



**ASBA**

\*Association of School  
Business Administrators  
Strategic Partner

# Aon's 2017 Independent Schools' Risk Report



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In March 2017, Aon invited independent schools to complete the annual Independent Schools' Risk Survey, gathering compelling insights into the sector's key risk concerns.

Results from 317 participants were analysed for this report\*, along with commentary from risk and people experts within Aon, industry experts and key industry bodies.

The majority of this year's respondents are members of the Association of School Business Administrators (ASBA), to whom Aon proudly remains the Strategic Insurance and Risk Partner.

Aon would like to thank all those who participated in the survey or contributed to the report, with particular thanks to the following:

**Pip Thomas**, Chief Executive Officer, Association of School Business Administrators

**Jennifer Davies**, Dean of the Leadership Centre, Association of Independent Schools of NSW

**Jenni-Lee Williams**, Leadership Consultant, Association of Independent Schools of NSW

**Cathy Lovell**, Head of School Services, Association of Independent Schools of NSW

**Tracey Cain**, Managing Director, Australian Public Affairs

*\*The statistics in this report are based on the limited results of a survey conducted by Aon between 13 March – 7 April 2017, of 317 Directors of Business, Business Administrators, Principals and Board Members from independent schools across Australia and NZ.*

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# EXECUTIVE SUMMARY

Today's volatile and uncertain global environment is affecting every industry and sector, and schools are by no means immune from the knock on effects that ripple across society.

## Press pause

Despite the economic challenges ahead, there is an opportunity for forward thinking independent schools to press pause and rethink their approach to risk. Instead of taking a reactive stance, schools can become more proactive if they recognise that best-practice risk management can be both an enabler and differentiator.

Aligning risk management to the strategic goals of the school, with an engaged and supportive board in the driving seat, allows independent schools to telegraph to the school community, prospective students and their parents the daily commitment to making school a safe, inclusive, and resilient learning environment.

School leaders who communicate clearly their approach to risk, their determination to take mitigating action, and preparedness to act swiftly and effectively when required help build a risk-aware and rapid-response culture that benefits the entire school community.

Despite the increasing emphasis on risk management by many, some schools remain tactical in their response to risk, responding to acute problems and crises, rather than developing holistic risk registers and risk management frameworks that can mitigate risks early and effectively.

More than simple compliance, effective risk management delivers a competitive edge.

## Risk frameworks and compliance

Almost 80% of independent schools surveyed have a formal risk management plan in place, the remainder do not. But even in schools which do have a formal plan – not all have been formally approved by the board.

Some schools, particularly the larger ones are now hiring specialist risk and compliance managers, creating risk registers and frameworks, and engaging external experts to provide risk advice and support. A number of schools are adopting ISO 31000 as the foundation for risk frameworks, injecting rigour into their approach. What is still lacking in many instances is independent, regular validation of risk registers and strategies.

Ensuring effective business continuity requires risk management strategies to be regularly reviewed by the board and senior managers to ensure they remain relevant and effective.

Because risk, like rust, never sleeps.

## Student safety

The Royal Commission into Institutional Responses to Child Sexual Abuse was a major feature of the 2016 schools landscape, shining a bright light on the issues of child safety, protection and school governance. School boards remain alert to the issue and over the last year many teachers and school officers have received formal training in child protection to ensure all personnel understand their responsibilities and how to report and respond to inappropriate behavior. There is lingering concern however that what is considered inappropriate behavior may vary by school and greater rigour in definition would help; ultimately schools need to ensure that their child protection policies are beyond reproach.

Yet to play out fully is the implementation of the Redress scheme recommended as part of the Royal Commission and schools will need to pay close attention to that and its potential implications from late 2017 and beyond.

## Cyber threat

Schools are more aware of cyber risks than in previous years, particularly hacking and ICT systems failures; and for the first time have nominated data privacy as a top ten issue. Highly visible public sector failures such as the Census debacle and data breaches endured by organisations including the Red Cross have brought the issue into focus. From next year schools which meet the criteria will need to comply with new mandatory data breach notification legislation.

Technology has delivered significant benefits in education and learning, but it has spawned new risks. Pervasive communications networks, the internet and social media means that the logical perimeter of the school may extend beyond the gates and into students' homes.

The rising incidence of cyber bullying, occasionally with devastating consequence, is something that schools continue to grapple with.

Technology-use policies, including out of hours use, linked to enrolment policies are one way schools are trying to ensure comprehensive duty-of-care. Parents and students should be informed of school expectations and the consequence of non-compliance, which may include suspension or expulsion.

## Tours and travel

After a year peppered with terrorism attacks in many of the world's leading cities, schools are conducting thorough risk assessments ahead of selecting destinations or itineraries for tours and travel.

Just because the school has run a particular tour for the last two decades without incident does not mean it should be repeated in 2017 without a clear-eyed review of current risks ranging from climate change and increased risks of fires or floods, to terror-related attacks or kidnap and extortion.

There is no evidence of schools abandoning this important area of education – but they are taking a far more mature and measured approach.



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There is no room for complacency in any school; new risks emerge constantly.



## Risk governance

While some schools properly engage with risk, many school boards still see it as an annual agenda item to ensure insurance policies have been renewed.

This misses the opportunity schools have to properly manage risk and use that to enhance the brand.

Success does not mean avoiding risk entirely – there are for example many independent schools which encourage outdoor pursuits, sports and activities and remain highly successful. What sets them apart is that they know the risk, accept it and take sensible steps to mitigate it, all the while ensuring that students and parents are kept properly informed.

Larger schools with experienced business managers may take a more sophisticated and holistic approach to risk management – but success requires the support of the board, a chair receptive to comprehensive risk management and more than tick-a-box compliance.

Since compulsory professional development was introduced for school boards in NSW in 2015, there has been a gradual awakening to risk. However many smaller or new schools where boards are often drawn from religious, parent or community groups have yet to be exposed to the hard edge of a crisis.

There is no room for complacency in any school; new risks emerge constantly. There is also the risk of contagion across the independent schools sector as media can use a broad brush to tell independent school stories.

## Property protection

Tropical Cyclone Debbie and the 2017 floods served as a fresh reminder to schools of the property risks they may have to navigate. There is a substantial quantity of ageing infrastructure and heritage stock owned by independent schools around Australia. Active property maintenance is required to manage associated risk.

