



Education sector

**Market leading
expert advice**

Market leading multi-disciplinary approach

As a leading auditor and adviser to the Education sector, we understand the sector issues (from nursery to post graduate and both public and private sector). Our depth of experience affords us a comprehensive knowledge of the sector and the issues that you face. We combine this with our commitment to providing pragmatic, smart advice that helps our clients and the sector succeed.

No.1 in England

External auditor to 35+ universities and adviser to HEIs and government agencies



20 Years

Focused on the Education sector



30+ Partners & Directors,
60+ Managers, 300+ Staff
leading in Education audit
and advisory services

Through a calendar of events and bulletins, we provide insight, challenge and technical updates to highlight what's happening in the sector, how that impacts your institution and what you can do in order to succeed and thrive.

Hot topic webinars

A regular series of webinars focusing on current hot topics for Boards and Audit Committees, providing market leading insights and sector leading practical advice (visible through the adoption of new practices by Boards and/or changes to committee terms of reference).

Technical updates

Timely updates on technical issues focused on knowledge transfer to assist HEIs in meeting their regulatory compliance and being successful in an ever-changing landscape.

Board away days/Committee briefings

We deliver a number of private sessions each year as part of Board away days or '30 minutes briefings' to Committees. These either focus on a specific issue or a wide 'state of the nation' briefing. Boards, VCs and University Secretaries have found these to be a useful way to challenge and senses check the views of governors within a wider context and then pull back into their HEI's own strategy.



We work with universities and education providers to ensure they can maximise the opportunities and mitigate the challenges the sector faces. Our expert lens and deep sector knowledge provides the right advice to helping you succeed.



James Aston MBE | Partner,
National Head of Education
james.aston@bdo.co.uk

Why BDO?

Helping you succeed

► Dedicated sector specialists

One of the largest dedicated teams of Education specialists in the sector, expertly delivering a full range of advisory, tax and audit services focused on universities, pathway providers and further education. Our clients range from publicly funded to private equity and nursery to post graduate.

► Significant sector expertise

We have a multidisciplinary team working with a wide breadth of education providers, who all have deep sector knowledge and experience, allowing us to provide you with a near 360-degree view and insight into what's happening across the education landscape.

► Extensive sector relationships

Built upon extensive working relationships within the sector and with BUFDG, CUC, the DfE, ESFA and the OfS, we have acquired unique situational experience, delivering solutions on complex and high-profile matters in the sector.

► Client centric, tailored advice

We offer unrivalled client centric advice, focused on your needs and goals. We tailor our approach to maximise successful outcomes bringing together the right team of experts to deliver seamless solutions.

► Quality and technical expertise

We have a multidisciplinary team working with a wide breadth of HEIs, who all have deep sector knowledge and experience, allowing us to provide you with a near 360-degree view and insight into what's happening across the education landscape.

► Global sector solutions

The strength of the BDO international network also enables us to deliver coordinated services to those HEIs who operate globally.

Market leading, multi-disciplinary, one team approach



Advisory

- Business restructuring
- Forensic and Valuations Services (FAVS)
- Grant certifications
- Mergers & acquisitions (M&A)
- Value creation services
- Economic crime advisory
- Digital and risk advisory services
- Pensions covenant advisory.



Tax

- Corporate tax
- Value added tax (VAT)
- Employment tax.



Audit

- External Audit.

Advisory

Business restructuring

Forensic and Valuations Services (FAVS)

Grant certifications

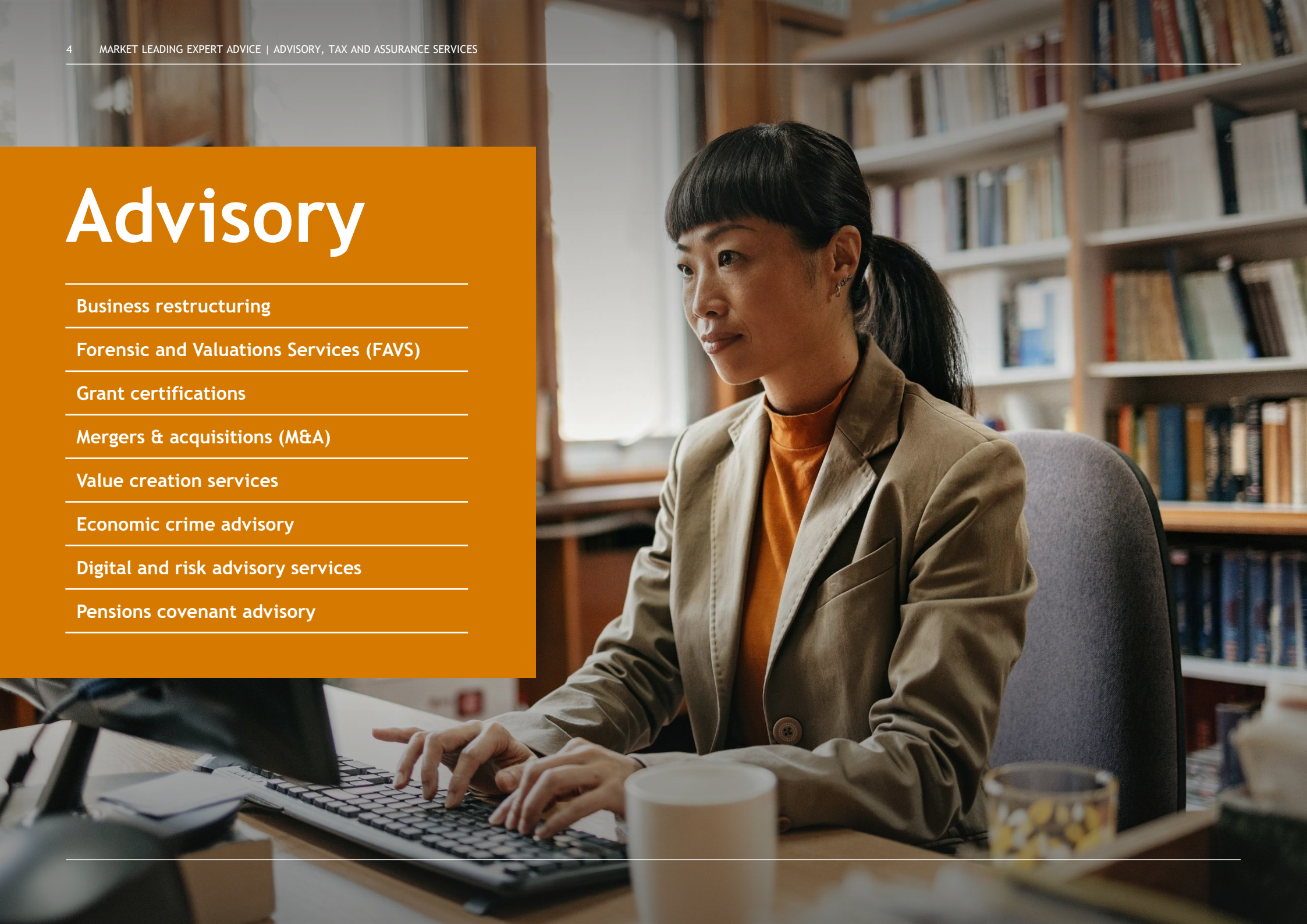
Mergers & acquisitions (M&A)

