, the Audit Committee and Council that we are managing risk correctly. We therefore need to formally identify corporate risks and mitigating actions

Furthermore, effective risk management adds value by:

- Improving decision making and business planning – underpinned by a sound understanding of the wider operating environment
- Supporting more efficient allocation and use of resources
- Protecting and enhancing the Trust's assets and reputation
- Developing and supporting staff and the knowledge base across the Trust

Scope

This policy applies to the Trust as a whole.

Definitions

Risk

“ Risk is used to describe the uncertainty surrounding events and their outcomes that may have a significant impact, either enhancing or inhibiting any area of a charity’s operations”.
(*Charity Commission, CC26*)

Risk management

Risk management refers to a coordinated set of activities and methods that is used to direct an organisation and to control the many risks that can affect its ability to achieve objectives. It involves the identification, measurement, management, monitoring and reporting of threats to an organisation’s business objectives. Such threats could arise from a wide variety of sources, including financial uncertainty, IT security, management errors, accidents, natural disasters, and so on.

The term risk management also refers to the programme that is used to manage risk. This programme includes risk management principles, a risk management framework, and a risk management process.

Risk capacity

This constitutes the resources which are at an organisation’s disposal (financial, staff, etc) which can be allocated towards managing risk.

Policy

The Trust’s policy is to adopt best practice in the identification, evaluation and effective control of risks to ensure they are managed to an acceptable level. **This policy exists in order to:**

- provide staff with a better understanding of what is meant by risk management;
- confirm and communicate the Trust’s ongoing commitment to the principle of risk management;
- establish a consistent framework and protocol for identifying, articulating and managing risk;
- assign accountability to management and staff for risks within their control and provide a structured process for risk to be considered, reported and acted upon throughout the organisation.

The process for the implementation of this policy and the staff responsible are outlined below.

Responsibilities for risk management

All employees have responsibility for contributing to risk management by bringing potential risks to the attention of management. Thereafter, it is the responsibility of the management team to determine how such risks are evaluated, mitigated, recorded and tracked.

Council

Has ultimate responsibility for risk and is required to make a statement on risk management in the annual report and accounts of the charity. In order to be able to make the required statement with reasonable confidence the Trustees should:

- ensure that a culture of risk management is embedded throughout the Trust;
- set policy and strategy for risk management – both generally and in specific circumstances;
- make sure that the identification, assessment and mitigation of risk is linked to the achievement of the charity’s strategic goals;
- satisfy themselves that the risk management process covers all areas of risk, e.g. governance, management, projects, operational, financial, reputational and other external factors;

- ascertain that the principal results of risk identification, evaluation and management are reviewed.

Audit Committee

The Committee has delegated authority from Council to scrutinise the process in place for identification and management of risk by the Executive, and will:

- review the full risk register on an annual basis;
- review key strategic risks at every meeting – and may require a more detailed analysis of any risks at a particular time;
- monitor the work of internal and external audit in respect of risk and use such knowledge to inform the development of audit plans.

The Chief Executive and the senior management team

Has responsibility for ensuring that risk management policy is implemented across the organisation and for coordinating risk management activity, and will:

- review the full risk register on an annual basis;
- review key strategic risks at every Executive Board meeting;
- anticipate and consider emerging risks and to keep under review the assessed level of likelihood and impact of existing key risks;
- provide regular and timely information to Audit Committee and Council on the status of risks and their mitigation;
- implement adequate corrective action in response to significant risks;
- embed learning from previous experience and ensure that crisis management plans are sufficiently robust to cope with high level risk.

Trust Office Governance Team

This team is responsible for sustaining awareness of the importance of maintaining an accurate risk register and for overseeing and coordinating its regular review. The team will also help ensure that School Governors have sufficient understanding of the GDST's risk management processes and that they review their school risk register on at least an annual basis.

Project Managers

Project Managers are responsible for ensuring that project risks are managed and, where necessary, escalated to steering groups and senior managers. Project Managers must also ensure that project risk registers are maintained and that risks are reported on in a timely manner through project governance structures.

Trust Office Directors and Departmental Risk Owners

Trust Office Directors and departmental risk owners are responsible for managing strategic, departmental and project specific risks that fall within their remit. They are required to record these risks on departmental risk registers, monitor the risks and their associated mitigating actions and ensure that risks are reported upon in a timely manner through designated reporting lines.