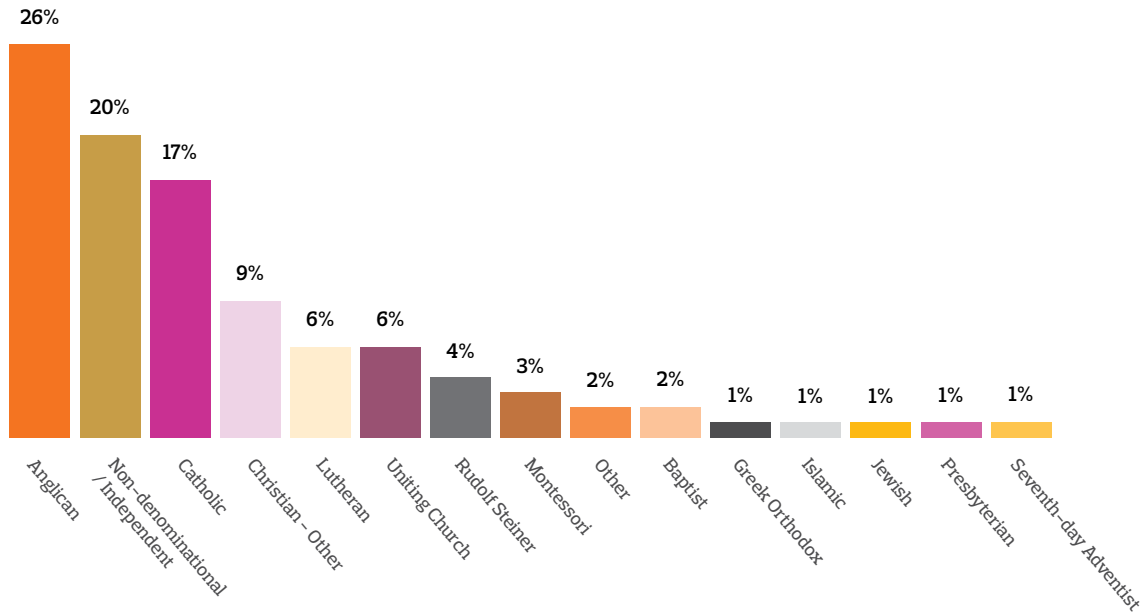
Insurers report an increasing frequency of storm damage associated with climate change, but note that properly maintained buildings should withstand all but the worst weather events.

All independent schools aspire to properly value and insure their property portfolio. However outdated valuations, or using a financial or construction based valuation instead of a replacement valuation can place a school at risk and may trigger co-insurance clauses in insurance policies.

# RESPONDENT PROFILE



## Respondents by school type



## Respondents by school size

Size	%
500 or less students	36%
501-1,000 students	29%
Greater than 1,000 students	35%



## Respondents by location

State	%
ACT	4%
NSW	35%
NT	1%
NZ	4%
QLD	14%
SA	9%
TAS	5%
VIC	19%
WA	9%

# RISK ENVIRONMENT AND TOP RISKS



Q. Please provide your school's top five risk concerns

Rank	2017	Change from 2016 to 2017	2016	Change from 2015 to 2016	2015	Change from 2014 to 2015	2014
1	<b>Increasing competition/ decreasing enrolment numbers</b>	↑ 3	Student safety	↑ 2	Brand and reputation	↑ 1	Access to funding
2	<b>Brand and reputation</b>	=	Brand and reputation	↓ 1	Access to funding	↓ 1	Brand and reputation
3	<b>Access to funding</b>	=	Access to funding	↓ 1	Student safety	=	Student safety
4	<b>Student safety</b>	↓ 3	Increasing competition	↑ 1	School governance	=	School governance
5	<b>Ability to attract and retain talented teachers</b>	↑ 1	School governance	↓ 1	Increasing competition	↑ 1	Ability to attract and retain top teachers
6	<b>IT systems failure</b>	↑ 4	Ability to attract and retain top teachers	↑ 2	Changes to legislation	↑ 1	Increasing competition
7	<b>School governance</b>	↓ 2	Changes to legislation	↓ 1	Property damage	↑ 5	Changes to legislation
8	<b>Changes to legislation</b>	↓ 1	Social media	↑ 2	Ability to attract and retain top teachers	↓ 3	Personal and professional liability
9	<b>Property damage</b>	=	Property damage	↓ 2	Systems failure	=	Systems failure
10	<b>Privacy / data breach</b>	NEW	Systems failure	↓ 1	Social media	=	Social media

Increase from previous year
 Decrease from previous year
 No change



## The changing risk landscape

The risk landscape for independent schools has shifted subtly in the last 12 months with some juggling of risk priorities.

Schools have nominated increasing competition and declining enrolment numbers as their biggest concern. Second and third slots on the risk ladder are brand and reputation; and, funding. Access to funding is likely to remain high in the rankings and could see a return to first place over the next twelve months, in light of the proposed changes to government funding for schools.

In this survey a year ago it was student safety, rather than economic concerns, perceived as the greatest risk to schools.

This year student safety ranks fourth. This likely reflects the focus placed on the issue during 2016 in response to the Royal Commission into Institutional Responses to Child Sexual Abuse. That Commission has now completed its public hearings with the final reports and recommendations to follow.

Student safety remains a top issue, and there is no evidence of complacency, but schools now say they have an existential issue to address.

## Economic headwinds

Schools monitor the economy carefully, mindful of the impact it may have on enrolments and funding. More independent schools continue to open their doors, increasing competition in specific locales, while household debt levels and rising property prices continue to challenge many family budgets.

While elite schools in major cities may be cushioned to some degree, smaller schools could feel the pinch, particularly in more remote regional areas where key industries are declining, such as mining.

To assess economic risk some schools are undertaking financial modelling to assess the impact of a deteriorating economy and declining enrolments. Armed with that insight they are developing strategies to ride out any downturn. Again, transparent communications with parents are seen as an important tool to reduce the risk of them pulling their children out of school preemptorily.

Transparency however is in short supply with regard to school funding, with the Government still deliberating. This funding uncertainty and state of flux remains a huge challenge for independent schools.

## Key considerations

- Ensure the board considers the risk profile of the school once each term
- Appoint a risk manager or make an individual accountable for oversight of any issue
- Prioritise student safety – communicate its paramount importance to school community
- Develop technology use policies and link them to enrolment
- Review property maintenance schedules and current valuation
- Carefully assess educational value and risks of student tours and travel
- Perform what-if financial modelling for various economic/funding scenarios
- Engage with independent experts to inform and test risk approach



