

# Risk Policy and Register

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Risk is used in this policy to describe the uncertainty surrounding events and their outcomes that may have a significant impact, either enhancing or inhibiting any area of The Education Fellowship's operations.

## Identification of Risk

Identifying and managing the possible and probable risks that The Education Fellowship may face over its working life is a key part of its effective governance. By managing risk effectively, trustees can help ensure that:

-  significant risks are known and monitored, enabling trustees to make informed decisions and take timely action
-  The Education Fellowship makes the most of opportunities and develops them with the confidence that any risks will be managed forward and strategic planning are improved; and The Education Fellowship aims are achieved more successfully

Reporting in its trustees' annual report on the steps The Education Fellowship has taken to manage risk helps to demonstrate its accountability to its stakeholders including its schools, children, donors, DfE, EFA, Ofsted, AABs, employees and the general public

## Types of Risk

The Education Fellowship will face some level of risk in most of the things it does. The diverse nature of education sector and its activities means that The Education Fellowship faces different types of risk and levels of exposure. An essential question for The Education Fellowship when considering risk is whether or not it can continue to meet the needs of its schools now and in the future. For example, in a period of economic austerity, the major financial risks for The Education Fellowship is likely to be: reduction of funding from other bodies; the future of contracts; fundraising; fluctuations in investments; fluctuation in pupil numbers.

Generally, risk will need to be considered in terms of the wider environment in which The Education Fellowship operates. The financial climate, society and its attitudes, the natural environment and changes in the law, technology and knowledge will all affect the types and impact of the risks The Education Fellowship is exposed to. Although the risks that The Education Fellowship might face are both financial and non-financial, a part of the ultimate

impact of risk is financial in most cases. This could be where a party seeks compensation for loss, or costs incurred in managing, avoiding or transferring the risk, for example by buying employers' liability insurance or buildings insurance. The law requires that some risks are insured - motor insurance and employers' liability insurance for charities that employ staff are compulsory.

The system of classification, outlined below, is designed for ensuring key areas of risk arising from both internal and external factors are considered and identified. The system expands on this approach and provides further illustrations of the type of risks that may fall into each category.

<b>Risk category</b>	<b>Examples</b>
Governance risks	<ul style="list-style-type: none"> <li>• inappropriate organisational structure</li> <li>• trustee body lacks relevant skills or commitment</li> <li>• conflicts of interest</li> <li>• Emergencies and safeguarding</li> </ul>
Operational risks	<ul style="list-style-type: none"> <li>• lack of staff or student health or safety</li> <li>• poor contract pricing</li> <li>• poor staff recruitment and training</li> <li>• doubt about security of assets</li> </ul>
Financial risks	<ul style="list-style-type: none"> <li>• inaccurate and/or insufficient financial information</li> <li>• inadequate reserves and cash flow</li> <li>• dependency on limited income sources</li> <li>• inadequate investment management policies</li> <li>• insufficient insurance cover</li> <li>• Dependence on limited income sources including pupil numbers</li> </ul>
External risks	<ul style="list-style-type: none"> <li>• poor public perception and reputation</li> <li>• demographic changes such as an increase in the size of school intake</li> <li>• turbulent economic or political environment</li> <li>• changing government policy</li> </ul>
Compliance with law and regulation	<ul style="list-style-type: none"> <li>• acting in breach of trust</li> <li>• poor knowledge of the legal responsibilities of an employer</li> <li>• poor knowledge of regulatory requirements of particular activities (e.g. fund-raising, running of care facilities, operating vehicles)</li> </ul>

## Risk Management

Following identification of the risks that The Education Fellowship might face, a decision will need to be made about how they can be most effectively managed. Trustees will establish a risk framework to help them make decisions about the levels of risk that can be accepted on a day to day basis and what matters need to be referred to them for decision.

There are four basic strategies that will be applied to manage an identified risk:

-  transferring the financial consequences to third parties or sharing it, usually through insurance or outsourcing
-  avoiding the activity giving rise to the risk completely, for example by not taking up a contract or stopping a particular activity or service
-  management or mitigation of risk
-  accepting or assessing it as a risk that cannot be avoided if the activity is to continue. An example of this might be where trustees take out an insurance policy that carries a higher level of voluntary excess or where the trustees recognise that a core activity carries a risk but take steps to mitigate it - public use of The Education Fellowship property such as a school building would be such a risk

This policy sets out a framework for evaluating the potential courses of actions that can be taken to manage the risks identified.

## Risk Register

Risk category	Risk details	Potential Impact 1=insignificant 4= catastrophic	Likelihood 1=Remote 4= Highly probable	Controls	Monitoring
Governance risks	Failure to ensure that the objectives of the school are met	4	1	Active and experienced Trustees and Advisory Bodies; Stakeholders who take an active role in the operation of the schools	Ongoing
	Failure of the trust to recruit Trustees who have the correct profile	2	1	Trustee recruitment, training and Induction	Ongoing
	Failure of trust to ensure a robust organisational approach in place to deliver governance	2	1	Trustee training and induction; Register of Trustee Interests; Internal audit; Minutes of Board	Annual
	Failure to ensure that the Trustees who are recruited to the Board possess the skills and experience	2	1	Trustee recruitment, training and Induction	Annual
	Succession plan of Fellowship Structure	2	1	CEO writing succession plan. 1 <sup>st</sup> briefing completed	Annual
	Quality assurance of	2	1	Annual capability	Annual

