Board of Management

Finance & Physical Resources Committee

Date of Meeting	Wednesday 22 March 2017
Paper No.	FPRC4-B
Agenda Item	4
Subject of Paper	Strategic Risk Review
FOISA Status	Disclosable
Primary Contact	Paul Clark, College Secretary/Planning
Date of production	14 March 2017
Action	For Approval

1. Recommendations

1. To consider and approve the review of Finance and Physical Resources Risks as detailed in the attached Risk Management Action Plans

2. To note the revised Risk Register

2. Purpose of report

2.1 The purpose of this report is to provide the Committee with an update on the Senior Management review of strategic organisational risks, in particular those risks related to the Committee's areas of responsibility via the related Risk Management Actions Plans (MAPs) and Risk Register.

3. Context

3.1 Risk Management is a key component of the College's internal control and governance arrangements, and as such is an important responsibility of the Senior Management Team, Audit Committee, and the Board of Management. This responsibility is highlighted in the College Strategic Plan at Strategic Priority 6:

> "6. To be efficient, effective, innovating, and vigilant".

3.2 The risks listed on the Risk Register have been identified by SMT and the Audit Committee, as the current strategic risks faced by the College. The risks are aligned within the same framework of strategic themes as the College Strategic Plan, and those included in the Risk Register have potential impacts on all of the College's Startegic Priorities, in particular Priority 7:

> "7. To maintain our long-term financial stability"

3.3 The strategic Risks that fall under the Committee's areas of responsibility are:

- Risk 5 relating to New Campus Objectives
- Risks 15-20 under the Finance Strategic Theme

The risk MAPs for these risks are attached.

3.4 A full review of strategic risks was undertaken from January to March 2017, involving senior Risk "owners", and all Risk MAPs were updated accordingly.

3.6 A revised Risk Register is included in the appendices.

3.7 Following a major revision of the College Risk Management Policy and Procedure, in late 2016, to include an analysis of Risk Tolerance, the Risk MAPs have been redesigned to include categorisation and scoring of Risks in relation to Risk Tolerance.

3.8 Revised Risk Score Matrix

Due to the revised risk matrix (5x5 from 3x3) some risk ratings have changed. E.g. Risk 11, formerly scored 1x3 = 3, rated green, is now scored 2x5 =10 (amber). See diagram below:

x	Likelihood				
Impact	5	10	15	20	25
	4	8	12	16	20
	3	6	9	12	15
	2	4	6	8	10
	1	2	3	4	5

4. Impact and implications

4.1 The effective management and control of risks is essential to the on-going stability and future growth of the College, with clear implications in terms of potential impact upon College students and staff, as well as the College's wider reputation. All strategic risks have potential strategic impact upon the College. The College Risk Register includes matters relating to legal compliance.

4.2 Several strategic risks are financial in nature, and potentially constitute a threat to the College's stated strategic priority to "Maintain our long-term financial stability".

4.3 Performance management and improving performance are identified as areas of strategic risk, due to the potential impact on reputation, the student experience, and funding.

4.4 Regional and sectoral considerations are included in the process of risk management, and are reflected in the risk documentation.

Appendices:

Appendix 1: Highlighted Risk MAPs

Appendix 2: Current Risk Register

Risk Register: March 2017

RISK DETAIL					CURRENT EVALUATION OF RISK*			AIM and PROGRESS			RISK TREATMENT ACTIONS AND UPDATE	
Strategic Theme	**Risk Name**	**Risk ID**	**Level**	**Risk Owner**	**Likelihood**	**Impact**	**Net Risk Score**	**Gross Risk Score**	**Target Risk Score**	**Risk Movement**	**Hyperlink to Risk Management Action Plan (MAP)**	**Date of last review**
Students	Failure to support student success	1	1	VPSE	1	5	5	25	5		Risk 1 MAP.docx	Feb '17
Students	Failure to establish optimal pedagogical model	2	1	VPSE	2	5	10	20	5		Risk 2 MAP.docx	Feb '17
Students	Failure to achieve good student outcome/progression levels	3	1	VPSE	1	5	5	15	5		Risk 3 MAP.docx	Feb '17
Students	Failure of the College's Duty of Care to Students	21	1	VPSE	3	4	12	20	4		Risk 21 MAP.docx	Jan '17
Growth and Development	Failure to realise planned benefits of Regionalisation	4	1	Pr/DPr	3	3	9	20	3		Risk 4 MAP.docx	Jan '17
Growth and Development	Failure to achieve New Campus objectives	5	1	DPr	1	5	5	25	5		Risk 5 MAP.docx	Jan '17
Growth and Development	Negative impact upon College reputation	6	1	EDCD	2	5	10	25	5		Risk 6 MAP.docx	Jan '17
Growth and Development	Failure to achieve improved business development performance with stakeholders	7	1	EDCD	2	5	10	25	5		Risk 7 MAP.docx	Jan '17
Growth and Development	Failure to achieve improved performance	8	1	VPSE/DirP	1	5	5	20	5		Risk 8 MAP.docx	Jan '17
Growth and Development	Failure to attract, engage, and retain suitable staff	9	1	VPFHR	2	2	4	20	3		Risk 9 MAP.docx	Feb '17
Processes and Performance	Negative impact of statutory compliance failure	10	1	SMT/CSP	1	5	5	20	5		Risk 10 MAP.docx	Mar '17
Processes and Performance	Failure of Corporate Governance	11	1	Pr/CSP	2	5	10	20	5		Risk 11 MAP.docx	Mar '17
Processes and Performance	Failure of Business Continuity	12	1	VPI/CSP	3	4	12	25	4		Risk 12 MAP.docx	Mar '17
Processes and Performance	Failure to manage performance	13	1	VPSE/DirP	2	4	8	20	4		Risk 13 MAP.docx	Mar '17
Processes and Performance	Negative impact of Industrial Action	14	1	DHR	3	4	12	25	4	16 Red to 12 Amber (Audit 9/16)	Risk 14 MAP.docx	Feb '17
Finance	Failure to achieve operating surplus via control of costs and achievement of income targets.	15	1	VPFHR	3	2	6	25	2		Risk 15 MAP.docx	Mar '17
Finance	Failure to maximise income via diversification	16	1	VPFHR/ EDCD	3	4	12	20	4		Risk 16 MAP.docx	Jan '17
Finance	Negative impact of funding methodology within Glasgow Region	17	1	VPFHR	2	3	6	25	2		Risk 17 MAP.docx	Mar '17
Finance	Failure to agree a sustainable level of grant-funded activity within the Region	18	1	VPFHR/ VPSE	3	5	15	25	3		Risk 18 MAP.docx	Mar '17
Finance	Impact of ONS reclassification of the status of colleges (To be reworded - Audit 8/3/17)	19	1	VPFHR	2	3	6	16	3		Risk 19 MAP.docx	Mar '17
Finance	Failure to obtain funds from College Foundation	20	1	VPFHR	1	4	4	20	3		Risk 20 MAP.docx	Mar '17
Finance	Negative impact of Brexit	22	1	VPFHR	2	5	10	tbc		Potentail RED - (Audit 3/17)	Risk 22 MAP.docx	Mar '17

Recent movement or change

Key:

Pr - Principal
DPr - Depute Principal
VPSE - Vice Principal Student Experience
VPFHR -Vice Principal Finance & HR
VPI -Vice Principal Infrastructure
EDCD - Executive Director Corporate Development
FD - Faculty Director
CSP - College Secretary/Planning
DHR - Director of Human Resources
DirP- Director of Performance

x	Likelihood				
Impact	5	10	15	20	25
	4	8	12	16	20
	3	6	9	12	15
	2	4	6	8	10
	1	2	3	4	5

Tolerance vs Risk Score	Acceptable Risk Score		Acceptable Risk Score		Acceptable Risk Score	
	1-3	4-5	6-9	10-12	15-16	20-25
Risk Management Level of Tolerance (Able to Accept)	1	2	3	4	5	6
	Low		Medium		High	

Risk Management Action Plan

Risk Description: Failure to achieve New Campus Objectives

Risk ID: 5

Owned by: DPr **Review Date: January 2017**

Update

Full Description

The New Campus Risk Register has undergone a complete review following the Practical Completion of City Campus; as a result 11 risks have been proposed for transfer to the main College Risk Register. In-turn these will be reviewed, redrafted as required and assigned to appropriate risk owners.

