

Risk Management Strategy

RIDGEWAY EDUCATION TRUST

Approved by the Trust Board: 11 December 2018

Review date: December 2021

Risk Management Strategy

1. Overview

- 1.1 Ridgeway Education Trust's ("The Trust") Risk Management Strategy sets out the framework and structure within which the Trust and its schools plan to actively manage identified risks.
- 1.2 The Risk Management Strategy will formalise and direct current activity in managing risk. The Trust will seek to adopt good practice in the identification, evaluation and cost effective control of risks, to ensure they are eliminated or reduced to an acceptable level.
- 1.3 The Trust is required to set out its approach to Risk Management in its Annual Report and Accounts as well as make a statement on the system of internal financial control that it operates within its Governance Statement. This Risk Management Strategy provides a formal mechanism to evidence the statements made.
- 1.4 For the purpose of this strategy, the following definitions will apply:
 - **Governance** is defined as the system by which organisations fulfil their purpose and achieve their intended outcomes for the community and service users and operate in an effective, efficient, economic and ethical manner. Good governance leads to good management, good performance, good stewardship of public money, good public engagement and ultimately, good outcomes for the community and service users.
 - **Risk** is defined as the effect of uncertainty on objectives. Risk is the uncertainty of outcome, whether a positive opportunity, or a negative threat, of actions and events. Risk can be the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain event.
 - **Risk Management** is defined as the culture, process and structures that are directed towards the effective management of potential opportunities and adverse effects. Risk Management protects and adds value to an organisation and its stakeholders by supporting the Trust and school objectives.
- 1.5 Significant risks that the Trust schools may face include:
 - Events or actions that threaten the ability to achieve objectives and priorities;
 - Inability to respond to, or manage, change;
 - Anything that could damage the Trust's reputation and undermine public confidence;
 - Failure to guard against impropriety, malpractice, loss or poor value for money;
 - Failure to balance the budget from year to year or attract sufficient student numbers to enable Trust schools to be financially sustainable;
 - Failure to safeguard children in its care;
 - Failure to comply with legislation, such as covering the environment, health and safety, data protection, employment practice and human rights;
 - Missing opportunities to improve services due to risk aversion.

- 1.6 The purpose of the Risk Management Strategy is not to remove all risk, as this is neither possible nor, in many cases, desirable. It is to ensure that in achieving the medium term strategic plan and annual School Development Plan targets, losses are prevented or minimised and that opportunities to help achieve objectives are maximised.
- 1.7 The objective of the strategy is to reduce the likelihood of adverse events occurring, and the impact that they have, on the educational services the Trust schools provide and the targets it has set.
- 1.8 It is recognised that risks, if uncontrolled, can result in a drain on resources that could be better directed to advancing educational provision and to meeting the objectives. It is also recognised that risk needs to be managed, rather than avoided and that risk consideration is part of innovative decision making in seeking to further improve our service for the benefit of our students.
- 1.9 The Trust and its schools will therefore manage exposure to risk by following sound procedures for risk identification, analysis and control, which will be documented and reviewed at regular intervals and at appropriate significant change points. We will look to ensure that procedures and practices put in place allow risk management to be developed with the minimum of bureaucracy.

2. Roles and Responsibilities

- 2.1 Management of risk is a responsibility shared by all staff, directors and governors. Each departmental head has a responsibility to implement arrangements for identifying and managing risks within their own areas of responsibility and for reporting significant risks to senior leaders. Risk management has important links with safeguarding children, health and safety and the governance statement.
- 2.2 Each school Senior Leadership Team will own and manage its own school risk register. The register will be reviewed and updated at SLT level at least three times a year, and more frequently during times of significant risk or fundamental change. The team will support risk assessments being undertaken as a routine part of service planning and management of activities.
- 2.3 The Trust Board has overall responsibility for good governance. Local Governing Bodies have delegated responsibility for reviewing and approving the risk register at least annually. The LGB will consider whether any risk needs to be materially amended or added at each meeting. Oversight of risk management arrangements is delegated by the Trust Board to Audit Committee which will also consider the updated risk registers at least annually.

3. Risk Management Process

- 3.1 A Risk Matrix has been established to assist in the estimation of the likelihood and impact of identified risks for inclusion in the risk register. This is a 3 x 3 matrix, which has been constructed in order to assist in providing an accurate as possible scaled assessment for each risk. The Risk Management Matrix is summarised as follows:

- **Likelihood:** This is the evaluated likelihood of a particular threat or opportunity actually happening, including a consideration of the frequency with which this may arise. The likelihood scale contains three bands labelled low (rare/negligible), medium (possible) and high (probable). With increased controls/management action it may be the inherent likelihood is reduced to a residual likelihood over time.
- **Impact:** This is the impact of the result of a particular threat or opportunity actually occurring. It is defined as the effect of uncertainty on objectives. As above the impact has also been assessed based on three bands and once management actions have been put in place it may be that the inherent impact is reduced to a residual impact over time.

3.2 A tabular illustration of the Risk Management Matrix is set out below:

	1 Low Likelihood	2 Medium Likelihood	3 High Likelihood
3 High Impact	Medium	High	High
2 Medium Impact	Low	Medium	High
1 Low Impact	Low	Low	Medium

3.3 A description of each risk is set out below:

Impact	Description
High (3)	Financial impact will be significant (in excess of £50k) Has a significant detrimental impact on the school's strategy or on teaching and learning Can cause significant reputational damage to the Trust or school Has significant stakeholder concern
Medium (2)	Financial impact will be moderate (between £25k and £50k) Has no more than a moderate impact on the school's strategy or on teaching and learning Can cause moderate reputational damage to the Trust or school Has moderate stakeholder concern
Low (1)	Financial impact will be low (up to £25k) Has a low impact on the school's strategy or on teaching and learning Is unlikely to cause reputational damage to the Trust or school Has low stakeholder concern
Probability	Description
High (3)	Likely to occur each year or more than a 25% chance of occurrence within the next 12 months
Medium (2)	Likely to occur over the medium term planning period but less than a 25% chance of occurring within the next 12 months
Low (1)	Not likely to occur over the medium-term planning period or less than a 5% chance of occurrence

3.4 There are a number of ways to respond to a risk, and these will depend on whether the risk is perceived as a threat or an opportunity. If the risk is perceived a threat, there are four alternative responses. These are:

- **Treat** – implement a system of internal control to reduce the risk to below the risk appetite. It is anticipated that the majority of risks will be responded to in this way.
- **Tolerate** – do nothing. This response is used where it is not possible to cost effectively reduce the risk. Where this applies, it is important that the Senior Leadership Team formally accepts the risk. The need for contingency plans should be considered.
- **Transfer** – pass the risk to another party, for example by contracting it out. Note that outsourcing does not necessarily transfer a risk, it may only change the person responsible for managing it.
- **Terminate** – remove the circumstances giving rise to the risk.

3.5 There may also be occasions where the Trust and its schools should take the opportunity to exploit a positive impact from a risk.

3.6 One of the aims of risk management is to be proactive and to anticipate potential problems. Early Warning Indicators should be established for critical business activities to provide information on the potential sources of risk. Early warning indicators can be used as a way of tracking business sensitive issues, so that if predefined levels are reached, corrective action can be triggered. These early warning indicators could be applied to a range of activities such as anticipated student results, staff turnover, absenteeism, sickness, legal actions, staff satisfaction and financial indicators. This list is intended to be illustrative rather than exhaustive. For early warning indicators to be of value they must measure critical business activities and reviewed in a regular basis. The information gathered must be accurate, and it must reach the decision makers and be acted on.