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It is now two years since the publication of my review of efficiency and effectiveness in higher education. As chair of the Universities UK task group that developed the report, I was fortunate to witness first-hand the excellent work our universities were doing to scale the twin peaks of efficiency and effectiveness.

Our report showcased much of this excellent work. Yet we also set out the challenges that were destined to dominate in the coming years. Pressure on public finances, the introduction of graduate contributions and a more market-orientated system, the need to continue investing in the future: to meet these challenges, our universities would need to do more.

The sector responded well. Progress has been made in all of the areas we identified. In the latest analysis, universities were shown to have saved over £480 million in 2011–12, money that could be reinvested in our core activities of teaching and research.

While this is reassuring, we cannot afford to be complacent. The efforts that we have all made to ensure that our universities continue to deliver excellence have been recognised at the highest levels. The work set in train by my report helped us to demonstrate to government why continued investment was money well spent, and the outcome of the 2013 Spending Round reflected confidence in our universities. Yet we find ourselves at a crucial juncture. Pressure on public finances is likely to remain over the course of the decade.

So we must take stock of where we are, and start thinking about where we need to be in the coming years. Spending decisions that will need to be made in 2015–16 will take place in a challenging environment. Competition for resources will be huge. We will need to redouble our efforts to deliver efficiency and value for money, and be in a position to demonstrate these with a strong, robust evidence base.

This report provides an overview of the progress that has been made since 2011, and highlights the excellent work being done in our universities and in the wider sector. I hope that it will also act as a catalyst for future thinking about what our next steps should be.

Professor Sir Ian Diamond
Principal and Vice-Chancellor,
University of Aberdeen
EXECUTIVE SUMMARY

In October 2011, Universities UK published *Efficiency and effectiveness in higher education*, the report of the Efficiency and Modernisation Task Group.

The report outlined the excellent record of universities in delivering against efficiency and value for money targets, but also highlighted the fresh challenges facing the higher education sector. Over 18,000 copies of the report have been downloaded since publication.

Between 2005 and 2011, the sector delivered over £1.38 billion in efficiency and cost savings against Comprehensive Spending Review targets totalling £1.23 billion. A more recent analysis has shown that in 2011–2012 alone, universities delivered £481 million in efficiency savings. Following significant reductions in capital funding, these efforts helped the sector to secure a robust financial position, which has been fundamental to maintaining the level of investment in infrastructure.

The 2011 Universities UK report made 17 recommendations for action. These focused on cross-cutting approaches that could enhance efficiency and effectiveness across all parts of the institution. These were: the availability and use of data and benchmarking; process improvement; shared services and outsourcing; procurement; sharing good practice; regulation; and monitoring and evidencing progress.

Following publication of the report, HEFCE and the Leadership Foundation for Higher Education launched a £1 million stimulus fund to support projects that would help to further the objectives outlined in the Universities UK report. Nine projects have been funded through this Innovation and Transformation Fund.

This report sets out the progress that has been made in each of the cross-cutting thematic areas. This progress is summarised in Annex B. Highlights include:

• the extension of Procurement Maturity Assessments to more than half of universities in England
• the creation of the Higher Education Procurement Academy to provide training and support in procurement to higher education professionals
• the development of a taxonomy of core business processes to support benchmarking of costs
• the establishment of the first shared services in the UK to make use of the VAT cost sharing group exemption
• the launch of the Efficiency Exchange website to support the sharing of best practice

Efficiency programmes in research funding and the impact of pay restraint, pension reform and workforce change have also played a critical role in delivering efficiency savings and value for money:

• The higher education sector remains on track to deliver £82.2 million in efficiency savings in research in 2012–13 (and more than £420 million by 2015). This is in line with the provisions of the Wakeham review.

• Since 2008, there has been pressure on the higher education sector to show pay restraint in line with austerity in the wider public sector. Challenging decisions on pay and pensions have been made, and most universities reported redundancies or severances during 2011–12.

The progress that has been made in the sector, and the ongoing success in delivering efficiency and cost savings, should be applauded. However, with austerity set to continue beyond 2015, public spending decisions will continue to be made in a challenging funding environment. It is vital that the sector continues to reflect on its position, and takes the lead on addressing future challenges.

As a sector, areas where more work is needed include:

• extending work on asset-sharing to ensure that benefits are disseminated across the sector
• enhancing utilisation of and value from the higher education estate
• understanding the human resources challenges facing the sector
• building on the work set in train by the Wakeham review to ensure that research funding remains efficient and sustainable
• creating a more robust evidence base to account for progress
1: BACKGROUND

Towards a decade of success

UK higher education is well regarded on the international stage. As a sector, we consistently punch well above our weight in terms of research performance. As a destination for international students, we remain second only to the United States. And we continue to serve the diverse needs of hundreds of thousands of students at home. Studies by the European Commission demonstrate that our universities deliver these outcomes effectively; we are a ‘top performer’ in using resources effectively.¹

Figure 1: Efficiency and value-for-money savings in higher education institutions in England, 2005–2012

<table>
<thead>
<tr>
<th>Year</th>
<th>Target</th>
<th>Achieved</th>
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<tr>
<td>2005-06</td>
<td>151.3</td>
<td>134.5</td>
</tr>
<tr>
<td>2006-07</td>
<td>159.2</td>
<td>150.6</td>
</tr>
<tr>
<td>2007-08</td>
<td>198.7</td>
<td>202.4</td>
</tr>
<tr>
<td>2008-09</td>
<td>126.4</td>
<td>159.6</td>
</tr>
<tr>
<td>2009-10</td>
<td>241.8</td>
<td>273.7</td>
</tr>
<tr>
<td>2010-11</td>
<td>363.0</td>
<td>462.7</td>
</tr>
<tr>
<td>2011-12*</td>
<td>481</td>
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* No CSR target
Note: Data from 2011–12 is not directly comparable to previous years due to a change in methodology.

Source: HEFCE

Our universities have also shown an ability to respond well to a changing fiscal environment. The problems and challenges brought about by the financial crisis are considerable, though they are not unique to the UK. Yet even before the crisis, UK universities had consistently met – and exceeded – efficiency savings that were mandated under successive Comprehensive Spending Review periods (CSRs). Over the course of CSR04 and CSR07 (2005–2011) universities in England delivered at least £1.38 billion of savings against a cumulative target of £1.23 billion.²

The commitment of our universities to delivering efficiency savings and value for money did not end with CSR07. Analysis conducted by the Higher Education Funding Council for England (HEFCE) found that universities in England delivered £481 million of efficiency and cost savings in 2011–12.³ Across the UK, efficiency and cost savings in research have also been driven by the joint Research Councils UK and Universities UK (UUK) report (2010), Financial Sustainability and Efficiency in Full Economic Costing of Research in UK Higher Education Institutions (better known as the Wakeham review). The sector remains on target to deliver £428 million of savings through the provisions of the Wakeham review by 2014–15.⁴ As a 2013 report to the Department for Business, Innovation and Skills (BIS) highlights, these savings (combined with previous success in exceeding CSR targets and allied to the ongoing commitment evidenced by institutional value for money reports) show that `the sector is moving towards a ten-year track record of delivering efficiencies'.⁵

**Delivering value: institutional approaches to value for money**

HEFCE commissioned an analysis of institutional value for money reports for academic year 2011–12. The submission of these reports is optional, and 73 were analysed. The selection was broadly representative of the sector as a whole in terms of size, geography and mission type.

**Analysis of cost and efficiency savings**

Based on this sample, the analysis estimated total cost and efficiency savings in 2011–12 to be £481 million, or just over 2% of sector expenditure for the period. This might be considered a conservative estimate as it is likely that institutions will also be operating value for money initiatives that are not mentioned in their reports. Such initiatives, and any resulting savings, will not have been captured by this analysis.

**Areas and activities contributing to savings**

After `cross-cutting` activities that have an impact on all areas of the institution, the most common areas for delivering savings over this period are: academic departments; estates; ICT; staff costs; procurement; and academic support services. The most popular approaches to realising savings are the streamlining of processes, organisational restructuring, and the use of competitive tendering.

