Meeting of the Governors 30 June 2016

Risk Management

Report from the Audit Committee

1. At its meeting on 24 May 2016, Audit Committee considered a report from the College Risk Management Group on the management of risk in 2015-16 and the register of risks for 2016-17. It noted that these documents have also been considered by College management at the Strategic Planning Committee.

2. The Risk Register lists the 23 top level risks identified for the next academic year. The top risks are financial sustainability, implementation of the Estates strategy, student satisfaction, and student recruitment.

3. Audit Committee noted that the HE environment is increasingly challenging, with increased competition in the sector following the removal of Student Number Control and lower than expected recruitment. While the College is putting efforts in place to manage these challenges the financial sustainability risk has therefore increased. Audit Committee noted that every effort is being made in the College to maximise recruitment.

4. Audit Committee noted that many of the new and potential emerging risks for 2016-17 are due to external challenges and changes in Government policy, including the proposed Teaching Excellence Framework; the outcome of the referendum on membership of the European Union on 23 June 2016; the Stern review of the Research Excellence Framework and any potential changes arising from this; the obligations placed on HE institutions by the Counterterrorism and Security Act 2015; and the potential for further changes to the pension scheme. Two new major projects, the replacement of the HR/Payroll and Finance systems and the development of Cambridge House are being undertaken, and these represent new risks.

5. No major unforeseen risks had arisen during 2015-16 and no significant failures of control were reported.

6. Audit Committee was pleased to note HEFCE’s assessment that the College is not at higher risk, based on the information in the 2015 annual accountability return.

7. Audit Committee recommends that Governors approve:
   - The annual report on risk management 2015-16, attached as Appendix A.
   - The Risk Register for 2015-16, attached as Appendix B.
Ranking of risks

1. Each year a College Risk Register is produced by the Risk Management Group and forwarded to Strategic Planning Committee, Audit Committee and Governors for consideration. For the 2015-16 risk register, we assessed and scored risks using gross and net likelihood and impact scores as set out in the 2015-16 risk management policy. Gross scores indicate the magnitude of the risk without successful controls, and net scores take into account the impact of successful management controls. Risk scores are divided into low/green (below 9), medium/amber (9-12.5) and high/red (12.5+) overall scores.

Management of red risks

2. The red risks in the 2015-16 risk register were:

   - Financial sustainability (scored 16 gross, 12.5 net)
   - Student Satisfaction (Inability to meet the needs of the evolving student body) (scored 15.75 gross, 12 net)
   - Student Recruitment and Access (Failure to maintain size of student body) (scored 15.75 gross, 12 net)
   - Research Excellence Framework (Failure to maintain top quartile REF ranking) (scored 15.75 gross, 12 net)

Financial sustainability

3. Financial sustainability has been a longstanding top risk for the College. Last year an objective was agreed to return surpluses of 5-7% for the next five years. A recruitment cycle that was worse than expected has meant that student recruitment and income targets for 2015-16 were not met. In-year budget adjustments have been made this year to ensure that the target surplus is achieved, but the College will need to take action to address the gap between the agreed and predicted five year projected surpluses. This is being given urgent attention in the coming planning round.
4 The dimensions of the financial sustainability risk include the potential inability to maintain income, which is linked with the student recruitment risk; inability to control staff costs; and inability to control non-staff costs. While the risk is well managed through financial planning, improved budget reporting and income and debt management, which has allowed prompt action to be taken this year to maintain the target surplus, the uncertainty around student recruitment and income and the challenge of ensuring target surpluses in future means that financial sustainability remains a top risk, with an overall increased score for 2016-17 of 20.25 gross, 16 net.

Inability to meet the needs of the evolving student body

5 An inability to meet the needs of students and delivery an optimal student experience could potentially impact both recruitment and retention, result in lower National Student Survey scores with a consequent impact on both reputation and recruitment, and lead to students having an unsatisfactory university experience and not reaching their full potential. A Student Services strategy to address and alleviate these risks has been approved by College management and considered by Governors, and is being implemented.

6 Last year’s NSS outcome showed a decrease in student satisfaction ratings, with students on the three year undergraduate degrees, particularly younger students, giving the College lower scores. A National Student Survey taskforce has been set up to consider the results of the NSS, identify areas of student satisfaction which need to be addressed, and make students aware of action that has been taken in response to their feedback. The Student Engagement and Widening Participation Committee is overseeing a number of projects aimed at improving the student experience, including projects on personal tutors and query resolution.

