# PRIORITISE AND MINIMISE:
## RISK MANAGEMENT FOR SCHOOLS

# CONTENTS

# PRIORITISE AND MINIMISE: RISK MANAGEMENT FOR SCHOOLS

**Why is risk management important? How are you managing risk in your day to day work at present?**

The school management team face risks every day during the course of their work. Risk management is the process which aims to help organisations **understand, evaluate and take action** on all the risks they face, with a view to increasing the probability of their success and reducing the likelihood of failure (Institute of Risk Management). It could also be considered to be a management style which is based on assessing the potential likelihood and impact that could be caused to an organisation or business if key (strategic) risks are not controlled and mitigated. Risk management should form part of the culture of the school with clear responsibilities laid down for every manager and employee to be involved in the management of risk. It supports accountability, performance measurement and reward and thus promotes efficiency at all levels.

Risk management is an integral part of managing a project which recognises the possibility that unexpected events may affect the progress or outcome of the plan, task or development. Systematically identifying, analysing and managing risk creates a picture of the probability of the project succeeding. This can be applied to any type of project.

Risk management is particularly relevant for school business managers and premises managers dealing with building projects. The risk management process is intended to assist in identifying potential unaffordable cost increases, time delays or shortfalls in performance or quality. By recognising what action can be taken to correct the causes or consequences of the risks identified, the manager can then maintain a balance between the expectations of stakeholders and preferred solutions or outcomes.

What risk management seeks to achieve is the pin-pointing of the key cost, scheduling or performance drivers, which then allows corrective actions to be focused where they will prove to be most effective. For example when specifying fitting out work for a number of classrooms, make sure that furniture, fittings or building components are not on a long delivery lead-in time, which would delay progress and completion of a contract and increase costs. It is commonplace at the start of building contracts for a contractor to

submit a risk register in the form of a brief report which lists the perceived risks for the project to help guide the project team to deliver a successful result.

**The benefits of building a risk-aware culture amongst school management include:**

- Raised awareness to risk, threats and opportunities
- Forward thinking and planning
- Improved likelihood of a successful result

You'll probably be familiar with the processes involved in undertaking risk assessments in terms of health and safety, insurance claims and in preparing business continuity plans. In the context of health and safety a standard six step approach is followed:

1. **Identify** hazards
2. **Decide** who might be harmed and how
3. **Evaluate** the risks and decide on precautions
4. **Record** findings
5. **Implement** changes and improvements
6. **Review** and update assessments

The process of risk management follows a similar series of activities:

1. **Identify** objectives and the risks
2. **Analyse** where the risks lie and their importance
3. **Plan** what should be done about these risks
4. **Manage/control/monitor** the approach chosen to ensure it's effective

**IDENTIFICATION** is the stage at which to establish, characterise and list in a register the initial information on risks; threats and opportunities. This register typically sets out the risk description, impact, personnel and the action plan listing the responsibilities.

**Type of risks might include those associated with:**

- Governance
    - E.g. Governors or trustee boards lacking relevant skills
- Operational risks
    - E.g. IT and communications system failure, high staff turnover, key member of staff leaving, lack of business continuity plan, a change in government policy or negative publicity
- Regulatory risks
    - E.g. Failure to comply with reporting requirements, compliance risks or a breach of data protection
- Financial risks
    - E.g. A low level of reserves or dependence on a single source of funding

The **ANALYSIS** stage comprises of the evaluation of risk in terms of their likelihood of occurrence or probability and consequences of their impact. At this stage a method of prioritising significant risk is agreed, such as the traffic light system (below) or probability impact diagram.

| . Impact/Probability | Very Low (1) | Low (2) | Medium (3) | High (4) | Very High (5) |
|---|---|---|---|---|---|
| Very High (5) | 5 | 10 | 15 | 20 | 25 |
| High (4) | 4 | 8 | 12 | 16 | 20 |
| Medium (3) | 3 | 6 | 9 | 12 | 15 |
| Low (2) | 2 | 4 | 6 | 8 | 10 |
| Very Low (1) | 1 | 2 | 3 | 4 | 5 |

The **PLAN** stage of risk assessment describes the function of selecting the appropriate actions that aim to mitigate risks or enhance opportunities within available budgets and resources. Risk can be treated in various ways:

- **Avoid**
  - Reduces the probability of loss to zero, creates need for alternative plans or processes
- **Accept and finance**
  - Commercial insurance, contractual transfer or borrowing
- **Reduce consequence or impact**
  - Pursues risk reduction techniques, e.g. disaster and contingency plans, off-site data and information storage
- **Transfer**
  - Involvement of another party in sharing the risk, e.g. contracts, insurance, partnerships and joint ventures
- **Retain**
  - After the risk is treated, there may be residual risks retained

Finally the **MANAGE/CONTROL/MONITOR** stage includes the overall function of reporting, reviewing, coordinating and deciding on risk management information. This will involve providing a clear strategy and process plan for risk management. You'll recognise some of the key control measures used in school finance systems, including; procedures for sign-off and transaction limits on credit cards, purchase orders and running extra checks on expense claims above a certain value.

## FURTHER INFORMATION

**The Institute of Risk Management:** www.theirm.org

**CC26- Charities and Risk Management**: www.charitycommission.gov.uk