The transferred risks are as follows:

Ref	Description	Rationale
7	Capacity and availability of CGC project resource	
31	Maintenance and lifecycle management of legacy FF&E	
48	Changes in VAT	
72	Mechanisms used to manage accounting reclassification compromise the effective management of contractual obligations or the delivery of transition projects	
38	Utility and telecom connections	Post Practical Completion so now all College operating risks
68	Surplus Property Disposal	
56	Breach of SG Conditions for financial support	
16	Change in Policy / Law	
33	Confidential - Title Insurance procured	
26	Migration risks associated with leased equipment	
78	Group 3 risk - equipment not procured and ready on time for migration	

There are only 2 residual risks remaining to be managed that are directly attributable to the New Campus Project, these are:

Ref	Description	Assessment Score
1	The risk that the College requires changes to the brief or scope of the project which could delay the programme. Such changes would require to be funded by capital using the limited contingency fund and also lead to an increased UC (via FM and Lifecycle costs). Additional costs could be in the form of :Abortive Works :Remedial Works :Accelerated Works :Resequencing of Works to accommodate late changes	2
74	GLQ claim Relief or Compensation under NPD Project Agreement leads to delay to occupation or financial exposure (As of Sept 15 this risk is limited to City accommodation phase and City and Riverside external works)	4

Risk ID 1: is under close management to ensure that change control procedures are in place and tightly adhered to.

The remaining ID 74 is now limited to the external works at City Campus. College initiated changes will be tightly controlled in this context and limited to essential needs only.

Current Risk Score:	**Gross Risk Score (assuming no treatment)**
Likelihood 1/5 Impact 5/5 Risk Score 5/25 RAG Rating: GREEN **Target Score: 5**	Likelihood 5/5 Impact 5/5 Risk Score 25/25
Risk Appetite (Willing to accept):	**Risk Tolerance (Able to accept):**
<u>**Low**</u> Medium High	Category: Change and Development/Reputation Low Medium High 1 **2** 3 4 5 6

Impact	5	10	15	20	25
	4	8	12	16	20
	3	6	9	12	15
	2	4	6	8	10
	1	2	3	4	5
x	Likelihood				

Risk Management Action Plan

Risk Description: Failure to achieve operating surplus via control of costs and achievement of income targets

Risk ID: 15

Owned by: VPFHR **Review Date: March 2017**

Update

Full Description:

Failure of the College's Strategic Priority 7, and associated Strategic Aims: To maintain our long-term financial stability

Commentary (Update):

Operating Surplus/Deficit Amber

The College's would have achieved an operating surplus for the 12 months 2014-15 prior to the March 2015 transfer of £3.1m to the College Foundation to "shelter" the College funds. The College produced a deficit of £2.9m for the 16 months 2014-15 financial period due to the funds transferred to the College Foundation.

The College is projecting an underlying surplus of £162k (0.3%) for the 12 months 2015-16 financial year with no transfer to the College Foundation in March 2016 (Appendix 1).

In the following financial years the College will budget for a small surplus which means a relatively small adverse change to expenditure or income budgets will push the College into an operating deficit.

Risk Owners: Vice Principal Finance & HR

The following sections provide a more detailed commentary on this strategic theme risk.

Income: SFC Grant Green

The key risk is a failure to achieve the Credit target of 165,461. The Scottish Funding Council (SFC) have stated that there is no "leeway" or slippage allowed for the 2015-16 target. Thus a 10% slippage in Credits could result in a claw back of SFC grant amounting to £3m. The risk has been mitigated by careful planning of 2015-16 course provision via the College's Student Recruitment Plan.

March update:
The original target income was £34.9m and the projected income is £40.0m. The Government share of the new campus unitary charge is now added to the College income and expenditure.

During the year the College accepted 2,500 Credits of funded activity however the College agreed that the grant would be transferred to Kelvin to assist with their pay award costs. The Student Recruitment Plan is currently projecting 165,921 Credits, exceeding the SFC Credits target for 2015-16.

