

Board of Management Finance Committee

Date of Meeting	27 September 2023
Paper No.	FC1-F
Agenda Item	4.2
Subject of Paper	Strategic Risk Review
FOISA Status	Disclosable
Primary Contact	Drew McGowan College Secretary
Date of production	31 August 2023
Action	For Discussion and Decision

1. Recommendations

- 1.1. To discuss and approve the Strategic Risk Register for risks reported to the Committee, recommending any changes to the Board of Management for final approval.
- 1.2. To note the Risk Management Action Plans for risks reported to the Committee.

2. Purpose

- 2.1. To provide the Finance Committee with an update on the most recent quarterly review of the College's strategic risks for those reported to the Committee. The Strategic Risk Register and the Management Action Plans (MAPs) are enclosed.

3. Consultation

- 3.1. All strategic risk owners were consulted during the latest quarterly review.

4. Key Insights

- 4.1. Risk management is a key component of the College's internal control and governance arrangements and, as such, is an important responsibility of the Board of Management, the Executive Leadership Team (ELT) and the Senior Management Team (SMT). Final approval of the Strategic Risk register is reserved to the Board and the Audit & Assurance Committee has oversight over the College's risk management approach.
- 4.2. ELT and SMT members are invited to review the risks they own on a quarterly basis. This is to ensure that the College, our Board and its committees, remain aware of any changes in the risk environment and that our risk management plans remain up-to-date and effective. Committees review the risks that are within their remit and recommend any changes to the Board for final approval.
- 4.3. The Strategic Risk Register and the MAPs are enclosed for the Committee's consideration and approval of members. 6 strategic risks are reported to the Committee. No changes to risk scores are proposed in this review.
- 4.4. The College's strategic risk reporting has been streamlined over the summer in preparation for the new academic year. The Strategic Risk Register has been refreshed and the MAPs have been condensed from a total of 104 pages to 13. This remains a work in progress and feedback is welcome.

5. Impact and Implications

- 5.1. The effective management, control and mitigation of risks are essential to the College's institutional and financial sustainability, compliance, reputation and future growth.

Appendices:

Appendix 1: Strategic Risk Register

Appendix 2: Risk Management Action Plans

Strategic Risk Register: August 2023

The Risk			Assessment			Changes		Board
ID	Risk Title	Owner	Impact	Prob.	Net Score	Trend	Updated	Committee
SR1	Failure to support successful student outcomes	VPSE	5	1	5	↔	Aug '23	Learning
SR2	Failure to establish an optimal pedagogical model	VPSE	5	1	5	↔	Aug '23	Learning
SR3	Failure to achieve good student outcome/progression levels	VPSE	5	1	5	↘	Aug '23	Learning
SR4	Failure of the College's duty of care to students	VPSE	5	2	10	↔	Aug '23	Learning
SR5	Failure to realise planned benefits of Regionalisation	Pr DPr	3	3	9	↔	Aug '23	Conveners'
SR6	Negative impact upon the College's reputation	VPCDI	4	3	12	↔	Aug '23	Development
SR7	Failure to achieve improved business development with stakeholders	VPCDI	5	4	20	↔	Aug '23	Development
SR8	Failure to manage strategic risks associated with CGI Ltd	VPCDI	5	2	10	↔	Aug '23	Development
SR9	Failure to manage performance and achieve improved performance	DE	5	2	10	↔	Aug '23	Audit
SR10	Failure to attract, engage, and retain suitable staff	VPPCS	4	4	16	↔	Aug '23	People
SR11	Failure to achieve taught degree awarding powers	DPr	4	4	16	↔	Aug '23	Learning
SR12	Negative impact of statutory compliance failure	CS	5	2	10	↔	Aug '23	Audit
SR13	Failure of compliance with Environmental Social and Governance (ESG) duties	DPr CS	5	1	5	↔	Aug '23	Audit
SR14	Failure of compliance with the General Data Protection Regulations (GDPR)	DPr	4	2	8	↔	Aug '23	Audit
SR15	Failure of corporate governance	Pr CS	5	1	5	↘	Aug '23	Audit
SR16	Failure of business continuity	CS	4	3	12	↔	Aug '23	Audit
SR17	Negative impact of industrial action	VPPCS	4	4	16	↔	Aug '23	People
SR18	Failure of IT system security	DIT	5	2	10	↔	Aug '23	People
SR19	Failure to achieve operating surplus	CFO	5	5	25	↔	Aug '23	Finance
SR20	Failure to maximise income via diversification	CFO VPCDI	5	4	20	↔	Aug '23	Finance
SR21	Failure to obtain funds from the City of Glasgow College Foundation	CFO	4	3	12	↔	Aug '23	Finance
SR22	Negative impact of Brexit	CFO DCS	3	3	9	↔	Aug '23	Finance
SR23	Failure to secure a sustainable model/level of Regional funding	CFO	4	3	12	↔	Aug '23	Finance
SR24	Failure to secure sufficient capital investment	CFO	3	4	12	↔	Aug '23	Finance
SR25	Failure to manage acute threats relating to the Coronavirus outbreak	Pr DPr	4	2	8	↘	Aug '23	Conveners'
SR26	Failure to prepare and respond to emerging public health incidents and crises	DPr	5	2	10	↗	Aug '23	Conveners'

