



Achieving financial sustainability in higher education





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Overview

The sustainability of universities is being tested

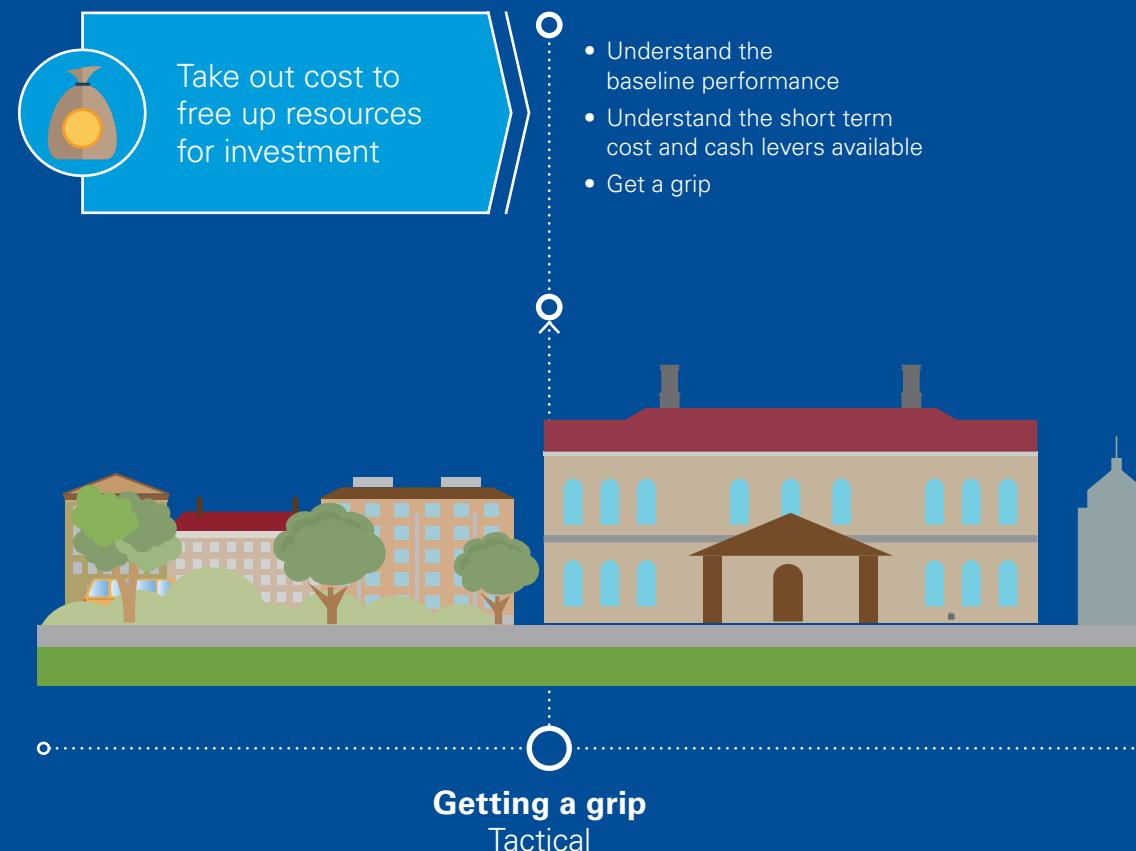
Many universities are facing challenges that are putting financial performance and sustainability under pressure...

