



# Achieving financial sustainability in higher education









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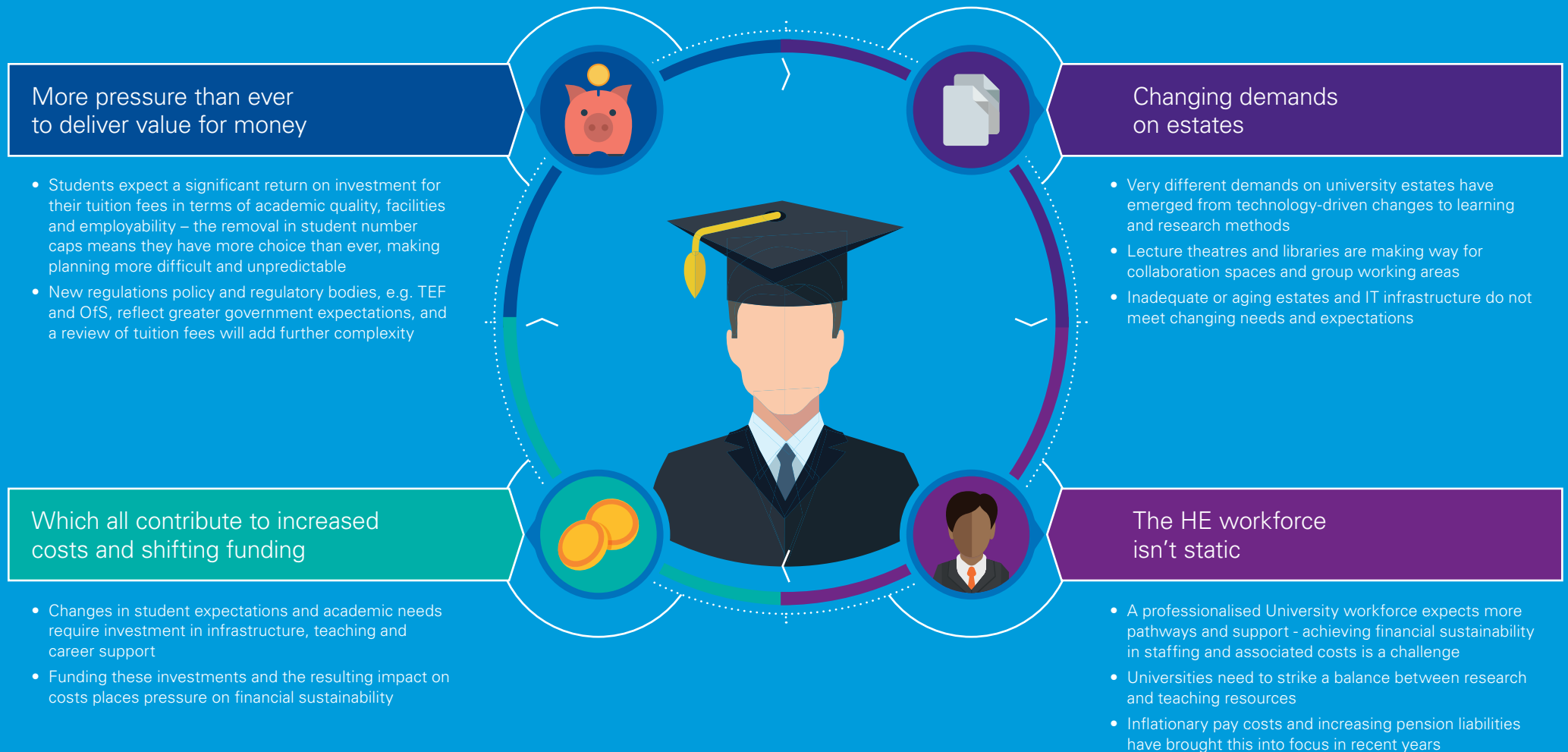
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# Overview

