Management Response to the LSC EMA Internal Review

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Introduction

1 In August 2008, problems with the delivery of EMAs came to light, with widespread delays in payments for students. While action was taken to address the issues, it was decided by Chris Banks, LSC National Chair and Mark Haysom, LSC Chief Executive to request Claire Ighodaro, National Council Member, to conduct an independent internal review in December 2008. The review was to look at issues that arose earlier in the year in the delivery of Education Maintenance Allowance (EMA) to learners, the reasons for the problems experienced and what could be learnt to avoid a recurrence.

2 This paper outlines the Management response to the recommendations in the EMA Internal Review, both in terms of impact on Learner Support, but also wider lessons for the LSC and its successor bodies.

Purpose of the EMA Review

3 To establish lessons to be learnt by collecting quality information on –
   - Background of the previous system
   - Appointment of Liberata
   - What happened and how the issues arose
   - Management of the issues at Liberata and the LSC
   - Lessons learnt

Background

4 From 2002 until 2008 the LSC had six separate systems for delivering learner support; the largest of these EMA was delivered by Capita and the remaining five by Manchester City Council. In 2006 a PwC feasibility study proposed that all six systems could be combined into a single system resulting in lower cost and an enhanced service. A procurement process was followed and the contract was
awarded to Liberata in August 2007 aimed at delivering the improved service for the 2008/09 academic year. The project suffered progressive delays until in July 2008 an interim service was launched. The interim solution was based on multiple end user systems and procedures adopted in multiple locations. The new service was never completed and the interim 'solution' suffered many shortcomings which resulted in delays in the issue of entitlement letters and delays in payment to learners which were only overcome fully late in 2008. The costs of the overrunning IT project and the interim service threatened the financial viability of Liberata, resulting in reduced service and the disengagement of the LSC from Liberata in November 2008.

An interim contract was signed with Capita in November to get back on track. A contract has now been signed with Capita for the new service commencing in academic year 2009/10.

Recommendations and Management Actions

These recommendations have been considered by Management Group, who have highlighted the actions that will be taken for the learner support unit specifically, and the LSC more generally.

6.1 Reassess the Risk Management processes to ensure that operational and reputational risk is considered alongside financial risk, that risk appetite is understood and mitigating action is owned and monitored. There is also a need to ensure that the “top down” or strategic risk register reflects key information from 'bottom up' risk registers.

Learner Support
The risk management process has been refreshed and there is a joint risk register with Capita. The high level risk register is reviewed monthly by the Programme Board and more detailed registers at its sub-Boards. A workshop is being convened to review and refresh previous work on the risks of fraud and risk appetite.

Wider lessons
A new risk management strategy in place which has significantly improved the identification of risk, and flow between the various levels of the organisation, “top down” and “bottom up”. Management Group will review in the summer how the new strategy is operating, report back to Council, and build the revised system into SFA and YPLA operations

6.2 Ensure a well understood protocol for the escalation of key matters. Review the means by which issues are communicated to senior management, the Council and other stakeholders and confirm that the structures, processes and culture encourage the flow of important information

Learner Support
Governance arrangements have been reviewed. The escalation process is written into schedule 9 of the contract and also set out in Programme Board descriptors. Most issues are addressed through joint meetings with Capita to address Service and Future Delivery. Escalation is then to the Programme Board, SRO/SRIE, and then (within LSC) to Management Group. A sequence of routine reports will be presented quarterly to MG and
to Council. There are regular meetings of an External Stakeholder Group, and news of system issues is disseminated direct to all Providers and other users through newsletters and e-mail. DCSF & DIUS are members of the Programme Board.

**Wider lessons**
Management Group will develop and implement a general protocol for escalation of emerging issues as part of the new risk management strategy (see below)

### 6.3 Review the organisational structure and consider the full integration of the Learner Support unit into “mainstream” LSC. This integration issue may also have implications for the successor bodies of the LSC

**Learner Support**
LSC management have reviewed and strengthened the integration of Learner Support within other LSC structures. A new Learner Support Programme Board has been established and a new SRO appointed (a member of Management Group). Consideration is also being given to the appropriate governance arrangements within YPLA and with SFA. The Learner Support Team has been strengthened through engaging additional technical experts with significant experience in developing and managing relations with suppliers. There will be a process of skills transfer.

**Wider lessons**
Management Group will review current organisational structures to identify any other cases where integration is weak, and take action accordingly. Integration is being built into the structures and ways of working of the YPLA and SFA (eg each YPLA Regional Director will also lead nationally on a functional area - one being Learner Support)

### 6.4 Develop definitions of good vendor relationships and contract management and undertake, where needed, staff training on programme, risk and contract management for the operation of stakeholder, department and vendor interfaces

**Learner Support**
Working arrangements with Capita are set out in schedules to the contract. Formal contract management meetings with Capita are held 3 weeks in 4 (there being a Programme Board on the 4th). In addition there are regular check-point meetings and other visits to the delivery sites. A contract and commercial management training session has been commissioned, and consideration being given to what other training is appropriate from OGC. Definitions will be developed based on OGC best practice, implemented in outline for the Gate 4 review, and fully implemented before phase 2 is completed.

**Wider lessons**
Management Group will review current major contracts to ensure clarity of definition of roles. Staff training on programme and risk management will be promoted, and built into SFA and YPLA operations from the outset.
6.5 Ensure separation of **steering groups and programme boards**; and that the prime responsibility of the SRO (Senior Responsible Owner) is understood and an SRO of appropriate seniority is formally named.

**Learner Support**

The structure of Boards has been assessed, modified and agreed with Capita. Supporting the main Programme Board are sub-Boards dealing with Service Delivery, Future Delivery, Scheme Protection, and Customer Engagement. Meetings of the SRO and SRIE, stipulated in the contract, are being formalised to provide an additional challenge function as respects Future Delivery, every 4 weeks. The new SRO is a member of Management Group.

**Wider lessons**

Management Group will review all existing Programme Boards and ensure this separation is built in, and SROs are of sufficient seniority; and report back to Council.

6.6 Consider the **mitigation around new technology**, with contingency planning such as phased implementation and parallel running, and minimise dependence on bespoke technology.

**Learner Support**

In order to mitigate the challenge of developing the Future Delivery system, this has been divided into three separate build stages, and within these there is a contingency to separate out EMA and ALG delivery. The first stage is based upon Capita’s previous EMA delivery system, which requires modification but not new build. In addition, a full contingency plan has been agreed with Capita, should either of the first two stages fail. (A plan in the event of 3rd stage failure will be produced, but is not yet a priority.)

**Wider lessons**

Information Management Board will take these lessons on board in planning future IM strategy, and in planning for new systems under YPLA/SFA.

6.7 Review the application of **Gateway reviews** and the recent revisions published by OGC in January 2009 around financial health of contractors and ensuring continuity service in the event of supplier failure.

**Learner Support**

Gateway 3 was completed in February and gateway 4 is scheduled for May, both under the new procedures.

**Wider lessons**

Management Group will be reminded of the latest OGC revisions; and of the importance of active senior management engagement in initiating and undertaking OCG reviews.
6.8. These findings and recommendations to be considered by Internal Audit and used to inform the annual audit plan

*Learner support*
These findings (and management response) have been made available to Internal Audit and will also be shared with NAO.

*Wider lessons*
Internal Audit will draw out lessons learned and disseminate through the Audit function.

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