New world of risk: Expanding horizons

Perspectives on risk for Higher Education

In association with Ipsos MORI
Methodology

Ipsos MORI interviewed 36 vice-chancellors, principals and board-level directors within the Higher Education (HE) sector. Interviews were conducted on the telephone and fieldwork was conducted between 17 November and 12 December 2014.

Results are based on all respondents unless otherwise stated. Data is unweighted. Where results do not add up to 100 this may be due to multiple responses, computer rounding or exclusion of those with no view.

The base size of 36 is relatively small - caution should be taken when interpreting and extrapolating the results.
The UK Higher Education (HE) sector is highly regarded internationally. Like many sectors it is facing a period of change and challenge; one of the biggest being funding. This has seen most institutions accelerating their efforts to increase funding through expanding their operations well beyond their UK campus gates, developing new partnerships abroad, and broadening their reach to compete in the international student market.

This entrepreneurial outlook brings with it considerable opportunity for the sector, but equally major risks to reputation, which must be carefully managed. Indeed our research shows that there are clear opportunities for institutions that understand and manage such risks appropriately.

Another key challenge is the move away from degree-level courses being taught exclusively at HE institutions, and the risks to the sector as a whole, if standards do not reach the high level associated with UK universities. In addition, while the traditional risks for universities of large numbers of young people away from home for the first time are on-going, HE institutions must face up to the challenge of an increasingly consumist student base that demands ‘value for money’ and views good facilities and resources as essential to their requirements.

The purpose of this report is quite simply to share our insight to the challenges faced by UK HE organisations and to provoke a debate around how the sector can mitigate these risks and continually adapt and thrive.

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The risk landscape is always in flux, and institutions must be ready to adapt quickly and update their risk profiles accordingly. For example, a change in Government in a country of a partner institution could result in key changes with regards to permission for their students to study in the UK being granted or withdrawn.

We look forward to working with the HE sector as it continues to expand in this evolutionary movement towards a more internationalist and entrepreneurial outlook.

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Higher Education risk landscape

When considering growth overseas, the Higher Education sector needs to consider a range of risks. Principal among these are those associated with developments to increase funds from outside the UK, the need to safeguard students, and the challenges from Further Education (FE) organisations and online degree courses potentially eroding their student base.

Opportunities Overseas
British universities are increasingly expanding their activities overseas, either directly or indirectly through partnerships, by research activity or through international study arrangements for staff and students. Establishing successful British degree courses overseas increases a university’s ranking in the international university league tables – with a positive effect on the numbers of future enrolments. A September 2013 Guardian report stressed that overseas students are big business. They contributed over £1bn to the UK economy in 2011-2012 alone and, as a result, the UK government is looking to attract 90,000 more overseas students by 2018, it said.

Degrees from UK universities are respected throughout the world. Capitalising upon this reputation, some universities have established their own campuses overseas while, according to another report in the Guardian, 42% run collaborative programmes with local partners. They generally arrange this in one of two ways:

• Universities may validate the degree course and have a joint say in the course curriculum with the local partner overseeing recruitment, teaching and marketing.

• Alternatively, universities take the franchising route, providing a greater control of teaching and assessment.

Local Partners
Validating courses run by a local partner inevitably means some loss of control over operational aspects so universities need to be confident that their partner is applying the same standards that they would do themselves. For example, the University of Wales’s overseas collaborations ran into problems in 2011 with the Quality Assurance Agency (QAA) over the standard of courses run by its partner institutions and insufficient checks being carried out on those partners.

Reputation
Expanding overseas offers considerable opportunities for revenue and reputation enhancement, provided universities manage the associated risks well. On the downside, any type of overseas operation that hits problems will often have a detrimental impact on both income and reputation.

When considering establishing a campus overseas, it is important to research the location’s political landscape and any impact this might have on the quality of study that the university can provide. For example, some years ago, Warwick University decided not to open a campus in Singapore in 2005 without provision of guarantees of academic freedom.

Students’ expectations should also be researched. University of New South Wales (UNSW) shut down its Singapore campus after operating for only three months, due to insufficient enrolments. When students said they wanted an Australian degree, it meant that they wanted the experience of living in Australia to obtain the degree. This was a costly failure, not only in monetary terms but also in terms of reputation.

Political Change
Universities also need to consider the political volatility of the area concerned. A change in government could result in permits being changed or withdrawn. They should exercise particular care where countries have repressive regimes or conflicts exist, such as the Middle East and Africa.

However, opportunities are opening up for those that understand and manage the risks. In the post-Mao period, the policy environment for Higher Education in China has changed dramatically, culminating in 2003 in the decision to allow foreign universities to formally establish partnerships with Chinese universities for the delivery of Higher Education.

Geographical Considerations
Geographical and climatic conditions should be taken into account. Establishing a campus or partnership in an area prone to natural catastrophes such as earthquakes, typhoons or floods is not a step to be taken lightly. The prevalence of some diseases is also a consideration.

Partnerships
International universities often cooperate on research through individual networking, partnerships or membership of alliances such as the League of European Research Universities (LERU), the International Alliance of Research Universities (IARU), Universitas 21 (U21) and the Worldwide Universities Network (WUN). Such universities need to protect the safety and security of staff and students visiting other countries as part of their research projects.

In addition, the Erasmus programme enables 200,000 students to study and work abroad each year. It also funds cooperation between Higher Education institutions across Europe, facilitating the movement of staff as well as students between universities. More than 10,000 students from the UK attended US universities in 2013-14, an increase of 8% on the previous year, according to the Institute of International Education.

Major Incidents
With so much cross-border activity, it is difficult for universities to control the quality of teaching and student experience so regular checking/monitoring processes are essential. In addition, a system is needed to keep track of staff and students who are out of the country so that the university can pinpoint their location and activities at any time. If a major incident arises in any part of the world, the university will know exactly the extent of its exposure and be able to initiate appropriate responses.

While the safety of staff and students has to be the prime consideration, universities – particularly those with overseas campuses – may have material assets at risk overseas, such as property, motor vehicles, computers and other equipment. Key issues here are:

• Maintaining an inventory of equipment located overseas (including equipment on loan), with records of transfer between faculties or offices, with physical verification of inventory items through identification systems such as tagging or barcodes.

• Implementing and monitoring purchasing, hiring/leasing, maintenance, transporting and disposal procedures, taking into account import/export regulations and possibly procedures for handling ‘dangerous goods’.

Risk Management Assessments
When conducting an overseas risk management assessment, universities should be aware that insurance may not be available for some risks. For example, employer’s liability insurance – compulsory in the UK – is not available elsewhere, often being replaced by national workers’ compensation schemes.
Universities are drastically cutting back on support services, at a time when many students are facing a multitude of pressures. The number of students seeking help for depression has more than doubled at some of the country’s universities that fail in this regard will not only struggle to cope. This is not just a humanitarian issue – universities need to understand the pressures that some students may be facing and help them to cope. The suicide rate among university students appears to be growing. The Guardian reports that, between 2007 and 2011, suicides by male students in full-time Higher Education grew by 38%, while female student suicides almost doubled, citing rising financial and academic pressures, cutbacks to university support services, and students living away from home for the first time as an opportunity to over-indulge on intoxicants with tragic consequences. Some freshers see being away from home for the first time as an opportunity to over-indulge on intoxicants with tragic consequences. Recent examples have included students drowning whilst intoxicated.