Value creation services

Economic crime advisory

Digital and risk advisory services

Pensions covenant advisory



Business restructuring

Based in unrivalled experience, helping the sector through the challenges it faces

General business need

- ▶ Cashflow challenges and optimisation of resources
- ▶ Lending covenants and forecast financial performance
- ▶ Stakeholder/Lender management in support of restructuring and transformation
- ▶ Solvency review and Board advisory (duties) including crisis management and insolvency threats
- ▶ Pension covenant advisory and negotiation support
- ▶ Entity reduction and solvent liquidation planning/implementation.

BDO solutions

- ▶ Expert support, in often challenging situations involving multiple stakeholders, with finding and implementing practical solutions to achieve optimal outcomes.

Benefit to you

- ▶ Assurance that complex and novel challenges have the right advice and an implementable solution
- ▶ Assurance that your regulatory and statutory obligations are met.

Issues impacting the sector

- ▶ Economic, geo-political and demographic challenges impacting decision making and finances
- ▶ A period of focus on and change for the education sector
- ▶ The potential for a change in lending sentiment and availability of finance/funding
- ▶ A complex regulatory environment in a sector with multiple entity types and operational structures that require an often innovative approach and purposeful collaboration
- ▶ Challenges to funding models and the ability to align the pace of required change to more immediate needs.

Case studies

- ▶ Multiple operational and cash flow reviews in support of both funding and merger negotiations
- ▶ Restructuring and Government/Regulatory advisory/stakeholder management. Design and implementation of a precedent setting approach to secure the interests of students in a manner that adhered to all applicable duties and obligations of the Board
- ▶ Financial review and detailed implementation planning for the solvent liquidation of a leading performing arts-based HEI leading to separation of the schools to new providers or as separately registered providers.

Can BDO help? Ask yourself the following

- ▶ In a changing funding/economic environment, how do I know that the financial forecasts are 'fit for purpose' and support my decision making in alignment with my duties?
- ▶ Do I understand what my HEI type/structure may mean for the options I have to meet and the challenges I face and need to resolve?
- ▶ Do I know what my lenders/regulators will need so that they can best support me?
- ▶ Do I have reliable, tested and implementable contingency plans if we face a serious problem - financial or operational? What help is available, and do they have the multi-faceted expertise and track record?
- ▶ Do I have the resources, experience and knowledge to address challenges as they arise, potentially at short notice?



Matthew Tait

Partner

+44 (0)7896 119 365

matthew.tait@bdo.co.uk



Mark Patterson

Partner

+44 (0)7583 054 225

mark.patterson@bdo.co.uk

Forensic and Valuations Services (FAVS)

Supporting the education sector to investigate illegitimate activities and mitigate their exposure to fraud risk

General business need

- ▶ Supporting you in responding to whistleblowing allegations, accounting 'black holes', regulatory matters, employee issues
- ▶ Helping you to understand the risks from fraud and bribery and how to mitigate those risks
- ▶ Assisting in investigating issues around financial misconduct and financial crime.

BDO solutions

- ▶ Fraud and financial investigations
- ▶ Fraud and bribery risk management
- ▶ Dispute resolution and expert witness services
- ▶ Corporate Intelligence services
- ▶ Forensic technology services and data analytics.

Benefit to you

- ▶ Assurance to regulators and other stakeholders that you are managing risks and investigating where appropriate
- ▶ A timely and thorough response to reports of fraud, bribery or other financial issues to establish the extent of the issue and recovery actions
- ▶ Understanding where your organisation's financial risks are most exposed.

Issues impacting the education sector

- ▶ **Reputation:** Fraud, financial misstatements, and breaches of financial regulations may all be seen as monetary matters but often the most 'expensive' cost to an entity is the loss of reputation. Negative press and rumours in the market can lead to a loss of confidence in respect of current and future students, customers, staff, funders and regulators. In our experience the damage can be severe
- ▶ **Economic pressure:** Low economic growth and cost of living issues will place pressure on staff at all levels which can lead to an increase in an establishment's fraud risk. With these pressures comes the requirement to adapt and enhance awareness amongst all staff to both prevent and detect fraud
- ▶ **Cybercrime:** Cyber-related fraud covers the whole spectrum of sophistication from attacks on whole IT systems to a malicious actor sending an e-mail to staff asking for their login details or for a large payment to be made immediately (known as phishing and CEO frauds respectively). Significant sums of money can be lost along with being unable to access critical operational data.

Case studies

- ▶ BDO undertook an investigation into the purchase of land and buildings by an educational establishment, which was promoted by senior management and third parties but led to significant and unknown obligations (financial and otherwise) for the entity
- ▶ BDO has carried out investigations into alleged breaches of financial regulations in both the HE and FE sectors. These have been on behalf of both regulators and the provider themselves.

