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Letter to chairs: Emerging governance risks

Dear [First name]

As I begin my own term as chair of the Office for Students (OfS), I am writing to all colleagues across the higher education sector in England who offer their time and experience as chairs of the governing bodies of the institutions we regulate. I want to share information about the risks we see emerging across the sector and to invite you to consider these with the members of your board. Furthermore, I will map out briefly the journey we are proposing to take as we develop our approach to enhanced regulation of governance in the sector.

From the outset, I would like to emphasise that I see your role as central to both ensuring high quality education for your students and overseeing key processes within your institution. I do not believe that we have paid sufficient attention to – or communicated regularly enough with – the chairs of providers since the creation of the OfS.

I was pleased to see that so many of you were able to attend our recent events for new chairs of governing bodies. OfS colleagues also greatly appreciated the opportunity to engage with those of you who attended our events on governance earlier this year.

We will publish the new OfS strategy next week. This sets out the four attitudes which will guide how we will work over the next five years. One of these is 'collaborative'. It is through this lens that we will approach our work with you and your sector bodies on governance.

The strategy has sector resilience as one of its core goals. We are seeking to support a financially sustainable set of providers that delivers high quality higher education and within which effectively governed institutions navigate increased financial and strategic risks. In this context, the job of a governing body becomes increasingly important and demanding.

While there are institutions with governance arrangements that allow them to deal well with these challenges, we agree with the view expressed by some in the sector that standards of governance are not consistent and, in some respects, may benefit from overall improvement. We are

encouraged, therefore, to see the work of several mission groups and membership bodies aimed at providing updated tools and guidance.

In line with our new strategy, we intend to work collaboratively with them and with you in pursuit of our shared objective to improve the positive impact of governance. Of course, our focus will be on how we can assure ourselves that the good practice articulated in these tools and guidance is adopted. We are discussing with those undertaking this work how they can factor this dimension into their deliberations and will look to build our consultation next year on potential new regulatory requirements on these foundations.

When we speak to you and your peers, one of the things we hear is that you find it valuable to hear from the OfS about risks we see in the sector. This feedback is one of the prompts for this letter and for the following summary of the five major areas that are giving us most cause for concern at present. We recognise that boards hold ultimate responsibility for providers assessing and addressing these risks.

We acknowledge that you and your board may be actively discussing these issues. We recognise also that some of them will be more relevant for some institutions than others, and that the full suite of opportunities and challenges boards are considering will be wider than this. Notwithstanding, top of our agenda are:

1. Financial pressures
2. Significant change programmes
3. Third-party and off-campus delivery
4. Misuse of public funding
5. Legal compliance following commencement of new free speech duties.

These themes have been identified through the course of our regulatory activities, including the consideration of investigations, notifications, and reportable events, as well as engagement with senior staff and boards of provider organisations. We have set out more details on each of these themes in the attached annex, with suggested resources to support board-level consideration. Where appropriate, I would encourage you to bring these matters into the discussions of your board members and reflect on any opportunities for further action.

We are keen to continue learning from your experiences and those of your accountable officers; for example, I hope you are aware that we are creating a Provider Panel which will feed its insights directly into the OfS Board. When I undertake visits to providers, I am making sure that I meet with chairs of boards and fellow governors or non-executive directors and I hope we have the chance to talk on one of these occasions or at one of the many sector events I will be attending over the coming months. In the meantime, if you have thoughts that you want to share about the issues I have raised in this letter please do contact me at Chair@officeforstudents.org.uk.

More broadly, we plan to speak to your accountable officers early in the new year about progress with enhancing sector governance as well as continuing the conversation with you. We will be in touch with more details about these initiatives soon.

Thank you for your continued contribution and commitment to good governance across the sector.