Heads, DFOs and school SLTs

Heads have responsibility for the effective management of strategic and operational risks facing their schools and should nominate a member of their SLT to take the lead in this area. All Heads and school SLTs are responsible for ensuring that they take personal responsibility for championing risk management across their schools and for reinforcing risk-aware attitudes and responses. The risks to which schools are exposed must be captured in a risk register.

Each school's strategic risks should relate to the objectives of the School Development Plan ("SDP"). The School Governing Board ("SGB") should support the creation and reflect on the implementation of the SDP, working alongside the Head to review the school's performance. As part of this review process, the SGB has a key role to play in ensuring that the school has effective processes in place to mitigate the strategic risks, any associated operational risks and reputational risks.

Operational risks should also be included in the school's risk register, to include key risks such as health & safety, estates, educational standards and third party risks such contract management and supply chains.

Internal Audit

Risk management forms part of the Trust's system of internal controls. The role of the internal audit function is to provide objective assurance to Council (via the Audit Committee) that:

- Risks are correctly 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.

In addition to providing assurance to Council that risk management is effective across the GDST, Internal Audit can also provide advice by:

- Supporting schools and Trust Office as they work to identify the best way to mitigate risk;
- Providing advice, facilitating workshops and training on risk management and risk frameworks; and:
- Being a champion for risk management, particularly at a school level, by using overall knowledge of the GDST and its schools.

Trust Office Procurement Team

The team will provide guidance and support to schools and Trust Office in relation to third party risks, such as contract management and supply chain risks.

Risk software

The GDST uses JCAD risk management software and all risk registers must be maintained in this system. All Trust Office departments and schools must have at least one nominated lead for ensuring that risk registers are kept up-to-date and that they are reviewed on at least a termly basis.

Further reading

- [Charity Commission guidance on charities and risk management.](#)
- [The Institute of Risk Management guidance.](#)

Risk Management Process

Robust risk management depends on having a clear understanding about what we are trying to achieve and what success will look like. The focus of our core risk management activity will be the risks to delivery of the strategic and operating objectives for the Trust and its schools. The Trust has therefore developed a risk management strategy built around a comprehensive risk management and controls assurance framework. In simple terms the cycle should be seen as indicated below.



Trust Office use a risk management software provided by a company called JCAD in order to support the Trust's capacity to record, monitor and review risks. Although at the present time the software is only in use at Trust Office, the intention is to roll it out for use in schools in due course.

Risk identification

At the risk identification stage, potential events that could adversely influence the achievement of strategic objectives are identified, defined and categorised. The process of risk identification involves all staff and all those involved in the governance of the Trust and its schools – and it is an ongoing exercise and should ensure that risk registers, the Trust's tool for documenting risks, and actions to manage each risk, are 'live documents'.

Council will focus on the identification of major risks, supported by the Executive. The Executive has responsibility for the management of those major risks and the identification and management of other risks flowing from the implementation of Council's strategy and from the day-to-day operation of the Trust's business.

Consideration will be given to the following factors:

- Our mission, vision and values and strategic goals;
- The nature and scale of the organisation's activities, both current and planned;
- External factors that may affect the organisation such as legislation and regulation and our reputation with our key stakeholders;
- The Trust's organisation structure;
- Past mistakes and problems the Trust has faced;
- Opportunities that might present themselves.

The Trust's Executive Team and school SLTs should establish a list of key strategic risks through identifying the potential obstacles that might prevent the Trust/school from achieving its objectives. Though each strategic risk is assigned a nominal owner, these risks are owned collectively by the Executive Team/SLTs because the mitigating actions will be primarily cross-departmental.

Risk analysis and assessment

Each identified risk will be assessed to determine the likelihood of the risk occurring and the potential consequence or impact of its occurrence for the team, department, school or Trust. Assessing and categorising risks helps in prioritising and filtering them, and in establishing further actions which are required.

