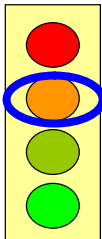
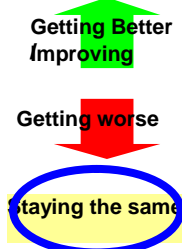


Management Group January 2009 - Risk Report

Risk Number 1:	Machinery of Government	
	The proposed reforms to education and training outlined in “Raising Expectations: enabling the system to deliver” are not delivered.	
Risk Owner:	Chief Executive	
Risk Champion:	Heather James - MoG Programme Office	
Causal factors:	<p>Failure to:</p> <p>Staffing ensure adherence to employment law for existing staff upon handover ensure tacit knowledge is not lost ensure there is sufficient resource to continue LSC business, managing disruptions, communicate effectively with staff with the aim of maintaining morale consult with PCS over staffing issues</p> <p>Reputation ensure stakeholders expectations are managed during transition through effective communication</p> <p>Systems transfer existing learner data to YPLA/SFA/ LA ensure IT platform and financial payment systems will operate effectively in the YPLA/SFA maintain current LSC systems during transition</p> <p>Processes ensure processes for learner recruitment, attainment and achievement are transferred ensure processes for partner payment/funding are fit for purpose ensure processes for staff management are maintain current LSC processes during transition</p>	
Key mitigating controls:		
Staffing – Staff briefings - Internal consultation - Consideration of staff retention strategy – back fill allowed for NAS moves – L&D a high priority		
Reputation – On going dialogue with both Departments		
Systems – Business Continuity Plan being prepared		
Processes - Revised governance structure to align with MoG announcements - MoG transition bulletin - Regular communications - Close working relations with local authorities and regions - LSC MoG Programme Authority with own risk register- Joint Programme Board – DIUS/DCSF/LSC/LA - LSC MoG Reference Group - All Programme Boards/Decision making boards linked to Joint Programme Board and are reflected in the MoG risk register		
Current Status	Trend since last Report	Status comment
		<p>The current RAG status is shown as Amber: staying the same, to represent the slippage in decisions over staffing numbers and locations, thus impacting on the transition timescale</p> <p>Human Resources: <u>Communication:</u> Ongoing communication to staff via email and bulletin. Consultation ongoing with employee representatives on proposed organisational design to staff. The email on 12th December confirmed overall numbers of 3,300 and was</p>

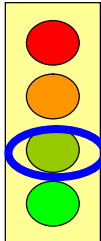

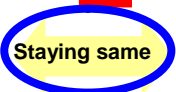

Management Group January 2009 - Risk Report

		<p>accompanied by the YPLA blueprint.</p> <p><u>Staff Retention/ Location/ Tupe:</u> Education and Skills Bill's second reading expected mid January (subject to Legislative Committee approval)</p> <p>Business Performance: <u>Interim Arrangements:</u> Uncertainty about the timeframe of transitional arrangements, however proposed transition timeline has been agreed. Shared services action plan developed.</p> <p><u>Organisation Reputation/ Media attention:</u> Stakeholder concerns about timing of MoG changes in light of economic downturn. All regional LSCs are delivering tailored presentations at local and regional level and letter was sent to all stakeholders on 3rd December, linked to the Queens speech. Chris Banks wrote to Ed Balls MP and John Denham MP regards risks; 17 November.</p> <p><u>Systems:</u> Degree and complexity on Data and MI to underpin the system is becoming increasingly difficult to resolve. Need simplification of the system overall/ recognise where data is used/ consider schools data.</p>
<p>Where status is not green, describe action needed to improve status including timescale:</p> <ul style="list-style-type: none"> ➤ To understand how economic downturn will affect business as usual, so we can plan how to include in MoG transition ➤ Clarity on staffing numbers / offices ➤ Education and Skills Bill to be approved ➤ Continued close working relations with Local Authorities and regions ➤ OGC review recommended strengthening links between programme boards 		
<p>Key Achievements to date:</p> <ul style="list-style-type: none"> ➤ HMT approval received sufficient to allow the publication of young peoples and adults staffing envelope ➤ Overall staffing levels announced ➤ YPLA Blueprint has been communicated. ➤ Proposed LSC transition arrangements considered and timeline agreed. ➤ Governance structures have been revised to further align with MoG announcements. <p>Assurances agreed with Ministers and provided to union representatives</p>		
<p>Mitigating actions for next reporting period</p> <ul style="list-style-type: none"> ➤ Develop detailed transition plan following on from Response to Commission. ➤ Work on on-costs, estates and HR strategy. ➤ Further consultation with employee representatives on proposed organisational designs and mode of staff transfer. ➤ LSC Internal Audit to review the MoG Programme arrangements. ➤ Monthly Bulletin introduced in August to keep all stakeholders updated and informed on developments and decisions taken by the Joint Programme Board – 5 editions published; 		