## **The sustainability of universities is being tested**

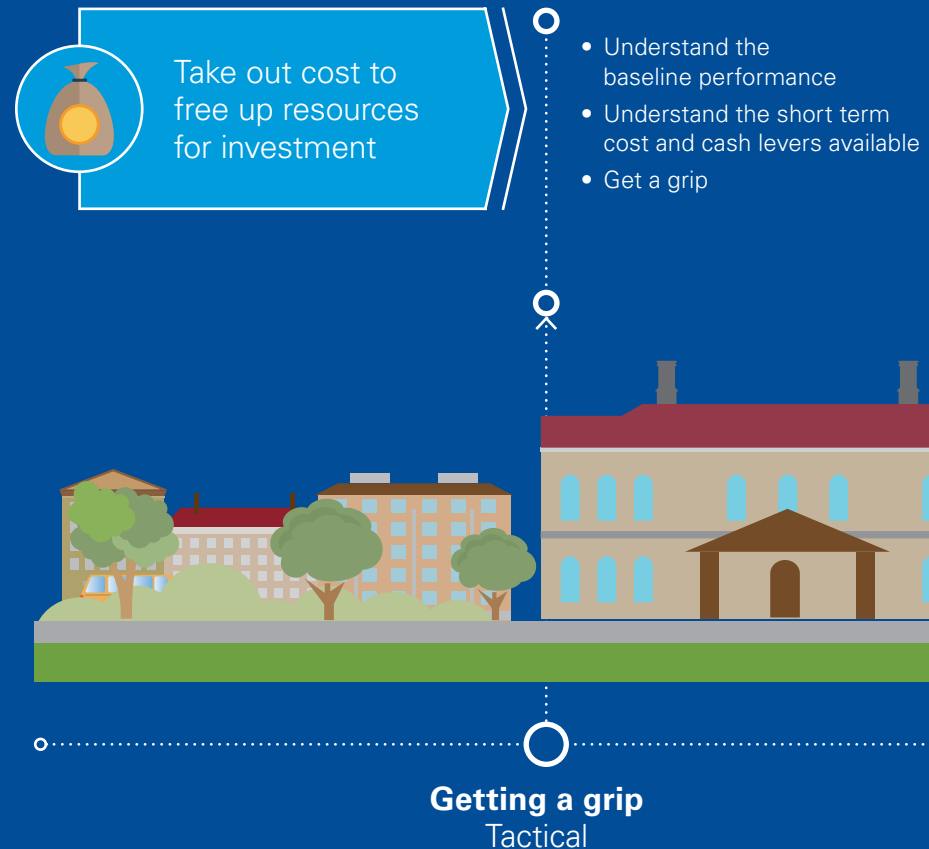
Many universities are facing challenges that are putting financial performance and sustainability under pressure...

