

**THAMES LEARNING
TRUST**

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|------------------|------------------------|
| Name of Policy | Risk Management Policy |
| Scope of Policy | |
| Approved by | Board of Trustees |
| Date of Approval | June 2021 |
| Review period | One Year |
| Review Date | June 2022 |

GROWING STRONGER TOGETHER



**THAMES LEARNING
TRUST**

Section 1: Introduction:

1.1 Purpose:

This document sets out the Framework within which risks will be managed across the Trust. In producing the document, reference has been made to key source documents:

[Academies Financial Handbook 2020](#)

[Academies Governance Handbook 2020](#)

[ESFA's good practice guide to Academy Risk Management](#)

[Management of Risk: principles and concepts \(Govt "Orange Book"\)](#)

[Orange Book Risk Appetite Guidance](#)

[Charity Commission: Charities and Risk Management CC26](#)

[Gov.uk: internal scrutiny academy trusts guidance](#)

Risk management forms an important part of the Trust's overall Governance Framework and it also aligns with and supports the Trust's 5 strategic priorities one of which is to 'build a financially viable, efficient, risk aware and sustainable Trust for the future'

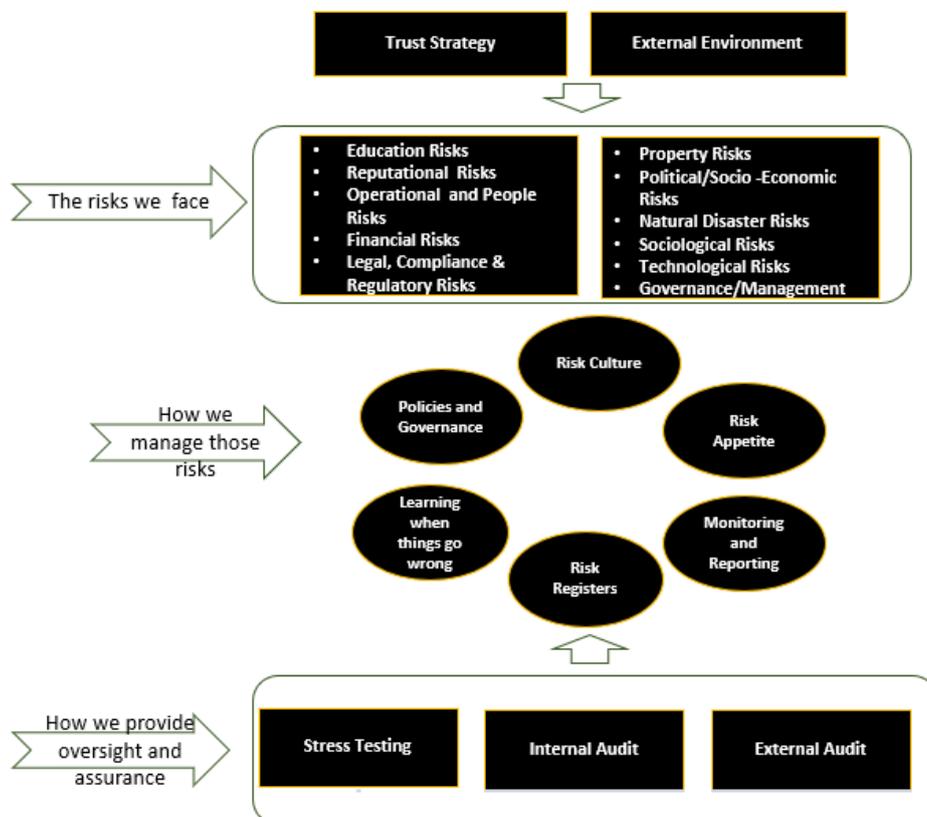
The Trust defines risk as 'the possibility of an event occurring that will have an impact on the achievement of the Trusts' objectives' and it defines risk management as 'the identification, measurement, management, monitoring and reporting of threats to the Trusts objectives'

The Trust adopts a three lines of defence approach:

- The first line of defence will be the academies and their leadership teams. They implement the various control measures put in place to manage the risks faced by the Trust
- The second line of defence is the executive team. They provide oversight, advice, and challenge to the first line of defence
- The third line of defence is delivered by independent bodies as set out in section 4.2 below

1.2 The Risk Management Framework

The management of risk is undertaken using the framework set out below:



This document describes the various elements of the Framework in more detail

Section 2: The risks we face

2.1 Principal Risks

The Board have identified the following Principal Risk Categories. Each principal risk is sub divided into several more granular secondary risk categories which between them should cover all of the material risks that the Trust believes it is currently exposed to.

