



# Risk Management in Higher Education

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AUDIT ■ TAX ■ ADVISORY

# Agenda

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- **Context of risk management in UK Higher Education Institutions (HEIs)**
- **Methodologies**
- **Good practices**
- **The future**

# Context of risk management in UK Higher Education Institutions (HEIs)

- **As an explicit concept over the last 7 years – still maturing**
- **Integral part of good governance debate – Combined Code, etc**
- **Central to Statement of Internal Control in Financial Statements**
- **Important to Funding Councils – implications for other stakeholders**
- **Principles not rules-based**

# Methodologies

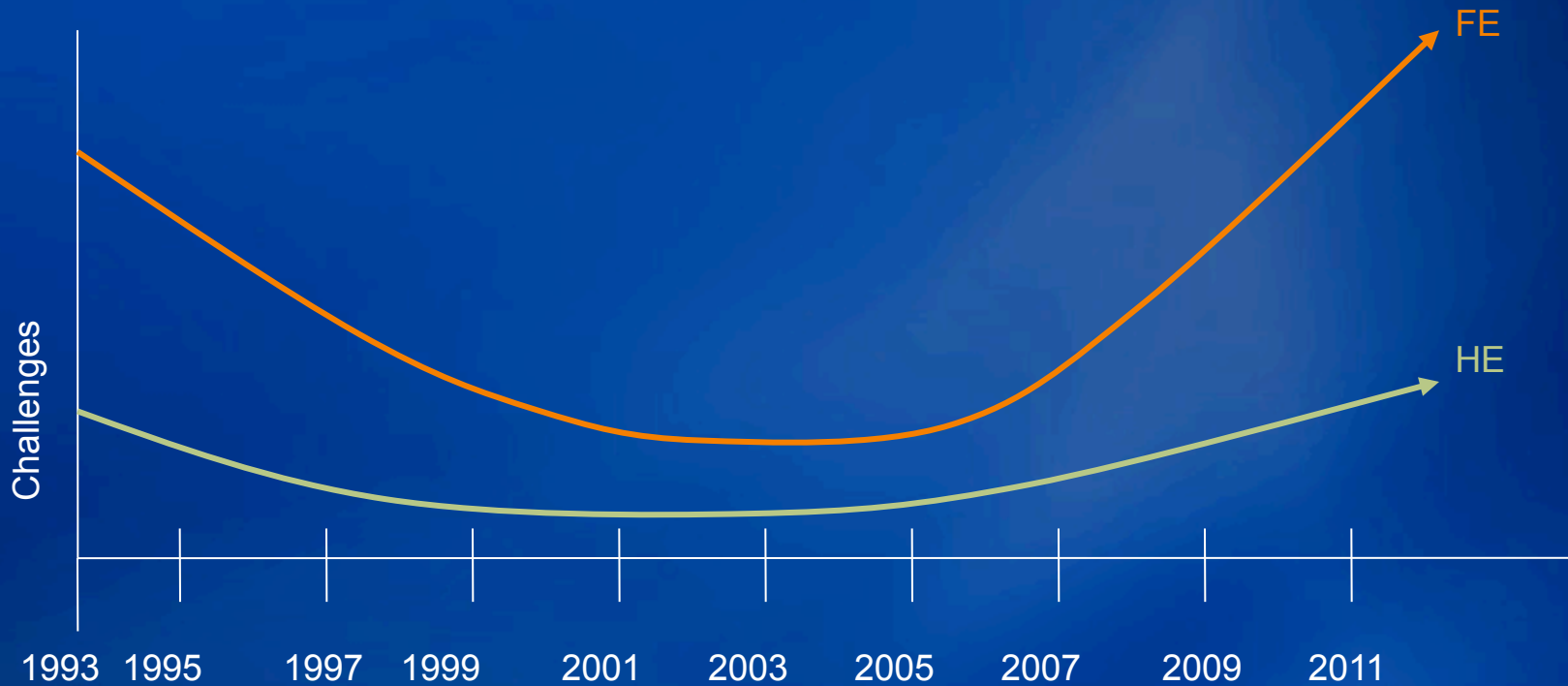
- Variations on a theme
- Linked to strategic aims
- Risk appetite
- Scoring mechanism (Impact – Finance and Reputation + Likelihood)
- Gross v Net risk
- Strategic v Operational/Departmental
- Risk Management Group/Risk Champion
- Reporting to Audit Committee/Governing Body

# Good Practices

- **Tone from the top (Head of Institution/SMT/Governing Body)**
- **Tangible relationship to strategic aims**
- **Integrated part of management processes (eg planning) v process only**
- **Clarity about management actions to mitigate risks**
- **Clear/concise reporting**