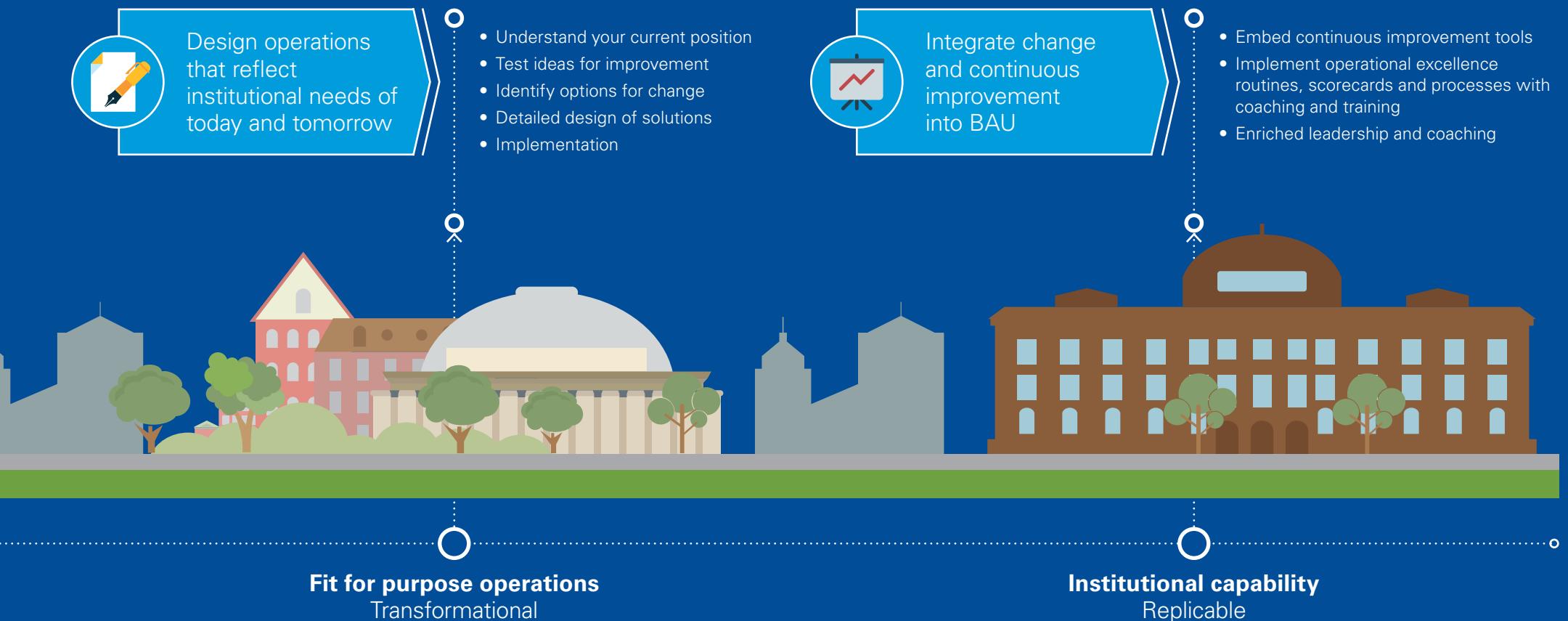


The pursuit of financial sustainability can start in different places

Universities can approach their journey to financial sustainability from multiple starting points. We have complementary offerings to help no matter where you are.

Where is your institution on the journey to financial sustainability?





Change journey

Any institutional change journey needs guiding principles and effective communications to achieve engagement with all stakeholders

Any institutional change programme needs to be underpinned by principles and complemented by an effective communications and engagement process – we have found that our most successful clients will adopt this into their core set of practices.



Treating each relationship as a partnership is key to delivering a change programme. This ensures institutional ownership for each solution whilst working collegiately to deliver success. At KPMG delivering this way is fundamental to our ways of working, and we consider it is essential to making change stick. Using this as a starting point, there are then four key principles that should inform the rest of the work to ensure successful implementation.



The success of change is likely to have far more to do with whether students, staff and academics are bought in than whether or not the solution is correct. Beyond building engagement into the solution design process for any type of change, we suggest building communications and engagement around four other practices.



Set a challenging but achievable pace for the organisation



Look across departmental boundaries – focus on process and users, not function



Design solutions with implementation in mind, focus on what will work in practice, not what looks best on paper



Build a strong quantitative and qualitative evidence base to inform decision making



Understand stakeholders and their relationship to the change



Tailor information and activities to segmented audiences across the wider University



Communicate progress at the right time to inspire



Seek advice on the most effective channels and act promptly on feedback

Getting a grip

Getting started, getting a grip

In the short term, Universities can look to focussed interventions which provide robust financial analysis and visibility on current performance. Against this baseline, it is then possible to identify and implement tactical opportunities, improve the financial performance of the current operating model and deliver immediate results.