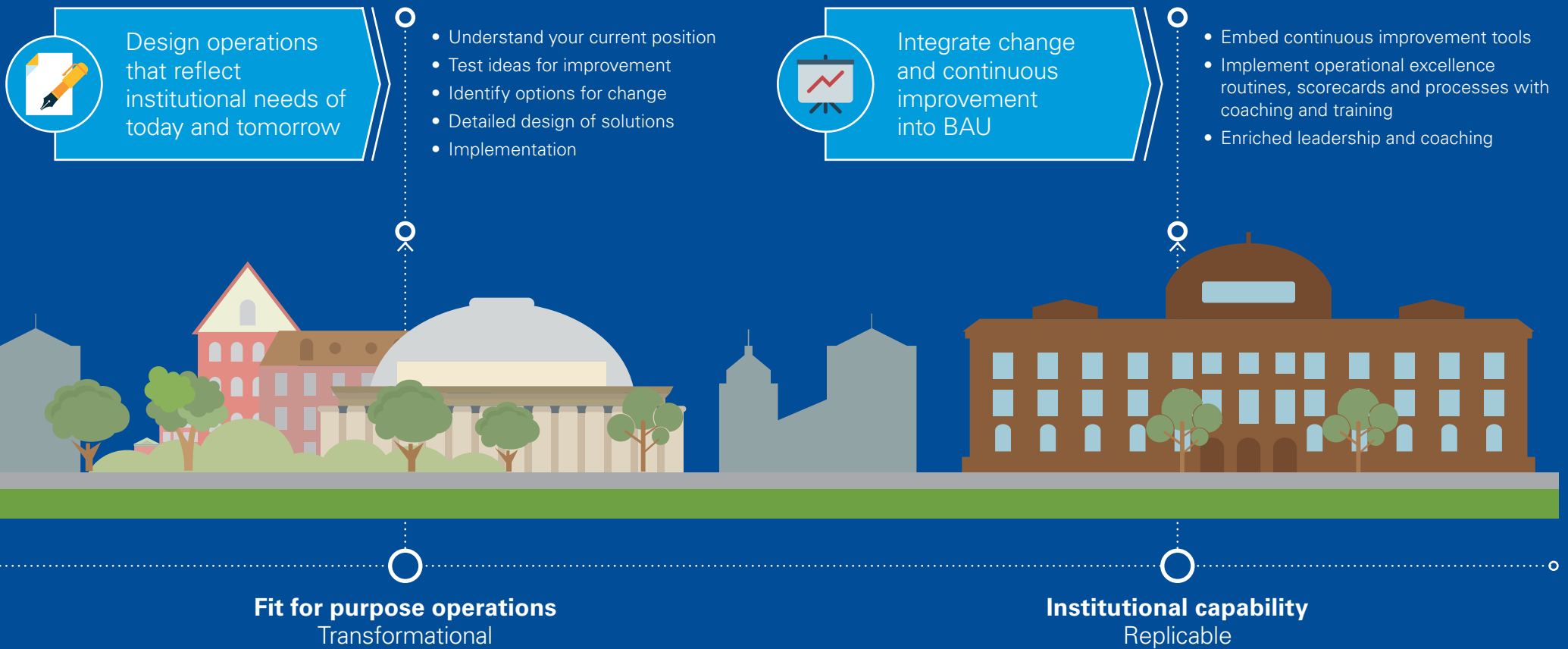


# The pursuit of financial sustainability can start in different places

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.



## Principles for success

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.



## Communications and Engagement

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.