7 Although new services and support are in place, the College’s changing student body, with larger numbers of younger students with different needs and expectations means that there is still a large degree of challenge around this risk. In addition, external budget cuts in other organisations, such as the cuts to the Disabled Students Allowance, will increase the level of services that the College will need to provide. The net score for this risk is therefore maintained at 12 for 2016-17.

Failure to maintain size of student body

8 This was the first year that institutions were competing without student number controls for undergraduate students. The impact of this competition on recruitment was much greater than anticipated, and student number and income targets will not be met for 2016-17. The introduction of postgraduate loans is likely to bring opportunity but also uncertainty, as more students will be able to consider studying but there will be increased competition from other HE institutions. The College has strengthened its recruitment monitoring arrangements in response to this challenge,
setting up a Recruitment Strategy and Planning Group to oversee efforts to market courses widely and effectively and improve application and enrolment processes to maximise applications, offers and enrolments.

Recruitment has been affirmed as a key strategic priority in the annual strategic discussions held by the Strategic Planning Committee and the Governors. In addition to additional marketing resource and recruitment process improvements, Birkbeck is considering how to expand and develop the existing academic portfolio to attract new students. In the meantime the risk score has been maintained level.

**Failure to maintain top quartile REF ranking**

Maintaining research excellence is of critical importance to the College’s reputation, access to funding, and ability to recruit staff and students. After a good overall result in last year’s REF further development of effective leadership, planning and engagement was identified as a priority to optimise results in the next research assessment exercise. These controls have been put into place, with a REF working party meeting regularly to oversee progress on preparations for the next exercise. The research infrastructure of the College has been reorganised, and a new role of Head of Research Strategy Support put into place. A need for a review of postgraduate research student provision at the College was also identified last year, and this has been conducted, with two groups set up to take the proposed actions forward.

While the internal management of the process is working as planned, external changes to the REF environment meant that there is still uncertainty around this risk. The Government has asked Lord Stern to lead a review of the REF, examining how university funding can be allocated more efficiently and investigate ways in which a lighter touch system for the REF might be developed. The College’s preparations for the REF will need to respond to any potential changes coming out of this review as they develop.

**Other risks**

The other risks in the 2015-16 register were

- Student retention and success
- Staff costs
- Government policy
- University league table rankings
- Student services
- Academic portfolio development
- External research income
- Estates strategy
- Postgraduate research student support
13 The score for the Estates strategy risk has increased from 12 gross and 10.5 net to 16 gross and 14 net, recognising the importance for the College of implementing an effective Estates strategy to fulfil its student related and research related aims. Paragraph 18 has more details. Other risks have all been either effectively managed or offset, or are potential situations that did not arise.

Any controls that failed during the year and why

14 No significant failures of control have been reported.

Unforeseen risks and why they occurred

15 No unforeseen risks arose during the reporting period.

External changes affecting the risk profile

16 Last year it was noted that, depending on the result of the General Election, there could be significant HE policy changes. The new Conservative Government released a Higher Education Green Paper in November 2015 that proposes significant changes to the policy landscape, including proposals to create a Teaching Excellence Framework (TEF), and to abolish HEFCE, the Quality Assurance Agency (QAA) and the Office for Fair Access (OFFA) and create an Office for Students to perform these functions. It also proposes increasing deregulation which will allow more private providers to enter the HE environment. This could lead to changes in the recruitment risks in the future depending on the impact of increasing competition on student numbers. Meanwhile the announcement of part time maintenance loans for undergraduate students from 2018-19 is positive news. The College will need to work both to lobby for appropriate policy underpinning delivery of the loans and to have courses and recruitment strategies to attract students back on to part time courses once the loans are available.