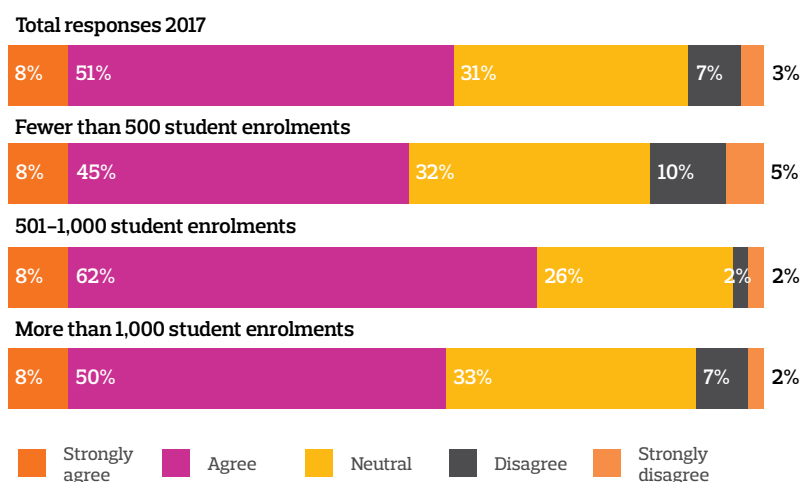
# MANAGING RISK



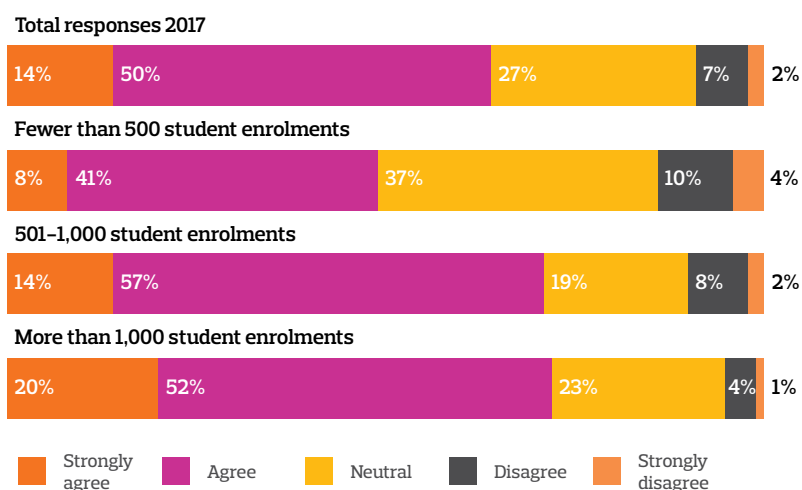
## Schools favour strategic risk management over a tactical approach

Three in every five independent schools believe they need to do more to mitigate risks in the coming year; 64% are already increasing their investment to do so.

### Q. Our school needs to do more to mitigate future risks



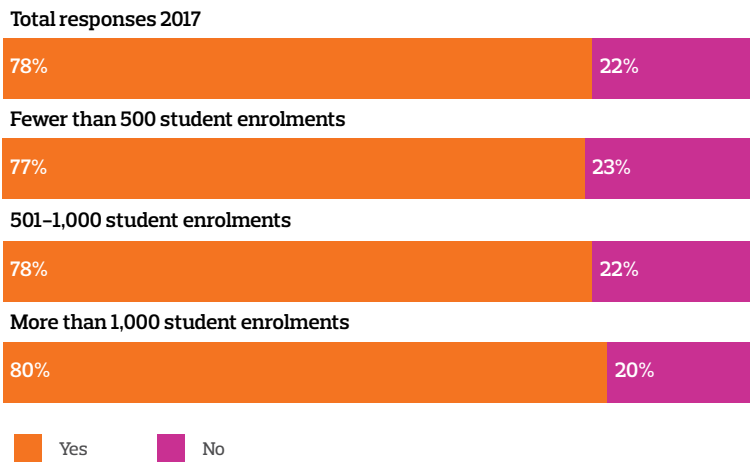
### Q. Our school is increasing its investment in risk management



### Sector's progress toward risk management remains steady

Almost 80% of independent schools have a formal risk management plan – even if not all of them have board approval and sign off. This proportion has remained steady in the last 12 months.

## Q. Does your school have a formal risk management plan in place?



## Q. If yes, has the plan undergone formal approval at board level?



Getting the remainder of schools to take risk seriously and develop a proper plan, remains a stubborn problem for the sector. Given the opportunity for contagion – where risky practices in one school are categorized in media reports as a sector wide problem – this needs to be addressed.

Arming yourself with a risk management plan is only half of the story. Schools need to turn preparation into practice, and instill a day-to-day focus on continuous improvement and a culture that supports and values ongoing risk mitigation.

Managing risk is a particularly acute problem for smaller independent schools which may lack the resources or skills to properly embed risk management in all areas of endeavor.

Half of Australia's independent schools have fewer than 200 students. While the risks are no less real, the practices, processes and leadership required to address risk can be in short supply in smaller schools – though forward thinking institutions are partnering with independent advisors for support.



*Volatility and uncertainty are the new normal in the contemporary education context. It's vital that schools use available knowledge and understanding of potentially volatile events (extreme anti-social behaviours, systems failure from environmental catastrophe or hacking, economic downturn affecting funding or student enrolments) to proactively prepare for and manage the potential risk to student and staff safety and to the school's reputation. Risk management policies and procedures that are practiced, reviewed regularly and strengthened using a range of approaches are a wise investment in time and human resources.*

– Jennifer Davies, Dean of the AIS Leadership Centre, NSW



# CYBER RISK



## Technology's double edged sword

Concerns about the risk of IT systems failure has soared this year and for the first time, independent schools have nominated privacy and data breach as one of their top ten risk issues.

Like other sectors of the economy, schools have embraced the transforming capabilities of digital information systems and ubiquitous communications. The flip side is the risk of systems failure or attack that could arise due to a power failure, an accidental error, or a targeted attack.

Compounding the challenge for many schools is the fact that unlike corporate networks, which can often be locked down, schools require a degree of flexibility and fluidity. Students and parents are often afforded remote access to schools' file sharing systems, and encouraged to use their own devices on the network. Schools may wrap a layer of security around their systems using mobile device management systems – but these are not infallible.

Plus, while schools' IT departments may strive to secure the network and limit access to only authorised personnel, tech-savvy students often seek workarounds if denied access to content that they seek, and can inject extra risk.

While schools generally insulate the administrative network from the teaching and learning platform, there are often points of interconnect, and hence vulnerabilities.

## Ransomware rise

The risk of ransomware attacks taking hold in the sector must be considered as this is the most prevalent form of attack in other areas of the economy. In a school setting, ransomware could be installed on a network when a staff member or student unwittingly opens an attachment in an email which then loads malware onto the network, and encrypts all data - rendering the school's information systems inaccessible. The attackers demand a ransom before providing a key to unlock the data.

While there are emerging software tools to help schools protect themselves, staff and student education initiatives that remind people of the risks of clicking on unexpected links or attachments can also offer important protection.

## Cyber and social

A school's duty of care can be stretched by expanding technological boundaries. There is an expectation that schools will have policies and procedures to deal with cyber bullying – whether it originates from the school or from elsewhere. Without blanket monitoring of social networks, it is not possible for schools to identify every incident of cyber bullying, however awareness-raising campaigns coupled with cyber and social network policies linked to enrolment rules can provide some protection.



