

**London South Bank  
University**

	PAPER NO: AC.30(12)	
Board/Committee:	Audit Committee	
Date:	20 June 2012	
Paper title:	Corporate Risk Report	
Author:	Darrell Pariag, Corporate & Business Planning Manager	
Executive sponsor:	Richard Flatman, Executive Director of Finance	
<b>Recommendation by the Executive:</b>	The Executive recommends that the Audit Committee notes the Corporate Risk report and recommends approval to the Board of Governors.	
Aspect of the Corporate Plan to which this will help deliver?	All aspects of the plan	
Matter previously considered by:	Audit Committee  Executive	On: 9 February 2012  14 June 2012
Further approval required?	Board	On: 19 July 2012
Communications – who should be made aware of the decision?	N/A	

**Executive summary**

The Executive continues to monitor risk closely during this time of unprecedented change in higher education. It is a standing item on the agenda for monthly Executive meetings. Risk is also a key item for consideration at meetings of all Faculties and Support Departments. Particular attention is given not only to the changing risk definitions but to updating the detail regarding cause and effect, mitigating controls and actions; to ensure that these are continually up to date.

Following the last Audit Committee meeting, the Corporate Risk Register has been updated to reflect:

- A downgrade in the risk '**CP-05 Major staff strike**' following the outcome of recent negotiations with the Union. This now has a "residual risk" rating of low. At its next meeting the Executive will consider removing this risk from the corporate risk register and downgrading to the local HR risk register.
- New mitigating factors, controls and actions. For example:
  - Risk '**CO-01-02 Failure to meet recruitment targets**' now includes an action to complete a peer review of other institutions to measure our UKBA assurance.
  - For risk '**CO-10-08 Potential impact of estates strategy delivery on financial position**' the action to develop a full business case for the Terraces and have it approved by the Board of Governors, has been completed.
- The addition and removal of some existing controls have also been included in the updating of the risk register. For example, under risk '**CO-01-02 Failure to meet recruitment targets**' the additional control of a monthly report from the Head of Student Recruitment and Marketing to members of the Executive has now been included.

The committee is requested to note the Corporate Risk report and recommend approval to the Board of Governors.

