The journey

“The NCFE journey has been one of unprecedented growth in the last few years, in a heavily regulated marketplace, where risk management has played a big part in driving that commercial growth”
I want to tell you a story…….

- May 2008…..disaster strikes
- Business unprepared
- Close to business collapse
What is NCFE

- An “Exam Board”
- Fastest growing
- 600,000 learners
- High technology dependence
- An Amazon
The way we used to manage risk

- No Board visibility
- An operational risk register
- Back ups – occasionally
- Part time risk strategic risks
- Some insurance
- and….
- …..not much else
IT risks – DR and BCP

• Get the basics done first
• The first practical things to fix
• A back up strategy
• Replication, replication, replication
• Full Business Continuity Plans
• And lots of exercise
I have seen the light

- It's not a cost
- Strategic risk management has clear commercial benefits
- Risk management helped NCFE win 2 major national contracts
A wise man said

- Growing recognition at NCFE of the strategic significance
- If you want to get something past your Board mention risk
- Risk management adds value
Help I need somebody......help

- How did we professionalise NCFE’s approach
- Business Continuity
- The IRM
- Training courses
- Consultants
- An investment
How we are going to do this

- Set up Audit and Risk Committee
- Created Terms of Reference
- Internal audit
- Culture change
Do it this way

- Risk Management Policy
- External pressure - OFQUAL conditions of recognition
- Company wide visibility
- Microsoft Dynamics – practical steps
A new Risk Register is born

- A video not a snapshot
- More sophisticated impact and likelihood scoring
- Regular review
Pictures as well as words
It will never happen.....will it?

<table>
<thead>
<tr>
<th>Score</th>
<th>Level of likelihood</th>
<th>Frequency guidance</th>
<th>Probability guidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Rare / unlikely</td>
<td>Rare - uncommon - infrequent</td>
<td>&lt;5% chance of occurring</td>
</tr>
<tr>
<td>2</td>
<td>Perhaps</td>
<td>Occurs sometimes</td>
<td>5 - 40% chance of occurring</td>
</tr>
<tr>
<td>3</td>
<td>Likely</td>
<td>Common occurrence</td>
<td>40 - 75% chance of occurring</td>
</tr>
<tr>
<td>4</td>
<td>Very likely</td>
<td>Very common - occurs regularly</td>
<td>&gt;75% chance of occurring</td>
</tr>
</tbody>
</table>
But if it did.........

<table>
<thead>
<tr>
<th>Source</th>
<th>Level of impact</th>
<th>Threat</th>
<th>Engaged staff opportunity</th>
<th>Valued customer opportunity</th>
<th>Growth &amp; Development opportunity</th>
<th>Profitability opportunity</th>
<th>Regulation opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Minor</td>
<td>0.5% - 1% improvement in staff engagement survey results</td>
<td>1 - 2% increase in staff engagement survey results</td>
<td>5.5% increase in customer engagement results per annum</td>
<td>6% increase in customer engagement results per annum</td>
<td>65 - 70% increase in turnover by 2016</td>
<td>0 - 3% reduction in margin by 2016</td>
</tr>
<tr>
<td>4</td>
<td>Significant</td>
<td>0 - 0.5% improvement in staff engagement survey results</td>
<td>2 - 3% increase in staff engagement survey results</td>
<td>5% increase in customer engagement results per annum</td>
<td>7% increase in customer engagement results per annum</td>
<td>65 - 62% increase in turnover by 2016</td>
<td>75 - 60% increase in turnover by 2016</td>
</tr>
<tr>
<td>6</td>
<td>Substantial</td>
<td>No improvement in current staff engagement survey results (as 87% overall)</td>
<td>3% increase in staff engagement survey results (to 90% overall)</td>
<td>4% increase in customer engagement results per annum (to 60% overall)</td>
<td>6% increase in customer engagement results per annum (to 70% overall)</td>
<td>62 - 60% increase in turnover by 2016</td>
<td>60 - 82% increase in turnover by 2016</td>
</tr>
<tr>
<td>8</td>
<td>Very substantial</td>
<td>Staff engagement surveys are reduced from 27% overall</td>
<td>9% increase in staff engagement survey results</td>
<td>0% increase in customer engagement results per annum</td>
<td>&lt;5% increase in turnover by 2016</td>
<td>&lt;52% increase in turnover by 2016</td>
<td>&lt;7% reduction in margin by 2016</td>
</tr>
</tbody>
</table>
Management Teamwork