*There needs to be granular assessment of where a school keeps its data crown jewels. What systems are accessible? What networks are available? This needs to be done each year and with independent oversight.*

– Fergus Brooks, Aon National Practice Leader, Cyber Risk



## Q. Are you aware of the Mandatory Data Breach Notification Bill which passed in Parliament this year?

This is new and quite complex legislation and schools which will need to comply have only months left to develop an effective response plan.

### Total responses 2017



## Data breach – the new rules



For the first time the survey identified privacy and data breach as a significant risk. Private sector breaches experienced by the likes of Sony and Yahoo! have demonstrated the impact on reputation in the private sector – this would be magnified for schools given the sensitive and confidential data they hold on file.



From early 2018 many independent schools will face an additional data breach challenge when the Government's mandated data breach legislation takes effect. From that time schools with revenues of more than \$3 million will be obliged to report eligible data breaches to both the Office of the Australian Information Commissioner, and any affected individuals – which could extend to staff, students, parents and alumni.



Many schools remain unaware of the new rules. Only about a third of respondents had heard of the new legislation and had plans in place to comply.

## Cyber considerations

- Conduct a risk assessment including systems architecture review
- Understand which data is held where, who has access and how it is protected
- Consider independent penetration testing to identify weak links
- Ensure software patching is up to date and modern computer security tools or services are deployed
- Inform and engage school councils and boards about cyber risks
- Develop mitigation policies and procedures; repeat and refresh annually
- Develop a cyber incident response plan
- Establish manual workarounds for when systems or power are unavailable



# SCHOOL GOVERNANCE



## The governance conundrum

While school governance ranks seventh on the list of ten top risks, down from fifth ranking last year and fourth in 2015, the question looms – is this because governance has improved, and other risks are now more pressing, or because a sense of complacency has arisen?

Undoubtedly since 2015 when independent school directors in NSW were first obliged to participate in 12 hours of professional development every three years, there has been a rising professionalism among school boards and a greater understanding of risk.

Independent school governance exists on a spectrum. While a number of larger schools operate in a corporate-like fashion with highly engaged and commercially experienced directors, smaller schools may not have that sort of resourcing, instead relying on volunteer directors drawn from religious groups, parents or the community.

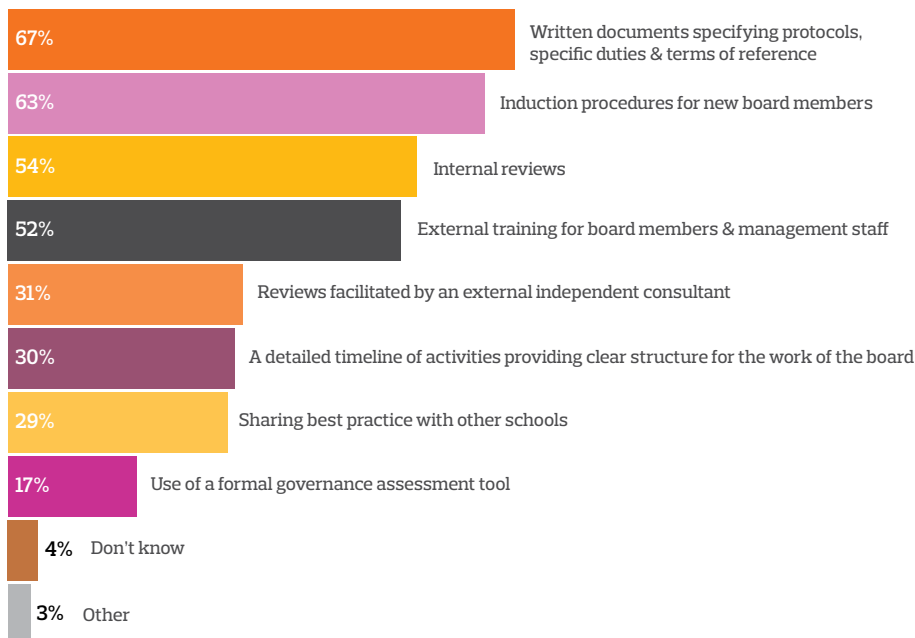
That does not mean however that larger schools are inevitably better governed than small schools. Large schools need to navigate the risk that too much of the board's focus may rest on building brand and revenues, rather than the safety, welfare and successful education of children.

There may be an increasing role in all schools for independent directors without formal ties to the school, but with the sort of external experience that could inform and enrich the board.

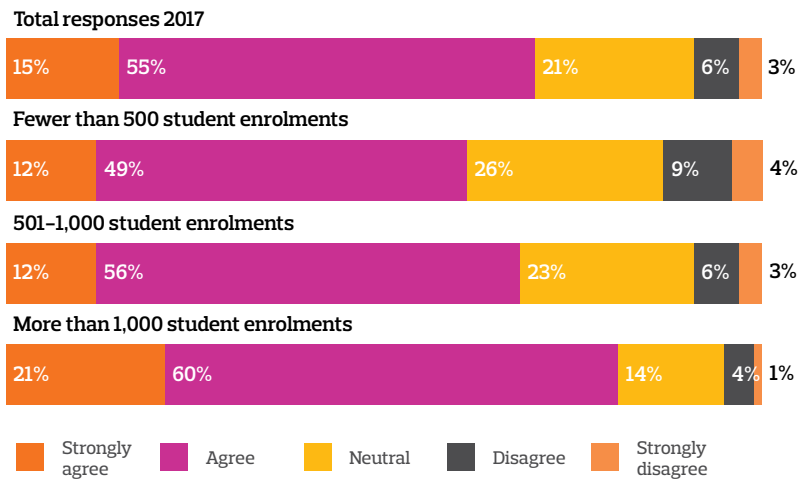
The survey found that 70% of school boards are engaged with risk management. The techniques they use to ensure effectiveness are wide and varied.

Despite the engagement of 70% of school boards, 21% were neutral on this question and 9% disagreed – a clear signal that not all school boards are properly involved in risk management. Perhaps unsurprisingly, smaller schools reported slightly less engagement than larger schools.

## Q. How does the board ensure governance effectiveness at your school?



## Q. Our school board is engaged around risk management



## Room for improvement

However exemplary the governance structure today, the very best independent school boards recognise that as they strive for best practice they must constantly review and refresh themselves.

They may run formal evaluation programmes to reflect how the school is performing – and these will involve much more than tick-a-box compliance. Boards may seek to benchmark themselves against similar institutions and also seek insights from external facilitators every two to three years in order to bring a fresh perspective.

### To consider



- Explore the use of online tools for governance assessment of school pain points to remove personality and unconscious bias.
- Identify the top ten risks affecting your school – these may differ markedly from the top ten list in this report. Prioritise risk mitigation efforts around that list.
- Consider using external facilitators every three years to test the board's conventions and assumptions.
- Ensure strategic issues are discussed first in board meetings. Operational issues should be further down the agenda or delegated to specially formed committees, though this may only be possible in larger independent schools because of resourcing issues for smaller schools.
- Consider the work dynamic between the principal, the board, and the business administrator, to ensure effective delegation of responsibilities.



