

Strategic Risk Update – Audit & Risk Committee (February 2026)

The purpose of this report is to update ARM on key changes in the college's external and internal operating environment impacting on the college's strategic risks.

The changes referenced are included in update mitigation for the college's strategic risk register, including the college's financial recovery plan register, which can be found here (ARM Sharepoint Site):

[UHI NWH_Risk-Register_ARM_18022026.xlsm](#)

A summary dashboard of the college's strategic recovery plan risk registers is appended to this report.

1. External Funding & Public Policy Environment

Risk Theme: Medium–High (Contextual / Sector-wide)

The draft Scottish Budget signals an increase in overall college and university funding for 2026–27, with 10% overall budget increases for colleges and 5% for universities respectively. Whilst welcome, a significant proportion of the uplift was already committed to spend and the allocation methodology and distribution by SFC into individual college regions remain uncertain at time of writing. There is a risk that these headline uplifts do not fully translate into a more sustainable base funding for rural and island colleges.

Official reference: Scottish Government (December 2025). Scotland's Budget 2026–27 (Education):
[SB 2604 | Scottish Parliament Website](#)

The college continues to operate within a structurally constrained funding model, with uncertainty around:

- How additional funding will be prioritised by the Scottish Funding Council (SFC)
- Whether uplifts will address historic underfunding, cost inflation, and rurality pressures with the region
- Timing of confirmed allocations, affecting medium-term financial planning. SFC have indicated that indicative funding allocations for 2026-27 will not be available until end of March 2026

Mitigation / Management

- Conservative financial planning assumptions retained in the College's Financial Recovery Plan
- Active engagement with the Scottish Funding Council via UHI continuing, following scrutiny by SFC through PwC in December 2025
- Clear articulation of rurality, access, and anchor-institution costs in all submissions continuing

2. Statutory Changes (Scotland)

Risk Theme: Medium (Compliance / Strategic Alignment)

2.1 Community Wealth Building (Scotland) Act 2026

<https://www.parliament.scot/bills-and-laws/bills/community-wealth-building-scotland-bill>

This introduces new statutory expectations on public bodies (including colleges) to support local economic resilience through procurement, planning, reporting, and partnership working, reinforcing the college's role as a regional anchor institution.

Implications for the college: new planning, partnership and reporting duties

2.2 Tertiary Education and Training (Scotland) Act 2026

[Tertiary Education and Training \(Funding and Governance\) \(Scotland\) Bill | Scottish Parliament Website](#)

This establishes a reformed tertiary education and training system, with implications for governance, accountability, planning, and alignment across colleges, universities, and national agencies.

Implications for the college: Whilst focus will be in the first instance on merging SFC, SDS and consolidation SAAS functions, there are potentially far-reaching consequences for colleges and universities from revised approaches to planning and funding regimes.

3. University Transformation Fund (UTF) – Financial Recovery & Growth

Risk Theme: Medium (Strategic / Delivery)

SFC made a University Transformation Fund available in mid-December 2026, which UHI confirmed was the alternative grant fund replacing the college's College Transformation Fund application linked to the college's financial recovery plan. We have worked with UHI and have submitted a £2.6m component of UHI's overall University Transformation Fund application on 13 February 2026. This is central to:

- Delivering elements of the approved Financial Recovery Plan, including curriculum transformation and VSS
- Enabling targeted income growth and efficiency
- Supporting sustainable change rather than short-term mitigation

Official reference:

Scottish Funding Council. University Transformation Fund – Guidance and Applications.

<https://www.sfc.ac.uk/funding/funding-related-to-universities/university-transformation-fund/>

4. Commercial NewCo, Nigg Skills Academy & Enterprise Review

Risk Theme: Medium (Strategic Opportunity with Controlled Exposure)

Approval has been secured from UHI to establish a wholly owned commercial subsidiary (NewCo) by March 2026, initially to ensure continuity and stabilisation of delivery at Nigg Skills Academy in Easter Ross.

In addition, work is underway to map the future for-profit operating model for NewCo, including:

- Trading scope and commercial risk appetite
- Profit extraction and gift aid arrangements
- Governance, tax, and accounting implications

This triggers a wider review of the college's enterprise function.

5. College Strategic Growth Opportunities

Risk Theme: Mixed (Opportunity vs. Delivery Risk)

a) Thurso Lifelong Learning Campus & Innovation District

A significant long-term opportunity is being developed with Focus North and Highland Council. The college will need to crystallise its own scoping and programme approach now for this once-in-a-generation economic development opportunity.

b) Fort William STEM Campus

Progress on securing external funding is slower than anticipated, increasing confidence risk for the project. Efforts are continuing to secure this strategically important project.

c) Hydrogen Skills and Innovation Centre in Stornoway

This partnership facility, the first of its kind in the region, will open in the next quarter, providing a solid base for the college to expand its sector position on hydrogen skills delivery and research.

d) Gaelic Language Plan Approval by Bòrd na Gàidhlig

The college is launching its recently approved Gaelic Language plan in February 2026, consolidating its position as a provider of Gaelic language and Gaelic medium vocational provision.

e) Defence Growth Deal Scotland

The college (as the only academic partner within UHI) is a partner in a Colleges Scotland-led proposal to the UK Ministry of Defence for a Defence Growth Deal / DTEC-style model. An announcement on next steps by MoD is awaited in March 2026

6. Organisational Change, Culture & Control

Risk Theme: Medium (People / Change)

a) Rapid Response Group actions and the **six-month organisational structure review** are progressing as planned. Detailed update reports are being made via the Board's HR committee.

b) Curriculum Structure Review & Curriculum Transformation

Staff-led curriculum review likely to lead to significant management change, coinciding with curriculum transformation and addressing lecturer under deployment.

c) Staff Capacity & Key Function Resilience

Short-term capacity risks exist within Enterprise and Finance due to illness, departures, and workload.

