

## Board of Management

### Finance Committee

Date of Meeting	Wednesday 11 September 2024
Paper No.	FC1-F
Agenda Item	4.2
Subject of Paper	Strategic Risk Review
FOISA Status	Disclosable
Primary Contact	Drew McGowan Associate Director of Governance and Risk
Date of production	16 August 2024
Action	For Discussion and Decision

#### 1. Recommendations

- 1.1. To discuss and approve the Strategic Risk Register for risks reported to the Committee, recommending any changes to the Board of Management for final approval.
- 1.2. To note the Risk Management Action Plans for risks reported to the Committee.



## 2. Purpose

- 2.1. To provide the Finance Committee with an update on the most recent quarterly review of the College's strategic risks for those reported to the Committee. The Strategic Risk Register and the Management Action Plans (MAPs) are enclosed.

## 3. Consultation

- 3.1. All strategic risk owners were consulted during the latest quarterly review.

## 4. Key Insights

- 4.1. Risk management is a key component of the College's internal control and governance arrangements and, as such, is an important responsibility of the Board of Management, the Executive Leadership Team (ELT) and the Senior Management Team (SMT). Final approval of the Strategic Risk Register is reserved to the Board and the Audit & Assurance Committee has oversight over the College's risk management approach.
- 4.2. ELT and SMT members are invited to review the risks they own on a quarterly basis. This is to ensure that the College, our Board and its committees, remain aware of any changes in the risk environment and that our risk management plans remain up-to-date and effective. Committees review the risks that are within their remit and recommend any changes to the Board for final approval.
- 4.3. The Strategic Risk Register and the MAPs are enclosed for the Committee's consideration and approval of members. 4 strategic risks are reported to the Committee. A change to one risk score is proposed in this review:

No.	Risk Title	Previous Score	Proposed Score
SR19	Failure to achieve operating surplus	● 25 (5 x 5)	● 20 (4 x 5)

## 5. Impact and Implications

- 5.1. The effective management, control and mitigation of risks are essential to the College's institutional and financial sustainability, compliance, reputation and future growth.

### Appendices:

**Appendix 1:** Strategic Risk Register

**Appendix 2:** Risk Management Action Plans



Strategic Risk Register

The Risk			Assessment			Changes		Board
ID	Risk Title	Owner	Impact	Prob.	Net Score	Trend	Updated	Committee
SR1	Failure to support successful student outcomes and progression	VPSE	5	4	20	↔	Aug '24	Learning
SR2	Failure to establish an optimal pedagogical model	VPSE	5	1	5	↔	Aug '24	Learning
SR4	Failure of the College's duty of care to students	VPSE	5	2	10	↔	Aug '24	Learning
SR5	Failure to realise planned benefits of Regionalisation	Pr DPr	3	3	9	↔	Aug '24	Conveners'
SR6	Negative impact upon the College's reputation	VPCDI	3	3	9	↔	Aug '24	Development
SR7	Failure to achieve improved business development with stakeholders	VPCDI	3	3	9	↔	Aug '24	Development
SR8	Failure to manage strategic risks associated with CGI Ltd	VPCDI	5	2	10	↔	Aug '24	Development
SR9	Failure to manage performance and achieve improved performance	DE	5	4	20	↗	Aug '24	Audit
SR10	Failure to attract, engage, and retain suitable staff	VPPCS	4	4	16	↔	Aug '24	People
SR11	Failure to achieve taught degree awarding powers	DPr	4	4	16	↘	Aug '24	Learning
SR12	Negative impact of statutory compliance failure	DPr ADGR	5	2	10	↔	Aug '24	Audit
SR13	Failure of compliance with Environmental Social and Governance (ESG) duties	DPr ADGR	5	1	5	↔	Aug '24	Audit
SR14	Failure of compliance with the General Data Protection Regulations (GDPR)	DPr	4	2	8	↔	Aug '24	Audit
SR15	Failure of corporate governance	Pr ADGR	5	1	5	↔	Aug '24	Audit
SR16	Failure of business continuity	ADGR	4	3	12	↔	Aug '24	Audit
SR17	Negative impact of industrial action	VPPCS	5	4	20	↔	Aug '24	People
SR18	Failure of IT system security	DIT	5	2	10	↔	Aug '24	People
SR19	Failure to achieve operating surplus	CFO	4	5	20	↘	Aug '24	Finance
SR20	Failure to maximise income via diversification	CFO VPCDI	5	4	20	↔	Aug '24	Development
SR21	Failure to obtain funds from the Foundation for the College's priorities	CFO	4	3	12	↔	Aug '24	Finance
SR23	Failure to secure a sustainable model/level of funding	CFO	4	4	16	↔	Aug '24	Finance
SR24	Failure to secure sufficient capital investment	CFO	4	4	16	↔	Aug '24	Finance
SR26	Failure to prepare and respond to emerging public health incidents and crises	DPr	5	2	10	↔	Aug '24	Conveners'
SR27	Failure to prepare for the impact and harness the capabilities of AI	VPSE	3	3	9	↔	May '24	Learning



