

Institutional Risk Monitoring:
Categories 1 and 2* and Sector-wide
(including Related Bodies "at risk")

B1107/04e
Agenda Item 13
16 December 2004

Issue

1. Regular update on HEIs in Institutional Risk Categories 1 and 2*, and Related Bodies "at risk" and a list of all institutions by risk category.

Recommendations

2. The Board is invited to note:
- a. The institutions in Categories 1 and 2* and the action in hand on each of them (**Annexes A and B**).
 - b. The full list of institutions by Institutional Risk Category (**Annex C**)
 - c. The graph showing the time series for the numbers of institutions in Categories 1 and 2* (**Annex D**).
 - d. The related body "at risk" and the action in hand on them (**Annex E**).

Timing

3. There are no issues of timing.

Further Information

4. From: Steve Egan (0117 931 7408, email s.egan@hefce.ac.uk) or [Text removed for publication]

Board Interests

5. None.

Financial Implications

6. No direct financial implications arise from this paper. The costs incurred by the Council in seeking to help institutions to restructure are met either through moderation funding, as part of standard grant calculations, or through the Strategic Development Fund.

Risk Implications

7. Institutional risk monitoring is a key process for the Council, cutting across and underpinning the achievement of strategic aims: consequently, it is part of the way in which the Council manages its key risks.

Accountability burden impact

8. The institutional risk system is a risk-based approach to monitoring the health of institutions. Therefore for those institutions (and related bodies) where there is limited concern the accountability burden is minimal. However our interaction with institutions that have greater concern (i.e. those in institutional risk categories 1 and 2*) will increase the demands placed on them, in line with the institutional support arrangements, but only in proportion to the risks seen at the institutions.

Public Presentation

9. Under the requirements of the Freedom of Information Act, we would not expect to publish the reports to the Board on institutional risk monitoring, because to do so might substantially prejudice the commercial interests of the institutions concerned, as well as the Council's ability to fulfil its responsibilities in relation to institutional risk.

Institutions

Institutional Risk Category 1

10. The previous report to the Board on institutions in Institutional Risk Category (IRC) 1 was in September 2004 (B71/04e), when there were two institutions in this category:

- University of Luton
- Birmingham School of Acting (connected institution of the University of Central England (UCE))

11. Since the last report to the Board, Bolton Institute of Higher Education, has been moved into IRC 1. This follows information from a number of sources within Bolton Institute, including from the Principal who approached the Chief Executive seeking advice, that there was a governance problem. This was confirmed when the internal auditors (the UNIAC consortium) in anticipation of the year end wrote and confirmed that there were fundamental governance problems. **[Text removed for publication]** The external auditors (KPMG) were so concerned that they considered governance, or the reporting of governance in the Statement on Internal Control, might warrant a qualification to the accounts. In addition there was no Clerk to the board in post to safeguard and promote good governance.

12. We have previously not considered the Institute be high risk. Quality, recruitment and finance all seemed to be effectively managed. Our involvement in the governance issue may cause us to reconsider the recruitment and financial situation but not fundamentally. At our institutional 1 and 2* risk meeting on 23 November we moved the Institute into category 1 pending resolution of the governance problems.

13. The Chief Executive communicated our concerns to the Chairman, and the Head of Assurance attended the Board of Governors as an observer on 25 November. His conclusion was that the Board had initiated enough actions to potentially restore order by their next meeting on January 25. He agreed that the Institute could defer submission of the accounts to HEFCE until that date to avoid them being qualified. The actions included:

- The likely appointment of an interim clerk in week commencing 29 November.
- A special meeting of the Board by 10 December to consider the position of the Chair. There is no obvious replacement for the Chair.
- The outgoing vice-chair to continue until after the special meeting, and then to be replaced by an independent member who seems effective.
- **[Text removed for publication]**
- The confirmation of the appointment of a new Deputy Principal.
- The internal auditors to follow up their governance action plan by 25 January.
- The nominations process already under way to continue to identify independent members to fill vacancies and cater for the additional members now approved by the Privy Council.

