

PAPER NO: AC.04(12)	
Committee:	Audit Committee
Date:	9 February 2012
Subject:	Corporate Risk Report
Author:	Darrell Pariag, Corporate & Business Planning Manager
Executive sponsor:	Richard Flatman, Executive Director of Finance
Recommendation by the Executive:	The Executive recommends that the Audit Committee notes the Corporate Risk report and recommends approval to the Board of Governors.

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. As part of the roll out of greater delegated authority, risk is also a key item for consideration at meetings of all Faculties and Support Departments. Particular attention is also 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 was reviewed to ensure that it was aligned with both the new Corporate Plan and draft of the Corporate Business Plan. During this process each risk in the Corporate Risk Register was matched to the new Corporate Objectives as set out in the new Corporate Plan. The Corporate Objectives are:

1. Student Choice
2. Student Success
3. London's enterprising university
4. Creating an environment in which excellence can thrive

The draft of the Corporate Business Plan which highlights key areas and initiatives the Executive intend to develop was compared to the 'Actions Required' for each risk area to identify initiatives that will address these key issues, ensuring that the relevant work would be carried out in order to manage risk identified in the Risk Register. The Corporate Risk Register has been updated and all other risk areas have been informed and advised to review their risk and update accordingly.

Some additional changes to the Risk register are as follows:

- Progress on actions and new actions. For example, risk 'CO-10-06 Potential loss of NHS contract income' now reflects actions to address increasing non NHS income streams. Risk 'CO-10-08 Potential impact of estates strategy delivery on financial position' now includes actions regarding the new Enterprise Centre and delivery of the Student Centre.
- Revised controls. For example, risk 'CO-10-08 Potential impact of estates strategy delivery on financial position' has had controls regarding outstanding financial issues regarding K2 removed as it is deemed no longer relevant.

Attachment:

- Corporate Risk Report

	Board/Committee	Date
Matter previously considered by:	Audit Committee	16 November 2011
	Executive	18 January 2012
Further approval required?	Board	8 March 2012

Communications – who should be made aware of the decision?	n/a
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Corporate Level - Risk Register

Date	31/01/2012
Risk Status	Open
Risk Area	Corporate

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
1	CP-01 Failure to position the university to effectively respond to changes in government policy and the competitive landscape Risk Owner: Martin Earwicker Last Updated: 27/01/2012	<p>Causes:</p> <ul style="list-style-type: none"> - Changes to fees and funding models - Increased competition, supported by Government policy - Failure to anticipate change - Failure to position (politically) - Failure to position (capacity/structure) - Failure to improve League Table position <p>Effects:</p> <ul style="list-style-type: none"> - Further loss of public funding - Loss of HEFCE contract numbers - Failure to recruit students - Business model becomes unsustainable 	4 3 Critical	<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>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>	4 1 High	<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>Person Responsible: Martin Earwicker</p> <p>To be implemented by: 31/07/2012</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>Person Responsible: Beverley Jullien</p> <p>To be implemented by: 31/12/2012</p>
2	CO-01-02 Failure to meet recruitment targets Risk Owner: Beverley Jullien Last Updated: 27/01/2012	<p>Causes:</p> <ul style="list-style-type: none"> - Changes to fees mechanisms for UGFT - Increased competition - Failure to develop and communicate brand - Lack of accurate real-time reporting mechanisms - LSBU late entrant to international student market and fails to catch-up - Poor league table position - Inability to effectively manage reputation - Portfolio or modes of delivery do not reflect market need <p>Effects:</p> <ul style="list-style-type: none"> - Under recruitment - Loss of HEFCE contract numbers 	4 3 Critical	<p>Student Recruitment Committee structure and reporting</p> <hr/> <p>Highly Trusted Sponsor licence obtained</p> <hr/> <p>2010/11 International Action Plan, including International Fees & Discounting policy, simplified fee structure and discount/scholarship programme for targeted countries, enhanced in-market and partner activity</p> <hr/> <p>League Table action plan</p> <hr/> <p>Differentiated campaigns started for postgraduate and part-time students</p>	4 2 Critical	<p>Development of modes to match needs, including increasing flexibility of delivery and development of a cohesive approach to online delivery</p> <p>Person Responsible: Phil Cardew</p> <p>To be implemented by: 31/07/2012</p> <hr/> <p>Ensure ongoing marketing is differentiated for part-time, postgraduate, and international markets</p> <p>Person Responsible: Lynn Grimes</p> <p>To be implemented by: 31/07/2012</p> <hr/> <p>Internationalisation. Develop a sustainable internationalisation strategy</p>

