Board of Management

Finance & Physical Resources Committee

Date of Meeting	Wednesday 27 September 2017
Paper No.	FPRC1-E
Agenda Item	7
Subject of Paper	Strategic Risk Review
FOISA Status	Disclosable
Primary Contact	Paul Clark, College Secretary/Planning
Date of production	26 September 2017
Action	For Discussion

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 Strategic Priorities, in particular Priority 7:

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

3.3 The strategic Risks included in this report are::

- Risk 5 relating to New Campus Objectives
- Risk 14 relating to the impact of industrial action
- Risks 15-20 and 22-23 under the Finance Strategic Theme (NB Risks 17 and 18 have been combined into new Risk 23)

The risk MAPs for these risks are attached.

3.4 A full review of strategic risks was undertaken from August to September 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 Management Action Plan

Risk Description: Failure to complete project programme to schedule (rewording approved: FPRC April 2017)

Risk ID: 5

Owned by: DPr **Review Date: September 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 were transferred to the main College Risk Register. At the April 2017 Finance and PR Committee it was agreed to transfer the undernoted risks to the Finance and Infrastructure Operational Plans.

The transferred risks are as follows:

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

Two residual risks remain 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: **Negative impact of Industrial Action**

Risk ID: 14

Owned by: **VPF&HR** **Review Date: September 2017**

Update

Full Description:

1. Negative impact upon service delivery due to industrial action
2. Negative impact upon reputation due to industrial action

Treatment:

Two local negotiating forums have been established, LNC and SSNC, with the frequency of meetings based on the College Recognition & Procedure Agreement and current requirements.

The College has signed the National Recognition & Procedure Agreement (NRPA) and is a member of the Employers Association within Colleges Scotland. All pay and terms and condition negotiations now take place at the National Joint Negotiating Committee (NJNC).

Commentary (Update):

The Executive Director for People & Culture left the College at the end of August 2016. A replacement Human Resources Director with strong employee relations / union experience commenced in January 2017. The HR department is now managed by the Vice Principal Finance & HR. Further changes have been progressed within the HR team to improve the performance and service.

The national bargaining process is continuing through the Employers Association and NJNC. The NJNC has reached a settlement for the 2016/17 pay claim with both the support staff trade unions and the teaching staff union EIS. An agreement was reached in June 2017 with the support staff trade unions for the April 2017 annual cost of living pay award. The main elements of the agreement are £425 per FTE and a minimum annual leave entitlement of 44 days.

The NJNC have conducted extensive negotiations with the EIS to agree standard pay grades and terms and conditions. Following 6 days of strike action a headline agreement was reached with the EIS on the 19th May 2017 with several terms still to be agreed.

Over the past 18 months the sector has been subject to 2 periods of EIS industrial action and a single period of support staff trade unions industrial action. The Employers Association are aiming to continue to progress all outstanding issues with the unions and achieve sustainable agreements without further industrial action.

The April 2017 annual cost of living pay award is still being negotiated with the EIS. There are also several areas of the 19th May 2017 agreement to be negotiated. Given the EIS's high expectations for the 2017/18 annual cost of living award and the generous national bargaining agreement it is likely that over the next 6 months there may be further industrial action.

The College is actively involved in the national bargaining process however the outcomes and consequences of the process are not within the College's control therefore local staff relationships have become more difficult. There continues to be a significant minority of staff that view the previous industrial action as very successful and are keen to take further action to improve their pay and terms and conditions.

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 5/5 Risk Score 25/25
Risk Appetite **(Willing to accept):**	**Risk Tolerance** **(Able to accept):**
Low Medium **High**	Category: Student Experience/ 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: September 2017**

Update

Full Description:

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

The College's aim is to produce at least a balanced budget annually at 31st March and an underlying operating surplus annually at 31st July.

Commentary (Update):

The current Income & Expenditure projections are shown in (Appendix 1).