Our immediate plan is to:

- Maintain contact with the Principal and outgoing Vice-Chair as the above actions unfold.
- Establish contact with the new Vice-Chair following the special meeting [**Text removed for publication**].
- Make early contact with the acting Clerk.
- Assess the follow-up findings of the internal auditors.
- Re-assess our position in advance of the January 25 Board.

14. The Director of Learning & Teaching, who is responsible for institutions in the North West region, will chair a weekly project team of HEFCE Officers to oversee these actions and monitor progress.

15. The reasons for both the University of Luton and Birmingham School of Acting being in Category 1, as well as action taken and planned, are given in **Annex A**.

Recommendation: To note the institutions in Category 1 and the action in hand on each of them (**Annex A**).

Institutional Risk Category 2*

16. The previous report to the Board on institutions in Category 2* was in September 2004 (B71/04e), when there were ten institutions in this category. They remain in IRC 2*: [**Text removed for publication**]

- Conservatoire for Dance and Drama
- Courtauld Institute of Art
- Dartington College of Arts
- University of Greenwich
- Trinity College of Music

17. The reasons for each institution in Category 2* being in that Category, as well as action taken and planned, are given in **Annex B**.

Recommendation: To note the institutions in Category 2* and the action in hand on each of them (**Annex B**).

Institutional Risk Categories for all HEIs

18. The table below gives details of movements in the number of institutions in each Category since those reported in the previous papers in June 2004 (B53/04e) and September 2004 (B71/04e), including those with Teacher Training Agency lead accountability. For the purposes of consistency, and because the Birmingham School of Acting is not a directly funded HE institution, it has been excluded from the following statistics (including graphs).

Numbers of and Changes in Institutions by IRC							
Category	As at 31.05.04 (B53/04e)	Changes in Category		As at 1.09.04 (B71/04e)	Changes in Category		As at 30.11.04
1	1	-	-	1	-	+1	2
2*	10	-	-	10	-	-	10
2	43	-	-	43	-3	+1	41
3	77	-	-	77	-1	+1	77
Total	131	-	-	131	-1	-	130

19. A graph showing the time series for the numbers of institutions in Categories 1 and 2* is shown at **Annex D**.

20. There has only been a small number of changes in institutional risk categories since the previous report in September (B71/04e), the most significant being Bolton Institute of Higher Education moving into IRC 1 (as described above). Since the merger of the Victoria University of Manchester and UMIST, the number of institutions within the sector has been reduced to 130.

Recommendation: To note the full list of institutions by Institutional Risk Category (**Annex C**).

Recommendation: To note the graph showing the time series for the numbers of institutions in Categories 1 and 2* (**Annex D**).

Financial forecasts

21. None of the institutions in IRC 1 or 2* had explicitly included the effects of the single pay spine in the 2004 financial forecast returns. On an initial review of the forecasts it appeared that some of the institutions could be facing increased pressures on pay costs, although some expected to fund the additional increases through variable fee income. The HEFCE Assurance Service has completed a process of engaging with these institutions to clarify the underlying assumptions made within the financial forecasts with regards to the single pay spine. The conclusion of this process is that the single pay spine, at present, does not significantly add to the risks facing institutions in IRC 1 or 2*.

Student Recruitment

22. Recruitment performance is critical for institutions (particularly for those in difficulty) and despite the early indications showing that most institutions are reporting reasonable recruitment levels, actual data has still to be received. The HESES data on student numbers is due to be submitted by institutions on 8 December and the initial results should be known in time to enable a verbal report to be made at the board meeting about any adverse impact on institutions.

Related bodies

23. The previous report to the Board on Related Bodies “at risk” was in June 2004 (B53/04e), when the two Related Bodies below were considered to be “at risk”. (Income and HEFCE grant refer to the most recent financial year and are intended to give an indication of scale):

	Approximate Annual	
	Income	HEFCE Grant
	£000	£000
• eLearning and eUniversities group of companies	*	38,700#
• Higher Education Statistics Agency (HESA)	1,900	Nil

* Income has been minimal. # Total funding received from HEFCE to date.