Can BDO help? Ask yourself the following

- ▶ When did your staff (at all levels) last receive tailored and specific fraud and bribery awareness training. Are they aware of their obligation to follow the financial regulations
- ▶ When was the last time you carried out a fraud and bribery risk assessment?
- ▶ Have you a clear strategy for managing financial risk
- ▶ Do you have a response plan should you become aware of financial irregularities within your organisation?
- ▶ Are your whistleblowing arrangements effective with staff being aware and encouraged to use them?
- ▶ How does/would your senior team deal with allegations of fraud, bribery or non-adherence to policies and procedures?
- ▶ Do you carry out due diligence on potential recruits and new third parties you interact with. Do you consider current staff and third parties as well?
- ▶ Are your staff aware of cyber-related issues and their obligations to keep login details safe along with portable hardware such as phones, tablets and laptops?



Stephen Peters

Partner, Head of Investigations
+44 (0)7794 243 761
stephen.peters@bdo.co.uk



Mark Underwood

Director
+44 (0)7867 502 787
mark.underwood@bdo.co.uk

Grant certifications

Supporting universities with grant certification reporting

General business need

- ▶ Helping universities demonstrate that grants awarded by Funding Bodies have been accounted for correctly and that no ineligible costs have been claimed.

BDO solutions

- ▶ Grant Audits/Agreed Upon Procedure Reviews of project financial statements/claim forms for a range of funding bodies including: Innovate UK, Horizon 2020, Horizon Europe, Interreg and Department for Education
- ▶ Training for research finance teams on the requirements of grant audits.

Benefit to you

- ▶ Grant certificates issued that meet the requirements of the grant agreements
- ▶ Assurance over the appropriate application of grant funds
- ▶ Flexibility from a specialist team.

Issues impacting universities

- ▶ **Funds used appropriately:** Universities need to ensure that funds they have received have been used in accordance with the terms of prevailing grant agreements and in accordance with their stated purpose
- ▶ **Compliance deadlines:** Submission deadlines can often be very tight, 60 or 90 days after the end of a claim period, with a need to prepare final claim forms, collate all relevant information for the audit and submit all milestone documents. Failure to submit on time can result in the funding body not making the final payment or seeking a clawback from existing funding
- ▶ **Adhoc grant requirements:** As large and complex institutions, adhoc or short notice grants happen from time to time which can put pressure on University finance teams - we are fully equipped and experienced to support universities with late audit requirements.

Can BDO help? Ask yourself the following

- ▶ Do we receive significant grant funding from the UK Government or the EU? If so, do we demonstrate compliance with the terms of the grant agreements?
- ▶ Do our teams (finance and research) understand the requirements for a grant certification compliance audit?
- ▶ Do we miss reporting deadlines as specified in the grant agreements?
- ▶ Do we receive a lot of queries from the funding bodies after the submission of a grant audit certificate?



Case studies

- ▶ Undertaking grant audits and agreed upon procedures for a wide range of universities and across a wide range of funding bodies including Innovate UK, EU grants (H2020/Interreg), Horizon Europe Guarantee Fund and numerous DfE grants, with managed audit programmes in place that operate on a rolling 12 month basis
- ▶ Run training sessions for Post Award Teams, sharing new grant certificate intelligence and providing clarity on audit processes and what good audit evidence looks like.



Sam Lifford

Partner

+44 (0)7800 682 768

sam.lifford@bdo.co.uk



Anthony McMellon

Director

+44 (0)7929 047 342

anthony.mcmellon@bdo.co.uk

Mergers & acquisitions (M&A)

Delivering strategic advice; executing transactions

General business need

- ▶ Strategic advice
- ▶ Transaction execution and support
 - Due diligence (financial, commercial, operational)
 - Financial modelling.

BDO solutions

- ▶ Strategic advice
- ▶ Advice on raising funds for expansion/growth
- ▶ Execution of transactions (acquisitions & sales), from negotiation to FDD.

Benefit to you

- ▶ Assessment of growth opportunities
- ▶ Assessment of funding options
- ▶ Ability to model options/scenarios in detail
- ▶ Benchmarking, and assessing performance vs sector
- ▶ Help in completing (complex) deals.



Issues impacting the sector

- ▶ **Margin sustainability:** Increasing costs and interest payments - could combination with another organisation deliver cost saving synergies?
- ▶ **Mergers:** What are the steps in achieving a successful merger? How do you identify the right partner and achieve a successful, harmonious outcome?
- ▶ **Disposals:** Are there separate operational elements of the organisation that could be considered for a sale - to raise funds for investment elsewhere? How would this be valued, transacted and separated?
- ▶ **Decision making:** Facing multiple options for cash flow/funding/mergers - what framework can be applied to assist in decision making and giving confidence to management and boards that the right decisions are being considered and made
- ▶ **Viability of a transaction:** Undertaking any transaction needs careful consideration and review of the viability, impact and timetable. We can work with management and boards to assess this to ensure a smooth and successful transaction.

Case studies

- ▶ Advise in relation to acquiring universities
- ▶ Advise in relation to the sale of a university
- ▶ Financial due diligence on mergers of FE colleges
- ▶ Acting as lead M&A adviser on the sale of a market leading training/apprenticeship provider
- ▶ Multiple sales of schools for a range of providers - advise on valuation, negotiations, executing the transaction
- ▶ Financial and tax due diligence reports for the acquisition of schools
- ▶ Reports on financial projections for a new department.

Can BDO help? Ask yourself the following

- ▶ What are our organisation's strategic plans? Would an external review of the options available add value?
- ▶ Do we have funding in place to support growth aspirations? Are we aware of all the funding options available at present? Have we factored in all the costs for re-finance?
- ▶ Are we considering growth through acquisition or expansion of our current offering?
- ▶ Would we be stronger if we combined with another organisation? What is the process to achieve this? What steps are involved?
- ▶ How can we assess current acquisition opportunities, what due diligence is required?
- ▶ Do we have a fit-for-purpose financial model that can assist us in assessing the options available?



Helen O'Kane

Partner

+44 (0)7966 008 617

helen.okane@bdo.co.uk



Jeff Harris

Partner

+44 (0)7788 144 250

jeff.harris@bdo.co.uk

Value creation services

Supporting Education Institutions with performance improvement and optimisation

General business need

- ▶ Facing significant deficits, declining operational surpluses or cash flow challenges with underperforming operating models
- ▶ Support with implementing improvement, growth or transformation initiatives
- ▶ Operational and efficiency reviews of delivery and/or back-office activities
- ▶ Understanding the operational impact of mergers or associations.