Source: HEFCE

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3 HEFCE (2013) Analysis of value for money annual reports submitted to HEFCE by English higher education institutions Bristol: HEFCE, especially pp.4–5

4 For the Wakeham review, see RCUK & UUK (2010) Financial Sustainability and Efficiency in Full Economic Costing of Research in UK Higher Education Institutions Swindon: RCUK. For the latest updates on implementation, see http://www.rcuk.ac.uk/research/Efficiency/Pages/home.aspx

The response of universities in delivering these efficiencies has led the sector to report a sound financial position over the past two years. These reserves have been absolutely fundamental in enabling continued investment in physical, human and digital capital in support of institutional strategic objectives, national economic growth, and better facilities for learners. For example, while capital funding from the public purse has been more restricted since 2009, actual investment by universities has remained stable. Robust cash reserves have enabled this continued investment; the amount of capital spending funded through internal reserves increased four-fold between 2009 and 2011.4

**Drivers for change**

In spite of the demonstrable success of the higher education sector prior to 2010, an ongoing emphasis on efficiency and effectiveness has been required. The financial crisis has put significant pressure on public funding, meaning that universities need to make existing and planned investment go further. Doing ‘more with less’ has become a byword for funding not only in higher education but across the public sector – and, indeed, globally.7 As the Universities UK (2012) report *Futures for higher education: analysing trends* puts it:

> Higher education in the United Kingdom is undergoing a period of significant change. This is being driven by a number of factors: political, cultural, economic, and technological. The trends are global in their scope, and far reaching in their impact. They affect every aspect of university provision, the environment in which universities operate, what they will be required to deliver in future, and how they will be structured and funded.8

The higher education sector is also adapting to a very different funding mechanism, with resources for teaching flowing increasingly through the learner, with more competition, as opposed to coming directly from the state. Universities have had to become more responsive to the needs of learners and more accountable for how funds are invested. Recognising this changing context, Universities UK established the Efficiency and Modernisation Task Group, chaired by Professor Sir Ian Diamond.9

**Efficiency and effectiveness in higher education**

The Task Group undertook a programme of research and engagement with stakeholders in higher education and from the public and private sectors.

The objectives were to:

- Understand current practices around efficiency and effectiveness in UK higher education
- Explore potential strategies for delivering cost savings and efficiencies, and for enhancing value for money
- Identify good practice and case study exemplars both from within the higher education sector and from other fields
- Make recommendations and identify key strategic areas in which developments could enhance the sector’s ability to deliver efficiencies and value for money

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7 For a more in-depth discussion, see UUK (2011) *Efficiency and effectiveness in higher education: a report by the Universities UK Efficiency and Modernisation Task Group* London: UUK, pp. 12–19
The Task Group focused on efficiency in core operational areas (often referred to as the ‘back office’). The final report, *Efficiency and effectiveness in higher education: a report by the Universities UK Efficiency and Modernisation Task Group*, was published in September 2011 and set out strategies that universities might employ to work more effectively, such as:

- **Process improvement**: simplifying and standardising processes to streamline delivery and reduce duplication, and benefit from advances in ICT
- **Innovation in delivery**: exploring new business and service delivery models such as shared services, outsourcing, and other forms of partnership and collaboration
- **Procurement**: improving institutional capability and capacity, and developing a more coordinated, effective and joined-up system of collaborative procurement
- **Data and benchmarking**: developing better data on operational costs and more robust approaches to benchmarking to drive improvements in efficiency

The report made 17 recommendations across these thematic areas, plus others related to monitoring and evaluation, dissemination and sharing of good practice, and regulation. These recommendations were addressed to a number of target audiences, notably institutional leaders, sector stakeholders and government.

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**Implementing the recommendations**

The recommendations in the report called for action in the thematic areas identified above. In a number of cases, the recommendations called for actors and stakeholders beyond Universities UK to take action. In these instances, while it was not possible to mandate activity, Universities UK committed to developing infrastructure that would support organisations to take the necessary steps, and to undertake a programme of engagement and evidence-gathering with stakeholders where this would support the objectives outlined in the report. An implementation plan was developed that mapped the recommendations onto a programme of discrete projects and activities, to be taken forward by Universities UK and other sector stakeholders. An overview of this plan is given at Annexe A.

**Reception and engagement**

Since publication, *Efficiency and effectiveness in higher education* has been one of Universities UK’s most popular reports, with over 18,000 downloads. A survey undertaken in November 2012 to assess the report’s impact in the sector found that 100% of respondents representing UK universities were aware of the report, and 70% were familiar with the implementation activities. Importantly, and in line with the findings of the report, the survey found that efforts to enhance efficiency are clearly not new to the sector: while just over one-in-five respondents said that the report had had a ‘quite significant’ or ‘very significant’ impact on policy (22%) and practice (23%) in relation to efficiency, this was because almost all respondents – 98% – believed that enhancing efficiency was an existing focus of departmental strategic objectives.

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10 The survey was commissioned by Universities UK, and carried out by PricewaterhouseCoopers, between October 2012 and January 2013. The survey differentiated between ‘institutional’ and ‘departmental’ responses. There were 63 responses in total.

The Innovation and Transformation Fund

Critical to supporting the implementation plan was the support of HEFCE and the Leadership Foundation for Higher Education. Together, these organisations launched the Innovation and Transformation Fund (ITF), which provided £1 million of stimulus funding to projects and initiatives that would further the broad objectives of the report.12

Nine projects were selected on a competitive basis and clustered in themes of procurement, benchmarking and shared services; online learning; and student advisory services. Unlocking learning through wide dissemination and knowledge sharing was considered fundamental to obtaining a return on the £1 million investment for the wider sector. Significantly, the ITF has supported the development of the Efficiency Exchange, an online repository of information on efficiency and value for money in higher education. This will promote ITF project outputs and outcomes and become a hub for community building and knowledge sharing (see page 23 for more information).

The majority of the nine ITF projects will complete by the end of 2013, with the remainder finishing by summer 2014, after which further analysis of benefits realised for the sector, and lessons learned, will be reported.

All the ITF projects have highlighted the importance of shared understanding of and perspectives on the cultural and behavioural aspects of change, particularly in working practices, processes and motivation. These are issues that the Leadership Foundation and HEFCE are considering as a focus for a potential second phase of the ITF.

12 For more information on the Innovation and Transformation Fund and related projects, see http://www.lfhe.ac.uk/en/research-resources/resources/itf-fund-outcomes/index.cfm
This chapter summarises the targets set in each of the key thematic areas outlined on page 7. Case studies of good practice and recent progress demonstrate innovative and successful developments in the higher education sector. A summary of progress across the thematic areas is also given in Annexe B.

It is important to recognise that efficiency and value for money affect all aspects of the university. The Universities UK report focused on operational activities, while work on the Wakeham review looked at efficiency and sustainability in research. Universities have also had to respond to pressures surrounding pay, pensions and workforce change, particularly since the onset of the financial crisis.

While developments in these two areas are not directly linked to the Universities UK report, updates are included to provide a more complete picture of activity in the higher education sector. These are found in chapters 3 and 4.

### Data and benchmarking

#### What the UUK report said

The sector should develop better data and a more coordinated approach to operational cost benchmarking. Improvements to the available public data should be made. Better approaches to costing ICT services to support new approaches are needed.

The availability of robust data and comparable benchmarks within universities is critical if universities are to make informed decisions about transformation and change. It is also important that, at a sector level, our universities are able to demonstrate the scale and scope of efficiency and value-for-money savings that they have been able to deliver.

#### Developing a common benchmarking framework

It was necessary to recognise the appetite for and current extent of operational cost benchmarking in the sector. As a first task, a report was commissioned exploring current practice. This demonstrated that there was a strong desire for more comparable (and better quality) data on costs. The report found that:

- The main benefit of operational cost benchmarking was demonstration of value for money for key stakeholders.
- Comparability of data across the sector was the primary concern of stakeholders.
- Better access to operational cost data across the sector was stated as the main future requirement to support better benchmarking practice.

There is, therefore, both the need and demand for an operational cost benchmarking tool.
Building on this work, and supported by a grant from the ITF, Universities UK has led a cross-sector working group which is developing a framework for analysing costs across core operational areas. The project is working with a number of institutions and professional bodies to identify a list of ‘priority processes’ in areas such as finance, human resources, estates, student services and IT against which universities will be able to cost activities. This data will create the foundation for an expandable suite of benchmarks, available to all universities. Initial findings from this study will be presented in January 2014.

The benefits of benchmarking in core operational areas

Since publication of the Universities UK report, a number of organisations have taken the lead on developing approaches to benchmarking in specific operational areas. These provide more granular data and benchmarks than those being created through the Universities UK-led project. In IT, Jisc and Janet have produced an IT costing model and are working on several detailed, free-to-use cost analysis tools, as well as guidance and the offering of training materials and workshops to improve financial understanding among IT and other technical staff. Projects such as these provide higher education professionals with the tools and robust data that they need in order to make informed decisions about their IT function.

Costing IT services

Jisc funded a project that developed mechanisms for gathering better data on the financial costs of providing IT services. This data is needed to inform value for money discussions and to create a more robust basis for decision making.

