Risk Management Policy

Richard Huish Trust

Policy owner	Chief Finance Officer
Approving board/ committee	RHT Board
Date approved	25 September 2023
Date implemented	25 September 2023
Review period	2 Years
Next review due	Summer 2025

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1. Introduction

1.1 Risk management is an essential element of corporate management and governance arrangements.

1.2 An effective risk management framework must be:

    i.   embedded at all levels of the business;

    ii.   both top-down and bottom-up, with identified risks being effectively escalated and disseminated as appropriate;

    iii.   consistent throughout the business;

    iv.   simple and not resource intensive (that is, not a 'cottage industry' in its own right);

    v.   not a 'bolt-on' to normal business activity, but instead central to it, and

    vi.   useful.

1.4 The starting point in determining our strategic risks is our strategic plan and strategic drivers, and the identification of risks that prevent us from achieving our plan. This may appear to be self-evident, but this relationship is often missing from risk registers which instead often concentrate on minor operational concerns, or major ones that have not been identified in the strategic plan.

1.5 Senior Leaders must ensure that there is appropriate linkage between risks reported through this procedure and risks that appear in other reporting such as Performance Reporting or Business Planning.

1.6 In considering how best to manage a risk once identified there are ostensibly four strategies available to us: -

- Transfer the financial consequences of the risk to a third party, outsourcing a service or insurance being prime examples.
- Avoid the risk by stopping the activity or not making the decision that creates the risk in the first place.
- Develop plans that manage the impact of the risk or mitigate against it crystalising.
- After having assessed the risk of an activity that cannot be avoided, look for ways of defraying the risk through insurance, more stringent controls, increased monitoring etc.

We maintain a strategic risk register that is regularly reviewed by the Board of Directors and the Audit and Risk Committee. Each member organisation of our Trust will maintain their own risk register owned by the Headteacher and their senior team and report directly to its respective Local Governing Body. Head Teachers will prepare an annual assessment of the risks facing their organisation, detailing how they plan to resource mitigating actions. Head Teachers will be invited to Audit and Risk Committee meetings, on an at-least annual basis, to outline to Directors the nature and context of the risks they face and how effective their plans are in either avoiding entirely or managing any negative impact of material risk.

1.7 An Internal auditor will be appointed to carry out internal audits both across the Trust and within any of our member organisation. The purpose of these reviews is to monitor our risk management arrangements, and to ensure that they are adequate and effective in practice

Trust wide. Internal audit reports and recommendations are submitted to the Audit and Risk Committee. Where actions are recommended that are school based, it is the responsibility of the head teacher and the Local Governing Body to oversee implementation. Progress will be monitored by the Audit and Risk Committee.

1.8 In addition to internal audit, external (financial statements) audit, the Department for Education (DfE), The Education Skills Funding Agency (ESFA) and Ofsted will also consider the adequacy and effectiveness of the risk management arrangements for the purpose of their own specific areas of responsibility.

2. Responsibilities

2.1 **The Richard Huish Trust (RHT) Board and the Chief Executive Officer have responsibility for the oversight of all activity in each member organisation. They have identified that its Audit and Risk Committee should have specific oversight over the Trust's risk management arrangements.**

2.2 The Chief Finance Officer has delegated authority for ensuring that all organisations have a robust and effective risk management framework.

2.3 The Head Teacher/Principal, of each member organisation, together with their senior team, have responsibility for ensuring that the determining of risk and management of mitigation plans are reviewed on a regular basis, no less than annually. Each Local Governing Body must review the institution risk register and the effectiveness of risk management on an at least annual basis.

2.4 For practical purposes, each identified Risk Owner within the Trust strategic risk register must update their portion of the relevant risk report in time for contents to be reviewed prior to relevant Board or Audit and Risk Committee meetings.

3. Risk Appetite

3.1 The following risk appetite statement has been agreed by the Board of Directors:

We are not risk adverse. In seeking to achieve our objectives we are willing to take reasonable risks, providing that they are identified, properly approved and that management have taken appropriate mitigating action, including preparing robust contingency plans. Staff who take risks within this context will not be penalised if subsequently, despite mitigation, the risk event crystalises.

3.2 The Trust's strategic risk register considers the impact and likelihood of significant/material risks crystalising that undermine the achievement of our strategic drivers and ultimately our vision. When assessing risks facing our Trust, it is important that we do not lose sight of the potential for an institutional level failure in control, for instance the failure of a control that leads to a major safeguarding issue, to materially impact the Trust as a whole. It is also important to look for trends in institutional risk registers that, although relatively minor in nature, could become a strategic risk if several or all institutions risks crystalised at the same time.