## Impact and Probability Criteria

Score	Impact	Probability
1	<b>Insignificant:</b> the risk has minimal to no effect on the College's operations, objectives, reputation, stakeholders or financial sustainability.	<b>Highly Unlikely:</b> the likelihood of the risk occurring is minimal. It would be estimated that the risk has a 1-5% chance of happening.
2	<b>Minor:</b> the risk may cause slight disruption or impact on the College's operations, objectives, reputation, stakeholders or financial sustainability.	<b>Unlikely:</b> the likelihood of the risk occurring is unlikely but still possible. It would be estimated that the risk has a 6-25% chance of happening.
3	<b>Moderate:</b> the risk has a noticeable impact or disruption, affecting the College's operations, objectives, reputation, stakeholders or financial sustainability.	<b>Possible:</b> the likelihood of the risk occurring is reasonable. It would be estimated that the risk has a 26-50% chance of happening.
4	<b>Major:</b> the risk has a substantial impact on the College's operations, objectives, reputation, stakeholders or financial sustainability.	<b>Likely:</b> the likelihood of the risk occurring is probable. It would be estimated that the risk has a 51-75% chance of happening.
5	<b>Critical:</b> the risk is a severe threat to the College's operations, objectives, reputation, stakeholders or financial sustainability.	<b>Almost Certain:</b> the likelihood of the risk occurring is highly likely. It would be estimated that the risk has more than a 75% chance of happening.

## Key

<b>Pr</b>	Principal & CEO
<b>DPr</b>	Depute Principal & COO
<b>CFO</b>	Chief Financial Officer
<b>VPSE</b>	Vice Principal Student Experience
<b>VPCDI</b>	Vice Principal Corporate Development
<b>VPPCS</b>	Vice Principal People & Corporate Services
<b>ADGR</b>	Associate Director of Governance & Risk
<b>DE</b>	Director of Excellence
<b>DCS</b>	Director of Corporate Support
<b>DSE</b>	Director of Student Experience
<b>DIT</b>	Director of IT

- ↗ New risk or existing risk score has increased since the previous review.
- ↘ Risk score has decreased since the previous review.
- ↔ Risk score has not changed since the previous review.

## Risk Matrix

	5	5	10	15	20	25
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	
	1	2	3	4	5	

- LIKELIHOOD**
- IMPACT**
- Low (1-5)** Acceptable level of risk subject to periodic review
  - Medium (6-12)** Moderate level of risk subject to regular monitoring and mitigating actions and plans being in place
  - High (15-20)** Unacceptable level of risk requiring immediate actions and plans to prevent or mitigate
  - Critical (25)** Critical level of risk requiring urgent attention and actions to prevent or mitigate