	Trustees Quality assurance of AABs	2	1	review Annual capability review	Annual
Operational risks	Failure of the schools to recruit sufficient learners to make it viable	3	1	Admissions Policy; Parent and Carer Communication Policy; Marketing Strategy; Effective Networking	Ongoing
	Failure to monitor and react accordingly to the requirement of our stakeholders	3	1	Reports to the Trustees; Reports to the AABs; Parent and Carer Communication Policy	Ongoing
	Failure to ensure that Information Technology in the school is maintained to the highest standard	3	1	IT Support contract; IT strategy; Access to school IT staff and policies	Ongoing
	Failure to ensure that the quality of Management Information produced is of a high quality	2	1	Regular reporting and review of performance against targets	Monthly

	Failure to ensure that the Management Information produced by the school is timely	2	1	Regular reporting and review of performance against targets	Monthly
	Failure to ensure that the quantity of Management Information produced is good enough to aid decision making	3	1	Regular reporting and review of performance against targets	Monthly
	Failure to ensure that the trust complies with employee legislation	3	1	Support of HR Advice and the associated policies and procedures;	Ongoing
	Failure to implement a risk management strategy	2	1	Risk strategy; Risk Register	Annual
	HR Management	3	2	Appointment of HR Advisor. Strictly Education appointed until 1.12.14	Annual
	Health & Safety within schools	3	2	Assessment of each school by site manager	Annual

Financial risks	Overspend budget, caused by weak expenditure management	4	1	Annual budget / Regular financial reporting / Strong strategic plan of action	Monthly
	Overspend budget, caused by poor budgeting				
	Received less income than budgeted, caused by poor budgeting				
	Overspend on capital schemes	3	2	Project management plans prepared by experienced local company	Monthly
	Short term cash shortages	4	1	Trust currently enjoys a strong surplus position and cash flow has not been an issue in recent times.	Monthly
Long term cash shortages – insufficient reserves	4	1	Good level of reserves maintained based on strategic plan and known factors	Monthly	
Improper or irregular	4	1	Scheme of	Monthly	

	use of funds			delegation in place Internal controls subject to regular scrutiny Expenditure authorisation process clear AO / PFO familiar with AFH	
	Errors in accounts caused by inadequately skilled or experienced finance staff	1	1	Good experienced Finance team – strong culture of accountability	Monthly
	Loss caused by lack of security over assets including cash	4	1	PFO reports to FC on annual inventory check	Annually
	Fraudulent payments to suppliers	4	1	Annual review of effectiveness of internal controls Expenditure authorisation procedures Systems under constant review by PFO	Monthly
	Fraudulent payments to staff	4	1	Robust procedures for monthly payroll sign off Personnel	Monthly

	Insufficient insurance cover	4	1	establishment under regular review	Annual
	Failure of the trust to produce open and regular management accounts	3	1	Annual review of insurance arrangements Monthly Management Accounts; Reports to Trustees; Budget Monitoring; Awareness of Financial regulations; Effective Internal and External Audit	Monthly
	Failure of the trust to have financial management systems that prevent fraud	4	1	Monthly Management Accounts; Internal Controls; Regular and timely reconciliations; Robust Financial policies and procedures; Financial Regulations; Internal and External Audit	Monthly
	Failure to ensure that the Financial Reporting requirements are met	4	1	Monthly Management Accounts; Reports to Finance Committee	Monthly

				and Board; Budget monitoring; Awareness of Financial Regulations / AFH; Effective External Audit;	
External risks	Failure to monitor and react accordingly to the risks associated with competitor establishments	3	1	Marketing Strategy; Effective Networking;	Ongoing
	Failure to assess and review the alliances and partnerships with other organisations	3	1	Networking; Visits to other schools; Head teacher meetings	Ongoing
	Failure to monitor the effect of risks over which the school has no or little control such as economic and natural disaster	2	1	Part of the school insurance review process organised by Finance; Regular meetings with insurance companies; Buildings insurance held by the trust; Fixtures, Fittings, Employer, Public Liability, Professional Indemnity held by	Monthly

	Detrimental media reporting	2	2	the trust Re-launch of The Fellowship brand	Ongoing
Compliance with law and regulation	Failure of the trust to comply with legislative requirements	3	1	Clear policies developed, reviewed, ratified and disseminated	Ongoing
	Failure to ensure that the trust is compliant in respect of the requirements of the Government and other relevant Authorities	3	1	Clear policies developed, reviewed, ratified and disseminated	Ongoing
	Failure to ensure that the trust is compliant in respect of the requirements of the EFA and DfE	3	1	Reporting mechanisms to the Board	Ongoing
	Failure to ensure that the trust ensures that Data Protection systems, procedures and processes are adequate	4	1	Reporting mechanisms to the Board	Ongoing
	Failure to ensure that	3	1	Reporting	Annual

	the trust complies with legislation regarding Tax			mechanisms to the Board	
	Failure to ensure that up to date information regarding the legislation relating to charities is maintained and kept updated	3	1	Reporting mechanisms to the Board , EFA updates	Ongoing
	Code of Ethical Fundraising	2	1	Annual checking of changing legislation and codes of practice	Annual