The Glasgow region original 2015-16 student support grant allocation was £1m lower than the previous year. The region has received additional SFC funding eliminating the under funding of the College student support expenditure.

Risk Owners: Faculty Directors, Vice Principal Finance & HR

Income: Course Fees Red
Around £8.2m of the £10.1m course fee income target relates to full-time HE enrolments. A 10% slippage in full-time HE enrolments would reduce income by £820k. Courses that generate full-time HE course fees start and end throughout the academic year beginning 1st August 2015. However, around 95% of the College's projected £8.2m of full-time HE fees is linked to courses that started during September 2015.

March update:
The original target income was £10.1m and the projected income will be lower due to not achieving the full time enrolment by approximately 150 students, £195k reduction in fee income.

Risk Owners: Faculty Directors, Vice Principal Finance & HR

Income: Commercial Course Fees Red
A 10% slippage in commercial activities would reduce income by around £390k. The key Faculties involved in the delivery of commercial fee income are; the Faculty of Building, Engineering & Energy and the Faculty of Nautical.
The risk has been mitigated by careful planning of 2015-16 course provision via the College's Student Recruitment Plan. The commercial plans for each Faculty have also been reviewed by the Business & International team.

March update:
The original target income was £3.5m and the projected income is £3.0m.

Risk Owners: Executive Director Corporate Development and Faculty Directors

Income: Education Contracts Red

A 10% slippage in education contracts would reduce income by around £220k. The HE articulation funding has increased and now covers both first and second year HN students. A 10% slippage in this funding source would reduce income by around £97k. The College has mitigated this risk by agreeing articulation projects (256 FT HE students) linked to the new SFC articulation funding source with Glasgow Caledonian University, UWS and the University of Strathclyde. The HE articulation initiative is being closely managed by a Faculty Director.

March update:

The original target income was £2.2m with the current projection planned to achieve deliver £2.1m. The income is based on successful agreements for HE articulation numbers linked to Glasgow Caledonian University, UWS and the University of Strathclyde. The shortfall is linked to the languages courses deliver for Glasgow Caledonian University. The other major elements of the Educational Contract income are course delivery funded by University partners and course delivery funded by SDS. These contracts are currently projected to achieve the budgeted income.

Risk Owner: Faculty Directors, Vice Principal Finance & HR

Income: Overseas Fees Green

A 10% slippage in the target for overseas tuition fees would equate to £200k. Courses that generate overseas tuitions fees start and end throughout the academic year beginning 1st August 2015. However, around 50% of the College's projected £2.0m of overseas fees is linked to full-time courses that started during August 2015.

March update:

The original target income was £2.0m and the projected income is £2.1m. The original target was lower than previous years due to the agreement with Western Maritime Academy (WMA) has now been cancelled and the impact of further UKVI restrictions.

Risk Owner: Executive Director Corporate Development

Income: Other Income: Green

In approving the 2015-16 budget, the Board's attention was drawn to two key risks linked to the target for Other Income. These risks related to the management fee for the Angola project and potential activities in Malta. The total other income is £3.8m compared to the original budget of £3.5m.

March update:

Angola Project: The budget for 2015-16 includes a £155,000 management fee linked to the Angolan project. The contract agreement ended in March 2016. The College has experienced payment delays of the management fee and cost recoveries. The majority of the invoiced costs have now been paid and discussions are continuing with Angola to recover the remaining outstanding debt.

Risk Owner: Vice Principal Finance & HR

Malta. The College was successful in several joint venture tenders to develop training materials for colleges in Malta. The delivery of the Malta project was very successful with positive feedback from the customer, the College continues to explore the possibility of further Malta projects.

Risk Owners: Executive Director Corporate Development and Faculty Directors.

Expenditure: Staff Costs: Amber
A 10% overspend on staff costs would equate to £4.0m. Controlling temporary lecturer budgets and containing pay awards will be key tasks during 2015-16.

March update:
The original expenditure target was £40.0m and the projected expenditure is £40.6m. Through national bargaining Unison has agreed a 1% for the support staff pay award effective from 1st April 2015. EIS have agreed for the lecturers £300 or 1% effective from 1st April 2015 and £550 increase per FTE from 1st April 2016. The increase staffing costs are due to the lecturer pay award and additional staffing required to successfully support the migration process.