- Now getting beyond the basics
- Risk Attitude
- Making risk part of management
- Decision making framework
Now involve the whole Board

- To influence strategic decisions
- Board balance
- Difference between Exec and Non Exec
I can’t tolerate that

- A new level of sophistication
- Still a work in progress
### Tolerance directly impacts strategy

<table>
<thead>
<tr>
<th>STRATEGIC THEMES</th>
<th>Comments</th>
<th>Current performance</th>
<th>Target performance Date</th>
<th>Worst tolerable outcome</th>
<th>Best realistic outcome</th>
<th>Key Risk Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engaged staff</td>
<td>Retention of skilled and committed staff (through staff survey)</td>
<td></td>
<td>87%</td>
<td>Is current performance tolerable for next year? If not, what is the worst tolerable outcome?</td>
<td>How aggressive is your target? Could it realistically be even better?</td>
<td>1st Staff Survey 2nd Atrition rates 2nd Productivity rates</td>
</tr>
<tr>
<td>Improving the capability of staff (through training / education / etc)</td>
<td></td>
<td></td>
<td>Is current performance tolerable for next year? If not, what is the worst tolerable outcome?</td>
<td>How aggressive is your target? Could it realistically be even better?</td>
<td>1st No. and type of training courses made available</td>
<td></td>
</tr>
<tr>
<td>Valued customers</td>
<td>Improving the satisfaction of existing customers (through customer survey)</td>
<td></td>
<td>53%</td>
<td>Is current performance tolerable for next year? If not, what is the worst tolerable outcome?</td>
<td>How aggressive is your target? Could it realistically be even better?</td>
<td>1st Customer survey</td>
</tr>
<tr>
<td>Growth and development</td>
<td>7% increase in new customers through organic growth (market share)</td>
<td></td>
<td>6%</td>
<td>Is current performance tolerable for next year? If not, what is the worst tolerable outcome?</td>
<td>How aggressive is your target? Could it realistically be even better?</td>
<td>1st Demonstrable measure of position in market share 2nd No. of complaints / other service quality measures</td>
</tr>
<tr>
<td></td>
<td>7% increase in capability and skills through acquisition (moving NCFE into ‘premiership’)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>* Is this to do with new products / to extend out of vocational courses or just to expand what you already do? * Is this also about % increase in new customers through acquisition</td>
<td></td>
<td>Is current performance tolerable for next year? If not, what is the worst tolerable outcome?</td>
<td>How aggressive is your target? Could it realistically be even better?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maintain profit margin at approximately 27%</td>
<td>* Which means growing with no drop or gain in efficiency * Is this before or after tax?</td>
<td></td>
<td>27%</td>
<td>Is current performance tolerable for next year? If not, what is the worst tolerable outcome?</td>
<td>How aggressive is your target? Could it realistically be even better?</td>
<td>1st Normal financial tracking / management measures</td>
</tr>
<tr>
<td>Regulatory</td>
<td>Maintain or reduce number no. of Ofqual complaints to keep Ofqual AAA rating</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improve relationship with Ofqual</td>
<td></td>
<td></td>
<td>Is current performance tolerable for next year? If not, what is the worst tolerable outcome?</td>
<td>How aggressive is your target? Could it realistically be even better?</td>
<td>* No. of adverse events occurring * Time taken to report to Ofqual (efficiencies) * Media interest * No. of complaints from Ofqual * No. of complaints from Ofqual</td>
<td></td>
</tr>
</tbody>
</table>
Risk affects key decisions

- Pension liability
- Investment strategy
- Property acquisition
- Budgets
- Product development
- ……and……
Current risks – full circle

- IT back on the agenda
- Cyber risks
- Physical security
What we’ve learned

- Risk management adds value
- Risk management is commercial
- Involve everyone
- It influences the Board
- It’s been a vital part of the development of the company
Comments and questions