24. Since the last meeting the Higher Education Statistics Agency (HESA) has been reclassified as ‘not at risk’. This is due to there being no outstanding issues with regards to the draft SLA between HEFCE and HESA. As the SLA is being progressed towards signature the institutional risk review group agreed that HESA should be removed from the ‘at risk’ category.

25. The following related body is considered to remain “at risk”:

eLearning and eUniversities group of companies.

Recommendation: To note the related body “at risk” and the action in hand on it (**Annex E**).

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		University of Luton				
IRC 1	May 2001	Student FTEs:	2002-03	2001-02	2000-01	1999-00
<u>Previous:</u>		HE	8,099	8,363	8,960	9,732
IRC 2*	Jan 2001	ALL	8,183	8,419	9,069	9,732
<p>Current Key risks:</p> <ul style="list-style-type: none"> • Severe decline in HEFCE-funded student numbers since 1999; 2002-03 and 2003-04 significantly under recruited. • Heavy dependence on overseas students. • Poor public and press image. • Poor student progression rates. • History of unrealistic and over-optimistic financial forecasts. • New "Development Plan" (2004) assumes strong growth in student numbers. 		<p>Action to date:</p> <ul style="list-style-type: none"> • June 2001: Recovery Plan finalised. • December 2001: 2001-02 recruitment showed a further decline, though within the range of the Recovery Plan. • December 2003: 2003-04 recruitment below target and the previous year. 2003 HESES showed Luton to be 10.3% above contract, resulting in £2m holdback before £0.8m in-year moderation. • 2002-03 accounts showed an HC surplus of £2.67m (5.2% of income), up from £1.8m in 2001-02, mainly due to cost reductions. Reserves increased to 13% of income, and liquidity reasonable. • April 2004: "Development Plan" and supporting financial forecasts received. This focuses primarily on: <ul style="list-style-type: none"> • Developing foundation degrees and HR provision in local FECs. • Growth in selected subject areas. • Improving conversion of applications and retention. • Further growth of overseas and NHS student numbers. • Culture change. • An independent review of the Plan by JM Consulting concludes that it is a good plan, which addresses the core issues, and that it represents the right choices from the range of alternatives available to Luton. There are signs of positive culture change and widespread ownership of the Plan. The targets are challenging but 100% delivery is not required. Financial viability is not a concern at present. • HEFCE Board agreed proposals for release of repayable grant in January 2005 and in principle agreement to provide headroom growth - both subject to putting in place clear monitoring arrangements and achievement of HEFCE recruitment targets. • June 2004 Assurance Consultant advised University Audit Committee about the University's risk profile. • July 2004: HESA-HESES reconciliation reveals £2.4m over-funding for 2001-02 through 2003-04, though no impact on 2004-05 baseline. • August 2004: Five year forecasts, based on the ambitious recruitment targets in the Development Plan, predict healthy results to 2007-08. • Discussions with the British School of Osteopathy (BSO) regarding an indirect funding arrangement for 348 students have been successfully concluded and franchise arrangements are now in place. Impact in short term is to reduce forecast surpluses for 04/5 and 05/6 but will provide significant assurance that Luton will be within contract avoiding further 				