What is the baseline position?
How does this change under different scenarios?

- Understand current and run rate performance
- Establish P&L, cash and operational baselines
- Identify relevant scenarios and impact on the baseline
- Establish the size of the challenge



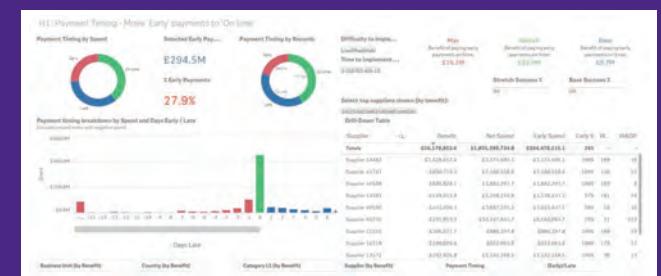
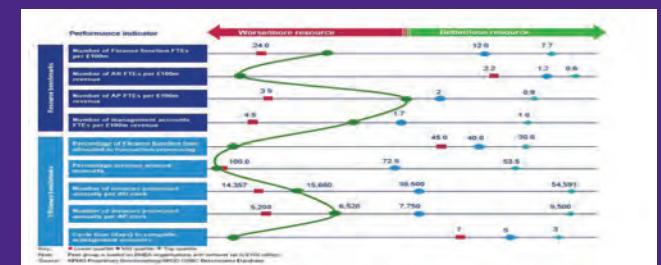
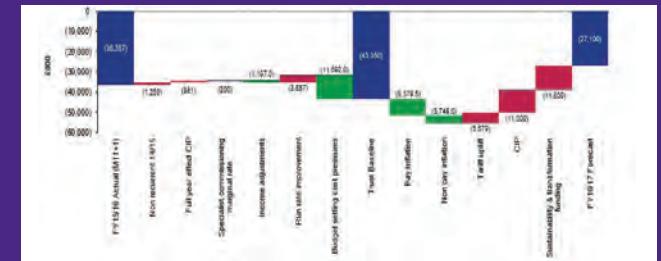
What short term cost levers do I have available to improve the baseline position?

- Can you improve the efficiency of academic and support staff through examining how and when they are delivering services?
- Are you getting what you are paying for from your key supplier contracts and can you recover monies from under performing suppliers?
- Can you reduce the price or specification of key supplier contracts, and achieve savings in areas such as facilities management or energy?
- Can you improve controls over purchasing and reduce spend on non-essential items?
- Are there opportunities to recover income from a review of VAT, tax and pensions?



What short term cash levers do I have available to improve the baseline position?

- Identify and quantify working capital opportunities (we have market leading technology to aid in this)
- Strategic drivers of cash
- Balance sheet, tax and pensions opportunities



How does this help?

An idea of what's possible For a teaching hospital

£30m
higher



Following a baselining engagement, we identified that the **underlying deficit was £3 million higher** than the institution realised.

£72m
additional initiatives



Worked with the institution to **identify £7.2 million of additional** initiatives that were achievable and worked up into deliverable savings.

