Board of Management

Date of Meeting	**Wednesday 21 June 2017**
Paper No.	**BoM6-D**
Agenda Item	**6**
Subject of Paper	**Strategic Risk Review**
FOISA Status	**Disclosable**
Primary Contact	**Paul Clark, College Secretary/Planning**
Date of production	**14 June 2017**
Action	**For Approval**

1. Recommendations

1. To review risk score adjustments proposed by the Audit Committee

2. To note and approve the revised Risk Register dated 09 June 2017

2. Purpose of report

2.1 The purpose of this report is to enable a review of the College Risk Register, and provide the Board with an update on the most recent review of strategic organisational risks, from May to June 2017. In particular, attention is drawn to highest scoring risks (High Likelihood, High Impact) and other significant changes to the 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, Board Committees, and the Board of Management. The risks listed on the Risk Register have been identified by SMT and Board Committees, as the current strategic risks faced by the College. The risks are aligned within the same framework of four strategic themes as the College Strategic Plan, and those included in the Risk Register and Matrix have potential impacts on one or more of the College's strategic priorities.

3.2 A full review of strategic risks was conducted in April/June 2017, involving senior Risk "owners", Board Committees, and all Risk MAPs were updated accordingly and reported to the respective Board Committees.

3.3 The Risk Register is attached, together with the Risk MAPs for the highest scoring risks, RAG-rated RED. These are:

- Risk 12 - Failure of Business Continuity (Reason – recent cyber attacks
- Risk 15 - Failure to achieve operating surplus… (Reasons – cost implications of national bargaining settlement; income projections).
- Risk 18 - Failure to agree a sustainable level of grant-funded activity within the Region

3.4 The Risk Register also highlights increased risk scores from GREEN to AMBER relating to four other risks. These are:

- Risk 1 - Failure to support student success (Reason – strike action)
- Risk 3 - Failure to achieve good student outcome/progression levels (Reason – strike action)
- Risk 3 - Failure to achieve improved performance (Reason – strike action)
- Risk 10 - Negative impact of statutory compliance failure (Reason – significant increase in FOI requests; increase in range of compliance duties;)

3.5 Risk Scoring Matrix:

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: Risk Register

Appendix 2: Risk Management Action Plans (MAPs) for RED rated Risks

Risk Register: 09 June2017

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	2	5	10	25	5	5 Green to 10 Amber (Audit 5/17)	Risk 1 MAP.docx	May '17
Students	Failure to establish optimal pedagogical model	2	1	VPSE	2	5	10	20	5		Risk 2 MAP.docx	May '17
Students	Failure to achieve good student outcome/progression levels	3	1	VPSE	2	5	10	15	5	5 Green to 10 Amber (Audit 5/17)	Risk 3 MAP.docx	May '17
Students	Failure of the College's Duty of Care to Students	21	1	VPSE	3	4	12	20	4		Risk 21 MAP.docx	May '17
Growth and Development	Failure to realise planned benefits of Regionalisation	4	1	Pr/DPr	3	3	9	20	3		Risk 4 MAP.docx	May '17
Growth and Development	Failure to complete project programme to schedule	5	1	DPr	1	5	5	25	5	Risk Reworded: FPRC 4/17	Risk 5 MAP.docx	May '17
Growth and Development	Negative impact upon College reputation	6	1	EDCD	2	5	10	25	5		Risk 6 MAP.docx	May '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	May '17
Growth and Development	Failure to achieve improved performance	8	1	VPSE/DirP	2	5	10	20	5	5 Green to 10 Amber (Audit 5/17)	Risk 8 MAP.docx	May '17
Growth and Development	Failure to attract, engage, and retain suitable staff	9	1	VPFHR	2	2	4	20	3		Risk 9 MAP.docx	May '17
Processes and Performance	Negative impact of statutory compliance failure	10	1	SMT/CSP	2	5	10	20	5	5 Green to 10 Amber (Audit 5/17)	Risk 10 MAP.docx	May '17
Processes and Performance	Failure of Corporate Governance	11	1	Pr/CSP	2	5	10	20	5		Risk 11 MAP.docx	May '17
Processes and Performance	Failure of Business Continuity	12	1	VPI/CSP	4	5	20	25	4	12 Amber to 20 Red (Audit 5/17)	Risk 12 MAP.docx	May '17
Processes and Performance	Failure to manage performance	13	1	VPSE/DirP	1	4	4	20	4	8 Amber to 4 Green (Audit 5/17)	Risk 13 MAP.docx	May '17
Processes and Performance	Negative impact of Industrial Action	14	1	VPFHR/DHR	3	4	12	25	4		Risk 14 MAP.docx	May '17
Finance	Failure to achieve operating surplus via control of costs and achievement of income targets.	15	1	VPFHR	5	3	15	25	2	6 Amber to 15 Red (Audit 5/17)	Risk 15 MAP.docx	May '17
Finance	Failure to maximise income via diversification	16	1	VPFHR/ EDCD	3	4	12	20	4		Risk 16 MAP.docx	May '17
Finance	Negative impact of funding methodology within Glasgow Region	17	1	VPFHR	3	4	12	25	2	6 Amber to 12 Amber (Audit 5/17)	Risk 17 MAP.docx	May '17
Finance	Failure to agree a sustainable level of grant-funded activity within the Region	18	1	VPFHR/ VPSE	3	5	15	25	3	Combine with Risk 17 (Audit 5/17)	Risk 18 MAP.docx	May '17
Finance	Impact of ONS reclassification of the status of colleges (To be reworded - Audit 8/3/17)	19	1	VPFHR	2	4	8	16	3	6 Amber to 8 Amber (Audit 5/17)	Risk 19 MAP.docx	May '17
Finance	Failure to obtain funds from College Foundation	20	1	VPFHR	1	4	4	20	3		Risk 20 MAP.docx	May '17
Finance	Negative impact of Brexit	22	1	VPFHR	2	5	10	tbc		Potential RED - (Audit 3/17)	Risk 22 MAP.docx	May '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 of Business Continuity	
Risk ID: 12	
Owned by: VPI/CSP	**Review Date: May 2017**

