

FURTHER AND HIGHER EDUCATION FINANCE NEWSLETTER

ISSUE NUMBER SEVEN

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Introduction

Welcome to the seventh newsletter for directors of finance and CIPFA members working in the further and higher education sectors. This newsletter gives detail of work that CIPFA is currently undertaking in the further and higher education sector including a list of new publications.

It also provides details of reports issued by the NAO relevant to the further and higher education sector of interest to practitioners. Readers can also find out how they can access the results of CIPFA's survey of finance systems in further and higher education.

CIPFA's Further and Higher Education Panel – Update

Since publishing its sixth newsletter in December last year, the Further and Higher Education Panel has met three times and membership has changed slightly. At the April meeting we were very pleased to welcome Nigel Oswell, Head of Finance at the Welsh Funding Councils to the Panel. The Panel now has the following members

John Sandbach (Chairman) *University of Liverpool*

Eric Morgan (Vice-Chairman) *Nottingham Trent University*

Kerry Ace *CIPFA*

Richard *Further Education*

Allanach *Funding Council*

David Atkinson *Further Education Development Agency*

John Brown *Newham College of Further Education*

Simon Clark *North Derbyshire Tertiary College*

Andrew Clark *Higher Education Funding Council for England*

Colin Hubbard *Bolton Institute of Higher Education*

Peter Marples *KPMG*

Graham Marsden *PricewaterhouseCoopers*

Liam McCabe *The Scottish Funding Council for Further and Higher Education*

Nigel Oswell *Welsh Funding Councils*

Bryan Pearce *London School of Economics and Political Science*

Chris Saint *Bournville College*

Roger Sales *Kent Institute of Art & Design*

Darren Taylor *Bentley Jennison*

Sarah Tilley *Quality Assurance Agency*

Graham Try *Richmond upon Thames College*

Alison Winkley *National Audit Office*

SORP Update

The new SORP has taken longer to produce than anticipated but is now expected to be available as an Exposure Draft shortly. After a consultation period of six to eight weeks, the draft and responses will be considered by the CVCP Steering Group chaired by Prof John Bull of the University of Plymouth. Publication of the SORP will be some weeks after that.

New Reporting Standards

Although the new SORP will not be available in time for preparation of the 1998/99 accounts, there are a number of new financial reporting standards that will still need to be applied for this year-end. They are summarised below:

- **FRS 11 – impairment of fixed assets and goodwill.** FRS 11 sets out the principles of accounting for impairments of fixed assets and goodwill. It excludes investment properties and derivatives and other financial instruments, but does include investments in subsidiary undertakings, associates and joint ventures. In particular, it summarises the indicators of impairment that institutions will need to consider for their accounts.
- **FRS 12 – provisions, contingent liabilities and contingent assets.** FRS 12 substantially changes the criteria for establishing

provisions. It will impact on most institutions that have, for example, long term maintenance provisions. Prior year adjustments will be required for material changes. This standard was implemented in further education last year.

- **FRS 13 – derivatives and other financial instruments: disclosures.** FRS 13 will only apply to a small number of institutions who have one or more of their capital instruments listed or publicly traded on a stock exchange or market. Those institutions will be required to disclose in their financial statements certain information on their financial instruments. The objective of these disclosures is to provide information about the impact of financial instruments on the organisation's risk profile, how the risks arising from financial instruments might affect the organisation's performance and financial condition, and how these risks are being managed.
- **FRS 15 – tangible fixed assets.** FRS 15 sets out the principles of accounting for all tangible fixed assets except investment properties. It does this under three headings:
 - measurement
 - valuation
 - depreciation.

A theme throughout this standard is the need for consistency within institutions and for disclosure where there

are options concerning accounting policy. While encompassing much previous practice, the FRS standardises practice and there will be implications for many education institutions.

This FRS will be applicable for periods ending on or after 23 March 2000, but it would be good practice to apply it at an earlier stage. Even if not applied for 1998/99, higher education institutions may find it beneficial to consider the budget implications of this standard for the 1999/2000 financial year. Compliance with FRS 15 is obligatory for the further education sector in England for 1998/99.

