Background and introduction

1. The National Audit Committee raised concerns last year that the risk management process within the Learning and Skills Council was not robust. They were not assured that the risks were being managed and mitigated effectively nor was the risk management process effectively embedded across the LSC. These concerns were escalated to Council, the Chief Executive and Management Group who charged the Director of Funding, Planning and Performance as the new Chair of the Risk Management Board with the task of addressing those concerns.

2. A paper setting out a refreshed risk management process that included a better communication process allowing for a line of sight to be drawn between top risks and other (particularly regional) risks and for a filter function to operate was discussed and agreed by Management Group in April 2008. They offered universal support for the approach and for a higher profile for risk management generally.

3. Updates on the refreshed process have been provided to Management Group, Risk Management Board and the National Audit Committee.

Purpose

4. This paper updates the Council on progress to date on the new process, the new top risks and highlights remaining weaknesses in the system.
Recommendation

5 Council is asked to note the progress to date; in particular the new top risks and acknowledge that there remain some weaknesses within the system that remain as work in progress.

Refreshed process

6 Previously there were two distinct processes operating to manage risks and without an obvious connect between the two processes or alignment with the corporate risks.

7 Work on the risk management process has established that we now have one overall process of risk management operating throughout the LSC that differentiates between regional and national level.

8 The main difference is that there are currently 6 top risks (replacing the corporate risks) identified by the Risk Management Board, agreed by Management Group and endorsed by the National Audit Committee. Each region and national office group has established a risk register that shows a clear line of sight to the top risks.

9 Each group and region has produced their risk register and these have now been input to the newly refreshed electronic system called Risk Network. Each region manages its risk register through their Regional Audit Committee. Each national office group manages its risk register through the newly created decision making boards. Each one of these boards are chaired by a Regional Director e.g. the Funding Planning and Performance Group risk register (owned by Verity Bullough) is managed through the Funding Planning and Performance Board, chaired by David Cragg.

Strengths of the refreshed risk management process:

- The Risk Management Board is a sub group of Management Group and is advisory to it.

- The Risk Management Board Terms of Reference have been reviewed and revised to provide for an increase in membership. Membership consists of representative senior regional and national colleagues, including risk champion representatives. The increased membership is expected to contribute to a more proactive role in providing leadership and direction.

- In order to address the issues of the lack of a filter mechanism provided by the Risk Management Board and the absence of a clear link between the top LSC, group and regional risks, the Risk Management Board is now positioned so that all risks identified by the decision making boards, regions and groups will be filtered by it to detect duplication or identify omission. These will form the basis for the identification and approval by the Board of the top risks which will in turn be communicated back to the boards, regions and groups.
• Within the regions, the filter mechanism will be provided by regional management teams and by the Regional Audit Committees. At group level, this will be provided by the decision making boards.

• The LSC governance structure has been revised and aligned with the new risk management process. The structure takes into account the proposals arising from the Machinery of Government announcements and the move towards two new organisations i.e. the Skills Funding Agency and the Young People’s Learning Agency from 2010.

• Risk management must feature as a standing agenda item for each board, group and regional meeting. The risks identified by the boards, groups and regions are informed by the top risks which will be regularly communicated to them following consideration at every meeting of the Risk Management Board and the monthly Management Group meetings.

• Risk management will be a standing agenda item at every Risk Management Board meeting. Members will also review the top LSC risk register to ensure it remains comprehensive.

• The previous top (then known as corporate) risks have been examined and reduced from 14 to 6 through a stronger focus on current concerns. These are managed and mitigated across the LSC.

• The revised top risks have been communicated to all regions and groups/boards as influence on their risks with a request for both comment on the LSC top risks and for sight of their top risks as part of the refreshed risk management process. Analysis of the responses provides clear evidence that all top LSC risks are reflected in the regional risk registers.

• The stewardship reporting format has been revised to provide clear evidence and assurance of how risks are being mitigated. The first version of the revised RAG (Red/Ampmber/Green) format was presented to Management Group at their December meeting. Improvements have been made following comments made at that meeting and the risks were presented again at the January Management Group meeting.

• Risk champions have been appointed to act as co-ordinators of the risk management process. In order to avoid duplication, risk champions for decision making boards are also responsible for their linked national office group. All regions and groups are required to maintain a risk register for their top risks. There is one corporate risk register which acts as the influence on all other risks.

• All risk champions with user access to the risk management software system have read only access to the top LSC risks as well as the top risks for the other regions and groups. Work is planned to ensure all appropriate users are provided with user access and training as necessary.

• Regular reports to on the management of risk must be made on a regular basis. Within the region this will be to the regional management team who in turn will report to the Regional Audit Committee. Within national office, this will be to senior management teams and the decision making boards.

• Management Group consider risk management and the top LSC risks as the first agenda item of every meeting.
After each meeting of the Risk Management Board a report is made by the Chair of the Board to Management Group for consideration and approval of the top risks.

There is now a Risk Management Board site where all relevant papers are filed.

A risk management team site has been set up to allow free discussion on all aspects and issues concerning risks and risk management.

Detailed guidance has been prepared and is being reviewed.

The policy and strategy document has recently been revised.

Risk management updates feature as part of the performance reporting framework to Ministers and Council.

Weaknesses of the refreshed risk management process:

- Whilst the refreshed process is working well, we know that there remain some areas for continuous improvements. Notably these are two areas; one is that new risks are identified before they need escalation, e.g. EMA and Capital risks and the other is that the information provided each month to report progress against the top risks is not yet embedded as an automated process.
- Both of these weaknesses are acknowledged and are being treated as priority with comments provided by the January Management Group meeting to inform improvements on the current information, particularly the mitigating actions for the top risks. This includes treating capital as a separate and the 7th top risk.
- How we identify new risks is an ongoing conversation and will work better if we embed the process where each Board has to have risk as a standing agenda item so a proper discussion is held about their current risks.

Clearance

10 Verity Bullough as the Director for the Funding, Planning and Performance Group has cleared this paper.

Financial implications

11 There are currently no additional costs involved as a result of this enhanced approach to risk management. The cost is in ensuring that the risk champions take on this aspect of their role properly and in a consistent manner.

Risk management

12 The refreshed process and action taken as outlined above is designed to address the concerns previously raised.