## How does this help?

### An idea of what's possible

For a teaching hospital

£3.0<sub>m</sub>

higher



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

£32.6<sub>m</sub>

achievable



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

£7.2<sub>m</sub>

additional initiatives



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

£5.2<sub>m</sub>

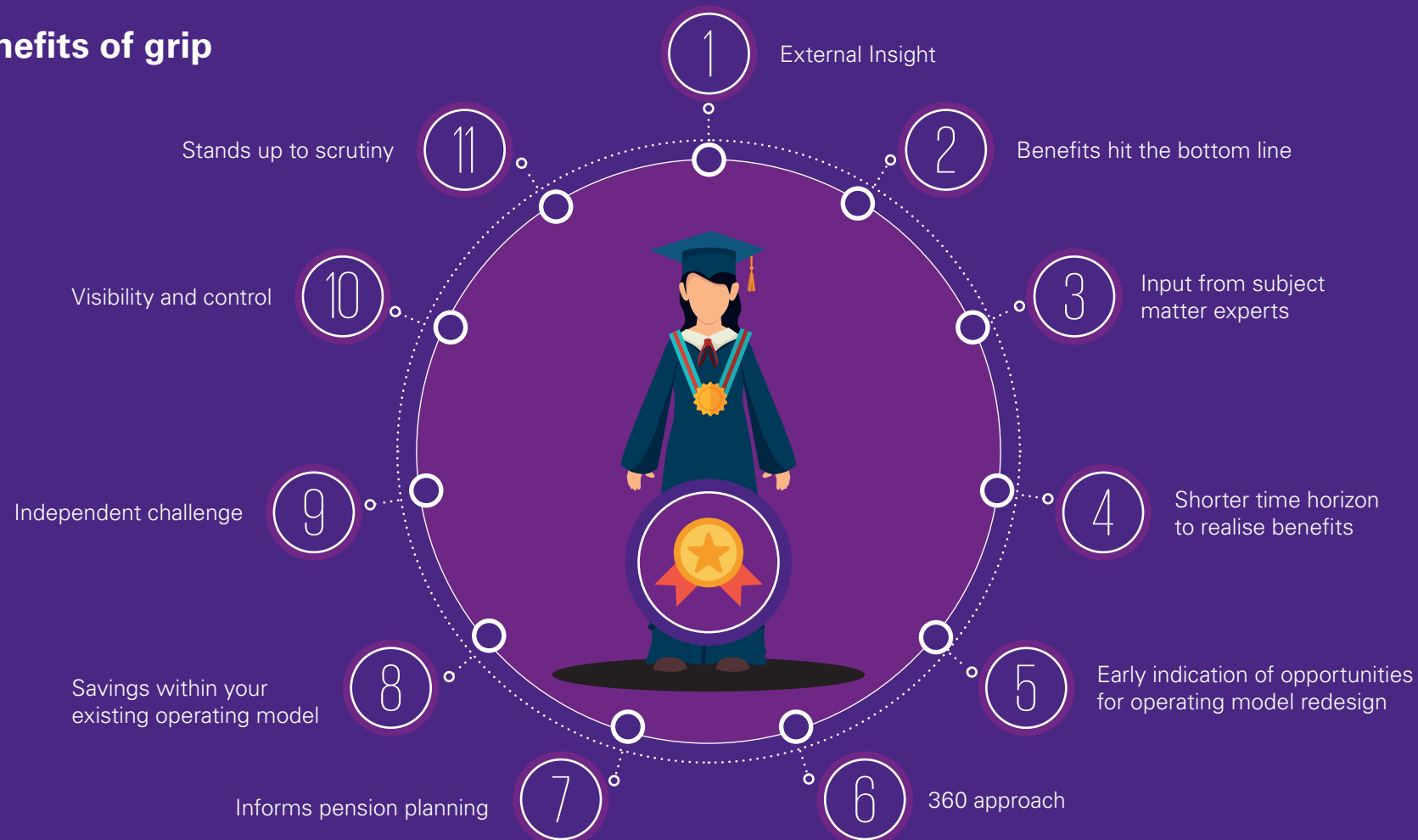
cash preservation



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



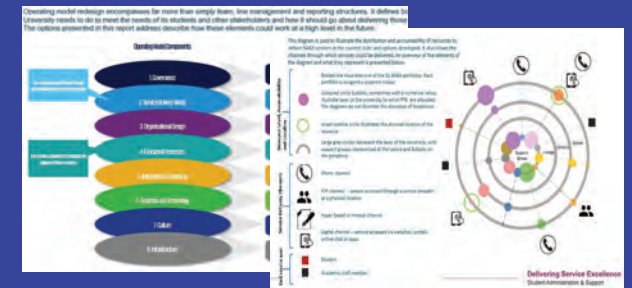
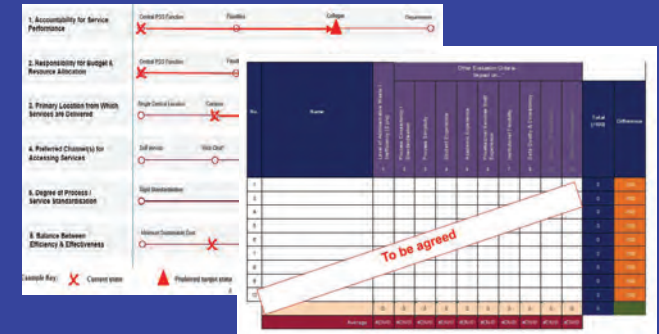
What is the operating  
model that will  
help us achieve our  
strategic vision?

