

## Strategic Risk Update – Audit & Risk Management Committee (May 2026)

### Purpose of Report

The purpose of this report is to update the Audit & Risk Management Committee (ARM) on key developments in the college's external and internal operating environment since the previous strategic risk update presented in February 2026, and to highlight the consequential changes proposed to mitigation actions, risk trends, and residual risk assessments within both:

- the College Strategic Risk Register; and
- the College Recovery Plan (CRP) Strategic Risk Register.

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 08052026.xlsm](#)

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

Overall, the college's strategic risk position continues to reflect a period of high organisational activity, transition, and dependency on external decisions and funding mechanisms. Since February 2026, there has been greater clarity in some areas of national policy and funding direction, with indicative funding allocations for both colleges and universities issued by SFC ( [College Indicative Funding Allocations 2026–27 - Scottish Funding Council](#); [University Indicative Funding Allocations 2026-27 - Scottish Funding Council](#)); however, uncertainty has increased in relation to the timing and scale of anticipated transformation benefits within UHI, including medium-term financial sustainability assumptions previously association with UHI transformation, availability of expected external funding streams to support college income growth financial strategy; and organisational capacity pressures within the college due to ongoing post-merger integration and executive personnel changes in the executive leadership team (ELT).

### 1. External Funding & Public Policy Environment

Since the previous ARM report in February 2026, indicative analysis of the Scottish Government's 2026–27 budget allocations for colleges and universities has become clearer. Sector analysis undertaken through Colleges Scotland and UHI indicates that, whilst headline increases particularly to the college sector budget (FE) remain welcome, a significant proportion of additional funding is already committed against nationally agreed cost pressures, including pay, inflationary pressures, and existing commitments.

As a result, there remains limited additional financial headroom for colleges and universities, particularly within higher education provision, where growth is expected to be primarily volume-related rather than reflecting material increases in unit-of-resource funding.

The implementation phase of the recently approved Tertiary Education and Training (Scotland) Act 2026 is also now commencing. Whilst the initial focus nationally will be on the integration of SFC, SDS and elements of SAAS, there remains uncertainty regarding longer-term implications for future planning, funding and governance arrangements across the tertiary sector.

At time of writing, additional uncertainty also remains around:

- access to core-funded “one-off” national initiatives, including Offshore Wind, RISE (anti-poverty) and Flexible Workforce Development Fund successor arrangements;
- timing and outcome of the University Transformation Fund (UTF) application (UHI and college’s part of it);
- inflationary and energy cost pressures increasing due to world economic situation in Ukraine and Middle East;
- future public sector pay expectations from trade unions within the college sector.

### Implications for UHI NWH Strategic Risk Register

This continues to support maintenance of:

- **Risk 001 – Failure to achieve financial sustainability** at a high residual risk level;
- **CRP1 – Funding model/liquidity risk** at high residual risk.

Mitigation updates proposed within the register include:

- revised Recovery Plan and FFR requirements from SFC to be implemented;
- ongoing uncertainty around UTF outcomes;
- increased pressure associated with repayment assumptions linked to previous SFC advances; and
- continued conservative financial planning assumptions.

## 2. Statutory & System Reform Environment

The approval of:

- the **Community Wealth Building (Scotland) Act 2026**; and
- the **Tertiary Education and Training (Scotland) Act 2026**

continues to reinforce the pace of system-level reform affecting colleges and universities.

For the college, these changes strengthen expectations around:

- regional anchor institution responsibilities;
- planning and reporting duties;
- partnership and procurement obligations;
- accountability and governance alignment across the tertiary system.

Whilst these developments do not currently require changes to residual risk scoring, they reinforce the need for continued monitoring of:

- governance and compliance risk;
- planning and reporting requirements; and
- future alignment with national reform expectations.

## 3. University Transformation Fund (UTF) & Financial Recovery Plan

At the time of writing, no outcome has yet been confirmed regarding UHI’s University Transformation Fund application, including the college’s £2.6m component linked to delivery of the Financial Recovery Plan.

In parallel, the timetable for the UHI Transformation Full Business Case has now slipped into late 2026. Emerging partnership discussions indicate increasing support for a strengthened version of “Option 3” focused on integrated services and delivery rather than a move towards a single institutional structure.