Working with institutions’ own service catalogues, a costing framework was created. This taxonomy was incorporated into ‘the Janet Financial X-ray tool’ which allows institutions to collect and analyse cost data and compare themselves against sector benchmarks.

This tool is now offered by Janet as a charged-for cost analysis service. A number of universities have used this tool, and have seen it as a useful way of understanding their rationale for investments in IT and being able to place themselves against sector benchmarks.

Tom Payne, Director of Business Services & Projects at the University of Oxford, said, ‘The Janet Financial X-ray generated really useful insights into where Oxford and our peers are focusing their IT investments. The Financial X-ray results are informing our internal discussions about the value of the wide portfolio of IT services we operate at Oxford and I am grateful to Janet for their support and advice. UK Higher Education IT has needed a relevant benchmarking service for some time. ‘Our data is now included in the Janet database and I would encourage participation from all university IT departments interested in being transparent about the cost of their services and the value that they deliver to their institution.’

Source: Jisc
There are also methods for evaluating the performance of university estates across a whole spectrum of activity. The Estates Management Statistics provide an excellent repository of data and benchmarks against which sector performance can be evaluated, while others have developed systems to improve institutional performance. For example, the Laboratory Assessment Framework has helped universities to deliver cost savings and to create greener, more sustainable research environments.

**The Laboratory Assessment Framework**

The S-Lab Laboratory Assessment Framework has 57 criteria, covering chemicals and materials, cold storage, fume cupboards and containment, lighting, management and training, waste and recycling, water, building and services, and policies and innovation. The criteria are focused on areas that have the potential to create both environmental and performance benefits.

Through its incorporation into the NUS Green Impact programme the framework has been used in several hundred laboratories in over twenty universities. An S-Lab report with case studies of the framework’s use in the universities of Edinburgh, Leeds, Manchester and Queen’s University, Belfast, and the biotech company Genentech, found multiple benefits. These included financial savings from identifying – and subsequently implementing – more energy efficient cold storage and fume cupboard use, more effective use of chemicals and materials, and better waste practices; better cross-laboratory and cross-functional collaboration; and raised staff and student awareness of improvement opportunities. At Leeds, for example, the exercise demonstrated that raising freezer temperatures from -80 to -70°C reduced energy consumption by 10 to 17%.

**At Leeds, the exercise demonstrated that raising freezer temperatures from -80 to -70°C reduced energy consumption by 10 to 17%.’**

**Better public data on efficiency and value for money**

The analysis of institutional value for money reports produced by HEFCE marked a new approach in how we understand efficiency and value for money in the higher education sector. Placing the emphasis on institutional activity helps to increase transparency and accountability. The use of this data source is at an early stage, and the report identified a number of opportunities for improving the quality of data and information supplied by institutions.13

Building on this work, HEFCE has invited the Financial Sustainability Strategy Group and the British Universities Finance Directors Group (BUFDG) to begin thinking through different approaches to creating a more coordinated, robust and accountable framework for evaluating efficiency and value for money at a sector level.

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13 HEFCE (2013) *Analysis of value for money annual reports*, pp.11–14
Process improvement

What the UUK report said

Institutional leaders should prioritise streamlining internal processes, take a long-term strategic view of measures to deliver efficiency and cost-savings, and develop robust business plans for transformational activities.

The Universities UK report placed process improvement at the heart of efforts to enhance efficiency. While the role of the Task Group was not to mandate specific approaches, a number of recommendations highlighted the importance of streamlining internal processes to reduce duplication and waste, and noted that this should be a priority for institutional leaders. Evidence suggests that this is indeed where many institutions have focused their efforts.

The analysis of value for money reports undertaken by HEFCE [see page 5] demonstrates that this was the most common approach to delivering efficiency savings of those reported, with average savings of £144,000 being delivered. These reports suggest that universities are taking a strategic, whole-organisation approach to introducing projects: the most common classification for where savings had been achieved was in ‘cross-cutting’ areas (as opposed to individual functions). In a study commissioned by Universities UK as part of our work on benchmarking [see pages 9–10], 71% of respondents identified business process re-engineering as a cost-reduction strategy currently used by their organisation. Such approaches can help universities to deliver savings [in terms of both cash and time] that support investment in other areas.

Freeing resources for investment through comprehensive process reviews

The University of Bristol has a Support Process Review (SPR) programme designed to streamline the support service. Overall core salary costs represented a higher proportion of the cost base than at many peer institutions, while there was also evidence that the present structure gave rise to poorly supported systems, leading to lack of resilience. Sharing of best practice was not encouraged, and inefficiency and duplication of activity was suspected.

Indications were that the current situation could not be improved significantly by small operational changes at the margin, but would require a major programme of transformation. The SPR programme was developed to address these issues. The programme is made up of a number of projects, each looking at the cost and efficiency of different services. The main objectives were to:

- Reduce the cost of support functions
- Reduce administrative workload of academic staff
- Improve and standardise support functions
- Strengthen the career progression opportunities of support staff

Process owners were established, support staff roles were evaluated and modified, and the way IT systems were defined, developed and supported were changed. A ‘top-to-toe’ implementation of new support structures was achieved in key areas, controlled by process owners with the primary focus of ‘one activity, one process, one place’.

The university has achieved greater standardisation, greater resilience and economies of scale.

Source: Jisc

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14 HEFCE (2013) Analysis of value for money reports, pp.6–8; PwC (2013b) Evaluation of operational costs of benchmarking in higher education and assessment of future needs [unpublished], p.13
While process improvement is often a way of freeing up more money for investment in strategic areas, ensuring organisations have a streamlined and effective approach can in itself help to provide a strategic advantage, by making the organisation more agile and responsive to the needs of learners – both current and prospective.

**Refining processes to deliver a more competitive organisation**

The University of East London launched a project to produce high quality, accurate information about the institution’s programmes. One of the main objectives was to streamline processes for validating new or revalidating existing programmes, thereby reducing the level of resource and associated costs.

Calculating the financial viability of new programmes was previously an iterative process between the course proposer and colleagues in Finance but often undertaken after much of the documentation had been produced.

The process review highlighted inefficiencies in the way programmes are validated. The development of an interactive costing model has highlighted the financial outlay in developing and delivering courses. The capacity to incorporate automated workflows into the course approval processes, the enabling of version control, logging of changes and storage of data leading to a single source of programme information all represented a significant step forward. The future impact of the project will be even more beneficial to the university.

The project led to a shared understanding of the need to transform processes for course approval, which was helped by the realisation that universities now operate in a more market-driven environment and institutions that can respond quickly by bringing in new and innovative courses are more likely to prosper.

Source: Jisc

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**Enabling better staff performance**

The Performance Enabling Programme was developed by Swansea University to help deliver its strategic aims of: an outstanding student experience; excellence in research; and innovative engagement with the national knowledge economy in an environment of diminished resources.

It has been implemented through the introduction of a unique set of individual staff KPIs and a substantial process of staff engagement that has succeeded in building a commitment to the programme across the academic community.

Since implementation, completion of performance reviews has more than tripled to nearly 80%, and a member of staff’s impact on the student experience can be measured (through an online Student Feedback System). This programme will drive cultural change over a five-year period and together with the engagement and development of managers and staff will recognise, incentivise and challenge employees’ performance, better equipping them and the university to attain their strategic objectives, in a demanding educational environment.

Source: Universities Human Resources (UHR)
Shared services and outsourcing

What the UUK report said

Institutional leaders should consider the role that outsourcing can play in delivering efficiencies and improving services, while the necessary skills for managing such relationships need to be developed in the higher education sector. Shared services could play an important role in supporting greater efficiency. Universities should consider the options presented by partnerships within the higher education sector and beyond. Advice and guidance on how shared services might be developed, and in what areas, is needed. The VAT cost sharing exemption should be implemented by government.

Shared services and outsourcing do not provide a ‘magic bullet’ through which efficiency savings can be generated. Significant challenges must be overcome if they are to deliver against the twin objectives of efficiency and effectiveness. However, the Universities UK report argued that both provided significant opportunities that universities should consider.

Universities have a long and successful history of collaboration, and shared services have been used for a wide range of activities for many years. Indeed, a number of robust, costed pilot projects have been funded by HEFCE in areas where a clear need and opportunity had been established. These five projects have already realised savings of over £4.3 million between 2011 and 2013. Two examples are highlighted in the following case studies.

Legal advice and guidance as a shared service

HE Shared Legal is a new national shared legal service for the UK higher education sector.

It provides guidance and support to institutions on a variety of topics, from employment and contractual matters to detailed transaction planning, case preparation and governance. Hosted by the University of Strathclyde, the service has published more than 170 items of generic guidance and addressed over 85 individual legal enquiries since launching in May 2012. In a short time, institutions have benefited from savings of between £500 and £3,500 on the guidance they received in response to their queries (in comparison to the potential cost of using an external law firm), while others have already saved more than the cost of their annual subscription.