BDO solutions

- ▶ Supporting clients with operational improvement and excellence, working capital enhancement and driving value.

Benefit to you

- ▶ Identification of opportunities to enhance performance, working capital and value
- ▶ Quantifiable and deliverable cost and operational improvements.



Issues impacting the education sector

- ▶ **Funding deficits:** High inflation, rising costs, and pressure on funding models are resulting in many organisations facing funding deficits. Like many sectors, Education Institutions will want to take action to stabilise their cost base to ensure they can continue to operate
- ▶ **Unstructured operating models:** Growth through adding services or merged operations over an extended period can often result in less structured operating models
- ▶ **Inefficient operating models:** Operating models that haven't been challenged for several years may not be as effective or efficient as they could or should be
- ▶ **Digitalisation:** Adopting and improving technology may seem daunting, but proven results include efficiencies and streamlined operations
- ▶ **Policy uncertainty:** Significant policy changes and political shifts create instability, making long-term strategic planning difficult for educational institutions.

Case studies

- ▶ Supported a leading international education group with pre-acquisition reviews of a UK university and multi-site music and drama college
- ▶ Supported a HEI with an operational and financial review aimed at supporting the Trustees to clearly prioritise and communicate their recovery plan to all stakeholders, including regulators
- ▶ Supported a large UK religious entity review the financial and operational performance of 20 colleges to understand their financial sustainability and future funding requirements.

Can BDO help? Ask yourself the following

- ▶ How does our operational efficiency, overhead base and support cost structure compare to other institutions?
- ▶ Do we often face a budget deficit, so salami slice without addressing our core Target Operating Model?
- ▶ Do we have added cash pressures? Has our working capital requirement been increasing year-on-year?
- ▶ Do we have trading or non-core operations? How are they performing?
- ▶ Has there been significant change or mission creep to our delivery methods or strategy?
- ▶ Have we grown substantially without considering our Target Operating Model?
- ▶ Do we have the internal capability to implement successful change and improvement across the organisation?
- ▶ We're considering a merger but have not considered the operational and post-merger implications.



Richard Austin

Partner

+44 (0)7808 246 133

richard.austin@bdo.co.uk



Ross McWhir

Director

+44 (0)7583 036 580

ross.mcwhir@bdo.co.uk

Economic crime advisory

Supporting universities to manage and mitigate their financial crime exposures

General business need

- ▶ Universities do not (currently) fall into scope of the UK Money Laundering Regulations ('MLRs')
- ▶ Universities are the recipients of substantial financial gain, such as tuition fees (in cash) from international students and donations/endowments
- ▶ Limited anti-financial crime controls
- ▶ Reduced understanding of financial crime prevention amongst staff.

BDO solutions

- ▶ Risk assessment
- ▶ Independent financial crime framework review
- ▶ Deployment of training.

Benefit to you

- ▶ Reduced risk of commercial and reputational damage caused by facilitating financial crime
- ▶ A better understanding of staff on how to identify red flags and intervene at an earlier stage.



Issues impacting universities

- ▶ **Increased public scrutiny and expectation:** Studies published in September 2023 highlighted that a significant number of UK universities continue to accept large amounts of cash but do not have in place appropriate controls to mitigate the risks of potential money laundering, fraud and sanctions breaches associated with this
- ▶ **Balancing reputation with commercials:** Universities may prioritize maintaining a strong financial position and a diverse student body, potentially at the expense of stringent financial checks. The competitive nature of attracting international students can lead to a reluctance to implement rigorous financial scrutiny that might deter potential applicants
- ▶ **Prepare for horizon regulatory perimeter:** While universities are not currently in scope of the MLRs, it is anticipated that the regulatory perimeter is only likely to increase and therefore it would be prudent to begin preparations to comply at the earliest opportunity.

Case studies

- ▶ Independent review of financial crime framework documentation. Our review considers policies and procedures, as well as other documents such as guidance produced to support staff, to provide independent assurance on the strength of an institution's anti-financial crime controls
- ▶ Deployment of tailored anti-financial crime training to bring sector-specific red flags to life for staff and embed a positive compliance and risk management culture.

Can BDO help? Ask yourself the following

- ▶ When was the last time we assessed the level of financial crime risk to which our institution is exposed?
- ▶ Have we established a clear strategy for managing our financial crime risks?
- ▶ When was the last time we reviewed our financial crime policy (if we have one)?
- ▶ Have we designed a clear framework with respect to the acceptance of cash payments?
- ▶ How do we gain assurance that our cash payments protocols are followed in practice?
- ▶ Do our 'front line' staff understand how to identify signals that students are potentially being exploited by organised crime groups as money mules?
- ▶ Do our staff know what to do if they identify any potentially suspicious or unusual behaviour?
- ▶ When was the last time we delivered tailored anti-financial crime training across the institution?



Fiona Raistrick

Partner

+44 (0)7929 057 616

fiona.j.raistrick@bdo.co.uk



Clarinda Woodford

Associate Director

+44 (0)7901 187 169

clarinda.woodford@bdo.co.uk

Digital and risk advisory services

Supporting universities across risk management, governance and internal audit

General business need

- ▶ Assurance or advice required over your control, governance and risk management framework
- ▶ Currently going through a change or undertaking a significant transformation project
- ▶ Data analytics and insights required for more informed decision-making
- ▶ Assurance over supply chain, contracts, regulatory framework
- ▶ Assurance over ESG areas including decarbonisation, EDI and governance.

BDO solutions

- ▶ Internal audit services (co-source and out-source)
- ▶ Governance, risk and compliance assurance and advice
- ▶ Organisational and process redesign advice
- ▶ Contract and Commercial risk (major suppliers)
- ▶ Third party assurance
- ▶ Project and change assurance; business transformation
- ▶ Rhiza - risk management software.

Benefit to you

- ▶ Assurance to management and Board and protection of reputation
- ▶ Maintain compliance with regulatory framework
- ▶ Safeguarding of organisational assets
- ▶ Improvements to operational efficiency
- ▶ Greater external stakeholder confidence
- ▶ Management insights and value add.