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

Person Responsible: Jennifer Parsons

To be implemented by: 31/07/2012

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

Person Responsible: Beverley Jullien

To be implemented by: 31/12/2012

Improve contacts with national and regional press

Person Responsible: Lynn Grimes

To be implemented by: 31/07/2012

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

3	CO-10-01 Increasing pensions deficit	<p>Causes:</p> <ul style="list-style-type: none"> - Increased life expectancies - Reductions to long term bond yields, which drive the discount rate - Poor stock market performance - Poor performance of the LPFA fund manager relative to the market - TPS/USS schemes may also become subject to FRS17 accounting <p>Effects:</p> <ul style="list-style-type: none"> - Increased I&E pension cost means other resources are restricted further if a surplus is to be 	<p>3 3 High</p>	<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 eg Hutton review and attendance at relevant conferences and briefing seminars</p> <hr/> <p>Regular valuation of pension scheme (actuarial and FRS 17). Most recent FRS valuation at 31 July 2011 shows significant reduction in LPFA deficit and reduced I&E cost moving forward following switch to CPI.</p>	<p>3 3 High</p>	<p>Create alternative, defined contribution pension option linked to creation of new enterprise subsidiary.</p> <p>Person Responsible: Richard Flatman</p> <p>To be implemented by: 30/09/2012</p>
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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

Reporting to HR committee on progress.

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

Strict control on early access to pension at redundancy/restructure

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

6	<p>CO-08-01 Ineffective management information to support delivery of the corporate plan</p>	<p>Causes:</p> <ul style="list-style-type: none"> - Data in systems is inaccurate - Data systems are insufficient to support effective delivery of management information - Financial constraints limit ability to improve systems - Insufficient capacity to deliver improved systems - Failure to manage data through the clearing period 	<p>3 3 High</p>	<p>Finance system (Agresso)</p> <hr/> <p>HR database (Oracle)</p> <hr/> <p>Systematic data quality checks by Registry</p> <hr/> <p>Cognos data warehouse tools: Progression Analysis Tool (PAT), Points of Contact (PoC) reporting</p> <hr/> <p>Student number system (QLS)</p> <hr/> <p>Central document library (Sharepoint)</p>	<p>3 2 High</p>	<p>Implement Academic Content Management System within QLS</p> <p>Person Responsible: Phil Cardew To be implemented by: 31/07/2012</p> <hr/> <p>One Data View project</p> <p>Person Responsible: Phil Cardew To be implemented by: 31/05/2012</p> <hr/> <p>The Paperless Admissions Office project</p> <p>Person Responsible: Phil Cardew To be implemented by: 31/12/2012</p>
	<p>Risk Owner: Phil Cardew</p> <p>Last Updated: 27/01/2012</p>	<p>Effects:</p> <ul style="list-style-type: none"> - Insufficient evidence to support effective decision-making at all levels - Inability to track trends or benchmark performance - Internal management information reporting insufficient to verify external reporting - Failure to manage recruitment levels through the clearing period resulting in over-recruitment 				

7	<p>CP-03 The impact of change on organisation effectiveness and student experience</p>	<p>Causes:</p> <ul style="list-style-type: none"> - 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 <p>Effects:</p> <ul style="list-style-type: none"> - Inability to deliver Corporate Plan - Low staff motivation and morale - Failure to respond to change in external environment (see CP-01) 	<p>3 2 High</p>	<p>Regular communication with Trade Unions through Vice Chancellor</p> <hr/> <p>Leadership Development Strategy in place which includes development of a Succession Group, and a programme of learning for the Senior Managers Group</p> <hr/> <p>The LSBU Light Touch Project Management Methodology in place and available to all staff. Corporate Projects required to use the methodology.</p> <hr/> <p>Regular communication with staff through roadshows, website, email and internal publications</p>	<p>3 1 Medium</p>	<p>Develop stronger internal communications</p> <p>Person Responsible: Nicola Miller</p> <p>To be implemented by: 31/07/2012</p> <hr/> <p>Review organisational structure</p> <p>Person Responsible: Martin Earwicker</p> <p>To be implemented by: 31/08/2012</p>
10	<p>CP-05 Major staff strike</p>	<p>Causes:</p> <ul style="list-style-type: none"> - Lack of understanding of need for change - Trade Union objection to LSBU withdrawal from national pay negotiations - Trade Union objection to University interpretation of the South Bank Agreement - Trade Union objection to introduction of performance related pay - National Industrial action <p>Effects:</p> <ul style="list-style-type: none"> - Interruption of normal business, including teaching and assessment - Negative impact on student experience - Negative impact on staff motivation and morale - Negative impact on ability to implement change 	<p>3 3 High</p>	<p>Regular communication with Trade Unions & Staff</p> <hr/> <p>Management have agreed with the Unions to delay the introduction of performance related pay for staff.</p>	<p>3 1 Medium</p>	<p>Develop stronger internal communications</p> <p>Person Responsible: Nicola Miller</p> <p>To be implemented by: 31/07/2012</p>