There are other pressures that can affect students’ wellbeing. Universities have to review their mission to offer students a safe environment in which to live and study. There is a need for universities to consider the pressures that some of these students may be facing and help them to cope. This is not just a humanitarian issue – universities need to understand the pressures that some students may be facing and help them to cope. The suicide rate among university students appears to be growing. The Guardian reports that, between 2007 and 2011, suicides by male students in full-time Higher Education grew by 38%, while female student suicides almost doubled, citing rising financial and academic pressures, cutbacks to university support services, and students living away from home for the first time as an opportunity to over-indulge on intoxicants with tragic consequences. Recent examples have included students drowning whilst intoxicated.

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Distance learning

There has been a considerable increase in the use of distance learning. Universities can expand their market reach and grow their learner base by enabling students in remote and rural areas to enrol in university online programmes via internet cafe-style community or mobile centres. For example, the University of the Highlands and Islands (UHI) conducts distance-learning with digital networks to link 13 colleges and nearly 100 learning centres from the Outer Hebrides to coastal towns in the Highlands and on the north-east coast to Shetland. Universities embracing this concept need to establish ways of making their remote students feel part of the campus community and offer online counselling in a way that is likely to get remote students to use it. It may also involve, with the requisite permissions from the individuals concerned, facilitating online forums for remote students with particular issues.

The FE Challenge

The traditional demarcation between HE and FE establishments has become blurred in recent years. Increasingly, FE establishments are offering degree courses, often through a partnership with a university. Over 700 colleges and other institutions provide complete courses leading to recognised UK degrees, with over 130,000 students. 300 colleges in England offer HE courses designed and accredited by universities, and three can award their own foundation degrees. Since 1997, the teaching of HE in college settings has been a major element in government policies aimed at securing increased growth, broader participation, greater diversity and more work-focused forms of HE. For example, the Blair government introduced the Foundation Degree, a vocational HE qualification, in 2001.

Student Enrollment Rising

The Quality Assurance Agency (QAA) advises that increasing student enrolment at private colleges risks “tarnishing the reputation” of the HE system, according to an article in The Telegraph. The National Audit Office indicates that half of EU students applying for support over a nine-month period were potentially ineligible for the money, that drop-out rates for full-time students at private colleges were three times higher than mainstream universities and that a fifth of students were not properly registered on courses. Quality assurance is to be tightened further. For universities entering into partnerships with FE colleges, ensuring quality of delivery has to be a crucial consideration in preventing reputational damage. In 2014, the QAA failed almost a third of FE colleges offering HE courses that were reviewed that year.

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Under Pressure

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Frequent Incidents

Other frequently occurring incidents include injury during competitive sports, theft due to leaving doors or windows unlocked and kitchen fires. Two recent kitchen fires, one in Oxford Brookes student accommodation in October 2014, and the other in Canterbury at the beginning of January 2015, were both attributed to cooking being left unattended.

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“"
Wider Higher Education risk landscape

Our research and analysis identified a number of other risks which cover a wide range of issues within the HE sector. These have been highlighted below:

**Staffing**

Universities perceived as working with highly talented researchers, both domestically and internationally, attract large numbers of students, investment and lucrative research opportunities from high profile organisations. Further, there is a ‘snowball’ effect with these universities’ reputations, allowing them to build on their success.

The stakes are high and, with international universities battling for leading researchers and teachers, some British universities may find it hard to compete. The UK economy makes it increasingly difficult to match the resources and incentives offered to the top talent by universities in the US and other countries.

**Research Excellence Framework.** The lure of increasing funds and rankings by the Research Excellence Framework (REF), a research funding competition in which over £1bn is distributed among selected university research programmes is having a negative effect for some teachers who may lose their jobs or be forced into purely teaching roles if they do not ‘make the grade’. In some cases, staff members with established research records have been headhunted from their universities immediately before the REF assessment, giving the poaching institution full credit for their publications without having taken the risk of supporting the researcher.

The Times Higher Education World University Rankings show that the average top 200 university has 19% international students, hires 20% of staff from abroad and has at least one international co-author on 43% of published research papers.

**International students.** The attraction of building up the numbers of international students is clear. International students pay much higher fees than their European Economic Area (EEA) peers, generating 37% of the total university tuition income while making up only 10% of first time degree students, according to the Independent Migration Advisory Committee, who also states that having more international students increases a university’s international ranking. Teaching staff are a major part of a university’s performance ratings, with an impact on the attraction of international students – a case of circular causation.

For example: King’s College London had 5 QS Stars overall and 5 for its high teaching performance ratings, with an impact on the university’s international ranking. Teaching staff are a major part of a university’s international students – a case of circular causation.

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**Staff retention.** The significant contribution of staff with specialised skills means that universities need to consider how they retain key staff and what back-up or contingency plans should be put in place if a key person departs. Without these plans, universities face risking inability to deliver services successfully, loss of income, failure to maintain continuity of teaching and consequent reputation damage. In addition, failure to retain such staff and maintain the quality of courses will affect ongoing research, along with the loss of specialist knowledge. For example, several HIV researchers, including a professor from the University of Amsterdam who had researched HIV for 30 years, were lost when a Malaysian Airlines plane was shot down in Ukraine in July 2014.

**Brand image.** The quality of teachers and courses is a significant element in a university’s brand image and reputation; any damage to teachers’ own reputations will have an impact. Teachers who fall foul of the media or internet ‘trolls’ can have their reputations damaged along with their university.

Universities must be careful how they deal with such situations. For example, Warwick University’s Professor of English and Comparative Literature, Thomas Docherty, was suspended for giving off “negative vibes”. This made headlines globally. An opinion piece from the Council for the Defence of British Universities points out that, in late September 2014, Warwick was ‘University of the Year’ in the Times and Sunday Times Good University Guide. One month later, it was being viewed as a textbook case of autocratic management and censorship.
Entrepreneurial Culture. Students have also embraced the entrepreneurial culture. Many have initiated or helped to build successful companies. Examples include a Teesside University student who spent his third-year industry placement developing an internet software development company37. University of Manchester students who offer micro-funding, and Barking & Dagenham College generating £100,000 a year from a café launched, run and marketed by undergraduates38. Universities embarking on such enterprises need to have not only the physical resources necessary for the new venture but also staff with the skills to develop and manage it. It is important to avoid a culture clash between academia and those involved in the commercial enterprise. Financial resources are also likely to be limited, impeding a university’s ability to market the new services or products. Private sector companies generally spend 10-15% of revenue on sales and marketing, whereas universities sometimes spend as little as 1%. It is important to quantify the value of all possible outcomes. Beware of the ‘optimism bias’, over-estimating benefits and under-estimating costs, that leads many into promising projects without consideration of what is at stake if things go wrong. While a partnership can bring massive benefits to both parties (opening up new markets, enhancing reputations and letting universities show more initiative), it is crucial to evaluate both potential gains and possible losses. Managing expectations on both sides is critical. There is clearly a significant risk to reputation if the new venture is unsuccessful – but much to be gained if it succeeds.

