Risks and their Management

Why adopt structured risk management in schools?

Why do it at all? Manage risk, that is!
Because budgets are tight and losses can be ill-afforded, because the market for good staff is competitive and a well-run school is more attractive, because stakeholders (parents, regulators, etc) demand transparency into how a school is run and failures have a significant impact on reputation, because a risk-based approach to management ensures that scarce resources are optimally utilized.

Risk can be defined as any event or circumstance that could negatively impact the school's ability to meet its strategic objectives. Managing risk is also about ensuring that the school is in a position to maximise opportunities.

Ownership

The Governing Body has the ultimate responsibility for ensuring that there are effective risk management arrangements in place. Notwithstanding this statutory obligation, it's the right thing to do.

The initial challenge on the part of the Governing Body is to instil a risk conscious culture within the school's Senior Leadership Team. As a first step, the Governing Body should ensure that sufficient time is dedicated at its meetings to discuss risks to the organisation and assess their potential impact on the school's reputation and financial position. A thorough understanding and 'buy-in' on the part of the Senior Leadership Team is essential if the school's risk management process is to be effective. While ultimate responsibility falls to the Governing Body, it is the role of the Senior Leadership Team to implement effective risk management arrangements.

Risk Management Framework

The risks that a school is exposed to should be considered in conjunction with its strategic priorities and improvement plans. Not linking your school's risk management efforts to your strategic planning is to pass up on the opportunity to increase the likelihood of being successful in achieving the objectives set out in your strategic plan.

Whenever a decision is made, the risks that surround it must be managed. Key strategic decision makers assume certain processes and systems are in place to support the strategic initiative so, risks need to be managed and monitored and the Governing Body and Senior Leadership Team need to keep an eye on the Key Risk Indicators (KRIs) that will signal a deteriorating situation and prompt urgent action.

Michael Porter, lauded by The Economist as "the doyen of living management gurus", defined risk as: *a function of how poorly a strategy will perform if the 'wrong' scenario occurs*"
Often it is not possible to forecast the precise cause of an event or circumstances that could have a devastating effect on the strategic plan, but high-level descriptions of "what-if scenarios" will help to inform your planning:

- What if a building / facility you depend upon was no longer available due to fire, flood, etc.?
- What if key employees were no longer available (resigned, ill, injured, etc.)?
- What if the school's effectiveness was judged to be 'inadequate' by Ofsted?
- What if the IT infrastructure were to catastrophically fail?
- What if funding expectations were not met?
- What if there is a significant safeguarding incident?
- What if the financial resources were not deployed appropriately
- What if pupil performance levels are below par?

To achieve effective risk management, there should be a structured risk management process in place, championed by a leader and embedded throughout the organisation. Risk management is not just a case of assessing risks at a single point in time but should be a continuous process and should take into account any changes in the internal/external school environment including any legal & regulatory changes affecting schools. The status of risks needs to be periodically reported to the Governing Body, noting any significant changes.

Risk Management Process

A structured risk management process comprises the following key elements;

- Establishing a risk management policy is key to setting the tone from the top - What level of risk are we willing to accept (risk appetite)?; How will ownership of risks and related actions be assigned?; How frequently will the risk register be reviewed?

- Identifying the risks to which the organisation is exposed – what can happen (your what-if-scenarios) when, where, how and why? - Risks can be broadly categorized into Strategic & Reputational, Operational, Financial, Compliance and Health & Safety.

- Analysis - Assessing the likelihood and consequence associated with each risk. This analysis should be conducted using a predefined set of risk criteria that has been considered by the Senior Leadership Team and represents the terms of reference against which the significance of a risk is assessed.

- Evaluation – Once analysed, the risks are evaluated to determine if they can be accepted or tolerated or whether they need to be treated. That is, whether more can or should be done to make the risk acceptable.

- Treatment - Where it is determined that a risk should be treated, then an action plan should be put in place to ensure the additional controls necessary to reduce the risk are carried out.

- Monitor and review progress – Risk registers and action plans should be reviewed regularly and improvement monitored. If risks are well managed, the Governing Body and/or senior leaders might well decide to take on more risk by

increasing investment / spend.

- Reporting - The Governing Body should have regular access to information that is continuously updated, including;

  - What is the overall risk profile? - What are the Top 10 to 20 key risks
  - Are we compliant?
  - Are existing controls working / effective?
  - What verification of controls has been carried out?
  - Where are the gaps in controls?
  - What is being done to address the gaps?
  - KRIs such as sustained pupil vacancy rates, level of turnover of key staff, level of incidents or near misses

With this information readily to hand, the Governing Body is well positioned to fulfil its obligations and complete its annual report on the effectiveness of the risk management process.

For a robust and consistent process, schools should consider the use of a database-driven solution for recording and reporting on risk data. This will ensure that the problems associated with spreadsheets can be eliminated, such as, formulae errors, integrity issues and lack of control over data input.

Summary

Effective risk management protects and adds value to the school and its stakeholders through supporting the school's objectives by:

- Providing confidence that all key risks are identified, analysed and properly evaluated
- Ensuring compliance with statutory obligations and standards
- Delivering improvement in strategic, operational and financial management
- Ensuring accountability for risk management across the school organisation
- Helping to minimize events which might result in financial loss, disruption, bad publicity and threats to the health & safety of pupils and other stakeholders

Denis Waitley, a renowned motivational speaker, writer and consultant wrote; " *Life is inherently risky. There is only one big risk you should avoid at all costs, and that is the risk of doing nothing"*

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[Risks and their management rarely appear in the context of School Governance, yet they would be a regular feature in the management of a commercial organisation, so

perhaps it is time that we started to accept that we are running a (relatively) small not-for-profit organisation in running a school. We make decisions as a matter of routine but when confronted with choices do we really do enough to quantify the risks associated with their outcomes? Perhaps we should – Ed]