The following staff costs must be monitored and closely controlled each financial year

- Temporary teaching staff contracts
- The impact of sickness cover
- The cost of agency staff and overtime expenditure.
- The value of the pension provision linked to previous years' early retirements.

Risk Owners: Faculty Directors, Vice Principal Finance & HR

Expenditure: Operating Expenses Green
A 10% overspend on operating expenses would equate to £1.4m. In approving the 2015-16 budget, the Board's attention was drawn to the uncertainty regarding student support funding.

March update:
The original expenditure target was £14.0m and the projected expenditure is £15.7m based upon current costs. The most significant change is incorporating the Government share of the new campus unitary charge to the College income and expenditure.

Therefore excluding the new campus unitary charge the College operating expenses are well below the original budget. There have been several other significant changes to the operating expenses, approx. £150k decrease in the insurance renewal from August 2015, removing from January 2016 the delivery costs of the Angola partnership and also reducing the cost of delivering the lower volume of commercial activity.

Current Risk Score:	**Gross Risk Score (assuming no treatment)**
Likelihood 3/5 Impact 2/5 Risk Score 6/25 RAG Rating (Overall): AMBER **Target Score: 2**	Likelihood 5/5 Impact 5/5 Risk Score 25/25
Risk Appetite (Willing to accept):	**Risk Tolerance (Able to accept):**
<u>**Low**</u> Medium High	Category: Finance Low <u>**Medium**</u> High 1 2 **3** 4 5 6

Impact	5	10	15	20	25
	4	8	12	16	20
	3	6	9	12	15
	2	4	6	8	10
	1	2	3	4	5
x	Likelihood				

Risk Management Action Plan	
Risk Description:	**Failure to maximise income via diversification**
Risk ID: 16	
Owned by: VPFHR/ EDCD	**Review Date: January 31 2017**

Update
Full Description: Failure to optimise income opportunities via existing and potential markets and partners. Treatment: Development of Corporate Development Plan
Commentary (Update): Commercial and International Teams, as well as Academic Faculties, have reviewed all aspects of income diversification. This is now reflected within the new Corporate Development Strategy (under review by the Development Committee, 2015-16) as well as Financial and Operational Plans. Income generation from Industry Academies included in Faculty planning. A corporate development strategy, with business cases, was presented to the Board of Management Development Committee in April 2016, and is currently under ongoing review in the context of developing strategic priorities. Regular reportage on growth and development in relation to targets is now a standing item on the Development Committee agenda. The Corporate Development Team and Faculties undertake ongoing reviews of Commercial and International targets, and progress. At January 31 2017, the first performance review of 2016-17 has been undertaken. The College is currently on target to generate a commercial income surplus of approximately 11%. Risk Score remains at Amber until target achievement is confirmed for 2016-17.

Current Risk Score:	**Gross Risk Score (assuming no treatment)**
Likelihood 3/5 Impact 4/5 Risk Score 12/25 RAG Rating: AMBER **Target Score: 4**	Likelihood 5/5 Impact 4/5 Risk Score 20/25
Risk Appetite (Willing to accept):	**Risk Tolerance (Able to accept):**
<u>Low</u> Medium High	Category: Change and Development/ Financial Low **<u>Medium</u>** High 1 2 **3** 4 5 6

Impact	5	10	15	20	25
	4	8	12	16	20
	3	6	9	12	15
	2	4	6	8	10
	1	2	3	4	5
x	Likelihood				

Risk Management Action Plan

Risk Description:	**Negative impact of funding methodology within Glasgow**
Risk ID: 17	
Owned by: VPFHR	**Review Date: March 2017**

Update

Full Description:

The Scottish Funding Council (SFC) implemented a new funding methodology for the sector for the 2015-16 grant allocation. There was a move away from WSUMs to a new Credit based approach. The new methodology improves the funding of part-time provision compared to full-time provision by removing the fixed tariff for full-time provision. The greatest impact was on the fundable volume of full-time FE provision with the current minimum of 16 WSUMs per full-time student to allow a claim of 20 WSUMs per full-time student. The College's curriculum profile is heavily weighted towards full-time provision especially HE however the shift of funding towards part-time has been compensated by a positive impact from our well below average full-time FE provision. SFC are still in a transition period moving to full implementation of the Credit funding model and this may present an opportunity in terms of the level of grant funding allocated to the College in future years

SFC announced the initial regional funding allocations including Glasgow. GCRB still do not have full fundable body status therefore the three Glasgow Colleges and GCRB discuss the funding within the region. Currently any Glasgow regional recommendations are passed to SFC to review and decide the final College allocations within Glasgow.

