Group strategy day

10.00 am on Thursday, 23 September 2021
in Lilac Room, Avonmouth House, SE1 6NX

LSBU Group Strategy Day
09.45 for 10.00 to 16.00 on Thursday 23 September 2021
At Avonmouth House, London SE1 6NX

P R O G R A M M E

Time	*Topic*	*Presenter/s*
09.45	Tea, coffee and light continental breakfast (available from 09.30)	
10.00	**Welcome** – Introduction to the session	Jerry Cope
10:05	**General update**	David Phoenix
10.35	**LSBU Group update**	
	• LSBU update, including portfolio review and 'pathways' update	Tara Dean, Deborah Johnston
	• SBA update: South Bank University Academy, South Bank UTC	Dan Cundy
	• SBC update	Fiona Morey
11.35	**Break**	
11.45	**Corporate Risk – strategic themes (part 1)** • Finance and estates	Richard Flatman, Karen McLernon
12.45	**Lunch**	
13.30	**Corporate Risk – strategic themes (part 2)** • Pathways and intra-group transfers	Deborah Johnston
14.30	**Summary from Chair**	Jerry Cope
14.45	**Break** *SBA and SBC colleagues depart*	
15.00	**Project LEAP update** • Demonstration of CRM system	Richard Flatman, Sue Turnbull
15:45	**Close**	

Attendance

Board of Governors:	Jerry Cope (Chair), Michael Cutbill (Vice-Chair), David Phoenix (Vice Chancellor & CEO), John Cole, Ruchika Kumar, Mark Lemmon, Nicki Martin, Jeremy Parr, Rashda Rana, Tony Roberts, Deepa Shah and Vinay Tanna
Co-opted members:	Kate Stanton-Davies
Additional members of South Bank Colleges Board:	Ruth Farwell (Chair), Steve Balmont, Sue Dare, Nigel Duckers, Jacqui Dyer, Moriam Folawiyo, Shakira Martin, Mee Ling Ng and Andrew Owen
Additional members of South Bank Academies Board:	Hitesh Tailor (Chair), Tony Giddings, Hilary McCallion and Lesley Morrison
Members of the Group Executive:	Tara Dean, Provost Richard Flatman, Group Chief Financial Officer Deborah Johnston, PVC (Education) Nicole Louis, Chief Customer Officer Marcelle Moncrieffe-Johnson, Chief People Officer Fiona Morey, Executive Principal of Lambeth College & PVC (Compulsory & FE) James Stevenson, Group Secretary & Clerk to the Board of Governors Warren Turner, PVC Health and Social Care
Key Group colleagues:	Michael Broadway, Deputy University Secretary Ciara Carroll, Governance Assistant (SBA) Dan Cundy, Executive Principal of South Bank Academies Kerry Johnson, Governance Officer Karen McLernon, Head of Performance Analysis Jacqueline Mutibwa, Governance Officer (SBC) Mike Simmons, Group Director of Strategy and Corporate Affairs Sue Turnbull, Project Leap
Apologies:	Duncan Brown, Maureen Dalziel, Peter Fidler, Paul Ivey, Chris Mallaband, Rob Orr, Max Smith

Board Strategy Day
23 September 2021

Pre-Read material on Strategic Risk Themes

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Strategic Themes Part 1: Finance and Estates

Finance and Estates Risks

A deep-dive into:

- Finance and Estate risks facing the LSBU Group
- Impact if the risk materialises
- Control actions – specific actions to reduce each risk's probability of happening
- Mitigating actions – specific actions to reduce the impact of each risk event

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Current Risks

LSBU GROUP

Capital Investment: Increasing Technical debt due to restricted Capital funding

Institute of Health & Social Care: Institute does not achieve growth potential

SBC & LSB Technical College: The Turnaround at South Bank College

Staff Cost Growth: Staff Costs & Pension increases threaten group profitability

Estate Utilisation: Delivering Value for Money from the LSBU Group Estate

Benefits Realisation: The benefits identified in business cases are not delivered

Research & Enterprise: Delivering £50M of profitable Research & Enterprise activity

Cashflow Management: that cash funds are not available to fund expenditure

Fees & Funding: Reduced Tuition Fees, increased modular study

Student Recruitment: Group recruitment is below forecast assumptions

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Capital Investment

Key Risk: Increasing Technical debt due to restricted Capital funding

We are investing £100M in capital expenditure projects including Leap, the London Road Hub and the NESC, and for cash flow reasons have restricted the amount available for IT, technical equipment and small Estate projects within LSBU. Lambeth College had similar cashflow issues.
A 'Rolling Asset Replacement' programme would require several £ million of annual investment to ensure services are fit for purpose.