Source: UUK

Shared service approach to video and television content

Most universities record and store TV and radio programmes. This meant that many institutions were duplicating activity, with many recording the same programmes. This uses up space, time and resource across the sector.

As part of HEFCE-funded shared service pilot projects, the British Universities Film and Video Council (BUFVC) argued that a shared services approach to recording and supplying this content would deliver significant efficiency savings, and improve the quality of service available throughout the sector.

With £235,000 funding from HEFCE, the BUFVC developed an online Box of Broadcasts Service which could be accessed by universities, and reduce the need for locally-based services. In the first year, over one million programmes were downloaded, and the facility contributed significantly towards savings in excess of £4.3 million that have been delivered by the suite of five shared services projects. It is estimated that the Box of Broadcasts Service could save the sector £9 million over six years.

Source: HEFCE
The University of Worcester has supported a new ‘green’ construction that has improved facilities for all users, and helped to protect a community resource at a time when library facilities elsewhere have been threatened by public sector austerity.

These projects are examples of shared services that have been developed on behalf of the sector, and are providing real benefits in terms of service quality and costs savings. They highlight the potential benefits of targeted initiatives supported by robust business plans. Many other opportunities exist for shared services between universities, and with other organisations.

Looking beyond higher education

The Universities UK review also suggested that institutions should explore opportunities for partnerships both within and beyond the higher education sector. Opportunities for real innovation in shared services exist which support the needs of universities, their learners, and wider communities. Since publication of the report, a long-standing partnership between a university and its local authority has delivered a new library service that is open to students and to the public. Working in partnership with Worcestershire County Council, the University of Worcester has supported a new ‘green’ construction that has improved facilities for all users, and helped to protect a community resource at a time when library facilities elsewhere have been threatened by public sector austerity.

Innovative approaches to shared services benefiting the local community

The Hive, a collaborative project between the University of Worcester and Worcestershire County Council, is a ground-breaking partnership to create a fully integrated university and public library.

Completely new to the UK (and highly innovative internationally), The Hive highlights the benefits gained from public sector bodies working in partnership. It has created a unique experience for the communities the partners serve, as well as achieving efficiency savings through better use of public sector assets. It is a prime example of estate rationalisation for universities and cities across the United Kingdom.

Some of the main benefits that have been realised include a 20% saving in space; increased use of library facilities by the public and by students; and savings from capital synergies totalling over £4 million. The Hive is a cultural, learning and information centre of excellence, promoting lifelong learning, engendering social inclusion and raising aspirations for the whole community. Proving to be immensely popular, it is on target for one million visitors annually. It is also an award-winning, highly-regarded example of environmental design.

Source: UUK and Green Gowns
Similarly, the development of community sports and recreation in Scotland has enabled students, professional athletes and the wider community in Aberdeen to benefit from a premier quality shared service. A partnership between the university, regional authorities and national bodies has provided improved facilities for all partners, serving the needs of more users, for a lower cost than any single partner could deliver alone.

Cross-sector shared facilities with community benefit

Aberdeen Sports Village (ASV) is the premier sports facility in the north east of Scotland. Developed through a partnership between the University of Aberdeen, Aberdeen City Council and Sport Scotland, its aim is to provide world class sport and exercise opportunities for everyone in the community and to be recognised as a centre of excellence for sport.

It opened in August 2009 and a second phase, including an Aquatics Centre, is due for completion in 2014. The cost of the ASV was approximately £28 million, and the budget for the second phase of work is £21 million.

ASV was created to meet the twin needs of upgrading the university’s sporting facilities and creating a regional sports facility as outlined in the Scottish government’s National and Regional Sports Facilities Strategy. All partners now have access to a facility that they could not have afforded as individual organisations. The centre attracts over 12,500 visitors each week, more than double the original target of 5,500. The ASV was an Olympic training centre for London 2012 and has established a ground-breaking Athletics Academy and a Disability Hub.

The success of the facility has already delivered annual savings to the partners on their projected annual costs, resulting in facilities of a markedly higher quality, at a cost to each partner of less than or equal to the facilities they replaced.

Source: Universities Scotland

The centre attracts over 12,500 visitors each week, more than double the original target of 5,500. The ASV was an Olympic training centre for London 2012 and has established a ground-breaking Athletics Academy and a Disability Hub.

Removing barriers to shared services

The cost of VAT has long been identified as a barrier to shared services in higher education. One mechanism for reducing the potential impact of this was to implement an existing cost sharing exemption. Following extensive engagement with the higher education sector (and others affected by the proposed change), the government announced in December 2011 that the cost sharing group exemption would be implemented. This was a significant and welcome development for the sector (see page 25).

Since implementation, it has been incumbent on the sector to explore the opportunities presented by the provision. Guidance on how to understand and implement the cost sharing exemption has been developed by HEFCE and BUFDG. This is now publically available, and organisations are successfully implementing the exemption.15

15 HEFCE guidance on the VAT cost sharing group legislation is available at http://www.hefce.ac.uk/whatwedo/lgm/efficiency/shared/vat/
Early adopters: the first cost sharing groups emerge

**Advanced Procurement for Universities and Colleges (APUC)**, the procurement centre of expertise for all of Scotland’s universities and colleges, is now operating as a VAT-exempt cost sharing group (CSG). It is limited by guarantee company owned by all its member institutions.

Although the changes and the process an organisation has to go through to meet the requirements set out in the HM Revenue & Customs (HMRC) CSG guidance may vary from organisation to organisation, for APUC this involved reviewing the company’s governance arrangements and also documents submitted to Companies House, as well as obtaining mutual status approval from HMRC. The member institutions also had to review their own VAT position to establish their ability to take part in a CSG and then provide APUC with a declaration of their position. APUC could then determine the VAT position by institution and issue invoices including VAT where applicable for any that did not fully meet the tests within the guidance.

APUC’s position was made simpler by taking part in HMRC’s consultation process which allowed APUC as it neared the end of its start-up phase in the 2011–12 year to ensure the business was as ready as possible pending the publication of the final guidance. APUC also chose to align itself entirely with the HMRC guidance rather than exploring alternative interpretations of how CSGs could work. APUC has just been given a clean external audit for its first year as a CSG.

Source: UUK

Others in the sector are also looking at the opportunities presented by the cost sharing group exemption. As part of its move to a new, subscription-based funding model, Jisc – one of the largest and most successful shared services in the higher education sector, which delivers over £250 million of efficiency savings to the education sector – is looking to create the largest cost sharing group in the UK. This will enable universities to continue benefitting from the services offered by Jisc, but without a prohibitive VAT charge being incurred through the new funding model.\(^{16}\)

**Outsourcing as a strategy for enhancing efficiency**

Similarly, universities have used the expertise of external providers in many areas of university business. The annual Universities and Colleges Employers Association (UCEA) Workforce Survey of higher education institutions confirmed that outsourced arrangements are widespread in universities. More than two-thirds (67% of respondents) indicated that they outsourced at least one function in part or wholly, while one-in-ten (11%) outsourced five or more functions either in part or wholly. These figures are in line with findings from a Universities UK-commissioned report, in which 66% of respondents reported their institution making use of fully outsourced or ‘managed service’ arrangements.\(^{17}\)

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Procurement

What the UUK report said

Institutional leaders should consider the role that outsourcing can play in delivering efficiencies and improving services, while the necessary skills for managing such relationships need to be developed in the higher education sector. Shared services could play an important role in supporting greater efficiency. Universities should consider the options presented by partnerships within the higher education sector and beyond. Advice and guidance on how shared services might be developed, and in what areas, is needed. The VAT cost sharing exemption should be implemented by government.

Enhancing the capacity of procurement to deliver savings for universities was a critical focus of the Universities UK review. The benefits that can be realised through better and more effective procurement at both institutional and sector levels are significant. Within institutions, improving the effectiveness of procurement can deliver significant cost savings, and free up time for higher education professionals to focus on tasks that add value to the organisation.

The value of effective procurement

During 2011–12 Procurement Services at Newcastle University invited tenders for 107 contracts and framework agreements with a total contract value of £36.5 million.

Improvements in the scope and scale of collaborative purchasing have brought significant benefits, including an increase in collaborative procurement (saving £100,000); a huge rise in the number of e-marketplace transactions (from 4,943 to 25,923), saving an estimated £925,000; and a rise in the value of transactions using purchasing cards, saving approximately £260,000.