Update
Full Description: 1. Severe Fire/Flood 2. Terrorist attack 3. Cybercrime (added by Audit Committee; Nov 28, 2016) 4. Other emergency circumstances resulting in main service failure, and threatening the operation of the College as described in Business Continuity Plan v3.4. Treatment: 1. Maintain current operational controls. 2. Create and review Business Continuity Plan (BCP). 3. Communicate plan to all senior staff. 4. Ensure that local recovery plans are developed and reviewed. 5. Test and Review at local and College level.
Commentary (Update): In discussion with the Internal Auditor, BCP will be a focus of IA review in 2017-18. 1. Current operational controls are in place with responsibility transferred to GLQ via the NPD contract. 2. The BCP emergency incident procedure is currently under review to include recent government guidelines outlined by the CONTEST statutory duty. The BCP will be reviewed by end session 2016-17 with planned test and review. 3. Responsibility for communication remains with the College, which will be included in the new BCP. 4. GLQ has an extensive business continuity plan to which the College BCP will need to refer, given that the knowledge of all business critical systems lies with GLQ. These systems are subject to a 25 year maintenance agreement/project agreement. All heating, cooling, power, air conditioning etc is part of the NPD contract with all risk transferred to GLG, with commensurate business continuity responsibility. GLQ would therefore be responsible for repurposing or relocating any College activity disrupted by systems failure. IT Disaster Recovery Plan: Cybercrime – the network infrastructure designed as part of the new build meets the latest filtering and access control technical requirements. In order to test the College's infrastructure, this will be included in the Internal Audit of

infrastructure (brought forward to 2016-17 in the light of this priority). It should be noted that this threat is largely related to business disruption, as the college business can be maintained in alternative modes.

At May 2017: Following the recent cyber attacks affecting the Scottish NHS (May 2017), the Infrastructure section has been involved in an IT Network Arrangements/Security audit, a serious current malware/ransomware attack and timeous on-going work on our Business Continuity strategy and Disaster Recovery Plans.

The general malware attack knows as WCry, highlighted in the news for the disruption to the NHS is not the only malware/security threat that the College is attending to at this time. Furthermore, Industry researchers are anticipating the techniques discovered and hoarded by the NSA, of which Wcry was one, will be used with malicious intent in the near future.

The focus of the audit should highlight and lend recommendations on how we can improve our service particularly on the networking and physical infrastructure side. Our lessons learned and focus needs to be balanced towards client and server management for the immediate threats.

The nature of these malware and ransomware attacks is that we are dependent on vendors providing patches and communicating their importance; our role is to evaluate these, their impacts and deploy them as quickly as possible to devices and services our customers interact with.

On-going activities week commencing 15/5/17 in response to this malware included:

- Patching around 9% of our end-user devices which were considered potentially vulnerable. Consider that a percentage of these are in Staff and Students own hands and not physically present in College.
- Patching many of our critical servers whilst still providing continuous service.
- Proactive monitoring of network services and network traffic.

After any such major industry event, we will be taking time to review and learn lessons to mitigate as best we can against imminent likely further attacks.

The Audit Committee agreed to increase both the likelihood and impact score of this risk from 3 to 4 and from 4 to 5 respectively, resulting in a risk score of 20 (RED)

Current Risk Score:	**Gross Risk Score (assuming no treatment)**
Likelihood 4/5 Impact 5/5 Risk Score 20/25 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: Business Continuity **<u>Low</u>** Medium High **1** 2 3 4 5 6

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

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:** **Verbal update May 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.

Overall: May Update:

Following a verbal update to the Audit Committee (May 24 2017) at which the VP Finance/HR reminded the Committee that if the current pay deal under National Bargaining is implemented with no guarantee of additional funding, then any shortfall would need to be addressed through efficiencies. It was noted that any form of funding pressure would impact on the performance and reputation of the College. The Committee agreed to increase the Likelihood score from 3 to 5 and the Impact score from 2 to 3.

This produces a change in overall risk score from 6 AMBER to 15 RED.

Current Risk Score:	**Gross Risk Score (assuming no treatment)**
Likelihood 5/5 Impact 3/5 Risk Score 15/25 RAG Rating (Overall): RED **Target Score: 2**	Likelihood 5/5 Impact 5/5 Risk Score 25/25

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 agree a sustainable level of grant-funded activity within the Region	
Risk ID: 18	
Owned by: VPFHR/ VPSE	**Review Date: March 2017**
	Verbal update May 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.

At the May 2017 meeting of the Audit Committee the VP Finance/HR provided a verbal update, following which the Committee agreed to maintain the current risk score (RED)

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				