

Board of Management Finance Committee

Date of Meeting	Wednesday 27 November 2024
Paper No.	FC2-H
Agenda Item	4.4
Subject of Paper	Strategic Risk Review
FOISA Status	Disclosable
Primary Contact	Drew McGowan Associate Director of Governance and Risk
Date of production	24 October 2024
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. Four strategic risks are reported to the Committee. No risk score changes are proposed in this review.

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

The Risk			Assessment			Changes		Board
ID	Risk Title	Owner	Impact	Prob.	Net Score	Trend	Updated	Committee
SR1	Failure to support successful student outcomes and progression	VPSE	5	2	10	↔	Oct '24	Learning
SR2	Failure to establish an optimal pedagogical model	VPSE	5	1	5	↔	Oct '24	Learning
SR4	Failure of the College's duty of care to students	VPSE	5	2	10	↔	Aug '24	Learning
SR5	Failure to realise planned benefits of Regionalisation	Pr DPr	3	3	9	↔	Oct '24	Conveners'
SR6	Negative impact upon the College's reputation	VPCDI	3	3	9	↔	Aug '24	Development
SR7	Failure to achieve improved business development with stakeholders	VPCDI	3	3	9	↔	Aug '24	Development
SR8	Failure to manage strategic risks associated with CGI Ltd	VPCDI	5	2	10	↔	Aug '24	Development
SR9	Failure to manage performance and achieve improved performance	DE	5	4	20	↔	Oct '24	Audit
SR10	Failure to attract, engage, and retain suitable staff	VPPCS	4	4	16	↔	Oct '24	People
SR12	Negative impact of statutory compliance failure	DPr ADGR	5	2	10	↔	Oct '24	Audit
SR13	Failure of compliance with Environmental Social and Governance (ESG) duties	DPr ADGR	5	1	5	↔	Oct '24	Audit
SR14	Failure of compliance with the General Data Protection Regulations (GDPR)	DPr	4	2	8	↔	Sept '24	Audit
SR15	Failure of corporate governance	Pr ADGR	5	1	5	↔	Oct '24	Audit
SR16	Failure of business continuity	ADGR	4	3	12	↔	Aug '24	Audit
SR17	Negative impact of industrial action	VPPCS	5	2	10	↔	Oct '24	People
SR18	Failure of IT system security	DIT	5	2	10	↔	Oct '24	People
SR19	Failure to achieve operating surplus	CFO	4	3	12	↔	Sept '24	Finance
SR20	Failure to maximise income via diversification	CFO VPCDI	4	3	12	↘	Oct '24	Development
SR21	Failure to obtain funds from the Foundation for the College's priorities	CFO	4	3	12	↔	Oct '24	Finance
SR23	Failure to secure a sustainable model/level of funding	CFO	4	4	16	↔	Oct '24	Finance
SR24	Failure to secure sufficient capital investment	CFO	4	4	16	↔	Oct '24	Finance
SR26	Failure to prepare and respond to emerging public health incidents and crises	DPr	5	2	10	↔	Aug '24	Conveners'
SR27	Failure to prepare for the impact and harness the capabilities of AI	VPSE	3	3	9	↔	Oct '24	Learning
SR28	Failure to manage the College's strategic, physical and digital assets effectively	VPCDI CFO	4	3	12	↗	Oct '24	Development

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
ADGR	Associate Director of Governance & Risk
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