Operating Surplus/Deficit

The College achieved an operating surplus in the Resource Return at 31st March 2017 and is projected to deliver an underlying operating surplus in the 2016-17 annual accounts. The College is projecting an underlying surplus of £303k (1.5%) for the 2016-17 financial year and there was no transfer to the College Foundation in March 2017.

In the 2017-18 financial plan the College will budget for a small surplus (£27k) which means a relatively small adverse change to expenditure or income budgets will push the College into an underlying operating deficit. The most significant challenges will be in the subsequent years of the 5 year financial planning with increasing deficits projected due to the impact of the following risks;

Income: SFC Grant

The key risks are;

- Failure to achieve the 2017-18 Credit target of 182,189.
- Future SFC regional funding not sufficient to meet increased costs.
- GCRB teaching grant allocation to the College not sufficient to meet increased costs.

- Future reduction in SFC ESF funding.
- GCRB capital maintenance grant allocation to the College not sufficient to meet investment requirements.

Income: Course Fees

The key risks are;

- Failure to achieve the 2017-18 income target of £11.2m.
- Failure to deliver future years income growth.
- Future changes to the population demographics.

Income: Non SFC Fundable Course Fees

The key risks are;

- Failure to achieve the 2017-18 income target of £8.1m.
- Failure to deliver future years income growth.
- Failure to meet industry demands and expectations.

Income: Other Income:

The key risks are;

- Failure to achieve the 2017-18 income target of £5.1m.
- Failure to deliver future years income growth.
- Wider UK & international economic pressure and performance.
- Failure to meet industry demands and expectations.
- Student accommodation performance and potential increased competition.

Expenditure: Staff Costs:

The key risks are;

- Failure to effectively control the 2017-18 staff cost budget, £47.3m.
- Managing staff absence levels and temporary staff contracts.
- Increasing costs from national bargaining agreements.
- Delivering a staff structure that improves service and performance while minimising the staff cost budget.
- Future impact of inflation and union demand for higher annual cost of living pay awards.
- Impact of ongoing staff industrial relations issues.

Expenditure: Operating Expenses

The key risk are;

- Failure to effectively control the 2017-18 cost budget, £31.8m.
- Managing the NPD contract costs and performance.
- Future impact of potentially higher inflation.

In May, the Audit Committee agreed to increase both the likelihood and impact score of this risk from 3 to 5 and from 2 to 3 respectively, resulting in a risk score of 15 (RED). The risk owners propose that this assessment be retained for the present.

Current Risk Score:	**Gross Risk Score** **(assuming no treatment)**
Likelihood 5/5 Impact 3/5 Risk Score 15/25 RAG Rating (Overall): RED (Risk Score increased from AMBER - May 2017) **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				