	<p>holdback.</p> <ul style="list-style-type: none"> • October 2004: HEFCE agreed to provide £1.55 million to assist with the initial costs of BSO franchise. £2.4 million HESA:HESES liability agreed. • Luton will try to reduce recurrent costs through renegotiation of expensive fixed cost loans, though this may incur an up-front cost of £4m in 2004-05. • University have just appointed new Registrar to oversee implementation of new student record system. <p>Next steps & Prognosis:</p> <ul style="list-style-type: none"> • University to continue sending monthly management reports as part of monitoring regime. • University to produce updated Development Plan to reflect BSO arrangements by end of November 2004. • December meeting set up to review recruitment for 04/5 • <u>Prognosis</u>: Consider move to IRC 2* in December 2004 if recruitment is on target and revised Development Plan is acceptable.
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Birmingham School of Acting (BSA)		
IRC 1	Aug 2004	Connected Institution of the University of Central England (UCE) 2003-04 Full-time Student Numbers: 144
<p>Current Key risks:</p> <ul style="list-style-type: none"> • Financially weak institution with cumulative deficits of £646,000. • Liquidity problems: BSA reliant on 'up front' grant payments by UCE/HEFCE (£380K between April and July in 2004). • Cash flows in future years will be reliant on 'upfront' support. • Bank has withdrawn overdraft facility, leading to increased liquidity pressures. • No assets, and current buildings are on short-term leases • Fixed costs are too high for the current level of student numbers (although demand for courses is strong). • Unrealistic business plan • Limited management capacity (due to size) 	<p>Action to date:</p> <ul style="list-style-type: none"> • 1999: BSA joins the Dance and Drama Award (DaDA) scheme with UCE as the connecting institution. • 2003: BSA bids for funding following the transfer of the DaDA scheme from DfES to mainstream HEFCE funding. The Board (B9/04e) agrees that BSA should receive 126 out of the 140 places bid for. • April 2004: UCE informs HEFCE that the BSA is facing increased financial difficulties following the introduction of HEFCE mainstream funding. BSA's bank withdraws overdraft facilities worsening cash flow problems. UCE ask for HEFCE's approval to pre-pay some of the 2004-05 grant to BSA to tide it over the summer months. • May 2004: Meeting with UCE and BSA indicates that the school's financial position is more serious than merely problems of cash-flow. It was agreed that HEFCE and UCE would jointly fund a consultancy study to look at BSA's longer-term financial and academic viability. BSA asked not to recruit any students for 2005-06 entry. BSA produce business plan for period 2004-07, which forecast improvements. • July 2004: Consultants produce an interim report on BSA. The financial summary shows that the school is not viable as it stands and the only choices facing the school are closure, restructure or merger with another institution. The BSA business plan is noted to be based on 'unrealistically optimistic assumptions'. Academically BSA's courses are well regarded, of high quality and national distinctiveness and offer the only such provision in the Midlands. • In 2003-04 BSA is due to make a loss of £118,000 from income of £1.3m, and it will have negative reserves of £646,000. The school has no cash reserves and only has a positive bank balance because of UCE's phased advance of £380,000 of the schools 2004-05 grant. • Aug 2004: Final reports received from consultants. Three options are put forward with the cost of closure put at an additional £1.2m to HEFCE. Some restructuring is possible, but in the short-term BSA would not be able to make sufficient changes to be financially viable. The consultants recommend a preferred solution of UCE taking over BSA. • CEG discussion on options, recommendation is that a discussion with UCE is undertaken to negotiate the transfer of BSA into the UCE group. CEG agree to negotiate to an absolute financial upper limit of £2m (£800k beyond the cost of closure), for the period until July 2006, in order to preserve the provision in the longer term. • 3 Sept: Initial positive meeting with UCE to discuss potential transfer. Currently awaiting a detailed proposal from UCE that meets the remit agreed by CEG. Proposal due in December 2004. <p>Next steps & Prognosis:</p> <ul style="list-style-type: none"> • Negotiations with UCE continue with regards the transfer of BSA into the 	