Whilst strategically positive in some respects, the delay introduces increased uncertainty around:

- timing of anticipated financial benefits;
- assumptions around reduced top-slice and shared services;
- implementation sequencing; and
- delivery dependencies within the college’s Year 3 Financial Recovery Plan assumptions.

SFC have also now requested a revised standardised Recovery Plan format across the sector.

### **Implications for Strategic Risk Register**

This reinforces the continued high-risk positioning of:

- **Risk 001 – Financial sustainability**
- **Risk 013 – Engagement with UHI Transformation**
- **CRP1 – Funding and liquidity**
- **CRP10 – Failure to secure financial benefits from UHI Transformation**

Whilst no immediate increase in residual score is proposed, the risk trend associated with UHI Transformation should now reflect increasing external dependency and timing uncertainty.

### **4. Commercial NewCo, Enterprise Review & Income Growth**

Since February 2026, the college has successfully established its commercial subsidiary (“NewCo”), now named as **NuHorizons Training Limited**, providing continuity and stabilisation for delivery associated with Nigg Skills Academy activity in Easter Ross.

This materially reduces the immediate continuity risk associated with engineering and energy skills delivery in this part of our operating area located most closely to the Inverness and Comarty Firth Green Freeport region.

However, significant further work is now required to:

- develop the full commercial operating model for the new company, beyond Nigg continuity of development;
- clarify governance, tax and financial arrangements;
- define long-term trading scope and risk appetite; and
- complete the wider review of the college’s enterprise function.

Additional uncertainty also remains around:

- Workforce North income assumptions; and
- next-stage Defence Growth Deal / DTEC opportunities being developed through Colleges Scotland and the Ministry of Defence.

## Implications for Strategic Risk Register

The following updates are recommended:

- **CRP9 – Easter Ross engineering provision risk** reduced from 12 to 9 due to establishment of NewCo and continuation arrangements.
- **Risk 010 – Failure to realise commercial and income opportunities** increased from 12 to 16 due to increased strategic dependency on successful delivery of commercial growth assumptions.

Mitigation updates include:

- establishment of NewCo;
- continuation of NSA-related delivery;
- development of full business planning requirements; and
- continued review of enterprise operating arrangements.

## 5. Strategic Growth & Regional Development Projects

The college's major strategic projects continue to present significant long-term opportunities, but with differing levels of delivery maturity and dependency risk.

### a) Thurso Lifelong Learning Campus & Innovation District

Positive engagement continues with Highland Council, Hub North and Focus North regarding development of the Thurso Lifelong Learning Campus and Innovation District concept.

The scale of the opportunity is becoming clearer and the college now requires a more defined internal programme and scoping approach to support the strategic partnership ambition for Thurso.

### b) Fort William STEM Campus

Progress is steady but remains slower than anticipated regarding external funding and project progression, increasing:

- confidence risk;
- inflationary exposure; and
- delivery uncertainty.

Work is progressing with SSEN Transmission to shape the opportunity through development of a regional funding opportunity to support this project. Dialogue is also progressing with Workforce North, Highland Council and HIE on bridging potential funding gaps to assist realisation of this strategic development and skills opportunity.

### c) Hydrogen Skills & Innovation Centre – Stornoway

The centre is expected to open later in 2026 and represents a significant strengthening of the college's position in hydrogen skills, innovation and research, with significant international links and interests developing.

## **d) Research & Knowledge Exchange**

The proposed integration of UHI Perth's Centre for Mountain Studies (CMS) into the college's research structures, subject to UHI NWH's Board approval and TUPE consultation, represents a further opportunity to strengthen research and knowledge exchange capability for the college.

### **Implications for Strategic Risk Register**

Suggested updates:

- **Risk 004 – Estates/curriculum alignment** increasing from 9 to 12 due to uneven progress across strategic capital projects.
- **Risk 005 – Research and KE environment** maintained at 9, but with improved mitigation narrative linked to hydrogen, CMS and research growth opportunities.
- **CRP8 – Fort William project risk** maintained at 20 due to continued external funding dependency.

## **6. Organisational Change, Capacity & Workforce Planning**

Since February 2026, organisational delivery pressures have intensified.