Risk Owner sign off: David Russell

Date: 9 January 2009

Management Group January 2009 - Risk Report

Risk Number 2:	Performance: Train to Gain and Apprenticeships	
	We fail to achieve the key elements of Train to Gain of increasing the skills of adults and improving the engagement of employers in the process.	
Risk Owner:	Director of Adult Learning, Skills and Employment Group	
Risk Champion:	Karen Woodward National Director Skills for Business	
Causal factors:	<p>Policy and Guidance - Policy not clear and unambiguous - Regional interpretation leads to potential variations - Focus on lower level skills – introduction of flexibilities</p> <p>Brokerage - Lack of effective relationships between brokers and colleagues managing providers - Brokers ineffective, lack of training, lack of awareness of wider issues</p> <p>Learners - Lack of learner satisfaction - Use of ineligible learners - Regional variation in level/quality of monitoring and assessment of learner progress - Pressure on providers to meet targets, cutting corners - Learner displacement from other programmes - Definition of learner achievement unclear</p> <p>Apprenticeships – the principal risk to performance are that employer vacancies dry up; and that completions/success rates dip when Apprentices are made redundant before completing their apprenticeships.</p> <p>Train to Gain – the primary risk is that there is insufficient response to the new flexibilities and the sector is slow in responding to the new delivery requirement.</p>	
	<p>Key mitigating controls:</p> <p>Reputation – Appointment of Economic Response Director – marketing campaign – TtG Fraud Risk Group – Overarching Programme Board</p> <p>Learners – Surveys</p> <p>Employers – Employer responsiveness surveys – regular brokerage meetings</p> <p>Providers – Regional events to inform providers – monitoring and management of performance</p> <p>Contracting – Contract management process</p> <p>Funding – Better use of money to fund the flexibilities and changing ways of working to meet new targets</p>	
Current Status	Trend since last report	Status Comment:
	<p>Getting worse</p>  <p>Staying same</p>  <p>Getting Better / Improving</p> 	<p>An additional mitigating control has been added following the appointment of an Economic Response Director who will attend Management Group meetings. The time lag associated with the setting up of the National Apprenticeship Service given the delay in providing clear indications of future structures led members to request that NAS be set up as a separate top risk.</p> <p>Additional causal factors are the introduction of flexibilities and changing ways of working both of which can affect meeting targets. Release of funding means additional work</p>

Management Group January 2009 - Risk Report

but makes better use of money.

Where status is not green, describe action needed to improve status including timescale:

New marketing campaign focus on SME flexibilities

New Apprenticeship flexibilities agreed with Ministers as well as 16-18 growth strategy

Expansion of Apprenticeships also part of NEC proposals

Monitoring of the effect of the introduction of flexibilities and the effect on meeting targets.

Key Achievements to date:

Contract Management process

Marketing campaign

Surveys

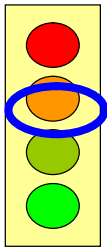

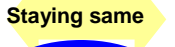

Programme Board established

Appointment of the Economic Response Director

Risk Owner sign off: David Way

Date: 9 January 2009

Management Group January 2009 - Risk Report

Risk Number 3:	Demand led Funding: Provider Capacity The benefits of a move to a demand led funding system that reforms funding to place the learner at the centre of the system, gives them greater purchasing power and enables opportunities for new and existing providers of high quality provision via three demand led funding models are not met.	
Risk Owner:	National Director of Funding, Planning and Performance	
Risk Champion:	Geoff Daniels Director of Funding Policy	
Causal factors:	<p>Learners: Capacity may not be in place to provide appropriate learner choice Providers' focus on securing funding may distract from the quality of delivery</p> <p>Employers: Mismatch between employer demand and government's priorities for funding</p> <p>Providers: Budget instability may create need for more exceptional support and recovery action for public providers Uncertainty of funding may make providers unwilling to invest Increase in bureaucracy--data returns and audit Emphasis on funding rather than delivering priorities</p> <p>LSC Greater uncertainty of expenditure increases difficulty of budget management Complexity of returns adversely affects quality of data Increased costs of staffing (contract management, audit) and systems</p>	
<p>Key mitigating controls: Business Cycle Board managing overall system delivery to improve coherence Integration of apprenticeships and TtG into single employer responsive system to minimize cost Qualification success a key element of demand led formula to maintain focus on quality Stable relationships developed with high quality providers to create firm basis for investment Flexibilities introduced into TtG to respond to wider range of employer demand (in particular SMEs) Proposed simplifications in TtG funding to reduce bureaucracy (e.g. move to a single rate) Another round of technical briefings was completed with the regions to ensure that the partnership teams were confident using the outcomes of the DLF funding methodology & the data sets to inform the next round of allocations.</p>		
Current Status	Trend since last report	Status Comment:
	<p>Getting worse</p>  <p>Staying same</p>   <p>Getting Better / Improving</p>	<p>DLF is improving as the new arrangements bed into the system. Data is now available in the new language to inform the next allocations round. Providers and LSC staff are becoming more familiar with the new language and the way of counting learners and comparing the information to historic information. More detailed workshops have taken place with the regions to help the partnership teams maintain the robust dialogue with the providers.</p>
Where status is not green, describe action needed to improve status including timescale:		

Management Group January 2009 - Risk Report

Mainly the focus is to ensure confidence remains in the system understanding the DLF methodology. Champions are trained within each region. The processes and new methodology will be delivered and become easier over time. Ensuring availability of high quality providers that deliver successful outcomes. Managing underperformance and intervention strategy is part of the overall process to ensure that introducing DLF brings about the benefits and change in the system.

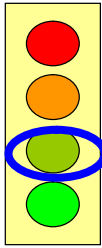
Key Achievements to date: Provisional allocations deadline met for 9 January; business cycle monitored outputs monitored daily and monthly reporting through the Funding Planning and Performance Board; updates provided at the External Advisory Group on effect of the DLF and financial position of the FE sector;

Risk Owner sign off: Verity Bullough
Date: 9 January 2009

Management Group January 2009 - Risk Report

Risk Number 4:	<p>Finance and Systems</p> <p>Finance: For the final quarter of the financial year the key Finance risk is that the financial year end (31 March) budget position is not managed effectively and does not deliver an agreed year end position with both Departments (DIUS&DCSF), within the changing budgetary management parameters that have developed as a result of the Machinery of Government (MoG) changes.</p> <p>Capital: That demand for capital funds exceeds the budget, leading to delays in achieving the modernisation of the FE Estate by 2016.</p> <p>Systems: Lack of skilled resource - Lack of IT governance structure - IT systems to manage the business not fit for purpose - Lack of adequate and issued guidance, manuals, guidance documents - Data is lost, corrupted, incomplete or unreliable - Lack of prioritised process for systems development.</p>
Risk Owner:	National Director of Resources
Risk Champion:	Paul McGuire and Paul Rutter
Causal factors:	<p>Finance: Changing budgetary management parameters as a result of MoG</p> <p>Capital: Demand exceeds the budget</p> <p>Systems: As in description above</p>
<p>Key mitigating controls:</p> <p>Finance:</p> <ul style="list-style-type: none"> • Ongoing detailed review of all budget lines but with particular focus on <ol style="list-style-type: none"> 1 Employer Responsive – Train to Gain/Apprenticeships 2 Learner Support Programme 3 Capital 4 Exceptional Financial Support 5 MoG related costs • Joint national/regional finance year end meetings to ensure clarity and direction regarding year end strategy • Agreed review meetings with both departments to ensure communication and management of year end position. <p>Capital:</p> <ul style="list-style-type: none"> • Review of current programme will identify the extent to which new projects can be afforded; • A cap on the level of LSC Grant Support and phasing of Grant payments over 5 or more years is under consideration to enable more projects to be approved; • Decisions underway with each college with existing or new applications to establish the exact costs and timing of payments; • Communications strategy developed with DIUS. <p>Systems:</p> <ul style="list-style-type: none"> • Definition of 2009/10 IM investments programmes to inform budget preparation and support prioritisation decisions and timely mobilisation of programmes; • Establishment of joint DCSF / DIUS governance board to provide direction on IM systems and services being developed and delivered to the education sector; • Engagement with DCSF YPLA change lead (Stephanie Morgan) to establish YPLA requirements; • Engage with the LSC MoG Transition Programme (being established under David Cragg) to create an integrated Business Change / IM Delivery programme. 	