Issues impacting education providers

- ▶ **Funding constraints and financial sustainability:** Institutions are facing a funding crunch caused by a decade-long freeze in tuition fees for domestic students, with no immediate prospect of change, rising operating costs and, most recently for some, a drop-off in higher-paying international students. This is leading to an increasing number of voluntary severance schemes across the sector as institutions look to re-organise resource and delivery models
- ▶ **Competition:** The rise of online courses and alternative education providers has increased competition for traditional universities and colleges. Institutions must differentiate themselves, offer modern and relevant courses and offer value to attract and retain students
- ▶ **Student Expectations:** Today's students have high expectations for their education experience, including modern facilities, support services, and employability outcomes. Meeting these expectations is crucial for student satisfaction and institutional reputation
- ▶ **Academic partnerships:** Increased scrutiny over the veracity of overseas students and monitoring arrangements for courses delivered by partner organisations on behalf of universities.

Case studies

- ▶ Project assurance over the delivery of strategic transformation project providing regular review, challenge and reporting
- ▶ Subcontracting controls assurance reviews to confirm that the internal control framework was designed in a way to comply with the funding rules
- ▶ Regulatory compliance reviews such as UKVI, CMA, GDPR
- ▶ Advised on the integrity of an institution's resource allocation model and tested the assumptions made within the model.

Can BDO help? Ask yourself the following

- ▶ How confident are we in the assumptions made in the five-year forecasts and business models? Are they overly optimistic, complicated or simplistic?
- ▶ Do we have ongoing strategic projects and programmes - do we have oversight of these?
- ▶ Do we have the right skills to optimise our resource re-organisation?
- ▶ Do we have internal audit/assurance or compliance and risk management functions?
- ▶ What are we doing to stay relevant and diversify our course offering?
- ▶ How are we evolving to meet the increased expectations of our students? Are we currently undertaking or planning any capital or change/ transformation projects?
- ▶ Do we have partnership agreements in the UK and internationally - do we have oversight of these? Are we confident in the quality of checks on students?



Jonathan Lanes

Partner

+44 (0)7976 198 484

jonathan.lanes@bdo.co.uk



Nicola Walker

Director

+44 (0)7854 278 143

nicola.walker@bdo.co.uk

Digital and risk advisory services

Supporting education providers to ensure their IT systems are secure and resilient and that digital change programmes will deliver the necessary improvements in services

General business need

- ▶ As technology evolves, ensuring secure and reliable systems for key processes is essential - as is ensuring that staff and students from a variety of backgrounds are IT risk aware
- ▶ Education providers hold and process personal information, some of which may be sensitive
- ▶ Many education providers are investing in IT initiatives or undergoing major digital-driven change programmes, often with limited resources.

BDO solutions

- ▶ Cyber security including penetration testing, threat assessments, cloud security, and cyber training
- ▶ Managed Security Services (MSS)
- ▶ Operational and IT resilience
- ▶ Outsourced and co-sourced IT internal audit
- ▶ IT control framework development
- ▶ Data and AI governance
- ▶ Data visualisation and engineering
- ▶ Cloud governance and migration
- ▶ IT risk management
- ▶ IT strategy review and development
- ▶ System selection, specification and implementation
- ▶ Project assurance
- ▶ Microsoft advisory and licensing optimization.

Benefit to you

- ▶ Advice on existing and emerging IT risks and areas for optimisation
- ▶ Risk mitigation and assurance over security and resilience of systems and information held
- ▶ Risk mitigation and assurance on the delivery of digital transformation.

Issues impacting education providers

- ▶ **Cybersecurity breaches:** A number of education providers have found themselves to be vulnerable to cyberattacks such as ransomware, denial-of-service and data theft. Legacy systems, aging infrastructure and new technologies (e.g. IoT) increase potential exposures through the creation of a larger 'attack surface' and susceptibility to breaches
- ▶ **Reliance on technology:** Education providers are increasingly dependent on technology to deliver their services. Disruptions can impact teaching, exams, research and administration. Senior leadership and Audit Committees need assurance these are secure and resilient
- ▶ **Protecting data:** Education providers hold personally identifiable data and may also hold valuable research data. This must keep safe, used appropriately and in line with data protection regulations to avoid legal and reputational consequences
- ▶ **IT investment:** With increasing costs and multiple calls on funding, leadership requires assurance that investment in technology is well managed, will deliver expected benefits in budget and in a timely manner
- ▶ **System replacement, automation and cloud implementation:** Associated with the above, many education providers have embarked or plan to embark on programmes to migrate from legacy systems to newer technologies and/or the cloud. These programmes introduce risks related to delivery, IT security and service reliability
- ▶ **Artificial Intelligence:** While AI can provide learning benefits, it can also introduce new data risks
- ▶ **IT Support:** With staff and students from a variety of backgrounds - often in decentralised locations - it is important that timely and effective IT support can be provided.

Case studies

- ▶ Assurance for a global education provider where there were system reliability concerns during admissions and online exams. Engaged to review the system to understand the validity of end-user concerns and actions that could be taken, with issues successfully prioritised and rectified
- ▶ Data Governance review for an entity undergoing Data function restructuring
- ▶ IT Internal Audit services for education providers, with a variety of reviews and support in developing risk universes and audit plans.

Can BDO help? Ask yourself the following

- ▶ Do we hold and process sensitive information?
- ▶ Are we reliant on IT to function internally and deliver services?
- ▶ Do we have any major IT/digital change programmes planned or already underway?
- ▶ Have we had any recent data breaches or IT system failures?



Sandi Dosanjh

Partner

+44 (0)7841 569 636

sandi.dosanjh@bdo.co.uk



Bradley Duffell-Canham

Director

+44 (0)7501 704 949

bradley.duffell-canham@bdo.co.uk

Pensions covenant advisory

Helping higher education institutions refine their approach towards managing their defined benefit pension arrangements

General business need

- ▶ Advice for universities on the efficient funding of their Defined Benefit (DB) pension schemes, ensuring that they efficiently manage their cash and balance sheet resources
- ▶ Support negotiations between the sponsor, pension trustee and regulators regarding employer covenant, affordability of contributions, the sustainability/ restructuring of the university and balancing the pension scheme funding requirements with the purpose and investment needs of the university
- ▶ Support where participating employers cease participation in a pension scheme or are changing their legal status and scheme liabilities are apportioned to another employer.