Impact: Each year we do not invest, we increase the level of technical debt with a corresponding impact on student and staff experience and support for new ways of working, e.g. slow computers, unreliable classroom projectors and no phone solution for staff working remotely. Project budgets may also not have an appropriate level of contingency or resources.

Controls: A capital budget is brought to the Exec each year with budget holders having discretion to prioritise investments within the agreed funding envelope. Extra sums are made available on an emergency basis (IT Network, Fire doors, LSBU Croydon).

Mitigations: Technical equipment is monitored with key equipment flagged as priority, staff 'one device' policy will reduce duplicate equipment.
Estates have a maintenance budget which is invested locally but has also been reduced.

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SBC & LSB Technical College

Key Risk: The Turnaround at South Bank College

Lambeth College is currently lossmaking and the forecast losses are higher than anticipated due to additional pension costs. In terms of cash, SBC is now cash generative. 21/22 is the last year that we will have TU funding to cover the entire deficit and so in 22/23 any deficit at Lambeth will have an impact on the consolidated LSBU group position.

We are still developing the Operating Model for LSB Technical College but this may well (just as with LSBU Croydon) require an element of financial support as we develop the product offering.

Impact: SBC is currently cash generative (the loss is caused by non cash items - pensions, interest, depreciation) but LSBTC may require cash support. Consolidated financial statements will require LSBU profits in order to report a consolidated surplus.

Controls: SBC are currently developing the Operating Model for LSB Technical College to understand the level of financial exposure. Standalone Level 4 (and Level 5) courses may transfer to LSB TC and these are better funded than typical FE courses.

Mitigations: Banking covenants are tied to LSBU performance (excluding SBC and so a consolidated loss will not create a technical breach and require payback of existing loans.

Estate Utilisation

Key Risk: Delivering Value for Money from the LSBU Group Estate

The University is investing in the NESC and the London Road Hub which will significantly increase the current space available to the LSBU Group. We are also investing in specialist facilities such as Tabard Street and LSBU Croydon and so our footprint is growing. Estate utilisation metrics have been challenging as we have typically been a ‘Monday to Friday, 9 – 5’ University.

Covid has accelerated the move to a hybrid working model and we may not need the levels of dedicated Professional function space as we have in the past, although ‘hot desking’ is not universally popular or appropriate for some members of staff.

Impact: Non specialist facilities may be underused and office space may go empty.

Controls: The Estate team are currently working with HR and Professional Functions to understand the impact of new ways of working on the professional function areas. Timetabling have extended the LSBU day. Estates have an annual review of space utilisation. The University is exploring delivery across the group estate include Adult Education delivered through SBC or SBA

Mitigations: Enterprise continue to develop strong links with local SMEs and Student Enterprise to grow commercial income from underutilised estate. Apprenticeships are typically taught outside of ‘core LSBU’ hours.

£50M of Research & Enterprise

Key Risk: Delivering £50M of profitable Research & Enterprise activity

The LSBU Group has ambitions to significantly increase research and enterprise activity across the Grou generating £50m of research and enterprise income per annum through the establishment of interdisciplinary Research Centres, Industry partnerships, investment in Research infrastructure, and Employer led skills centres. The aim is to be externally recognised for the quality and impact of our R& E activity and inform our curriculum, enabling learners across the Group to develop critical reasoning and th ability to apply knowledge in practice.

Impact: Research requires investment in Academics, specific research environments and a change in the culture of the organisation as we diversify our income streams. The investment required isn't solely in capability but also infrastructure.

Controls: The REI team have been re-organised to focus on high value R& E activities with a focus on STEM, Health and Inclusive Growth as dominant sectors of interest. Pipeline reporting is made to a dedicated Enterprise Board. Finance are creating a dedicated Research and Enterprise focused finance team to improve the partnership working with the REI Team. Estates continue to work closely with the Schools to identify the facilities that will be required to attract new academics into the organisation. Core R&E continues to grow although it was impacted by Covid in 2020/21.

Mitigations: R&E activities are monitored to ensure growth is profitable, QR allocation is being reviewed.

Fees & Funding

Key Risk: Tuition Fees may be reduced, Modular study my become norma

The Augar report recommended the lowering of the UG fee cap to £7,500 with a top up in teaching grant STEM subjects. This would lead to a decline in funding for Non STEM subjects. Flexibility was also a core tenet of the Augar Report and it recommended "the introduction of a lifelong learning loan allowance to be used at higher technical and degree level at any stage of an adult's career for full and part time students". The proposed loan will be useable for modules at levels 4 to 6 whether they are provided in colleges or universities, as well as for full years of study. It will make it easier for adults and young people to study m flexibly, space out their studies and transfer credits between academic and technical institutions.