17 The risk of a potential inability by the College to demonstrate compliance on international student and staff immigration rules has been effectively managed throughout the year, with confirmation from the College’s internal auditors that measures are successfully in place. However, UK Visas and Immigration (UKVI) continue to introduce more stringent regulations and requirements. For example, UKVI have recently briefed that they intend to use international student departure rates as a metric to assess compliance, holding universities accountable for the proportion of students who do not leave the UK after their studies end. Birkbeck will need to continue to monitor the changing regulations around this risk carefully.
Internal changes affecting the risk profile

18 The College continues to have significant space requirements, for teaching, students, research and other activities. The University of London are developing their estates strategy, and taking an increasingly commercial approach to use of the University estate, which may impact Birkbeck’s ability to secure space in the vicinity of the Malet Street campus. In addition, there are internal debates ongoing about the best use of space as Birkbeck’s own estates strategy evolves. There has also been the unexpected discovery of damage to 32 Torrington Square, which has resulted in the need for the occupants to be decanted to space in Bedford Square, delaying the sale of that building as well as the plans for the construction of a new building in Torrington Square. This further impacts the risk that the College will be unable to implement its estates strategy and provide appropriate space. The College has started to address this risk by purchasing Cambridge House, the development of which is being taken forward as a major project, with its own risk assessment.

Expected emerging risks

19 The proposed Teaching Excellence Framework is likely to represent a new risk to the College over the coming year, and the College will develop a strategy to manage this risk as more information becomes available on how performance in the TEF will be assessed. This is likely to take into account at least in part metrics around recruitment, retention and student satisfaction, as measured by the NSS. It is likely that TEF performance will not only have a reputational impact but may also be used to assess whether institutions are allowed to raise their fees in line with inflation in the future.

20 Depending on the outcome of the referendum on 23 June 2016, the College may need to add risks arising from Britain leaving the European Union to the register. Departure from the EU would be likely to have significant impacts on several areas of the College’s business, including recruitment, as EU students would be required to pay international rather than home fees, and the loss of research funding currently received from the EU.

21 The Government has asked Lord Stern to lead a review of the REF, and any changes to the exercise arising from this review may give rise to new risks.

22 The obligations placed on HE institutions by the Counterterrorism and Security Act 2015 represent an emerging risk to the College. College management are working working to ensure it is compliant with the legislation in a way that continues to reflect the ethos and mission of Birkbeck.

23 The College is undertaking two new major projects, which have become new risks that need to be managed: the development of Cambridge House and the installation of the new HR/Payroll and Finance system. Governance and monitoring arrangements are in place for these.
24 There are potential HR related risks that may arise during the year, including further changes to the pension schemes, and the possibility of Trade Union action.

25 In the longer term, the College may need to be aware of potential risks that could arise from Birkbeck’s central London location, including increasing affordability issues for junior staff living and working in London, and problems relating to worsening pollution.

**New controls**

26 The separate risk around reduced cash reserves leading to reduced liquidity has been absorbed into the financial sustainability risk. An investment strategy has been established and liquidity is being managed at board level.