BDO solutions

- ▶ Assessing employer covenant strength in support of triennial funding valuations or transactions and ongoing monitoring
- ▶ Supporting with negotiations concerning contribution affordability, granting security and restructuring
- ▶ Flexible Apportionment Arrangements and assessment of the related Funding Test to avoid s.75 debts being payable.

Benefit to you

- ▶ Our sector expertise and hands on approach will give you the time and space to manage your pension arrangements in a manner that meets your requirements.

Covenant issues impacting universities

- ▶ **University fee environment:** The inflationary erosion of home undergraduate fees and a growing reliance on overseas students, coupled with risks to/volatility of recruitment make pension funding and end game planning more challenging
- ▶ **Need to invest in infrastructure:** Universities invest in infrastructure to realise strategies and to remain competitive. USS and in-house pension funding can be volatile and needs to be balanced with capital expenditure needs
- ▶ **New funding code:** This could have significant implications for HEIs such as the Pension Regulator's expectations of when pension funding should be prioritised over capital expenditure, the level of regulatory oversight, recovery plan durations and investment strategies, particularly for closed schemes.

Case studies

- ▶ We supported the assessment of the Funding Test to facilitate a Flexible Apportionment Arrangement for a university pension scheme where participating employers (nursery and students' union) changed their legal status. This was a cessation event and without this support, s.75 debts would have become immediately payable
- ▶ We have carried out employer covenant assessments for universities in all four countries in the UK, including some supported by Russell Group universities. We have a strong understanding of the sector and a market leading higher education team in the wider firm.

Can BDO help? Ask yourself the following

- ▶ Are we facing a pension scheme valuation which will be under the new funding code? Do we need support to understand the risks and manage the information flow to trustees to ensure the covenant assessment under the new code is efficient and proportionate?
- ▶ Are our DB pension scheme obligations impacting our strategy? Do we need to negotiate with the pension trustee over contributions /recovery plan duration or are we facing scrutiny from the Pension Regulator?
- ▶ Do we have a refinancing approaching which could breach the USS' pari passu requirement and risk a scramble for security over assets?
- ▶ Do we want to secure members' benefits and remove the pension scheme from the balance sheet (closed schemes)?
- ▶ Where proposed deficit repair contributions seem unaffordable, could we utilise contingent assets to balance the needs for scheme funding and capital expenditure/ sustainable growth?



Matthew Gibson

Partner

+44 (0)7814 420 088

matthew.gibson@bdo.co.uk



Mark Costello

Director

+44 (0)7812 677 052

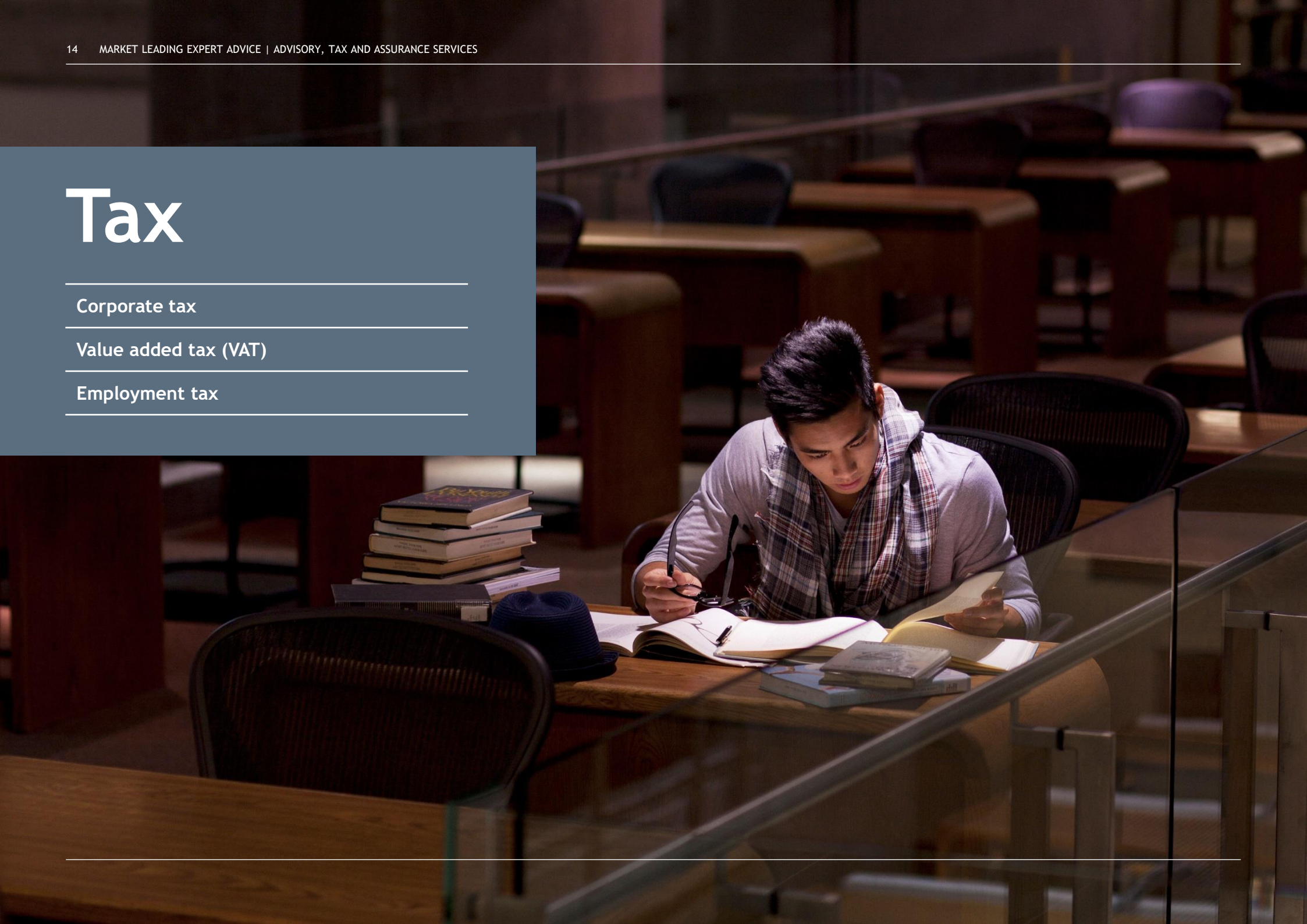
mark.s.costello@bdo.co.uk

Tax

Corporate tax

Value added tax (VAT)

Employment tax



Corporate tax

Supporting management to manage tax effectively

General business need

- ▶ Ensuring compliance obligations are met
- ▶ Maximising the use of available reliefs
- ▶ Ensuring effective governance of the tax agenda
- ▶ Enabling tax effective business decisions.