£32.6m
achievable



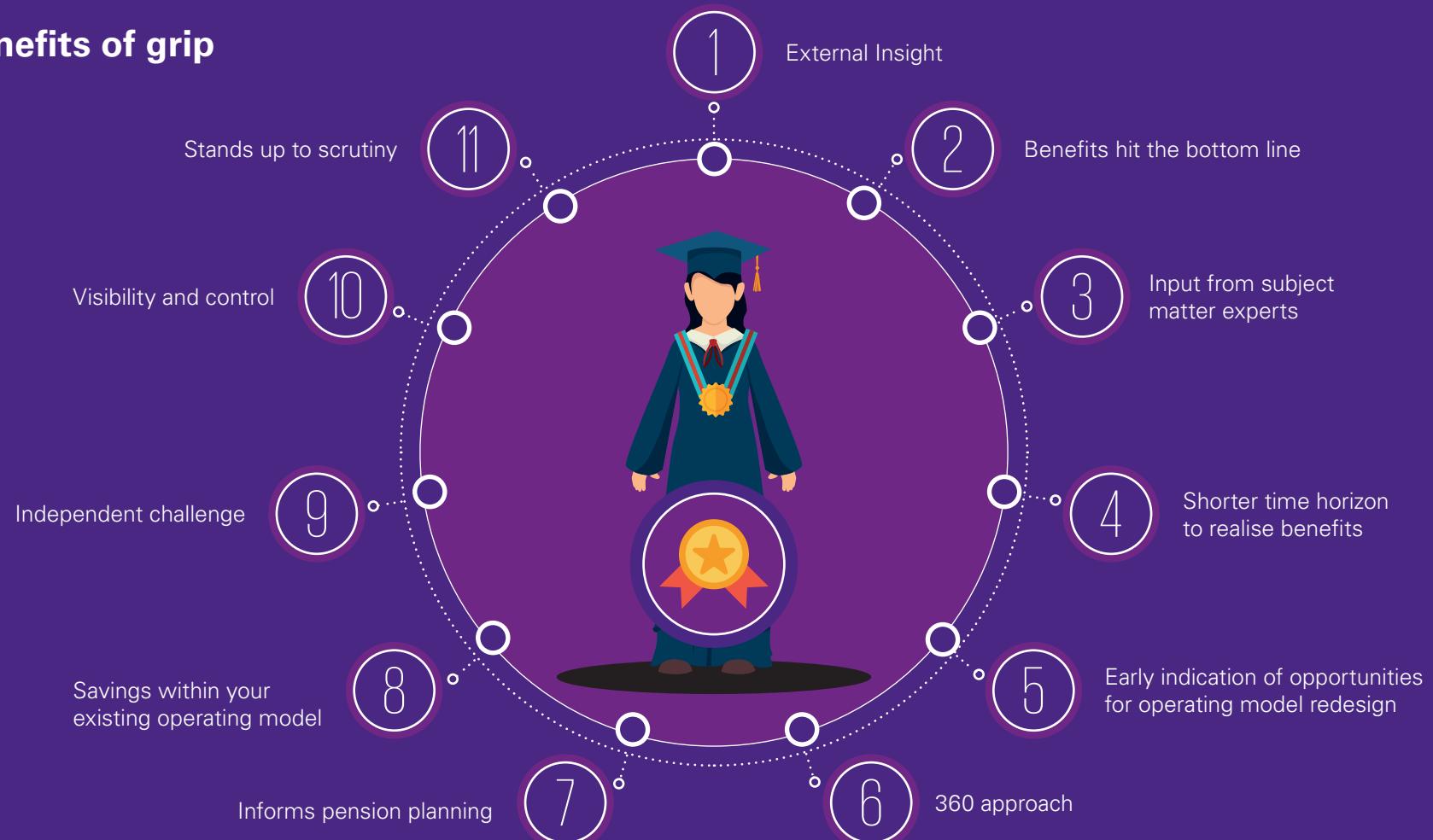
Undertook detailed analysis of £38.6 million **cost improvement initiatives** identified by the institution and established **£32.6 million achievable**.

£5.2m
cash preservation



Worked closely with Treasury management to improve cash flow forecasting and then identified **£5.2 million cash preservation** initiatives, all delivered with no adverse impact to the institution.

Other benefits of grip



Fit for purpose operations

Designing an operating model that fits

In the medium to longer term, many Universities require change to their business and operating models to become financially sustainable. The first step to achieving this is to review the strategy and business model against which the operating model can be aligned and redesigned.



What is our strategy?
What is our business model to achieve it?