Commentary (Update):

SFC announced the 2017-18 initial regional funding allocation on 10th Feb 2017. This again incorporated a transitional adjustment to reduce the impact from the introduction of the new funding methodology. The transitional adjustment for Glasgow is negative £1.1m and is by far the largest adjustment of any Region. The total funding allocated to Glasgow is £105.4m up only 0.4% on 2016-17., however the teaching grant has increased by 2.8% (£2.2m).

Disappointingly GCRB have reserved £500k of the regional SFC funding to support their discrete running costs therefore only £1.9m of the additional funding is being allocated to the Colleges.

The increased Glasgow allocation effectively still represents a significant efficiency saving as efficiency target already agreed within the Glasgow Curriculum Plan have to be delivered. The funding increase for City will assist in funding the additional activity and the new campus annual unitary charge of £2.5m however efficiencies are still required to deliver a the ROA targets and a balance budget.

GCRB have now provided a draft allocation across Glasgow. Each of the three Colleges has specific issues with the compromises with this allocation.

The level of uncertainty has reduced given the majority of the curriculum changes are complete and the funding methodology for the Glasgow Region continues to be refined and agreed.

Current Risk Score:	**Gross Risk Score (assuming no treatment)**
Likelihood 2/5 Impact 3/5 Risk Score 6/25 RAG Rating: AMBER **Target Score: 2**	Likelihood 5/5 Impact 5/5 Risk Score 25/25
Risk Appetite (Willing to accept):	**Risk Tolerance (Able to accept):**
<u>Low</u> Medium High	Category: Financial Low **<u>Medium</u>** High 1 2 **3** 4 5 6

Impact	5	10	15	20	25
	4	8	12	16	20
	3	6	9	12	15
	2	4	6	8	10
	1	2	3	4	5
x	Likelihood				

Risk Management Action Plan

Risk Description:	**Failure to agree a sustainable level of grant-funded activity within the Region**
Risk ID: 18	
Owned by: VPFHR/ VPSE	**Review Date: March 2017**

Update

Full Description:

Context:
In 2012, SFC had confirmed their commitment to 210,000 WSUMs in a DP3a approval letter from the Chief Executive M.Batho (15th November 2012).

Treatment:
Constructive discussions took place with increased urgency in to February 2015 with the Scottish Government, SFC, GCRB, and the three College Boards to agree a Curriculum and Estates Strategy for Glasgow, and in doing so, ensure that the City of Glasgow College receives the equivalent of 210,000 WSUMs within an agreed timeframe. (Subsequently referred to as 180,000+ Credits).

At Feb 2017: The above position is historic, with current considerations referring to the ongoing sustainability of the level of grant funding.

Commentary (Update):

Within the Regional Outcome Agreement and agreed 2015-2020 Curriculum and Estates Plan for the Glasgow Region, a transitional move of WSUMs from Kelvin and Clyde Colleges was agreed, as well as additional growth at CoGC, to ensure that the grant-funded activity level target for CoGC is achieved. Although the annual total volume of funded activity has been agreed, the value of the funding is still subject to annual negotiation.

Following the TUPE transfer of staff from Kelvin in 2015-16 & 2016-17 to CoGC, no further staff transfers are required. The transfer of Credits within the region agreed in the Curriculum and Estates Plan for the Glasgow Region have now been delivered in 2016-17.

The draft Regional funding allocation for 2017-18 will ensure that CoGC exceed the agreed activity level of 180,000+ Credits, however there remains ongoing uncertainty regarding the grand funding value for this volume of Credits. Within the draft allocation for 2017-18 CoGC will deliver 1,680 additional efficiency Credits and 1,000 additional SFC funded Credits.