**Attachment:**

- Corporate Risk Report

## Corporate Level - Risk Register

<b>Date</b>	11/06/2012
<b>Risk Status</b>	Open
<b>Risk Area</b>	Corporate

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
1	<p>CP-01 Failure to position the university to effectively respond to changes in government policy and the competitive landscape</p> <p><b>Risk Owner: Martin Earwicker</b></p> <p><b>Last Updated: 11/06/2012</b></p>	<p>Causes:</p> <ul style="list-style-type: none"> <li>- Changes to fees and funding models</li> <li>- Increased competition, supported by Government policy</li> <li>- Failure to anticipate change</li> <li>- Failure to position (politically)</li> <li>- Failure to position (capacity/structure)</li> <li>- Failure to improve League Table position</li> </ul> <p>Effects:</p> <ul style="list-style-type: none"> <li>- Further loss of public funding</li> <li>- Loss of HEFCE contract numbers</li> <li>- Failure to recruit students</li> <li>- Business model becomes unsustainable</li> </ul>	<p>4 3</p> <p><b>Critical</b></p>	<p>Financial controls (inc. forecasting/modelling, restructure) to enable achievement of operating surplus target</p> <hr/> <p>Maintain relationships with key politicians/influencers, boroughs and local FE</p> <hr/> <p>Annual review of corporate strategy by Executive and Board of Governors</p> <hr/> <p>OFFA agreement for 12/13 and 13/14</p> <hr/> <p>Recent work/modelling to establish a fee position net of fee waivers less than £7500. Monitoring of guidance and continual modelling/update as required in response to changing position.</p>	<p>4 1</p> <p><b>High</b></p>	<p>To grow and diversify our income streams which include implementation of new enterprise strategy as well as setting up an enterprise subsidiary.</p> <p><b>Person Responsible: Martin Earwicker</b></p> <p><b>To be implemented by: 31/07/2012</b></p> <hr/> <p>Identifying and building on our academic strengths (Portfolio Review). Complete indepth reviews of 3 subject areas within the portfolio review.</p> <p><b>Person Responsible: Beverley Jullien</b></p> <p><b>To be implemented by: 31/12/2012</b></p>
2	<p>CO-01-02 Failure to meet recruitment targets</p> <p><b>Risk Owner: Beverley Jullien</b></p> <p><b>Last Updated: 11/06/2012</b></p>	<p>Causes:</p> <ul style="list-style-type: none"> <li>- Changes to fees mechanisms for UGFT</li> <li>- Increased competition</li> <li>- Failure to develop and communicate brand</li> <li>- Lack of accurate real-time reporting mechanisms</li> <li>- LSBU late entrant to international student market and fails to catch-up</li> <li>- Poor league table position</li> <li>- Inability to effectively manage reputation</li> <li>- Portfolio or modes of delivery do not reflect market need</li> </ul> <p>Effects:</p>	<p>4 3</p> <p><b>Critical</b></p>	<p>Student Recruitment Committee structure and reporting</p> <hr/> <p>Report on student recruitment presented to every monthly Executive meeting and also reviewed by Board of Governors</p> <hr/> <p>Highly Trusted Sponsor licence obtained</p> <hr/> <p>International Action Plan, including International Fees &amp; Discounting policy, simplified fee structure and discount/scholarship programme for targeted countries, enhanced in-market and partner activity</p>	<p>4 2</p> <p><b>Critical</b></p>	<p>Development of modes to match needs, including increasing flexibility of delivery and development of a cohesive approach to online delivery</p> <p><b>Person Responsible: Phil Cardew</b></p> <p><b>To be implemented by: 31/07/2012</b></p> <hr/> <p>Ensure ongoing marketing is differentiated for part-time, postgraduate, and international markets</p> <p><b>Person Responsible: Lynn Grimes</b></p> <p><b>To be implemented by: 31/07/2012</b></p>

- Under recruitment
- Loss of HEFCE contract numbers
- Over recruitment leading to penalties on HEFCE numbers
- Failure to meet income targets for non-HEFCE students

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Sustainable internationalisation strategy

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League Table action plan

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Modelling of student recruitment numbers, including worse case scenarios which aid the planning process.

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Differentiated campaigns started for postgraduate and part-time students

Identifying and building on our academic strengths (Portfolio Review). Complete indepth reviews of 3 subject areas within the portolio review.

**Person Responsible: Beverley Jullien**

**To be implemented by: 31/12/2012**

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Improve contacts with national and regional press

**Person Responsible: Lynn Grimes**

**To be implemented by: 31/07/2012**

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To strengthen relationships with all key feeder institutions through a structured partnership and scholarship programme.

**Person Responsible: Tere Daly**

**To be implemented by: 31/07/2012**

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Peer review to examine the level of the university's compliance with UKBA documentation requirements.

**Person Responsible: Jennifer Parsons**

**To be implemented by: 31/07/2012**

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3	CO-10-01 Increasing pensions deficit	<p>Causes:</p> <ul style="list-style-type: none"> <li>- Increased life expectancies</li> <li>- Reductions to long term bond yields, which drive the discount rate</li> <li>- Poor stock market performance</li> <li>- Poor performance of the LPFA fund manager relative to the market</li> <li>- TPS/USS schemes may also become subject to FRS17 accounting</li> </ul> <p>Effects:</p>	3 3 <b>High</b>	<p>Switch of inflator from RPI to CPI (expected to be lower in the long term)</p> <hr/> <p>Regular monitoring of national/sector pension developments and attendance at relevant conferences and briefing seminars</p> <hr/>	3 3 <b>High</b>	<p>Create alternative, defined contribution pension option linked to creation of new enterprise subsidiary.</p> <p><b>Person Responsible: Richard Flatman</b></p> <p><b>To be implemented by: 30/09/2012</b></p>
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- Increased I&E pension cost means other resources are restricted further if a surplus is to be maintained
- Balance sheet is weakened and may move to a net liabilities position, though pension liability is disregarded by HEFCE
- Significant cash injections into schemes may be required in the long term

Regular valuation of pension scheme (actuarial and FRS 17). Most recent FRS valuation shows significant reduction in LPFA deficit and reduced I&E cost moving forward following switch to CPI.