- What does success look like? What are the imperatives for change?
- Improve the strategic goals and financial and performance outcomes the institution wants to deliver
- Define the academic propositions, recruitment strategy and channels that comprise the business model



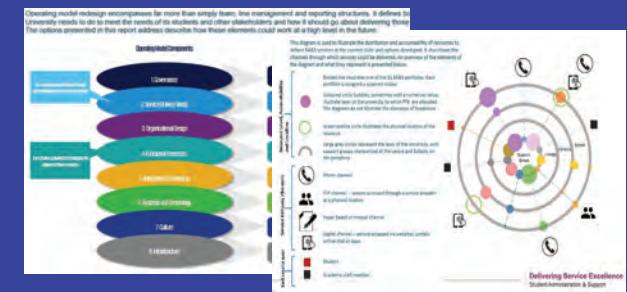
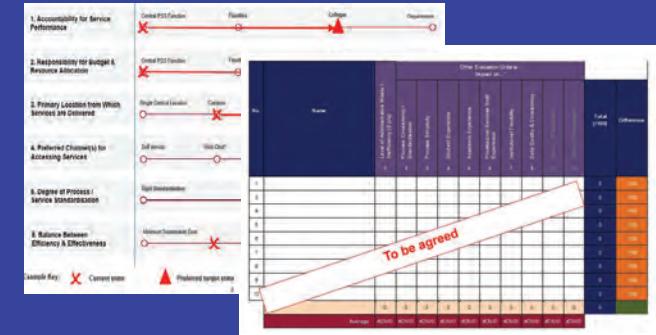
What is the operating model that will help us achieve our strategic vision?

- Define the stakeholder strategy to understand the needs and wants of service users
- Design the high level architecture of the target operating model (TOM) components to meet them
- Build out the detailed blueprint of each TOM component



Does the model stack up financially and economically?

- Assess the revenues, costs and capacity requirements generated by the new operating model
- Does the new model meet the financial outcomes we need to achieve?
- Can we afford to invest to achieve our longer term ambitions?



How does this help?

An idea of what's possible

50,000

hours p/a

Over **50,000 hours p/a** increased **staff productivity** and **release of 10% additional capacity** at **Russell Group University** for Student Lifecycle operations



£1m

savings



200,000

hours

Release in excess of **200,000 hours of professional service staff time p/a** for reinvestment in value-adding activity at a **Russell Group University**