GCRB are in the process of developing a new Strategic Plan for Glasgow. This raises the possibility of a further review of curriculum & estates planning for Glasgow over the next few years with associated uncertainty.

This risk is being mitigated by robust curriculum planning at CoGC, feeding into regional discussions.

The Audit Committee considered the status of this Risk in some detail (28 November 2016) and agreed to retain the risk with its present score, subject to close ongoing review.

At its meeting on 8 March 2017, the Audit Committee agreed to retain the risk score at 15 (RED) due to ongoing uncertainties relating to capital grant funding.

Current Risk Score:	**Gross Risk Score (assuming no treatment)**
Likelihood 3/5 Impact 5/5 Risk Score 15/25 RAG Rating: RED **Target Score: 5**	Likelihood 5/5 Impact 5/5 Risk Score 25/25
Risk Appetite (Willing to accept):	**Risk Tolerance (Able to accept):**
<u>**Low**</u> Medium High	Category: Financial Low Medium High 1 **2** 3 4 5 6

Impact	5	**10**	15	20	25
	4	8	12	16	20
	3	6	9	12	15
	2	4	6	8	10
	1	2	3	4	5
x	Likelihood				

Risk Management Action Plan	
Risk Description:	**Impact of ONS reclassification of the status of colleges**
Risk ID: 19	
Owned by: VPFHR	**Review Date: March 2017**

Update
Full Description: The ONS reclassification could have the following negative impacts on the College's ability to: • Generate and retain operating surplus; • Protect and spend existing surpluses/reserves; • Access commercial borrowing to fund capital projects; and • Managing two financial year ends, March and July Treatment: The following provides a commentary on how the College is managing each of the above mentioned issues.
Commentary (Update): **Ability to generate and retain operating surplus**. The restrictions places on the College following the ONS reclassification mean any annual surplus generated can not be retained by the College for future use. The previous mitigation was to donate funds to Foundations with the potential of accessing these funds through future applications. Recently SFC and the Scottish Government have been discouraging Colleges from transferring additional funds to the Foundations. This further restriction did not present a problem for the College in March 2016 due to the overall financial performance. RAG status of this risk is **AMBER.** Risk Owners: Vice Principal Finance & HR

Ability to protect existing reserves

The City of Glasgow College Foundation was formed as a private company limited. The Foundation has achieved charitable status and currently has the maximum of seven trustees. None of the current trustees are members of the College's Board of Management or College employees. The College donated to the Foundation £10m in March 2014 and £3.1m in March 2015. The College has applied and will receive funding of £5.2m by 2017, all this funding is linked to the new campus.

RAG status of this risk is **GREEN .**

Risk Owners: Vice Principal Finance & HR

Protection of reserves earmarked for New Campus Project

The sector Foundation has been established and has been granted charitable status. The Foundation is be known as; "The Scottish Colleges Foundation". The College donated £11.7m to the Foundation before the end of March 2014. A meeting has been held with the trustees to discuss the College's application to fund the new campus project. The outcome of the meeting was positive with initial approval of the single full application for the overall new campus project costs and to pay the related grant by a single annual payment per financial year over the following 3 years.

The College has now received all the funding of £11.7m, all this funding is linked to the new campus.

RAG status of this risk is **GREEN**.

Risk Owners: Depute Principal, Vice Principal Finance & HR

Ability to spend existing surpluses/reserves.

Following the ONS reclassification the College must produce a balanced revenue resource return annually at 31st March or face potential penalties from SFC or Scottish Government. Therefore the College has significantly less flexibility regarding annual financial performance and reinvestment surpluses generated.

RAG status of this risk is **AMBER**

Risk Owners: Vice Principal Finance & HR

Ability to access commercial borrowing to fund capital projects.

As a consequence of the ONS reclassification the College will in future be unable to commercially borrow funds without the formal approval of the Scottish Government. This is currently not an issue for the College however places an additional restriction on the funding options available for future investment.