Impact and Probability Criteria

Score	Impact	Probability
1	Insignificant: the risk has minimal to no effect on the College's operations, objectives, reputation, stakeholders or financial sustainability.	Highly Unlikely: the likelihood of the risk occurring is minimal. It would be estimated that the risk has a 1-5% chance of happening.
2	Minor: the risk may cause slight disruption or impact on the College's operations, objectives, reputation, stakeholders or financial sustainability.	Unlikely: the likelihood of the risk occurring is unlikely but still possible. It would be estimated that the risk has a 6-25% chance of happening.
3	Moderate: the risk has a noticeable impact or disruption, affecting the College's operations, objectives, reputation, stakeholders or financial sustainability.	Possible: the likelihood of the risk occurring is reasonable. It would be estimated that the risk has a 26-50% chance of happening.
4	Major: the risk has a substantial impact on the College's operations, objectives, reputation, stakeholders or financial sustainability.	Likely: the likelihood of the risk occurring is probable. It would be estimated that the risk has a 51-75% chance of happening.
5	Critical: the risk is a severe threat to the College's operations, objectives, reputation, stakeholders or financial sustainability.	Almost Certain: the likelihood of the risk occurring is highly likely. It would be estimated that the risk has more than a 75% chance of happening.

Key

Pr	Principal & CEO
DPr	Depute Principal & COO
CFO	Chief Financial Officer
VPSE	Vice Principal Student Experience
VPCDI	Vice Principal Corporate Development
VPPCS	Vice Principal People & Corporate Services
CS	College Secretary
DE	Director of Excellence
DCS	Director of Corporate Support
DSE	Director of Student Experience
DIT	Director of IT

↗ New risk or existing risk score has increased since the previous review.

↘ Risk score has decreased since the previous review.

↔ Risk score has not changed since the previous review.

Risk Matrix

	5	5	10	15	20	25
LIKELIHOOD	4	4	8	12	16	20
	3	3	6	9	12	15
	2	2	4	6	8	10
	1	1	2	3	4	5
		1	2	3	4	5
		IMPACT				

Low (1-5) Acceptable level of risk subject to periodic review

Medium (6-12) Moderate level of risk subject to regular monitoring and mitigating actions and plans being in place

High (15-20) Unacceptable level of risk requiring immediate actions and plans to prevent or mitigate

Critical (25) Critical level of risk requiring urgent attention and actions to prevent or mitigate

Risk Management Action Plans

			The Risk				Net Score				Gross Score			Changes		
ID	Risk Title	Owner	Risk/Treatment Description	Developments/Commentary	Appetite	Tolerance	Impact	Prob.	Score	Target	Impact	Prob.	Score	Trend	Updated	History
SR19	Failure to achieve operating surplus	CFO	<p>There is a risk that the College fails to achieve an operating surplus through the control of costs and achievement of income targets.</p> <p>To address this risk, the College employs a comprehensive approach to financial management. Strategies encompass securing SFC funding by meeting credit targets and timely FWDF activity delivery. Vigilant control of course fees, non-SFC fundable income, and other revenue sources are emphasised. Additionally, expenditure is carefully managed through controlling staff costs, optimising staff structures, and closely monitoring operating expenses. Potential impacts of inflation and energy costs are also proactively considered.</p>		Low	Medium	5	5	25	4	5	5	25	↔	Aug '23	<p>Aug '23: Edited for transfer to new MAP.</p> <p>Sept '22: Score increased from 20 to 25.</p> <p>Feb '22: Score increased from 12 to 20.</p>
SR20	Failure to maximise income via diversification	CFO VPCDI	<p>There is a risk that the College may not effectively maximize income by capitalising on opportunities within current and potential markets and partnerships, hindering the diversification of revenue streams.</p> <p>To treat this risk, the College has developed a Corporate Development Plan aligned with the College Corporate Development Strategy. The plan will be diligently managed and monitored to ensure its successful implementation. The Commercial and International Teams, along with Faculties, will conduct regular reviews of income diversification efforts, progress, and targets. Moreover, growth and development, in relation to these targets, will be consistently reported to the Development Committee.</p>	<p>Nov '22: The College is facing an even greater financial challenge in 2023-24 with expected SFC funding reduction, staff pay award expectations, high inflation, rapidly increasing utility costs and income still recovering from the impact of COVID. The senior management team will continue to proactively monitor, review and challenge staff to deliver income growth and diversification to return to at least a break even financial performance in 2024-25.</p>	Low	Low	5	4	20	9	5	5	25	↔	Aug '23	<p>Aug '23: Edited for transfer to new MAP.</p> <p>May '21: Score decreased from 25 to 20.</p>

