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| Committee | UHI North, West and Hebrides Board |
| Subject | Risk Register – July 2023 Update |
| Action requested | <input checked="" type="checkbox"/> For information only <input checked="" type="checkbox"/> For discussion <input type="checkbox"/> For recommendation <input type="checkbox"/> For endorsement <input type="checkbox"/> For approval |
| Brief summary of the paper | <p>This paper provides an update on the risks attached to the merger pre-vesting and for Year 1 of the new college. A comment is provided on changes residual risk ratings resulting in new red risks or increased risk trends.</p> <p>In addition, residual red risks at or above 16 from the three merger colleges have been reviewed, and comments on potential impact on the merged colleges risk register have been offered.</p> <p>This is the last update on pre-merger risks, and a full risk register update, as well as work on the new college's risk register will be taken forward with the merged college's risk and audit committee.</p> |
| Resource implications | Sufficient resource allocation is key to ensure continued progress and successful implementation of the college merger. |
| Risk implications | There are multiple risks associated with the pre-vesting and year 1 implementation phase of the college merger. Failure to identify and manage those risks may result in failure of the merger project. |
| Date paper prepared | 29/07/2023 |
| Date of committee meeting | 01/08/2023 |
| Author | Lydia Rohmer |
| Link with strategy Please highlight how the paper links to the Strategic Plan | Successful risk mitigation is key to securing merger and related strategic aims and objectives |
| Island communities | The rural and islands college merger may have an impact on the Western Isles and islands covered by UHI West Highland that is different to other communities. |
| Status (e.g. confidential, non-confidential) | Non-confidential |
| Freedom of information | yes |

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| Consultation How has consultation with partners been carried out? | Can be adapted as Board requires |
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UHI North, West and Hebrides Risk Register

July 2023 Update Report

Context

The risk register has been collated to map the following risk areas attached to the merger:

- Pre-merger risks – risks associated with the merger process up to and including vesting date
- UHI North, West and Hebrides risks – risks associated with the newly merged college post-vesting date/year 1

The risk register follows standard risk methodology, including raw/residual risk assessment, risk likelihood criteria, risk impact criteria and risk map, as well as action/mitigation reporting.

The detailed risk register is available to view in the Transition Board SharePoint site.

Update since June 2023 Transition Board

The action columns commenting on mitigations for the pre-merger risks and the merged college (UHI NWH) risks have been updated.

As previously reported, comments on revised risks, ratings and improvements to the register provided by Transition Board members will inform an in-depth review of the risk register at the first meeting of the Audit and Risk Committee, once convened post-vesting.

However, due to developments since June 2023, specific updates to risk ratings and trends have been made, which are reported in the Exception Reports below.

Individual College Risks transferring to the merged College

The Board should note that the risk register does not currently contain any risks owned by each of the three merger colleges which potentially may impact on the merged college. Colleges have been asked to report on substantive risks and mitigation impacting on the new college in line with the Terms of Reference of the Transition Board taken to the March 2023 meetings of the three college boards.

The expected financial outturn position for each college and emerging financial risks for the merged college has been closely monitored by the Transition Board at each of its monthly meetings since February 2023, following the mid-year financial forecast reports submitted by each college and the development of draft budgets and financial risk for each individual college on which the merged college draft budget has been based, as discussed in detail in the Transition Board meeting on 20 June 2023.

Given the financial performance of each of the three merging colleges is below budget expectations for AY22-23 and deteriorating since the mid-year FFR, the Principal Designate and Finance Director Designate have been working with each college to update the financial assumptions of the 5-year merger finance model and to establish a final assessment of impact on the merged college's draft budget for AY23-24. A full picture of projected financial savings required to be achieved in Years 1-5 to secure financial sustainability has been discussed with UHI and SFC throughout July 2023. In addition to merger related transformation, plans also need to reflect impacts of the changes in FE and MA funding received in late April, regional allocations in May/June, as well as changes in SFC FE credit guidance received on 12 June impacting on late changes in curriculum design and planning (in particular changes to the credit value of an FE full-time course), impacting on required staff hours. A

revised Merger Phase 3 funding request was approved by the Board by email procedure on 17 July. Both Reports were homologated by the Transition Board on 26 July 2023. A formal funding offer for Phase 3 and AY23-24 funding requirements via UHI is expected on 31 July 2023.

Exception Report on Pre-Merger (Residual) Red Risks

Report is provided on those risks where a change to residual risk rating has changed. All other residual red risks are unchanged in the July risk register, with comment provided on mitigation in the register itself.

NWH/R/001 – Vesting Date missed

Risk resolved

Both ministerial approval and SSI change completed. UHI West Highland agreed to fully enact transfer motion into UHI North Highland.

Exception Report on UHI North, West and Hebrides (Residual) Red Risks

Report is provided on those risks where a change to residual risk rating has changed. All other residual red risks are unchanged in the June risk register, with comment provided on mitigation in the register itself.

NWH/R/002 – There is a risk the partner colleges fail to merge successfully causing reputational damage and an unsustainable financial future

Risk resolved

Same comment as NWH/R/001 above.

Residual Red Risks in the three individual merger colleges risk registers

The three individual risk registers update in June 2023 have been reviewed, given residual red risks have potential to impact on the merged college's risk and mitigation. Mitigation will be incorporated into the new merged college's revised risk register from August 2023.

The following themes were identified, which are almost all incorporated in the merged college's risk register.

Financial risks:

- Failure to meet planned student numbers (FE and HE, but two colleges raising specific risks regarding HE targets)
- Uncertainty over HE Micro RAM allocation
- Uncertainty over financial clawback
- Failure to meet non—core college income targets
- Financial operating loss and inability to achieve a balanced budget
- Financial loss from specific capital projects, including Dale Farm, Cnoc Soilleir
- Increase in staffing costs through pay award and job evaluation
- Inability to realise strategic projects, including Stornoway Campus Redevelopment, Fort William STEM Centre and other special projects, impacting negatively on student and staff recruitment and income generation

Organisational risks:

- Failure to achieve effective workforce planning and development
- Inability to cultivate an effective safety culture
- Impact of possible Cyber/GDPR incident

Merger-related risks:

- Failure to merge successfully and associated loss of reputation
- Pressures of merger impacting negatively on staff workload and wellbeing

Recommendations

1. The Board is invited to note the updated risk register and mitigation actions
2. The Board is invited to discuss the updated exception report on Residual Red Risks on the pre-vesting and UHI NWH risk registers and implications for the merger project
3. The Board is invited to note the three merger colleges' residual red risk themes which will be reflected in the revised risk register of the new merged college