	<p>UCE group. A long term solution is being sought.</p> <ul style="list-style-type: none">• <u>Prognosis</u>: BSA will remain at risk until HEFCE and UCE can come to an agreement over the transfer of BSA, likely to be in Spring 2005.
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Conservatoire for Dance and Drama						
IRC 2*	Jan 2004	Student FTEs:	2002-03	2001-02	2000-01	1999-00
		HE	332	331	n/a	n/a
		ALL	332	331	n/a	n/a
Current Key risks:		Action to date:				
<p><u>Note:</u> CDD is an umbrella organisation for funding dance and drama institutions (affiliates).</p> <ul style="list-style-type: none"> Lack of permanent management at the Conservatoire. Unacceptable reporting to HEFCE as financial position of affiliates is not reported, and the Conservatoire's accountability processes for affiliates is not clear. 		<p>August 2003: Total affiliates increased to 4.</p> <p>CDD's relationship with affiliates is subject to a Financial Memorandum but HEFCE relies on CDD to ensure that funds are used as designated and that affiliates meet Financial Memorandum requirements.</p> <ul style="list-style-type: none"> CDD monitors each affiliate through an operating agreement. <p>2004 MYFR: Small deficit, broadly in line with forecast. Liquidity reasonable. Conservatoire finalised risk management arrangements in July 2004.</p> <p>July 2004: aiming to strengthen the management and monitoring process.</p> <p>Aug 2004: three new affiliates joined CDD. Financial forecasts show marginal surpluses and reasonable net liquidity throughout.</p> <p>Oct 2004: New FD is in post.</p> <p>Next steps & Prognosis</p> <ul style="list-style-type: none"> Assurance Consultant awaiting response from Principal about how the Conservatoire monitors the affiliates. Assurance Consultant is attending the CDD Audit Committee in Dec to progress matters. Assess progress in the improvement of management and implementation of monitoring process. <u>Prognosis:</u> Consider move from IRC 2* if management and monitoring arrangements provide sufficient assurance for HEFCE. 				

Courtauld Institute of Art						
IRC 2*	Jan 2004	Student FTEs:	2002-03	2001-02	2000-01	1999-00
		HE	335	n/a	n/a	n/a
		ALL	335	n/a	n/a	n/a
Current Key risks: <ul style="list-style-type: none"> Improvements needed to financial strategy, management information, risk management and financial control. Staff changes in key posts: Director, Finance Director, Director of Development and HR Manager Uncertainty about additional endowments. 		Action to date: <p>August 2002: Endowments of £16m were promised to the Institute on condition that it became free-standing. HEFCE board agreed direct funding. HEFCE cyclical audit in January 2004 confirms concerns about financial strategy, management and control. Action plan prepared.</p> <p>2002-03 financial statements: Small HC surplus £200,000 – better than the forecast HC deficit. Minimal surpluses forecast in future years. Liquidity OK. January 2004 HEFCE cyclical audit identifies weaknesses, particularly in financial systems.</p> <p>Aug – Sept 2004: Financial Forecasts show a deficit of -£334k for 2004-05 with surpluses thereafter. Reserves are adequate. 5 Year plan figures differ. Corporate plan received summer 2004. Financial Strategy to increase the endowment by £15m over a 5 year period.</p> <p>New Director appointed as from autumn 2004.</p> <p>Finance Director left suddenly July 2004. A Temporary Finance Director was appointed and Permanent Finance Director now appointed with effect from 15th November 2004.</p> <p>New Development Director recently appointed.</p> <p>New HR manager to start in the autumn.</p> <p>HEFCE Audit followed up August 2004, most non-financial issues resolved, but many financial management issues will not be resolved until a new Finance Director is in place.</p> <p>HEFCE Assurance visit in September 04. Courtauld offer to rewrite Financial Forecasts. Further concerns re progress on raising additional endowments.</p> <p>Annual visit November 2004: It had not proved possible for the Courtauld to rewrite the Financial Forecasts prior to the appointment of the new FD. Recruiting had gone well, but draft final accounts were currently projecting a £50k loss rather than forecast surplus of £261k (prior to consolidation of shop and Hermitage, and confirmation of endowment figures).</p> Next steps & Prognosis: <ul style="list-style-type: none"> Regional and Assurance Consultants briefed new Designated Officer 19 November 2004. <u>Prognosis</u>: Establishment of satisfactory financial strategy, management and control systems over the next 6 months should allow a move back to IRC 2. 				