ID	Risk Title	Owner	Risk/Treatment Description	Developments/Commentary	Appetite	Tolerance	Impact	Prob.	Score	Target	Impact	Prob.	Score	Trend	Updated	History
SR21	Failure to obtain funds from the City of Glasgow College Foundation	CFO	<p>There is a risk that the College may not successfully secure funds from the College Foundation, resulting in inadequate resourcing for planned initiatives and improvements.</p> <p>To mitigate this risk, the Terms of Reference for the College Foundation are thoughtfully framed while respecting its independence, with external legal counsel contributing their expertise. This strategic framing enhances the potential for successful funding applications. The College ensures strict adherence to the defined Terms of Reference, guiding the preparation and management of all funding applications. This rigorous approach aims to maximise the chances of securing Foundation funds for planned initiatives, preventing the under-resourcing of crucial projects.</p>	<p>June '23: Following the College's unsuccessful application to the Foundation for the remaining balance to fund a further round of Voluntary Severance, the Finance Committee agreed to increase the score from 4 (green) to 12 (amber).</p>	Low	Medium	4	3	12	3	5	4	20	↔	Aug '23	<p>Aug '23: Edited for transfer to new MAP.</p> <p>June '23: Score increased from 4 to 12.</p>
SR22	Negative impact of Brexit	CFO DCS	<p>There is a risk that the College will be negatively impacted by the repercussions of the UK's departure from the EU - including on European funding, contracts with EU-funded partners, the shipping industry and freedom of movement.</p> <p>To address this risk, the College has engaged with the Scottish Government and the SFC to minimise the uncertainties surrounding future funding. The College will continue to explore and make efforts to secure alternative and replacement funding streams to deliver work. The College aims to secure new partnerships and contracts, while actively engaging with the UK Chamber of Shipping to exploit emerging opportunities. Monitoring and adapting to national developments will address minor impacts on staff and students.</p>		Low	Medium	3	3	9	5	5	3	15	↔	Aug '23	<p>Aug '23: Edited for transfer to new MAP.</p> <p>March '22: Score decreased from 12 to 9.</p>

ID	Risk Title	Owner	Risk/Treatment Description	Developments/Commentary	Appetite	Tolerance	Impact	Prob.	Score	Target	Impact	Prob.	Score	Trend	Updated	History
SR23	Failure to secure a sustainable model/level of Regional funding	CFO	<p>There is a risk that an agreed and sustainable model of grant funding for the College within the Glasgow Region may not be achieved. Uncertainties in funding methodologies (e.g., capital, national bargaining, IT) and the impact Covid-19 contribute to the risk. As the proportion of SFC income grows against non-SFC income, the impact of this risk will become greater.</p> <p>To manage this risk, the College focuses on robust curriculum planning and maintains close collaboration with the GCRB and other Glasgow colleges. It actively engages in transparent discussions with the GCRB and the SFC to communicate funding needs effectively. Proactive planning and adaptability are emphasised, allowing the College to navigate changing funding scenarios.</p>	<p>Feb '22: The 2022-23 Scottish Budget revealed a concerning £28.2m reduction in revenue budget, while capital funding remained at £33.7m. Uncertainty remains due to SFC and GCRB funding methods, with upcoming concerns over capital, ESF, national bargaining, IT, and running costs. The College, hit harder by Covid-19, faces a tougher financial recovery. Growing reliance on SFC funding due to ongoing pandemic effects makes GCRB funding crucial. The College is countering this risk through strong curriculum planning, close engagement with GCRB, and collaboration among Glasgow Colleges. Indicative regional funding is expected in March 2022.</p>	Low	Low	4	3	12	5	5	5	25	↔	Aug '23	Aug '23: Edited for transfer to new MAP.
SR24	Failure to secure sufficient capital investment	CFO	<p>There is a risk of the College failing to secure sufficient capital investment to replace essential equipment as it reaches the end of its useful life, due to a substantial annual capital funding gap.</p> <p>To manage this risk, the College has developed a capital asset replacement plan, requiring around £3m - £4m annually. However, the current SFC Maintenance and Capital Grant is only approximately £1.3m, resulting in a significant funding gap. The College will actively engage with SFC to secure a substantial increase in annual capital funding. The College also plans to seek assistance from the College Foundation and enhance financial performance to allocate more funds for asset replacement.</p>	<p>May '22: The College faces significant financial constraints for both current and future capital planning. The annual asset replacement requirement is around £3m-£4m, but existing funding streams have been fully utilised, creating pressure on the bottom-line deficit. The 2022/23 budget realigns some funding for asset replacement, but overall capital funding remains insufficient due to unchanged allocation methodology. The College managed an initial 2021/22 capital budget by combining grants and Foundation funds. Approximately £2.4m remains within the College Foundation, contributing to ongoing capital challenges for funding current and future needs.</p>	Low	Medium	3	4	12	3	5	4	20	↔	Aug '23	Aug '23: Edited for transfer to new MAP.