*The best boards recognise they never reach best practice and are constantly renewing and refreshing themselves.*

– Jennifer Dean, Head of the Aon Master Trust



# BRAND AND REPUTATION



## Prepared for the worst

Independent schools state that the two most challenging issues they face are increasing competition / decreasing enrolment numbers, and brand and reputation.

What happens if their worst fears arise and student numbers drop while their brand is somehow tarnished? How will the school and its current cohort of students and teachers fare?

For those schools without well placed plans, the question is; how quickly could they alert parents to a playground accident? How would they tackle the arrival of a media camera crew at the front office or an attack on the school's brand in the tabloid press?

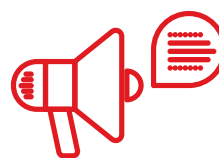
Fresh problems emerge each year; from cyber bullying, to terrorist attacks, from allegations of child abuse, to allergic reactions. The instantaneous nature in which communication now flows, and the ease of publishing to social media, coupled with new and emerging causes of crises or incidents, mean that it's not enough to have a plan in the top drawer – it needs to be regularly reviewed, updated and tested. This is not 'set and forget'.

There is an acute difference between having a plan to manage a critical incident and being able to execute it. Schools need to consider the varying levels of response capability across its leadership team, taking into account natural attrition and an ever changing external environment. To protect brand and reputation it is pivotal that schools train key personnel in how and when to respond, and ensure that the plan is continuously reviewed and updated to reflect changing conditions.



*If you don't identify and mitigate risks you will be operating permanently in crisis management mode.*

- Tracey Cain, Managing Director, Australian Public Affairs





# BUSINESS CONTINUITY



## Keep calm and carry on

A failure to open the doors during assessment time, or care for students whilst their dorm rooms are ablaze is not just the stuff of principals' nightmares, it's the foundation of effective threat assessment and business continuity planning. Identifying the lead challenges, and modelling a series of potential "black swan" events allows a school to create a robust business continuity plan that should see it through even the most challenging times.

## Resilience rewards

The resilience afforded by such a plan can distinguish one school from another and burnish a brand or reputation in challenging times and help rein in the risk of enrolments declining. It can deliver a competitive edge.

Anecdotally it seems that larger schools are better prepared in terms of business continuity planning which is unsurprising given their enhanced resourcing. However smaller schools have less buffer to withstand challenges – business continuity planning should be a priority.

Schools perform well in terms of critical incident plans – 85% say they have a documented strategy for managing critical incidents; these might range from a classroom fire, to the on campus injury or death of a student, or international tours going awry.

## Q. Our school has a documented Critical Incident Management Plan

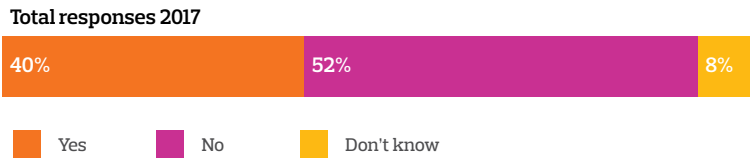
Total responses 2017



While an incident needs proper handling, it will not necessarily impact the functioning of the school long term. A funding cut, economic downturn, power outage, property damage or reputational attack could however – and schools are less well prepared for such issues. A business continuity plan picks up where the critical incident plan ends – a school knows how to get children out of a flooded area, but might not have a plan for how to get students back in front of a teacher before those classrooms are back in action.



## Q. Our school has a documented Business Continuity Plan

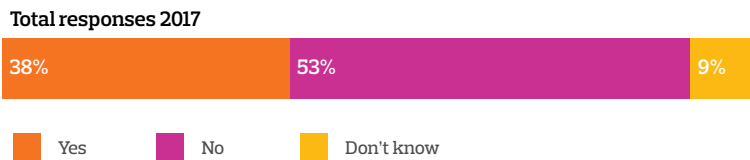


Just over half of schools surveyed do not have a documented business continuity plan in place (52%).

While this figure is slightly less than in 2016 (54%), there is still much room for improvement in this space.

A robust approach to business continuity demands a combination of having a plan and being able to execute it. If it's never tested how can a school know it will work? It's positive to see a directional increase in business continuity plan testing in this year's survey, up from 13% in 2016 to 38% this year. This goes to show the discipline is beginning to mature in this industry, and schools are placing more value on the business continuity plan process.

## Q. Our school has tested its Business Continuity Plan in the past 12 months



### Creating a Business Continuity Plan (BCP)

Schools need a BCP that examines how key functions could be maintained under various conditions including:

- Pastoral care
- Assessment and examination
- Communications from principal to school community
- Access to records
- Delivery of curriculum if classrooms are inaccessible or staff unavailable



To create a BCP schools need to assess the level of impact, articulate any acceptable outages, and identify resources needed to get up and running again.

Schools should identify what functions are needed in four hours, in a week, in 21 days or a term and then prioritise action accordingly. Similarly a list of the information sources ranked critical, important and non-critical need to be identified so that the BCP can properly inform the IT team's disaster recovery plan which will be separate but related.

Having a plan is one thing; putting it into action another. Annual tests of the plan with desktop scenarios allows any gaps to be identified and plugged. Regular refreshers also develop 'muscle memory' for the entire team – when the BCP is required the team knows who does what and how.

## Business Continuity Plan (BCP) Checklist

- ✓ Ensure the board is alerted to the need for a BCP
- ✓ Conduct site threat assessment
- ✓ Perform business impact analysis of loss of functions
- ✓ Establish recovery objective
- ✓ Identify resources (including people) needed to return to business as usual
- ✓ Deliver training required to ensure BCP is effective (annually)
- ✓ Create pragmatic BCP with all the information needed to enact the plan
- ✓ Establish accountability for the BCP with a particular school role (not individual who may move)
- ✓ Determine review period and test schedule
- ✓ Consider third party review of BCP to flush out gaps



*Schools have a really strong history of having critical incident management plans in place to deal with a crisis. The same level of maturity, whilst it is slowly increasing, does not exist when it comes to business continuity plans.*

*Business continuity planning often falls apart when the capability to execute is lacking. Scenario testing builds this capability across the school's leadership team, empowering a structured and effective response to a significant disruption.*

**- Marcus Vaughan, Managing Principal, Growth Strategies, Aon**



# STUDENT TRAVEL



## Expand the horizons, but safely

The days of the French class happily heading off on a school trip to Paris with rarely a second thought about the potential pitfalls are long gone.

The spectre of international civilian-focused terrorism, and the growing incidence of kidnap and extortion events, has significantly ratcheted up the risks associated with school trips or sporting tours.

