



**NORTH HERTFORDSHIRE
STUDIO SCHOOL TRUST**

Risk Management Policy

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RISK MANAGEMENT POLICY

1. Statement of intent

This risk management policy (the policy) forms part of the Trust's internal control and corporate governance arrangements.

The policy explains the underlying approach to risk management, documents the roles and responsibilities of the Trust, the Senior Postholders and other key parties. It also outlines key aspects of the risk management process and identifies the main reporting procedures.

In addition, it describes the process the Trust will use to evaluate the effectiveness of the internal control procedures.

2. Underlying Approach to Risk Management

The following key principles outline the Trust's approach to risk management and internal control:

- The Trust has responsibility for overseeing risk management as a whole
- An open and proactive approach to solving risk problems is adopted by the Trust and its member schools and academy
- The Executive Principal and academy/school Senior Leadership Teams support, advise and implement policies approved by the Trust
- The School/Academy Principals manage the process on behalf of the Executive Principal
- The Trust makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks
- The senior postholders are responsible for encouraging good risk management practice within their domain
- Key risk indicators will be identified and closely monitored on a regular basis through the Trust and School/Academy Risk Register.

3. The Role of the Trust

The Trust has a fundamental role to play in the management of risk. Its role is to set the tone and influence the culture of risk management across the Trust. This includes:

- Determining whether the Trust is 'risk taking' or 'risk averse' as a whole or on any relevant individual issue
- Determining what types of risk are acceptable and which are not
- Setting the standards and expectations of staff with respect to conduct and probity
- Determine the appropriate level of exposure for the Trust.
- Approve major decisions affecting the Trust's risk profile or exposure
- Monitor the management of significant risks to reduce the likelihood of unwelcome surprises
- Satisfy itself that the less significant risks are being actively managed, with the appropriate controls in place and working effectively

- Annually review the Trust's approach to risk management and approve changes or improvements to key elements of its processes and procedures

4. The Role of the Senior Postholders

The key roles of the Senior Postholders are to:

- Implement policies on risk management and internal control
- Identify and evaluate the significant risks faced by the Trust for consideration by the Trust Board
- Provide adequate information in a timely manner to the Trust Board on the status of risks and controls
- Undertake an annual review of effectiveness of the system of internal control and report to the Trust Board

The Role of the School and Academy Senior Leadership Teams

The key roles of the school and academy Senior Leadership teams are to:

- Devise and maintain a risk-based approach to establishing a sound system of internal control, covering all types of risk, at all levels
- Identify and evaluate the risks faced by the school/academy and Trust
- Recommend strategies to manage and mitigate those risks identified and establish the level of exposure / residual risk
- Devise and maintain procedures to review continually the effectiveness of the process
- Provide adequate information in a timely manner to the Senior Postholders and the Trust on the status of risks and controls

Risk Management as Part of the System of Internal Control

The system of internal control incorporates risk management. This system encompasses a number of elements that together facilitate an effective and efficient operation, enabling the Trust to respond to a variety of operational, financial, and commercial risks. These elements include:

Policies and Procedures

Attached to significant risks are a series of policies or procedures that underpin the internal control process. The policies are set by the Trust and implemented and communicated by senior management to staff. Written procedures support the policies where appropriate.

Regular Reporting

Comprehensive regular reporting is designed to monitor key risks and their controls. Decisions to rectify problems are made at regular meetings of the school/academy Senior Leadership Teams and the Trust if appropriate.

Business Planning and Budgeting

The business planning and budgeting process is used to set objectives, agree action plans and allocate resources. Progress towards meeting business plan objectives is monitored regularly.

High Level Risk Register (significant risks only)

This framework is compiled by the Executive Principal working with the school/academy Principals and helps to facilitate the identification, assessment and ongoing monitoring of risks significant to the Trust. The document is formally appraised annually but emerging risks are added as required, and improvement actions and risk indicators are monitored regularly.

Business Recovery Risk Frameworks

School/academy Senior Leadership Teams develop and use this framework to ensure that significant risks in their area are identified, assessed and monitored. The document is formally appraised annually but emerging risks are added as required, and the group monitor improvement actions and risk indicators regularly.