Risk Management Group
April 2016
### Appendix B
AC 2015 36

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<tbody>
<tr>
<td>Inability to maintain financial sustainability, maintain income, control costs</td>
<td>Reduced income, financial uncertainty, reduced capacity to fund new developments</td>
<td>4.5</td>
<td>4.5</td>
<td>20.25</td>
<td>Five year financial forecasts; income, staff cost and non-staff cost projections</td>
<td>Schools plan student recruitment targets to maintain and grow overall FTE. Schools and Professional Services plan costs and these are reviewed and revised during the planning round with the aim of reaching a balanced budget and five year forecast. SPC oversees and considers action necessary for sustainability</td>
<td>4</td>
<td>4</td>
<td>16.00</td>
<td>College wide course development initiatives - Foundation Year. Apprenticeships, Health subjects. Equity target agreed to maintain teaching/maintenance cash reserves, enabling evaluation of options for investment and future development</td>
<td>Director of Finance</td>
<td>SPC, FG&amp;PC</td>
<td>2015-16 student recruitment and income targets not met. Inability to increase tuition fees, plus increases in NI and pensions costs make us reliant on increasing student numbers and controlling costs. In year income and spend adjustments in 2015-16 should make target surplus achievable, but there is a gap in five year projections. This is getting urgent attention in the 2016 planning round.</td>
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<tr>
<td>Inability to implement Estates strategy, shortage of suitable space for teaching, laboratories, research and other activities, inefficient use of space</td>
<td>Inability to develop the College, students taught in accommodation outside our control; operational issues and reduced satisfaction</td>
<td>4</td>
<td>4</td>
<td>16.00</td>
<td>Percentage of classes taught off site; availability of office and research space; funds available to secure space, student and staff feedback</td>
<td>New Estates strategy under development following identification of sites in 2013 Masterplan; partnership options for space expansion being explored, new (re)developed property opportunities assessed. External space rented through long term partnerships wherever possible; annual survey to assess student and staff experience of venues.</td>
<td>3.5</td>
<td>4</td>
<td>14.00</td>
<td>Strategy of concentrating teaching and student activities at Torrington Sq established; Cambridge House acquired and project board established. Potential partnership to rehouse biological science research labs explored but no immediate impact</td>
<td>College Estates Committee, FG&amp;PC, Governors</td>
<td>Progress made, but this is a challenging problem with pervasive impact.</td>
<td></td>
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<tr>
<td>Inability to meet the needs of the existing student body and future students</td>
<td>Reduced reputation; student less likely to apply, engagement with dissatisfaction students, student not reaching full potential</td>
<td>4</td>
<td>4</td>
<td>16.00</td>
<td>National Student Survey, PT Experience Survey and Birkbeck Student Survey results</td>
<td>NIS and other survey scores forwarded to Schools for response/action via TEOs.</td>
<td>3</td>
<td>4</td>
<td>12.00</td>
<td>IDS task force considers College wide issues and agree action for improvement. NIS and PTES scores included in the EPS dashboard at College and School level</td>
<td>Academic Registrar</td>
<td>T&amp;E, SWSF, SPC</td>
<td>2015 NIS outcome not so good as previous years. Growing new cohorts of high fee paying and young full time students are less satisfied. Need to monitor this as NIS has an impact on TEF and league tables.</td>
</tr>
<tr>
<td>Failure to recruit sufficient students to maintain size of student body; competition from other HE institutions</td>
<td>Reduced income, risk of threat to individual subject areas</td>
<td>3.5</td>
<td>4.5</td>
<td>16.75</td>
<td>Overall student FTE; overall new student FTE</td>
<td>Schools plan student recruitment targets to maintain overall FTE. Recruitment Strategy and Management Group of senior staff and Recruitment Marketing and Admissions Group of practitioners meeting regularly to monitor and take action if targets are not met</td>
<td>3</td>
<td>4</td>
<td>12.00</td>
<td>The groups are meeting more frequently and monitoring speed and effectiveness of processes to convert applications to offers to enrolments and considering if and where extra resource is needed</td>
<td>MB</td>
<td>SPC, FG&amp;PC</td>
<td>Impact of competition from other HEIs much greater than anticipated following the end of the student number control. Recruitment targets not met. Monitoring arrangements strengthened as noted.</td>