However schools are not wrapping students in cotton wool, instead they are taking a more holistic approach to risk mapping, and engaging closely with parents and independent expert advisors to ensure that educational outcomes are not compromised by the threat of terrorism.

While there is no less international travel taking place, more comprehensive risk assessments are being performed in advance, and destinations are being carefully considered with clear articulation about the reason for the visit.

The major concern for previous generations was to ensure immunisations were up to date and travel insurance purchased. This is no longer the case.

## Smart Traveller

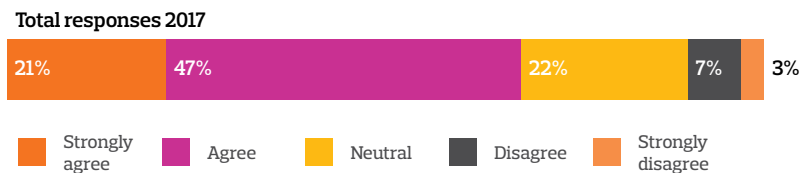
The first port of call for a school considering an international trip is the Department of Foreign Affairs and Trade's Smart Traveller website which provides up to date travel advice from the Government.

Where possible schools should also seek out local knowledge and insight to enhance their understanding of risks.

In tandem with the development of the tour plan, a formal travel risk management plan – including crisis management planning - should be drafted either by the school or in association with specialist third parties. Depending on the destination this may need to be quite specific – for example identifying reputable hospitals and reliable clean blood supplies in certain countries, well in advance of the tour taking place.

While a sizeable number of schools are creating comprehensive travel plans in advance, this is not universal.

## Q. Our school has a formal travel risk management plan in place



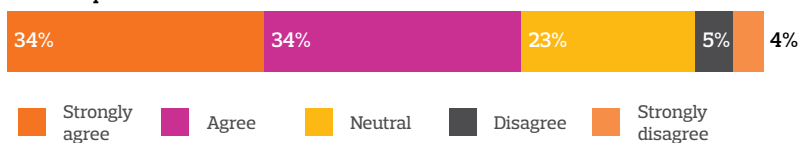
## Insurance equity

It is increasingly important that everyone on a trip is covered by the same travel insurance policy, rather than parents each being required to select their own cover for their children, so that in the event that an evacuation is required, for example, the process should be a lot smoother.

Schools are already trending in this direction – 68% of survey respondents say that the school purchases group travel insurance for students for any overseas school excursion.

### Q. Our school purchases group travel insurance for any overseas school excursion

Total responses 2017



That however still leaves a sizeable collection of schools which face risks associated with a still piecemeal approach to insurance. Should an incident arise requiring students to be evacuated or hospitalised this may see some students less well protected than their peers, and also place the burden of care onto teachers who may be requested to remain behind with an underinsured student.



*The days of happily going on a French trip to Paris are over. There is much greater need for comprehensive risk assessments which are signed off by the teachers and parents.*

– Pip Thomas, CEO, ASBA



### To consider

- Visit the Department of Foreign Affairs and Trade's Smart Traveller website for up to the minute government insight about specific locations
- Work with a specialist international crisis management service receiving regular alerts and insights about the international threat landscape
- Identify high risk activities and inform the school's insurer well ahead of the trip
- Provide the insurer with a comprehensive detailed itinerary
- Consider carefully any insurance coverage exclusions which may exist for destinations classed as high risk, and for pre-existing medical exclusions
- Develop a comprehensive permission slip and information pack for participating students so that the school can properly assess medical risks, and ensure it has the right amount of supplies (such as EpiPens) on hand



# STUDENT AND STAFF WELLBEING



## Student and staff wellbeing initiatives deserve further attention

One of the most startling findings in the 2017 survey is that student safety has dropped from the number one ranked risk in 2016 to number four this year.

Student safety, along with proper delivery of the curriculum, and training and education of teachers are key requirements of all States and Territories for Independent Schools. Schools need to ensure that their child protection policies and processes, along with school-community education about them, are beyond reproach.

The risk of terrorist, race or religion-focused attacks is causing schools to rethink their physical security, with some hiring security personnel to keep schools, students and staff safe while on campus and as they exit the school bound for home.

## Student safety impacts reputation

It is important for schools to understand the correlation between student safety and wellbeing and the sustainability of the school. It maintains that effective risk management along with well documented and demonstrated student wellbeing policies can improve the reputation and hence attractiveness of the school to current and prospective parents.

Complacency over student safety can risk “trial by media” for any apparent breaches of best practice, and negative press reports often have a sector-wide impact.

Even well intentioned-initiatives – one school considered sending teachers to students’ homes to provide additional coaching and assistance for example – can pose challenges. In such a situation how could the safety of the student and the teacher, be properly assessed or ensured?

## Community communications

Parents with grievances that they feel are not receiving a proper hearing have been known to approach the media to seek more oxygen for their complaints and concerns.

Meanwhile a growing proportion of parents are treating schools like any other commodity and if they are dissatisfied, are voting with their feet and wallets, and moving their children to different schools.

Both traditional and social media can accelerate the spread of both information and misinformation regarding student safety, and also inflame community attitudes which schools may struggle to handle. Individual schools identified in the media may find it hard to combat public perception about their student safety approach, particularly when there is widespread access to corroborating video available on social media.

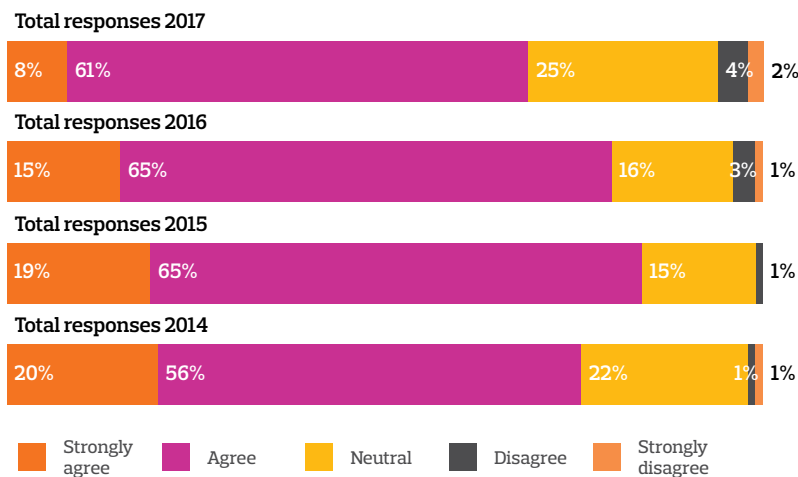


## Staff support

The number of staff grievances being raised with school executives is on the rise, dragging in its wake the risk of legal action. Where people issues might once have been delegated to a senior teacher, many schools recognise the value in appointing a dedicated HR professional versed in work, health and safety issues.