BDO solutions

- ▶ Structuring new activities to minimise tax costs
- ▶ Review of group tax efficiency
- ▶ Embedding tax governance within the organisation
- ▶ Effective tax management of spin outs, and research commercialisation.

Benefit to you

- ▶ Effective management of costs on projects and opportunities
- ▶ Streamlined compliance that reduces management time
- ▶ Clarity of approach on tax agenda.

Issues impacting universities

- ▶ **Universities with charitable status do not have a blanket exemption:** Whilst charities benefit from a wide range of exemptions from corporation tax, every activity needs to be considered, and some may be taxable
- ▶ **Commercial activity needs careful treatment:** Where opportunities arise for universities to generate income from commercial activity, corporation tax needs to be considered as early as possible and can often be prevented
- ▶ **Property transactions need consideration:** Property transactions are a common area for tax costs and complexity to arise. Early engagement on tax matters is important
- ▶ **Risks in group structures:** Where group structures are used, they should be regularly reviewed to ensure they remain fit for purpose and the interactions (transactions, funding etc) between entities is properly handled
- ▶ **International activity:** Where involved in activity overseas, the tax considerations should be reviewed, both for in-country impact and in terms of UK tax consequences.

Can BDO help? Ask yourself the following

- ▶ Do you have plans to introduce a new activity? What tax exemption is available for that?
- ▶ Are you planning for new overseas opportunities? Do you have a full understanding of the tax considerations?
- ▶ What is our approach to intergroup management? DO we document the basis for all group charges and the pricing for transactions?
- ▶ Do we have plans for any real estate? What types of disposals would give rise to a tax cost?



Case studies

- ▶ Advised a University group on the effective use of trading subsidiaries to manage tax costs; planning to navigate issues with negative reserves
- ▶ Planning to reduce tax costs on the disposal of a university's property, including different forms of consideration
- ▶ Advising a university on the effective tax management of a spin out opportunity, including the tax impacts of funding options.



Angela Cross

Partner

+44 (0)7785 900 155
angela.cross@bdo.co.uk



John Angood

Principal

+44 (0)7809 696 960
john.m.angood@bdo.co.uk

Value added tax (VAT)

Ensuring HMRC compliance and optimising VAT cost and reliefs

General business need

- ▶ Ensuring compliance with HMRC
- ▶ Reducing cost and maximising income
- ▶ Monitoring VAT risk on high-value/profile transactions
- ▶ Improving knowledge and processes.

BDO solutions

- ▶ Group structuring
- ▶ VAT advisory support
- ▶ VAT cost and efficiency reviews
- ▶ Risk Management
- ▶ Training for finance, procurement and fundraising staff
- ▶ VAT partial exemption reviews
- ▶ VAT system and process review (inc. automation).

Benefit to you

- ▶ Mitigating exposure to unexpected costs
- ▶ VAT liabilities and penalties are minimised
- ▶ Optimisation for opportunities to maximise VAT recovery and release staff time.

Issues impacting education providers

- ▶ **Review use of property/estates:** All large property transactions should be reviewed to ensure the appropriate VAT treatment is applied and that reliefs are claimed
- ▶ **Focus on growing income and reducing costs:** Ensure net income is maximised
- ▶ **Impact of changes in EU for digital supplies:** Ensure compliance with other countries
- ▶ **Increased HMRC focus:** Ongoing reviews of education subsidiaries
- ▶ **International activities:** Ensure compliance with overseas activity. Minimise exposure to risk
- ▶ **Mergers and disposals:** Mitigating risk and ensuring there is visibility on cost/benefit of the proposed transaction
- ▶ **Establishment of new schools within Universities** e.g. Medical Schools
- ▶ **Navigating legislative change:** Assessing the impact of VAT changes e.g. Independent Schools and other private education
- ▶ **FE colleges:** Need to monitor HMRC's approach to Colchester VAT tribunal (VAT accounting on property).

Can BDO help? Ask yourself the following

- ▶ What rate of VAT recovery do we achieve?
- ▶ Do we have new income streams or are we looking to partner or collaborate with another party?
- ▶ Do we receive any supplies from overseas including agent fees?
- ▶ Are education supplies made outside of the UK
- ▶ Are we selling or acquiring a business, planning or currently going through a merger?
- ▶ Has relevant VAT relief been claimed?
- ▶ Am I impacted by the Colchester VAT tribunal case and potential impact on business supplies - predominately FE colleges?
- ▶ Have we modelled the VAT impact of changes in VAT liability for independent schools (if relevant)?
- ▶ When was our last VAT visit/VAT review
- ▶ Do I understand where my VAT risks are and how they are being managed?
- ▶ When was VAT training last provided to finance and the estates teams?
- ▶ When did we last assess the VAT efficiency of our organisation?



Case studies

- ▶ Negotiating the removal of penalties on errors
- ▶ Advising on the VAT implications of mergers particularly the unexpected VAT costs on the transfer of properties on which VAT relief had previously been claimed
- ▶ Advice to a University on the VAT implications of setting up a new medical school
- ▶ Advice on the impact of proposed VAT rate on Private Schools.



Glyn Woodhouse

Partner

+44 (0)7976 198 787

glyn.woodhouse@bdo.co.uk



Parul Anand

Director

+44 (0)7503 668 800

parul.anand@bdo.co.uk

Employment tax

Helping you to support employees whilst remaining tax compliant

General business need

- ▶ Retaining and recruiting talent
- ▶ Maximising employee benefits within cost constraints
- ▶ Compliance with employment tax obligations including off-payroll workers
- ▶ Supporting where HMRC conduct Employer Duties reviews and National Minimum Wage enquiries.