Student Consumerism

A major finding of a 2012-13 survey report by King’s College for QAA on student expectations of HE was that students have a consumerist ethos towards Higher Education. They want `value for money’, and good facilities and resources are central to requirements. There have been a number of criticisms of the quality of student accommodation, for example in London, centring around lack of maintenance and repairs to damages. If accommodation facilities are damaged, students expect universities to provide an acceptable alternative. Similarly, universities that are unable to provide local student accommodation may also face complaints. For example, a record intake at Winchester University in 2014 resulted in 100 students unable to be housed locally and relocated to Southampton and Basingstoke39.

Environmental pressures. Today’s consumerist environment puts pressure on universities to provide better facilities for students and staff, commensurate with the fees that universities charge. Neglecting to do so may lead to allegations of failure to educate and reputation damage. The Competition and Markets Authority (CMA) has published consumer protection law advice for UK. Higher Education in relation to their dealings with undergraduate students39, providing clarity for both parties. The advice includes:
- Giving students the clear, accurate and timely information that they need so they can make an informed decision about what and where to study
- Ensuring that their terms and conditions are fair, for example, so they cannot make surprising changes to the course or costs
- Ensuring that their complaint handling processes are accessible, clear and fair.
The CMA will monitor the sector and commence a review in October 2015 to assess compliance with consumer law.

Online courses

The development of Massive Open Online Courses (MOOCs) is an evolutionary rather than a revolutionary shift in the way that people can study for and obtain a degree. They challenge the traditional way that HE is provided in the UK, offering both a risk and an opportunity to the sector.

Mainly free, MOOCs offer university-level courses without the need to complete an entire programme of studies and can be accessed by thousands of students simultaneously anywhere. They provide video-based interaction, either through peer review and group collaboration or automated feedback through online assessments (including quizzes and exams).

Voluntary education. MOOCs are voluntary and have high drop-out rates, with the completion rate for most courses below 13%, according to a report from the University of Warwick40. Some providers are more successful than others. For example, FutureLearn41, a wholly owned subsidiary of the Open University, is supported by more than 40 UK and international university partners, as well as non-university institutions such as the British Council, the British Library and the British Museum. Courses are interactive: students can ask questions and make comments at any time during video presentations, with facilitators responding, and discussion steps are included. Income is generated by assessments, tuition and selling supplementary material.

MOOCs broaden the scope of HE provision. It remains to be seen whether they have a significant impact on the number of students seeking in-house university education in the UK. According to the Economist42, “University brands built in some cases over centuries have been forced to contemplate the possibility that information technology will rapidly make their existing business model obsolete.”

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Partnerships and supply chains

Most universities undertake a range of collaborative activities, including joint ventures, degree validation and overseas campuses, e-learning, executive education programmes and technology transfer arrangements.

As with non-primary purpose activities, it is essential that universities carefully assess potential outcomes and the likely value of such collaborations, ensuring that contracts are clear on the different parties’ risk management responsibilities and provide for monitoring effectiveness.

Collaborative activities are likely to involve using or licensing the university’s brand on some level so any failure could potentially cause reputational damage.

Major incidents

Major incidents such as fire, flood, storm or epidemic can result in injuries or fatalities, as well as causing significant damage to physical and intellectual assets. Although such disasters are thankfully rare, universities must have effective risk management and contingency plans in place in order to avoid potentially devastating consequences.

A major fire that results in property loss or damage can have particularly serious implications for some universities. For example, it may be impossible to replace any unique buildings that are affected. Research and data records may also be irreplaceable if damaged or destroyed by a major incident affecting records, equipment, server rooms or libraries.

Data Loss. The world’s most destructive university fire at a leading computer science research laboratory at the University of Southampton in 2005 had devastating consequences for the university, as well as it’s partners and collaborators in the UK and around the world whose work was destroyed along with the building.

Some weather conditions can cause particular problems that may affect sensitive electronic equipment. For example, storms can produce power spikes, while heat waves may result in overheating, damaging servers and disk drives, with resulting data loss. Universities with research records and data that cannot be replicated easily, quickly, or at all, should implement preventive measures such as surge protectors or uninterruptible power supply equipment.

Another type of major incident to which universities may be particularly vulnerable is an epidemic. Growth in overseas travel and a significant influx of international students increase the danger that students or staff may have come from affected areas and been exposed to a serious infectious disease. The close proximity of students in, for example, halls of residence, increases the likelihood of any epidemic spreading rapidly.

Data Protection

The Information Commissioner’s Office (ICO) requires organisations to design and organise their security to fit the nature of the personal data they hold and the harm that may result from a security breach. Universities should also be aware of the European Commission’s forthcoming data protection reforms, aimed at providing individuals with more knowledge and control over how their personal data is used.

Data protection and guarding against potential loss are important issues for universities which may have personal or sensitive information on students and data relating to valuable research. It is important for staff to avoid storing such information on their mobile tablets or phones in case of theft and the information getting into the wrong hands. Loss of sensitive data will have a significant detrimental impact on reputation and may result in liability claims if individual staff or students are compromised or commissioned research is leaked. The ICO is empowered to fine organisations up to £500,000 for serious breaches of the Data Protection Act.

This does not mean opportunities for using new technologies, such as digital course delivery, should be avoided but universities should make sure that they are adequately prepared for the potential cyber attacks that may accompany these technologies. This means installing firewalls, virus protection software and ensuring that staff are skilled in how to identify, prevent and respond to such malicious activities. With the expansion of modern digital technology, this awareness needs to extend to use of multiple and mobile devices and networks, for example laptops, tablets, smartphones, USB sticks and cloud computing.

Terrorism/unrest

Universities have a history of allowing speakers with intolerant or biased views to give talks, often to Islamic societies, with little intervention from academics. Radicalisation of students is now a hot topic, with the new Counter-Terrorism and Security Act 2015 saying that universities must ban extremist speakers.

There is a thin line between allowing free speech and facilitating radicalisation – and it is one that all UK universities now have to tread. For those that fail, potential outcomes are reputational damage and even government intervention. The new Counter-Terrorism Act, among other things, requires universities to monitor and report students with ‘extremist opinions’, and gives universities the power to ban speakers with such opinions from attending on-campus events and off-campus events promoted on-campus.

Civil unrest may also be an issue. For example, we have already seen a student protest in 2010 about tuition fees while, on a more general note, the 2014 London riots show how quickly civil unrest can generate and spread, aided by communication on social media to coordinate such events.
Looking ahead over the next five years, universities see funding and student recruitment as key priorities for the Higher Education sector as a whole. Potential political and economic challenges are also areas of focus.