Table 1: Principal Risks

| Principal Risk | Definition | Predominant Risk appetite* (see table 2 for definitions) |
|--------------------|--|---|
| Reputational Risks | The risk that activities result in a negative internal or external perception of the Trust or its academies such that its objectives cannot be met | Receptive |
| Financial Risks | Risks arising from finances not being managed in accordance with requirements, a failure to | Minimal |

| | | |
|--|--|-----------|
| | manage assets to deliver value for money, or financial resources being insufficient to meet the Trust's objectives | |
| Operational and People Risks | The risk of damage from inadequate or failed processes, weak or failed governance, adverse people related issues or systems failures | Minimal |
| Governance & management Risks | Risks arising from unclear plans, priorities, authorities, and accountabilities and/or ineffective oversight of decision making | Cautious |
| Legal, Compliance & Regulatory Risks | Risks arising from a failure to meet regulatory or legal requirements, meet codes of conduct or another legal event that could result in financial loss or other liability | Adverse |
| Technological Risks | The risk that technology does not deliver expected services due to inadequate or deficient systems or resilience | Cautious |
| Educational Risks | | Receptive |
| Political & Socio - Economic Risks | The risks arising from changes to local or national government policy and/or the social/economic climate | Receptive |
| ESG (Environmental, Social and Governance) | | Minimal |
| Property Risk? | Risks arising from property assets resulting in harm to staff, pupils, or other users of the property | Cautious |

* Predominant risk denotes the overarching risk for that Principal category. It is accepted that a secondary risk could vary when considered individually.

The Trust recognises that as well as existing risks, changes to the external environment or changes to the Trust's strategy could introduce new principal or secondary risks in the future. The Board will monitor these emerging risks

Section 3: How we manage our risks

3.1 Risk Appetite

The Trust generally has a minimal or cautious appetite for most risks but is prepared to accept and encourage an increased appetite for risk in some risk categories in pursuit of its strategic objectives. It recognises that its appetite for risk varies according to each activity, and that its tolerance of risk is subject to ensuring that potential benefits and risks are fully understood before decisions are made, and that appropriate measures to mitigate risk are established.

The Trust therefore sets an appetite for each of its Principal Risk areas. The appetite for each principle risk is set out in table 1 above and is based on the Risk Appetite definitions in table 2 below:

Table 2: Risk appetite definitions

| Risk Appetite | Description |
|---------------|---|
| Averse | The avoidance of risk and uncertainty is the key objective |
| Minimal | A preference for safe options where the reliance on measures to control the risk is low |
| Cautious | The inherent risk may be high, but the board is prepared to use material control measures to manage the risk |
| Receptive | Willing to take a more positive approach to risk because the activity may carry a high degree of benefit or value for money, albeit the residual risk may be high |
| Adventurous | Willing to be innovative and take a high degree of risk in return for potentially very high rewards |

3.2 Risk Culture

A key element in the Risk Management Framework is to ensure it is embedded across the Trust and is an integrated part of all decision making. Risk management and internal controls are incorporated within the Trust's normal governance and management processes ensuring consistency. They are not treated as a separate compliance exercise and therefore assessing and managing major risks and monitoring their associated controls will be carried out on a continuing basis and not simply regarded as an annual event.

The Board, the Executive Leaders and the Principals will all set the 'tone from the top' to demonstrate their commitment to strong risk management. This approach requires the input and commitment from all staff, not only senior management. All employees are responsible for playing their part in helping manage risks to the Trust. Risk management should be proportionate and aid the achievement of the Trust's strategic objectives, including the prompt escalation of issues as they happen.

3.3 Policies and Governance

Policies: The Trust operates a suite of policies that set out the Board's and Executive Leadership expectations on how they require things to be operated, effectively, the minimum standards by which the Trust operates. These standards are reviewed as outlined by relevant national guidance as a minimum, or as required, to ensure they remain relevant and fit for purpose.

Underpinned by the policy framework are governance principles and controls the Trust operates to. These are in place to ensure transparency, relevance and adequacy in the decisions made by the Board and senior management in support of the Trust's business strategy. Additionally, the Board also agrees a scheme of delegation authority which clearly sets out decision making authorities and it operates a number of sub committees responsible for monitoring activities, including risks.

3.4 Risk Registers

An important part of the risk management framework is to identify and document the risks. This is achieved by having a series of risk registers.