</tr>
<tr>
<td>Limited ability to add value in terms of student outcomes (value of BSc degree, employability; learning gain)</td>
<td>Students not reaching full potential; impact on reputation/league table performance</td>
<td>3.5</td>
<td>3.5</td>
<td>12.25</td>
<td>Overall student FTE; overall new student FTE</td>
<td>Establishing baseline statistics to measure progress against and target specific areas for intervention</td>
<td>3</td>
<td>3.5</td>
<td>10.50</td>
<td>Development of new skills modules via Catalyst programme; the other bases established</td>
<td>SPC</td>
<td>Initial report established and included in KPIs. Now need to establish benchmarks, aims and ownership. Monitoring developments in wider HE sector on “value add” metric, which may become part of quality assessment (TEF)</td>
<td></td>
</tr>
<tr>
<td>Inability to develop subject areas and modes of delivering/attaining cost efficient students</td>
<td>Potential for College to expand not realised; reduced income</td>
<td>4</td>
<td>3.5</td>
<td>14.00</td>
<td>New developments, new courses</td>
<td>Strategic discussions 2015 included potential new subject area developments</td>
<td>3</td>
<td>3</td>
<td>10.50</td>
<td>VM for College, Executive Director for Schools</td>
<td>SPC</td>
<td>Areas identified, initial meetings held, now need to schedule and prioritise. Is the owner still the Eds or should it be central? Increase net impact?</td>
<td></td>
</tr>
<tr>
<td>Failure to maintain top quartile REF ranking</td>
<td>Reduced reputation; staff less likely to apply or stay; reduced research funding, fewer chances for collaboration</td>
<td>3.5</td>
<td>4</td>
<td>16.00</td>
<td>Research intensity adjusted REF ranking. Deposits of research outputs in the Biren instirution repository</td>
<td>Research strategy agreed, preparations for next REF under way with focus on planning and leadership. Competition remains intense and need to address patchy performance between subject areas</td>
<td>3</td>
<td>3.5</td>
<td>10.50</td>
<td>REF and Open Access working groups established</td>
<td>P&amp;MR</td>
<td>Research Committee</td>
<td>Internal management working well and as planned. Next steps will depend on outcome of Stern review of REF expected Summer 2016</td>
</tr>
<tr>
<td>Low uniemity league table rankings</td>
<td>College is ranked lower than its mission and reputation indicates</td>
<td>4</td>
<td>3</td>
<td>12.00</td>
<td>League table rankings; &quot;We are not ranked before our actual appearance&quot;</td>
<td>Analysis of how league tables use data. Agreement to delay appearance for 2 years while we improve our data</td>
<td>3</td>
<td>3</td>
<td>9.00</td>
<td>Director of Planning</td>
<td>SPC</td>
<td>This is an appropriate time to reassess league table strategy</td>
<td></td>
</tr>
<tr>
<td>Reduced student retention</td>
<td>Students not reaching full potential; impact on reputation, reduced fee income</td>
<td>3.5</td>
<td>3.5</td>
<td>12.25</td>
<td>HESA non-continuation rates for full and part time students</td>
<td>Catalyst registers project exploring student attendance monitoring and potential action to improve student retention. Level 4 project outlined</td>
<td>3</td>
<td>3</td>
<td>9.00</td>
<td>Student Engagement projects prioritised; personal tutors, enquiry management, targeted online information for students. Catalyst indicators of dropouts project has reported and agreement secured to continue College wide.</td>
<td>P&amp;M L&amp;T</td>
<td>T&amp;E, SWSF, SPC</td>
<td>It registers delivered, data not yet assessed. Personal tutor project and indicators of dropouts projects launched. Need to assess the impact of the Level 4 project and clarify timescales for student engagement projects.</td>
</tr>
<tr>
<td>Government changes to policy, inadequate part time policy</td>
<td>Reduced or unpredictable income, students put off applying, senior management resources diverted from strategic development to deal with sudden policy change</td>
<td>3.5</td>
<td>3.5</td>
<td>12.25</td>
<td>Policy change</td>
<td>Monitoring external developments, contingency plans if needed, lobbying with the HE sector for adequate funding, working to influence policy development where it impacts the College</td>
<td>3</td>
<td>3</td>
<td>9.00</td>
<td>Appointment of Policy Adviser</td>
<td>Master</td>
<td>SPC, FG&amp;PC</td>
<td>Green Paper and promotion of TEF, apprenticeship, Breix, and part time loans are current key issues.</td>
</tr>
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</table>
Reduced income, reduced expenditure, impact on R&D and our ability to enter research collaborations