Funding and student recruitment are the primary concerns for HE leaders

Q Looking ahead over the next five years, which two or three types of strategic risks or challenges will be priorities for Higher Education as a whole?

<table>
<thead>
<tr>
<th>All mentions</th>
<th>Base: Higher Education Vice-Chancellors, Principals and other board-level Directors (36)</th>
<th>Source: Ipsos MORI 17th November – 12th December 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding/financial cuts</td>
<td>75%</td>
<td>64%</td>
</tr>
<tr>
<td>Student recruitment/retention (including international)</td>
<td>42%</td>
<td>33%</td>
</tr>
<tr>
<td>Political environment/uncertainty</td>
<td>28%</td>
<td>22%</td>
</tr>
<tr>
<td>Competition</td>
<td>11%</td>
<td>11%</td>
</tr>
<tr>
<td>Policy/regulation changes</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Demographic changes</td>
<td>6%</td>
<td>11%</td>
</tr>
<tr>
<td>Increasing staff costs/ pension contributions</td>
<td>6%</td>
<td>11%</td>
</tr>
<tr>
<td>Other</td>
<td>6%</td>
<td>11%</td>
</tr>
</tbody>
</table>

Funding

Progressive government cuts in funding Higher Education have left all but the most prestigious universities with little option but to explore alternative sources of income.

The Higher Education Funding Council for England (HEFCE) announced its 2014-15 allocation in March 2014, prompting comment that universities have been forced to slash their teaching budgets in order to protect research funds. In the same article, the Guardian said that teaching budgets would be cut by nearly 6%.

As pressure on funds continues, competition for international students and lucrative research contracts has increased. However, both of these require investment in appropriate facilities, equipment and staff.

As described earlier in this report, universities are also expanding into non-core activities, through partnerships and new business opportunities.

Reputation

A prestigious reputation – both domestic and global – is key to the success of universities in attracting top international talent, collaborations, investment and students, as well as obtaining the funding necessary to build upon that success. The Times Higher Education World Reputation Rankings 2014 showed Cambridge and Oxford in fourth and fifth positions, but the number of UK institutions featured in the list has fallen since 2011.

As stated earlier, the reputation of academic staff is crucial. Recognised internationally as being at the forefront of their subjects, staff at top universities should incorporate the latest thinking and discoveries directly into teaching and research. For example, Professors Brian Cox and Michael Wood at Manchester University were awarded the international accolade of Nobel laureates.

Conversely, any damaging allegations, for example that of plagiarism, will affect the reputations of staff and, by association, that of the universities where they teach.
Specific issues

For most of the universities surveyed, budget pressures were the issue of highest importance (75%) while 11% considered these of medium importance. However, although changes in government policy, legislation and regulation were rated as of high importance by a lesser 69%, 31% considered these of medium importance, suggesting that political changes are a less pressing concern for some universities.

Budget pressure is the most important risk for HE, followed by changes to government policy

How important, if at all, are the following areas of risk or uncertainty for your own organisation specifically?*

<table>
<thead>
<tr>
<th>Area</th>
<th>High Importance</th>
<th>Medium Importance</th>
<th>Low Importance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget pressures</td>
<td>75%</td>
<td>25%</td>
<td>0%</td>
</tr>
<tr>
<td>Changes in government policy, legislation and regulation</td>
<td>69%</td>
<td>25%</td>
<td>6%</td>
</tr>
<tr>
<td>Reputation management</td>
<td>56%</td>
<td>31%</td>
<td>11%</td>
</tr>
<tr>
<td>Attracting students in other countries</td>
<td>56%</td>
<td>31%</td>
<td>8%</td>
</tr>
<tr>
<td>Student wellbeing including safeguarding</td>
<td>36%</td>
<td>31%</td>
<td>11%</td>
</tr>
<tr>
<td>Data protection and security</td>
<td>31%</td>
<td>25%</td>
<td>11%</td>
</tr>
<tr>
<td>Workforce</td>
<td>25%</td>
<td>17%</td>
<td>11%</td>
</tr>
<tr>
<td>Failure to educate claims</td>
<td>17%</td>
<td>11%</td>
<td>8%</td>
</tr>
<tr>
<td>Managing research programmes</td>
<td>17%</td>
<td>11%</td>
<td>8%</td>
</tr>
<tr>
<td>Working with other organisations</td>
<td>17%</td>
<td>11%</td>
<td>8%</td>
</tr>
<tr>
<td>Disaster recovery and crisis management</td>
<td>8%</td>
<td>5%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Reputation management and attracting students from other countries ranked equally – 56% considering these high importance issues and 36% of medium importance.

Respondents considered student wellbeing to be important – 36% rating this as high and 36% rating it as medium. Data protection and security also featured as a key issue, with 31% rating this high and 47% medium.

Workforce issues, such as attracting and retaining the right skills, performance and reward package, were considered to be of high importance by 25% of respondents and of medium importance by 67%.

Further down the scale, less emphasis was placed on failure to educate claims. Only half the respondents considered this important (17% high, 33% medium).Managing research programmes was also only seen as of high importance by 17% of respondents although 53% saw this of medium importance – 31% said that it was low importance.

Only 11% of respondents saw working with other organisations, for example supply chains, outsourcing and partnerships, as of high importance although 53% rated this as medium importance. Disaster recovery and crisis management also came lower down the high importance scale with 8% considering this of high importance – but 67% rated this as of medium importance.

Having looked at what universities consider to be the significant risk issues, we asked them to rate their organisation’s ability to deal with each of the risks.* There were three risks with which the majority of respondents felt they were good at dealing with:

1. Student wellbeing (67% good, 33% average)
2. Failure to educate claims (58% good, 39% average and 3% poor)
3. Managing research programmes (53% good, 42% average and 6% poor).

In respect of all the other risks, the majority of respondents rated their performance as average or even poor:

- Disaster recovery and crisis management – 42% good, 53% average, 6% poor
- Reputation management – 39% good, 53% average, 8% poor
- Data protection and security – 33% good, 61% average, 6% poor

3. Managing research programmes (53% good, 42% average and 6% poor).

How would you rate your organisation’s ability to deal with each of these types of risks?