Local Governing Bodies

Local Governing Bodies have a specific responsibility under the NHSST Scheme of Delegation to monitor and recommend in respect of Risk management. Each Local Governing Body within NHSST will therefore report to the Trust termly on Risk Management and alert the Trust to any emerging issues. The Local Governing Bodies will receive termly from school/academy Senior Leadership Teams an updated Risk Register and;

- for significant risks, will review the action plan in place to mitigate the risks
- will review the implementation plan proposed for the work of the Senior Leadership Team over a relevant period

Internal Audit Programme

Internal audit is an important element of the internal control process. Apart from its normal programme of work, internal audit is responsible for aspects of the annual review of the effectiveness of the internal control system within the organisation. Internal Audit review of risk management within the NHSST will be considered by the Audit Committee and individual Local Governing Bodies.

External Audit

External audit provides feedback to the Trust on the operation of the internal financial controls reviewed as part of the annual audit.

Third Party Reports

From time to time, the use of external consultants may be necessary in areas such as health and safety, and human resources. The use of specialist third parties for consulting and reporting can increase the reliability of the internal control system.

The Annual Review of Effectiveness

The Trust is responsible for reviewing the effectiveness of internal control, based on information provided by the Senior Leadership Teams. Its approach is outlined below.

The Trust will receive updates from the Local Governing Bodies regarding Risk Management, as part of the normal reporting. The Trust will also receive a formal annual report on Risk Management and the effectiveness of the internal control system, which has already been considered by and recommended by the Audit Committee in addition to the Senior Leadership Team.

In making its decision the Trust will consider the following aspects.

Control Environment

- The Trust's objectives and its financial and non-financial targets
- Organisational structure and performance of the management team
- Culture, approach, and resources with respect to the management of risk
- Delegation of authority
- Public reporting.

On-going identification and evaluation of significant risks:

- Timely identification and assessment of significant risks
- Prioritisation of risks and the allocation of resources to address areas of high exposure

Information and Communication

- Quality and timeliness of information on significant risks
- Time it takes for control breakdowns to be recognised or new risks to be identified

Monitoring and Corrective Action

- Ability of the Trust to learn from its problems
- Commitment and speed with which corrective actions are implemented

Risk Appetite

The Trust's risk appetite will not be static, and nor will it be the same in all areas of activity. The risk appetite will vary depending on circumstances at the time. The Trust will want to ensure that its overall level of risk is balanced, sustainable and appropriate and this balance is likely to be achieved with varying degrees of risk in different areas of the Trust's activities.

Risk appetite can be divided into five levels:-

- AVERSE – avoidance of risk and uncertainty is a key objective;
- MINIMALIST – preference for ultra-safe options that have a low degree of inherent risk and a small potential for limited reward;

- CAUTIOUS – preference for safe delivery options that have a low degree of risk and consequently may not achieve maximum reward;
- OPEN – willing to consider all delivery options and choose the one most likely to result in successful delivery whilst also providing maximum reward;
- HUNGRY – Eager to be innovative and choose risky options which have higher potential for reward.

The Trust, in most instances, will have a minimalist appetite towards risks but will judge each risk on its own merits. Any activity felt to be open or hungry will be reported to the Trust Board before the activity is undertaken.

Risk Management Process within North Hertfordshire Studio School Trust

Each School/Academy has its own Risk Register which is considered at meetings of the Local Governing Body where new or heightened risks are flagged and appropriate mitigating action noted. Changes in school/academy risk registers are reported to Trust Board meetings as part of the Risk Management agenda item.

The Clerk/Company Secretary to the Trust is responsible for reporting risk activity to the Audit Committee and the Executive Principal to the Trust Board annually. The Audit Committee will receive a copy of the Trust Strategic Risk Register at each meeting and this will highlight changes in the Risk Register since the last meeting for members to note specifically any new/heightened risks and the mitigating action that the Trust is taking.

Should any major risks arise which reflect potential severe financial or reputational damage to the Trust, these should be reported as a matter of priority to the Trust Board.

The Trust aims to ensure that risk management is embedded within the organisation and that all staff/governors are aware of their own responsibility to report potential risks through the appropriate channels.