3 4 12.00 Research grant and contract income/academic FTE Research Committee review RCUK income termly and minor areas of concern to Schools/SPC. Schools deploying measures to improve application/success rates

2.5 3.5 8.75 PVM R Research Committee, F&GPC Performance overall maintained; need to focus on quality of applications. Concern that less resource overall is available

Ongoing

Student dissatisfaction, impact on reputation

4 3 12.00 Service availability, student feedback Further investment in and development of student services

2.5 3 7.50 Student services strategy discussed at key College committees Academic Registrar LEWP C

Inability to maintain and support PhD student body

Key aspect of our mission not delivered; reduced research reputation and ranking

3 3 10.50 PhD student numbers, PhD completion rates, Postgraduate Research Experience Survey Research student review defining our aims for PhD students and assessing current structure and support

3 2.5 7.50 Research Support Group to co-ordinate and develop research support including for PDR

PVM R Research Committee, SPC Research student review recommendations agreed and being monitored by SPC.

Inability to maintain diverse student population

Impact on reputation and ability to meet national requirements

3 3 9.00 Carbon emissions, People and Planet university rankings Carbon Management Plan agreed and being implemented, includes carbon reduction targets by year. Environmental Management Group being set up with departmental representatives.

3 2.5 7.50 Carbon reduction projects in the 2015 Long Term Maintenance plan Director Estates and Facilities Estates Committee

ISO 14001 Environmental Management System due for completion in June. No impact may reduce when it’s achieved, but we also need to see the real impact in terms of carbon emissions. No policy

Insufficient management capacity to deliver strategy and respond to current demands in the HE sector

College does not develop to full potential

3 4 12.00 Strategic development of the College specific issues and problems arising Senior management team in place; project based approach for new initiatives; management development programme for key staff; succession planning, consultation and collaborative approaches

2.5 3 7.50 Master SPC; F&GPC; Governors Ongoing

Limited access for non traditional students

Key aspect of our mission not delivered

3 3 9.00 Applications from FE Colleges; students progressing from Cert to Degree Progression agreements with London FE Colleges, partnerships and initiatives with selected institutions, maintenance and development of Cert Ed progression routes.

2.5 2.5 6.25 New PVM appointed, new initiative for Foundation/Access year under development PVM &CP SPC Need urgent attention if Foundation/Access provision is to be launched in 2017/18. Potential impact from FE Colleges responding to cuts in their funding streams and from competition from FE and FE Colleges

Key staff leaving; ineffective workforce planning

Compromised delivery of areas of key activity

3 3 9.00 To be established Review of procedures for making internal appointments, to widen pool of potential successors. Use of interim appointments where needed

2.5 2.5 6.25 Workforce planning data being compiled and circulated to Schools and PS departments KM HRSPC Replaced PVM and several DPS’s successfully, now appointing new ED ISP and PVM L&T. ED recruitment drew strong field of candidates

IT systems not optimised to support College priorities

Disruption to services, inability to benefit from up to date systems; inability to renew HR, Finance and Payroll system

3 3 9.00 Implementation of new system; integration of all systems with College priorities Project planning, consultation with users, procurement planning, oversight by Project Board. Establishment of corporate information systems priorities via SPC.

2.5 2.5 6.25 Finance and HR/Payroll system replacement identified as priority Project Board set up. HR/Finance system project board, SPC Supplier shown for HR/Payroll and Finance system replacement, implementation project commenced. Remaining risk around prioritising large amount of other work

Incomplete Academic Review / PDR update

Staff not realising their full potential, College not able to participate in staff development initiatives eg Athena Swan

3 3 9.00 Percentage annual PDR uptake Annual monitoring via Audit Committee

3 2 6.00 New Academic Review system introduced 2015-16 KM HRSPC, Audit Committee Impact of academic review to be monitored

Inability to demonstrate compliance on international student and staff immigration rules

Reputation, adverse publicity, inability to get income by recruiting international students and recruit high calibre staff

2.5 6 10.00 Feedback from internal audit/external reviewer Teams in Registry and HR established to ensure compliance, internal audit and external review, SPC owning compliance

2 1 6.00 Academic Registrar (Student) Director HR (Finance) SFC, Audit Committee Internal audit confirmed measures are successfully in place. Need to respond to UKVI tightening of rules. Need to ensure compliance for staff, including absence records

Inability to maintain diverse staff and student body

Key aspect of our mission not delivered

2.5 3 7.50 Percentage of staff, and students, from minority groups compared with London HE institutions Equality and diversity strategy and monitoring

2 2.5 5.00 Investment of resource in new HR posts. Strategic Equities review launched, with staff and student bodies KM Equities Committee, HRSPC, SWPC, Governors Also need to respond to Athena Swan

Inability to benefit from involvement in the University Queen Stratford campus

UDS not used to full potential, reduced presence in East London, inability to benefit from the Stratford initiative

2.5 2.5 6.25 Activity at UDS, Income and spending from UDS Encourage more course provision and events at Stratford; outreach and community partnership work

2 2 4.00 PVM &CP SPC Specified in new PVM Access and Comm Part role. Work in progress

Incomplete recovery of student debt

Reduced income, financial uncertainty

3 2 6.00 Reports on debt position Tightened debt management procedures, regular reports to Committees

2 1.5 3.00 Regular reports to Audit Committee and F&GPC Director of Finance F&GPC, Audit Committee Management controls working well. Debt more predictable and management.