Implementation of the new purchasing and accounts payable systems and processes was completed in February 2012. The proportion of purchases compliant with university purchasing procedures has increased from 50% to 84%, and the proportion of orders from a catalogue has increased from 2% to 60%. This equates to an efficiency saving of £1.15 million.

Source: Association of Heads of University Administration

Greater savings and better quality through improved supplier relationship management

Management in the Information Services Department at The University of Nottingham recognised that they were not always working effectively with suppliers or consistently receiving best value from them.

A review of processes and the development of a dedicated Supplier Management Program led to significant improvements in value for money, service quality and staff engagement.

As a result of the project, which created standard internal processes, improved staff engagement and provided dedicated and focused training opportunities, the university was able to realise significant benefits. In terms of efficiency savings, £500,000 has been generated on an investment of £130,000.

Source: Universities and Colleges Information Systems Association
Earlier in 2013, Universities UK commissioned a series of case studies exploring the role that procurement can play in achieving strategic objectives. This extends beyond freeing resource for investment in core areas such as teaching, learning and research, to areas such as improving the quality of services for students and delivering real social value. It is clear that many universities are increasingly investing in procurement capacity, and that a wide range of benefits are being realised.  

**Better procurement supporting social value and sustainability**

As part of a corporate strategy to move to a greener, more sustainable approach to sourcing, and to support small and medium-sized enterprises (SMEs) and local businesses wherever possible, Durham University undertook a major review of its catering provision. This involved a detailed review over a two-year period in which five new contracts were implemented, three of which were for new commodity areas.

The main benefits of these new contracts included reducing food miles; improving nutritional standards; greater use of UK-assured products; reduced carbon impact (eg through UK-based bottling); and an increase in the use of recycled materials. The approach also made parts of larger contracts accessible to local SMEs, including specialist suppliers. This helps to support local business, delivering both social value and helping to cater for the needs of a diverse student community (eg by sourcing halal and vegan foods). Not only has the university achieved significant savings, it has also introduced better quality products which are fresher, seasonal and, where possible, locally produced.

Source: UUK

Recognising the potential scale and scope of increased capacity in procurement to deliver real improvements in quality and better value for universities, Universities UK’s 2011 review placed great emphasis on this area.

**Providing leadership and strategic direction**

Procurement UK was established in February 2013. The group, chaired by Professor Nick Petford, Vice-Chancellor of The University of Northampton, has high-level representation from within the higher education sector and the procurement community and from experts with public and private sector experience.  

Procurement UK has four strategic objectives:

- To raise the profile and status of procurement in the UK higher education sector so that it is viewed as a key strategic asset
- To support a more coordinated and streamlined approach to procurement in the UK higher education sector
- To enhance the effectiveness of procurement in UK higher education in order to leverage the maximum value from investment in the sector
- To promote transparency and develop appropriate mechanisms that will help to evidence progress and support the delivery of all strategic objectives

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Enhancing the effectiveness of procurement

Two significant developments were identified which could support enhanced effectiveness of procurement within universities: the extension of capability and capacity assessments, and the establishment of an academy to provide education and training for procurement professionals. With the support of the Innovation and Transformation Fund (ITF), two significant projects are now underway to address these recommendations.

The assessments of procurement capability have been used in Scotland for a number of years, initially mandated through APUC. The benefits of undergoing these assessments is clear: between 2009 and 2011, the proportion of further and higher education institutions rated as ‘improved’ or ‘superior’ (the top two grades) rose from 22% to 70%. Evidence suggests that improving the institutional procurement rating brings tangible and recurring financial benefits through better control of procurement spend.19

In England, the Southern Universities Purchasing Consortium (SUPC) had an existing model, Procurement Maturity Assessments (PMAs), similar to the service offered by APUC. These PMAs allow an institution to evaluate the capability and capacity of its service, and provides a development plan and follow-up assessment (to evaluate progress). Support from the ITF has enabled this offer to be rolled out across the higher education sector in England.

Over half of consortia members in England are now part of the PMA programme, with 58 completed assessments and a further 11 in the pipeline. In line with the early experiences in Scotland, 28% of institutions achieved one of the top two grades in the initial assessment.


The benefits of undergoing Procurement Maturity Assessments is clear: between 2009 and 2011, the proportion of further and higher education institutions rated as ‘improved’ or ‘superior’ rose from 22% to 70%.

Early findings suggest that excellent progress is being made. Analysis of results from the institutions that have completed both phases of the PMA shows that the average score (across nine categories of assessment) increased from 35.6% in the initial assessment to 50.9% in the follow-up. This demonstrates that the focus provided by PMAs, plus the support and development package accompanying the assessment, is working to enhance procurement capability and capacity in universities.

As part of the project’s development, SUPC is also working to align the framework used for the PMAs with that used by APUC. In November 2013, the UK Board of Universities UK endorsed a recommendation that all relevant members should have a PMA or similar assessment by 2016.
Building success with Procurement Maturity Assessments

The SUPC Procurement Shared Service has been working with the University of Hertfordshire over a period of three years. Hertfordshire has gone through two Procurement Maturity Assessments, as well as additional work on procurement change.

Procurement has moved from being a devolved function undertaken in faculties and departments to a centrally managed function with local embedded staff across the institution. Two client-facing contract managers lead the work on implementing category and contract strategies.

Key outputs and benefits are:

- Improved strategic positioning and profile of procurement across the institution
- Improved compliance on procurement policies and procedures
- Increased efficiency of the procurement process
- Availability of management information to inform strategic procurement
- Better value driven from contracts
- Increased savings via supplier management and increased use of collaborative contracts.

Source: UUK

Building capacity and competence in procurement: the Higher Education Procurement Academy

The Higher Education Procurement Academy (HEPA) was established in 2013 as a response to the recommendation in Efficiency and effectiveness in higher education that there should be an academy to ‘enhance expertise and capacity’ in the sector. The HEPA is a joint initiative between BUFDG’s Procurement Professionals Group (PPG), the Leadership Foundation for Higher Education and the regional purchasing consortia.

The objective of the HEPA is to advance procurement capability and professionalism in UK universities and related institutions. A programme of training and development has been created that maps onto a competency framework which identifies the skills and competency levels required by all staff involved in the procurement process, helping individuals to take ownership of their personal development through skills assessment, identification of development needs and career planning.

Source: UUK
Improving coordination between purchasing consortia

Procurement England Limited (PEL) was established in 2013 to provide a structure for the four English regional higher education purchasing consortia to coordinate the collaborative procurement of goods and services and undertake national initiatives with Procurement UK.

PEL will develop and promote initiatives, procurement contracting and other strategies in order to provide higher education institutions and other consortium members with value for money, taking into account price, quality, service and sustainability. The organisation will also:

- Support the development and execution of professional purchasing practices and training throughout the sector in England
- Promote and encourage the exchange of purchasing information and raise awareness of local, regional, or national purchasing arrangements
- Play a full part in the development and implementation of national higher education initiatives in the area of procurement and contract management

It is important that the development of PEL has a real impact on collaborative purchasing in England. The opportunity to deliver even better coordination between regional bodies is to be welcomed, should the new structure support the objectives outlined in *Efficiency and effectiveness in higher education*.

Increasing collaborative procurement

In the 2011 report, the Task Group recommended that 30% of non-pay spend of universities in England should be addressed through collaborative means. While the report estimated the current level in England to be in the range of 10 to 12% (and an initial estimate provided independently of the Task Group reported 10.4%), we now accept that this underplays the achievements of collaborative purchasing in England. This is due to differences in how the non-pay spend baseline may be calculated. Assessment in England is more problematic than in Scotland due to differences in the statutory and regulatory frameworks governing the sectors, and the funding relationship between institutions and the relevant purchasing consortia. As such, evaluating progress towards the 30% target has been delayed.20

However, earlier in 2013, and following further engagement with the procurement community, the chair of Procurement UK proposed a revised framework for assessing the level of collaborative spend. This revised approach was agreed with English National Procurement. It is imperative that this methodology is adopted over the next reporting period, and discussions with HEFCE and the Higher Education Statistics Agency (HESA) are scheduled to ensure robust and consistent reporting against the framework.

In spite of the difficulties in evaluating progress towards the 30% target, collaborative procurement continues to deliver significant returns for the sector: in 2011–12, purchasing consortia in England and Scotland addressed more than £860 million of spend and delivered over £105 million in cost and efficiency savings. This achievement is to be applauded.21

20 UUK (2011) *Efficiency and effectiveness*, pp.58–64. The baseline of non-pay spend in the UUK review used HESA data that includes items that cannot be addressed by procurement professionals and capital spending, which introduces large fluctuations in annual expenditure. A refined measure of ‘non-pay-spend that can be influenced by procurement professionals’ has now been agreed, which is similar to that used in Scotland.