12	<p>CO-10-05 Staff costs grow at a greater rate than income</p> <p>Risk Owner: Richard Flatman</p> <p>Last Updated: 26/01/2012</p>	<p>Causes:</p> <ul style="list-style-type: none"> - Continual upward pressure from nationally negotiated pay rises - Annual incremental drift - Staff upgrades - Poor matching of pay with performance - Pension cost increases - Increase in staff numbers - Reduction in income (inc. government funding) <p>Effects:</p> <ul style="list-style-type: none"> - Reduced surpluses - Poor financial reputation 	<p>3 2</p> <p>High</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>Withdrawal from national pay bargaining. Local pay deals linked to affordability and LSBU financial forecasts.</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&R, HR Committee, Board)</p> <hr/> <p>Regular scrutiny of management accounts by Executive</p>	<p>3 1</p> <p>Medium</p>	<p>To investigate optional costs of professional degrees to increase income</p> <p>Person Responsible: Beverley Jullien</p> <p>To be implemented by: 21/12/2012</p> <hr/> <p>Development of new Enterprise Centre to help increase income.</p> <p>Person Responsible: Beverley Jullien</p> <p>To be implemented by: 30/06/2013</p>
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13	CO-08-02 Failure to comply with requirements from external agencies with regard to the reporting of student numbers	<p>Causes:</p> <ul style="list-style-type: none"> - Internal management information reporting insufficient to verify external reporting - Data in systems is inaccurate - Data systems are insufficient to support effective delivery of management information - Lack of data quality control and assurance mechanisms - Loss of key staff <p>Effects:</p> <ul style="list-style-type: none"> - Failure to submit credible HESES return 	<p>3 2 High</p>	Work with Internal Auditors to ensure continuous improvements in quality of data returns	<p>3 1 Medium</p>	<p>Expand knowledge of external reporting requirements and processes more widely within Registry</p> <p>Person Responsible: Phil Cardew</p> <p>To be implemented by: 29/02/2012</p>
14	CO-10-06 Potential loss of NHS contract income	<p>Cause:</p> <ul style="list-style-type: none"> Reduction in expected overall contract numbers Loss of a physio contract Failure to recruit to contract target Failure to maintain student numbers on the contract resulting in clawback <p>Effect:</p> <ul style="list-style-type: none"> Reduction in income Reduced staff numbers Negative impact on reputation 	<p>4 3 Critical</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</p> <hr/> <p>Submission of a tender response that encompasses the best in terms of quality, innovation and value for money and meets the requirements of the specification.</p>	<p>4 3 Critical</p>	<p>Review staffing in adult department to reflect total activity</p> <p>Person Responsible: Warren Turner</p> <p>To be implemented by: 01/06/2012</p> <hr/> <p>REF return strong Improvement NSS results</p> <p>Person Responsible: Judith Ellis</p> <p>To be implemented by: 31/03/2012</p> <hr/> <p>Negotiations with Malaysia and Saudi</p> <p>Person Responsible: Warren Turner</p> <p>To be implemented by: 01/09/2012</p> <hr/> <p>Publicities band 1-4 activity Support Trusts in seeking external (non NHS) funding</p> <p>Person Responsible: Warren Turner</p> <p>To be implemented by: 01/09/2012</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"> - Poor project controls - Lack of capacity to manage/deliver projects - Reduction in agreed/assumed capital funding - Reduction in other government funding 	<p>3 3 High</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 (>£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>Actions and budget agreed for closing Eileen House and the decant to Technopark</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 Enterprise Centre and the Student Centre</p> <hr/> <p>Estates & Facilities Dept project controls</p>	<p>3 1 Medium</p>	<p>To develop full business case for the Enterprise Centre (for approval by the Board in May 2012), including review by Committees as appropriate.</p> <p>Person Responsible: Beverley Jullien To be implemented by: 25/05/2012</p> <hr/> <p>Deliver Student Centre in accordance with agreed budget.</p> <p>Person Responsible: Phil Cardew To be implemented by: 26/07/2012</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 Enterprise centre are completed.