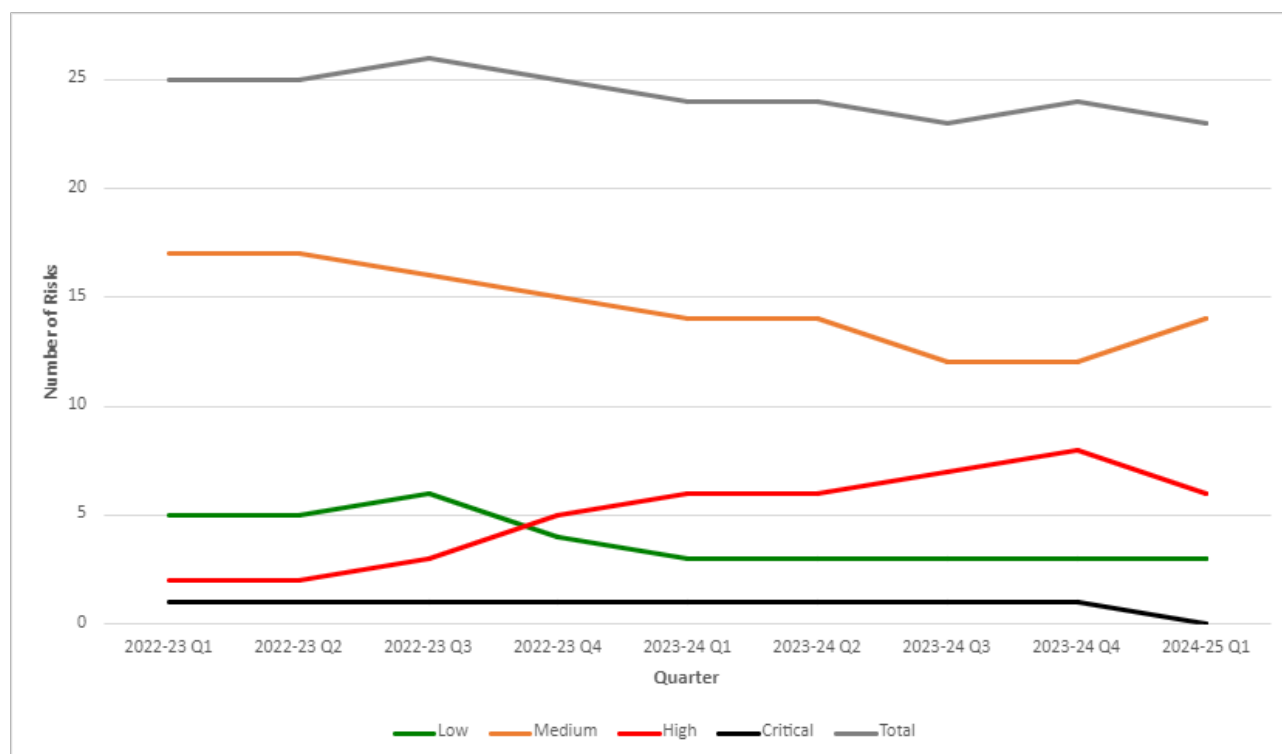
	5	5	10	15	20	25
LIKELIHOOD	4	4	8	12	16	20
	3	3	6	9	12	15
	2	2	4	6	8	10
	1	1	2	3	4	5
		1	2	3	4	5
		IMPACT				

- 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 Appetite

Risk Appetite ¹	Risk Categories
Avoid: The College avoids any form of risk, striving to maintain an entirely risk-free approach.	Preparedness
Averse: The College prefers to accept minimal risk, prioritising safe decision-making while recognising potential limitations on innovation and opportunities.	Compliance and Governance
Cautious: The College is willing to accept some low risks while primarily favouring safe decision-making, acknowledging the potential for restricted innovation and limited outcomes.	Financial
Moderate: The College tends to expose itself to moderate levels of risk, aiming for acceptable, though not overly ambitious, outcomes.	Reputation
Open: The College is open to innovative decisions and strategic implementations, prioritising productive outcomes even when accompanied by elevated risk levels.	Change and Development People and Culture
Hungry: The College actively seeks pioneering decisions and strategic implementations, embracing substantial risk to secure highly successful outcomes and benefits.	Education and Student Experience

Score Trend Chart



¹ Full risk appetite statements for each risk category are outlined in the Risk Management Policy.