Recent CIPFA Publications

CIPFA's Further and Higher Education Panel has recently published the following title.

'An Introductory Guide to Risk Management in Further and Higher Education'

This guide considers in detail the areas where further and higher education institutions are most at risk. It advises on the issues that institutions need to address to ensure that the risks to which they are exposed are minimised. In particular this practical guide describes how to implement an efficient and effective risk management policy.

The guide includes detailed chapters on:

- the aims of risk management
- addressing risk management
- the process of risk management
- risks in further and higher education
- insurable risks
- appendices, including an example of a risk management policy statement and a risk management matrix.

To order the above guide or to receive a full publications brochure, please contact Publications, CIPFA, Freepost SW2959, 3 Robert Street, London WC2N 6BR. Tel 0171 543 5600, Fax 0171 543 5607.

CIPFA Courses

Risk Management in Further and Higher Education

London, 7 July 1999

Thirty four delegates attended CIPFA's seminar chaired by Robert Sales from Kent Institute of Arts & Design which followed the launch of the Further and Higher Education Panel's publication 'An Introductory Guide to Risk Management in Further and Higher Education'. In the first session John Sandbach, from the University of Liverpool and Chairman of CIPFA's Further and Higher Education Panel, defined risk management and described its aims and objectives in the further and higher education sectors. He emphasised that management commitment was essential for developing a positive attitude towards the control of risk amongst

staff to ensure that risk is managed effectively.

Following on from this, Peter Marples and Michael McDonagh from KPMG described how institutions might address the challenges associated with risk management. Peter noted that institutions operate in a dynamic environment and although many risks, such as those relating to treasury management, will already have sound control systems, other risks may have no controls at all associated with them. He therefore stressed that a risk management exercise should not be a 'one off' but rather it should be embedded in the institution's culture. An effective risk management policy would ensure that institutions are able to maximise their ability to exploit new opportunities.

The third session gave Paul Greaves from HEFCE the opportunity to update delegates on the risk management work the Council is undertaking in the sector. He reported that risk management tools were currently being developed to assist institutions implement a risk management policy and the intention was to build on CIPFA's guide. At the 'Open Forum' prior to lunch, delegates were able to question the morning's speakers. A number of interesting points were raised. In particular, who has overall responsibility for risk – the 'board' or management? It was agreed that although the board or governing body was formally

responsible, in practice it would be the management team who would report back to the board.

In the afternoon, Bill Walker from Zurich Municipal described how institutions should plan effectively to minimise the risks associated with potential disasters. The final part of the afternoon was devoted to discussion groups which enabled delegates to identify the key risks in their own institutions, to share experiences and to learn from each other.

Survey of Finance Systems

As you may recall, earlier this year CIPFA circulated a questionnaire, developed by its Further and Higher Education Panel, to request some basic information on the finance systems currently in use in further and higher education institutions, together with information on feeder/related systems.

The questionnaire provoked considerable interest and the Panel has been very pleased with the positive response. In total 189 questionnaires were returned, of which 65 are from the higher education sector and 124 from further education institutions.

The results of the survey are now featured on CIPFA's Policy and Technical website and can be found on the consultation page. CIPFA's website address is www.cipfa.org.uk. It is the Panel's intention to maintain this

information as a service to the sectors. Institutions are therefore invited to notify CIPFA when they update their systems. Details should be sent to Kerry Ace. Her e-mail address is: kerry.ace@cipfa.org. If your institution is not included, but you would like it to be, please contact Kerry for a copy of the questionnaire.

White Paper – Learning to Succeed

CIPFA will be responding to the above white paper issued recently by the DfEE. The document sets out proposals for:

- a national Learning and Skills Council to provide coherence and reduce bureaucracy, with 40-50 local Learning and Skills Councils to develop local plans
- a strengthened strategic role for business in education and training influencing a £5bn budget, compared to the current £1 billion spent by Training and Enterprise Councils
- employers to have the largest single input into the Learning and Skills Councils
- a radical new youth programme, Connexions, including a new youth support service modernising the Careers Service and improving links with the Youth Service, with dedicated personal advisers for young people
- greater co-operation between sixth forms and colleges, whilst preserving real-terms funding for popular sixth forms
- establishing an independent, effective inspectorate covering all work-related learning and training, and a new role for Ofsted in taking responsibility for inspection of provision for 16-19 year olds in schools and colleges with both inspectorates working together on the inspection of colleges for this age group
- transferring responsibility for work-based learning for

unemployed adults to the employment service to provide the same seamless approach developed in the New Deal for under 25s, and

- delivering substantial savings of at least £50 million by cutting bureaucracy and streamlining programme delivery.