Management Group January 2009 - Risk Report

<p>Current Status</p> 	<p>Trend since last report</p> <p style="text-align: center;">Getting worse ↑ Staying same ↓ Getting Better / Improving</p>	<p>Status Comment:</p> <p>Finance:</p> <ul style="list-style-type: none"> • For 2008-09 the LSC is having to effectively report and manage within 4 baselines, (as opposed to 1 previously) DCSF Revenue and Capital and DIUS Revenue and Capital; • The position has now moved from a forecast total LSC overspend of £138M for financial year 2008-09 in November 2008, to an agreed balanced budget in January 2009; • The key issues that currently impact on this risk are: <ol style="list-style-type: none"> 1 Data and forecasting for Demand Led Programmes; 2 The unknown impacts of the new flexibilities for employer responsive budgets; 3 The conclusion of the financial position and forecast related to the transfer of the learner support contract to a new provider; 4 Possible requirements for Exceptional Financial Support not yet approved by the Departments; 5 Any additional provision (FRS12) or admin budget requirements due to any specific announcements regarding MoG structural changes. <p>Capital:</p> <ul style="list-style-type: none"> • The increase in building costs, projects being brought forward earlier, higher project costs and the costs of environmental concerns are all contributing to existing budget pressures; • Concerns about affordability of new projects have caused National Council to defer decisions on all new projects and to commission a review of the current programme. <p>Systems:</p> <ul style="list-style-type: none"> • Current 2008/09 systems delivery programmes / projects all rated Green / Amber; • Investment Programme for 2008/09 forecast to outturn at in excess of £100M – an increase of >50% on 2007/08; • Investment Programme for 2009/10 projected to be in excess of £150M, a significant part of which is currently unfunded. Lack of certainty on funding inhibits IM ability to plan resources optimally, leading to an over reliance on contract resource. Also requires IM to either mobilise programmes ahead of securing funding, or compromise successful delivery by delaying mobilisation (against fixed delivery dates) until funding is secured; • MoG Transition will require a significant set of IM activity – currently no formal programme has been established to oversee and deliver this. The requirements to support the SFA in 2010 are reasonably well understood, but at present information on the equivalent YPLA requirements is lacking; • IM investments are still having to be delivered disconnected from, or in the absence of any, structured business change programmes.
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Where status is not green, describe action needed to improve status including timescale:

Actions for improvement

Finance:

- modelling and forecasting
- dialogue and development of good working relationships/communication with the Department
- closer working between national and regional finance teams

Systems: Continued prioritisation of systems under development – support for business as usual.

Management Group January 2009 - Risk Report

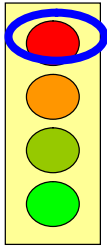

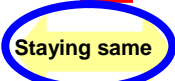

Key Achievements to date:

- Agreeing proposals with both Departments to produce a forecast balanced budget
 - Clearer analysis as to specific financial issues
 - Leveraging additional budget from both departments (DIUS -£110M Capital, and DCSF £12M LLDD)
 - Improved modelling and forecasting capability
 - Finance and Resources Board governance, challenge and direction
 - IMB and governance processes and structures
 - Priorities for system development
- Better integration of IMB and FPPB for business as usual