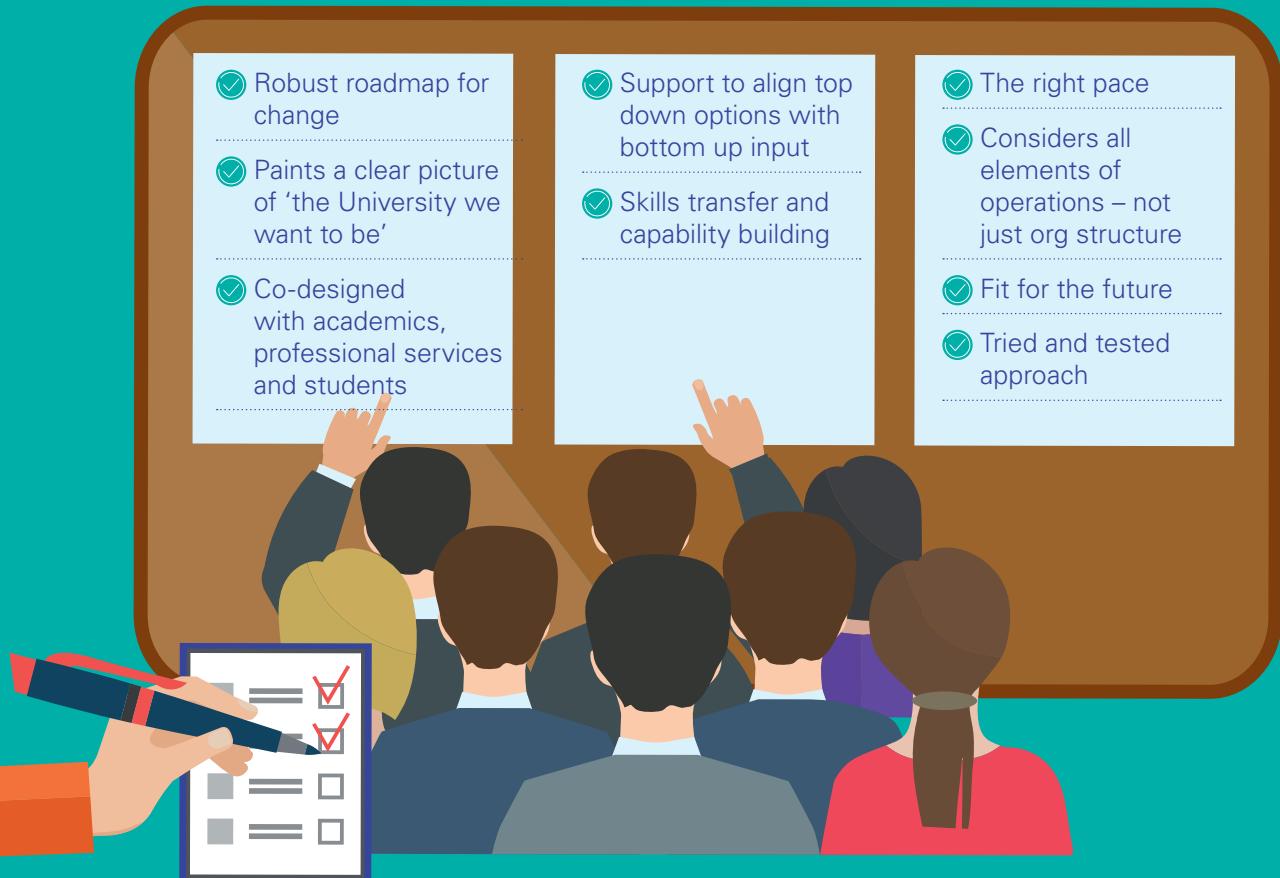
~£6.5m



savings

Validated **cashable savings of ~£6.5m**, including: reduced staffing cost, other non-pay savings, plus freed-up productive time at **an Alliance university**

Other benefits of operating model transformation



Institutional capability

Developing the capability to deliver independently

Developing in-house capability to manage change is key for Universities to remain sustainable and continually self-assess to maintain and improved performance.



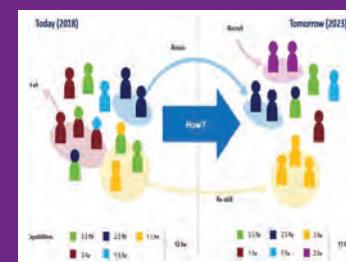
Where are the gaps in capability?

- Tailored online learning modules
- Understand the range of approaches in programme management which help balance pace and oversight with being empathetic to stakeholder needs
- Assess current gaps in capability and cultural perception of change
- Ownership for contributing to development of institutional solutions



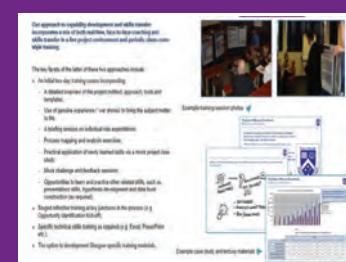
What are the learning needs across the institution?

- Identify the learning and coaching needs for teams at all levels of the institution
- Define what the ideal learning environment would be
- Develop an approach to 'watch one, do one, teach one'



What methods and tools are best suited to developing our people?

- Formal classroom-based training
- Access to external subject matter experts to act as a sounding board
- Templates, e.g. Benefits frameworks, approaches to document management / information
- Bespoke learning platforms and digital content



How does this help?

An idea of what's possible



KPMG set up and ran our Excellence Programme, and...also provided significant knowledge transfer, such that we are now running the whole programme ourselves. They can be justifiably proud of the legacy they have left, and I would not hesitate to work with them again.