When surveyed, 69% of respondents said that their school had rigorous work, health and safety policies in place, compared to 80% last year. A somewhat worrying 31% were either neutral to that proposition or disagreed, suggesting that there is a way to go for some schools.

### Q. Our school has rigorous Work Health and Safety policies in place



At a time when teachers are facing mounting and sustained pressure from parents to ensure strong educational outcomes, schools need to take a robust approach to support teachers in conversations with families.

While there has been some progress in terms of mental health awareness programmes across the independent school sector, the majority of schools still do not have formal programmes in place.

This however is a mistake – not just from a moral or ethical standpoint – but from a business perspective, teachers battling mental health issues may have outcomes or productivity related effect. A 2014 PwC report<sup>3</sup> estimated a \$10.9 billion impact on the Australian economy from organisations which failed to properly address mental health issues. A lead indicator may be a decline in productivity, or an increase in absences, which is often followed by a claim.



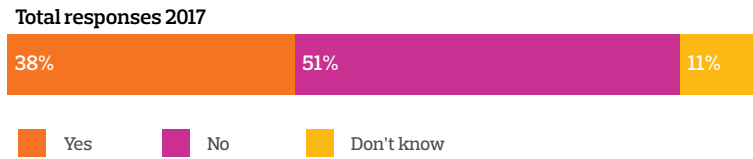
*The psycho-social risks that exist in the school environment have been on the radar for several years and schools are now seeing that play out.*

– Jennifer Cameron, Aon Client Director, Work Health and Safety



<sup>3</sup>2014 Creating a mentally healthy workplace, Return on Investment Analysis, PwC

## Q. Does your school have a formal mental health awareness program in place?



Curriculum flux, parental and student expectations, and extra-curricular expectations all pose psycho-social challenges to the teaching staff. Schools need to establish opportunities for teachers to talk about stress and burnout and to proactively address organisational factors that may be impacting staff. To be effective, schools require more than a written policy, but to incorporate psycho-social risk assessment into their normal risk management practices and develop a culture that encourages continuous improvement of the working environment which applies to all staff, permanent, casual or contractor.

## Healthy minds, healthy school

Schools benefit from greater consideration of psycho-social risk impacting executives and teachers, and also initiatives to raise awareness of the issue and break down stigma associated with mental health.

A safe working environment for staff should be a priority for all schools. This extends beyond the school's physical boundaries, to excursions and the online world. Some schools are now developing and deploying policies that set out clearly how long teachers and student alumni must wait before forging online social media connections outside of school.

Technology facilitates continuous communication between the executive, teachers, students and parents. There must however be explicit limits established regarding information access, privacy and security of information, and also cyber bullying and sexting.

While an increasing number of schools are linking their technology-use policies to enrolment, the key issue is often education of everyone in the school community, not just about political correctness, but what amounts to civil and uncivil behavior and what will and will not be tolerated. This needs to include teachers, parents and students.

Often schools will need to set out their expectations explicitly as the range of opinion regarding what is acceptable behavior may vary widely between for example teachers with political agendas and very liberal parents.





# TALENT AND ENGAGEMENT



## Attract, recruit and retain

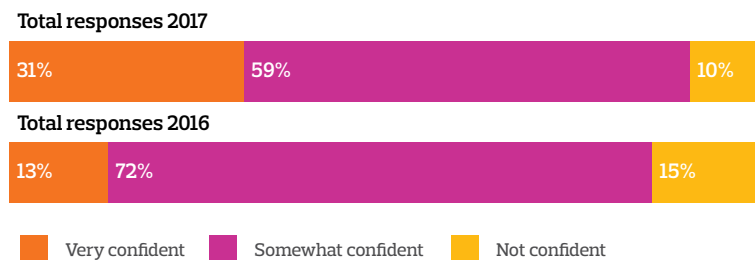
The challenge independent schools face in terms of their ability to attract and retain talented teachers continues to rise up the risk rankings.

For the last two years this has risen two places in the rankings each year – this year coming in at fifth slot.

Independent schools are not alone; the war for talent across the knowledge economy is well documented, with one of the major risks to the performance of an organisation being access to skills and experience.

Fewer than one in three schools report they are very confident that they have the right procedures in place to hire and retain great talent. While the majority of schools are “somewhat confident”, and the proportion that are very confident has more than doubled since last year, a worrying one in ten schools still have little confidence in this regard.

### Q. How confident are you, that your school has the right procedures in place to hire and retain great talent?



Without good teachers schools risk both performance and reputation, threatening their long term sustainability.

## STEM and salary

The issue is particularly acute in certain areas.

There is anecdotal evidence of STEM (science, technology, engineering, maths) teachers being in high demand and proving highly mobile, unless schools are prepared to match salary offers either from one another, or private industry, which is also seeking these short-supply disciplines.

While there is plenty of commentary suggesting that salary is not the only factor considered by knowledge workers, it is critical to their engagement. Aon Hewitt identified reward and recognition as the number one factor influencing employee engagement in 2016<sup>1</sup> and schools will need to carefully manage upward pressure on salaries.



*Talent acquisition, engagement and retention is one of the biggest challenges to the performance of an organisation. Schools need robust strategies for recruiting talent, and to engage and retain people, in order to maximise performance.*

– Stephen Hickey, Head of Talent, Aon Hewitt



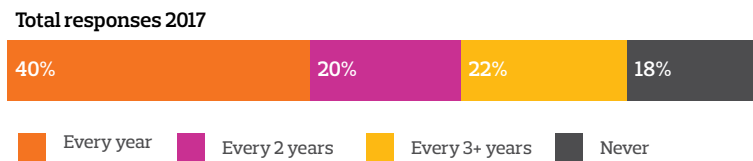
<sup>1</sup>2017 Trends in Global Employee Engagement, Aon Hewitt 2017

## Reward and recognition

This is not just an issue of the quantum of salary – but its perceived fairness. Schools may need to navigate conversations around salary carefully, explaining why some skills appear to be more highly valued than others. A broad based recognition programme which acknowledges performance could be useful, in addition to the relatively blunt instrument of pay rises.

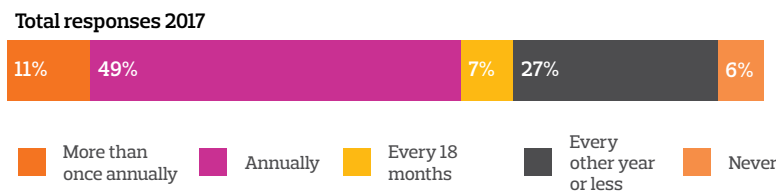
While employee engagement is particularly important for teachers, schools’ understanding of the issue remains patchy. Only two in five schools conduct annual employee engagement surveys, a further 20% conduct such a survey every two years.