- a. *Trust level Risk Register* – captures the main high-level risks facing the Trust and is the responsibility of the Chief Executive Officer (CEO) and the Board. The risks captured at this level will typically be of a more 'strategic' or Trust-wide nature
- b. *Academy level Risk Registers* – each academy should operate its own Risk Register under the control of the Principle and overseen by the CEO. The risks at this level will typically be of a more 'operational' nature

The risk registers will be reviewed and updated on a regular basis (see risk reporting and monitoring section below).

The risk register will include information on each identified risk including:

- ✓ A description of the risk.
- ✓ The likelihood of the risk occurring and its impact.
- ✓ The risk score before any controls are in place (see 3.4.1 below).
- ✓ The control measures in place to mitigate the risk.
- ✓ An assessment of the effectiveness of those control measures (see 3.4.2 below).
- ✓ A risk classification, (see 3.4.3 below – treat, tolerate, transfer, or terminate)
- ✓ The residual risk score (the risk that remains once the control measures are in force)
- ✓ A risk owner.

Additionally, a system is in place to identify and record emerging risks or areas of exposure which may arise due to commercial growth, new business activities or whenever changes to the existing operating environment (including internal and external factors) take place.

3.4.1 Risk scores

Each risk on the risk register is allocated a risk score. The score is assessed based on two criteria:

- a) The likelihood of the risk event happening; and
- b) The impact of the risk event should it happen.

$$\text{Probability} \times \text{Impact} = \text{Risk score}$$

Two risk scores will be calculated one assuming no controls in place (the inherent risk); and another considering the controls in place (the residual risk).

Stage 1: The likelihood score should be assessed using the following definitions:

| | Rare | Very Unlikely | Unlikely | Likely | Very Likely |
|------------|------------------------|--|---|--|---|
| Score | 1 | 2 | 3 | 4 | 5 |
| Definition | The event cannot occur | Improbable the risk event will occur in the next 12 months | Some likelihood of risk event in the next 12 months | Probable that it will happen in the next 12 months | Almost certain to occur in the next 12 months |

Stage 2: The impact score should be assessed using the following definitions (use the score for the highest identified impact):

| | Score | Teaching and Learning | Financial | Reputation |
|--------------------|-------|---|-------------------------------------|---|
| Major | 5 | All activities would cease | Beyond Trust resources | Would cause closure |
| Significant | 4 | Most activities impacted; educational achievement reduced | Majority of reserves used | Major fall in pupil numbers, negative national press coverage or action taken by regulators |
| Moderate | 3 | Some activities impacted for prolonged periods | Some use of reserves required | Negative Local/Regional press coverage and/or warning from regulators |
| Minor | 2 | Inconvenient but can be managed | Could be covered within year budget | Low level isolated reputational damage |
| Low/No consequence | 1 | Minimal/no impact | Minimal/no cost | Minimal/ no impact |

Stage 3: The overall risk score is allocated a Red/Amber/Green (RAG) status using the matrix below:

| | | | | | | | |
|------------|------------------|----------------|-------|----------|-------------|--------|--------|
| Likelihood | Very Likely | 5 | 5 | 10 | 15 | 20 | 25 |
| | | | Low | Medium | High | High | High |
| | Likely | 4 | 4 | 8 | 12 | 16 | 20 |
| | | | Low | Medium | Medium | High | High |
| | Unlikely | 3 | 3 | 6 | 9 | 12 | 15 |
| | | | Low | Low | Medium | Medium | High |
| | Very Unlikely | 2 | 2 | 4 | 6 | 8 | 10 |
| | | | Low | Low | Low | Medium | Medium |
| | Rare/ Impossible | 1 | 1 | 2 | 3 | 4 | 5 |
| | | | Low | Low | Low | Low | Low |
| | | 1 | 2 | 3 | 4 | 5 | |
| | | No Consequence | Minor | Moderate | Significant | Major | |
| Impact | | | | | | | |

3.4.2 Assessment of Control Effectiveness

The control measures included in the risk register should be assessed to determine how effective they are deemed to be in managing the risk. Care should be taken to ensure the assessment is not overly subjective but based on facts and data. If the controls are deemed to be only partially effective or ineffective, further actions should be agreed so that they become effective.

| Control Rating | Definition | Action to be taken |
|---------------------|---|---------------------------------|
| Effective | The design and operation of the controls is working well, no incidents have occurred. | None |
| Partially Effective | Some of the Control are either poorly designed or not working in practice | Review and amend the controls |
| Ineffective | The controls are not working, incidents have occurred | New controls must be considered |