21 Calculated from the 2011–12 annual reports of APUC, LUPC, NEUPC, NWUPC, SUPC, all available online. Please note that while these figures represent aggregated further and higher education spend, higher education represents a very significant majority of the total.

In 2011–12, purchasing consortia in England and Scotland addressed more than £860 million of spend and delivered over £105 million in cost and efficiency savings.21
Sharing good practice

What the UUK report said

Key stakeholders should develop a centralised, web-based repository to provide information of efficiency and modernisation, and to share best practice. Guidance on shared services and outsourcing should be developed. Case studies identifying good practice and evidencing progress should be developed to support evaluation initiatives.

It is imperative that universities and higher education professionals can access information and materials to help support more effective working within institutions. Professional bodies provide a good resource for their members, but research conducted by the Universities UK Task Group suggested that a resource with a broad, cross-functional remit, drawing on expertise both within and from outside of the higher education sector, would be welcomed.

Supported through the ITF, Universities UK and Jisc have developed the Efficiency Exchange, a web-based resource for professionals working in higher education. This was identified as an important development by government.

The Efficiency Exchange

Since its launch in February 2013, the Efficiency Exchange has published a regular stream of news, comment and resources on efficiency in higher education.

The Efficiency Exchange showcased the N8 report on how universities are rising to the efficiency challenge, Making the best better, and published associated case studies. The report was highlighted in a speech by David Willetts, Minister of State for Universities and Science. As part of the move to create valuable resources for the sector, a study of Procurement as a strategic asset in higher education was commissioned and published through the Exchange.

Innovative new forms of delivery for efficiency-related material are also being developed. In June 2013, the Exchange hosted a live webcast discussion on ‘Shared services to enhance the student experience’, which is now available on YouTube. As well as promoting guidance from HEFCE on the cost sharing group VAT exemption and a new fund to develop good practice in shared services, the site has also supported the launch of the Higher Education Procurement Academy – another critical service supported by the Innovation and Transformation Fund.

The Efficiency Exchange enters its second year with the launch of a new channel on the Guardian Higher Education Network. This will offer higher education professionals an unrivalled opportunity to share new thinking, success stories and good practice with a wide readership.

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The Efficiency Exchange is more than just an online presence. The annual ‘Efficiency in Higher Education’ conference hosted by Universities UK brings together the key stakeholders to discuss progress, challenges and future opportunities, while the Efficiency Exchange Workshop series begins in February 2014. This will provide one-day, focused events to help higher education professionals learn about new approaches and to share experiences across the sector, and with those working in other professional domains. The Efficiency Exchange will also provide a repository of information on efficiency and value for money in the higher education sector.

See www.efficiencyexchange.ac.uk for further details. Links to case studies, good practice and guidance in areas such as procurement and shared services are available via the site.

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22 See www.efficiencyexchange.ac.uk for further details. Links to case studies, good practice and guidance in areas such as procurement and shared services are available via the site.
Regulation

What the UUK report said

The government should clarify the proportion of graduate contributions that will be classified as ‘public’ funding. An estimate of the costs of regulation should be developed to inform changes to the regulatory landscape. The VAT cost sharing group exemption should be implemented.

Costs of regulation

Understanding the costs associated with regulation is important if universities are to engage with public debate over future requirements. While evaluating the total costs to the sector is difficult (and the benefit of which is open to question), providing a robust evidence base to inform timely issues is clearly valuable. With this in mind, the Higher Education Better Regulation Group (HEBRG) identified the costs of compliance with Tier 4 Student Immigration Regulation as a timely focus. Its research estimated the costs of compliance to be in the region of £66.8 million.

Importantly, the work commissioned by HEBRG found significant variation in the application of regulatory requirements across the sector, and considerable uncertainty over what constituted compliance. In producing a robust estimate of the costs and identifying such issues, clear opportunities for creating a more efficient and effective system were identified. HEBRG is now working closely with major stakeholders to see where these opportunities might be realised. Developing a model for analysing these costs has enabled HEBRG to inform the ongoing debate around regulation in this area, and has provided a transferable model for understanding costs in other regulatory domains.

The costs of Tier 4 immigration visa compliance

The Higher Education Better Regulation Group undertook a cost and benefit analysis project on Tier 4 student immigration regulation between February and June 2013. The study’s aims were to quantify the financial costs for UK higher education providers of compliance with Tier 4 immigration controls and project the financial consequences of planned and ongoing regulatory change in this area.

A model to quantify the financial impact of compliance with Tier 4 regulation was developed by deconstructing the Tier 4 guidance into duties requiring action by higher education providers. These actions were then grouped into a set of standard high level processes, activities and costs.

A range of quantifiable compliance costs were found. In addition, many providers consider Tier 4 regulation to be disruptive across many different functions, and there are therefore unknown non-quantifiable opportunity costs to providers. There are also costs to students and perceived reputational costs to the sector as a whole. Overall annual costs of Tier 4 compliance for the whole higher education sector in academic year 2012–13 were estimated to be in the region of £66.8 million.

The report identified 17 opportunities for improving the current system which could lead to efficiency savings and improved outcomes for all stakeholders. The cost model developed for the study will enable the cost to the sector of compliance with Tier 4 to be monitored over time and the consequences of any potential future change projected. Additionally, the templates could be adapted for use in other types of regulation.

Source: HEBRG

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The VAT cost sharing group exemption

The VAT implications of moving to shared service models have long been identified as a barrier to innovation within universities. As discussed, following publication of the Universities UK report the government announced that that the VAT cost sharing group exemption was open for use by qualifying organisations. Since the decision in 2011, HEFCE and the British Universities Finance Directors Group commissioned and published expert guidance on how to implement the exemption, and a live webcast discussing the opportunities this presents was hosted by the Efficiency Exchange in June 2013. Now that guidance is available, universities have begun to evaluate the utility of the exemption (see page 17).24

However, it must be remembered that the VAT cost sharing group exemption is not a ‘magic bullet’: shared services will not always be the most cost-effective model for delivering a service, and the parameters set by legislation may present obstacles to the creation of useable and effective services. The higher education sector should continue to evaluate all options, and take opportunities to engage with government and HMRC to inform the development of policy in this area.

Universities UK has also published guidance on competition law for the higher education sector, which is available to our members to help inform decision making in areas such as benchmarking and the development of shared services.

What the UUK report said

A monitoring and oversight panel should be created to evaluate progress in the sector, and to set new objectives and targets. The panel will report on progress and advise on future policy development. Work should be taken forward to explore the opportunities and challenges presented by addressing efficiency and effectiveness in academic processes and practice.

Following publication of the Universities UK report in 2011, the Efficiency and Modernisation Task Group came to an end. The need to monitor and evaluate progress against the recommendations, and to set the course of future developments, would require a different set of capabilities. A successor group, also chaired by Professor Sir Ian Diamond, was established and met for the first time in November 2012. This oversight group has representation from all major sector agencies, professional groups and vice-chancellors. The evidence collated by and on behalf of this group played an important role in Universities UK’s engagement with the 2013 Spending Round.

The Leadership Foundation for Higher Education hosted a roundtable discussion to scope out some of the critical issues facing the sector in terms of enabling high performing academic cultures. This focused on the processes that could be used or reformed to support continued excellence in teaching and research. More work in this area will be undertaken in 2014.
3: EFFICIENCY AND SUSTAINABILITY IN RESEARCH

In 2010 Research Councils UK and Universities UK jointly published the report Financial Sustainability and Efficiency in Full Economic Costing of Research in UK Higher Education Institutions. It recognised the success of the UK research base and stressed the importance of moves to secure a more sustainable approach to research funding.

The report played a central role in helping to secure investment for research announced as part of the Coalition’s current spending plans. Spending plans for this period (2011–12 to 2014–15) committed to keeping any savings arising from the Wakeham review within the research ‘ring fence’, to be reinvested in science and research.

The projected profile of target savings to be achieved is outlined in Figure 2.

A progress report on Research Councils UK’s efficiency programme showed that the savings targets from grants for 2011–12 have been met. The sector is also on track to deliver against the target of £82.2 million for 2012–13.

The evidence of impact since Wakeham

The implementation of the Wakeham recommendations by the research councils has involved allocating institutions and research organisations to efficiency groups based on two main factors: the relative position of an institution’s indexed indirect cost rate in a ranked list of costs across the sector; and the relative change in an institution’s indexed indirect cost rate. It is expected that this approach will result in the reporting of progressively lower indirect cost rates over the duration of the efficiency programme, and early analysis of data for 2011–12 has illustrated this trend.