### Q. How regularly do you conduct a review of employee engagement?



Employee engagement surveys are conducted every three-plus years in 22% of schools – while alarmingly 18% of independent schools have never surveyed staff. When compared with overall trends of propensity to measure employee engagement shown by the Aon Hewitt Talent, Rewards and Performance study<sup>2</sup>, schools do appear to be slightly behind the curve.

### Q. How often does your organisation measure engagement?<sup>2</sup>

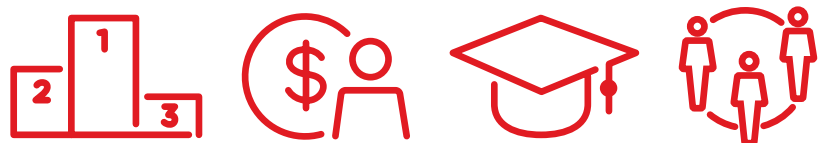


*Based on 314 responses from organisations with 1000+ employees.*

Unless schools develop far more granular understanding of employee engagement they will be hobbled in terms of their ability to respond and fix the problem.

Independent schools need CEOs and HR managers to develop robust strategies to recruit talent, maximize their performance, continue to develop personnel and retain them. Effective talent management does not happen through some fluke, but an intentional well thought out and executed strategy requiring executive level leadership, ownership and drive.

People want to work in an organisation where they are able to perform to the best of their abilities. Transparency regarding culture and values alignment in the vision and mission statement of the school is an opportunity to demonstrate to would-be recruits that your school is serious about creating a first-class employment experience.



<sup>2</sup> 2017 Trends in Global Employee Engagement, Aon Hewitt 2017

## Diversity delivers

Policies embracing diversity and inclusivity are important in ensuring access to the best talent and a broad spread of thought, opinion and experience. Boards need to consider the risk consequence of having a narrow and non diverse pool of expertise and experience in the teaching and executive ranks.

## Feedback loop

There is some evidence that independent schools are starting to mirror corporate enthusiasm for continuous listening and feedback from employees. This reduces the reliance on the annual staff survey or bi-annual feedback sessions, which are no longer sufficiently agile to identify issues and take remedial action.

Whatever the review cycle, it needs to be in lockstep with the school's ability to take action.

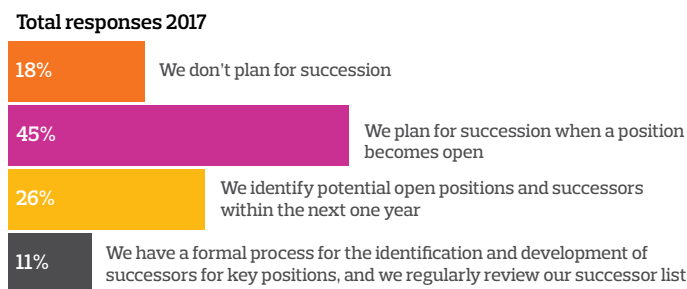
## Succession planning

Robust succession planning for key personnel is essential for stable and sustainable schools.

Succession planning does not simply apply to principals, heads of department and senior executives – but should embrace emerging talent at every level as part of a proactive career leadership plan.



### Q. Which one of the following statements best describes your school's approach to succession planning for your key staff?



When asked about succession planning for key staff such as principal, director of learning and business administration, just over 10% said that they had a formal process for the identification and development of successors for key positions and regularly reviewed their successor list.

These schools were very much in the minority. An alarming 18% perform no succession planning.

Other schools plan for succession “when a position becomes open” - which is filling a gap and reacting to a scenario, rather than true succession planning and proactively developing succession-ready talent; or they identify potential open positions and possible successors for just the year ahead.



# COMPLIANCE



## Managing compliance

Appropriate management and professional development of staff is one of the key requirements for any independent school.

Only by ensuring that the teaching and professional staff have valid and current skills, can a school be sure it is placed to deliver a quality education and safe environment. For school business administrators one of the key functions of the Association of School Business Administrators (ASBA) is to deliver ongoing professional development and networking in order to share insight and information on this type of requirement.

A priority issue for schools is to ensure that all staff (not just teachers) have appropriate and current qualifications and registrations.

When asked about compliance, the majority of schools said that records are kept manually and managed by an administrator.

### Mandatory Qualification Requirements



The Royal Commission into Institutional Responses to Child Sexual Abuse has highlighted the risk in relying upon manual administrative processes to ensure staff and other members of school communities meet the regulatory requirements for their roles. Schools need to ensure that mandated qualification requirements, such as first aid accreditation, working with children checks and other child protection standards are not only accurately maintained and fulfilled but can be verified and validated.

– Nathan Merzvinakis, CEO, BlueQ

## Q. How does your school ensure all staff are compliant with the qualification requirements for their roles?



Almost a third of schools have taken the next step and used a central system to store all qualifications and automatically send renewal reminders and rebook refresher courses to ensure continuous compliance.

There are however a sizeable cohort of schools which leave staff responsible for their own qualification and registration compliance which injects unacceptable risk and seriously compromises transparency.



*These are important issues and schools need to be aware that compliance is a critical human resources function where proper processes and systems need to be adhered to and maintained.*

– Richard Slatterie, Client Manager, Aon Risk Solutions



# CLAIMS



## People claims are on the rise

Material damage remains the number one ranked risk for the fourth year running, again affirming the need for schools to insure their property for the correct replacement value and ensuring regular maintenance is being undertaken.

Injury to students and injury to staff/volunteers have both moved up a place, as well as employment related claims rising up two rankings from last year, and being sued for financial compensation making a reappearance in the top ten since it last ranked ninth 3 years ago.

The rising litigiousness of society could potentially be having an impact on school-related claims, reflected by the upwards trending in the ranking of claims surrounding people.

Effective risk analysis and management are essential tools for reducing unnecessary claims and achieving better premium outcomes.

## Top 10 reasons for a claim

- 1 Damage to property
- 2 Injury to students
- 3 Injury to staff/volunteers
- 4 Motor vehicle related accident
- 5 Accidental damage
- 6 Loss or theft
- 7 Burglary
- 8 Employment related (i.e. unfair dismissal)
- 9 A student/employee sued you for financial compensation
- 10 Equipment breakdown

Source: Aon's 2017 Independent Schools Risk Survey, 'Q: If you have submitted a claim in the last 12 months, please select the reason for the claim(s)'

## Procedure checklist for public and product liability



- Maintain an incident reporting system to capture all incidents relating to bodily injury or property damage to third parties.
- Notify your insurance broker or adviser of any serious incidents involving third parties.
- When engaging third party service providers, ensure comprehensive engagement contracts are in place requiring they maintain adequate insurance.
- Put in place a regular system of cleaning and maintenance, including inspections, which is fully recorded and documented.
- Ensure appropriate levels of First Aid assistance and follow up support are in place for injured parties.

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