CITY OF GLASGOW COLLEGE INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 JULY							REALISTIC
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	12-month Actual Audited £000s	12-month Projection @ Aug 17 £000s	12-month Projection @ Aug 17 £000s	12-month Projection £000s	12-month Projection £000s	12-month Projection £000s	12-month Projection £000s
Income							
SFC Grants	40,187	58,906	62,522	63,135	63,097	62,103	62,658
Tuition fees and education contracts	17,098	18,287	19,177	19,465	19,757	20,053	20,354
Other income	3,852	5,071	5,226	5,304	5,384	5,465	5,547
Other income - Sale of Buildings	0	1,200	20,800	0	0	0	0
Grant from Foundation	6,515	2,630	1,148	1,000	1,000	1,000	1,000
Investment income	59	25	25	15	15	15	15
Total income	**67,711**	**86,119**	**108,898**	**88,919**	**89,253**	**88,636**	**89,573**
Expenditure							
Staff Costs	41,517	43,785	47,473	50,818	52,536	53,061	53,592
Other operating expenses	13,895	17,137	17,302	17,562	17,825	18,092	18,364
Other operating expenses - Sale of Buildings	0	1,200	20,800	0	0	0	0
Depreciation	4,316	9,775	10,028	9,963	8,710	5,161	4,921
Grant to Foundation	0	0	0	0	0	0	0
Building valuation write down	1,837	0	0	0	0	0	0
Interest and finance costs	3,515	14,800	14,553	14,167	13,751	13,569	13,343
Total expenditure	**65,080**	**86,697**	**110,156**	**92,509**	**92,822**	**89,884**	**90,220**
Operating Surplus / (Deficit)	**2,631**	**(578)**	**(1,258)**	**(3,590)**	**(3,569)**	**(1,248)**	**(646)**
Loss on sale of fixed asset	0	(727)	(4,381)	0	0	0	0
Operating Surplus / (Deficit) after loss on sale of fixed asset	**2,631**	**(1,305)**	**(5,639)**	**(3,590)**	**(3,569)**	**(1,248)**	**(646)**
Statement of Historical Cost Surpluses and Deficits							
Operating Surplus / (Deficit)	2,631	(1,305)	(5,639)	(3,590)	(3,569)	(1,248)	(646)
Difference between historical cost depreciation & revalued amount	249	652	2,875	0	0	0	0
Historical cost Surplus/(Deficit)	**2,880**	**(653)**	**(2,764)**	**(3,590)**	**(3,569)**	**(1,248)**	**(646)**
Pension Adjustments	1,335	0	0	0	0	0	0
Foundation Adjustments	(5,833)	(1,520)	(85)	6	174	57	36
NPD	158	2,457	1,163	1,105	198	(2,001)	(2,552)
Loss on sale of fixed assets	0	727	4,381	0	0	0	0
Building valuation write down	1,837	0	0	0	0	0	0
Revalutaion reserve	(249)	(652)	(2,875)	0	0	0	0
Depreciation	1,221	523	207	0	0	0	0
Underlying Operating Surplus/(Deficit)	**1,349**	**882**	**27**	**(2,479)**	**(3,197)**	**(3,192)**	**(3,162)**
Previoulsy Reported	**128**	**303**	**(815)**	**(1,241)**	**(1,392)**	**(1,976)**	**(1,793)**
Surplus / (Deficit) % of expenditure excluding unitary charge	**2.5%**	**1.5%**	**0.0%**	**(3.8%)**	**(4.8%)**	**(4.7%)**	**(4.6%)**

Risk Management Action Plan

Risk Description:	**Failure to maximise income via diversification**
Risk ID: 16	
Owned by: VPFHR/ EDCD	**Review Date: September 2017**

Update

Full Description:

Failure to optimise income opportunities via existing and potential markets and partners.

Treatment:

Develop the Corporate Development Plan to deliver the College Corporate Development Strategy. Manage and monitor the delivery of the plan via SMT and Board of Management Development Committee.

Commentary (Update):

The 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.

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 as well as Financial and Operational Plans. Income generation from Industry Academies included in Faculty planning.

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. The College's first performance reviews during 2016-17 have been undertaken and the delivery of Non SFC Fundable course fee income reviewed.

The College has provisionally achieved the 2016-17 target for Non SFC Fundable course fee income. The College is currently 1% over the 2016-17 annual target (appendix 1). The Risk Score remains at Amber as the targets for 2017-18 have been increased and it is too early to assess the achievement of these targets.