Recent appointments (Head of Marketing & Communications, Gaelic Officer, Quality Manager, Strategic Planning Officer) strengthen delivery capacity.

d) Merger Evaluation & System-Level Transformation

The two-year post-merger evaluation report has been approved by the Board; SFC commentary is awaited. The college is reviewing recommendations from the report to include in its own strategic planning going forward. The college will feed lessons learnt into UHI Transformation.

7. UHI Transformation – Draft Full Business Case

Risk Theme: Medium–High (Strategic / Delivery)

The Draft Full Business Case was discussed in a meeting of UHI and the college’s Board in January 2026; the Board has returned its feedback, alongside all other Academic Partners. UHI are currently reviewing feedback received and will meet with academic partners in early March 2026 to agree next steps for UHI Transformation.

Conclusion: Overall Risk Assessment for the college

The college’s current strategic risk position reflects a period of high activity and transition to follow through on its plans for income growth, financial recovery and post-merger integration and consolidation. However, in doing so the college remains to a considerable extent dependent on external decisions which it seeks to control and influence:

- Financially, the college remains exposed to uncertainty in public funding allocations, system changes arising from statutory changes, the pace and scale of university transformation funding, and the realisation of planned income growth; however, these risks are clearly understood, actively managed, and mitigated through conservative financial planning, a structured recovery plan, and strong engagement with funders and sector partners.
- From an organisational perspective, the college is managing the cumulative impact of merger integration, system reform, and transformation activity, with short-term capacity pressures in some corporate functions and an ambitious programme of change underway. Governance, internal control, and assurance arrangements remain robust, with risks associated with staff capacity, structural change, and delivery sequencing being monitored closely through Executive and Audit & Risk Committee oversight.
- Academically, the college faces strategic risks linked to curriculum sustainability, workforce deployment, and the need to align provision more closely with future skills demand and regional economic priorities. The staff-led curriculum structure review and planned curriculum transformation represent necessary and enabling change, carrying managed transition risk but offering the opportunity to strengthen educational quality, improve resource utilisation, and enhance long-term sustainability.

Overall, the college’s risk profile is characterised by managed exposure to necessary change, underpinned by strong governance, improving organisational capability, and a clear strategic intent to balance financial recovery with academic quality and its anchor-institution role across the region.

Risk Dashboard Summary

The following tables provide a summary of each risk by description, gross risk score and residual risk score.

Strategic Risk Register at 13 February 2026

UHI NWH Risk No	Risk Category	Risk Description	Gross Risk	Residual Risk	Risk Trend
001	financial	Failure to achieve financial sustainability	25	20	↔
002	financial	Failure to secure market demand for curriculum offer	12	9	↔
003	governance	Failure to maintain legal compliance with the full range of legal and public sector obligations	10	8	↔
004	financial	The estate does not match the needs of our curriculum, skills and research requirements	16	9	↔
005	financial	Failure to create an environment in which research and KE can flourish	12	9	↔
006	organisational	Effective employee relations through local and national channels are not secure taking account of NRPA	20	12	↔
007	financial	Failure to create effective business continuity plan	20	12	↔
008	organisational	Failure to prevent major internal or external IT Security breaches	20	12	↔
009	financial	the merged college fails to meet student expectations for an enhanced and more equitable student experience	16	9	↔
010	financial	failure to realise the economic development, commercial and income generating opportunities outlined in the merger business case, leading to loss of planned strategic development and growth	16	12	↔
011	organisational	failure to attract, retain or develop key personnel, impacting organizational knowledge and capabilities to deliver the merged college's ambition	15	12	↔
012	financial	failure to meet public sector carbon reduction/net zero targets and associated deadlines	16	12	↔
013	governance	Failure to engage with UHI's Transformation Programme	25	16	↔

College Recovery Plan 2025-28 Strategic Risk Profile at 13 February 2026

Risk ID	Risk Category	Risk Description	Gross Risk	Residual Risk	Risk Trend
CRP1	FRP	Uncertainty around UHI and SFC funding models including requirement for SFC to approve £2.5M advance of grant (AY2025/26), without which the college would be insolvent.	25	20	↔
CRP2	FRP&IGS	Failure to deliver curriculum redesign and reallocation to growth areas (green energy, Gaelic, digital, health & social care).	20	20	↔
CRP3	FRP	Failure to rationalise centres and achieve estate savings while maintaining role as regional anchor institution.	16	16	↔
CRP4	FRP	Negative impact on staff morale and industrial relations from VSS, restructuring, and legacy disputes.	20	16	↔
CRP5	IGS	Negative impact on student experience through reduced curriculum choice, centre closures, and staff cuts.	16	12	↔
CRP6	FRP&IGS	Senior leadership stretched by simultaneous recovery, curriculum reform, estate review, and UHI transformation.	20	15	↔
CRP7	FRP&IGS	Inability to realise projected income from Income Growth Strategy.	20	20	↔
CRP8	IGS	Failure or delays in Fort William Campus capital project	20	20	↑
CRP9	IGS	Failure to plan for sustainable provision of energy engineering skills in Easter Ross following collapse of Nigg Skills Academy partnership.	20	12	↓
CRP10	FRP	Failure to secure financial benefits from UHI Transformation	20	16	↔