4. Types of risk

4.1 The list below is not exhaustive but outlines potential areas of activity that could present a risk to the individual institution, or the Trust as a whole, should controls designed to mitigate the risk fail

- An accident that is a result of a health and safety control failure
- A safeguarding incident
- Poor quality teaching
- Insufficient support for pupils and students
- Declining outcomes for pupils and students
- Underdeveloped progress tracking processes
- Weakness in the collection and reporting of student data
- Poorly maintained estate
- A data security breach reportable under GDPR
- A Cyber attack on an institution's IT network
- Inaccurate forecasting of income and expenditure
- Inaccurate recording of income and expenditure
- Ineffective financial management and reporting
- Unable to recruit to vacant staff roles
- Fraud
- Failures in the financial control framework
- Overly optimistic forecasting
- Failed or under-resourced school improvement plans
- Breaching primary legislation
- Failure to adapt to changes in the institution's operating environment
- An Ofsted judgement below Good
- Failing to manage the Trust's cash flow

5. Categorisation of risks and compilation of the strategic risk register scores

5.1 RHT uses a likelihood and impact approach to assessing risk severity. Likelihood is the probability of the risk crystalising using the scoring below: -

Risk score	Likelihood Score descriptor
1	Highly unlikely
2	Unlikely
3	Possible
4	Likely
5	Highly likely

Impact is assessed across three dimensions, namely: -

- Impact on education
- Impact on reputation
- Financial impact

The descriptors for each of the risk scores is outlined in the table on the following page:

Score	Education and outcomes	Reputation	Financial
1	No impact	No impact	Up to £50,000
2	Limited impact on standards and outcomes	Possible impact on reputation	Up to £100,000
3	Education standards decline, no impact on outcomes	Some impact on reputation with strong mitigation options	Up to £150,000
4	Education standards decline, some impact on outcomes	Significant reputational impact but mitigation possible	Up to £200,000
5	Education standards decline, major impact on outcomes	Significant reputational impact with no mitigation	Over £200,000

These impact scores are added together to give a total impact score.

5.2 In assessing the effectiveness of our internal control framework, we have adopted a three lines of defence approach

- Are controls in place to mitigate or manage the risk?
- Is management oversight in place to ensure compliance and is this effective?
- What sources of external assurances do we have to corroborate management's assessment?

Senior management provide their assessment as to the adequacy of these controls to inform their assessment of the risk with existing controls in place, the 'net risk' score. The Internal Audit service will test the validity of management's assessment as part of the annual audit work plan. The scoring descriptors are given in the table below: -

Control score	Control status descriptor
1	In place and operating effectively
2	In place but inconsistent compliance
3	Either not in place or ineffective

5.3 Where additional planned controls are being considered, intended to reduce the risk likelihood, or impact, or both, Senior Management provide an overview of the planned actions and their resourcing implications. A residual risk score is estimated, assuming the planned actions achieve the level of control anticipated.

5.4 The Audit and Risk Committee, in line with the Trust's appetite for accepting risk, will confirm their acceptance of the residual risk score or ask senior management to look for additional ways of mitigating the risk that reduce the residual risk score to an acceptable level.

5.5 In determining the Red Amber Green (RAG) colour for **net risk** a score of 20 is used to denote green, 36 for the midpoint amber and 40 or over as red. For **residual risk**, the thresholds are 20 for green, 25 for amber and 32 or over for red.

6. Embedding risk management throughout our Trust

6.1 Risk management often operates effectively at senior levels of a business, but not so well at front-line levels. Risk management operates most effectively where it is embedded throughout the organisation, with staff understanding the risks facing their institution, their responsibility and the role they play in the risk management process.

6.2 To that end:

a) all staff of member organisations are reminded that they are responsible for managing the risks associated with their areas of responsibility,

b) each member of staff should know to whom to escalate risks that are outside of their ability to address,

c) If the risk is new to the institution, the head teacher must capture any such risks within their institution's risk register. If this new risk has the potential to impact the Trust as a whole, the head teacher must share the nature of the risk with the Trust CFO as early as could be reasonably expected,

d) risk management should be embedded into all meeting agendas for senior teams, providing a mechanism for risks discussed within the meeting to be captured, and where necessary added to the institution risk register or escalated to the Trust CFO if appropriate.