<table>
<thead>
<tr>
<th>Risk Area</th>
<th>High Importance</th>
<th>Medium Importance</th>
<th>Low Importance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student wellbeing including safeguarding</td>
<td>33%</td>
<td>56%</td>
<td>11%</td>
</tr>
<tr>
<td>Failure to educate claims</td>
<td>25%</td>
<td>31%</td>
<td>11%</td>
</tr>
<tr>
<td>Managing research programmes</td>
<td>17%</td>
<td>31%</td>
<td>11%</td>
</tr>
<tr>
<td>Disaster recovery and crisis management</td>
<td>9%</td>
<td>31%</td>
<td>11%</td>
</tr>
<tr>
<td>Reputation management</td>
<td>11%</td>
<td>31%</td>
<td>11%</td>
</tr>
<tr>
<td>Data protection and security</td>
<td>11%</td>
<td>31%</td>
<td>11%</td>
</tr>
<tr>
<td>Working with other organisations</td>
<td>11%</td>
<td>31%</td>
<td>11%</td>
</tr>
<tr>
<td>Budget pressures</td>
<td>31%</td>
<td>31%</td>
<td>11%</td>
</tr>
<tr>
<td>Workforce</td>
<td>31%</td>
<td>31%</td>
<td>11%</td>
</tr>
<tr>
<td>Attracting students in other countries</td>
<td>25%</td>
<td>31%</td>
<td>11%</td>
</tr>
<tr>
<td>Changes in government policy, legislation and regulation</td>
<td>11%</td>
<td>31%</td>
<td>11%</td>
</tr>
</tbody>
</table>

- Working with other organisations – 31% good, 58% average, 11% poor
- Budget pressures – 31% good, 64% average, 3% poor and 3% without sufficient knowledge to comment
- Workforce issues and attracting students in other countries – 25% good, 72% average, 3% poor
- Changes in government policy, legislation and regulation – 14% good, 64% average, 22% poor.

* This question was asked on a scale of 1 to 10 where 1 means not at all important and 10 means very important. High importance refers to those rating 8-10, medium importance to those rating 5-7, and low importance to those rating 1-4.
HE leaders say that their changes to services relate to student needs, diversifying the programmes offered and extending partnerships in the community.

Changes to services focus on student needs, diversifying the programmes on offer and extending partnerships in the community

What are the main changes you are making to your services?

• “We are constantly revising and keeping up to date the content of our teaching programmes. Constantly keeping up with student safeguarding. Doing our very best to obtain and attract the highest quality staff.”
• “Diversifying our product offer, introducing more sectors into the workforce.”
• “Collaborative partnership in local communities. Preparation for employability. Improvement in student experience. More individualised intervention programs for students at risk. Greater links with industry.”
• “Better customer focus services. Better courses and giving students what they expect as customers.”

Changes to HE business and operational processes involve upgrading IT systems, improving working across different departments and streamlining operations.

Changes being made to processes include upgrading IT systems, improving working across different departments and generally streamlining how they work as an institution

What are the main changes you are making to your business and operational processes?

• “Far more investing in software to have flexibility and handling data.”
• “They’re subject to performance review for efficiency. The actual functions from educational and operational are being reviewed.”
• “We have moved a lot of staff from full time to hourly pay contracts to give us more flexibility and cost control. We have invested heavily in the estate and facilities teaching and practicing in performance to retain international competitiveness.”
• “Looking to introduce new structure to disciplines. More streamlined approval processes for new initiatives. Tying to develop new systems of budgeting to take on changes to our sources of funding.”
• “It’s about aligning what is done by the central university to the different departments and having greater cross functional working i.e. between HR, Finance and IT.”
• “More streamlined approval processes for new initiatives. Tying to develop new systems of budgeting to take on changes to our sources of funding.”

Inevitably, changes can bring new or increased risks. Those that respondents most commonly cited were: impact on workforce stress, capability, morale and cooperation (31%); making a financial loss (22%), and staff capacity and willingness to adapt (17%). Failure to educate claims, managing change, the impact on quality of services and student experience, and having the right resources were also mentioned by 14% of respondents. Other risks referred to were:

• A more short-term approach to planning, a disconnect with central government strategy, business continuity, communicating changes or failure to do so and political uncertainty (all 6%).

Meeting the challenges

All the HE institutions surveyed are changing the services they offer and their business and operational processes to meet the challenges they face, 56% to a great extent and 44% to some extent.

All agree that their organisation is changing both the services they offer and their business and operational processes

To what extent, if at all, would you say your organisation is changing…

• the services you offer to meet the challenges you face?
• your business and operational processes to meet the challenges you face?

Base: Higher Education Vice-Chancellors, Principals and other board-level Directors (36)
17th November – 12th December 2014
Source: Ipsos MORI
The impact of these changes on the workforce in terms of stress and capability is the risk which receives the most mentions among HE leaders.

Overall, what do you think are the main risks for your organisation as you deliver these changes?

<table>
<thead>
<tr>
<th>Risk Category</th>
<th>All mentions over 5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact on workforce stress/capability</td>
<td>31%</td>
</tr>
<tr>
<td>Making a financial loss</td>
<td>22%</td>
</tr>
<tr>
<td>Staff capacity/willingness to adapt</td>
<td>17%</td>
</tr>
<tr>
<td>Failure to educate claims</td>
<td>14%</td>
</tr>
<tr>
<td>Managing change</td>
<td>14%</td>
</tr>
<tr>
<td>Impact on quality of services/student experience</td>
<td>14%</td>
</tr>
<tr>
<td>Having right resources</td>
<td>14%</td>
</tr>
<tr>
<td>Insufficient funding/maintaining financial stability</td>
<td>8%</td>
</tr>
<tr>
<td>Reputational damage</td>
<td>8%</td>
</tr>
<tr>
<td>Organisational change risks</td>
<td>8%</td>
</tr>
<tr>
<td>More short-termist approach to planning</td>
<td>6%</td>
</tr>
<tr>
<td>Disconnect with central government strategy</td>
<td>6%</td>
</tr>
<tr>
<td>Business continuity</td>
<td>6%</td>
</tr>
<tr>
<td>Communicating change/failure to do so</td>
<td>6%</td>
</tr>
<tr>
<td>Political uncertainty</td>
<td>6%</td>
</tr>
<tr>
<td>Other</td>
<td>11%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>1%</td>
</tr>
</tbody>
</table>

Base: All Higher Education Vice-Chancellors, Principals and other board-level Directors who are making changes to their services (36). 17th November – 12th December 2014. Source: Ipsos MORI.

Dealing with key risks

How do universities deal with the diverse mix of risks that they face?

The greatest focus seems to be on reputation management, using a range of strategies. The predominant steps in managing risks are greater visibility of risk and response plans at board/senior level, improving or reviewing risk management information systems such as risk registers, and, to a lesser extent, allocating more internal resources to risk assessment and management and looking to other service providers to take on more of the risk.

Greater visibility of risk and response plans at board/senior level and improving or reviewing risk management information systems were the strategies that were most popular when dealing with other risks as well.

Reviewing risk management systems and improving the visibility at board level are the most common responses

You said earlier that one of the risks your organisation was facing is [X] Reputation management/Managing research programmes/Attracting students in other countries/Student wellbeing including safeguarding. Which, if any, of the following steps are you taking to manage the risks associated with this?