RAG status of this risk is **AMBER**

Risk Owners: Vice Principal Finance & HR

Managing two financial year ends, March and July

As a consequence of the ONS reclassification the College changed its financial year to a period covering 1st April to 31st March. The College amended the reporting processes, finance system, budgeting setting and monitoring processes. `These changes also placed greater emphasis on departmental managers' budgetary control, with potential negative impact on operational financial control. The College has worked on again revising systems and processes to revert back to a 31st July year end with additional Government reporting at the 31st March.

Sept Update

The RAG status remains at AMBER as continuing and further issues become apparent as the sector, SFC and the Scottish Government continue to explore the full impact of the change of status and implications of financial reporting to the 31st March and 31st July each year. The main outstanding issue for the College is the use of the cash linked to the net depreciation with discussions continuing with SFC and the Scottish Government to reach a longer term solution.

RAG status of this risk is **AMBER**

Vice Principal Finance & HR

Current Risk Score:	**Gross Risk Score (assuming no treatment)**
Likelihood 2/5 Impact 3/5 Risk Score 6/25 RAG Rating: AMBER **Target Score: 3**	Likelihood 4/5 Impact 4/5 Risk Score 16/25
Risk Appetite (Willing to accept):	**Risk Tolerance (Able to accept):**
Low Medium High	Category: Finance Low **Medium** High 1 2 **3** 4 5 6

Impact	5	10	15	20	25
	4	8	12	16	20
	3	6	9	12	15
	2	4	6	8	10
	1	2	3	4	5
x	Likelihood				

Risk Management Action Plan

Risk Description:	**Failure to obtain funds from College Foundations**
Risk ID: 20	
Owned by: VPFHR	**Review Date: March 2017**

Update

Full Description:

The risk is that applications by the College to access Foundation funds are unsuccessful, leading to under-resourcing of planned initiatives/improvements.

Treatment:

Mitigation consists of a careful framing of the terms of reference of the College Foundation, within the limits of Foundation independence, for which professional legal counsel was sourced externally.

The College should ensure that all applications follow the terms of reference and are carefully prepared and managed.

Commentary (Update):

Retention of/ access to accumulated reserves
The Scottish College Foundation - GREEN
The sector Foundation has been established and has been granted charitable status. The Foundation is be known as; "The Scottish Colleges Foundation". The College donated £11.7m to the Foundation before the end of March 2014. A meeting has been held with the trustees to discuss the College's application to fund the new campus project. The outcome of the meeting was positive with initial approval of the single full application for the overall new campus project costs and to pay the related grant by a single annual payment per financial year over the following 3 years.

The College has applied and will receive funding of £11.7m by April 2017 with all the funds now received. All the £11.7m of funding is linked to the new campus.

City of Glasgow College Foundation - GREEN
The City of Glasgow College Foundation was formed as a private company limited. The Foundation has achieved charitable status and currently has the maximum of seven trustees. None of the current trustees are members of the College's Board of Management or College employees. The external auditors are satisfied that the structure and Governance of the Foundation provide independence. The College donated £10m to the Foundation in March 2014 and £3.1m in March 2015.

The initial feedback highlighted concern from the trustees mainly regarding the project contingency funding. They also requested further documentation and explanations justifying the student benefits and value for money. The College has successfully answered all the trustees' questions and the funding has been agreed. A protocol has also been agreed for accessing the project contingency funding that the College transferred to the Foundation.

A further application of approximately £2.8m was submitted at the end of June 2016 and £2.7m approved. The College has applied and will receive funding of £5.2m by 2017; all this funding is linked to the new campus. The Foundation therefore will still hold a balance of £7.9m subject to further applications for funding.

Current Risk Score:	**Gross Risk Score (assuming no treatment)**
Likelihood 1/5 Impact 4/5 Risk Score 4/25 RAG Rating: GREEN **Target Score: 3**	Likelihood 4/5 Impact 5/5 Risk Score 20/25
Risk Appetite (Willing to accept):	**Risk Tolerance (Able to accept):**
Low Medium High	Category: Finance Low **Medium** High 1 2 **3** 4 5 6

Impact	5	10	15	20	25
	4	8	12	16	20
	3	6	9	12	15
	2	4	6	8	10
	1	2	3	4	5
x	Likelihood				