

Board of Management

Date of Meeting	Wednesday 11 October 2017
Paper No.	BoM2-C
Agenda Item	5
Subject of Paper	Strategic Risk Review
FOISA Status	Disclosable
Primary Contact	Paul Clark, College Secretary/Planning
Date of production	2 October 2017
Action	For Approval

1. Recommendations

1. To review the Risk MAPs for the highest scoring Strategic Risks
2. To note and approve the revised Risk Register dated 27 September 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 August to September 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 in underway at September 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 23 - ■ - Failure to agree a sustainable model and level of grant funding within Glasgow Region (combines and replaces Risks 17 & 18).

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 Management Action Plan

Risk Description: Failure of Business Continuity

Risk ID: 12

Owned by: VPI/CSP

Review Date: September 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):

1. Current operational controls are in place with responsibility transferred to GLQ via the NPD contract. Responsibility for communication remains with the College.
2. The BCP emergency incident procedure is currently under review to include recent government guidelines outlined by the CONTEST statutory duty. The BCP has been reviewed with a revised disaster recover plan for all technology systems, and the College has also revised all fire evacuation procedures and identification of incident control rooms at City and Riverside (hard copy BCP located at these locations). The BCP has been revised with updated contact details of contractors, senior staff etc. and located on Connected. BCP testing has been considered, bearing in mind the need to consider the health and safety implications of a practical exercise in the current climate.
3. GLQ has an extensive business continuity plan to which the College BCP refers, given that the knowledge of all business critical systems lies with GLQ. These systems are subject to a 25 year maintenance agreement/project agreement. As our operational relationship with the onsite contractors continues to develop, we will further refine our BC planning to reflect detailed responsibilities. All heating, cooling, power, air conditioning etc is part of the NPD contract with all risk transferred to GLQ, with commensurate business continuity responsibility. GLQ would therefore be responsible for repurposing or relocating any College activity disrupted by systems failure.

4. 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) This included IT security and was completed as "Satisfactory". It should be noted that this threat is largely related to business disruption, as the college business can be maintained in alternative modes.

In May 2017, following the cyber attacks affecting the Scottish NHS, the Infrastructure section was involved in an IT Network Arrangements/Security audit, and timeous on-going work on our Business Continuity strategy and Disaster Recovery Plans. This was presented to the full Board in June 2017, and included the following detail of the mitigations taken:

- Patching around 9% of our end-user devices which were considered potentially vulnerable. Consideration 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.

The general malware attack known as WCry/WarCry, 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 College remains diligent to potential threats.

In May, 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**. The risk owners propose that this assessment be retained for the present.

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 Low 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: 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):
<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				

CITY OF GLASGOW COLLEGE							REALISTIC
INCOME AND EXPENDITURE ACCOUNT							
FOR THE YEAR ENDED 31 JULY							
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	12-month Actual Audited	12-month Projection @ Aug 17	12-month Projection @ Aug 17	12-month Projection	12-month Projection	12-month Projection	12-month Projection
	£000s	£000s	£000s	£000s	£000s	£000s	£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
Revaluation 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)
Previously Reported Surplus / (Deficit) % of expenditure excluding unitary charge	128	303	(815)	(1,241)	(1,392)	(1,976)	(1,793)
	2.5%	1.5%	0.0%	(3.8%)	(4.8%)	(4.7%)	(4.6%)

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):
Low 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/DP	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 Superseded 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 Superseded 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		Potential 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

		Likelihood				
x		5	10	15	20	25
Impact	5	5	10	15	20	25
	4	4	8	12	16	20
	3	3	6	9	12	15
	2	2	4	6	8	10
	1	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
	1	2	3	4	5	6
Risk Management Level of Tolerance (Able to Accept)	Low		Medium		High	