BDO solutions

- ▶ Full review of benefits and potential offerings for employees whilst managing costs
- ▶ Employer Duties reviews carried out along same lines as HMRC to identify any risks
- ▶ Bespoke training on a wide range of employment tax related topics
- ▶ NMW workshops to help you recognise whether you have an at risk population, which you can address
- ▶ End to end review of off-payroll working tailored to your institution, including review of policies and process, including training.

Benefit to you

- ▶ An opportunity to work with HE specialists who understand the employment tax issues facing HEIs
- ▶ An opportunity to overhaul reward with a view to making your institution an attractive place to work
- ▶ Prepare for any HMRC Employer Duties review on a similar basis to HMRC to identify risk areas and provide recommendations
- ▶ Giving all relevant staff a good understanding of off-payroll working.

Issues impacting higher education

- ▶ **Rewarding employees beyond basic pay:** The Employment market becoming increasingly competitive. How can institutions offer more than basic salary and look after employees' wellbeing
- ▶ **ESG:** Employers and employees seeking ways in which to be green
- ▶ **Increasing Employer's responsibilities:** HEIs facing increasing responsibilities for employment tax compliance
- ▶ **Scrutiny of HEIs by HMRC:** Increased HMRC focus on the HE sector with more reviews focussing on off-payroll workers. This could extend into a wider review of employment tax processes. Significant penalties could be charged
- ▶ **National Minimum Wage Compliance:** Complying with NMW can be complicated given the technicalities and the potential recategorization of some volunteers to workers.

Case studies

- ▶ Reviewed existing benefits, identifying potential opportunities offerings (NMW compliant)
- ▶ Helped university carry out a full employment tax review in preparation for HMRC review and support through process
- ▶ Reviewed procedures in relation to volunteers and provided advice to ensure compliance with NMW as well as helping write BUFDD guidance
- ▶ Created bespoke policies and processes for dealing with off-payroll workers including an extensive suite of training
- ▶ Provides annual employment status training for BUFDD members.

Can BDO help? Ask yourself the following

- ▶ Do we have high staff attrition rates and are we able to recruit good quality staff?
- ▶ Do we provide any tax efficient staff benefits apart from salary?
- ▶ Is our employee benefit spend effective - is it focussed on what employees really need/want?
- ▶ Do we have a green strategy in place for employees which meets our ESG agenda?
- ▶ Do we understand and deal with the implications of engaging off-payroll workers?
- ▶ Do we consider potential NMW implications for staff and volunteers. This would include student ambassadors
- ▶ Have we had/are we likely to have an HMRC Employer Duties review?



Caroline Harwood

Partner

+44 (0)7385 466 413

caroline.harwood@bdo.co.uk



Caroline Jones

Director

+44 (0)7866 178 226

caroline.jones@bdo.co.uk

Audit

External audit



External audit

Providing governors high-quality, expert assurance, that adds value

General business need

- ▶ Legal requirement for all HEIs
- ▶ Embedded business and sector insights
- ▶ Wider assurance services on grants and US audit
- ▶ Audit up for tender due to needing greater sector expertise.

BDO solutions

- ▶ Robust, high-quality and transparent external audit
- ▶ Leading sector expertise
- ▶ Looking forwards and raising awareness of issues impacting financial reporting.

Benefit to you

- ▶ Independent assurance
- ▶ Underpinned by exceptional sector expertise
- ▶ Use of sector leading data analytics to provide business insights, as well as deliver an effective, high-quality audit.



Issues impacting HEIs

- ▶ **Compliance:** Compliance with the complexities of the ongoing registration requirements of the Office for Students including compliance with the Accounts Direction and the Terms and Conditions of Funding (OfS and UKRI)
- ▶ **Dealing with complex, large data sets:** HEIs deal with complex data and the audit process needs to apply the most sophisticated techniques to be able to interrogate large data sets and ensure that information is flowing accurately from multiple systems through to the financial statements
- ▶ **Good practice:** Knowing what good looks like in the sector can be important, especially as there is significant change in the sector and pressures ranging from inflation, student poverty, cyber, pensions and investment in infrastructure.

Case studies

- ▶ A large research intensive HEI came to us for an appointment outside of a formal tender following a disastrous audit. They recognised that their existing auditors lacked credible sector expertise (and indeed interest). The HEI required auditors that would understand their issues given their size and complexity
- ▶ A modern HEI with growth ambitions wanted an auditor who could provide constructive challenge across a host of new areas while delivering a leading-edge audit methodology adding value for both the Audit Committee and Management.

Can BDO help? Ask yourself the following

- ▶ How is our relationship with our current auditors - do they provide regular technical updates that are expertly informed?
- ▶ Are any of our operations regulated? (Financial services entities in the group for example)
- ▶ Have we experienced significant growth and outgrown our current auditor?
- ▶ Does our current auditor have specific HE credentials and expertise?
- ▶ Does our auditor use market leading data analytics in ways that not only enhances audit quality, but provides insights into our operations and controls?



James Aston MBE

Partner, National Head of Education

+44 (0)7899 052 989

james.aston@bdo.co.uk

FOR MORE INFORMATION:

James Aston MBE
Partner, National Head of Education

+44 (0)7899 052 989

james.aston@bdo.co.uk

This publication has been carefully prepared, but it has been written in general terms and should be seen as containing broad statements only. This publication should not be used or relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained in this publication without obtaining specific professional advice. Please contact BDO LLP to discuss these matters in the context of your particular circumstances. BDO LLP, its partners, employees and agents do not accept or assume any responsibility or duty of care in respect of any use of or reliance on this publication, and will deny any liability for any loss arising from any action taken or not taken or decision made by anyone in reliance on this publication or any part of it. Any use of this publication or reliance on it for any purpose or in any context is therefore at your own risk, without any right of recourse against BDO LLP or any of its partners, employees or agents.

BDO LLP, a UK limited liability partnership registered in England and Wales under number OC305127, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. A list of members' names is open to inspection at our registered office, 55 Baker Street, London W1U 7EU. BDO LLP is authorised and regulated by the Financial Conduct Authority to conduct investment business.

BDO is the brand name of the BDO network and for each of the BDO member firms.

BDO Northern Ireland, a partnership formed in and under the laws of Northern Ireland, is licensed to operate within the international BDO network of independent member firms.

Copyright © August 2024 BDO LLP. All rights reserved. Published in the UK.

www.bdo.co.uk