- Allocating more internal resource to risk assessment and management
- Greater visibility at board level of risk response and recovery plans
- Improving or reviewing risk management information systems e.g. risk registers
- Use of external risk advisors or insurers
- Looking to other service providers to take on more of the risk
- Don’t know / Not applicable

Number of responses (N)

<table>
<thead>
<tr>
<th>Risk Category</th>
<th>Number of responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reputation management</td>
<td>5</td>
</tr>
<tr>
<td>Managing research programmes</td>
<td>6</td>
</tr>
<tr>
<td>Attracting students in other countries</td>
<td>4</td>
</tr>
<tr>
<td>Student wellbeing including safeguarding</td>
<td>1</td>
</tr>
</tbody>
</table>

Base: All who were asked each statement: Reputation management (7); Managing research programmes (3); Attracting students in other countries (3); Student wellbeing (5). Source: Ipsos MORI.

Most HE organisations believe that they are managing their reputation more effectively now than previously (61% strongly agreeing and 36% tending to agree with this statement). 94% also agree (61% strongly) that they are building resilience through effective risk management, while 83% believe (half of these strongly) that they are developing new ways of generating income through commercial activities.

Most universities also believe (69% strongly and 22% tending to agree) that attracting students from overseas is vital for their future success. However, the remaining 9% were equally divided between those who had no view, those who tended to disagree and those who strongly disagreed.

The suggestion that respondents’ organisations are providing more digital services such as e-learning and online degrees met with a mixed response. Only 28% strongly agreed with this while 44% tended to agree. 19% had no view and 8% tended to disagree.
HE contacts feel they are managing reputation better than they did a few years ago, with attracting students from overseas being seen as an important part of their organisation’s future success.

To what extent do you agree or disagree with the following statements about your organisation?

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly agree</th>
<th>Tend to agree</th>
<th>Neither/nor</th>
<th>Tend to disagree</th>
<th>Strongly disagree</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attracting students from overseas is vital for my organisation to succeed</td>
<td>61%</td>
<td>36%</td>
<td>3%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>My organisation is managing its reputation in more effective ways than we did a few years ago</td>
<td>61%</td>
<td>33%</td>
<td>17%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>My organisation is building resilience through effective risk management</td>
<td>42%</td>
<td>42%</td>
<td>17%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>My organisation is providing more digital services, such as e-learning and online degrees</td>
<td>28%</td>
<td>44%</td>
<td>19%</td>
<td>8%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Base: Higher Education Vice-Chancellors, Principals and other board-level Directors (36) 17th November – 12th December 2014 Source: Ipsos MORI*

Measuring views on radicalisation and extremism

Only 3% of respondents considered that radicalisation and extremism were a fairly big problem in their organisations. Half considered that they were not a very big problem and 44% said that they were not a problem at all.

Views changed slightly when respondents were asked to consider if radicalisation and extremism were problems in the wider community where they were located, with 19% believing these were a fairly big problem. However, 47% did not see them as a very big problem and 25% did not see them as a problem at all.

HE leaders see radicalisation and extremism as more of an issue in their wider community than in their own organisations

How much of a problem, if at all, do you think radicalisation and extremism are...

<table>
<thead>
<tr>
<th>Problem</th>
<th>In your organisation</th>
<th>In the wider community in your area</th>
</tr>
</thead>
<tbody>
<tr>
<td>A very big problem</td>
<td>3%</td>
<td>8%</td>
</tr>
<tr>
<td>A fairly big problem</td>
<td>44%</td>
<td>25%</td>
</tr>
<tr>
<td>Not a very big problem</td>
<td>36%</td>
<td>3%</td>
</tr>
<tr>
<td>Not a problem at all</td>
<td>19%</td>
<td>13%</td>
</tr>
<tr>
<td>Not applicable</td>
<td>50%</td>
<td>8%</td>
</tr>
</tbody>
</table>

*Base: Higher Education Vice-Chancellors, Principals and other board-level Directors (36) 17th November – 12th December 2014 Source: Ipsos MORI*

Some HE organisations have introduced various protocols and strategies to tackle radicalisation and extremism, mentioning links with government security services and appropriate training and counselling.

HE institutions tend to have a suite of protocols in place for dealing with potential issues surrounding radicalisation and extremism

What measures, if any, do you have in place to tackle radicalisation and extremism within your organisation?

“We have protocols with dedicated staff working with students and staff to engage with these issues.”

“We monitor the groups that have the potential to move towards extremist positions, where possible, and then take action when we identify the issues. For example, when the Islamic Society invite a speaker who has particular polarised views, then we will take steps to intervene as this is against their mandate and what the society is supposed to stand for.”

“We’re closely involved in the Nation Prevent Strategy. We have very clear institutional guidelines of who we allow to speak and in what conditions.”

“We have external communication with the local police and security services for the government’s prevent program. We run workshops for that. We engage with the student body to ensure that we review, engage and understand the various elements and groups that the student body are dealing with. We offer counselling for students that may have issues, for them to discuss this confidentially.”

Financial stability

An alarming proportion of respondents were concerned about the financial stability of their organisations, 6% being very concerned and 50% being fairly concerned.

Just over half are concerned about their organisation’s financial stability

How concerned, if at all, are you about the financial stability of your organisation?

*Base: Higher Education Vice-Chancellors, Principals and other board-level Directors (36) 17th November – 12th December 2014 Source: Ipsos MORI*
Risk-related incidents

We asked respondents about any critical incidents they had suffered in the last three years. Over one third (36%) reported incidents relating to students. While 22% mentioned significant systems failure, 8% also referred to significant data security breaches. 14% had experienced critical incidents involving members of staff.

‘Traditional’ perils had also affected some organisations: 8% reported major flood incidents, and 6% had major fires.

Incidents with students are the most common critical incidents

Has your organisation suffered any of these critical incidents in the last three years? Please mention all that apply.

<table>
<thead>
<tr>
<th>Incident with students</th>
<th>36%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significant systems failure</td>
<td>22%</td>
</tr>
<tr>
<td>Incident with member(s) of staff</td>
<td>14%</td>
</tr>
<tr>
<td>Significant data security breach</td>
<td>8%</td>
</tr>
<tr>
<td>Major flood</td>
<td>6%</td>
</tr>
<tr>
<td>Major fire</td>
<td>6%</td>
</tr>
<tr>
<td>Other</td>
<td>6%</td>
</tr>
<tr>
<td>None of these</td>
<td>42%</td>
</tr>
</tbody>
</table>

Data protection

Most HE organisations are confident about their ability to protect sensitive data, 28% being very confident and 64% fairly confident. However, 8% are not confident.

Nine in ten are confident in their organisation’s ability to protect sensitive data

And how confident, if at all, are you that your organisation has the capability to protect sensitive data?

<table>
<thead>
<tr>
<th>Confidence level</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Very confident</td>
<td>28%</td>
</tr>
<tr>
<td>Fairly confident</td>
<td>8%</td>
</tr>
<tr>
<td>Not very confident</td>
<td>6%</td>
</tr>
<tr>
<td>Not at all confident</td>
<td>6%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>64%</td>
</tr>
</tbody>
</table>

Confidence in risk management systems

Are HE organisations confident that their risk management processes can fully address the risks they face? The answer is overwhelmingly positive, with 31% being very confident and 64% fairly confident. Only 3% were not very confident and a further 3% not at all confident.