- 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

**£1M savings** through procurement transformation and **£750 p/a savings** from a new IT operating model at a post-92 institution

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**

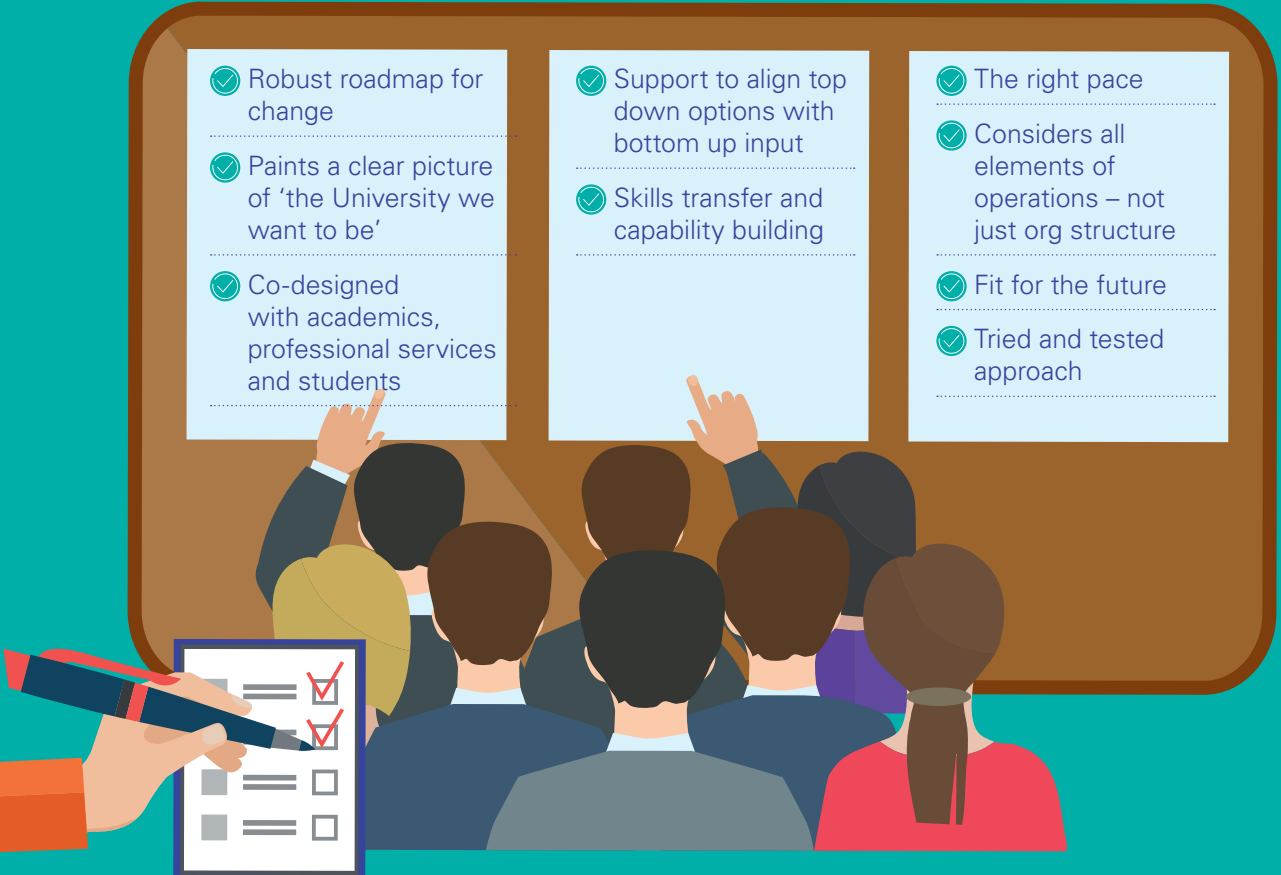
~£6.5m



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

- 
- ✓ Robust roadmap for change
  - ✓ Paints a clear picture of 'the University we want to be'
  - ✓ Co-designed with academics, professional services and students
  - ✓ Support to align top down options with bottom up input
  - ✓ Skills transfer and capability building
  - ✓ The right pace
  - ✓ Considers all elements of operations – not just org structure
  - ✓ Fit for the future
  - ✓ Tried and tested approach



# 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.



# 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.





# Please get in touch

[kpmg.com/uk](https://kpmg.com/uk)



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