Risk Management Action Plans

			The Risk			Net Score				Gross Score			Changes		
ID	Risk Title	Owner	Risk/Treatment Description	Developments/Commentary	Appetite	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. 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>	<p>Sept '24: The Finance Committee welcomed the latest financial forecast at the end of Q4 in 2023-24 showing an improved position and a small surplus.</p> <p>Aug '24: The College's financial position has improved due to the measures implemented since 2021-22. Without intervention, the College forecasted a deficit of £18m. In 2023-24, with significant progress on savings achieved, the original budget was a deficit of £2 million. The latest forecast at the end of Q3 in 2023-24 shows an improved position, with a £200,000 deficit.</p> <p>Apr '24: Indicative funding allocation announced in March 2024 of flat cash (real terms cut of circa 3.5%) will require further savings in 2024/25 to break even.</p>	Cautious	4	3	12	5	5	5	25	↔	Sept '24	<p>Sept '24: Score decreased from 20 to 12.</p> <p>Aug '24: Score decreased from 25 to 20.</p> <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>
SR21	Failure to obtain funds from the Foundation for the College's priorities	CFO	<p>There is a risk that the College may not successfully secure funds from the CoGC Foundation for the College's current priorities and needs, 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>Oct '24: Applications for City Attributes (£100k) and contribution towards Capital Expenditure (£300k) was approved, leaving c. £900k in Foundation.</p> <p>Aug '24: The College is currently preparing applications for capital expenditure and City Attributes. The balance remains at £1.2 million.</p> <p>May '24: SR21 title and description amended to better reflect the risk to the College following discussions at the Finance Committee in March 2024.</p> <p>Jan '24: Balance of £1.2m remains in CoGC Foundation. The plan is still to plan to make applications for capital projects but will adhere strictly to the Terms of Reference.</p>	Cautious	4	3	12	3	5	4	20	↔	Oct '24	<p>Aug '23: Edited for transfer to new MAP.</p> <p>June '23: Score increased from 4 to 12.</p>

ID	Risk Title	Owner	Risk/Treatment Description	Developments/Commentary	Appetite	Impact	Prob.	Score	Target	Impact	Prob.	Score	Trend	Updated	History
SR23	Failure to secure a sustainable model/level of funding	CFO	<p>There is a risk that an agreed and sustainable model of grant funding for the College 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>Oct '24: Colleges Scotland have prepared the sector's submission to the Scottish Government ahead of the draft budget for 2025-26, expected to be announced to the Scottish Parliament in December. However, due to significant constraints on public finances, cash-flat or less-than-cash-flat settlements are highly likely.</p> <p>Aug '24: The SFC's final allocation was confirmed in May 2024. As previously reported, the budget for the college sector in 2024-25 has been cut in real terms by 4.7%, following a 8.5% real terms reduction from 2021-22 to 2023-24.</p> <p>Apr '24: Indicative funding announced in March 24 of flat cash and removal of FWDF, together with continuing concerns over national bargaining and capital allocations.</p>	Cautious	4	4	16	5	5	5	25	↔	Oct '24	<p>Jan '24: Increased from 12 to 16.</p> <p>Aug '23: Edited for transfer to new MAP.</p>
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>Oct '24: The Finance Directorate are continuing to engage with faculties and directorates to prioritise capital requirements. The Capital Expenditure Plan for 2025-26 is scheduled for consideration by the Finance Committee in March 2025.</p> <p>Aug '24: A new four-year capital plan and process is in now in place. In June 2024, the Finance Committee approved capital expenditure for 2024-25. Planned expenditure will be reviewed annually. The College's maintenance needs continue to outstrip the funding provided by the SFC, emphasising the importance of phasing and prioritising expenditure in this way.</p>	Cautious	4	4	16	3	5	4	20	↔	Oct '24	<p>Oct '23: Score increased from 12 to 16.</p> <p>Aug '23: Edited for transfer to new MAP.</p>