3.4.3 The Risk Classification

Each risk will be assessed, and one of 4 courses of action will be taken as set out in the table below:

| Classification | Action to be taken | Additional information |
|----------------|---|---|
| Tolerate | No action is taken. The risk is accepted | This may be because the cost of instituting controls is not cost-effective, or the impact is so low that they are considered acceptable. For instance, the Trust may decide 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 |
| Treat | Controls are put in place to mitigate either the likelihood of occurrence or the impact (or both) | There may also be contingency measures to reduce the impact if it does occur. For instance, the Trust may decide to train more than the statutory minimum of staff as paediatric first aiders and to put in place a rota for first aid cover during lunchtimes |
| Transfer | Transfer the risk to another party | This may involve the use of insurance or payment to third parties willing to take on the risk themselves (for instance, through outsourcing). For example, the Trust may decide to take out insurance to mitigate the risk of the excessive costs of supply staff in the event of extended staff absences |

| | | |
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| Terminate | Stop the activity that is causing the risk | If this can be done without materially affecting the workings of the Trust, 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 the Trust should not be performing at all. |
|-----------|--|--|

3.4.4 The Risk Owner

An owner will be allocated to each risk. It is the responsibility of the risk owner, to ensure that the stated control measures are in place, and any agreed additional actions are implemented.

3.5 Learning when things go wrong.

When incidents happen, they provide opportunities for learning and informing the risk register. An incident may suggest a failure of one or more control measures, and it is prudent for the risk register to be compared to the incident log on a period basis, typically twice a year.

3.6 Risk Reporting and Monitoring

- a) Trust Risk Register - The Board will review the full Trust Risk Register on an annual basis, however, it will review the top 10 risks, based on risk scores (plus all risks classified as ‘Red’ if there are more than 10) more frequently. The CEO will additionally monitor all risks classified as ‘amber’ and bring these to the attention of the Board if he/she feels the risk score is deteriorating. The Board may delegate the interim monitoring of certain risks to individual sub committees.
- b) Academy Risk Registers - The CEO will review each academy’s risk register at least annually and will review risks classified as ‘red’ more frequently. Risks classified as ‘Red’ will be brought to the attention of the Board.

3.7 Three Lines of Defence

Different parts and levels within the Trust play their role in risk management, and the collaboration between them determines how effective the Trust as a whole is in dealing with risk. To support this, the Trust adopts a three lines of defence approach as outlined in section 1.1 above.

Is it critical that all three lines maintain a regular and ongoing dialogue, without compromising the independence of any parties, to enable the Trust to gain a timely perspective of the business direction, issues and risks it is exposed to.

Section 4: How we provide assurance and oversight

4.1 Stress testing

A programme of periodic testing should take place to ensure that the controls said to be in place, work in practice. A risk-based approach will be taken with testing priority given to those risks with the highest risk scores. The Trust’s Executive team will agree which controls should be tested, guided by the Board. For example, asking the Trust’s IT back up provider to deliver a backup disc, or testing the Trust’s resilience to an external ‘hacking attempt’

4.2 Internal Scrutiny and External Audit

The Board will seek assurance that the controls in place are being monitored to ensure that they work effectively in practice. This will be co-ordinated by the Senior Leadership Team, but assurance activity will need to be undertaken by an independent person, someone that has not been involved in either the setup of the control mechanisms or their operation.

A programme of internal scrutiny and assurance activity will be put in place. This programme will be:

- ✓ Independent and objective:
- ✓ Conducted by people suitably qualified and experienced.
- ✓ Agreed annually by the Board (or its delegated sub-committee)
- ✓ Risk-based, taking into account higher risk items from the risk register and/or where systems or processes may have changed
- ✓ Covering all areas of risk, not just financial risks

Internal scrutiny will be delivered via a combination of bought-in internal audit services, peer reviews and the use of other technical experts.

Internal Scrutiny must not be completed by any firm that also completes the Trust's external audit.

Where weaknesses or areas for improvement are identified by internal scrutiny activity, remediation plans will be put in place, overseen by the relevant Board sub-committee

4.3 Roles and Responsibilities

The Board has ultimate responsibility for ensuring there are effective risk management arrangements in place across the Trust and will review this document annually to ensure it remains fit for purpose.

The CEO is responsible for ensuring that this Framework is implemented and operationalised across the Trust