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Reporting to HR committee on progress.

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Tight control of staff costs in all areas (and reported to committee and Board via agreed KPIs)

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Proposal for new LPFA scheme, effective April 2014

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Strict control on early access to pension at redundancy/restructure

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Active monitoring in year of trends in discount rate, life expectancy assumptions etc to ensure year-end adjustments are minimised

6	CO-08-01 Ineffective management information to support delivery of the corporate plan	<p>Causes:</p> <ul style="list-style-type: none"> <li>- Data in systems is inaccurate</li> <li>- Data systems are insufficient to support effective delivery of management information</li> <li>- Financial constraints limit ability to improve systems</li> <li>- Insufficient capacity to deliver improved systems</li> <li>- Failure to manage data through the clearing period</li> </ul> <p>Effects:</p> <ul style="list-style-type: none"> <li>- Insufficient evidence to support effective decision-making at all levels</li> <li>- Inability to track trends or</li> </ul>	<p>3 3 High</p>	<p>Systematic data quality checks by Finance system (Agresso)</p>	<p>3 2 High</p>	<p>Implement Academic Content Management System within QLS</p> <p><b>Person Responsible: Phil Cardew</b></p> <p><b>To be implemented by: 31/07/2012</b></p> <hr/> <p>The Paperless Admissions Office project</p> <p><b>Person Responsible: Phil Cardew</b></p> <p><b>To be implemented by: 31/12/2012</b></p>
	<p><b>Risk Owner: Phil Cardew</b></p> <p><b>Last Updated: 06/06/2012</b></p>			<hr/> <p>Systematic data quality checks by HR via Oracle database.</p>		
				<hr/> <p>Internal Audit system in place and conducted by PwC to provide assurances on data quality.</p>		
				<hr/> <p>Data consolidating using Cognos data warehouse tools i.e. Progression Analysis Tool (PAT), Points of Contact (PoC) reporting identifies data weaknesses.</p>		

		benchmark performance - Internal management information reporting insufficient to verify external reporting - Failure to manage recruitment levels through the clearing period resulting in over-recruitment		Systematic data quality checks by Registry via Student number system (QLS) <hr/> Systematic data quality checks of documents on Sharepoint which is the central document library for the university.		
7	CP-03 The impact of change on organisation effectiveness and student experience  <b>Risk Owner: Martin Earwicker</b>  <b>Last Updated: 19/01/2012</b>	Causes: - Pace of change being driven by changes to fees and funding arrangements - Lack of support/infrastructure to deliver change - External constraints inc. existing pension arrangements, trade union agreements, government policy  Effects: - Inability to deliver Corporate Plan - Low staff motivation and morale - Failure to respond to change in external environment (see CP-01)	3 2 <b>High</b>	Regular communication with Trade Unions through Vice Chancellor <hr/> Leadership Development Strategy in place which includes development of a Succession Group, and a programme of learning for the Senior Managers Group <hr/> The LSBU Light Touch Project Management Methodology in place and available to all staff. Corporate Projects required to use the methodology. <hr/> Regular communication with staff through roadshows, website, email and internal publications	3 1 <b>Medium</b>	Develop stronger internal communications  <b>Person Responsible: Nicola Miller</b> <b>To be implemented by: 31/07/2012</b> <hr/> Review organisational structure  <b>Person Responsible: Martin Earwicker</b> <b>To be implemented by: 31/08/2012</b>
10	CP-05 Major staff strike  <b>Risk Owner: Martin Earwicker</b>  <b>Last Updated: 06/06/2012</b>	Causes: - Lack of understanding of need for change - Trade Union objection to University interpretation of the South Bank Agreement - National Industrial action  Effects: - Interruption of normal business, including teaching and assessment - Negative impact on student experience - Negative impact on staff motivation	2 2 <b>Medium</b>	Regular communication with Trade Unions & Staff <hr/> Management have agreed with the Unions to delay the introduction of performance related pay for staff.	2 1 <b>Low</b>	Develop stronger internal communications  <b>Person Responsible: Nicola Miller</b> <b>To be implemented by: 31/07/2012</b>