The 2017-18 budget for non SFC Fundable course fees is agreed at a higher income target of £8.1m, an increase of £317k (4.1%). There is a significant challenge for the Corporate Development Team and Faculties to achieve this income growth in 2017-18. The future years challenge is to significantly increase the College income from non SFC funding sources and effectively reduce the proportion of SFC grant, in 2017-18. The SFC grant is estimated as 63% of the College income.	
Current Risk Score:	**Gross Risk Score** **(assuming no treatment)**
Likelihood 3/5 Impact 3/5 Risk Score 9/25 RAG Rating: AMBER NB Proposed change to risk score from 3 x 4 = 12 AMBER **Target Score: 4**	Likelihood 5/5 Impact 4/5 Risk Score 20/25
Risk Appetite **(Willing to accept):**	**Risk Tolerance** **(Able to accept):**
Low Medium High	Category: Change and Development/ 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 on the financial management of the College
Risk ID: 19
Owned by: VPFHR **Review Date: September 2017**

Update

Full Description:

The ONS reclassification has the following negative impacts on the College:

- 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
- More challenging cash flow management

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 placed on the College following the ONS reclassification mean any annual surplus generated cannot be retained by the College for future use. The agreed mitigation was to donate funds to Foundations with the potential of accessing these funds through future applications. SFC and the Scottish Government have been discouraging Colleges from transferring additional funds to the Foundations. This further restriction may present a potential future problem for the College however with limited growth of SFC funding and substantial cost pressures mean the overall projected financial performance will not generate significant surpluses.

Ability to protect and 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.

The sector Foundation was established and the College donated £11.7m to the Foundation before the end of March 2014. The College applied for the full donation to fund the new campus project and the Foundation approved the application with the grant being paid by a single annual payment per financial year over the following 3 years. The £11.7m is fully received and spent by the College.

The City of Glasgow College Foundation was formed as a private company limited with charitable status and currently has the maximum of seven trustees. The Foundation is fully independent with none of the trustees being members of the College Board of Management nor College employees. The College donated to the Foundation £10m in March 2014 and £3.1m in March 2015. The College to date has applied for £6.4m of funding.

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 this places an additional restriction on the funding options available for future investment.

Managing two financial year ends, March and July

As a consequence of the ONS reclassification the College must report to the Government annually, the resource performance for the year to 31st March. The College amended the reporting processes, finance system, budgeting setting and monitoring processes. The College's actual financial year end is 31st July with the external audit and reporting for this period. These changes also placed greater emphasis on departmental managers' budgetary control, with potential negative impact on operational financial control.

The two reporting periods with different accounting rules, different reporting requirements and a requirement to at least break even, places additional risk and challenges on the financial management of the College.

Annually at the 31st March there is an impact on the revenue resource position due to the use of "net depreciation". Currently SFC and the Government are reviewing and approving the use of "net depreciation" on an annual basis placing uncertainty and additional risk on the College financial performance.

More challenging cash flow management

To protect the existing reserves for future use by the College, most of the available cash was donated to the independent Foundations. Therefore the working cash balance at the College has to be managed much more closely. The College has to provide SFC will a monthly cash flow return which also generates the required SFC grant funding to be paid in the following month.

The College has to manage the SFC and Government expectation that the cash balance annually at 31st March will remain relatively stable.

Current Risk Score:	**Gross Risk Score** **(assuming no treatment)**
Likelihood 2/5 Impact 3/5 Risk Score 6/25 RAG Rating: AMBER NB This is s a proposed change to risk score from 2 x 4 = 8 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: September 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

The sector Foundation has been established and has been granted charitable status. The Foundation is 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

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. A further application of approximately £2.2m was submitted at the end of August 2017 and we are still awaiting approval.	
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):**
<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: Negative Impact of Brexit	
Risk ID: 22	
Owned by: VPFHR	**Review Date: Sept 2017**