Almost all are confident about addressing the risks they face, although only one in three are very confident

Overall, how confident, if at all, are you that your organisation’s risk management processes are able to fully address the risks which face your organisation?

<table>
<thead>
<tr>
<th>Confidence level</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Very confident</td>
<td>31%</td>
</tr>
<tr>
<td>Fairly confident</td>
<td>64%</td>
</tr>
<tr>
<td>Not very confident</td>
<td>3%</td>
</tr>
<tr>
<td>Not at all confident</td>
<td>3%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>0%</td>
</tr>
</tbody>
</table>

Just two respondents lacked confidence in their organisations’ ability to fully address the risks they face

Why do you say you are not very/not at all confident that your organisation’s risk management processes are able to fully address the risks which face your organisation?

“Because this is diverse and rapidly changing so it is difficult to spot all the risks. Also, I think Universities are highly decentralised and having central oversight of risk is difficult.”

“...we haven’t got the processes in place...”
Higher Education Risk Ranking

Zurich Municipal view – Higher Education risk ranking

Risk Ranking Methodology
Harnessing experience working with Higher Education organisations, Zurich Municipal market and technical experts reviewed the risks (insurable and non-insurable) for the sector. The risks were assessed by impact and likelihood and the end result represents our best assessment of the risks and challenges facing the sector. A best practice total risk profiling (TRP) methodology led to an evidence-based prioritisation. The risk ranking is not meant to reflect the specific profile of any one organisation.

<table>
<thead>
<tr>
<th>Risk</th>
<th>Description</th>
<th>Rank</th>
<th>Trend Indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Reputation</td>
<td>B2</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Data protection</td>
<td>B2</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Funding</td>
<td>B2</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Overseas risks</td>
<td>B3</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Student consumerism</td>
<td>B3</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Student wellbeing</td>
<td>B3</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Staffing</td>
<td>C2</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Major losses</td>
<td>C2</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Non-primary purpose</td>
<td>C3</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Online courses/MODCs</td>
<td>C3</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>FE moving into HE space</td>
<td>C3</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Terrorism/Unrest</td>
<td>D1</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Partnerships</td>
<td>D3</td>
<td></td>
</tr>
</tbody>
</table>


Ranking based on likelihood

Indicator

**Zurich Municipal’s view of top Higher Education risks**

1. **Reputation**
   - Global reputation is vital in attracting top international talent, collaborations and investment
   - Global university league tables are an important medium for gaining or losing reputation. The number of UK institutions that are featured in The Times Higher Education World Reputation Rankings has fallen since 2011
   - Academic staff at top universities need to incorporate the latest thinking and discoveries directly into teaching and research to continue to maintain international recognition
   - Any adverse publicity regarding issues such as plagiarism may affect the reputation of academics and their universities

2. **Data protection**
   - Data protection, security and privacy protocols need to be implemented and maintained, especially for personal and sensitive data on staff and students, as well as research data
   - Loss of sensitive data will result in damage to reputation and income, as well as possible liability claims if individuals are compromised or commissioned research is leaked
   - The Data Protection Act empowers the Information Commissioner’s office (ICO) to fine organisations up to £500,000 for serious data breaches
   - Increasing online activity creates more vulnerability

3. **Funding**
   - Further Higher Education Funding Council for England (HEFCE) funding cuts are forcing universities to seek alternative income streams
   - Due to lower available income, universities are competing for international students and research commissions
   - To make ends meet, universities need to find new business opportunities and suitable partnerships

4. **Overseas risks**
   - 42% of universities run collaborative overseas programmes with local partners. Those universities that validate degree courses run by local partners tend to lose some operational control, possibly resulting in loss of standards. Franchising may be a better option
   - Any type of overseas operation that goes wrong will have a negative impact on both income and reputation
   - It is important to maintain a good reputation overseas, which is reflected in international university league tables and attracts international students, thereby increasing enrolments
   - When considering establishing overseas campuses, it would be expedient to research political issues in those countries. Academic freedom may not be guaranteed and changes in government may result in permissions being withdrawn. Particular care should be taken in countries with repressive regimes
   - Student expectation should also be researched to ensure sufficient enrolments
   - Care should be taken when considering expansion into countries prone to natural catastrophes and disease
   - Through international cooperation between universities, it is important to keep track of and ensure safety and security of staff and students visiting other countries for research, study or work purposes. If a major incident arises in any part of the world, a university should know exactly the extent of its exposure and be able to initiate appropriate responses
   - Another aspect of so much cross-border activity is the difficulty of controlling the quality of teaching and student experience so regular checking/monitoring processes are essential
   - For overseas assets, e.g. property, motor vehicles, computers and other equipment, procedures for purchasing, hiring/leasing, maintenance, transportation and disposal need to be in place and carefully monitored
   - As part of the risk management assessment, it is crucial to check that suitable insurance is available in selected countries. For example, employers’ liability is not available outside the UK
<table>
<thead>
<tr>
<th>Risk</th>
<th>Description</th>
<th>Examples of challenges</th>
<th>Trend Indicator</th>
</tr>
</thead>
</table>
| 5      | Staffing                                              | • Students have a consumerist ethos towards Higher Education, wanting ‘value for money’, as well as good facilities and resources  
• Criticisms of the quality of student accommodation, regarding lack of maintenance and repairs to damages  
• There is pressure on universities to provide better facilities for students as well as staff. It is also important to ensure sufficient facilities are available to house students. For example, a university was recently unable to house 100 students locally, and had to house them in other nearby towns, resulting in this university being viewed as greedy and irresponsible  
• Reputation damage, as well as claims of failure to educate, can occur if students lack facilities not matched to fees.                                                                                                                                                                                                                     | ![Icon]         |
| 6      | Student wellbeing                                     | • Likely causes for an increasing rate of student suicides include rising financial and academic pressures on students, cutbacks to university support services, students living away from home with no support networks, increasing pressure to perform, and debt problems  
• Extremism, radicalisation, and racism are also detrimental to student wellbeing. The new counter-terrorism bill states that universities must stop allowing extremist speakers to give talks  
• Being away from home for the first time, freshers are often involved in accidents, even fatalities, through kitchen fires, theft due to leaving doors or windows unlocked, sports, and intoxicant abuse  
• Distance learning is becoming increasingly popular. Students in remote and rural areas are enabled to enrol in university online programmes via internet cafe-style community or mobile centres. Such students need to be offered online counselling, forums or other methods to ensure they feel part of the campus community.                                                                                                    | ![Icon]         |
| 7      | Major losses                                           | • Natural catastrophes or other incidents, such as power failures or surges, overheating, or sabotage, can cause loss of research, equipment, server rooms, libraries, buildings, some of which may be irreplaceable. To avoid this, preventive measures should be taken, including the use of surge protectors, uninterruptible power supplies and proper care procedures for assets  
• Losses of this nature will impact both income and reputation  
• Universities could be disproportionately affected by epidemics, especially given the possibility of students or staff having come from affected areas and exposed to diseases, as well as the close proximity of students in, for example, halls of residence.                                                                                     | ![Icon]         |
| 8      | Non-primary purpose activities                         | • Due to reduced funding, universities are having to find alternative income streams and adopt more of an entrepreneurial culture  
• Some alternative income generating activities include issuing bonds, opening overseas campuses, philanthropy (donations and research grants), sharing sports and leisure facilities, selling and licensing intellectual property, collaborations with businesses, and other alternative commercial opportunities, such as opening hotel schools and providing accommodation  
• Students are also pursuing their entrepreneurial interests, developing companies, providing funding and opening cafes  
• These universities need to have the resources and staff with the relevant skills, whilst avoiding clashes between academia and commercial enterprises  
• This is unknown territory for universities. The management of schemes needs to be handled effectively – the lack of proper strategies and long term business plans results in failure  
• Universities often cannot match the speed of private companies on sales and marketing and find it difficult to compete  
• There is a risk of reputation damage if ventures fail but positive outcomes can be of more benefit than merely financial.                                                                                                                                                                                                                   | ![Icon]         |
| 9      | Online courses (MOOCs)                                | • Massive Open Online Courses (MOOCs) challenge the traditional way that HE is provided, offering low cost (mostly free) university-level video-based courses that can be taken by thousands simultaneously anywhere, without the need for a complete degree programme  
• High drop-out rates (up to 90%)  
• Income can be gained through assessments, tuition and selling of supplementary material  
• Universities should consider providing MOOCs and other IT-led instruction methods as part of their offering to avoid their business models becoming obsolete.                                                                                                                                                                      | ![Icon]         |
### Zurich Municipal’s view of top Higher Education risks