If you have any views on the government's proposals which you believe CIPFA should, in its role as a professional accountancy body, be covering in its response, please contact Kerry Ace. Her e-mail address is kerry.ace@cipfa.org. Alternatively, write to her at CIPFA, 3 Robert Street, London WC2N 6BH.

Summary of National Audit Office Reports relating to the Higher and Further Education Sectors

The NAO has issued a number of reports over the last six years which are relevant to the further and higher education sectors. Their titles and references are listed below.

Further Education

Reports published between February 1995 and July 1999:

- **Further Education in Wales** July 1999 (HC 641 Session 1998-99)
- **Scottish Further Education Colleges: Managing Costs** June 1999 (HC 493 Session 1998-99)
- **Investigation of Alleged**

Irregularities at Halton College

April 1999 (HC 357 Session 1998-99)

- **Financial Management and Governance at Gwent Tertiary College**

March 1999 (HC 253 Session 1998-99)

- **Corporate Governance and Financial Management in the Scottish Further Education Sector**

April 1998 (HC 682 Session 1997-98)

- **Further Education Colleges in England – Strategies to Achieve and Manage Growth**

October 1997 (HC 260 Session 1997-98)

- **The Management of Growth in the English Further Education Sector**

October 1997 (HC 259 Session 1997-98)

- **The Further Education Funding Council for England**

February 1997 (HC 223 Session 1996-97)

- **Managing to be Independent: Management and Control at Colleges in the Further Education Sector**

February 1995 (HC 179 Session 1994-95)

Reports published jointly by the Further Education Funding Council and the National Audit Office:

- **Estate Management in**

Further Education Colleges: A Good Practice Guide published January 1996

- **Procurement: A Good Practice Guide** published June 1997
- **Effective Facilities Management: A Good Practice Guide** published September 1997
- **Marketing: A Good Practice Guide** published April 1998

Higher Education

Reports published between May 1993 and July 1999:

- **Engineering and Physical Sciences Research Council : Procurement of Equipment from Research grants** June 1999 (HC494 Session 1998-99)
- **Procurement in the English Higher Education Sector** May 1999 (HC437 Session 1998-99)
- **Overseas Operations, Governance and Management at Southampton Institute** December 1998 (HC 23 Session 1998-99)
- **Investigation of Misconduct at Glasgow Caledonian University** April 1998 (HC 680 Session 1997-98)
- **The Management of Building Projects at English Higher Education Institutions** January 1998 (HC 452 Session

1997-98)

- **University of Portsmouth**
May 1997 (HC 4 Session 1997-98)
- **Governance and Management of Overseas Courses at the Swansea Institute of Higher Education**
January 1997 (HC 222 Session 1996-97)
- **The Management of Teaching and Research Equipment in Scottish Higher Education Institutions**
June 1996 (HC 432 Session 1995-96)
- **The Management of Space in Higher Education Institutions in Wales**
June 1996 (HC 458 Session 1995-96)
- **The Operations of the Student Loans Company Limited**
November 1995 (HC 13 Session 1995-96)
- **Severance Payments to Senior Staff in the Publicly Funded Education Sector**
February 1995 (HC 202 Session 1994-95)
- **The Financial Health of Higher Education Institutions in England**
December 1994 (HC 13 Session 1994-95)
- **University Purchasing in England**
May 1993 (HC 635 Session 1992-

93)

Other published guidance:

- **Equipment Management: Checklists for Good Practice**
June 1996
- **Space Management in Higher Education: A Good Practice Guide** June 1996

Published reports may be purchased through **The Stationery Office Limited**.
Contact:

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