Impact: Reduced Fees would impact the viability of Non STEM subjects. LSBU Group will have to be rea for students buying modules 'off the shelf' at a range of institutions and curating their own courses at their own pace rather than having to accept the module offer delivered by a single supplier.

Controls: Professional Accreditation of courses will still require a set series of modules to be studied. Mo quality and outcomes are a key tenet of the portfolio review. Government is consulting on implementation

Mitigations: Increase in STEM activities through the establishment of the LSB Technical College, Institut Health & Social Care and LSBU Croydon. Our new Student Record System will be module based as part of our plan to allow for Intra group Pathways including the ability to transfer easily between Group and partner institutions, and enable us to report outcomes to HESA.

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Institute of Health & Social Care

Key Risk: Institute does not achieve growth potential

The School of Health & Social Care which is the largest of the 7 LSBU Schools has been 'spun off' into a distinct entity with the Dean now a PVC and member of the Executive. An operating model needs to be agreed which would give the Institute more independence in its investment decisions but keep it within th LSBU Group Quality framework. The Institute may also require funding for substantial diversification if we to be able to move into new areas. There is also a risk in terms of our responsiveness to more commercia markets with respect of placement and new modes of healthcare delivery as the government switches to more market driven system within increased use of private providers

Impact: Given the importance of STEM subjects to the University's portfolio a failure to achieve growth c reduce the organisations profitability and impact.

Controls: The Institute has the largest budget within the University and significant freedom in how to inve new Deans of Schools (within the IHSC) have been created to empower the local team. LSBU Croydon a Tabard street are key investments that could enable growth.

Mitigations: The Academic Portfolio review should increase the profitability of the remaining 6 schools, t pathways with Lambeth College should improve the recruitment prospects across LSBU as students are guided through the group. A focus on delivering English and Maths at GCSE at the Clapham Community College should help those IHSC applicants who are missing key skills

Staff Cost Growth

Key Risk: Staff Costs & Pension increases threaten group profitability

In order to ensure an appropriate balance of spending on Staffing and Operating Expenses the Board hav indicated that staff costs should be no more that 55% of income and the aspiration should be that staff co should be 55% academic and 45% non Academic. In 20/21 excluding third party staff involved in the IT Cyber attack the University invested 58% of its income in staff particularly due to the rise in Pension Contributions and so is £4.2m off target (due to £5m extra pension contributions). Lambeth College currently invests almost 75% on staff costs. There is also a related risk around skills and capability since staff costs are high there is limited headroom to invest in new areas of staff requirement.

Impact: This would the reduce profitability of the University based on its current staffing profile and requir savings in operating expenses to deliver a surplus particularly as depreciation rises due to the LSBU Hub and the NESC.

Controls: In order to manage future pension costs, a Group defined Pension contribution scheme has be established, and we have strict controls over early access to pensions.

Mitigations: LEAP should deliver cost efficiencies in Student facing activities. LSBU 2025 is a systematic review of structures and business processes with the goal of increasing efficiencies.

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Benefits Realisation

Key Risk: The benefits identified in Business Cases are not delivered

Every business case that goes to MPIC or the Executive is accompanied by the outputs and outcomes that are to be delivered that support the investment. Typically there is no systemic follow up reporting to identify if these benefits have been delivered and so we may not be generating the value for money from LSBU Group Investments.

Impact: Without robust and systematic follow up, business cases may be speculative in terms of the outcomes that are promised and there may not be the focus on delivering the outcomes that under pinned the investment.

Controls: Business cases are reviewed by Executive sponsors to ensure that the outcomes and outputs are reasonable. MPIC also scrutinises investments to make sure that the Board has confidence in proposed Investment decisions. Project Boards monitor expenditure during the 'build' phase but typically do not reconvene in the 'outcome' phase

Mitigations: Business cases such as the Croydon Investment do have a range of KPIs based on potential outcomes. The LSBU Executive and Board of Governors are used to KPI reporting and so may be a vehicle for monitoring outcomes.

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Cashflow Management

Key Risk: that cash funds are not available to fund expenditure

The University generated £170m of Income in the 20/21 Financial Year. Of this, almost £100m is from UG and Apprenticeship Tuition Fee payments. UG payments are staggered with 50% becoming available in Term 3. As a result a significant portion of the University's expenditure has to be funded from existing cas reserves until the final payment is received. The University has negotiated 2 RCFs with AIB and Barclays ensure that we have sufficient cover given our capital expenditure plans but our cashflow must be monitored carefully to ensure that we have sufficient funds to fund expenditure but we remain reliant on strong recruitment. The wider Vauxhall development also requires significant expenditure.