Equipment sharing

Although no specific targets for efficiency in capital and equipment utilisation were set by the Wakeham review, the Spending Review settlement did see a significant reduction in the capital allocation for research and higher education more generally. This has meant that more effective asset and equipment utilisation has been vital to enable the sector to continue to sustain world class research. The Research Councils UK report on progress relating to the implementation of Wakeham says that the research councils are seeing evidence of a considerable culture change in the research base as a result of changes that have been introduced. For example, the N8 universities have developed a number of joint research programmes that seek to maximise the use of new and existing research assets.

25 These figures are in the process of being validated. Total savings include efficiencies delivered by research council-funded research institutes.
Efficiency savings and new research opportunities – benefits of the Kit-Catalogue™

Kit-Catalogue™ is open source software that has been developed by Loughborough University. It allows organisations to catalogue, record and locate their kit (e.g., laboratory equipment). It is used by equipment managers and custodians for internal purposes (e.g., informing research students of what equipment exists) or to advertise its availability to others for acquisition, sharing or occasional use.

One significant benefit is preventing the unnecessary purchase of items that are already available internally. By having a clear understanding of existing kit and capacity, the university saved over £25,000 in direct costs on a single proposed purchase. The system enables both staff and students to easily find the right kit for their job, saving time and travel costs for certain experiments. The resulting increase in inter-disciplinary collaboration has also identified new research possibilities.

Source: S-Labs

Efficiencies from shared use of research equipment

The Biosciences Technology Facility at the University of York is an example of shared use of equipment within a university to achieve efficiencies through better utilisation. Academics within the department buy time on the facility through their grants as direct costs.

The cost model is easily adapted to providing services to external academic and non-academic users, and approximately 25% of the facility’s work is derived from external sources.

In addition to efficiency advantages, the scale of the Technology Facility and the diversity of research problems it is equipped to address makes it a desirable beta testing site for the latest laboratory equipment. The department has excellent relationships with major equipment manufacturers and is able to source cutting edge products at competitive prices and often on long-term loan.

Source: UUK

Sustainability and volume

The Wakeham report reiterated the principle behind the introduction of full economic costing, which was that volume should remain broadly the same unless further growth was sustainably funded. Using TRAC and other available data the Wakeham report undertook to analyse whether volume has indeed remained constant. Overall this analysis found that there was no cause for concern and that volume had not been growing in any significant way. Analysis indicates that there continues to be a steady state in terms of volume growth, which does not raise significant cause for concern in terms of the sustainability of the research base and effective use of public funding.

Reorganisation for Sustainability

The Reorganisation for Sustainability project at Queen Margaret University delivered a reduction in recurrent costs of £2.1 million.

The first phase involved a downsizing of the senior management team, followed by a comprehensive review of activities (including the teaching portfolio) and a refocusing of efforts towards three ‘flagship’ areas: Health & Rehabilitation, Sustainable Business, and Creativity & Culture. Wide involvement from staff and students was sought and obtained in this process.

Improvements were also delivered in income streams from non-public sources, and through the renegotiation of collaborative agreements with international partners. This led to a surplus of £1.7 million in 2011–12 (despite a reduction of 11% in core funding). 2011–12 also saw an increase of 19% in income from research and knowledge exchange activities, while costs continued to be tightly controlled. The university has also addressed its significant estates issues, which means that minimal amounts of capital expenditure will be required in the medium term. Although the financial outlook for universities remains challenging throughout the UK, QMU has managed to return to a financially sustainable position.

Source: UUK
While universities are not part of the public sector they receive significant levels of public funding, and many are affected by changes to public sector pension schemes. Allied to the rise in graduate contributions, pay, pensions and workforce change are areas of legitimate public interest. This chapter provides a short summary of the current position, recent developments and future challenges.

**Pay restraint**

Current pay determination arrangements in the sector are a hybrid of centralisation and devolution, allowing grading and conditions flexibility at a local level and pooled efficiency through voluntary collective pay negotiations on the annual increase to salaries. At present, 150 higher education institutions opt to take part in the collective negotiation on the annual uplift. The pay of senior staff, approximately 15% of the workforce, remains locally determined.

Government has repeatedly urged the sector to show pay restraint in light of ongoing austerity in the wider public sector.26 Since August 2008, the sector received a cumulative increase of 3.4% compared to inflation (CPI) of 15.2%. Pay as a proportion of expenditure has also fallen in recent years, from 56.8% in 2008–09 to 55.5% in 2011–12. The reduction in staff expenditure as a proportion of total expenditure is due to a range of factors, which include: workforce change; pay restraint; the effects of inflation on other items of expenditure; and the increased expenditure associated with cost of borrowing for infrastructure investment.

**Pension reform**

Substantial reforms have also been taking place at institutional level to self-administered trust schemes, and in the Superannuation Arrangements of the University of London (SAUL), which are open to support staff at pre-1992 universities. Research indicates that many of these institutions have already implemented changes to their self-administered trusts (SATs) to try to reduce ongoing pension costs and associated employer risks; changes include moves to a career average or defined contribution benefit structure for future service and lump sum payments into the scheme to reduce past service deficits.

The higher education sector reached an agreement on reforms to the Universities Superannuation Scheme (USS) in 2011 in the interests of scheme sustainability and affordability for employers and employees. We are now embarking on a process to understand the further options available to manage costs and risk for USS ahead of the next triennial valuation in March 2014.

The costs associated with pensions remain a concern for many institutions, with no control available to the sector in relation to the public sector schemes in which they are required to participate. Issues of concern include taking on board the employer costs from National Insurance increases in 2016, upcoming valuations of the public schemes and increasing take-up through auto enrolment.

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26 See for example Higher education funding 2011/12 (paragraph 22) and Higher education funding 2012/13 (paragraph 18), both available at https://www.hefce.ac.uk/whatwedo/invest/institns/annallocns/govletter/
Workforce change

There have been considerable changes to the workforce taking place in higher education institutions in recent years. These have been driven not only by the fiscal environment, but also in response to the new funding arrangements and as a result of universities refocusing their missions. Between January and December 2011, 6,052 redundancies and severances were reported in survey responses from 97 institutions. The 2013 UCEA Workforce Survey indicated that 88% of respondents had reported redundancies and severances (totalling over 3,000 posts) in 2011–12.

The survey also found that 91% of responding institutions have taken one or more of a range of other measures to reduce staffing costs. The most common initiatives to reduce staff costs have been: to reduce agency staff (62.8% of institutions); to introduce salary sacrifice schemes (52.3%); to improve absence management (50%); and to implement process and system improvements (44.2%).

The One University Administration project

The One University Administration (OUA) project was the biggest organisational development project ever undertaken at the University of the West of England, Bristol. The aim was to centralise professional services and review professional processes to make them simpler, easier and quicker to administer, reducing staff costs by 25%. The project covered student services, academic registry, marketing, admissions, international recruitment, research and business innovation, business support and faculty-based elements of finance and HR.

Staff numbers were reduced by 100 FTE with no compulsory redundancies. This has helped to deliver annual savings of £2.75 million, with one-off implementation costs of approximately £2 million. In addition to the cost savings, all major administrative processes were reviewed and simplified business processes introduced. This gave a better, more customer-focused service with improved connectivity and less duplication. This has, in turn, meant better, more responsive services for students. The project also supported the university’s ‘investing for future growth’ strategy, which focuses on reducing operating costs by 25% to enable reinvestment in the student experience.

Management of academic workloads

Academic managers across Nottingham Trent University were consulted on a Managing Academic Workloads Framework and Planning Tool. The Framework sets out the elements of the academic contract of employment associated with workloads. Formal consultation with trade union and employee representatives was carried out in a special sub-group of the Employee Consultation and Information Forum. The outcome was a new Planning Tool which was implemented across the academic teams.

Implementation of the Framework and Planning Tool has led to a reduction in the number of enquiries from staff about comparative workloads. Savings delivered by reducing ‘over contract’ payments (£500,000) and use of ‘casual’ staff (£1.5 million) have been very significant. The data-driven approach also provides comprehensive (and current) information about the amount of staff resource allocated to activities, with this better understanding of areas of need enabling the university to support initiatives that require academic staffing resource.

Source: UHR
Our universities have consistently demonstrated their ability to adapt and to deliver efficiency and value for money while continuing to excel as world class providers of teaching, learning and research. The progress made by the sector over the last decade – and not just since 2011 – is to be applauded.

However, it is clear that the challenges presented by austerity are set to be with us for many years to come. Pressure on resources will continue into the next parliament, and universities will need to demonstrate – more than ever – that they deliver real value from the investment they receive from government and graduate contributions. As a sector, there is a need to start thinking about efficiency in a different way. This is not just about delivering savings, but about securing the future of a world class sector. We need to be thinking in terms of building a smarter, stronger sector, one that makes the very best use of resources by exploiting the invaluable innovation and critical thinking on which our universities are built.