Yours sincerely

Professor Edward Peck
Chair

Annex A: Sector risks

Risk	Detail	Resources
Financial pressures	A growing number of providers are experiencing sustained financial pressure. Factors include: rising costs, constraints on income growth, shifting recruitment patterns for UK and non-UK students, and developing government policy across areas such as franchising, immigration or funding. Financial projections and risks should be clearly described, regularly reported, and integrated into strategic decision-making. These risks are contributing to the need for providers to consider difficult decisions, including strategic and operational change and cost reduction programmes. When considering cost saving measures, it is important that boards consider the impact on key control functions such as risk management, internal audit and governance support.	• <u>Financial sustainability of higher education providers in England: 2025 - Office for Students</u> • <u>Protecting the interests of students when universities and colleges close - Office for Students</u> • <u>Gillies report on the University of Dundee</u> • <u>Navigating financial challenges in higher education - Office for Students</u>
Significant change programmes	Many providers are undertaking major change programmes, often in response to financial pressures or evolving policy and funding priorities, such as the Lifelong Learning Entitlement. These programmes can be complex and resource-intensive, requiring potentially different skills, and they carry significant operational and reputational risk. Boards have a key role in ensuring that change is well governed, with clear objectives, robust oversight and appropriate project management expertise. It is also important that boards receive timely and accurate information to monitor progress and ensure that core operations continue to be delivered effectively.	• <u>Advance HE CEO Alistair Jarvis joins Talking Transformation podcast to discuss transformation in changing times Advance HE</u> • <u>Change-by-Design-How-universities-should-design-change-initiatives-for-success.pdf? – HEPI report 2023</u> • <u>Transformation and Efficiency Taskforce: Towards a new era of collaboration</u>

Risk	Detail	Resources
Third-party and off-campus delivery	We are seeing increased use of third-party delivery models and expansion into new campus locations, including overseas. These arrangements can offer strategic and financial benefits, but they also introduce additional complexity and risk. Boards should be confident that such models are subject to thorough due diligence, with clearly defined responsibilities and robust monitoring frameworks. Due diligence would include a clear understanding of the parties involved in any new activity, including their current or previous activity in the higher education sector, particularly their partnerships with other providers and activity that is publicly funded. For providers where a substantive part of their delivery is now reliant on arrangements with third parties, there is a risk that the ongoing financial sustainability of the institution becomes dependent on these relationships. This reliance can risk limiting the appetite to renegotiate or step away from these partnerships, even where they begin to introduce risk. Boards have an important role to play in understanding, monitoring and mitigating any potential over-reliance on specific income streams. Many providers have joint funding arrangements with foreign states or entities and some of these may create risks of legal and regulatory non-compliance in relation to free speech and academic freedom. For instance, jointly funded language teaching / cultural centres (such as Confucius Institutes) may import teaching staff who are subject to political vetting. Jointly organised scholarship arrangements (such as China Scholarship Council scholarships) may apply similar tests for	• <u>Investigation into student finance for study at franchised higher education providers</u> • <u>OfS insight brief - subcontractual arrangements in higher education</u> • <u>Consultation on new requirements for the oversight of subcontractual arrangements in English higher education - Office for Students</u> • <u>Regulatory advice 24: Guidance related to freedom of speech</u> (see examples 25 and 26) • <u>China: Overseas students face harassment and surveillance in campaign of transnational repression - Amnesty International</u> • <u>German university ends ties with China scholarship scheme</u>

Risk	Detail	Resources
	scholars. Wherever they have reasonable suspicions about an arrangement, providers must take steps to assure themselves that these requirements are not in force. Where they cannot do so, they must terminate the arrangement.	
Misuse of public funding	We have seen an increase in reported fraud cases, including allegations involving internal staff. This trend highlights the need for strong internal controls and a culture that supports transparency and accountability. Boards should ensure that the risks around misuse of public funds are regularly reviewed, and that appropriate controls are in place, including whistleblowing mechanisms, staff training, management of conflicts of interest and independent audit. This is particularly important when considering new income streams or procurement activity. Our focus on protecting public funding is ongoing and we expect boards to consider regulatory case studies in the public domain which have identified significant areas of weakness in some part of the sector – including, but not limited to, oversight of recruitment and admissions processes, and attendance monitoring.	• DfE Fraud awareness: good practice for education and training providers - GOV.UK
Legal compliance following commencement of new free speech duties	The free speech duties set out in the Higher Education (Freedom of Speech) Act 2023 came into force on 1 August 2025. However, the proposed condition of registration and the free speech complaints scheme are not yet in force and remain subject to future primary legislation. The legal duties are in force now. If a registered provider believes it may be in breach of these duties, it should take <u>immediate</u> steps to address the issue.	• Regulatory advice 24: Guidance related to freedom of speech • The future of the Higher Education (Freedom of Speech) Act 2023 - GOV.UK

Risk	Detail	Resources
	The Act requires institutions to take ‘reasonably practicable’ steps to secure freedom of speech, and while we expect providers to act without delay, we recognise that internal governance processes may be necessary, for example to approve a code of practice or to align relevant policies. We are also keen to work constructively with the sector. We aim to build a strong relationship around free speech, for instance through joint informal engagement on the complaints scheme and on the promotion of the importance of freedom of speech; and through the sharing of good practice.	