**Senior Operations Executive
Post 92 institution**



As an Intern I was given the opportunity to contribute to a wide range of varied tasks and learned the importance of being meticulous, thorough and adaptable, as well how best to work in a fast-paced environment, perform under pressure and have data to back everything up!

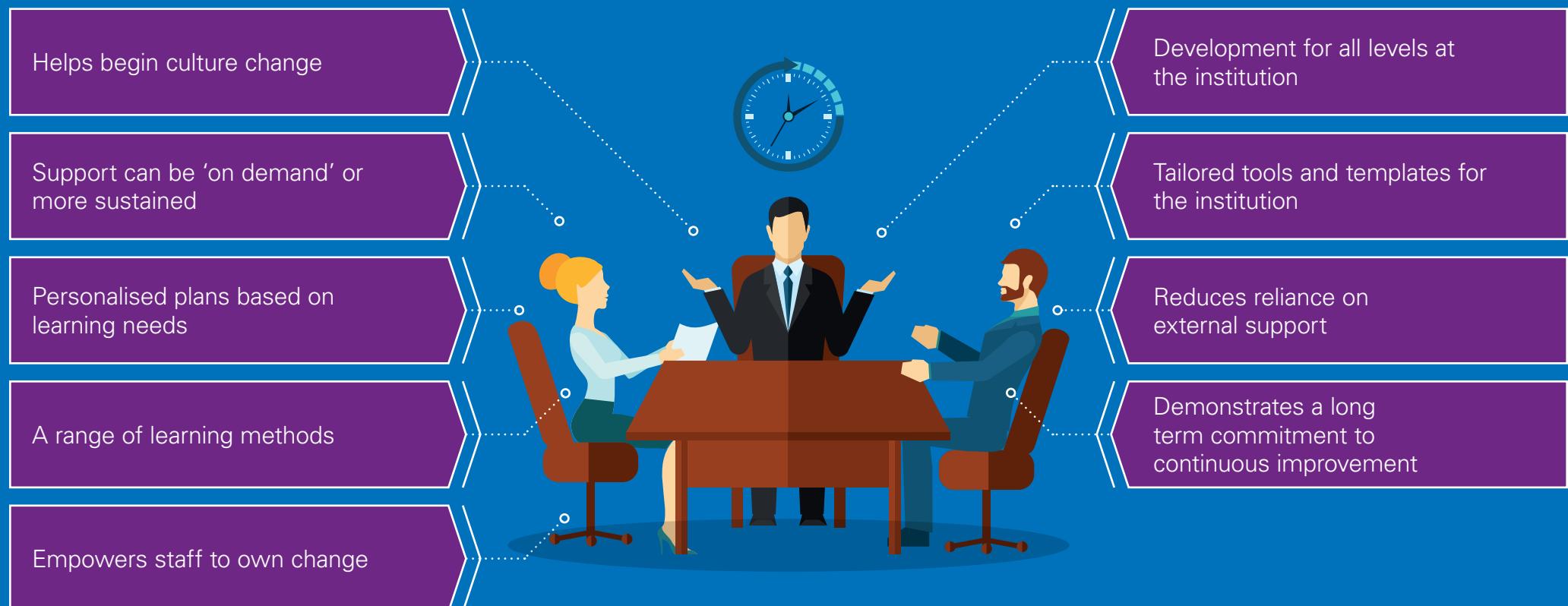
**Student secondee to student lifecycle transformation programme
Russell Group University**



It's been a genuine pleasure and the most satisfying working experience I have had in 10 years at the University and it has re-awakened my enthusiasm for always trying to 'make a positive difference' which is why I joined HE in the first place.

**Student Services Manager
Process Review Team
Alliance University**

Other benefits of building institutional capability



Our team can help throughout the journey

We draw on a range of expertise to support

A KPMG team brings a blend of situational, sector and subject matter specialists to help higher education institutions no matter where you are on your journey to financial sustainability.



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