and morale  
 - Negative impact on ability to implement change

12	CO-10-05 Staff costs grow at a greater rate than income	<p>Causes:</p> <ul style="list-style-type: none"> <li>- Continual upward pressure from nationally negotiated pay rises</li> <li>- Annual incremental drift</li> <li>- Staff upgrades</li> <li>- Poor matching of pay with performance</li> <li>- Pension cost increases</li> <li>- Increase in staff numbers</li> <li>- Reduction in income (inc. government funding)</li> </ul> <p>Effects:</p> <ul style="list-style-type: none"> <li>- Reduced surpluses</li> <li>- Poor financial reputation</li> </ul>	<p>3 2  <span style="background-color: red; color: white; padding: 2px;">High</span></p>	<p>Regular communication with Trade Unions</p> <hr/> <p>Management accounts structured to include information on staff costs, staff numbers, and income by source</p> <hr/> <p>Regular update of future financial forecasts including complete recent update to reflect changes in fees/funding</p> <hr/> <p>Regular review of management accounts by department through quarterly review meetings</p> <hr/> <p>Board agreed limit on staff costs as a percentage of income</p> <hr/> <p>Formal letters of delegation to each member of Executive set out responsibilities for meeting budget</p> <hr/> <p>Pensions inflator switched from RPI to CPI which in the longer term is expected to be lower</p> <hr/> <p>Regular valuation of pension scheme</p> <hr/> <p>Regular scrutiny of management accounts by Board of Governors committees (P&amp;R and Board)</p> <hr/> <p>Regular scrutiny of management accounts by Executive</p>	<p>3 1  <span style="background-color: yellow; padding: 2px;">Medium</span></p>	<p>To investigate optional costs of professional degrees to increase income</p> <p><b>Person Responsible: Beverley Jullien</b></p> <p><b>To be implemented by: 21/12/2012</b></p> <hr/> <p>Development of new Enterprise Centre to help increase income.</p> <p><b>Person Responsible: Beverley Jullien</b></p> <p><b>To be implemented by: 30/06/2013</b></p>
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13	<p>CO-08-02 Failure to comply with requirements from external agencies with regard to the reporting of student numbers</p>	<p>Causes:</p> <ul style="list-style-type: none"> <li>- Internal management information reporting insufficient to verify external reporting</li> <li>- Data in systems is inaccurate</li> <li>- Data systems are insufficient to support effective delivery of management information</li> <li>- Lack of data quality control and assurance mechanisms</li> <li>- Loss of key staff</li> </ul> <p>Effects:</p> <ul style="list-style-type: none"> <li>- Failure to submit credible HESES return</li> </ul>	<p>3 2 <b>High</b></p>	<p>Work with Internal Auditors to ensure continuous improvements in quality of data returns</p> <hr/> <p>Adhere to the all activities as stated in the HEFCE action plan.</p>	<p>3 1 <b>Medium</b></p>	<p>Successful completion of all points contained in the HEFCE action plan</p> <p><b>Person Responsible: Andrew Fisher</b></p> <p><b>To be implemented by: 31/12/2013</b></p> <hr/> <p>Successful completion of additional review of Student Data Quality, conducted as part of the continuous Internal Audit for 2011/12 by PwC.</p> <p><b>Person Responsible: Andrew Fisher</b></p> <p><b>To be implemented by: 31/07/2012</b></p>
14	<p>CO-10-06 Potential loss of NHS contract income</p>	<p>Cause:</p> <ul style="list-style-type: none"> <li>Reduction in expected overall contract numbers</li> <li>Loss of a physio contract</li> <li>Failure to recruit to contract target</li> <li>Failure to maintain student numbers on the contract resulting in clawback</li> </ul> <p>Effect:</p> <ul style="list-style-type: none"> <li>Reduction in income</li> <li>Reduced staff numbers</li> <li>Negative impact on reputation</li> </ul>	<p>4 3 <b>Critical</b></p>	<p>Named Customer Manager roles established with NHS Trusts/PCTs</p> <hr/> <p>Monitor quality of courses (CPM and NMC) annually in autumn (CPM) and winter (NMC)</p> <hr/> <p>Regular contact with NHSL contract manager through agreed annual programme of meetings</p> <hr/> <p>Regular contact with commissioners in NHS Trusts/PCTs/NHS/ LETB's</p>	<p>4 3 <b>Critical</b></p>	<p>Initiate contract discussions with newly formed LETB's</p> <p><b>Person Responsible: Judith Ellis</b></p> <p><b>To be implemented by: 30/04/2013</b></p> <hr/> <p>Submit a strong return to next REF exercise.</p> <p>Improvement in NSS results</p> <p><b>Person Responsible: Judith Ellis</b></p> <p><b>To be implemented by: 30/09/2012</b></p> <hr/> <p>Negotiations with Malaysia</p> <p><b>Person Responsible: Warren Turner</b></p> <p><b>To be implemented by: 01/09/2012</b></p> <hr/> <p>Publicities band 1-4 activity</p> <p>Support Trusts in seeking external (non NHS) funding</p> <p><b>Person Responsible: Warren Turner</b></p> <p><b>To be implemented by: 01/09/2012</b></p> <hr/> <p>Consider need for 2 campus delivery</p>