## Risk Management Action Plans

The Risk						Net Score				Gross Score			Changes		
ID	Risk Title	Owner	Risk/Treatment Description	Developments/Commentary	Appetite	Impact	Prob.	Score	Target	Impact	Prob.	Score	Trend	Updated	History
SR19	Failure to achieve operating surplus	CFO	<p>There is a risk that the College fails to achieve an operating surplus through the control of costs and achievement of income targets.</p> <p>To address this risk, the College employs a comprehensive approach to financial management. Strategies encompass securing SFC funding by meeting credit targets. Vigilant control of course fees, non-SFC fundable income, and other revenue sources are emphasised. Additionally, expenditure is carefully managed through controlling staff costs, optimising staff structures, and closely monitoring operating expenses. Potential impacts of inflation and energy costs are also proactively considered.</p>	<p>Aug '24: The College's financial position has improved due to the measures implemented since 2021-22. Without intervention, the College forecasted a deficit of £18m. In 2023-24, with significant progress on savings achieved, the original budget was a deficit of £2 million. The latest forecast at the end of Q3 in 2023-24 shows an improved position, with a £200,000 deficit.</p> <p>Apr '24: Indicative funding allocation announced in March 2024 of flat cash (real terms cut of circa 3.5%) will require further savings in 2024/25 to break even.</p> <p>Jan '24: Further to savings made in 2023/24, the budget announcement in Dec 2023 of c.5% cuts will require even more savings and increased commercial revenue to achieve break even.</p>	Cautious	4	5	20	5	5	5	25	↘	Aug '24	<p>Aug '24: Score decreased from 25 to 20.</p> <p>Aug '23: Edited for transfer to new MAP.</p> <p>Sept '22: Score increased from 20 to 25.</p> <p>Feb '22: Score increased from 12 to 20.</p>
SR21	Failure to obtain funds from the Foundation for the College's priorities	CFO	<p>There is a risk that the College may not successfully secure funds from the CoGC Foundation for the College's current priorities and needs, resulting in inadequate resourcing for planned initiatives and improvements.</p> <p>To mitigate this risk, the Terms of Reference for the College Foundation are thoughtfully framed while respecting its independence, with external legal counsel contributing their expertise. This strategic framing enhances the potential for successful funding applications. The College ensures strict adherence to the defined Terms of Reference, guiding the preparation and management of all funding applications. This rigorous approach aims to maximise the chances of securing Foundation funds for planned initiatives, preventing the under-resourcing of crucial projects.</p>	<p>Aug '24: The College is currently preparing applications for capital expenditure and City Attributes. The balance remains at £1.2 million.</p> <p>May '24: SR21 title and description amended to better reflect the risk to the College following discussions at the Finance Committee in March 2024.</p> <p>Jan '24: Balance of £1.2m remains in CoGC Foundation. The plan is still to plan to make applications for capital projects but will adhere strictly to the Terms of Reference.</p>	Cautious	4	3	12	3	5	4	20	↔	Aug '24	<p>Aug '23: Edited for transfer to new MAP.</p> <p>June '23: Score increased from 4 to 12.</p>



ID	Risk Title	Owner	Risk/Treatment Description	Developments/Commentary	Appetite	Impact	Prob.	Score	Target	Impact	Prob.	Score	Trend	Updated	History
SR23	Failure to secure a sustainable model/level of funding	CFO	<p>There is a risk that an agreed and sustainable model of grant funding for the College may not be achieved. Uncertainties in funding methodologies (e.g., capital, national bargaining, IT) and the impact Covid-19 contribute to the risk. As the proportion of SFC income grows against non-SFC income, the impact of this risk will become greater.</p> <p>To manage this risk, the College focuses on robust curriculum planning and maintains close collaboration with the GCRB and other Glasgow colleges. It actively engages in transparent discussions with the GCRB and the SFC to communicate funding needs effectively. Proactive planning and adaptability are emphasised, allowing the College to navigate changing funding scenarios.</p>	<p>Aug '24: The SFC's final allocation was confirmed in May 2024. As previously reported, the budget for the college sector in 2024-25 has been cut in real terms by 4.7%, following a 8.5% real terms reduction from 2021-22 to 2023-24.</p> <p>Apr '24: Indicative funding announced in March 24 of flat cash and removal of FWDF, together with continuing concerns over national bargaining and capital allocatons.</p> <p>Jan'24: The Budget in December 23 announced a further £32.7m reduction in revenue budget. Uncertainty of funding remains due to SFC, FWDF with ongoing concerns over national bargaining and running costs.</p>	Cautious	4	4	16	5	5	5	25	↔	Aug '24	<p>Jan '24: Increased from 12 to 16.</p> <p>Aug '23: Edited for transfer to new MAP.</p>
SR24	Failure to secure sufficient capital investment	CFO	<p>There is a risk of the College failing to secure sufficient capital investment to replace essential equipment as it reaches the end of its useful life, due to a substantial annual capital funding gap.</p> <p>To manage this risk, the College has developed a capital asset replacement plan, requiring around £3m - £4m annually. However, the current SFC Maintenance and Capital Grant is only approximately £1.3m, resulting in a significant funding gap. The College will actively engage with SFC to secure a substantial increase in annual capital funding. The College also plans to seek assistance from the College Foundation and enhance financial performance to allocate more funds for asset replacement.</p>	<p>Aug '24: A new four-year capital plan and process is in now in place. In June 2024, the Finance Committee approved capital expenditure for 2024-25. Planned expenditure will be reviewed annually. The College's maintenance needs continue to outstrip the funding provided by the SFC, emphasising the importance of phasing and prioritising expenditure in this way.</p> <p>Apr '24: Financial constraints continue for future capital planning. Foundation funds at £1.2m and SFC Maintenance &amp; Capital grants are insufficient to meet capital demands. Continued phasing and prioritised approach requires to continue.</p>	Cautious	4	4	16	3	5	4	20	↔	Aug '24	<p>Oct '23: Score increased from 12 to 16.</p> <p>Aug '23: Edited for transfer to new MAP.</p>