Important questions will be asked of us over the next few years, and we must be ready to provide the answers. For example, how can we:

- build on the excellent work around asset-sharing and disseminate the benefits across the sector?
- improve space utilisation while communicating the uniqueness of the demands we face?
- ensure that the higher education workforce remains ahead of the game?
- build on the work set in train by the Wakeham review to ensure that research funding remains both efficient and sustainable?
- monitor and quantify our achievements, and communicate these effectively to students, to government and to the wider public?

In 2011, the work set in train by Professor Sir Ian Diamond demonstrated that our universities were ready to take the lead on efficiency and value for money. We need to continue on this path. Over the next year, Universities UK will be coordinating work with stakeholders from across the sector to identify the major challenges we face, and to explore the opportunities for leading a smarter, stronger sector. In doing so, we can help to ensure that our universities remain among the very best on the global stage.
### ANNEXE A: IMPLEMENTATION PLAN

<table>
<thead>
<tr>
<th>Programme</th>
<th>Workstream</th>
<th>Project</th>
<th>Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Leadership, implementation and monitoring</td>
<td>1a</td>
<td>Managing change in universities</td>
<td>LDPs will produce a framework of resources that HE leaders can use to manage change. The group will identify gaps in provision and make recommendations for further action.</td>
</tr>
<tr>
<td></td>
<td>1b</td>
<td>Supporting implementation: pilot projects, case studies and guidance</td>
<td>Professional bodies engaged with the Task Group to produce short action plans identifying priorities and outlining how the Diamond recommendations can be applied in their areas.</td>
</tr>
<tr>
<td></td>
<td>All</td>
<td>Supporting best practice: case studies and guidance</td>
<td>LDPs will draw on their existing expertise and resources to identify case studies and best practice relating to process improvement, shared services and outsourcing.</td>
</tr>
<tr>
<td></td>
<td>1c</td>
<td>Dissemination and evaluation</td>
<td>LDPs should work to identify opportunities for extending recommendations into areas of academic practice and delivery. RCUK and UUK will address efficiency in research.</td>
</tr>
<tr>
<td></td>
<td>2a</td>
<td>Data and benchmarking to support efficiency</td>
<td>This substantial project will have three objectives: (1) to create better and more appropriate data for universities to use; (2) to create a benchmarking framework that will support efficiency in operational areas; and (3) to improve the quality of high-level data on costs in higher education that is publicly available.</td>
</tr>
<tr>
<td></td>
<td>2b</td>
<td>A framework for commodity costs</td>
<td>LDPs will develop a coordinated approach to commodity costs across the HE sector. This framework will support more effective benchmarking and procurement.</td>
</tr>
<tr>
<td>2. Data, benchmarking and costs</td>
<td>3</td>
<td>Regulation and the efficiency agenda</td>
<td>The LDPs will work with BIS to clarify the status of graduate contributions as public funding. Guidance and recommendations may follow subject to the outcome.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Clarification on graduate contributions and public funding</td>
<td>The LDPs will coordinate activity to give universities a better understanding of costs and support more efficient working.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Producing an estimate of the costs of regulation in HE</td>
<td>HEBG will produce an estimate of the costs of regulation in HE. This work can then be used to make recommendations for action.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Understanding the implications of the VAT cost sharing exemption</td>
<td>The LDPs will coordinate work to interpret HMRC guidance on the VAT Cost Sharing Exemption, to identify opportunities for use and to support implementation.</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>Providing guidance on competition law for universities</td>
<td>UUK will commission legal advice on competition law, with particular guidance on shared services and sharing data. This will be disseminated throughout the sector.</td>
</tr>
<tr>
<td>3. Regulation</td>
<td>4a</td>
<td>Strategic leadership in procurement</td>
<td>A high level group will be convened to lead strategic change in HE procurement.</td>
</tr>
<tr>
<td></td>
<td>4b</td>
<td>Towards better collaborative procurement</td>
<td>Procurement UK will develop a strategy for delivering more effective and joined up procurement and moving the sector towards the 30% collaborative procurement target.</td>
</tr>
<tr>
<td></td>
<td>4c</td>
<td>Improving capability and capacity in procurement</td>
<td>Procurement UK will develop a mechanism for evaluating progress against the 30% collaborative procurement target, and commit to reporting against this.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Establishing the Academy for HE Procurement</td>
<td>A coordinated programme of education, training and guidance will be developed and tailored to the needs of universities. This will enhance in-house capacity in procurement.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Extending procurement capability and capacity assessments</td>
<td>Capability and capacity assessments available to the sector will be extended to increase the effectiveness of university procurement functions.</td>
</tr>
</tbody>
</table>

* LDPs = Lead Delivery Partners
### ANNEXE B: SUMMARY OF PROGRESS

<table>
<thead>
<tr>
<th>Thematic area</th>
<th>Recs</th>
<th>Summary</th>
<th>Progress</th>
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</table>
| Data and benchmarking             | 1, 2, 10 | The sector should develop better data and a more coordinated approach to operational cost benchmarking. Improvements to the available public data should be made. Better approaches to costing ICT services to support new approaches are needed. | • UUK-led project on operational cost benchmarking initiated in 2012  
• Survey of appetite and practices commissioned and received, February 2013  
• Taxonomy of core business processes suitable for benchmarking is currently being identified – to report in January 2014  
• Jisc and Janet have developed cost benchmarking approaches to IT costs |
| Process improvement               | 3, 4, 5 | Institutional leaders should prioritise streamlining internal processes, take a long-term strategic view of measures to deliver efficiency and cost-savings, and develop robust business plans for transformational activities. | • Process improvement the major focus of efficiency and value for money initiatives reported by universities |
| Shared services and outsourcing    | 7, 8, 9, 11 | Institutional leaders should consider the role that outsourcing can play in delivering efficiencies and improving services, while the necessary skills for managing such relationships need to be developed in the HE sector. Shared services could play an important role in supporting greater efficiency. Universities should consider the options presented by partnerships within the HE sector and beyond. Advice and guidance on how shared services might be developed, and in what areas, is needed. | • Government implemented the VAT cost sharing exemption in the 2011 Autumn Statement and HE stakeholders engaged with HMRC consultation  
• HEFCE and BUFDG have developed guidance on how the cost sharing exemption can be interpreted and used by universities  
• Organisations evaluating the utility of the cost sharing exemption and developing the first working models |
| Procurement                       | 12   | Procurement in the HE sector needs to achieve more. Strategic leadership is required, with a view to delivering improvements in percentage of non-pay spend addressed through collaborative frameworks. Better coordination between regional consortia in England is needed, and an organisation to deliver skills training and guidance on better procurement is needed. The sector was set the target of addressing 30% of non-pay-spend through collaborative agreements by 2016. | • Process improvement the major focus of efficiency and value for money initiatives reported by universities |
| Sharing good practice             | 6    | Key stakeholders should develop a centralised, web-based repository to provide information on efficiency and modernisation, and to share best practice. | • The Efficiency Exchange has been developed and is now live  
• Efficiency in Higher Education conference and Efficiency Exchange workshops to support dissemination of best practice |
| Regulation                        | 13, 14, 15 | The government should clarify the proportion of graduate contributions that will be classified as ‘public’ funding. An estimate of the costs of regulation should be developed to inform changes to the regulatory landscape, and the sector should actively engage with scrutiny of Freedom of Information legislation. | • The government confirmed that institutions would need to take advice on a case-by-case basis re: the status of contributions  
• HEBRG has undertaken a research programme evaluating the costs and benefits of regulation, focusing on Tier 4 compliance  
• UUK worked with sector stakeholders to engage with the post-legislative scrutiny process |
| Monitoring and future development | 16, 17 | A monitoring and oversight panel should be created to evaluate progress in the sector, and to set new objectives and targets. The panel will report on progress and advise on future policy development. Work should be taken forward to explore the opportunities and challenges presented by addressing efficiency and effectiveness in academic processes and practice. | • New oversight panel established  
• Evidence base used to inform UUK submissions to the 2013 Spending Round  
• Scoping work on academic processes has been undertaken by the Leadership Foundation |
Where next?

Enabling a smarter, stronger sector:

Working for a smarter, stronger sector:

Efficiency and effectiveness in higher education progress report
This publication has been produced by Universities UK, the representative organisation for the UK’s universities. Founded in 1918, its mission is to be the definitive voice for all universities in the UK, providing high quality leadership and support to its members to promote a successful and diverse higher education sector. With 132 members and offices in London, Cardiff and Edinburgh, it promotes the strength and success of UK universities nationally and internationally.

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