Dartington College of Arts						
IRC 2*	Sept 2003	Student FTEs:	2002-03	2001-02	2000-01	1999-00
		HE	419	430	407	459
		ALL	419	430	407	459
Current Key risks: <ul style="list-style-type: none"> • Weakening financial position. • Large estates project (relative to the size of the College). • Project reliant on achieving large ASN growth to help fund the development (around 50% over 3 years). • Management overstretched and in process of change. 		Action to date: <p>Jan 2003: College awarded substantial ASNs (for its size) totalling 396 FTEs over the next 3 years.</p> <p>May 2004: ASN award to be reduced by 180 FTEs. College has now drawn down the first instalment of the loan for the estates project, so cash flow concerns relieved in the short term.</p> <p>New Finance Director and Principal now started at the college.</p> <p>Aug 2004: Financial forecasts show weakening surplus position – deteriorating to deficit of 3.7% by 2007-08 and Net Liquidity reducing to £127,000 (9 days cover) by 2007-08. Income assumptions appear cautious after 2004-05, although staff costs appear low.</p> <p>Vice-Principal (Administration) will be leaving the college, a significant loss.</p> <p>Nov 2004: College will recruit all of last year's 2nd chance ASNs, but expects to under-recruit by around 45 students from this year's ASNs.</p> <p>Next steps & Prognosis:</p> <p>Model financial impact of under-recruitment, but not expected to be too significant for the time being.</p> <p><u>Prognosis:</u> The estates development is running on time and to budget but the College should remain in IRC 2* at least until satisfactory recruitment is demonstrated in the next academic year and confidence has been established in new senior management appointments.</p>				
University of Greenwich						
IRC 2*	Sept 2003	Student FTEs:	2002-03	2001-02	2000-01	1999-00
		HE	15,323	13,901	13,682	13,170
		ALL	15,323	13,901	13,710	13,196
Current Key risks: <ul style="list-style-type: none"> • [Text removed for publication] • losses and property write-downs have depleted reserves. • Net Historic Costs position not improving from 		Action to date: <p>[Text removed for publication] losses of [Text removed for publication] between 1999 and 2002) forced a major restructuring programme.</p> <p>2002-03 financial statements: HC deficit £7.5m (6.6% of income) following major property write down and further restructuring depleted reserves. The underlying position was break-even. Net liquidity remains healthy.</p> <ul style="list-style-type: none"> • Regional team visit on 11 June. HEFCE Audit visit 29 June [Text removed for publication] • 21 July: HEFCE Assurance Service met with the Finance Director to 				

<p>break-even.</p> <ul style="list-style-type: none"> • Further deficits could breach bond covenants. • [Text removed for publication] 	<p>consider 2004 Financial Forecasts and overall financial position of Greenwich. Overall surplus of £2.5m forecast in 2004-05 due to capital receipt, Breakeven forecasts thereafter. [Text removed for publication].</p> <p>New VC started in September 2004.</p> <p>Draft final accounts indicate a £3.4m surplus (forecast £0.5m) and reserves of £6.5m (5.6% of turnover).</p> <p>Student recruitment figures are currently indicating that the main contract will be on target, but there may be more difficulty meeting the ASN bid figure for Foundation Degree places (207 FTEs). Further PT Foundation Degree recruitment expected in February.</p> <p>Next steps & Prognosis:</p> <p><u>Prognosis:</u> Await audited 2003-04 financial statements and December HESES confirmation of 2004 recruitment, then move to category 2 (January 2005).</p>
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Trinity College of Music						
IRC 2*	April 2004	Student FTEs:	2002-03	2001-02	2000-01	1999-00
		HE	456	459	533	534
		ALL	456	459	533	534
	<p>Current Key risks</p> <ul style="list-style-type: none"> • Poor financial health: deficits and weak liquidity. This is an issue whether or not the College merges with Laban. • Implications of the merger with Laban for governance, management and financial health. • Small institution dealing with many initiatives. 	<p>Action to date:</p> <p>2002-03 accounts: Large HC deficit (5.7% of income), negative net liquidity and very low current ratio (much worse than forecast); ASC at 2.8%.</p> <p>April 2004: Laban reveals a large VAT liability and liquidity problems. Due Diligence also highlights problems with financial management and deficits.</p> <p>28 April: Assurance Consultant assesses Laban's risk management, control and governance to be reasonable with respect to its current regulatory framework, though some change will be necessary to meet HEFCE regulatory requirements.</p> <p>28 June: Further update on merger issues. VAT liability now agreed at £0.7m (to be paid over ten years), and merger postponed until August 2005.</p> <p>Aug 2004: financial forecasts show surplus of 1.5%-3% of income for each year with very weak net liquidity throughout. The forecasts do not include the costs of the merger and new single pay spine. The financial position could be worsening in the medium term.</p> <p>Sept 2004: draft business plan and financial forecasts of the merged institution received. The plan needs to be strengthened. Forecast HC surpluses of between 0.7% and 10% of total income rely on Laban to turnaround its financial performance, very weak net liquidity At a meeting on 21 Sept, Laban confirmed that VAT issue has been fully resolved with a written confirmation from C&E available in early Oct. Laban's property sale is imminent with cash proceeds of £1.35m. Trinity and Laban plan to submit the merger case to HEFCE Board early next year.</p> <p>Oct 2004: Assurance consultant and FA attended the College's Audit Committee meeting, starting the dialogue with TCM about opening up risk system and HEFCE's risk assessment of the College. The College recognises these risks and wishes to keep the dialogue open from now on.</p> <p>Nov 2004: two senior governors of the College met the RC, AC and FA, assuring that action is in hand to manage risks. The action is detailed in the revised business plan for the merger.</p> <p>Next steps & Prognosis:</p> <ul style="list-style-type: none"> • Awaiting the revised business plan. <p><u>Prognosis:</u> To remain in Category IRC 2* until there is sound evidence that the merged institution will be financially viable and stable.</p>				