The six-month departmental review, agreed with Trade Unions to resolve the 2024/25 local dispute, has now broadened into review activity across all departments in line with the Rapid Response Group action plan, and is expected to lead to:

- significant curriculum management restructuring;
- revised executive and SMT portfolio arrangements;
- continued curriculum transformation; and
- further work addressing any lecturer under deployment.

At the same time, the college is managing:

- transition of the CFO role from the college to UHI in July 2026;
- additional uncertainty within Finance and Enterprise teams;
- interim and permanent staffing arrangements to recruit a new CFO and revise executive and SMT portfolios;
- increased demands associated with Recovery Plan delivery and transformation activity.

Positively, the college continues to maintain:

- high student satisfaction indicators;
- strong HISA recognition;
- positive recognition in key sector external awards; and
- successful recruitment into several key strategic and operational posts.

### **Implications for Strategic Risk Register**

**Strategic Register suggested updates:**

- **Risk 011 – Failure to attract, retain or develop key personnel** increased from 12 to 16.
- **Risk 006 – Employee relations and organisational change** maintained at 12.

### **Recovery Plan Register**

- **CRP6 – Leadership stretch and transformation overload** increased from 15 to 20.

Mitigation updates include:

- revised executive and service review arrangements;
- active interim staffing mitigation;
- strengthened governance oversight;
- continued HR Committee engagement;
- successful recruitment to strategic posts.

### **7. UHI Transformation – Full Business Case**

The UHI Transformation Full Business Case timetable has now formally slipped into late 2026.

Discussions across the partnership increasingly indicate support for a strengthened integrated operating model (“Option 3”) rather than movement towards a single institutional structure.

Whilst strategically significant, this delay increases uncertainty around:

- timing of transformation benefits for the college’s financial recovery plan;
- implementation sequencing;
- shared service assumptions; and
- planning dependencies.

The college continues to engage actively and constructively with UHI and Academic Partners.

### **Implications for Strategic Risk Register**

Residual risk ratings are not currently proposed to increase; however:

- mitigation wording has been updated to reflect increased timing uncertainty; and
- risk trends reflect greater dependency on external decision-making and programme sequencing.

## **Overall Strategic Risk Position – May 2026**

The college's strategic risk position in May 2026 reflects a period of intensified delivery pressure, organisational transition, and continued dependency on external funding and system-level decisions. Compared with February 2026, there is now greater clarity regarding the direction of national reform and indicative funding allocations; however, significant uncertainty remains around the timing and scale of transformational financial benefits expected through UHI Transformation and associated funding mechanisms.

Financial sustainability remains the college's most significant strategic risk. While emerging strategic developments in engineering, hydrogen, research, and commercial activity are beginning to strengthen the institution's long-term position, these opportunities are not yet sufficiently mature to offset ongoing structural funding pressures, inflationary costs, and repayment requirements linked to prior SFC support arrangements.

Organisationally, the college is entering a particularly demanding phase, with simultaneous pressures arising from leadership transition of the CFO to UHI EO, executive and service-level capacity risks, curriculum transformation, departmental review activity, and implementation of the Financial Recovery Plan. These risks are understood and actively managed, but leadership and delivery capacity remain under sustained pressure.

Academically and strategically, the college continues to demonstrate strong performance indicators, including high levels of student satisfaction, sector recognition, and growing alignment with regional economic priorities. Major strategic opportunities linked to Thurso, Easter Ross, hydrogen skills, Gaelic provision, and research development continue to strengthen the college's longer-term strategic position as a regional anchor institution.

Overall, the college remains in a position of managed but elevated strategic risk, requiring continued strong governance, careful sequencing of change, and close engagement with national partners and funders over the coming year.

## 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 8 May 2026

| UHI<br>NWH<br>Risk No | Risk Category  | Risk Description                                                                                                                                                                              | Gross<br>Risk | Residual<br>Risk | Risk<br>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            | 12               | ↑             |
| 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            | 16               | ↑             |
| 011                   | organisational | failure to attract, retain or develop key personnel, impacting organizational knowledge and capabilities to deliver the merged college's ambition                                             | 15            | 16               | ↑             |
| 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 8 May 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 £2.6M 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         | 20            | ↑          |
| 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         | 9             | ↓          |
| CRP10   | FRP           | Failure to secure financial benefits from UHI Transformation                                                                                                             | 20         | 16            | ↔          |