Update
Full Description: (for fuller exploration please see full BoM Paper) The key sub risks of Brexit for the College are identified as follows: 1. Loss of European grant funding. The College received an ESF grant of £4,005,832 in 2017/18. 2. Loss of European Programme funding (Erasmus+, Leonardo, Marco Polo) Skills Development Scotland manage funds, which are partly supported by European Union money, and which Colleges access, for example, Modern Apprenticeships. Any reduction in funding such as this will impact on Region activity. 3. Loss of European contracts where our partner is EU funded e.g. Malta Project 4. Impact on shipping industry 5. CoGC EU Students – numbers in 16/17 were 1,274 from 29,571 6. CoGC EU Staff – very few EU staff (3.25% of total headcount) **Treatment:** 1. The Scottish Funding Council has responsibility for managing the European Social Fund (ESF) and the Youth Employment Initiative (YEI). SFC has said that they will work with the Scottish Government, colleges and universities to assess the impact of the outcome of the referendum and to manage that impact, with its priority being to reduce uncertainty for students and institutions in both the short term and the longer term. 2. UK’s participation in most of these is assured for at least the next two years and the funding available in many of these programmes is about to increase significantly between now and Programmes’ end dates in 2020. It is not clear at this early stage what the impact of Brexit will be on the Erasmus Programme longer term.

3. We will monitor this risk.
4. As a leading provider of Maritime Education in the UK, we are actively engaged in discussion with the UK Chamber of Shipping to ensure that we can contribute, where appropriate, and take advantage, where new opportunities are emerging.
5. We will monitor this minor risk in light of wider national developments.
6. Very minor impact.

Commentary (Update):

The College stands to lose a significant amount of EU funding. At the current time it is unclear how or whether this gap will be filled.

We will continue to monitor the implications of BREXIT for the College and, as more detail emerges, ensure that we carry out analyses of the implications for students and the potential impact on income streams and overall strategic direction for the College, Region and for the sector.

At the Audit Committee on 8/3/17, it was agreed that this Risk has potential to increase in score (to a RAG rating of RED) due to the insecurity of ESF funding (or equivalent) which has recently represented a significant income source for the College.

Current Risk Score:	**Gross Risk Score (assuming no treatment)**
Likelihood 5/5 Impact 2/5 Risk Score 10 /25 RAG Rating: AMBER **Target Score: 5**	Likelihood 5/5 Impact 3 /5 Risk Score 15/25
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 agree a sustainable model and level of grant funding within Glasgow Region**

Risk ID: 23

Owned by: **VPFHR/ VPSE** **Review Date: Sept 2017**

Update

Full Description:

Context:

While approving the new campus development and funding, Scottish Funding Council (SFC) also confirmed their commitment to 210,000 WSUMs (Subsequently referred to as 180,000+ Credits).of funded activity once the campus was complete.

In February 2015 the Scottish Government, SFC, Glasgow Colleges Regional Board (GCRB), and the three College Boards agreed 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. Within the agreed 2015-2020 Curriculum and Estates Plan for the Glasgow Region, a transitional move of funded activity from Kelvin and Clyde Colleges was agreed, as well as additional growth at City, to ensure that the grant-funded activity level target for City is achieved. Although the annual total volume of funded activity has been agreed, the value of the funding is still subject to annual discussion and agreement.

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. SFC are still in a transition period moving to full implementation of the Credit funding model and this will continue to negatively impacting level of grant funding allocated to the Glasgow Region in future years.

SFC announced the initial regional funding allocations following which GCRB allocated funding to the three Glasgow Colleges.

This Risk is a new risk combining the previous Risks 17 (funding methodology) and Risk 18 (level of grant funding) which this risk now supercedes.

Commentary (Update):

In 2015-16 & 2016-17 26 staff were TUPE transferred from Kelvin to City; no further staff transfers are required. The transfer of Credits within the region agreed in the Curriculum and Estates Plan for the Glasgow Region was completed in 2016-17.

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 a 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). GCRB have reserved £381k of the regional SFC funding to support their discrete running costs, and as a consequence only £1.8m of the additional funding is being allocated to the Colleges. The Regional funding allocation for 2017-18 will ensure that City exceed the agreed activity level of 180,000+ Credits, however there remains ongoing uncertainty regarding the value of the grant funding for this volume of Credits. Within the allocation for 2017-18 City will deliver 2,920 additional efficiency Credits, 1,330 additional SFC funded Credits and 2,315 additional SFC ESF funded Credits.