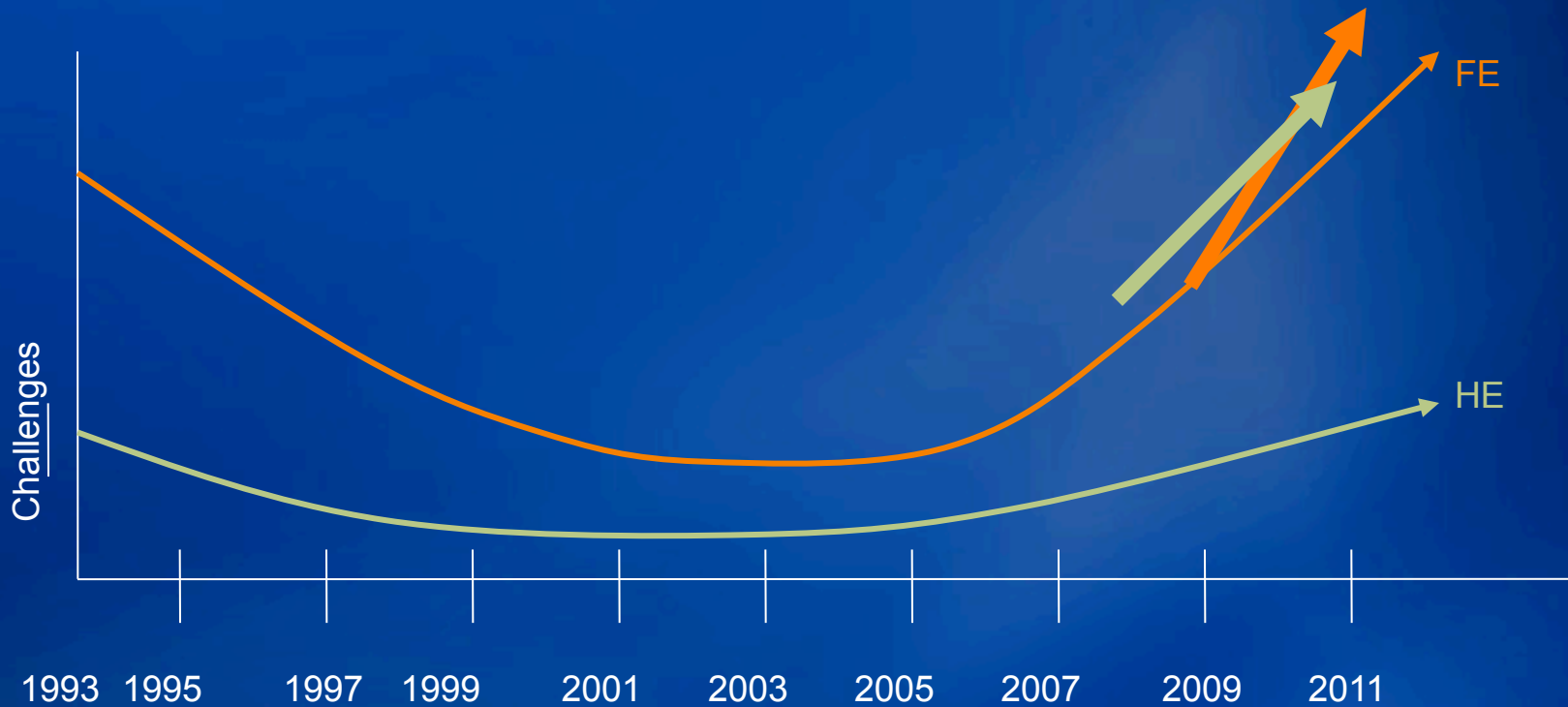
# Future

## Challenges for the post 16 sector (6 months ago)



# Future

## Challenges for the post 16 sector now?



# Future – Challenges

Area	HE	FE
Government policy and funding	<p>Funding levels generally (up or down?)</p> <p>New teaching methodology 09/10</p> <p>ASN limitations</p>	<p>Funding levels generally (up or down?)</p> <p>New teaching methodology 08/09</p>
Teaching	<ul style="list-style-type: none"> <li>• Undergrads and employability</li> <li>• Employer eng (level 4+)</li> <li>• International</li> <li>• Full cost/CPD (MBA etc)</li> </ul>	<ul style="list-style-type: none"> <li>• 16-18</li> <li>• Employer eng (level 2/3)</li> <li>• Retraining/JCP</li> <li>• Full cost/CPD</li> </ul>
Research	<p>RAE</p> <p>Commercial research</p> <p>European funding levels</p>	

# Future – Challenges

Impact	HE	FE
Other income	Residences income Departmental activities Customer stability Investment income	Customer stability Investment income returns
Pay and non pay	<ul style="list-style-type: none"> <li>• Pay settlement</li> <li>• Pensions</li> <li>• Supplier stability</li> </ul>	<ul style="list-style-type: none"> <li>• Pensions</li> <li>• Supplier stability</li> </ul>
Strategic partners	Delivery partners (eg overseas/franchised)  Outsourced suppliers (eg residences/IT etc)	Delivery partners (eg franchised)  Outsourced suppliers (eg residences/IT etc)

# Future – Challenges

Impact	HE	FE
Infrastructure	<p>Capital programmes and possible changes in assumptions underpinning them</p> <p>Disposal proceed expectations?</p> <p>Competitive pricing from contractors?</p>	<p>Capital programmes and possible changes in assumptions underpinning them</p> <p>Disposal proceed expectations?</p> <p>Competitive pricing from contractors?</p>
Funding/financing	<ul style="list-style-type: none"> <li>• Endowment returns (revenue) and values</li> <li>• Fundraising</li> <li>• Cost of borrowing and meeting covenants</li> <li>• Cashflow mgt</li> </ul>	<ul style="list-style-type: none"> <li>• Cost of borrowing and covenants</li> <li>• Cashflow mgt</li> </ul>

# Future – Challenges

<b>Impact</b>	<b>HE</b>	<b>FE</b>
<b>General</b>	<b>Incidence of fraud (financial/data)</b> <b>Other behavioural</b>	<b>Incidence of fraud (financial/data)</b> <b>Other behavioural</b>

# Institutional factors influencing impact of economic downturn

- Existing financial strength of institution
- Diversity of institution
- Reliance on key relationships / partners / sources of students etc
- Sensitivity of plans to areas likely to be affected eg fundraising / investment returns etc
- Management effectiveness
  - Availability of timely information
  - Fleet of foot in decision making and ability to change strategic direction potentially
  - Project management skills

## Presenter's contact details

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