The following scoring system will be applied to each risk:

Likelihood of occurrence

5	Is <i>expected</i> to occur, almost certain.	> 85%
4	Will probably occur, measures may or may not exist to reduce likelihood.	34% - 85%
3	Could occur, is possible. Measures to reduce likelihood exist but may not be fully effective.	15% - 33%
2	Might occur at some point in time. Conditions do exist for this to occur but controls exist and are effective.	5% - 14%
1	Rare, may occur in exceptional circumstances.	< 5%

Impact of occurrence

5	<i>Very significant</i> impact on strategic goals – may cause key objectives to fail.
4	Major effect – risk factor may lead to significant issues (financial, reputational, operational, HR, etc) or non-achievement of objectives.
3	Moderate effect – risk factor may lead to issues (financial, reputational, operational, HR, etc).
2	Fairly minor – some impact but relatively limited in scope.
1	Fairly insignificant – may lead to impacts that are small or tolerable for the Trust.

Each risk will have a gross risk score – calculated as the likelihood multiplied by the impact – with the higher the score indicating a greater urgency for mitigating actions and monitoring.

There is also a net risk score – calculated as the likelihood multiplied by the impact, but after risk mitigation actions have been taken into account.

Risk treatment and response

Once risks have been assessed and ranked, steps must be taken to ensure that there are suitable plans in place to manage them. An initial view, taking account of risk appetite and risk capacity, should be formed in considering how to respond to a particular risk. The Trust's approach is to use the following classifications of risk response:

Transfer	For some risks, the best response may be to transfer them. This might be done by conventional insurance or by supporting a third party to take the risk.
Tolerate	The 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. This course of action is common for large external risks.
Treat	The vast majority of risks will belong to this category. Taking action to reduce the chance of the risk occurring is not necessarily to remove the risk, but to contain it to an acceptable level or reduce its impact.
Terminate	Terminate the risk by doing things differently, thus removing the risk where it is feasible to do so.

A further explanation is provided below for each of these options.

Transferring risk: may involve the use of insurance or payment to third parties willing to take on the risk themselves (for instance, through outsourcing). A decision might be taken to take out insurance to mitigate the risk of the excessive costs of supply staff in the event of extended staff absences.

Tolerating risk: is where no action is taken. This may be because the cost of instituting controls is not cost-effective or the likelihood or impact is so low that they are considered acceptable. For instance a decision 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. It should be noted that risks which are tolerated must be closely monitored because changing circumstances, which increase either the likelihood or the impact, may prompt a decision to treat the risk instead.

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.

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 that should not be performed at all.

Risk monitoring registers

The results of the approach to risk identification, evaluation and management described above will be codified through the use of risk registers. A register is an essential component of risk monitoring and the risks contained within it should be reviewed on an ongoing basis throughout the year.

There will be a risk register relating to the Trust and activities undertaken at Trust Office, and separate risk registers maintained at each school. Guidance for the creation and management of risk registers at school level will be circulated periodically by Trust Office.

The register should capture the following information:

- A description of the risk and its gross and net risk assessment score
- The name of an individual who 'owns' the risk
- What the response to that risk is going to be – i.e. treat, tolerate, transfer, terminate
- The actions which will be used to mitigate the risk
- That nature of those actions – i.e. whether they are one-off, ongoing, etc
- Any relevant deadlines for carrying out actions
- The identities of those who are responsible for carrying out each action
- How the risk and its associated actions will be monitored

Business continuity and emergency response plans should actively draw upon relevant risks identified in risk registers.

Risk reporting and review

Risk registers will be presented and reviewed in a manner which is consistent with the responsibilities set out in the policy statement above. However, for ease of reference, this means the following:

Audit Committee

Will review the Trust's full risk register once each year and the strategic risks at every meeting.

Trust Office SMT

Will review the Trust's full risk register annually and strategic risks at every Executive Board meeting.

Project Steering Groups

Will review project risk registers at the beginning of each project phase and the highest scoring risks at every meeting.

School SLTs

Will formally review the school's full risk register once each year and the strategic risks on an at least termly basis. The full SLT should review the risk register, to ensure that the process is embedded and that there are sufficient segregation of duties to effectively manage and monitor risks.

School Governing Boards

Will review the school's strategic risks on at least an annual basis.

Head of Internal Audit

The Head of Internal Audit will review the schools' full risk registers on at least an annual basis and will provide feedback as required.

The review of risk registers provides the basis upon which new risks are identified, existing risks are reassessed and the scope and effectiveness of mitigating actions and monitoring processes are determined – leading back to the beginning of the risk management cycle.