City has previously expressed concern regarding the GCRB funding methodology especially the following funding

- SIMD grant allocation
- ESF grant allocation
- Capital Maintenance grant allocation

The 2017-18 GCRB funding allocation means that City has the lowest grant per Credit in the sector at £196 per Credit compared to the Glasgow Regional average of £222 and the sector average of £244.

The SFC Capital Maintenance grant allocation within the Region is extremely disappointing for City of Glasgow College. The Glasgow allocation based on the regional Credit was £4.5m and City proportionate share would have been £2m however GCRB have only allocated City £1.3m. In 2016-17 City also received a disproportionately low SFC Capital Maintenance grant and was the only College to not receive any share of the additional £10m SFC Capital Maintenance grant funding.

The increased Glasgow allocation effectively still represents a significant efficiency saving, as agreed within the Glasgow Curriculum Plan. 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 the ROA targets and a balanced budget.

The level of uncertainty regarding the value of future funding is still high with significant risk linked to SFC and GCRB funding methodology.

This risk is being mitigated by robust curriculum planning at City and close involvement with GCRB and the other Glasgow Colleges.

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 <u>Low</u> 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 Register: 27 September 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	2	5	10	25	5	5 Green to 10 Amber (Audit 5/17)	Risk 1 MAP.docx	Sept '17
Students	Failure to establish optimal pedagogical model	2	1	VPSE	1	5	5	20	5	10 Amber to 5 Green (Audit 5/17)	Risk 2 MAP.docx	Aug '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	Sept '17
Students	Failure of the College's Duty of Care to Students	21	1	VPSE	3	4	12	20	4		Risk 21 MAP.docx	Sept '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	Sept '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	Sept '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	Sept '17
Processes and Performance	Failure of Compliance with the General Data Protection Regulations (GDPR)	24	1		tbc	5	#VALUE!	25	5	New risk added (Audit 9/17)		
Processes and Performance	Failure of Corporate Governance	11	1	Pr/CSP	2	5	10	20	5		Risk 11 MAP.docx	Sept '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	Sept '17
Processes and Performance	Failure of IT system security	25	1	VPI	tbc	5	#VALUE!	25	5	New risk added (Audit 9/17)		
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	3	4	12	25	4		Risk 14 MAP.docx	Sept '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	Sept '17
Finance	Failure to maximise income via diversification	16	1	VPFHR/ EDCD	3	4	12	20	4		Risk 16 MAP.docx	Sept '17
Finance	Negative impact of funding methodology within Glasgow Region (Risk Superceded by Risk 23)	17	1	VPFHR			0	25	2	6 Amber to 12 Amber (Audit 5/17)	Risk 17 MAP.docx	Deleted
Finance	Failure to agree a sustainable level of grant-funded activity within the Region (Risk Superceded by Risk 23)	18	1	VPFHR/ VPSE			0	25	3	Combine with Risk 17 (Audit 5/17)	Risk 18 MAP.docx	Deleted
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	Sept '17
Finance	Failure to obtain funds from College Foundation	20	1	VPFHR	1	4	4	20	3		Risk 20 MAP.docx	Sept '17
Finance	Negative impact of Brexit	22	1	VPFHR	2	5	10	tbc		Potentail RED - (Audit 3/17)	Risk 22 MAP.docx	Sept '17
Finance	Failure to agree a sustainable model and level of grant funding within Glasgow Region	23	1	VPFHR	3	5	15	25	5	New Risk replacing 17 and 18	Risk 23 MAP.docx	Sept '17

Recent movement or change
Proposed changes not included until approved.

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

Current Net Risk Totals			6 months prior Net Risk Totals		
GREEN	AMBER	RED	GREEN	AMBER	RED
5	13	3	6	14	1

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	1	2	3	4	5	6
Tolerance (Able to Accept)	Low		Medium		High	