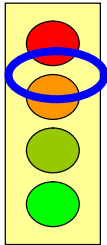

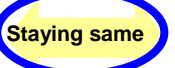

Risk Owner sign off: David Russell

Date: 9 January 2009

Management Group January 2009 - Risk Report

Risk Number 5:	Education Maintenance Allowance	
	That claims and subsequent payments to learners are delayed or not paid. That the system fails to deliver the benefits of the EMA process in encouraging more young people from low income backgrounds to participate in post compulsory learning.	
Risk Owner:	National Director of Young Peoples Learning and Skills Group	
Risk Champion:	Trevor Fellowes – Director of Learner Support	
Causal factors:	Poor delivery by Liberata - Problems with transfer to Capita - Poor delivery by Capita - Capita unearth new problems from the Liberata era - Data transfer fails Application processing performed too slowly or inaccurately - Helpline cannot cope with volumes or is of poor quality – Fraud - Data loss - Policy attracts criticism - Policy changes imposed with insufficient time to implement - Take-up exceeds forecast so that there is overspend - LSC reputation damage - Interim payments not reconciled once system settles down	
Key mitigating controls: Transfer of EMA contract from Liberata to Capita Early involvement of Capita in project management Contract is a “cost plus” model Data from previous contract held by Capita eliminating interface issues Low volumes now EMA policy praised as an effective model Lessons learned Scheme Protection Board considers risks		
Current Status	Trend since last report	Status Comment:
	<p>Getting worse</p>  <p>Staying same</p>   <p>Getting Better / Improving</p>	<p>Status is Amber Green as a result of continuing “noise” in the system.</p> <p>Service delivery is improved significantly since Capita took over the contract.</p> <p>Volumes for EMA are now 3.5% below the equivalent point in 2007/08 compared to 30% below at the end of October. The gap is currently being closed at 1.8% a week.</p>
Where status is not green, describe action needed to improve status including timescale:		
Helpline needs to be underpinned by database Continued vigilance to ensure reputation is not damaged any further Reconciliations complete (End of FY 2008/09)		
Key Achievements to date: Transfer of EMA contract from Liberata to Capita; Scheme Protection Board considers risks;		
Risk Owner sign off: David Hughes Date: 9 January 2009		

Management Group January 2009 - Risk Report

Risk Number 6:	National Apprenticeship Service	
	The timescale for setting up the National Apprenticeship Service is not achieved.	
Risk Owner:	National Director of Adult Learning, Skills and Employment	
Risk Champion:	Madeline Durie, National Director of Apprenticeships	
Causal factors:	Delay in final decisions impact on time available to set up NAS - Effects of recession - Economic downturn - Failure to set up National Apprenticeship Vacancy Matching Service (NAVMS) - Failure of NAVMS to deliver - Prospective Apprentices not being able to enrol with an employer to become an apprentice - Employers not taking on apprentices and consequent reduction in funding - High risk of not meeting targets.	
Key mitigating controls:		
<p>NAS: requirements considered in Machinery of Government (MoG) transition process.</p> <p>NAVMS:</p> <ul style="list-style-type: none"> The project will use a Model Office and co-located staff at Capgemini's facility in Aston to ensure the solution meets the business need. Regional resource will be used through lifecycle of product development. Further stakeholders will be shown the product at critical stages of delivery through Demonstrator and prototype products to ensure product is fit for purpose. <p>An extended cycle of user acceptance testing will be planned.</p>		
Current Status	Trend since last report	Status Comment:
	<p>Getting worse</p>  <p>Staying same</p>  <p>Getting Better / Improving</p> 	<p>The current status is set at Amber/Red to reflect the NVMS position, the tight timescale for recruitment and the impact of the economic downturn.</p>
Where status is not green, describe action needed to improve status including timescale:		
<p>Recruitment of NAS to the 400 staff is due to commence this month, with the aim of getting people into post by April for the NAS launch. Whilst the timetable is tight, we will focus on filling the key positions to enable a highly functioning NAS.</p> <p>NAVMS `soft launch` postponed to 12 January to allow for technical issues to be resolved and to ensure a significant number of apprenticeship positions in place.</p> <p>Working with Joint Apprenticeship Unit to introduce flexibilities to support apprenticeship growth during economic down turn. Discussion at NEC may result in further flexibilities and additional funding from HMT</p>		
Key Achievements to date:		
<p>NAS:</p> <ul style="list-style-type: none"> recruitment to 400 agreed. Process begins this month. <p>NAVMS:</p> <ul style="list-style-type: none"> Went live to employers and training providers on 8 December. Will go live across the country on 12 January, with limited testing on 8 and 9 January to ensure functions. Latest data (5 January) has 3315 employers registered on the system and linked to the relevant provider 		

Management Group January 2009 - Risk Report

- 204 live `job adverts` are now on the system with 3,601 live apprenticeship positions.

Economic Downturn:

- Despite a record year for apprenticeships at all ages in 2007/8 (SFR 18 December 08) the first quarter data for 2008/9 shows that apprenticeship growth for 16 – 18 year olds is down 17% year on year, and 19 – 24 down 9% year. Adult apprenticeships are up 7,000 against plan. We have developed a 16 -18 action plan which will be incorporated into the Apprenticeship Delivery Plan. In addition, we have worked with the Departments Joint Apprenticeship Unit to develop proposals for the NEC on apprenticeship flexibilities.

Risk Owner sign off: David Way

Date: 9 January 2009