Impact: With no active monitoring of our cash requirements or supplier and debtor levels (i.e. changes in working capital) the LSBU Group risks a situation where we may be unable to make all the payments that we are liable for. With no active debtor management the level of uncollected debt may rise significantly.

Controls: As part of the governance surrounding the Barclays and AIB credit facilities, LSBU is required t create quarterly accounts including balance sheet and a rolling, forward looking 12 month cashflow forecasts which will indicate the cash balances available and whether a breach is imminent.

Mitigations: the University could renegotiate payment dates with large suppliers during periods of low cash balances and we are considering asset sales to fund the Vauxhall developmen

Student Recruitment

Key Risk: We are unable to generate sufficient income from tuition fees t due to sector interventions, reputation issues or fluctuations in demand

Several external measures could negatively impact recruitment income including a reduction in the maximum UG top up fee, selective caps based on quality outcomes, de-funding some BTECs, introducing T-Levels, introducing minimum entry requirements for L2 or 3 qualifications, as well as weaker demand driven by league table and Graduate Outcomes deteriorating performance.

Impact: Significantly reduced intake if multiple impacts occur, requiring a required restructuring of total operating overheads.

Controls: Ongoing monitoring of regulatory environment and agile intervention development. Working group to improve PG marketing and recruitment plus curriculum review. Academic leadership to drive domestic (STEM) college partnership.

Mitigations: <u>Upstream interventions</u>: include initiatives to improve academic measures (GO, NSS), portfo development for PG, plus footprint expansion (Croydon).
<u>Downstream measures</u>: increased emphasis on recruitment of PG, apprenticeships and international cohorts, development of strategic domestic partnership, presenting the whole group offer to maximise group recruitment and continued focus on existing applicant conversion including enhancements through digital technology.

Strategic Themes Part 2: LSBU Group Pathways and Intragroup Transfers

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LSBU Group Pathways

- Pathways concept – the opportunity to progress easily from one academic level to another (and across levels)
- Pathways concept underpins Group including the ability to transfer easily between Group and partner institutions
- Pathways development will be ongoing as Group and educational landscape develop
- Pathways concept has growing currency in Government and beyond – Lifelong Learning Entitlement, technical pathways between T-Level and HTQs, emphasis on FE

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Education Pathways:

Opportunities and challenges for LSBU in integrating the Group

Centrality to pillars:

- Access to opportunity
- Student success
- Real world impact
- Technology and estate
- People, Culture & Inclusion
- Resources, Market & Shape

How?

- Governance (matrix accountability)
- Integrating specialist expertise and changing culture
- Bandwidth and capacity

Why?

- Mission
- Funding
- Distinctiveness

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External Pressures

- Potential reductions in standalone L4 offer
- Defunding of BTECs
- Restrictions on access to student finance based on entry criteria (likely to be limited to those with L2 English and maths)
- Knock-on effect on of progression challenges on recruitment criteria
- Defunding of University Foundation Degrees

Current LSBU Group Pathways worl

- Pathways mapping and leaflets
- Development of LC and LSB Technical College curriculum
- Development of standalone HTQ qualifications
- Support for learners moving from SBC to LSBU
- Review of UG portfolio
- Development of Curriculum Framework

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Forthcoming work LSBU Pathways

- Development of Curriculum Framework
- Review of PG portfolio and connections with UG portfolio
- Review of Apprenticeship portfolio to ensure suitable pathways
- Develop network of Associate Colleges
- Develop 4-year programmes to support progression

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School of Engineering pilots

HNC to year 2 of degree:

- Successful pilot with UTC
- HNC in general engineering at UTC with a ‘cut down’ of options to map to first year of BEng
- First cohort of merit+ students (approx. 6 students) progressing now to 2nd year of BEng Mechanical Engineering
- Supported a UTC plea to allow further pass students to also progress if they pass a level 4 maths module on the BEng

Digital Higher Technical Qualification (HTQ):

- Developing a CertHE submission for a level 4 HTQ bid
- CertHE to be delivered at VTC with pathway to 2nd year of a BSc in Computer Science or IT

Lessons learned from pilots

- Variability in pathways collaboration across the group. UTC is established and easy to develop pathways. VTC highly dynamic and more complex.
- Pathways increasingly require employer engagement that is not yet supported centrally, but with plans to develop this support.
- The group may not be sufficiently large to provide large volume pathways to the university, hence need for wider network.
- Engagement of the university school and associated workload not currently supported through the financial planning process. New support and incentives need to be developed.
- Need for strategic planning around future recruitment shape and size: e.g. will university schools lose L4 students to stronger FE offer; or will university schools shift recruitment towards a smaller more distinct L4 student cohort, with pathways contributing to recruitment at L5 and L6?

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