Related Bodies – At risk		Annex E
eLearning Holding Company Ltd / (UK eUniversities Worldwide Ltd)		
Relationship Manager: Alice Frost		
AT RISK	Total Income for 2002-03 Funding received from HEFCE to date	minimal £38.7m
<p>Current key risks:</p> <ul style="list-style-type: none"> • In carrying out his duties as Accounting Officer, HEFCE chief executive could be considered to act as a shadow director. • Participating HEIs may become disengaged from eLearning activity. • Adverse outcome of Select Committee hearing may undermine public confidence in HEFCE. 	<p>Background</p> <ul style="list-style-type: none"> • eLearning is a company limited by guarantee whose members include most of the UK’s HEIs, and through which HEFCE and other HEFCs seek to establish the UK as an international force in e-learning. HEFCE has grant-aided eLearning to invest in shares in UKeU, with funding capped at £55m, although recently HEFCE has directly funded UKeU. The total HEFCE commitment is capped at £62m, including “public good” activities. • A Sub-Group of the HEFCE Board oversees the review process. <p>Action to date:</p> <ul style="list-style-type: none"> • February 2004: HEFCE Board decides not to fund UKeU’s (revised) business plan but to “wind-down and restructure” activities. • A company doctor from Robson Rhodes appointed executive deputy chairman, to run the company. • Public good programmes have been transferred to HEIs. • Redundancies in April and July leave few staff employed by UKeU. • June: In the absence of satisfactory offers from third parties for the platform, the entire business is being wound up. • HEIs have transferred students to other platforms. • 30 July: UKeU has reached a creditors voluntary arrangement (to be confirmed by 27 August). Smith & Williamson are the joint supervisors, tasked with realising the assets and making payments to creditors. The initial deadline for completion of the CVA is 30 April 2005. Our board has agreed to provide £4.5m funding to cover staff redundancies, a contribution to the CVA, and settlement of sums owed to HEIs. • To the extent that English HEIs do not receive payment in full under the CVA, we intend to provide development funding for continuing eLearning activity. • June/July: Select Committee hearings, with a report due in the autumn. <p>Next Steps & Prognosis:</p> <ul style="list-style-type: none"> • Continue to work with UKeU on the wind down. • The board sub-group continues to oversee the process. • Maintain dialogue with Ministers and other key stakeholders. • Continue to work on a communications/media strategy. • <u>Prognosis:</u> When the CVA is in place and payments are made, the 	

	UKeU will cease to exist.
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