**Person Responsible: Warren Turner**  
**To be implemented by: 01/09/2012**

37	CO-10-08 Potential impact of estates strategy delivery on financial position	<p>Causes:</p> <ul style="list-style-type: none"> <li>- Poor project controls</li> <li>- Lack of capacity to manage/deliver projects</li> <li>- Reduction in agreed/assumed capital funding</li> <li>- Reduction in other government funding</li> </ul>	<p>3 3  <span style="background-color: red; color: white; padding: 2px;">High</span></p>	<p>Full Business Case including clarity on cost and funding prepared for each element of Estates Strategy and approved by Board of Governors</p> <hr/> <p>Clear requirement (including authority levels) for all major (&gt;£1m) capital expenditure to have Board approval</p> <hr/> <p>Property Committee is a sub-committee of the Board of Governors and has a remit to review all property related capital decisions.</p> <hr/> <p>Automated process developed for business cases including all capital spend. Guidance developed as part of new process.</p> <hr/> <p>Financial forecasts regularly updated to take account of changing assumptions about future capital funding.</p> <hr/> <p>Clear project governance established for both the renovation of the Terraces and the Student Centre</p> <hr/> <p>Estates &amp; Facilities Dept project controls</p> <hr/>	<p>3 1  <span style="background-color: yellow; padding: 2px;">Medium</span></p>	<p>Deliver the renovation of the Terraces in accordance with agreed budget.</p> <p><b>Person Responsible: Beverley Jullien</b>  <b>To be implemented by: 31/07/2013</b></p> <hr/> <p>Deliver Student Centre in accordance with agreed budget.</p> <p><b>Person Responsible: Phil Cardew</b>  <b>To be implemented by: 26/07/2012</b></p>
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Strategic direction as set out in the new corporate plan 2011/14 is that the focus will be on improving student success and experience. Capital spend on improvements/maintenance will be inevitable but major new buildings will be unlikely once the Student centre and renovation of the Terraces are completed.

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