<table>
<thead>
<tr>
<th>Risk</th>
<th>Description</th>
<th>Examples of challenges</th>
<th>Trend Indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>FE moving into HE space</td>
<td>• Higher Education (HE) courses have been provided by Further Education (FE) organisations since the 1990s. Over 700 FE institutions provide complete courses leading to recognised UK degrees, with over 130,000 students. 100 colleges in England offer HE courses designed and accredited by universities. Three can award their own foundation degrees. • Since 1997, the teaching of Higher Education in college settings has been a major element in government policies aimed at improving Higher Education. The Blair Government created the Foundation Degree in 2001. • The increase in student enrolment at private colleges not only creates competition for HE institutes, but also risks “tarnishing the reputation” of the HE system, according to the Quality Assurance Agency (QAA). The National Audit Office indicates that half of EU students applying for support over a nine-month period were potentially ineligible for the money, that drop-out rates for full-time students at private colleges were three times higher than mainstream universities and that a fifth of students were not properly registered on courses. Quality assurance needs to be tightened further. • To avoid reputational damage, universities need to ensure quality of delivery when entering into any partnerships with FE colleges. In 2014, the QAA failed almost a third of FE colleges providing HE courses that were reviewed that year.</td>
<td>⬆</td>
</tr>
<tr>
<td>12</td>
<td>Terrorism/unrest</td>
<td>• Radicalisation of students has gained prominence in the media. • New anti-terrorism laws mandate that universities must ensure extremists are not allowed to influence students on campus, whereas universities have previously allowed speakers with “intolerant views” to give talks on their premises. • A student protest in 2010 about tuition fees was much publicised in the media. • Civil unrest can be quickly generated and spread, as social media are used to coordinate events, such as in the London riots in 2014.</td>
<td>➡</td>
</tr>
<tr>
<td>13</td>
<td>Partnerships – supply chain</td>
<td>• Most universities undertake a range of collaborative activities, including joint ventures, degree validation and overseas campuses, e-learning, executive education programmes and technology transfer arrangements. All these activities are likely to involve using or licensing the university’s brand on some level. • These universities need to ensure good contract management procedures and sound business practices are followed. • Failures in any collaboration may cause reputational damage.</td>
<td>➡</td>
</tr>
</tbody>
</table>

## Meeting the challenges

Reports such as this can often take on a negative feel as risks are highlighted with not even a glimmer of a solution in sight. The good news is that there are some excellent examples of risk best practice within the higher education sector.

We’ve set out below four challenges to higher education management teams that will assist them in facing up to this dynamic risk landscape. At Zurich Municipal we have one simple goal which is to improve and support the resilience within the sector.

1. **Maintain a medium-term risk focus**
   The funding challenge is set to dominate the risk landscape over the next three years. This will drive much of the activity that we will see within higher education. The outcome from the 2015 election will also act as a catalyst around the risk agenda.
   - A number of real risk concerns exist. Short-term activity (reducing costs and controls) increases long-term risk exposure. As pressure becomes more acute risk thinking can also become alarmingly short-term.
   - The first challenge for any management team is to maintain governance procedures and be disciplined around developing a medium-term risk view; are you being truly challenging as a group as to the level of assurance and confidence that you have around this risk view?

2. **It’s not just about the technology – managing the people is key to facing the cyber threat**
   One of the largest and increasing risk challenges is around cyber, data and the emerging technology landscape. The biggest error organisations can make in addressing this risk is to think that all the solutions are technology based and it is the domain of the IT manager.
   - This risk is even more acute given the nature of both personal and research data held.
   - The biggest cause of problems and vulnerability is down to human behaviour. There is a need for HE management teams to challenge risk programmes in this area, and ensure it addresses:
     • Cultural change in behaviour
     • Creating a transparent environment where issues and near misses can be understood and learnt from.

3. **Develop financial risk acumen**
   When the words ‘risk skills’ are mentioned people often think of traditional areas such as health and safety. In many commercial organisations the risk specialist is now more likely to be an accountant. There are two certainties over the next few years:
   - Finances will be tighter
   - Organisations will increasingly suffer “financial shocks”. Managers should ask one simple question – are we doing enough to understand the potential financial risk scenarios and their impact on our organisation?
   - An increasingly used tool in the risk management armoury is to run financial scenarios through organisation accounts. Stress testing takes many forms – but to be forewarned is often the first step in being prepared.

4. **Managing the talent risk**
   One of the biggest assets of the HE sector is the people it employs. The recruitment and retention of key talent is perhaps one of the biggest challenges across all education sectors in the current climate. Increasing pressure on key individuals brings this risk into sharp focus.
   - Choosing to ignore this risk is not an option. There are many positive methods to help manage this risk. These include:
     • Succession planning to reduce key person dependency
     • Long term programmes to enable real development of core talent
     • Coordinated communication to ensure individuals feel part of the organisation
     • Assessing flight risk of staff
     • Personal development plans to ensure motivation beyond just financial remuneration.
   - By considering the steps outlined above, HE providers can make positive and effective changes to their risk management strategies in line with today’s connected risk landscape and protect their reputation.
How can we help you?

If you have any questions or if you would like to talk to one of our team please contact us at info@zurichmunicipal.com.
You can also read interesting newsworthy articles around key topics within the Higher Education sector at newsandviews.zurich.co.uk.
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